



Bu proje Avrupa Birliđi ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.



Küçük Çiftçiler İçin Ortak Başvuru Modellerinin Geliştirilmesi
Çalışması İçin Teknik Destek

Report On Collective Models For Development Of Small Farmers

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CONTENTS

01	Contents	2
	1. Executive Summary	7
02.	Overview of the Project	8
	<i>2.1. Structure of the project activities</i>	10
	<i>2.1.1 Realisation of on-the-spot case studies</i>	11
	<i>2.1.2 Regional consultation meetings</i>	19
	<i>2.1.3 Study visit to Italy</i>	21
	<i>2.1.4 Booklets and result sharing meeting</i>	27
03.	<i>Purpose of the Report</i>	28
04.	The concept of “farmer” and access to rural development support in Turkey	29
	<i>4.1 Who is a small farmer?</i>	31
	<i>4.2 The importance of family farms and agroecology for Turkey</i>	32
	<i>4.3 Rural development support for small farmers</i>	36
	<i>4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey</i>	37



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

05	<i>Main terminology and concepts subject to this Project</i>	50
	<i>5.1 Successful Implementation</i>	50
	<i>5.2 Supply Chain</i>	50
	<i>5.3 Value chain and its advantages</i>	54
	<i>5.4 Short Supply Chain</i>	59
	<i>5.5 Farm Partnership and Collective Applications to Rural Development Funds:</i>	65
06	<i>Principles of agricultural financing</i>	67
	<i>6.1 Common Agricultural Policy</i>	68
	<i>6.2 Financial characteristics of agriculture</i>	76
	<i>6.3 Risk and risk management</i>	77
	<i>6.4 Concepts of modern finance applied to agriculture</i>	78
	<i>6.5 Relationships in agricultural finance</i>	81
	<i>6.6 Risk and financial structure</i>	88
	<i>6.7 Investment appraisal</i>	91
	<i>6.8 Public financing of agricultural projects</i>	93
	<i>6.9 Public loans and private credit</i>	94
	<i>6.10 From direct loans to collateral</i>	97
	<i>6.11 Direct public loans</i>	97



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

CONTENTS

07	<i>IPARD Program and National Rural Network Activities</i>	1
		3
	<i>7.1 Overview of the selected cases and their success factors</i>	4
		9
		9
08	<i>Detailed analysis of the obstacles small farmers face in applying to IPARD measures</i>	18
		19
		22
		24
		25
		25
09	<i>Potential of small farmers to work collectively</i>	25
		27
10	<i>Examples of successful collective business models from Europe</i>	30
		35
	<i>10.1 CUMA example in France</i>	
	<i>10.2 COVALPA and AMMP examples from Italy</i>	





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

11 **Examples of successful collective business models in Turkey**

11.1 Participatory guarantee system

in Tahtacıörencik, Gündül, Ankara

11.2 Collective business model for cheese production in Muş

11.3 Collaboration of Amasia

Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

12 **Opportunities for producer organisations for collective investments**

12.1 Joint use of machinery / production facilities

12.2 Collective business to create short value chains

12.3 Collective business to produce higher added value and quality products

13 **The concept of farm partnership, advantages of collective farming and collective applications**

1
3
4
9
9

18
19
22
24
25
25



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14 **Recommendations**

14.1 Recommendations on IPARD	25
procedures regarding short supply	27
chains, collective applications and	30
business partnerships	35

14.2 Recommendations for rural
development supports

14.3 Recommendations on legal
framework

14.4 Taxation suggestions to make
rural development supports more
accessible to small farmers

14.5 Recommendations on
trainings

14.6 Recommendations on
awareness raising

14.7 Recommendations to small
farmers

15 **Conclusion**



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The Project, “Technical Assistance for Study on Development of Collective Application Models for Small Farmers,” has been co-financed by the general budget of the European Union and the Republic of Turkey.

The key stakeholder for this project is the Ministry of Agriculture and Forestry (MoAF).

National Rural Network’s (NRN) thematic studies conclude that small farmers are not able to access or invest in their holdings through the available rural development funds at the desired level. As a result of the studies on small farmers under the National Rural Network, this project was designed and implemented.

The project’s overall objective is to support improving the IPARD program in Turkey. In order to accomplish that objective, field investigation was done in pilot provinces, and questionnaires were conducted. In addition to these, stakeholders, cooperatives, farmers were visited.

The situation has been evaluated, and this report; which focuses on collective development models for small farmers in joint use of machinery/production facilities, short value chains, and higher value products, is being prepared to modify rural development programmes. This report introduces the following aspects of the project; (a) project activities and outputs, (b) principles of agricultural financing in relation to the standard agrarian policy, (c) presents ideal models from Europe and Turkey, (d) discussions about advantages of collective investments and recommendations.

EXECUTIVE SUMMARY





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2. Overview of the Project

Along with Turkey's intent to be included in the European Union began, development projects were implemented with the support of the European Union under the EU's Instrument for Pre-Accession Assistance (IPA) to make progress in various areas.

IPARD is the sub-component allocated to rural development related to this project. The funds allocated to IPARD reaches its beneficiaries by the "Managing Authority for EU Structural Adjustment" and "Agriculture and Rural Development Support Institution (ARDSI)" through the Republic of Turkey Ministry of Agriculture and Forestry.

The main goals of IPARD are; (a) to bring the EU approach, and best practices in rural development to Turkey, and (b) to ensure that some activities carried out in the EU are implemented in Turkey.

The National Rural Network (UKA) project, which its primary purpose is the transferring of information, exchange of experience, and cooperation between local rural development actors, and which has been implemented in all European Union countries since 2013, has also been implemented in Turkey since 28 November 2017 under the IPARD Fund.

2. OVERVIEW OF THE PROJECT





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2. Overview of the Project

Considering Turkey's rural development priorities, eight thematic working groups were established, and workshops were held under the UKA project.

"The Thematic Working Group on Small Support" has worked to identify agricultural enterprises that cannot benefit from existing rural development programs and to propose a support system that includes them. In order to help small farms, which are the target group of this study, to benefit more from rural development support, it became necessary to conduct field research, mobilize stakeholders, study the best practices in the EU, shed light on other farms by presenting the good models applied in Turkey and make proposals to improve support systems. As a result, the project "Development of Common Application Models for Small Farmers" was conceived.

2. OVERVIEW OF THE PROJECT





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2.1. Structure of the Project Activities

The structure of the project allows this report to be prepared upon solid basis. In line with the requirements of the project, the Contractor have realised **nine on-the-spot case studies** to six pilot provinces (Amasya, Ankara, Balıkesir, Bursa, Hatay, Muş), meeting small farmers who are active in rural development sector and beneficiaries of rural development supports such as small farmers, cooperatives, unions and associations. Moreover, **three regional consultation meetings** were organised, bringing many different actors together and forming an information-sharing platform. **Three booklets were prepared** to introduce the concepts and successful models on short supply chains, farm partnerships and collective applications to rural development supports. Study visit to Italy was organised to experience the good practices in Europe and discuss models that may be applicable to Turkey.

Main output of this project is a **comprehensive report** which reflects the efforts dedicated to completing the project activities, outputs produced, introduce useful applications and make recommendations to make rural development supports more accessible for the small farmers. Considering the best practices of Europe, evaluating the needs of sector and actors in Turkey, recommendations are provided in this report to support the improvement of next IPARD program and its accessibility by small-sized agricultural holdings.

2. OVERVIEW OF THE PROJECT



2.1.1 Realisation of on-the-spot case studies



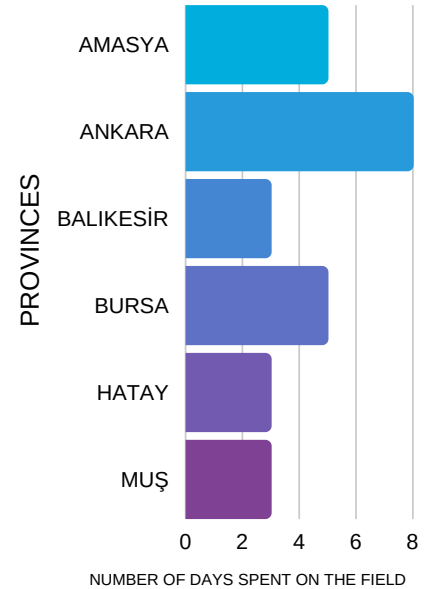
In addition to the impressions and recommendations of the stakeholders in the provinces, the visits aim to collect and evaluate the experiences of farms and cooperatives that serve as examples of good practice. In Ankara, Amasya, Balıkesir, Bursa, Hatay, and Muş, which were selected as pilot provinces, small farms' difficulties and needs in applying for funding were discussed with actors working in the field of rural development. In addition to the stakeholder visits, surveys were conducted with farms or cooperatives that are considered examples of good practice and applying for rural development funds. The application process, the difficulties they faced, and the investments made with the funding were recorded. In addition, small-scale, subsistence or semi-subsistence farmers in the provinces of Amasya, Ankara, Bursa, and Muş were interviewed, and the problems and deterrent reasons they often encountered when applying for grants and subsidies were discussed.



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2.1.1 Realisation of on-the-spot case studies

The visits and interviews conducted as part of this activity are to reflect the experiences on the ground in this report realistically and provide suggestions on the points identified as critical. In other words, the information gathered from the interviews will help to understand and assess the problems and present a solution-oriented proposal or model. Critical points maintained from the meetings in 6 pilot provinces can be summarized as the following:



PROVINCES	NUMBER OF DAYS SPENT ON THE FIELD	ACTORS VISITED
AMASYA	5	5 stakeholders, 1 Association, 1 woman's cooperative, 1 Local Action Group, 1 successful agricultural holding and 4 farmers were visited
ANKARA	8	8 stakeholders, 6 Local Action Groups (LAG), 1 agricultural development cooperative and 1 successful agricultural holding and 25 farmers were visited
BALIKESİR	3	2 stakeholders and 1 successful agricultural holding were visited
BURSA	5	8 stakeholders, 1 Association and 1 successful agricultural holding and 9 farmers were visited
HATAY	3	2 stakeholders and 1 successful agricultural holding were visited
MUŞ	3	2 stakeholders and 1 successful agricultural holding were visited

2. OVERVIEW OF THE PROJECT





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2. OVERVIEW OF THE PROJECT

2.1.1 Realisation of on-the-spot case studies

Small farmers mentioned that biggest problem small farmers face in applying to rural development and IPARD supports is understanding the application documents and opportunities or lacking the education and technical information to complete the necessary documents. Another critical problem is lack of owner's capital which is necessary to allocate for the investment projects. Fear of not succeeding despite the capital spent also prevents the target group from taking risk and applying for bank loans. When the small farmers were asked about the reasons about not receiving any collective applications by small farmers to the rural development supports, their impression was that the target group had hardships in managing a business together. A supporting secondary fact was lack of trust.

Successful agricultural holdings which applied and received investment supports answered some questions for us during the meetings. In the light of comments from the small farmers, it was reasonable to evaluate the owner's capital and loan status of the successful implementations.

The average investment amount of the successful implementations are close to 1 million TL and bank loans are very limited. Considering the loan amounts received from the bank, it can be concluded that these enterprises had owner's capital to realise the investment. This may be a supporting argument that agricultural holdings who have capital have higher intention to apply for rural development supports and invest in their business.



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2.1.1 Realisation of on-the-spot case studies

	What was the total amount of your investment project? (Project amount)	How much of the total amount was provided by you? (Equity capital)	How much was the bank loan you got? (TL) (Bank debt)	How much was the public contribution you received (TL) (Public Contribution)
AFŞAR BALA'M COOPERATIVE	₺450,000	₺45,000	₺45,000	₺360,000
AYAS AKKAYA COOPERATIVE	₺1,200,000	₺0	₺0	₺0
HARŞENA APİTHERAPY (HONEY PRODUCTION)	₺100,000	₺0	₺45,000	₺55,000
AMESİA BEE WOMEN'S COOPERATIVE	₺235,000	₺0	₺0	₺235,000
GÖKÖZ RURAL TOURISM MANAGEMENT	₺1,350,000	₺748,000	₺301,000	₺301,000
NALÇABASMAZ OLİVE OİL PROCESSİNG	₺1,500,000	₺975,000	₺0	₺525,000
BOZTEPE OLİVE OİL PROCESSİNG	₺1,200,000	₺540,000	₺0	₺660,000
TEKTAŞ MİLK PROCESSİNG	₺1,000,000	₺4,000	₺0	₺996,000
AVERAGE	₺879,375	₺289,000	₺48,875	₺391,500

Furthermore, the Contractor applies farmer surveys to understand the general view of farmers and what obstacles they face in applications of rural development supports. The Beneficiary's expectation was to receive 30 surveys from Amasya, 40 surveys from Ankara and Bursa each. The Contractor contacted and followed up with the small farmers in those provinces and received a total of 546 surveys from farmers. Ankara province provided 109, Bursa provided 148, Amasya provided 265 and Muş provided 26 completed surveys. The results below are evaluations of the 546 surveys in total and do not reflect all of Turkey.

2. OVERVIEW OF THE PROJECT



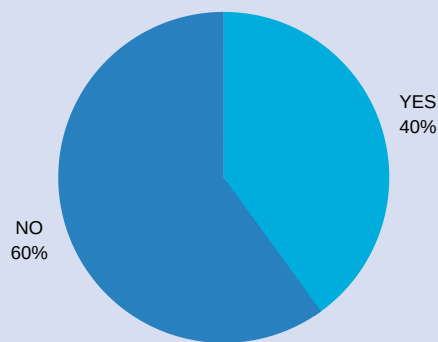


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2.1.1 Realisation of on-the-spot case studies

2. OVERVIEW OF THE PROJECT

HAVE YOU APPLIED FOR AGRICULTURAL SUPPORT TO ESTABLISH AND MODERNIZE AN AGRICULTURAL ENTERPRISE OR DEVELOP CAPACITY BY SANCTIONING MACHINERY AND EQUIPMENT?



COMMENT

The project "Developing common models for Small Farmers" was born based on the argument that small-scale agricultural enterprises applied to rural development support, especially IPARD, in a small number as a starting point. The survey shows that 60% of the respondents did not seek the help of any institution to invest in their business.

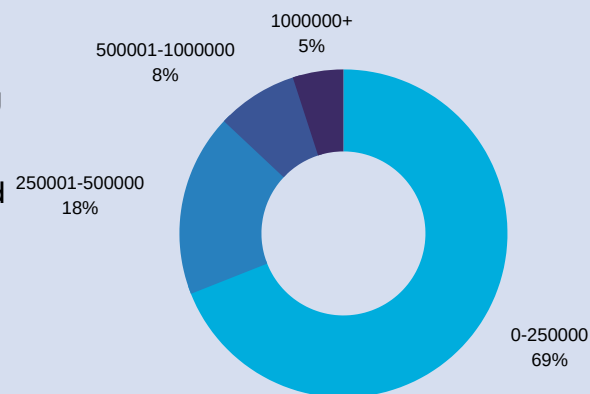
COMMENT

Since turnover includes farm expenses, the amount the farmer receives to live on can only be observed when these expenses are incurred. Considering the accounting habits of small farmers, the survey asked for the amount of turnover and not the annual profit.

It was found that 69% of the 546 farms that participated in the survey had an annual turnover of less than 250,000TL.

So, it can be said that the study reached the small farmers, the project's target group. At the same time, this statistic shows that "insufficient equity," one of the significant reasons for not applying for grants, can be a common challenge in discussions with stakeholders, cooperatives, and enterprises under Activity 1.

ANNUAL AVERAGE TURNOVER (TL)



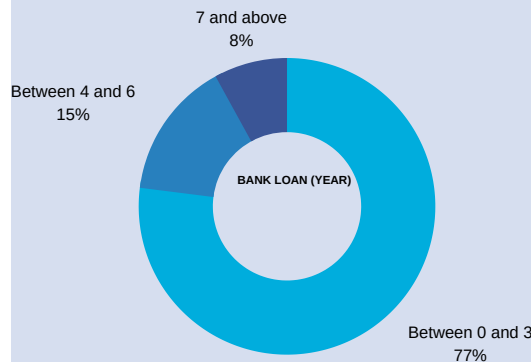


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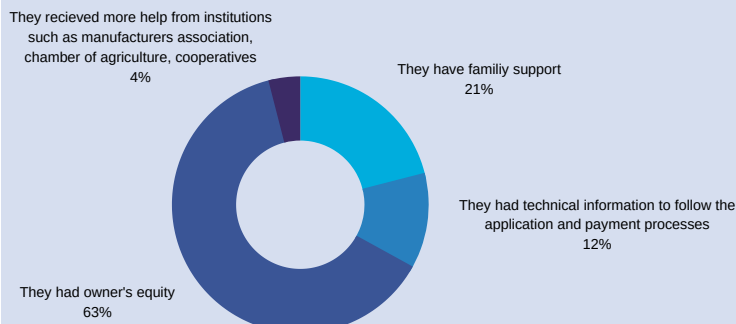
2.1.1 Realisation of on-the-spot case studies

2. OVERVIEW OF THE PROJECT

WHEN WAS THE LAST TIME YOU TOOK OUT A BANK LOAN?



WHAT FACTORS CONTRIBUTE TO THOSE WHO APPLY TO IPARD AND RECEIVE A GRANT COMPLETING THE PROJECT PROCESS?



COMMENT

The fact that 77% of the participants have used loans in the last three years can be considered as a lack of livelihood or equity capital. On the right, statistics are presented in which it is observed that the beneficiaries of the IPARD grant are vital in terms of equity. 63% of the participants stated that those who benefited from the IPARD grant had their capital, and 21% indicated that they received family support. Accordingly, a total of 84% of the participants emphasized that, unlike themselves, the applicants had access to the necessary capital for investments.

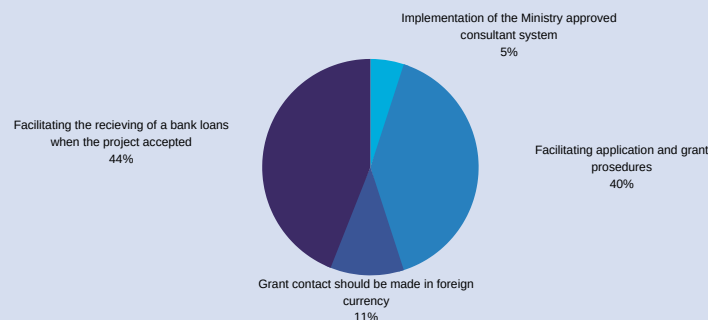
These graphs support the argument that small-scale enterprises with high debt ratios and low equity capital apply to rural development supports in small numbers.

COMMENT

Asking the stakeholders, "Which of the following reasons do you think explains the low participation of small farmers in rural development supports or IPARD supports?" The answers given to the question are graphed under the heading 5.1. The most important reason was "lack of basic education and/or technical knowledge to understand the opportunities and application patterns." Other vital reasons came to the fore as "equity constraint" and "not wanting to take risks due to fear of failure."

Similarly, this chart points out that small-scale enterprises' applications to rural development support can be increased if credit is facilitated. The suggestion of "facilitating the procedure," which is reflected in the results at a rate of 40%, supports the "fear of failure" and "not understanding the templates."

WHAT ARE YOUR SUGGESTIONS TO MAKE IT EASIER TO APPLY FOR THE IPARD PROGRAM?

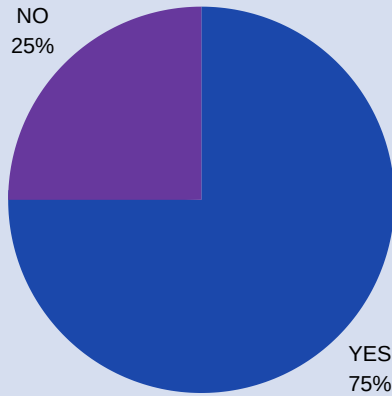




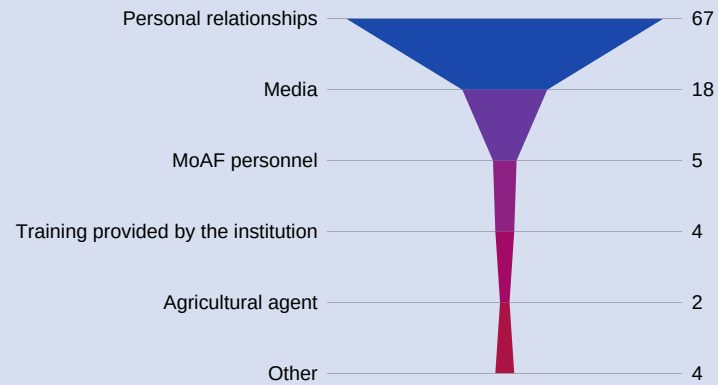
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2.1.1 Realisation of on-the-spot case studies

DO YOU KNOW THAT THE IPARD PROGRAM GRANTS RURAL DEVELOPMENT INVESTMENTS?



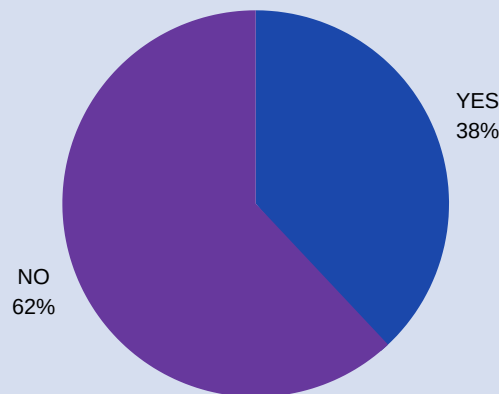
IF YOU KNOW THAT THE IPARD PROGRAM PROVIDES GRANTS, HOW DID YOU FIND OUT ABOUT IT?



COMMENT

The above charts clarify that the project's target group does not know enough about IPARD and its measures. When participants were asked through which channel they found out about IPARD, 67 % said it was through personal relations. The fact that 29 % of participants are informed through institutions, media, or advisors may suggest that it could be beneficial for institutions to develop new strategies to increase communication with farmers and make arrangements to prioritize field visits and accessibility in their daily operations.

WOULD YOU CONSIDER PARTNERING WITH OTHER PEOPLE ON YOUR LAND OR MACHINERY TO REDUCE THE INVESTMENT BURDEN?



COMMENT

The above diagrams assess the "sharing and/or farm" issues the project addresses. 62% of the participants said they did not prefer sharing the land or farm machinery.

2. OVERVIEW OF THE PROJECT

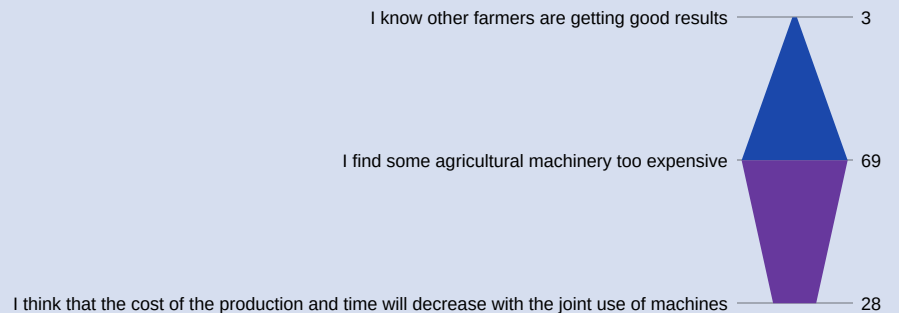




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2.1.1 Realisation of on-the-spot case studies

IF YOUR ANSWER IS "YES", WHAT IS THE MAIN REASON?

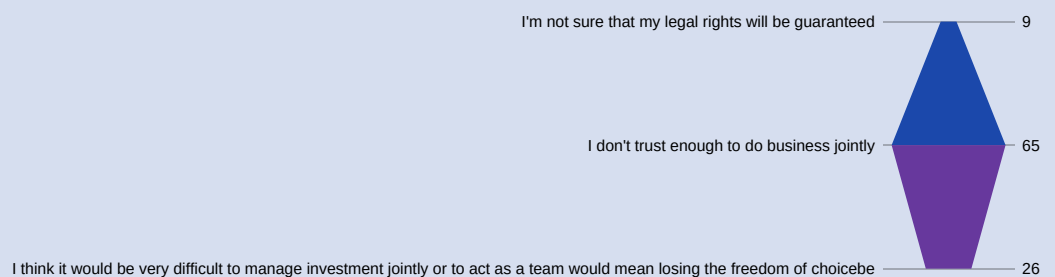


COMMENT

65% of those who were negative about sharing emphasized a lack of trust. The second significant reason is that it is difficult to manage the joint investment.

This finding is also consistent with the responses from the small farmers interviews. The small farmer interviews asked, "What factors do you think to discourage small farmers from applying jointly for rural development or IPARD funding?" This question is explored under heading 5.1, and from the responses, it appears that the two significant reasons are "lack of confidence" and "difficulty in managing joint investments." It is found that only 38% of entrepreneurs have a positive attitude towards collective work to reduce investment or production costs. Despite the low returns and lack of equity highlighted in the previous charts, joint management practices have not taken hold due to the elements of trust and cooperation

IF YOUR ANSWER IS "NO", WHAT IS THE MAIN REASON?





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2.1.2 Regional consultation meetings

The project considered the realization of three consultation meetings to bring sector actors together.

The Contractor structured the meetings so that the essential stakeholders came to speak to introduce their support programs and participate in the discussions with farmers when asked questions.

These meetings raised awareness among potential beneficiaries of subsidies and provided farmers with answers and contacts from whom they could receive guidance.

Successful implementations which applied and received support from IPARD or other funds made presentations to create synergy and show what can be accomplished.

Important EU examples were introduced; farmers, cooperatives, associations took the word and explained their efforts, targets, and the problems they have faced. Mutual discussions were facilitated, stakeholders were once again made aware of the local potential and motivated to act together to support small-scale farmers in their regions.

