

The Risk Management of Organic Products Along the Value Chain

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Brief overview of organic markets

- ▶ Worldwide, the organic market value registered upward trends in the last years
- ▶ The **USA** organic market surpasses **\$ 31 billion** in 2011, growing by 9.5% since 2010 [1]
- ▶ The organic market in **Europe** reached **€ 21.5 billion** in 2011, increasing 9% compared to 2010 [2]
- ▶ EU-27: **9.6 million ha** cultivated organically in 2011, out of which 86% of which in EU-15 [3]
 - ▶ Increasing on average by 500.000 ha/year [3]

The organic market is expected to continue to grow!

The relevance of the risk assessment of organic producers for trade

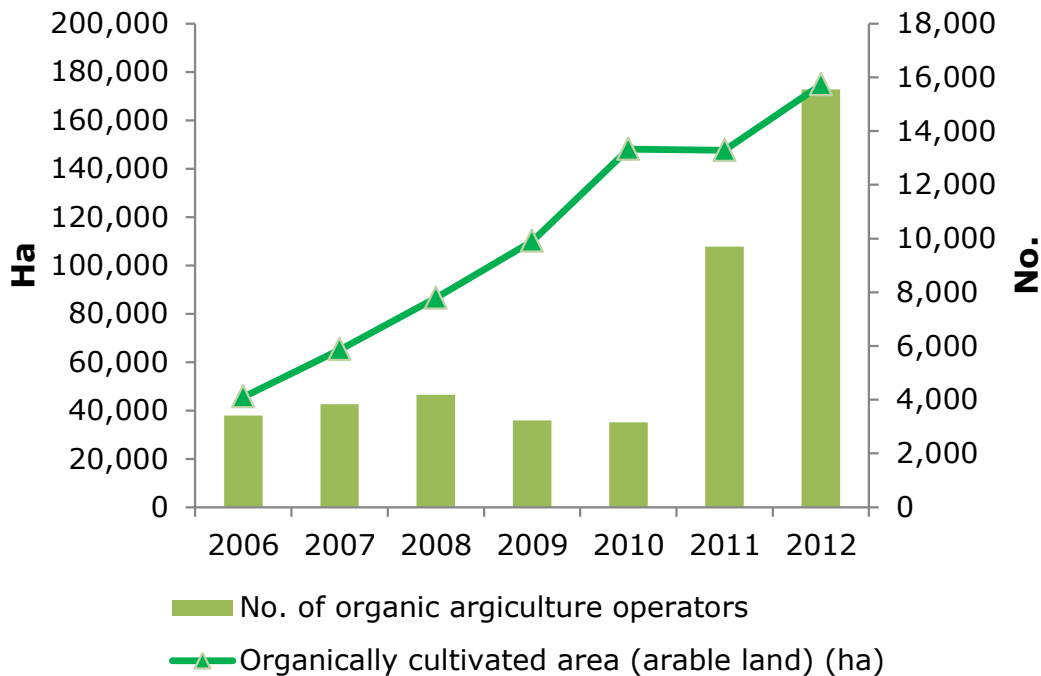
- ▶ Growth of global organic market
 - ▶ An increasing risk of contamination of organic product
- ▶ Trust and reputation are essential for trade of organic products
 - ▶ From the perspective of **an online trading platform** for organic raw materials to facilitate commerce by assessing the risk of farmers / producers



How to design a framework to assess risk before a transaction takes place?

Snapshot of the organic sector in Romania

The evolution of the no. of organic agriculture operators and organically cultivated area in Romania between 2006-2012



Source: MARD [4]

- ▶ Rather scarce information on the Romanian organic market
- ▶ A general trend of exporting raw materials (grains, honey) and importing processed goods
- ▶ Value of the organic market in Romania in 2010 is less than 1% ([5],[6])
- ▶ There is a lot of **growth potential** but a **good reputation** of the organic producers is imperative

