The approach has shown clearly positive impacts: while in the region of Liguria as a whole, between 2000 and 2010, 57% of livestock farmers have ceased their activities, only 10% have done so in the Vara Valley. Moreover, between 1999 and 2014, local cooperatives producing cheese and meat in the Vara Valley have doubled their turnover. Organic agriculture now represents 22% of the farms in the bio-district (against a regional share of 1,9% in Liguria) and 50% of the utilized agricultural area (against a regional share of 8%)[93]. In parallel, regional tourism increased by 126% between 2000 and 2010[94].

Pitfalls and challenges

An effective strategy for agro-tourism development requires a certain level of attractiveness of the region for tourism, particularly for rural tourism (outdoor activities). Hence, this strategy is not a suitable to all regions.

It may be a challenge for isolated producers to market their agro-tourism offers effectively. Agro-tourism networks offer a common platform for (organic) farmers and other agro-tourism actors to market their offers. It can be a good idea for public programs at the regional or national level to support the establishment or maintenance of such networks. However, given the importance of the positioning and image of agriculture in the agro-tourism sector, such networks are often built on specific views of what a farm should be or should look like in order to be able to join the network (e.g. peasant farming). There may be competing networks and some (local) political sensitivity in the choice of whether to allocate public funds to some, or all of the networks.

The bio-districts or eco-region concepts can face many challenges inherent to the collective aspect of the projects, trying to create cooperation between a variety of (sometimes competing) actors. To help tackle these challenges, they can benefit from linkages to other eco-regions through networks at the national and international level. Those do not only fulfill a role of promotion towards the public and potential tourists, but also a role of sharing of good practices and mutual learning, as well as gaining political visibility.

j. Support to companies for organic processing, product development and marketing

Political justification

Governments can support not only organic producers but also those businesses adding value through processing and marketing. Particularly in those countries with an

[93] Triantafyllidis A., 2014, *Local Governance Through Organic Farming – The bio-district oft he Vara Valley, a private/public partnership to assure vitality to a rural area.*

[94] Studio Roberto Vegnuti, 2011, *Imprese, occupati e dinamiche nel settore del turismo in provincia della Spezia.*

underdeveloped organic supply chain, such measures may play an important role in bundling organically produced raw products as well as improving and professionalizing organic processing. A larger range of products available in the market, particularly in supermarkets, also enhances consumer choice and therefore spurs demand. Organic producers benefit by selling more ingredients to the processing business when processed product sales increase.

Organic processing and marketing support was considered to have had a strong positive contribution to the development of the organic production in Denmark, Italy and the Czech Republic in the 1990s[95]. The Danish history of organic development suggests that a more market-oriented approach to organic schemes can support the development of a diverse marketing structure, provide help in entering into mainstream marketing, and help overcome problems such as discontinuity of supply and lack of widespread distribution. Support for small-scale marketing projects has been particularly successful in Germany in helping develop regional marketing networks, overcoming the problems of a small organic sector and encouraging the entry of new operators. In developing countries, to increase value addition by farmers and farmer groups is a very common strategy. Cooperative processing and marketing can benefit farmers and have multiple spin-offs.

From a trade balance point of view, developing domestic supplies of value-added products keeps money in the domestic economy. It is widely known that processing and export of processed products is often a more profitable business (and brings more revenues to the national economy) than the production and export of raw materials only. From a food sovereignty point of view, it is also important for a country not to be fully dependent on imports for all processed food items (including organic ones).

Suitable contexts

Support to companies for processing and marketing organic products can be implemented at all stages of development of the organic sector, although at a very embryonic stage it can only happen on a very small scale, as organic raw materials are still lacking. Processing and marketing support measures are particularly suited to develop domestic markets in countries where organic farming production is growing or where organic exports have been the main market channel.

This type of support specifically targeted to organic products requires a context where there is a domestic organic regulation or an officially referenced organic guarantee system, which can be the basis to define which operators qualify as organic processors and which do not. It is therefore not well suited to contexts where such official reference is completely absent.

