

7 MARKETING AND TRADE



Draft Version 1.0
June 2011

Ready for field testing

IMPRINT

Publisher:

FiBL, Research Institute of Organic Agriculture, Switzerland, www.fibl.org

Collaboration:

- > IFOAM, International Federation of Organic Agriculture Movements, Germany, www.ifoam.org
- > NOGAMU, National Organic Agricultural Movement of Uganda, www.nogamu.org.ug
- > FENAB, Senegal
- > OPPAZ, Organic Producers and Processors Association of Zambia, www.oppaz.org.zm

Responsible authors:

Lukas Kilcher (FiBL) and Brian Ssebunya

Reviewer:

Thomas Bernet (FiBL)

Illustrators:

Andrew Baingana, Okudi Deogratius Gerard

Draft version 1.0, September 2011.

This is an interim version. Comments and recommendations for improvement are welcome.

This manual chapter can be reproduced without permission.

All materials resulting from the Africa Organic Agriculture Training Manual project are available free of charge in the internet under www.organic-africa.net

The production of this manual was funded by the Bill and Melinda Gates Foundation and the Syngenta Foundation for Sustainable Agriculture with the goal to promote organic farming in Africa.

All the information contained in this manual has been compiled by the authors to the best of their knowledge. Reasonable efforts have been made by the Research Institute of Organic Agriculture and their partners to publish reliable data and information. The authors, the editors and the publishers cannot assume responsibility for the validity of the materials. Neither the authors, nor the publishers, nor anyone else associated with this publication, shall be liable for any loss, damage or liability directly or indirectly caused or alleged to be caused by the training manual and its tools.

The African Organic Agriculture Training Manual is based on research funded by the Bill & Melinda Gates Foundation and the Syngenta Foundation for Sustainable Agriculture. The manual's findings, conclusions and recommendations are those of the authors, and do not necessarily reflect positions or policies of either Foundation.

Please cite this publication as follows:

FiBL (2011): African Organic Agriculture Training Manual. Version 1.0 June 2011. Edited by Gilles Weidmann and Lukas Kilcher. Research Institute of Organic Agriculture FiBL, Frick

ISBN 978-3-03736-197-9

CONTENTS

1. Introduction	1
2. Is there a market opportunity for organic products from Africa?	5
3. What are the requirements to market organic products?	13
4. Competitiveness and organisation of the organic market chain	18
5. How to identify and take advantage of organic market opportunities?	24
6. How to promote organic market development?	36
7. Why and how to get organically certified?	40

7 MARKETING AND TRADE



BOOKLET 12: MARKETING



BOOKLET 13: CERTIFICATION

Learning targets for farmers:

- › Understand the importance of marketing
- › Understand where to find relevant information about market opportunities, prices and quality requirements
- › Understand how to identify market expectations in terms of quality, standards and know how to cope with these standards
- › Recognize who is involved in organic marketing and know the steps on how to organise organic business markets
- › Learn how to assess the market potential of organic products
- › Learn how to develop a marketing concept, define a marketing strategy and apply marketing techniques
- › Understand how organic market development can be promoted beyond individual businesses
- › Determine when organic certification is useful and know how to get access to it

1. Introduction

Marketing is a management tool of any business aiming to enhance sales and incomes. Marketing starts with deciding what to produce based on the requirements of the market. The market, in this case, refers to the person(s) or organisations who demand the products on offer for consumption, further selling or processing. Knowing the target market or markets is an extremely important factor critical to successful marketing. Traditionally, farmers and their facilitators focus on increasing production on farms and then look for markets to sell what is produced, instead of producing what the market wants. The adoption of a marketing strategy requires a farm to shift their focus from 'producing for the market' to 'producing what the customers want'. The decision to produce according to market requirements is an important marketing step as it involves a commitment to specific customer needs, such as type of product, quality and quantity.



The marketing process starts with research to understand what the customers want and goes through the process of developing and offering products that will meet and satisfy customer expectations.

1.1 Constraints to agricultural market development in Africa

A number of constraints can be identified as hindering the development of agricultural markets in Africa:

- › **Limited access to information and market support services** - In general, there is limited access to useful and sufficient information at the time when farmers need it to make informed production decisions. Such information includes produce prices, market demand in terms of quantity and quality requirements. National agricultural programmes mainly focus on increasing production and marketing support is almost completely neglected. This problem is aggravated by the limited marketing expertise among public extension officers.
- › **Scattered distribution of producers** - Most farmers are small-scale and work independently, producing very limited quantities of any particular product. The cost of collecting and consolidating such small quantities into marketable quantities is a big hindrance.
- › **Poor infrastructure** - The biggest portion of agricultural production is located in rural areas, which are inaccessible due to poor transport and communication connections. Limited storage facilities also remain a hindrance in most areas.
- › **Limited production capacity of farmers** - Many farmers see marketing as a secondary activity. They put more focus on producing for their home requirements and any extra is then provided to the market. This lack of market focus normally results in farmers having too much unwanted produce. In such situations, farmers become desperate and are forced to sell at 'give-away' prices.
- › **Poor undeveloped markets** - Lack of an official grading system and quality control standards leads to varying qualities of the same product, making marketing very difficult. Farmers also deal with a variety of buyers of their produce including brokers/middle men, wholesalers, retailers, or consumers, from whom they may receive no feedback. In such cases, there are limited opportunities for improvement or adoption of new ideas.



Group discussion: Constraints and challenges of marketing

Create groups of 3 participants and let them discuss the following questions:

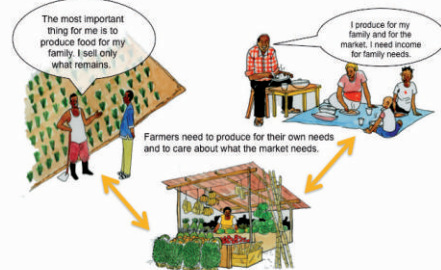
- › What are your constraints for selling products from your farm?
- › How can you communicate a quality product such as 'organic'?
- › How is your access to customers that are interested in organic products?





SELF-SUFFICIENCY VERSUS MARKET-ORIENTED FARMING

Self-sufficiency versus market-oriented farming



African Organic Agriculture Training Manual

'Marketing and Trade' Module No. 7

1

- › **Low innovation potential among actors involved in market chains** - Market chains have mainly the function to link production with consumption, ensuring that products are somehow marketed. Nevertheless, the communication among market chain actors aiming to respond better to consumer needs is weak. This hampers collaborative efforts along market chains that generate additional consumer value through product differentiation.
- › **Low public awareness for quality products** - Since the purchasing power in most African countries is limited, little has been invested in public awareness campaigns to promote high quality products. However, as the retailing business is growing fast through the rapid expansion of supermarkets, it is expected that public awareness and promotion for quality products will increase in the coming years.

This module provides tools that can be communicated to farmers in training sessions so that they can become more actively involved in marketing activities, without compromising their domestic food requirements. Various approaches, that can be adapted according to the local conditions, are presented here. These approaches have proven successful in increasing farmer participation in marketing activities.

1.2 Why is marketing important?

Marketing is important for any business to be able to sell and obtain income. Where 'farming is treated as a business', marketing becomes indispensable. This implies that farmers should unquestionably grow crops for which they only expect to gain sufficient income according to the requirements of the different buyers: traders, retailers, or consumers.

Marketing serves as the bridge between farmers and customers, in the farmers' endeavour to obtain proper knowledge of the expected demand from the market and prices in order to decide what to produce with the aim to improve their incomes and livelihoods. In order to successfully benefit from the opportunities of the market, it is necessary to understand the market (local, domestic or export) and prepare well for it.

For organic products, marketing is especially important as the higher value and sometimes price of organic products often needs to be explained accord-



General discussion: Self-sufficiency versus market-oriented farming

Engage the participants in a brainstorming discussion using the following:

- › What is the main consideration when choosing the crops to grow: the food for the family, the market or both?
- › What makes you change from one crop or enterprise to another?
- › Is it possible to combine production for self-sufficiency and the market? What are the opportunities and challenges of combining both?





MARKETING PROCESS

What is marketing?



- › Give value to your unique products
- › Promoting your products
- › Making your products available to customers
- › Understand the market opportunities and requirements



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

2

ingly to customers. Marketing ensures that these values are well communicated, whether face-to-face or through promotion material, in order to boost demand and develop new markets. Tips on how to develop a marketing strategy for organic products and how to efficiently communicate the 'organic values' are discussed in this module.

Key issues relating to marketing

Marketing involves a series of different complementary activities all aiming to promote and make the required products available to customers. Thus, marketing involves the following issues:

- › Research activities: to assess what the requirements of the market are.
- › Promotion activities: to promote products including additional services to consumers, to motivate them to purchase.
- › Selling activities: determination of how to deliver products to the customer and the product prices.

All these activities are integrated into a process through which a farm or business builds strong customer relationships. Through this process, it creates value for those who are buying the products. Above all, marketing is used to satisfy the customer. Since the customer requirements are continuously changing and because new competitors continuously enter the market, marketing should be a continuous process of monitoring the market and the customer for any new changes.

All in all, marketing involves deciding what to produce on a farm and connecting this with who will buy it. Any decision about what to produce is deeply linked to the ability to sell it. That is, always try to ensure there is a market for whatever a farmer or farmer group will produce before beginning. Knowing the target market or markets is an extremely important factor critical to successful marketing. There are of course other essential factors that need to be taken into consideration when deciding what to grow, such as soil qualities, the climate, knowledge and possibilities for investments in new crops and techniques. These factors are covered in other parts of this manual and can help when deciding what is appropriate to grow under certain conditions.



Discussion: Understanding of marketing

Assess the participants understanding of marketing by asking the following questions:

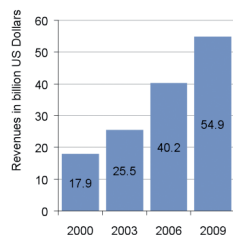
- › Why is marketing necessary?
- › How are you involved in marketing?
- › Do you have products that are required by the market?
- › How do you know that there is a demand for your products?
- › Do you have products that are required by the market?





DEVELOPMENT OF THE GLOBAL MARKET FOR ORGANIC FOOD AND BEVERAGES 2000-2009

Development of the global market for organic food and beverages (2000-2009)



Source: Organic Monitor (Sahota 2011)



African Organic Agriculture Training Manual

"Marketing and Trade" Module Nr. 7

3

2. Is there a market opportunity for organic products from Africa?

Consumers are willing to pay a better price for better quality. This is only one of many benefits organic farming offers to farmers from developing countries, through export of organic products to premium markets in developed countries. Demand for organic products is growing since more than twenty years and offers a huge income potential for producers, processors and trading companies all over the world. Certified organic products provide access to attractive local and international markets, where higher prices and incomes are possible. As a consequence, organic products from Africa are currently exported to many countries, especially in Europe, and are being successfully exhibited in international trade fairs. Nevertheless, many farmers in Africa still do not have access to the organic export market and domestic markets are still small. Therefore, there is a considerable need to improve market access and develop domestic and export markets.

2.1 Demand for organic products

Organic markets have developed fast in the past decades, especially in richer countries. The reasons for this growth include:

- › Increased consumer demand for healthy and sustainably produced food, which triggered important investments from the side of retailers to boost the awareness for these products, and
- › Enhanced public support for the organic sector, aiming to set in place a regulatory framework that benefits both farmers and consumers and involving subsidies and control mechanisms to ensure consumer protection.

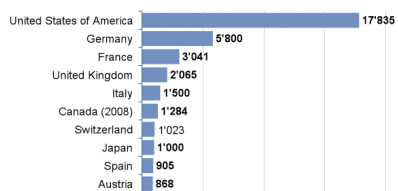
The support for organic agriculture is particularly high in Europe and North America where consumers are well informed about organic agriculture and the benefits of organic products. Therefore, North America, the European Union, Switzerland and Japan are the largest markets for organic products; their respective regulations play an important role not only in these countries themselves but also in the exporting countries.





THE TEN COUNTRIES WITH THE LARGEST MARKETS FOR ORGANIC FOOD AND BEVERAGES IN 2009

Top ten countries: domestic markets for organic food (2009)



Source: FiBL, AMI, ORC 2011, based on national sources



African Organic Agriculture Training Manual

"Marketing and Trade" Module Nr. 7

4

Highest demand for organic products in North America and Europe

According to Organic Monitor estimates, global organic food and drink sales expanded by roughly five percent to 54.9 billion US dollars in 2009. Global revenues have increased over three-fold from 18 billion US dollars in 2000 and double-digit growth rates were observed each year, except in 2009. In most countries, the market is continuing to grow. Consumer demand for organic products is concentrated in North America and Europe; these two regions comprise 97 percent of global revenues. Asia, Latin America and Australasia are important producers and exporters of organic foods.

By far the largest organic market is the United States, followed by the European countries of Germany and France. Even though these countries are important organic producers themselves, there are major opportunities for exporting countries – particularly for crops that cannot be grown in the countries as well as off-season products.

