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Organic Agriculture in Armenia

An Opportunity to Green the Economy

www.green-economies-eap.org

Organic agriculture in Armenia: An opportunity to green the economy

Activities of the agricultural sector can significantly contribute to biodiversity loss, the pollution of water bodies, greenhouse gas emissions, and the alteration of natural nitrogen cycles. Efforts to render agriculture more sustainable are therefore an indispensable component of national efforts to reverse environmental degradation, preserve natural capital, mitigate climate change, as well as ensure for inclusive economic growth and the alleviation of poverty.

Eastern Europe and the Caucasus have proven to be ideal regions for the development of sustainable, organic agriculture as a result of historically low levels of pesticide and fertilizer use, availability of agricultural labour, and close proximity to rapidly growing markets in the European Union (EU). As outlined in UNEP's comprehensive assessment of the region[1], organic agriculture offers opportunities to revitalise its countryside and restore ecosystem functionality; develop new local businesses and agro-tourism opportunities; create new and better paid jobs (particularly in rural communities); as well as to mitigate and build resilience to climate change. The promotion of organic agriculture thereby holds tremendous potential for leveraging a broader transition to a Green Economy in these regions.

In order to realise these socio-economic benefits, UNEP is providing support to farms and businesses in Ukraine, Moldova and Armenia for expanding their organic agri-food supply chains and associated trade flows. This project is funded by the European Commission and is part of the "Greening Economies in the Eastern Neighbourhood (EaP GREEN)" partnership programme[2].

This fact sheet provides an overview of regional trade opportunities in the organic sector, with a focus on Armenian organic exports to the EU market[3].

Trade with the European Union

REGIONAL PERSPECTIVES FOR EASTERN EUROPE AND THE CAUCASUS

Opportunities

- In the EU, growing consumer preferences for products that are healthy and environmentally-friendly have ensured that the demand for raw and pre-processed organic products has grown continuously – surpassing production rates even in times of economic crises. Between 2003 and 2013, the EU's organic market grew fourfold, while the area of agricultural land under organic production had only doubled. Subsequently, the EU's dependency on organic imports provides excellent opportunities for potential producers and exporters in neighbouring countries.

- Leading organic processors in the EU tend to move away from China, India and South America as sources of organic products, seeking greater product traceability and import reliability. These circumstances provide an opportunity for Eastern Europe and the Caucasus to become major sources of EU's organic imports.

1 UNEP, 2011. *Organic Agriculture. A step towards the Green Economy in the Eastern Europe, Caucasus and Central Asia region. Case studies from Armenia, Moldova and Ukraine.*
2 For more information on EaP-GREEN, please go to: www.green-economies-eap.org
3 The following paragraphs present the findings of a market assessment study for Armenia, Moldova and Ukraine, prepared for UNEP by Organic Services

- Several trade partners in the EU that formerly imported only conventional agricultural products from Eastern Europe and the Caucasus are broadening their product ranges and establishing new organic product lines. This means that organic products do not necessarily require new trade partners and that existing trade flows can greatly facilitate the establishment and/or expansion of organic value chains.

- Organic exports to the EU offer higher price premiums and a stable source of income for organic producers.

Challenges

- Export bans in Eastern Europe are major barriers to the development of organic value chains, which typically require long-term engagement and reliability of supply. In the past, export bans have proven detrimental to international trade relations and the economic viability of the region's organic sector.

- Organic importers in the EU have highly stringent product quality and life-cycle requirements. Small-scale organic producers who are seeking to establish trade links with these clients are therefore faced with the challenges of adhering to strict production and/or handling criteria as well as providing evidence to confirm the eligibility of their products for the EU marketplace.

Armenia

Opportunities and challenges for the promotion of organic agriculture

- Armenia is affected by regular droughts and has a negative trade balance for most agricultural products. Arable land is limited, agricultural productivity is comparatively low and domestic food production often struggles to assure adequate nutrition for the population. Given the country's high number of small, subsistence farms, the export of scarce food crops is neither recommended nor feasible. Organic production therefore remains comparatively small-scale and requires additional government support in order to develop domestically and internationally.

- Having signed the Russia-led Customs Union, Armenia's trade activities are primarily oriented towards the Russian Federation, while presence on the EU market could be significantly expanded. Significant export opportunities exist for a range of highly nutritious foods that require few external inputs during their production – these include dried fruits, herbs, honey and traditional cereal varieties.