2. OVERVIEW OF THE PROJECT



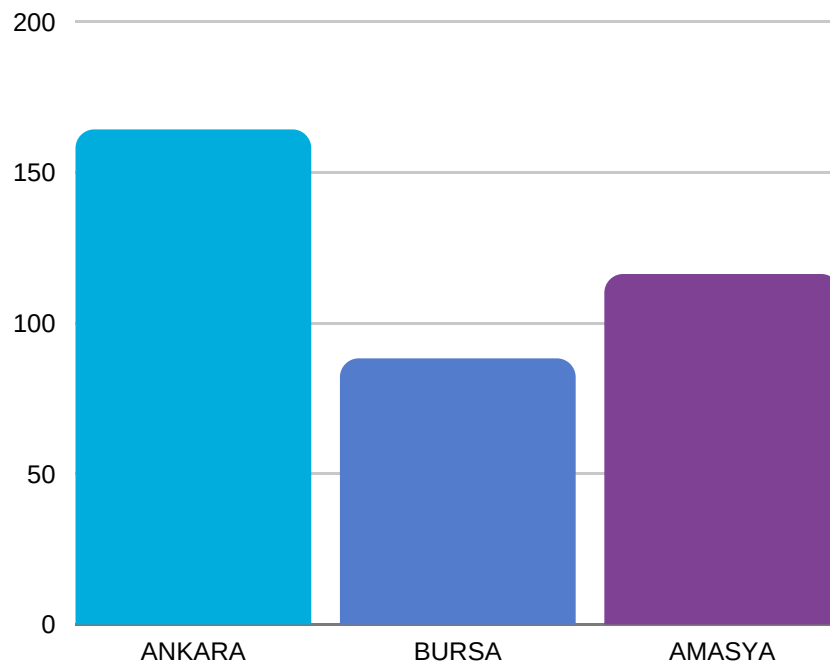


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2.1.2 Regional Consultation Meetings

Three online regional consultation meetings have been organized in Amasya, Ankara, and Bursa.

- Amasya meeting took place on 27.04.2021 and 28.04.2021 with the participation of 116 people,
- Bursa meeting took place on 29.04.2021 and 30.04.2021 with the participation of 88 people,
- Ankara meeting took place on 03.05.2021 and 04.05.2021 with the participation of 164 people.



Each meeting exceeded the initial expectation of 45 participants in the Terms of Reference, was recorded and edited, and three web news were prepared to disseminate the activities.



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2. OVERVIEW OF THE PROJECT

2.1.3 Study Visit to Italy

Activity 3 aims to study, observe and discuss European Union practices related to smallholder farmers and short supply chains. In this context, visits were made with a team of six from the EU Structural Adjustment Agency to policymakers and implementing agencies in Italy and cooperatives that are examples of good practice. Procedures, experiences, and application systems were exchanged, and suggestions were taken on board. The institutions where the meeting took place and their most critical comments are listed below.

- Coltivatori Diretti
- AGEA
- Coopdom SRL
- Bioroma
- AMPP
- COVALPA
- MIPAAF
- SIN
- CREA
- GAL Castelli Romani e Monti Prenestini





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2. OVERVIEW OF THE PROJECT

2.1.3 Study Visit to Italy

Coltivatori Diretti

·Coltivatori Diretti; is an association of "small farmers." Alberto Clementelli, who for 30 years has had the task of supporting small farmers, advising farmers, cooperatives, and associations, and controlling the activities of other agricultural advisors, was interviewed. Mr. Clementelli explained that agricultural extension workers who support smallholder farmers are accredited. The accredited names are recorded in an online system. Therefore, all their activities can be tracked from here. He added that extension workers with a certain level of experience are appointed as supervisors who monitor the activities of the agricultural extension workers assigned to him through the system. He explained that in Italy, licensed agricultural advisors are registered with a bar association. There is a system of sanctions ranging from compensation or disbarment to disbarment if they work inappropriately or unethically. In addition to the extension system, it was mentioned that there are agricultural support centers with comprehensive agricultural data. In these centers, detailed product information of farmers is accessed through the agricultural information system. New data is entered when an update is needed, and thanks to the updated information in the system, subsidies can be granted in a simplified procedure.

AMPP

·AMPP is a vegetable producers' cooperative established with EU funding. It is a cooperative of small farmers focused only on potato production. By supplying their products to Covalpa, they complete the production phase of the supply chain.





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2. OVERVIEW OF THE PROJECT

2.1.3 Study Visit to Italy

AGEA

AGEA; The National Payments Agency, which makes support payments to agricultural enterprises. The agency's director of relations with Brussels (EU), Salvatore Carfi, was interviewed. Under the Small Farmers' Scheme, which the European Union introduced in May 2017 to provide more support to small farmers, a small farm received an allocation of at least €500 and a maximum of €1250 per year. He mentioned that he wanted to reduce the operational and procedural burdens on farmers. He explained that the two significant things that can be included in the legislation of the Republic of Turkey in order to support small farmers are to make the definition of a small farmer. Furthermore, a business partnership/consortium structure can be established with a simple contract with two or three persons to apply for support.

Coopdom SRL

Coopdom SRL; is a distributor of organic vegetables and is a good example of experiencing the short supply chain of small farmers. By supplying 90% of the products with the 0 (zero) km supply chain method, it delivers the organic products grown in the region to institutions such as hospitals, schools, and markets in a fresh way. In addition, they sometimes sell and market these products to supermarkets. Furthermore, they routinely control their producers themselves, raise awareness about agricultural technologies and climate, direct production according to the products needed by the market, and set product sales prices since they can supply high amounts of products.





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2. OVERVIEW OF THE PROJECT

2.1.3 Study Visit to Italy

Bioroma

Bioroma; It is a consortium of small farmers close to Rome. It is a member and product provider of Coopdom. It produces following the criteria stipulated by the organic certificate and national legislation. They stated that they work efficiently because they focus on production without getting tired of production planning, sales, price bargaining, logistics. Since a farmers' cooperative also handles sales and logistics in the supply chain, the smallholders add value and earn money overall.

COVALPA

COVALPA is a farmer's cooperative that produces both vegetables and fruits and buys organic fruits and vegetables from other producer associations through a short supply chain and delivers them to the market. It is the pioneer of short supply and value-added vegetable chains in Italy. One of the critical points stated by the cooperatives is that they have experts called "agricultural scientists" to ensure the quality system and value-added production, and they provide continuous support to the farmers. Another is the achievement of success through the union of farmers, where competition is made through product transformation and diversity. It has been emphasized that the Italian State has undertaken 75% of the social insurance amount paid to the producer members to encourage cooperatives.





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2.1.3 Study Visit to Italy

MIPAAF

MIPAAF; this is the Italian Ministry of Food, Agriculture and Forestry Policy. It was highlighted that administrative procedures have been simplified, controls reduced, and they have not been subjected to grazing and product diversity rules so that small farmers can benefit more from rural development support.

CREA

CREA; It is the National Agricultural Research Institute, a public research institution operating under the Ministry of Agriculture in Italy. It manages the National Rural Network, Integrated Administration and Control System (IACS), and Farm Accounting Data Network (ÇMVA). In addition, there are experimental farms established by CREA on an area of 5300 hectares. It tries to make agriculture more efficient and with technological tools, especially for small farmers, by researching areas such as increasing biodiversity, conducting geographical and technical tests, animal health and welfare, buffalo breeding.

2. OVERVIEW OF THE PROJECT





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

2.1.3 Study Visit to Italy

SIN

SIN; It is the company that provides services to AGEA for CAP (Common Agricultural Policy) controls within the scope of IACS (Integrated Management and Control System). It is stated that an easy application is provided with the data of the national registration system, which contains detailed information for each agricultural enterprise.

GAL Castelli Romani e Monti Prenestini

GAL Castelli Romani e Monti Prenestini is the closest Local Action Group to Rome. Like the LAGs established under IPARD in Turkey, it is an organization that sets local strategies in line with the microclimate, culture, competence, and environmental values of the region and mobilizes stakeholders and farmers. From its establishment until today, it has aimed to improve the quality of products in its region, create tourist maps for cultural, nature, and gastronomic tours, create rural tourism regions through cooperation with other LAGs, and establish farmers' markets along the tourist route so that small farmers can sell their products and local food directly to customers. As a result, significant successes have been achieved.

2. OVERVIEW OF THE PROJECT





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

2.1.4 Booklets and Result Sharing Meeting

The project produced three booklets that explain the concepts, introduce successful models from the EU and Turkey, and provide recommendations. Booklets are focused on; giving information on the project results, on-farm partnership, multi-applicant applications, and short supply chain models. It is intended that these booklets can guide the agricultural holdings of small and medium-sized cooperatives, unions, associations in understanding the concepts, possibilities, and advantages of collaboration, ways to manage business processes collectively. The booklets may also be helpful for the stakeholders in the rural development sector as they can consider these concepts in their local development strategies, introduce a broader range of supports for farmers and cooperatives, including the possibility of collaboration and establishment of short supply chains. Explanations in the booklets were supported with visuals for ease of understanding of target groups. In addition, for the attention of all stakeholders, emphasis was made on the critical importance of stakeholders acting together to guide and support the farmers in their endeavors. A total of 3000 booklets were prepared and submitted to the Beneficiary to be distributed.

2. OVERVIEW OF THE PROJECT





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

3. Purpose of the Report

It seems to be easier for large-scale agricultural holdings to apply for supports and grants as their volume of investment and financial wellbeing allows them to handle the preparations, consultation costs and initial financing. However, like the National Rural Network thematic studies pointed out, improvements can be done to make support more accessible for small-scale agricultural holdings in order to nourish and keep them operating in the sector. The project intends to gather information with hands-on approach through visits to the pilot provinces and meetings with various rural development actors to gain a 360-degree understanding of the problems faced by small-scale agricultural holdings when applying for rural development funding.

This report is the main output of the project. It aims to reflect all efforts to implement the project activities, point out existing problems, and present ideal practices.

This report will briefly introduce the project activities and outputs, provide a few examples of efficient models in the EU and Turkey, and make recommendations to improve the inclusion of small farmers in the rural development support system in Turkey.

3. PURPOSE OF THE REPORT





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4. RURAL DEVELOPMENT

4.The concept of “farmer” and access to rural development support in Turkey

Agriculture is the practice of all activities associated with the cultivation of the soil and the rearing of animals to produce plant and animal products. The term "Çiftçi," translated as "Farmer"; comes from the Ottoman agricultural regulation. It originated in the early stages of the Ottoman empire through the support of settled families who farmed the land with a pair of oxen. Thus, the Farmer was a person or family who received a couple of oxen to cultivate the land.

Over time, the definition of farmer has expanded to include families/individuals engaged in agricultural production apart from the land and in dependence on nature.

The definition of a farmer is included in our legislation as a primary term in the Agriculture Act No. 5488;

"Farmer": Refers to natural and legal persons who are involved in agricultural production permanently or at least during a production or cultivation period as owner, tenant, co-owner, or shareholder.

The same law defines agricultural activity as "all types of production, cultivation, processing and marketing activities carried out using natural resources in conjunction with appropriate inputs."





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.The concept of “farmer” and access to rural development support in Turkey

The Agriculture Act also defines the term "agricultural enterprise": "Use of factors of production; defined as an enterprise engaged in an agricultural activity for the production of crop and/or livestock and/or aquatic products, or engaged in processing, storage, preservation, and marketing activities in addition to this agricultural activity.

Turkey's tax legislation defines "agricultural activity" rather than defining the “farmer” directly. This definition is set out in Article 52 of the Income Tax Act as follows;

"Agricultural activity is; harvesting, hunting, preserving, transporting or selling of plants, forests, animals, fish and their products by planting, tending, producing, cultivating and improving on land, in seas, lakes, and rivers or by direct use of nature, and other uses of these products by the hunters and producers."

Thus, the definition accepts those engaged in these operations as farmers.

In light of the statements in both laws, it is safe to point out that the definition describes the activity instead of describing the term “farmer”.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.1 Who is Small Farmer?

The target group addressed by the project is referred to as "family businesses." However, in a narrower sense, there is no legal or official definition of agricultural activity of "small farmer." Only in the "Income Tax Act" are definitions made according to the type and scope of agricultural activity and the amount of income generated from it.

The definition of small farmers varies across countries depending on agricultural capacity, land distribution, production technology, support policies, and agricultural activity strategy. A general definition of the term "small farmer" is not to be found in our legislation.

Since farming is primarily a labour-intensive and rural activity, it is practiced as a "family business." For this reason, the definition of a small farmer considers the family farm's capacity. Due to this, there is no definition of a small farmer in the Agriculture Act No. 5488.

In addition to that, the definition of agricultural activity exempts from tax, rather than small-scale farming, was established.

Turkish tax legislation (GVK Article 53) states that the family farm is taken into account in determining small farming, and this legislation says that "in applying this provision, the farms of the spouse and the custodial children living with the head of the family (householder) are taken into account jointly." For that reason, the family farm is taken into account when defining the policy and strategy for agricultural activities.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.2 The importance of family farms and agroecology for Turkey

Small-scale farming, which is the main subject of our project, refers to "family farming." Family farming can also be called "human-scale agriculture." It is the most fundamental component of food systems around the world. The Food and Agriculture Organisation (FAO) figures for 2019 show that family farms still feed the world. The fact that individuals and families own more than 90% of the world's farms, family farms manage 70% to 80% of the total agricultural land and produce about 80% of the world's food shows the importance of smallholder farmers, who are the most fundamental component of food systems.

According to the FAO, family farming promotes social justice, nurtures cultural identities, and economically strengthens rural areas. Because of this strategic importance, the United Nations has declared 2019-2028 the "Decade of Family Farming."

"Who Will Feed Us?" published by ETC Group in 2017. According to the report "Farmers Food Network and Industrial Food Chain," producers serving the industrial food system use more than 75% of the world's agricultural land, 80% of agricultural water, and 90% of fossil fuels while providing food for less than 30% of the world's population.

On the other hand, small-scale family farms use less than 25% of agricultural resources to provide food for more than 70% of the world's population. Today, as we reach the ecological limits of our planet, family farming, local food networks, and local communities have regained importance



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.2 The importance of family farms and agroecology for Turkey

Small-scale farming, when supported by direct sales channels, enables the development of an agroecological food system. Agroecology encompasses a set of principles and practices that aim to balance the processes of food production, supply, and consumption in a way that is ecologically sensitive, economically viable, and socially just.

The report "Agroecology and the Right to Food," prepared by UN Special Rapporteur Olivier De Schutter in 2011 based on scientific data, found that agricultural productivity increased by an average of 80% with agroecological projects implemented in 57 developing countries and that agroecological methods can produce food within ten years if supported. In addition, it has been shown to double in-country volumes, slow climate change, and reduce rural poverty.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.2 The importance of family farms and agroecology for Turkey

According to the "Ten Years of Agroecology in Europe" scenario presented in 2014 by the research organization IDDRI (<https://www.iddri.org>), a Europe that adopts agroecological practices in 2050 can sustainably feed 530 million Europeans. It can reduce its ecological footprint, cut agricultural greenhouse gas emissions by 40%, and contribute to restoring biodiversity and conserving natural resources.



For this reason, it is crucial to promote the knowledge and experience of small farmers in the field of agroecology to contribute to rural development by increasing the income of small farmers and protecting the environment.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.2 The importance of family farms and agroecology for Turkey

If we look at the basic data on small-scale agriculture in Turkey: According to 2014 TUIK data, the average size of farms in Turkey is 6.8 hectares. The average land actively engaged in agricultural production is about 9.1 hectares (Credit Bureau, 2019). According to the 2019 Farmer Registration System data, the total number of farms is 2,350,000. The number of farms smaller than 20 hectares is 850,000. Assuming that these farms consist of 5 people on average, it can be assumed that a total of 4,250,000 people in Turkey live or contribute to their livelihood on land smaller than 20 hectares. 4,250,000 is a significant figure for the agricultural sector. It can be deduced from this that family farming is still a significant component of the food system in Turkey. Despite all difficulties, the population that maintains this mode of production is crucial for the independence of agriculture and food systems in Turkey at all levels. Supporting family farmers in Turkey and strengthening short supply networks and local markets will meet the reliable food needs of the urban population and enable the rural population to become socially, economically, and culturally stronger.

This production model, which can evolve with innovative agroecological practices by creating production systems resilient to changing external conditions, will ensure food security in disaster situations such as pandemics and climate crises or the face of potential economic and social crises.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4. RURAL DEVELOPMENT

4.3 Rural Development Support for Small Farmers

The Agriculture Act has given the Ministry significant and wide-ranging powers in general agricultural activities and agricultural promotion. These include farmer training, publishing, local service practices, support payments, and the supervision and promotion of organizational agriculture. Nowadays, through Rural Development Investment Support Programme of the Ministry of Agriculture and Forestry, and the IPARD programme of Agriculture and Rural Development Support Institution (ARDSI), the Republic of Turkey supports farmers in setting up their farms, modernizing them, and improving their capacities. In addition, the Development Agencies also provide support to non-profit institutions and organizations in a similar way.

The Agriculture Act came into operation in 2006 and aimed to guarantee the coordination of policies implemented in previous periods and measures to be implemented. The activity of supporting and spreading the organization in agriculture was already present before this date. Law No. 5449 on the establishments of development agencies was also enacted in 2006, i.e., before the Agriculture Law. Although the primary purpose of the agencies is to organize agricultural development at the local level, the implementation and coordination of the regional programs implemented in the regions within the framework of the financial cooperation between Turkey and the European Union have been transferred to these agencies by the provisional Article 3 of Law No. 5449.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

The agricultural sector was the primary element of tax even before the Republic

Before the Republic and in the early days of the Republic, when there was no industrial sector, and it was associated with agricultural production, taxation in agriculture was done directly through the producer and the intermediary/distributor.

01

The application of the tithe (one-tenth), which was valid for the taxation of agriculture in the pre-republican period, was removed entirely with the new order because of its injustice and failure.

02

The fact that the last period Ottoman economy was primarily based on agriculture led to testing various agriculture taxation methods. Taxes arising from agricultural activities were also used as collateral to finance foreign borrowings.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

03

-During this period, tax farming came to the fore. In taxation, the "tax farming method" has been a method in which the producer directly pays the tax of some of the goods he produces "in-kind" (i.e., as a product). In the Ottoman Empire, the tax farming method is the state's transferring the "collection authority" to a person or company (taxpayer) with a tender for a period of 1-3 years, in return for a specific price, and receiving a fee from the tax collector in advance.

The tax collector, who won the tender, would go to the region responsible for collecting taxes with the people he hired.

04

- The first tax law in the founding of the Republic was enacted as "agname tax" (tax on animal property). The word 'agname,' which is an Arabic origin word, means sheep. Taxes are taken from small cattle such as sheep and goats in the Ottoman Empire. This tax, which primarily affected Nomads dealing with sheep and goat breeding in the Ottoman period, was taken every spring. In calculating the net tax collected according to the number of newborn lambs and kids, newborn animals were counted as one with their offspring. In 1920, it was approved by the Turkish Grand National Assembly by voting again. Thus, it was the first law passed by the Turkish Grand National Assembly.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

05

In the Republican era, due to the need for agricultural production, the need for support in agriculture preceded taxation efforts. It was important to support agriculture financially (through credit), and a marketing system was tried to establish the products produced.

06

While the 2nd world war was going on in the world, although Turkey did not enter the war, there was a significant decrease in agricultural production due to the concentration of conscription, and most of the crops were used as military stocks

07

In the 1940s, land distribution policies came to the forefront with the idea of preventing migration to the cities, abolishing the landlord order, and making agriculture in the broader area, but this policy could not be productive due to the resistance in the society.

08

Between 1950 and 1955, although the understanding of mechanization and capitalization in agriculture came to the fore with the influence of foreign supports, it could not be successful due to political developments.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

09

As a method of taxation in agriculture, the "Tahrir" (register) method was initially used, and attempts were made to tax by recording production. The Tahrir method was also used for land taxation. However, when a positive result could not be obtained due to the prevalence of agricultural activity and the large number and unorganized nature of producers in the sector, the "estimation method" was also applied. In this method, production was not recorded, but expert commissions estimated the possible production volume.

10

According to the procedural law applied today, taxation has turned into a "declaration" system. In this system, the farmer provides input to tax by declaring the production amount and value himself.

11

Since taxation in agriculture is a sensitive issue, not all agricultural activities were covered by the tax. For this reason, the "small farmer exemption" application was introduced in Income Tax Law No. 193. This system, implemented until 1999, exempted farmers whose agricultural activity size and agricultural income were below a specific limit from tax.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

12

The small farmer exemption concept defined in Articles 10 to 14 of the Income Tax Law was abolished as of July 1998, and all agricultural earnings of small farmers without discrimination were taxed with withholding according to Article 94 of the Law.

13

Before 1998, there was a triple separation in the taxation of agricultural earnings;

- Small farmer exemption
- Taxation on the lump sum expense method
- Taxation in the natural method (in the agricultural enterprise account or optionally in the balance sheet method)

In this taxation methodology, there was an exemption for farmers who fell below the limits determined in the Law, while those who exceeded the size of the enterprise or exceeded a certain amount of revenue were taxed in the actual method (based on the enterprise account or balance sheet method).

(Even if the institutions like capital companies are engaged in agricultural activities, their earnings are considered commercial income. Because capital companies are elements of the Commercial Law and all their actions are subject to the provisions of commercial income.)



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

13

This form of implementation was changed as of the beginning of 1998, the small farmer exemption and lump-sum expense method were abolished, the taxation methodology;

- Taxation of agricultural earnings through withholding (the method of withholding tax on agricultural product sales)
- Under the method, taxation (based on the enterprise account or balance sheet) has been changed to the agricultural enterprise account or balance sheet method (under this method, agricultural enterprises that exceed the size and height specified in the law are kept in the agrarian enterprise account or balance sheet).

This is since agricultural activities are predominantly carried out in rural areas, the difficulties in determining the small farmer exemption measures in family businesses, the difficulty in determining the agrarian revenue, and the procedures for dividing the income. Instead of taxation by determining payment, it is considered as a more manageable and less costly method to collect tax through withholding on sales and deliveries.

In the method of taxation based on the "revenue determination" applied in the past, a lump-sum expense of 70 to 85% of the revenue - depending on the type of activity - was used, and a gain of 30% to 15% of the revenue was taken as a basis for taxation. However, since sales and deliveries are made under different names, the system has evolved into the withholding method, considering that there is a significant tax loss.

Thus, the farmer's sales, which were not taxed in the method, were subject to withholding between 1% and 4%, depending on the type of agricultural product and whether it was traded on the commodity exchange, according to Article 94 of the Income Tax Law. It doesn't matter to whom the sale is made.

Taxation through withholding is the ultimate tax burden for the farmer.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

14

The form of taxation of agricultural activity is regulated in Article 53 of the Income Tax Law. In the application of this provision, the size of the enterprise is taken into account collectively in enterprises owned by the spouse and children under custody living with the head of the family and in enterprises in partnership. In partnerships, it does not change the situation if the partnership is related to more than one business or if the businesses are located in separate places. Even if the company belongs to more than one partnership, the size of the business belonging to these partnerships is considered by adding up in the single businesses mentioned in Article 52. The total of the partnership shares is taken to determine the size of the enterprises of those who have partnerships with different individuals in more than one agricultural enterprise.

If the agricultural activities that fall under several of the agrarian groups mentioned in Article 54 are carried out together, the enterprises belonging to two groups at most, exceeding half of the limits determined for these groups, are taxed in the method.

Even though both business and the partnerships in which he is involved are below the size of the independent company, the farmers whose shares in the business he owns and, in the partnerships, exceed this limit are taxed in the method. Other partners whose total shares do not exceed the measures are taxed through withholding. Participation is considered a partnership.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

14

Farmers whose earnings are not taxed in the method can switch to the method at the beginning of the following taxation period if they make a written request from the tax office.

Those who exceed the criteria written in Article 54 in procedure from the beginning of the following taxation period; Those who fall below these criteria, subject to the policy, are taxed by withholding their revenues from the beginning of the next taxation period.

Farmers who do not comply with the obligations of receiving, giving, keeping, and submitting documents under the provisions of the Tax Procedure Law cannot benefit from in-kind and cash support items such as advances, loans, subsidies, premiums given by various public institutions, and organizations.

The Ministry of Finance determines the procedures regarding implementing this provision by taking the opinions of the relevant institutions.

There are two important issues to consider here;

- If agricultural activities that fall within several of the agrarian groups (determined for the size of the enterprise) are carried out together, the enterprise sizes belonging to at most two groups and those exceeding half of the limits specified for these groups are taxed in the method. (Two halves count as one whole.)
- In enterprises owned by the spouse and children under custody living with the head of the family, and in enterprises in partnership, the size of the enterprise is taken into account collectively. (In partnerships, the fact that the partnership is related to more than one business or that the businesses are located in separate locations does not change the situation.)



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

15

14- The definition of agricultural activity and income in taxation is made in Article 52 of the Law. According to this regulation, the definition of agricultural activity is as follows:

"The income arising from the agricultural activity generates is agricultural income. Agricultural activity is; harvesting, hunting, preserving, transporting or selling of plants, forests, animals, fish and their products by planting, tending, producing, cultivating and improving on land, in seas, lakes, and rivers or by direct use of nature, and other uses of these products by the hunters and producers."

The point that draws attention here is that capital organizations (collective and limited partnership companies and other capital companies) will not be taxed as farmers in tax applications. In capital organizations, even if the type of activity is agricultural, the kind of income arising from this activity is now commercial income in terms of taxation. Cooperatives are generally considered capital companies. However, it is exempt from corporate tax, provided that it does business with its own members.

Note: Agricultural income is not defined in the Income Tax Law. Only in Article 52, with a general definition, there is a regulation "The income arising from the agricultural activity is agricultural income."



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

16

14- The essential practice in individual farming (family business) activity is that the income tax is paid through the withholding made by the buyers during the sale of goods and services, this is the final taxation, and there is no need for any other notification or declaration. However, if specific “business size” criteria are exceeded, tax is carried out in the method (agricultural business account), and this is detailed in Article 53 of the Law. The details of this situation are regulated in Article 53 of the Law, which evaluates the condition of some agricultural assets separately from the size of the enterprise.

17

14- The size of the enterprise to be taken into account in a day of a year for the method determination of agricultural income, which is also valid for 2021, is specified in detail in Article 54 of the Income Tax Law. (Article 35 of Law No. 4369 has been changed, and Article 54 came into force on 01.01.1998 and entered into force on 29.7.1998).

18

In today's tax practices, the taxation methodology in agriculture is predominantly based on the withholding method. This method of deduction in the source is the final taxation of the small farmer (the farmer who is not taxed in the procedure), and there is no declaration, deduction, or refund. Withholding tax rates for agricultural products also vary depending on the type of product and its registration. It is determined separately for agriculture and animals and their crops, hunting, and fishing.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

19

While the rate is 2% in animals and products obtained from fishing and hunting, it is 1% in recording and selling them in the commodity exchange. While the deduction rate for other agricultural crops is 4%, it becomes 2% if exchanged.

