Part A:

Market of organic Coffee, Cocoa and Tea

1. Market for organic coffee

1.1 Production of Organic Coffee

1.1.1 World production of coffee

Coffee is grown in over 50 developing countries. Currently the coffee market is suffering from oversupply, with prices at a corresponding historic low. New producers, especially Vietnam, have embarked on major coffee production ventures, which have positively flooded the market. World production in 2001/2 is 114.5 million bags (6.87 million tonnes), whereas consumption stands at only 108 million bags (6.48 million tonnes). Added to this unsold stockpiles remain, which also depress the market.

In recent years coffee has developed from a luxury drink to a mass-market product. Countries with comparative cost disadvantages, especially the traditional small-scale structures of coffee production in Latin America (e.g. Colombia, Mexico) are worse affected by this development than large-scale producers in Vietnam or Brazil. 66% of world production is Arabica and 34% is Robusta.

Table 1: 10 largest exporters of green coffee beans in tonnes (ICO-members)

Country of export	1999	2000
Brazil	385,597	300,412
Vietnam	129,057	193,470
Colombia	166,594	152,923
Côte d'Ivoire	36,635	98,490
Mexico	72,627	88,395
Indonesia	84,410	86,559
Guatemala	78,006	80,771
India	60,211	74,778
Honduras	33,110	47,986
El Salvador	31,497	42,273
Rest of world	342,480	312,620
World total	**1,420,225**	**1,478,677**

Sources: ICO

1.1.2 World production of organic coffee

Coffee is one of the most important organic products exported by developing countries. It is produced mainly in Latin America. Countries already producing organic coffee are:

- Latin America: Bolivia, Brazil, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Peru, Trinidad and Tobago, Venezuela.
- Africa: Ethiopia, Kenya, Madagascar, Malawi, Tanzania, Togo, Uganda
- Asia: India, Indonesia, Papua New Guinea, Philippines, Sri Lanka

Organic coffee production first took off in those countries where producers lacked the resources to purchase agricultural inputs (fertilizers, pesticides). This applies most of all to places where small farmers are organized in cooperatives (Mexico, Colombia, etc.). For some long time large-scale intensive producers in Brazil, for example, showed no interest in organic production. Today this has changed: the high premiums for organic coffee are nudging increasing numbers of large-scale producers towards conversion.

Today, organic coffee is an important export for Mexico, Bolivia, Guatemala, Peru, Nicaragua, Tanzania, Brazil, Ethiopia, India and Madagascar. Production is mostly under an ecological agroforestry management system that creates a valuable alternative to deforestation. Several African countries, for example Uganda and Ethiopia, recently started organic coffee programmes.

Table 2 shows the global production capacity of organic coffee for export. For 2000, experts estimate this to be about 12,000 tonnes, and for 2001, about 30,000 tonnes. Roughly 50% of the world supply of organic coffee is produced by small farmers' organizations which are members of FLO-International (Fair Trade Labelling Organization). The other half of the world production is supplied by small farmers' organizations which are not FLO-registered although some are members of Fair Trade programmes, and by private small, medium and large-scale farmers not belonging to Fair Trade programmes.

Table 2: World production capacity of organic coffee in tonnes, 2001 (estimations)

	Total Organic	Other Fair Trade and non Fair Trade	FLO-registered Fair Trade Organic
Total	**30,000**	**15,000**	**15,000**

Source: FiBL

Unfortunately there are no global production statistics other than for FLO-registered production and a certain amount of data from organic certification companies. Therefore the figures in Table 2 are incomplete: they do not include figures for non-FLO-registered Fair Trade or for non-Fair-Trade organic coffee.

Moreover it should be pointed out that the production capacity of organic coffee does not correlate to the quantity of organic coffee actually exported, because the producers cannot necessarily sell the entire organic coffee harvest as organic, and instead market part of it conventionally.

Mexico is the largest producer of organic coffee

Mexico is one of the largest organic coffee producers in the world, with a total output of 86,250 60-kilo sacks for the two-year period 2000/2001. And in terms of acreage, coffee is Mexico's main organic product, which represents 66% of the total area under organic management. Organic coffee in Mexico is mostly harvested by small indigenous farmers and sold in the world's biggest supermarkets and coffee shops. Organic certification for Mexican coffee began in 1962 and organic Mexican coffee is consumed today in the United States, Germany, Switzerland, Japan, Italy, Denmark, Spain, France and Britain. According to the Mexican Coffee Council, the organic coffee growers are mostly indigenous farmers in Chiapas, Oaxaca, Veracruz and Guerrero states. Though the organic coffee trade represents just one percent of global sales of coffee beans, for the Mexican growers it returns healthy profits. Some 20,000 small farmers and their families benefit from the higher price commanded by their organic product.

Naturland Association is one of the most important promoters of organic coffee production in Latin America and its export to Europe. Naturland supports and certifies cooperatives and commercial farmers. More than 80% of certified Naturland coffee is produced by small-scale farmers

Table 3: FLO-registered Fair Trade Organic Coffee, in tonnes 2001

Country of export	FLO-registered Fair Trade Organic
Bolivia	780
Brazil	0
Cameroon	40
Colombia	445
Congo (Zaire)	0
Costa Rica	0
Cuba	0
Dominican Republic	25
Ecuador	175
El Salvador	515
Ethiopia	0
Guatemala	2,115
Haiti	0
Honduras	295
India	0
Indonesia	300
Madagascar	0
Malawi	0
Mexico	7,380
Nicaragua	250
Papua New Guinea	225
Peru	2,430
Philippines	0
Sri Lanka	0
Sumatra	0
Tanzania	0
Thailand	5
Togo	0
Trinidad and Tobago	0 0
Uganda	
Venezuela	20
Total	**15,000**

Source: FLO-International

Table 4: Naturland Association: Hectarage of organic coffee and number of Naturland coffee growers (2001)

Country	Area organic coffee	Number of Naturland producers
Bolivia	2,785	1,435
Brazil	685	1
Ecuador	805	90
El Salvador	240	1
Guatemala	1,400	990
Mexico	30,560	11,545
Nicaragua	610	175
Peru	19,205	6,165
Total	56,290	20,402

Source: Naturland

organized in cooperatives. The requirements with regard to inspection and certification of organic production of small-scale farmer cooperatives have risen drastically during the last few years. In order to meet these requirements Naturland cooperated with IMO Switzerland to publish a manual on how to set up an internal control system. The amount of organic green coffee certified by Naturland in 2000 is 18,500 tonnes (1997: 900 tonnes). Naturland would like its projects to contribute to enhancing the competitiveness of small farmers' associations in order to ensure the continuity of their production.

1.1.3 Organic and Fair Trade

Most organic coffee producers are organized in producer groups (cooperatives and other forms of organization), and most organic coffee producers are connected to a Fair Trade programme. There is more Fair Trade coffee than organic coffee on the European market. In the USA, organic coffee is more important than Fair Trade coffee. The international Fair Trade register compiled by FLO-International contained 177 producer groups in November 2001. Sixty-eight producer groups or 38% produce organic coffee, and ten producer groups are in conversion.

The amount of coffee a group can supply is not necessarily the amount available for the Fair Trade and/or organic market in Europe for a variety of reasons such as deficiencies in quality, taste and certification or disagreements with clients. For coffee with a Fair Trade label, one of the most important reasons is lack of demand on the market. The Fair Trade market is still very small, and all producer groups produce much more than that they can sell under Fair Trade conditions.

1.2 Market for Fair Trade and organic coffee

North America and Europe are the largest markets for organic coffee. In both continents, organic coffee – unlike the conventional coffee industry – has experienced notable growth in recent years.

Table 5: Availability of organic and Fair Trade green coffee in exportable* quality (tonnes)

	1999	2000	2001
Fair Trade coffee	63,700	111,500	97,000
Organic Fair Trade coffee	8,900	10,300	15,300
Percentage of organic grown coffee	14%	9%	16%

Source: Naturland

* The definition of 'exportable' has been diluted in recent years: for low-priced coffee, standards have been lowered. For AA-quality coffee, on the other hand, the same high standards have been retained.

1.2.1 Export and retail value

Global certified **organic coffee** exports amounted to 15-18 million pounds for the year 1999/2000. The global retail value of organic coffee is approximately USD 223 million. Organic coffee retail value has demonstrated steady 20% annual growth rates in the last few years.

Globally, **Fair Trade coffee** exports were approximately 29 million pounds for the year 1999/2000. The global retail value of Fair Trade coffee is approximately USD 393 million. Organic certification is steadily gaining in popularity among Fair Trade coffees, rising from 1% of total sales in 1996 to 36% in 2000.

US Market volumes

The US handles about one-quarter of global coffee imports = GBP 2.45 billion or USD 18.5 billion (Sustainable Coffee Survey of the North American Speciality Coffee Industry, July 2001). Compared to 1999, gross sales of organic coffees for 2000 increased by nearly 50% in the USA. North American coffee importers sold approximately 4.9 million pounds of organic green coffee with a total value of USD 184,000. The majority of these coffees are sold through grocery outlets (health food stores) rather than through speciality coffee stores. A rough estimate of the total North American retail market for certified organic coffee is USD 122 million.

A certain amount of Fair Trade coffee is still sold without a label (in World Shops, etc). The overview in Table 7 includes only labelled sales.

Table 6: Organic and Fair trade coffee sold in Europe (tonnes)

	Fair Trade	Fair Trade organic
1999	11,800	2360
2000	12,300	2460

Sources: Agro-Eco, FiBL

Table 7: Estimated total Fair Trade labelled organic sales per country in 2000

Country	Fair Trade roasted (tonnes)	Total green roasted (tonnes) (1.2)*	Organic green direct import (tonnes)	Total green direct import (tonnes)	Percentage organic on direct Fair Trade import
Austria	300	360	70	290	24
Belgium	550	660	80	330	23
Canada	150	190	20	70	34
Denmark	740	890	610	1250	49
Finland	90	110	0	0	0
France	500	600	0	90	0
Germany	3070	3690	1860	2930	63
Great Britain	1330	1600	120	1250	10
Ireland	60	70	0	0	0
Italy	400	480	130	390	33
Japan	10	10	40	40	84
Luxembourg	60	80	0	0	0
Netherlands	3100	3730	1270	4520	28
Norway	130	150	20	30	67
Sweden	220	260	40	70	63
Switzerland	1400	1660	130	220	24
USA	220	260	970	1030	94
Total sales roasted coffee	**12,330**	**14,800**	**5,360**	**12,510**	

* Conversion ratio green coffee to roasted coffee is 1.2 : 1

Sources: FLO-International

1.2.2 Market shares

Globally, about 0.5% of all coffee produced is sold as organic. In Europe, where organic food has a market share of 2-3%, organic coffee accounts for 0.5% of total coffee sales. Market share is highest in Switzerland (more than 1%), due to the generally high interest of consumers in organic food and due to the fact that the two main supermarket chains both sell organic coffee.

In Europe, about 25% of Fair Trade coffees are sold as organic. The proportion of organic coffee is steadily growing, because the price differential over conventional coffee is so great that the organic premium barely registers. In the EU, Fair Trade markets are considerably larger than those in the US, and organic coffee is a strong seller. In the US shade coffee is a strong seller, whereas in Europe and Japan it is still relatively novel. Shade coffee is not organic; it means simply 'grown in shaded forest settings'. Shade coffee is mainly sold under the Eco-OK label.

