

Chapter 10

Economic management in organic agriculture

Els Wynen*, Eco Landuse Systems, Australia

*Dr Els Wynen, Eco Landuse Systems, 3 Ramage Place, Flynn, ACT 2615, Australia. Tel/fax: +61 2 6258 3561, Email: els.wynen@elspl.com.au

Introduction

The old question, ‘But is it profitable to farm organically?’ will always be with us, at least for those who have not followed organic agriculture closely.

The answer to this question is that ‘it depends’. Whether land under organic management can be as productive as conventional farming depends on, among other factors, what is included in the comparison. How long is the time frame under consideration? Looking at any time within the first period of one rotation is not likely to show organic agriculture in a positive light. Similarly, if only the private (on-farm) costs are considered while neglecting the public (off-farm) costs or externalities, such as consumer and environmental health, the organic system may not always compare well. The willingness of some consumers to pay extra for organic produce, or of some governments to support organic agriculture, reflects the thought that these externalities should be counted. The taxing of certain agricultural inputs such as pesticides, as some Scandinavian countries do (Schou and Streibig 1999, Jesper Schou, pers. comm. 2005) is another way in which to acknowledge and force producers to internalise externalities of agricultural activities. It aids in redressing the difference in agricultural production costs between the two systems, thus influencing the answer to the profitability question. But, one may say, even if farmers can make a living when receiving premiums and subsidies, what are the chances that organic farming can feed the world without destroying it – as some would like us to believe that that is what would happen with increasing conversion to organic management (Avery 1995).

Economic management

Established farms

Many in organic agriculture have moved on from whether organic agriculture works to how it works, and finding efficient solutions for if and when it does not work. Already in the 1980s, there was a movement away from comparing farm results between the two systems towards exploring different options on an organic farm (Dlouhy and Nilsson 1983). Despite this resolution, comparisons continued in many countries, if only to provide a reference to changes under organic management.

Klepper *et al.* (1977) published one of the first and best-known economic comparisons between organic and conventional farming in the United States of America (USA), with a follow-