

action.

Support to organic inputs may underscore the misconception by farmers, extension service and policy makers that organic agriculture is mainly about replacing chemicals with organic inputs, while organic management should rather strive for a system where inputs are less needed. In addition, not all organic inputs are useful or worth their price. There are many examples of rather ineffective organic fertilizers or growth promoters that are sold for a high price. There has to be some validation of inputs before they are subsidized.

c. Support to certification

Political justification

The role of certification is to provide a guarantee in the marketplace, enabling consumers to identify which producers conform to certain standards. In this sense, certification corrects one of the imperfections of the market, namely the asymmetry of information available to each side in a transaction (the seller and the buyer). Therefore, in a free market economy, certification acts as a public good to help optimize the functioning of the market. As organic certification is voluntary, the cost is mostly incurred by organic producers, while conventional producers have no such cost. Governments can correct this imbalance and help promote a well-functioning market by supporting organic certification, taking on some of the costs that otherwise fall on organic farmers.

Apart from the cost of certification services, there are considerable costs involved in the set up of the certification institutions, training inspectors/auditors, cost for accreditation etc. If the government performs this service it can be expected that they cover the development costs for the system and not let users pay for that as well. But also with private certification bodies, it can be justified for the government to cover some of these costs in support of an emerging sector.

Another reason for government to cover certification costs, in part or full, is to help ensure equal access of all operators to the service, across the territory and across all farming systems. Most often, private certification bodies charge operators for travel costs to their location, as well as time spent on their audit, etc. This can result in unequal access to certification. For example, operators based in remote areas of a country and those with diversified production systems may have to pay more for certification, which can be considered unfair competition and detrimental to rural development objectives. An organic certification support system can help correct such disparities.

Studies have shown that organic certifiers, and public support to organic certifiers, play a major role in enabling organic development at a local level. For example, a study

published by the US Organic Trade Association in 2016⁶⁷ looking at factors of development of organic agriculture in various localities, concluded “*The prevalence of outreach services by organic certifiers is found to play one of the strongest roles in organic hotspot formation. Also, whether a certifier is government-sponsored, by a state department of agriculture for example, is another key factor in enabling organic hotspots*”.

Suitable contexts

Support to organic certification is a measure suitable to all contexts and all policy objectives.

Possible modalities of implementation

One model is to set-up a national certification body that is financed through the regular public budget and that offers free-of-charge certification to all organic operators nationally. This can be the most practical for operators, as they do not have to comply with complicated administrative procedures to apply for reimbursement of their certification costs. The free-of-charge public certification service is the model chosen by Denmark, which has a government-run certification system using civil servants. This has many advantages. According to Organic Denmark, this has freed up the private organic sector to invest its energy and resources in new directions to grow the sector. Also the engagement of civil sector personnel on farm with operators and managing the certification system has resulted in knowledge building in both the government and private sector that has enhanced dialogue and mutual support between government and the private organic sector. However, the model also has important limitations, and there are many situations where private organic certifiers are proven to be more effective than government agencies (those might be ineffective and/or corrupt in certain countries, or will not have the competence required to access needed international accreditations).

Some countries have set-up a national organic certification body providing certification not free-of-charge but at reduced costs. Sometimes, this certification is valid only for the domestic market, e.g. in the case of Lao, because the national certifier lacks international recognition. The government may invest in getting their national certification body IFOAM-Accredited, which will be helpful to ensure it works up to international standards (this was, for example done by Czech Republic before they entered the EU).

Subsidies for organic certification are a common mode of support. They can be integrated into national policy on organic agriculture, be allocated a specific budget annually and be managed by the national organic program or related programs.