1.2.3 Distribution channels

The main distributors of organic coffee in Europe are natural food stores and World Shops. There are still only a few countries where organic coffee is sold in supermarkets: This is true for example of Germany, the Netherlands and Switzerland, where the two big supermarket outlets Coop and Migros are selling their own organic coffee. The reason for the weak interest of European supermarkets is the high price differential between organic and conventional coffee. This is even more problematic for organic Fair Trade coffee, because price differentials are higher still (see Chapter 1.3).

More than 80% of organic coffee is sold directly to households (end-consumers), and less than 20% to restaurants and canteens. Growth potential is larger for sales to households than to restaurants, where a very small percentage of the coffee sold is organic, as yet. The reason for the weak interest of restaurants in organic coffee might be the extremely low price of conventional coffee; organic coffee appears to be expensive compared to conventional. Where canteens are concerned, their reservations about selling organic coffee are also fairly strong because offering organic coffee would compel them to offer other organic items, which would be at odds with the tight constraints on canteen menu budgets.

1.2.4 Organic coffee imports

In table 8 an overview is given of organic coffee imports per country. The countries are arranged in order of import volumes. Imports are stated in tonnes.

Table 8: Green organic coffee imports per country in Europe in tonnes (year 2000)

Country	Arabica	Robusta
Germany	3,200	320
Sweden	3,200 – 3,500	0
The Netherlands	2,300 – 2,900	85
Denmark	1,700	100
France	200	500
The UK	434 – 454	50
Belgium	295	0
Austria	150	0
Italy	150	0
Switzerland	120	18
Norway	62	0
Spain	17	0
Europe total	**12,000***	**1,000***

* Rounded

Sources: Agro-Eco, FiBL

Among the top importing countries, Sweden and Denmark stand out. Scandinavians drink a lot of coffee, but these markets are small and therefore more difficult to penetrate. The Netherlands is in the upper part of the list, due to its important function as the port of access to Europe. About 80% of imports in The Netherlands are transported to other countries in Europe. Another remarkable thing is that France is by far the most significant importer of Robusta coffee. The market for Robusta coffee in many European countries is increasing due to growing consumer demand for espresso coffee. The rising imports of Robusta into Europe can be attributed to the fact that there is higher overall demand for cheap coffee; Robusta is increasingly blended into cheap coffees.

FLO-International only has information about Fair Trade labelled organic green coffee, which is less than the total organic green coffee supplied to Europe. A source of non-Fair-Trade organic coffee is, for example, Venezuela.

1.3 Prices of organic coffee

The market reality and various studies show that consumers are indeed interested in organic coffee and are prepared to pay a premium. Coffee-drinkers pay an average of 15 to 25 percent more for organic and 20 to 50 percent more for Fair Trade organic coffee than they would for conventionally grown coffee.

Table 9: European Organic and Fair Trade Coffee import in tonnes 1996-2000

Year	Total purchased Fair Trade coffee	Purchased organic Fair Trade coffee	Percentage purchased organic
1996	8,500	90	1%
1997	13,100	1,900	14%
1998	10,800	2,000	19%
1999	12,400	3,400	28%
2000	14,400	5,600	39%

Source: FLO-International

Table 10: Sources of Fair Trade organic green coffee for Europe 1998 – 2000 in tonnes

Country	2000	1999	1998
Bolivia	203	181	17
Cameroon	36	72	0
Colombia	38	0	14
Costa Rica	13	17	0
Dominican Republic	7	0	0
Guatemala	583	174	110
Honduras	12	55	0
Indonesia	424	0	0
Mexico	2,551	2,646	1,662
Nicaragua	615	173	63
Peru	1,074	289	138
Tanzania	36	17	0
Total	**5,592**	**3,624**	**2,004**

Source: FLO-International

FOB prices depend only partly on consumer willingness (FOB = Free On Board: price paid for coffee excluding transport costs from the port in the producing country to the final destination). Price setting on the organic market is not regulated as it is on the Fair Trade market. Prices are set as a result of negotiations between the seller and the buyer. They roughly follow world market prices.

1.3.1 Conventional coffee prices: extremely low

As at the end of 2001, prices for conventional coffee have reached their lowest level for 40 years. International prices for green coffee have more than halved from January 1999 to January 2002. Governments in coffee producing countries are witnessing dramatically reduced foreign exchange earnings. One of the factors behind the crisis has been oversupply in the global coffee market: supply has outstripped demand in the last three seasons. Yet, it is often forgotten that one cause of oversupply was the push to promote export earnings under market reforms.

Vietnam, for example, produced less than 4 million 60-kg bags of coffee in 1995/96. In 2000/01, it produced over 11 million. Furthermore, the crisis is not simply a matter of oversupply but also of deregulation of international and domestic markets and of shifting power balances within the global coffee chain.

For conventional green Arabica coffee beans, the world market price at the beginning of 2002 is about 45–50 US cents per pound FOB. For the Robusta coffee the world market price is about 30–35 US cents per pound FOB (depending on commodity market values plus country bonus).

Most sources in both producing and importing countries do not foresee significant price improvements in the short and medium term. Colombia, Mexico and Central America started a regional plan to cut production of low-quality coffees and to remove low-quality coffee from the market. But this has not yet impacted on prices. With current prices already close to or even below the cost of production in many countries, sustainable coffees and the premiums they fetch in the marketplace are one of the few bright spots in an otherwise dismal socio-economic situation for coffee producers. The law of the market will force many producers to give up coffee production – or to look for alternatives such as organic and Fair Trade coffee or other crops than coffee. The speciality coffee market certainly offers new openings for some producers. However, any long-term solution to the historic slide in coffee prices needs to target the 'mainstream market' as well.

1.3.2 Fair Trade and organic prices: high premiums

The organic price-mechanism is generally a premium of around 20–40% on the commodity market value. The premium is even higher if the market price falls below the cost of production.

The Fair Trade-mechanism of FLO works as follows (FLO-International established conditions for the purchase of fair trade coffee): It guarantees small farmers a fair price for their coffee (but there is no guarantee that the cooperative will be able to sell the coffee under FLO conditions, even if the cooperative is entered in the register). It provides access to affordable credit facilities and helps them to stay out of debt to local lenders. It creates direct trade links between farmers and their cooperatives and importers. It promotes a new relationship that links consumers and buyers with farmers. Buyers and sellers will endeavour to establish a long-term and stable relationship in which the rights and interests of both are mutually respected. All other customary conditions applicable to any international transaction will apply, such as the conditions of the European Contract of Coffee.

Table 11: Fair Trade and organic FOB price for coffee beans in US cents per pound (lb), as in January 2002

	Conventional price (commodity market)	Organic price (commodity market plus 20–50%)	Fair Trade price ('fix' price)	Organic + Fair Trade price ('fix' price)
Arabica coffee beans	45–50	70–95	120–126	135–141
Robusta coffee beans	30–35	60–70	106–110	121–125

Source: FLO-International, FiBL

Table 12: FLO-International premium prices in US cents per pound (lb) FOB in 2001

Type of coffee	Regular Fair Trade		Fair Trade + certified organic	
	Central America, Mexico, Africa, Asia	South America, Caribbean, Area	Central America, Mexico, Africa, Asia	South America, Caribbean Area
Washed Arabica	126	124	141	139
Non-washed Arabica	120	120	135	135
Washed Robusta	110	110	125	125
Non-washed Robusta	106	106	121	121

Source: FLO-International

In Table 11 an overview is given of prices set for Fair Trade / organic coffee. The minimum Fair Trade price is the minimum floor price, below which the coffee cannot be bought (FLO sees this as the minimum price necessary to cover costs of production). For Fair Trade plus organic coffee a standard extra premium is paid.

For Arabicas the New York 'C' contract is the basis of calculation (US cents per pound, plus or minus the prevailing differential for the relevant quality, basis FOB). For Robustas, the London 'LCE' contract is the basis of calculation (US dollars per metric tonne, plus or minus the prevailing differential for the relevant quality, basis FOB). Over these prices, there shall be a fixed premium of 5 US cents per pound (pounds=lbs; 100 lbs = 45.36 kg). For certified organic coffee, an additional premium of 15 US cents per pound of green coffee will be due. To protect the producers, minimum prices have been defined which vary according to the type and origin of the coffee.

In general premiums paid for organic coffee increase as the world market price decreases. Most coffee experts expect price premiums to remain at this level for at least a few years.

The minimum prices for Fair Trade organic coffee are as follows: Washed Arabica organic: 141 US cents per pound FOB port of origin. Non washed Robusta organic: 121 US cents per pound FOB port of origin.

1.4 Market potential

Future development of the organic coffee market is closely related to the conventional coffee market and price development. Global overproduction will continue to depress conventional coffee prices unless production capacity decreases considerably. As a consequence, the price differential between organic and conventional will stay much higher than for other organic products. However in most Latin American countries (except Brazil), price premiums for organic coffee which is not sold as Fair Trade coffee do not currently (beginning of 2002) cover the production

costs of organic coffee. It is mainly commercial organic coffee growers dependent on off-farm labour which face great problems if the harvested crops fail to pay off the expenses. Small-scale farmers who depend mainly on family labour may have more flexibility to endure this coffee crisis.

Another trend in the coffee market is the division into a cheap segment for mass-market products and an AA-quality segment for top quality. A consequence of this trend may be that countries with comparative cost disadvantages (mountain regions, small-scale farming structures) will mainly produce quality coffee whereas larger producers will gear up for cheap mass-market production.

High price-differentials will be the main limiting factor for development of the organic coffee market in the coming years, as far as organic Fair Trade and conventional Fair Trade coffee are concerned; the extremely high price differential is turning consumer opinion back towards conventional or 'just' organic coffee (turnover of non-organic Fair Trade decreased by about 10% in 2001!). The second big limiting factor is the inefficient distribution of organic coffee in Europe: as ever, the bulk of this is still sold in natural food stores. This results in smaller cargoes and more costly structures.

However, market-shares of organic coffee are expected to grow slowly in parallel with the growing organic food market. Generally, growth is expected, but not at such a rapid pace as in the general organic food market. Organic and Fair Trade coffees fill a market niche that is rewarded with a premium price and can provide superior environmental, economic and social benefits to producers. Producers, traders and industry are already benefiting, in terms of increasing sales and higher prices, from the product differentiation, improved quality and price premiums of sustainable coffees. The organic coffee segment is growing steady. There are good reasons to be optimistic about the future of organic coffee:

- Consumers have responded favourably when considering the growth trends for organic coffee.
- Consumer demand may not currently be the primary driving force behind the sustainable coffee market. Producer groups and development projects of NGOs and industry play a key role in developing organic coffee markets.
- A number of coffee traders not currently selling organic coffee expect to begin selling it. Not surprisingly, some of the largest European and North American retailers are exploring these markets as well. This represents a considerable opportunity for new business.
- Possibilities also exist for consumption in the domestic markets of some producer countries. Mexico, Jamaica, and Brazil, among others, are already successfully demonstrating this with higher quality domestic sales.
- Organic coffee will show overall growth and become well established within the expanding speciality coffee supply and sales market. But whether Fair Trade coffee will continue to play the same role must be a matter of doubt as long as the price setting is handled so rigidly. This problem will be further intensified by the fact that countries such as Vietnam will also move into organic coffee. The oversupply will work to the detriment of Fair Trade coffee, as long as the world market price fails to rise and the pricing policy is not handled more flexibly. Even now,

Fair Trade coffees have long been sold below their regulation price. All legal possibilities for devaluation have been exploited. This alone is sufficient evidence that changes are inevitable.