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Organic export products from Armenia

FRUITS, BERRIES AND NUTS

Regional perspective

- As a result of EU consumers' preferences for brands that they recognize and trust, it is currently difficult to export processed fruits to EU's organic retailers in the form of finished products with brand labels from the country of origin. For this reason, the region's organic business has a prevailing tendency to carry out final processing stages in the country of consumption. It is therefore envisaged that in the short, medium and long term, Eastern Europe and the Caucasus will remain suppliers of raw and semi-processed products to the EU marketplace.

- Despite the above, there are considerable opportunities to export finished consumer products to new and emerging organic markets, such as those in countries that have only recently joined, or are expected to join the EU.

- Establishing new EU trade relations is comparatively easier in the dried fruit and nuts segment compared to the fresh fruit market. In addition, the handling and transportation of dried products is less complex and costly than that of other processed goods (e.g. juices).

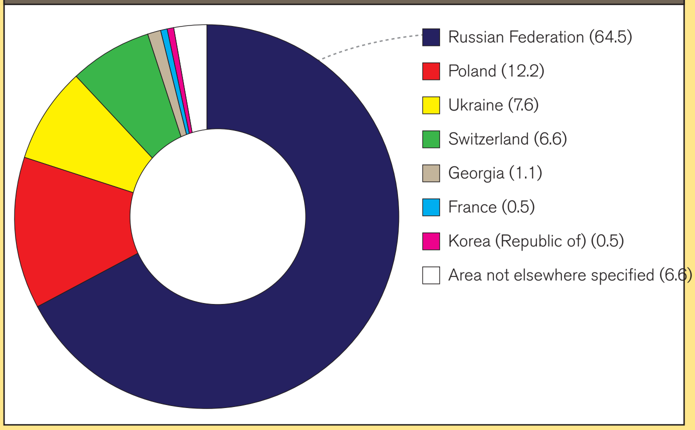
- The demand for dried organic fruit is high among the major EU importers and the potential for further developing this market is very significant. The majority of Eastern European dried fruit is currently exported to the Russian Federation, with the EU making up only 17 per cent of the export share.

- Conventionally produced dried apricots, prunes, apples and cherries are the main items currently exported to the EU from Eastern Europe and the Caucasus. All of these products are well suited for organic production. Some additional fruits and nuts (pears, quinces, citrus, kiwis, almonds and hazelnuts) could further broaden the range of traded organic products.

National perspective

- Armenian dried fruit exports include dried prunes and dried apricots, destined predominantly to the Russian Federation. In 2013, the export share of these products to the EU made up 13 per cent.

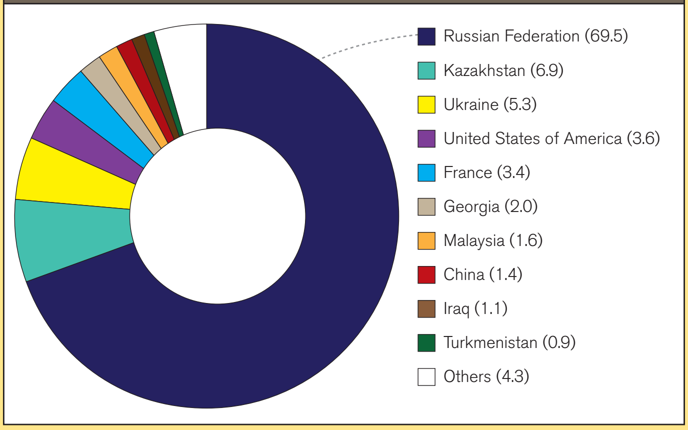
Dried fruits: Export destinations from Ukraine as % of total exports (organic and non-organic)



- Armenia exports apples, tomatoes, oranges, pineapples and grapefruit juices, predominantly to the Russian Federation. In 2013, the export share of these products to the EU made up 5.3 per cent.

- Armenia only sporadically exports small quantities of nuts. However, it produces a range of fruits that are suitable for export as raw or partially processed inputs for organic products. This means that despite its comparatively small export quantities, Armenia's presence on the EU market has significant potential for expansion.