However, it is not always necessary to have a policy document that targets organic certification specifically. Often, a policy budget allocated to supporting certification, or

⁶⁷ The report is available at <https://www.ota.com/news/press-releases/19049#sthash.whEoHJ50.dpuf>

food quality schemes in general, will provide the necessary framework and legitimacy for support to organic certification. This is the case in the EU, where support to organic certification is part of the more general budget line in the EU Common Agricultural Policy, which covers support for the participation of farmers in food quality schemes (Measure 132). However, member states manage to dedicate a larger portion of this budget to support organic certification, than to other food quality schemes. This can be done at the level of eligibility criteria, either by opening the subsidy scheme only to organic farmers (e.g. Cyprus, Estonia, Malta, the Netherlands), or by attributing a higher percentage of reimbursement for organic certification than for other food quality schemes (for example, in Austria, the reimbursement is 60-80% for organic farmers and 30-50% for other certification schemes).

There are several ways to construct the certification subsidy scheme. It may be ongoing (e.g. US cost-share program) or temporary (e.g. Tunisian case with limit of 5-7 years per operator), or a combination of both. For example France reimburses a certain percentage of certification costs on an ongoing basis, but additionally, certain regions (e.g. Rhône-Alpes) cover the full certification costs but only for the first 3 years for all new organic farmers.

Operators must usually apply, post-certification, to a dedicated national or regional administration office in order to get their certification cost reimbursement. An interesting set-up is the case of the Philippines where the producer applies to the Ministry of Agriculture regional field office prior to inspection of the certifying body and the office makes the payment to the certifier directly. The government designed the subsidy to include travelling expenses of the inspectors, inspection and re-inspection fees, application, certification fees and laboratory analysis.

The subsidy is most often calculated on the basis of reimbursing a percentage (or full amount) of the annual certification costs incurred by farmers, but with upper limits to avoid large-scale operators benefitting too much from the scheme. In countries with group certification, a higher upper limit is fixed for groups, as compared to individual operators. Another model is the reimbursement per hectare: this is the German model (most regions) in which the region provides, in addition to organic area payments, a separate certification support payment and reimburses a specific amount per hectare of certification and inspection costs (usually EUR 35 per hectare with a maximum of around EUR 500 per holding per year).

Then, there are more ad-hoc forms of support to certification, such as funding the certification of a big group of producers within a time-limited government-funded project, or projects supporting the setting-up of Internal Control Systems for group certification.

Country examples

Government support to organic certification costs is a widespread form of government support to organic agriculture, used in all five continents.

In several countries, the private certification bodies received substantial government

support in their establishment phase. This was the case for example in **Norway** and **Sweden**. In developing countries⁶⁸, the establishment of local organic certification bodies tended to be supported by donor-funded projects, especially in the period 1995-2010. Those were often government funds, but from foreign governments.

In the **USA**, support to certification cost is the main form of financial support to organic farmers. The National Organic Certification Cost Share Program (NOCCSP) and the Agricultural Management Assistance Organic Certification Cost Share Program (AMA) are noncompetitive financial assistance programs that help defray the costs of organic certification for organic farmers. They provide reimbursements of up to 75 % of annual certification costs, up to a maximum payment of EUR 697 per year per farm. The 2014 US Farm Bill provides EUR 8.5 million annually in mandatory funding for NOCCSP. The AMA organic cost share program also receives EUR 1 million a year in mandatory funding. The cost share programs are administered at the level of the states.

EU Member States have adopted different approaches to refund certification and inspection costs of organic farmers. Under the 2007-2013 EU Rural Development Program, several countries/regions used Measure 132 ("Participation of farmers in food quality schemes") to cover parts of, or up to 100% of certification and inspection cost incurred by farmers. This was the case in **Austria, France, Belgium, Cyprus, Estonia, Greece, Malta, the Netherlands, Poland, Portugal, Slovenia**, most regions of **Italy** and **Spain** as well as in parts of the **UK**. Flanders and Wallonia (**Belgium**) as well as **Greece** introduced the support scheme for organic farmers in 2011. These schemes are usually also open to farmers participating in other approved quality schemes.

In **Denmark**, certification is provided free of cost to operators through a government-run certification system. See best practice textbox below.

In the **Czech Republic**, in 1993, the Ministry of Agriculture took responsibility of the organic control system and covered a large part of its cost, including certification costs. The Ministry also sponsored IFOAM Accreditation for their system and applied for recognition by the EU as a third country (at that time, Czech Republic was not yet part of the EU).