From the perspective of producers, organic and Fair Trade coffees provide many advantages and help to improve smallholders' risk management strategies:

- Diversification of production (multi-cropping) on a sustainable coffee farm offers several advantages to a farmer.
- Coffee certification can be an excellent hedge against market price downturns since most forms of certification can generate premiums although there are no guarantees.
- Reducing or eliminating the use of purchased inputs limits the farmer's expenses and therefore his subsequent market exposure.

However, for many producers, conversion time, preparation, and certification are costly and sometimes difficult. It is clear that professionally organized producer groups and producers with a clear strategy for quality production and a flair for coffee specialities have the best potential for the future. One of the biggest challenges for organic coffee producers is to reduce the price differential between conventional and organic to a competitive level. An important contribution of the producers in order to achieve this goal is to reduce production costs – and to accept long-term contracts with reasonable price differentials.

Is there overproduction of organic coffee?
A considerable number of producers have been unable to find a market for their certified organic coffee in the last few years. Since then, rumours of overproduction of organic coffee have run around the globe. The facts are:

- A strong demand exists for high quality organic and organic Fair Trade coffee.
- There is a danger of overproduction of Fair Trade coffee.
- There is a trend for innovations and new speciality products in the organic coffee market: Cappuccino, expresso

(increases the demand of Robusta), new blends, single variety coffees, single provenance coffees, etc.
- Low level organic certification (e.g. EU-certification without additional label) and coffee certified only as organic (not Fair Trade) might considerably limit the number of interested clients.
- Organic certification companies earn their living from their customers, which are farmers. Specifically in the coffee sector there have been cases of organic certifiers quoting an unrealistically high market potential in order to obtain orders. More responsibility on the part of organic certifiers is called for in this respect.
- The risk of overproduction is greatest when conversion is based on superficial kinds of market research. Often producers, NGOs and project coordinators fail to realize that although potential demand may appear to multiply as a range of buyers are interviewed, its true level is nowhere near as high.

- Generally: compared to the share of organic products in the total food market (2%), the share of organic coffee in the total coffee market (0,5%) is low. There is no indication that organic coffee is less attractive to consumers than organic products on average. Therefore, there are no grounds for generalized statements about overproduction of organic coffee.

Another fact is that there really are producers who sell organic coffee in the conventional market or for reduced organic premiums. What are their motivations?

- The premium for organic and Fair Trade coffee is currently very high, due to the extremely low prices being paid for conventional coffee. For some producers it might seem to be good business even if they sell their coffee for a lower-than-usual organic premium. This, of course, puts the premium for all organic coffee producers under pressure.
- A number of non-governmental organizations (NGOs) and donors are supporting producers in developing countries to set up organic coffee projects (e.g. in Nicaragua, Guatemala and Ethiopia). Such projects opened the doors for certified organic coffee production to a large number of small producer groups. However, some of these projects focused mainly on the production side and did not fully consider the marketing of organic coffee.

Growth prospects for the organic food market are excellent for the next five years. In parallel, the organic coffee market will grow. Consequently, there will be a demand for future new organic coffee

projects. However, there is a danger of overproduction in the future: The growth potential for organic coffee is a temptation for several producer countries to vastly increase their organic coffee production. If production increases too rapidly, then of course prices could fall considerably. Two considerations are necessary:

1. Public or private programmes and initiatives to support organic coffee production should always consider sustainable development of the market and prepare the producers to market their organic coffee successfully.
2. If, in the rush for new business, quality and consistency are not maintained then consumers will reject organic coffee.

1.5 Obstacles and wishes expressed by market operators

One important question for organic coffee producers is: ”How do I meet the requirements of the international market and importers?” Recent interviews by FiBL with coffee importers show a number of criteria for purchasing organic coffee (Table 13). Coffee quality and consistency of supply are the two most important attributes in the organic coffee trade. Producers who seek to be competitive must consider how well they can fulfil these two expectations in the future.

Table 13: 10 Major criteria for purchasing decisions mentioned by European importers (by priority)

Major criteria for purchasing decisions	Improvement measures for production and trade
1. Coffee quality and taste	Quality of coffee production, fermentation, prevention of high acid content, optimum taste, optimum varieties, new blends, good assortment and consistent coffee etc.
2. Reliability of partners	Marketing and communication, management of producer groups and producers, establish personal contacts with buyers; win-win-cooperation between producers and buyers guarantee sustainable success of a project.
3. Consistency of supply	Steady and predictable suppliers (quality and quantity)
4. Stable and fair prices for farmers, processors, traders and retailers	The current low conventional prices lead to the question: How long will it be possible to pay constantly increasing price differentials for organic as opposed to conventional? A solution would be long-term contracts between producers and buyers with semi-fixed prices (moving within a defined band, parallel to commodity market).
5. Experience of export business	Know-how, efficient export structures
6. Demand: customers are asking for it	Create unique or different product line
7. Desire to have simpler sourcing criteria and clearer marketing messages; Label confusion	Many producers, coffee traders and manufacturers are in favour of a simpler way of communicating sustainability in the marketplace, in effect a super-seal which combines organic and Fair Trade
8. Distribution and availability for consumers	The other two most plausible reasons for the lower-than-expected market responses are product availability and consumer education. Many supermarkets either do not stock sustainable coffees or offer only one, often as a single origin organic coffee.
9. Quality of the organic certification	Set up local certification systems, improve certification trust and quality
10. Authorities	Reduce bureaucracy and paper workload in the country of origin and in the import country

Source: FiBL

1.6 Web information corner

Organizations

www.ico.org
International Coffee Organization:
The International Coffee Organization is an intergovernmental body whose Members are coffee exporting and importing countries. It administers the International Coffee Agreement and is committed to improving conditions in the world coffee economy through international cooperation, helping price equilibrium by developing demand for coffee in emerging markets and through projects to reduce damage from pests and improve marketing and quality, enhancing coffee growers' long-term competitiveness and contributing to the fight against poverty.

www.fo-licht.com
This website provides information about international reports on coffee and tea and gives details about the conferences going on in this field.

www.Fair Trade.net
Fairtrade Labelling Organizations International (FLO): In order to co-ordinate the work of the national initiatives and more efficiently run the monitoring programmes, an umbrella organization, FLO was set up in April 1997. A central responsibility for FLO is to collect data and ensure the audit of all Fairtrade labelled products from the producer to the supermarket shelf.

www.kaffeeverband.de:
The website of the "Deutscher Kaffee Verband" provides general information about the history, facts and news of coffee. A serie of pictures can be found from the plant to the final coffee products and processing

www.naturland.de
The website Naturland- an association for organic agriculture provides detailed information on:

- Standards relating to farming and processing
- Approval procedures for the Naturland label
- The different projects by Naturland
- Markets

Coffee traders and importers

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Deals with coffee

2. Market for organic cocoa

2.1 Production of organic cocoa

The annual world production of cocoa has been around 3 million tonnes in recent years. This is a significant change from around 1.5 million tonnes per year in the 1970s and early 1980s. No less than two-thirds comes from West Africa. According to statistics from the International Cocoa Organization (ICCO), eight countries produced more than 90% of the entire world production in the cocoa year 1999/2000:

Table 14: World production of cocoa beans by country (tonnes and percentage)

Country	Annual production (1999/2000) in tonnes	Percentage
Côte d'Ivoire	1,325,000	44
Ghana	440,000	15
Indonesia	410,000	14
Nigeria	165,000	5
Brazil	125,000	4
Cameroon	120,000	4
Ecuador	95,000	3
Malaysia	60,000	2
Others	263,000	9
Total	**3,003,000**	**100**

Sources: ICCO, ITC

Table 15: Production of certified organic cocoa beans by country 1999/2000 (tonnes)

Country	Annual production 1999/2000 organic certified cocoa (tonnes)	Project/ Comments
Africa		
Madagascar	1,200	Arco Océan Indien – quantity not confirmed
Tanzania	1,000	Biolands/Kyela Co-op Union (EPOPA)
Uganda	600	Bundibugyo (EPOPA) + Rwenzori – reported to be suspended, conflict in the region
Americas		
Belize	30	TCGA
Bolivia	600	El Ceibo (336 co-ops)
Costa Rica	200	APPTA
Dominican Republic	6000	CONACADO, YACAO
Mexico	300	Several small groups
Nicaragua	300	La Campesina, CACAONICA
Panama	500	COCABO
Peru	100	USAID project
Asia and Oceania		
Fiji	50	Estimate
Vanuatu	500	Estimate
Total	**11,680**	**Estimate**

Sources: FLO-International, ITC, FiBL

Table 15 is based on information gathered from producing countries, cocoa importers, certifiers, consultants, articles in magazines and various sources traced on the Internet.

Several countries are reported to have production in conversion or are preparing themselves otherwise for certification. Among these are Brazil, Cameroon, Côte d'Ivoire, Cuba, Ecuador, Ghana, Guyana, Haiti, Honduras, Indonesia, Panama, Peru, the Philippines, Sao Tomé and Togo. Some might already have commenced production and export.

2.2 European import of organic cocoa

Table 16: European import of certified organic cocoa beans by country in 2000 (number of importers and tonnes)

Country	Number of importers and/or dealers	Import, tonnes in the year 2000	Comments
Germany	3	3,600 – 4,675	Some re-export
Netherlands	2	3,100 – 4,100	80% is re-exported to European countries
Switzerland	4	2,200	Does not include Barry Callebaut
Italy	2	850 – 870	Some import from Germany
Belgium	(3)	Limited direct import, if any	A large proportion reported to be imported from Barry Callebaut, CH
United Kingdom	(5) 1	Limited direct import, if any	Most beans bought elsewhere in Europe
France		1,200	Possibly 2 – 3 importers
Spain	1	200	Some import from Switzerland
Total		**11,000 - 14,000**	**Estimate**

Sources: FLO-International, ITC, FiBL

2.3 Market development and potential

2.3.1 Current situation

The market for chocolate consumes around 90% of the world production of cocoa beans, the balance being used for beverages, flavours, cosmetics and other purposes.

As for other organic food products, the market for organic chocolate has also increased significantly during the 1990s and the beginning of the 21st century. Production and trade figures for both the European and the North American market differ to an extent that makes it difficult to be specific.

In the early days of the organic movement (1990–1995), certified organic chocolate was produced by small and sometimes new companies focussing on a niche, and the products were sold primarily in health-food stores or specialty shops. Today, supermarkets also sell these specialized products, but production is still dominated by relatively small and medium-sized chocolate manufacturers with unique brands. Some of them have added other labels to their products as they comply with other sustainability criteria – e.g. Fair Trade. Most of the large and traditional manufacturers of well-known branded products in Europe (e.g. Cadbury and Nestlé, just to mention a few) are not yet in the organic niche or are only just about to make their entry.

