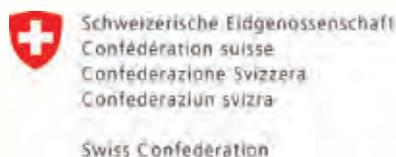


THE ORGANIC BUSINESS GUIDE

DEVELOPING SUSTAINABLE VALUE CHAINS WITH SMALLHOLDERS

by Bo van Elzakker and Frank Eyhorn



Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

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*DEVELOPING SUSTAINABLE VALUE CHAINS
WITH SMALLHOLDERS*

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FOREWORD

What does organic mean for you? This question makes most people think, triggers emotions, and sparks the imagination. Seeing products branded as organic, the consumer expects a high level of ethics and integrity. It is clear for most consumers that organic may cost an extra price. At the same time it is also clear that the claims are expected to be true. Products ought to be of high quality, healthy and tasty; moreover, provisions should be made for animal welfare, the protection of biodiversity and a decent living for smallholders.

Organic developed into an internationally known and recognized philosophy of production and trade that is based on the organic principles of ecology, health, fairness and care, as articulated by IFOAM. Producers and consumers alike want sustainable systems in place that provide real solutions to global challenges such as hunger, loss of biodiversity, soil depletion and climate change. This only works if all stakeholders along the value chain are fairly treated and able to be competitive.

Smallholder farmers in low and middle income countries are at the core of IFOAM's attention. While they are the most important source for tropical organic products, they are also the group most vulnerable to poverty and malnutrition due to unsustainable practices. Organic is an opportunity for them. However, opportunities may fail if they are not properly managed and if they cannot be aligned with demand. Setting up an organic business is ambitious and requires skills. On the other hand, organic production is a successful model for millions of smallholders, who, taken together, are responsible for billions of dollars of consumer turnover around the world.

The recommendations and case studies in this guide are built upon a wealth of practical experience and in-depth research, and came out of a broad participation process. We are grateful to all those who committed to passing on their knowledge and hope to encourage and assist all those who strive for improvement or even dare to venture into organic businesses with smallholders in low and middle income countries.

We wish you good luck and prosperity!

Organically Yours,

A handwritten signature in black ink, appearing to read 'Markus Arbenz', written in a cursive style.

Markus Arbenz

Executive Director, IFOAM

ABBREVIATIONS

AELBI	Agro Eco - Louis Bolk Institute
BDS	Business Development Services
CAD	Cash Against Documents
CB	Certification body
CIF	Carrier, insurance, freight
CFR	Cost and Freight
FLO	Fair trade Labelling Organisations
FOB	Free on board
GMO	Genetically modified organism
GPS	Geographic Positioning System
ha	Hectare
HACCP	Hazard Analysis and Critical Control Point
ICS	Internal Control System
IFOAM	International Federation of Organic Agricultural Movements
ISO	International Organisation for Standardisation
JAS	Japanese Agricultural Standards
NGO	Non Governmental Organisation
NOP	National Organic Programme (US)
OFT	Organic & Fair Trade
PO	Producer organisation
PGS	Participatory Guarantee System
SPS	Sanitary and Phytosanitary
SWOT	Method to analyze Strengths, Weaknesses, Opportunities and Threats
USP	Unique Selling Point

DEFINITIONS

Associated crop	Crops grown along with a main crop in the same field.
Break even point	The moment when revenues start to exceed operational costs.
Bulking	Collection of raw material from several individual farms.
Business plan	Documented strategy to develop an idea into a viable business.
Cash flow	Movement of cash into or out of a business over a specified period of time, determining the liquidity of a company.
Certification	A third-party confirmation that a certain product or process complies with a set of requirements defined in regulations or standards.
Cooperative	A marketing cooperative of producers engaged in bulking and selling of products, possibly including processing and exporting and provision of inputs.
Company	A business of an individual entrepreneur or a shareholding; can include farmers or farmer organisations as shareholders.
Competitive advantage	Attribute or combination of attributes that allows a business to outperform its competitors.
Contingency	An additional amount or percentage added to any cash flow item in order to cover unforeseen costs.
Conversion	The process of changing from conventional to organic production.
Cost price	Actual total costs per unit of output of a product; excluding the profit margin.
Depreciation	Spread of cost of an asset (equipment, building, vehicle etc.) over its useful life.
Development agency	NGO or government organisation that supports development in low and middle income countries.
Entrepreneur	An individual who possesses an enterprise and assumes significant responsibility for the inherent risks and for the outcome.
Exporter	A company or a cooperative engaged in exporting products.
Facilitation	Any activity used to make tasks easier for others. Facilitation of value chains refers to supporting coordination and communication among value chain operators.
Fair Trade	Fair Trade is an organized market-based approach that aims to help producers in developing countries by paying them a higher price as well as enforcing social and environmental standards.
Gross margin	Difference between revenues and production costs (excluding overhead costs or own labour costs).
Inputs	Material used for agricultural production, such as seeds, fertilizers and pest management materials.
Marketing plan	Documented strategy to promote and market the produce.
Operator	A person or business directly involved in producing, buying, processing or selling of a product.
Organic agriculture	An agricultural production system that relies on natural means like crop rotation, compost, biological pest control, and mechanical cultivation to maintain soil fertility and control pests, excluding the use of synthetic fertilizers and synthetic pesticides, plant growth regulators, livestock feed additives, and genetically modified organisms.
Organic business	Commercial operations of a specific entity involved in the production, processing or trade of organic products.
Organic by default	A farming system that does not use chemical inputs, but does not actively work on maintaining soil fertility (e.g. through application of organic manures, crop rotation).
Organic project	An initiative to set-up an organic business; with a defined start and end of the intervention.
Pig cycles	Cyclical fluctuations of supply and prices; high prices leading to an increase in production, leading to oversupply, leading to drop in prices, leading to a decrease in supply etc.
Premium	A charge paid in addition to normal (market) prices, for higher quality, organic production or Fair Trade.
Rotation crop	A crop grown in sequence with the main crop in the same field.
Smallholder	A farm of small size which mainly relies on family labour.
Supply chain	The system that moves a product from supplier to customers, emphasizing the perspective of sourcing.
Transaction certificate	Certificate stating that a certain shipment and volume originates from certified organic production.
Value chain	A chain of activities through which the product gains in value on its down stream journey from production to final consumption.

1 INTRODUCTION TO THE GUIDE

Sales of organic products are steadily increasing, and so is organic production in low and middle income countries. For good reason: for farmers it is an opportunity to improve their livelihoods and at the same time manage their land in a more sustainable way. It enables them to access promising local and international markets and to gain a better income.

There are many successful examples of how this potential can be turned into a sound business in which all stakeholders benefit. However, there are also less successful cases where it was found difficult to seize - and to maintain - a market. Some of them have struggled for a long time to become independent from external support. The main objective of this guide is to increase the success rate among organic farming initiatives in low and middle income countries.

1.1 WHAT CAN YOU EXPECT FROM THIS GUIDE?

This guide should help those actively engaged in setting up or in managing organic businesses with smallholders, to do a better job, and thus to be more successful. They should know what they are getting into, be well prepared, and able to keep an overview once they are involved in an organic business. We purposely use the term “organic business”, as we strongly believe that organic production initiatives, even if they focus on improving the livelihoods of smallholders, can only grow and survive if they are economically viable.

In the guide you can expect to find the practical know-how and essential information you need to be familiar with in order to set up, manage and expand an organic business. By spending some time reading (parts of) the guide, you will:

- get a succinct but full overview of the main aspects and issues involved, including management principles needed in all businesses;
- receive practical guidance on how to structure and manage an organic business;
- learn about successful examples and the key factors that made them a success;
- learn about pitfalls so that they can be avoided;
- become familiar with systems and tools that can help you to be effective and efficient;
- get to know the most relevant information and linkages that help you to orient yourself further in this field

This guide was developed in a participatory process involving people who are active and experienced in managing or supporting organic businesses in Asia, Africa and Latin America. For the first step, the content identified by the editorial team was tested and expanded in an international workshop involving more than 30 practitioners. On this basis, and drawing from years of their own practical experience, the authors developed a first draft of the guide. Documents and websites on related topics served as sources of inspiration, and are referenced where useful for the reader. Drafts of the guide were reviewed by entrepreneurs, consultants and development experts active in this field.

Practitioners have the possibility to contribute to the online-version of this guide by editing the wikibook at www.wikibooks.org.

1.2 WHO IS THIS GUIDE FOR?

The guide is primarily written for people who are directly involved in the set-up or management of an organic business that involves smallholders in low and middle income countries. These can be individual entrepreneurs, senior staff of companies, but also the management of producer cooperatives marketing organic products. In this guide, when we use 'you' we address this type of people (Figure 1).

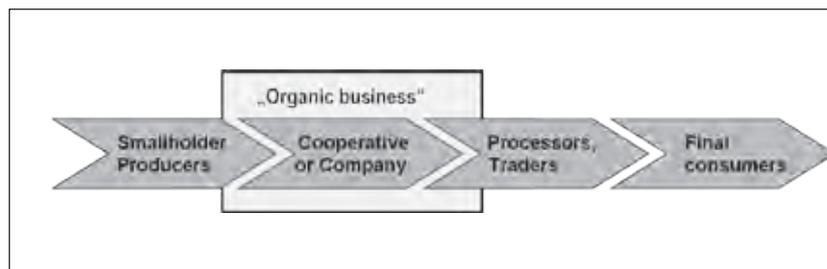


Figure 1: The organic business in the value chain.

Secondly, the guide should be useful for those who facilitate the development of such businesses. These can be NGOs focusing on sustainable development and income generation of rural communities, or consultants and business development services. Thirdly, the guide should help donors, financial service providers and government agencies active or interested in this field to better understand the particularities of organic businesses and to provide the right support to the right initiatives. Chapter 12 specifically addresses organisations that facilitate and support the development of organic businesses.

The focus of the guide is on organic businesses and where this is possible, organic in combination with Fair Trade. However, it is not about Fair Trade in conventional farming. The following examples from Africa, Asia and Latin America provide an idea of some of the different types of organic businesses:

- **Pineapple processing and export in Uganda:** An individual entrepreneur, who contracts 200 farmers producing organic pineapple, exports fresh pineapples and runs a solar based drying plant. He sells the fresh pineapple to Europe and sometimes to Kenya, and the dried fruit to Europe and on local urban markets.
- **Cocoa production in the Dominican Republic:** A Fair Trade-certified cooperative consisting of 180 producer associations which involve a total of approximately 10,000 farmers, most of them certified organic. The cooperative runs fermentation facilities and exports directly to Europe and the US. Fruits and vegetables intercropped in the cocoa are sold in the local market.
- **Cotton and pulses in India:** A farmer co-owned company that involves 5,000 cotton farmers who hold the majority of shares. The marketing company was set up in order to improve the livelihoods of smallholders by increasing efficiencies, lowering input costs and raising incomes through organic and Fair Trade certification. It established commercial partnerships with the local processing industry, and with textile brands abroad. Pulses and other rotation crops are currently sold in the local market.

1.3 ENTREPRENEURIAL OR DEVELOPMENTAL PERSPECTIVE?

Organic businesses may be developed by entrepreneurs who use their own funds or take up loans, or by producer organisations that use the shares or fees of their members. They may receive support from locally available funds for private sector development, or from development agencies. The approaches of these different actors, however, are often quite different. First of all, an entrepreneur needs to ensure that s/he will make a profit, meaning that revenues are higher than costs after an as short as possible initial phase. As entrepreneurs are using their own money, they are usually more sensitive about avoiding risk. They particularly need to be sure that their investments pay off, and that no one else reaps their benefits. At the same time entrepreneurs can also be opportunistic in the sense that they can easily change business focus from one product to another one, and in that way abandon groups of farmers.