In **Switzerland**, in the 1990s, about half of the cantons gave support to farmers to cover about 50% of the farm inspection and certification costs. This amounted to a public expenditure in 1996 of about EUR 350,000, of which about three-fourths went to the producers and one-fourth was for the administration of the support schemes. Nowadays, only two cantons give support for certification costs, at the rate of around EUR 80 per producer.

In **Serbia**, the Ministry of Agriculture started reimbursements for organic certification costs in 2005/2006. At that time EUR 19,000 was earmarked for this purpose. This type of support continues today.

⁶⁸ For example in Uganda, Tanzania, Turkey, Lithuania, Ukraine, Bulgaria, Croatia, Thailand, Peru.

In **Croatia**, the region of Split-Dalmatia reimburses 50% of organic certification costs based on the certification body's invoice.

In **Indonesia**, the Food Crop Agricultural Agency of Bali Province kicked-started local organic certification by covering the costs of the certification of 22 farmer groups in the period 2009-2012.

In the **Philippines**, certification cost support is mandated in the Organic Agriculture Act of 2010. In 2016, the certification cost support program funds micro, small and medium enterprises engaged in local food and input productions for all certification costs for up to three annual certification cycles, which represent a subsidy ranging from EUR 950 to EUR 2850 depending on the number of scopes and whether the operation is an individual or a group.

In **India**, the government is providing, through various schemes at the federal or state level, subsidies to farmer groups to meet certification costs and manage Internal Control Systems. For example states under the Horticultural Mission for Northeast and Himalayan States support certification costs for smallholder farmers for up to 50% of the costs and up to EUR 135 per beneficiary and EUR 7,000 for a group of farmers covering an area of 50 hectares. For the first time in 2015 the Federal Government has extended financial support ranging from EUR 27,000 to EUR 234,000 to State Governments of eight North Eastern states for setting up public certification bodies and obtain accreditation. The assistance is mainly composed of accreditation fee, capacity building, exposure visits, infrastructure creation and other establishment related costs.

In **Samoa**, the government supports the organic movement by paying 100% of costs for the annual organic audit funded through the Ministry for Commerce, Industry and Labour. The audit costs are high as there is no local certification body. This was initiated by the Organic Advisory Committee, which is chaired by Samoa's Prime Minister. The number of participating farmers is nearing 600.

In **Lao**, in 2009, the Ministry established a local organic certification body that provides low-cost certification to small farmers, as well as assistance in setting up Internal Control Systems for group certification.

In **China**, there are some 80 local government policies providing certification subsidies to organic farming enterprises, accounting for more than 50% of all local policies related to support for organic farming. Individual subsidies range from EUR 1,394 to EUR 7,437, indicating that subsidies are going to large farming enterprises and/or organic production groups. Also, in Taiwan, the Council of Agriculture provided training and support for the establishment of producer groups with internal control systems and organic farmers can receive a subsidy covering part of the costs of certification and lab tests for residue testing.

In **Tunisia**, the government started to subsidize organic certification costs through its

decree of 1999⁶⁹. In the framework of its 2010-2014 Organic Plan, the government created a subsidy package that covers 70% of the cost of certification and inspection for both individual and group organic producers converting to organic, for a period of 5 to 7 years. Subsidies are capped at about EUR 2,225 per year for individual producers and up to EUR 4,449 per year for group producers and associations.

In **Mexico**, as of 2015, the federal government had a number of subsidy schemes to support organic certification, published in the decree of December 28, 2014. First, it covered 50% of capacity building costs related to obtaining organic certification (or up to 75% in marginal areas with an upper limit of around EUR 7,300 per application). Second, it covered 50 – 75 % of the costs of technical assistance for operators to produce their Organic System Plan (which is required in Mexican organic regulations) with an upper limit of around EUR 4,900. Third, it covered 50 – 75 % of the total cost of certification, with an upper limit of EUR 3,400 per operator. Finally, it supported certification bodies directly by covering 50% of their total organic accreditation costs with an upper limit of around EUR 6,000 per certification body.

