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3

Chapter

Part 2

ORGANIC AGRICULTURE: EXPERIENCES OF CENTRAL AMERICA, CUBA AND THE DOMINICAN REPUBLIC

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A. Introduction

Part II of this chapter on Organic Agriculture complements Twarog's analysis in Part I by examining relevant experiences of Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), Cuba and the Dominican Republic.¹ It draws on research by the authors as well as on studies conducted under a joint project of UNCTAD and the Foundation for International Environmental Law and Development (FIELD) entitled "Building Capacity for Improved Policy-Making and Negotiation on Key Trade and Environment Issues".² The UNCTAD/FIELD project was funded by the Department for International Development (DFID), United Kingdom.

The region provides prime examples of the opportunities and challenges faced by organic agriculture in developing countries. On the one hand, experiences of the region confirm that organic agriculture provides good opportunities for producers, including small farmers, not only to take advantage of niche markets to obtain higher and generally more stable prices, but also to derive a range of economic, social and environmental benefits. On the other hand, they also illustrate the many obstacles facing the long-term development of organic agriculture, and various difficulties with regard to institutional development and technical assistance for the sector.

Organic production in the region emerged through initiatives led by small producers and supported by international donors and non-governmental organizations (NGOs). According to the International Fund for Agricultural Development (IFAD), over 90 per cent of all organic producers in the region are small producers, working on 50 to 80 per cent of the total certified organic area in the different countries (IFAD, 2003). In some countries, such as Guatemala, however, large producers account for a major share of certified organic production. Production is largely for export markets, principally the United States and Europe, with some going also to Japan.

For a long time, governments in the region paid relatively little attention to organic agriculture. Small farmers were successful in producing and selling organic products well before governments developed regulations and created specialized agencies (IFAD, 2003). Cuba is a unique case. As pointed out in box 2 below, this country provides perhaps the best example in the world of large-scale government support to organic agriculture (El-Hage Scialabba and Hattam, 2002). Yet, while Cuba has successfully promoted urban agriculture to address food security problems, policies on certified organic agriculture for export still need a more coherent strategy and better coordination between government ministries, producers and other stakeholders.

A general view held among experts in the region is that Central American countries could more fully exploit the potential offered by organic and other forms of sustainable agriculture. There is also a view that lack of supply may be a greater problem than lack of demand. Yet it is not uncommon for certified products to be sold in markets for conventional products, without a price premium.³ Strengthening links between supply and demand may increase the supply to markets for certified organic products. Such links could be strengthened, for example, through the development of business-to-business (B2B) and public-private partnership (PPP) strategies and through market information systems.

Several countries still lack a clear policy, and many observers believe there is insufficient support for the sector, which still depends largely on the initiatives of donors and NGOs. Alliances are needed between the public and private sector to: (a) create or strengthen organic guarantee systems based on appropriate legislation and inspection, and (b) create an institutional framework to support the long-term development of the organic agricultural sector. National commissions for organic agriculture and proactive national organic agricultural movements can play a key role in guiding, accompanying and supporting the implementation of policies and legislation as well as in creating an institutional framework capable of promoting the development of the sector (Cussianovich, 2004).

The organic agricultural sector in the region is now at a crossroads; countries are seeking a new development paradigm for the sector with clearer national policies. This part of chapter 3 analyses how countries have addressed the need to develop both a legal infrastructure and specific extension services to support the long-term viability of the sector. It also describes some, albeit still modest, efforts to integrate organic agriculture into overall agricultural development policies, and to enhance the capacity of the sector to respond more fully to fast-growing international demand and changing market characteristics. It is hoped that the experiences of the region may provide useful lessons for other small developing countries, for example, in helping to define government policies on national and regional approaches to harmonization and equivalence issues.

Most government efforts so far have sought to create national guarantee systems, the most successful being in Costa Rica, Guatemala and Honduras. And there have been renewed efforts to promote regional cooperation in harmonizing organic agricultural regulations and inspection, in particular through the creation of the Central American Commission of Competent Authorities in Organic Agriculture. Some progress is also being made in designing and implementing institutions and national strategies to promote the organic sector. These include enhancing awareness of the benefits of organic agriculture, training, technology, market intelligence and trade promotion. Costa Rica, for example, already has a comprehensive system in place, based on stakeholder dialogues and inputs from different regions. But further efforts are required, especially in terms of national and, where relevant, regional policies to strengthen institutions that promote the development of the organic sector.

Lack of systematic and reliable statistical information is a major problem for analysis and informed policy-making in the region. This paper reviews available statistical information on the size of the sector, in particular relating to areas under certified organic production and export values. It pays special attention to the current status of implementation of legislation concerning organic guarantee systems, and provides examples of ongoing initiatives to support the development of the sector and reduce certification costs. In addition, it adds a regional perspective to some of the solutions suggested in part I of this chapter concerning harmonization and equivalence. Finally, it provides some recommendations for government policies, private sector initiatives and regional cooperation.

B. Organic agriculture in the region

Several factors have contributed to the development of organic agriculture in Central America, particularly since the mid-1980s (Amador, 2001; *Organic Standard*, 2001), including:

- Support to small farmers by international donors and NGOs through technical cooperation projects;
- Efforts of farming families who have traditionally produced without synthetic chemical inputs; and
- Demand for organic agricultural products in international markets and the possibility of obtaining price premiums.

The studies carried out under the project list a range of additional factors that have continued to generate interest in organic agriculture in the region, such as: depressed prices of traditional agricultural commodities, availability of land suitable for organic agriculture, the need to develop agricultural areas that currently face difficulties in finding market outlets, the desire to incorporate small growers into organized production and to improve the standards of living of the rural population, the need to prevent degradation of agricultural land and recover soil fertility, the potential of organic agriculture to contribute to conservation policies,⁴ and efforts to diversify exports and enhance the quality of exported products (Chaves, 2005).

Donors and NGOs continue to play a key role in supporting organic agriculture in Central America and the Caribbean. Nevertheless, some progress has been made in developing national

policies that support organic agriculture. Efforts by governments to create national guarantee systems and supporting institutions further promote the development of organic production and export of organic agricultural products. Costa Rica is currently the only country in the region that is included in the EU's "third-country list" of countries with organic agriculture standards recognized by the EU as being equivalent to its own. Uncertainty surrounding the future of the EU import regime for products originating in countries that are not on the list has induced other countries in the region to accelerate their efforts to create national organic standards with a view to seeking inclusion in the EU list.⁵

1. Organic production

Estimates of the area under certified organic production in the countries in the region vary considerably, from around 83,000 hectares (ha) to around 165,000 ha, depending largely on data from Nicaragua and the Dominican Republic (table 1). According to Willer and Yusseffi (2005), in Nicaragua the area under certified organic production or in the process of conversion is about 10,750 ha. In the National Strategy for the Promotion of Organic Production in Nicaragua (Ministerio Agropecuario y Forestal, et. al., 2005), however, it is estimated that there was already an area of 54,721 ha under certified organic production or in the process of conversion in 2002-2003 (of which 13,867 ha was taken up by the livestock sector⁶). Similarly, the Coordinadora de Certificadoras Orgánicas (CCO) in the Dominican Republic estimates that the area under organic production in the Dominican Republic is several times higher than that mentioned in the study by Willer and Yusseffi (2005) cited in part I of this chapter. In Honduras, almost 8,000 ha have been registered with the Department of Organic Agriculture as being under certified organic production. In Costa Rica in 2004, 10,682 ha were registered as certified organic with Gerencia Técnica en Acreditación y Registro en Agricultura Orgánica (the Technical Department for Accreditation and Registration in Organic Agriculture). In all, the area under certified organic production is small. However, compared to other countries in Latin America and the Caribbean, this area as a proportion of the total area used for agricultural production is relatively high: around 4 per cent in the Dominican Republic and around 2 per cent in Costa Rica. In Nicaragua it is only 0.87 per cent. However the area dedicated to the production of organic products for export represents 10 per cent of the total area dedicated to export crops.

The organic sector in the countries in the region consists largely of small producers. In Costa Rica, for example, large companies dominate the production and export of conventional bananas, while it is largely small producers that grow organic bananas (Chaves, 2004). In the Dominican Republic, almost all of the approximately 16,800 (certified and uncertified) organic farmers are small producers.⁷ According to the above-mentioned study by IFAD (2003), small farmers cultivate around 80 per cent of the total organic area in the Dominican Republic, compared to 50 per cent in Costa Rica and 60 per cent in Guatemala. In Cuba, 104 cooperatives, bringing together around 800 producers, 200 independent producers and 9 State farms, supply Cuba's exports of organic orange and grapefruit juice (Revilla Alcazar, 2004).