20

Although direct income support and alternative product payments to farmers are an agricultural income in character, the withholding tax rate is applied as zero from these payments.

21

The agricultural earnings of small farmers who do not keep the accounts and do not need to submit a declaration, even if they have an income other than agricultural activity, cannot be combined with these other earnings. Therefore, even if a declaration is made for additional income or revenue, these agricultural earnings are not connected with others and are not subject to taxation.

22

Traders who buy goods from farmers who do not keep the accounts, and other farmers who are subject to the book, issue a producer receipt in return for their agricultural product purchases. This receipt shows that the agrarian income price has been paid, and the withholding is calculated on this receipt. These taxes collected through deduction are declared by the withholding taxpayers and paid to the tax administration.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

23

14- Producer receipt has two functions. First, the copy of this receipt in the buyer replaces the invoice; the document in the seller shows that the agricultural gain price has been obtained.

24

Producer Receipts used in purchasing agricultural products are printed and used by traders and farmers who keep books. The small farmer does not have his own receipt.

25

Since the small farmer does not keep the account, there is no need to collect and record documents, but these receipts may be required to be included in the farmer registration system and benefit directly from support programs.

26

Since the "revenue basis," which is one of the small farming measures, has been removed from the application, only the size of the agricultural holding is taken into account in the determination of small farming.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

4.4 History and Current Status of Taxation in the Agricultural Industry in Ottoman and Republic of Turkey

VAT PRACTICES ON AGRICULTURAL PRODUCT DELIVERY

Value-added tax arises due to a commercial, agricultural and professional delivery and service transaction. According to the law, in addition to the delivery of farm products, services provided within the scope of agricultural activities are also subject to VAT. However, according to the 4/b marked clause of Article 17 of the VAT Law, the deliveries of goods and the performance of services by "farmers who are not subject to tax in the real procedure" in terms of the Income Tax Law are exempt from VAT. According to this regulation, VAT exemption will be applied in the delivery of agricultural products or the production of agricultural services by farmers who have the qualification of a small farmer in the Income Tax Law and are not taxed in the method, so VAT will not be included in the producer receipts to be issued.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

5. MAIN TERMINOLOGY AND CONCEPTS SUBJECT TO THIS PROJECT

5. 1. Successful Implementation

The term "successful implementation," used in this report, refers to applicants of rural development and IPARD supports awarded for receiving the grant for their investment. It is important to clarify this, as the Consultant had meetings and discussions with successful implementations and asked them questions to determine the most common problems faced by applicants. The Consultant also organized meetings with stakeholders and surveyed farmers. All results were evaluated, and recommendations were made in this report as a result of the evaluations. Dissemination of their success in passing the application process and flourishing their products with their investments will create synergy for the rest of the potential beneficiaries of rural development supports.

5. 2 Supply Chain

This Project focuses on disseminating and raising awareness on the concept of short supply chains, yet the "supply chain" itself must be understood well to see point out the difference.

The 'supply chain' represents the flow of materials, information, and finance that moves from supplier to manufacturer, wholesaler, retailer, and consumer.

The process of the supply chain may change. The steps in a supply chain may reduce or expand depending on the circumstances like the type of product, location, and market expectation. We tried to exemplify a general flow of the supply chain by defining the steps for vegetable or fruit production:

5. TERMINOLOGY AND CONCEPTS





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SUPPLY CHAIN

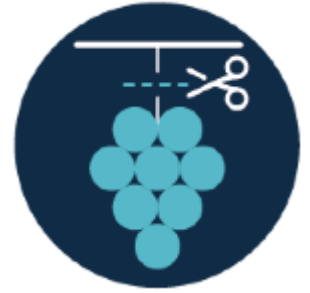
PRODUCTION

The first step of the supply chain is production.



HARVESTING

Then the product is harvested.



SELECTION

In the following step, the product goes through a selection process and is separated into groups depending on quality measures. These measures may differ from product to product.

- Occasionally, the sugar content is tested with a sugar index tool,
- seldom the colour is tested with a colour chart,
- Various phases of the tea (bud, stem, leaf) can be separated.
- Depending on the product type, other variables can also be checked.



DISTRIBUTION

- The product may be transferred to a different village, district, region, province, or another Country.
- The distribution process is complicated, as sometimes a product goes to a local distributor, then is shipped again to reach a wholesaler or another local seller in the province where it arrived.
- Thus, the product may make many kilometres and pass through different hands before the customer.



5. TERMINOLOGY AND CONCEPTS





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SUPPLY CHAIN

PRODUCT TRANSFORMATION

As the distribution happens, these are some of the common places a product visits before it is sold to a customer:



- Local trader (collector) in the village or district where it is produced.
- Wholesaler (market chains or supermarkets) or Local seller in different provinces
- Storage or warehouse to be sold to wholesalers later.
- Another producer who uses the product as an ingredient to produce another product; E.g., grape



PACKAGING

Packaging can occur after the product has been selected, after it has been processed, in the factory or warehouse, or at wholesale. It is, therefore, just one step in the supply chain of goods that adds value to the product. This step includes the following measures:

- Design of the packaging
- Printing of the packaging
- Weighing and packing the products
- Preparing for shipping by preventing damage and leakage.



DISTRIBUTION

After selection, product transformation, packaging takes place in a factory or warehouse, the goods must be handed over to a salesperson to reach the customer



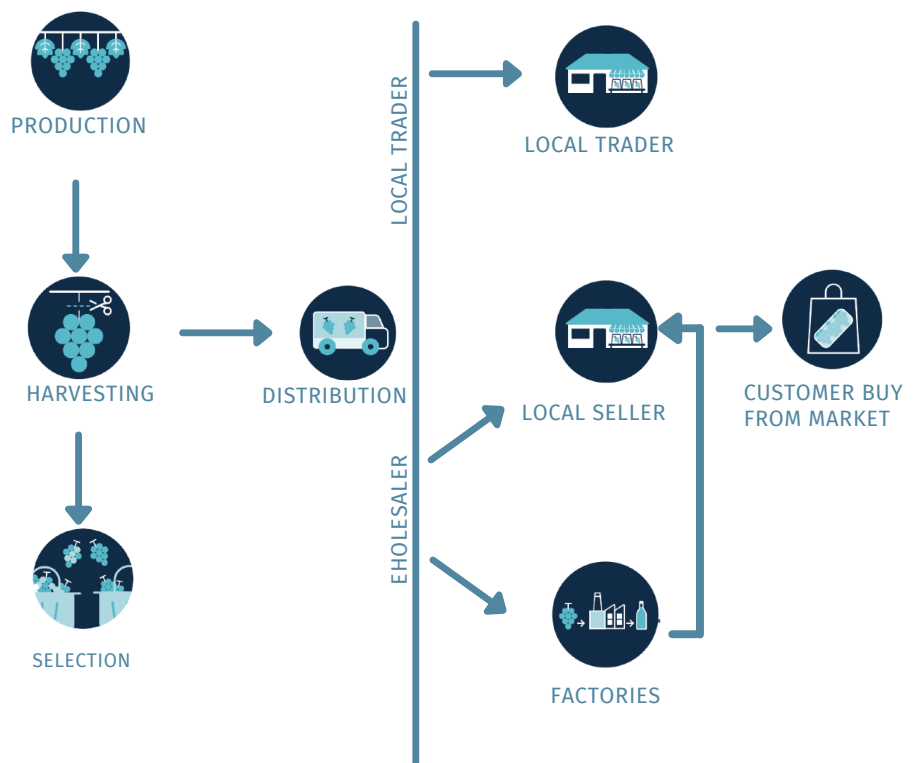
5. TERMINOLOGY AND CONCEPTS



5. TERMINOLOGY AND CONCEPTS

Every step in the supply chain process adds value to the product yet also increases the cost and, therefore, the price. As a result, a tomato that costs 2 TL/kg at the farm gate may be sold 8 TL/kg at the market.

A simple flow of the supply chain elements is explained below. It must be noted that distribution channels and sales points are utilized more than once in a supply chain until the product meets the customer:



If some of the steps can be reduced or handled in-house, this will result in the supply chain process to be shorter, and this new shortened process will be called a short supply chain.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

5.3 Value Chain and Its Advantages

Producing and selling a good to a consumer usually consists of different, more or less separated stages. This concept of the different operations or activities necessary to complete a product and bring it to the consumer can be used at the level of the single company and for an economic analysis of an industry or of the entire economy.

Leontief's input-output tables are an example of this latter approach. The analysis of the agri-food chain developed in the 1960s by INRA in France is an example of an application to a particular industry. At the level of the individual company, the analysis of the value chain has been particularly successful since 1985[1], helping to highlight how high performances can be created and sustained.

Some operations take place in the same firm, and some others are done by different firms. See the following examples:

- a firm produces the metal frames of chairs; another firm buys the frames and makes the wooden seat. A third firm buys the stock and distributes the chairs to several shops where consumers can buy them. In this case, there are four separate operators, each adding value to the same item before it is bought by the consumer
- a farmer produces and harvests apples and sells them to a firm that stores the apple in large cold rooms. Traders buy the apples during the next six months period and deliver them to shops where consumers buy them
- a farmer produces blackberries, and at harvesting time, he invites consumers to pick-up themselves the berries and to buy them at a price lower than the market price

5. TERMINOLOGY AND CONCEPTS





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5.3 Value Chain and Its Advantages

The first two examples regard a relatively long value chain, while the third is extremely short. At each stage or link of the value chain, at least one operation is made on the product: transformation, conservation, transport, or final sale. Each operation adds value to the product, and its price increases. The added value of each activity is the difference between the purchase price and the sales price: it is equal to the internal costs plus the operator's profit of that link in the value chain.

At each activity, the product gains some value. If each activity is highly efficient, then the chain of activities gives the product a greater added value than the sum of the separate activities. Since specialization is a key factor of efficiency, it is clear that it is the advantage of a value chain divided into small and well-integrated activities.

In the agricultural sector, the concept is used without major variations: actors, starting with farmers, are connected along a chain producing, transforming, storing, trading, and delivering goods to consumers through a sequence of activities.

Major international donors adopted the idea in the development framework. This has caused the fact that there are different methodologies and guidelines for analyzing value chains.

In the last 40 years, private value chains have developed in the agricultural sector with the growth of international trade that spans different nations and continents. If it is certain that their efficiency is at the highest levels, one wonders about their role in relation to sustainability.

5. TERMINOLOGY AND CONCEPTS





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

5.3 Value Chain and Its Advantages

Even within a single nation, particular economic conditions have meant that the cost of transport was relatively less important than the efficiency gains achieved in other links in the chain. Long value chains have been developed in which the places of production are very distant from storage and processing. This could likely have happened only because the price of fuels only partially reflects the social cost of their use. Failure to consider negative externalities is probably a positive factor in developing long and complex value chains in the agri-food sector.

Another criticism comes from the fact that if farmers' organizations do not own long value chains, then the benefits in terms of added value growth are appropriated by those in control of the last links, closest to consumers.

Finally, in recent times, consumers seem to have re-evaluated the concept of food products from their region or nation to the detriment of foreign ones.

These environmental, economic, and social considerations have favored the development of short value chains, which bring producers closer to consumers in every sense. An example of this is the recent EU "from farm to fork" strategy.

From the economic point of view, the key to the success of a value chain is how efficient each activity is and how efficient the passages are from one actor to the other. In this sense, information and communication technologies are fundamental tools for value chains. They do not only increase the efficiency of the transitions between activities, yet they allow the supply to be promptly adjusted to changes in demand.



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5.3 Value Chain and Its Advantages

For an organization of agricultural producers, being able to invest in storage and processing facilities makes it possible to have economic entities with significant turnover and assets. This has important advantages in terms of access to credit.

With contract farming arrangements, farmers receive a large part of the inputs necessary for cultivation on credit. In addition, receivables financing and factoring by banks become possible, as well as asset collateralization. Eventually, managers of well-integrated value chains have access to forms of risk mitigation, such as forward contracting, futures, and insurances.

Futures are derivative (whose value is dependent on an underlying asset) financial contracts that obligate the parties to transact an asset at a predetermined future date and price.

When there is shared ownership of firms performing the activities in the chain, the value chain is described as vertical integration.

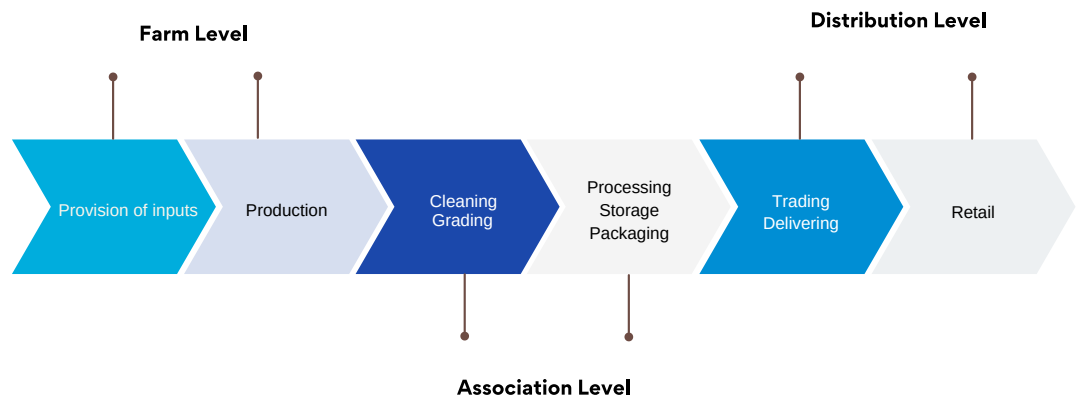
The following figure may describe a typical value chain in the fruit sector. It is worth mentioning that the value chain activities cannot be thought of as entirely independent and isolated. The value chain can flourish if there are favorable external conditions. For example, the security level, the business environment, the availability of financial services, and most importantly, the level of trust between the actors is renewed and improved with each positive transaction. These external conditions are considered horizontal factors that impact the efficiency of the value chain.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

5.3 Value Chain and Its Advantages

Social & Business Environment



Services: financial, advice, certification

A Real-Life Comparison of Long and Small Value Chain

A product leaves the gate of the farm. How many actors will play a role (and get paid for it) before that product reaches your table?

1. A long value chain: The small trader with a truck that goes to the farm and pays cash → a local wholesaler that buys from the first trader and collect the goods from the Konya region → a second truck owner that picks up the good from Konya and carries the good to the wholesale market stand of a trader in Istanbul → the shopkeeper that at 5 am goes to the wholesale market and buys the product for his shop → the consumers that pay 9TL for 1 kg. The farmer had got 1,5TL/kg. The difference, 7,5TL/kg, minus external costs, say 3TL/kg, is 4,5TL/kg: the value-added in the chain that goes to other actors and not to the farmer
2. A short value chain: The price for cucumber in Ulus is 6TL/kg. You go for a ride in Çankırı, buying 1 kg of cucumber from a farmer at 4TL. You save 2TL/kg (apart from the cost of going there) and the farmer gets 2TL more than what he would get if he sold the same cucumber to a trader.

5.4. Short Supply Chain

Short supply chain involves as few intermediaries as possible in order to connect the local suppliers with the consumers. It concerns a more direct approach to the customer when compared to a conventional supply chain. When a farmer sells directly to the customer without any other actors getting involved, it is called a zero kilometer supply chain. It is the simplest form that a short supply chain can become.

A short supply chain can be obtained in many ways. Some of the commonly preferred and efficient short supply chain strategies are explained below:

1. It is common in Turkey that farmers put a bench in front of their farm or on the side of the main road to sell directly to its customers. In other words, farmer's sale at farm gate is an example of short supply chain.

2. Another form of direct customer sales is realised through fruit or vegetable pick-ing events. The customer may visit the farm at certain hours, receive a bucket, pick the products at the farm and pay for the amount (kg or liters) they collected.



3. Farmers or agricultural cooperatives creating online sales channels or utilising their personal relations with the customers to receive purchase orders and deliver directly to the customer is another alternative for direct sales. There are successful examples of this type of short supply chain throughout Turkey.



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5.4. Short Supply Chain

For instance, 26 families in Tahtacıörencik Village of GÜDÜL in Ankara collaborate to produce, learn from each other and sell their products together. They have an online platform and whatsapp group where they list their available products to customers. They receive purchase orders throughout the week, pack them together on Monday and send to customer's door with their van. The products are produced organic and their trustworthy efforts are appreciated by the customers who sustain their orders throughout the years.



This example is important because it includes logistics that is handled by the same team that produces the products. Eventually the cost of gas and labour is added as well as the profit and it is the producer who receives the capital.

A short supply chain can be obtained by reducing some of the steps from the process or by handling some steps inhouse in order to involve less actors. In the GÜDÜL example, logistics is managed by the farmers and their value added returns to them as earnings.

5. TERMINOLOGY AND CONCEPTS





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5.4. Short Supply Chain

4. Amesia women's cooperative created a sales website in collaboration with the Amasya Cattle Breeders Union. As Amesia produces, sales happen online, and the Amasya Cattle Breeders Union uses their vehicles to handle the logistics. The customers access handmade natural products and the prices only receive logistics costs as no other actor is involved in the process.

There are cases where farmers, cooperatives and/or unions collaborate to complete a supply chain. Where one handles production, the other handles sales and logistics. This prevents the producing party to worry about sales, warehousing, vehicles etc. and focus on farming. As more producers are involved and the production volume increases, this strategy gives debate power to cooperatives and unions for better prices in the market. Amesia women's cooperative is an example of short supply chain where a cooperative produces and union manages the logistics.

5. Farmers selling directly to customers in a farmers' market is also an example of the short supply chain.

5. TERMINOLOGY AND CONCEPTS



5.4. Short Supply Chain

6. There are cases where unions or cooperatives receive a permit from the Municipality and rent a marketplace. The farmers bring all their products in bulk. In this version of supply chain, it is not the customer but the local trader who comes with buckets, sacs or trucks to buy products from the farmer's market in bulk. The products are weighed and sold at a certain price directly to the seller and effort for logistics is reduced



7. The farmers, cooperatives or unions may make agreements with local markets and restaurants, taking the local traders and sellers out of the supply chain.

8. Cooperatives and unions or a group of farmers which work collectively may make agreements with high-volume producers like factories. For instance, tomato producers may agree to produce a certain amount for paste factory. In this case, the intermediaries will be reduced, and the sales price will not receive extra costs.

5. TERMINOLOGY AND CONCEPTS



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5.4. Short Supply Chain

9. Product transformation is also a concept which can be evaluated as a short supply chain. It refers to a product being transferred into another type of product and changing its form. In other words, it becomes a value-added product. For instance;

- Cow milk may be 8 TL in the market.
- When you transform it into yogurt, it becomes 11 TL.
- When you transform it into butter, it becomes 30 TL.
- When you transform it into cheese, it becomes 45 TL.



10. The concept of organic production was born among small farmers. The process of producing organic adds value to the product, causing its worth to be higher and the farmers increasing their revenue. Meanwhile, in the perennial search of efficiency and profit, as farmers converted to organic, they founded trading cooperatives and started selling their organic products in different provinces, regions and Countries where consumers were ready to pay a hefty price.

The firm making most of the profit is the trading cooperative since they handle sales and logistics. Yet if the cooperative is owned by the farmers, it may still be considered a short supply chain since there are not many operators and traders in between. With good logistics management, a modern short value chain can flourish.



5. TERMINOLOGY AND CONCEPTS





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5.4. Short Supply Chain

Short Supply Chain has advantages for the producers, customers and the environment:

The customers;

- Receive fresher products,
- Have access to local tastes,
- Make their purchase with better prices than the market.

Farmers;

- Create higher revenue which leads to welfare and sustainability of production.
- Gain security if they are able to make agreements to sell a certain amount in the following year to a restaurant, market chain or factory.
- Get in the habit of collaborating with other farmers, managing their production and coordinating relations with customers. This is a skill set that can improve production and sales efficiency.

Socially; the concept of reducing the actors supports the farmer and local economy to flourish.

Environmentally, reducing the logistical path of a product creates less green house gases. Similarly, organic production and non-use of chemicals also reduce the productions' impact on the environment.



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5.5 Farm Partnership and Collective Applications to Rural Development Funds

An agricultural partnership originates when two or more farmers enter into a resource-sharing agreement. In this way, farmers can benefit from advantages that they cannot enjoy alone, such as economies of scale and a better work-life balance.



Among the reasons for the emerging concept of shared farming are: Given the income from infrastructure investments such as irrigation, consolidation, subsistence, semi-subsistence, and family farms, there is an increase in production costs, a decrease in the amount in the efficiency of investments. In Europe, farmers can benefit from a range of grants to encourage and sustain the development of farming partnerships.

In this way, farmers can continue their business with the shared use of the following resources:



Shared use of machinery and equipment



Shared use of land



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5.5 Farm Partnership and Collective Applications to Rural Development Funds

In this way, farmers can continue their business with the shared use of the following resources:



Shared use of workforce



Growing value-added products

Joint application means that when applying for IPARD and other rural development funds, more than one farmer joins together and submits an investment project that oversees the management of all funds. For farmers in Turkey submitting a joint application

- Going to incorporation (Limited, Anonymous),
- Establishing associations,
- They need to establish cooperatives with seven or more people coming together.



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6. Principles of Agricultural Financing

There are well-studied and understood reasons that explain the historic interest of governments worldwide into the agricultural sector. Agricultural policies set many different objectives that depend on the needs of:

- The population of the country,
- The stage of development of the country,
- The structure of the primary sector and the incentives of farmers.

To match all these parameters into a consistent set of rules is the task of agricultural policies in order to obtain the objectives.

One of the most important tools of agricultural policies is the setting up of subsidies to the agricultural sector. The subsidies can be thought “as transfers of money from the taxpayers to the farmers”. The agricultural subsidies are so widespread that the usual way to model net agricultural income explicitly consider them as added in the equation:

Net Agricultural Income of a Production Unit = Value of Agricultural Production – The Cost of Production + Net Value of Transfers from the Government

$$Y_a = VP_a - CP_a + NTG$$

The Common Agricultural Policy of the European Union uses similar kind of transfers both with The First Pillar (Direct Decoupled Payments) and with The Second Pillar (Rural Development). Subsidies can take several forms, but with a simplification, it is possible to group them into two classes: grants and loans.

6. PRINCIPLES OF AGRICULTURAL FINANCING





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.1. Common Agricultural Policy

The CAP is a partnership between agriculture and society, between Europe and its farmers.

It is a policy, a government's way to change a situation and a dynamic of a society or an economic sector. Like most effective policies, it requires a redistribution of resources.

So, why are they describing it as a partnership? Why did they change the narrative, making it more compelling? Because in a pluralistic and democratic society, they need to justify the redistribution of resources between taxpayers as a whole and the agricultural sector

Society as a whole pays taxes, and a large part of them are used to support farmers. For example, in 2019, European citizens gave 160 billion EUR to the budget of the EU, and the EU allocated almost 58 billion EUR to the agricultural sector.

The aims of this partnership are:

- improve agricultural productivity, ensuring a stable supply of affordable food;
- safeguard European Union farmers to make a reasonable living;
- help tackle climate change and the sustainable management of natural resources;
- maintain rural areas and landscapes across the EU;
- keep the rural economy alive by promoting jobs in farming, agri-foods industries, and other sectors.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.1. Common Agricultural Policy

The main reasons to justify this policy are linked to the particular conditions of farming that make it different from other sectors:

- Farmers' income is typically 40% lower compared to non-agricultural income
- The demand for food is inelastic with regard to income: increases in food consumption are limited, but the increase of farmers' productivity was constant and significant in the last 60 years: prices of agricultural products diminished in real terms
- There is a large gap of time between consumer demand and farmers' ability to supply
- Risks in agriculture determine a business uncertainty that is larger and less manageable than that in other sectors
- Farmers are competitor sellers in markets where they face few buyers: traders, industrial transformers
- Farmers are competitor buyers in markets where they face few sellers: technical inputs and equipment
- The credit market is inefficient in the farm sector because of high intermediation costs and the asymmetry of information
- The demand curve of agricultural products is inelastic with regard to prices (if prices decrease by 10%, the total sold quantity does not increase enough to make the value of production increase). Typically, the demand for processed food is less inelastic, a clear advantage for the processing industry

6. PRINCIPLES OF AGRICULTURAL FINANCING



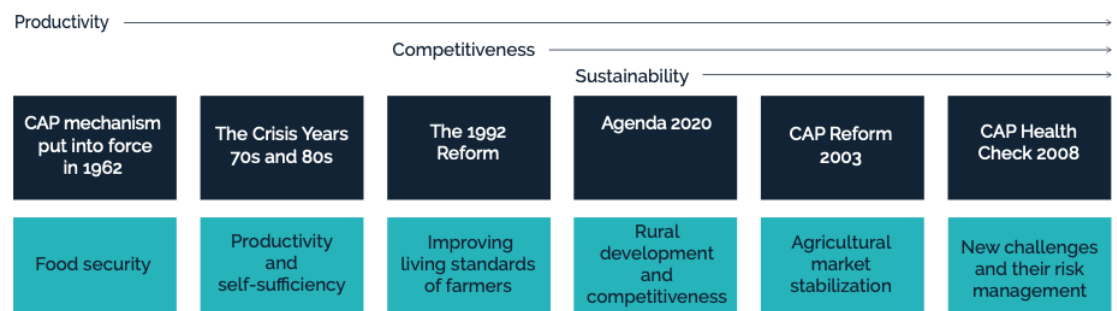


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6.1. Common Agricultural Policy

Please consider the evolution of Common Agricultural Policy since 1962 below. It is important to understand the rationale behind CAP and its development over time. As the Countries in Europe formed a union, they wanted to efficiently distribute the taxpayer's money, especially in a critical sector such as rural development which receives around 60-70 % of the total budget. Evaluating the needs and climate, soil quality, land structure etc of the Countries in the union, CAP was introduced to plan agriculture and livestock production according to characteristics of participating countries. After food security was maintained, productivity and self-sufficiency became focus. As the union grew, competitiveness and sustainability aspects were added to the CAP. Competitiveness had an extremely important effect as small farmers became motivated to work together and share resources to survive. Furthermore, with the current climate crisis, green policies arrived which can be considered under sustainability and risk management.

