Republic of North Macedonia
Ministry of agriculture, forestry and water economy

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Agricultural Policy Forum
Ohrid, North Macedonia

South Eastern Europe
SWG RRD
Regional Rural Development Standing Working Group

Agricultural Policy Forum 2019:
Contribution of Diversification of Economic Activities to Sustainable Rural Development in SEE
9 – 10 October 2019
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Importance of diversification of economic activities in rural areas

Paola Corsinovi, PhD

german cooperation
DEUTSCHE ZUSAMMENARBEIT

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1. ***What does diversification of economic activities means ?***
2. ***What are the reasons for diversification ?***
3. ***What are the types of diversification of economic activities in rural areas?***
4. ***What (and how) policies promotes the diversification of activities?***
5. ***What are the benefits of diversification in rural areas ?***

1. What does economic diversification means ?

Economic diversification has been used **as a strategy to transform the economy from using a single source to multiple sources of income spread over primary, secondary and tertiary sectors, involving large sections of the population.**

The objective has always been to **improve economic performance for achieving sustainable growth**; for example, building resilience against fluctuations in extra-regional economic activity (Nourse, 1968), **reducing vulnerability to income loss** due to volatility of product price on the market, **creating job opportunities** and **alleviating poverty**.

Source: United Nations -
https://unfccc.int/sites/default/files/resource/Technical%20paper_Economic%20diversification.pdf

1. *What does economic diversification means ?*

- The economic diversification concept **takes account of the size**, presence of multiple specialisations and **linkages among sectors (and industries) within a region's economy to enhance potential for growth and to better resist any future structural changes or economic crises.**

- Economic diversification **implicates that some economic activity is already practiced and a new activity adds to the economic fabric of the company or an area providing income opportunities or security to market changes.**

- Rural diversification therefore is **often synonymic with the innovation of products and services** (Ludvig *et al*. 2014).

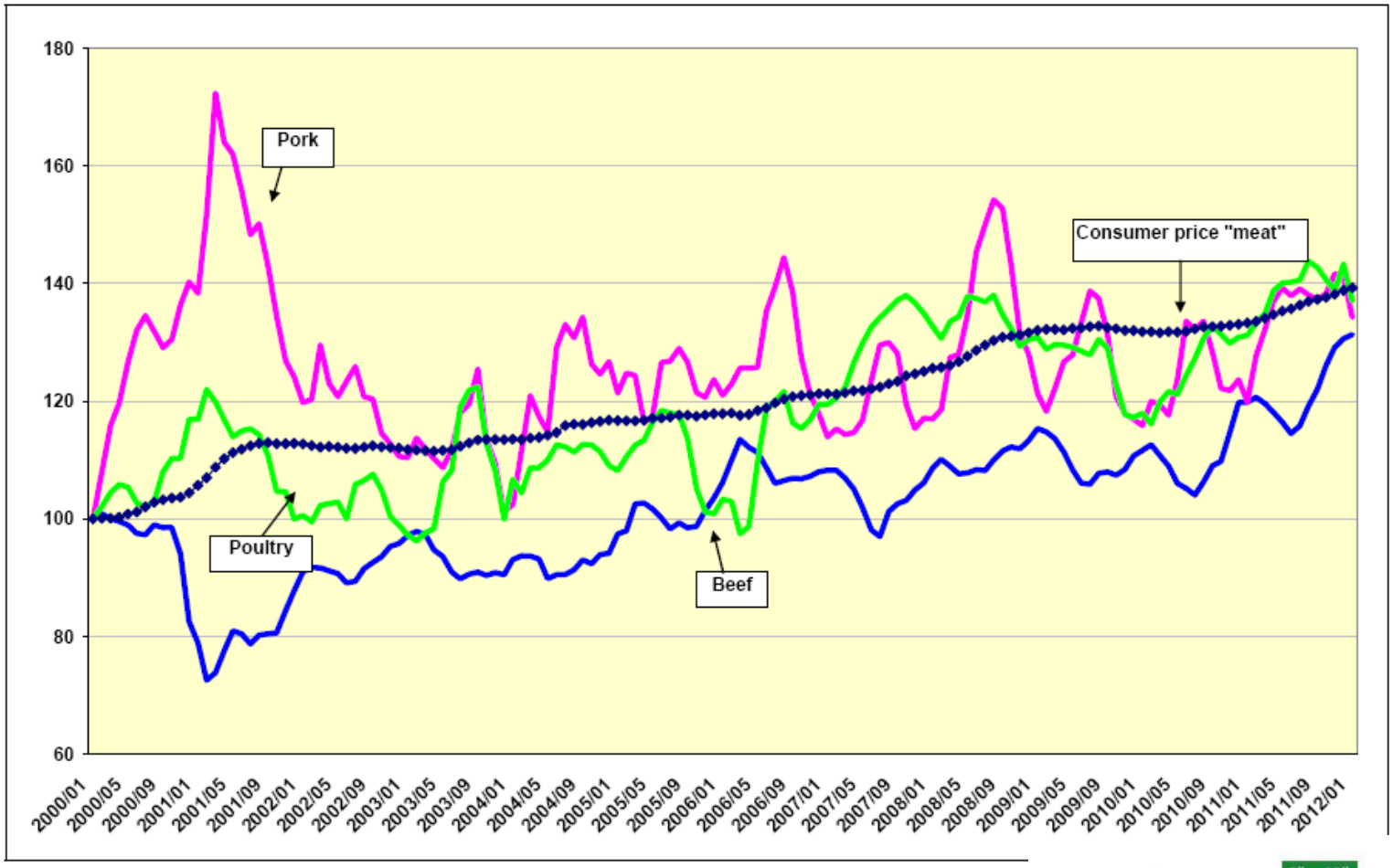
2. *What are the reasons for diversification ?*

