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## International Conference on Regional Science

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**Extended abstract**

## EXTENDED ABSTRACT

**Title:** *What to expect when you're expecting. Causes and consequences of incentive policies for organic agribusiness in Comunitat Valenciana.*

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**Subject area:** *Local development*

### **Abstract:**

*In the last decades, social interest in sustainability has increased, and consequently, related political actions were multiplied, the so-called "Sustainable Intensification" (Petersen & Snapp, 2015). One of the sectors in which national and supranational governments have allocated the most resources and efforts in pursuit of this goal is the agri-food sector (Garnett et al., 2013). With this in mind, a myriad of political actions has been undertaken to develop the Sustainable agri-Food System (SFS) (Garnett et al., 2013). The agri-food system (AFS) is the name given to the network of actors involved in the agri-food value network which is an extremely complex one (Kaplinsky & Morris, 2000).*

*The objectives of the sustainable AFS include food security, health, environment, poverty and/or rural exodus and power imbalances in the system itself (Ericksen, 2008). These objectives are supported by the definition of the United Nations Sustainable Development Goals (SDGs), where sustainability is thereafter understood as environmental, economic, and social sustainability (UNITED NATIONS, 2015). With the objective of sustainability in mind, the European Union created a series of regulations governing organic production (European Council, 2007) and later created the Euro-Leaf, a label that is awarded to certified organic production so that consumers can unequivocally identify organic products in a very similar way to previously existing*

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*differentiated qualities such as Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI). In that sense, the European Union has not stopped in its efforts towards organic activity and is preparing the entry into force of a new and extended regulation for 2022 (The European Parliament and of the Council, 2018). This extended framework includes very interesting and noteworthy points, such as the so-called group certification, which would allow the certification of small landowners jointly or the entry into the regulation of new livestock farming such as rabbit farming.*

*All things considered, this paper aims to analyse the sustainable AFS in the Comunitat Valenciana, adopting the existing regulation on organic production. It is relevant to point out that, the existing regulations in the sector are mainly based on environmental regulations, although it is true that they have been created in such a way that respect for these rules leads to compliance with the other aspects of sustainability, or at least encourages them. In any case, the sustainability dealt with in this research will be understood following the United Nations sustainability definition. To achieve our objective, we intend to analyse the sector through the case study of the Comité d'Agricultura Ecológica de la Comunitat Valenciana (CAECV), the regional certifier of organic production in this particular Spanish region.*

*CAECV's certification activity began almost 10 years ago. By analysing its trajectory, we aim to obtain a clarifying vision of the sustainable agri-food system in the Comunitat Valenciana and thus gain a better understanding of the sector.*

*Data provided by the certifier itself and the Ministry of Agriculture, as well as other national and international organisations (Ministerio de Agricultura, 2020; Willer & Lernoud, 2017), support the generalised growth trend in the organic sector, either through the conversion rates of traditional agriculture to organic or the increase in demand for organic products, among others, the most common route for our food is still the traditional AFS. This tells us unequivocally that there are "two agri-food systems" that coexist and that compete for the processing and absorption capacity of the value*



*network. This is the result of the nature of their corresponding current structure, accentuated by the difference in the degree of maturity between them.*

*The traditional system, which is highly optimised and productive, covers practically the entire chain. The security and continuity of supply and its costs, which do not reflect sustainability to the extent that the organic sector does, put it at an important cost advantage. Furthermore, a value network that works with traditional production flows must not only consider the costs of adapting its capacities to organic production but also add the opportunity cost of abandoning one type of production to be able to produce the other.*

*Although the commitment of the administration is not in doubt as shown by the so-called "greening" (green payment), a budget line of the Common Agricultural Policy that will be given on the sole condition of being certified as organic (The European Parliament and of the Council, 2013).*

*These situations trigger problems in the competitiveness of the organic sector in coexistence with the traditional sector. The lack of 100% organic processing capacity is still a recurrent complaint of certified farmers and stockbreeders. As a result, the stakeholders of the SFS face a situation of uncertainty in many terms such as production, transformation, and consumption.*

*At a regional level, this commitment has also become more than evident, the constitution in 2016 of the I Pla Valencia de Producció Ecològica (I PVPE 2016-2020) (Conselleria d'agricultura, 2016) and the launch in 2021 of its second version, is a clear example of the political will to achieve the goal of sustainability in the agri-food sector. Analysing its construction through the CAECV and the Sociedad Española de Agricultura Ecológica (SEAE) will help to understand how the sector is addressing the challenges it faces.*



*By analysing the activity of the CAECV, the aim of this research is to provide data and answer relevant questions from the sector and its stakeholders on the extent to which it is fulfilling its objectives and how public policies contribute or can contribute to generating an ideal environment for its consolidation. Questions and data such as: what are the main macro magnitudes of this sector in the Comunitat Valenciana? Next, how has the I PVPE contributed to the development of the sector? After that, what actions will and should the 2nd PVPE undertake given the current circumstances of the sector? And finally, what could be the effects of the new European regulation that will come into force next year?*