HISTORICAL DEVELOPEMENT OF THE CAP



Today, CAP takes the form of a list of measures that are grouped into two pillars. The EU budget entirely finances the first pillar.:



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6.1. Common Agricultural Policy

First Pillar of the CAP: 1. Common organization of the markets (CMO)

A single CMO now covers all agricultural products. The so-called market measures deal with difficult market situations such as a sudden drop in demand due to healthcare or a fall in prices due to a temporary oversupply on the market. They are considered "safety nets" and, as regards price support measures, only intervention prices were retained (agencies of MS can buy up quantities of products and store them) and refunds on exports for specific products only when market conditions are considered exceptional.

The first pillar of the CAP: 2. Direct payments to farmers

Direct support arrangements are now no longer about 'decoupling' but 'targeting,' with a system comprising seven multi-purpose payments, each with specific objectives:

1. A 'basic payment' per hectare, the level of which is to be harmonized according to national or regional economic or administrative criteria and subject to an 'internal' convergence process;
2. A 'greening' component, as additional support to offset the cost of providing environmental public goods that are not remunerated by the market;
3. Additional payment for young farmers;
4. A 'redistributive payment' whereby farmers may be granted additional support for the first hectares of farmland;
5. Additional income support in areas with natural constraints;
6. Coupled support for production, granted in respect of certain areas or types of farming for economic and/or social reasons;
7. A voluntary simplified system for small farmers, offering payments of up to 1.250 EUR.

6. PRINCIPLES OF AGRICULTURAL FINANCING





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.1. Common Agricultural Policy

MS may adopt a simplified scheme benefiting small farmers if an annual payment of up to 1.250 EUR is made, irrespective of farm size. Participants are subject to less stringent cross-compliance requirements and do not have to meet greening requirements. The total cost of the small farmers' scheme may not account for more than 10% of the national funding allocation, except when the Member States decide to ensure that small farmers receive what they would have been paid without the scheme.

The second pillar of the CAP: Rural development policy (RDP)

The policy is designed to support rural areas of the Union and meet the wide range of modern economic, environmental and societal challenges. A higher degree of flexibility enables regional, national, and local authorities to formulate their individual multiannual rural development programs based on a European 'menu of measures.' The second pillar programs are cofinanced by EU funds and regional or national funds.

The three main objectives of the RDP were translated into six priorities (2014-2020)

8. Fostering knowledge transfer in agriculture, forestry, and rural areas;
9. Enhancing the competitiveness of all types of agriculture and enhancing farm viability;
10. Promoting food chain organization and risk management in agriculture;
11. Restoring, preserving, and enhancing ecosystems dependent on agriculture and forestry;
12. Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food, and forestry sectors;
13. Promoting social inclusion, poverty reduction, and economic development in rural areas.



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6.1. Common Agricultural Policy

These six priorities gave rise to a large number of measures that are known as the European Menu. Among them, the more adapted to small farmers are:

- Transfer of knowledge and information measures (training, information campaigns, etc.);
- Advisory services, farm management, and farm relief services;
- Development of farms and businesses (business start-up aid for young farmers, non-farm business operations in rural areas, etc.);
- Setting-up of producer groups and organizations
- Subsidies for organic farming (conversion or support payments)
- Encouragement of cooperation between farmers

SIGNIFICANCE OF THE EFFICIENCY OF SUBSIDIES: The main issue with these transfers (subsidies) is that they should be as much efficient as possible. Assuming we can define and measure efficiency in this system, it is clear that it depends on many factors directly linked to the farmers that receive the subsidies. If the scope of a particular subsidy is not consistent with the incentives and the situations of the farmers receiving it, then is almost sure that the efficiency of the transfer will be low and that the policy goal will not be reached.

The dimensions of the farm, culture and expertise of the farmers are very important factors that can inform the policy makers about their incentives and their reaction to the policy. The owner of a large farm with labour force made of employees and a high ratio of invested capital over the value of production, surely has different needs and incentives than a small family farm.

6. PRINCIPLES OF AGRICULTURAL FINANCING





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.1. Common Agricultural Policy

The Instrument of Pre-Accession Assistance for Rural Development (IPARD) is mainly based on the experience of the CAP in Europe. It is clear then that the former brief discussion about agricultural policy applies to it entirely. The tool provides the beneficiary countries with financial and technical help to support reforms aimed to align them to the CAP and to make their agricultural sectors and rural areas more sustainable (this objective is rather new compared to the ones that were the cardinal points of the CAP since its foundation). For the period 2014-2020 the IPARD had a budget of more than €1.1 billion of which more than €800 million were available for Turkey, reflecting the relative importance of the agricultural sector of the country.

IPARD is originally based on a set of 9 different measures*, each targeting one particular goal:

“a reflection of the need to tailor subsidies to the particular characteristics (incentives and needs) of different groups of farmers in order to try to maximize the efficiency of the whole policy”

Just to make sure that this point is critical, it may be useful to look at the hypothetical simple alternative: take the total sum available of subsidies, divide it by the number of farmers in a country and give each of them the resulting share, hoping that each farmer will make the best use of it. Many of them will receive less of what they need to invest significantly, and others will receive more that they can meaningfully manage. Moreover, many farmers will employ the subsidies to acquire consumption goods instead of investing them in the production. The result would be a large loss of efficiency of the global transfer of resources.

*[1] In Turkey the IPARD II programme comprises 10 measures, even if not all were implemented



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6.1. Common Agricultural Policy

Financial capital of an agricultural holding includes debt, equity and leased capital (mostly land, but also equipment). Analytical work in agricultural finance focuses on the concept of farms' borrowing capacity in acquiring and managing debt capital. Outside equity capital was generally discouraged in the past by various factors as risk, information problems, small farm size, preferences and public policies. For example, the non -corporate structure of most farm businesses precludes the issuance, trading and risk pricing of equity capital shares in public markets.

These structural characteristics result in greater emphasis on reputation and informal information exchanges in the formation of lender – borrower relationship.

It is well known that the degree to which assets are specialized to various activities is an important determinant of a farm's financial structure: investments with low asset specificity are more suitable for debt financing because of their easier redeployment or re-marketability. In particular, re-marketability is a preferred attribute of assets pledged as collateral to secure a loan.

Small farmers need flexible products that allow transactions adapted to their cash-flow. Such products help them to smooth consumption, when income is irregular and unpredictable, to cope with emergencies and cover un-expected expenses. Financial products designed for small farmers should also include some sort of disciplining mechanisms. Disciplining mechanisms encourage clients to make payments duly on time, i.e., savings deposits, loan repayments and insurance premium payments. Disciplining mechanisms serve to mitigate asymmetric information problems, for example moral hazard, and to alleviate clients' behavioral inconsistencies, such as lack of self-control, intra -household disagreement, and inattention.

6. PRINCIPLES OF AGRICULTURAL FINANCING





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6.2. Financial Characteristics of Agriculture

Most farms are small in size and they have ownership, management and risk bearing concentrated in the hands of individual farmers and families. Real estate represent the largest part of the total assets of farms, meaning that capital intensity is generally high and the value of asset liquidity is low. This creates the demand for longer-term financing and careful matching of repayment obligations with projected cash-flows.

In the farm sector the debt to asset ratio is typically low compared to other sectors. This is true in many different countries at different stages of development, and it reflects the use of current market values of farm real estate, that are increasing in real terms. This also contrasts with original cost adjusted book values for depreciable assets in other sectors. The relative lower values of the debt to asset ratio is also consistent with the reliance in agriculture on a non-depreciable asset such as farmland in which much of its economic return occurs as capital gains or losses.

On the other side, under traditional loan repayment arrangements the debt carrying capacity of non-depreciable assets is considerably lower than that of depreciable assets.

Thus, the analysis of financial statements of the farm sector typically indicates a reasonably solvent industry that experiences chronic liquidity problems and cash flows pressures resulting from relatively low and volatile current rates of return to farm assets. This makes the farm sector's debt servicing capacity and creditworthiness vulnerable to downward swings in farm income and land values.

In turn, farmland's low debt carrying capacity have fostered an extensive farmland leasing market in many developed economies. Farmers leasing land to operate can have higher debt to asset ratios and experience greater current rates of return to farm assets and to equity than those who rely more on ownership.

6. PRINCIPLES OF AGRICULTURAL FINANCING





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6.3. Risk and Risk Management

Agricultural firms face a complex risk environment:

- Biological-based production processes that are long and exposed to weather conditions and potentially harmful external factors
 - Marketing activities at the domestic and international level
 - Contractual relationships with third parties
 - The well-known weak position due to the fact of being in a Competitive market as buyers and an oligopoly as sellers
 - Changes in asset values
 - Credit availability
 - Changes in interest rates and debt servicing requirements
- government policies

In such environments, the ability of agricultural enterprises and rural households to make long-term investments, take calculated risks, and create stable consumption streams will be shaped by the set of available financial instruments and strategies to transform one pattern of variable and uncertain resource inflows and outflows into another. The combined effects of these risks are relatively high compared to other sectors, placing a high value on risk management.

There is a broad range of risk management practices, but small farmers rarely employ them: some of them are directly influenced by public policies, including crop insurances and public credit programs.



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6.4. Concepts of Modern Finance Applied to Agriculture

The core of the theory on the provision of financial capital to the agricultural sector is strongly based on the relative information and incentive positions of the parties to a financial contract. We will briefly summarize them below.

Agency relationships, adverse selection and moral hazard

The relationship between a lender (the principal) and a borrower (the agent) is a financial example of the principal-agent problem. The lender entrusts the borrower with the use of loan funds in return for the borrower's promise of a safe and timely return of the funds plus interest. However, due to the agent's self-interest, informational asymmetries and uncertain expectations, both the incentive alignments between the principal and the agent and the contract are incomplete.

In an agricultural credit relationship, three conditions attributable to asymmetries in incentives and information are basic concerns:

- The lender does not generally know as much as the borrower the production function relevant to the investment and the market conditions for the future products: his evaluation of future cash flows is difficult, and his risk assessment may be wrong
- The *adverse selection* problem, i.e. the borrower may be riskier than believed when the loan was given
- the *moral hazard* problem, i.e. whether the borrower, during the term of the loan, will take on greater risks than were originally anticipated



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6.4. Concepts of Modern Finance Applied to Agriculture

The borrower is motivated by profitability while the lender is restricted to the fixed return of the loan plus interest. In evaluating a borrower's creditworthiness, the lender emphasizes loan repayability and safety, while the borrower focuses on profitability. As leverage increases, the consequences of other borrower's actions that lead to default are borne by the lender and this increases the lender's likelihood of becoming an owner of the borrower's assets.

To resolve information and incentive problems both the principal and the agent may utilize various practices.

Differential loan pricing based on risk-adjusted interest rates is one lender response to the adverse selection problem. This practice, compared to credit rationing, is more efficient and it yields a more dispersed distribution of risky borrowers on average. However, it requires that sufficient information is available: information collection, processing and monitoring by lenders is a costly activity.

Market signaling consists of the sharing of additional information about the borrower and the lender: effective financial accounting systems provide a distinguishing signal between high and low credit risks, and they allow for monitoring of business performances over time. But since audited accounts are scarcely used in agriculture, lenders must employ their own expertise. Borrowers may undertake management practices that distinguish them from their peers and that signal rare skills and better than average productivity levels: producing specialty crops, adopting new technologies, a better education and reputation in local communities.

6. PRINCIPLES OF AGRICULTURAL FINANCING





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.4. Concepts of Modern Finance Applied to Agriculture

Non price methods involve provisions in a loan contract with the goal of addressing potential adverse selection and moral hazard problems: they include collateral requirements, loan repayment upon demand provisions, reporting and insurance requirements, constraints on additional borrowing and default penalties. Again, these practices increase the total cost of the credit.

Markets for exchange of financial information are formed by different entities: credit rating companies and collateral control companies that validate and monitor the status of specific assets (stored grains, stocks of products) pledged to secure a loan agreement. Field service companies can monitor loan performances and are often willing to provide information about their customers in order to facilitate the functioning of their respective markets.

Notwithstanding these practices, information problems are often severe enough to require the development of public policies to enhance market performances: government sponsorship of financial institutions and loan programs like those set by the IPARD measures follow this rationale.

Suggestions to evaluate potential credit capacity

It is clear that the preferences of the lenders, as expressed by the interest rate and non-interest rate terms of a loan contract influence the enterprise choices of borrowers, their risk management practices, resource allocations and even the rate of growth of their farms. The demand of liquidity by farmers and their choice of lenders are clearly influenced by the credit response of lenders.



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6.4. Concepts of Modern Finance Applied to Agriculture

It is thus interesting to evaluate the type of supply of credit by estimating lenders' credit response. This can be done through a survey by choosing a sample of lenders and by sending them simulated borrowing requests, i.e. a case loan request for representative farms. The case loans involves a fully documented loan request based on an array of purposes and terms, set high enough to anticipate the lenders' rejection and designed for deletion of individual items until loan approval is obtained. The result is an estimate of the representative farm's potential credit capacity, bounded by the particular array of the loan request. This would be a reliable predictor of lender responses over a wide range of loan conditions.

6.5. Relationships in Agricultural Finance

Relationships among lenders and borrowers include at least two aspects: information and sympathy.

The longer and better the banker knows the customer, the less significant are the risks of defaults due to the asymmetry of information. The apparent difference between the formal and informal financial system is relationship.

In developed economies, when financial markets were deregulated and the decision to lend (up to a defined threshold) was decentralized to local bank agencies, relationships, reputation of the borrower and the information about the local situation were understood by the agency director.

On the one hand this procedure helps to choose the best projects, diminishing the impact of adverse selection, and improves the allocation of available resources, on the other hand it lends itself to being influenced by local pressures exerted by lobbies of various kinds.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.5. Relationships in Agricultural Finance

Currently, the information necessary for the decision is cataloged and presented on the basis of predefined schemes and transmitted to centralized decision-making bodies, where it is analyzed by comparing it with national benchmarks. To the extent that the information collected is complete and truthful, the procedure minimizes the number of wrong decisions, even if the administrative efficiency decreases. These credit evaluation procedures are based on the development of various credit-scoring models, that help in predicting financial stress and bankruptcy problems of farmers.

Credit scoring and risk-rating models assess the borrowers' financial data in comprehensive ways and they are generally based on the following basic steps:

- Identify key variables that best distinguish among borrowers' creditworthiness
- Choose appropriate measures for these variables
- Weight the variables according to their relative importance to the lender
- Score each loan as a weighted average of the respective variables
- Assign the credit scores to the appropriate class

The results of these models are consistent in their ability to replicate subjective loan classification. More recently, different models appeared that focus on the borrower's actual loan performance as the validation criterion.



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6.5. Relationships in Agricultural Finance

Key aspects about IPARD supports in Turkey

IPARD is managed by the ARDSI in Turkey and their counterpart is the Department of Managing Authority for EU Structural Adjustment under General Directorate of Agricultural Reform in Ministry of Agriculture and Forestry. IPARD concerns the IPA funds dedicated for rural development sector. Currently, IPARD covers 42 provinces within Turkey. This means actors who are active in agriculture and livestock can apply for IPARD funds to modernize an existing farm, increase its capacity, buy equipment for certain types of production or establish a brand-new facility. With the 2007 sectoral agreement, an annual average of 100 million Euros were allocated to IPARD projects. As the budget was transferred to the Ministry of Treasury and Finance in 1st of January, 3 years is given to utilize this fund and support the actors of rural development sector. Assuming the funds are received in 2020 from IPA and they weren't used up by the end of 2023, the remaining amount returns to EU.

All measures of IPARD and necessary documents for application is explained in detail in ARDSI's website. When "call for proposals" open, applicants are expected to develop a business plan explaining the details of their investment, creating its needs and budget and apply to get grants up to 65% of the total project cost. IPARD supports and duration of call for proposals are disseminated through ARDSI's website, billboards, newspapers, televisions, mukhtars and public education centers. Applicants are required to be in compliance with certain aspects such as animal welfare, nitrate regulation, occupancy or building permissions etc. which are determined according to law and regulations of EU and Republic of Turkey.



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6.5. Relationships in Agricultural Finance

Key aspects about IPARD supports in Turkey

There are evaluation criteria which are used to rank the applications. All criteria are displayed on the website of ARDSI. After applications are received and reviewed by the ARDSI Provincial Coordination Units, the applicants are informed about any missing documents and are expected to maintain them. The final version of the application is entered in an online system. A financial typo mistake may prevent an application to receive award after its online submission. Once the Provincial Coordination Unit approves eligible projects, they are sent to Project and Audit Selection Commission, which consists of 7 general managers from 7 different ministries and then to Ankara to have a national ranking. According to the ranking, top projects are approved to receive their share of the IPRAD budget. For instance, in one call, 323 projects from Konya province may be approved and receive a total of 30 million Euro and in the next call only 35 projects are approved and receive a total budget of 6 million Euros for the awarded projects. According to the procedure, the payment coordinator at the central ARDSI makes the grant payments.

Effect of trustworthiness in cooperation

In less formalized situations the importance of relationships is still relevant. Relationships develop through interactions between parties over time and across multiple financial products and services. They involve the generation of reliable and accurate information about the parties, its use in evaluating creditworthiness, its impact on the reduction of agency costs and of adverse selection and moral hazard.



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6.5. Relationships in Agricultural Finance

Effect of trustworthiness in cooperation

An example of how reputation and experience offer a solution to the asymmetry of information and incentives in the real world is given by leasing arrangements: the information conveyed by relationship are generally sufficient to transform a short-term contract into a longer-term financial agreement.

Also, trade financing of farmers is a long-standing practice based on relationships. The local merchant, selling inputs or buying farm products, served as a credit source long before the presence of financial institutions. The trade firm's customer relationship yields extensive information about farmer's management ability, business practices and financial performances: this information contributes importantly to the evaluation of creditworthiness.

The concept of *social capital* represents a different approach to the principal-agent analysis.

It is defined as the sympathy (antipathy) one person has toward another person. The sympathetic (antipathetic) person is said to supply social capital, while the other person is said to possess social capital. It represents a resource of individuals that arises from their social ties. It is the carrying out of mutually beneficial activities that promote a sense of the common good. It is the ability to have collective expectations that affect the economic goals of every member. In brief, it is a description of the average level of trust among members of a community. During the activities of this project, the consultant became convinced that the average level of trust in rural communities is relatively low compared to that of other European countries.



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6.5. Relationships in Agricultural Finance

Effect of trustworthiness in cooperation

One application of this concept is that of the relationship between a principal and her agent: if the landlord has social capital with her tenant, the tenant might act in the interest of the landlord without the need for a contract to alter her incentives. One may expect to find a preference for landlords to lease to close friends and family: indeed, in some studies it was found that the large majority of the participants in share lease and cash lease were close friends or family.

Social capital is not likely to change the probability of a very good loan or a very bad loan being approved or disapproved: however, for those loans in between, it increases significantly the probability of approval.

Transactions and monitoring costs are reduced because social capital reduces the incentive for exploitive behavior that produces negative externalities, and it increases the incentive to meet contractual obligations.

In economies with high transaction costs associated with limited information and enforcement ability, financial transactions between the social capital endowed are more prevalent. Successful agricultural credit programs in developing countries are rare: most of them failed because of loan recovery problems and excessive transaction costs. On the other side, informal finance systems in these countries mobilize and allocate large amounts of voluntary savings while banks have trouble attracting deposits.



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6.5. Relationships in Agricultural Finance

Effect of trustworthiness in cooperation

The financial measures of the European agricultural policy apply to very different economic and social situations: and yet there are many indicators showing that they are prone to adverse selection and produce non efficient outcomes.

One of the factors that can determine this type of situation is the fact that the public administrators of the available funds are judged on the quantity of resources they distribute rather than the sum of the results of the individual beneficiary farmers in terms of lower costs or higher production value. The applications for subsidies are accompanied by a detailed request for technical information that appears complete but fails to provide the information that a professional banker would need to evaluate the performances of a loan. This problem clearly occurs more often in all cases in which the requested aid takes the form of a grant. The result is that in many cases the purchase of equipment and machinery is financed without a reasonable certainty that these will produce a long-term improvement in the production processes of companies.



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6.6. Risk and Financial Structure

The expectations of lenders (investors) have clearly a major role in agricultural financing, they determine the aggregate supply of credit and thus are important for farmers, the potential borrowers.

Model portfolios are a diversified group of assets designed to achieve an expected return with a corresponding risk. Investors use them to blend asset classes and to achieve diversification: some of these assets can be equity or debt of farms. More advanced agricultural policy measures that are designed to provide or to facilitate agricultural finance use portfolio theory to find the desired combination of assets that define risk efficient set.

The investor's objective function is generally expressed as the maximization of her expected utility. Under conditions of risk the objective function is modified to account for the source and the magnitude of risk and for the investor's attitude toward risk. In this way it becomes clear how the investor's attitude influences the preferred relationship between debt and equity, that is the optimal financial structure. This model can also be useful to the borrower as it helps him to understand the optimal combination for the lender and therefore to adjust his requests. Farmers' reliance on credit as a source of liquidity introduces risks in terms of lenders' response to changing conditions in agriculture and in financial markets that influence their lending decisions and resulting credit availability. These uncertain responses make credit a random variable and credit risk becomes another element of farmers' portfolio risk, that increases with financial leverage and influences farmers' debt use.

6.6. Risk and Financial Structure

Consider a risk-averse farmer who must choose a level of debt with which to leverage equity in financing risky production with total assets. Risk is treated in probabilistic terms with variance used to measure likelihoods of events occurring that produce results less than expected.

With standard assumptions about farmer's utility function depending on the level of profit π , in the case of a deterministic interest rate, and the cost of debt, the optimal debt D^o can be computed from the first order condition for an expected utility maximizing debt level. It depends on the equity capital E and on the expected return $\bar{r}_A$ of the risky asset:

$$D^o = \frac{\bar{r}_A - i - 2\lambda\sigma_r^2 E}{2\lambda\sigma_r^2}$$

where σ_r^2 is the variance of the risky asset and λ is the borrower's level of risk aversion. Differentiating with respect to the various variables show the comparative static properties.

For example:

$$dD^o/d\bar{r}_A = \frac{1}{(2\lambda\sigma_r^2)} > 0,$$

that is, optimum debt is positively related to changes in expected returns and

$$dD^o/d\sigma_r^2 = \frac{(-\bar{r} + i)}{(2\lambda\sigma_r^4)} < 0$$

it is inversely related to the variance of returns. When the credit risk is introduced by making the cost of credit i a random variable, a similar reasoning indicates that it will mostly imply a lower use of debt, confirming the intuitive idea that farmers, other things being equal, prefer fixed rate loans.



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6.6. Risk and Financial Structure

Looking at these results from both the point of view of the borrowers and the lenders, it is clear that greater business risk is associated with higher borrowing costs, thus favoring lower leverage. The same result is given by a relatively high variability in the availability of credit, whether it comes from rural banks or from agricultural policy measures.

In advanced economies the median value of the D/E ratio is around 0,65 for all industries, while it is around 0,45 for the agricultural sector, where there is less financial leverage: this indicates that farms are not taking advantage of the increased profits that financial leverage may bring. However, this can also be a result of a sector where there is not a stable and significant cash flow generation that can sustain a safe repayment of loans.

The Turkish FADN database for 2019 allows us to try estimate the D/E ratio for 1.195 farms. We used the variable net worth (SE501) as a proxy for equity and the variable total liabilities (SE485) for debts.

Unfortunately the median is -1,17, an index that does not lend itself to an easy interpretation. While the negative sign is probably due the systematic error of many negative networths, the value of the index would mean that the farming sector is unusually highly leveraged.



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6.7. Investment Appraisal

From the point of view of the farmer and of the lender, the appraisal of an investment is important: both would like to know if the cost of the loan will be compatible with future cash flows. An investment may be limited to just one of the enterprises of a farm but in many cases it will affect the efficiency of different process in many enterprises. In this last case the appraisal requires more data and the estimation of more factors, but the basic principle remain the same: the net present value of the sum of the yearly cash flows minus the asset's initial investment requirement should be positive.

$$NPV = \frac{\sum_{t=1}^T CF_t}{(1+i)^t} + V_T - V_0 > 0 \quad \text{where} \quad \frac{1}{(1+i)^t} \quad \text{is the discount coefficient}$$

i based on i , the interest rate, and V_T , V_0 are respectively the asset's terminal and initial value.

The discount coefficient is used for two main reasons: to account for the temporal preference or the time value of money and to adjust for the risk of an investment opportunity. The first reason is necessary because money is more valuable the sooner it is received: notice that for any i , $t > 0$ the coefficient is less than the unity and it diminishes the value of the cash flow. The second reason reflects the fact that investments have different risks: the probability of receiving a cash flow from a government bond is higher than the probability of receiving a cash flow from a young Internet startup.

However, the i used to compute the NPV by debt is often the cost of the debt itself, in such a way that that the resulting NPV is meaningful for the lender. The alternative way is to consider the cost of debt among the yearly costs, thus diminishing the net cash flows before discounting them: in this case the model is adapted to an entrepreneur that is trying to understand her own profitability.



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6.7. Investment Appraisal

Given a positive NPV, by increasing the interest rate it is possible to make a sensibility analysis of the investment under the variable cost of finance. Moreover, when the NPV equals zero, then we call the associated value of the **internal rate of return**: profitability is based on a comparison of the IRR to the average cost of capital.

The entire methodology of NPV is based on comparisons: on one side the cost of the investment and on the other side some form of estimated benefits, discounted and summed over the life span of the project.

The choice of terms of comparison, in particular the kind of estimated benefits, adapts the concepts of NPV an IRR to different situations and goals:

Cost of Investment	Estimated Discounted Benefits	Situation – Goal
Equity + Debt	gross receipts= receipts – operating costs (taxes and interest cost are not subtracted from receipts)	This type of IRR is computed without regard of different types of financing. It tells us that the project can afford a certain amount of interest costs This is also useful to rank alternative projects that compete for the same capital
Equity	cash-flows: total resources – total uses: profit after interest, costs and taxes are positive component of cash flows	This is called the Financial rate of return, FRR: it is focused on the entrepreneur that gives equity to the project
Equity + Debt	discounted sum of domestic value added	Domestic Economic rate of return
Equity + Debt	discounted sum of national value added	National Economic rate of return

6. PRINCIPLES OF AGRICULTURAL FINANCING





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.7. Investment Appraisal

Eventually, the is composed of different rates:

- a base level i_s that reflects the temporal preference, also called the social time preference rate or social discount rate, mainly used in intra-generational projects.
- i_E and i_D , respectively interest on equity and debt that reflect the risk of the project and the level of risk aversion of the entrepreneur and of the lenders, generating the appropriate level of capital remuneration.