In **Costa Rica**, the government established a system of free public organic inspection, hosted by the Ministry of Agriculture. However, the service is not accessible to all producers due to the low number of inspectors, unable to satisfy the demand.

Best practice example(s)

Best Practice Example 1: Free public certification for all organic operators in Denmark

Denmark has a culture and history of public-private collaboration, and the government, with trust from the general public, has taken a large activist role on agriculture. Public support to organic agriculture in Denmark was already visible in the late 80s, when the Ministry of Agriculture recommended a subsidy program for organic farmers and a publicly funded government certification system. Approved in 1988, the first law on organic farming established the public certification system for all organic operators.

The government certification system is free of charge for organic operators (farmers , processors, input suppliers, packaging and labeling companies, and public and private restaurants and canteens that achieve the bronze, silver and gold organic labels), with the following exceptions:

- Extra controls due to risk of fraud;
- Certification for exporting to other regulating countries not covered by equivalence arrangements;
- Certification to private standards that are demanded by certain EU markets.

Paid by the government as part of the annual Finance Act, free public certification has been valuable for the organic sector. The number of organic farms in Denmark has grown spectacularly in the decade following the installation of this system. Several recommendations for the establishment of certification fees have been defeated, primarily with arguments that extra fees for environmentally friendly production is inconsistent with the public sectors interest in more organic farming and the environmental benefits that it provides.

⁶⁹ Legal reference: http://www.ctab.nat.tn/R_DC2361_fr.pdf

The Danish Agrifish Agency and the Danish Veterinary and Food Agency are the competent authorities responsible for the Danish organic certification and inspection system. The Danish Agrifish Agency is responsible for the registration and inspection of organic farms and farm-input companies producing organic feed, seeds, fertilizers, etc. Inspections are carried out by its six district offices. The Danish Veterinary and Food Agency is responsible for the registration and inspection of the companies processing, packaging, labeling or importing food products from third countries, as well as the almost 2,000 public and private restaurants and canteens, that have the organic labels for food service. Inspections are carried out by its 10 regional control and enforcement offices. The Danish Veterinary and Food Agency also has a unit for cross checking control.⁷⁰

Because the national government is responsible for organic inspection and certification, it has gained much technical knowledge and practical understanding of organic farming and processing. This has enhanced the quality of the public-private dialogue and decision-making on supportive policy for organic agriculture. It also frees up resources of the organic private sector/civil society to focus on other areas to spur organic sector growth, such as consumer awareness and technical assistance in the organic value chain.

Best Practice Example 2: Organic Certification Subsidies in the Philippines

Only a small fraction of the Philippines 88,000 organic farmers and other organic enterprises are third-party certified. The vast majority relies on participatory guarantee systems for verification, or participates in direct markets that do not require verification. However, the Philippines Organic Law, 2010 (Republic Act No. 10068) envisions subsidies for certification as one of the means to provide incentives for farmers and other organic enterprises to convert to organic agriculture and to access markets requiring third party certification such as supermarkets and exports.

The subsidy program was implemented after issuance of a Department of Agriculture (DA) Administrative Order in January 2012, (Regulation of the Incentive Subsidy Scheme for Organic Certification,” which is now superseded by Department Circular No 4 2015. This order authorized funding and set out administrative policies and procedures for the program. The 2012 order also added two additional objectives to the original objective of the Republic Act No. 10068, giving incentives to enterprises. These are to prevent fraud and to assure consumers of the quality of organic products.

Scope for the subsidies

Subsidies are offered to entities that:

- Are farms, input producers, processors, handlers
- Attain organic certification from a certification body accredited under the Department of Agriculture
- Are micro/small/medium enterprises or indigenous people or agrarian reform beneficiaries
- If exporting, use DA-accredited certification bodies that have international recognition.

The schedule of the subsidy is intended to cover the full cost of certification for three one-year periods based on annual application, available to newly certified enterprises and those continuing their annual certification. A schedule of subsidy payments includes payment rates for single operations, single operations with subcontracted farms, and groups according to the number and nature of production scopes. There is also a special category for entities engaged in

⁷⁰ http://organicrules.org/1391/1/Overview_Danish_organic_certification_system_4FEB2009.pdf

wild collection. A single operation with one scope of operation receives a subsidy in the range EUR 790 to about EUR 880.

