



INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS

Symposium, BioFach 2006, Organizers - BMELV in Cooperation with IFOAM, Wednesday February 15th , 15:00 18:00, Room St. Petersburg, CCN Ost.

Gerald A. Herrmann, IFOAM President

Honorable Ministers, esteemed colleagues and dear friends,

Organic markets are developing worldwide on all levels. New and innovative avenues for market developments are visible, better developed and crucially, are being implemented. Not only in North America, but also in Europe, growth rates continue to be impressive. In many other countries with young but up-and-coming organic sectors, significant endeavors are underway to develop markets in every aspect. In this regard export isn't the only focus of the activities, but local and national marketing opportunities are interesting well-considered alternatives.

The most visible market development can be found at the moment in Brazil, India and China. With such remarkable growth, these countries may soon be highly influential producers, but their demand will also call for imports from other countries as well. Trade and exchange will be conducive to both internal growth and for neighboring countries, not to mention the international trade in general.

The potential in Central and East European countries that have just become new members of the European Union is likewise growing impressively, especially if one takes a glance ten years in the past. Their production is largely being taken up from existing markets. Poland, this year's BioFach 'County of the Year', is an exciting example of organic farming development that is replicated worldwide; the structures remain weak, many businesses are small and markets are still in development.

How do we integrate the small and the smallest operations? How can we ensure their existence? How can families and jobs in the country be assured, even when organic agriculture can't necessarily be presented as the single solution for everything? What answers do we have for ever-increasing costs, while simultaneously prices are showing an

either indifferent or even sinking tendency? Is the process of concentration healthy? Are big operations the better solution? Can we offer solutions for the development and globalization of trade? Has the conventional food system understood the message to behave sustainably better than us, and is even overtaking us in certain areas? These and many other questions can surely not be answered under the auspices of BioFach, but it's good to keep them in mind when we talk together.

In trade attractive prices and margins are equally interesting for both believers and the short-term shoppers, but how can we differentiate between them? Trade relationships and partnerships should grow and develop, which takes time, engagement and innovation. At the end the consumer must be won over, convinced through the (ethical) quality and integrity of organic products that are closely tied to organic food.

The word innovation is in general beloved these days. Everywhere that society, politicians and businesses are confronted by "unsolvable" problems, one is constantly reminded of innovation and the possibility for innovation. The demand for innovation in key technologies and in business in general suggests that innovation exclusively in these areas are obtainable and in the end successful. Innovation suggests positive movement in important and future living conditions.

While innovation in this sense is generally viewed as positive, it also stands for change that turns out to be or is viewed as negative. Consumers in their overwhelming majority, for example, find genetically modified organisms (GMOs) to be a negative innovation that hence is rejected. On the contrary, a something such as globalization is seen to be on two tracks; there are those that are against it and those that see it as an innovation.

Positively and negatively considered, the term innovation is subject to a change, it wears itself out with too much use, in particular if it is restricted in such a way in its use is even loaded if innovation is demanded, but does not occur.

When using the term innovation, it remains unclear in today's meaning whether 'invention' or 'renewal' in the actual sense of the word is meant. This ambiguity leads to a situation in which the addressees, to which the demand for innovation is directed, remain unclear. To the observer the impression probably remains something to the effect of: "What do I have to do with innovation, that's somebody else's responsibility!"

According to the political economist Joseph Schumpeter, "innovation" is the integration of a technical or organizational development, but not invention in and of itself. The innovator is to Schumpeter a creative entrepreneur, in contrast to the entrepreneur that uses only existing differences in prices for realization of profits, which in the search for new fields of action propels the process of the creative change. His springboard for innovation is based on short term monopolistic positions, which provide innovative entrepreneurs dividends for pioneering. Those are monetary values of advantages (also innovation prices), by which the innovative improvements develop, for example through higher productivity.

The title of today's Symposium "Organic Trade: Reaching the Consumer with Innovative Concepts" suggest that innovative concepts are necessary to further develop organic trade and markets. In addition, it suggests that new consumers can only be won if the organic sector, especially the trade, is innovative. Is this factually justifiable?