Fruit and vegetable juices: Export destinations as % of total exports (organic and non-organic)

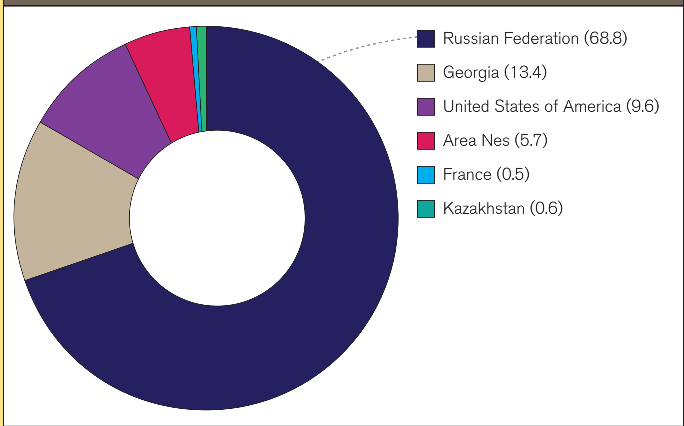


HERBS AND HONEY

Regional perspective

- The EU's current and future demand for processed organic herbs and honey from Eastern Europe and the Caucasus looks promising. The EU market for herbal products is steadily growing, and the associated organic market is expanding even faster. Certified organic herbs (as well as beeswax) are not only used in organically labelled food products and cosmetics, but also in pharmaceutical products as well as some non-organic teas.

Medicinal Herbs: Export destinations as % of total exports (organic and non-organic)



National perspective

- The main export markets for Armenian herbs are the Russian Federation and Belarus. Organic herbs are particularly promising exports as they generate high returns from relatively small cultivated areas.

- In 2013, only 1 per cent of Armenia's medicinal herb exports went to the EU, underlining that the potential of this market remains largely unexplored.

- The Russian Federation, the United States and China are the primary destinations for Armenian honey exports. There is currently tremendous potential to increase honey exports to the EU as a result of the lifting of an import ban on this product.

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Recommendations to expand organic trade

Regional perspective – Eastern Europe

- The organic sector in Eastern Europe and the Caucasus requires agricultural cooperatives as well as other market-oriented support structures that will enable to efficiently organize producers and exporters. A strong, professional organic market organization can also facilitate the optimisation of logistics and handling procedures – including drying, storing, sorting and processing of produce.

- Organic certification schemes (e.g. Naturland, BioSuisse) offer good opportunities for confirming product eligibility, establishing trust and building long-term trade relations with organic processors and retailers in the EU.

- Governments from Eastern Europe and the Caucasus should exclude organic products from export bans.

National perspective

- Armenia has a wide range of traditional crop varieties that are ideally adapted to local climatic conditions and are resistant to drought, disease and pests. These varieties require lower external inputs (fertiliser, pesticide etc.), making them excellent candidates for organic agriculture.

- All export activities need to consider domestic food security. Any future export strategies for Armenian organic produce should therefore include measures to develop domestic food security – for example through "lighthouse" projects aimed at improving domestic food availability. Agricultural exporters should also prioritise higher-priced, value-added products such as processed fruits, herbs and specialty honey, over the export of lower priced raw materials. Domestic food security may be even further enhanced by strengthening the linkages between organic producers and local distribution systems – as ensured by farmers' unions and organizations.such as processed fruits, herbs and specialty honey, rather than exporting lower priced raw materials. Furthermore, domestic food security may be enhanced by strengthening the inter-linkage between organic producers and local distribution systems, as organized by farmers' unions and organizations.

- Armenian export strategies should, wherever possible, implement intercropping[4] among export crops and those destined for the domestic market. This will enable to quickly integrate small-scale producers into new supply chains and offer them the opportunity to simultaneously service several markets (local, domestic and export) – thereby diversifying their sources of income. Decreased dependence on any one market will also lead to improved long-term income stability of Armenian producers.

- The development of new international trade channels will require a comprehensive marketing strategy, including registration and use of protected "Appellations of Origin". This applies to Armenia's unique, traditional cereal varieties and honey – both of which can be marketed as high value, speciality products on the international marketplace.

[4] Intercropping is a multiple cropping practice involving growing two or more crops in close proximity. The basic objective is to produce a greater yield on a given piece of land by optimising the use of resources that would otherwise not be utilized by a single crop. Different crops planted are also unlikely to share the same insect pests and disease-causing pathogens.

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