

THE Organic REPORT

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EQUIVALENCY: THE CASE FOR ORGANIC FREE TRADE

Special for The Organic Report
by *Sophia Twarog*

While equivalency negotiations between the United States and European Union stalled in 2005 with no final agreement in place, 2008 finds us with a better grasp of the realities of the global organic marketplace. As more of the world's countries establish their own mandatory regulated and private sector organic standards, labeling requirements and conformity assessments, and as we face global supply pressures due to continued market expansion, it is increasingly difficult to source ingredients or ship goods to the markets you sell to. Minor variations in organic standards and conformity assessment systems can become major barriers to trade.

It's time to revisit how we trade with each other. Trade in organic agricultural products should be based on international organic standards (Codex Alimentarius Guidelines and IFOAM Basic Standards), and equivalency of organic standards and



Photo: Theresa Richards

A herd of Galloway cattle enjoy organic pastures overlooking the coastline of the Annapolis Valley region in Nova Scotia, Canada.

conformity assessment. We should accept that organic production standards will, and indeed should, vary as each is tailored to local conditions. In short, expect the best, but don't force the entire world to be like you.

Canada and the United States currently are in the midst of organic equivalency negotiations, which could formalize and strengthen the

existing relationship between these major trading partners. Meanwhile, Canada is also in discussions with the European Union and Japan, two important markets that see value in Canadian commodities and value-added goods, and, in the case of Europe, a significant growth market for its exports.

Canada and the United States can easily remove most of their technical barriers to organic trade with each other, at the very least to move towards a more integrated North American organic market. From a "hard-headed" economist's position, not accepting minor variations in organic standards and conformity assessment systems for the purpose of imports doesn't make sense. These barriers serve little purpose that cannot be achieved in a more effective manner. Economists call these "dead weight losses."

International equivalency and recognition arrangements and agreements are, without doubt, key



OTA names new executive director

On Sept. 22, Christine Bushway became the new Executive Director of OTA. Having grown up in southern New Hampshire, about 30 miles north of OTA's Greenfield headquarters, she expects to relocate to the area within the next year. "The move takes me back to my roots and a large extended family and friends," said Bushway, who currently resides in Alexandria, VA, with her 9-year-old daughter, a Shetland sheepdog and her daughter's dwarf hamster.

Bushway graduated from the University of New Hampshire with a Bachelors of Science from the College of Life Science and Agriculture. Her career has been spent working in the food and agriculture industries. She has held leadership positions including agricultural trade association chief

Continued on Page 6

Continued on Page 4



EQUIVALENCY

Continued from Page 1

to meeting ever-increasing North American consumer demand for processed organic products and maintaining overall vibrant organic sales.

THE PROBLEM

Rapid growth of organic markets presents promising opportunities for producers, processors, traders, certifiers, retailers and consumers of organic products. Discussions in a number of forums, including the United Nations Conference on Trade and Development (UNCTAD), the Food and Agriculture Organization of the United Nations (FAO) and the International Federation of Organic Agriculture Movements (IFOAM), have indicated that the plethora of certification requirements and regulations are a major, if not the key, obstacle for continuous and rapid development of the organic sector. This is especially the case for producers in developing countries. The organic market is confronted with hundreds of private sector standards and governmental regulations, two international standards for organic agriculture (Codex Alimentarius and IFOAM) and a host of conformity assessment and accreditation systems. Mutual recognition and equivalency among these systems is extremely limited. Lack of co-operation and “harmony” is a central problem.

To service their clientele, certifying bodies often must obtain a number of costly accreditations. Producers interested in selling in more than one market, or even in more than one supermarket in a market, must bear the high costs of multiple certifications. In most markets, it is not enough to simply meet the government regulations; producers must also meet the specific requirements of the private organic standard whose associated label is used by a particular retailer or recognized

by consumers in that market. For developing country producers and exporters, this exercise may be even more costly as they are often required to bring in foreign inspectors to carry out the certification.

UNDERSTANDING THE PROBLEM

Sharing great concern over the problems outlined above, IFOAM, FAO and UNCTAD in 2001 joined forces to search for solutions. The three organizations have complementary areas of competence that are central to the problem: IFOAM in organic agriculture, FAO in agriculture in general and food security, and UNCTAD in trade and development.

The three organizations agree that harmonization, mutual recognition and equivalence in the organic sector offer the only viable solution to the problem.

Accordingly, they jointly organized The Conference on International Harmonization and Equivalence in Organic Agriculture in Nuremberg, Germany, in February 2002. This event was the first of its kind, where the partnership between the private organic community and United Nations institutions offered a forum for public and private discussions. The 210 participants came from 52 countries, including 42 government representatives, as well as producers, certifiers, accreditors, traders, retailers, consumers and international organizations involved in organic agriculture.