¹ US dollar = 0.71895 Euros; average exchange rate 2009, Source: <http://www.oanda.com/lang/de/currency/average>

² FiBL and IFOAM (2011): The World of Organic Agriculture 2011. Statistics and Emerging Trends. Edited by Helga Willer and Lukas Kilcher: International Federation of Organic Agriculture (IFOAM), Bonn, and Research Institute of Organic Agriculture (FiBL), Frick

By far the largest organic market is the United States, followed by the European countries of Germany and France. Even though these countries are important organic producers themselves, there are major opportunities for exporting countries – particularly for crops that cannot be grown in the countries as well as off-season products.

Opportunity A – Export Market

The fast growing world market for organic produce offers increasing trade opportunities for African organic farmers. In fact, the majority of certified organic produce from Africa is destined for export markets, with the large majority being exported to the European Union, which is Africa's largest market for agricultural produce.

For instance, the total value for the export of organic produce from Uganda has been estimated at 37 million US dollars in 2009. In most cases, due to the dominance of small-holders in Africa, the typical supply chain is made up of a



private enterprise organising many small-holders as outgrowers to secure the sufficient quantities for export, or farmers are working together on one project supplying and packaging for exporting trading companies.

In Tanzania, for example, the total value for the nine most exported organic product categories was estimated at almost 10 million Euros in 2009. The exports are mostly destined for the European Union and the USA. In terms of tons, heavier nut products like cocoa, cashews and coffee are on the top. In economic terms, cocoa, cashews, vanilla and tea are the most important export products. They represent 55 percent of the total organic export value.

The driving factor for the organic export business lies in the growing interest of big retailers and processing companies to broaden the portfolio of organic products. Consumers should not only be able to buy fresh organic products, but also different types of convenience food, ranging from frozen organic pizza to ready to eat breakfast cereal mixes (see picture below). Since the fast growth of such processed food implies the purchase of a broad range of organic ingredients, countries have started to specialize on specific ingredients including: medicinal herbs and spices, dried fruits and mushrooms, flavours and sweeteners.

³ US Dollar = 0.71895 Euros; average exchange rate 2009. Source: www.oanda.com

⁴ Bouagnimbeck, Hervé: Organic Farming in Africa. In FiBL and IFOAM (2010): The World of Organic Agriculture 2010. Statistics and Emerging Trends. Edited by Helga Willer and Lukas Kilcher: International Federation of Organic Agriculture (IFOAM), Bonn, and Research Institute of Organic Agriculture (FiBL), Frick

Opportunity B – Domestic Market

Although the African market for organic products is still small, domestic organic markets are growing in Africa. Local organic markets are usually located near capital cities and major towns. The majority of the consumers that know and care for organic are foreigners and upper-middle class citizens with values similar to European organic consumers. The products marketed include organic fresh fruit and vegetables, dairy products, meat, wine, herbs and personal care products. In Tunisia and in Egypt, specialized shops and a number of supermarket chains (Metro and Carrefour) have organic sections. Similarly, organic shops in South Africa, Kenya and Uganda and Ghana are also picking up organic products and, therefore, playing a growing role in the domestic organic market. In Zambia, organic farmers sell their produce in local farmers' markets or to urban supermarkets. There is no doubt that, with increasing awareness, the potential of local or domestic African markets for organic products will increase. However, few



Brainstorming session: export markets for organic products from Africa

Engage the participants in a discussion about export markets for organic products. Let them elaborate and share ideas based on the following questions:

- › Why is the large majority of African organic product being exported?
- › What could be done to further promote exports?





DRIVING FACTORS OF THE DOMESTIC MARKET

Opportunities of the domestic market

Farm shops and street markets



- › Targeting neighbours and customers from the area
- › Consumer close to the farm
- › Consumers' interest for best quality

Retail chains



- › Targeting well-informed consumers in urban areas
- › Consumer distant to the farm: good information, consistent supply and logistics
- › Respond to consumers' interest for best quality



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

5

African countries have articulated a concrete promotion strategy for domestic markets.

In Uganda, organic products for the domestic market are sold via a number of outlets including supermarkets, restaurants, international schools and open markets. There is a big range of organic products supplied by small-scale farmers and processors on the domestic market. These include coffee, bee products, fresh fruits and vegetables and dried fruits. Over the years, the demand for organic products has been growing steadily. For some products such as organic dried fruits, the demand by far exceeds supply. Products like organic Arabica coffee are increasingly being consumed in restaurants and coffee shops. Through a basket delivery scheme of one of the organic outlets (NOGAMU shop), fresh fruits and vegetables and other organic products (e.g. sesame, spices, teas, fruit concentrates) are supplied on an order basis to customers. Customers place their orders by telephone or email and baskets are prepared and delivered to their doorsteps.

The driving factor in the domestic market for organic products relate to the fast expansion of big retail chains. Targeting upper class consumers in urban areas –including foreigners and well-educated national citizens – they increasingly try to respond to consumers' interest for best quality, including organic. As competition among different retail chains is increasing, specific retailers are more willing to get involved in the promotion of organic as part of their strategy to attract consumers and generate a favourable image compared to their main competitors. Since freshness is one major quality factor for consumers, especially for fresh vegetables and fruit, street markets may also become important promoters of organic food—especially if well-located, near upper-class consumers and are well-managed and ensure quality through hygiene and trustworthy sellers.



Brainstorming session: domestic markets for organic products from Africa

Engage the participants in a discussion about domestic markets for organic products. Let them elaborate and share ideas based on the following questions:

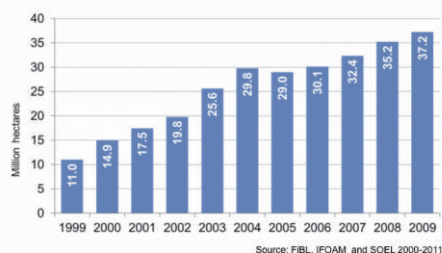
- › Why is the domestic market still small in many African countries?
- › What could be done to promote domestic markets?





WORLD DEVELOPMENT OF ORGANIC AGRICULTURAL LAND 1999-2009

Development of organic agricultural land worldwide (1999-2009)



Source: FiBL, IFOAM and SOEL 2000-2011



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

6

2.2 Supply of organic products

Global data on organic production

The main results of the latest global survey on certified organic farming (data from 2009) show that 37.2 million hectares of agricultural land are managed organically. Approximately 160 countries or areas/territories report organic farming activities. The regions with the largest areas of organically managed agricultural land are Oceania (12.2 million hectares), Europe (9.3 million hectares) and Latin America (8.6 million hectares). The countries with the most organic agricultural land are Australia, Argentina and the United States. Worldwide 0.9 percent of land is organic; the highest shares of organically managed agricultural land are in the Falkland Islands (35.7 percent), Liechtenstein (26.9 percent) and Austria (18.5 percent) (FiBL and IFOAM 2011). On a global level, the organic agricultural land area increased in all regions, in total by almost three million hectares, or nine percent, compared to the data from 2007. Since 1999, the organic agricultural land has more than trebled.

⁵ FiBL and IFOAM (2011): The World of Organic Agriculture 2011. Statistics and Emerging Trends. Edited by Helga Willer and Lukas Kilcher: International Federation of Organic Agriculture (IFOAM), Bonn, and Research Institute of Organic Agriculture (FiBL), Frick

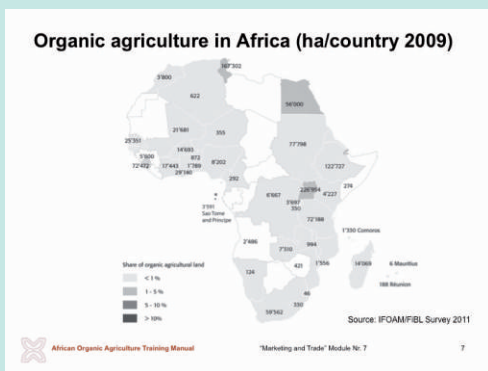
More than one third of organic producers are in Africa

Almost two-thirds of the agricultural land under organic management is grassland (37.2 million hectares). With a total of at least 5.5 million hectares, arable land constitutes 15 percent of the organic agricultural land. Permanent crops account for approximately six percent of the organic agricultural land, amounting to 2.4 million hectares. The countries with the highest numbers of producers are India (677,300 producers), Uganda (187,900) and Mexico (128,900). More than one third of organic producers are in Africa. In addition to the agricultural land, there are 41.5 million hectares of organic wild collection areas and land for bee keeping. Further organic areas include aquaculture areas (0.43 million hectares), forest (0.06 million hectares) and grazed non-agricultural land (0.26 million hectares).





ORGANIC AGRICULTURE IN AFRICA 2009



African organic production: More than 1 million hectares

Global demand on organic products represents a huge market opportunity for farmers in Africa, as they can gain access to higher value organic domestic and export markets and provide their families with a richer and more varied diet. Therefore, organic production developed considerably in Africa:

- › In Africa in 2009, more than 1 million hectares of land is certified organic. Since 2000, the organic area has grown more than 15-fold.
- › In global terms, Africa accounts for 3 percent of the world's organic agricultural land.
- › The countries with the most organic land are Uganda (226,954 hectares), Tunisia (167,302 hectares) and Ethiopia (122,727 hectares).
- › The highest shares of organic land are in Sao Tome and Principe (6.5 percent), Sierra Leone (1.8 percent) and Uganda (1.7 percent).
- › Substantial increases were recorded in countries like Sierra Leone (+71,512 hectares) and Ethiopia (+22,783 hectares).
- › In 2009, there were 500,000 certified organic producers in Africa. Uganda (187,893 farms) has the largest number of organic farms, followed by Ethiopia (more than 100,000 farms) and Tanzania (85,366 farms).
- › Organic farmers in Africa produce a diversity of organic crops. The range goes from cash crops like coffee, cocoa, tea, cotton, sesame and olives to processed fruits and vegetable oil, and includes everything in between (e.g. fresh fruits and vegetables or honey).
- › In addition to the one million hectares of certified organic agricultural land, 16.4 million hectares of land are organic beekeeping, forest and wild collection areas.

2.3 Increasing consumer concerns make organic markets grow

Demand for organic products is growing in nearly all countries of the world due to growing awareness and improved availability for organic products. Consumers are increasingly buying organic for the following reasons:

- › They want to buy guaranteed food which is produced without pesticides;
- › They care for food that promotes sustainable agricultural production practices and especially biodiversity (e.g. promoting rare plant and animal species, diversity of plants and animals);



Brainstorming session: Status of organic agriculture in Africa

Engage the participants in a brief discussion about the facts and figures given above. Let them elaborate and share ideas based on the following questions:

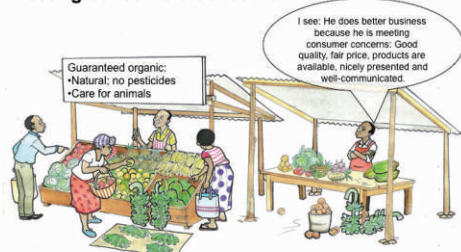
- › Why is organic production growing worldwide, including Africa?
- › Why are organic markets concentrated in Europe and North America?
- › Why is organic production developing faster in some African countries like Uganda and not in others?
- › What is the situation of organic production in your region?





MEETING CONSUMERS CONCERNS

Meeting consumers concerns



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

8

- › They care about the well-being of animals;
- › They want food whose origin they know and how its production benefits producers and the environment;
- › They prefer products that contribute to the mitigation or the effects of climate change.

Most consumers expect multiple benefits from organic products – which vary among different consumer groups within and between countries. In any case, not all consumers are consistent in their perceptions and purchasing behaviour: they expect to buy high quality organic products, but not paying adequate price premium for these products.

2.4 Where to get information on markets, contacts and market potential?

The organic market information needs to be validated every year. Therefore, farmers, processors, traders, NGO's and other stakeholders of the market chain need to know where to access relevant information for their context and how to interpret such information:

- › **Certification bodies** - Certification is a marketing tool: its role in the organic value chain is to guarantee that the consumer gets organic quality where products are labelled as such. Certification bodies annually inspect and certify organic farm production, processing and trade at all levels of the food chain. They play an important role in building trust and guaranteeing product quality. In many cases, certifiers are also a reference for the interpretation of standards and are an important source of information in the start-up of a project.
- › **National Organic Agriculture Movement (NOAMs)** - The National Organic Agriculture Movements are organic private sector organizations that represent the interest of the organic industry in a country. They also provide services such as advisory services, market information and market coordination, organization of farmers, farmers' groups and multi-stakeholder groups. They provide addresses of individuals, institutions and authorities involved in the organic sector and can coach farmers in the conversion process towards organic farming. NOAMs are not equally represented in all African countries.



In some countries, their role is fundamental offering many services to the organic sector (e.g. Uganda), in other countries they still do not exist (e.g. Tunisia).

