POLICY SUMMARY:

GOVERNMENT SUPPORT FOR DOMESTIC TRADE AND RETAIL UPTAKE

OVERVIEW

This policy summary provides recommendations on why and how to provide support for growing domestic trade and retail uptake of organic products. It outlines options for providing this support, followed by examples from various countries.

SUMMARY OF POLICY OPTIONS

A government may identify appropriate measures by taking into account existing and potential market channels for organic products. Potential measures include providing support for creating:

- organic farmers' markets;
- local and regional organic fairs
- organic shops and trading centers
- campaigns targeting supermarkets
- campaigns targeting restaurants and hotels
- online organic market platforms

RATIONALE

Availability of organic products in market channels that are frequently used by consumers is a major precondition to consumers buying them. Offer is a powerful way to create demand. This is particularly true when mainstream supermarkets or regular street markets begin offering organic products: they reach consumers that would not have otherwise purchased organic products. Increasing the number of specialized organic shops, or farmers' markets is a very effective way to create demand: make organic products available to consumers in their neighborhood, where they normally shop. Greater domestic availability of organic products will incentivize the growth of organic production, providing environmental benefits and improving the welfare of farmers. It will also contribute to the good health of the population at large.

There are many good political reasons for local governments to support farmers' markets, and even more so to support organic farmers markets. In the United States a 1995 survey of Rural Economic Development in New York State found that for every US dollar invested in farmers' market marketing program, USD 43 was returned to the local agricultural economy and USD 9 was generated in net farm income for local growers. Hence farmers' markets are an important component of a comprehensive local economic development strategy.

SCOPE

Support for organic trade and retail uptake is appropriate from situations where the organic sector is newly emerging to where it is mature. It is easier in cases where there is an officially referenced organic guarantee system that provides a clear-cut definition of what can be sold as organic, and for large-scale supermarket penetration this is likely a requirement. This policy option constitutes market intervention, and it will be more likely taken up by governments with a history of such intervention. The measures can contribute to an array of economic, social, and environmental policy goals.

POLICY OPTIONS

Supporting Organic Farmers Markets

National regional and local governments can support organic farmers markets. This is typically done through the provision of a free location and sometimes infrastructure. Additionally, the government or municipality can host the market management within its offices. Governments may also facilitate, sponsor and publicize organic pavilions within existing open-air markets that already attract many shoppers.

Supporting Organic Fairs

To educate consumers and raise the profile of organic food and agriculture, governments may, in cooperation with the organic sector, organize and sponsor organic fairs, and subsidize producers to display and sample their products.

Establishing Organic Shops

In emerging markets another format is supporting the creation of small organic shops. Especially in a country/region where no organic shop exists, this can be a way to kick-start a domestic market by offering a regular place where consumers can find basic organic products. Especially at the beginning, the organic shop will likely be a fragile business and can therefore benefit from public support in the form of free space, or even government-run shops. Sooner or later however, organic retail will (and should) develop as a profit-oriented business without government involvement.

Targeting Supermarkets

At more advanced organic sector development stages, governments can target supermarkets by setting up project structures and negotiation forums wherein supermarket owners can be encouraged to increase their organic product range. Win-win arrangements include government-supported publicity campaigns that feature the supermarket brands

carrying organic products, and in-store organic fairs held in parallel time to help consumers locate and purchase the products. Such an action may work best when there is a third party partner such as an organic association or development organization to coordinate implementation of the events.

Attracting the hospitality sector to organic products

Governments may also sponsor events for or visits to chefs and managers of restaurants and hotels. This may be an especially appropriate action in countries or districts where tourism is a significant share of the economy.

Supporting the development of online organic market platforms

In keeping with the trend of online marketing, governments may finance online organic market platforms or phone apps that facilitate information exchange and support market transactions. Several examples follow.

COUNTRY EXAMPLES

France: The public institution Agence Bio has developed a smartphone App "La Bio en Poche" which is directly connected to its organic directory database and allows users to immediately locate a nearby organic point of sale, including producers who do direct on-farm sales.

Taiwan: The Organic Center at the I-Lan University, with funding from the Council of Agriculture, developed the Taiwan Organic Information Portal, which includes an organic e-commerce system. The portal contains tools for consumers to find organic farms in their neighborhood or to buy organic products online. Organic farmers can create their own e-shop under this portal, but there is also a general e-market for those who do not want to create their own e-shop. The system is linked to QR codes, which allows consumers to track the organic products through their smart phone. The government subsidizes each farm with EUR 93 to encourage farmers to label the QR code on their products.