6.8. Public Financing of Agricultural Projects

Farms are typically capital intensive, geographically dispersed, limited in scale and scope and characterized by lengthy production processes. In developing economies the rapid increase of agricultural productivity lead to a decrease of farm prices relative to prices of other sectors of the economy. Farms are subject to significant business risks and to cyclical swings in economic conditions, often resulting in liquidity problems at specialized lending institutions serving agriculture. Imbalances in needs for and availability of local market funds require reliable access to non local sources of funds. However, non local funding is challenged because relationships between agricultural borrowers and their lenders typically are based on strong reliance on reputations, personal familiarity and social closeness. Skills in farmers' financial management and the quality of their financial information also are more limited in agricultural lending.

In light of these characteristics, the availability of competitively priced, dependable credit for agricultural borrowers has long been an important policy issue. Hence, public credit programs often play significant roles in enhancing market development and ensuring credit availability.



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6.9. Public Loans and Private Credit

Small, part-time or limited -resource farms remain large in numbers, but relatively small in terms of economic contribution. In developed countries, small farms often rely heavily on non-farm employment as a source of income. In less developed countries small farmers often operate at subsistence levels. In developed countries the financing needs of small farms are increasingly treated as consumer-type loans by commercial lenders, with credit scoring and higher interest rates used to offset the high servicing costs of small loans.

Public credit programs are intended to either correct a market imperfection, fill a gap in the workings of credit markets, or achieve a public purpose through the re-allocation of resources or redistribution of income in the economy.

On one hand, there is a clear goal for government actions: a financial market's primary function is to facilitate financial inter-mediation by adjusting the liquidity and risk positions of savers and investors. Extensive government regulation contributes to market effectiveness by fostering confidence, trust, and discipline among market participants.

Private credit and financial services (identification and monitoring of the most promising farms and prospective investments) are clearly beneficial to farmers. However, the benefits do not generally cause a larger demand by farmers.

In fact, the available quantity of financial services and the supply of credit follow the demand of credit, that increases when the sector is developing. In this sense, financial markets are endogenous to economic growth and development, they respond to underlying economic incentives.



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6.9. Public Loans and Private Credit

Studies in Europe and in the US showed a higher proportion of government sponsored lending to agriculture as the growth rate of total agricultural credit declines: the government sponsored credit fills the gap when private sector rationing increases. This last phenomenon may happen in two cases:

- when a developed agricultural sector does not promise significant rate of growth
- and when a developing agricultural sector has an excess of farmers and farms that are not efficient.

The last case constitutes the rationale for government interventions in the agricultural credit like the measures of the CAP and IPARD: IRR's are often quite low but the available credit helps managing the survival of some of the less efficient farms and the development of the better farms. It is important to notice that, as many other forms of agricultural subsidies, government sponsored credit are essentially a redistribution measure based on tax payers' money.

Also, by ensuring comparatively low interest rates on debt borrowed from banks, giving to the banks the difference between the normal rate and the "agricultural" rate, these policies leverage on the financial skills of professional lenders and keep them in the market when the demand for credit is not sufficient to require an adequate offer.



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6.9. Public Loans and Private Credit

In agricultural development lending, the adverse effects of government intervention may be:

- limited assistance to farmers,
- high default rates,
- high public costs,
- non-viable commercial lenders,
- regressive income effects,
- weak mobilization of savings and
- disincentives to commercial lenders who must comply with subsidy requirements.

Interest rate subsidies are especially problematic, creating excess demand for loans and unintended structural consequences. Credit subsidies also create adverse incentives for borrowers who view loans as a gift or grant, and for lenders who become lax in screening loan applicants and monitoring loan performance.

There is consensus in the literature about government intervention in the agricultural credit market:

- agricultural and rural borrowers need reasonable access to financial services from viable lenders, rather than subsidized credit, and public policy should be directed to this end
- Financial sustainability for both borrowers and lenders is the plausible policy goal. Such a goal will contribute to overall economic growth, to the benefit of both borrowers and lenders.

Nonetheless, subsidized credit programs remain widespread and play important roles in international lending programs.



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6.10. From Direct Loans to Collateral

Because of the difficulties seen above, in developed countries, among the forms of public credit, the emphasis has clearly shifted away from direct public loans toward publicly guaranteed loans by commercial lenders. Loan guarantees provide lower subsidies than direct loans, especially since direct loans are seldom priced to cover the government's full cost of funding, administering, and risk-bearing. Pricing for risk through fees and premiums is more explicit with a loan guarantee. Loan guarantees also displace fewer financial market resources, offer greater liquidity for loan sales by institutions, and provide greater use of private lender's knowledge and experience for loan origination, servicing, and management. Coupled with guarantees, time limitations on borrowers' use of guarantee programs also help to reduce moral hazard behavior and encourage timely graduation of borrowers to commercial sources of credit.

6.11. Direct Public Loans

Notwithstanding these problems, most countries have agricultural policies that comprise measures to directly finance development projects in agriculture. Hence, the need for selecting the best projects arises. At an aggregate level, the NPV and the IRR are a methodology that allows the government to compare different projects. The resources available are limited and the selection of projects allows them to be allocated in the most efficient way. In general, the measures of rural development programs identify specific areas of intervention, within which it is necessary to select the best projects.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

6.11. Direct Public Loans

In most European countries, the available funds are distributed at a regional level and the selection is made among applications for aid received by regional administrations. National development plans ensure the necessary coherence of choices. Obviously, this decentralized solution has higher administrative costs but it allows both the growth of the management capacity of the regional public personnel and a better control capacity due to the geographical proximity with the entrepreneurs who make the investments. When the selection takes place at a national rather than a regional level, it is likely that the evaluation of individual projects may not sufficiently take into account their added value with regard to the local economy and society.

The existence of a publicly shared criterion for the selection of projects to be financed is a fundamental condition for transparency in the use of public aid. Without a clear identification of the criteria, and the publication of the selection documents, the choices of the projects to be financed appear arbitrary and may be the result of favoritism and conflict of interest. Credit programs are vulnerable to political incentives. Unfortunately, it is often difficult for administrations to ensure transparency conditions due to the objective complexity to evaluate a large number of projects. This complexity can be simplified in several ways.

One of them is to provide applicants with standard prices to use in the calculation of the NPV. In this way it is at least clear that a larger IRR is not due to overestimating future prices of products: quantities of products and the efficiency of the applied technology remain responsible for its value. The error and the uncertainty associated to an estimation are reduced and comparisons among different projects are easier to make.



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6.11. Direct Public Loans

Often the availability of public resources is significantly lower than those required by the submitted aid applications. For this reason, sometimes the extremely simplified practice of first-past-the-post is used: an exact date is set and it is announced that the aid applications submitted from that date will be financed until the funds are exhausted.

Normally, aid applications are selected from farmers who undertake to implement the measures, under the constraint of the resources available for those measures in a certain area. Some US administrations use a different policy. They ask farmers to submit offers for the implementation of measures, for example, works to contain soil erosion, and choose to finance the best offers. This system has the advantage of revealing the cost at which farmers can implement the measures, and of making public spending more efficient.



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7. IPARD Program and National Rural Network Activities

The National Rural Networks, which have been established in all EU countries and Turkey and have been implementing joint programs since 2008, work within the framework of the ENRD (European Network for Rural Development) and are a significant component of EU agricultural policy. The establishment of National Rural Network (NRN) in Turkey was announced on 28 November 2017 in a well-attended event organized by the Managing Authority.

Rural networking aims to implement rural development programs in a more effective and participatory way, develop better programs and ensure coordination between existing programs. In addition, it seeks to build close relationships with other networks, in particular, to establish and develop an exchange of experiences and cross-border cooperation, thus disseminating examples of good practice.

7. IPARD PROGRAM AND NRN ACTIVITIES





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7. IPARD Program and National Rural Network Activities

The objectives of the national rural network in the field of agriculture and rural development are:

- Strengthen the participation of small farmers in the implementation of rural development,
- Improve the quality of rural development program implementation,
- Informing the general public and potential buyers about rural development policy and funding opportunities,
- Support the monitoring and evaluation capacities of all small farmers,,
- Contribute to the dissemination of the results of the CAP strategic plans,
- Pursue studies on the development and implementation of innovations in agriculture, food production, forestry, and rural areas,
- To continue its work towards the fundamental objectives. The general understanding and basis of the network is the exchange of experiences through togetherness, trust, and cooperation.

The National Rural Network plays a key role in the development of rural areas. One of its significant functions is transferring information, exchange of experience, and cooperation between local rural development actors. The rural development policy follows a bottom-up approach that encourages the participation of representatives of the sector and other actors in rural areas.

7. IPARD PROGRAM AND NRN ACTIVITIES





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7. IPARD Program and National Rural Network Activities

Participants in the studies on the national rural network: relevant public institutions, local governments, universities, research centers, producer organizations, regional development agencies, representatives of local governments, the private sector, farmers, non-governmental organizations, women's associations, and cooperatives, as well as local action groups established in 12 provinces under the "LEADER measure." YEG) are represented.

In addition to the Common Agricultural Policy network for the networks of organizations and administrations, advisors, researchers, and other innovation actors in the field of agriculture and rural development, the Common Agricultural Policy network for organizing support to the CAP Strategic Plan was significant for the concept of the National Rural Development Network in the IPARD III period. It will be a resource. The national OTP networks will be part of the European network for OTP.

The objectives of this network, which vary according to the administrative structure chosen by EU members or individual countries/states, are: Networking of agricultural advisors and support activities for farmers Promoting innovation in agriculture, food production, forestry, and rural areas is the subject of national and EU programs.

7. IPARD PROGRAM AND NRRN ACTIVITIES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

7. IPARD Program and National Rural Network Activities

NRN is necessary for testing new products and processes in agriculture, food, and forestry within a farm group organization that brings together LAGs farmers, researchers, and agricultural advisors.

The role of the NRN, which is technical support for implementing rural development programs, is not limited in this respect. Significant thematic studies have been carried out for farmers in the national rural network, continuing studies. According to the thematic studies, one of the NRN activities is the project "Technical assistance for the development of common application models for small farmers."

Among the NRN activities, the conduct of thematic studies to exchange knowledge and experiences on issues considered priorities for rural development occupies a significant place. The NRN establishes thematic working groups based on rural development priorities. The thematic working groups were established to align the leading actors or institutional representatives on their themes and draw up a participatory approach and a strategy and action plan on the subject they are addressing.

7. IPARD PROGRAM AND NRN ACTIVITIES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

7. IPARD Program and National Rural Network Activities

The thematic working groups are primarily expected to contribute to the implementation of rural development programs. These groups provide the impetus for innovative approaches to improve knowledge on specific issues among relevant small farmers. The exchange of information gained through the themes in which these groups are active provides a better understanding of rural development principles and different practices. The thematic working groups' activities also help generate ideas to raise awareness of significant issues at the policy level and design, implement, and improve rural development strategies that lead to solutions to these issues.

The thematic working groups established under the National Rural Network have conducted studies on eight themes. The Thematic Working Group on Small Farmer Support is one of these eight working groups. The Thematic Working Group on Small Farmer Support aims to identify enterprises that are not covered by current rural development programs and propose a support system that includes them. Although the target group of the study is all small enterprises, the support measures proposed for them are linked to the IPARD program as much as possible.

7. IPARD PROGRAM AND NRN ACTIVITIES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

7. IPARD Program and National Rural Network Activities

Throughout the project, the following entities were investigated to determine the success factors, allowing them to apply and receive an award from IPARD or other rural development funds:

- AFŞAR BALA'M COOPERATIVE
- AYAS AKKAYA COOPERATIVE
- HARŞENA APITHERAPY (HONEY PRODUCTION)
- AMESIA BEE WOMEN'S COOPERATIVE
- GÖKÖZ RURAL TOURISM MANAGEMENT
- NALÇABASMAZ OLIVE OIL PROCESSING
- BOZTEPE OLIVE OIL PROCESSING
- TEKTAŞ MILK PROCESSING

As per the graphs shown under the 2.1.1 title, it may be stated that having capital to invest or to have the foresight to pay back a bank loan makes rural support applications more interesting for holdings and cooperatives.

As the initial workload is high and return on investment is low in the first years of a business, cooperatives seem to share the workload compared to single-person entities and create the synergy to support their business until it starts generating proper income. For instance, the women in Afşar Bala'm cooperative stated that they worked in turns for long hours and little payment in the beginning to produce enough to meet the incoming orders.

7. IPARD PROGRAM AND NRN ACTIVITIES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

7. IPARD Program and National Rural Network Activities

In addition to the above-mentioned successful implementation, many other cooperatives and unions were met throughout the project. We would like to point out a critical fact that caught the attention of implementing team. It was visible that women's cooperatives were more successful in cooperating, coordinating, and sustaining their businesses. A good example is the Doğancı Village Women's cooperative, where women put in many work hours without the expectation of payment in the first year and shared equally as their business generated turnover. They worked in challenging conditions for four years after establishment and sustained the quality of their products and their business despite the worldwide pandemic. It may be concluded that planning, creating trust, and synergy are key factors to make a business sustainable. The idea of investing and application to aids follows after establishing a solid basis for a business.

NRN presents good practices supported by rural development grants in our country and aims to systematize these activities. For this reason, exemplary methods and projects, cooperation models, investments, and initiatives in each region are selected and documented.

The collection of examples of good practice and their dissemination by the NRN has two main objectives:

- Improve the implementation of rural development programs.
- Provide general information to small farmers and society on activities/investments that can benefit from rural development programs.

7. IPARD PROGRAM AND NRN ACTIVITIES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

We should take a look into the characteristics of small farmers first:

- Household objectives by and large dictate the resources which can be committed to an activity.
- Decisions on a small farm are mostly to cater to the family's welfare before profit is considered.
- Smallholder farmers are also generally characterized by limited education levels, limited access to information, and limited management skills and time to run their farms efficiently.
- Outdated and straightforward means of production are utilized, which leads to low yields.
- Smallholder farmers can also be characterized by the size of their piece of land, distribution of resources towards the production of food and cash crops, and livestock.
- It can also be characterized that small farmers are people who generally have limited schooling and income.

- The Need to Access Financial Capital
- Bureaucratical Challenges
- Scope of the IPARD Supports

- Complications During the Application
- Consultant Issue
- Access to Information:
- Current Cooperative Legislation

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

The Need to Access Financial Capital

Small farmers operate their farms as entrepreneurs operate their farms or try. They raise capital from multiple sources and invest in productive assets; for many, even a spade or a bicycle are essential assets. They make decisions and take both risks and profits. And agriculture involves many decisions: What to plant, which inputs to use, and how, when to plow, seed, and harvest; how much to keep for consumption in the household and how much to sell to raise cash, or how much to store. Small farmers often make these decisions in an economic environment in which markets do not function well, if at all, and which is also subject to many risks, such as adverse weather and price surges. And this has significant implications for their choices and their livelihoods. It also affects their choices on investing in themselves and their children on how to attain social and human capital objectives, such as education and health.

Nevertheless, in today's modern markets, smallholder farmers must overcome considerable constraints. Commercialization and the transformation of food supply chains, best reflected by the rise of supermarkets, offer new opportunities for smallholder farmers. But can also marginalize them, isolating them from lucrative markets and making them unviable economic units.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

Capital and credit constraints limit the small farm's ability to use resources for optimum performance adequately. Farmers' access to capital is constrained in multiple ways, including price factors, risk factors, transaction factors, and access to and ease of rural agricultural financing. This section will focus on the investment factors during the IPARD application of a small farmer.

For a small Turkish farmer, there is a desperate need to reach financial capital to apply for an IPARD project as the IPARD requires the payments to be done after the financial investment done by the farmer. This directly means that the farmer must finance the project with equity capital or some form of credit requiring a strong cash flow. Yet, the small farmer:

- is not found credible by the creditors,
- is reluctant to find credit or spend their capital equity as they are afraid of losing money or bankruptcy,
- The small farmer is reluctant to find credits because of the religious matters as being part of an interest-based credit system is banned in their religion.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

The instability of the Turkish Lira's value against other currencies is also an effect for all investors, including the small farmers. The reimbursement is made in Turkish Liras, and it should be remembered that the reimbursement of an IPARD project may take substantial time, risking the value of the reimbursement when the process is completed. Also, the instability of the Lira negatively affects the value of the investment as the problem portrays itself onto the Lira amount to be spent throughout the project, complicating the process of budgeting and checking the cash flow.

It can be highlighted that some of the factors considered when lenders issue loans to small farmers include household demographics, socioeconomic and farm characteristics. The age of a small farmer and the educational level of a farmer applying for credit is crucial. Credit institutions prefer lending to farmers who fall within the economically active age group.

On the other hand, education gives insight to credit providers of productive opportunities available to the farmer and the capacity to understand loan evaluation procedures. Credit providers and insurance firms are not keen to deal with small farmers because they pose a covariant risk due to factors like adverse weather conditions, moral hazards, and anti-selection. These factors force lending companies to be extra vigilant during the monitoring of clients and, in the process, incur higher transaction costs.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

It can also be argued that conducting many small credit transactions for small farmers, like checking for creditworthiness, collateral verification, and monitoring of loan repayments, implies extra expenses which some borrowed by these small farmers cannot justify.

It was noted that it is a challenge for farmers to reach credit opportunities as they do not comply with the financial requests from the banks. For these reasons, farmers try to solve financial problems by lending funds from their relatives/acquaintances.

Religious considerations also strike as a hampering reason for small farmers to seek credit opportunities as they believe that being a part of an interest system (credit) is frowned by the religion.

Bureaucratical Challenges

Even if the farmer somehow reaches the capital, they must challenge the bureaucratic issues. The IPARD application requires the farmer to submit various bureaucratic documents such as certificates of ownership, building use permits, etc. Reaching those documents is a long and time-consuming process for both the farmer and the institutions issuing those documents in many cases.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

Complications During the Application

Small farmers find the IPARD application processes heavily complicated in terms of paperwork to be studied and prepared, causing reluctance to prepare a project report. This situation also needs a desperate need to cooperate with a consultant. However, even if they hire a consultant to prepare the application package, the amount of paperwork and the volume of the technical matters to be addressed force them out of the process.

Consultant Issue

There is a long-standing discussion of IPARD consultants. First, there are private consultants. Currently, there is not a network for "certificated IPARD consultants," – which means that anyone who deems themselves as "IPARD consultants" can introduce themselves to small farmers as so. In many cases, small farmers were negatively affected by the ill-intentioned or underqualified consultants. The negative experiences of the peer farmers lead to reluctance to apply for IPARD support. The unavailability of a reliable certified/accredited consultant network makes the small farmer vulnerable to ill-intended consultants and varying consultancy prices and capabilities.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

The ARDSI took steps to challenge the issue. In order to enable entrepreneurs to benefit more effectively from rural development supports, cooperation protocols were signed with producer organizations and professional organizations (9), and small investors were given the opportunity to prepare IPARD rural development projects free of charge. In accordance with the institutional procedures, the organizations would submit a price offer for the projects they would prepare and would not charge any fee from the applicant during the preparation process of the project. In case the prepared project was accepted by the Institution, after signing a contract with the Institution, the investor should pay the project preparation fee to the relevant organization in return for an invoice over the amount determined in the price offer and submit the invoice to the Institution with the payment request package. After completing the necessary examinations, ARDSI would pay the investor the amount to be calculated according to the grant rate in the project as support. With the "Cooperation Protocols" signed, the expenditures made by small investors during the project preparation phase would be reduced, and if the ARDSI did not approve the projects, investors would not have to make an advance payment. The cooperation protocols aimed to increase the number of projects suitable for the needs of the sector and benefit more businesses from IPARD grants.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

Access to Information

There is a direct relationship between access to relevant and practical information and agricultural development. Access to agricultural information can help small-scale farmers to improve production capacity, as well as to access better remunerative markets. Rural communities urgently need basic education on farming. Although smallholder farmers have passed on traditional and indigenous farming knowledge from generation to generation, this information is no longer adequate in this day and age. For that reason, farmers need to combine traditional and indigenous farming knowledge with recent scientific approaches. Women, indigenous farmers, and young people are by and large deprived of training and up-to-date information. Compared to their male counterparts, women generally had much less access to information through agricultural extension services since women were not regarded as agricultural decision-makers.

Scope of the IPARD Supports

It was noted by many small farmers that the range of the IPARD supports is too comprehensive when compared with the urgent needs of average small farmers. While small farmers prioritize more urgent but less costly needs such as machinery and equipment, IPARD projects promise larger-scale investments that require the small farmer to tackle financial, technical, and bureaucratic issues discussed above.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

8. Detailed Analysis of the Obstacles Small Farmers Face in Applying to IPARD Measures

Current Cooperative Legislation

Although agricultural unions/associations are given extra points when evaluating an application package, this does not provide enough boost to provide for more applications. Also, some farmers noted that many directors of the cooperatives, unions, and associations abuse their power to exploit personal benefits in various ways, discouraging them from setting up cooperation with these bodies. Amendments in the legal framework of these entities were strongly recommended by the small farmers to address the issues mentioned and ensure a more democratic, transparent, and accountable structure. It was additionally noted that the agricultural associations and unions are financially and technically weak, though they may have acted as a catalyst to convince farmers to seek supports. It was noted that it is common for cooperatives not to have land, production facilities, or similar structures, and this often poses an obstacle to applying for investment supports. It has been emphasized that for the cooperatives to be efficient and long-lasting, they need technical assistance, which will provide important technical gains, and thus, they will be strong structures that can balance the price and demand. It is a common situation for some cooperatives that the guidance of academicians and institutions for increased capacities.

8. ANALYSIS OF THE OBSTACLES





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

9. POTENTIAL OF SMALL FARMERS TO WORK COLLECTIVELY

9. Potential of Small Farmers to Work Collectively

According to the meetings with stakeholders, unions, associations, cooperatives, local action groups and development agencies in the pilot provinces, it was clearly pointed out that **trust and ability to manage a business together** is not one of the strong suits of small farmers. It was even highlighted by the stakeholders that many cooperatives went inactive due to reasons such as lack of scheduling for the use of machinery.

This section will point out some highlights that can increase the potential of small farmers to work collectively.

Successful implementations which were able to receive funds and invest in their holdings provide a set of advantages for the area and fellows.

- For instance, Gököz Natural Park in Gököz, Bursa selects the employees from Gököz or neighbour villages, buys the local products for the restaurant and explains procedures and hardships to those who attempt for similar investments.
- Afşar Bala'm Cooperative in Bala, Ankara only has members from fellow villagers. They buy all their raw materials locally. They incorporated 10 hectares of land to agricultural activities and supported the garlic producers in Bala.
- Halit Çelebi who owns Harşena, produces bee products with his family since years. He is showing the fellow beekeepers how he increased quality, what machines he used and how he received grants from IPARD.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

9. POTENTIAL OF SMALL FARMERS TO WORK COLLECTIVELY

9. Potential of Small Farmers to Work Collectively

- Saitabat Village Women's Solidarity Association in Kestel, Bursa was established in 2002 with 9 members. It is not one of the examples that received funds, yet the association is a first in Turkey that was founded solely by the villager women. It aimed to increase the self-confidence of women in the village, contribute to their family budget, helping people in need, and most importantly, protecting the culture. The association became a business that can serve 150 people at the end of 5 years by working voluntarily in the first 5 years. Ms. Sermin Çakaloğlu, who is the head of association, provided leadership and finances in the initial years. She earned respect by the villagers, both men and women, who became a part of the Association regardless of how much they earned. The association created employment for the women in need in the village, contributed to their budget by purchasing the products they made, and thus reduced the migration from their villages to the city.
- Cattle Breeder's Union in Amasya is managed by a visionary businessman called Güner Aslan who gives importance to training and guiding the small farmers in districts of Amasya. Amesia Working Bees Women's Cooperative is one of his important works. He selected 15 women from different villages, provided them trainings, lead them in becoming a cooperative and even financially supported the purchase of machinery together with the Development Agency. Now the Amesia Cooperative purchases local hand-made good from its 126 members, contributing to the welfare and development of Amasya.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

9. Potential of Small Farmers to Work Collectively

A visionary leader, training, fairness, working with devotion are key factors to enable and sustain collective work:

A leader that is respected and followed, motivates people to work and get along for the greater good. In Saitabat Village Women's Solidarity Association, Ms. Sermin Çakaloğlu has been that role model and women we motivated to work for 5 years without much financial expectation.

Trust is necessary in sharing of resources and earnings. Trust is maintained from fairness and appreciation of the work that all employees do, regardless of it being small or big. Doğancı Village Women's Solidarity Association has been keeping hour logs and paying every employee the equal amount whether they were executive or dishwasher. This way they appreciated every effort and could also take turns to do unpreferred jobs. At the times the Association couldn't earn, they didn't receive a payment, if the total income would allow 3TL per hour, everybody would get that amount by the hours they worked. The income was transparent, and women worked with devotion, putting all they can into keeping their association alive.

9. POTENTIAL OF SMALL FARMERS TO WORK COLLECTIVELY





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

9. POTENTIAL OF SMALL FARMERS TO WORK COLLECTIVELY

9. Potential of Small Farmers to Work Collectively

Lastly, the critical importance of collaboration of stakeholders must be emphasized. Their support has crucial impact on the success and welfare of small farmers and cooperatives. For instance, Afşar Bala'm couldn't be what it is today if the development agency (AKA), Local Action Group and Municipality did not support them. The collaboration of these stakeholders created a successful cooperative which produces with minimum carbon footprint and zero waste, provides employment, supports local development and agriculture in Bala.

Doğancı Village Women's Solidarity Association would not have existed is District Governorship didn't support them with the application and initial finances.

Amesia Working Bees Women's Cooperative received %100 grant in total for their establishment, some from the Development Agency and rest from Amasya Cattle Breeder's Union. Not to mention the Union's training efforts added priceless value to those women's lives.



In conclusion, it is critical that the small farmers are supported, and the stakeholders work hand in hand to make the conditions easier for the small farmers. Sharing resources, labour and machinery is definitely substantial to reduce costs of production and strengthen competitiveness. An in order to sustain this, trust, fairness, transparency is necessary to create dedication and motivation.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10. Example of Successful Collective Business Models From Europe

The project concerns research and evaluation of successful European examples that may provide useful ideas and applications for the Turkish agricultural sector.