- › NGOs involved in local market developments are a good address as well. NGOs can also assist in getting first information on domestic and export markets.

Websites

- › www.africa-organic.net The Organic Farming Resource Directory consists of:
 - Market-related resources (such as addresses of market actors, market-related information);
 - Country regulations and statistics (such as crop and market statistics, standards and regulations, phytosanitary requirements);
 - Link library with key information resources (such as markets and certification).
- › Centre for the promotion of imports (CBI) www.cbi.eu
- › Greentrade www.greentrade.net
- › International Federation of Organic Agriculture Movements (IFOAM) www.ifoam.org
- › ITC International Trade Center: Organic market place www.intracen.org/organics
- › Organic link www.organic-market.info
- › Organic Monitor www.organicmonitor.com

In any case, most relevant information for the local context actors may find when interacting with other actors involved in organic production and marketing. For sure, producers, traders, local service providers (NGOs and researchers) and retailers manage highly important information that goes beyond statistical information. Their contacts may not only provide relevant information, but serve as door openers to setting up real business relationships.



Discussion: Access to organic market information

Collect, analyse and discuss the different sources of market data information available in your region. Which are the most accessible and valuable sources? How can access be improved?





QUALITY REQUIREMENTS



3. What are the requirements to market organic products?

Different markets have different requirements regarding the quality, certification and documentation of organic products. Therefore, in the process of planning an organic business and corresponding marketing activities, producers need to decide for which market they would like to produce. Part of this query relates to find out which regulations are relevant for what countries and marketing opportunities.

3.1 What quality is required?

Consumers expect a specific quality from specific products. To know the quality expectations and to implement them in the product design and marketing, therefore, are fundamental for the success of an organic business. At the same time, producers have to make sure that they can guarantee this quality along the complete product chain.

Quality refers to multiple aspects that define as the marketability of a given product in terms of:

- › Food safety: free of residues and contaminants
- › Nutritional value of product, content of vitamins, antioxidants, polyunsaturated fatty acids etc.
- › Free from additives and colorants
- › Natural taste and smell
- › External appearance: colour, healthy looking (free of blemishes, disease)
- › Appropriate packaging; presentable and hygienic packaging for consumer markets
- › Environmental benefits of a product towards natural resources and climate
- › Consistency and continuity of supply
- › Communication services such as labelling, informing about this quality
- › Organic certification endorsing this quality.



Discussion with invited consumers, processors and traders

Invite two consumers, two processors and two traders to the training and moderate a discussion with them about their quality requirements towards organic products. Discuss with a concrete product relevant for the participants:

- › Start with a brainstorming session, listing the requirements on a flip chart or pin wall.
- › Group and prioritize the requirements in a next step.
- › Let the participants discuss the different requirements and find out where there are difficulties for producers to match with the requirements and how these difficulties could be solved.



How do organic markets differ from other markets?

- › **Company objectives** - In addition to economic objectives like increase sales volume and income, aspects of ecological and social responsibility are also considered. This means for example: save and recycling of energy, a minimum fair salary for all employees of a farm or a trading company and a fair share of the benefits to all business partners. These aspects are highly appreciated and increase the credibility for customers.
- › **Transportation restrictions** - Food miles and carbon emission in transport become increasingly important in organic trade. This counts for trade within Africa but also exporting to Europe. Some privately controlled organic standards such as Soil Association (UK) and Bio Suisse (Switzerland) do not allow import by air. Transported goods may only be sprayed with pesticides or cleansing agents, which are specially permitted for use with organic products.
- › **Packaging and declaration** - Packaging must be free from pesticides, colourings, solvents or cleansing agents, which could contaminate the organic products. Organic products must be labelled in accordance with the regulations laid down by the organic legislation of the country where the products are sold.
- › **Organic legislations and standards** - In order to sell organic products on the market and labelling them as organic, producers and traders have to comply with specific regulations. The main goal of organic standards and regulations is to regulate organic production (on the farm), organic processing (food industry) and trade.
 - **Private standards** in organic agriculture were first set up by organic farmers' associations on a private level, as binding rules of production for their members. The first private organic standards and labels were Demeter (international), Bioland and Naturland (Germany), Bio Suisse (Switzerland), Nature et Progrès (France) and the Soil Association (UK). Several countries in Africa also have developed private standards.



- Since the nineties of the last millennium, more than 60 governments developed and put into force **public organic regulations** or are on the way to it. On a governmental level, there are organic regulations in the EU, in the USA (NOP), Japan (JAS), Switzerland and many other countries. In Africa, Burundi, Kenya, Rwanda, Tanzania and Uganda developed the East African Organic Production Standards.
- At the **international level** the Codex Alimentarius Commission (CAC) publishes the 'Guidelines for Production, Processing, Labelling and Marketing of Organically Produced Foods' on which national governments base their legal regulations. At the international private sector level, the IFOAM Norms include a global organic standard approved by the representative of the organic movement. These standards provide guidance on management principles for the production of agricultural products, handling, storage, processing, packaging and transport of products as well as a list of permitted substances.
- **African organic standards and regulations** - Egypt, Tunisia, Burundi, Kenya, Rwanda, Tanzania, Uganda, Senegal have governmental organic regulations while South Africa has a private standard (Afrisco Organic Standards), <http://www.afrisco.net/>

3.2 What quantity is required?

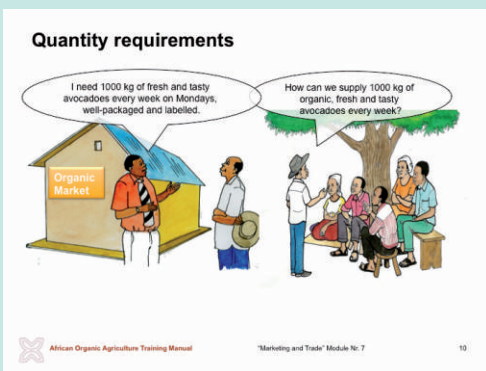
African farmers producing for export markets often face the challenge to produce enough quantity. The situation for farmers producing for domestic markets is completely different. Organic markets still are very young and products are not yet established in the market. Consumer awareness is still lacking and not many consumers are willing and able to pay considerable premium prices. In these countries, farmers have to deal with the challenge of producing enough for smaller markets with smaller product volumes and low prices.

A solution to face challenges for domestic and export markets is cooperation between farmers and distributors, who work together to make organic products available and searching for efficient trade routes. A fundamental solution to face the quantitative challenge on export and domestic markets is to combine both, production for export and for domestic markets. Another way of ensuring sales is





QUANTITY REQUIREMENTS



try to link up with different potential suppliers and buyers. This will help mitigate any problems when demand is fluctuating or when supply is more than demand.

3.3 What documentation is required?

Opportunity A – Documentation for export

The EU is the main export market for organic products from Africa. Therefore, the rules on how to export organic products from African countries to Europe are discussed below more in detail compared to the procedures for the U.S. or other markets. Although there are general regulations specific to Europe, it needs to be considered that each export country may have additional requirements, especially if the export products are labelled with private organic label schemes such as 'Bio Suisse', 'Naturland' or 'Demeter'. The following box provides information on the import documentation, but there is much more to say on this issue to be exhaustive. Further information sources are indicated at the end of this module.

Import authorizations and Certificate of Inspection

- › For the time being, most products are imported through import authorizations. Import authorizations are requested for imports from all non-EU countries except those listed on the Third Country List (Argentina, Australia, Costa Rica, India, Israel, New Zealand, Switzerland and Tunisia). Applications for import authorizations must be submitted by an importer located in the EU. The importers are often supported by the control body which is certifying the import activities. The vast majority of imports are certified by certification bodies from the EU and very few import authorizations are issued on the basis of a certificate from a non-European certification body. European traders prefer cooperating with European certification bodies with whom they are familiar and who often inspect their EU operations. The importer has to prove through the application that the products have been controlled under a control system and has production standards equivalent to that of the EU Regulation and has used a control body which meets EU requirements. Within the approved year, the importer may import the products listed from the exporter indicated in the authorization.



Discussion: Quantity and quality challenges in organic markets

Ask the participants whether they experience any quality or quantity-related challenges in the organic markets they are currently operating in. Form two groups to discuss each of the following topics;

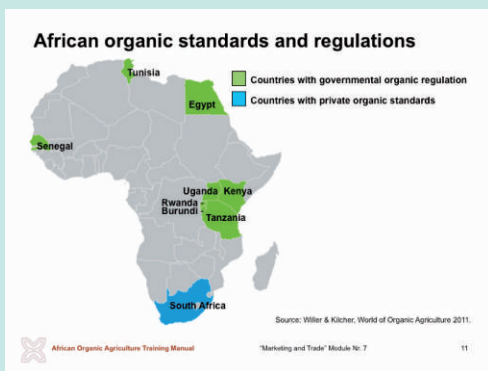
- › export market challenges
- › domestic market challenges

Discuss the results of both groups in the end and let the participants conclude how domestic and export markets can be improved successfully.





AFRICAN ORGANIC STANDARDS AND REGULATIONS



- › In Africa, only Tunisia is listed in the EU Third Countries List, implying that goods imported from these countries do not need an import authorization; they only need to be accompanied by a 'Certificate of Inspection for Import of Products from Organic Production.' This certificate is issued by the control body of the exporter in the third country. All organic products may be freely traded within the EU. A country may apply to be added to the list of third countries via its diplomatic representatives in Brussels. In order to be added to this list, the country applying must already have enacted an organic farming legislation and a fully implemented system of inspection and monitoring must be in place. The legislation and standards must be equivalent to the EU requirements.

Opportunity B – Documentation for the domestic market

African countries without organic regulation - Still most African countries have no legislation. In these countries, the lack of regulation poses marketing challenges in terms of quality assurance to sell the products as 'Organic'. However, most producers, processors and traders in such countries are most interested in gaining consumer trust and meeting their expectation for high-quality organic products. They are, therefore, reliant upon a common private set of requirements based on the EU Standards or on the IFOAM Basic Standards. The way of ensuring that organic standards are met include: self-claim, certification through an independent body (e.g. NGO, NOAM or Certification body) and Participatory Guarantee System, in which various stakeholders are involved. Therefore, producing and trading organic products in countries without regulation does not necessarily mean it is an obstacle for domestic trade.

African countries with organic regulation - For the domestic market, African countries with regulation are reliant upon national or regional standards and labels. This is the case for the East African Organic Products Standard (EAOPS) and the associated East African Organic Mark. The EAOPS unites regulations and markets in Burundi, Kenya, Rwanda, Tanzania and Uganda. The ways of ensuring that organic standards are met include: Third-party certification and Participatory Guarantee Systems. The East African organic mark is available to all producers who conform to the EAOPS.





THE ORGANIC MARKET CHAIN



African countries with governmental organic regulation

Egypt, Tunisia, Burundi, Kenya, Rwanda, Tanzania, Uganda, Senegal

African countries with private organic standards

South Africa (Afrisco Organic Standards) <http://www.afrisco.net/>

Source: The data on regulations around the world are collected annually in the book, World of Organic Agriculture.

4. Competitiveness and organization of the organic market chain

Both export and domestic markets involve considerable challenge to farmers. So, how can producers compete in such markets, which are especially demanding with regard to product quality in the case of organic product? Most important are good business contacts that link them up with final consumers. In this sense, the 'organic business' is not the business of an individual farmer; it is, in fact, the business of a whole group of actors linked with each other as part of a market chain.

Overall, the competitiveness of the 'organic business' relates to functional partnerships along the market chain and an on-going innovation process that enables those involved to constantly identify and take advantage of new market opportunities. To make this happen, the actors involved must effectively interact with each other by constantly sharing relevant information and building mutual trust. Only in this way will optimum use be made of available resources, which are transformed into products and services that are of value to market chain actors and consumers. If this is the case, the organic market chain has a strong 'value chain logic'.



Difference between ‘market chain’ and ‘value chain’

All actors involved in the production, processing and selling of a product are the stakeholders of the product’s market chain: farmers, processors, logistics, warehouse keepers, local traders, exporters, retailers, etc. Each actor has a role and earns a profit for the value he adds along the chain. In situations where the different actors work together to add value at the different stages along the chain then the market chain becomes a ‘value chain’. Such cooperation can only lead to success if there is common ground and each of the chain members is willing to share the risks and benefits of the product value chain. Trust also needs to be built up, which, as with any relationship, takes time. Trust begins with understanding each other.

4.1 Who is involved in organic market chain?

There are farmers willing to produce high quality organic products, and there are the consumers interested in buying them. Between these coinciding interests, there is the effort necessary to organise the business and bring the actors of the market chain together. The main question of this section is: How does one bring the needs and expectations of market partners together in order to make a successful organic business? A first step to answer this question is to understand, who is involved in organic marketing and what are specific interests of each actor of the organic market chain.