In terms of the culture of government intervention, advocating for this type of measure will likely not be successful where the government intervenes very little and prefers to

[95] Lampkin et al., 1999, *The policy and regulatory environment for organic farming in the European Union, Vol 1.*

let market forces drive the agriculture sector and market development. It will be more suited to contexts where the government intervenes more on the agro-food sector, whether through incentives or their own public programs and development cooperation projects.

Supporting organic processing and product development is well suited to any policy objective that aims to develop organic agriculture. Processing products organically is nearly as important as producing them organically, if one wants to bring organic products to the market.

Possible modalities of implementation

Financial support can be provided to organic companies or cooperatives for processing and marketing ventures. This can include supporting the development of local processing facilities, co-operative marketing ventures, or market information systems, and the participation of companies in domestic trade fairs and exhibitions.

Processing support can be provided in the form of investment support for processing facilities. Typically, such financial support is not specifically reserved for organic, but organic applicants are either granted higher priority[96], easier access[97], or higher grants[98]. In the case of Tunisia, however, the 30% subsidy for organic investments was a measure created specifically and only for organic businesses.

Supporting innovation and development in processing is also possible through the provision of free or subsidized technical support. This is most logically done in cooperation with the private sector/civil society partners (as per the Danish model).

For marketing support, governments may open budget lines to support the development of collective marketing strategies for a certain category of organic products (for example, regional quality organic products). For example, in Bavaria (**Germany**) support was given to marketing programs focused on the development of local marketing strategies for organic and regional quality products.

Marketing strategies of organic businesses may also be supported more generally through the provision/financing of general organic market information (e.g. consumer surveys and other types of market studies).

[96] This was the case in Cyprus, the Czech Republic, Latvia, Estonia and Slovakia between 2007 and 2013.

[97] For example in Bavaria - Germany, between 2007 and 2010 the minimum investment volume to access the scheme was lower for organic as for conventional enterprises.

[98] For example in Bavaria, Estonia and Slovenia, in the 2007-2013 CAP, projects related to organic food production, processing or marketing received higher support rates than conventional projects, in Austria and two regions in Spain during the same period a tiered support scheme was used to determine the level of support where organic farming was one criterion among others to be eligible to receive a top- up grant.

Country examples

In the **EU**, support to organic processing and marketing projects was provided through European Structural Funds during the period 1994-1999, through a variety of regulations[99]. During this period, EU support for marketing and processing activities in the organic sector was identified in at least nine countries with public expenditure in 1996 between EUR 5 and 10 million. Austria for example allocated between 1994 and 1999, around EUR 470,000 annually to the support of organic processing and marketing projects.

In the period 2000-2007, there was increasing emphasis at EU level on support for marketing and processing of organic food to balance the large increase in supply that occurred in the 1990s. In particular support has been provided through the regulation on the support for rural development from the European Agricultural Guidance and Guarantee Fund[100] as well as through the structural measures designed to support poorer regions of the EU, and LEADER programs to support grass root initiatives in rural areas.

From 2007, organic processing and marketing projects were financially supported through measure 123 "Adding value to agricultural and forestry products" of the EU Rural Development Program 2007-2013. It provided support for investments which improve the overall performance of an enterprise concerning the processing and/or marketing of agricultural products as well as the development of new products, processes and technologies. Support was given in the form of a grant for eligible investment costs. Target groups were micro, small and medium sized enterprises or enterprises with less than 750 employees or with a turnover of less than EUR 200 million engaged in the processing and marketing of food products. For the period 2014-2020, this type of support continues under another EU regulation.[101]

As a result of the provisions in the various EU regulations, organic marketing and processing support has been provided in many EU countries, for example, in **Denmark**, **Estonia**, **Finland**, Flanders (**Belgium**), **Germany**, **Ireland**, **Italy**, **Latvia**, **Lithuania, the Netherlands, Romania, Spain, Cyprus, Czech Republic and Scotland**. The national or regional schemes provide financial support for the development of local processing facilities, development of co-operative marketing ventures, promotion of local retailing initiatives, establishment of effective market information systems or support for participating in trade fairs and exhibitions.