Although most producers are aware of the environmental and social benefits of organic agriculture, the greatest incentive to shift to certified organic production is increased long-term profitability and the expectation of receiving price premiums. Part I of this chapter provides ample information on price premiums, in particular in developed-country markets. For the countries in the region, it is important to analyse current and possible future price premiums for products of export interest to them. A recent study on trading opportunities for non-traditional exports from El Salvador found premiums in the United States and Europe of 20–40 per cent for organic pineapple, approximately 30 per cent for organic papaya, 5 to 50 per cent for organic cashew, 10–15 per cent for sesame and sesame seed oil, and more than 50 per cent for spices (Ministry of Agriculture and Livestock (MAG), El Salvador, the Sustainable Markets Intelligence Centre (CIMS) and the Inter-American Institute for Cooperation on Agriculture (IICA), 2005)

The price premiums producers and exporters receive for organic products vary considerably depending on market developments. According to CIMS (2004), producers of certified organic

Table 1. Area under certified organic production or in the process of conversion

Country	Area (ha)	No. of farmers	Principal export products
Costa Rica	10 682 ^a /13 967	6 000	Bananas (principally for baby food and dried), cocoa, coffee, blackberries, raw sugar, mangoes, pineapples, orange juice (including concentrated) and passion fruit.
Cuba	10 445/17 245 ^b		Orange and grapefruit juice, sugar
Dominican Republic	22 151/45 090 ^c	8 953	Banana, cocoa beans, coffee, mangoes
El Salvador	4 900/7 105 ^d	1 000	Coffee, cashew nuts, sesame
Guatemala	14 746	2 500	Coffee, macadamia nuts, honey, cardamom, cashew nuts
Honduras	1 769/7 856 ^e	3 000 ^f	Coffee
Nicaragua	10 750 /54 721 ^g	6 390	Coffee, cashew nuts, honey and soya beans
Panama	5 111		Cocoa beans
Total	83 077/159 754		

Sources: Area under organic production: Willer and Yusseffi (2005), unless indicated otherwise (see notes below).

Number of producers: Costa Rica: Eco-Lógica; Dominican Republic: CCO (see note c to this table) and García, 2002.

Principal export products: UNCTAD, based on several studies.

^a Echeverria (2005), personal communication.

^b Cuba: This includes some 6,800 ha of certified organic production of coffee, coconuts and mangoes. (Cueto, personal communication)

^c This covers areas certified by BCS Öko-Garantie GmbH, Germany, the Institute for Market Ecology, Switzerland, SKAL, the Netherlands and Suolo e Salute, Italy, against R.D. 820, UE 2092/91, National Organic Programme (United States) and the Japanese Agricultural Standard of Organic Agricultural Products. It includes some 30,900 hectares under organic cocoa production and almost 4,000 ha under organic banana production. The CCO also lists 5,341 ha as certified, but not under production, thus indicating a total certified area of 50,431 ha.

^d GTZ, 2005

^e Department of Organic Agriculture (Sandra Elvir, personal communication, 2005).

^f A total of 1,116 organic producers are registered with the Department of Organic Agriculture (Department for Organic Agriculture, personal communication, September 2005).

^g MAGFOR, et. al. 2005.

coffee (as distinct from conventional coffee produced in the same regions) received price premiums that varied between 14 and 122 per cent, with an average premium of 39 per cent, for the 2003/04 harvest. Although price premiums for organic coffee and bananas have fallen in recent years, continued opportunities exist for organic coffee that obtains additional certifications, such as Fairtrade, or is reputed for its high quality. The premium for double-certified (organic and Fairtrade) coffee varied between 72 and 144 per cent, or an average of 108 per cent (CIMS, 2004). With regard to cocoa, the average price of high-quality cocoa at the New York Stock Exchange has been around \$1,500 per tonne in recent years (2000–2004), subject to fluctuations. The average international price of Fairtrade cocoa has been at least \$1,700 per tonne plus an additional \$200 for Fairtrade cocoa certified also as organic. Domestic producers in Nicaragua capture a significant price premium. Members of the cooperative, Cacaonica, for example, are reported to receive high prices.⁸

The case studies carried out under the DFID-funded project show premiums that vary considerably from one country to another. Revilla Alcazar (2004) mentions that exports of Cuban organic fruit juice are profitable despite high certification costs, and that producers receive the prices the market is paying for organic juice even before the process of conversion to certified organic production is fully completed. According to Chaves (2004), organic banana producers in Costa Rica receive a premium, but recently have been dissatisfied with its level and have looked for alternative market outlets. She further observes that although Costa Rica's tubers sector (e.g. *malanga, ñame*) has the right conditions to shift to organic production for export to ethnic markets in the United States, in this case price premiums are not expected. This is because the specific consumers do not perceive a benefit from organic products and therefore are not willing to pay a higher price. Interestingly, another study (International Trade Centre of UNCTAD/WTO, 2002) notes that demand in the United States for certain ethnic organic products offers important business opportunities for some developing countries.

In addition to certified organic areas, it is likely that much larger areas in the countries in the region could be classified as uncertified organic. Where producers cannot afford conventional fertilizers and agrochemicals, they are engaging in de facto organic production even though they have no formal controls in place and lack certification. Uncertified organic agriculture can make an important contribution to food security and play an important role in domestic markets for organic agricultural products. It can also result in healthier products for domestic consumers in particular since pesticides (which are poorly managed in several countries in the region) are not used. However, price premiums for such products are limited or non-existent, although in some countries that lack regulations for marketing organic agricultural products, they may be sold with a self-claimed organic label.

Cuba's urban agriculture is often cited as an example of the important contribution of uncertified organic agriculture to food security. Regardless of whether or not it is considered a form of uncertified organic agriculture, it made an important contribution to alleviating Cuba's food shortages in the early 1990s, in particular through the production of fruit and vegetables (see box 2). One key element of urban agricultural policy in Cuba has been to encourage the cultivation of idle land in and around Havana and other cities by (a) creating "*organoponicos*": raised beds filled with a mixture of compost and manure-rich soil and often built on artificial surfaces, normally in areas with infertile soils; (b) bringing fertile land currently lying fallow under food production, either through State-owned farms producing for the market or "*autoconsumos*" (i.e. gardens and small farms belonging to and producing food for workers); and (c) cultivating the patios and yards next to people's houses (Reynolds Wolfe, 2004). Another innovative element of urban agriculture is the "*huerto intensivo*" (intensive garden, consisting of raised beds with a high ratio of compost to soil and run either through a State institution or by private individuals), a system that employs intensive gardening methods to maximize yield in small areas. By the end of 2002, the goal of providing every settlement of over 15 houses with its own food production capacity – whether through *organoponics*, group gardens or individual plots – had essentially been met, and over 18,000 hectares were being cultivated in and around cities (Koont, 2004).

According to Reynolds Wolfe (2004), urban agriculture alone (not counting small gardens and individual farms) provides 215 grams of vegetables per day per person throughout Cuba (i.e. more than 70 per cent of the 300 grams recommended by the FAO as the daily minimum intake). According to Koont (2004), by mid-2000, sales of vegetables and fresh herbs nation-wide had reached a level of 469 grams per day per capita, well above the FAO recommended amount. By March 2003, Havana province was producing 943 grams per day per capita (Koont, 2004). The Cuban Government has played an important role in this process. For example, the State supplies organic inputs (primarily compost) through a series of urban agricultural stores, as well as extension services (see also box 2).

2. Exports of certified organic produce

A large proportion of organic produce in the region is exported, principally to the EU, the United States and, to a lesser extent, Japan. However, in general, reliable information on the value or volume of organic exports is difficult to obtain. The Centre for Export and Investment of the Dominican Republic produces detailed statistics on organic exports. Nicaragua's National Strategy for Organic Agriculture includes an ambitious effort to generate comprehensive statistics, including on exports. Some other countries are also trying to improve data collection. In El Salvador, the Centro de Trámites para la Exportación (CENTREX, or Centre for Export Procedures) has registered organic exports separately from conventional products for several years and the Government is currently implementing a new system of registration of all organic producers and exporters (Angel, 2004). Nicaragua's CENTREX started to differentiate between registration of organic and conventional coffee from early 2003 (López López, 2004). In Honduras, organic producers and others involved in the production, processing or sale of organic products were required to register with the Department of Organic Agriculture of the National Animal and Plant Health Service by December 2004 to facilitate the collection of information (Suazo, 2004). As for Costa Rica, the need to improve data on exports of organic products was expressed in the context of the process leading to its inclusion in the EU third-country list (see box 3). Some of the data provided here are based on information obtained from certification bodies or contained in consultancy reports.

Some institutions working at the regional level are also seeking to improve data on trade in organic and other environmental and/or socially preferable products. CIMS⁹ is a leader in this field and in market intelligence, having undertaken a series of studies on the market for organic and sustainable products. Similarly, the Servicio de Información Mesoamericano sobre Agricultura Sostenible (SIMAS, or Mesoamerican Information Service on Sustainable Agriculture) provides useful online information and analysis. Nonetheless, improving statistical information on production and exports remains a major challenge.

Available data shows that among the countries in the region, the Dominican Republic is by far the largest exporter of organic agricultural products. The value of its organic exports increased from \$20.9 million in 2000 to \$34 million in 2002 and \$29.3 million in 2003 (exports of fresh bananas reached \$19.5 million and those of cocoa beans \$9 million, representing 66 per cent and 30 per cent, respectively, of the value of its total organic exports).¹⁰ Box 1 explores the reasons for the country's success.

In Costa Rica, estimates of the value of organic agricultural exports in 2003 ranged from \$4 million (*El Nuevo Herald*, 2004) to \$10 million and domestic sales amounted to \$1.5 million in 2003 (*La Prensa Libre de Costa Rica*, 2005).¹¹

The National Strategy for the Promotion of Organic production in Nicaragua estimated the value of exports of organic products at \$8.6 million in 2002-2003 (MAGFOR et. al., 2005), representing 2 per cent of the country's total exports of agricultural products. Coffee was by far the leading export (81.6 per cent), followed by tobacco (5.5 per cent), cashew nuts (5.2 per cent), honey (4.1 per cent), cacao (2 per cent) and soya (1.5 per cent).