A market chain of a given product comprises all people involved in the production, processing and selling of that product (i.e. farmers, processors, transporters, warehouse or storekeepers, local traders, exporters). These are called the primary actors in the market chain because they directly handle the product. Therefore, there is a coffee market chain, a mango market chain, etc. The members of this market chain are called actors and each one has key roles and interests. Each actor also earns a margin for the value he/she adds along the chain. However, in order to succeed, each market chain actor should cooperate to establish a common ground where members are willing to share risks and benefits associated with the product. Trust also needs to be built up, which, as with any relationship, takes time.





MARKET PRIMARY AND SECONDARY ACTORS

Market primary and secondary actors



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

13

There are other market chain actors who are not directly involved, but provide support services to facilitate the smooth functioning of the chain. These are called secondary actors and they include extension advisors, transporters, certification bodies, funders/credit institutions, etc. Secondary actors are either private or public, and have in common that they both provide tangible services to both primary and secondary actors (i.e. support and policy functions).

Market chains differ in size depending on the various factors including the product handled, target market, the use of the product. Some chains are short (e.g. where a farmer sells directly to consumers) and other market chains are longer (e.g. where a farmer sells to a broker who sells to a processor who sells to a wholesaler who sells to a retailer and finally to a consumer).

Actors of the market chain and their functions

a. Primary actors:

- › **Farmers** - The primary role of farmers in the market chain is agricultural production. However, this role can be improved if a farmer views him/herself not only as producer, but an entrepreneur. In that case, he/she will not just think of food for the household but also crop or animal products for marketing in order to earn income.
- › **Processors** - A food processor is a smaller craft or a larger industry that adds value to a product by processing it. Examples of processing activities include drying, threshing and milling, mixing, fermenting or producing of other products. In many cases, it is not possible to sell an agricultural product without any processing, e.g. cocoa, coffee or cotton. However, most farmers or cooperatives engage in primary processing to make the product more suitable for secondary processing which is done by bigger companies that request specific qualities in terms of product specifications.
- › **Traders (also called intermediaries)** - Match making between farmers, processors, retailers and consumers is the main function of traders. Traders can promote farm products and provide access to customers and markets. Traders are usually well informed about prices, actual market situation, local and international legislations and standards, which regulate quality aspects such as organic and food safety and socio-economic aspects such as fair trade. Farmers who are as well informed about the market are in a better position to negotiate with the traders. Some farmers cooperate



Group discussion: Understanding of a market chain

Let the participants design market chains for any given common crop or animal products grown in the area. Form groups depending on the number of chosen crops to be discussed. Let each group discuss the following questions:

- › Who are the actors involved in this market chain?
- › What is the role of each actor in the chain?
- › How can the actors cooperate to make the chain more successful?



together and engage in trading themselves in order gain back a part of the value adding along the food chain. Farmers who are not at all informed about the market and its requirements will, on the other hand, completely depend on traders.

- › **Wholesalers** - These may buy products directly from farmers, processors or through traders in bulk and then sell to retailers in smaller quantities. They may re-package or just store the products before selling to retailers.
 - › **Retailers** - Shops or markets that sell to end consumers take an important role in the distribution of agricultural products. In many cases, retailers actively promote the products with product information campaigns and promotions in the shops and in the media.
- b) Secondary actors:
- › **Investors** - Many organic agriculture projects require considerable investments in farm infrastructure, processing technologies, marketing and knowledge transfer. Mainly private, but also public investors are particularly interested in financing organic agriculture projects. Their goal is to reach a break-even point within a defined period, which includes a certain pressure towards the business orientation of a project.
 - › **Service providers/advisors e.g. NOAMs** - provide different services ranging from advisory services, market information and support, organization of farmers, farmers' groups and coordination of organic stakeholder activities. Service providers also include suppliers of inputs, credit, transport and all other support activities in the chain.
 - › **Certifiers** - They provide the inspection and certification service in order to guarantee the organic integrity of products to consumers.
 - › **Government** - Many governments provide attractive support programmes for the organic sector, especially for export promotion. Some countries provide specific services for organic farming projects such as information desks and statistics. Most authorities in African countries have an accreditation body for organic certification, which annually evaluate and accredit local and international certification bodies. Some countries developed or are in the process of developing organic legislations. Some countries fund organic research and advisory services.



Group work:

Ask the participants to build groups of 3-4 participants for each available actor-group of the value chain. Let them discuss the following questions:

- › What are the interests of a specific actor-group?
- › What are the challenges, strengths and weaknesses of the role of this group compared to the complete market chain?
- › Which factors make an organic business successful for this specific actor-group?





FARMERS = ENTREPRENEURS



4.2 Improved farmer participation in the marketing chain

The farmers' role in the market chain can be looked at from 'within and beyond the farm'. Traditionally, farmers thought about growing enough food to feed their families to ensure household food security and sell to the market what is left over. However, the farmer can be more proactive by finding out what the market wants and then consequently produce products for food and the market. In addition, the farmer can try to improve the value of the products in order to get the best price. A way to increase the value of farm products and to earn more income at farm level is to process own products on the farm. For example, a farmer can produce his own marmalade from the fruit of his/her farm. However, getting the proper tools and equipment involves additional costs, which may require that the farmer works with other farmers together in a group or work together with a processor in order to succeed. How farmers can organise their business depending on the case is explained in section 4.3.

4.3 Organization of an organic business along the market chain

It is possible for a farmer close to a city to sell all his/her products directly to consumers from his or her farm shop. However, in many cases not any one single farm is able to supply the volume required by the principal market actors. This is especially true for the export market. It is also quite obvious that many value-added activities like product development, branding and effective promotion are difficult for the individual farmer to achieve. There are many different ways to organise a business.

a. Individual business

A farmer can do the farming business fully on his/her own as a sole proprietor. The farm is owned and run by one individual or farmer's family. This type of ownership is very common in agriculture all over the world, especially with big farms and has the following advantages:

- › The owner receives all profits.
- › The farm business is easier to manage and cheaper to start and discontinue.
- › It is also easier to combine with other non-agricultural activities.

However, the individual farmer is alone responsible for the success of the farm-



Group discussion: Improving the role of the farmer in the market chain

Let the participants design market chains of 2 to 4 products. Build groups of 3-6 participants for each product. Let them discuss the following questions:

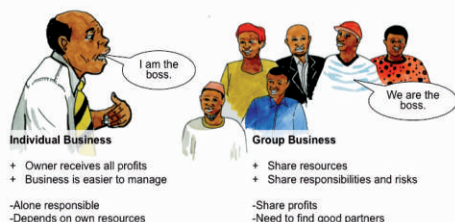
- › Who is involved in this specific chain?
- › Who is providing which function and service?
- › At which levels are benefits generated and where is the smallest/highest benefit generated?
- › How can the participation of the farmer be improved in order to increase benefits to the farmers?





FORMS OF BUSINESS OWNERSHIP

Forms of business ownership



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

15

ing business. He needs his own financial capital to start and to provide all the money required for production purposes and is responsible for all losses and debts.

On the other hand, an individual business can cooperate with other individual businesses in the form of a partnership. This can be done between farms involved in the same activities of different activities in the value chain. This implies that they can produce and/or sell together and share production and/or marketing risks, profits and losses.

Horizontal and vertical cooperation

Two ways in which an individual farm can cooperate with other farm businesses:

- › Horizontal cooperation is between farms who are at the same business level, for example, two coffee farms;
- › Vertical cooperation is when at least two farms at different levels work together, for example, a coffee farm and a coffee miller, trader or retailer as an outgrower supplier.

b. Group businesses

Cooperatives are very common in agricultural production, especially in organic production involving small-holder farmers. A cooperative is a voluntary association of farmers that come together to meet their common economic and social goals. Cooperatives allow farmers to live independently within their community and at the same time share risks, resources and benefits with other farmers. A cooperative normally includes farmers who are involved in the same activities in the value chain of one or more products.

Finding the right partners and networks

As mentioned already, finding the right partners and networks can not only help generate ideas, but help become more powerful. The fact is that in most cases, only very large farmers are able to supply the volume required by well-established customers. Many value-added activities, such as processing and marketing activities are difficult for the individual producer to achieve. One way in which a producer makes these activities more effective is by working with other partners.



Group work: organising an organic business

Ask the participants about the different ways of organising an organic business. Let them create an organic business and plan resources, let them discuss the following questions:

- › How does one manage production activities and risks?
- › How does one manage marketing and sales?
- › What are some success factors of the organic business organisation?



Finding the right partners and networks for the multiple tasks in the value chain is especially important in the case of organic products, as quality expectations and certification requirements are demanding. Horizontal and vertical partnerships can not only help generate ideas, but together you can be more powerful and have more possibilities for getting local market access and access to bigger markets regionally and internationally.

Building a network out of some of the above mentioned stakeholders when organising an organic business is a first step towards building market power and trust. It is important to be aware of the perspective of each participating stakeholder (actor) in order to gain a common understanding the role of each stakeholder and the necessary functions in the value chain.

Checklist: questions regarding cooperation

- › Main goal of the cooperation?
- › Key benefits expected from the cooperation?
- › What form of cooperation is the right form for our business?
- › Which cooperation partners are suited to our business or business idea?
- › How can each stakeholder in the chain play its role successfully?
- › What are the main challenges and who can provide support to overcome them?
- › Who might help promote the business, especially through the media?
- › Which associations or organisations might be beneficial for our business or business idea?
- › Who else in the immediate business environment can help upgrade the business?

5. How to identify and take advantage of organic market opportunities?

This section provides the marketing techniques for starting an organic business. It explains how to plan a business, how to set up a marketing strategy and how to implement it with appropriate techniques.



Brainstorming: co-operation among farmers

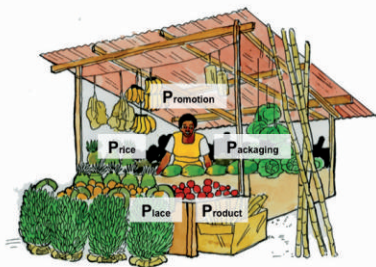
Ask the participants to list the questions and concerns they have in mind regarding cooperation. Use a pin wall or flipchart. After the brainstorming, you organise and prioritize the results together with the participants. Draw conclusions on how to best plan and implement cooperation.





THE 5 P'S OF A MARKETING CONCEPT

The five P's of a marketing concept



African Organic Agriculture Training Manual "Marketing and Trade" Module No. 7

15

5.1 How to identify market opportunities?

Business does not just happen! Rather, it is a result of different important decisions that are taken on a path leading to the development of a business, where the first step relates to the identification of a concrete opportunity.

In practice, the identification of a new market opportunity may be driven by a specific demand from the side of a buyer for a new product. However, in the context of a new market—which especially is the case of organic domestic markets in African countries—actors must be more proactive in gathering the needed information that allows them to judge if there is a new business that they could get involved in. In practice, this implies the following steps and tools all aiming to derive sound conclusions based on the information obtained:

a. Marketing concept development

In the process of identifying a market opportunity, most important is to clarify how a specific business idea might generate tangible benefits to a specific group of consumers. In terms of 'marketing thinking', this comes down to the development of a sound 'marketing concept', which relates the value that is perceived by a specific target group of consumers with the costs that occur when providing a specific good. For producers it becomes interesting as soon as the value consumers attribute to a specific good is considerably higher than the costs providing it. This is the case for many organic producers, but of course needs to be analysed individually, for example in the process of conversion to organic farming.

In methodological terms, a marketing concept is defined by 5 P's, which all relate to how consumers perceive and value a specific good. All these P's – relating to product, packaging, price, place and promotion – must be defined such that they make complete sense to a clearly defined consumer segment and generate optimal profit. In practice this means, for instance, that high quality must go hand in hand with a high price (even if production costs of such a product may be much lower); or that these products should be sold mainly through the supermarket, which many times stands for high quality and image.

Product - An innovative, high quality product is the basis for success in an organic business.

Place - The place where a product is sold is of great relevance to make sure that those consumers who are targeted get to know the product and have access



Brain storming: The 5 P's

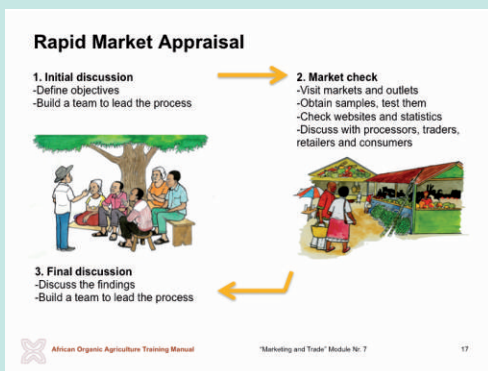
Make a group brainstorming session with the participants, asking what their challenges regarding the 5 P's are and how to overcome them:

- › Product
- › Place
- › Price
- › Packaging
- › Promotion





RAPID MARKET APPRAISAL



to it for purchasing. It is important to make sure that the product is easily found in the store and shelf where it logically should be placed.

Price - Each product involves production and marketing costs. However, the product price is much more than 'just' covering these costs: it is to visualize the value this product has for the consumer. Therefore, the price is an important asset to help consumers understand the value of a product and should be determined based on knowing how much consumers are willing to pay for this product.