The Philippines: Government has been supporting the establishment of 49 "Organic Trading posts" across the country. The trading posts fulfill the double role of shops selling inputs for organic farming and shops selling organic products to consumers or intermediary buyers. The Department of Agriculture allocated around EUR 30,000 per Trading Post for the building,

equipment and working capital and Local Governments were required to provide land as counterpart and expenses for operations and maintenance. The DA tapped the Organic Producers Trade Association (OPTA Philippines) to provide training to the Management Team. The Local Governments constructed the building, purchased equipment, hired personnel and operated the organic trading posts. By mid 2016, a total of 40 Organic Trading Post were completed and 32 were still under development. Most stores are open daily and some stores open a farmers' market day once a week. Producers supply the products but also participate to some extent in the management of the Organic Trading Posts.

Lao: The Ministry of Agriculture provides support to an organic market in the capital city, Vientiane. The market has seen significant growth since its creation in 2006 by the Swiss development organization, Helvetas, going from a monthly market to a daily market. District and provincial offices of the Ministry of Agriculture also organize several organic markets across the country, in cooperation with NGOs.

India: The Ministry of Agriculture has opened in 2016 a government-run organic shop selling only PGS-certified products from the country, in its office in New Delhi. Also more and more state governments are opening organic shops to promote their organic products, or allotting a specific shelf area in general stores for organic products. For example, the Sikkim government has opened the Sikkim Organics store in Delhi and a few organic stores across Sikkim.

Peru: The local authorities support organic markets, for example making available a public space for the markets, as well as appointing a market coordinator and supplying electricity connections, security and publicity. In the district of La Molina in Lima the organic market installed a permanent roof, paid by the producers, but for which the municipality waived the fees normally charged for such construction.

Mexico: The government sponsors the organization of the annual national organic trade fair, EXPORGÁNICOS, in Mexico City. In 2016, 100 producer groups were supported to participate and have been offered a booth free of charge to display their products to potential buyers.

Nepal: The government's Agribusiness Promotion and Marketing Development Directorate organizes an annual national organic fair. The fair, which shifts locations, is now in its 9th year and gathers around 200 farmers. The government's investments in the fair have incrementally increased and were around EUR 17,000 in 2015.

Tunisia: The organic development plan maps out action points to create local organic marketing channels

in supermarkets, hotels and tourist routes. The Technical Center for Organic Agriculture financed by the government organized an initiative to collect organic fruits and vegetables from producers, package them, and deliver them to some supermarkets in Sousse and Tunis. The Ministry of Agriculture then expanded it to other supermarkets in Tunis and to luxury hotels, with a focus on olive oil. The goal is to encourage the structuring of a domestic supply chain, as currently, the French supermarket chains dominate the domestic organic market in the country, but mostly with imported products. The government also organizes regular organic markets and fairs in the country.

Saudi Arabia: In 2013-2014, the Ministry of Environment, Water and Agriculture, through its Organic Farming Project, implemented an Organic Marketing Program in conjunction with its consumer campaign activities. This project was implemented in cooperation with the German development organization, GIZ and the Saudi Organic Producers Association.

One part of this program was the implementation of so-called "Regional Marketing Working Groups". Those groups gathered private stakeholders who were active in the organic sector in different regions of the country, with the aim to explore marketing possibilities for organic products. In 2014 a meeting was held between the Organic Farming Project and the CEO of Danube, one of the largest Saudi supermarket chains. A partnership was implemented as a win-win agreement whereby the supermarket was associated to the public awareness campaign in the general media, which was fully financed by the Ministry and the supermarket agreed to extend its existing range of organic products during the four weeks of the campaign, displaying the organic products prominently and even suspending the entry- and shelf-fees for the domestic organic producers. This enabled small-scale farmers to present their organic products for the period of the campaign to a large number of customers.
In the course of the preparation of the campaign a second big Saudi supermarket chain, Tamimi Markets, became the second key-partner of this public awareness campaign. 20 stores belonging to those two chains participated in this action. Since then, two other big supermarket chains have started to offer organic products, and the availability of organic products in the country has dramatically increased.

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