There are no official data on the value of organic exports from Guatemala. However, the Asociación Gremial de Exportadores de Productos No Tradicionales (AGEXPRONT, Association of Exporters of Non-Traditional Products) estimates that the value of certified organic exports (largely coffee) may have reached some \$9 million in 2002 and is likely to have further increased since then (Eduardo Calderón of AGEXPRONT, 2005, personal communication). More recent estimates by AGEXPRONT put the value of 2004 exports of specialty coffees at \$15 million and of "ecological products" at \$9 million. Both categories include certified organic products (primarily coffee), but also other (i.e. non-organic) products.

Box 1. Dominican Republic: a success story in exporting organic products

An ITC/FAO study (2001) found that the initial phase of organic production in the Dominican Republic was supported mainly by private foundations and the Government. However, the subsequent growth of the industry was market-driven. The following are some of the main factors responsible for the country's successful exports of organic products:

- Favourable growing conditions, few threats of disease (from black sigatoka in the case of bananas) and a tradition of low use of inputs in agriculture (ITC/FAO, 2001);
- Initiatives undertaken to address key certification issues (also discussed in this chapter);
- A strong relationship between farmers' associations and production and marketing firms, with contracts that cover not only marketing but also the provision of technical assistance and credit (IFAD, 2003);
- Addressing the implications of the erosion of trade preferences, in particular for sugar and bananas. For example, the crisis in the sugar sector (falling prices and limited quotas) led COOPCANA (a cooperative grouping 12,000 families) to convert half of its sugar production into certified organic products (3,000 tonnes in 1999) (Scialabba, 2000);
- A Government campaign to develop organic production nationally, focusing on farmer training and technical assistance;
- Training and research promoted by the Department for Agricultural Extension and Training, with support from the Japanese International Cooperation Agency. There are also well-established NGOs supporting research and extension activities (ITC/FAO, 2001).
- Ample availability of locally produced organic fertilizers and pesticides (Rib-Bejarán, 2005)
- Support provided by producer organizations, such as the Asociación Dominicana de Productores de Banano) the Confederación Nacional de Cacaocultores de la Republica Dominicana and the Comisión Dominicana de Café (Rib-Bejarán, 2005).
- The country is well suited for organic cocoa cultivation, which requires shade. Certified processing plants are available in the country. Five exporters, of which the producer cooperative CONACADO is by far the largest, supply approximately half the world market (Koekoek, 2003).

Cuba has been successful in increasing its exports of organic citrus fruit juices to the Swiss market; their value was amounted to around \$1 million in 2004 (Jorge Cueto, personal communication). That country's experience is further analysed in box 2.

Organic coffee is of particular interest to most countries in the region. Central American countries are exploring options to combine organic certification with the production of both high-quality specialty and commercial grades of coffee (including Fairtrade, ethical, *Utz kapeh* and bird-friendly coffees). Guatemala is the largest producer and exporter. According to the Consejo Salvadoreño del Café (Salvadoran Coffee Council), the value of organic coffee exports from El Salvador reached \$1.5 million in 2003/04 (including certified organic coffee sold as Fairtrade or sustainable coffee), which represented around 1 per cent of the value of total coffee exports and 9 per cent of the exports of specialty coffees (including coffee certified by the Rainforest Alliance). However, in 2004/05, the value of organic coffee exports fell to \$1.2 million, in line with the overall decline in coffee exports. The value of El Salvador's other organic exports is still small. In 2003, its exports of organic sesame and cashew nuts amounted to \$556,000 and \$154,000 respectively. In each of these two cases, approximately 20 per cent of the area of production was certified organic (Angel, 2004).

A further aspect that should be taken into account is that in Central American and Caribbean countries production and commercialization of organic agricultural products, particularly coffee, cocoa and bananas, often take place in the context of other projects aimed at promoting fair trade or sustainable agriculture. Fairtrade projects may be particularly helpful during the process of conversion to organic agriculture since a good proportion of Fairtrade products, particularly coffee, also tend to be certified as organic. Moreover, Fairtrade producer organizations are also a vehicle for the marketing of organic products.

Box 2. Organic agriculture in Cuba

In sharp contrast with the experience of Central America, in Cuba the Government has played a decisive role in promoting organic agriculture. Following the collapse of trade with the former Soviet bloc in 1990, imports of pesticides dropped by more than 60 per cent and of fertilizers by 77 per cent. The Ministry of Agriculture and the Cuban Association of Organic Agriculture took far-reaching steps to promote organic agricultural systems and establish research programmes for food self-sufficiency. For fruit and vegetables this was done through organic management that depended heavily on locally produced bio-fertilizers and bio-pesticides (Scialabba, 2000). The transformation of the Cuban agricultural sector in the 1990s is often considered the most widespread conversion to organic agriculture of any country (Funes-Monzote, 2001).

Key elements included the promotion of organic agriculture and forestry in vacant municipal, State and private lands, recycling of all "green waste" material into compost, and the creation of a variety of markets for local produce. Two basic innovations have been the adoption of (i) agro-ecological techniques in the countryside, and (ii) organically-based urban agriculture.

Cuba's agricultural transformation has included the substitution of imports by technology. According to Koont (2004), "Cuba has become a gigantic laboratory for farming without petroleum and petroleum derivatives. From pest control to fertilization and soil preparation, chemistry is out and biology is in." The Crop Protection Institute operates over 220 centres that provide cheap and plentiful beneficial insects and micro-organisms that attack plant pests. Hundreds of centres produce one million tons of natural compost per year to improve poor quality urban and rural soil. The Ministry of Agriculture has been supporting this process with a network of extension agencies and supply stores.

While the results have been impressive, they are not uniformly positive. For example, animal-sourced protein production (beef, pork, eggs and milk) has lagged behind. Some observers have noted that agro-ecological techniques have allowed Cuba to move past its agricultural crisis, but that labour shortages may be a limiting factor to large-scale, agro-ecological production in the long run. On the other hand, if Cuba's products were to be certified as organic, they could be exported to niche markets. The organic agricultural sector is already generating foreign exchange earnings. In addition, the Ministry of Agriculture has had some success in its efforts to increase the quality and reliability of food delivery to tourist hotels, but the results remain well below potential.

A Cuban case study (Revilla Alcazar, 2004) analyses progress in exporting certified organic sugar and fruit juices. Four Unidad Básica de Producción Cooperativa (UBPCs, Basic Units for Cooperative Production) and a State-owned farm produce organic raw sugar, which is processed by the sugar company, Carlos Baliño. The International Sugar Company, Compañía Azucarera Internacional SA, exports both conventional and certified organic sugar. Organic fruit juices (orange and grapefruit) are more important than organic sugar in terms of certified areas under cultivation, exports and employment. Apart from UBPCs, cooperatives for credit and services and cooperatives for agricultural and livestock production, there are a large number of individual producers of organic fruit. The Group of Fruit Enterprises of the Ministry of Agriculture processes its products into fruit juices which are exported by Comercial Cítricos Caribe, which is part of the Group. Cuba's ability to find technology solutions to its problems has been an important factor in its success.

The Central American-Dominican Republic Free Trade Agreement with the United States (CAFTA-DR) may have implications for exports of certain products, whether organic or conventional.¹² Nicaragua, for example, will enjoy a sizeable tariff rate quota (TRQ) for beef in the United States market, which may provide an incentive for its future exports of organic beef¹³. Central America and the Dominican Republic will enjoy duty-free access to the United States market for several fruits and vegetables, which would enhance the competitiveness of both organic and conventional products, provided that SPS and quality requirements can be met. One of the provisions of the Agreement explicitly refers to organic agricultural products. Under the CAFTA-DR, Costa Rica successfully negotiated additional access to the United States market through a TRQ of 2,000 tonnes of organic sugar (as part of the United States specialty sugar TRQ). How-

ever, most products currently exported as organic (as well as conventional), including coffee, cashew nuts and bananas, will experience no change in market-access conditions because these products already benefit from duty-free entry into the United States market.

C. Challenges

Part I of this chapter already lists several constraints on organic agriculture in developing countries. Some of the most frequently mentioned ones in the Central American case studies are:

- Insufficient legal frameworks in some countries;
- Absence of clear development policies for the organic sector in most countries;
- Poor organization of the sector, in particular insufficient progress in creating associations of small producers;
- Exports are relatively recent and are not yet sufficiently dynamic;
- Lack of any significant domestic demand;
- Lack of information on external markets;
- High certification costs, although these have been reduced in some countries;
- Insufficient government support to the promotion of organic agriculture;
- Lack of special credit lines for organic agriculture; and
- The need for specialized knowledge about organic agriculture during the transition period, as well as during full organic production, because of the higher risk of plagues and diseases.

National policies in support of the organic agricultural sector are required to address these challenges. Key elements include: the creation of a legal framework, organization, production, certification, research, information and commercialization (Roettger, 2005). This section reviews the current status and progress made in the region concerning: (a) the development and implementation of organic guarantee systems, including regulations, the designation of competent authorities for inspection, accreditation and the approval of certification bodies; and (b) policies aimed at promoting the development of the organic agricultural sector, including organizing producers (in particular the creation of associations of small producers), and initiatives aimed at reducing certification costs (particularly for small producers), and promoting research, information and marketing.

