Policy Brief:

Enhancing the competitiveness of SME in the organic sector of Aargau

1. Overview of the Agri-food sector in Aargau region

The number of farms in Switzerland fell by more than 26 percent between 2000 and 2015. While the number of conventional farms fell by 30 percent, the proportion of organic farms increased by 29 percent, bringing the number of organic farms to around 6,000 in 2016, which is around 12 percent of Swiss farms. In the canton of Aargau, their share is significantly lower at around 7 percent. However, the number of organic farms in Aargau also increased from 183 in 2000 to 241 in 2016, which is a growth of 32 percent. During this period, the number of conventional farms fell by 24 percent. In the canton of Aargau, the reduction in the total agricultural area since 2000 can be explained by the decline in agricultural area under conventional cultivation, while the area under organic farming has increased significantly during this period.

Animal production is practised on 48 percent of all farms in the canton of Aargau, with grazing livestock being the most important activity, accounting for 90 percent of animal production operations and 43 percent of all farms. Farms that both cultivate crops and hold livestock account for 30 percent of all farms in Aargau. Arable farming is practised on 13 percent of farms. The structure of the farm types shows the diversity of agricultural production in the canton of Aargau. Comparable structures can be found in the cantons of Zurich and Thurgau, both of which are direct neighbours of the canton of Aargau.

In organic farming, meadows account for the highest share of agricultural land, accounting for about 68 percent, followed by arable land (17%), vegetables (6.7%), maize (3.5%) and permanent crops (2%). Comparing the allocation of agricultural land to different agricultural activities between organic and conventional production shows that organic production has a higher proportion of meadows, vegetables and grain legumes, and a lower proportion of arable crops, potatoes, sugar beets, maize and oilseeds.

In Switzerland, total sales of organic food increased by CHF 673 million between 2012 and 2016, rising from CHF 1,832 million to CHF 2,505 million. The two large Swiss retail chains, Coop and Migros, had a share of 44.6 percent and 32.3 percent of the organic food market in 2016. The market share of organic shops was 10.9 percent. The market shares between the different market participants have hardly changed over time.

Overall, organic products accounted for 8.4 percent of the total Swiss food market in 2016. Organic products account for 10.8 percent of fresh products and 6.0 percent of convenience products. The demand for convenience products has increased more than for fresh products in recent years.

2. Policy context: Current regional support measures

In Canton Aargau, there is a mix of federal support and cantonal support measures available to the agri-food sector. The main payments for organic farmers are the direct payments under the Swiss Agricultural Policy 2018-21. Organic farmers can combine all payment categories. One category is specific payments for organic farming. However, there is no national action plan for organic farming.
Apart from the producer support through direct payments, there is no special funding for organic farms at cantonal level. Organic farming associations and farmer groups can apply for different support measures in the same way as non-organic farming. Currently the most important income source for larger marketing projects are the PRE-Projects and for smaller project the QuNaV projects.

Table 1: Current regional support measures in the canton Aargau.

Instrument	**Responsible**	**Beneficiary**	**Financial contribution (per year)**	**Production**	**Processing**	**Commercialisation & marketing**	**Training & advice**	**Education**	**Innovation**	**Value chain efficiency & governance**
Swiss Agricultural Policy 2018-21	BLW/FOAG Cantons	Farmers	No current data	x						
Direct payments - 5 main categories	BLW/FOAG Cantons	Farmers	No current data	x						
Special payments for organic farms	BLW/FOAG Cantons	Farmers (ongoing/ conversion)	No current data	x						
Resource-efficiency payments	BLW/FOAG Cantons	Farmers (ongoing/ conversion)	No current data	x						
Landscape quality payments	BLW/FOAG Cantons	Farmers (ongoing/ conversion)	No current data	x						
Sales promotion	BLW/FOAG Bio Suisse	Farmers and farmers' associations	CH: ca. 1 Mio CHF (for organic farming), ca.8000 CHF for Bio-AG		x	x				x
Rural structures: Investment support	BLW/FOAG Cantons	Farmers and farmers' associations	Project related							
Biodiversity projects (NAP)	National authorities	Projects (e.g. old breeds, varieties)	Project related	x						

Instrument	Responsible	Beneficiary	Financial contribution (per year)	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
QuNaV-Projects: Fostering quality and sustainability in agriculture through business plans and start-up funding	BLW/FOAG	Food sector (agricultural production, processing, trade)	50% of project and max. 20'000		x	x				x
PRE Projects (Regional development)	BLW/FOAG Cantons	Regional projects linking agriculture to other sectors	Project related			x				x
NRP Projects 2016-2019	National and cantonal authorities	Regional associations for regional competitiveness	No more money available in Kt. AG							x
Hightech Zentrum: Advisory services for market development and advice	Cantonal authorities (Hightech Zentrum)	Companies	Project related		x	x				
FiBL: Research and advice for organic agriculture	FiBL	Farmers Agricultural sector	60'000 CHF		x	x	x	x	x	
KTI/Innosuisse: Training and advice for entrepreneurs	National authorities	Companies and projects	Project related		x					
PHR: Projects for agglomeration areas	National authorities	Companies and projects	Project related			x				x

3. Relevance of the regional policy support for the development and implementation of your action plan

Even though, there are no specific funding sources for projects fostering the organic sector, many funding sources could potentially support the implementation of the 2021 Organic Action Plan for Aargau. As part of the action plan in canton Aargau, an office will be established to coordinate the planned measures and to apply for funding with support from the Research Institute of Organic Agriculture (FiBL) the Liebegg Agricultural Centre.

4. Recommendations for regional policymakers to improve the current policy environment

It is important that regional policy makers are committed to the organic action plan. Therefore, apart from the regional organic farmers' association, also the non-organic farmers' association is involved. New ways of collaborating are essential to develop logistics, balance supply and demand, develop public procurement and improve the communication with the broad public and consumers.