10.1. CUMA Example in France

The first example is an “Agricultural Equipment Use Cooperatives” called CUMA (Coopératives d'Utilisation de Matériel). There are 11.740 CUMA in France, in all departments, grouped under 10 Regional Federations. They have 4.700 employees, including drivers, mechanics, and managers. The average turnover is 60.000€ per year, and each CUMA works with an average of 23 farmers. Therefore, it is safe to state that almost one out of two farmers is a CUMA member. A total of 202.000 farmers were CUMA members in 2017.

In France, management and accounting associations (AGC) provide CUMAs and their partner structures with an accounting service adapted to their specific needs and circumstances, applying and adhering to recognized accounting working methods and standards.



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10.1. CUMA Example in France

How It Works?

- Farmers buy shares of the CUMA, which uses the capital to buy and maintain machinery and the equipment
- Farmers commit to use the equipment for a fixed number of hours
- Farmers pay for the use of the equipment

The farmers' invested money is used as leverage to acquire more capital. On average, the capital structure is as follows:

Equity (farmers' shares)	14%
Loans	65%
Subsidized loans	12%
Subsidies	9%



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10.1. CUMA Example in France

Main Activities :

Sectors	Types of Equipment / Machines	Purchased in 2017
Post harvest	seed stations, silage cutters	63
Traction	tractors, high-clearance sprayers	960
Crop protection	sprayers, cultivators	454
Land maintenance	mowers, shredders	984
Seed drilling	drilling machines	1.105
Fertilization	spreaders, fertiliser distributors	2.014
Transport and handling	trailers, cattle trucks, telescopic handlers	2.529
Soil cultivation	cultivators, rotary arrows	3.268
Harvesting	combine, forage and grape harvester	4.041

Also: Wood logs and pellet, Composting, Direct drilling, Farm saved seed, Silage extraction



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.2 COVALPA and AMMP Examples from Italy

In Italy, the definition of SF is in the civil code: The direct farmer is defined as "the small entrepreneur who carries out agricultural activities, organized mainly with their work and that of their family and who usually devotes themselves to the cultivation of the land or the breeding of livestock, provided that the total family workforce is not less than 1/3 of that necessary for the proper cultivation of the land itself and the breeding of livestock.

- With regard to the land, he can be an owner or a tenant.
- With regard to work, he and must carry out the activity for a period of not less than 104 days per year.

As such, the SF is different from the agricultural entrepreneur, who can have employees for much of their labor needs. It is important to underline that every direct farmer is registered and pays contributions to the national health and pension scheme.

ISMEA is a government-owned body that monitors the demand and supply of agricultural land and helps SF finance its acquisition. In addition, ISMEA manages the "national bank of agricultural land," an open-access database where sellers can post the parcels on sale, and potential buyers can evaluate them.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.2 COVALPA and AMMP Examples from Italy

Cooperatives, associations and producer organizations (PO) are very well developed in Italy. POs and their Unions are relatively new, they are instruments of the CAP, an integration of producers of the same product with the objective of aggregating their supply.

Vertical integration and cooperatives in Italy: COVALPA and AMPP

The following is a satellite image of Fucino, a highland (680m) in central Italy, about 80 kilometers east of Rome. It is one of Italy's most fertile plains. The vegetables that are grown here are highly appreciated across Italy for their distinguishing quality and taste. Particularly popular is the Fucino potato, which was awarded the "Protected Geographical Indication" in 2014—a quality label awarded by the European Union to agricultural products of excellence closely tied to a particular territory. It was a lake with no natural outlet that frequently flooded the surrounding villages.



The Romans built a 6 km long tunnel to drain it, diverting the lake waters into a river to the southwest. (It has been the longest tunnel ever built until 1871).



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.2 COVALPA and AMMP Examples from Italy

Vertical integration and cooperatives in Italy: COVALPA and AMPP

After the fall of the Roman Empire, maintenance of the tunnel failed to cause it to clog up. So in 1873, the lake was drained entirely, leaving behind 140 square kilometers of fertile land. Fishers became farmers.



Today, the offspring of those early farmers are members of COVALPA, a cooperative and an association grouping 100 horticultural (carrots, beets, spinach, celery) and 400 potato producers. Their yearly turnover is around 12 mill. EUR.

We know them very well since my cooperative of consultants helped them become what they are today: farmers and transformers and traders of their products.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.2 COVALPA and AMMP Examples from Italy

Vertical integration and cooperatives in Italy: COVALPA and AMPP



This agro-industrial plant of 11.000 sqm is composed of the equipment needed to add value to the products by building a modern value chain:

- a washing, cutting, and selecting unit
- a frozen processing unit
- multiple packaging types of equipment
- a warehouse for cold and controlled temperature

A very short and regulated production chain is the key to the high quality of Covalpa frozen and fresh products.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.2 COVALPA and AMMP Examples from Italy

Vertical integration and cooperatives in Italy: COVALPA and AMPP

The project obtained many of the investments needed to become a leader in Italy we started 15 years ago, called from the farm to the dish (much later, the EU made popular the concept as *from farm to fork* that sounds better in English), co-financed by the local RDP.

Each farmer uploads all relevant facts of their cultivation online, and each of their batches is associated with an RFID: traceability is obtained flawlessly, and consumers can learn the entire story of the products they buy by entering a code on a website.

”

***This builds trust between producers and consumers,
and trust increases sales.***



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

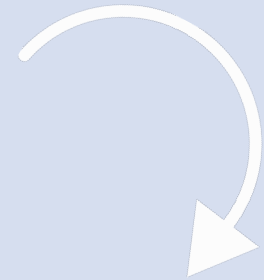
10.3 Glanbia Cooperative Example from Ireland

Glanbia Co-operative Society Limited

Glanbia Co-operative Society Limited is Ireland's number one dairy cooperative, proudly delivering for rural communities for over 100 years.

They process milk and sell many dairy products under different brand names for the national and international markets in China, the US, the Middle East, and Africa.

In these 100 hundred years they went from this:



To this:





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

10.3 Glanbia Cooperative Example from Ireland

Glanbia Co-operative Society Limited

In 2019 the co-op had 5.600 members. The 4.500 milk suppliers were paid 1.035 mil. € for the milk they produced.

Many members have less than 100 cows. The average milk supplier has seen farm-gate milk value reach 203.000 €

The co-op processed 2,9 billion liters of milk, producing and selling 409.000 tonnes of dairy products. One of their main investment is the milk powder plant.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. Examples of Successful Collective Business Models in Turkey

In an agricultural sector where access to safe and healthy food is increasingly difficult, foods with low nutritional value and residue risk are becoming more common, the value of the small farmer is increasing day by day. However, due to the competitiveness of industrial food chains and the ever-increasing cost items for the small farmer, farming is abandoned, villages are emptied, and our local seeds become history. According to the ETC Group report in 2017, "rural family farming" feeds more than 70% of the world's population and uses less than 25% of agricultural resources. Moreover, the "rural family farming network" supports biodiversity 9 to 100 times more than the industrial chain.

According to the 2019 statements of FAO, although individuals or families own more than 90% of the farms in the world, the total land of family farms is around 80% of agricultural lands. For these reasons, small farmers, also called family farming, are one way to make agricultural products more nutritious, agriculture more efficient and sustainable.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 1. Participatory Guarantee System in Tahtacıörencik, Güdül, Ankara

This example is an initiative that allows farmers to work together with the Participant Assurance System and produce with agroecological agricultural practices by prioritizing small-scale and eco-friendly farming elements.

According to the 2011 "Agroecology and The Right to Food" report of United Nations Special Rapporteur Olivier De Schutter, agroecology methods:

- can double food production in 10 years,
- can slow down climate change,
- can reduce rural poverty.



The Scenario of Europe (called "Ten Years of Agroecology in Europe") forecasting the next ten years with agroecology expects:

- Outputs will be able to feed 530 million Europeans,
- Decrease Europe's carbon footprint on a global scale,
- Reduce the agricultural greenhouse gas emissions by 40%,
Contributes to the restoration of biodiversity and the conservation of natural resources.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 1. Participatory Guarantee System in Tahtacıörencik, Güdül, Ankara

Agroecology is a method of farming that centers on food production while making the best use of nature's goods and services and not damaging these resources. Agroecology aims at improving soil and plant quality through available biomass and biodiversity rather than battling nature with chemical inputs.

In Tahtacıörencik Village of Güdül, 26 family holdings came together and used the Community Supported Agriculture method while farming with agroecology method. They work together based on trust and without the financial and bureaucratic burdens of a company or producer cooperative.

Community Supported Agriculture is defined as a producer and a consumer group collaborating to meet the needs of both parties. While the consumer provides access to healthy, natural, fresh, and seasonal food, the manufacturer sells its products at a fair price and shares agricultural risks with consumers.

Community Supported Agriculture is founded on four basic principles:

- Partnership (involvement and commitment of stakeholders to production and acquisition, including the customers)
- Local economic development
- Solidarity (sharing of risks and benefits)
- Trust (direct contact)

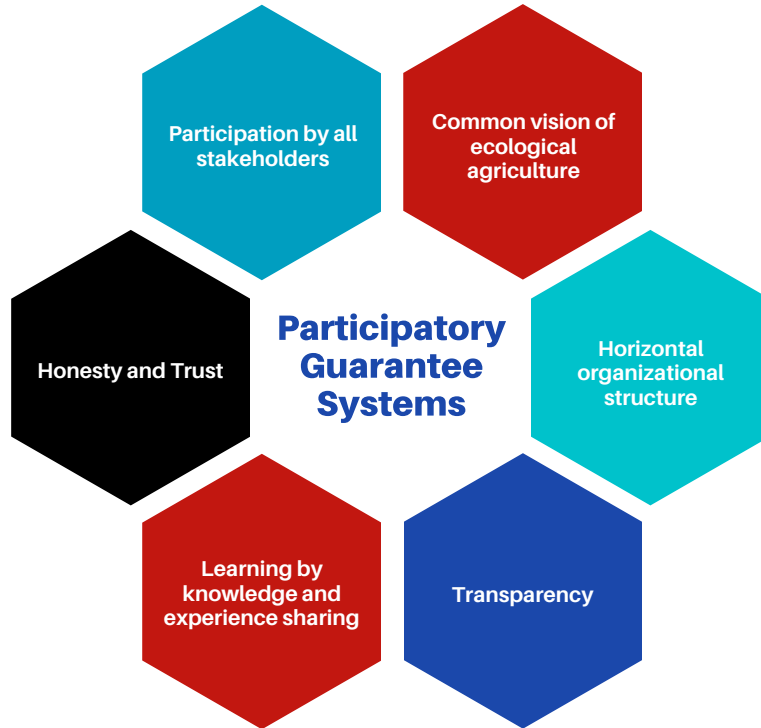




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11. 1. Participatory Guarantee System in Tahtacıörencik, Güdül, Ankara

Furthermore, The Participatory Guarantee System, which allows solidarity, learning, and progress, was adopted by Tahtacıörencik farmers for the last ten years. It is a lower cost, more democratic, and more effective method when compared to the acquisition of official certifications such as organic certification.



Family holdings in Tahtacıörencik village produce by following certain criteria they call "non-toxic production" and inform their consumers about their production processes.



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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 1. Participatory Guarantee System in Tahtacıörencik, Güdül, Ankara

Consumers can visit the farm and conduct inspections or observations at any time. This method, which constitutes a trusted network, offers both intermediary sales and access to food communities.

The small farmers, who are part of the Participatory Guarantee System, created channels where consumers and producers communicate full-time, photos of crops planted and grown are shared, consumers can go to the village and look at how they are planted, fertilized, collected, or even included. In addition, producers can sell their products straight from the farm, farmers' markets, or through online websites. Some families have also opened themselves up to small-scale agricultural tourism by providing breakfast.

There is a voluntary division of labor in all collectively executed tasks. Decisions regarding production criteria and operation are discussed openly at the meetings and accepted by a majority of votes. Moreover, one of the farmers has dedicated a part of their field to agricultural trials and hands-on training to fellows when new crops, new farming methods, or new farming technologies are being tested. This has created a small farmer group that is enthusiastic about learning and advancing





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 1. Participatory Guarantee System in Tahtacıörencik, Güdül, Ankara

The important results of these efforts can be summarized as follows:

- While only one family produced vegetables beyond their own needs in 2012, in 2020, at least 21 families mainly cultivated local varieties beyond their needs in 2020, making use of 23 decares for irrigated vegetable farming and 118 decares of waterless agriculture. They sold their products through direct sales channels.
- The number of cattle, which was 473 (with their offspring) in 2012, increased to over 1600 in 2020.
- In the same year, the number of contracted closed poultry farms decreased from 3 to 2, and the number of chickens with cage-free production reached around 1400 from zero.
- Families diversified their products in line with the demands of consumers and visitors, and some started small-scale rural tourism.
- Training on environmentally friendly clean production was given.
- Farm visits were organized for food communities and consumers.
- Local seeds were preserved and multiplied.
- With more than 40 tours to the village, around 1500 people visited the farms and the village.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 1. Participatory Guarantee System in Tahtacıörencik, Gündül, Ankara

During the pandemic period, purchasing demand from small-scale producers increased by 2-3 times in Turkey. As a result, community Supported Agriculture and outdoor producer markets have emerged as the safest methods in pandemic conditions.

With activities such as the occasional breakfast festivals, tent camping activities, farm visits, village tours, and sky observation activities, the producers reached their consumers, promoted their products, and established their rural network.

11. 2 Collective Business Model for Cheese Production in Muş

Muş cheese, which is not very well known in Turkey because it is not marketed under a brand name, yet is very delicious and made by fewer families day after day, is actually our cultural heritage. Members of the Rençber family expertly produce the distinctive flavors of Muş cheeses such as aged cheese, cheddar, Tulum cheese, and other cheeses in four different factories. This example of best practice refers to the benefits of four different companies producing old Muş cheeses, essentially belonging to the same family, merging into a common business model.





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11. 2 Collective Business Model for Cheese Production in Muş

Muş Cheese

With the project initiated under the leadership of the East Anatolian Muş Investment Support Office, merger studies began in November 2020 and were completed on 18 March, 2021. Under the project, the Rençber family has been producing Muş Old Cheddar and Muş Tulum Cheese for three generations in Muş province since the 1950s. The project was supported to eliminate the disadvantages resulting from the "joint business model" under the motto of unity of forces in an environment where the family started to hand over the business to the fourth generation, competition became exceedingly fierce, and the market share started to decrease. For the four Muş Old Cheese producers involved in the project in the province of Muş:





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

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- Merging under conditions that adopt the common business model,
- Creation of growth strategies,
- Consolidation of the efficiency-oriented production structure,
- Minimizing and managing financial risks,
- Increasing market share by joining forces and raising the product price to the required value
- Most importantly, it was undertaken and completed to preserve the value of Muş Old Cheese and bring it back to where it was supposed to be.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 2 Collective Business Model for Cheese Production in Muş

When examining the situation before the project's launch, it was found that each company worked for an average of 2.5 months and invested about 450,000 TL per company, with no standard set. Hence, they continued their production based on manual and experience.

Production time, general deficiencies in the production process, high costs, selling to high-risk customers and long-term sales conditions in the market, adopting a production and sales model that resembles a work contract, as they do not have a brand, price, and payment terms for the buyer-dealers in the common market just because they are competitors themselves. The fact that they are in a situation of capitulation in terms of a single enterprise, they cannot make investments that support efficiency as a single enterprise, they have severe problems in distribution and market management due to the concentration of all resources on milk purchasing and production, and many similar problems are eliminated. The disadvantages are the advantages of the merger, the common business model, and the power structures that were started with enthusiasm and determination.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 2 Collective Business Model for Cheese Production in Muş

Within the scope of the project, support was provided to 4 companies related to the following specific issues, and the project was carried out with consultancy, training, and one-to-one application techniques:

- geographical indication support,
- merger support,
- institutionalization and strategic management consultancy support,
- market negotiations support,
- investment planning project writing support,
- provincial directorate of agriculture project request application support,
- support for trademark patent registration,
- support for brand identity and corporate identity creation,
- support for multi-dimensional current customer analysis,
- multi-dimensional market share and targeting support,
- process optimization,
- machinery equipment needs assessment support,
- support for the determination of strategic goals and the creation of a target systematic,
- vision setting,
- determination of shared values,





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 2 Collective Business Model for Cheese Production in Muş

- determining the reason for existence,
- creating an institutionalization roadmap,
- support for financial regulation of production/logistics/storage and marketing costs,
- carrying out sales strategy and market segmentation studies according to different channels,
- engagement in the family constitution, official institution applications, and accreditations,
- creation of essential managerial functions and indicators, etc.

Throughout the project, 150 man/days of consultation studies were carried out with the partners of 4 companies, online and face to face, for five months, with four different consultants who are experts in their field. As a result of the work, critical studies such as the family constitution, share distribution, sensitivity and priorities, procedures for acquiring new partners and leaving the partnership, roles and organizational chart, board approach and responsibility hierarchy, role and job descriptions based on a fundamental competency analysis were finalized, and the partners were encouraged to adopt the new structure.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 2 Collective Business Model for Cheese Production in Muş

In terms of supporting the market and sales, customer-oriented transactions such as opening stores in intern marketplaces, launching e-commerce sales with their own website, assigning responsibilities, and establishing the infrastructure for customer management with a professional "customer relationship management (CRM)" software were carried out.

The Rençber family, who are open to change, development, and the idea of cooperation, agreed to run their business together and assisted consultants in creating the set of rules. The result of their work brought significant benefits and standardized the procedures for producing the aged Muş-Cheese, which is originally part of Turkey's cultural heritage.

- Thanks to the machine investment known as the missile, 15-kilogram aged cheese production was reduced to 1/5 (80%), resulting in 4 times more time savings.
- In the past, a 61% saving was achieved in the costs incurred by each company alone for the five primary raw materials, allowing the partner company to save 220,000 TL.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11. 2 Collective Business Model for Cheese Production in Muş

- Thanks to the quality and taste standardization of the products, different tastes, colors, shapes of Muş Old Cheese are available in the market. The image formed on these issues has begun to evolve in a positive direction.
- While the human resource requirement per total enterprise was about 80 people in the past, and it can now be met by about 15 people thanks to the merger. In this sense, approximately 80% of human resource savings have already been achieved.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11.3 Collaboration of Amasia Working Bees Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

Amasia Working Bees Women's Cooperative,

This real-life example is a success in matter of both collective business management and short supply chain. After introducing how the Cooperative came to be, their success will be explained.

Even though the spotlight is on Amasia Working Bees Women's Cooperative, their full-time supporter was the visionary Cattle Breeder's Union in Amasya. The Union is very active, visiting the field and knowing all farmers in the area. They selected 15 representative women from three villages (Merzifon, Gümüşhacıköy and Suluova) to form a community called

'Amesia Working Bees" and provide them trainings on a variety of subject such as hygiene, food security, business management, becoming a cooperative, branding, quality management etc. Moreover, in the workshops of Amasya Cattle Breeder's Union, hands-on trainings were given on wrapping, packaging, embroidery, logo applications and production for 6 months. Those 15 women started producing and providing their products to the Union for sales.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11.3 Collaboration of Amasia Working Bees Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

Amasia Working Bees Women's Cooperative,

In May 2011, "Amesia" brand was officialised by the Turkish Patent Institute. Until then, it was 4 years of collaboration with the Union. Time came that Amesia would be a legal entity.

The Head of Cooperative Mrs. Medine Alkoç stresses that husbands of the members did not believe they would succeed and sustain a cooperative. It is understandable if one knows that many cooperatives and unions became inactive due to mismanagement all around Turkey, yet they were undermining the will power and hard work of their wives. Another important fact that leads them to success is that they received trainings and warmed up to workflow within years.

“

Commercial ambitions were not a part of their vision, for that reason they never rushed into becoming a cooperative.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11.3 Collaboration of Amasia Working Bees Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

Their intension was to have welfare and stay with the land they grew on rather than seeking low paying jobs in cities they feel they do not belong to. This could only happen if they sustained the cooperative, so they worked hard. 20 women became 126 today, all producing hand-made products for their customers. As a matter of collective work, the Amasia Working Bees Women's Cooperative was able to provide financial safety and trust to its co-workers. In addition, the Cooperative was able to plan their business processes with the Union, maintain the good relations with them and deliver quality products in line with given deadlines. If the members of Cooperative were single farmers, they would never have the power of production, sales and competitiveness. The beauty of collective work is that you are able to accomplish things you cannot do alone. As a matter of fact, the Cooperative now has 25 markets where they sell their products, has agreements with the airport, markets and restaurants such as Big Chefs, AOÇ, BTA, ABC gurme, Bonservis on top of an online channel that generates a considerable income.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11.3 Collaboration of Amasia Working Bees Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

Below is a page from Big Chef's catalogue which disseminates Medine Alkoç, Tuğba Çaylak and Beyhan Dağ from Amasia Working Bees Women's Cooperative:



Even though it is not a farm partnership as the Europe created, it is the best form suitable to Turkey for collective work. In addition to their inspiring collaboration skills, Amasia Working Bees Women's Cooperative is also a good example for short supply chain. The Cooperative was established in November 2011 as a Producer Union company under the umbrella of Amasya Cattle Breeder's Union.

This business structure is exactly what the Coopdom and Bioroma uses in Italy. Bioroma is a producer cooperative company that is established under the umbrella of Coopdom which is another cooperative company. Bioroma produces and provides their products to Coopdom. Coopdom makes agreements with schools, hospitals, restaurants and handles logistics. This way Coopdom has the power to bargain on prices and focus on delivery of purchases. Bioroma receives good advice from the market through Coopdom, produces what is needed or makes product transformation to meet the needs of customers, not worrying about sales and logistics.





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11. EXAMPLES OF SUCCESSFUL BUSINESS MODELS IN TURKEY

11.3 Collaboration of Amasia Working Bees Women's Cooperative and Cattle Breeders Union in Merzifon, Amasya

Similarly, Amasia Working Bees Women's Cooperative is established under Amasya Cattle Breeder's Union. The Cooperative produces and Union makes deals. The Cooperative doesn't have the worry about where to sell, how much to sell, how much of what to produce. The Union bring feedback from the market and lead the Cooperative regarding product transformations. For instance, in 2020, they told the Cooperative to produce fig jam with walnuts. The Union supported the products of Cooperative to be sold in Municipality shops, created an online platform, planned production and handled logistics. Lately the Cooperative was able to extend their sales to important catering firms. The story of women in Amasia flourished due to their collaboration with the Amasya Cattle Breeder's Union.

It is critical to remind that short supply chain doesn't only concern cutting steps of a supply chain. Every step, from farm to fork, adds value to the product. Handling some more of the processes internally and farmers receiving the earnings also counts as short supply chain. In Amasia's case, the cooperative of women produce, harvest, select, even do product transformation and packaging. The Union gets the products, sells them, signs agreements, distributes products, plans farmers production, and at the end all earnings are distributed among farmers.





Tuğba Çaylak

**Amesia Arı Kadınlar Kooperatifi
(Çorum / Osmancık)**

Orijinal tatdıyla yiyen herkesi mutlu
Amasya'nın eşsiz doğasından sofralara
gelen, pirinçlerimiz Amesia Çalışan
Kadınlar Kooperatifinden.



**SÜRDÜRÜLEBİLİRLİK VE
DEĞER YARATMAK İÇİN**



TOPRAĞIN
KADINLARINDAN
Sofralara

*Toprağın Kadınlarının
Hep Yanındayız*



**Beyhan Hanım'ın
Amasya'da ürettiği
nohut var.**





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12. Opportunities for Producer Organisations for Collective Investments

Collective action has become an important strategy for small farmers to be competitive in rapidly changing markets. However, within farmer groups, the commitment of individuals can vary, as the expected net benefits are not the same for all individuals and opportunities. Moreover, since the benefits of collective action emerge primarily through the exploitation of economies of scale, low participation rates threaten the success and viability of farmer groups.

Collective action needs to build on existing social capital. Local social structures matter and are assets – confidence and proximity ties – to build on. However, this social capital is not enough to overcome local barriers – norms and customs – to improve livelihoods. For collective action to spread, it needs to connect with external agents who channel new ideas, innovation, and material incentives to support and promote initiatives.

There are proven cases in which small farmers can obtain various benefits from working collectively as a group. These benefits include:

- improving competitive advantage,
- improving human capability,
- improving bargaining power,
- lowering costs
- shortening value chain.
- In addition, cooperatives and unions receive 20 extra points in IPARD applications.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12. Opportunities for Producer Organisations for Collective Investments

- Assuming 2-3 farmers came together and established a legal entity, and there is a woman or young farmer in the company, they can receive extra points which they wouldn't be able to get otherwise.
- NGOs, cooperatives, and unions have tax advantages, support staff payments, etc.

These benefits enable small farmers to capture more value offered by markets, and the benefits would allow farmers to upgrade the value chain. Small farmers can produce good quality products with consistent supply and demand. Collective action also helps them to link with different buyers from the local market national market.

Trust and sharing vision between the members of the small farmer group is an essential element for collective action, which ensures farmers' benefits. Effective management that promotes transparency and active communication among the farmers is one of the key aspects. Under this title, three different collective investment methodologies will be examined.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.1 Joint use of Machinery/Production Facilities

To scale up their production level, increase profitability, small farmers need to find ways to increase labor input or improve labor efficiency through mechanization or other means. However, the financial constraints most small farmers face, mainly those new to agriculture or who lack financial resources, create an obstacle to scaling up production and lowering costs. Small farms are typically less mechanized, and therefore more labor-intensive than large-scale production. However, expansion using labor-intensive practices is limited in many cases because additional labor is unavailable or too costly for a small farmer. In addition, purchasing machinery, even used machinery, usually requires a significant financial investment and adequate cash flow, making the investment economically infeasible for small farmers. Given these constraints, some growers are considering alternative ways to access machinery, including the option of equipment with other growers.

The practice of sharing equipment and perhaps labor may spark other forms of collaboration among cooperating small farmers, generating further benefits. Working cooperatively with others may facilitate sharing of experiences and ideas. The cooperative relationships may lead to coordinated purchases of inputs to access volume discounts or to working jointly to obtain better terms for credit, storage, services and marketing, and distribution opportunities. Co-operators may coordinate production processes to attract specialty contracts that pay premiums for delivering a product in bulk or of a certain quality. Finally, sharing may create opportunities for custom work, adding an additional income source for small farms.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.1 Joint use of Machinery/Production Facilities

Machinery sharing can help small farmers gain access to specialized machinery and improve efficiency in cost-effective ways. For growers considering expanding production, sharing can be a potential option. Furthermore, sharing can provide other benefits, including access to skilled labor, reduced risk, and a peer group of like-minded individuals who share ideas. Commonly cited with concerns with machinery sharing, including having access to the equipment when most needed, can be overcome with careful advanced planning and open communication. Agricultural NGOs can play a supporting role in forming machine-sharing groups/entities by providing educational resources and membership networking opportunities.

