

## GREECE - TRIKALA

### Establishment of a modern wine making unit in Diava Kalampakas

*The case study described here can be characterised as a typical example of an activity which can potentially positively affect the existence of higher linkages between primary agricultural production and the wider rural economy in the study area of Trikala (Greece). More specifically, the utilization of this particular investment project can potentially result into the more effective use of agricultural resources, the increase of local value-added, the diversification of the local economic-base and the generation of rural jobs.*

#### **1. Project details:**

##### ***Nature of the project***

*Purpose:* To establish a modern wine-making unit for the utilization of local grape production and local wine-making tradition.

*Content:* Factory buildings and equipment (annual production capacity is 120 tonnes; annual processing capacity is 200 tonnes).

*Inspiration:* From a very young age the investor was involved in a family vine farm. He became very fond of this activity and this inspired him to launch this investment.

*Policy coherence:* The project is coherent with strategic aims of regional (Region of Thessaly) and local (Trikala) rural development policy, especially the aim to utilize local agricultural production and to increase links between primary production and processing. These strategic aims are also compatible with the Leader+ programme of the local LAG (KENAKAP).

##### ***Links between agriculture and the rest of the economy***

*Main agricultural sub-sectors involved:* Vine cultivation is the main agricultural sub-sector involved. Other local sectors involved include trade and transport.

*Description of these links:* Backward links mostly concentrate on buying local vine-grapes in a proportion of 70% of total needs. The remaining 30% originates from Naoussa in Western Macedonia. Forward links relate to sales of wine in local hotels, restaurants and travel (almost 100% of output).

##### ***Scale of the project***

*Size:* Small/medium sized wine-making unit (800 square meters of buildings; 26 wine-tanks).

*Time scale:* The plant has operated for the last one and a half years.

*Coverage:* Local (Trikala).

##### ***Beneficiaries and supporters***

*Beneficiary:* The owner.

*Supporters:* The private consultant hired to prepare the investment proposal; the KENAKAP LAG in Trikala, acting as the local support antenna of the Thessaly Region RDP.

### **Finance**

#### *Funding:*

- a) Integrated Rural Development Programme (FEOGA-Guidance), Third Regional Operational Programme of the Thessaly Region: Total cost of 360,000 Euro; private contribution of 50% (First phase of the project, 2005-2006).
- b) National Development Law (ERDF), Third Regional Operational Programme of the Thessaly Region: Total cost of 1 million Euro; private contribution of 60% (Second phase of the project, 2007-2008)
- c) In total, the entrepreneur borrowed 30% of the total cost of the project (408,000 Euro).
- d) The owner has yet to receive the final payment of the second phase of the investment.

*Budget:* 1.36 million Euro, in 4 years

### **Results**

*Direct results:* In general, results are judged to be very positive, despite the economic crisis, and in accordance to the owner's business targets. Sales increase continuously due to variety of production and good quality.

*Main target:* Local community at large and local farmers.

*Wider benefits:* This is the first very modern, well-organized wine-making unit in the local area, characterized by very modern equipment and production methods. Also, this unit has contributed to the more "responsible" production behaviour of local vine farmers, due to their contractual cooperation with the owner.

## **2. Relevance of case study experiences for others**

#### *Problems:*

- a) In the first phase of the project, the cooperation of the investor with local authorities (issuing of licences) and KENAKAP (local LAG) was very satisfactory. A small problem occurred with the Public Enterprise for Electricity (delay in providing service).
- b) In the second stage the owner faced significant problems with the flow of financing which was considerably delayed and also with delays by the Regional Administration of Thessaly on the inspection of the unit. He has still not received the final payment from this authority, resulting into higher borrowing and higher interest payments.

*Transferability and mainstreaming potential:* The project can be replicated successfully elsewhere. However, its results have not been adopted by a wider range of enterprises in the sector, as still some entrepreneurs find it difficult to understand the effectiveness of organised units in wine-making.

*Innovation:* The project is seen as innovative in the Kalampaka area, as it constitutes the first modern, well-organized unit in this sector.

*Institutional aspects:* The involvement of the KENAKAP LAG in the plan influenced very significantly his decision to implement the project. The investor received information on funding opportunities, advice and encouragement by the LAG.

*Social aspects:* The project has created 5 full-time and 7 seasonal local jobs.

*Environmental aspects (for projects that are not strictly environmental):* The project has contributed to the local environment, through the implementation of environmental terms in accordance to the environmental licence (disposal of waste, drying of wine marc, etc.).

*Sustainability:* The unit is expected to be fully sustainable in the next 2 years. The owner expects the further improvement of his links with local vine farmers, local hotels and restaurants and the export market. Also, he aims to provide visiting facilities for tourists, local schools, etc.

*Lessons to pass on:* The main lesson learnt is associated with the importance of the private contribution to the investment (as there are considerable delays in the flow of investment-support funds). Also, it is important for investors to “love their profession”.