European Network for Rural Development

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CASE STUDY

Bioland e.V.: Collective initiatives and sustainability agreements in an organic farming association

Introduction

The sustainability agreements illustrated in this case study have a horizontal as well as vertical dimension. The Bioland association incudes both producers and actors along the entire organic value chain (processors, manufacturers, distributors, retail, and gastronomy). Together they form the participants of the sustainability agreements under the umbrella of the association.

This document also reflects on the potential opportunities made available under Article 210a of the CMO and its role in driving sustainability across the value chain.

Bioland e.V. – community of shared values for the benefit of people and the environment

Bioland e.V. (registered association under German law) is the leading association for organic farming in Germany. The main goal of Bioland is to support the transformation of the agriculture and food industry according to strict ecological criteria. The association has a horizontal as well as a vertical dimension: about 8 700 farmers, gardeners, beekeepers, and wine growers produce according to the Bioland guidelines and additionally, more than 1 400 companies across the value chain from processing to trade are Bioland partners. The products

produced by the Bioland members and partners can be found in all distribution channels, including farm shops and weekly markets, supermarkets, and delivery services.

Bioland employs almost 300 people in various areas, including e.g.: advising members on production, processing, marketing, and trade; education and training; research and development (R&D); quality assurance; marketing; and agricultural policy.

For the past 50 years, Bioland members have been developing an ecologically, economically, and socially sound alternative to the intensive conventional farming system that depends on industry and outside investors.

Bioland is a pioneer of resource-conserving and climate-friendly organic agriculture. To that end, the democratically determined Bioland guidelines implement a private standard for organic agricultural production and livestock farming that provides for **much stricter requirements than those set out in the EU organic regulation.**

When producers, processors or traders choose to take part in the voluntary private standard of Bioland, they must comply with the Bioland guidelines. The implementation of the requirements is controlled by independent certification bodies. The Bioland logo is only licensed to products that comply with the strict Bioland guidelines and allows consumers to identify such products easily.

The whole Bioland system is a comprehensive sustainability agreement

The **'Seven principles of Bioland for the agriculture of the future'** are at the basis of Bioland and its guidelines[1]. The sustainability agreement put in place by Bioland is based on guidelines democratically defined by its members, governing organic agricultural production, animal husbandry and food processing. These guidelines cover the whole organic food value chain.

Bioland has developed a system that works in balance with nature, supports biodiversity, protects the environment, and mitigates climate change. This system is continuously supported and improved by its own R&D.

One of the challenges for Bioland is making **Bioland products available to all consumers in regional food value chains at a fair price.** Consumer studies show that there is a high willingness to pay higher prices for sustainable

1 https://www.bioland.de/richtlinien

products[2] . However, relations between consumers and producers are frequently indirect, making it difficult for consumers to understand the sustainability of the products on the shelf.

As a collective action, Bioland offers enhanced opportunities for transparency throughout the supply value chain, using high sustainability standards as the basis for offering sustainable products to consumers. On the other hand, also due to restrictions under competition law, there is still little transparency along the agri-food value chain concerning producer prices and production costs resulting from the high sustainability standards and thus little possibility of their enforcement along the value chain for the producers. Bioland acknowledges that it can be difficult to maintain an economically sustainable model, particularly as prices of farm inputs increase. It also acknowledges that it is a real challenge to make the agri-food supply value chain fairer and more 'transparent'. To that end Bioland is dedicated to improving communication with the sector and promoting transparency through the value chain, informed by their own insights work. Bioland's long term ambition is the implementation**, expansion and further development of organic agriculture that supports the achievement of sustainability objectives.**

Relevance of the changes under Article 210a of the CMO

The EU Farm to Fork Strategy[3] set the target of 25 % organic share of agricultural land. Currently, the organic share of agricultural land in the EU is 9,2 %[4]. The EU target suggests that the external conditions relevant to the development of the organic value chain must change. The objectives of Article 210a provide just such an opportunity for the organic sector.

Sustainability Agreement 'Added Value Assurance System Bioland Milk'

The '**Added Value Assurance System Bioland Milk'** (*Mehrwertsicherungssystem Bioland Milch*) **is a sustainability agreement that has been under development since Article 210a of the CMO came into force** (launch planned for autumn 2022). The Agreement is based on Bioland guidelines that will **enable long-term sustainable production by compensating the producers for the added sustainability value embodied in their milk products.**

Bioland milk production complies with the EU organic requirements[5] and the additional Bioland requirements. Milk production compliant with Bioland guidelines aims to achieve most of the sustainability objectives defined by the Article 210a (3) of the CMO.

2 *Zühlsdorf/Lürkenbeck/Spiller*, Lebensmittelmarkt und Ernährungspolitik 2018: Verbraucherinestllungen zu zentralen lebensmittel- und ernährungspolitischen Themen; abrufbar unter https://www.vzbv.de/sites/default/files/downloads/2018/01/16/umfrage_ergebnisbericht_lebensmittelmarkt_und_ernaehrungspolitik_2018.pdf

3 https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en

4 The World of Organic Agriculture 2022, IFOAM - Organics International and the Research Institute of Organic Agriculture FiBL. https://www.organic-world.net/yearbook/yearbook-2022/yearbook-2022-infographics-1.html

5 REGULATION (EU) 2018/848 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 30 May 2018 on organic production and labelling of organic products and repealing Council Regulation (EC) No 834/2007

However, producing according to the more sustainable standards mandated by the Bioland guidelines generates higher costs. If full compensation of those costs is not guaranteed, producers will not be able to maintain the higher sustainability standards in milk production in the long term and will opt-out of the private Bioland standard or choose not to opt-in in the first place.

