

# Support for Supply Chain Development

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

## **Support for Supply Chain Development**

### ***Political justification***

Contributing in an appropriate role to development of supply chains is frequently an approach to achieving a government's sustainable economic development objectives. Supply chain (or "value chain") development is undertaken by many public-private partnerships globally, as governments, development agencies and businesses seek win-win-win arrangements. A report from the SEEP Network ([www.seepnetwork.org](http://www.seepnetwork.org)) observes that, "No matter the country or sector context, support from government actors often dictates the extent to which businesses can thrive and grow or stagnate and collapse." For emerging organic sectors in developing countries, this statement rings especially true. Where organic producers are few and organic buyers scarce, government facilitation raises profiles and enables linkages that will help build a functional sector. This is equally applicable for long export-oriented supply chains such, as in the case of Lao's organic coffee project featured in this section, or the shortest of supply chains, direct producer-consumer transactions.

### ***Suitable context***

*Stage of sector development:* Integrated supply chain development is a form of support measure that can be suitable to all stages of development of the organic sector.

*Regulatory context:* This action can be implemented in any type of regulatory environment, although it will be easier to legitimize their support in contexts that have a regulation or at least an officially referenced organic guarantee system that draws a clear line between what is considered organic and what is not.

*Culture of government intervention:* As a very intensive type of support to one or a few commodity value chains, it will typically not be feasible to obtain in a context where the culture of government intervention on the agricultural sector is generally to not intervene.

*Policy objectives:* This form of support is well suited to any of the rationales for policy support to organic agriculture. Whether it is to develop export value chains or to increase self-sufficiency in organic products, an integrated value chain approach will offer interesting advantages.

### ***Possible modalities of implementation***

Supply chain facilitation can be flexibly defined depending on the circumstance. It can be restricted to the linking of sellers to buyers. Or, it can go way beyond that and include other actions to support the commerce of these chains, including but not limited to establishing standardization and quality systems through the chain, development of infrastructure and transportation, and navigating import and export

regulations. Governments may take a role along with the private sector and civil society, in addressing the complex aspects of building supply chains. It is useful to address possible roles for governments in very short supply chains and then in larger scale and export chains.

#### Short supply chain facilitation

Governments (at all levels) can facilitate:

- organic farmers markets, by organizing them, providing space, and even administering them as is the case of several local governments in Laos.
- organic farmer/retailer connections by engaging with sector stakeholders to sponsor organic awareness events (such as “Organic Week” in Canada) which will include farmers, retailers, media, and consumers.
- connections of organic producers and businesses with hospitality sector businesses through government-sponsored events and organic brand-building through the Organic Pasifika system. (For further information see the strategic action on National/regional logo development.)

#### Large Scale and Export supply chain facilitation

Governments can provide support for:

- Formation of producer cooperatives or production clusters for certain products, which is horizontal supply development;
- Training of organic producers and handlers to meet organic certification and other quality requirements for export commodities;
- Facilitate connection of organic producers, exporters, and buyers e.g. through support for trade fairs and information services;
- Development of infrastructure for efficient transport and storage of export organic products destined for long supply chains;
- Projects to develop vertical supply chains for specific products.

#### Regional Supply Chain Development facilitation

A region is established as an economic ecosystem or association of potential buyers and sellers of organic products and other “green” products. Bio-districts, a concept elaborated by an Italian Organic Association, AIAB, in 2006, are particular kinds of eco-regions, where farmers, citizens, tourist operators, hospitality/tourist businesses, associations and public authorities enter into an agreement for the sustainable management of local resources, based on organic production and consumption (short food chain, purchasing groups, organic canteens in public offices and schools). In a bio-district we have a shift from sectorial to territorial development. The promotion of organic production is inextricably linked with the promotion of the territory and its special characteristics so that it realises its economic, social and cultural potential.