Germany invested very early (as early as 1990) in organic processing and marketing support. EUR 39 million were spent on organic processing and marketing collective business projects between 1994 and 2007. After 2007, the legal framework for this support was broadened to include other "quality products", but effective support for

[99] In particular (EEC) No 2328/91, (EEC) No 866/90, (EC) No 951/97, (EEC) No 1360/78, or (EC) No 952/92.

[100] (EC) Reg. 1257/1999

[101] Measures 4 and 8 of Articles 17(1)(b) and 21(1)(e) of Regulation (EU) No 1305/2013.

organic projects remained at a comparable level. Investments for processing and storage facilities have been financed with grants up to 40%, and the development of marketing concepts with grants of up to 50% of the costs.

In addition to the European funds, some countries allocated further national budget to financing measures in support of organic processing and marketing. **Denmark**, first through its Ministry of Food and Agriculture, and then its Ministry of Growth and Business, allocated around EUR 2 million for the mobile product development team, which was implemented by Organic Denmark, the non-governmental sector organization. See more information on this mobile product development team in the Best Practice textbox below.

In **Armenia**, the Organic Agriculture Support Initiative, of which the Armenian government is a partner, has a grant scheme for organic processors and is providing marketing support, including participation in organic fairs.

In **the Philippines**, in 2014, the municipality of Kapatagan built a processing unit dedicated to organic rice, at a cost of EUR 58,000. See more information in the Best Practice example textbox.

In **Thailand**, the Ministry of Commerce, funded, in 2015, a national organic market study conducted by the Organic Development Center and Earth Net Foundation. It is the first time in South-East Asia that a national market has been mapped with clear criteria and national market figures have been made available to assist Thai organic businesses to plan their marketing investments and product development.

In **Tunisia**, organic processors receive a subsidy of 30% of the investment costs for equipment needed for organic processing, as per the decree 2000-544 of March 2000. They also receive a 70% subsidy on certification costs for the first five years. Currently, the CTAB (Technical Center for Organic Agriculture) is carrying out an organic market study to target consumer groups and identify products that are in high demand.

In **Saudi Arabia**, the Ministry of Environment, Water and Agriculture, through its Organic Farming Project (financed by the ministry and implemented in cooperation with GIZ International Services), has provided workshops to which organic processors and farmers who process and market their own products are invited. The workshops cover topics such as packaging and marketing and are implemented together with international organic marketing experts.

In **Argentina**, the National Institute of Industrial Technology (INTI) develops pilot plants for organic food processing, as per the demands from organic companies. The plants are the property of INTI but can be used by companies for a user fee. Based on the results in those pilot plants, organic processing companies can decide to build their own full scale processing plants.

Best practice example(s)

Best Practice Example 1: Organic Product Development in Denmark: Technical assistance to small organic enterprises

Denmark has historically supported large product development projects in conventional agriculture. In recent years, Organic Denmark has won support for a more grassroots product development effort. First through its Ministry of Food and Agriculture, and now its Ministry of Growth and Business, Denmark allocates funding for the program of mobile product development teams, which is implemented by Organic Denmark, the non-governmental sector organization.

Composed of product development specialists, the teams meet with farmers and small companies to create value-added processed products and develop related marketing competencies. The team also brings chefs, packaging designers and other specialists on board for advice and collaboration with small producers. During a five-year period this enabled the development of over 400 new organic products. The product development team also advises on sales, contributing to match making with retail and food service companies.

The program was originally funded as an educational and quality development project through the Danish Rural Development Program ("Quality products"). Interestingly, it was a group of large companies within Organic Denmark that made the original application for funding of product development and sales advice to the understory of small organic businesses. The thinking was that large organic companies also benefit when the sector is at the forefront of organic product development, gaining attention from both consumers and retail.

