



Miljø- og
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Growth plan for the Danish organic sector

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Preface

Today, organic products are commonplace in Danish shopping baskets. But this didn't happen on its own. Rooted in strong and trustful cooperation between farmers, producers and consumers, the Danish organic sector has managed to turn Danish organic products into a growth enterprise that only seems likely to continue growing. In Denmark as well as globally.

Denmark holds a strong position on the organic market. And Denmark has a strong domestic market: so strong, in fact, that Danish consumers lead the world in consumption of organic products. Denmark also has a long tradition of organic farming. Denmark was the first country in the world to pass legislation on organic products and stipulate specific rules for what organic production actually is. Denmark has the strong government-controlled Danish Ø label on organic products, which enjoys great confidence from Danish consumers. The Danish organic sector has set the bar high in many areas such as animal welfare. All these factors together have forged strong confidence in Danish organic products.

Demand for organic food has been high in the past couple of years, and many Danish farmers have seen the financial perspectives in converting their farms to organic production. Therefore, Denmark has experienced massive growth in the area under organic production in recent years.

This is a good foundation for continuing and accelerating developments towards a more market-based sector that allows the Danish agricultural and food industries better opportunities to realise the huge growth potential in the organic market, both nationally and globally. Therefore, the Danish Government and the Danish People's Party have earmarked more than DKK 1 bn. for Organic Area Aid for 2018-2019, so that we can satisfy the large number of applications that is on a par with the record-high average in 2015-2017. This is DKK 373 mill. more than had already been earmark for Organic Area Aid in the Food and Agriculture Package. The funds will ensure that land is farmed organically for five years. Over the past two years, the Government has invested in converting land corresponding to 150 football fields from conventional to organic agricultural production: every day. This level of investment has never been seen before.

I believe that the Danish organic sector will continue to have great potential to create growth and jobs - especially in rural areas. Therefore, I will work to develop and strengthen Denmark's leading position. But this must be driven by consumer demand and the farmers themselves. I have no intention of having a situation in which the Government dictates what people must eat, and how farmers must run their farms. Current developments confirm that a more market-based organic sector is the right way to go.

The Danish organic sector has a good foundation for sharing in Danish growth as well as global growth in organic demand, but the sector also has its challenges. For example, organic farmers would like to be more ambitious within some of the areas where their core consumers expect a special effort. Nature and the climate are good examples. I would like to support the ambitions of the industry to sharpen the nature and climate profile of the Danish organic sector where this is possible within legislation.

There is a shortage of nutrients for organic farmers to fertilise their fields with. In the long term, this may become a challenge to expanding organic farming to accommodate the increasing



Esben Lunde Larsen
Minister for Environment
and Food

Kommentar [SP1]: Økologisk
Arealtilskud – Based on the name of the
EU scheme

consumer demand for Danish organic food. I would like to help ensure that we find solutions that can return to agriculture the nutrients that are brought into towns with food. A possible solution could be to make it easier for farmers to use food waste from towns as fertiliser.

In the broad political arena, I will work for a simpler and more flexible Common Agricultural Policy in the EU. In connection with negotiations on the future EU Common Agricultural Policy (CAP) after 2020, some of the main priorities for me will be to make it more simple for farmers to apply for subsidies, and to make it possible to regulate on the basis of an entire farm rather than on the basis of the individual field. This will make space for more innovative legislation in which the individual farmer will be able to organise production in relation to local conditions and personal preferences. In fact, in many cases, I think that this could benefit both the industry and the environment.

A strong tradition for organic farming, our strong domestic market, and our proud food traditions give us a solid platform to take part in the growth in the organic sector. This plan - and not least the many initiatives in the organic sector - lays the foundation for the next part of the story about how, together, we will develop and strengthen Denmark's leading position in the organic sector.