Producer organisations have a longer term perspective with the wellbeing of their members in mind. They are not focused on profits; they are focused on getting their members a better deal.

Examples of entrepreneur thinking

- How do I become profitable in a short time?
- What is the minimum I have to do, and what extra if I want to do a really good job?
- What is the cost; can someone else pay for it?
- What are the risks, and how can I reduce them?
- How can I avoid farmers turning against me?

Development agencies are most concerned about the impact the organic initiative has on poverty reduction and on sustainable development of disadvantaged communities. They need to ensure that small farmers benefit, and that important cross-cutting issues such as gender equity and HIV/AIDS are given due attention. Unfortunately, many support programmes follow a project logic, and some businesses collapse at the end of that period as they are not yet self-financing. In some cases they have become addicted to donor support, and programmes are then extended for a long period.

Examples of development agency thinking

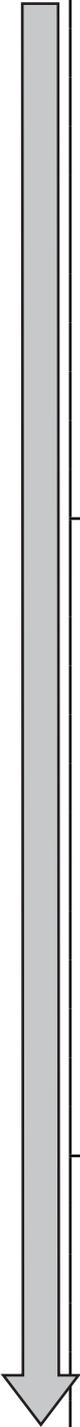
- How can we achieve development goals?
- How do we ensure that small farmers benefit?
- How does this integrate cross cutting issues (gender, social inclusion, HIV/AIDS etc.)?
- How can we make sure that public money is spent in a responsible way?
- How can we ensure that the objectives of the project are achieved?

A far-sighted entrepreneur will understand that his or her organic and certainly Fair Trade business will only succeed in the long run if the farmers benefit too. A far-sighted development agency as well as a farmer cooperative, on the other hand, will understand that farmers will only benefit if the production and marketing of their products is handled in a professional and competitive way so that it makes money. This guide is written for all of them.

In general it is a lot easier for existing companies and cooperatives to convert (part of) their business to organics rather than for companies and cooperatives to be started up for the purpose of going into organic business. However, in an existing business, it is necessary to separate the organic unit from the conventional one. Setting up a new business, developing an organic product line, or starting up organic processing are all very challenging tasks, certainly in a three year period; a good business person knows when and where to ask for assistance. Many entrepreneurs are reluctant to ask for help because of the paperwork involved or because they have to expose their figures. This is an unnecessary obstacle to the growth of their business (see chapter 4.4).

1.4 HOW TO USE THE GUIDE

You could read this guide from beginning to the end, thus covering all relevant aspects of an organic business; more probably, however, the guide will serve you as a reference manual which you can consult when searching for information or guidance on a topic that is relevant for your work at that time. In the back there is an Index that will help you to easily locate the topic of your interest. In addition to a table of contents, there is a flow chart of the typical steps involved in setting up an organic business (Figure 2). For each step, reference is made to the chapters where you can find the relevant information.



	<i>Steps</i>	<i>Chapters</i>
<i>Preparation</i>	Get familiar with the topic	2.1-2.4, 4.1
	Overview on market and requirements	3.1-3.4
	Define your product offer	3.2, 3.5
	Check interest of possible buyers	3.2, 10.3
	Understand certification options	2.5, 8.1
	Identify conversion needs at farm level	5.1-5.3
	Define the scope and objectives of your business	4.2, 6.3, 11.2
	Define your organisational set-up	6.2, 7.1, 4.4
	Identify the right field staff	7.3, 7.4
	Identify suitable partners and allies	4.2, 4.3, 11.4
	Identify suitable support	4.3, 10.4, 12.1
	Analyze the feasibility of your business idea	6.4
	Develop a business strategy and plan	6.1, 6.3
Financial planning, cash flow requirements	6.4, 6.5	
<i>Implementation</i>	Setting up your business	6.2
	Setting up the extension system	7.3
	Information and training of farmers	7.2, 5.1-5.3
	Define prices, premiums, payments	7.5
	Dealing with gender issues	4.4
	Choice of certification body	8.1
	Developing and maintaining the ICS	8.2, 8.3
	Product quality management	9.1-9.3
	Identify buyers, visit trade fairs	10.1-10.3
	Meet the requirements of the clients	10.2
	First business with clients	9.5
	Checking the cost price	6.4
	Checking customer satisfaction	10.3
<i>Consolidation</i>	Expansion to an optimum	6.3, 6.4, 11.1
	Building loyalty with the farmers	7.2
	Building a relationship with buyers	10.3
	Crop and product diversification	5.1, 6.3
	Developing local and regional markets	3.4
	Adding processing steps	9.4
	Additional certifications	2.5
	Revising the ICS	8.4
	Developing your organisation	6.7, 11.3
	Work towards a conducive business environment	11.4, 12.3

Figure 2: Flow chart of typical steps to set up an organic business, with reference to the respective chapters in the guide.

2 ORGANIC PRODUCTION AND FAIR TRADE

In the following chapter you will find a summary of what you need to know about organic farming and Fair Trade, and what you can expect from entering this type of business. It also provides you with an overview of the different standards and certification options for organic farming, Fair Trade and related sustainability initiatives.

2.1 WHAT IS ORGANIC PRODUCTION?

The most simple understanding of organic farming is “No chemical pesticides + No chemical fertilisers + Certification = Premium Price”. While this may be a useful formula to begin with, organic farming is really much more than this. Where farmers do nothing about soil fertility or pest problems you do not have a sustainable business. You may start with an ‘organic by default’ situation but pretty quickly you need to move into an active organic farming approach.

At this point you are then looking at a sustainable agricultural production system that builds on ecological processes without using chemical inputs or genetically modified organisms, in order to produce safe and high-quality food. IFOAM, the International Federation of Organic Agriculture Movements, defines organic agriculture as follows¹:

“Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.”

What the design of organic production systems means in practice, and what challenges need to be addressed, is described in detail in chapter 5.

Standards and their enforcement

Since the 1990s, organic production and trade has evolved into a whole industry of its own. In order to protect producers and consumers from fraudulent claims, the need arose to regulate the use of the organic label. In a participatory ongoing process, the international organic movement has defined organic agriculture in a set of principles and standards². These form the basis for many regulations at international (Codex Alimentarius), national (e.g. the US NOP, the Japanese JAS or the Indian NOS) and regional level (EU-Regulation), as well as for private labels (Soil Association, Naturland, BIO SUISSE etc.).

There are organic standards for plant production, animal husbandry but also for wild collected products. Organic standards not only address primary agricultural production, but also include rules for processing and labelling. There are also rules for keeping organic products separate from conventional ones, to avoid contamination or mixing. All these rules and regulations are just the minimum



¹ www.ifoam.org/growing_organic/definitions/doa/index.html

² www.ifoam.org/about_ifoam/standards/norms.html

requirements. It does no harm to go beyond the minimum; a lot of buyers and certainly the consumers will appreciate that!

Inspection and certification by an independent third-party ensure that products labelled organic really fulfil the requirements of the standard. For businesses that want to sell their products as organic in international markets, certification as per the respective standard is a must. In a situation where the product of a large number of smallholders is marketed, group certification systems based on an Internal Control System (ICS) are used (see chapter 8.1). Participatory guarantee systems (PGS) have evolved as an alternative to formal certification in situations where producers sell directly to consumers, in local markets³. While in most markets there are national logos that are free to use, the use of a specific certification body allows the use of their private logo as well (e.g. Soil Association in the UK or Naturland in Germany). This can have certain advantages when marketing the produce.

2.2 WHAT IS FAIR TRADE?

The term “Fair Trade” usually refers to trading partnerships between producers in developing countries and market partners in consuming countries. It is based on conditions that enable producers to improve their livelihoods. A trade relationship does not necessarily need to be certified in order to be fair, but certification provides third-party independence which ensures the integrity of the trading relationship, also for communication to consumers.



There are several Fair Trade standards and labels in the market. The most widely used Fair Trade standard and certification system is the one under the Fairtrade Labelling Organization International FLO.⁴ The FLO standards address social, socio-economic and environmental aspects. They combine minimum requirements that need to be met before certification (see box), and progress requirements that require gradual improvement over a period of time. The FLO pricing system is explained in chapter 7.5.

When market prices fall below the Fairtrade minimum price, this can be a financial burden for buyers, and sometimes may even restrict access to certain markets. However the whole point of Fairtrade is to provide producers with a safety net for exactly those situations. As different minimum prices are defined for different regions, there is also a certain risk that those with high prices are not competitive in the Fairtrade market.

³ www.ifoam.org/about_ifoam/standards/pgs.html

⁴ www.fairtrade.net/standards.html

In addition to the generic standards that apply to all products, product specific standards need to be fulfilled. These are defined for an increasing range of products, but not yet for all.⁵ FLO certification is therefore currently not open to all products, but only those included in the FLO standards. The Fairtrade audit verifies compliance with the standard concerning the functioning of the producer organisation (including the handling of the Fairtrade premium), environmental and labour aspects and the commercial activities, like the payment and administration of the Fairtrade Minimum Price.

The main minimum criteria of FLO:

- Small producers need to be organized in a democratic, participatory and transparent way
- The buyer and the producer organisation or company enter into a (preferably long-term) relationship with a formal buying agreement
- The buyer guarantees paying producers at least the minimum price defined by FLO based on the calculated cost of sustainable production
- If market prices are higher than the guaranteed minimum price, the market price must be paid; for organic products an additional organic premium is paid (see chapter 7.5)
- In addition to the payment of the product, the buyer pays a Fairtrade premium that the producer organisation uses for achieving its development objectives; this is administered democratically either by cooperative members or a joint body of management and workers
- Basic environmental standards need to be observed (e.g. no use of the most hazardous agro-chemicals, no GMOs) for certification, with progressively stricter requirements over time. The development approach also includes encouragement towards organic conversion
- Core labour standards need to be observed (e.g. no forced or child labour, freedom of association, safe working conditions, payment of minimum wages etc.)

www.fairtrade.net

Fair trade certification

FLO standards and certification are designed to strengthen the position of smallholders organized into cooperatives as well as workers in plantations. Contracted farmers selling to a company can increasingly participate in FLO Fairtrade and the opening up to a broader variety of producer setups is under investigation.

Costs for FLO producer certification are usually covered by the producer organisation or the exporter. The FLO Producer Certification Fund offers a grant to small producer organisations, who are applying for Fair Trade certification but lack sufficient financial resources to pay the certification fee. Brands and retailers who want to use the FLO Fairtrade label pay a license fee to the national label initiative of the respective market (e.g. TransFair in Germany, Max Havelaar in France, Switzerland and the Netherlands, Fair trade Foundation in the UK). The national label initiative in turn raises awareness amongst consumers about Fairtrade and Fairtrade products. In many consuming countries, the FLO label has reached very high consumer recognition, e.g. 86% in the UK.

⁵ FLO certification for non-agricultural products, such as forest products, rubber and seafood are under exploration.

Some buyers, however, prefer to work with alternative Fair Trade certification systems such as those developed by organic certifiers like IMO (see box), Soil Association and Ecocert⁶. These systems are more flexible concerning the definition of minimum prices, cover a wider range of agricultural products, and do not involve a licence fee. However, they are also not as well-known in the market as the FLO label.

