Organic olive and oil production within the context of rural development. Which services are required and who can supply them?[1]

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Abstract

Organic olive oil production has grown quite rapidly in Italy and it is often linked with marketing strategies and rural development projects. This paper uses data and information from ongoing research (OLIBIO, financed by MIPAF) to demonstrate the need of the integrated presence of private advisors, public bodies and Civil Society Organizations (CSO), for the achievement of the best results, in terms of added value and rural employment.

Key words: Italy, organic oil production; pluralistic offer of services.

Foreword

One of the most interesting "success" stories of the recent evolution of the agri-food system is represented by the organic sector. Almost not existent a few decades ago, even neglected and persecuted in some cases, it is today the only expanding segment in the agri-food system, which is increasingly characterized by the saturation of all needs and even by obesity.

Organic agriculture, with its specific techniques, inputs, bureaucracy, permits, markets, etc. is not one simple innovation, but it should be considered as a complex, integrated mix of long term labour and knowledge intensive innovations. Organic farmers, even when they try to operate a closed system, and to minimize the purchase of external inputs, can not refrain from using a wide set of external services. Like all producers working in an extremely regulated market, organic farmers need technical information, market advice, updated knowledge of the most recent provisions from local, national and European legislators. Producers who want to sell their products with the organic logo also need the services of some Certification Bodies.

This paper covers a specific branch of Italian organic agriculture: extra virgin olive oil, as a meaningful example in rural development, when external service providers are effective and efficient. The paper will also explain why, in some areas and cases, the bureaucratic conversion to organic agriculture has only been a way to receive subsidies - which is not bad, after all - without generating any other added value or job opportunities – this being far away from the likely benefits that these rural areas could have gained in case of full conversion.

Organic olive growing and organic extra-virgin oil production

By December 2005, there were in Italy about 167,000 hectares of certified organic olive trees, representing 10 percent of the total organic area of the country and about 9.2 percent of the entire surface of olive trees. Italy alone represents 30 percent of the olive tree organic area in the Mediterranean basin. Compared to 1988, when the area with organic olive trees was only 187 hectares, and 1993, when 1,066 producers declared 5,477 hectares, the expansion has been incredible.

Furthermore, the organic logo is often combined with Geographical Indication, using a regional marketing approach. Organic olive oil is also used for a variety of activities and

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initiatives, within the broader context of rural development projects, linking organic local products with cultural heritage, tourism, gastronomy, religious events, handicraft, etc.

In 2005, the number of firms (farmers, processors) authorized to put the organic logo on their bottles or tins were 664, almost fourfold with respect to 1996. Still, only a fraction of oil potentially sellable as organic was effectively marketed as such. And this took place despite Italian organic olive oil is being sold at 29.34 €/l in the UK, or 19.20 €/l in Germany, and between 17.80 €/l and 5.56 €/l in Italy - much higher prices than comparable high quality conventional olive oil.

The services required by the organic olive oil agri-food chain

The first and most important service is represented by **policy elaboration** itself, i.e. the phases and procedures through which the national and regional agricultural policy, usually not very detailed and unspecific, is transformed into a mix of measures, actions, grants, subsidies, licences and open calls, with conditions tied to each intervention. At this stage, the pivotal role of the public authority is clear and evident. Its functionaries are the first to know, since they participate in meetings in Rome and Brussels. At this stage, which could actually last months and even years – if the local administrations are not efficient, it is of utmost importance that farmers and farmers' representatives interact with the public sector. This service is clearly a public one. Policy elaboration is a common good, and it is totally provided by the public sector, although its outcome also depends on the quality of interaction with civil society. Farmers' organizations have to invest resources in studies and lobbying. It is however clear that the individual farmer is not directly paying anything for this service.