National councils for organic agriculture and national organic movements play a role in preparing, guiding and supporting the implementation of policies and legislation as well as in promoting an institutional framework capable of promoting the development of the sector. In Guatemala, for example, the Comisión Nacional de Agricultura Ecológica (National Commission for Ecological Agriculture) a multi-stakeholder entity of representatives of the public and private sectors, as well as academic institutions, has broad responsibilities in the field of standards and in the elaboration of policy proposals for the development of organic agriculture (Soto de Pontaza, 2004). Honduras has an independent National Committee for Organic Agriculture under the presidency of The National Animal and Plant Health Service. The Dominican Republic recently created the Consejo Nacional de Agricultura Orgánica (National Council for Organic Agriculture), and El Salvador has created the Comisión Nacional de Agricultura Orgánica (National Commission for Organic Agriculture). However, different departments tend to be responsible for legislation and inspection on the one hand and organic sector development issues on the other (although both may be within the ministries of agriculture). In Costa Rica, for example, two departments have been created within the Ministry of Agriculture and Livestock: the Technical Department for Accreditation and Registration in Organic Agriculture for inspection and the National Programme for Organic Agriculture for promotion.

1. Organic guarantee systems

The Annex shows the status of organic guarantee systems in the region as of August 2005. Costa Rica, Guatemala¹⁴ and Honduras have completed their national legislation (at least for organic

plant products), designated competent authorities for inspection and put in place systems for the accreditation of certification bodies. Other countries in the region are still developing their national systems, although they do have pertinent regulations in place, except for Cuba (Alonso Villalón, 2005).

In Nicaragua, the Ministry of Development, Industry and Commerce and the Nicaraguan Institute for Agricultural and Livestock Technology, with technical assistance from the Inter-American Institute for Agricultural Cooperation, have been promoting a national standard (Norma Técnica Obligatoria Nicaragüense de Agricultura Ecológica), using the Costa Rican and EU regulations as a reference. It has also issued the Norma Técnica Obligatoria Nicaragüense en Producción Animal Ecológica.

In August 2004, El Salvador issued the Reglamento para la Producción, Procesamiento y Certificación de Productos Orgánicos (Regulation for the Production, Processing and Certification of Organic Products). Among other things, this calls for the creation of a national commission for organic agriculture and the registration of certification bodies, organic production units, those involved in commercialization, exporters and importers. The Regulation on the National System for Sanitary and Phytosanitary Accreditation will establish the conditions under which national entities can be accredited to carry out inspection and certification.

Panama has established a legal framework for organic agriculture, but according to Vergara de Brugiatti (2004), its concepts are not fully compatible with international mechanisms for conformity assessment, and are not equivalent to the organic guarantee systems of the EU and the United States. She adds, however, that the National Accreditation Council recently initiated joint activities with the Ministries of Agricultural Development and Health with a view to applying existing accreditation mechanisms in Panama to food inspection systems. This will create favourable conditions for the creation of adequate accreditation in the area of organic agriculture and for making the necessary adjustments in Panama's legislation.

In the Dominican Republic, attempts to be included in the EU third-country list have been accompanied by the creation of the Consejo Nacional de Agricultura Orgánica (National Council for Organic Agriculture), el Programa Nacional para Agricultura Organica and the establishment of the Oficina Nacional de Control de Agricultura Orgánica (in the Ministry of Agriculture) as the competent authority for registration and inspection. So far, the country has depended on certification by foreign certification bodies, accredited by foreign accreditation bodies. Currently, the competent authority is working on the registration of all operators in the organic sector, as per the EU requirements for inclusion in the third-country list.

Cuba is still in the process of preparing national regulations for organic agriculture. A Technical Committee has been established to prepare a draft standard. The National Standards Office now proposes to establish a standard based on the EU standard (Revilla Alcazar, 2004).

Guatemala, Honduras and the Dominican Republic have formally requested to be included in the EU's third-country list under Article 11.1 of Regulation (EEC) 1992/91.

2. Systems and institutions to promote the development of the organic sector

Countries in the region have made uneven progress in designing and implementing policies for the promotion of organic agriculture. In several countries, national organic councils and national organic agricultural movements have played an important role in this process. One successful example is the Movimiento de Agricultura Orgánica Costarricense (Costa Rican Organic Agricultural Movement), which has brought together producer associations, civil society organizations, universities, the Government and providers of technical cooperation (such as GTZ and IICA) to elaborate a national strategy to promote organic agriculture. In Nicaragua, the National Strategy

for the Promotion of Organic Production seeks an integrated approach to organic agricultural development, supported by the generation of reliable information (MAGFOR, et. al. 2005).

The public agricultural sector has also become more actively involved in the promotion of organic agriculture. For example, in Costa Rica, the Programa Nacional de Agricultura Orgánica (National Organic Agriculture Programme), launched in 1995 with support from the IICA, promotes development within both the public and private sectors, by:

- Conducting awareness-raising activities for farmers, technicians and consumers;
- Providing specialized information services to facilitate decision-making processes;
- Promoting training and capacity-building activities for farmers, technicians and consumers;
- Supporting and giving orientation to organic agricultural research, through the Programas de Investigación y Transferencia de Tecnología Agropecuaria en Producción Orgánica (Research and Transfer of Agricultural and Livestock Technology Programmes in Organic Agriculture) or PITTA-PO programmes;
- Facilitating joint initiatives and coordination between public and private organizations in support of organic agriculture; and
- Helping to identify domestic and international market opportunities.

As mentioned in box 2, Cuba has taken several initiatives in support of organic agriculture, although further steps are needed to support certified organic agriculture for the export market. Guatemala also has advanced significantly in organizing support activities, although primarily through the private sector and NGOs. Box 1 analyses the case of the Dominican Republic. In the other countries studied, government support has been limited. It is interesting to compare the experiences of the Dominican Republic and Costa Rica. Costa Rica's legislation relating to organic agriculture began more than a decade ago, but it has not seen the same growth in certified areas as the Dominican Republic, which only recently enacted legislation. This is probably because the Dominican Republic has been more active in supporting organic producers with technical and marketing assistance, while in Costa Rica a more effective support programme was not put in place until 1999 (Echeverría, 2002). Progress in some countries could be attributed to assistance to organic agriculture from their public and/or private sectors, rather than to their legal frameworks, perhaps because of the important role of private international certification bodies in helping them gain access to the EU market for organic products.

Organization

In general, organic producers in Central America need to be better organized. This requires strengthening producer associations and institutions aimed at promoting the marketing of organic products. IFAD (2003) points out that producer associations play a major role in promoting the adoption of organic agriculture by small farmers in several ways: (a) by achieving economies of scale in managing volumes and marketing; (b) training and the adoption of technologies; (c) reducing certification costs and managing internal control systems; and (d) mobilizing support from government agencies and NGOs. The large majority of Nicaragua's 6,390 organic producers are grouped into 90 associations, which reflects the good organizational capacity of the sector (MAGFOR et. al., 2005). An example of a producers' association is the Asociación de Organizaciones de Productoras y Productores Orgánicos de Nicaragua (Association of Organic Producers Organizations of Nicaragua) created in 2005.

The case studies carried out under the UNCTAD/FIELD project analyse some examples of progress in strengthening associations of small organic producers. In Costa Rica, for example, four associations in the province of Talamanca bring together more than 7,000 families dedicated to (certified and uncertified) organic farming. While small producers generally do not directly engage in export activities, the Asociación de Pequeños Productores de Talamanca (Association of Small Producers of Talamanca), through a pilot project, has started exporting small quantities of organic bananas. A promising initiative in Talamanca is the creation of the Comisión Coordinadora

para la Comercialización de Banano Fresco (Coordinating Commission for the Marketing of Fresh Bananas) that brings together some 2,000 producers (Chaves, 2004). The Asociación de Productores Agroindustriales Orgánicos de El Salvador (APRAINORES, Association of Organic Agro-industrial Producers of El Salvador) aims to support the organization of those involved in the organic production of cashew nuts. Small growers have managed to create a society entitled Sistema Agroindustrial de Marañón Orgánico (SAMO, Agro-industrial System for Organic Cashew) to undertake quality control, Hazard Analysis Critical Control Point (HACCP), and traceability and to ensure that, apart from requirements for organic certification, other requirements in external markets are also met (Angel, 2004). In Honduras, around 1,000 producers of different organic products created the Asociación Hondureña de Productores Orgánicos Limitada (APROHL, Honduran Association of Organic Producers Limited), which became legally established in May 2004. In addition, some 67 cooperatives group together more than 1,200 small coffee growers that produce certified coffee, generally on farms of less than 5 hectares (Suazo, 2004). In Panama, the cooperative, Servicio Múltiple de Cacao Bocatoreña, brings together 2,500 small producers dispersed over an area of approximately 6,000 hectares of cocoa in Bocas del Toro province, and some 100 small producers work together in the agro-forestry project, Ngöbe-Buglé (Vergara de Brugiatti, 2004).

In Nicaragua, a private-public partnership between private sector cocoa producers and donors was created in 2002 to support the production and commercialization of high-quality organic cocoa from the Biosfera Bosawas Reserve. Foreign partners include the German chocolate manufacturer, Ritter Sport, and GTZ. Organic agriculture plays an important role in a strategy to help reactivate Nicaragua's cocoa sector. In 2004, producers, the Government, various institutions, traders and some donors created the Grupo Cacao (Cocoa Group), and cocoa became one of the priority products in the National Development Plan. The target for the period 2005–2009 is to increase cocoa production to 2000 tonnes per year, 50 per cent of which will be organic (Dilger, personal communication, 2005).