Fair for Life

In 2006, IMO introduced “Fair for Life” in order to complement existing Fair Trade certification systems. The programme builds on key social and Fair Trade standards such as the ILO conventions, SA 8000, FLO standards and the social criteria of IFOAM. All agricultural operations including smallholder groups, plantations and contract production, manufacturing and trading companies worldwide that practice social responsibility and fair-trade can be certified.

Fair for Life certification confirms that price setting negotiations are transparent, that a Fair Trade premium for social development of the concerned communities is paid, and that workers enjoy fair and safe working conditions. The actual minimum price and Fair Trade premium is to be negotiated between the seller and the buyer. Some people in the Fair Trade movement, however, criticize that leaving this negotiation to players with unequal power does not guarantee prices that are fair and that cover the cost of sustainable production.

The Fair for Life certification programme is available for products and countries not (yet) covered by FLO. It covers all steps along the supply chain, and allows for certification of multi-ingredient products. Ingredients certified by FLO are accepted as being equivalent. A rating system for social and Fair Trade performance enables operators to demonstrate gradual improvement and achievements.

www.fairforlife.net

FLO aims at improving the position of the weakest part of the supply chain - farmers and labourers - through market access and a premium for communal investments. Adding more value and bargaining power through processing and exporting can be an avenue of empowerment. Some small producer organisations, however, lack the management capacity to handle commercial activities and the use of the Fair Trade premium. It is therefore essential for them to get support in their organisational development and in acquiring the necessary management skills.

The FLO Producer Services and Relations Unit (PSR) offers producer organisations assistance in different fields, such as offering guidance on certification requirements, helping producers to gain access to new markets and facilitating relationships with buyers. Locally based Liaison Officers support PSR’s work by providing training for producer organizations and facilitating input into the pricing process. Furthermore, FLO has elaborated training manuals for Fairtrade producers on different relevant topics.

2.3 WHY IS ORGANIC PRODUCTION AN INTERESTING BUSINESS?

Consumers have an interest in organic production mainly for environmental and health reasons. They are increasingly concerned about the social and ecological production conditions of the products they

⁶ Soil Association Ethical Trade at www.soilassociation.org and Ecocert Fair trade www.ecocert.com/-EFT-.html

buy. Development agencies support it because they see it as a way to reduce poverty (see chapter 12). Organics can also be an interesting business opportunity, both for entrepreneurs as well as for farmers.

From an entrepreneur's point of view

Business people may be attracted to the organic sector because they hear that there is a growing market that offers premium prices and therefore higher margins. Some think that the products they deal with are already organic and just need to be certified, and so it could be an easy way to make more profit. Others are involved because they sympathise with the goals of organic farming: with helping farmers, and doing something good for the environment. Some like the exclusivity of it: they like the image, they like to stand out from the crowd, and to be part of a People - Planet – Profit market. In such fairly small specialty markets, you would have relatively few competitors, and you could probably meet most of them every year during Biofach⁷.

In organic trade there are less intermediaries and so more direct contact with buyers. These buyers like to know you, like to visit your project, for reasons of integrity but also to be sure of their supplies over the years. Some buyers are interested in developing you as a supplier, and are therefore interested in discussing with you how to improve and expand your business. Over time you can become a preferred supplier which gives you a chance to develop longer term business relationships that give some security.



Sonya Mwandime of Biofresh (Uganda) Ltd promoting her produce at Biofach (Source: AELBI)

Some of the buyers are development oriented, they like to know and help the farmers. This sometimes leads to situations where besides doing business with you they offer to provide support to the farming communities. They might be able to organise trade finance for pre-

financing the harvest. Some may even assist you in getting help from outside, doing a joint project with donor funding. This can help you in your standing with the farmers, and their loyalty towards you.

As a premium price is usually paid, there is potentially a larger margin and hence more financial flexibility. However, there are also extra costs to contend with. If you can do it well, and can cope with the requirements, an organic business can offer more opportunities to make profit than conventional business. Additionally, there are some specialised funds to finance organic and Fair Trade businesses (see chapter 6.5).

From a farmer's point of view

Every farmer needs to decide individually whether organic farming is the right way to manage his or her farm. From a farmer's point of view, organic farming has some important potential advantages (Figure 3). Initially, few farmers believe that through organic farming they can achieve good yields.

⁷ The largest international trade fair for organic products, see www.biofach.de

Many fear that by not using chemicals, yields will go down, or pests will destroy the crop - which is a true risk. Yields in conventional smallholder farms are often rather low, and soil fertility declining. When switching to more intensive and better managed organic production methods, farmers often managed to stabilize and even increase yields.⁸ Improvements in access to inputs, credit and know-how that usually goes along with an organic farming initiative play an important role in this. In addition, organic farming systems tend to be more diverse than conventional ones, resulting in more agro-ecological and economic stability.

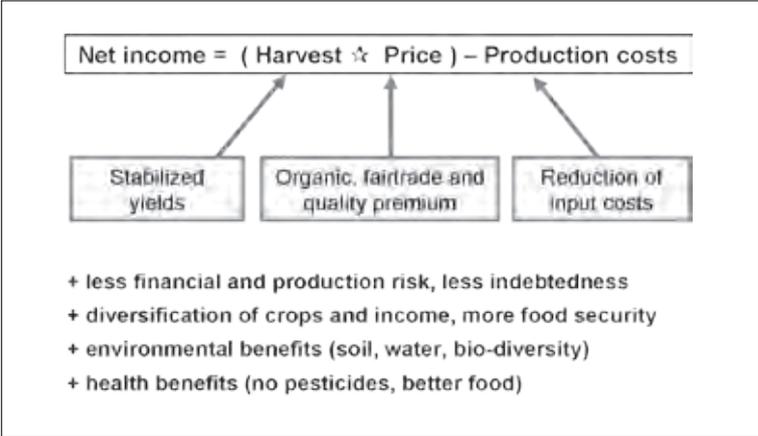


Figure 3: Economic and non-economic benefits of organic production, as compared to conventional production.

Farmers usually find the possibility of getting a premium price very attractive. Even when conversion to organic means some uncertainty in the first years, and more work, the premium compensates for that. By becoming certified, farmers can make more money on the same size of farm. This can be important in a situation where population pressure is high. For farmer groups, the guaranteed minimum price in the Fair Trade system is an important reason to go for Fair Trade certification when that is possible. This premium offers an opportunity to improve their livelihood as well as getting a better farm gate price.

What appeals to a lot of farmers, is the fact that they won't need expensive, 'unnatural' external inputs. This is also a financial matter - many of them have had experiences with inputs on credit schemes, which might have cost them 1/3 of their income. Since prices for synthetic nitrogen fertilizers are tied to the crude oil price, it is likely that production costs in conventional farming will continue to increase. In organic production you usually need less money to buy inputs - provided appropriate training and technical advice on how to produce organically is available. Women especially find it easier to grow their own organic cash crops and to earn their



Organic cotton farmer in Kyrgyzstan (Source: Helvetas)

⁸ Pretty, J., 2005. The Earthscan Reader in Sustainable Agriculture. Earthscan, London. Nemes, N., 2009. Comparative Analyses of Organic and Non-Organic Farming Systems: A critical assessment of farm profitability. FAO Rome. <ftp://ftp.fao.org/docrep/fao/011/ak355e/ak355e00.pdf>

own income. Lower production costs also reduce the financial risk involved, especially in situations where climatic conditions frequently cause crop losses.

Most farmers appreciate that organic production is better for their soils, but the benefits for water quality and bio-diversity are usually of less immediate importance for them. In many cases, there is also a health concern involved in the decision to convert. There are plenty of farmers who have experienced negative impacts from working with pesticides, like headaches and nausea. They know that pesticides are poisons and when they have an alternative to do without them then it is not a difficult choice. Many farmers know about natural alternatives and as these are considered less harmful, they prefer to work with those. Some farmers (especially women) can see the benefit that by not using pesticides, you are able to grow food crops safely in between the cash crops, like yams in coffee or beans in cotton, which improves food security. There is no more risk of food poisoning, and no pesticides need to be kept in the house.

It is true that a lot of farmers like organic and Fair Trade initiatives because of the assistance given. Organic farming initiatives usually provide some training, visits by extension officers, and sometimes inputs. They support farmers in forming groups and thus help strengthen their position in the market. Besides the premium this is the other big motivating factor. One should however not underestimate the extra effort that it requires to become a good organic farmer. It is important to be careful not to raise expectations too much; don't create the impression that organic farming is easy.

2.4 THE DIFFERENCE FROM NORMAL AGRI-BUSINESS

An organic business shares many features of any other agri-business. You need to manage production in an efficient way, you need to be competitive and professional, and you need to keep your figures and risks under control. Nevertheless, there are a couple of aspects that are specific to organic businesses. It is important to be aware of these.

Changes in primary production

At farmer level, the main differences from conventional agri-businesses are the following:

- The producer base is a fixed group of farmers who are certified organic and possibly also Fair Trade. You can only buy from the approved farmers, and from no one else. This means that you depend on them, and vice versa.
- You should to start in an area of the country that is suitable for organic production, not in areas where the crop is heavily attacked by pests and diseases.
- There might be some technical problems with pest and diseases, soil fertility, nutrient management and alternative inputs that need to be solved.
- The farmers need to be informed about what it means to be an organic farmer, about what they are not allowed to use, and they need to be trained/guided in how to become good organic farmers. This training is a prerequisite for certification.
- The farmers need to be organised; you have to set up an internal control system to allow for group certification.
- The farms and the farmer groups need to be certified by an approved certification body. Once you are there you need to maintain certification.

For all this you need field staff: extension agents who double as internal inspectors and information carriers, and are also active in quality control (see chapter 7.4). Employing field staff is common in

producer cooperatives, but not a normal role for most entrepreneurs, who may reside in the capital and delegate the buying to middlemen. An organic business must be closely involved with the primary production.

Different buying, storage, packaging requirements

The fact that you need to buy each year from the same farmers and will need very good record-keeping of the quantities bought often means that the buying system will change. In many cases, the traditional middle men cannot cope with these changes and have to be replaced by buying agents and store keepers who are directly employed by you. You can only be certified if there is a high level of transparency. You may get questions that require you to trace back a certain shipment to the farmers.

The organic product must be kept separately and identified as organic in a clean store which should not be fumigated against storage pests. There are some specific requirements for packaging and correct labelling: these are covered in detail in chapter 9. While the additional requirements in buying, storage and packaging are likely to cause additional costs, they also provide opportunities for improving quality and increasing efficiency.

Different markets, different exposure

In organic markets quality often is an even more important issue than in conventional markets. As organic products command a premium price in the market, consumers and buyers expect a high quality product. Often the organic premium is for the combination of being certified and for having a good quality product. It is a market in which you are responsible for your product, and the business is not over the moment you have been paid. This sense of responsibility needs to be instilled into staff at all levels: you are responsible for your supply base.

Being involved in organic production will give you a certain exposure: people will enquire about what you are doing. Many people will visit you because you are in an organic project: scientists who want to study your project, an assortment of potential and hoax buyers, farmers who want to join in, authorities that want a share, and students who want to do an internship. Inspectors from the certification body who need to see your premises and your records at any time of the year can also come, announced or unannounced!

