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**'Expertise and action' study on the development of organic agriculture in the  
French Overseas Departments**

Executive Summary<sup>1</sup>

**A study commissioned by ODEADOM**

**January 2014**

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<sup>1</sup> This study was conducted by AND-International. Its contents only reflect analyses and views of the contractor.

## 1. Introduction

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This document is a summary of the main report of the study commissioned by the ODEADOM whose objective is to determine whether, and how, a development of the organic production in the overseas departments is possible and feasible.

The report is based on extensive field surveys in the five overseas departments, in metropolitan France, in Brazil and in the Dominican Republic.

Limited development of organic production in the overseas departments is explained by difficult conditions, including lack of land in the islands and a difficult climate but also by the weakness of the technical staff and the lack of interest of the dominant players in the major agro food industries (banana shipping and cane sugar processing).

Nevertheless our surveys show that local demand is insufficiently met by local production and that there is an interest in France for tropical products from the overseas France. At the same time, producers settle, develop or seek to do so.

It is therefore possible that the overseas departments meet the pace of development in French metropolitan departments and comply with the national objectives set by 'Ambition Bio 2017' program to double surfaces or economic potential.

To achieve within four years what have been previously done in past twenty-five years, it will be necessary to mobilise important resources and to use them in a relevant and effective way.

Indeed, the situation on the ground is that human resources are dispersed, their impact is lessened by the rivalry between producer groups and / or institutions and, ultimately, the technical know-how is limited and less experienced producers are in serious difficulty, which is not the case for producers with an effective farm advisory.

We also note that the coordination between the downstream activities (specialised or general distribution, catering, processing) and upstream sector (farmers) could be deepened.

The issue of shipping organic products to the metropolis refers to two separate issues.

Regarding large scale production and shipments, it has been shown that the organic option would be premature and therefore adventurous. Indeed,

- other differentiation strategies are underway,
- the organic food niche market is already occupied by foreign production basins that have much lower costs,
- above all it would be absolutely unrealistic to consider developing a large-scale production without previously setting up a flawless technical and economic control.

We show, in this regard, that niche markets (bananas for the local market, sugar cane juice, rum) can be considered and would provide useful support for acquiring and mastering a skill that is lacking today.

Some players in metropolitan markets show interest for sugar or bananas from 'European Union'. But they do not specify their demand (price, quality, quantity).

Regarding niche markets we note a number of possibilities but our investigations showed the need for further analyses.

The fruit and vegetable industry is the most promising; both for metropolitan niche markets and local organic food markets, which currently develop from imported processed products.

The conclusion of the study is that the tropical organic does exist; it is possible to increase development in the overseas departments, with a little more money and, most importantly, better organisation.

The summary document reports the main analyses at each stage of the study.

This summary outlines some results developed in the full report:

- The importance of markets in relation to the production data
- An overview of lessons learned from the missions in Brazil and Dominican Republic

The last chapter contains verbatim recommendations and proposals and an action plan to meet the goal of developing the overseas organic production.

## 2. Findings

### 2.1. In the overseas departments organic food market is more developed than agricultural organic production.

Based on surveys of local distributors and producers we can estimate that the market for organic food is 31 million euros, broken down as follows.

CIRCUIT	La Réunion	Martinique	Guadeloupe	F Guiana	TOTAL	%
Supermarkets	10 000	4 000	2 500	950	17 450	56%
Organic Shops	4 000	3 500	1 800	600	9 900	32%
Direct Sales	2 600	660	300	100	3 660	12%
Bakeries	160	-	-	-	160	1%
<b>TOTAL</b>	<b>16 760</b>	<b>8 160</b>	<b>4 600</b>	<b>1 650</b>	<b>31 170</b>	<b>100%</b>
%	54%	26%	15%	5%	100%	

Source: AND-International estimates, from field surveys. NB: The Mayotte's market is in an embryonic state

The supply comes mainly from metropolitan production, local services covering only 25 % of the consumption value. Local products are primarily fruit (including bananas), vegetables, beef (only in French Guiana), eggs ( in addition to gardening , and some hectares of sugarcane and aromatic cultures. There are artisanal processors (fruits) and a bakery sector (working from imported flour).