However, more efforts are needed to reach out to organic producers. In Costa Rica, for example, the Corporación Bananera Nacional (CORBANA),¹⁵ and other industry associations have not effectively included the organic sector, and there are hardly any links between organic and conventional banana producers (Chaves, 2004; Sergio Laprade, CORBANA coordinator for environmental protection, personal communication).

Production

One of the key challenges facing Central America is to ensure a larger and more stable supply of organic products as well as to move into more value-added products. Organic markets increasingly require sufficient quantities, a high quality and stable commercial relations. Domestic measures and those aimed at facilitating intraregional trade may help to secure commercially viable volumes of exports. There should also be increased efforts to inform associations of producers and exporters of technical and food-safety requirements in external markets, and train them to meet such requirements. One particularly promising trend in the region is the promotion of cooperation through supply chains, from small producer organizations to exporters and importers. The private sector can play a key role in promoting production and marketing of organic products.

As mentioned earlier, the sector needs to enhance its capacity to respond to fast-growing international demand and changing market characteristics. This concerns in particular the growing participation of institutional buyers in organic markets. While this trend may help to sustain long-term growth of organic markets, it also could result in declining price premiums and more stringent requirements in terms of quality and sufficient and stable supply. A recent study on bananas and coffee argues that strong growth of the market for sustainable food products and larger volumes have the effect of moving organic production from a niche market to the mainstream. Consequently, many food companies that before had been working only with conventional food prod-

ucts have entered the organic food market. The entry of major food companies, often via the acquisition of traditional, but small, organic companies, has led also to a change in the organic markets' business philosophy, by placing a greater emphasis on business and profit-making (Kilian et al., 2005). Giovannucci (2003) also analyses the shift of organic agriculture from production for niche markets towards the mainstream, and suggests some implications for growers.

Research and development, and training

A well-organized organic agricultural sector should also provide incentives for training, research and technological development. In Costa Rica, for example, the PITTA-PO is to coordinate the activities of public and private institutions and donors in the areas of research and transfer of technology in order to meet the needs of the productive sector. In Honduras in 2003, more than 600 producers of fruit, vegetables and coffee were trained in aspects such as the regulation of organic agriculture and the competitive advantages and disadvantages of such agriculture. Similarly, in Cuba R&D and training have played a key role in the development of organic agriculture.

Marketing

The UNCTAD/FIELD case studies have emphasized the need for marketing intelligence concerning supply and demand for relevant organic products – those already in production and other viable products – as well as for greater government support. Progress made in some countries could be replicated in others. Public sector institutions in Costa Rica that promote the commercialization of organic agricultural products (among others) include Promotora de Comercio Exterior, the foreign trade promotion body of the Ministry of External Commerce and the National Production Council.

Private sector organizations, such as producer and exporter associations and NGOs, also play an increasingly important role in some countries. In Guatemala, a number of producers and exporters of organic coffee and other products (such as macadamia nuts, honey, cardamom and cashew nuts) are organized under the Subcomisión de Productos Ecológicos (Sub-Commission of Ecological Products) of AGEXPRONT, created in 1995. The strategy of AGEXPRONT and its Comisión de Cafés Diferenciados (Commission for Specialty Coffees) has been to disseminate opportunities generated by niche markets to (potential) producers and exporters. Other organizations, such as the Federación de Cooperativas Agrícolas de Productores de Café de Guatemala (FEDECOCAGUA, Federation of Agricultural Cooperatives of Coffee Producers of Guatemala), an umbrella organization for producer cooperatives, take a similar approach for their members.¹⁶ The experience of the Dominican Republic illustrates the importance of production and marketing companies working closely with organic producers.

Information

The UNCTAD/FIELD case studies have also highlighted the need to improve information flows. The first step in disseminating information to organic producers is to have a reliable list of these producers. A thorough registration system is therefore essential, and in most countries such a system is in place or in development. Second, aside from advice on production technologies, the most strategic type of information is on market opportunities. The studies by CIMS, mentioned earlier, are an interesting contribution, but additional efforts are needed.

Removing biases against and creating incentives for organic agriculture

In Part I of this chapter, Twarog has highlighted the existence of certain biases against the organic agricultural sector and the need for specific incentives. Some of the case studies show that the organic sector has often been marginalized from overall agricultural development policies and, in

some cases, also from sector-specific associations of (largely conventional) producers (e.g. Costa Rican banana producers). There is a need to incorporate organic agriculture into agricultural development policies and policies aimed at promoting exports of non-traditional agricultural products. El Salvador, for example, has included certain specialty coffees – as well as organic coffee – in its non-traditional products that are eligible for fiscal incentives for export¹⁷. All coffee had initially been excluded from the programme. The need for specific credit facilities for small organic producers, in particular during the conversion period, has also been recognized.

3. Certification

High certification costs and the multitude of certification requirements remain issues of concern. According to IFAD (2003), one of the main problems with certification is that the bulk of the work and expenses come precisely during the transitional period when farmers are least able to cope with it. Some progress has nevertheless been made in reducing certification costs. In El Salvador, for example, such costs have been reduced by around 30 per cent by using regional agents rather than international agents, although the regional agents represent the same international certification bodies.¹⁸

Chaves (2004) has noted that the certification fees charged by different national and international certification bodies operating in Costa Rica vary between \$130 and \$425 per day for field inspection, and between \$250 and \$500 per year for follow-up and documentation. Two certification bodies charge a commission of 0.025 per cent and 0.5 per cent respectively of the value of the sales of products certified by the certification body in question.¹⁹ Three of the certification bodies recover other expenditures from applicants, per invoice.

In the case of the Dominican Republic, Rib-Bejaran (2005) has found that BCS ÖKO-Garantie charges each farm the following amounts for certification for the domestic and international markets respectively

Several other avenues are available to reduce certification costs, in particular for small producers. These include:

- *Group certification and the creation of internal control systems.* Since small growers play an important role in organic agriculture in the region, group certification may be the only viable option for certification. The aim is to reduce the costs of external inspection by creating internal control systems. For example, organic sesame producers who are members of a cooperative in El Salvador are certified as a group, which has greatly reduced their costs. Apart from inspection costs, group certification also reduces other costs.²⁰
- *Donor assistance.* In El Salvador, for example, the NGO, Cooperative League of the United States of America, subsidized certification costs during the initial years of the organic movement (Angel, 2004). The Cámara Agropecuaria y Agroindustrial de El Salvador (Chamber for Agriculture, Livestock and Agro-industry), with IDB funding, previously had a programme to finance up to 60 per cent of initial certification costs, which benefited in particular coffee producers. A project by the United States Agency for International Development covers up to 70 per cent of certification costs, depending on the size of the beneficiary producers. A programme of the Fundación Salvadoreña para Investigaciones del Café (Salvadoran Foundation for Coffee Research), which is funded by Lutheran World

Market/farm size	Small	Medium	Large
Domestic	\$75–\$100	\$200–\$400	\$400–\$800
International	\$300–\$500	\$600–\$1 600	\$1 000–\$5 000

Action, covers up to 100 per cent of the certification costs of two cooperatives and three community groups of small coffee producers in El Salvador. And in Costa Rica, the Humanist Institute for Cooperation with Developing Countries of the Netherlands pays, through Eco-Lógica, up to 50–75 per cent of the cost of certification of small organic producers.

- *Cost-sharing with customers.* Ideally, the cost of certification is recovered with the sale of the organic product, through the price premium paid by the final consumer. However, some buyers may be willing to implicitly share part of the certification cost.
- *Training of local inspectors and personnel.* In Cuba, a Swiss certification body, Bio Inspecta, carries out certification of citrus fruit juices exported to the Swiss market. The Cuban Instituto de Investigaciones en Fruticultura Tropical (Institute for Research on Tropical Fruit Production) carries out local inspection. The institute employs six inspectors who have been approved by Bio Inspecta, and they receive additional training when experts from the international certification body visit the country for final inspection (Revilla Alcazar, 2004). In the Dominican Republic, BCS ÖKO-Garantie (Germany), which carries out around 90 per cent of the certifications in the country, has established a national office with qualified personnel to undertake certification activities (Rib-Bejaran, 2005).
- *The creation of a national certification system.* Despite the Dominican Republic's success in organic exports, it has been working on a national certification programme in response to the demands of small producers, who lack the resources to use international certification bodies (Rib-Bejaran, 2005). A national system can also be beneficial for development of the local market for organic products by providing credible, low-cost certification. The Fundación para la Cooperación y el Desarrollo Comunal para El Salvador (Foundation for Cooperation and Community Development for El Salvador) has expressed an interest in becoming accredited as a national certification body.
- *Enhancing the role of national and regional certification bodies.* National certification bodies play an important role in reducing certification costs, as do regional bodies such as Biolatina.²¹
Enhancing transparency and competition. Producers should carefully compare the costs of certification and weigh the advantages and disadvantages of using specific certification bodies. Regulations concerning organic products can enhance transparency by obliging certification bodies to publish tariff structures.²² In general, such information is available on the Internet.
- *International accreditation of national or regional certification bodies.* The National Organic Programme (NOP) of the United States Department of Agriculture has accredited some certification bodies with headquarters in Central American countries, such as Eco-Lógica in Costa Rica and Mayacert in Guatemala.