Different business models

Getting into an organic business may confront you with new challenges, but also new opportunities:

- It might be possible to interest a buyer in an early stage, to let them participate in the project so that they become a co-owner. Such joint ventures are some of the most successful businesses.
- Some buyers are ready to support you in overcoming hurdles and managing risks, so that you grow the business together. However, not everyone is prepared to do this.
- An organic project is more complex than running a normal buying and selling operation. You need to be pretty good at dealing with farmers, the certification body, and the buyers, and thus it requires a higher management capacity.
- You must be interested in getting to know other people who are active in this field. You need to be good at communication, and you should possess open-mindedness, a willingness to learn, to improve, and to go a long way. You don't need to possess these virtues from the beginning, but you should be willing to take this route.

2.5 DIFFERENT SORTS OF STANDARDS AND CERTIFICATION

There are specific standards and certification schemes for particular types of organic production or related fields that are not covered in the broader organic regulations, such as wild collection, textiles, cosmetics etc. These are 'regulated' in private or industry standards. An overview on the main organic standards and labels is provided in Annex A5.1.

Sustainability standards

Besides organic and Fair Trade, there are a number of other sustainability initiatives and quality management options, some with, and some without formal certification (see overview in Annex A5.2). Coffee producers, for example, have also the option of working with Rainforest Alliance, Utz Certified, 4C (Common Code for the Coffee Community) or with private programmes like Starbucks, Sara Lee and Coffee Partners. In cotton, options include the Better Cotton Initiative (BCI) and Cotton made in Africa (CmiA).

Most of the sustainability initiatives do not go as far as organic and Fair Trade concerning sustainable production practices and social standards. Nevertheless, they are an improvement from the common conventional practices (Figure 4). They can be a stepping stone on the way to organic production and Fair Trade.

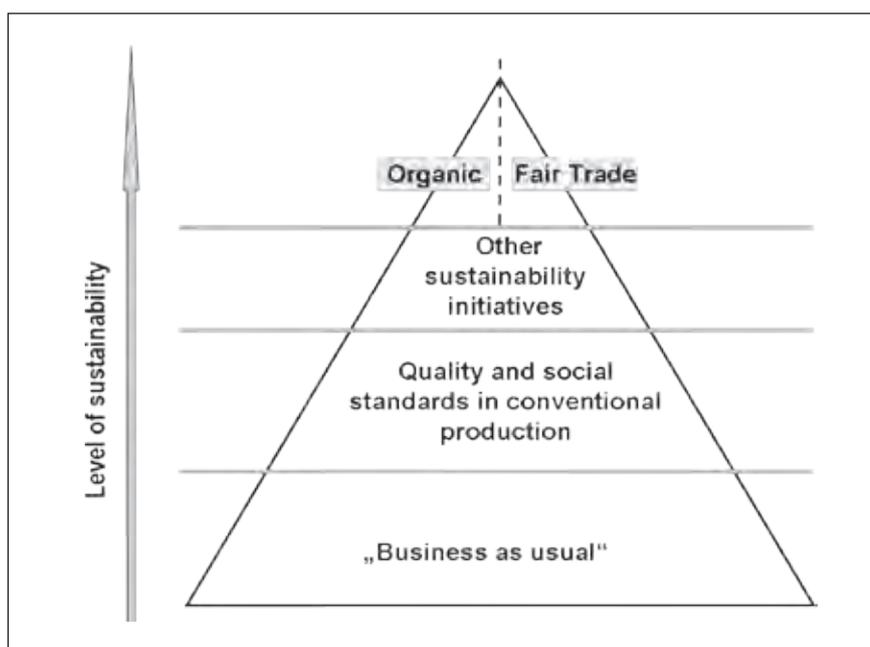


Figure 4: Increasing sustainability in commodity production and trade

Not all certification, however, necessarily means that farmers benefit. In some of the sustainability initiatives, farmers do not improve their practices that much, and do not receive a better price and income. Some of the standards, especially those that are not certified, are not always implemented on the ground. They look nice on paper but have little effect in practice.

Even with organic and Fair Trade certification it should not be taken for granted that you comply with all possible social and environmental criteria. In order to stay in business, organic and Fair

Trade initiatives need to seriously address issues like fair payment for seasonal labour, control of soil erosion and sustainable water use (see chapter 5.3). Consumers, development agencies and civil society organisations will hold you accountable - rightly so.

Industry standards

For certain products, processing areas and markets, it may make sense to combine organic certification with mainstream certification schemes like Global-GAP⁹ (good agricultural practice, particularly for fresh food production) or SA 8000¹⁰ (social accountability, particularly in manufacturing industries). The Certification Guide of FAO provides a comprehensive overview on the different options¹¹.

In any case, products and their packaging need to comply with the food regulation of the importing country¹². Their requirements include standards for hygiene, limits for contamination levels, restrictions on certain technologies and inputs like methyl bromide for fumigation (see chapter 9.4).

9 www.globalgap.org

10 www.sa-intl.org

11 www.fao.org/ES/ESC/en/15/262/highlight_269.html

12 E.g. EU regulation on organic production and labelling www.cbi.eu/marketinfo/cbi/docs/eu_legislation_organic_production_and_labelling

3 STARTING FROM THE MARKET

In the past there have been too many supply driven organic production initiatives. Many times production has taken place, only to find there is not yet a market, or that there is strong competition from cheaper suppliers. It is important that any new venture is demand driven. This chapter is an introduction to that demand, the market.

3.1 WHAT IS THE ORGANIC MARKET?

The main organic markets are in the US and the European Union; the Japanese market is much smaller. Emerging economies like India and China are big exporters, but as yet are small consumers of organic products. Brazil and South Africa have better developed local markets for organic products, especially in their cities. However, these countries import very little; the consumption is mainly based on local production. Whereas the US and European Union are big producers, they are also big importers of organic products. Some of these products need to come from tropical countries, like coffee, tea and tropical fruits. But most organic imports are due to the fact that increase in national production is not sufficient to match market growth. In most European countries and in the US, the number of organic farms is presently not growing very much. Especially European farmers find it difficult to compete with imports. This is a chance for developing country producers.

Market trends

In 2007, approximately 1.2 m organic farms cultivated 32.2 m ha organically managed land worldwide.¹³ The global market volume for organic food & drink sales that year is estimated at 46 billion US\$.¹⁴ The market has tripled in value over eight years. In 2009 there is only a limited slowing down of growth due to the global recession. Some companies have suffered but structural long-term growth is expected to continue spurred on by the interest in more sustainable production.

The volume of organic imports from developing countries is growing steadily. This is true for the big commodities like coffee, cocoa, cotton, tea and cereals, but also for fruits and fruit juices, vegetables, oil seeds and aromatic plants. With large retailers expanding their organic product lines, another important tendency is the demand for larger volumes per supplier (see box).

Market demand for products in conversion to organic production is rather limited. Most clients clearly prefer organic products to in-conversion products. In-conversion fresh produce is more marketable than storable products or ingredients destined for the processing industry. Products which are in short supply in full organic quality are sometimes sourced in in-conversion quality, albeit with a lower price-premium.

¹³ The World of Organic Agriculture 2009, orgprints.org/15575/3/willer-kilcher-2009-1-26.pdf

¹⁴ Organic Monitor: www.organicmonitor.com

Meeting the big demand

One year, a number of aspiring fruit drying operators from two African countries came back from Biofach excited about the high demand they had encountered for dried pineapple. They all tried to keep to themselves where the buyer came from but after a while it turned out to be one single German importer. Each individual drier produced only a fraction of the 10 tons per month that the German buyer wanted. Nevertheless, all of them wanted to be the supplier for this client, and they all wanted to buy the product from the others at a low price. This went on for two years without resolution. In the third year, a food processing company from another country announced that they are going to switch from canned pineapple to dried pineapple because they had found a solid buyer for a good quantity. It turned out that they too had spoken with the same German importer whose demand had still not been filled. If the fruit drying operators had pooled their output together, they might have been able to reach the required volume.

Market channels

Organic products are sold in various types of outlets: in supermarkets, in specialised shops, in open markets, in direct deliveries to clients, and on farms. The market is supplied by a myriad of importers, wholesalers, processors, packers and distributors. The tendency is that an increasing share of organic food is marketed through supermarkets. You can make a distinction between organic retailers who only work with organic products, and companies that have organic products alongside conventional products.

There are now organic versions of most food products. A supermarket like Tesco in the UK has above 1,000 organic product items; Coop in Switzerland has around 2,000, including textiles. The most popular of these amongst consumers are the fresh foods, like fruits and vegetables, bread and dairy. There is also a wide variety of processed foods. Processing is almost always done where the market is. The food processing industry may therefore be another interesting market channel for your business.

When you start in organics, you will start at the bottom of the market. You will probably do business with companies that buy all kinds of products. They in their turn sell to wholesalers or processors. In time you might be able to move up into the supply chain, selling directly to processors or retailers. Also a processor is usually interested in cutting out the importer, but only when convinced that you are a reliable supplier of good, consistent quality produce in the required quantities.



Supermarket shelf with organic products
(Source: Coop Switzerland)

What price can you expect?

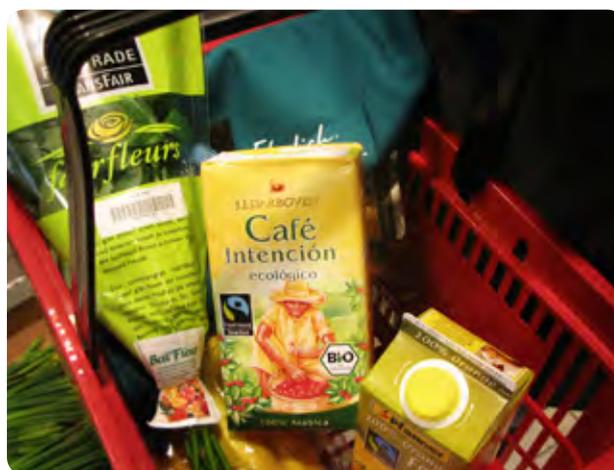
When prospecting for markets, most businesses are looking for attractive prices. However, doing business is much more than achieving the best possible price. In the organic sector, and certainly in the Fair Trade sector, you need to have a wider perspective (see chapter 3.5). What the market means for you depends to a large extent on who your buyer is. Looking for a market means finding the buyer(s) that fit you, and the other way around. Buyer and seller should fit together.

Generally speaking, prices for organic products relate to world market prices. Market prices for organic products fluctuate with the change in supply and demand. There is no fixed organic premium in the market. On average, you can expect a 5-15% organic premium for storable produce, and 10-25% organic premium for fresh produce. At times of oversupply it can come close to zero, while at times of shortage or for speciality products it can be as high as 50%. On the other hand, price setting for value added, or semi-manufactured products is not affected very much by international prices; it is dominated by the specific organic market. The general tendency is for the organic premiums to go down. Remember, the organic premium often includes the quality premium. This is what you get when selling the product - what you pay to the farmer is a different issue (see chapter 7.5).

Relevance of the fair trade market

With a turnover of 2.9 billion Euro in 2008, the market for Fair Trade products is approx. 10 times smaller than for organic products. However, growth of this market segment has been faster than in organics. Only a limited number of products are currently available as Fair Trade, whereas nearly every food product nowadays has an organic version. About 30-40 % of all Fair Trade products are also certified organic. The Fair Trade organic market is a subset of the organic one, i.e. the Fair Trade certification is usually added to an existing organic product. The big difference is the guaranteed minimum price in Fair Trade. While Fair Trade certification usually improves your market position, the minimum price may also limit your market, as the product becomes more expensive.