Esko Lunde Løkke

Minister for Environment and Food



The Danish organic sector today

Things are going well for the Danish organic sector. In 2016, organic food worth DKK 8.7 bn. was sold from Danish retail outlets. This was an increase of 15% compared with 2015, which itself saw the largest increase in eight years. This corresponds to a market share of about 10.5%, which is the world's highest, meaning that Danish consumers lead the world in organic consumption.

Organic products are also increasingly in demand in the food service sector. Sales of organic food to the sector reached DKK 2 bn. in 2016. This was an increase of 21% compared with 2015. Organic products accounted for 9.2% of all sales of food products to the food service sector in 2016, approaching the level for the retail sector.

Export markets are also doing well. In 2016, Danish organic food worth DKK 2.4 bn. was exported. This is an increase of 23% in one year. The most important export markets for Denmark are Germany (39%) and Sweden (19%), but also more distant markets such as China are becoming increasingly important for the Danish organic sector.

Exports of organic products accounted for 2.1% of total Danish exports of food and drink products and animal feed in 2016, and this percentage has been increasing for eleven years. The most important Danish organic exports are dairy products, which, including eggs, accounted for just over DKK 900 mill. in 2016.

Danish organic imports are also increasing. In 2016, Danish organic imports reached DKK 3.2 bn.; an increase of 34% compared with 2015. At 36% of total imports, fruit and vegetables are the most important imports.

The area being farmed organically has also increased significantly over the past couple of years. On 31 May 2017, the total organically farmed area amounted to 245,159 hectares. This is an increase of 13% compared with 2016, corresponding to 28,365 hectares. This means that organically farmed land amounted to 9.2% of the total agricultural area in Denmark. It is likely that the organic share of the total agricultural area will increase.

The organic business team

Kommentar [SP2]: My own translation of 'Det økologiske erhvervsteam'

The organic business team was set up following the Government's Food and Agriculture Package of 22 December 2015, and it was tasked to draw up specific visions and recommended initiatives to strengthen a competitive and market-driven organic sector within the framework of organic principles.

In addition to Henrik Biilmann, director at Friland A/S, who chaired the team, there were 15 other resource persons with expertise within the organic sector, and the team included representative from businesses as well as organisations from all parts of the sector. The team submitted 25 recommendations to the minister on 7 April 2017, covering the following six focus areas:

1. Increased sales and market development
2. At the forefront of developments
3. Organic farming as a laboratory to develop the circular bioeconomy
4. Simpler regulation and subsidies
5. Skilled organic farmers making money and cooperating in new ways
6. An organic sector as the foundation for growth and development in Denmark

The 25 recommendations include 79 specific proposals, of which 17 target the sector itself. Of the remaining 62 proposals, there are 55 proposals that the growth plan follows up, or establishes the framework for full or partial follow-up. For example, this will be via amendments to the regulations for the organic sector, targeted efforts to provide organic farmers better access to alternative nutrients, or through development activities in the Fund for Organic Farming (*Fonden for Økologisk Landbrug*).

The 17 proposals aiming at the organic sector include proposals to strengthen organic farmers' market and business understanding, to increase the use of new types of ownership in agriculture, to maintain the close cooperation between the organic sector and retailers, and to help the sector exploit its know-how about developments in the organic market and policy internationally. As the proposals aim at businesses, follow-up depends on the organic sector itself and therefore it is not part of this growth plan.

The next chapter in the history of the Danish organic sector

Over the past couple of years, the Danish organic sector has generated impressive growth on all parameters and it seems as if this development will continue. This is a good basis for strengthening a competitive and market-driven organic sector, thereby helping ensure that the sector continues to have good framework conditions to realise its potential and continue its impressive growth.

This growth plan is the next step towards laying the foundation for a stronger, more competitive and market-driven Danish organic sector so that we can remain at the very forefront of development. This will have outset in the following five focus areas:

1. Investment in the Danish organic sector
2. More nature on organic fields and a better climate
3. A circular organic sector
4. Easier to be an organic farmer
5. Organic growth markets



1. Investment in the Danish organic sector

Organic farming has a long history in Denmark, and Danish consumers lead the world in buying organic. At the same time, Denmark is well-known as a proud and efficient food producer, producing high-quality food for both Danish and international consumers. With this backdrop, the Danish organic sector is to be further developed in order to enhance the Danish lead.