4. Harmonization and equivalence

The benefits of harmonization and equivalence are analysed in part I of this chapter. Until recently, efforts in Central American countries have focused on establishing equivalence with EU standards. As mentioned earlier, Costa Rica was added to the EU “third-country list” in 2003 (box 3), and the Dominican Republic, Guatemala and Honduras have made formal requests to be included in that list under Article 11.1 of Regulation (EEC) 1992/91, while El Salvador and Nicaragua have yet to begin the formal process for inclusion.

Regional cooperation

Regional cooperation on organic standards can bring many benefits. In 2002, the Organismo Internacional Regional de Sanidad Agropecuaria (International Regional Organization for Plant and Animal Health) published a draft Regional Directive for the Production, Processing, Labeling and Commercialization of Organic Products to assist its member States (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama) in developing harmonized regulations for organic agriculture, promoting regional trade and complying with requirements of

Box 3. Costa Rica's inclusion in the EU third-country list

In February 1999, Costa Rica submitted a request to be included on the EU equivalence list of third countries, and submitted documentation on its production rules and inspection system. An inspection team visiting the country from 6 to 10 November 2000 concluded that the minimum requirements for organic farming laid down in the Costa Rican legislation were, in general, equivalent to Council Regulation 2092/91. However, it recommended that the Costa Rican authorities take appropriate measures to address certain inadequacies in the inspection system. In response, the competent authorities in Costa Rica decided to strengthen the Gerencia Técnica en Acreditación y Registro en Agricultura Orgánica (Technical Department for Accreditation and Registration in Organic Agriculture), increase the frequency of monitoring visits to the inspection bodies to comply with the EN 45011/ISO 65 standard, amend the organic farming regulation to adapt it to organized producer groups and receive updated lists of certified groups from the inspection bodies, address issues of parallel (organic and conventional) production, and improve data on organic exports.

Costa Rica was included in the third-country list in March 2003 for the usual period of three years (i.e. until 30 June 2006, to be extended subject to review). This has simplified the process of importing Costa Rican products into the EU and has also more or less automatically facilitated access to the Swiss market. It has also contributed to reducing certification costs. Furthermore, it is expected to facilitate the possible negotiation of future equivalence agreements with other countries, such as Canada, Japan and the United States (Valverde, 2003). These benefits are of considerable importance to further the development of organic agriculture in the country. Yet the process has taken more than three years, involving significant costs. According to Chaves (2004), adjustments made to gain access to the EU third-country list may also have had some drawbacks: increased cost of obtaining an organic label may have produced some adverse effects on domestic sales, and more complex documentation and registration requirements may have discouraged some producers from seeking certification, resulting in their selling their products in traditional markets that have less stringent requirements. Moreover, there is a perception that more stringent requirements favour larger producers.

Some European companies buying organic products from Costa Rica still require certification by European agencies, arguing that those agencies are better known to consumers. For example, Gerber (a United States-based food company specializing in baby foods), which buys organic bananas, continues to require certification by Ecocert and BioSuisse.

international markets. However, it has not been possible to issue a regional directive with a binding character; in practice the organization's members have developed their own regulations, although Costa Rican legislation is frequently used as a reference.

Nevertheless, regional harmonization efforts continue. The first regional meeting of competent authorities in organic agriculture was held in San Pedro Sula, Honduras, in October 2004, with the support of the GTZ Programme for Social and Environmental Standards.²³ The meeting resulted in the creation of the Comisión Centroamericana de Autoridades Competentes en Agricultura Orgánica (CCACAO, Central American Commission of Competent Authorities in Organic Agriculture), now called the Comisión Centroamericana, Panama, Republica Dominicana y Caribe de Autoridades Competentes en Agricultura Orgánica. However, the Commission is not an official entity created through an intergovernmental agreement. At a second meeting held in Santo Domingo, Dominican Republic, 11–16 April 2005 with the support of GTZ and IICA,²⁴ it was decided, among other things, to carry out a comparative analysis of the legislation concerning organic agriculture in the different countries and to continue work on a harmonized procedures manual for the competent authorities in charge of the control of organic agriculture.²⁵ The Commission launched some conceptual work on issues such as minimum requirements for certification bodies and for internal control systems as well as the promotion of organic agriculture. The countries are also exploring coordination and cooperation in the context of their discussions with the EU and their participation in international institutions dealing with issues of organic agriculture.

D. Conclusions and recommendations

The experience of Central America, Cuba and the Dominican Republic indicates that organic agriculture can indeed provide many economic, social and environmental benefits. The UNCTAD/FIELD case studies and other research provide several examples of such benefits, but they also highlight obstacles that need to be overcome to allow the region to more fully exploit the potential offered by organic and other forms of sustainable agriculture. Low volumes of production are often cited as a major constraint. Further development of the organic agricultural sector needs clearer government policies in some countries, along with regional cooperation in promoting greater harmonization of legislation and control.

The National Strategy for the Promotion of Organic Production in Nicaragua provides an interesting proposal for the development of the organic agricultural sector (MAGFOR et al., 2005), which may provide useful elements for other developing countries that still need to develop their own strategies. First, it calls for the strengthening of institutions based on three interrelated elements: (a) an entity responsible for promotion, (b) an entity responsible for inspection and the implementation of a legal framework, and (c) the establishment or consolidation of a well-organized and proactive organic movement to facilitate the implementation and monitoring of a strategy for the development of the organic sector. Second, it calls for strategic policies relating to areas such as technological development, access to external markets, the development of local markets, incentives and financing, education and capacity building, and information. Third, it calls for differentiated policies, where relevant, for various geographical areas.

More information and analysis is needed to enable informed policy decisions concerning the organic agricultural sector. A better understanding of the potential of the sector may help convince government institutions other than the ministries of agriculture to adopt proactive policies.

The creation of the CCACAO is a potentially important step in promoting regional harmonization of standards that may bring benefits, in particular to countries that still have to complete the setting up of their national organic guarantee systems. It may also strengthen cooperation and coordination among countries in the region in the context of their efforts to be included in the EU third-country list and in international discussions on harmonization and equivalence. However, the CCACAO is not an official entity resulting from an agreement between governments; rather, it is the result of project-based activity supported by GTZ, and now needs to be confirmed as an official entity. Greater efforts should be made at the national and regional levels to strengthen institutions and policies aimed at promoting organic agriculture, including through the strengthening of associations of small producers and through policies aimed at reducing certification costs, and promoting research, information and marketing.

Based on the results of studies carried out under the DFID-funded UNCTAD/FIELD project and discussions at a regional workshop held in San José, Costa Rica (30 and 31 March 2005), a number of recommendations are made. For practical reasons they are grouped as recommendations for action at national and regional levels as well as recommendations for further project implementation. Implementation of recommendations at the national level, however, would have to take into account relevant developments at the regional and multilateral levels. Similarly, certain recommendations at the regional level assume that appropriate action will also be undertaken at the national level.

National level

Countries in the region need to strengthen alliances between the public and private sectors to (a) create or strengthen organic guarantee systems based on appropriate legislation and inspection; and (b) create an institutional framework to support the long-term development of the organic agricultural sector. National commissions for organic agriculture and proactive national organic

agricultural movements should play a key role in guiding, accompanying and supporting the implementation of policies and legislation, as well as in creating an institutional framework capable of promoting the development of the sector.

Organic guarantee systems

Countries which have not already done so should:

- Create or complete national control and inspection systems, based on commonly accepted international IFOAM or Codex standards;
- Develop the necessary scientific and technical knowledge and management capabilities; and
- Assess the potential benefits of inclusion in the EU third-country list.

Certification

- Promote the training and enhancement of national experts in certification and internal control. These experts could be employed by national and international certification bodies operating in the region as well as within the framework of technical assistance and training programmes. It is also important to promote the establishment of national certification bodies and encourage international certification bodies to employ national representatives;
- Assess the options for reducing certification costs. Assess how market opening measures and the strengthening of control systems of each country can facilitate the operation of a larger number of certification bodies, as increased competition would create pressure to reduce certification costs;
- Promote producer organizations. Group certification may be the most viable and affordable way to obtain certification, in particular in the short term. Producer organizations will have to implement schemes and procedures for internal controls, as well as provide economies of scale and facilitate marketing; and
- Explore, through cooperative efforts of various institutions, options for facilitating financing and special credit lines to support producers, in particular smallholders, during the conversion period.

Systems and institutions to promote the development of the organic sector

- Create or strengthen institutions for the promotion of the sector; and
- Support national organic movements.

Markets and supply

- Consolidate and support associations of organic producers and strengthen organic segments of agricultural producer organizations;
- Assess options to promote domestic markets for organic products, taking into account food security considerations;
- Carry out studies on supply and demand for relevant organic products, both those currently in production and other viable alternatives;
- Seek to secure a larger and more stable supply of organic products, in particular by organizing producers;
- Strengthen links between supply and demand through B2B and PPP strategies and enhance cooperation through the supply chain;
- Develop national market information systems for product groups;
- Government support;
- Incorporate organic production in policies aimed at supporting the national agricultural sector, including through subsidies and other forms of assistance, while ensuring consistency with WTO rules; and
- Promote exports of organic products, for example by supporting the participation of producers and exporters in international trade fairs.