Packaging - The packaging is many times the first thing a consumer notices about a product. The packaging must not only be appealing but communicate in an optimal way what the product is offering, making complete sense to the consumer. In this sense, the packaging with its label must establish a clear hierarchy of what attributes are most important and visualize these correspondingly.

Promotion - There are so many products out there, that consumers don't have the time to search for products and get informed about them. That is why promotion is so important, to help present a product to the target consumers in the right way: in the right time, in the right place and with the best way to make the consumer understand the valuable attributes it is offering to him. It is important to come across clearly with 1 or 2 messages that help consumers understand why this product is beneficial to them.

Since the main challenge for sound marketing concept development lies in a good understanding of potential consumers and the market, marketing concept development must go hand in hand with qualitative research, which help access and analyse relevant information.

b. Rapid market appraisal

Doing a rapid market assessment for agricultural products is an efficient way to obtain information about any sector and commodities that have market potential, for example organic products. It aims to rapidly access information that is useful to identify and analyse market opportunities. The sources of information that will be approached may vary, including the following potential sources:

- › Available statistics
- › Revision of websites
- › Visits to outlets: supermarkets, street markets, small retail shops
- › Face to face interaction with processors, traders, retailers, consumers
- › Buying and testing of different products



Exercise: Rapid market appraisal

Let the participants select a product they agree to analyse together and do an exercise of going through the steps of rapid market appraisal. Make sure that the participants thoroughly understand the methodological approach of the rapid market appraisal before starting. Take notes on a flipchart during the session and discuss the final results.



All information obtained will serve the same purpose: to assess existing and potentially new market opportunities. Altogether the rapid market appraisal should enable users to:

- › Identify market outlets for specific products and understand how these products are marketed
- › Understand how different products compete with each other
- › Detect deficiencies in the marketing concepts of existing products
- › Develop a hypothesis of how to better position existing or new products

c. Focus group research

This research tool relates to a systematic interaction with a group of 8 to 12 consumers with the idea of understanding consumer perceptions and to validate certain ideas. In the context of identifying market opportunities, focus group research is ideal to understand consumers' purchasing behaviour and confront the invited consumers to marketing concept ideas and adapt them if they are not optimal from the consumer point of view.

The key for the successful use of focus group research is the optimal involvement of a group of consumers that represent the consumer segment that should be targeted (e.g. upper class supermarket shoppers, middle class shoppers buying on the street market etc.). Optimal research results imply a well-planned session that breaks the interaction down into different relevant topics, as suggested in the following box.

Possible structure for Focus group research

1. Introduction

- › Presentation of facilitating person and objective of the meeting
- › Participants should present themselves by saying their name

2. Understanding general perceptions related to specific market opportunities

- › Use of a specific product
- › Advantages and disadvantages of a specific product versus competing products
- › Purchase behaviour related to a specific product



Focus Group:

Set up a focus

group for the assessment of the reasons why consumers buy organic products. Invite about six consumers for a 2 hour meeting. A facilitator with the capacity to guide the discussion should be chosen for the meeting. The facilitator should have an assistant, who will help to organise and take notes on a flipchart during the session. Present the organic product or products at the start of the meeting and initiate the discussion. Possible questions during a meeting:

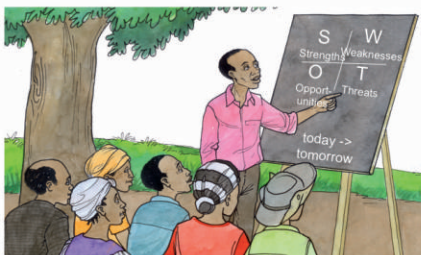
- › Do you purchase and/or consume a product of this type?
- › Why do you buy it?
- › What are its benefits in relation to alternative products?
- › When and how often do you buy it?





SWOT ANALYSIS

SWOT Analysis



African Organic Agriculture Training Manual

'Marketing and Trade' Module No. 7

19

3. Understanding specific ideas related to the 5 P's of marketing concept

- › **Product:** 'What are the important product attributes? (taste, colour, texture, etc.)
- › **Packaging:** 'What type of packaging would you like to see? (plastic, glass, etc.)
- › **Place:** 'Where would you like to buy this product?'
- › **Price:** 'How much would you pay for this product?'
- › **Promotion:** 'Any ideas how this product could be promoted?'

4. Conclusions and final words

- › Summary of the marketing concept that can be concluded
- › Give away a gift and encourage further feedback in the future



SWOT Analysis:

Build groups of 3 participants and let them make a SWOT analysis of a business they select (for example, a new organic product they would like introduce on the market or a whole farm as a business).

5.2 How to plan the implementation of market opportunities?

Before starting a business, most actors went through a process of carefully thinking about taking a decision to move ahead with the implementation of a market opportunity. In this sense, they already have developed some sort of a business plan, at least in their head. When they think about the market or markets to sell, they have clear 'target markets' in mind that imply what has to be grown, when, and in what quantities, etc. In this sense, a clear idea prevails about why and how a specific product is valuable to the group of consumers that is targeted. Similar to the process of identifying market opportunities, also their setting in place may involve the explicit use of tools that ensure quality work in this domain:

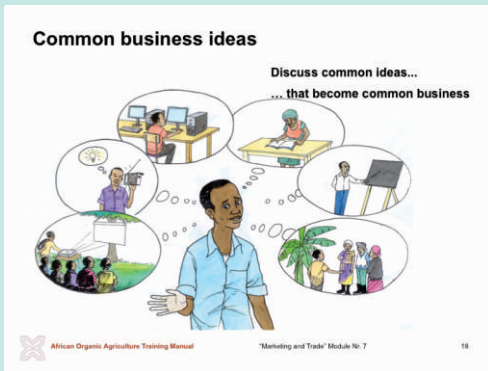
a. SWOT Analysis

A SWOT analysis evaluates the overall Strengths, Weaknesses, Opportunities and Threats of a business. Strengths and weaknesses are about where the business is now compared with its competitors, opportunities and threats are about where the business is going. This means opportunities are attractive areas for action where the business is likely to have some advantages or make special contributions. Threats are critical trends or specific disturbances in the environment that could lead to stagnation, decline or demise of the business or a part of it. The SWOT analysis allows identification and visualization of market opportunities and gaps, which should be considered when marketing activities are planned.





COMMON BUSINESS IDEA



b. Business plan

A business plan presents all aspects of a new business in a simple, comprehensive way. In this sense, it involves much of the information obtained and assessed through the different tools presented up until now: marketing concept development, rapid market appraisal, focus group research and SWOT analysis. When put onto paper, a business plan is a strategic document that describes all aspects of the development of a market opportunity:

- › It states a set of business goals and the plan how to reach them.
- › It clearly defines all relevant business activities and how they relate to each other.
- › It specifies responsibilities among actors directly and indirectly involved in the business.
- › It shows examples of how to make a business profitable by planning costs, income creation and marketing for a business.
- › It includes projections of how different scenarios might influence expected profitability.
- › It shows the steps necessary to implement operations and define the roles partners should play.

A business plan can have different purposes:

- › It serves as a planning and decision-making tool, providing a clear concept and proof to a business before starting it.
- › It serves to persuade new actors to get involved, particularly new financial partners.
- › It serves to better manage unexpected forces because you have given them consideration during a well thought-out plan.

All in all, when planning a new venture, such as an organic business, or when an existing business is to assume major change, business planning is essential.





COMMON BUSINESS IDEA

Contents of a business plan

1. Executive summary
2. Name and description of the product
3. Commercial potential of the product
4. Production process and its advantages
5. Advantages created for society
6. Actors involved and of their roles
7. Evaluation of critical factors
8. Profitability estimates, different scenarios
9. Investment plan and promotion strategy



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

20

Structure of a business plan

Executive summary [1 page]

This section summarizes concisely the different aspects of a business plan.

Sources of information: The different sections of the business plan.

Name and brief description of the product [1-2 paragraphs]

This section gives the name of the product and a brief description of it. It also explains which consumers will be targeted and why the product is valuable for them.

Sources of information: Discussions and agreements among those involved in the business, and use of the market research tool such as focus groups (see 5.1).

Description of the commercial potential of the product [1-2 pages]

This section provides a detailed description of the market in which the product will be positioned and how it will compete against its competitors. Prior qualitative or quantitative research must be used (1) to indicate why the product provides value for its target consumers (i.e. discussion of purchase factors) and (2) to estimate the size of the potential market.

Sources of information: Qualitative and quantitative market studies.

Description of the production process and its advantages [1-2 pages]

This section describes all the stages of the production process up to consumption, as well as all the actors who will participate in the business along the market chain. The information reveals how the process takes advantage of synergies along the market chain and how the process is complemented by other activities that keep costs down. At all points in this review the product must be compared with its competitors.

Sources of information: In-depth interviews, Focus groups (see above) and SWOT-analysis (see above).

Description of the advantages created for society [1-2 pages]

This section is not part of an ordinary business plan. However, it is included here to make explicit the justification for public sector support. The section should include a qualitative description and explanation of how the business will benefit society (for example, by alleviating poverty, fostering rural development, conserving biodiversity, etc.).

Sources of information: Impact assessment, in-depth interviews with key stakeholders.



Group work:

Create groups of 4-5 participants and distribute a simplified version of a business plan to each group, corresponding to the level of the participants. Let each group work out a plan of a business they select and have them present the results of their work at the end and discuss the results with all participants.



Description of actors involved and of their roles [1-2 pages]

This section presents the actors who will participate in the business (i.e. business partners), emphasizing the specific role of each one and the skills they have. It must also indicate how the actors will work as a team, keeping interaction costs as low as possible.

Sources of information: Discussions among promoters.

Evaluation of critical factors [1-2 pages]

This section reflects on critical factors that may stimulate or jeopardize business success. These factors may be internal (under the control of those involved in the business) or external (outside their control). The reader must understand the degree of uncertainty associated with these factors, how they interrelate and how the business partners might influence each one.

Sources of information: SWOT-analysis, in-depth interviews.

Profitability estimates based on different scenarios [2-3 pages]

This section considers the economic side of the business. When the exact size of the market is uncertain, three reasonable scenarios might be considered. If the business plan is simple, expected profitability levels can be derived from income and cost estimates. If considerable initial investments are needed to start up the business, an expected cash flow stream must be derived from estimated annual income and expenditures, making visible the capital needs at the different stages of the business. For more information please consult literature such as the source of this box and literature mentioned there.

Sources of information: Quantitative market study, in-depth interviews, cost calculations.

Investment plan and promotion strategy [1-2 pages]

This section tells the reader how much financial capital the business requires and specifies investment needs, including those for product promotion. If strategic partnerships are established as part of the marketing strategy, these will be described in detail here. If the product creates benefits for the public (see Section 5), this section must also explain how R&D organisations or the government will support the business and its promotion activities.

Sources of information: Previous sections of the business plan, discussions among promoters.

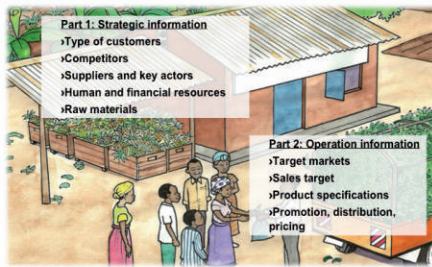
⁶ Source: Bernet T., Thiele G. and Zschocke T., 2006. Participatory Market Chain Approach (PMCA) – User Guide. International Potato Center (CIP) – Papa Andina, Lima, Peru.





MARKETING PLAN

Contents of a marketing plan



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

21

c. Marketing Plan

For market opportunities that involve important sales and promotion activities to be successful, a special marketing plan will be helpful to ensure that these activities are well-defined, from a strategic and operational point of view. In this sense, a marketing plan is a detailed document that specifies the planned interventions in the area of marketing, being consistent with the ideas presented in the business plan.

The marketing plan has basically two parts (see box below):

1. In a first part, the marketing plan contains detailed information about the market situation and outlines concrete marketing activities to achieve concretely defined objectives mentioned in the document.
2. In the second part, it contains a detailed overview of the planned marketing activities relating them to resources required for their implementation, the schedule of implementation and persons responsible for each planned action.

Since marketing objectives must be evaluated (re-assessed) and regularly adapted, also the marketing plan must be revised and updated from time to time. Changes often occur when outside factors, or things out of our control such as a flood or other disaster takes a business in a new direction or when marketing objectives have not been achieved within a defined time frame.

Structure of the Marketing Plan

Part I Strategic information related to a specific market opportunity:

- › Type of customers - Who are buyers of the products; consumers, traders, wholesalers, retailers? Are they local, national or export-oriented? What are their requirements (e.g. in terms of quality and quantities)?
- › Competitors - Who else is offering similar products like you are offering? What are their strengths and weaknesses? Which of their weaknesses can we turn into our strengths?
- › Suppliers - Who will supply us with the materials we need? Do they have the right quality and quantity we need?
- › Other stakeholder and key actors in the chain - Who are the other groups or persons that have an interest in our business, for example, NGOs that may support us? support the implementation of this plan?