An important element in reaching this goal is that the individual farmer is secure financially. Therefore, through the Food and Agriculture Package, the Government has already earmarked a record-high amount for Organic Area Aid. However, there has been extraordinarily high interest in converting to organic farming. In 2015, 2016 and 2017 there were applications for support for approximately 21,500 hectares, 38,000 hectares and 41,000 hectares, respectively. Therefore, the Government has just added a further DKK 373 mill. for conversion to organic farming, so that the Ministry of Environment and Food can accommodate equally large average applications for Organic Area Aid in 2018 and 2019. In total, more than DKK 1 bn. has been allocated for conversion to organic farming in 2018-2019.

Another and equally important element identified by the organic business team point is that the sector and the authorities must work on developing and innovating the sector. Danish organic products must be first-movers to meet future consumer demands, organic farmers' competences must be regularly developed, existing markets must be expanded, and new organic markets must be matured. The 2018 Finance Act has earmarked DKK 130 mill. in 2018-2021 for the Fund for Organic Farming to fund organic development activities. Among other things, this initiative will help raise competence levels in the organic sector, realise the potential of organic food in private eateries, and open new organic markets.

Finally, it is essential that Denmark has strong and coordinated research, aimed at commerce to strengthen market-driven development of the Danish organic sector. In the agreement to allocate the research reserve for 2018, DKK 25 mill. was earmarked for organic research under the Green Development and Demonstration Programme (GUDP) and the International Centre for Research in Organic Food Systems (ICROFS). Furthermore, a new board of directors for ICROFS, with a stronger business profile, has been appointed.

How investment in the Danish organic sector will be made

Organic Aid

- Funding has been earmarked for Organic Area Aid (*Økologisk arealtilskud*) to cover annual demand in 2018 and 2019 on a par with the extraordinarily high average level of applications in the period 2015-2017.

Innovation, conversion and market promotion

- A total of DKK 130 mill. has been earmarked for organic development activities under the Fund for Organic Farming up to 2021.
- The Fund for Organic Farming now has a more relaxed framework to prioritise initiatives that are particularly relevant to developing the organic

sector.

Research

- DKK 25 mill. was allocated in 2018 for organic research under the Green Development and Demonstration Programme (GUDP) and the International Centre for Research in Organic Food Systems (ICROFS).
- A new long-term strategy for Danish organic research will be drawn up to target Danish organic research even more towards strengthening earnings, sustainability and competitiveness in the Danish organic sector.
- The Ministry of Environment and Food will use its framework agreements with universities to address the challenges facing the sector and to ensure intelligent adjustment that takes into account organic values, including animal welfare, and the innate principles of organic farming relating to sustainability.



2. More nature on organic fields and a better climate

Danish organic products are well-known as front-runners in sustainable food production, where regard for the over-reaching societal benefits such as nature, the environment and animal welfare is paramount. This position creates opportunities to strengthen Danish organic products, but it brings with it responsibilities.

One of the motivations for developing organic farming was a desire to farm more sustainably and in better harmony with the environment and nature. According to the organic business team, Danish consumers therefore have a clear expectation that organic farmers constantly work to ensure more nature and biodiversity on Danish fields, and that the sector provides answers to global climate challenges. With this backdrop, the organic sector has proposed introducing binding nature and climate requirements for organic farmers, and the sector has also indicated that it wants a better and more motivating framework so that the individual farmer can do more.

The organic sector considers consumers' high expectations for organic food production as a crucial parameter for the success of organic farming. Therefore, the sector also believes that, for further development of the Danish organic sector, it is vital that the sector continues to be able to live up to the values and expectations of critical consumers.