- **Agriculture & Rural areas** face a range of challenges **reflecting trends in demographics**, **increasing urbanisation**, and **rural depopulation**

Less competitive areas would face negative impacts, **including marginalisation and land abandonment**

Farmers are often confronted with **substantial changes in the prices they receive for the sale of their agricultural products**, which causes **financial uncertainty about their incomes (price volatility)**

Graph A3: Meat: EU agricultural market and consumer price developments (January 2000 until January 2012, Jan2000=100)



Source: AgriView, Eurostat

2. *What are the reasons for diversification ?*

Risks (especially those related to seasonality)

Climate change

Feeding a growing population

Protecting the environment

Demand-based strategy

Balance the demand crises in the market where it already operates

2. What are the reasons for diversification ?

The Agriculture Policy 'objectives

a) Increase **agricultural productivity**

b) Assure **the availability of supplies**

c) Ensure **Food security** and **that supplies reach** consumers **at reasonable prices**

d) Stabilise **markets**

e) Ensure **a fair standard of living** for the agricultural community

3. What are the types of diversification of economic activities in rural areas?

Diversification single farms level ⇄ **Diversification of the entire local economy (Aggregate)**

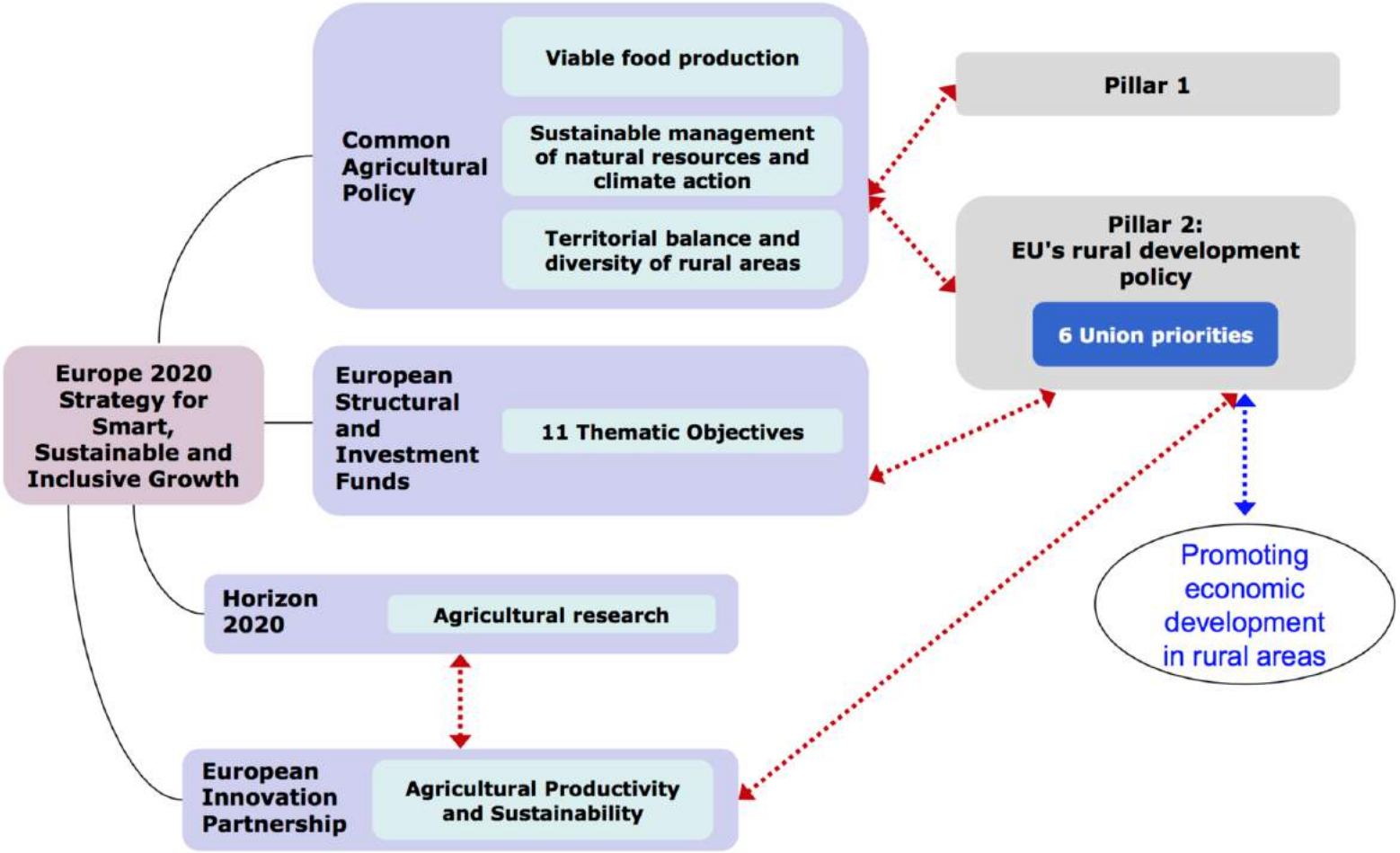
1. **Innovation of existing products/services**
2. **Addition of new products/services**
3. **Substitution of the traditional/conventional products**