Practice and literature focus on the risks at the level of the producer

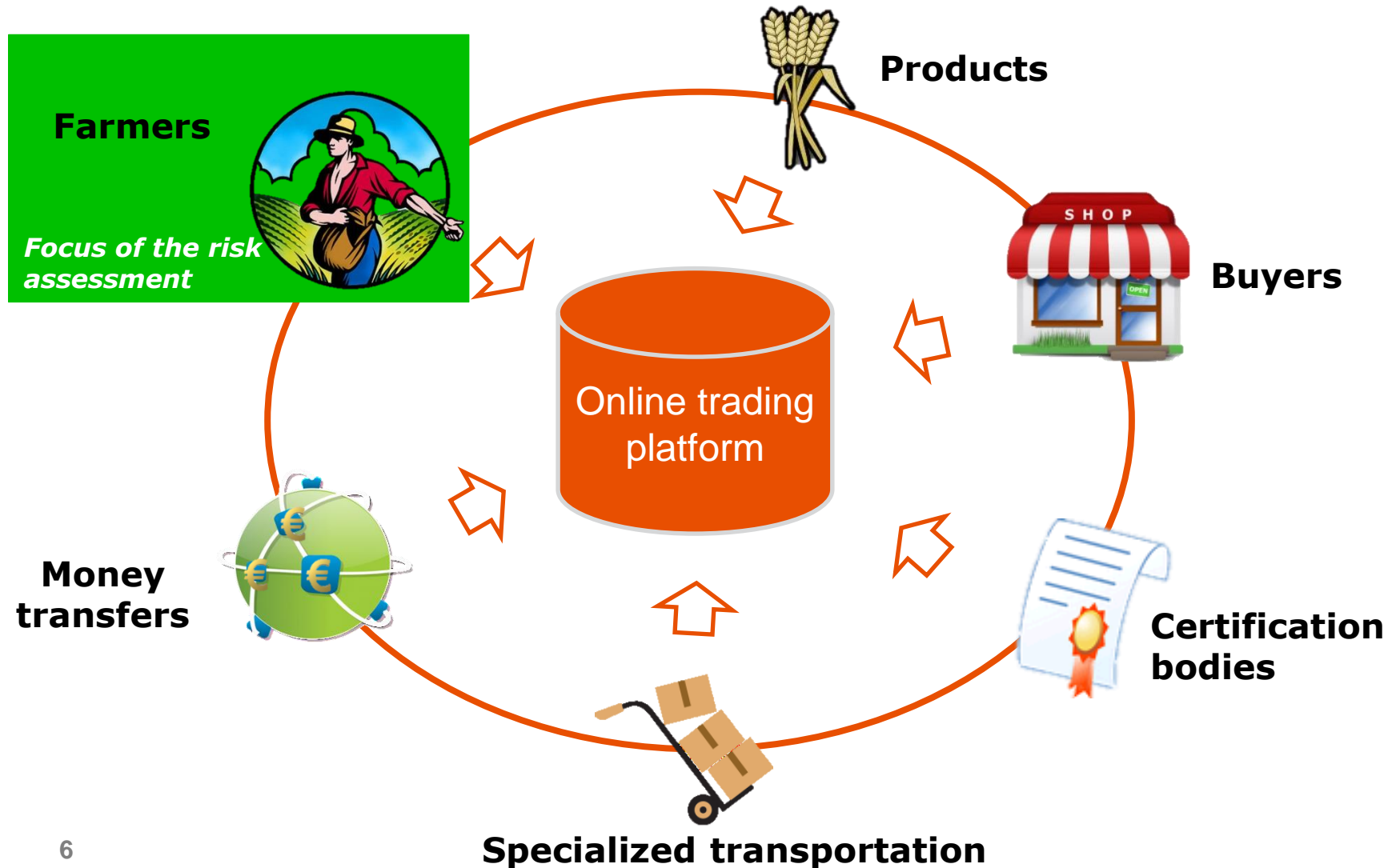
Risk categories

- ▶ According to USDA [7]: **production risk**, marketing risk, financial risk, human risk, and legal risk
- ▶ In chronological order: **during the production activities** (pre-harvest, harvest and post-harvest), transportation, processing, and delivery of final product to consumer
- ▶ According to Fuchshofen [8]: origin-related risks, product-related risks, complexity of transaction risks, spot-buying risks, **lack of creditable track record risks of the producers**, and non-labelled bulk-product risks