Regional level

- Support initiatives (by national Governments and donors) aimed at creating and institutionalizing a regional entity to promote harmonization and mutual recognition of national organic agricultural systems in the Central American and Caribbean region;
- Carry out an assessment of the current status of organic agriculture and national promotion policies in different countries in the region with a view to identifying strategies for regional policies to promote the development of organic agriculture;
- Explore regional cooperation to assist countries that have already requested inclusion in the EC third-country list in meeting the relevant requirements;
- Promote regional cooperation to achieve commercially viable volumes for export; and
- Promote information exchange relating to organic markets.

In the context of the UNCTAD project

- Promote a dialogue between Central American and other Latin American countries to facilitate the effective participation of countries in the region in multilateral discussions on issues of harmonization and equivalence;
- Prepare, in cooperation with relevant institutions, a feasibility study to improve statistics on production and export of organic products;
- Promote, in cooperation with relevant institutions, workshops to disseminate the results of the UNCTAD/FIELD project relating to organic production, market requirements and strategies to support the development and competitiveness of the organic agricultural sector; and
- Explore, in cooperation with GTZ and other interested institutions, options for continued support for facilitating implementation of relevant recommendations resulting from the UNCTAD/FIELD project.

ANNEX

ORGANIC GUARANTEE SYSTEMS IN THE REGION

Costa Rica

Legislation: Costa Rica adopted a series of laws in the mid-1990s. Environmental Law No. 7554 of 1995 designates the Ministerio de Agricultura y Ganadería (MAG, Ministry of Agriculture and Livestock) as the agency in charge of drafting and implementing policies concerning organic agriculture, creating norms and procedures, supervising certification bodies and promoting research and dissemination of technologies. It requires organic products to be certified by a national or international certification body registered in Costa Rica. Other legislation includes the Phytosanitary Protection Law No. 7664 and the Organic Agriculture Regulation Decree No. 29782 of 2001 (which modifies Decrees No. 25834 of 1997 and 29067 of 2000).

Competent authority: The Gerencia Técnica en Acreditación y Registro en Agricultura Orgánica (Technical Department for Accreditation and Registration in Organic Agriculture) functions within the Directorate of Plant Protection of the MAG.

Certification bodies: The MAG has accredited the following certification bodies:

National and regional:

- Eco-Lógica;
- Asociación Instituto Mesoamericano para la Certificación de Productos Orgánicos y Procesados.

International:

- OCIA International (United States);
- BCS OKO Garantie International (Germany);
- Ecocert International (France/Germany); and
- Skal International (Netherlands).

Cuba

National legislation: Cuba is still in the process of preparing a national regulation for organic agriculture.

Dominican Republic

National legislation: Regulación de Agricultura Orgánica was approved in 2003 through *Decreto* 820-03.

Competent authority: Oficina Nacional de Control de Agricultura Orgánica (National Office for the Control of Organic Agriculture) en el Departamento de Agricultura Orgánica (DAO) in the Ministry of Agriculture).

Certification bodies: The Department for Organic Agriculture has not yet approved certification bodies.

El Salvador

National legislation: The Regulation for the Production, Processing and Certification of Organic Products was officially adopted in 2004.

Competent authority: The Dirección General de Sanidad Vegetal y Animal (DGSVA, General

Directorate for Plant and Animal Health) in the MAG is responsible for registration.

Certification bodies: The Reglamento del Sistema Nacional de Acreditaciones en Materia Sanitaria y Fitosanitaria (Regulation of the National System for Sanitary and Phytosanitary Accreditation) establishes the conditions under which national entities can be accredited to carry out inspection and certification of organic products.

Guatemala

National legislation: Ministerial Agreement 1317-2002, which became effective in January 2003, regulates the implementation of organic agricultural production systems (*Sistemas de Producción de Agricultura Orgánica*) and designates the competent authority.

Competent authority: The Ministerio de Agricultura, Ganadería y Alimentación, MAGA (Ministry of Agriculture, Livestock and Food, Unidad de Normas y Regulaciones (Norms and Regulations Unit).

Certification bodies: The Oficina Guatemalteca de Acreditación (OGA, Guatemala Accreditation Office) has established an accreditation programme, but has not yet accredited any national, regional or international certification body.

Honduras

National legislation: Reglamento para la Agricultura Orgánica Acuerdo 146-03 (Regulation for Organic Agriculture 146-03) entered into force in 2003 (derogating Reglamento para la Agricultura Orgánica 135-02 of 2002).

Competent authority: The Servicio Nacional de Sanidad Agropecuaria (National Animal and Plant Health Service) in the Ministry of Agriculture and Livestock (MAG), through the Directorate for Organic Agriculture, is the entity responsible for the registration of operators and inspection.

Certification bodies: The MAG has formally recognized five certification bodies: Oregon Tild (United States), Biolatina (regional), BCS (Germany), OCIA (United States) and Mayacert (Guatemala).

Nicaragua

National legislation: Norma Técnica Obligatoria Nicaragüense de Agricultura Ecológica NTON 11010-03 (Compulsory Nicaraguan Technical Standard for Ecological Agriculture).

Competent authority: The Dirección General de Protección y Sanidad Agropecuaria (Directorate General for the Protection of Plant and Animal Health) in the Ministerio Agropecuario y Forestal, MAGFOR (Ministry of Agriculture, Livestock and Forestry), through the Unidad de Registro y Control de la Agricultura Ecológica, is responsible for registration and control of the production, inspection, certification, imports and exports of organic and other ecological products in accordance with the legislation in force (agricultura_ecologica@dgpsa.gob.ni).

Certification bodies: Oficina Nacional de Acreditación (National Accreditation Office) and the Unidad de Registro y Control de la Agricultura Ecológica are responsible for accreditation and registration. Regional and international certification bodies operating in Nicaragua, such as BIOLATINA and OCIA have so far not been requested to seek accreditation in Nicaragua (López López, 2004).

Panama

National legislation: The legal framework was established by Law 8 of January 2002 and regulated by Executive Decree 146 of August 2004.

Competent authority: *Ministerio de Desarrollo Agropecuario* The Ministry of Agricultural and Livestock Development.

Certification bodies: Consejo Nacional de Acreditación (National Accreditation Council) in the Ministerio de Comercio e Industrias (Ministry of Commerce and Industry) is responsible for accreditation.

NOTES

- ¹ Hereafter this group of countries is referred to as “the region”.
- ² As part of this project, the UNCTAD secretariat commissioned case studies and supported policy dialogues to examine opportunities for expanding the production and export of organic agricultural products, as well as to identify appropriate policies at national, regional and multilateral levels to support such efforts. The results of these activities were discussed at a regional workshop organized jointly by the Ministry of External Trade (COMEX) of Costa Rica and the UNCTAD secretariat in San José on 30 and 31 March 2005.
- ³ In Nicaragua, for example, a significant proportion of certified organic areas is underutilized. In many cases, an entire farm or production system is certified as organic. However, in practice only products offered for export may fetch a price premium, whereas products sold in domestic markets do not as there are only incipient domestic markets for organic products (MAGFOR et al., 2005).
- ⁴ For the contribution of organic agriculture to conservation, see Giovannucci, et al., 2000. In Honduras, many organic coffee farms are located in areas of ecological interest (protected areas) (Hernández, 2005).
- ⁵ The expiry date of the regime for imports from countries that are not on the third-country list has only recently been modified from 31 December 2005 to 31 December 2006.
- ⁶ This amounts to organic pastureland of 43 cattle farms. Calves of cows that have grazed on certified organic grassland eventually become eligible to be certified as organic beef, provided that relevant standards are met. Some 8,200 heads of cattle are in process of conversion. The National Cattle Raising Commission of Nicaragua (CONAGAN), the Cooperative League of the United States of America (CLUSA) and IICA have signed a collaborative agreement with MAGFOR, the Rural Development Institute and the secretariat of the Presidency to promote the production and export of organic meat (MAGFOR et al., 2005; USAID/Nicaragua, 2005).
- ⁷ There are about 12,500 organic cocoa producers in the Dominican Republic. The majority of them are members of the Confederación Nacional de Cacaocultores de la Republica Dominicana (CONACADO). Some 86 per cent of organic cocoa farms are smaller than 10 ha (Rib-Bejaran, 2005).
- ⁸ For more details, see Rosses M (2005).
- ⁹ At the Latin American Centre for Competitiveness and Sustainable Development (CLACDS) located at the Instituto Centroamericano de Administración de Empresas in San José, Costa Rica.
- ¹⁰ Data provided by the Centre for Export and Investment of the Dominican Republic (CEI-RD), 2005.
- ¹¹ Available on the SIMAS website at: www.simas.org.ni/noticia.php?idnoticia=1303.
- ¹² The United States Congress approved this FTA in July 2005 and the President signed it into law the following month. It has also been approved by the legislatures of El Salvador, Guatemala and Honduras. However, approval is pending in Costa Rica, the Dominican Republic and Nicaragua. The agreement shall enter into force on a date to be agreed upon by the parties.
- ¹³ For information on TRQs under the CAFTA-DR, see the CAFTA-Agriculture Factsheet issued by the Office of the U.S. Trade Representative, February 2004, available at: www.ustr.gov/assets/Document_Library/Fact_Sheets/2004/asset_upload_file793_5328.pdf.
- ¹⁴ Ken Commins, International Organic Accreditation Service (IOAS), lists Guatemala among “countries with finalized regulations not yet fully implemented”, meaning that “detailed standards and rules have been finalised, but the authority has not yet approved certification bodies or carried out certifications under the law” (cited in UNCTAD/FAO/IFOAM, 2005). However, the competent authority in Guatemala has started the registration of certification bodies. (MAGA, personal communication).
- ¹⁵ An institution created in 1971 with a mission to serve the national producers; the Government, State banks and all banana producers contribute equal parts to its capital.
- ¹⁶ FEDECOCAGUA was established in 1969; of its approximately 20,000 members, 70 per cent belong to indigenous groups from various regions of Guatemala. Most coffee is sold as Fairtrade coffee, but only a small proportion is certified organic.
- ¹⁷ For more information, see the 1999 reforms of the Export Reactivation Law (Ley de Reactivación de las Exportaciones), Legislative Decree No. 460, March 15, 1990, available at: www.camarasal.com/leyespdf/LEY%20DE%20REACTIVACION%20DE%20LAS%20EXPORTACIONES.pdf.
- ¹⁸ Similarly, in Mexico, producer groups have been able to get their smallholder coffee producers certified for as little as \$50 each (Daniele Giovannucci, private communication, 30 August 2005).
- ¹⁹ One of these certification bodies has recently discontinued its minimum commission of \$500, thus favouring small producers.
- ²⁰ For example, Eco-Lógica estimates that its annual certification cost for documentation and follow-up for a small farmer trying to get certified alone would be some 120,000 Costa Rican colones (\$250), but 25,000 colones (\$52) per farm for groups of between 5 and 25 producers, and 1,500 colones (slightly over \$3) per farm for groups of between 500 and 2,000 producers.
- ²¹ Biolatina specializes in the certification of the production, processing and marketing of ecological products, including organic products. It was established in 1997 as the result of a fusion of four national certification bodies in Bolivia, Colombia, Nicaragua and Peru. Its organic standards are based on the international IFOAM and Codex Alimentarius standards and are equivalent with EU regulation 2092/91, the United States National Organic Program, and the Japanese Agricultural Standards. Biolatina has been accredited by the competent

