

POLICY SUMMARY:

GOVERNMENT SUPPORT FOR ORGANIC PROCESSING, PRODUCT DEVELOPMENT, AND MARKETING



OVERVIEW

This policy summary provides recommendations on why and how to provide support for organic processing, product development, and marketing. It outlines options for providing this support, followed by examples from various countries.

SUMMARY OF POLICY OPTIONS

This measure is usually directed at micro/small/medium enterprises.

Measures include:

- investment support for local processing facilities and equipment
- construction of processing facilities for collective use and/or demonstration
- provision of free or subsidized technical support
- support for co-operative marketing ventures or market information systems (e.g. marketing “regional organic”)
- facilitation and support for participation of companies in domestic trade fairs and exhibitions

RATIONALE

Particularly in those countries with an underdeveloped organic supply chain, support to processing, product development and marketing may play an important role in bundling organically produced raw products as well as growing and professionalizing the whole sector. A larger range of products available in the market, particularly in supermarkets, enhances consumer choice and therefore spurs demand. Organic producers benefit by selling more ingredients to the processing business when processed product sales increase.

In developing countries, to increase value addition by farmers and farmer groups is a very common strategy. Cooperative processing and marketing can strengthen farmers and have multiple spin-offs. 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 encourage the entry of new operators. 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.



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 for organic ones).

SCOPE

This measure is appropriate as long as there is an adequate supply of organic raw products, which may not be the case at the earliest stages of the organic sector in a country. Processing and marketing support measures are particularly suited to develop domestic markets in countries where organic farming is growing, although it may also support exports. There should be a means to qualify organic processors, so it is easiest to implement in a regulating country or where it is possible to qualify organic operators in recognized private guarantee systems. As a form of intervention in agricultural market systems, this measure is most feasible for governments that do intervene.

POLICY OPTIONS

Facilities and equipment

Processing support can be provided in the form of investment support for processing facilities and equipment. Typically, such financial support is not specifically reserved for organic, but organic applicants are either granted higher priority, easier access, or higher grants. The measures may be structured as competitive or non-competitive grants, subsidies, and low/no interest loans. Tax breaks may also be used.

Governments at the local level may also build organic processing facilities for demonstration and/or for collective processing in a region. This is more typically done in developing countries.

Technical support

Governments can fund or subsidize services providing technical support on processing or marketing to individual entities or groups. This usually takes the form of public-private partnership where the role of government is financial support and private sector/civil society experts implement the technical aspects. Experts from academia may also be engaged.

Marketing support

For marketing support, governments may open budget lines for the financial



support of collective marketing strategies development for a certain category of organic products (for example, regional organic 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).

COUNTRY EXAMPLES

Tunisia: Organic processors receive a subsidy of 30% of the investment costs for equipment needed for organic processing. 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.

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.

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.

Philippines: in 2014 the municipality of Kapatagan, which had declared itself an organic municipality, built a processing unit dedicated to organic rice, at a cost of EUR 58,000. The unit includes a solar dryer, rice mill and warehouse. 20% of the funds came from the local government unit Development Fund and the rest from the 2014 Bottom-up Budgeting whereby the national government delegates some planning to the municipal level, in partnership with the Department of Agriculture.

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.

Denmark: First through its Ministry of Food and Agriculture, and then its Ministry of Growth and Business, the government allocated around EUR 2 million for the mobile product development team, which was 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.

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