In order to answer this, I would like to reflect upon the different situations for the development of organic markets worldwide for a moment. While the consumer in the large markets of the USA and Europe have a largely clear idea of what organic agriculture is, it is totally different in young emerging markets. Does that mean an operator in an emerging market, say a farmer, processor or trader, isn't innovative, if s/he introduces measures that have already been in effect in more developed markets for years or even decades? I would say no! Schumpeter says that innovation is the implementation of a technical or organizational development, but not the invention itself!

That's why measures of innovation is not a one time thing, and depending upon the circumstances, in different times, places and in

different contexts, can be repeated and still be regarded as innovation.

Similarly, the activities of enterprises in a certain market must be evaluated. What for some entrepreneur is an old hat, can very probably mean an innovation for another - also to the consumers. Because of this, one notices the change whether an "invention" or only a "change" is being represented. The introduction of the PC to rural municipalities of India is highly innovative, because it makes possible for the people on the land to free itself from the information monopoly of the speculative purchasers and the intermediate trade while this, for example took place a long time ago in Japan.

It is clearly desirable to have many innovative operations in organic agriculture and the organic food sector, but these alone are not responsible for a successful market development and to reach consumers. They are the lighthouses for development, and bring others along with them; they learn from you and copy your concepts. This is positive for both, in that through this process both sides develop become more developed. Innovation necessitates trust and the openness to let others take part in ones own innovations.

Let me say a few more words generally to innovation of and in organic agriculture. About a hundred years ago agriculture produced by and large in an environmentally friendly way without pesticides, chemical and synthetic mineral fertilizers or highly refined feed with additives. Wherein lays the comparable innovation through organic agriculture? The experts among us know that the actively functioning organic agriculture can be differentiated from the aforementioned model of the past, but the layman will possibly even say today that organic agriculture is indeed like our grandfathers farmed.

Innovation is immediately evident to everyone if we take the 1980's as an example: after the intensification and transformation to a chemically input dependent agricultural model, with its immense negative influences on genetic resources, water quality, etc., the innovation is obvious. Water, climate, jobs, regional development and health are only some of the areas in which the direct and indirect repercussions of innovations for society in general will be slowly realized.

We shouldn't underestimate the fact that we move among the convinced in the sector, in which we know all of the interlinkages and facts. For many citizens and consumers that are discovering organic food today, these things are still new. They are astonished by what we take for granted as a simple wisdom and don't even think about them anymore, assuming too much knowledge. Is it for this reason no longer interesting to talk about and communicate? No, on the contrary, we must make ourselves clear that every converted farmer, every organic fed and raised animal, every input that's no longer dumped on the field is an innovation.

Oftentimes conventional practices that also take a foothold in the organic sector are criticized. Price pressures, hostile takeovers, labor displacement and globalization are all examples. If, in the sense of the definition by Schumpeter triumphs "the utilization of available price differences for profit" this development will call forth the recognized negative effects in today's food system that we know all too well. If the "creative entrepreneur" is capable, the known negative developments can take on a highly positive innovation potential, because the change that necessity brings - to stay awake - to react to change and adapt oneself to it. This kind of change will often be thought of as threatening, because fears about the unknown future result. This can only be confronted by creativity, invention and innovation.

Organic agriculture and the growing economy of organic food production are innovative, per se, and will remain so for a long time in the future. The potential hasn't been nearly exhausted.

IFOAM sees its role as development the framework for bringing together private initiatives and their respective innovations, offering a positive influence and an open platform, upon which the exchange can function in the most effective way possible. IFOAM isn't a part of the trade as such, but IFOAM is relevant when it comes to the worldwide framework such as access to and exchange of knowledge and know-how.

I hope you enjoy your time listening to the innovative business personalities that we have chosen for you for this symposium. I wish



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that you also would have the opportunity to introduce your innovations to an equally interested public.

Thank you very much for your attention.