Table 1 - Problems felt by organic farmers (%)

During the conversion period	Centre (no.=24)	South (no.=24)	Total (no.=48)
Technical problems linked with production	63	67	65
Economic problems, to find new markets	42	42	42
Nothing	25	17	21
Burocratic problems to get the EU subsidies	21	4	13
Organizational problems linked with processing and marketing	4	17	10
Social problems with conventional farmers	4	8	6
Other	4	4	4

Note: several answers were allowed

Now	Centre	South	Total
Technical problems linked with production	54	25	40
Economic problems, to find new markets	13	42	27
Nothing	21	4	13
Organizational problems linked with processing and marketing	4	17	10
Burocratic problems to get the EU subsidies	8	8	8
Other	0	4	2
Social problems with conventional farmers	0	0	0
Total	100	100	100

Note: Only one answer was allowed

The second important service relates to **technical knowledge** required by producers to assess feasibility, risks and opportunities linked to conversion and upkeep of organic techniques (see Table 1). In some cases, when olive groves are still cultivated with traditional methods, conversion might not be too difficult, risky or expensive. In other cases, it could be very difficult and demanding several adaptations, such as planting host plants for parasitoids, or the use of pheromone traps, all practices that farmers could need to adopt. This second type of services was normally provided by organic farmers associations, and in some cases by local agencies for agricultural development (see Table 2). Links with research institutions, such as universities and other public centres, have been sometimes quite fruitful. Such services were/are provided for free, through seminars, short training programs, free leaflets and publications, but if the producer requires tailor made advice, specific for their farm, the best way is to pay for a private consultant, if available in the area.

Table 2 - How organic farming was learned (%)

Modalities	Centre (no.=24)	South (no.=24)	Total (no.=48)
Advice from technicians	42	67	54
Through experience	50	29	40
Books and magazines	46	25	35
Training course(s)	25	33	29
Advice from other organic farmers	4	21	13

Note: several answers were allowed

The third type of services relates to the **paperwork necessary to apply for subsidies**, which are currently being funded until 2013. Most Italian farmers feel that they are not able to deal with this type of application by themselves and require the support of a third party. Traditionally, this third party has been the local extension agent, generally employed by one of the conventional farmers' unions. More rarely, this type of service has been provided by organic farmers' association, some local independent advisor, or group of technicians, who sometimes disguise themselves as a Non Governmental Organization. In all cases, farmers have to pay a fee for this type of service.

The fourth category of services is represented by **certification**, which can cover the agricultural phase alone, i.e. until the harvest of olives, or it can follow the process until the oil is put into bottles, tins or containers. This service is provided by private certification bodies and farmers, millers, traders, blenders and processors must pay for their services. These certification bodies are authorized by the Italian Government through the Ministry of Agriculture and must be authorised also by Regional Governments. To some extent, the Certification Bodies compete with each other, in order to expand their clientele, and this competition is made through the quality of the services they provide and through the price they request. The reputation they enjoy in the market is the main factor leading to their selection by the certified firm (see Table 3). Again, farmers, traders and processors have to pay for this service.

Table 3 - Factors affecting the choice of the Certification Body

Factors	Total (no.=48)		South (no.=24)	Centre (no.=24)	T-test
	Mean	Devstan	Mean	Mean	
Reputation of the CB	4,4	0,91	4,6	4,0	0,196
Certification for foreign standards	3,3	1,42	3,7	2,9	0,147
Cost of the certification (introduction and maintenance)	3,3	1,35	3,6	2,9	0,127
Accreditation SINCERT	3,0	1,43	3,2	2,8	0,415
Other services (training, studies, etc.)	3,0	1,54	3,0	2,9	0,925
Size (no. of controlled farms, personnel, offices, etc.)	2,9	1,39	2,5	3,2	0,042*
Experience (years of activity)	2,5	1,38	2,0	2,9	0,017*