In cocoa the processing industry plays an important role. The bulk of imported cocoa goes from processing firms via wholesalers to the organic food trade and World shops. Although supermarkets have sold little organic chocolate so far, there is considerable interest. The market for organic cocoa has developed very well to date. Annual market growth in the last three years reached 10–15%. Since Swiss organic chocolate can be exported, and the interest of the large supermarkets in organic chocolate is also set to increase, significant sales growth is also likely in the future (by 5–10% annually).

The North American retail market for certified organic chocolate is not quite as big as the European but growing fast. Some of the certified organic cocoa beans processed in Europe end up with chocolate manufacturers in North America. The large branded groups, e.g. Mars and Hershey's, are not in this niche – or at least not yet in any significant way.

2.3.2 Organic, Fair Trade and other labels

Throughout the 1990s much interest was generated and many initiatives were taken in the context of ”sustainability” within the cocoa sector. Organic production is just one of them. Another important element is the Fair Trade movement composed of organizations which guarantee the small farmers a fair price for their produce. Fair Trade organizations have separate programmes for different crops. In Europe, the most frequently seen Fair Trade labels are those of Max Havelaar and Transfair. In 2000, the Fair Trade sale of cocoa products in Europe was approximately 1,400 tonnes. The market growth of Fair Trade chocolate in the last three years was also between 10 and 15%. The interest in organic Fair Trade chocolate is increasing.

2.3.3 Prices

The Fair Trade cocoa prices are calculated on the basis of world market prices plus Fair Trade (FT) premiums. The Fair Trade premium is USD 150 per tonne. The minimum price for FT standard quality cocoa, including premium, is USD 1,750 per

tonne. If the world market price of the standard qualities rises above USD 1,600 per tonne, the Fair Trade price will be the world market price + USD 150 per tonne.

For Fair Trade cocoa which is also certified organic, there is an additional organic premium of USD 200 per tonne. Fair Trade organic cocoa beans cost a minimum of USD 1,950 per tonne.

A premium of USD 200 per tonne on top of USD 1,600 corresponds to an additional 12–13%. However, if the product is not part of a Fair Trade arrangement, there is no secured premium or bonus for certified organic alone. It fluctuates with market conditions. Prices for certified organic cocoa fluctuated in 2001 between 1300 and 1500 USD/t (FOB port of origin).

In the long-term, it is generally hard to get too excited about conventional cocoa prices unless there is a natural disaster or these low prices lead to more crop neglect. A possible problem looming for cocoa is the increasing focus on child labour in the cocoa harvest. Fair Trade initiatives state that the world market structure and the abject poverty that results from this are rather to be pointed at as the cause of abuse of child labour, and that a boycott will not solve the problem unless other measures are taken to improve the farmers’ economic situation.

2.3.4 Market potential

In view of the persistent expectations of expansion of the market for organic cocoa, a shortage in supply was feared, especially after the hurricane George that hit the Dominican Republic, the world largest producer of organic cocoa. Therefore some of the larger operators in the organic cocoa market saw the market opportunity, and bought considerable quantities in the 1999–2000 season to ensure availability. Still, the market is yet waiting for the boom to happen and the organic cocoa harvest of 2000–2001 is waiting in the warehouses to be sold, causing a downward pressure on the price for organic beans. There are only very few traders that deal in larger volumes and also they see themselves cornered now that supply is largely covering current demand. The result is that – if at all – organic cocoa is bought at conventional market prices or just slightly above the New York level, as producers do not see keeping the cocoa in store as an alternative. Only producers with large capital reserves can afford to do so. These large producers have only recently converted to organic production, as it seemed to be a market opportunity.

Table 17: Ten major obstacles mentioned by European importers for the import of organic cocoa (by priority):

Obstacles	Measures
Quality of the products	Improve quality of fermentation, avoid humid stocks, improve selection of beans
Availability/continuity of supply	Diversity of production places and sources
Price	Production shall meet demand, avoid fluctuations
Logistics	Improve transport in local ports
Distribution	Large retailers should enter the market
Reliability of the partners	Improve marketing and communication
Quality of the organic certification	Set up local certification systems, improve certification trust and quality
Authorities in the country of origin	Reduce bureaucracy and paper workload
Authorities in Europe	Reduce bureaucracy and paper workload
Label organizations in Europe	Harmonization and mutual recognition of standards and certificates

Source: FiBL

The large additional volumes suddenly entering the market have the consequence that especially Latin American small farmers' organizations, for whom organic production was a viable alternative, loose their market access completely, as it is just easier and cheaper to buy from larger producers. Latin American cocoa is not the mainstream quality that is used for the production of an 'ordinary' chocolate, as this is generally made from West-African quality.

The reluctance of the big companies and supermarkets to introduce organic chocolate is still rather an issue of availability than of price, although price is used as an argument. Whereas the availability of African organic cocoa stays way behind demand, the technical skill of smaller chocolate manufacturers proves that very good chocolate can be made from beans that used to be rejected by the conventional chocolate industry. The range of the retail price for chocolate – also for organic – is set by the supermarkets before even the raw material is bought or cost calculations can be made. Producers are therefore forced to deliver organic certified cocoa at prices that are way below realistic cost of production and certification.

2.3.5 Obstacles and wishes expressed by market operators

One important question for cocoa producers is: How do I meet the requirements of the international market and the importer? Recent interviews by FiBL with cocoa importers show the following answers to these questions:

- From the European importers' point of view, lack of quality and lack of continuity is the main obstacle. They want the supply to expand. This would also help to even out fluctuations in harvest, such as those resulting from natural disasters as seen recently in the Dominican Republic.
- Producers, traders and European importers mention that it is necessary to reduce the workload for certification and label schemes and to harmonize the standards. Just an example: The situation can arise that the same chocolate that is sold in the EU as a completely organic product can only be certified as produce under conversion in Switzerland. Therefore Swiss importers often bring in the goods via an EU country. By means of this rather senseless diversion, it is possible to circumvent the problem and import the produce into Switzerland as fully organic.
- Government bodies in the countries of export want to see administrative procedures in the importing countries simplified.

2.4 Web information corner

www.icco.org
International Cocoa Organization, London (ICCO)

www.maxhavelaar.org
Max Harvelaar Foundation, fair trade

www.fairtrade.net
Fairtrade Labelling Organizations International (FLO)

www.rainforest-alliance.org
The Rainforest Alliance, USA

www.greenandblack.com
Green and Black's, chocolate, United Kingdom

www.ocpchocolate.com
Organic Commodity Products (OCP), USA

www.intracen.org
International Trade Centre UNCTAD/WTO (ITC)

www.sippo.ch
Swiss Import Promotion Programme (SIPPO)

www.tradinorganic.com
Tradin Organic Agriculture B.V. The Netherlands

www.barry-callebaut.com
Barry Callebaut Sourcing AG, Switzerland

www.gerkenscocoa.com
Gerkens Cacao BV, The Netherlands

www.lasiembra.com
La Siembra Co-operative Inc., Canada

www.cargill.com
Cargill Incorporated, USA

www.edfman.com
ED&F Man Cocoa Ltd., United Kingdom

http://europa.eu.int/eur-lex/de/lif/dat/1991/de_391R2092.html
The EUR-Lex website contains all texts pertaining to EU Regulation No. 2092/91 on organic production in all the languages of the EU.

http://www.prolink.de/~hps/
A consolidated (but unofficial) text incorporating all amendments, which is regularly updated.

http://www.ifoam.org/accredit/index.html
This is the accreditation programme of the International Federation of Organic Agriculture Movements.

http://www.blw.admin.ch/
The website of the Swiss Federal Office for Agriculture (Bundesamt für Landwirtschaft) provides detailed information on:
- The Swiss Organic Farming Ordinance
- Forms for attestation of equivalence and individual authorization to import
- Direct payments for organic farms
- Cultivation of organic products.

http://www.blw.admin.ch/nuetzlich/links/d/zertifstellen.htm
A list of European certification bodies can be downloaded from this page maintained by the Swiss Federal Office for Agriculture.

http://www.admin.ch/
Original texts of:
- Swiss legislation
- The Swiss Ordinance on agricultural imports.

http://www.zoll.admin.ch
Customs tariffs of the Swiss Federal Customs Administration.

3. Market for organic tea

3.1 Introduction

The number of organic tea producers and the volume of organic tea traded on the world market has increased substantially over the last few years. This development can be explained by a number of factors. In the first place, tea farmers have become more aware of environmental problems (erosion, pesticide residues in tea plants) and severe health hazards connected with an intensive system of tea production. A further reason for the rise in organic tea can be explained by the fact that the demand for organic tea has grown constantly as a result of increased consumer awareness of pesticide residues and heavy metals in conventional teas. Furthermore, there is much evidence that organically grown teas are generally of better quality due to the avoidance of artificial additives.

Until now, little information or reliable statistical data about the organic tea market has been available. For this reason, this chapter is mainly based on expert knowledge and estimates of international certifiers, traders and producers such as *IMO, Kloth & Köhnken, Lebensbaum, Oasis, Stassen Natural Foods and Chamong* as well as an unpublished report by U. Walter (Lebensbaum, Germany).

This chapter will exclusively focus on the production of traditional tea varieties based on the plant Camellia sinensis. Other varieties based on other plants (African Rooibos tea, South American Yerba Mate tea, Lapacho tea and African Honey Bush) are not considered here, even if some of them are currently fashionable and are increasingly replacing traditional varieties on supermarket shelves and in consumers' shopping baskets.

3.2 Production of organic tea

3.2.1 Classification of tea

The organic tea market is divided into numerous varieties and qualities. Tea can be distinguished roughly according to the following characteristics:

- Origin (e.g. Darjeeling, Assam, Nilgiri, Ceylon),
- Degree of fermentation (black tea, green tea, half fermented tea),

Camellia sinensis

Photo: Clipper Tea

- Production method (orthodox or CTC-production),
- Period of picking (First Flush, Second Flush, Autumnal),
- Type of tea leaf (whole leaf, broken leaf, fanning),
- Special teas (e.g. Souchong, White Tea, Silver Tips, Oolong).

The generic term 'tea' refers to a class of beverages featuring the leaves of the Camellia sinensis plant, herbal components, or a combination of both. All modern tea varieties, green, black as well as oolong are descended from *C. sinensis.*

3.2.2 Style of processing

Two methods of tea processing can be roughly distinguished, the orthodox method and CTC-production. The **orthodox method** is more comprehensive and time-consuming compared with CTC production. In general, tea is processed in five steps:

1. Wither,
2. Crush, tear & curl,
3. Ferment,
4. Dry,
5. Sort.

Finally, the sorting results in four different types of tea:

- Whole leaf tea,
- Brokens (from broken and smaller leaves),
- Fannings (tea from small leaf pieces for tea bags and mixtures),
- Dust (or fines, finest filtering for tea bags)

The term **CTC** means 'crushing, tearing, curling' and can be understood as an efficient processing method, by which the leaves are torn and curled in one step after the withering. Due to the leaves' larger surface area, the process of fermentation is accelerated. Fannings, dust and to some extent also brokens are mainly processed by the CTC method. In contrast to CTC production, the orthodox processing method leads to higher quality. Tea processed by the CTC method has a stronger taste but not such an excellent flavour. Due to the strong taste this type of tea is mainly used for cheaper tea bags.