The Added Value Assurance System features several components, including **a compensation payment for milk produced according to the Bioland guidelines, which ensure a high sustainability standard for animals and the environment.** A coordination committee has been established, consisting of elected representatives of producers, dairies, and traders, thus integrating all steps of the food-industry supply value chain. It is proposed that the committee calculates the compensation payment to be paid to those producers who decide to produce milk according to the Bioland standard. This calculated compensation payment is the payment considered indispensable to produce to the required standard and enable production in the long run. The compensation payment will be calculated regularly using a transparent, objective, and recognised full-cost methodology, informed by independently recognised external data sources. The calculation is regularly updated and oriented on the indispensability criterion set out in Article 210a of the CMO. Therefore, the compensation payment will be a minimum payment, with the possibility to provide higher compensation payments.

In case of non-compliance with the compensation payment, there will be a graduated sanction system. If the compensation payment is not received, the milk producer may inform the coordination committee. In that case, the milk processor buyer (dairy or creamery) or the milk trader buyer (retail, wholesale, or other trade operator) can provide formal feedback. As a next step the coordination committee would report any infringements to Bioland quality assurance system that can take measures according to pre-specified sanctions.

In the future, Bioland expects to develop similar sustainability agreement for other product groups.

What can we learn from the Bioland experience?

In the scope of Article 210a of the CMO, an interpretation of competition law primarily geared to cheap prices for consumers might be contrary to the EU's ambitions to move towards sustainable agriculture and food system, because '**sustainability' does not come at zero cost**.

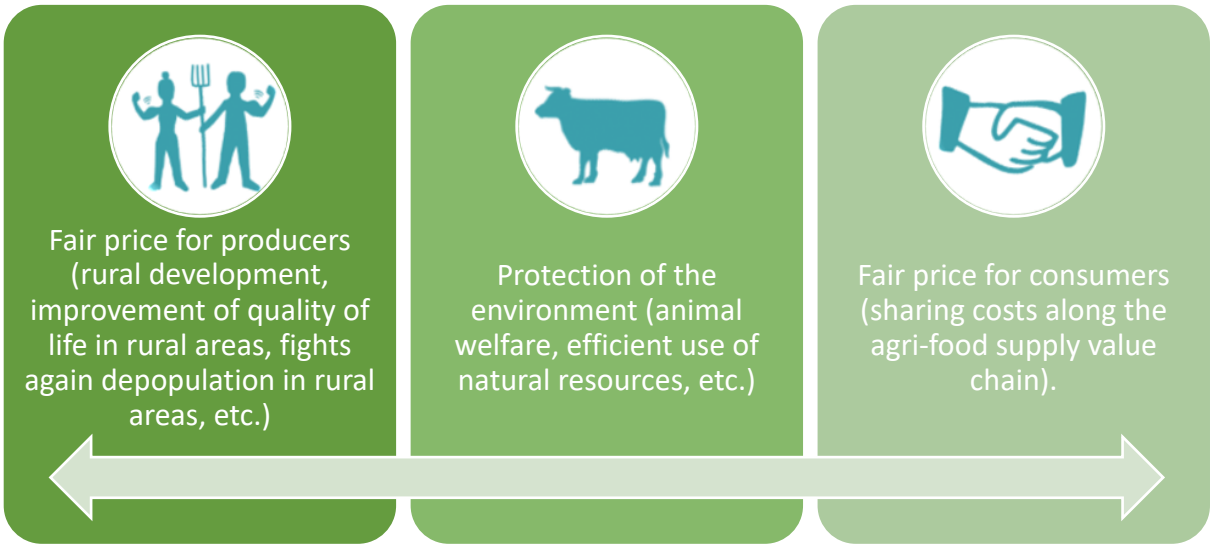
One of the questions that Bioland believes will be important to clarify concerns the monitoring and reporting of sustainability agreements under Article 210a; specifically, the extent to which actors in the agri-food value chain are able to report on compliance with the sustainability agreements and publish transparent market reports. Full price transparency under Article 210a may become a prerequisite for the sustainable transformation of agriculture.

Bioland also believes that the effective application of Article 210a should entail the following:

- **Organic production** under the EU organic regulation is of a **sufficient sustainability standard to fall within the scope of Article 210a**. Price fixing regarding organic production methods should be presumed as being indispensable (proportionate), given transparent and objective calculation of the price (see below).

- The indispensability criterion in Art. 210a (1) must not be interpreted in parallel with the one in Art. 101 (3) TFEU. Art. 210a makes a positive value judgement on sustainability initiatives in the agricultural sector, **realising sustainability standards beyond mandatory legal requirements with the participation of producers**, and specifically allows for "hard core restrictions" such as price fixing. At the core of the indispensability assessment should be the question whether e.g. a fixed minimum price for the compensation of a certain sustainability standard has been calculated correctly through transparent, objective and recognised calculation methods (e.g. full cost accounting). If so, it should be considered indispensable, as the calculation in this case objectively specifies the amount required for the long-term sustainable production in line with the applicable sustainability standard.

- Minimum prices are covered by Art. 210a. Price premiums do not represent less intrusive means, as a premium price cannot guarantee that the efforts for achieving the sustainability standard are compensated with the total indispensable amount. Accordingly, the design of a sustainability agreement integrating only a certain marketable amount of production due to the applicable sustainability standards represents no less intrusive means, as the indispensable compensation amount applies to all products produced in line with to the sustainability standard, regardless of their later labelling/marketing.



Disclaimer

This paper has been developed with the involvement of Thematic Group members from several EU Member States as part of the work carried out by the ENRD Contact Point to support the activities of the Thematic Group on Sustainability Agreements. The information and views set out in this document do not necessarily reflect the opinion of the European Commission.