Usually, only a part of the production from Fair Trade certified producers can be sold under Fair Trade conditions. The remaining is sold in the conventional market. If your production is certified organic, you are normally able to sell most of your product as organic, as long as the quality is fine.



A shopping basket with Fairtrade organic products
(Source: Transfair Germany)

As an organic supplier you have to realise that most of your consumers expect you to be also somewhat Fair Trade. As a result many of the buyers of organic products also want them to be certified Fair Trade. If your organic buyers indicate that they want Fair Trade, make sure that they know what it means (see chapter 2.2), and that they are ready to pay the minimum price plus a Fair Trade premium. In general it is advisable to follow Fair Trade principles within your business, and use that in your

negotiations with your buyers, whether you get formally certified or not. Working towards Fair Trade already makes your business more attractive to farmers as well as to clients.

3.2 CLIENTS FIRST!

There are two types of clients: your buyers and the final consumers. In your discussions with your buyers you will talk about the consumers and about what they want. It is thus important that you know some basics about the people that are going to buy your product, or a processed product that contains your ingredient.¹⁵

In the business, the buyers represent the consumers. They are supposed to know their markets, the consumers, and they will claim to do so. It is very difficult to argue with buyers whether or not they have their facts right. It is best to accept that demand dictates the market. So when your buyer says that the market wants a different variety or different packaging, don't argue. When they say that consumers want lighter coloured dried pineapple, don't argue. It is different for products that are blended. The market for coffee does not change that much, and there is little to change from your side as long as the quality is good. In the field of processed and retail packed products it is prudent to expect changes in demand about every year.

Knowing your market

There are various sources of information on organic markets that will provide you with an overview (see Annex A1, Markets and marketing). It is also a good idea to visit online supermarket stores that sell organic products, and screen newspaper pages in target markets for articles on organic consumption. Despite all this publicly available information you may still find it quite difficult to understand what is in it for you. The overall organic market for dried fruits may be growing for example, but does it mean that you, with your specific product, quality, volumes and the price you can offer, are able to capture a share of this growing market? By carefully considering the products and services you can deliver, you can get a feeling for your potential in the market. It is very difficult to find good, real information without having a product and being in the market.

From markets to products

Maybe you do not yet have a clearly defined product, or you are thinking of ways to diversify your product portfolio. You may have a range of options that you theoretically could produce, but you are not sure what would be the best option. In this situation you should start by checking which organic products are in demand, and then consider technical feasibility, profitability and competitiveness (Figure 5).

Out of the products which you could produce from a technical point of view (climatic conditions, farming system, know-how), for which of these does an organic market exist that offers both interesting prices and has good future prospects? Even if a demand exists for certain products, can you meet the market requirements for quality, volumes, timing of the supply (especially for fresh produce) and packaging (in case of processed or retail packed products)?

¹⁵ For information on organic consumer profiles in North America, see www.ota.com/organic/mt/consumer.html

Once you have identified products that fulfil all these criteria, check whether their production would be profitable for you and for the involved farmers, considering realistic production costs and prices (see chapter 6.4). In order to be able to sell your product in the end, you need to be able to compete with others who offer the same product. Can you compete on price, on quality, or on another type of added value (see chapter 3.5)? Are you ready to offer discount prices or other contract terms that are attractive for buyers?

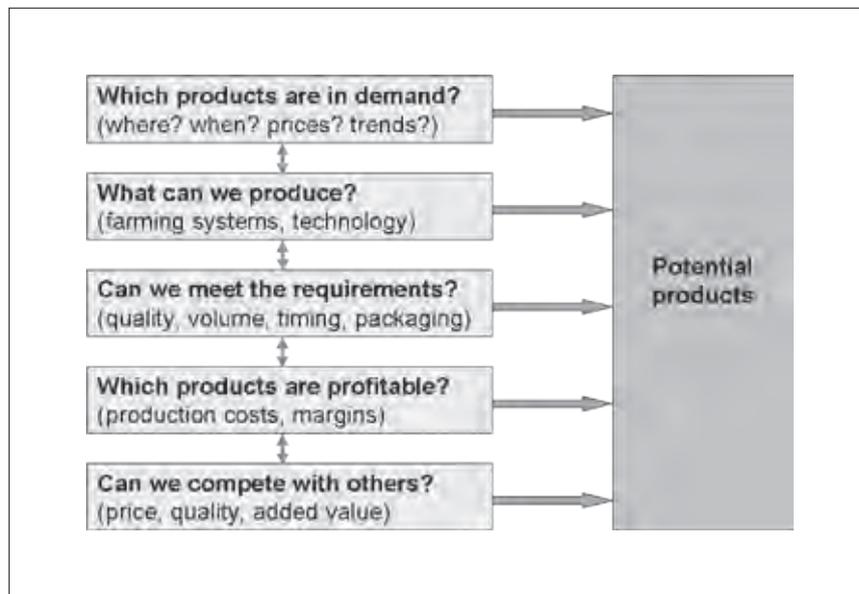


Figure 5: Steps to identify the right product portfolio for your business

From markets to products - Nepal organic coffee

The organic and Fair Trade coffee market is highly competitive, with the coffee on offer exceeding the actual demand. Nepali producers, with their comparatively high production costs and small volumes are not able to compete in the general organic or Fair Trade coffee market. However, there is an increasing demand for single-origin speciality coffees. Buyers have already indicated interest in high-altitude shade grown Arabica coffee from Nepal, and small volumes have been sold to Europe and Japan. With the image of a beautiful country and pristine environment, particularly well-known for its famous Himalaya mountain ranges, Nepal offers interesting options from a promotional perspective. The organic coffee producer organisations in Nepal therefore decided to focus on the speciality coffee market, with adequate quality management and branding. As it will take some time to increase production volumes to a level where they will be of interest to the larger brands offering speciality coffees, the initial focus is on specialized organic or Fair Trade shops. The producer organisations make sure that only coffee of top quality is exported, while the second grade is marketed in Nepali supermarkets, targeting upper-class consumers and expatriates.

As the rising awareness of the health benefits of organic food has induced momentum in organic vegetable production in Nepal, the coffee producer organisation could make use of a new market opportunity: they are planning to promote organic fertiliser based on coffee husks - a by-product of their coffee processing activities. In this way, the producer organisation hopes to be able to gain additional revenue. This would enable them to cover part of the overhead costs through the sales of the fertiliser, so that they are more flexible in coffee price negotiations.

Suitable methods to systematically conduct value chain and market feasibility studies before engaging in production are the Rapid Market Appraisal¹⁶ and the Participatory Market Chain Approach¹⁷. This approach is particularly suited in situations where local and regional markets are targeted, or produce is sold to local exporters.

3.3 MATCHING SUPPLY AND DEMAND

Too many projects have been set up where it was not at all clear that there would be a demand for the products. It is, however, very difficult to be sure of demand when you do not have much to show. Nevertheless it is important to get a feel of the potential market, for example, by interviewing a number of traders during a trade show. At this stage it is very important to be realistic about your predictions of when and what quantity of production will become available. You should maintain those contacts, for example by sending them half yearly updates on your progress, or samples before the certified product becomes available. You can send a conventional sample as long as it is of the quality that you expect to be produced in the future in the organic project. Your questions in that situation could be: “What do you think of the quality of the sample, what would you be willing to pay for this kind of product and what kind of volumes are you thinking about?”

At the same time it is important that you have realistic data on your own production, in terms of farmers who are willing to participate, the acreage they have, the normal yield, and their sales in the last few years. In many cases, farmers, extension agents, authorities and everybody else tends to be over optimistic. If there is one thing potential buyers are very tired of, it is wrong estimates. The recommendation is that you start small (but still big enough to fill a container), plan conservatively, and take limited risks. Once this is successful and you know the market better, then expand (see chapter 6.3).

Adapting to the demand

While you may not be too sure about your offer, demand is not stable either. Organic markets are as prone to the typical “pig cycles” of mismatching supply and demand, as markets for conventional agricultural commodities are. Forget about one market for all your produce, in which you sell the same volume of the same product every year. It is better to be prepared for demand that could stagnate but could also increase. You may want to do a certain volume on fixed contracts and another part ‘as the market develops’. For this you will need different type of buyers, and different products you can rely on. You may have long term relationships with some buyers, with fixed purchase and sales contracts. For the remaining part of the production you can try to find new clients, or sell in the open market. Of the first part you need to be certain, with the second part you can speculate to some extent.

In many internationally traded commodities demand never seems to match supply (see box in chapter 11.1, Scaling up organic cotton production in West-Africa). It is obvious that when supply is low, prices are high, and vice versa. Particularly in smaller but growing markets, the relation of supply and demand may change rapidly. Prices may be high one year, but when another major producing country starts to harvest, then the prices drop sharply.

16 Helvetas, 2004. Clients First! A Rapid Market Appraisal Tool Kit. www.helvetas.org/wEnglish/competencies/documented_experiences/doc_resources.asp?navid=16

17 Bernet, Thomas (ed.), 2006. Participatory Market Chain Approach. www.papandina.org/fileadmin/PMCA/User-Guide.pdf

There are a number of ways to build up a buffer:

- Build strong relationships with different types of buyers that cater to different retail markets and processing industries
- Sell your product in different countries on two different continents
- Sell part of your product right after harvest but have the facility to store part for six months
- Always have a fall back market for your products in local and regional markets
- Grade your products and use the different qualities for different market channels (e.g. first grade fruits for fresh export, second grade for drying, remaining for juice)
- Find a market for by-products (e.g. for cotton seeds, cactus leaves)
- Diversify your production (see chapter 6.3)

3.4 RELEVANCE OF LOCAL AND REGIONAL MARKETS

There are differences between local rural markets, regional urban markets (in the same or in neighbouring countries) and global markets for organic products (Figure 6). In the rural markets of most developing countries, organic products do not fetch a price premium, but quality sells. These markets are especially relevant to organic farmers who sell part of their rotation crops locally. Urban regional markets in some countries offer the potential of good prices for organic products, particularly for fresh produce of high quality. For many developing countries, export markets still provide the most promising opportunity for obtaining a reasonably high price. However, requirements in terms of logistics, quality management and formal certification are also the highest here. In addition, you need to be able to compete with other countries that produce the same product. A pure export focus with only one product is therefore risky. In many cases it is a better strategy to sell different products in different markets (local, regional and global ones).