The results from the first project were so positive that a "Growth Team" under the Ministry of Growth and Business, recommended in 2013 that the Ministry finance the Product Development Team under Organic Denmark, as a model for the food industry. The team received around EUR 672,000 per year for three years, contributing to the creation of 230 new products in 50 small companies, which had growth of around EUR 62 million, and a 25% increase in job creation.
Examples include the development of new protein rich plant-based products, new products from traditional Danish livestock lines (some threatened with extinction), marmalades and other products made from not-well-known vegetable, fruit and seaweed varieties, porridge mixes using old Nordic recipes including ancient grains, and assistance to cider producers from chefs to develop and distribute menus that pair various ciders with food items, as is often done with wine.

The Product Development Team continues now as a pay-as-you-go consultancy. This limits the support to larger companies, but it is expected that financing will again be established for smaller companies.

Best Practice Example 2: Municipal rice processing facility in The Philippines

Kapatagan, in the Lanao del Norte district of the Philippines, is a rural municipality with a population of around 63,000 inhabitants, and in which rice is the main production. It is a member of the League of Organic Agriculture Municipalities (LOAM-Philippines) with the mission of leading the promotion and implementation of sustainable organic agriculture programs in the country.

In 2008, the municipality's local government made a formal statement to make Kapatagan an

organic municipality. Since then, serious efforts towards living up to its self-proclaimed status have been exerted by the municipality through its agriculture office. In 2009, the Local Government Unit (LGU) developed a comprehensive program known as the Agricultural, Coastal, and Environmental Resources Development Program (ACERDEV) in which organic agriculture development was a key component. The municipality decided to place special focus on organic rice production. MASIPAG, the main organic farmers' network in The Philippines, cooperated in the implementation of activities supporting organic farming development.

In 2014, to ensure that organic rice sold in the market is not contaminated with rice produced through the use of synthetic chemicals, the local government unit constructed a processing unit dedicated to organic rice. The unit includes a solar dryer, rice mill and warehouse. As very few organic farmers are third-party certified in the Philippines, the facility is accessible to all organic rice farmer especially those assisted by MASIPAG and organic farmer members of the Participatory Guarantee Systems Iligan-Lanao del Norte Network.

Building the rice processing facility represented a cost of EUR 58,000. It was made possible through the Bottom-Up Budgeting (BuB) Program in partnership with the Department of Agriculture-Regional Field Office wherein 20% of the funds came from the Local Government Unit (LGU) Development Fund and the rest from the BuB. The rice processing unit is managed and maintained by De Asis MASIPAG Farmers Association (DEMFAS) to ensure that only organically produced rice will be processed at the facility. The Local Government Unit regularly monitors the facility and provides technical assistance for its maintenance and sustainability.

Pitfalls and challenges

When support measures for organic processing and marketing are integrated into more general agricultural policy support, eligibility requirements may represent a potential barrier to the uptake of the support scheme by organic operators, due to the specificities of the organic sector. For example, if eligibility criteria include a minimum turnover of the company, a minimum investment effort, or a minimum number of farmers for a cooperative to be eligible for support, this may put the bar too high for organic operations, especially in the context of an emerging organic processing sector. It is therefore best to lower those minimum eligibility criteria in the case of organic applicants. Bavaria, for example lowered by 50% the minimum investment volume for organic enterprises to access the support scheme.

Organic producer groups may lack capital and be unable to meet the co-funding requirements for support programs, and this should be taken into account.

It is essential that the businesses supported are viable, and there is often a need to assist businesses with business planning and with making a realistic profitability assessment.

Some of the countries have imposed criteria to target organic processors, such as the requirement that facilities should process a minimum of 50% of organic raw materials in order to have access to the support. For larger facilities, this can be very difficult to achieve, hence this type of support will tend to select only small processing facilities (which are not necessarily the most efficient/competitive).