- › Human resources - Do we have the people to manage and support the implementation of this plan?
- › Financial resources - Where shall we get the money we need for our business? Is it bank loans, loans from the government with a reduced interest rate, money from private investors or any other funders?
- › Raw materials - Can we produce all the raw materials we need? How can we increase the amount of raw materials? Who else can supply us in case we need more raw materials?

Part II Operation information related to a specific market opportunity:

- › Target markets - number and location of places that are targeted
- › Sales target - sale of amount x of product y during period z?
- › Product specifications - definition of exact products that are to be sold, in what form and with what services?
- › Promotion - what is exactly planned in terms of activities related to promotion, and when?
- › Distribution - how will the logistics be defined and managed? Who is responsible for what?
- › Pricing - what are the prices that consumers and the different market chain actors obtain, ensuring that everyone is benefiting?

5.3 How to be successful in organic exports

This checklist may be used as a tool for planning or evaluating organic businesses.

Procedure:

1. Analyse the check points
2. Rate them 1-5 (1=not implemented, 5=top implemented)
3. Formulate individual critical success factors and actions.





EXPORT CHECK LIST

Export checklist

Check point	Rating (1-5) 1= not implemented 5= top implemented	Critical success factors	Foreseen action
Product available: Product available in quality and in sufficient volumes			
Consistent supply: Farmers are interested and committed to supplying			
Buyers identified: Buyers have been identified			
Certification: Certification for the target markets and buyers selected			
Logistics: Logistical arrangements have been made			
Strategic fit: Changes done in technology, monitoring, certification, supply-chain management and marketing			
Marketing fit: Market strategy fits with the business plan			
Pricing: Prices are competitive			
Promotion: A unique selling proposition has been developed and communicated			
Benefits for all stakeholders of the chain: Profits back invested back into to supplier groups			
Management: Risks are analysed, the export organisation is well-managed			
Communication: The export organisation can always be reached			
Total			



African Organic Agriculture Training Manual

"Marketing and Trade" Module Nr. 7

22

Check point	Rating (1-5) 1 = not implemented 5 = top implemented	Critical success factors	Foreseen action
Product available - There is an exportable product of the right quality and in sufficient (potential) volumes. Investments have been made in grading, processing and packing facilities. Quality assurance has been developed.			
Consistent supply - Farmers are interested and committed to supplying the organisation.			
Buyers identified - Buyers have been identified and an initial selection has been made. There have been initial contacts with positive results. Even better: agreements have been made with one or two selected buyers to export the produce and to develop the supply chain.			
Certification - There is the right organic certification for the target markets and buyers. The contact with the certifier is good. Invoices are paid on time and there is a regular flow of information.			
Logistics - Proper logistical arrangements have been made, in line with the demand.			



Let the participants select 3-4 export products they would like to discuss.

Build groups and let each group go through the checklist. Let them present their results and discuss them.



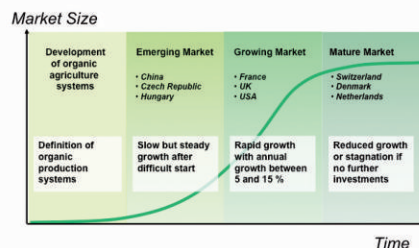
Check point	Rating (1-5) 1 = not implemented 5 = top implemented	Critical success factors	Foreseen action
Promotion - A unique selling proposition have been developed and communicated to the market in a consistent way. There is regular communication with the major or potential customers. There are defined mechanisms for receiving feedback from customers and other stakeholders.			
Benefits for all stakeholders of the chain - The organisation will invest some of the profits back into its supplier groups. Careful analysis shows that there will be sufficient benefit.			
Risk analysis - Analysis of the risks shows that the risks are acceptable or manageable Good management - The export organisation is well-managed and does not rely on just one person. Business partners are contacted and visited regularly. The exporter has a keen eye and ear for their needs and demands, and look for ways to improve its products and services.			





MARKET SIZE

Phases of market development



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

23

Check point	Rating (1-5) 1 = not implemented 5 = top implemented	Critical success factors	Foreseen action
Communication - The export organisation can always be reached by email, phone and fax and it responds rapidly. There are clear arrangements for decision-making when key staff members are travelling.			
Total			

6. How to promote organic market development?

6.1 Understanding the sector

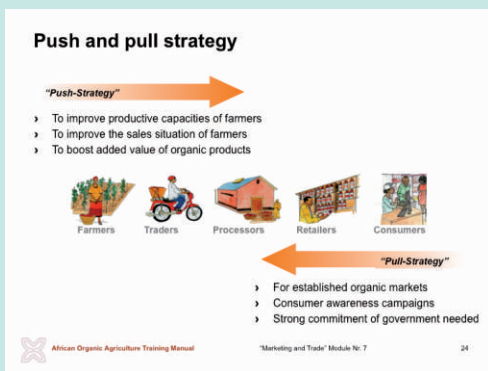
In order to successfully support organic market development, it is important to assess the existing situation in a specific region or country. This assessment will help to understand how the sector has evolved and what actors are key in driving the sector's development. From a marketing point of view, this assessment will help to determine where the organic sector stands, as a first step to plan potential interventions. The fact is that interventions will need to be adapted to the situation of the sector, where three main stages can be differentiated:

- › Emerging markets – young markets, with a limited market size for organic products
- › Growing markets – markets with a fast growth rate for organic products
- › Mature markets – markets with an important share of organic product sales but low growth rates





PUSH AND PULL STRATEGY



6.2 Interventions to promote organic sector development

The identification of the main driving activities and actors that have the strongest influence on the development of the sector will additionally provide relevant information on how stronger market development could be triggered. In this regard, two main 'strategy logics' must be differentiated to be sensitive for the main factors that 'drive' the market development process:

- › 'Push-Strategy' – when supply is primarily 'pushed' into the market
- › 'Pull-Strategy' – when demand is primarily 'pulled' into the market

Organic markets develop such that in a first stage – in the phase of an emerging market – a 'push-strategy' drives the process, where active farmer organisations tend to find adequate retail solutions to be able to sell their organic produce in the market, many times directly to consumers. A 'pull-strategy' comes in at a later stage – in the phase of strong market growth, when retailers start to develop the market and 'pull' new products into their shelves. Market development interventions must respect the specific situation of the sector in this regard. We differentiate methodologies that respond to these settings:

a. Push-strategy approaches

Interventions aiming to push organic products into the market relate very much to the idea of helping farmers get better organised, especially in the area of marketing. The core principal lies in developing collective marketing structures and setting in place an enabling framework for organic production (e.g. extension related to organic agriculture, subsidies for organic production, etc.). Such types of interventions have the following objectives:

- › To improve productive capacities of farmers;
- › To improve the sales situation of farmers through better organisation and coordination of their supply;
- › To boost added value of organic products and sales prices through storage, improved packaging, processing, direct selling and promotion.

The use of push-strategy approaches to boost organic market development is mostly motivated by the interest to increase rural incomes. The target of such an approach is to help farmers establish together with other market chain stakeholders effective 'organic market initiatives' (OMIs) (see box below), which allow



them develop improved organic marketing structures at the regional or national level. Directly and indirectly, farmers will benefit through such initiatives from improved market access, where they are in the forefront to take advantage of new possibilities for diversifying products and marketing activities. Such OMIs are common in most countries and critical in most African countries to develop a domestic market for organic products, being many times also essential to obtain sufficient organic supply for export.

The actors using push-strategy approaches are mostly local NGOs aiming to increase the incomes and the competitiveness of rural areas. Once organic sector institutions are in place, also these may use such approaches to strengthen their members, mainly consisting of farmers and local farmer organisations. In practice, the use of such approaches implies the setting in place of stakeholder meetings to discuss and agree on joint action, to buildup improved collective marketing structures. Most interventions in this domain are ad hoc, based on common sense.

What is an Organic Market Initiative (OMI)?

An OMI is an organisation of organic producers and other people in the organic food chain that 'share a common interest in producing, processing and marketing organic products.' OMI's help link the stakeholders in a value chain, from production to the consumer. Therefore, cooperation within the food chain such as between producers, traders, processors and retailers is essential. In many cases, successful OMIs are innovative businesses, initiated by producer groups starting with processing and marketing of their products to improve their market position. Sometimes participants of OMIs are also involved in diversified activities such as tourism or environmental protection.

The overall goal of an OMI is to contribute to the growth of the organic sectors and to integrate into the local and international trade by getting access to new market opportunities for small and medium farmers and other stakeholders of the organic value chain.

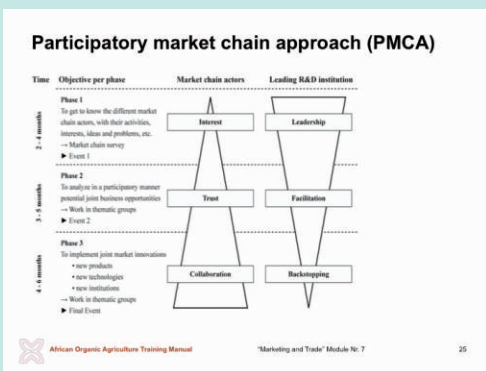
Once successfully started, an OMI needs continuous innovation:

- › new products, services and promotion attract new customers
- › new production or processing methods to improve production efficiency and lower costs
- › new networks to access new sales points and enhance public awareness





STRUCTURE AND OBJECTIVES OF THE 3-PHASES OF PMCA



a. Pull-strategy approaches

Pull strategy approaches are interesting and relevant in settings where the organic market is already established. In this case, such approaches would aim to capitalize the existing structures and boost growth through pulling in new products into a growing market. In practice, such approaches imply strong direct or indirect investments in consumer awareness, making consumers understand the benefits of organic versus conventional production.

Since consumer awareness campaigns are very costly, approaches that aim to target consumers directly with 'organic messages' are mostly used in contexts where there is strong government commitment to boost organic agriculture. Sector bodies or the government itself may use such approaches involving their own staff doing the interventions.

Differences are seen with approaches that primarily target bigger retailers as key actors to promote organic through their own means, but also to invest in a more 'aggressive' sourcing of organic products. In this latter case, a more neutral institution is needed to build sound partnerships between retailers and suppliers. The institution using such approaches will find itself rather in 'facilitation' than in an 'implementation' role, considering that actors themselves will be mainly implementing the needed activities (e.g. public awareness activities, development of new products, improved presentation of products). Two more clearly outlined approaches that merit to be mentioned to plan and implement market-oriented interventions are:

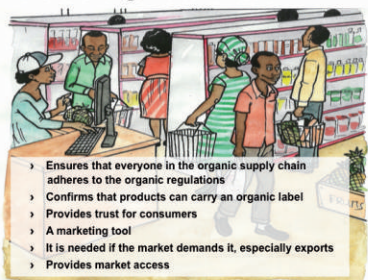
- › **Public Private Partnerships (PPPs)** - PPPs aim to subsidize the development of a partnership between a strong company (in this case a retailer with interest to boost organic for own image and sales reasons) and other actors (in this case different organic farmers and providers). The approach foresees that the company involved makes important own investments as part of the agreement.
- › **Participatory Market Chain Approach (PMCA)** - In contrast, PMCA is based on a much more participatory approach involving a much broader range of market chain actors. In this case, with a strong focus on consumer demand, the main aim is to set in place a series of relevant market opportunities driven by the interest of key actors in the sectors such as processors, traders and retailers. In this sense, PMCA is much broader and more flexible than a PPP, which is limited to a previously defined partnership, while PMCA aims to develop important social capital across the whole sector.





CERTIFICATION PROVIDES MARKET ACCESS

Benefits of organic certification



The Participatory Market Chain Approach (PMCA)

The Participatory Market Chain Approach (PMCA) encourages group innovation involving all the different actors involved in a specific market chain and sector. The innovations included are new products and processes, new technologies or new institutions that benefit the different people of the food chain directly or indirectly.

Methodologically, PMCA suggests a very pragmatic work implemented by a 'facilitation team'—a group of persons in charge of planning and leading a process that functionally involves sector stakeholders. The participatory process involved in PMCA relates to three phases (see figure) that help to structure the R&D process by gradually generating (a) interest (b) trust and (c) collaboration among involved market chain actors and other stakeholders present in the sector (i.e. NGOs, government entities, research and education centres). This same process structure aims to empower actors as it boosts ownership about the innovations that are jointly (a) defined (b) analyzed and (c) implemented. For further information on PMCA see:

- › PMCA Summary: http://www.cgiar-ilac.org/files/publications/briefs/ILAC_Brief21_PMCA.pdf
- › PMCA User Guide: <http://www.cipotato.org/publications/pdf/003296.pdf>



Group discussion:

Discuss with all participants the advantages and disadvantages of certification. Ask for example the following questions:

- › Which are the benefits of organic certification?
- › When does a farmer need organic certification and when is it not necessary?