When possible within legislation, the Ministry of Environment and Food will support the ambitions of the organic sector to sharpen its nature and climate profile. The specific requirements will be drawn up in collaboration with the organic sector and relevant research institutions. The goal is to increase the commercial earnings of organic farmers.

How the organic sector will contribute to more nature on organic fields and a better climate

Nature

- Cultivation requirements will be introduced that nature initiatives on the farm must be taken for all fields larger than, say, five hectares. Initiatives could include windbreaks, nature strips, buffer zones or beetle banks.
- It should be easier for organic farmers to establish nature strips voluntarily. Therefore, an information campaign will be conducted to inform farmers about options to establish nature strips.

Climate

- Carbon sequestration requirements will be introduced for organic farms. The requirements will help ensure that organic farmers have crop rotation with carbon uptake that maintains or improves soil fertility. This will benefit the climate and secure more fertile soil for farmers.
- In parallel with the introduction of a carbon sequestration requirement for organic farms, a study will examine whether the general requirements for specific crops can be repealed for organic farmers.

The EU

- Danish work in the EU includes developing regulations for the organic sector in areas with particular relevance for consumer confidence in organic products

with regard to the environment, animal welfare, nature, the climate and the circular economy, for example.



3. A circular organic sector

More nutrients are required if organic farming is to develop and spread. A basic condition for agriculture is that more nutrients are extracted than are added. Every time farmers harvest their crops, they remove nutrients from their fields. To all intents and purposes, these nutrients do not return to the fields, but instead they disappear in waste systems. In the long term, organic farming depends on returning the nutrients that are sent into towns with food back to agriculture again.

In the next chapter in the history of the Danish organic sector, efficient use of resources and recycling will be even more important than they are today. Moreover, the sector has a number of other characteristics that give it a good basis for developing circular-based food production.

One of the fundamental values of the organic vision is an ambition for food production based on natural cycles. This justifies developing solutions that can turn what we today consider as waste into the future fuel for agriculture. At the same time, organic farmers may have a greater willingness to pay because there are a number of products they are not allowed to use, and because local and sustainable production aligns well with the values that organic consumers are willing to pay an additional price for.

The organic sector is well aware that there is also a certain risk in the sector opening up the door completely for production in which nutrients from all parts of society can provide fertilizer and livestock feed for the sector. This is also considered as a natural part of the DNA of the Danish organic sector, as well as a necessity to develop the sector. The shortage of nutrients is a global challenge. Therefore, the organic sector has called for a targeted effort from the public sector to give organic farmers better access to alternative sources of nutrients and proteins. However, it is crucial that this is done safely and cleanly, and that waste is separated.

Solutions must be found that provide more balanced supplies of nutrients for organic farmers. But the same applies for agriculture in general. Resources are becoming ever more scarce, and therefore efficient exploitation of resources and recirculation are key words for all future agricultural and food production. The organic sector can already feel the effects of these challenges, and the sector is based on values and thereby consumer target groups for whom it may be a value in itself to contribute to developing local and sustainable food production. This is a good basis for thinking innovatively.

The Danish organic sector depends on us addressing the necessary controversial agendas such as the possibilities for the organic sector to use treated household wastewater. The Ministry of Environment and Food will work towards creating better framework conditions by allowing organic farmers better access to organic waste, by-products and residual products, biomass from biogas plants and alternative sources of proteins. For example green biomass refining. This is an initiative that could offer extensive opportunities for Danish organic farming.

How to improve the nutrient balance

Organic waste from consumers and cities

- In connection with the upcoming waste plan, a study will examine how, within the existing regulatory framework, it is possible to promote the use of source-separated organic refuse as nutrients in organic agriculture.
- An analysis of legislation will be completed to identify the possibilities to provide organic farmers with better access to using waste, residual products and by-products from consumers and the food industry in organic production.
- A review of the guidance materials issued by the Ministry of Environment and Food will be completed to clarify which products can be used by the sector.
- On the basis of the above analyses and initiatives, recommendations will be drawn up on how access to alternative nutrients can be improved for organic farmers.
- Work will target making it easier for organic farmers to use by-products and residual products as livestock feed. Among other things, this will be by making it possible for restaurants to supply feed for organic livestock, if it can be documented that the food production in the restaurant is only based on organic food, and if the restaurant also lives up to the general regulations in relation to supply of vegetable by-products and residual products for animal feed.