The CTC production method is common in some parts of India and Kenya. In Sri Lanka, tea is processed almost entirely by the orthodox method. In the Darjeeling district of India the producers are not allowed to produce CTC tea.

A further important type of processing is the production of 'green tea'. For this type of tea, leaves are steamed or lightly baked directly after picking, in order to inactivate the enzymes for fermentation. By this technique the tea retains its typical green colour and its typical taste. Later follow the processes of rolling, drying and sorting. Green teas are mainly produced in Asia.

3.2.3 Yields

Tea yields vary according to climatic and topographic conditions from 150 – 750 kg per hectare in the Darjeeling district to up to 2500 kg per hectare in Assam. High yields are also achieved in Sri Lanka, South India and South China. In organic production systems average yields are 30 – 35% lower than in conventional tea production. The extreme differences in potential yields necessitate different minimum prices in order to cover production costs and thereby have an impact on the conversion rate to organic farming.

The harvest period in the Darjeeling district takes nearly nine month and starts in March with the famous 'First Flush', which gives an extraordinary aromatic quality. However, only the 'Second Flush' (May to June) provides the finest qualities. Tea leaves harvested in autumn have a spicy aroma. Leaves of the so-called 'In-betweens' and 'Rain Teas' are harvested in the wet periods between spring and autumn and are mainly used for tea blends.

The processing of harvested tea leaves needs special skills and a great deal of experience. On-farm processing is very common in most of the existing production sites.

3.2.4 Countries and regions of origin

The main places of production for organic tea are located in India, China and Sri Lanka (Ceylon). In India and Sri Lanka, organic tea has been grown for more than 15 years. In China the first tea gardens were converted to organic farming in the 1990s. In contrast to coffee production, tea is mainly cultivated in large tea gardens and not on small farms.

The following information, provided by the world's largest certifier of organic tea gardens, IMO, indicates the area already converted and in conversion which is certified by IMO1. As shown in the table 18 below, 63% of the current area managed organically is still in conversion. This means that in the next few years, the volume of organic tea traded on the market will rise extraordinarily. Consequently, either the demand for organic tea will have to increase as well or the world price will drop drastically.

Table 18: Number of hectares of certified organic and in conversion tea areas world wide (December 2001)

Region	Organic Tea, Area in ha	In-Conversion Tea, Area in ha
India/Sri Lanka	4300	3040
China	1940	1009
Other countries	1025	540
Total	7265	4589

Source: IMO 2001

In the next section, the situation of supply and prices in the most important organic tea regions are discussed briefly.

China
China is one of the major centres for the production of green tea worldwide and a major exporter to Europe. Approximately 650,000 tonnes of tea are produced per year. One of the most important Chinese production centres is located to the south of Peking, along the Pacific coast. 40–50 tea gardens of this region are currently in-conversion or fully converted. In total 4,000–5,000 tonnes of organic green tea are produced in China per year (approx. 0.8% of total production). This enormous amount has led recently to an oversupply situation so that the price decreased. It is estimated that currently just 800–1000 tonnes of organically produced tea can legitimately be exported as organic tea; 300 – 500 tonnes of it to Germany. Currently, there is no domestic demand for organic tea in China.

Due to the existing oversupply situation a drop in prices was observed in China. Whereas the premium price for organic tea in 1999 was 300–400% (USD 8/kg) on top of the price for conventional tea, the premium dropped to 20–30% (USD 2/kg). For most tea producers, this market price is far too low to cover the production costs (USD 6/kg minimum).

India
India is the largest tea producer world wide. In total, 820,000 tonnes of tea are produced. It is estimated that approximately 3,000–3.500 tonnes are produced organically (0.4–0.7%). It can be estimated that currently 1,400–1,800 ha are under organic production. Organic tea production volume per farm varies considerably between 20–1000 tonnes per year. A domestic market for organic tea does not yet exist in India. Therefore most of the tea must be exported. Currently a premium price of 50–100% is paid for organic tea. It is not unlikely that due to the expected increase in organic tea production and the existing oversupply situation on the world market, the price for organic tea will decline to 30–40% in the coming years.

Organic tea production in India is spread over three main areas, the Darjeeling district and Assam in the north of India and Nilgiri in the south of India. The organic tea plantations collectively produce under the umbrella of the 'Indian Bio Organic Tea Association' *(http://www.snonline.com/ibota).*

Label of the Indian organic tea farmers' association

Darjeeling district
In the Darjeeling district 10,000 tonnes of black tea are produced per year on an area of 20,000 ha. 14 out of 84 tea gardens have converted to organic farming. Most of the tea gardens are managed by international operating companies. It is estimated that 10–15% of the total area of tea has already been converted to organic farming. The organic production volume is estimated at 1,000–2,000 tonnes per year. In total, 500–800 tonnes of it can be exported as organic tea. The price premium is 50–100% higher in relation to conventional prices.

Assam
From among the tea gardens of Assam, three have converted to organic production and two are in conversion. They produce 300 tonnes of organic black tea per year and Germany is one of the main export markets, importing 30–50 tonnes of tea from this region.

Nilgiri
In Nilgiri the highest tea garden world wide is located at an altitude of 2,750 m above sea level In this and another garden in this region 1,500 tonnes of organic tea are produced. Besides these two organic farms, another is still in conversion. The prices paid for organic tea are approximately 80% higher than for conventional teas.

Doars
A small area where ecological tea gardens exist and mainly CTC tea is produced. The quantity of ecological tea produced is aproximately 1000 t.

Table 19: Supply situation for important Indian organic tea gardens

Company (region)	Production figures
Chamong (Darjeeling)	Production volume: approx. 85 t Production area: 140 ha
Pussimbing (Darjeeling)	Production volume: approx. 95 t Production area: 201 ha
Mullootar (Darjeeling)	Production volume: approx. 70 t
Bherjan (Assam)	Production volume: approx. 40 t Production area: 19 ha
Sewpur (Assam)	Production volume: approx. 300 t Production area: 195 ha
Dalgaon (Dooars)	Production volume: approx. 1040 t Production area: 626 ha
Rembeng (Assam)	Production volume: approx. 150 t Production area: 136 ha Land in conversion: 22 ha
Oothu (Tirunelveli))	Production volume: approx. 1000 t

Source: http://www.snonline.com/ibota

Table 20: Situation of Supply in important Organic Tea Gardens in Sri Lanka

Estate (organization)	Production figures
Iddulgashinna Bio Tea Project (Stassen Natural Foods Ltd.)	Production volume: approx. 206 t Production area: 353 ha
Venture Group (Stassen Natural Foods Ltd.)	Production volume: approx. 300 t Production area: 290 ha
Needwood (Needwood Emmag)	Production volume: approx. 70 t Production area: 94 ha
Greenfield (Lanka Organics)	Production volume: approx. 58 t Production area: 70 ha
Koslanda (Maskeliya Plantations Ltd.)	Production volume: approx. 80 t Production area: 160 ha
Smallholder Co-op (Gami Seva Sevana)	Production volume: approx. 7 t Production area: 83 ha
Small Organic Farmers Group (Bio Foods Ltd.)	Production volume: approx. 67 t Production area: 214 ha

Source: Stassen Natural Foods Ltd., 2001

Important producers
Table 19 indicates the production volume of important organic tea producers in India.

It is estimated that Indian organic tea production is mainly sold to the United Kingdom (50%) and Germany (37%). Further smaller volumes are exported to the USA (5%) and Japan (5%).

Ceylon (Sri Lanka)
Ceylon, where coffee was formally a traditional crop, many farmers switched to tea after an outbreak of an epidemic fungal disease. Today Sri Lanka produces approximately 300,000 tonnes of tea (90% for export). Stassen Natural Foods were the first tea company to commence with the cultivation of organic tea in Sri Lanka. In 1985 the project started with seven tea gardens. According to Mr. Gaffar from Stassen Natural Foods, today these gardens are the oldest organic tea gardens in the world. Since 1987 they have been certified by the German organic farming association, Naturland.

Today 10 tea gardens have converted to organic production. The entire 1,300 ha are managed organically (Dec. 2000). Total organic production is estimated at approx. 800 t (0.25% of total production). An increase in the near future to 1,000 t is expected. The price premium for organic tea is approximately 80–150% on top of the conventional price level. Despite a situation of oversupply, the price level for organic tea has remained stable for the last years.

Organic tea from Sri Lanka is mainly exported to Germany, the UK, Australia, France, Italy, Japan and the USA.

Important producers
Table 20 illustrates the known production volume of important organic tea producers in India.

Other organic tea producing countries
Other countries with (very marginal) organic tea production are located in Tanzania, Vietnam, Japan, Argentina and Indonesia. However, these countries do not have a significant influence on the world market for organic tea.

3.2.5 Social aspects

The working conditions and income situation of employees in tea gardens vary strongly from country to country. In general, organic tea production is more labour-intensive (e.g. in most cases organic manure and compost is spread manually onto the fields); thereby organic tea production has a positive impact on the local labour market and improves purchasing power in the region.

In India we find an industrial structure of tea production, strongly influenced by foreign companies. In general, these international companies are interested in ensuring that certain social minimum social standards are fulfilled for the employees. In regions like the Darjeeling district, more than 80% of all people work in tea gardens or in the agri-business surrounding tea production. Many of the international companies work with strong social commitment and are willing in part to accept economic losses in order to stabilize the economic situation of the region, which has an unemployment rate of up to 50%. However, due to the current oversupply situation and the falling market price, a number of companies are being forced to reduce their production costs.

In China, the earned income of farm workers is very low. While in India a minimum salary rate has to be paid by law, no such obligations are imposed in China. Chinese tea is mainly produced on small family farms. Due to the lower degree of organization, farmers get very low prices from traders. The working conditions on farms are very bad in some parts. There is no national legislation (like that in India) that defines minimum social standards.

In contrast to this situation, in India and Sri Lanka organic tea production is combined with projects that aim to improve the social situation of farm workers. Most of the employees working in tea gardens earn an income above the national average. Most of the workers are organized in unions that fight for the interests of their members.

Many tea gardens manage production in accordance with 'Fair Trade' standards. Nevertheless, the Fair Trade system in itself seems unable to guarantee an adequate wage level in situations of oversupply, where there is a worsening market situation and consumers of organic tea become more and more price-conscious.

3.2.6 Quality and safety aspects

In addition to caffeine, tea contains various valuable ingredients like tannic acids, polyphenol, essential oils, fluorine and B-vitamins. Before organic tea is sold, a number of chemical and sensory analyses are undertaken to ensure high quality. The market prices for tea are mainly influenced by sensory tests, where the visual quality of the tea leaves, the aroma, and the taste is evaluated. Besides this, chemical tests are carried out to analyse possible residues of pesticides and heavy metals. In general there are no crucial quality problems in producing organic tea which could negatively influence consumer expectations.