7. Why and how to get organically certified?

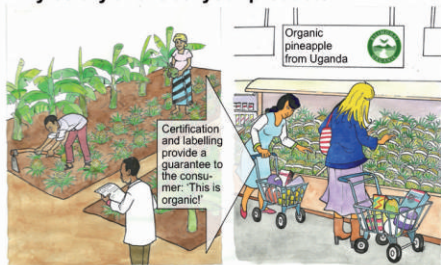
Whether one can get organic certification or not is seen by the extent to which a given production system follows or complies with organic production principles and practices. Certification is not compulsory and is needed only if the market demands it. For example, to sell in certain organic shops or on certain organic markets, the farmer may need to have some sort of certification and to export the products as organic, the farmer may often need to have third party certification by an organic certification body having the required accreditation.





DECLARATION AND LABELLING

Why certify and label your products?



African Organic Agriculture Training Manual

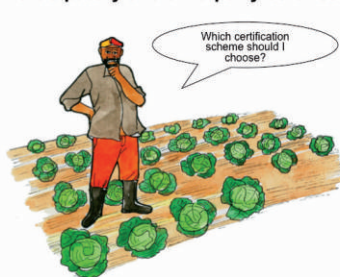
"Marketing and Trade" Module No. 7

27



PARTICIPATORY AND THIRD PARTY CERTIFICATION

Participatory and third party certification



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

28

7.1 When do I need certification?

As there are numerous 'eco-friendly' campaigns, certification is one way consumers can rely on what is being said. Organic certification is a marketing tool and is especially important if your products are exported as most of these markets require it. It is a process that tests for fraudulent practices within farm systems and, therefore, ensures that everyone in the organic supply chain adheres to the organic production principles and practices. Therefore, organic certification will provide the confirmation that the organic supply chain is in compliance with organic standards and hence can carry an organic label or seal.

The organic seal confirms that the product is grown according to organic standards and regulations. Organic certification thus protects organic farmers and organic production, by ensuring that producers stick to the organic standards and prevents fraudulent traders, especially when the consumer is very far away from the producer. Thus, a trust is developed between consumer and product that is otherwise difficult to build.

To be certified as organic, the farm must be inspected by a representative of a certifying organisation and assessed against an organic standard or regulation. There are several labels that correspond to these various standards and regulations and can be displayed on the products when they are certified accordingly. It is often important to choose a certification that will grant the use of a logo or label that is well recognized by the ultimate target consumers.

7.2 Which certification system do I need?

There are two main types of certification relevant to organic farmers:

- › Participatory certification through a Participatory Guarantee System: this is mainly relevant for the local or domestic market.
- › Third party certification conducted by an independent (third party) organic certifier, also called certification body. This is relevant for some domestic markets, but mostly export markets.



Group discussion: Build groups of 3 participants.

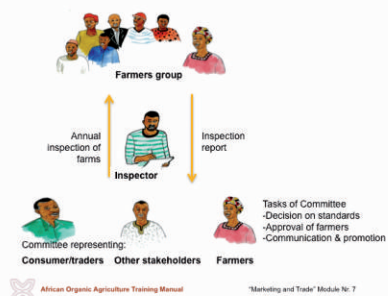
Let each one choose to discuss the pros and cons of Participatory and third party certification. Evaluate in a final discussion.





PARTICIPATORY GUARANTEE SYSTEMS

Participatory guarantee systems



7.2.1 Participatory Guarantee Systems (PGS)

IFOAM defines Participatory Guarantee Systems (PGS) as locally focused quality assurance systems which certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange. Participatory Guarantee Systems are also sometimes referred to as 'participatory certification'.

PGS enable the direct participation of producers, consumers and other stakeholders in:

- › the choice and definition of the standards (which can be simpler versions of the national standard, but sometimes also contain additional requirements decided by the group);
- › the development and implementation of verification procedures;
- › the certification decisions.

PGS have developed independently in various countries and continents and hence every PGS system is different and locally adapted. Nevertheless, there are common key elements and features among all the PGS systems:

Key elements of PGS:

a. Shared vision

A fundamental strength of the Participatory Guarantee System lies in the conscious shared vision that farmers and consumers have in the core principles guiding the program. The vision can embrace organic production goals as well as goals relating to fair trade, respect for ecosystems, the autonomy of local communities and cultural differences.

b. Participation

Participation is an essential and dynamic part of PGSs. Key stakeholders (producers, consumers, retailers and traders and others such as NGOs) are engaged in the initial design and then the operation of the PGS. In the operation of a PGS, stakeholders (including producers) are involved in decision making and essential decisions about the operation of the PGS itself. In addition to being involved in the mechanics of the PGS, stakeholders, particularly the produc-



ers are engaged in a structured ongoing learning process, which helps them improve what they do.

c. Transparency

Transparency is created by having all stakeholders, including farmers and consumers, aware of exactly how the guarantee system works to include the standards, the organic guarantee process (norms) and how decisions are made. This does not mean that every detail is known by everyone but rather they have at least a basic understanding of how the system functions or have a way to find out.

d. Trust – 'integrity based approach'

The integrity base upon which PGSs are built is rooted in the idea that producers can be trusted and that the organic guarantee system can be an expression and verification of this trust. The foundation of this trust is built from the idea that the key stakeholders collectively develop their shared vision and then collectively continue to shape and reinforce their vision through the PGS.

e. Learning process

The effective involvement of farmers, retailers and consumers on the elaboration and verification of the principles and rules not only leads to the generation of credibility of the organic product, but also to a permanent process of learning which develops capacities in the communities involved.

f. Horizontality

Horizontality means sharing of power. PGSs are intended to be non-hierarchical. The verification of the organic quality of a product or process is not concentrated in the hands of a few. All involved in the process of participatory certification have the same level of responsibility and capacity to establish the organic quality of a product or process.

A typical PGS involves organic farmers, consumers and possibly other stakeholders such as staff from supporting NGOs, extension services staff, consultants, government representatives, university staff, etc. Farmers are typically organised in local groups which are responsible for ensuring that all farmers of



the group are following the PGS standards and processes. Each farmer receives an annual farm visit by at least one other farmer of the group, sometimes accompanied by another stakeholder (e.g. consumer). Results of the farm visits are documented and serve as a basis for the farmer group to take decisions on the certification status of each group member. Documentation summaries and certification decisions are typically communicated to a higher level, for example to a regional council or national council representing the PGS stakeholders. This council sometimes endorses certification decisions taken by the groups or more generally approves each local group and grants them the use of the PGS logo if any. The higher level also decides on organic standards to be followed and represents the PGS towards external actors such as the government and IFOAM.

As compared to third party certification, PGS provide the following benefits to small farmers:

- › It provides a collective support that will help the farmer in his daily life. For example, the group can provide support to its members for production, for marketing and for finances. They can be perfectly integrated in self-help groups and farmer field school systems.
- › It requires less paperwork and is usually cheaper than third party certification.
- › It facilitates the creation of linkages with local consumers and hence helps to grow the local demand for organic products.

However, PGS certification is not always acceptable to all buyers. Certain buyers such as supermarkets or exporters will require third party certification to accept the products as organic. Moreover, PGS requires the farmers to be actively involved in the group (i.e. participating in regular group meetings and the farm inspection of other farmers).

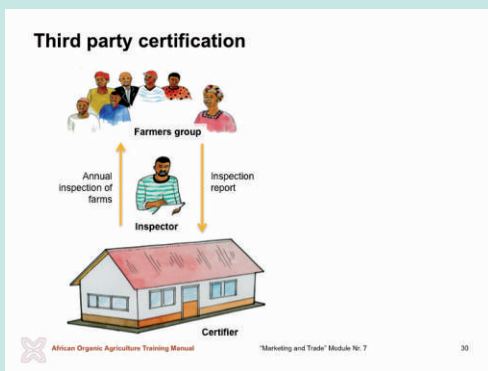
7.2.2 Third party certification

Third party certification is a service usually provided by a certification body to its clients for a fee. The service consists of an on-site review of farming practices and of the corresponding records and documentation kept by the farmer, to verify compliance with the relevant organic standards. This inspection is done at least once a year and is performed by an organic inspector hired by the certification body.





THIRD PARTY CERTIFICATION



There are two scenarios under which organic producers can be third party certified:

- › Individual third party certification, whereby the farmer alone signs a contract with the certification body and will obtain his or her own organic certificate.
- › Group certification, whereby a group of farmers (either organised in a cooperative way or organised by a buyer) is managing an Internal Control System (ICS) and requests certification as a group.

Group certification consists of a system of combined internal and external control for the collective certification of a group of small producers. It implies that:

- 1) An Internal Control System (ICS) managed by the group ensures individual internal inspections of each farmer annually and establishes one documentation system common to the whole group.
- 2) An external certification body inspects the documentation and the good functioning of the ICS and carries out sample re-inspections of farmers to evaluate the quality of the internal inspections.
- 3) The certification body delivers a collective organic certificate that is owned by the group and not by farmers individually. The cost of group certification is shared among the group members (which lowers the cost significantly), but the products certified can only be marketed as organic through the group.

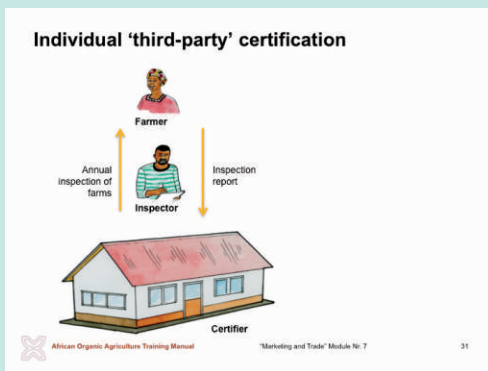
The purpose of an ICS is to bring down the cost of organic certification for small-holders by establishing a group that can do much of the monitoring itself. Then the certifier's job is just to see that the group processes and data collection are working well and to check a small number of the farms. The objective is not to provide 'easy' certification; the same organic rules must still be followed. But by carefully setting up the group and its rules, the regulations can be simplified to such an extent that even farmers with a low level of education are clear on the rules they must follow and the data that must be kept and by whom.

Group certification is typically used for groups of small-holders producing one or few common commodities for export. Groups have usually at least 30 to 50 members, but there is a great variety in the size of the groups. What is required is that the groups are quite homogenous: composed of farmers in geographical proximity, with similar production systems and with a joint marketing channel for the produce they want to have certified as organic.





INDIVIDUAL CERTIFICATION



7.3 What must I do to get certified?

Before applying for certification, the farmer or farmers group should attempt to conduct a self assessment as below:

- › Full application of organic practices on the farm has been tried out for at least one year and good knowledge and experiences have been developed;
- › There is a target market which requires organic certification (which kind?) and offers enough return to compensate for the time and cost of being certified.
- › Under organic production, the farmer or group of farmers have the particular products required by the organic market in sufficient quantities;
- › The farmer or group of farmers has financial resources to pay for at least two years certification costs before they can start marketing them as organic.

Conversion Period

An important aspect of the process to become certified is that farmers who wish to engage in certified organic production need to go through a conversion period. This refers to the time that a farm has to use full organic production practices before it can be certified. The conversion period usually starts from the date that the farmers registered and signed an agreement committing themselves to following organic standards. The conversion period can be achieved in one to three years. When no agro-chemicals have been used in the last 3 years, conversion can be achieved in just one year. In farms or places where external inputs have been intensively used, the conversion period will be three years. The certifier sets out a conversion plan for each farm, which needs to be followed. It is, therefore, important to make early contact with the certifier to know the actual approach towards conversion and specific requirements. The conversion period is often costly for the producer because extra costs are made, mainly for certification, while the produce cannot bear the certification label which would give them higher market value.

a. The process of individual third party certification

If the desired market requires third party certification against a particular standard or regulation, the farmer(s) should:

- › Identify a certification body able to provide the required organic certification. Not all organic certification bodies have the required approval to certify,





GROUP CERTIFICATION



for instance, for the EU market, NOP market or the JAS market. It is highly advisable to choose a local certification body so long as it is able to deliver the required certification. Local certifiers understand local conditions better and probably are cheaper because they use local staff. The prices and services of several certification bodies should ideally be compared before a choice is made.

