

9 FROM FIELD TO MARKET

Setting up proper and certifiable organic production is one thing, it is another however to ensure that you get good quality raw material from the farmers, and to maintain or even increase the quality of the product on its way to the market. This chapter explains how you can achieve this during procuring, transport, storage, processing and export. It provides you with practical examples and recommendations.

9.1 THE IMPORTANCE AND VALUE OF QUALITY

There is no market for low quality organic products. As buyers and consumers are paying more for the product they do not expect it only to be certified organic, but also to be of good quality. On the export market, quality is often a main concern of the buyers. Clients simply want to receive what they have ordered, and what they are paying for. Understanding what quality means, having a system in place to manage quality, and continuously trying to improve on quality all result in a better market position. Producers and clients do not always have the same understanding of quality (see box). It is therefore advisable to check with your clients what exactly they require in terms of product quality.

Talking about quality

Buyers always emphasize the importance of product quality, and suppliers always claim that their product is of good quality. Are they really talking about the same thing? Does good quality mean grade A, low acidity, high purity, or absence of microorganisms?

Perhaps the quality of the product is better than what is usually available in the country of origin, but still inferior to what is available in the international market?

It certainly helps if suppliers can provide reliable and measurable quality parameters, and can say precisely what minimum quality specifications they require.

Not only quality per se is of importance for clients, but also consistency of quality. You should be able to notice any differences in your product over the years. Consistency does not depend only on you but on many factors. You should nevertheless work on achieving consistency and be able to explain what you do and what effects it has on the end product. Be aware that quality standards may change drastically with technologies evolving (e.g. trash rate reduction due to optical detection of impurities).

Quality pays!

As quality can often be improved with some simple measures (see chapter 9.2), this can be an immediate reward at the very start of the organic conversion. You may not yet be getting an organic premium, but you may already get a better price because of better quality. In Uganda, a trader who used to buy wet and unfermented cocoa was surprised that he could get almost 30% more for properly fermented and dried cocoa.

Once the product is certified, the premium paid to the farmers covers both the fact that it is organic and that it is of good quality. As a principle, many organic traders buy first quality product from the farmers only. Second grade produce has then to be sold in conventional markets.

Supplying good quality is not difficult, and it is a necessity. At the same time it is an opportunity - quality pays! Therefore, take it seriously, and don't disappoint your buyers on product quality.

The 'invisibles'

Even if your product looks and tastes good, it may be rejected because it is contaminated with microorganisms or toxins. Salmonella and E. coli are microorganisms that are usually linked to unhygienic conditions in post-harvest handling. Tiny moulds that grow in humid conditions on various products can produce aflatoxin and ochratoxin. The cadmium content in cocoa grown on certain volcanic soils can be so high that the beans need to be blended with beans from other origins to make sure that the cadmium content is not above a daily permissible intake level.

These problems with contaminations are not specific to organic production. Quality management is an issue during all stages of production. If contamination is detected, your clients may reject entire containers due to the strict regulations of the importing country. In the case of aflatoxin contamination in sesame or peanuts, the batch of rejected produce may still be used for oil extraction, but the cake not for animal consumption. It always is a shock to the exporter when shipments are rejected, and it leads to an important loss of income.

Proper quality management in farming, post-harvest handling and storage avoids most problems of contamination. However, more and more analyses are being done, and more and more problems coming up that catch the producers unaware.

Quality management systems

The Internal Control System (see chapter 8.2) is a good platform through which to address quality aspects. Whether you need a formal Quality Management System is another question. It depends on how often the product category you are dealing with is confronted with quality problems. This appears to be an increasingly common issue. Turkish farmers had a problem believing that there could be aflatoxin in their figs; African traders thought the buyers just wanted to reduce prices when they were complaining about salmonella in sesame; nobody cared about food safety in coffee (it is roasted anyway) until ochratoxin was found.

In most developing countries there is little formal training on quality management systems in agriculture. However, they are increasingly common in the field of food processing. When you are processing organic food products, your buyers may ask whether you have a HACCP system in place (Hazard Analysis and Critical Control Point⁵⁹). Based on an analysis of food safety hazards in your operation, you need to define a monitoring system and corrective measures for your critical control points.