The conference recommended that a multi-stakeholder task force be established to produce practical proposals and solutions. In response, the FAO-IFOAM-UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) was launched in February 2003. ITF consists of government, intergovernmental agencies and key private sector stakeholders. It serves as a platform for public-private sector dialogue, analysis and solution seeking. Its goal is to remove technical barriers to organic

trade, with special consideration given to increasing the market access for developing countries.

ITF agreed that solutions should support the continued growth of organic agriculture and maintain its principles. They should fulfill the additional criteria of: benefits to both producers and consumers; respect for national sovereignty; access to all markets with minimal bureaucracy; fair competition; adherence to fair trade practices; consumer protection; context-sensitivity; stakeholder support and participation; market choice; and transparency.

Very timely for the current negotiations, ITF launched two tools in support of equivalency on Oct. 7, 2008, in Geneva on the occasion of the eighth and final meeting of ITF in its current incarnation. These are:

- A set of essential International Requirements for Organic Certification Bodies (IROCB) as a basis for equivalence and future harmonization;
- EquiTool—the Guide for Equivalence in Organic Agriculture designed to support governments and other actors in their efforts to ensure a transparent, rigorous, logical and predictable approach to judging equivalence of other organic standards.

Canada and the United States are encouraged to make use of these tools and ITF recommendations. For more information on ITF and its specific recommendations, see the accompanying article on Page 6.

PIONEERING THE FUTURE

As in other sectors, organic standards, conformity assessment requirements and import regulations can act as technical barriers to trade. This wall of technical barriers does seem to protect some domestic organic producers. However, I would argue that it hurts them more. UNCTAD did research on this issue and found that organic imports are good for domestic organic producers because they grow the entire organic market.

Vibrant growth attracts more consumers and enhances continuity in the supply of organic products on market shelves. In Canada and the United States, as in almost every developed country around the globe, the single biggest constraint on sales growth is shortage of consistent supply.

At a 2007 Soil Association meeting, a leading United Kingdom supermarket organic manager said that a two-week break in supply of an organic product is enough to lose a large segment of the consumers who purchase that product.

That's why North America should urgently and immediately take steps to liberalize trade in organic agricultural products. It can open its organic markets by removing and preventing unnecessary and even harmful technical barriers to organic trade. It can do this by recognizing and allowing, for imported organic products, reasonable and sensible variations in organic production and processing standards as well as effective conformity assessments systems (accreditation/approval plus certification).

Organic consumers would be able to easily identify and have access to an increasingly affordable and exciting range of fresh and processed organic products. This attracts new organic consumers. As the markets grow, high friction costs and logistical inefficiencies are reduced as quantities increase, economies of scale come into play, knowledge and experience are gained, short and long supply chains are developed and maintained, and trust is built along the chain through stable relationships.

It is in the United States and Canada's comparative advantage to dare to be pioneers and unilaterally declare acceptance of imports based on clear and rigorous criteria both in terms of standards and conformity assessment.

The organic standard and conformity assessment systems of both the United States and European Union would meet Canada's criteria and should be

approved. Any products meeting all their requirements, regardless of country of origin of every ingredient, should be permitted free access to the Canadian and American organic market under a single national organic seal. This mark or seal will allow buyers (consumers and processors) to easily identify organic products.

North American organic operators will still have a great competitive advantage over foreign suppliers: they can market their products as

- "made in" Canada or the USA, using regulated designations or labels which identify and promote domestic production;
- local products, most easily communicated by signs above local products at point of final sale. However, common understanding of the definition of a local product is first needed.

Consumers of both organic and non-organic products are attracted by these characteristics.

Moreover, trade openness fosters competitiveness. Hiding behind trade barriers is, in essence, a choice to swim in a fish bowl instead of plunging into the ocean. North America has many products that can and are being successfully marketed overseas. The first rule of trade economics is to focus on doing what you are best at, let the others do what they are best at, and everyone gains.

GETTING IT RIGHT

Working at the United Nations offers a bird's eye view of regulatory choices and their consequences. ITF, UNCTAD and the United Nations Economic Commission for Europe (UNECE) work has drawn out lessons on best practices for organic regulations.