3.3 Market

Most of the organic tea produced is exported to Germany, the United Kingdom and the US. Organic tea consumption (black and green tea) for the main market destinations is estimated at 600 to 800 tonnes per year in Germany, 1,000 – 1,500 tonnes in the UK and 2000 tonnes in the USA. All other European countries consume a maximum of 100 tonnes of green or black tea per year.

It was mentioned before that currently supply and demand are not in balance. Two main reasons can explain this:

- Due to the advice of the international certifying bodies, a huge number of farms converted to organic tea production so that the volume of organic tea increased enormously in recent years. At the same time, demand grew, in line with other product groups, at between 10–20%.
- The second main reason concerns the permanently changing consumer trends and tea variety preferences. Whereas in the late 1990s, green tea was the trendsetter for a healthy lifestyle, today teas, like 'Rooibus' or 'Lapacho' have become more attractive for consumers. After the start of the green tea boom in Europe, countless small farmers in China converted to organic farming. After a time lag

(period of farm consulting and conversion) currently just 20% of all Chinese organic green tea can be sold as organic tea. This situation has led to a drop in prices for producers, while consumer prices for organic tea have remained quite stable. This means, despite the existing oversupply situation international traders can make profits. However more serious traders generally have long-term contracts with their tea producers and guarantee them stable purchase volumes and in

some cases also minimum prices. This has led in the current market situation to enormous price and income differences between farmers producing in the same region, and in some cases to significant differences in consumer prices.

In Germany the bulk of organic tea is sold via organic shops or health food stores, in the UK and the USA via conventional retailers. More recently, organic tea has also been marketed via special tea shops. The sale of excellent and expensive tea specialities is currently less important in Europe. Traders confirm in interviews that even organic tea is affected by a certain consumer price consciousness, which hinders broader sales of high quality organic tea.

However, from the consumer's point of view, it is very difficult to judge the right price for organic tea quality amid the mass of competing brands and varieties. At least in Germany there is no clear visual or terminological indication of different production methods and tea qualities. Most consumers are only able to choose between different origins (e.g. Darjeeling versus Ceylon), varieties (e.g. herbal versus black tea) and partly between different tea gardens. However unfortunately there is no evidence about methods of production and above all methods of processing apart from the general term 'organic production'. Despite the provision of general information material by the suppliers, most consumers are not able to find it easily at the point of sale.

3.4 Price

The price for organic tea strongly follows the market rules and, similar to the price of conventional tea, is closely connected to quality. While on the conventional tea market the price is relatively stable due to a balanced supply and demand situation, the small organic market is characterized by enormous fluctuation. Mainly as a result of the high conversion rate in recent years, the prices for organic tea decreased to a level that is progressively moving closer to the conventional price (China).

The Fair Trade price is orientated to the general price development of the world market. In India, farmers are paid EUR 1 – 1.5 /kg as compensation for compliance with minimum social standards. As the Fair Trade price is linked to the standard price for organic tea, this system is not able to guarantee farmers stable economic development. Currently Fair Trade organizations are concentrated in India and Sri Lanka. In China, where social standards are considered to be lowest, only one pilot project exists.

During the conversion period farmers do normally not obtain any price premium. Due to the expected lowering of yields by between 30 – 35% and higher production costs, the transition to organic production may lead to enormous financial losses within this period.

3.5 Useful Addresses

The following lists provide useful contact addresses of important organic tea players (producers, traders, importers, certifiers, producer associations). We stress that the information provided does not in any way claim to be complete. The listed companies were named by experts or were found by Internet research. If you do not find your company here, please contact us by E-mail *(admin@fibl.ch)* and send us a short description of your company together with contact details. We will add your company in the next edition of the organic tea study.

www.intteacomm.co.uk/: The International Tea Committee (ITC) is an independent organisation that collates and publishes official world-wide tea statistics.

Important Organic Tea Plantations I

No.	Address	Name of Estate	Location
1	**Bio Tea Estates Ltd.** 2, N. C. Dutta Sarani Sagar Estate, 5th Floor, Unit 1 Calcutta 700 001 Phone : +91-33-243-4979 / 220-3742 Fax : +91-33-2203870 E-mail : chamong@snonline.com	**Pussimbing**	**Darjeeling**
2	**Dooteriah & Kalejvalley Tea Estate Pvt. Ltd.** Camelia House, 4, Gurusaday Road, Calcutta - 700019 Phone: +91-33-2473067/8737/1816/7269/2401536 Fax : +91-33-2472577/4689/7089 E-mail : goodrick@giascl01.vsnl.net.in	**Dooteriah**	**Darjeeling**
3	**Maud Tea & Seed Co. Ltd.** 138, B. R. B. Basu Road Calcutta. Phone : +91-33-243-1734 / 2733 Fax : +91-33-210 1504 E-mail : chamong@snonline.com	**Bherjan**	**Assam**
4	**Maud Tea & Seed Co. Ltd.** 138, B. R. B. Basu Road Calcutta. Phone : +91-33-243-1734 / 2733 Fax : +91-33-210 1504 E-mail : chamong@snonline.com	**Sewpur**	**Assam**
5	**RNT Plantation Ltd.** 1&2 Old Court House Corner Calcutta - 700001 Phone : +91-33-220-8813/31/32 Fax : +91-33-2205450 E-mail : rntdpl@cal.vsnl.net.in	**Dalgaon**	**Dooars**
6	**Sampad Vikas Ltd.** 34A, Metcalfe Street Calcutta - 700013 Phone : +91-33-2250015/2369103 Fax : +91-33-2259511 E-mail : ambootia.tea@smk.sprintrpg.ems.vsnl.net.in	**Ambootia**	**Darjeeling**

No.	Address	Name of Estate	Location
7	**Sycotta Tea Co Ltd.** 2, N. C. Dutta Sarani Sagar Estate, 5th Floor, Unit 1 Calcutta 700 001 Phone : +91-33-243-4979 / 220-3742 Fax : +91-33-2203870 E-mail : chamong@snonline.com	**Chamong**	**Darjeeling**
8	**The Assam Co. Ltd** 52, Chowringee Road Calcutta 700071 Phone : +91-33-2827778 (8 lines) Fax : +91-33-2822616 E-mail : assamco@giascl01.vsnl.net.in	**Rembeng**	**Assam**
9	**The BBTC Ltd.** Wallace Street, Fort, Mumbai - 400001 Phone : +91-22-2079351/6711 Fax : +91-22-2071612/6772 E-mail : bbtcl@bom2.vsnl.net.in	**Oothu**	**Tirunelveli**
10	**The United Nilgiri Tea Estates Co. Ltd.** 3, Savithri Shanmugam Road. Coimbatore - 641018 Phone : +91-422-216566 Fax : +91-422-215865	**Korakundah**	**(Tamil Nadu)** **Nilgiri**
11	**Tiru Tea Ltd.** Camelia House, 14, Gurusaday Road, Calcutta 700019 Phone : +91-33-2477185/1816 Fax : +91-33-2472577 E-mail : goodrick@giascl01.vsnl.net.in	**Mullootar** **Monteviot** **Edenvale**	**Darjeeling**
12	**Stassen Natural Foods** P.O. Box 1919 833 S.B. Mawatha Colombo 14 Tel.: +94-1-522871 / 522925 Fax: +94-1-522913 E-mail: stassen@eureka.lk	**Iddulgashinna** **Bio Tea Project** **Venture Group**	**Sri Lanka**
12	**Tea Promoters (India) Private Limited** 17, Chowringhee Mansions, 30 Jawaharlal Nehru Road Calcutta 700 016 India Tel.: +91-33 229 1660 Fax: +91-33 249 6879 E-mail: teapromoters@vsnl.net	**Selimbong** **Seeyok** **Singell** **Banaspaty** **Putharjhora** **Samabeong**	**4 in Darjeeling** **1 in Doars** **1 in Assam**

No.	Address	Country
1	**Clipper Teas** Beaminster Business Park Broadwindsor Road Beaminster Dorset, DT8 3PR Tel. +44 (0)1308 863344 Fax +44 (0)1308 863847 E-mail: enquiries@clipper-teas.com	**United Kingdom**
2	**Lebensbaum** Postfach 1269 D-49342 Diepholz Tel. +49 (0) 5441-9856-0 E-mail: info@lebensbaum.de	**Germany**
3	**Oasis** Weillindestr. 20 D-72186 Empfingen Tel. +49 (0) 7485 999 073 E-mail: info@oasistee.de	**Germany**
4	**Kloth & Köhnken Teehandel GmbH** D-28209 Bremen Tel.: +49 (0) 421-347 79 31 Fax: +49 (0) 421-347 77 20	**Germany**
5	**Herbaria Kräuterparadies GmbH** Hagnbergstr. 12 D-83730 Fischbachau Tel: +49 (0) 8028/905710 Fax: +49 (0) 8028/905712 E-mail: Joey.Haas@herbaria.de	**Germany**
6	**Heuschrecke** Redcarstr. 50a 53842 Troisdorf-Spich Tel. 0049-(0) 2241-39726-0 Fax 0049-(0) 2241-39726-99 E-mail: bio@heuschrecke.com	**Germany**
7	**Sonnentor (Kräuterhandelsgesellschaft m.b.H.)** Sprögnitz 10 A-3910 Zwettel Tel. +43 (0) 2875 7256 Fax +43 (0) 2875 7257 E-mail: sonnentor@wvnet.at	**Austria**
8	**Golden Temple** P.O. Box 1197 Santa Cruz, NM 87567 1-800-YOGITEA http://www.goldentemple.com	**USA**

Producer Association

No.	Address	Country
1	**IBOTA** Indian Bio Organic Tea Association Goodricke Group Ltd. 14, Gurusaday Road Calcutta – 700 019 Tel. +91 (0) 33–247-3067; +91 (0) 33–247-7395 Fax +91 (0) 33–247-7089; +91 (0) 33–247-2577 E-mail: ajay_j@hotmail.com	**India**

4. Requirements and conditions relating to access for organic cocoa, coffee and tea imports

4.1 General framework

The **European Union (EU)** has a Common Agricultural Policy, a common trade policy and common import and customs regulations for imports from outside the EU. The African/Caribbean/Pacific ACP-EU Partnership Agreement provides for preferential tariffs for the ACP countries. Organic cocoa, coffee and tea is subject to the same customs tariffs as conventional cocoa, coffee and tea.

For the import of cocoa, coffee and tea into **Switzerland**, the general customs tariffs and regulations apply. As in the EU, preferential customs duties may be applied to imports of certain agricultural products from emerging markets and markets in transition in accordance with the Swiss tariff preferences system. Imports from Least Developed Countries are exempted from customs duties for the majority of headings in the customs tariffs. Importers pay a value-added tax of 2.4% on foodstuffs.

4.2 The EU Regulation on Organic Production

Organic production in the Member States of the EU is governed by Regulations No. 2092/91 (plant production) and 1804/99 (animal production). They protect producers from unfair competition and they protect consumers from pseudo-organic products. Plant and animal products, and processed agricultural goods imported into the EU, may only be labelled using terms such as 'organic' in English and 'biologisch' or 'ökologisch' in German, etc., if they conform to the provisions of the EU Regulation.