- › Make an initial application to the certification body and pay an application fee.
- › Normally, the application will ask for a description of the cropping history of each field or fields, a conversion plan for the farm (s) and or a livestock management plan for each livestock enterprise.
- › An inspection visit from an inspector is carried out on the farm(s) and a report is prepared for certification approval by the certification committee of the certification body.
- › Records of inputs must be kept and each year the farmer (or the farmer group in case of group certification) has to submit an annual report describing all activities of the year including all inputs and harvest/sales.
- › Inspections are carried out annually and a certificate is granted for each inspection year. Farmers make an annual payment to the certification body for this service.

b. The process of group third party certification

If a group of farmers (for example, organised under a cooperative), would like to be certified as a group for one or few crops which they sell jointly, they should:

- › Approach the national organic agriculture movement (NOAM) in their country, if it exists, or otherwise contact supporting NGOs or capacity building institutions working on organic agriculture, to start building up a relationship and to obtain more literature on group certification. These organisations may recommend a training organisation to assist you. The certification body is not allowed to do any training itself, as this is considered a conflict of interest.
- › Work first on ensuring that all the group members produce organically and in compliance with the appropriate standard.
- › Then work on group and documentation processes. With the farmers, develop and record the methods that they use. This must include the conversion rules, the rules for incorporating new farmers and their minimum require-





CONVERSION PLANNING

What to consider before converting to organic

- › Which crops to grow organically
- › How to manage crops and animals organically
- › Organic inputs and where to get them
- › How farm products will be harvested and stored
- › How and where to sell your farm products
- › Costs of certification
- › Investments in equipment and tools
- › Human and financial resources



African Organic Agriculture Training Manual

'Marketing and Trade' Module No: 7

33



DECISION FOR ORGANIC CERTIFICATION

The decision to pursue organic certification

- › Discuss with farmer colleagues
- › Check market possibilities with customers
- › Get the help of an advisor from a NOAM
- › Ask an officer of a certification body
- › Decide within your family



African Organic Agriculture Training Manual

'Marketing and Trade' Module No: 7

34

ments (e.g. target crops). Develop the contract that each farmer will sign to enter into the group. Contact the certification body to request the templates which the group needs to use and a complete list of their requirements.

- › Elect or designate the relevant officers, who will do the internal inspections at least once a year. Sometimes they can be extension officers who are also likely to be involved in ongoing training of the farmers. In that case, they should never inspect farmers they have trained.
- › Elect or designate an Internal ICS Management Committee, probably with some of the leaders of the association.
- › Apply for certification to the identified certification body and implement all the requirements requested by them.
- › Group certification may become complicated for the groups to handle if they are not well organised. Only strong groups and well organised groups have the capacity to manage the Internal Control System and can succeed to obtain organic certification in this way. They also need a considerable pre-financing capacity to invest in setting-up the system and go through the conversion period before financial returns can be obtained.

7.3.1 Steps to inspection and certification

A number of steps are required to certify a farm, a processing company or a trading company. It starts with a learning phase that includes investing time in getting familiar with the relevant organic regulations and implementing the various farm methods that comply with these regulations. And ends with a certification agency issuing a certificate verifying the farm's or company's compliance with the organic regulations. The following describes steps to be taken that involve inspection and certification of a farm. For a processor, a trading company or a distributor, specific issues need to be considered (see also previous chapters of this module).

- 1. Conversion planning** - The first step is to get familiar with the organic regulations and standards, and learn what is and what is not allowed for every activity in farming, food processing, labelling and trade. A farm may then, based on these requirements, need to learn new technologies and correspondingly modify its farming methods. A typical example would be using compost instead of synthetic fertilizers or using natural predators instead of chemical pest management. This is part of the conversion planning that needs to be





APPLICATION AND AGREEMENT

Application and certification agreement

The farmer agrees:

- ›To produce along organic regulations
- ›To establish proper recordkeeping
- ›To receive annual on-farm inspection visits
- ›To apply correct declaration and labelling when selling the product
- ›To pay for inspection and certification



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

35



RECORDKEEPING

Recordkeeping

The farmer keeps records on:

- ›The surface of the farm
- ›Planted crops on the farm
- ›Specific management applied to the crops
- ›Application of inputs and purchase of inputs
- ›Animals on the farm, purchased animals, forage
- ›Sales records



African Organic Agriculture Training Manual

"Marketing and Trade" Module No. 7

36

elaborated on together with the support of an experienced advisor at least one year before the first organic inspection is to take place. The conversion plan should include the following information:

- a. Which crops to grow organically
- b. How to manage crops and animals organically
- c. Organic inputs and where to get them
- d. How farm products will be harvested and stored
- e. How and where to sell your farm products
- f. Costs of certification
- g. Investments in equipment and tools
- h. Human and financial resources

2. The decision to pursue organic certification - The farmer's family makes a decision on whether or not to certify the farm based on the conversion plan analysis. It is important to discuss the results of your conversion plan and your decision with farmer colleagues and with partners in the market chain—especially with potential customers, an advisor experienced in organic farming as well as a certification body agent. Farmers need to especially consider income needs and personal interests of all family members. As with all larger farm management decisions, the decision to convert to organic farming needs to be considered carefully in order to safeguard the future of the farm.

3. Application and agreement - When the decision to certify is clear, the farmer / producer must submit an application to the chosen certification agency (see the following chapter 7.3.2). With this step, the farmer agrees:

- a. To produce along organic regulations
- b. To establish proper recordkeeping
- c. To receive annual on-farm inspection visits
- d. To apply correct declaration and labelling when selling the product
- e. To pay for inspection and certification

4. Recordkeeping - Farmers have to keep day-to-day written records on:

- a. The surface of the farm (with a farm map)
- b. Planted crops the farm (list)
- c. Specific management applied on the crops (conversion plan)
- d. Application of inputs and purchase of inputs (e.g. for pest and disease man-



Group discussion:

Build groups of 3

participants and let them discuss their situation:

- › Where are they in their decision making process?
- › Are they at the very start of the process or did they already apply for certification?
- › What are the questions that appear during the steps leading to organic certification?
- › How does one answer these questions?

Let the groups present the results of their discussion and conclude with a final discussion.





FARM INSPECTION

What the annual inspection includes

- › Inspection of the crop area
- › A tour to the field, stables, storage and sales facilities
- › Oral interviews
- › An examination of the records
- › An inspection report, to be signed by the farmer



African Organic Agriculture Training Manual "Marketing and Trade" Module No. 7 37



CERTIFICATION

Certification – the step after inspection

- › Inspector delivers the inspection report to the agency certifier
- › Certifier reviews the inspection report
- › Certifier approves for organic certification or not
- › Certifier issues a certificate
- › The farmer may now sell its products as organic



African Organic Agriculture Training Manual "Marketing and Trade" Module No. 7 38

agement, fertilizers and seeds) (list)

- e. Animals on the farm, purchased animals, forage (list)
- f. Sales records (list)

5. Inspection - The contracted certification body will visit the farm at least once a year for on-farm inspection. The inspection includes:

- a. A physical tour to the field, stables, storage and sales facilities
- b. Oral interviews
- c. An examination of the records
- d. An inspection report, to be signed by the farmer

In case of doubts or specific needs, an inspector can make additional, unannounced visits to the farm to check specific issues such as application of pesticides, get additional documentation or visit the farm when the crops are harvested.

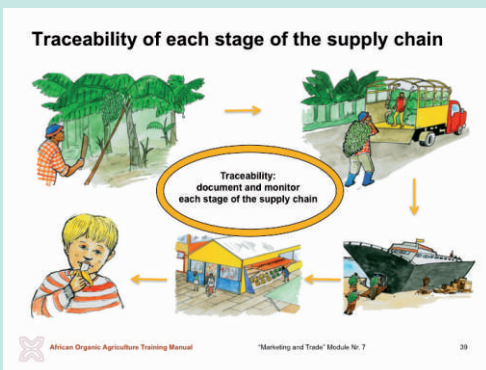
6. Certification - The inspector delivers the inspection report to the agency certifier. The certifier reviews the inspection report with all annexes (map and records and conversion plan). The certifier determines whether the farm will be approved for organic certification or not. If yes, the certifier issues a certificate, stating the list of products that may be sold as organic. The farm may now sell its products as organic, using the labels agreed upon with the certification body. The product labels must identify the certifier and information about the producer.

7. Traceability - All operators of an organic product chain need to be certified organically: producers, processors, traders and retailers. The regulations require all the stages of food production to be monitored in order to protect consumers against fraud. Traceability systems are used to identify products, their origin and their location within a supply chain. These systems also enable a company to recall products in case of any suspected fraud or a product's contamination. In the case of organic exports, certification bodies monitor each stage of the supply chain and have to document the traceability in the transaction certificate, to be presented from the exporter to the importer.





TRACEABILITY OF EACH STAGE OF THE SUPPLY CHAIN



7.3.2 How to select the right standard and certification?

In answering this question, two additional questions are required:

- › How can a producer decide which certification or certifications to apply for?
- › When is the right time to make this decision?
- › The answer to these questions is directly related to the potential markets for the organic products. However, the target market is not usually known in the first stages of conversion and is thus difficult to foresee certification requirements.

For example, a farmer just beginning the organic production will typically have to undergo a conversion period for two to three years (depending on the specific crop, the agricultural practices applied on the land before conversion and the actual standard or regulation to be observed). During this time, a farmer generally does not have a clear idea of who may purchase the products. Unfortunately, the first thing a potential trader usually inquires about is what certification the organic production has attained. This leaves it to the farmer to decide on certification before a buyer has been determined a potential bottleneck for facilitating trade.

Farmers and processors with high investing capacity can certainly choose to acquire at least the obligatory certifications for the main organic markets. Some small and medium farmers or farmers' groups in developing countries who have access to international cooperation funding can also choose to do the above. For other small and medium farmers or producers with less access to support, a less costly way of dealing with this challenge is probably to pursue the following:

- › acquire knowledge about the different regulations and standards needed to access the main markets;
- › ensure that agricultural practices applied on the farm do not contradict any of the main relevant regulations and standards (although this could restrict organic agricultural practices);
- › document the conversion period since this documented proof will be necessary for certification;
- › as the conversion period nears its end, the farmer is then in the position to put organic products on the market and this is the best time to choose to certify according to the requirements of a certain market.



Discussion with an inspector:

Invite a competent certification body inspector to present the benefits and costs of certification as well as a detailed example of the procedures involved. Let the participants discuss all related questions.



Selecting the right certification body

A certification body (CB) is a service provider that should be chosen according to considerations of quality and price. Although this may seem evident, farmers often see inspectors and certification bodies as some kind of police force or superior authority that must be feared and not questioned, rather than a service body working for their benefit. Furthermore, traders or international organisation representatives simply inform suppliers which CB they trust or prefer, imposing a certain choice on the supplier. This situation is slowly changing as certification bodies in developing countries begin to develop expertise and recognition and more choices emerge. The new EU regulations are expected to have a positive impact on this situation as they incorporate more transparency into the processes of accreditation and surveillance of certification bodies.

In any case, farmers or farmers associations should evaluate a number of things before choosing a CB:

- › **The number of standards and regulations a CB is accredited to offer** - The more certifications possible, the better. If a CB is able to offer certification for all major markets, no other CB will be required; however, alliances with other CBs can also remedy the need for multiple certifications.
- › **Efficiency and flexibility in meeting farmers' needs** - (to the extent that regulations will permit). Simplified procedures, well-trained (and preferably local) inspectors, inspecting once for multiple certifications and a commitment to timelines for each part of the process are important ways that certification bodies can make the process easier for farmers.
- › **Prestige and recognition** - Certification is intended to guarantee transparency, impartiality and compliance with standards and regulations. Therefore, if all stakeholders in the value chain do not fully trust a CB, this can then threaten a farmer's capacity to sell products and, in some ways, defeats the purpose of certification.
- › **Accessibility and availability** - Between visits from inspectors, questions on standards or regulations may arise and a CB should be readily available to address and answer general questions and concerns.
- › **Price** - Although it should not be the most important issue, undoubtedly the price of certification is an important consideration.



Recommended further reading

- › Bernet, T., G. Thiele, T. Zschocke. 2006. Participatory Market Chain Approach (PMCA): User Guide. CIP-Papa Andina, Lima. <http://papandina.cip.cgiar.org/fileadmin/PMCA/User-Guide.pdf>
- › Horton, D. 2008. Facilitating Pro-poor Market Chain Innovation: An Assessment of the Participatory Market Chain Approach in Uganda. International Potato Center (CIP), Lima. 46 pp. www.papandina.org/fileadmin/document-pool/Institucional/Libro/PMCA-uganda.pdf.
- › Information on organic agriculture by FAO with detailed country reports including the legal situation, www.fao.org/organicag/
- › Information about the US NOP, www.ams.usda.gov/nop/indexIE.htm
- › The Codex Alimentarius Commission and the FAO/WHO Food Standards Programme: Organically Produced Foods. Rome, www.codexalimentarius.net/download/standards/360/CXG_032e.pdf
- › PGS Guidelines: 'How Participatory Guarantee Systems can develop and function' available at http://www.ifoam.org/about_ifoam/standards/pgs/All-PGS-Publ.html.
- › List of certification bodies operating in African countries can be found on the IFOAM website at http://www.ifoam.org/about_ifoam/around_world/aosc_pages/Organic_CBs_operating_in_Africa.html.
- › Complete training materials on group certification can be purchased from the IFOAM webshop at http://shop.ifoam.org/bookstore/index.php?cPath=64_68_46_47

