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**EXECUTIVE SUMMARY:
STUDY TO DEVELOP A VALUE CHAIN STRATEGY FOR
SUSTAINABLE DEVELOPMENT AND GROWTH OF
ORGANIC AGRICULTURE**

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**Institute of
Natural Resources**

P O Box 100396

Scottsville, 3209

Telephone: 033 – 3460796

Fax: 033 – 3460895

E-mail inr@ukzn.ac.za

1. Introduction

During the last decade, the organic agriculture sector has experienced rapid growth worldwide. Today, over 31 million hectares are currently managed organically, and certified as such, in approximately 120 countries and involving at least 623 174 farms. In relation to this, Africa has the smallest area certified organic - 1.3%, indicating that there are opportunities for expansion for certified organic agriculture in Africa. Associated with this growth has been an increasing body of research that has shown organic agricultural production systems to provide a range of environmental, social and health benefits for both producers and consumers.

The international growth of organic agriculture is not necessarily reflected in South Africa and other African countries. Consequently, a study was commissioned by the Department of Trade and Industry in partnership with the National Department of Agriculture to investigate organic agriculture and develop strategies to support the development of the sector in South Africa.

The methodological approach used in undertaking this study included an extensive literature review, primary research and strategy development based on research results and multistakeholder workshops.

Organic farming (also known as ecological or biological farming) is commonly recognised as a farming system that excludes the use of synthetic fertilisers and pesticides, but also includes holistic management of a system of agricultural production based on ecological principles.

2. Supply and Demand for organic produce

Demand for organic produce is driven primarily by Health, Food Safety, Environmental and Social concerns. Demand exceeds supply at a local and international level, which contributes to price premiums received by organic farmers.

In terms of production (supply) in South Africa, there are at least 279 certified organic producers, although it is probable that this number is well in excess of three hundred. One hundred producers responded to a survey conducted during the study, revealing key information (Table 1).

Table 1: Production information from farmer survey

	Results of Survey (R)	Estimated Value of Organic Production in South Africa (R) ¹
Hectares Under Organic Production	8,434	25,300
Value of Local Organic Sales	84,000,000	252,000,000
Value of Export Organic Sales	75,000,000	225,000,000
Value of Organic Vegetable Sales	67,000,000	201,000,000
Value of Organic Fruit sales	65,000,000	195,000,000
Value of Organic Grapes sales	10,000,000	30,000,000
Value of Organic Tea sales	1,000,000	3,000,000

¹ Estimated value extrapolated from the 100 respondents to a conservative estimate of 300 certified producers in South Africa (i.e. multiplied by three).

3. Benefits Associated with Organic Agriculture

It is not clear, from a purely financial perspective, whether organic farming has an advantage over conventional production. However, when environmental, social and health benefits are considered, organic systems of production show a number of distinct advantages.

The environmental benefits of organic agriculture are significant and include lower levels of pollution, improved farm biodiversity and water use efficiency. In addition, the management of the soil reduces the energy requirements for production, which results in cost savings as well as reduced carbon emissions. These benefits are in addition to the increased carbon storage capacity of soils under organic management.

From a social perspective, the process of certification requires that farmers are taking measures to ensure that conditions of employment for their workers are acceptable. From a smallholder perspective, organic agriculture offers opportunities for improved food security through the use of local knowledge, reduced reliance on external inputs and reduced risk of crop failure.

In terms of human health, organic foods are more nutrient dense and there are lower concentrations of contaminants in foods. In addition, the risk of health problems associated with agrochemical use is removed in organic agricultural systems. For smallholder farmers producing for their own needs, the diversity of crops associated with organic production systems also allows for improved nutrition.

4. Certification

Organic certification is a process that ensures that producers and consumers are provided with product assurance. The need for certification arose out of the recognition that with the expansion of "organic" production, the direct relationship of trust between the producer and consumer was being lost. Many certification bodies offer services in developing countries, eight of these offer certification services in South Africa.

Certification systems comprise two key components:

- A set of principles, criteria, standards and guidelines against which a product is certified.
- A reporting or monitoring mechanism that assures the market that the product has been produced according to the certification principles.

Organic certification is based on standards, which are used to establish an agreement within organic agriculture about what an "organic" claim on a product means. The international organic market is comprised of numerous different standards. Standards for organic production in South Africa are being developed, but have not yet been promulgated.

Certification is usually applied to an individual or a single company that produces trades or exports organic goods. Two additional certification systems are available to provide certification to groups and are of relevance to small and emerging farmer development in South Africa:

- Group Certification with Internal Control Systems (ICS) – this is a *third party* system for the certification of smallholder producer groups, where they monitor their own performance, and are monitored through the inspection of a representative sample of smallholders.
- Participatory Guarantee Systems (PGS) – is a *first party* certification system. Here producers groups agree to a given set of standards, but monitor themselves for compliance. This system has been very successful in supporting small farmer development in South America and India, where they are producing for local sales. PGS systems offer great opportunities for the support and development of emerging farmers in South Africa.