1 = total disagreement, 5 = total agreement. * = meaningful at 5%

A fifth category of services is linked to the **marketing of the olive oil**, once it is has been pressed. The farmer can decide to sell in bulk, to a processor (blender) or market it directly. If the farmer opts for the latter, he/she has to decide what type of bottle, its size, which front and back labels to use, packaging, etc. and where all this handling should take place: on farm or at a third party bottling plant? According to the size of operation, this decision is borne by either one decision maker or several, as is the case of cooperatives. In both cases, the decision maker needs highly qualified ad updated advice, which is given only by private consultants (see Table 4). Moreover, the decision maker has to decide where to sell, when, at which prices, at which fairs and competitions. This type of services is clearly the dominion of the private sector, although the public sector still offers some sorts of support, for regional marketing, participation in international fairs, etc.;

Table 4 - Functions of advisers (%)

Field of advice	South and Isles (no.=44)	Center (no.=46)	North (no.=10)	Unknown (no.=5)	TOTAL (no.=105)
Legal - fiscal	70	54	80	40	63
Technical - scientific	52	74	40	100	63
Production	30	26	10	20	26
Management and finance	30	15	60	0	25
Marketing and promotion	23	24	10	20	22
Human resources management	2	9	10	0	6
Other	2	2	10	0	3

A sixth category includes all the activities which link organic olive oil to **rural development** and establish a symbiosis between the agricultural sector and other sectors, on and off farm: from agri-tourism to cultural and religious heritage, handicraft production to off farm rural tourism, etc.. In this group of activities, again, it is possible to find some public Institutions, as well as public – private partnership – think for example the Local Action Groups promoting

LEADER Projects. Most of the energy is provided by private operators (firms and individual consultants) which to some extent sell their knowledge, skills and dynamism to individual clients and also to public institutions. These private operators elaborate projects, provide advice, act as intermediaries, nurture networks and keep them moving. Once the projects are funded, the same consultants can be found in the project implementation unit, under several types of contracts.

The Italian experiences

In Italy, all sorts of case studies have been found.

There are situations where all the above mentioned service providers have performed positively, and this has lead to high levels of conversion, high percentages of bottled organic olive oil, marketed as such, and even exported to foreign markets. In fact, through the multiplying effect of the supply chain especially all the required inputs (bottles, tins, labels, cages, promotional materials, etc.), agriculture – related jobs have been saved and/or created. Furthermore, through regional marketing, linking organic olive oil, as well as other products, to tourism, ecotourism, cultural heritage, has favoured economic diversification, at farm level and off farm. This has ignited a rural development process, and has favoured more job satisfaction (farmers are again proud of their work), higher levels of employment, and better incomes.

Regarding other situations, unfortunately, such services did not perform properly, or only partially. EU regulations have been implemented late, poorly or badly. Payments have arrived late or have been absorbed by absentee landlords, who are not interested in the premium price of organic olive oil. In some cases, huge amounts of subsidies have been given to "organic area", without any single kg of oil being marketed as such. Technical advice and training about organic farming were not properly organized, or managed: producers do not really know the real actions required by a pro-active organic farming. Regional marketing strategies have had a limited impact, and agri-tourism activities are at a very early stage. Annual occupation rates of available rooms are still quite low and operators show signs of disaffection. By consequence, organic olive oil has had no multiplying effect and off farm activities are not taking off. Low income and high unemployment still characterize such areas.

Conclusions

Employment and higher incomes can be ensured, in rural areas, when new high value products (goods and services) are successfully proposed to consumers, in domestic and international markets. The complexity of knowledge and skills required for these purposes are such that the public sector, increasingly, can not provide most of the services needed by private operators –the progressive farmer, or the processor, or the community.

The public sector is still very relevant for policy elaboration and channelling of resources towards the private profit oriented sector, as well as the non profit oriented civil society (cooperatives, groups, associations, etc.), but the public sector must be more open to suggestions coming from the private sector and from the CSOs.

A debate could be opened about the fate and services required by the laggard farmers and communities with poor social capital and very low human capital. In such cases, the public sector should intervene directly, as it was the case back in the '50s, in the so called "reform areas", or it should favour the involvement of real NGOs or private operators, with funds eventually provided by the public sector itself.