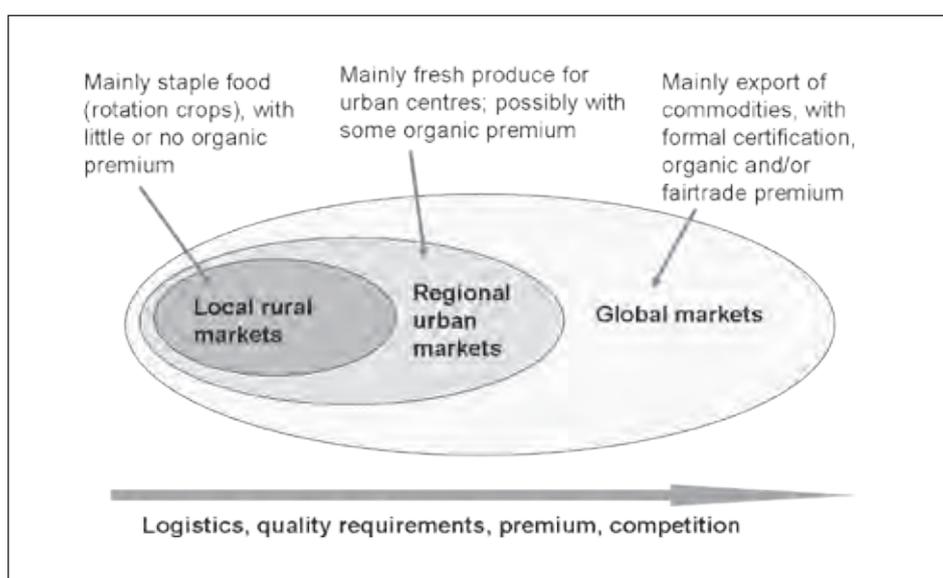


Figure 6: Characteristics of local, regional and global markets for organic products

Companies involved in export often do not, or do not like to operate in local or regional markets. The local market is often a different range of products from the export market. Sometimes there is an overlap though, like in the case of mangos in Mali, where dried mangos are going for export (some to the local market, see box), first-grade fresh mangos are mainly sold in regional markets (some are exported), and the remainder goes for juice sold in regional urban markets. In Uganda, pineapples can be exported fresh or dried to Europe, while some truckloads of fresh pineapples are sold to the juice market in Kenya. For honey producers in Tanzania it turned out to be more profitable to sell to the Kenyan market rather than to export to Europe.

Promoting dried organic mangos in Mali

“Here in Mali, we are producing organic and conventional mangos. Part of the organic mango is dried for export. For this, we need to ensure that only organic mangos enter the drying process. Initially, we only produced dried mango chips, but then some buyers expressed interest in discs, which are more difficult to cut. Today, we offer both types of dried mangos, so that the client has the choice.

We also started to promote dried mangos in the local market so that our own people can benefit from this healthy product, and also to reduce dependency on exports. However, people were not used to consuming dried mangos, so we first needed to make the product known. At different occasions we offered people product samples to taste, and most people were surprised about how good it tasted. However, they usually found the price too high. We had to explain to them that several mangos are needed to prepare dried mangos for one package. Only after having understood this, customers accepted the price and bought the product. To introduce a new product, you really need to make efforts to sensitize consumers.”

-Rafiatou Diawara, Helvetas Mali

Characteristics of local and regional markets

In each country there are a limited number of consumers willing to pay more for organic products, mainly because of health reasons but also taste. The local market for organic products is often based on interest from middle to upper class people, and expatriates. These local markets typically start with products such as fruit and vegetables. With some promotional activities to raise consumer awareness, this type of market can grow significantly.

In India, for example, organic pulses and cereals fetch a better price in local markets because consumers value the quality and taste. In Laos, a traditional aromatic rice variety produced by the organic farmers of a specific region has successfully been introduced in urban markets. In Zambia, organic farmers sell part of their produce in local farmers’ markets or to urban supermarkets, while in Uganda box schemes have been organised that supply individual



Organic farmer market in Costa Rica
(Source: Ecomercados)

households. In many cities in low and middle income countries, organic farmers' markets have been established. Typical examples are the "Eco Ferias" in Latin America.¹⁸ Different producers come together to market their (organic) produce directly to consumers. This is especially suitable if you have a variety of products, but of smaller volumes.

There are many more successful examples of developing local markets for organic products. With increasing consumer awareness and rising incomes, the potential of local and regional markets for organic products is clearly increasing. Organic businesses should therefore think early about how to capture this opportunity.¹⁹

Whereas your initial interest may be in exports of one specific product, it is important to assist the farmers with marketing their other crops as well. This is especially true in the case of annual crops grown in rotation with the main crop. It is also a way of keeping the money turning over, the trucks rolling and your staff busy. Some traders of conventional agricultural produce offer attractive conditions to organised groups of organic farmers, as they appreciate the extension and quality control system and that logistics are already organised.

For processed products it is almost a must to try them on the local market and compete with imports before launching them in the export market. If you want to use the local market as a stepping stone towards exports you can target local supermarket chains. Their requirements are often similar to those of the export market. They usually want some sort of formal certification or labelling. Another demanding customer is the hospitality industry: restaurants and hotels. They are also strict on quality, delivery and reliability of supply.

How to gain a market share in a conventional market

The onion market in Burkina Faso is dominated by imported conventional onion from the EU. This is the case although onions are produced locally, using organic methods (not certified yet). The locally produced onions have a competitive disadvantage in that they are more expensive than the cheap onions imported from the EU. In this situation, the following options seem promising in order to gain a share for the organically produced onions in the local market:

- promote organic products among urban consumers and shops
- distinguish the product from conventional onion through packaging and labelling
- emphasize the advantages of the organic local onion (taste, shelf life, benefit for farmers)
- in order to penetrate the market, sell at a competitive price for the start-up period
- look for another new market segment (i.e. differentiate), e.g. dried onion

(Result of a group discussion in an organic value chain workshop)

18 E.g. www.agrosolidaria.org

19 Although based on experience from Europe, the "Guide to successful organic marketing initiatives" provides useful guidance on how producer organisations can develop local and regional markets. <https://www.fibl-shop.org/shop/show.php?sprache=EN&art=1338>

3.5 BUILDING ON YOUR COMPETITIVE ADVANTAGES

Even if the market demand for a certain product is growing, you can not take it for granted that you will secure your share in this market. Competition between different producers and different countries supplying organic products is increasing. It is therefore a good exercise to regularly evaluate how you compare with your competitors. You should not only consider the product and the price, but also what it is like for the buyer doing business with you.

What could your competitive advantage be?

Do you have a unique product that no-one else has? Suppliers often think overly positively about their own product but it is quite rare that someone has something really unique. Nevertheless, there are ways to stand out from your competitors. Your competitive advantage could for example be:

- **Clear and reliable product specification:** Do you actually know your product, have you analysed it; did you ask your buyers for their analyses? Do you have a formal product specification? Have you asked your buyers for your competitors' specifications?
- **Reliable and consistent quality:** Is your product of consistently good quality? Even the fact that you might check your product yourself for aflatoxin, microorganisms or oil content can be seen as a good company attribute!
- **Additional certifications:** You can express your awareness around quality issues by exploring what extra certification or quality management systems may help you in developing your business. Would the buyer like you to use the ISO, GAP or HACCP system? Ask them.
- **Flexibility in volumes:** Are you willing to supply 200 kg to try? Can you supply one container less, or two containers more at short notice? Can you supply larger volumes next year?
- **Logistics:** How fast can you deliver? Can you rely on the container line you use and ensure that there are no delays in the port? Can you deliver during a period when a major competitor can not? Do you have good storage facilities and can you ship throughout the year?
- **The story behind the product:** Can you prove that your production has a positive social and environmental impact (see chapter 11.2)? Can you provide suitable information and visual material about your production?

Competing on price?

You should be sceptical about a low price being your main competitive advantage. Organic trade is not about the lowest price, and both buyers and sellers should be wary if the other party talks only about low prices. Discussion should be about remunerative prices, i.e. a price that you deserve but also allows other stakeholders of the value chain to make some money. If you are able to defend your calculations, then use this as a tool to demonstrate the minimum price required (see chapter 6.4). Most businesses do not want to disclose their cost structure, but what is there to worry about confidentiality? You make a much better impression by being able to show your calculations and then 'on the spot' adjust the farm gate prices if there is a change in exchange rate, or a smaller or bigger order.

It's not only about price

“Price is only one aspect when deciding whether or not to buy from a specific supplier. Volumes for sale and availability of the product are of course important as well. The next thing then is the question of whether the supplier is able to handle the export bureaucracy and paper work, and the necessary logistics. Can the supplier ensure that the product is properly packed and shipped, or does he rely on sub-contractors? Having proper quality management in production, processing and exporting is key. Quality specifications indicated in the technical sheets need to be taken very seriously - they are binding.

Probably the most important aspect, however, is the service provided by the supplier. Do I get precise and honest answers without delay? Can I rely on the promises of the supplier, and does he tell me when something I asked for is not feasible? If problems come up, does he work with me to find a solution?”

-Peter Lendi, importer of organic spices, herbs and oil seeds

Nevertheless, price is an important aspect in any commercial transaction. If your prices are considerably higher than those of competitors, you will find it difficult to find a buyer. Some countries benefit from free trade agreements or preferential treatment conditions with importing countries.²⁰ This can be an important factor in competing with other producing countries.

Summary of recommendations

- Inform yourself about the requirements and trends in different markets, including the expectations of the final consumer.
- Plan your business based on realistic price expectations - in the long term, you should be able to run it with a 10-15% organic premium.
- Before entering into production, check whether you can meet market requirements (quality, volumes, packaging, logistics) and whether you can compete with others while still making a profit.
- Get in touch with the market at an early stage; check quality requirements based on samples of your products.
- Be realistic with your plans; start small, get into the market, expand step by step.
- Diversify your markets and think of a fall back market in order to cope with fluctuations in market demand.
- Arrange for marketing of part of your production in local and regional markets, and help farmers to sell their rotation crops locally.
- Develop your competitive advantage beyond offering an attractive price. Focus on quality, flexibility, service and a unique story.

²⁰ E.g. the EU's Generalised System of Preferences, ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences

and the US' African Growth and Opportunity Act, www.agoa.gov

4 DEVELOPING ORGANIC VALUE CHAINS

An organic business can only function if it is part of one or several supply chains that link production and consumption. This chapter will help you to define your role in an organic value chain and how to collaborate efficiently with other stakeholders.

4.1 WHAT IS AN ORGANIC VALUE CHAIN?

A value chain consists of all the actors involved in the production, processing, trading and selling of a specific product (Figure 7). It is more or less the same as a supply chain, with the difference that the term supply chain implies that the perspective is from a buyer sourcing raw materials, while the value chain puts more focus on the value added at each step, and on the collaboration between the different value chain actors. The value chain operates in a certain context or business environment, and relies on different types of services (financial services, certification services, technical advice etc.).

Quite a lot of work has been done on how to facilitate and manage effectively both value chains in general and agricultural value chains in developing countries in particular. Some useful references are provided in Annex A1 Value chain facilitation.

Different products, different value chains

Different agricultural products and their value chains have different characteristics. Perishable products like fresh fruits and vegetables, for example, require more sophisticated logistics and efforts in timing than non-perishable products like rice or sesame. Bulk commodities like cotton and coffee need a certain scale of production (i.e. larger farmer groups) in order to break even, while production of high-value niche products like medicinal plants can be viable at a much smaller scale.

From a development perspective, different value chains may have different socio-economic impacts. Crops which require high initial investment, like fruits or tea, are likely to exclude marginal farmers. Some products particularly benefit women, like shea or lemon grass (see chapter 4.4).