authorities in the EU through a German certification body and by the United States Department of Agriculture. It has an agreement with International Certification Services, Japan, which facilitates access to the Japanese market.

- ²² In Honduras, for example, the national regulation for organic agriculture (Agreement No 146-03) stipulates that the rates charged by certification bodies should be in the public domain (Article 77).
- ²³ Similarly, the First Andean Encounter of Competent Authorities of Organic Agriculture took place in Lima, Peru, from 24 to 28 May 2004.
- ²⁴ Apart from the members of the Commission (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama), Haiti, Mexico and Saint Lucia participated as observers. Honduras was elected to coordinate the activities of the Commission in 2005-2006.
- ²⁵ Following a proposal by Guatemala. Other countries have approved and are using the manual (MAGA, personal communication).

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COMMENTARIES

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Vossenaar and Angel's analysis, based on extensive literature research and consultations with qualified experts, presents a coherent and accurate picture of the situation with regard to organic agriculture in Central America and two Spanish-speaking Caribbean countries. Apart from describing the main characteristics of OA and the principal benefits derived from organic production, the authors identify common constraints, largely of a structural nature, that impede the growth of the sector. They also present a structured approach to strategies for the development of OA. This is in contrast to many proposals that seek to address problems in specific areas, such as training, production, certification, information, marketing, research and government support, but which often lack an integrated, macro approach. While all of these issues are important and need to be addressed, an accumulation of isolated efforts in specific areas is likely to be insufficient to secure the integrated development of the sector.

The recommendations by Vossenaar and Angel deserve special mention. Several of these imply the need for governments to play a larger role, though this is not explicitly stated. The role of governments in the region has so far has been largely marginal, but they should now become key actors in a new development paradigm for the sector. In this context, there are four concrete proposals that tacitly require greater government participation: (a) the creation of public-private alliances; (b) the formulation of clear policies to support the development of OA; (c) the establishment and strengthening of institutions, both for inspection and promotion; and (d) harmonization and equivalence of regulations.

While Vossenaar and Angel present their recommendations within an overall, integrated structure, two comments can be made. First, all recommendations cannot be implemented simultaneously; it is necessary to establish an order of priorities and appropriate sequencing for their implementation. Second, the recommendations need to be complemented by an overall strategy to ensure that efforts in specific policy areas are well articulated and implemented in a consistent and complementary manner.

The following elements need to be considered in the development and implementation of a comprehensive and coherent strategy:

- The strategy needs to be based on participatory assessment in order to ensure that the realities of the sector are well understood by all concerned, and that it is supported by a visible and well-articulated organic movement. It is also necessary to assess the opportunities and constraints from the perspective of the different actors. A participatory process is particularly important in promoting dialogue with the government in the search for proactive policies and actions;
- It must have both short- and long-term visions that are developed through a participatory process to ensure both that the actors involved in the organic sector adopt ownership of the strategy, and that successive governments have a roadmap for supporting the development of the sector;
- It should contain clear policies and actions for the short, medium and long term that are consistent with the proposed vision and that respond to the challenges to and opportunities for OA in different countries;
- It must be implemented with the help of an institutional framework with responsibilities for: promoting the development of the sector; formulating proposals for programmes and projects; implementation and follow-up of appropriate actions; representing the interests of the sector in the process of taking relevant policy decisions; coordination of interagency activities; representing the sector in relevant forums; and the timely generation of information necessary for informed policy-making.

- The strategy should give priority to the establishment of a regulatory and technical framework for the sector that is equivalent to the organic guarantee systems of the principal importing countries of OA products.
- Such a framework needs to be complemented by a suitable institutional structure that allows producers and other economic agents involved in organic agriculture - through supplying inputs, processing, marketing, inspection, certification or otherwise - to monitor its adequate implementation.

The importance of having a clear strategy for the development of the sector can be illustrated by the issue of low volume of production, which Vossenaar and Angel list as one important constraint facing OA. Although its solution appears simple (increasing production), because of the nature and diversity of elements involved, it needs to be considered in the framework of a national strategy for the sector. A strategy aimed at increasing production requires at least two basic elements: (a) the appropriate combination of policies in a number of areas, such as information, training, legislation, research, technical assistance, finance, incentives, marketing, certification and processing; and (b) complementarities between the activities of public and private institutions to create synergies in promoting the development of the sector. In both cases this can be done effectively only in the framework of a national agenda.

By way of final comment, the analysis by the authors is in line with an important and desirable trend in approaches to the development of the organic sector: i.e., moving away from a micro approach and combining individual specific initiatives into a more integrated and macro-economic approach. However, the sector suffers from a lack of experience in the formulation of strategies which incorporate a range of different actions and actors through appropriate, integrated policies. The major challenge for the organic sector – which for a long time has been focusing on specific issues without much interaction with mainstream government actions – is to structure its proposals taking into account the way in which the key institutions operate.

As mentioned by Vossenaar and Angel, the National Strategy for the Promotion of Organic Production in Nicaragua (MAGFOR et al., 2005) is an example of an effort to formulate an integrated strategy for promoting the development of the organic sector at the national level. The proposed strategy is based on the recognition that organic production represents a viable economic and commercial option for Nicaraguan producers because of growing international markets and favourable conditions for organic production in the country. The strategy includes a vision for the development of organic agricultural production until 2015, based on extensive nationwide consultations. However, since it is not possible to predict and manage all variables involved in OA, priority is given to some strategic variables which are crucial to achieving the short- and long-term development of the sector.

Nicaragua's National Strategy calls for the strengthening of institutions in three interrelated areas: (a) an entity responsible for promotion, (b) an entity responsible for inspection and the implementation of a legal framework, and (c) the establishment of a well-organized and proactive organic movement to facilitate the implementation and monitoring of a strategy for the development of the organic sector. It also calls for strategic policies to promote OA in the short run, in particular in areas such as technological development, access to external markets, the development of local markets, incentives and financing, education and capacity building, and information. Finally, the strategy recognizes the need for differentiated policies for various geographical areas in the country, taking into account differences in agro-ecological, ethnic and other conditions. An important element of the strategy is the promotion of alliances between the public and private sector, complemented by a strong organic agricultural movement.

Vossenaar and Angel provide a good analysis of opportunities and constraints for the development of organic agriculture in the region. In the case of Nicaragua, the National Strategy's assessment of the potential for further development is based on factors such as: (a) the significant number

of farmers that apply production methods similar to organic agriculture; (b) demonstrated capacity to create producer associations; (c) the presence in the country of “economic agents”, including processors, marketing firms and associations, to support the development of the sector; and (d) the fact that many of the almost 6,000 certified farms are not accustomed to growing products sold as certified organic (in fact, the National Strategy indicated that some 75 per cent of certified areas are underexploited, and in some cases such as cocoa and cashew nuts, there is an unexploited potential of 90–95 per cent of certified areas); (e) the diversity of agro-ecological zones available to grow products for which there is demand; (f) the availability of extensive areas of natural grasslands with potential for production and exports of organic meat; and (g) the political interest of many government institutions in the development of the sector.

Major constraints identified in the case of Nicaragua include: (a) the predominant practice of using synthetic chemicals; (b) the absence of an institution for the promotion of the sector; (c) a low degree of articulation of actors involved in organic agriculture; (d) lack of information concerning production and export opportunities; (e) the absence of local markets; (f) the low value-added of organic products grown in Nicaragua; (g) limited finance available for the sector; and (h) lack of incentives.

The National Strategy seeks to exploit potential opportunities and overcome obstacles to the development of organic agriculture in Nicaragua in an integrated manner, as summarized above.