In total we counted 205 farms for 3200 ha (2011) in the four largest departments. The 2012 data (source: Agence Bio) show an increase in Réunion and French Guiana and a slight decline in the West Indies. This development is lower than it is in Metropolitan France, with less than 1% of the utilized agricultural area (UAA) except Guyana (over 10%) where these surfaces are low potential meadows which do not lead to an abundant production.

Most farms specialising in organic farming are economically vulnerable. They are sustainable only through hard farmers' work or because farmers have a second activity.

Organic agriculture stakeholders hold a marginal position, with little representation and liaison with elected officials, farms in difficult areas, little technical and economic support, despite recent efforts.

Indeed, since the late 2000s, demand, production and support (including through a recent upgrading of bio modulation of POSEI support program,) were developed.

As a result, there is more support than in the past for animation functions and technical support, but these efforts are insufficient to establish a robust technical support and even to promote the rapid development of the production.

The production suffers from serious obstacles:

- Access to land is very difficult, organic production is not a priority in the local councils that decide land attributions,
- The European organic regulation does not take into account the tropical / equatorial climate and specific constraints of overseas departments
- The business environment is not friendly (organic producers' organisations are weak and general farmers' organisations do not show any interest for organic techniques and production).

## **2.2. Which markets could be developed?**

Development opportunities exist on three markets: the domestic overseas department markets, the large scale export markets (bananas and products from sugar cane) and niche export markets.

Local markets are undoubtedly open to fresh vegetables, fruits, eggs or beef (in Guiana). This is the most accessible niche, for which the advantage of proximity matches with the image of the production, for both Metropolitan and Creole customers.

The niche export is subject to an important competitive environment, particularly in terms of price but some products may break through (counter-season fruit, processed or dried fruit, sterilised cane juice, rum) playing on the 'European' origin or originality of the products.

Regarding large scale export, comparisons established with Brazil and the Dominican Republic show that the main disadvantage of French overseas departments is the cost of labour, that is, for example, 16 times lower in the Dominican Republic compared with the French Caribbean islands.

The second handicap against Third Countries marketing chains, well established in the markets, is the climate (drier climates in Brazil and Dominican Republic for fewer attacks of pests and fungi).

Finally, the regulatory management of plant protection products is less restrictive in Brazil and Dominican Republic than in France. The small markets in the French overseas department do not encourage plant protection marketing companies to engage authorisation procedures with French authorities (these procedures are long and expensive).

However, organic banana and sugar cane production is possible in the French overseas departments and already exists on a very small scale. This could be exacerbated if local markets (banana) or export niches (cane juice, rum) develop.

It would also be an opportunity for improving the organic know-how, which would be also beneficial for conventional productions, for which chemical solutions are always fewer, and for the branding of French know-how in special productions.

In metropolitan France, demand exists for tropical products "made in France", however concerning the banana market, the price offered is insufficient to cover extra costs. Concerning the sugar market, a few processing companies would be interested in the development of an organic production in French overseas areas but do not say which price they would be ready to pay, neither which quantity they would buy.

## **2.3. Aspects of Brazilian and Dominican marketing chains**

### **2.3.1. Brazil**

Brazil ranks first among the global agro-industrial powers; it ranks 3rd for organic surfaces. It also ranks first for conventional sugar and accounts for 22 % of world production in 2013. Logically, Brazil is the first producer of organic sugar in the world.

In 2011, nearly 1.9 million hectares are cultivated organically for nearly 14,500 operators, this represents less than 1 % of the UAA of Brazil, but an area twice as large as the French organic surface; 11 % of Brazilian organic surfaces are dedicated to the production of sugar cane.

In 2012, 74 Brazilian companies specialised in food, cosmetics and organic textiles exported for a value of USD 129.5 million. For 2013/2014 estimates include 100 companies for a total of USD 150 million (source Organics Brazil).

