



## REGULATION (EU) 2018/848 FOR ORGANIC PRODUCTION ENFORCED ON 01.01.2022: IMPACT ON FOOD & BEVERAGE PRODUCERS

The organic retail market in the European Union (EU) has grown significantly in recent years. As of 2019, the region had farmland spanning 14.6 million hectares, 343,858 organic producers and a EUR41.5-billion organic retail market.

In the EU, organic farming first came under the purview of regulations in 1991. The EU Commission introduced rules to streamline the production of organic products in the region. The objective was twofold: to ensure that only genuine organic products are produced to meet the demand from customers; and to create a fair marketplace for producers, distributors and marketers.

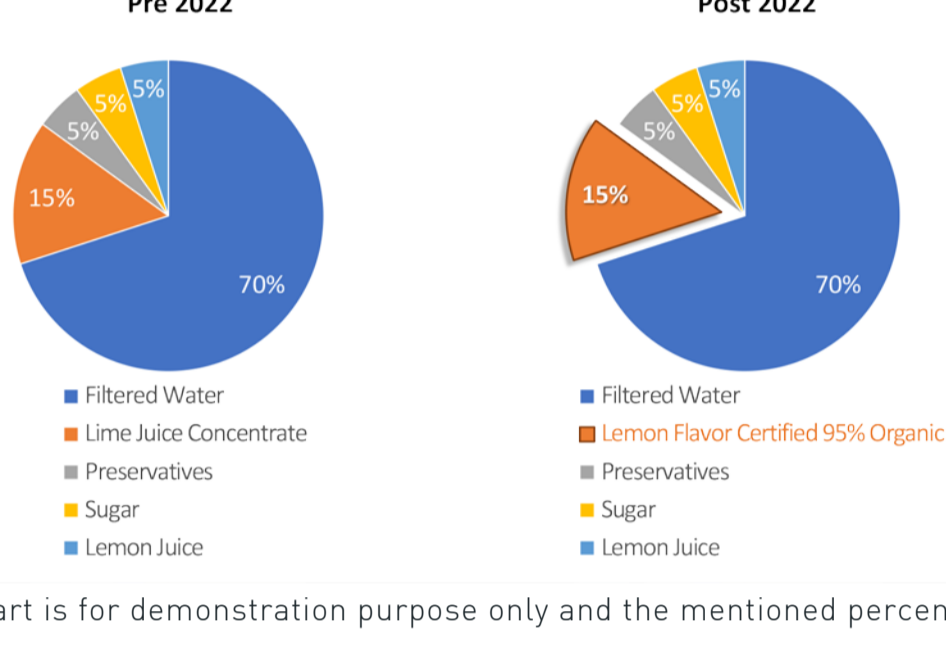
The concept of organic farming has, however, evolved over the years to include a broader array of produce. Initially, it covered only plant and agricultural products but now encompasses animal, unprocessed animal products and food containing ingredients of animal origin.

To address the changing requirements, the EU Commission replaced the earlier regulation with the Regulation (EU) 2018/848 on 1 January 2022. Some of the major changes suggested in the new regulation are as follows:

- 1 WIDENING THE RANGE OF PRODUCTS** – The umbrella of organic farming has been expanded to include a wider variety of products. To the existing list of live or unprocessed agricultural products such as seeds and other plant material, the new regulation adds products such as cork, salt, maté, beeswax, vine leaves, essential oils and palm hearts. Furthermore, the regulation gives the EU Commission the authority to include more food products in future, as required.
- 2 STREAMLINING PRODUCTION AND PROCESSING** – Clear guidelines have been laid for the production and processing of crop and animal products.
  - **Crop production** – Farmers must provide detailed information on the seeds and seedlings used in producing the crop while registering themselves as organic producers. Additionally, they need to grow legumes to increase the fertility of the soil to prevent depletion caused by repeated cultivation.
  - **Animal production** – With a focus on animal welfare, the regulation lays down certain conditions and guidelines for poultry and pig rearing. These include rules pertaining to the format for layouts and outdoor spaces for animal rearing as well as feeding, and purchase of non-organic pullets.
- 3 RESTRUCTURING FOOD PROCESSING** – The regulation specifies the cleaning products and disinfectants to be used in processing. Only certified organic natural extracts and aromas compliant with Regulation 2018/848 are allowed (these must be at least 95% derived from products approved/certified as organic, while the remaining 5% can be obtained from approved inorganic sources).



### CHANGE IN FLAVOURING EXAMPLE OF AN ORGANIC LEMON BEVERAGE



Note – The chart is for demonstration purpose only and the mentioned percentages can vary.