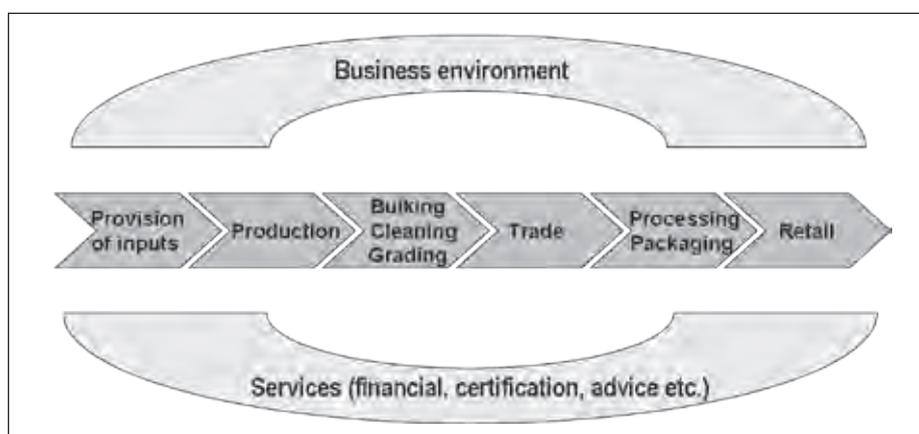


Figure 7: Typical value chain of agricultural commodities

4.2 WHO PLAYS WHICH ROLE IN A VALUE CHAIN?

Organic businesses want to bring organic products to promising markets. In doing this, they depend on a number of other players directly involved in their value chain: input suppliers, farmers, store keepers, transporters, processors, traders, retailers²¹. The value chain will only function well if each chain actor does a good job in playing his/her role, thus adding real value to the product, and if each actor can do this in a profitable way. Both in organic and Fair Trade value chains there are usually fewer intermediaries, because of the transparency and traceability requirement. As traceability and integrity of the organic products need to be ensured, suppliers and processors cannot be replaced that easily. All chain actors need to know their role and cooperate well in order to succeed. It requires that all are committed to a long-term perspective.

One of the most important factors for the smooth and efficient functioning of a value chain is that each actor involved plays a role that suits his/her capacities and structure s/he is operating in. A farmer organisation may expand its activities from organising farmers to bulking and first-level processing, but is it also able to develop markets and pursue commercial contacts with buyers abroad? Local processors may perform well when subcontracted by a company or cooperative to do a job, but may find it difficult to purchase and sell raw materials at their own risk. An NGO may be good at training farmers and setting up extension services, but may be less experienced in advising a commercial business.

Finding a role that fits you

There is no general rule on who should - or should not - take up a specific function, but there is a tendency that organic businesses try to do more than they actually can manage. Before absorbing a new role, it is therefore wise to thoroughly and honestly check the following points:

- Do you have the necessary technical know-how?
- Do you have sufficient professional experience and managerial skills?
- If not, are you ready to employ professional staff who have these experiences and skills?
- Are you sufficiently familiar and connected with the target markets?
- Does the new role result in conflicting interests that could affect effective implementation?
- Are you able to react quickly and take business-minded decisions?
- Do you have access to the necessary capital for investment and trade finance?
- Can you take the risks involved in playing this role?
- Do you have the necessary checks and balances to handle large amounts of money?
- Are you sufficiently service oriented?
- Do you have the necessary communication skills (language!) and connections?

Often there is a “lead agency” that mobilises the value chain and ensures that all required chain links are in place. In organic value chains, this can be the producer organisation, the processing company or the exporter.

²¹ The particular role of government is dealt with in Chapter 11.

Value chain supporters

Besides the actors directly involved in the chain, there are a number of stakeholders supporting the set-up or functioning of the value chain (see example in Figure 8). Typical supporting functions that are needed for an organic value chain are:

- business development and consultancy services
- financial services (micro-credit, investment, trade finance)
- certification services (organic and possibly also Fair Trade)
- farm extension and advisory services (preferably integrated in the chain)
- transportation and storage services
- sales agents and brokers

Drawing a value chain map like the one in Figure 8 is very useful in order to get an overview of the stakeholders involved to clarify the role of each one, and to distinguish clearly between value chain actors and supporters. The distinction is quite simple: chain actors own the product at a certain time (they produce, process, buy or sell), while supporters don't.

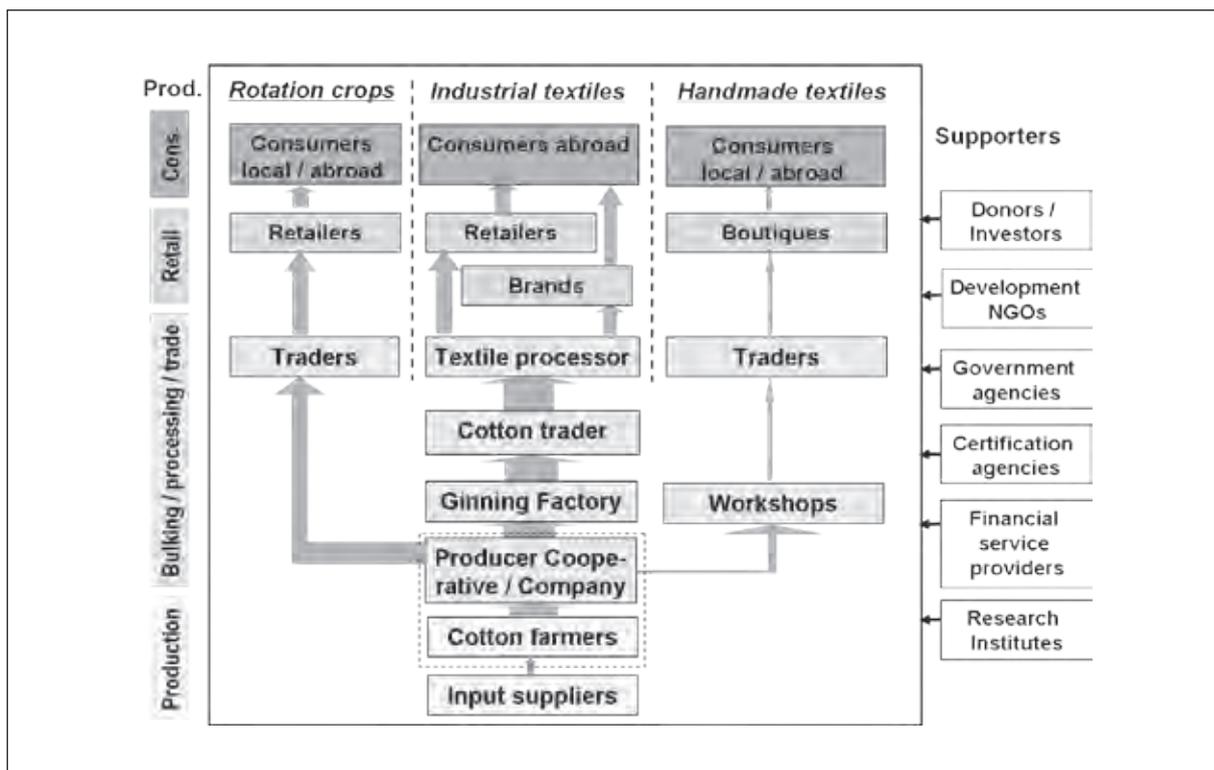


Figure 8: Example of a value chain map for organic cotton, from inputs to consumption

Development NGOs and donors can facilitate the initial development of an organic business or value chain, withdrawing once these can function independently. They usually work in projects of a given duration. As they thus only play a temporary role, development NGOs should be careful with taking on a role that is crucial for the functioning of the value chain (see chapter 12.1). They should particularly refrain from engaging in buying and selling.

The role of local governments and facilitators in creating an enabling environment for the development of organic value chains is dealt with in chapter 12.2.

4.3 BUILDING PARTNERSHIPS ALONG THE CHAIN

The organic value chain - and thus your business - will only function well if all stakeholders involved cooperate. Partnerships between the different stakeholders therefore play an important role.

Partnerships between farmers and businesses

The relationship between the farmers who produce the product and the entity that buys it from them - be it a company or their own marketing cooperative - is of crucial importance. For the export company this is not always a natural thing. Many entrepreneurs do not really know what is going on in the countryside. An entrepreneur who has turned organic needs to learn and understand the plight of the farmers: this is a sensitive relationship. Farmers have plenty of stories of how they were ripped off by traders or their cooperatives, receiving promises, but none of them were kept. Many farmers will be wary of yet another great project.



Meeting of an organic farmer group with representatives of their cooperative, Burkina Faso (Source: Helvetas)

In an organic business, where substantial time and effort is needed to convert from conventional to organic farming, it is of particular importance to develop a trustful and loyal relationship with the farmers. How this can be done is dealt with in detail in chapter 7.2.

Partnerships between businesses and clients

Equally important is the relationship between the seller (the cooperative or company) and the buyer (importer, processor or retailer). In many cases there is distrust between them. There are cases where trade finance disappears, or delivered produce is not paid for. As a seller, you have to choose between speculation on the spot market and developing business relationships where benefits and risks are shared; or finding a balance between these two (see chapter 10.1).

Building a trade relationship is a whole lot more than agreeing on a price (see box). In chapter 10.3 you find detailed recommendations on how to successfully build - and maintain - client relations.

Doing business together

In country X, exporter Z insisted on getting at least the cost price, which he had calculated at US\$ 0.42. Buyer D offered only US\$ 0.37/kg, but also wanted to support the organic initiative in several ways. He wanted to donate 5 cents of the retail price of each product sold to a fund supporting the project. He also thought that he could find funds for buying new motorcycles for the field officers. He wanted to start an information campaign in Europe about the organic initiative, and visit it with representatives of an important customer of his, an American retailer. Apart from buying all that was in stock, D wanted to order 250 tons of the produce for next season.

For that the project needed to expand. D was willing to provide the working capital to pay for the field staff during the season. Based on a realistic crop estimate, he could free up trade finance, so that the exporter could pay the farmers the full price cash in hand the moment they delivered. D wanted to take the product directly after harvest, so no storage costs and risks, and limited costs of capital (interest). He would pay 95% FOB and the remaining 5% following a quality check upon arrival.

Still, Z insisted on getting the cost price, and refused the offer. In the end the business did not happen, and Z was still sitting on the product by the time the next harvest came in, and he did not have the trade finance to buy it from the farmers.

The vertically integrated supply chain

Vertical integration means becoming part of, or engaging yourself, in operations that are upstream or downstream of your present core business. A producer cooperative may for example start processing and marketing the produce of their farmers (Figure 9), or an exporter may directly contract farmers and provide them with farm inputs. Vertical integration has the advantage that routes get shorter (avoiding middle-men), controlling quality and traceability becomes easier, and management systems can cover a larger part of the chain.

In the ideal case this leads to higher transparency and efficiency. On the other hand, the risk increases, too. An entity that tries to take care of everything may not be able to manage each step in an appropriate and professional way (see chapter 6.2). A trader may not be very good in organising agricultural extension, and a farmer organisation may find it difficult to manage sales and cash flows. Taking up more functions also means absorbing more financial risk.

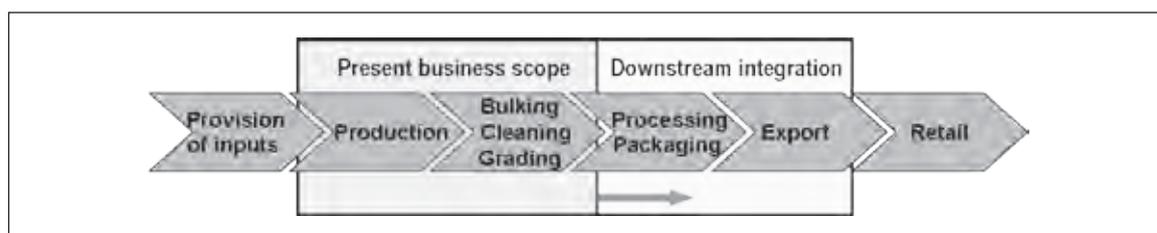


Figure 9: Downstream integration of processing, packing and exporting

A natural move over time for an organic project is to progress from being a supplier to a general trader, or to becoming a preferred supplier of a processing company or a retailer producing with advanced contracts (thus being part of a vertically integrated supply chain), and perhaps to being an exporter of semi-processed products selling to different clients.