*This work, being able to provide these data and answers, is considered of interest to advance in this field and to be able to continue analysing the processes of change that occur in it.*

### **1 Macro magnitudes of the Valencian organic sector:**

*Spain is the leading country in the EU in terms of organic surface area, an encouraging statistic that allows us to think of a possible competitive advantage in the organic market. The Comunitat Valenciana is very well positioned nationally in the organic sector and plans such as the PVPE (in its second edition), suggest that there is a political will to promote this market model. The Comité d'Agricultura Ecològica de la Comunitat Valenciana, or CAECV, is the body in charge of organic certification in the region and with it the ability to use the Euro-leaf, a symbol of compliance with European organic regulations. The idea of carrying out a descriptive analysis of the organic sector in the Valencian Community through the study of the CAECV is motivated precisely by this situation.*

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*By knowing who, where and what has been certified through the CAECV, we will be able to present the macro-magnitudes of this sector and at the same time generate knowledge that will allow us to carry out future research. According to this same organisation and the Spanish Ministry of Agriculture, Fisheries and Food, there are currently 3,585 organic operators in the Valencian Community, including producers, processors, marketers, and Import/Export companies. Crossing the data of the operators certified by the CAECV with the data of the Sistema de Análisis de Balances Ibéricos (SABI), we obtain around 718 companies from which we can extract data for the description of the sector as a whole.*

*Although it is true that as there is no recorded data on the proportion of organic production, we cannot establish which companies dedicate all of their activity to this type of production and which only dedicate a percentage, it is clear that if they appear in the cross-referenced data, it is because, at least, they are certified and therefore have, at least, the capacity to produce certified organic products (Companies with the characteristic "EXTINGUISHED" have been removed). At the same time, only those companies for which the latest available data are dated 2018 have been selected. Following these criteria, we obtain 707 green operators. With 117 different CNAE codes.*

*There is a small dissonance between certified operators and SABI data, as an operator can be certified for more than one activity and will therefore appear once for each certification obtained. There are 2684 certified operators that do not appear in SABI. This situation can occur for various reasons, but in practice it is simply that they do not appear in the SABI search and update system, either because of their size or registration obligations, or because the CAECV database does not provide the VAT number of the operator in question (this is the case for 2272 records). With a first analysis of the data of the 707 organic operators, we can obtain a first sketch of the sector.*



*Using the data called "Last available year: number of employees" we have that the total number of employees for those companies with the last available year, at least, 2018 is 30,897 employees, although it must be considered that there are 76 registers where this data is not available. For this reason, we will use the data "Last number of employees", which is the latest available data on the number of employees for each company. In this sense we obtain 29,475, but data is available for all companies and therefore it is considered a better data to work with. There are 15 CNAEs (this is the National Classification of Economic Activities, that legally defines the economic activity of a company) with more than 250 workers made up of 611 companies, with the leading one being the fruit and vegetable wholesale trade with 10,746 people employed in 151 different companies (71.17 employees per company on average) and representing 36.46% of the total number of people employed by the certified operators present in the SABI.*

*In terms of the average number of workers, companies dedicated to the production of meat and poultry products are the leading companies with 1554 workers spread over two operators. It is worth mentioning the anecdotal data in the case of "other food services" where there is a company with 1184 workers, a catering and canteen management company in different institutions. Following the data offered by the Ministry of Agriculture, Fisheries and Food (MAPA) in its statistical data for organic production 2019, we obtain that there are a total of 1740 industrial activities related to organic production, of which 1651 are related to vegetable production, and 89 to animal production. According to the MAPA itself, this figure represents the number of industries, i.e., it would be the closest number to reality for the number of organic production units in the Valencia Region.*

*In the case of the industrial sectors of vegetable production, which are somewhat more differentiated, the most important are the processing and preservation of fruit and vegetables (615) and the processing of other food products of vegetable origin (663). The area certified or in the certification phase in the Valencian Community is 127,909.27 (ha) according to data provided by the same ministry.*



*The situation is the same for the whole of Spain in the first position (permanent pasture), but changes from there, giving the second position by surface area to vineyards for wine (5th at Spanish level), followed by the cultivation of almonds, 4th at national level, within total fruit (together with lemons and acid limes, which would maintain the 3rd position). In 4th place we find olive groves for oil, while at national level it is in 3rd place in terms of surface area. These data are reflected in the same way in the production data where we have in the top three citrus fruits, grapes and vegetables representing 83% of the total organic production volume.*

*After this first attempt of characterizing the case under study, we will be able to begin the assessment of the incentive policies contribution. Indeed, these are the first steps to establish the macro magnitudes of the sector (pending the 2020 update) in order to start an investigation on the effects of the specific organic production plans and their impact on the territory, the sector and the economy that will continue with II PVPE.*

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