- 4 RELAXING ORIGIN LABELLING NORMS** – The previous regulation made it mandatory that labels in organic pre-packed food must have the organic logo and the basic details regarding the source of farming of the agricultural raw materials. However, the new regulation is more relaxed in this regard. It has raised the limit of non-EU ingredients in products labelled 'EU Agriculture' to 5% from 2% currently.
- 5 INCREASING THE STRINGENCY OF IMPORT RULES** – All organic product imports to the EU must comply with the rules pertaining to production defined by the new regulation. These imports will also be monitored by authorities recognised by the EU Commission. The Commission will update the list of bodies/organisations vested with the authority for monitoring and certification in non-EU countries. It will take effect after the current list of authorities expires on 31 December 2024.
- 6 CHANGING GROUP CERTIFICATION NORMS** – The new regulation has made changes to the rules regarding group certification. This could make it more challenging for groups of small farmers to obtain organic certification. As per the new requirements:
  - Each group of small farmers applying for organic certification must have a legal entity.
  - The number of farmers in each group cannot exceed 2,000.
  - External control rates have been increased and residue sampling requirements have been added.



### MAIN CHANGES

Features	Before	After
<b>PRODUCTS</b>	Live or unprocessed agricultural products	Wide range of products
<b>PRODUCTION AND PROCESSING</b>	Defined rules	Additional rules for agriculture and livestock farming
<b>FOOD PROCESSING</b>	All natural flavours allowed	<ul style="list-style-type: none"> <li>• Only natural flavours originating from the mentioned ingredients allowed</li> <li>• 95% organic flavouring must be made from organic certified raw material</li> </ul>
<b>ORIGIN LABELLING</b>	Logo and basic details of where the agricultural raw materials were farmed to be present	Name of a country or region can replace the EU and non-EU origin of raw materials
<b>IMPORT RULES</b>	As present in trade agreements	All countries must follow new regulations
<b>GROUP CERTIFICATION</b>	<ul style="list-style-type: none"> <li>• Farmers applying need not have a legal entity</li> <li>• No limit on number of members</li> <li>• No residue sampling required</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers applying should have a legal entity</li> <li>• Number of members limited to 2,000</li> <li>• Residue sampling required</li> </ul>

### CHALLENGES FOR ORGANIC FOOD IMPORTERS

By making import rules stricter, the new regulation places producers in the EU at a more advantageous position vis-à-vis small producers from emerging countries. Two of the glaring issues for non-EU producers are as follows:

- Many organic farmers in sub-tropical countries outside the EU produce grains, pulses, and oilseeds on a large scale. In these regions, the weather patterns are different as is the set of plant pathogens. This renders it difficult for the farmers in the sub-tropics to comply with the EU organic farming requirements pertaining to infrastructure, water quality, and operations.
- The new regulation seems to lack the teeth to effectively address fraudulent practices. There are no provisions to deal with producers obtaining certification and accreditation wrongfully. Concerns of small organic producers



### SMALL PRODUCERS IN THE EU ARE NOT VERY COMFORTABLE WITH THE GROUP CERTIFICATION NORMS.

- Limiting the number of farmers for group certification to 2,000 may impact cooperatives, which usually have more members.
- The new provision of sampling of residues for 2% of the group members would generate extra cost for larger groups.

### IMPACT ON ORGANIC FOOD COMPANIES

Organic food and beverage companies stand to be the most affected by the 95% organic ingredient rule. Rough estimates show that at least 10% of the total revenue from organic retail (almost EUR4.15 billion) will take a hit post-implementation. Companies will need to step up their R&D efforts to develop products that are compliant with the new rules.

Plus, the changes need to be quick to ensure there is no loss of business. Many organic ingredient companies have already launched a range of new ingredients.

### OUTLOOK

The main objective of the new set of regulations is to facilitate the production of high-quality food with minimal adverse impact on the environment and, thereby, contribute to developing a sustainable food system in the EU.

- Through the new regulation, the EU Commission aims to:
- Create fresh demand for organic products and build trust among consumers
  - Reinforce the entire value chain
  - Improve the contribution of organic farming to environmental sustainability
  - Promote high standards of animal welfare

The new regulation is supported by an action plan to boost growth in the organic farming segment.

### CONCLUSION

The EU Commission modified the existing regulation on organic farming to make it more comprehensive and inclusive. The aim is to help organic producers conduct business smoothly. However, the changes and requirements will affect businesses and revenues at least in the short term. Ensuring easy availability of key raw materials could provide some reprieve, as this would free up the bandwidth for them to focus on renewing R&D efforts for developing products as per the regulations. Some of the new rules appear particularly unfavourable for small producers and importers, and compliance would come at a cost in terms of high investment in implementing the changes. However, lofty the objective, as with any regulatory change, the impact of Regulation 2018/848 will only become visible after some time. Until then, we need to look at the big picture to overcome the challenges in the short term.

COPYRIGHT AND DISCLAIMER

The contents of the newsletter are protected by copyright. Any reproduction or commercial use is subject to the written consent of Zuegg Com GmbH, based in Lana, Boznerstraße 2 (BZ) – Italy. All contents of the newsletter have been carefully researched. Nevertheless, we cannot assume any liability for the correctness, completeness, up-to-dateness and/or usability of the contents for the user's purposes.