The key actors of the process of economic **diversification are not limited to (single) farms, but include businesses and entrepreneurs, decision-makers and politicians**, whose strategies and decisions can better drive and stimulate the diversification process;
the workers and the entire population who on one hand can benefit from this process, but on the other hand **can be active in starting new businesses focused on new products or new services**.

3. What are the types of diversification of economic activities in rural areas?

	Description	***Activities (income producing)***
Deepening (on- farm)	*Moving towards agriculture goods with unconventional characteristics,* ***realising products innovation and product quality valorisation****, or by* ***moving along the supply chain, acquiring production stage down the line*** *(vertical integration)*	• On farm processing • Quality schemes (PDO/PGI/STG) & other national traditional schemes • Organic Faming • Direct Sales (farm shops; farmers' markets, etc.), Ecommerce
Broadening (on- farm)	*Producing* ***activities*** *that can be* ***different and independent from agriculture production***	• Tourism (agro - rural) accommodation and other leisure activities (tasting – food) • Didactic Farms (school programmes) • Environmental – landscape management contracts • Energy production & sale • Wood processing & sale • Contractual work
Re- Grounding (Off – farm)	***Internal inputs*** *(labour, land)* ***can be replaces by external inputs and some family members can works outside the farm***	• Off – farm income • Leasing of land and buildings