## ***Countries Examples***

Wales, United Kingdom: The BOBL project (Better Organic Business Links) is used to support organic primary producers in Wales and to grow the market for Welsh organic produce in a sustainable way. The project develops existing, emerging and new markets for organic produce whilst driving innovation at all levels of the supply chain. It strives to increase consumer demand and markets for organic produce, especially in Wales, and ensures that primary producers have access to information on market demands. The Welsh organic sector is benefiting from greater insight into who buys organic, why and how. The six-year EU and Welsh government-funded Better Organic Business Links (BOBL) project ended in 2015. It collected market intelligence on the organic sector in Wales, which is available online at [www.organiccentrewales.org.uk](http://www.organiccentrewales.org.uk)

Austria: Vertical supply chain development for pork  
The government used EU Rural Development funds to subsidise (at 25% level) the development by a meat company of a vertical system partnership with an online quality management system for organic pork. This was done in cooperation with a group of producers of organic pork. Within the project, an integrated system for organic pork has been implemented with an end-to-end quality and traceability chain (an on-line audit and monitoring over the entire production and marketing chain). In addition, a marketing concept for organic sausage and ham has been developed.

China: Many local governments are active in establishing organic production clusters. This includes financing of regional organic agriculture planning, training, consulting and technology promotion. For example, in 2010, Chengdu City in Sichuan Province introduced support policies for the overall construction of organic agriculture, providing infrastructure for organic production clusters, establishing their organic management systems, implementation of supportive technology for organic production and processing, and development of organic markets.

Tunisia: Domestic supply chain development is a component of Tunisia's Strategy for organic sector development. The BioTunisia brand and logo (see strategic action on National/regional logo development) is featured prominently in information made available online and in print through supermarkets, hotels and tourist routes.

Philippines: Regional/local organic supply chain development

The provincial government of Nueva Vizcaya and Department of Agriculture jointly constructed and opened a multi-functional Regional Organic Trading Center (ROTC) in Nueva Vizcaya (North Luzon.) The cost of the project, US\$ 400,000 was supported by funds from Japan channelled through Japanese NGOs for development of organic agriculture in the Philippines. ROTC provides organic farming demonstration, processing facilities, market promotion/trading facilities and training events. The centre has an agribusiness development centre, an organic native chicken production centre, an administration building, a fruit processing and packaging



building, a wild pig conservation and production centre, and a Good Agricultural Practice (GAP) vegetable production area. It also serves as a drop-point for organically-produced vegetables, fruits and meat. In this way, the products of farmers will be further promoted and can be easily accessed by the customers, as it is located in proximity to a major commuter highway and a general agricultural research and development agency.

Moldova: Pivoting from the production to the market side of the supply chain Organic sector development progressed in two phases. The first five-year phase starting in 2004 was characterized by a program of generous subsidies to producers, which especially benefited grain producers organized by EU businesses seeking low cost supplies. These subsidies were higher in many cases than those of EU Member States. Organic exports rose to 11% of all agriculture exports from Moldova. This “boom” situation was followed by “bust” in 2009 when a general economic crisis erased the subsidies, making organic production less economically favourable and the number of organic producers lower. Now in a second phase of support to the organic sector, the government has pivoted its approach from subsidies to market development, and focused on domestic and local market development for groups of organic vegetable and fruits producers. The Ministry of Agriculture has identified low cost ways that it can support supply chain development, ranging from information services to providing space at the Agriculture Ministry headquarters for an organic farmers market. It works on these activities in partnership with an NGO whose main focus is on sustainable agriculture.

Austria: The Bioregion Mühlviertel was born from a development project, funded publicly from 2010 until 2014. The Mühlviertel is classified a geographically unfavourable and structurally weak area. Mühlviertel particularly profited from the European LEADER program. After completion of this start up phase, throughout 2014, in order to become independent from funding and to be able of entering into contracts, the Bioregion Mühlviertel changed its internal organizational structure to an officially recognized association. The 8 founding board members include one representative each of (1) the seven LEADER regions, (2) the Euregio Bayrischer Wald/ Böhmerwald, (3) the tourism associations (4) the education sector (5) the hospitality & catering sector, (6) the direct marketing branch, (7) the organic farming association BioAustria and (8) the processing industry. The following organic actors are actively involved in the Bioregion and are now being integrated into the association:

- 72 direct marketing farms
- 16 processors (including bakers, butchers, brewers, a miller, a beekeeper, a mountain herb cooperative and a fruit processor)
- 12 restaurants & catering enterprises
- 5 Public service providers (i.e. nature park, children adventure park, educational garden)
- 4 public canteens
- 4 artisan/handicraft businesses and
- 3 holiday-on-the-farm enterprises

The management of the Bioregion pursues the strategy of including as many actors as possible along value chains as members and to motivate them to a gradual full conversion to organic.