The EU Regulation lays down minimum rules governing the production, processing and import of organic products, including inspection procedures, labelling and marketing. Each European country is responsible for enforcement and for its own monitoring and inspection system. Applications, supervision and sanctions are dealt with at regional level. At the same time, each country has a certain degree of freedom with regard to how it interprets the Regulation on Organic Production and how it implements the Regulation in its national context.

Importing organic cocoa into the EU
Article 11 of the EU Regulation governs market access for organic products in the countries of the EU. It stipulates that organic foods imported into the EU from third countries must have been produced, processed and certified in accordance with equivalent standards. At the present time there are two ways of authorizing imports into the EU:

- **Access via import permit** in accordance with Art. 11, paragraphs 1–5: In order to be added to this list, the country making the application must already have enacted organic farming legislation and a fully functional system of inspection and monitoring must be in place. To date Argentina, Australia, Czech Republic, Hungary, Israel and Switzerland have been included on the list. Goods imported from these countries need only be accompanied by a consignment-specific certificate of inspection.
- Access via import permit in accordance with Art. 11, paragraph 6, for all countries not included on the list of third countries (i.e. the vast majority of imports into the EU). Requirements vary from one EU country to another, but the following are those that generally apply: The exporter applies for inspection by one of the European certification bodies that is approved and accredited in the EU. After the import permit has been issued by the designated inspection body, then either the

exporter must ensure that the organic goods from the third country are accompanied by a certificate of inspection, or the importer must be able to produce a certificate of inspection for each consignment imported from the third country.

Within the EU all organic products may be freely traded. However, procedures relating to the issue of import permits are not the same in all EU countries. It is advisable to seek advice from the relevant authorities before trading commences.

Some countries in Europe had already formulated their own legislation on organic production or private standards and labelling schemes before the EU Regulation came into force, in some cases many years earlier. These quality marks, for example in Denmark, Austria, Sweden and Switzerland, are well trusted by consumers and are one of the reasons for the current boom in the market for organic products in these countries. The importance of such private standards is explained in Chapter 4.4.

Detailed information about import requirements, private logos, the EU logo and issues relating to inspection bodies is available in the handbook "The Organic Market in Switzerland and the European Union" (Kilcher et al, Frick/Zürich 2001; see Annex).

4.3 The Swiss Organic Farming Ordinance

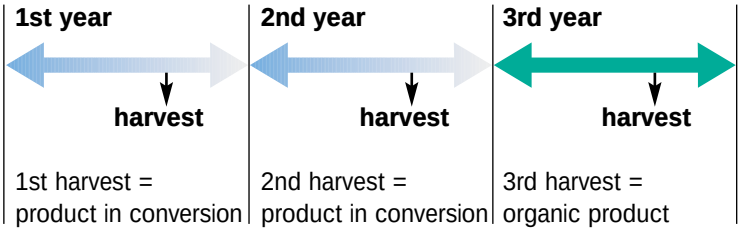
The Swiss Ordinance on organic agriculture and on appropriate labelling of plant products and foodstuffs (termed in the following Organic Farming Ordinance: 910.18 and 910.181) – like the EU Regulation on Organic Production – lays down minimum rules governing the production, processing and import of organic products, including inspection procedures, labelling and marketing, for Switzerland. Agricultural products may only be labelled as organic products if they comply with the provisions of the Organic Farming Ordinance. In Switzerland at present there is no government label for organic products, but there are various private labelling schemes.

The Swiss Organic Farming Ordinance was modelled on the EU Regulation on Organic Production. However, **the Swiss Organic Farming Ordinance is stricter** than the EU Regulation in:

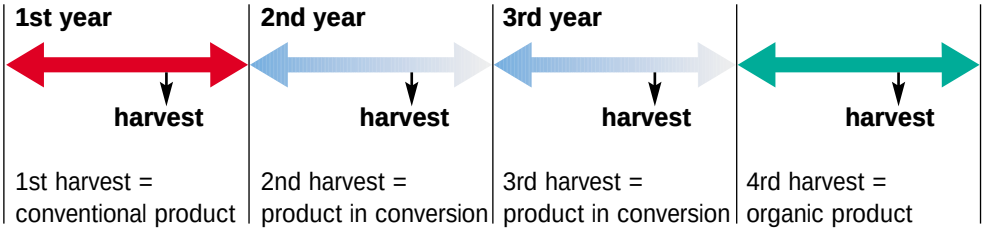
- requiring conversion of the whole farm to organic management: Whole-farm conversion to organic management is not obligatory in the EU, but in Switzerland it is (however, vineyards and orchards are partly exempted).
- requirements relating to the conversion process: in Switzerland up to max. 5 years possible in the case of special crops. Step by step conversion in the EU is not limited to special crops.

Chart 2: Course of the conversion process for organic cocoa, coffee and tea

Swiss Organic Farming Ordinance



EU Regulation 2092/91



- **International regulations**
  - ➢ IFOAM
  - ➢ Codex Alimentarius
- **National and country community regulations**
  - ➢ European Union
  - ➢ Switzerland
  - ➢ United States
- **Private regulations**
  - ➢ Bio Suisse
  - ➢ Naturland
  - ➢ Demeter
  - ➢ etc.

Definition of production methods, not product quality
Minimal requirements, not best practice
Permanent development

On the following aspect, the **Swiss Ordinance is less strict** than the EU Regulation:

- in Switzerland there is no 'year zero'. As a result, conversion normally takes two years rather than three as in the EU.

Some points relevant for Swiss importers:

- The exporter in the EU must apply for a Swiss import certificate from his inspection body and ensure that the product bears the code number and name of the inspection body and that it is labelled 'bio' (organic).
- If a product has been approved in accordance with EU Regulation No. 2092/91 on Organic Production, then it can be approved automatically as organic in Switzerland too, and vice versa. An exception is made in the case of products from farms in the process of conversion. When a conversion product from the EU, or another country, is imported into Switzerland, this must be specifically declared.
- In order to comply with the requirements of private labelling schemes, conditions such as whole-farm conversion and other additional conditions may be imposed on imports from abroad, i.e. also on those from the EU.
- Import requirements from countries outside the EU and from countries on the Country List are similar to those of the EU Regulation. In analogy to the EU, Switzerland also operates a system of 'individual authorization'. For direct imports from countries that are not included on the list of third countries, the importer in Switzerland must submit an application for **individual authorization** to the Federal Office for Agriculture (FOAG) together with an **attestation of equivalence** for the relevant product and its producer.

The handbook “The Organic Market in Switzerland and the European Union” (2001) informs about the details of requirements relating to the attestation of equivalence and conditions pertaining to import certificates.

Table 21: Private-sector organic label requirements for organic cocoa, coffee and tea production

	BIO Knospe	KRAV	Demeter	Naturland
Website	**www.bio-suisse.ch**	**www.krav.se**	**www.demeter.de**	**www.naturland.de**
Conversion				
Conversion period, possibility of reducing the conversion period	Conversion period 2 years, no reduction possible	Normally 1 year, can sometimes be extended or reduced depending on past land use.	In general, as under EU Regulation on Organic Production. If pre-certified organic, at least 12 months; biodynamic cultivation necessary	3 years
Step by step conversion (possibility, maximum duration)	Conversion in one step. Exception possible for long-term cultivation, conversion plan is compulsory, clear separation of the different products for all the stages, max. 5 years	Yes	Conversion in one step. Exception possible for long-term cultivation, conversion plan is compulsory, clear separation of the different products for all the stages, max. 5 years	For step by step conversion, it must be ensured that different stages of certification are clearly and unambiguously distinguishable. Simultaneous production using plant products of different stages of certification is prohibited unless these can be clearly distinguished.
Conversion of entire farm (or possibility to farm single units conventionally)	Only fully organic farms. One and the same farm manager may not simultaneously operate a conventional and an organic farm. Unitary farm manager: Combination of manager and farm unit. The farm unit is a clearly delimited area under management, subject to specific inspection and documentation.	No. But dependent on the possibility for inspection if it is parallel production	Conversion of the entire farm, not only the cash crops, including minor crops, livestock, etc. Clear internal and external separation. The farmer is not allowed to have another conventional farm in the same region.	The principle of unitary farm management ('Bewirtschaftereinheit') applies; i.e. one and the same farm manager may not simultaneously operate a conventional and an organic farm. Unitary farm manager: Combination of manager and farm unit. The manager is the natural person or legal entity which independently operates and is responsible for a farm. The farm unit is a clearly delimited area under management, subject to specific inspection and documentation.
Inspection and certification				
Standards on internal control systems	Detailed criteria which outline what is needed in an internal control system.	Detailed criteria which outline what is needed in an internal control system.	No regulations of its own. Adaptation of the Bio Suisse and Naturland regulations.	Detailed criteria. See Naturland handbook for control systems.
Frequency of external inspections	At least one per year, < 20% of farms when fully professional internal inspection system.	Depending on the size of the grower group and the risk situation.	Once a year	At least one per year, at least 10% of farms
Records to be made by the single farm units	Yields, all inputs, land changes	Field officers complete the documentation of the farms during registration and contracting and during two visits per year to the farm.	Records must be kept	Farm journal
Licence for labelling subject to charge	1% fees on product value for importer or retailer, none for producer or exporter.	Certified operators can use the Krav-label without extra charge, just the costs for the certification.	2% of turnover of products sold under the Demeter-Brand, minimum fee for yearly certification.	Producer: 1% net sale price for sale within Europe, 0.5% net sale price for sale outside Europe (USA, Japan) 0.1% net sale price for sale on the local market

