

Support for Organic Processing, Product Development and Marketing

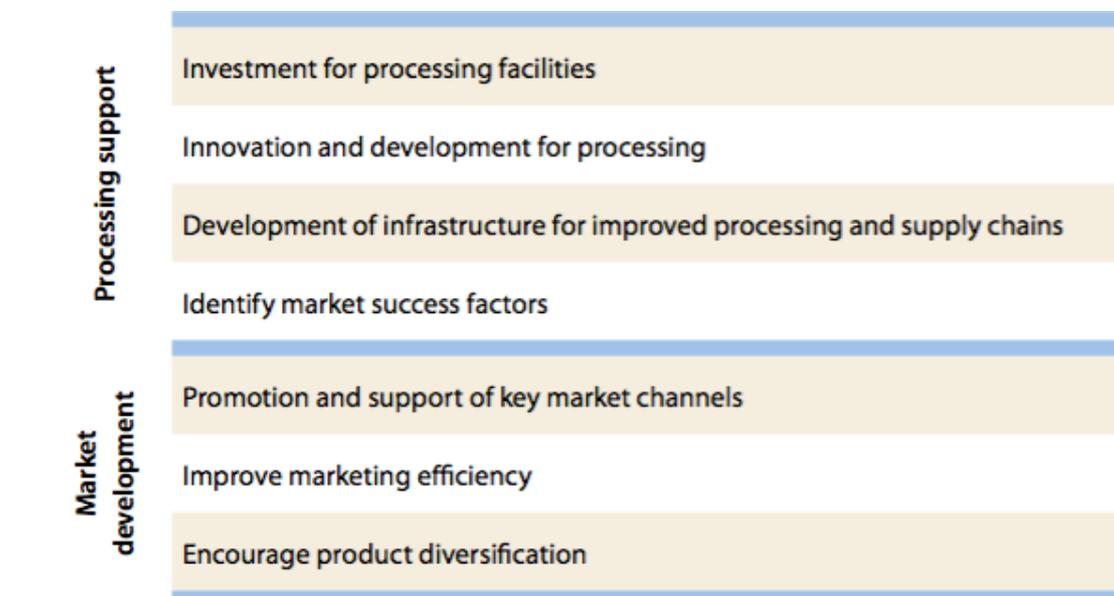
Pacific Organic Policy Toolkit
<http://www.organicpasifika.com/poetcom/>

Support 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 underdeveloped organic supply chain, such measures may play an important role in bundling organically produced raw products as well as improving or professionalising 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 businesses when processed product sales increase. Developing domestic supplies of value-added products keeps money in the domestic economy.

This chart illustrates a range of activities that can be supported



Suitable contexts

Stage of sector development: 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.

Regulatory situation: This type of support 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 don't. It is therefore not well suited to contexts where such official reference is completely absent.

Culture of government intervention: Advocating for this type of measure will likely not be successful where the government intervenes very little and prefers to 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 its own public programs and development cooperation projects.

Policy objectives: This strategic action 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

Support in this area can come in several ways:

- Government grants or loans for new processing facilities or facility improvements: These can be support programs exclusively for organic processors/marketers, a preference or higher rate of support to organic businesses in a general support scheme, or lower thresholds for organic businesses to access the program.
- Government support to non-government organizations for providing technical support on new organic product development or market development.
- Government can provide support to non-governmental organizations for organizing cooperative marketing ventures or campaigns for a group of businesses.

Countries Examples

European Union: In the EU, this type of support is common and is established in EU agricultural policy. Support is provided for investments that 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 is given by the EU Member States in the form of a grant for eligible investment costs. Target groups are micro, small and medium sized enterprises or enterprises with less than 750 employees or with a turnover of less than € 200 million engaged in the processing and marketing of food products. Governments offer support to organic processing and marketing

in for example, in Estonia, Finland, Flanders (Belgium), Estonia, Germany, Ireland, Italy, Latvia, Lithuania, the Netherlands, Romania, Spain and Scotland (UK). 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. Support to add value to agricultural products and marketing relevant measures were considered to have a strong positive contribution to the development of organic production in Denmark, Italy and the Czech Republic. Marketing support measures appear to be a means to develop domestic markets in countries where organic farming emerges or where organic exports have been the main market channel.

Denmark: For 2015-16 the Danish government allocated € 1.1 million for the development of new products and local sales. The non-governmental sector organization, Organic Denmark, receives part of this government financial support for its mobile training teams, one of which provides advice to small and micro enterprises on new organic product development. As a result, in a three-year period 170 new organic products came onto organic markets in Denmark.

Philippines: In the Lanao del Norte district in the Philippines, to ensure that organic rice sold in the market is not contaminated with synthetic chemicals, the local government unit constructed a rice mill with solar dryer and warehouse solely for organic rice, for a total of € 58,000 . 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 municipality level, in partnership with the Department of Agriculture.

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 the 70% subsidy on certification costs for the first five years, allocated to any organic operator.

Saudi Arabia: The government, through its Organic Farming Project (financed by the Saudi government and implemented in cooperation with the German development agency GIZ), has provided technical support to organic processors in the form of workshops to which organic processors (and farmers who process and market their products themselves) are invited. Those workshops are on issues like packaging and marketing and are implemented together with international organic marketing experts.

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, which is a huge help for Thai organic businesses to plan their marketing investments, product development, etc.

Argentina: The National Institute of Industrial Technology (INTI) is developing pilot plants for organic food processing. An example of this is the organic cereal processing plant constructed for Rivara Co. And another pilot plant has just been certified for the organic processing of various cereals for a second producer and the development of the related marketing chain.