4. What (and how)policies promotes the diversification of activities?



Source: European Commission

4. What (and how)policies promotes the diversification of activities?

EU – priority

1) **Knowledge** transfer & Innovation

2) Farm Viability, **competitiveness**, **innovation** farm, technologies, sustainable forest management

3) Food chain organization (**processing/ marketing animal welfare and risk management**)

4) **Restoring, preserving and enhancing ecosystem**

5) Resource efficiency – climate resilient economy

6) **Social inclusion, poverty reduction and economic development in rural areas**

Farm and business development

Measure 6 sub-Measures
M6.1 - Business start-up aid for young farmers
M6.2 - Business start-up aid for non-agricultural activities in rural areas
M6.3 – Business start-up aid for the development of small farms
M6.4 - Investments in creation and development of non-agricultural activities
M6.5 - Payments for small farmers permanently transferring their holding to another farmer

Cooperation

Measure 16 sub-Measures
M16.1 – EIP Operational Groups
M16.2 – Pilot projects
M16.3 – Small operators and rural tourism
M16.4 – Short supply chains & local markets
M16.5 – Environment & climate change
M16.6 – Biomass provision
M16.7 – Non-CLLD strategies
M16.8 – Forest management plans
M16.9 – Diversification & social farming
M16.10 – Other forms of cooperation

Measure 19 – Support for LEADER local development

Sorce: https://enrd.ec.europa.eu/search/site/leader_en - https://enrd.ec.europa.eu/sites/enrd/files/tg_ruralbusinesses_rdp_analysis.pdf

5. What are the benefits of economic diversifications?

Economical - Political Legal - Socio cultural: an interdisciplinary approach

- Contribution **to total income** (increasing profitability)
- Adding **VALUE** to the products /**REPUTATION**/areas (quality schemes - innovation)
- Positive contribution to rural development
- Development of economies of scope (r. production costs)
- Local labour market

Techological

- Improve Food requirement standards - Sanitary
- Knowledge of old traditional food technology

- **Slow down the process of marginalization** and abandonment of rural areas
- Attraction of **new inhabitants with diversified skills** and in providing job **opportunities to a higher** selection of inhabitants already living there, reducing the risk of abandonment
- Environmental (rich and different range of landscapes)
- **High level of well educated population** as condition for further professional training
- Better **Innovation capabilities**

- **Preventing the decline of basic services** (health, postal, school)
- Improving **new territorial governance** which promotes the development of the agricultural sector and rural areas.
- Cooperation

(Some) requirements for successful (!?) policies for DIVERSIFICATION

Economical - Political Legal - Socio cultural: an interdisciplinary approach

Investments oriented to diversifications **Improve transport infrastructures and services** **Programmes for micro credits** – (small) - **farms oriented** Support for business creation and rural organisation (start up business) Financial and technical assistance to ensure the sustainability (economics) of diversification	**Bottom-up approach** and promote the creation of **networks/associations among entrepreneurs** Strong involvement of local actors, both public and private firms (public-private partnership) **A multi-sectorial approach and integration (link with the policies of education and territorial marketing)**	Supporting education and training services activities: well focalized target, as women, entrepreneurs, young people, farmers **Marketing Territorial Local – Quality (territorial) brands or labels** Supporting **firms in improving commercialisation and distribution on locally produced goods**. Supporting the creation of Rural and Food Quality districts

Example: Diversification pathways – insights from Italian regions

Italian regions / Farms / Activities

	Aziende (n.)	Funzioni (n.)	in % delle funzioni		
			Deepening	*Broadening*	Altre
Piemonte	6.860	8.998	37,4	54,7	7,9
Valle d'Aosta	384	485	59,2	36,9	3,9
Lombardia	8.415	11.881	42,9	50,3	6,9
Trentino Alto Adige	7.232	9.961	28,6	69,4	2,0
Veneto	5.490	6.986	35,4	59,2	5,4
Friuli-Venezia Giulia	1.904	2.662	42,9	50,2	6,9
Liguria	1.876	3.340	54,8	42,1	3,2
Emilia-Romagna	6.617	8.896	39,7	55,8	4,4
Toscana	7.108	9.298	31,7	64,1	4,2
Umbria	2.151	2.621	24,8	70,4	4,8
Marche	2.519	3.160	33,7	62,3	4,0
Lazio	3.012	3.820	43,1	50,0	6,9
Abruzzo	1.887	2.308	45,3	51,1	3,6
Molise	814	970	27,8	70,2	2,0
Campania	4.790	5.768	56,2	39,4	4,4
Puglia	4.440	5.006	29,5	67,2	3,3
Basilicata	1.504	1.786	43,3	52,5	4,1
Calabria	2.344	2.833	40,0	56,4	3,6
Sicilia	4.007	4.622	36,4	49,7	13,9
Sardegna	2.794	3.438	47,4	47,7	4,9
Italia	76.148	98.839	38,6	56,1	5,3