Website	BIO Knospe www.bio-suisse.ch	KRAV www.krav.se	Demeter www.demeter.de	Naturland www.naturland.de
Production				
Living or dead ground cover	Should endeavour to maintain ground cover and minimize tillage.	Mulching is acceptable	Soil should not be left fallow for the whole year	Should endeavour to maintain ground cover and minimize tillage.
Limitations of plant density	General requirements for appropriate cropping	General requirements for appropriate cropping	General requirements for appropriate cropping	Planting density of cocoa should be between 600 and 1100 trees/ha.
Mixed cultures, shade cultures, agroforestry systems	General requirements for appropriate cropping	Mostly agroforestry	General requirements for appropriate cropping	Mixed culture desirable, endeavour to use shade culture and agroforestry systems (but not a condition of certification).
Qualitative limitation of nutrient input	Nutrient balance must be neutral. Application of trace elements only after submitting soil analysis results and receiving prior approval from Bio Suisse.	Limitation of N and P	Max. 1.2 LU/ha** equivalent on fruit Max. 1.4LU/ha equivalent for all other crops	A total quantity of fertilizer equivalent to 1.4 LU/ha** must not be exceeded, with farm manures spread evenly on the farmed land as part of the crop rotation. Application of trace elements only after submitting soil analysis results and receiving prior approval from Naturland.
Qualitative limitation of nutrient input	Strictly limited, only permitted fertilizers (no chemical-synthetic fertilizers). No meat- or bone- derived products, animal waste must be conditioned. See positive list.	Strictly limited, only permitted fertilizers (no chemical-synthetic fertilizers).	Strictly limited, only permitted fertilizers (no chemical-synthetic fertilizers), see Annex 4 of the standards	No poultry manure, conventional manure only after rotting, commercial green composts only with express prior approval from Naturland, no chemical-synthetic fertilizers, bought-in organic manures subject to restrictions (e.g. no meat meal, no blood or bone meal)
Quantitative and/or qualitative limitation of irrigation	Quality of irrigation water must be proven by means of analyses, where risk of contamination exists. No irrigation water from run-through of flood-irrigated conventional plantations	No	Not explicitly regulated, general requirement to avoid any contamination	Quality of irrigation water must be proven by means of analyses, where risk of contamination exists.
Quantitative limitation of pesticide input	Copper max. 4 kg/ha per year	Not on permitted inputs	E.g. copper input limited to 3kg/ha per year in permanent crops	Copper max. 3 kg/ha per year
Qualitative limitation of pesticide input	Not permitted: chemical-synthetic substances. strictly limited. Permitted: see positive list.	Not permitted: chemical-synthetic substances. strictly limited. Permitted: see positive list.	Not permitted: chemical-synthetic substances. strictly limited. Permitted: see Annex 5.	Not permitted: chemical-synthetic subst. Permitted: smell deterrents; preparations which increase crop resistance; Fungicides: wettable sulphur, copper salts, sodium silicate, lecithin, sodium bicarbonate; Animal pesticides: preparations of Ryania speciosa, Derris elliptica, neem; oil emulsions, soft soap; rock dusts; gelatine; viral, fungal and bacterial preparations. Only with prior approval from Naturland: Pyrethrum extract (no synthetic pyrethroids!), Quassia amare.
Measures to avoid drift	Maintain and document sufficient distance from conventionally cultivated land; if necessary plant hedges and/or rows of trees as protection; if there is nonetheless a risk of contamination _ market products from border rows as conventional produce (evidence of conventional marketing necessary).	Buffer zones	Drift must be avoided/minimized by taking suitable precautions; in certain cases, residue analyses from border rows may be required.	Maintain and document sufficient distance from conventionally cultivated land; if necessary plant hedges and/or rows of trees as protection; if there is nonetheless a risk of contamination _ market products from border rows as conventional produce (evidence of conventional marketing necessary).

** LU = livestock unit, a standard measure used to combine various classes of livestock to define allowable number per hectare of land for application of animal manure

Website	BIO Knospe www.bio-suisse.ch	KRAV www.krav.se	Demeter www.demeter.de	Naturland www.naturland.de
Production				
Bio-dynamic preparations			Application of biodynamic preparations (field spraying preparations and compost preparations) to all land.	
Compensatory ecological habitats	7% of the agricultural area	Not an obligation. The goal is sustainable production.		No conditions imposed
Measures to prevent erosion	Should endeavour to maintain ground cover, damming with living and dead material along contour lines; terraces in extreme situations.	Yes, by production methods	Not explicitly regulated	Should endeavour to maintain ground cover, damming with living and dead material along contour lines; terraces in extreme situations.
Forest conservation (primary / secondary), forest clearing	According to IFOAM Basic Standards	According to IFOAM Basic Standards	Not explicitly regulated	Clearing of virgin forest (primary forest) is prohibited.
Processing				
Limitation of process additives	Yes. See positive list.	Yes		No special regulation, Naturland processing standards apply, according to which no processing aids are permitted except plant oils and fats and separating waxes (beeswax, carnauba wax) as separating agents
Limitation of processing methods	Limited, see processing standards.	Yes	Strictly limited, see Demeter processing standards	No special regulation, Naturland processing standards apply
Quality standards	Free of contamination, food quality.	–	Yes, strictly regulated, see Demeter processing standards	Free of contamination, food quality.
Traceability	Must be 100% at all times.	Must be 100% at all times.	Must be 100% at all times.	Must be 100% at all times; where products of several producers are mixed, producers risk collectively losing their certification as a result of problems that have arisen on an individual holding. As far as possible, labelling must show provenance and organic or conversion quality.

4.4 Private organic labelling schemes

Most of the private labelling schemes both in Switzerland and in the EU go further than the minimum requirements of the Swiss Organic Farming Ordinance and the EU Regulation on Organic Production. Before the latter came into force, the standards that were applied to the production and marketing of organic products were primarily those set out by private organic labelling and certification schemes, e.g. Naturland, Bioland, BIO SUISSE, Ernte für das Leben, Demeter, Soil Association and supermarket labels like the “Migros Bio” label. Some examples are outlined in the following.

4.4.1 Private label requirements for organic cocoa, coffee and tea

There are currently no specific standards for organic cocoa, coffee or tea and their products in any main markets. For organic coffee there do exist some local regulations e.g. in Mexico. Also IFOAM is preparing some standards for organic coffee. However, generally these products must be certified according to the standards applicable to organic food products in general.

4.4.2 IFOAM Standards

The extent and progress of organic agriculture in many countries have been enhanced substantially by the development of a set of principles, requirements, and guidelines for organic farming and processing commonly referred to as Basic Standards. This eventually evolved into the International Federation of Organic Agriculture Movements (IFOAM) Basic Standards. It reflects the collective knowledge and practices of IFOAM members who, in 1972, came from five countries of Europe and now from 115 countries worldwide. It is widely recognized worldwide and, as a “living” document, it is continuously evaluated and constantly improved through a democratic process every two years when IFOAM holds its General Assembly.

The IFOAM Basic Standards seek to clarify the practices and procedures approved in organic agriculture, those that may be accepted, and those that are to be prohibited.

The IFOAM Basic Standards cannot be used for certification on their own. They provide a framework for certification programmes world wide to develop their own national or regional standards. These will take into account local conditions and may well be stricter than the IFOAM Basic Standards. The IFOAM Basic Standards

also form the basis from which the IFOAM Accreditation programme operates. The majority of certification programmes used worldwide are accredited by IFOAM.

4.4.3 Relationship to Fair Trade

Smallholders and cooperatives producing cash crops have always been vulnerable to falling world market prices. A number of organizations worldwide try to reduce these risks by ensuring that producers are rewarded fairly for their products. The organizations guarantee the small farmers and producer associations in the South a fair price for their produce and act as intermediaries in marketing the products, which then bear the label of the organization. Fair Trade organizations have separate programmes for different crops, of which the labels for coffee and cocoa are the better known.

In Europe, the most frequently seen Fair Trade labels are those of Max Havelaar, Transfair and World Shops *(Weltläden).* Further information can be found on the website of Labelling Organizations International (FLO), Max Havelaar and Transfair. Fair Trade labels also appear in the United States and elsewhere, though to a lesser extent than in Europe.

Having a Fair Trade label does not necessarily mean, however, that the products can also be sold as 'organic'. In order to be designated organic, the project must be subject to accredited organic inspection procedures.

Several private organic labelling and certification schemes, e.g. BIO SUISSE, maintain close contacts with Max Havelaar or Transfair, since some projects conform to the standards of both organizations. The combination of 'organic' and 'Fair Trade' labelling can enhance a product's market prospects and is used successfully with organic coffee, tea and cocoa products.

The inspection and certification process

Certification body sends approved/corrected farm documents to producer and inspector

↓

Inspector prepares inspection based on farm documentation

↓

Inspection of the farm/processing plant: Inspector and producer sign inspection documents

↓

Inspector sends report and farm documents to certification staff

↓

Review of the report by certification staff

↓

Decision on certification and possible conditions or sanctions by certification committee

↓

In case the producer does not agree with decision: submitting an appeal?

4.4.4 Relationship to “eco”-labels

The United States has several labels of organizations dedicated to conserving the environment, and rain forests in particular.

Among these, Rainforest Alliance – an international non-profit organization dedicated to the conservation of tropical forests – is one of the most active. Its major efforts include promoting and certifying sustainably managed timber and agricultural production in the tropics.

The certification programme of the Rainforest Alliance, ECO-O.K., was established to promote market incentives that will transform tropical agricultural production so that it is less environmentally damaging. ECO-O.K. has certified bananas, oranges, coffee and set up draft guidelines for ECO-O.K.-cocoa certification.

Having the ECO-O.K. label or other “eco”-labels does not mean, however, that the products can also be sold as 'organic'. In order to be designated organic, the project must be subject to accredited organic inspection procedures.

4.5 Inspection and certification of organic cocoa, coffee and tea

For the products to enter a specific market, they must be certified as having been produced according to the standards applicable in that market. Certification is thus a necessary condition for international trade in organic coffee, tea and cocoa products.

For a product to be certified organic, all operators in the product chain – farmers, exporters, importers, processors, manufacturers, wholesalers and retailers – must be certified as acting in conformity with the regulations and standards of the certification programme concerned. They must be certified by an accredited inspection body at least once per year. For this they must enter into a contract with an accredited inspection and certification body. A list of accredited inspection and certification bodies exists for the EU and for Switzerland (see handbook "The Organic Market in Switzerland and the European Union", 2001).

Requirements relating to inspection bodies
Since January 1988, all inspection and certification bodies accredited in the EU

and Switzerland must satisfy the requirements of the EN 45011 standards (these are identical to ISO Guide 65; both set out general standards for certification bodies), in order for suitable imports of organic goods to be approved by the European and Swiss authorities. Because of the requirement of equivalency, this also applies

Inspection
- On-site visit to verify that the performance of an operation is in accordance with specific standards
- Evaluation and verification of agricultural production, processing and trading
- Inspection requires complete documentation by producers, processors and handlers
- Findings are presented in a report to the certifiers (see Chart 2)

Certification
- Guarantees the fulfillment of the label standards and of legal regulations
- Compares results of inspection with requirements of standards
- Decides about issuing of certificates, conditions and sanctions
- Written assurance that a process or product is in conformity with certain standards

Accreditation
- Guarantees that the certification programme is competent to carry out specific tasks
- Authoritative body checks whether a certification system is operating according to certain standards
- Various accreditation programmes: national, EU (EN 45011), ISO (No. 65), IFOAM

Organic labelling
- Easy recognition of organic quality and certification system
- Monitoring the market for misuse of certification mark or label
- Label-specific standards possible in addition to organic standards

to all inspection bodies in third countries from which certified products are imported into Europe. In other words, it also applies to local inspection bodies in emerging markets and markets in transition. There are three options for going about this (for details see the handbook “The Organic Market in Switzerland and the European Union” 2001; see Annex).

Smallholder group certification
To allow smallholder organisations to participate in the organic market, some certifiers developed a specific inspection procedure, which can be applied in sufficiently warranted individual cases. The concept is mostly based on a combination of an internal control system managed and operated by the smallholder organisation, and an external inspection and certification scheme, which comprises the supervision of the organisations’ ”in-house” internal control system. Based on a standard inspection programme, an inspection report is produced and does contain details on the above mentioned provisions of the Regulation, bearing in mind the principle of equivalence with the EU regulation.

Producer’s documentation duty (according to EU Regulation No. 2092/91 Annex IV)

a) Name and address of producer
b) Maps
c) Field histories
d) Location of premises and, where appropriate, parcels (land register data) where operations are carried out
e) Nature of operations and products
f) Undertaking by the operator to carry out the operations [...]
g) In the case of an agricultural holding, the date on which the producer ceased to apply (banned) products [...]
h) The name of the approved body to which the producer entrusted inspection of his undertaking [...]
i) Documentation of production sites
j) Documenting use of chemicals