5. Relevance of Organic Agriculture to Selected Socio-Economic Principles and Policies in South Africa

Ubuntu, the African Renaissance and NEPAD have in their principles and practice a high degree of convergence with the principles of organic agriculture, particularly in terms of achieving sustainable, people-centred, socio-economic development, the reduction of poverty and the promotion of equality and diversification. These principles also recognise the interdependence between people.

The study investigated the AgriBEE charter and found opportunities related to the seven key elements of BBBEE (viz Ownership, Management Control, Equity, Skills, Preferential Procurement, Enterprise Development and Corporate Social Investment). In terms of these elements, the study found the following to be particularly relevant to the organic sector:

- Ownership – there are opportunities for small family-owned farms to engage in organic production for local markets, with the possibility of cooperative groups pooling resources to access larger markets.
- Management and Equity – there are opportunities for joint ventures between farmers and farm workers, partnerships with emerging farmers as well as the use of incentives and training to enhance management roles of farm employees in agricultural enterprises.
- Preferential Procurement – there are opportunities to encourage retailers to procure from emerging / small scale farmers.

A review of food security studies showed that while conventional farmers converting to organic agriculture did experience slight drops in overall farm production, small holder farmers with limited access to inputs actually increased production on the farm when converting to organic production. In addition, there are nutritional and health benefits associated with the consumption of organic foods, arising from a more varied diet, higher concentrations of micronutrients, more nutrient dense foods and a reduction in the presence of harmful pesticides.

6. Support required for the sector

The study revealed a need for skills development and research to be undertaken in order to support knowledge creation and learning to strengthen the sector in South Africa, summarised as follows:

Training and Skills Development

Skills development at all levels was identified as a key factor to support the growth of the organic sector. Skills development should target not only farmers, but institutions supporting agriculture (Departments of Agriculture and extension services, education and training institutions, research organisations, etc.). The following areas to support training and skills development are recommended:

- Focus on agricultural sciences at school level (promoting agriculture as a *science*).
- Tertiary institutions to develop degrees in organic agriculture, with post-graduate programmes.
- Short courses on organic systems targeted for specific commodity groups.
- Skills development programmes through AgriSETA and training service providers.

In terms of skills development, other support required for the sector includes:

- Extensive retraining of agricultural extension workers.
- Training programmes targeting land reform beneficiaries.
- Establishment of mentorship programmes – many farmers indicated a willingness to support mentorship programmes.
- Internships and apprenticeships – including placing promising young farmers on mentorship programmes with established organic farmers.

Research

Research is also fundamental to the growth of the sector and programmes to support this are urgently required. Recommended interventions related to research include:

- Encourage / mandate research institutions to engage in organic research.
- Establish research partnerships with other countries with well developed organic programmes.
- Utilise research farms for organic research and training.
- Tertiary institutions to develop research and training programmes in organic agriculture.

7. Strategy

Based on feedback from stakeholders and issues identified during the research phase, a comprehensive strategy to support the growth and development of organic production in South Africa was compiled.

The Vision for Organic Agriculture

“A vibrant, cooperative and credible organic community providing valuable services to the environment and society and providing healthy food for local and international markets”

To contribute to achieving this vision, five goals were identified:

Goal 1: *The provision by government of the appropriate support and regulatory environment to enhance sector growth*

Goal 2: *A representative sector body driving the development of organic agriculture in South Africa.*

Goal 3: *The support and development of aspirant producers*

Goal 4: *Set clear market objectives for organic agriculture in South Africa and abroad*

Goal 5: *To maximise of the benefits of organic agriculture to the environment and society*

The identified goals have been placed into a strategic framework to facilitate implementation. The key elements of the framework are described below.

The provision by government of the appropriate support and regulatory environment to enhance industry growth

The role of central government in creating a policy and regulatory environment that supports the growth of organic agriculture is highlighted here. Finalisation of the organic standards was identified as the highest priority in terms of legislative issues, but revision of other legislation to reflect the recognition of organic agriculture is also required. It is also necessary to develop a clear policy on organic agriculture. This should be linked to a code of conduct to reduce distrust, raise the profile of the organic sector and to set benchmarks for the integrity and branding of the sector.

To achieve these and other objectives identified in the strategy, it is recommended that a National Organic Commission be established. This would consist primarily of government departments and state institutions (e.g. Agricultural Research Council). The purpose of the commission would be to enhance intergovernmental and interdepartmental cooperation, promote local policy coherence and

represent government when engaging organic sector stakeholders. The commission should also be instrumental in investigating the potential for fiscal incentives for organic farmers. The environmental fiscal reform policies being developed by treasury do allow for this. It is recommended that the state work closely with sector body, Organics South Africa, to achieve these objectives.