Procedure for the subsidy

The subsidy is implemented through an arrangement between the Department of Agriculture Regional Field Offices and the DA-accredited certification bodies. The operator applies to the Regional Field Office for the subsidy, indicating choice of organic certification body. The Regional Field Office initiates a procurement process with this certification body for the operator's certification. It also assesses the applicant's readiness for third party organic certification based on document review, and in some cases a visit to the operation. It notifies the certification body when the operation is approved for the certification process. After the certification process, certified operators may then submit to the Regional Field Office proof of certification and receipts and/or invoices for the cost of certification. Following this submission, a tripartite Memorandum of Agreement is signed among the operator, the operator's certification body, and the Regional Field Office, which specifies the terms of the subsidy. The Regional Field Office then issues payment to the certification body for its invoice and/or to reimburse the operator for fees already paid.

Results

By January 2017 of the 117 entities that had requested participation in the subsidy program, 29 certified organic entities had received subsidy payments totaling almost EUR 37,500, and the rate of new applicants remained steady. Reasons for entities' withdrawal from the program include non-compliance with requirements, laboratory cost exceeding subsidies, decision to use participatory guarantee systems instead of third-party certification, and decision to fully assume the certification costs.

Pitfalls and challenges

Similar to other types of subsidies, subsidies for certification can present challenges in terms of access, especially for smallholders. When the procedure is too complicated, and not all operators are aware of the existence of this support, the actual uptake could be just a fraction of the total number of producers who are entitled to the support. Channeling support through the certifiers directly (rather than reimbursing the producers) can be a way to make it easier for producers, but there are cases where the support to certifiers is not effectively/entirely passed down to clients, which is a suboptimal use of public money.

The fully subsidized government certification option presents the advantage of guaranteeing full benefit for all operators, if the service is well staffed – which is not always the case, as the Costa Rican example shows. However, the challenge is for the government agency in charge of organic certification to develop the right competence and be able to serve the desired markets (which means, often, having all the needed international accreditations). It will also not work well in countries where there is a lack of trust and cooperation between government and the private sector and/or a culture of corruption.

Government certification is normally only granted according to national standards, which becomes a pre-requisite. However, in the market place there might be a need for the certification body to certify, or at least inspect, according to private or governmental

standards in other markets or for categories of production not covered in the national standard. It is often hard for a government agency, which works according to set administrative regulations, to provide such services.

Especially because government certification for the domestic market usually has no oversight, the credibility and competence of the government agency providing certification is a crucial factor. Even if not strictly demanded by the market, obtaining IFOAM Accreditation is one of the most effective ways for a government certification program to verify and demonstrate competence.

In case the government wants to provide technical support for certification, e.g. for the setting-up of Internal Control Systems, in a system which is intended for international recognition, this should be provided by a different agency/unit from the one doing public organic certification. This is in line with the international principles of separation of advice and certification functions. If the public certification system is only intended for the domestic market, there can be more flexibility: governments may develop, in close discussions with private organic stakeholders, whatever system they feel would provide the credibility needed in their own national context.

d. Support for organic vocational training and academic programs

Political justification

Organic agriculture is knowledge intensive. In the past few decades, in many parts of the world, agricultural education at various levels (in schools, universities, extension) has focused on conventional methods with high use of agro-chemical inputs, high yielding varieties, new plant breeding techniques, optimization of animal weight gain without consideration for animal welfare, etc. A lot of the knowledge dispensed through these agricultural education channels is not relevant to organic farming, or opposes it. To accompany the growth of the organic sector in a country it is crucial to develop organic agriculture education parallel to conventional agronomy and animal husbandry. In many cases, organic knowledge will also benefit people who might work in the conventional sector, in particular when it comes to improving the sustainability and resilience of conventional agriculture as they may pick up some useful ideas and concepts from organic agriculture. Therefore, it is an efficient use of public funds to include organic agriculture or agro-ecological approaches as a voluntary or compulsory component of agricultural vocational training and academic programs.