#### **Case: *Biodistricts in Italy***

Italy is the European leader in setting up bio-districts. In the 2014 National Organic Plan (March 2014) the Ministry of Agriculture recognized the Bio-district as an important tool for supporting organic agriculture. The Ministry committed to organize a working group with all strategic stakeholders to develop the guidelines to define bio-districts as strategic tools in the next National Action Plan and to identify a system of policies to support them at national and regional level. Through the Rural National Network the ministry is committed to building a system of knowledge exchange between the different districts and to enhance research on this topic.

Cilento Bio-district, Calabria was the first bio-district to have been implemented, and has been operational since 2011. It is located in an area inside the National Park of the Cilento, Vallo di Diano and Alburni. The Cilento bio-district is 3.196 square kilometres and it includes 30 municipalities, 400 organic farms (23% of the organic farmland in the region), 20 restaurants and 10 tourist resorts that use local organic products. The average turnover of the farms and businesses (including organic markets, fairs, and summer promotions in seaside resorts) has increased by 20% in two years. Bio-District Cilento was identified and promoted as a model of innovative initiatives within the UN-supported cooperation program IDEASS (Innovation for Development and South- South cooperation). Financial support, mainly for extension and organization activities, came from the National Park in the first years, and then from the Region. The Ministry of Economy has granted some financial aid. In the future, financial support for bio-district is expected to be sourced from the implementation of the Integrated Territorial Development Plan, which will be primarily derived from EU structural funds managed by the Campania Regional Authority.

#### **Case: *Export-Focused Strategy and Institutions in Sri Lanka***

Agriculture occupies a dominant position in Sri Lanka. About 17% of Sri Lanka's population lives in rural areas, and a majority of it lives directly or indirectly through agriculture. The agriculture sector comprises plantation crops; Export Agricultural Crops (EAC); annual field crops (vegetables, legumes, and other field crops); livestock; forestry; and fisheries. The Ministry of Agriculture is also responsible for the Department of Export Agriculture (DEA). The main players in the EAC sector are

comprised of small farmers, family-owned plantations, plantation companies, traders, exporters, industrialists, processors, brokers, and other stakeholders.

EAC, particularly spices, are important foreign exchange earners for Sri Lanka and, therefore, occupy a significant place in the Sri Lankan economy. Since the increased production of perennial spices has a desirable effect on economic growth and welfare of the Sri Lankan people, the DEA places much emphasis on the production of these crops in its annual crop production programs. However, because of the World Trade Organization and other international trade requirements falling under safe food trade conditions, it has become necessary for Sri Lanka to produce all EAC organically – namely, pepper, cinnamon, cacao, coffee, cloves, and nutmeg, are grown under natural conditions in the production areas. Growers make no or limited use of chemical inputs for spice crops. More than 90% are small home gardens. Pepper (*Piper nigrum*) is a smallholders' crop and, currently, there are about 64,000 pepper holdings either pure or mixed. The presence of pesticides in crops, such as pepper and cinnamon, is a major concern for consumers and this has become the most important non-tariff barrier in the international trade of agricultural products. The contamination of pepper berries and cinnamon bark with other forms of pesticides, such as post-emergence herbicide or long-lasting insecticides, can also be important issues.

#### *Organic Spice Promotion Program of DEA*

The Government of Sri Lanka supports organic farming of any crops that are cultivated by small- and large-scale farmers in the country. The Government provides some facilities and subsidies through related department for promotion of organic agriculture in the country.

*Organic farm village program:* Implemented since 1995, one village is selected in every potential district each year, and all kinds of support are provided to farmers in that village for converting to organic farming. The DEA also provides a subsidy for compost units and vermi-culture units. The extension officers of the division guide and follow up the programs. This program is successfully implemented each year, and interest of farmers has dramatically increased.

From

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