More incentive to think circular

- There will be a study to examine whether it is possible to set up an incentive system that can support the vision of the organic sector to use more recirculated nutrients rather than conventional livestock manure.

Biogas, biomass refining and phosphorus

- An analysis will be made of the barriers and opportunities entailed in establishing more organic biogas plants and in using more biomass in organic agricultural production.
- An analysis has been completed of the business potential in biomass refining on the basis of organic agricultural production.
- A total pool of DKK 25 mill. has been earmarked to develop a profitable biomass refining industry. This pool could, for example, support development of alternative, cost-effective sources of protein for feed for organic livestock.
- A specialist analysis will be made of the consequences of using treated household wastewater in organic agriculture, and on the basis of the results of the analysis, the Ministry of Environment and Food will prepare a strategy for how organic farmers can gain better access to alternative nutrients in the future. For example, Denmark can seek to have treated household wastewater/bio-fertiliser permitted in organic farming as well.

4. Easier to be an organic farmer

Organic farmers are subject to a number of additional requirements and controls because they have to comply with the organic regulations and meet the requirements for receiving Organic Area Aid. This helps forge strong confidence in the sector. However, controls, requirements and subsidies must be designed so that they make sense to the authorities that administrate them and to the farmer.

Denmark already has strong collaboration between the organic sector and the authorities, but there are also areas where things can be improved. Over the past couple of years, organic farmers have sometimes had to wait an unreasonably long time to receive organic subsidies. The Ministry of Environment and Food has therefore added significant resources to the payment area and launched IT initiatives to ensure much quicker payments. Fortunately, results are already apparent.

When designing regulation of the organic sector, it is also important to be better at exploiting the opportunities arising from the lower nitrogen emissions by the sector. The organic business team has pointed to some areas in which the nature of the organic sector makes it possible to regulate organic farming in a different way: A way that is more in harmony with organic principles and ideals. We want to examine these opportunities in collaboration with the organic sector, but taking into account general environment work.

Finally, the Ministry of Environment and Food has assessed that certain requirements determined by the EU for organic subsidies have become too rigid and too bureaucratic. In connection with the upcoming negotiations on the EU Common Agricultural Policy after 2020, the Ministry of Environment and Food will therefore work to ensure more flexible rules for how the subsidies schemes are to be designed and controlled. The Ministry will also work for simpler rules for entitlement to land subsidies, for example the EU regulations on the supervision of cross-compliance have been laid down such that the demands of supervision and control are the same for all farmers, irrespective of whether or not they are organic.

The goal is customised legislation by which we support the sector and the credibility of the sector. It must be easier to be a farmer - and to be an organic farmer. Among other things, this will be by involving the organic sector more actively in regulation of the sector, and by working to simplify Danish administration of agriculture and the organic sector.

How it will become easier to be an organic farmer

Regulation is to be prepared in collaboration with the sector

- The Organic Food Council (*Økologiske Fødevareråd*) will advise the Minister for Environment and Food on how the Ministry can support a more innovative and market-driven organic sector.
- Where relevant, the organic sector will be included in the design and implementation processes of new general legislation on the agricultural and livestock area.

Simple and innovative regulation

- The regulations for the EU Common Agricultural Policy must be simplified and the area aid schemes must be designed more appropriately.
- Waiting times for payment of organic area aid will be reduced.
- Whether the obligatory catch crops requirement can be managed more appropriately in relation to organic production will be clarified.
- Veterinary regulations for organic livestock will be simplified, for example so that it is possible for vets to break medicine packaging when this is medically safe.
- It will be easier to sell unpackaged organic products to retailers such as fruit and vegetables as well as bread and meat cuts.
- Opportunities for drawing up Danish regulations on production of organic insects will be clarified.