According to the national cadastre online on the website of MAPA (Brazilian Ministry for Agriculture) there are 2,377 organic producers certified by individual audits, 1,466 producer groups certified through the OCS system 1466 and 1261 producer groups certified through the OPAC system. Biological production in Brazil was estimated in 2012 at BRL 750 million (285 million euros) of which 50 to 60% for export; the domestic market is thus not negligible.

As noted in section 2.3, one major comparative advantage of Brazil is the low labour cost, followed by climate, land, expertise and the existence of an enabling environment: transportation, facilities, research centres. The leading companies in the organic sugar industry (Native, Jalles Machado) have been engaged for decades in this business and are the main suppliers of European and North American markets. Most serious potential competitor is India, where labour costs are lower.

### **2.3.2. Dominican Republic**

Organic banana production has been introduced fifteen years ago by some foreign entrepreneurs, mostly on existing farms that have been converted. The main attraction for the development of organics was, and still is, clearly economic.

While some are trying to change attitudes with a more visionary approach of organics, considering ecosystems and production cycles more broadly, only few farmers see it as a way to produce on a highly technical level and a way to manage the long-term agricultural potential.

Most small farmers, unskilled and with few resources, are not entrepreneurs. They choose organic to be paid a little better and manage their plot with a short term profitability target.

In this favorable context, organic production has developed rapidly and now occupies an important place in the agricultural landscape of the country:

- 67% of banana producers are organic certified;
- More than half of surfaces of bananas are organic certified;

Organic banana production has exceeded 152 000 tons in 2011, reaching the conventional production level.

### **2.3.3. Leading countries advantages**

Brazil and the Dominican Republic are the leading countries in the global organic market for the production of, respectively, sugar and bananas.

Our field survey showed that they have important comparative advantages:

- the cost of factors, mainly labour cost (but also the land availability, if we compare with the situation of the French overseas islands);
- a more suitable climate than in French overseas departments (but that is not the best in absolute terms, for instance climate of Peru is more suitable for the production of organic banana than the Dominican Republic);

- less restrictive regulations (authorisation procedures for plant health products are faster and less expensive, organic seeds are not mandatory, soil-less production is permitted in Brazil);
- Being the historical leader of the market is an advantage in itself, especially when they are small and specific.

## **2.4. Conclusions**

- There is a local unsatisfied demand.
- Production is technically possible.
- Local productions are in competition with those of the leading tropical countries and with the products imported from metropolitan France. Tropical competitors have huge comparative advantages.
- Organic industry in the French overseas departments is at an early stage and is insufficiently or inadequately supported.
- With significant support, dedicated to the most committed players, it would be possible to develop a production AB for local market and export niches and to pave the way for large scale production in a long-term perspective.

## **3. Recommendations**

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That is why we recommend to:

- Establish local governance for development of the organic marketing chain, in which national authorities would play an important role and bring together all stakeholders from upstream to downstream (distribution, canteens). Governance should ensure use in the AB sector of public earmarked resources and cohesion between technical and economic guidance programs;
- Invest in technology, adding an organic component to the existing innovation and agricultural transfer system in an inter-departmental approach, and opening up funding for technical positions and experimental sites / demonstrations, first for vegetable and fruit production and breeding hens;
- Support small-scale community projects (processing, direct sales stores) and individual or collective investment in agriculture (greenhouses, shredders);
- Adapt POSEI support, allowing modest structures to benefit from support for local marketing and modulating the aid amounts depending on the species;
- Examine the possibilities of area support (maintain, provided in the EAFRD Regulation) which is the mode best suited to support producers in direct selling;
- Aim to provide some regulatory changes, first by recognizing the tropical / equatorial singularity of French overseas department compared to mainland EU, then offering accommodation, for example, for the production on trays (authorised in Brazil, the leading producer in tropical countries, useful for plant health protection) and the use of conventional seeds (due to import restrictions related to health risks in the Islands);
- Implement promotion activities; help overseas producers and small companies to meet metropolitan importers (processors, retailers).

Finally we note that the history of development of AB in France was based mainly on bio specialised operators. They have a smaller size than conventional producers; they have a typical profile which is consistent with a mode of innovative production and an emerging market. Conventional players have embarked on this niche once it was established by the pioneers. We are not yet at this stage in the overseas departments.