A representative sector body driving the development of organic agriculture in South Africa

An effective and inclusive sector body has been identified by many stakeholders as the key to coordinated and sustained growth of organic agriculture in South Africa. Stakeholders are divided on the question of whether to establish a new industry body or to reinvent Organics South Africa (OSA). It is recommended that OSA remains as the representative association for the organic sector, but it requires restructuring and funding support to revitalise its role.

The sector body must be recognised at a national level, represent the interests of all players in the organic sector and must be supported by a wide spectrum of stakeholders. While funding from membership fees and the provision of services is the long-term goal, initial funding support will need to be secured for consultation with stakeholders and to operationalise OSA. The industry body should be responsible for directing and articulating:

- The nature of education and awareness programmes required by raising awareness and educating various public and private sectors.
- The focus of training initiatives in terms of secondary and tertiary training institutions, skills development programmes, extension and mentorship.
- The focus of research initiatives, for example, market development, best practices for production and sustainable management of natural resources.

Obviously, the industry body would not be responsible for implementing these key programmes, but as a body representing its constituents and working with government, it is in a position to provide direction for such programmes.

The support and development of aspirant producers

Support for aspirant producers should be provided through programmes that address three key areas:

- The identification and unlocking of key constraints to emerging farmers.
- The provision of production-based extension and training programmes for aspirant producers.
- The implementation of intermediary organic guarantee mechanisms (such as participatory guarantee systems) to assist producers in the organic sector at entry level.

Many of the constraints faced by emerging producers are general to agriculture, such as access to financial resources, rural infrastructure and land tenure. However, there are some constraints that

are specific to organic production, such as certification and record-keeping, organic production methods and the lack of enabling policies.

Targeted support is necessary to improve emerging farmers' participation in the organic sector and should include the development of partnerships with commercial farmers to support skills transfer. Mentorship and apprenticeship programmes for young farmers should be supported and pursued. Farmers who have sufficient skills should be supported to access finance and markets for their produce. Finally, it is critical that state extension support is capacitated at all levels to support and transfer skills in organic production, for both commercial and subsistence producers.

Set clear market objectives for organic agriculture in South Africa and abroad

By setting local market objectives, the consumption by, and production for, local markets can be enhanced. This can be achieved through establishing a brand for South African organic produce, with a clearly identifiable mark such as the one currently used by Organics South Africa. A brand for organic produce will enhance consumer confidence in organics, create an opportunity for consumer education, demonstrate a unified sector and provide a mark around which the industry can rally.

In terms of foreign markets, **thedti** has a number of initiatives to support export market development such as export councils and working groups. There also exists a significant opportunity for South Africa to act as a regional hub for organic produce. Linked to this is the opportunity for the expansion of the organic standard into southern African countries to create a regional standard for organic production. In terms of promoting local production, the support by OSA (and its constituents / members) of the initiatives listed above will be critical in achieving enhanced production, especially education, research and awareness creation.

Maximisation of the benefits of organic agriculture to the environment and society

In addition to the economic opportunities associated with the growth of the organic sector, there are also social and environmental benefits which should be pursued. In terms of social development, the strategy has identified opportunities for organic agriculture to contribute to national social objectives, such as poverty reduction, land reform, AgriBEE targets and household food security. Food security is becoming increasingly relevant in the context of rising fuel, input and food costs. Locally relevant production methodologies can enhance food security and food sovereignty at a household level.

The environmental goods and services provided by organic production are also recognised in the strategy. The need for fiscal incentives for more sustainable agricultural production systems, particularly in areas which are severely degraded, is highlighted.

8. Conclusion

Organic agriculture has experienced remarkable growth in the last twenty years, being driven on one hand by growing consumer awareness of environmental and social issues related to the production of food and on the other hand by producers who are increasingly concerned about the environment from which they derive a living, degradation of resources, farm worker health and costs of inputs. There are limitations to wider adoption of organic agricultural practices, particularly in developing countries, such as poor infrastructure, lack of government support, lack of technical knowledge, and stringent management requirements such as record-keeping.

The strategy developed through this initiative seeks to create an environment conducive to cooperation and the establishment of partnerships to grow all aspects of the organic sector in order to benefit the local environment as well as to access export markets. The two key elements of the strategy that are critical and which will create the enabling environment from which other recommendations in the strategy can be rolled out are: (1) the establishment of an effective and inclusive sector body with broad based support and (2) a clear and inclusive policy and regulatory environment. These elements should be the primary focus in terms of implementing the strategy.