5. Organic growth markets

Denmark is well-known as one of the world's leading organic nations. Denmark is also well-known as a green and sustainable country with easy access to water and good food experiences.

The organic business team sees the organic sector as a good foundation for combining Denmark's green front-runner positions and strengthening the narrative about Denmark as a country in which development and green solutions go hand in hand. This narrative can strengthen Danish organic exports and the national food culture, while at the same time attracting national and international tourists to Danish rural areas.

Denmark already has a good name on export markets, and there is strong demand for Danish quality organic products. Danish organic exports have risen over the past 11 years. In 2016, Danish organic food worth DKK 2.4 bn. was exported. Most of the exports go to neighbouring markets, but demand in new markets such as the Middle East and Asia is also on the rise for Danish organic products. Since 2015, China has been Denmark's third-largest export market for organic food, with a share of 12% of exports. It seems that the organic market will grow larger and larger, and there is a strong foundation for Denmark to take part in this growth.

Another growth market for Danish organic products is small local food producers and professional kitchens. Hotels, restaurants and cafés - the Horeca segment – account for more than 50% of turnover in the food service sector, but they only account for about 25% of organic sales. Experience from earlier food consultancy and efforts aimed at public kitchens shows a huge impact, if food producers and kitchens are offered advice on organic food and the regulations for the Organic Cuisine Label (*Det Økologiske Spisemærke*).

Finally, the organic business team believes that a targeted Danish organic tourism initiative could have great potential to attract more wealthy tourists to rural areas. Today, coast and nature tourism is much less lucrative than city tourism¹. Local food producers and restaurants with a strong narrative about their products and raw materials could help attract a group of consumers who are willing to pay extra for quality and the story behind the individual product. Organic products could therefore be a lever in the development of unique food clusters and local and regional business development.

The Danish organic sector is working closely together to develop sales to Danish retailers, who are currently responsible for 80% of Danish organic sales. This work will continue, but an important element in a strong and stable market-driven organic sector is that the sector has several markets to operate in. This makes sales more secure for farmers and producers, while also generating growth and innovation, because the sector thus constantly has new development goals. Therefore, the Ministry for Environment and Food wants to support a continued strong domestic market, and regular development of new organic growth markets. This will be through establishment of an agreement with China about recognising Danish supervision of the organic sector, development activities in the Fund for Organic Farming, by supporting continued strong and expansive export initiatives in growing neighbouring and

¹ *Turismen i Danmark – skaber vækst og arbejdspladser i hele Danmark*, Visit Denmark 2017.

remote markets, and by launching activities that can pave the way for establishing Danish agro-tourism based on organic products.

How the new organic markets will be supported

Strong export initiatives

- Organic products will be a pivotal part of Danish export initiatives in existing markets and to open new markets
- The Minister for Environment and Food and the rest of the Government will take an active part in an export drive for Danish food products, including organic products.
- Denmark will work actively to realise the agreement between Denmark and China on recognition of Danish organic supervision and control, so that it is easier to export organic food products to China.

More organic food in private kitchens and delicatessens

- It will be easier to get a gold organic food label indicating that 90-100 percent of food is organic. This will be by giving more flexibility to eateries so that they can decide for themselves how the final 10% can be used.
- An analysis has been completed of the barriers and potentials in spreading the organic label to private professional eateries. The Horeca segment - hotels, restaurants and cafés. The analysis has focused in particular on amusement parks and popular attractions.

Organic growth in rural areas

- In collaboration with Visit Denmark, the Ministry of Environment and Food has made a digital guide for tourists (*Madens Margueritruite*), which will make it easier for tourists to find good organic-food experiences outside the large cities.
- The organic food label has been designed in new multi-language versions and material on the label has also been prepared in several different languages.



Danish organic sector

Growth plan for the Danish organic sector



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