It is important to note that equipment sharing is not appropriate in all situations. Depending on the labor a machine would replace, the difficulty of the task to be mechanized, and the costs of distance and time spent in transport, sharing may not make economic sense. Furthermore, group collaboration requires trusting other members and a willingness to be flexible when things do not go as planned. While machinery sharing is not a one-size-fits-all solution for expanding production, in some cases, it has the potential to help small farmers reduce labor and increase both efficiency and profitability. In the end, small farmers must weigh the risks and benefits of collaborating specifically to their particular farming operation.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.1 Joint use of Machinery/Production Facilities

In Amasya, during the visits under Activity 1 Amesia Provincial Cattle Breeders' Association which has a common machinery park, was visited. The associations provide 34 different machines and equipment and 11 attachments to help the farmers' competitiveness by reducing the input costs by getting rid of the obligation to purchase expensive agricultural machinery and using the machinery correctly and efficiently by obtaining the maximum benefit without investment cost. Moreover, Association has its own machinery repair workshop, stripping the farmers for the maintenance costs from the maintenance costs.

It is recommended that the small-scale farmer support programs be designed to allow farmers extra points for their application packages if they prove access and/or membership for a common machinery facility.

12.2 Collective Business to Create Short Value Chains

In recent decades, the agri-food system has been subject to rapid and profound changes. Several demographics, political, social, technical, economic, and cultural factors have led to the emergence of an industrialized model of food provisioning. As a result, largescale food processing firms and supermarket chains dominate the scene in the framework of a growingly globalized food system.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.2 Collective Business to Create Short Value Chains

Consumers' behavior and needs did change due to the evolution of society and economic systems. Urbanization is one of the main factors that distance agricultural production places from those of food consumption, which asks for a growing number of connections (transport, storage, packaging, processing) carried out by a plurality of actors. Moreover, both income growth and changes in work organization and family structure ask for improved services incorporated into food.

To achieve scale economies and cut production costs, the industrialized model of food provisioning forced farms to specialize in a few products and phases of the production process. Consequently, farmers gradually stopped performing direct delivery to final consumers and processing their products on-farm, thus delegating food processing and distribution to specialized firms outside the farm's borders, increasing the number of steps between agricultural production and final consumption.

Today, the food processing industry and distribution are asked to provide a growing number of functions and operations to meet more urbanized consumers' new needs, thus increasing the geographical, temporal, and cultural distance between agricultural production and final consumption.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.2 Collective Business to Create Short Value Chains

The industrialized model of food provisioning seems to be highly efficient in performing these new functions compared to previous models of organizing production and distribution, and this explains why this model has spread and is currently dominant at the world level. The high number of steps, and the increasing distance between production and consumption, are at the basis of the "revolution" brought by short value chains initiatives.

The shortening of the supply chain may be interpreted under three different points of view:

- The reduction of the physical distance between the farmer and final consumers.
- The reduction of the number of steps that connect the farmer to final consumers.
- The increase of cultural and social proximity between farmers and consumers.

Main benefits of short value chains for small farmers:

- Price increase at the farm gate
- Value-added increase,
- Easier market access
- Better communication and information to consumers,
- Differentiation of marketing channels and higher resilience





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.2 Collective Business to Create Short Value Chains

Main benefits of short value chains for small farmers:

- More stable commercial relations
- Opportunity to develop cooperation with other farmers
- Opportunity to establish cooperation with consumers
- Allow for a strategic re-orientation of the whole farm.

Potential problems of short value chains for small farmers:

- Need for investments in equipment for processing, transportation, and selling
- Need for new competencies and skills
- Need for diversification of production
- Opportunities restricted to areas close to the city and/or touristic market

It should be highlighted that currently, there is no competitive market for short value chains which means that the potential problems will have a mild effect on their areas.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.2 Collective Business to Create Short Value Chains

Main benefits of short value chains for society as whole:

- Reduction of transport
- Reduction of pollution (fuel, plastic, etc.)
- Improved diets: easier access to fresh food, more variety in the diet, less preservatives.
- Preserving peri-urban agriculture,
- Maintaining small farming / artisanal food production,
- Preservation of traditional products,
- Preservation of products based on local agro-biodiversity
- Strengthening social ties
- Working opportunities for local women.

The small farmer support programs can favor entities of short value chains with assessing their potential in mobilizing producers and/or consumers, setting up collective organization and governance, building networks with external actors, and obtaining human and financial resources. Also, the legal framework is recommended to be updated to ensure a favorable business ecosystem for short value chains.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.3 Collective Business to Produce Higher Added Value and Quality Products

A business model is how a business creates and captures value within a market network of producers, suppliers, and consumers.

Collective business models structure their resources, services, and collaboration with members, small farmers (traders, suppliers, public and private sector), clients, and partners to create and capture value. The collective structure may vary according to the needs of the members, shareholders, and the legislation in force.

To strengthen business models for collective businesses, for them to be in a better position to benefit from market opportunities, attention needs to be focused on three areas:

1. Access to financial resources
2. Financial services for members
3. Partnerships with other small farmers in the value chain

A collective business that develops an integrated business model (including all steps within the value chain: input provision, collecting, processing, and marketing) for high added value products can also invest any value-added through the processing stage in providing services for their members.





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12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.3 Collective Business to Produce Higher Added Value and Quality Products

Services to support productions for small farmers:

- Rehabilitation of farms
- Access to inputs (seeds, fertilizers, pesticides)
- Access to productive equipment
- Agricultural advisory services

Services to add value to products for small farmers:

- Access to equipment for processing
- Access to packaging facilities
- Labeling and branding
- Access to storage facilities
- Access to a processing facility for fresh commodities

Services to support marketing for small farmers:

- Collecting and grouping the supply
- Prospecting potential buyers/clients
- Negotiations of contracts with buyers
- Providing information on market prices



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12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.3 Collective Business to Produce Higher Added Value and Quality Products

Economic Services are activities provided by collective businesses that directly impact securing production, adding value to the product, improving market access to small farmers, and consequently improving their incomes. They include:

Services to support production

These services are designed to help smallholders improve productivity through rehabilitation of planting material, better input access, more farm mechanization, and improved farming techniques passed on through advisory services.

Services to add value to products

These services are developed by collective businesses to help smallholders earn more from their products through value addition. This can be done by providing storage facilities so that product does not have to be sold at harvest time when prices are at their lowest and/or processing facilities so that raw materials, which have much less value, do not have to be sold. This can also be part of a quality improvement strategy to add value through product certification, which will enable small farmers to obtain better prices.





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12. OPPORTUNITIES FOR PRODUCER ORGANISATIONS

12.3 Collective Business to Produce Higher Added Value and Quality Products

Services to support marketing

The overall purpose of marketing services provided by collective businesses for their members is to secure sales at better prices and limit the risks linked to price volatility. FOs are particularly useful because they can bulk members' produce, giving them more bargaining power to negotiate better contracts with buyers. FOs can also pass on information about market prices to members. Marketing services can include promoting members' projected output and collecting/aggregating produce from members to regulate market supply and improve the chance of successful sales.

Reasons like lack of trust, stringent requirements, delayed payments, lack of groups, lack of information, high costs, lack of interest, almost same price, and time consumption are generally responsible for the continued reluctance of farmers to participate in collective marketing. On the other hand, reasons like better prices, reliable markets, availability of training and extension, availability of credit, and availability of input loans are motivations to farmers' participation in collective businesses.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

Cooperatives play a fundamental role in the agricultural sectors of many countries. A farmers' co-op is a cooperative where farmers pool their resources in certain areas of activities. Very successful examples in advanced economies may be found in all sectors where, after harvesting, it is necessary to invest in capital equipment to increase the overall efficiency and the final added value of the goods. The transformation of grapes into wine and of olives into oil requires expensive equipment to be efficient. Therefore, it makes sense for farmers to share both its acquisition and its use. Also, stocking cereals, potatoes, and fruit and vegetables to wait for the best-selling periods require an increasing level of capital investment. The unitary fixed cost is much lower if the storage dimension and the level of production are large. This explains the success of the so-called storage cooperatives in many advanced economies.

A single small farmer works in a competitive market when producing and selling their products, while all other farmers are competitors. However, both the market for the necessary technical inputs and for selling their goods are nowadays dominated by different degrees of oligopolies. Therefore, the negotiation power of the farmer, when they are dealing with their providers or clients, is, in both cases, meager. In this situation, the risks connected with growing crops can be unbearable. Also, trying to be competitive, a farmer may decide to invest by buying assets like a tractor or a harvester. However, due to the seasonal work, this kind of equipment stands idle most of the time, and the fixed cost becomes large regarding the output.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

The union of farmers into a cooperative means that they do business as a unit, and it offers many advantages. These are:

- a lower overall production cost
- risk mitigation
- better access to markets due to the larger supply
- a higher level of specialization can be achieved in every step of production and transformation of goods

The pooling of agricultural machines is the main activity of a supply cooperative that purchases the necessary equipment for all the members to use. During small farmers' meetings, it will be necessary to understand if this kind of organization can increase applications to IPARD projects by small farmers. Even understanding what obstacles discourage farmers from applying may be interesting since some of the obstacles can also be removed in the short run.

However, there are management problems that are very much connected with the willingness of farmers to coordinate their actions and follow the managerial decisions. In brief, by becoming a cooperative member, the single farmer may feel like losing their freedom and independence. The cooperative, to be successful, needs to become a large producer where the production units are distributed and yet coordinated across a territory. In this way, for example, a single harvester can be employed for much longer during the season, working on a much larger land surface made of the members' farms: the investment is more efficient.





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13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

Particular care has to be put into the scheme for proportionally sharing the income generated by the cooperative: misunderstandings and jealousies among the farmers can arise if there are not clear and shared rules that the farmers themselves democratically choose.

It is interesting to underline here that a kind of small cooperative, in terms of several farmers, took the form of a legal entity in some European countries, notably in Ireland: a **Farm Partnership** is a collaborative farming arrangement that does not require the transfer of ownership of the land and it is favored by tax incentives and by EU scheme benefits.

Eventually, it is noteworthy that the development of a farm movement in France and Italy recomposes machinery and labor sharing arrangements by developing agroecological practices: the collective organization on which a machinery cooperative is based allows for the development of a niche of innovation by combining a farming system with fewer inputs.

On the other hand, **Producer Organizations (POs)** are a fundamental part of the CAP since the definition of the common market organization. Their main aim is to concentrate the supply and thus enhance farmers' bargaining power with regard to the other supply chain actors.





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13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

In a producer association, farmers produce the same type of good. They are also called Marketing Boards because their main task is to aggregate the members' offers and access the market with a larger supply. By doing this, all fixed costs of marketing per unit of product are lower than in the case of the single farmer. Also, the ample supply gives more contracting power in the market, which translates into higher prices. In more advanced cases, the association establishes quality standards and trains farmers to get better quality products. Thus, the main client of each farmer becomes the association, and farmers can focus on the production level.

Producer organizations (PO) were initially active in the fruit and vegetable sectors, where they are given access to EU funds within "operational programs." Yet, now they are also present in other sectors. Under these programs, collective investments in logistics and equipment are supported. Last but not least, producer organizations are exempted from EU competition rules for negotiations, production planning, and supply management.





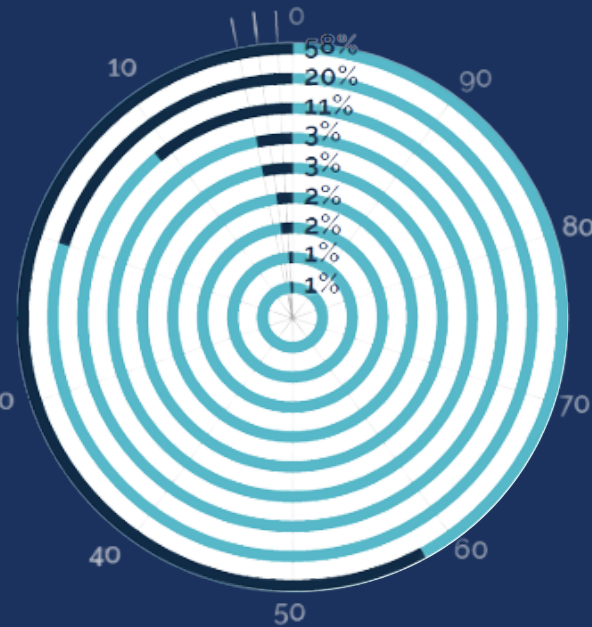
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13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

In the farmer survey conducted as part of the project, farmers were asked to rate the most difficult points in the applications for IPARD support according to the degree of difficulty. 58 % of the 546 farmers gave the highest score to the lack of equity. A farmer whose IPARD project is approved first makes the investments and gets paid with the invoices he submits for the "acceptable expenses." The second critical problem is the unwillingness to borrow money from the bank, which is shown in the table below:

- %1 Difficult to complete application procedures and documents
- %2 No application can be made because the land registry and building permit cannot be obtained
- %2 Long evaluation period of projects
- %3 Fear of failure to succeed, loss of time and resources
- %3 Lack of trust in agricultural agents
- %11 Lack of adequate collateral for the loan
- %20 Reluctance to borrow money by receiving bank loan
- %58 Lack of owner's equity





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13. THE CONCEPT OF FARM PARTNERSHIP AND ADVANTAGES

13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

The main goal of a joint application for supports is to share the investment risk and cost, and at the same time to reduce the mandatory expenses of the enterprise by sharing resources. For example, a tractor that is not used for an agricultural enterprise and a tractor that sows in a small area are also compulsory expenses. However, when the tractor and the land are jointly valued, the working tractor wears out less, and cultivating larger plots saves fuel. Therefore, making a joint application to rural development supports and then sharing resources by collective farming provides significant benefits to agricultural enterprises.

By making a joint application;

- Benefiting from young farmers, women entrepreneurs, and similar incentives, and
- Sharing the investments to be made provides benefits such as reducing the investment cost and risk per person.
- If a joint business model is carried out;
- Sharing the workload and more efficient use of labor,
- Improvement of work-life balance thanks to solidarity,
- With the increase in the scale shown for farming activities, higher grants can be obtained, and the technical efficiency in practice increases,
- Reduction of fixed costs and unit cost,
- Using new ideas, skills, and farming methods, farmers learn from each other,





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13. The Concept of Farm Partnership, Advantages of Collective Farming and Collective Applications

- Working with another farmer reduces isolation, increases sociability and solidarity,
- Enabling development both outside of work, on the job, and through learning by seeing from each other,
- Better access to markets and material supply,
- Official recognition of all partners in the farm business and determination of their legal rights,
- It provides material, moral and social advantages such as the gradual transfer of the farm's management (physical and financial) from one generation to the next.

Co-farming is particularly suitable for highly labor-intensive agricultural products where high quality depends on daily maintenance by skilled workers. Of course, it would be appropriate to have agreed on a quality assessment system in such cases. Additionally, co-farming helps reduce the problem of businesses fragmentation by size and inheritance.





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14. RECOMMENDATIONS

14. Recommendations

Throughout the project, the Contractor has visited the field and talked to government entities, development agencies, associations, unions, cooperatives, farmers, persons, and holdings who applied for rural development funds and were awarded support. Thus, we were able to maintain a 360-degree view of the problem. Naturally, there are a variety of problems mentioned, and some are regional or local problems, yet there are a few key issues that most agricultural holdings share and would be motivated to apply if resolved. These problems can be stated as:

The lack of capital is the most crucial hardship small farmers face during IPARD and other rural development applications. In most cases, the farmer needs to invest first and then reimburse a certain amount according to the percentage agreed. Since the EU partially provides the IPARD budget and imposes requirements such as animal welfare and environmental friendliness etc., the investment project of the farmer becomes more detailed, comprehensive, and costly than what the farmer would invest if he received no grant. Project application will require the support of a consultant in most cases, and that cost will be added to the projected investment cost. In addition, there will be documents that need to be acquired from different entities. If a bank loan is used to cover these costs, interest will be an extra cost, reducing the amount of support at the end of the day.





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14. Recommendations

As a result, the consultant and the administrative documentation create a financial burden on top of the hard-to-complete procedures.

When the agricultural policy's measures and parameters are set, the distribution of subsidies of the agricultural policy remains a problem to solve. There are mainly two aspects:

- the management costs of the public administration
- the administrative burden on farms

The first aspect is the general problem of ensuring management efficiency applied to the agricultural policy. Assuming that human resources are adequate and well equipped, the large number of aid applications and the checks that must be performed can only be done with IT support and digitalization. The IACS (Integrated Administration and Control System) is instrumental as it constitutes the basis of agricultural subventions. A group of European agencies and private companies are working on an updated version that aims to accelerate innovation, diminish administrative obstacles, support cooperation in an innovative environment, and increase the flow of information to all small farmers.



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14. Recommendations

The second aspect is directly linked to the quantity of information and how it is requested from the farmer. Furthermore, it depends on the farmer's time to follow the controls they are subject to.

Other important factors are:

- the approach with which the paying agencies make the transposition of the CAP regulations (that leave much room for different implementations),
- the operating mode of the public administration,
- the business culture of the member country, and
- National structural differences.

In 2006, a study in Europe estimated the administrative costs for farmers in several countries. They range from € 1,300 to € 110. The number of information requested from farmers ranges from 1 to 13.

The study identified the main irritants and simplification suggestions: they are country-specific, yet some general conclusions can be drawn. Among the irritants it is worth mentioning:

- the fixed deadlines for applications,
- the fact of having to give information several times or to produce information already known by the authority,
- many farmers saw the cross-compliance checks as an irritant because the farmers who are subjected to the checks are obliged to be present and assist the inspector
- the fact that the parcel maps used by inspectors are not aligned with the parcel maps the farmers use



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14. Recommendations

Some suggestions for these problems can also be helpful to improve the application of small farmers to rural development supports in Turkey. In order to simplify the application procedures, the following may be considered:

- the provision of more uniform application forms
- the use of pre-filled forms
- the introduction of digital procedures

Since 2006 the situation has changed for the better. For example, in Italy, the digitalization of procedures and the land parcel identification system are quite advanced. In addition, European Union introduced a Small Farmers Scheme in May 2017. Not being mandatory for EU member states, it allows a minimum of €500 up to €1250 to small farmers to reduce their financial burden on operational and administrative issues in applying to support. Currently, Bulgaria, Germany, Estonia, Greece, Spain, Croatia, Latvia, Hungary, Malta, Austria, Poland, Portugal, Romania, and Slovenia are utilizing the Small Farmers Scheme, along with Italy.

Besides the most important problem, some aspects can help to improve the situation. Defining a “small farmer” may be valuable if agricultural policies directly target that group. Education and awareness-raising can benefit efficiency, introducing agricultural technologies and the culture of investing for improved welfare. The collaboration of small farmers is also critical and essential for the success of a small farmer.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14. RECOMMENDATIONS

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

01

IPARD's focus should be finding the right persons and holdings to support, in consideration of their willingness and capacity to continue working in rural development sector. In order to make a selection, applicant is asked to fill a business plan to maintain some production volume and economic foresight. In this recommendation we would like to point out the terminology: "net present value". Net present value is found through quantity and price.

02

·For every application received during the call, evaluators can appraise a value per product and use that rather than farmer suggesting the prices; and letting the farmer only select quantity. This will make net present value calculation easier and more accurate as well as making the results of different plans comparable. For instance, assuming two applicants produce potatoes. Rather than the applicant entering a price for one kilo of potatoes, ARDSI may take the value determined for a product by TURKSTAT which represents a price average covering the whole of Turkey for that product. As the potato producers will only enter the volume of their foreseen production, the economic value calculation will use the same price for all applicants among 42 provinces, creating comparable and accurate values. In other words, evaluator will be able to forecast consistently across different application forms diminishing the risk of adverse selection.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14. RECOMMENDATIONS

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

03

Considering that the application form and business plan are complicated in most applicants' perception, it may be helpful to disseminate a complete application form for each 302 sub-measure to guide their target groups. These already-filled application forms may exemplify a proper version of the application. While this can be a good practice guiding the applicants, it must be noted that the calculations will change cumulatively as the inputs change.

04

Applicants list their needs in line with the "eligible costs" defined in the list of relevant measures. During our discussions with holdings and cooperatives who received IPARD supports, it was mentioned that sometimes their production volume increases more than what they forecasted in their application by the time it is processed and signed. The capacity of machinery or equipment mentioned in their application form falls short of their expectation, yet they are obliged to buy what is previously stated. It may be reasonable not to allow lower capacity equipment. Yet allowing the IPARD beneficiary to buy a larger machine where IPARD pays the same amount approved in the application can be a way to motivate the farmers in their investments.





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14. RECOMMENDATIONS

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

05

None of the small farmers in the six pilot provinces mentioned an application that focuses on creating a short supply chain. The cooperatives, unions, and associations stated that the short supply chain was hardly ever a topic they considered in rural development supports. The short supply chain may be an important practice to support the small-scale farmers. For that reason, it may be recommended that IPARD measures can encourage the design and formation of short supply chains at local. Utilizing the Local Action Groups formed under measure 202 and involving this concept if it is in line with the local strategy may also be a way to support the supply chain models at local.

06

IPARD requests to have one responsible for their communications, and it is preferred that an applicant is a legal person, legal entity, or cooperative. If collective applications from small farmers want to be supported, IPARD agencies may consider accepting ordinary partnerships or notarised agreements done between farmers who appoint one representative among themselves to answer to IPARD authorities.





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14. RECOMMENDATIONS

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

07

Awardees of IPARD funds are exempted from VAT, yet many administrative documents bring costs. Regarding the grants of IPARD, VAT on the acquisition of permits and licenses can be removed.

08

Since agricultural production depends on the input prices of the previous year, significant changes occur in the product cost from year to year. In cases where agricultural machinery is supported, prices increase with the exchange rate difference, and therefore agrarian supports are insufficient or do not meet the expectations. Exchange rate adjustment can be applied to ease the burden of fluctuations on the farmers. IPARD had 26 calls until now, and Commission was positive about providing exchange rate adjustment only in the last 2. The 8th call of IPARD II gave an additional %39, and the 9th call gave %22. The ARDSI needs to re-request this adjustment for every call, yet making it a part of the system could be very efficient in making IPARD funds available for small farmers.





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14. RECOMMENDATIONS

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

09

Creating a certified or approved consultant mechanism may be useful for the applicants who feel the need to work with a consultant. It will reduce fraud and may allow the market to set an average price for consultancy services.

10

The consultants are sometimes costly or do not deliver the necessary work for the applications even though they take the money. A list of reliable consultants or government-certified consultants would motivate all persons and holdings in the agriculture sector.

11

If a farmer is able to receive a bank loan with less interest rate by showing the award letter of IPARD, it could increase the applications in number and quality because the holdings always consider the amount of money they will pay from their pockets and carry the concern of not receiving what they expect.





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14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

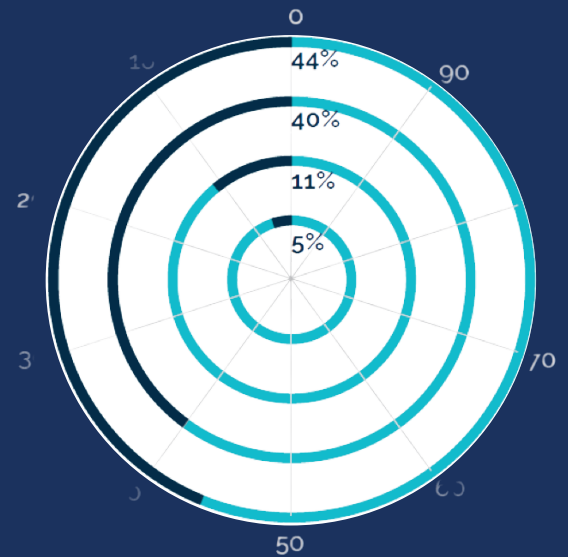
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Reducing the number of paperwork farmer needs to fill or collect may be a crucial yet critical change. Whether they are educated or reapplying, all applicants complain about the heavy documentation and number of entities they need to visit to acquire necessary documents. For instance, the number of institutions that provide a review in obtaining building permits may be reviewed and revised.

According to the farmer survey we conducted during the project, 44% of the target group would be more motivated if they received a bank loan in better conditions after receiving the IPARD project award. As strong as the first case, 40% would be happy to apply to IPARD if application procedures were easier. Finally, signing the contracts with foreign currency is the feedback that was received from all successful implementations as their investment amounts increased, yet the grant amount stayed the same, resulting in the percentage of support decrease. These three points can be key to implement if small farmers are expected to apply to IPARD funds more often.

14.1. Recommendations on IPARD Procedures Regarding Short Supply Chains, Collective Applications, and Business Partnerships

- **%44** Facilitating the receiving of a bank loan when the project is accepted
- **%40** Facilitating application and grant procedures
- **%11** Grant contact should be made in foreign currency
- **%5** Implementation of Ministry approved consultant system



14.2 Recommendations for Rural Development Supports

The definition of “rural” differ by country, though it is usually used in contrast to “urban.” Therefore, the use of “rural” (including fishing and mountain fishing villages) as a relative concept to “urban,” based on social, economic, and natural conditions in each country may be most adequate.



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14.2 Recommendations for Rural Development Supports

The final beneficiaries of development assistance are local people in both rural and urban areas. However, their livelihoods are based on significantly different social, economic, and natural environments. Most rural residents in Turkey are engaged in and depend on local agriculture, forestry, fishery resources to make a living. If the local people are the final beneficiaries of development assistance, rural development can be defined as improving sustainable livelihoods (especially disadvantaged groups), with careful attention paid to local characteristics. Thus, the goal of rural development lies in the sustainable development of livelihood for rural people.

The difference between rural development with agricultural development

“Agricultural Development” mainly aims at increasing products such as crops, livestock, fish, etc. Human beings, land, and capital are regarded as production goods and means. On the other hand, Rural Development mainly targets people and institutions. Rural development includes agricultural development activities; however, it is one of the means of economic revitalization for active farmers and targeted rural villages



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14.2 Recommendations for Rural Development Supports

General Applications of Public Administrations in Aid Applications

The method generally used by public administrations is that of aid applications that require information from the farmer and are limited by various parameters. The aid applications are successful. For instance, they are financed only if the farmer's knowledge is considered valid and if the parameters are respected.