Collaboration with service providers

For part of your operations such as transport and processing it may be more efficient to use commercial service providers rather than developing these capacities within your own organisation. If this involves handling the product (e.g. transport, storage, cleaning, processing), you need to make sure that appropriate measures are taken to avoid contamination and co-mingling of the organic product. In order to ensure traceability of the product flow, these services need to be covered by the internal control or quality management system (see chapter 9.3 and 9.4). You may also think of outsourcing agricultural extension and internal control to a service provider - a private business or an NGO - or to involve the official agricultural extension service. If you do so, make sure the provided service really matches with the needs of the farmers concerning organic production (see chapter 7.3).

Certification and financial service providers

Unless the main client insists on a specific certification body, organic businesses can usually choose from a range of certification agencies operating in their country. Criteria to select your certification body can be: price, recognition in the market, or reliability and commitment to quality (see chapter 8.1). It usually pays off to stick to one certification body for a period of time and to work jointly on improving the internal control system. If the certification body knows and trusts your business, they can do their job more efficiently, which may result in less cost and troubles. If there is one thing to compare notes with fellow organic businesses in your country on, it is about how the different CBs perform.

Most probably you will require credit to finance investments, perhaps for working capital during the season, and for trade finance. Your relation with financial service providers will thus play a crucial role in your business. Select a bank that understands your plans and requirements, and offers suitable services at reasonable conditions. If you can not find such a service provider locally, you may want to check the programmes that some of the international banks have specifically designed to support organic and Fair Trade initiatives. For more guidance on how to finance your business, see chapter 6.5. In any case, to build trust with your financial service provider you will need to present a convincing business case (see chapter 6.1).

Dealing with local authorities

When starting an organic business, you need to develop a relationship with local authorities. At the very least you should inform them about the initiative, and ensure that they cooperate and do not block your activities. It is quite normal that local politicians will take a keen interest in your venture. Once they understand the potential benefit that the initiative can have for the local population, they may even decide to support it.

Local politicians and officials, however, sometimes try to “adopt” a project. If it goes well, they may want to be credited for having brought it to the district. Be very careful, however, with getting into a dependency situation. Officials may change after the elections, and you may have to build up your relationships once more. If they are against you, they can make things difficult for your business.

Lack of good governance as well as a lack of local infrastructure like feeder roads, electricity and water supply can be severe obstacles to developing your business. You are hopefully not the only one in your region trying to set up an agri-business, and it may be a good idea to identify points of common interest with fellow entrepreneurs in order to get things done at district level.

As a successful and respected business, the authorities should actually be keen to hear from you about your worries, and see how they can be of service (i.e. being part of the enabling environment, see chapter 12.2). If they are not, you may need to get together with like-minded individuals, companies and organisations and lobby together for better business conditions. This can involve

- lobbying against policies that make the development of organic businesses difficult (e.g. mass spraying programmes, mandatory fumigation in ports)
- lobbying for supportive policies (like start-up support, research, promotion, subsidies for fertilisers to include organic fertilisers)
- lobbying for organic agriculture to be included in the national agricultural policy, or in a food security or poverty reduction strategy

Competent technical support?

There are a number of NGOs, development agencies and consultancies engaged in facilitating the development of organic value chains. Earlier, many of the development-oriented organisations have tended to focus solely on strengthening the position of farmers. Nowadays, most have changed their approach; they support the development of viable value chains in which different actors act responsibly and make a profit.

Assisting producer cooperatives and local entrepreneurs to become viable organic businesses and linking them into a fair arrangement with clients are challenging processes. There are local and international consultancies specialised in this field who offer their assistance (see Annex A2.1).

4.4 GENDER ISSUES IN ORGANIC VALUE CHAINS

Do organic production and processing inherently empower women or shift gender relations within households, in farmer cooperatives and processing facilities? Probably not. So why raise this issue in a book for organic businesses and service providers? Why work towards the empowerment of women within an organic business?

Attention to gender dynamics and impact is far more than a fall-back to a misty-eyed view that organic agriculture is an idyllic alternative to conventional mainstream agriculture. Besides the developmental reasoning for addressing gender issues, and the motivation to appease donors or particular segments of consumers, there is a compelling economic and efficiency-based case to make. Engaging women and recognising the whole family's efforts on smallholdings has an efficiency value as well as allowing the full costs and benefits of organic production and processing to be made visible. This should appeal to the social entrepreneur²² – to businesses



Members of a woman group cultivating organic rice in Mali (Source: Helvetas)

²² See www.ashoka.org

that are concerned about efficiency and mobilising human capacities to the maximum in order to build up the chain that they depend on.

This short chapter approaches gender in the organic sector from these two angles: the developmental perspective directed primarily towards service providers and supporters, and the economic case. It explores some of the challenges and possibilities for positive change for women through involvement in the organic sector.

Gender relations in agricultural value chains

Some gender, power and inclusion issues are common to a particular country or commodity context while others are specific to organic chains. For example, organic production often demands more labour than conventional, such as for weeding. This 'extra' workload is usually borne by the family, especially the women. Increases in labour are in addition to 'normal' workloads in the field and in the home.

That said an often cited positive impact of participation in organic production and processing is that there are increases in family income and health. Yet constraints to the full participation of women in farm level activities, benefits, and decision making are important to note so that they can be adequately addressed. Women have a critical role in farming, as a workforce in charge of hoeing, sowing, weeding, harvesting, but often also as the family member responsible for food production and preparation. Female involvement in any organic production initiative is thus vital, though often disappointing, overlooked or marginalised.

Transforming the role of women in organic value chains

How can gender issues be approached in organic value chains? Can (and should) participation in the organic chain contribute to women's empowerment and shifting power relations? What transformative role is expected of organic or Fair Trade certification?

A key issue is the assurance that auditors, producer organisations and processing plants are at the very minimum not worsening the position of women or being blind to the impact of participation in the organic sector.

While it is perhaps unrealistic and overly idealistic to imagine that organic production, processing and certification will radically change gender relations for the better, or have a significant impact on the position of women within a given societal context, it is reasonable to work towards gender awareness and a positive impact. There are limits given that organic production and processing operate within a larger societal context, which may not support shifts in gender relations. What impact can organic systems have in this setting?

Towards the empowerment of women in the organic initiative

Development agencies and other stakeholders in the organic sector often have developmental objectives driving their support. They play an important role in triggering the transformative power of organic agriculture. But how can these and other initiators (companies, cooperatives) work towards gender equity? There are several levels at which gender issues can be addressed:

1. Household and community level: access to land and employment, division of labour (usually the less valued tasks are reserved for women), social constraints on women's mobility

2. Producer support level: access to support schemes, participation in trainings (including training on business and leadership skills)
3. Institutional level: access to financial services (possibly hindered by having no land or property in her name), women to have opportunities in leadership positions, participation of women in planning and decision-making
4. Policy level: legislation for cooperatives, labour rights (including equal pay, maternity leave, childcare facilities) and creating standards that compel producers and processors to meet basic gender criteria²³

Starting points for managing gender issues responsibly

The approaches mentioned above aim to empower women in the long term. There are several ways in which you can contribute to empowerment of women in your organic business:

Capacity Development: Women need to be able to attend training for organic production methods, processing techniques and commercial know-how, as well as leadership and organisational development sessions. Experience demonstrates that little transfer of information occurs from a man attending training on to his wife. In some cases, women are even unaware after a number of years of certification that their farm is organic! This is particularly impressive when we consider that much of the work related to organic production – planting, weeding, harvesting, marketing – is done by women. It not only represents inequity between men and women, but creates a weak link in an organic system. How can the system be robust if the people doing much of the work in an operation are unfamiliar with the essence of that system? From a business perspective, this presents a risk. By building capacities of both men and women, quality can be better ensured.



Women group in Sierra Leone planning their activities (Source: AELBI)

Appropriate timing: Organise meetings and trainings in a way that they fit the rhythm of women's responsibilities. For example, a women's training may require child care support or may need to be in the evening, after the evening meal is served – or at another convenient time.

Extension and ICS staff: Female field staff are needed not only as role models, but because they will better be able to engage with the women in a producer organisation and women in the fields. As women are doing a disproportionate amount of the work related to production, their perspectives are absolutely critical to the good

²³ E.g. MayaCert in Guatemala, www.mayacert.com

functioning of the system. Organic businesses and producer organisations should therefore employ female field staff. Especially in more traditional contexts, female staff members communicate differently with women in the village than male field officers, and may well be perceived as more approachable by women.²⁴

Women's groups: Often women in a village or in a processing facility talk to each other, share ideas and compare experiences. Creating and supporting women's groups can strengthen this exchange. Allowing women's groups to define the issues that they want to address, and monitor the company's or cooperative's development on these issues is a positive way of triggering participation and loyalty. Communication can only strengthen the organic system.

Leadership: Often it is assumed that gender issues are better addressed within organic agriculture than conventional. In many cases, women are indeed initiators or a driving force behind organic initiatives. To strengthen this, women also need to be in leadership positions within a producer organisation or agri-business. This requires building leadership and management skills among women.

Registration as an Organic Farming Couple: Women should be co-registered alongside their husbands as an organic farming couple. This empowers the women to exert influence over their husbands to take farming more seriously. And it allows women to be aware of the income derived from organic and how it is spent or allocated.

Women-only activities: In some cases, it may make sense to have women-only value chains in order to preserve the integrity of women's roles in that chain, avoid exploitation and provide opportunities otherwise unavailable. This happens for some commodities for some of the links in the chain in an unplanned manner, where certain activities are reserved for women. For example, women collecting shea nuts, while the men in the community produce cotton and sesame, or women drying mangoes. However, a women-only chain (or link in the chain) can also be intentional. Some innovative companies are experimenting with women-only chains.²⁵ The idea is to build up capacity and leadership amongst women at each step in the process.



Woman processing shea nuts in Burkina Faso.
(Source: Helvetas)

²⁴ See Grolink/Agro Eco, 2008. Gender Learning and Sharing. www.grolink.se/epopa/Publications/GenderProjectEndReport.pdf

²⁵ For example Zameen in India, see www.zameen.org.

Addressing gender issues in value chains, and specifically, organic value chains is a bustling area of change at the moment.²⁶ If you want to learn more about gender issues in organic agriculture and in value chains, consult the references in Annex A1.

Summary of recommendations

- Get a clear idea on who plays which role in and around a value chain, e.g. by drawing a value chain map.
- Ensure that the different stakeholders involved in an organic value chain each play a role that really suits them.
- Temporary facilitators like development NGOs should not take up tasks that are permanently needed, and should especially refrain from buying and selling the produce.
- Invest in building trustful and loyal long-term partnerships with producers and buyers.
- Take care to integrate only those upstream or downstream processes into your business that you are able to manage well.
- If you outsource any services, make sure that product integrity is guaranteed and that the providers really match with the needs of your business.
- Carefully select certification and financial service providers that understand your requirements and that offer suitable conditions.
- Make sure that local authorities have a supportive attitude towards your business, without getting dependent on them.
- Encourage participation of women in the organic business. Ensure that women can participate in capacity building activities and that they can take up positions within the organisation (as extension staff, board members etc.).

²⁶ See www.genderinvaluechains.ning.com