Source: Henke R and Povellato A. (2013), La diversificazione nelle aziende agricole italiane - INEA

ITALIAN BIO-DISTRICTS DATA

BIO-DISTRICT	MUNICIPALITIES INVOLVED (N°)	SURFACES (Kmq)	POPULATION (N°)	ORGANIC OPERATORS (N°)	ORGANIC USED AGRIC. AREA (HA)
Cilento	32	3.196,00	269.846	400	2.000,00
Grecanico	12	600,00	48.000	250	1.300,00
Via Amerina e Forre	10	428,00	70.000	197	4.266,00
Greve in Chianti	1	169,38	14.351	40	300,00
Chianti storico	1	129,00	2.698	40	390,00
San Gimignano	1	138,60	7.770	42	192,50
Val di Gresta	3	30,25	13.102	55	423,00
Val di Vara	7	345,00	6.368	94	2.386,00
Valli Valdesi	28	1.350,00	55.000	60	640,00
Il Piceno	18	400,27	54.427	60	600,00
Valle Camonica	10	1.335,00	118.000	20	455,00
TOTAL	**123**	**8.121,50**	**659.562**	**1.258**	**12.952,50**

CASE HISTORY: Open Oil Mills

CREATED ON: 1997
LOCATION:
Regional, Umbria
PROMOTER:
Strada dell'Olio Umbria DOP (Umbria PDO Oil Road)

Open Oil Mills of Umbria PDO Oil Road experience meant a structural mutation to many small companies because of the multifunctional twining between food tourism and agriculture created thanks to a sinergic local network (Institutions-Enterprises) and good marketing actions.

Source: FONDAZIONE QUALIVITA

CASE HISTORY:
Open Dairy Farms

Source: FONDAZIONE QUALIVITA

CREATED ON: 2009
LOCATION:
Regional, Emilia-Romagna
PROMOTER:
Parmigiano Reggiano PDO Consortium

Visitors are shown dairy masters at work whilst trasforming milk according to the same ancient gestures during the dairy farms visit in order to get the real productive culture of the territory. To fully complete the promotional event, the "Guide to Parmigiano Reggiano PDO dairy farms" was released on 2016.

Source: FONDAZIONE QUALIVITA

Wine and flavour roads

Itineraries through cultural and environmental values preserved by local farms, created and promoted by local bodies or private organisations in order to spread and commercialize as a touristic offer the typical local food&wine traditions.

- **137** Wine roads
- **53** Flavour roads
- **18** Oil roads
- **1.450** Municipalities involved
- **400** PDO & PGI
- **3.300** Farms

Mortadellabò

CREATED ON: **2012**
LOCATION:
Regional, Bologna
PROMOTER:
Mortadella Bologna PGI Consortium

A four day-long event promoting the distinguishing features and food recipes of Mortadella Bologna PGI engaging stakeholders and fans from all around Italy counting on an enriched programme of cultural events, entertainment and live music.