The public entity has a certain amount of funds and establishes some objectives to be achieved. This might seem like a classic optimization problem. Instead, it is complicated that the operators who will use the public money to implement their projects and achieve the general objectives are farmers with their incentives and characteristics. There is an efficiency problem due to information asymmetry: perhaps it would have been better to help farmer A more than farmer B. Not all farmers contribute in the same way to achieve the objectives, so there may be a coordination problem due to individual incentives. Ultimately, with this method, neither the adverse selection problem nor the moral hazard problem can be countered.

The information that the farmer enters into the business plans can be wrong. The prices and quantities produced in the future are often estimated optimistically, while the opposite can happen for costs. For that reason, the administration provides a list of prices to use in the model can offer a solution. This way, experts can evaluate the degrees of freedom of the model decrease and the quantitative variables based on historical series. As a result, they have much lower volatility than prices.



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14.2 Recommendations for Rural Development Supports

Turkey's Assistance in Rural Development

In the past, Turkish assistance focused not on rural development but agricultural development and improvement of agricultural productivity. Therefore, approaches centering on technical transfers such as the construction of irrigation facilities and the introduction of farming techniques were utilized. However, the agrarian policy alone was not sufficient. As a result, multi-sectoral activities increased. This included non-agricultural income generation, capacity building for farmers, health and hygiene, infrastructure, education, environment, and capacity building. International trends, Turkey's EU Accession negotiations contributed to this change.

Effective Approaches for Rural Development

Although the trickle-down theory was based on the belief that an expanded macroeconomy could improve the living standards of impoverished people, its effectiveness has been questionable. However, its failure does not necessarily mean that efforts should be concentrated at the grassroots level only. This is because the development of rural areas cannot be achieved without attention to urban areas, which are the primary consumers of agricultural products. If conventional development projects were effective, rural poverty would have improved more significantly (which is not the case).



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14.2 Recommendations for Rural Development Supports

Effective Approaches for Rural Development

Therefore, it is clear that the traditional rural development approaches need to be improved. As a result, the promotion of rural development requires adequate inputs to generate sufficient results. Development issues must therefore be comprehensively and cross-sectionally understood for this to be realized. Maximum use of human and material resources in rural areas is also necessary. Strengthening participatory research and extension partnerships, development-oriented local governance, and institutions such as cooperatives, farmer organizations, business associations, scientific institutions, and unions support small-scale producers and entrepreneurs to capture and add value to existing opportunities on-farm, post-harvest, and in non-farm rural enterprises.

Main actions proposed in this scope:

- Targeting small-scale self-sufficient farmers for income generation through agriculture; rather than the farmers who are barely involved in agriculture to make a living. Farmers must take the initiative in continuing agricultural presence and infrastructure.
- Development of small-scale supports (such as equipment, irrigation, etc.) rather than large-scale, bureaucratically exhausting campaigns.
- Capacity building for agricultural extension workers and consultants.



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14.2 Recommendations for Rural Development Supports

Main actions proposed in this scope:

- Empowerment of community-based activities for farming.
- When introducing new technology, risk management is required. Less risk-taking methods using traditional farming ones are preferable, especially at the early steps.
- Ensuring community participation is required for all projects.
- Increasing capacities of the extension workers and consultants to direct farmers in the optimum way possible.
- Building a solid, well-operating, competitive consultant ecosystem (consisting of public and private entities, NGOs, and natural persons) will best serve the interests of the small farmers in any area.
- For agricultural income generation, product sales are important. It is essential to improve the capital acquisition environment.



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14.3 Recommendations on Legal Framework

Eventually, a legal framework that ensures that decisions are made by elected members able to balance the need for efficiency and equality is the basis of a long-standing association.

A particular problem has emerged in Italy with aid programs that finance aggregations in a supply chain: some measures give resources to different and sometimes competing companies in the same sector to become more prominent actors in the value chain. However, if the property of the equipment bought with the aid belongs to every single company, the measure's goal was not reached. They would not coordinate as necessary and would use the equipment to increase their efficiency without giving rise to a set of companies that face the buyers together. The same can happen with single farmers: it is thus necessary that they form a legal entity and that this legal entity becomes the beneficiary, the owner of the acquired equipment, and the manager of the farmers' production. Ideally, single farms have to become production units of the same legal entity spread across different locations in a territory.

The need for a cultural background that emphasizes positive aspects of sharing while managing and minimizing differences of opinion and expectations. European Countries have been providing efforts to create the necessary cultural readiness for their farmers since the foundation of the European Union. And the fact that small farmers faced a much larger competition, they were motivated to work collectively to survive, as working together allowed them to maintain advantages they couldn't obtain alone.



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14.3 Recommendations on Legal Framework

A legal framework that ensures that decisions are made by elected members can balance the need for efficiency and equality.

In many cases, national policies, regulations, and fiscal incentives create barriers to small farmers' prosperity and resilience. More than any other change, policy reforms and improved public governance and accountability at both national and local levels will be essential to achieving the goal of no small farmer being left behind.

Interventions and investments to improve small farmers' productivity, incomes, and resilience require a diverse group of actors working systematically together to address multidimensional and interdependent challenges.

In legal and regulatory provisions, small-scale family farming should be recognized and defined given its economic, social, environmental, and cultural role and grant it special status. Through its multi-functionality, small-scale farming is well prepared to meet the challenges of today and so should benefit from a good institutional environment. Furthermore, the social rights of farmers, especially the most vulnerable, should be officially recognized. Moreover, a legal framework should be established to allow various farm partnerships to apply to the supports.

Small farmers should benefit from positive discrimination in a more accessible and financially fulfilling course for grant and support applications through legislative and administrative changes.



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14.3 Recommendations on Legal Framework

One of the most fundamental changes faced by small farmers is insecure land tenure. Small farmers who lack secure rights to their land cannot access institutional credit and lack the long-term security needed to justify making labor or finance intensive land-based investments to increase agricultural productivity. Without certain rights, they cannot drive economic development, food security, nor can they tap or produce benefits aimed to be attained.

Promotion conducive land legislation, policies, and governance that can improve the structure and viability of holdings, the livelihoods of small-scale farmers and their families. It would be particularly desirable to promote gender-based rules of fair land governance to ensure that women and men are involved in the same way in decisions relating to farm management and the management or ownership of land.

Public institutions dedicated to agriculture should be strengthened in statistics, social protection, finance, extension, training, research, land governance, and water management as a prerequisite for supporting small-scale family farming. In the absence of operational entities, the implementation phase of any policy is doomed to fail.

14. RECOMMENDATIONS





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14.3 Recommendations on Legal Framework

The fragmentation of agricultural land and failure to secure ownership and inheritance rights are major challenges that hamper investment and reduce raising productivity. It would also be particularly desirable to promote gender-based rules of fair and land governance to ensure that women and men are involved in the same decisions relating the farm management and to the management or ownership of the land.

Affirmative action for women small farmers is a wise investment because, as the World Bank Gender Agriculture Source Book 2009 recognized, "rights to land and natural resources increase a woman's bargaining power within the household resources to children as well as increased household welfare." Policymakers need to go beyond gender blind policies that support small farmers. Women smallholders need to be specifically targeted.

The social rights of small-scale farmers should be formally recognized, and social protection measures in favor of small-scale farmers and their families should be put in place, reducing poverty and strengthening household resilience. Instruments such as health insurance, workplace insurance, retirement pensions, and social safety nets for the most vulnerable (head of the smallholdings and their family members) should be implemented.



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14.4 Taxation Suggestions to Make Rural Development Supports More Accessible to Small Farmers

The failure to achieve development despite both central and local support can be listed under general headings as follows;

- Due to the inheritance law, agricultural territorial integrity is being divided and shrinking.
- Efficiency decreases due to scale reduction.
- Mechanization weakens as the scale gets smaller.
- Family-type businesses are also falling apart.
- With the increase in the educational opportunities of the youth, there are escapes from village life, and the number of people living in rural areas who will continue their agricultural activities by modernizing them is decreasing.
- With the expansion of settlement areas, regions where agricultural activities are carried out, are opened to non-agricultural use (residential or industry), and agricultural land is lost. In addition, when many villages fall under the neighborhood classification with the Law on Municipalities, they go beyond the definition of rural areas and fall outside the criteria stipulated for applying for supports.
- Since the agricultural sector is predominantly labor-based, cooperation and organization on the labour end easily.
- The development of agriculture-based industry increases agriculture vs. industry competition, and capital power dominates labor
- In agricultural lending transactions, credit institutions work on collateral, and the crediting of small producers is disrupted.



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14.4 Taxation Suggestions to Make Rural Development Supports More Accessible to Small Farmers

The failure to achieve development despite both central and local support can be listed under general headings as follows;

- Since Agricultural Credit Cooperatives lack resources or cannot be managed well, the supply of seeds, fertilizers, credits, breeding, and machinery cannot reach many but unorganized farmers.
- Insufficient coverage of agricultural policies in the media and insufficient promotional services create problems informing and directing the farmer.
- The support procedure's complexity and time-consuming may lose their meaning in an industry where seasonal production and decisions are made.

In order to solve these problems;

- Increasing the activity of the local organization to enlighten the farmer,
- Defining concepts such as farming and shepherd as a profession,
- Ensuring good farming and animal husbandry, establishing university-farmer cooperation to develop innovative techniques and practices, providing internships to students in the relevant departments, or providing on-the-job training to the farmer through pilot gardening studies,
- Crediting family businesses by creating a risk fund in lending,



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.4 Taxation Suggestions to Make Rural Development Supports More Accessible to Small Farmers

In order to solve these problems;

- Using visual media intensively instead of written media, in the announcement of rural development incentives,
- Supporting the "rural tourism" efforts of small-scale family businesses with legislation and incentives, ease on the tax if a farmer also integrates rural tourism facilities into their business,
- Awardees of IPARD funds are exempted from VAT, yet many administrative documents bring costs. Regarding the grants of IPARD, VAT on the acquisition of permits and licenses can be removed.
- Local governments may organize farmers' markets such as in Beypazarı so that farmers can have a place to display their food. Applying less VAT on the goods bought from farmers' markets could catch the attention of many customers and allow them to support the small farmers by purchasing from them.
- Markets, restaurants, hospitals, airports, and schools may apply less VAT when buying from a cooperative or union, which would motivate both ends to have stronger ties.



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14.5 Recommendations on Trainings

Agricultural training and extension play a significant role in the development of small-scale farming. In addition, their role in testing and disseminating research-based agrarian knowledge and technology to rural people results in improvements in the agricultural sector.

With little exposure to practical agricultural training, small farmers learn their vocation from relatives and neighbors. As a result, they rely on often ineffective farming techniques rather than good agricultural practices that boost yields and preserve their farms.

Small farmers' access to knowledge and techniques, knowledge-sharing, and dissemination of research findings and traditional know-how should be facilitated. Policymakers and other related entities should invest more in agricultural research, vocational training, and extension services, and the transfer of innovations targeting small-scale family farming. The objective is to enhance the productivity of the small-scale farmers on the one hand and to adopt sustainable practices on the other hand. Agricultural unions, associations, and action groups of the small farmers should also benefit from the same services and build capacities to enable small farmers to apply for supports or work collectively.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.5 Recommendations on Trainings

National training campaigns can be implemented by capitalizing National Rural Network in addition to providing national assistance for local entities. Separately, support-based training campaigns can assist small farmers while applying for specific support programs. Means mass media, mobile facilities, the internet, and other audio-visual tools can also be used to further ease the reach of small farmers to the training campaigns.

In the longer run, a competitive, technically sound, and cost-effective extension, consulting, and training ecosystem must be established for small farmers to enhance farm productivity and increase household income.

Providing training on the below subjects can help increase the capacity of small and medium-sized agricultural holdings in accessing the rural development funds as well as managing their businesses and investments upon a solid basis:

Management Basics

This training can include modules that reflect different farm enterprises such as crops, vegetables and fruits, and livestock.



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14. RECOMMENDATIONS

14.5 Recommendations on Trainings

Principles of business planning

As the supports aim to guarantee the holding keeps and flourishes the business processes in the following five years, it is important to guide the applicants and potential beneficiaries to understand business process planning. It will make the preparation of business plans easier during applications to IPARD measures. This knowledge can also be used in setting the ground rules for those who will share land, machinery, equipment, or labor.

Eleven principles of a cooperative and management

Small farmers strictly emphasized that cooperatives were easily becoming inactive, and people did not prefer to form cooperatives. Discussions revealed that the collapse of most attempts might be due to a lack of management and planning capacity. In light of that idea, this topic can be beneficial to sustain and ensure efficient operation as cooperatives are critical for sharing resources and reducing costs.

Advantages of being together

In all of the pilot provinces visited, small farmers stated that collectively operating businesses are culturally not preferred in most regions of Turkey. Disseminating the advantages can initiate a change by explaining the benefits of collective work or sharing resources.





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14.5 Recommendations on Trainings

The IPARD application process for measures

(Especially 302 measure which concerns small-size agricultural holdings): Workshops can be organized that explain how to prepare an application by going through a complete application form for each measurement. It is also essential to include workshops that explain the specific rules and opportunities for the beneficiaries to apply collectively. This way, an applicant can be aware of the advantages of applying collectively and how they can manage their investment by defining the ground rules and planning of business activities.

The IPARD implementation process

This is a critical issue because it has been understood as a result of our meetings that most consultants provide their services focused on the application, not the implementation procedures. It is commonly experienced that awardees do not sign the agreement after learning the implementation details, payment schedule, and their liability to keep certain conditions for the next five years. Awareness-raising on the implementation process is especially critical if collective applications are to be encouraged.

14.5 Recommendations on Trainings

Seminars are organized to disseminate success stories under National Rural Network (NRN). Similarly, IPARD agencies can also organize seminars or information days to gather their potential beneficiaries together. This can bring all interested parties together, allow them to meet the farmers who applied and were able to receive IPARD supports, how they invested, how this investment returned, and the steps they followed during IPARD application and during implementation.

These information days are critical to create synergy and make the target groups understand they are not alone. Agricultural engineers and economists can be encouraged to lead the seminars organized by the Provincial Coordination Units of IPARD. The involvement of Local Action Groups to bring the small farmers together, activate the collaboration between different actors in rural development, and become a driving force for the rural beneficiaries is critical and essential.



It is highly recommended that Local Action Groups be active in informing and motivating the farmers and being their connection to the small farmers such as ARDSI, provincial directorates of MoAF, municipalities, associations, etc.

It must be highlighted that training is essential. Even though the Provincial Coordination Units of ARDSI are responsible for collecting applications, contracting, and making on-the-spot controls, managing IPARD supports, they also require training of target groups. ARDSI organizes similar training days, yet participants are primarily consultants. Those trainings can be more frequent and also target the farmers themselves. During the visits to pilot provinces, it was clearly seen that small farmers would be motivated to ask more questions and be interested, even become highly encouraged to apply, once they understand the requirements and conditions clearly.



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14.6 Recommendations on Awareness Raising

First and most critical concept to **raise awareness of farmer** is to make him/her understand that s/he is **not living on a farm**, s/he is **managing a business**. The farmers should know that there are costs, there are sales and profits, they have to know what went in and out of their pockets, they have to plan and invest, just like in any other business. Their intention should be to it more professionally in order to earn more and maintain welfare.

Secondly, it is important for the rest of the people to understand that farming is a critical business for our survival, it is not an easy job, we should **accept and respect farming as an occupation**. Throughout our meetings, it was mentioned many times that banks in the past wouldn't dare support farmers by judging on their clothes and status. In order to educate the public, WWOOFing can be an interesting option.

The concept of WWOOFing was created in England in 1970, under the name Working Weekends on Organic Farms. The name of the association, organized on a national basis, has changed to Worldwide Opportunities on Organic Farms. There is also a national organization in Turkey (wwoofturkey.org). The basic concept is that citizens go to a farm, contribute to the work, spend a period of holidays, help the development of small farmers, buy their products and start a useful cultural exchange.

As a WWOOFer, a citizen will participate in the daily life of the host, help on the farm, learn about sustainability, experience a new culture and meet new people, and receive free room and board during their stay.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.6 Recommendations on Awareness Raising

The hosting farmer will open their home to receive visitors who want to connect with organic food, farming and support the sustainability movement.

The WWOOF's goal is to provide individuals from all around the world the opportunity to:

- gain practical skills in agriculture, livestock farming, organic farming and gardening
- experience rural living while sharing in the everyday life of your host
- further the organic and sustainability movement
- participate in a cultural exchange

The diffusion of this practice is completely compatible with the sustainability needs not only of agricultural activities but also of all human activities. It could be very useful to envisage measures to help farmers improve their accommodation capacity, as the unpaid work of the wwoofers decreases the cost of production and increases family incomes. These initiatives are particularly suitable if started in areas not far from large cities in order to reduce transfer times.

Agricultural training and extension play a significant role in the development of small-scale farming. Their role in testing and disseminating research-based agricultural knowledge and technology to rural people results in improvements in the agricultural sector. With little exposure to effective agricultural training, small farmers learn their vocation from relatives and neighbours. As a result, they rely on often ineffective farming techniques, rather than good agricultural practices that boost yields and preserve their farms.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.6 Recommendations on Awareness Raising

Small farmers' access to knowledge and techniques, knowledge-sharing and dissemination of research findings and traditional know-how should be facilitated. Policy makers and other related entities should invest more in agricultural research, vocational training and extension services, and in the transfer of innovations targeting small-scale family farming. The objective is to enhance the productivity of the small-scale farmers on the one hand, and to adopt sustainable practices are on the other hand. Agricultural unions, associations and action groups of the small farmers should also be benefited from the same services in addition to building capacities for them to enable small farmers to apply for supports or work collectively.

National training campaigns can be implemented by capitalizing **National Rural Network** in addition to providing national assistance for local entities. Separately, support-based training campaigns can be implemented to further assist the small farmers while applying specific support programs. Means of mass media, mobile facilities, internet, and other audio-visual tools can also be used to further ease the reach of small farmers to the training campaigns. In Italy, the governmental institution CREA owns lands in different places of Italy where they research more efficient ways of agriculture, new machines and modern techniques. This can also be applied by the government entities of Republic of Turkey or Unions who are specialised in an area. One of the successful examples mentioned under title 11.1 also includes this application. One of the farmers in Tahtacıörencik Village dedicated a part of their land for experimenting.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.6 Recommendations on Awareness Raising

The cooperating 26 families try different techniques, materials and machines there, sometimes use the space to see if a certain product is suitable for GÜDÜL's micro-climate and organise hands-on trainings for themselves. This technique creates great outputs and added value for the improvement of efficiency. In the longer run, a competitive, technically sound and cost-effective extension, consulting and training ecosystem must be established for small farmers to enhance farm productivity and increase household income.

14.7 Recommendations to Stakeholders

Targeting small-scale farmers is critical through new and innovative public-private partnerships, increased public investments in research and extension systems, and development-oriented local governance and institutions. In addition, developing cooperatives, farmer organizations, business associations, scientific organizations should be emphasized, explicitly supporting the needs of small-scale agricultural producers and entrepreneurs to capture and add-value on-farm, post-harvest, and off-farm enterprises. These are needed to assist small-scale farmers, who are environmentally sustainable without sacrificing yield, overcome high market costs, thus enabling them to harness their market potential. To rehabilitate the small size agriculture sector and make it more attractive, it is first of all necessary to legislate the status of small farmers where it is non-existent and recognize small-scale farmers and their contributions at the national level.



Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.7 Recommendations to Stakeholders

It is also necessary to deploy a range of policies and measures focusing on small-scale farmers, which capitalize on strong public institutions and small farmer participation in decision making. More consideration should be given to small farmers who are currently poorly represented in the representative structures of the profession and agricultural unions. Their representation in public institutions is key to the success of programs rolled out in their favor. The participation of their representatives in the development of favorable policies, strategies, and programs should be considered when designing these and continued through feedback, impact monitoring, and discussions on changes to be made. Moreover, multi-small farmer discussion forums should be created or enhanced to address food security issues, regional development, economic growth, and the choice of the developments or investments to be made at the local level. Indeed, the efficiency of a policy lies in the quality of the tools used, their adaptation to implementation conditions, and negotiating all previous arrangements with small farmers. Sectoral (for joint venture) or territorial and multi-small farmer reflection and investment frameworks should be created to enable collateral loans and other opportunities.

14. RECOMMENDATIONS





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

14.7 Recommendations to Stakeholders

The emergence and strengthening of small-scale farmer organizations and promote the creation of collective tools and approaches (cooperative setting for the use of equipment, seed supply, collective marketing of goods, producer organizations and trade unions) should be supported. Such collective actions will enhance the efficiency and competitiveness of small-scale family production facilities, reduce asymmetries in relation to prominent economic actors, and ensure that small-scale family farmers enjoy economies of scale. Incentives, fiscal, technical and managerial assistance should encourage all forms of pooling of resources available to small-scale producers and promote producer associations and federations. It would also be necessary to build the capacities of such farmer associations or federations so that they can represent such categories in political circles. Public investments and supports should target the rural areas to make them attractive places to live in, with essential infrastructure and vital public services. In addition, donors and governments should devote special efforts and attention to the most marginalized areas to mitigate regional inequalities.

14. RECOMMENDATIONS





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15. Conclusion

This project investigated the obstacles small farmers faced while applying to rural development and IPARD supports.

Among the critical reasons observed in the interviews and surveys, the following were noted as top reasons limiting the number of applications:

- a. Insufficient basic training and/or technical knowledge to understand opportunities and applications.
- b. Limited owner's capital.
- c. Not wanting to take risks due to the fear of not being successful.

The main reasons preventing collective work and joint applications were noted as:

- d. Lack of trust of farmers in one another and
- e. Difficulty in managing joint investments.

To improve the conditions for the problems as mentioned above, the following are recommended in the report:

For a)

Improving the basic technical knowledge, extension services play a critical role. Stakeholders working together can reduce the impact of this problem, or agricultural support centers can be formed where farmers can go to receive consultancy.



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15. Conclusion

For b) and c)

IPARD has included an adjustment for the exchange rate in the last two calls. It can be debated to have this condition in every call and only decide on the percentage. In addition, the award letter of IPARD can bring some interest advantages in particular banks, which could motivate the farmer to take bank loans.

These recommendations can fix the most common and most critical obstacles all small farmers face.

Lack of trust is partially personal, partially cultural. It takes time to change a vision. Sometimes certain conditions enable it, yet mostly it can be maintained from stakeholders' collaboration to improve farmers' welfare. The ability to manage businesses as a team is a matter of training and consultancy. Once again, the importance of unions, associations, LAGs, and Chambers is under the spotlight.

A brief evaluation of the IPARD (Instrument for Pre-accession Assistance Rural Development) program in Turkey and small farmers

IPA is how the EU supports reforms in the enlargement countries with financial and technical support. Like any other policy, the IPARD, one of the five components of the IPA program, consists of 3 elements:

- agricultural policy objectives,
- available resources associated with the measures, and
- actions required of farmers.



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15. Conclusion

According to Turkstat 2014, more than 65% of the total agricultural area belongs to farms in the three size classes between 5 ha and 49 ha. The average size of agricultural holdings is 6.8 ha. Data from the census of 2001 show that there were three mil agricultural holdings and that 83% of them was smaller than 10 ha.

The important point is that under IPARD, farmers who receive aid to investments must meet several ex-post conditions: those related to Chapter 12, public health and animal welfare, and those pertaining to Chapter 11, environmental protection.

The applicant should submit a business plan. Small investments may submit a simplified version. However, we understand that SF generally is unable to prepare even the simplified version.

The applicant should prove their capability with an agricultural vocational school or college, or university degree. However, we understand that SF often does not have these characteristics.

The aid intensity that is the quota of contribution is generally 60%. If the farmers are younger than 40 years old and the area is mountainous, it increases to 70%. But farmers have to pay upfront, wait for the contribution after the investment is made, and provide 30% to 40% of their capital.

Advisory services (under Measure 8.2.10) are erratic, and we have found that private consultants often did not do their best to secure the farmers' trust.



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15. Conclusion

The agricultural sector in Turkey faces today the same problems that most EU countries faced some decades ago. Nevertheless, small farmers are an important component of the primary sector, and while some of them will leave the sector finding alternative employments, some others will be able to increase the efficiency of their farms, ensure a decent income for their families, contribute to the supply of food and a healthy diet for the population and take care of the protection of the natural environment in which they operate.

In Europe, aid measures for small farmers require fewer and fewer constraints and the associated administrative costs tend to decrease. But, on the other hand, our opinion is that the limitations and difficulties faced by small Turkish farmers are excessive.

The differences between Rural Development Program's in Europe and IPARD in Turkey are elsewhere:

- European farmers are more familiar with how to submit applications.
- Italian farmer registry system called SIN is very comprehensive, and documents produced by the system can cover most of the questions about the farmer when evaluating to give aid.



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15. Conclusion

The differences between Rural Development Program's in Europe and IPARD in Turkey are elsewhere:

- They benefit from having both their trade union organizations and freelance agronomists at their disposal. Italy has agricultural support centers where farmers can go, get information about aids and their application procedures, revise their information on the registry system, get documentation, receive support in filling the application.
- There are many opportunities for a small farmer to participate in training programs or access extension services.
- The stakeholders in Europe have been actively introducing the concepts of collaboration and collective work. They enabled the farm partnerships or Consortiums to act as a legal entity without the need to form a company.
- The European small farmers faced a very competitive market when the Union was established. It wasn't just about selling within their Country anymore. It was about serving the Union. The efforts to introduce collective work started to be more meaningful, and farmers adopted the idea to reduce production costs.

15. CONCLUSION





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15. Conclusion

It is a fact that Europe has been working to implement the concepts of collective work and short supply chain for many years. Turkey only started much later, and **change takes time. It is not because Turkish farmers are less capable; it is because the necessary time and efforts are still given.** Training and awareness-raising need to be increased. Moreover, maybe conditions that derive the motivation of farmers to collaborate are not formed yet. In the current conditions, we believe that it is necessary to define "small farmers," focus efforts on them so they keep on creating value and identify those who are most likely to become players in modern agriculture with good investment projects so that the available resources and aids can be assigned most efficiently.

15. CONCLUSION