An organic regulation has several components:

- **Reference to an organic production and processing standard.** This should ideally be maintained and updated on an as-needed basis by a national public-private sector technical body under the oversight of the government and with strong involvement of the

UNCTAD'S WORK IN BRIEF

The U.N. Conference on Trade and Development (UNCTAD) works on organic agriculture because it is a promising "triple win" opportunity—a win for development, a win for environment and a win for trade (see the UNCTAD Trade and Environment Review 2006 for an overview). It works on promoting production and trade in organic products in East Africa, with partners including the United Nations Environment Programme (UNEP), International Federation of Organic Agriculture Movements (IFOAM) and the International Trade Center (ITC) and East African Team members in the East African countries and beyond. These together facilitated the development of the East African Organic Products Standard—a rare example of true harmonization of organic standards. UNCTAD also partners with IFOAM and FAO in steering the ITF.

organic sector. Thus, the technical organic production standard can be updated as needed without involving congress each time—a resource-absorbing (and wasteful) process.

- **Rules governing organic markets.** This covers such things as labeling specifications, and percentages of ingredients to be labeled 100 percent organic or organic.
- **Rules governing imported organic products.** Beyond standards and conformity assessment issues, this section would mention any additional procedures for organic products, including at-border measures. It is recommended not to add additional at-border measures for organic agricultural products. Recall that organic products are subject to the same stringent public and private sector food safety requirements as conventional products. Indeed, as

Continued on Page 6



EQUIVALENCY

Continued from Page 3

synthetic agro-chemicals are prohibited in organic production and processing, these products perform exceptionally well in meeting maximum residual limits (MRLs), a key component of food safety requirements.

Organic agricultural products are additionally covered by other regulations, including those aimed at preventing fraud in the marketplace, intellectual property regimes including geographical indications and marks, contract law, and trade regimes. Economic best practice is to match the goal and the tool as closely as possible.

It is recommended to use the organic regulation solely to guarantee the organic integrity of organic products. Let the other regulations do what they are supposed to do.

Note: Sections of this article are taken from “The ITF: FAO/IFOAM/UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture” by Sophia Twarog, published in *The World of Organic Agriculture 2008*, edited by Helga Willer, Minou Youssef-Menzler, and Neil Sorensen. The views in this article are those of the author and do not necessarily reflect the views of UNCTAD.



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Geneva. This past decade, her work has focused on trade and development aspects of organic agriculture and harnessing traditional knowledge and biodiversity for development.

Resources on harmonization and equivalency

The FAO-IFOAM-UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) was established to produce practical proposals and solutions for the problems of harmonization and equivalency in organic agriculture.

Canada and the United States are encouraged to make use of ITF tools (International Requirements for Organic Certification Bodies and EquiTool), and to follow ITF recommendations, including that:

- Countries make every effort to use ITF results to facilitate trade and to build or enhance the organic sector.
- Public-private participation be improved in decision-making for both international organic standards.
- Governments commit to using international standards as the reference point for import approvals.
- The International Requirements for Organic Certification Bodies (IROCB), being developed by ITF on the basis of ISO65 and the IFOAM Accreditation Criteria, be used when regulating imports and developing requirements for organic certification bodies.
- Governments and private accreditation systems develop mutual recognition, which will be based on IROCB.

- Equivalence of organic standards and technical regulations will be based on one set of criteria, which is being developed by ITF (EquiTool).
- Consideration is given to emerging alternatives to third-party certification, such as Participatory Guarantee Systems.

For more information on ITF proceedings and recommendations, see the following Background papers of the International Task Force on Harmonization and Equivalence in Organic Agriculture:

Volume 1, Harmonization and Equivalency in Organic Agriculture (2004)

Volume 2, Strategy on Solutions for Harmonizing International Regulation of Organic Agriculture (2006)

Volume 3, Harmonization and Equivalency in Organic Agriculture, (2007)

Volume 4, Harmonization and Equivalency in Organic Agriculture, (2008)

Also, *The World of Organic Agriculture: Statistics and Emerging Trends 2008*, published by IFOAM, SÖL, and FiBL, included chapters on recent ITF proceedings. □

NEW EXECUTIVE DIRECTOR, *Continued from Page 1*



executive officer and chief Washington lobbyist representing the egg industry, and served as spokesperson on television, radio and in print on issues ranging from nutrition to food contamination and production.

She has been a business owner, expanding her consulting business to a full service advertising, public relations and marketing strategies agency focused on food and agriculture clients and issues. Her clients have included the American Egg Board, the Pennsylvania Beef Council, Radlo Foods, the New England Brown Egg Council, Great River Cooperative, Texas Peanut Producers, Penn Ag Industries Association, the New Hampshire Apple Growers, and the New Hampshire Audubon Society.

Most recently, she served as Director of State Programs for the American Egg Board to enhance national promotion of the Incredible Edible Egg consumer awareness campaign. □