Consortia events

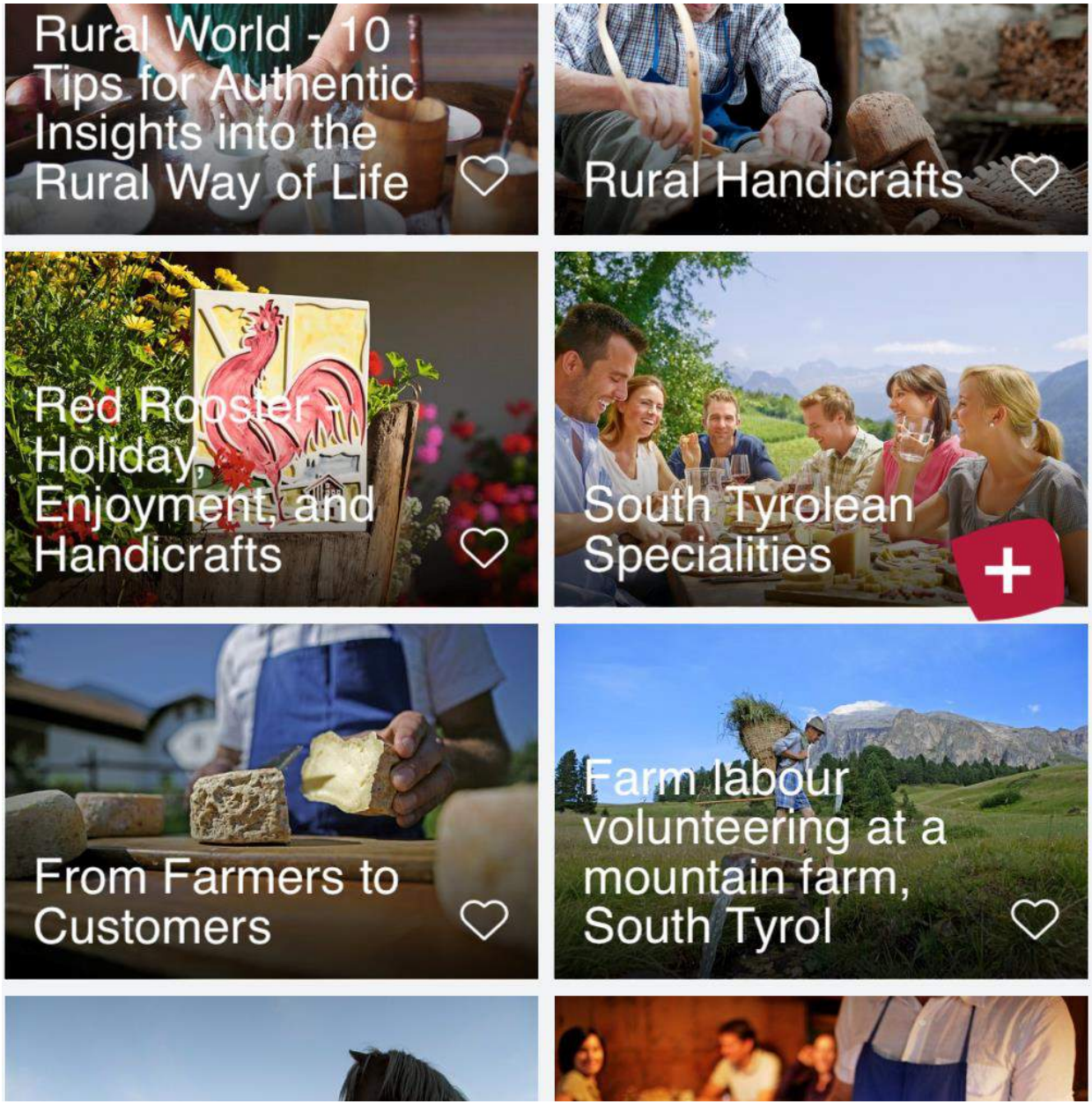
Promotional activities like festivals, celebrations created on the territory by the protection consortia together with the companies to valorise GI products.

- **136** FOOD Consortia
- **109** WINE Consortia

GOALS

- GI product's value spread
- Product promotion
- Training (Producers, consumers, etc.)
- Companies/GI Co-Branding
- Social Cohesion
- Anti-counterfeit Information

Source: FONDAZIONE QUALIVITA



Source: *Source: Downloaded from web*https://www.suedtirol.info/en/this-is-south-tyrol/people/rural-world

BIKE CLUB – RURAL AREAS (9 municipalities involved) – WINE REGION – GEOGRAPHICAL INDICATIONS - FOOD – TOURISM HOSPITALITY

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Many thanks for your attentions

Dr. Paola Corsinovi

Contact: corsinovipaola@gmail.com

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