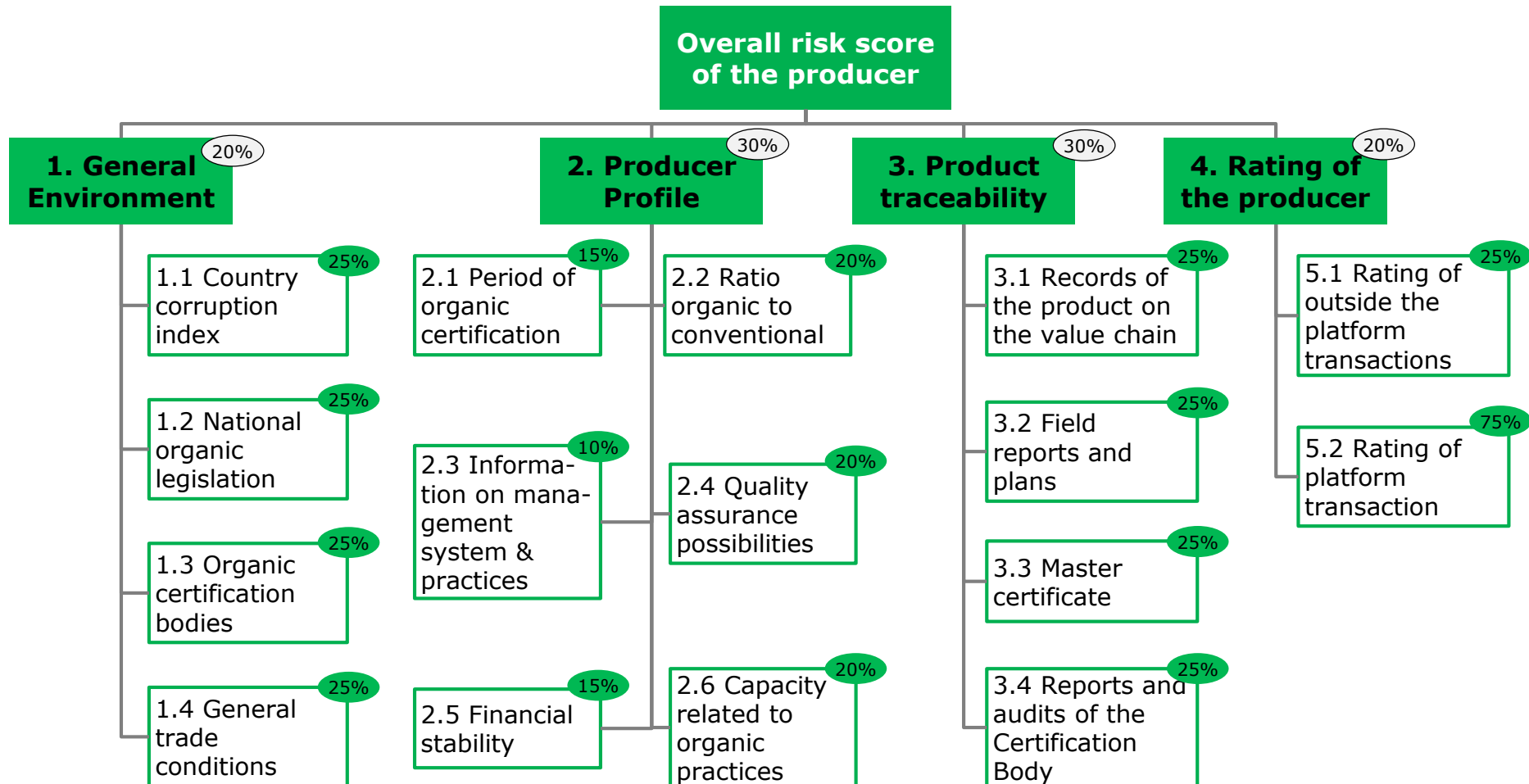
Risks assessed at the producer

- ▶ parallel production related risks
- ▶ post-harvest handling related risks (commingling certified and non-certified products on the farms, during transport, storage, packing or processing)
- ▶ risk of use of non-allowed substances (chemical pesticides, fertilisers)
- ▶ lack of records (a good record system for the entire value chain from producer to exporter is needed)
- ▶ price difference between organic and conventional products (the bigger the difference, the higher the risk of fraud)
..by a certification body [9]

Risk assessment needs of an online trading platform of organic products



Proposed framework for risk assessment of an organic producer



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Thank you!

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