9.2 GETTING QUALITY PRODUCE FROM THE FARMERS

You may think that high quality produce can only come from commercial farms. However, experience shows that smallholder farmers in developing countries can produce large quantities of good quality raw materials for competitive prices, meeting various certification and quality requirements. Quite

⁵⁹ See www.haccpalliance.org

a number of companies even prefer smallholder production over industrial farming because of the better quality.

Pre-conditions for quality production by smallholders include:

- Some initial external assistance in the field of quality management;
- Training of the field officers who in their turn work with the farmers to translate market requirements into practice;
- Training and instruction of all other persons in the chain on how to handle the product;
- A price incentive to reward good quality (quality based pricing).

The farming side

In many cases it is actually fairly easy for field officers to work with farmers on improving product quality. It is mainly an issue of care and extra effort. Weather conditions are probably the most important disturbing factor - and people cutting corners in quality management!

The characteristics of proper organic farming are already dealt with in chapter 5. Good organic farming practices like selecting suitable varieties, adequate fertilisation and irrigation, appropriate crop rotation and weed management etc. not only determine productivity, but also size, flavour and shelf life of the product. Excessive nitrogen fertilisation, for example, may result in low product quality. On the other hand, there are only very few crops that do well without any fertilisation (e.g. the cactus fruit).

In organic farming it is more difficult to control the damage that pests and diseases can do to the product. For fruits especially there is a low tolerance level in the market for insect damage and (hidden) diseases. An example is the mango fruit that should be free from fruit fly and anthracnose (a fungal disease). Fruits that do not fulfil the quality requirements for fresh export may still find a market in pulping, juicing or drying, but at a lower price. Preventive measures like pruning of the tree to allow aeration and removal of fallen fruit may therefore be worth the effort as they result in more mangos of export quality.

Quality aspects in harvesting

A bigger and more immediate improvement of quality can be achieved through proper harvesting. Harvesting when the product is ripe is an obvious necessity. A typical example is that coffee berries should be picked when they are red. A lack of timely and regular picking costs dearly in terms of quality and price. Once the coffee cherries are pulped you cannot see what the taste will be - you can only taste it. With other products, like pineapples, the ripeness can be easily seen through the change of the colour, or the sweetness can be measured with a brix refractometer. The Northern markets only take certain (middle) sizes of fruit. When going for sea freight these are often harvested a bit earlier as they continue to ripen until they have cooled down. The smaller and larger sizes should be left for a few more days to reach maturity, and should only then be picked for the local fresh market, for juicing or for drying.

In the case of fresh fruits and vegetables especially, (organic or not organic) there can be problems with basic hygiene during harvesting and product handling. Do the harvesters and packers wash their hands before they start their shift? Where do they relieve themselves? Do they stay away from work when they have stomach problems? Markets increasingly demand the nearby presence of

toilets, running water, soap and clean towels to provide for some minimum hygiene. The presence of these facilities is of direct interest, and is the responsibility of the buyer. This can easily merge with community development programmes. The community will benefit from the presence of a new borehole for drinking and washing while the buyer benefits in terms of better hygiene and safer product. It therefore is in the interest of the buyer to make potable water available.

Separating different qualities

An important quality management measure is to sort out produce of lower quality. In cotton, for example, farmers should keep infested and immature bolls in a separate bag while picking. Once the different qualities get mixed, it is a big job to get the inferior quality out of the batch. Mixing good with inferior quality never pays off! Care also needs to be taken not to contaminate the product by using unclean containers or bags for harvesting.

Post-harvest handling on farms

For some products after harvest operations like drying, sorting and fermentation are done on farm, before the product is collected or brought to a store house. Not all farmers will have the skills, patience, or labour available, to handle these processes with the necessary care to get a top quality product. In the case of cocoa fermentation and drying in Uganda, for example, there are few farmers who manage to process all their cocoa to the top grade.

Lack of hygiene and particularly the presence of free roaming chickens and goats can severely affect product quality. It is already a great improvement to dry the coffee, cocoa or sesame on tarpaulins



Drying sesame on an organic farm in Uganda
(Source: AELBI)

instead of on the soil. As long as the tarpaulins are not used for other purposes it keeps the product clean and free from bad smells. It also helps to collect the product quickly when the rain comes. The whole effort though is useless if chickens or goats enter the scene. But there are also other factors that can affect product quality during on-farm handling. Farmers in parts of Cameroon that are known for their extremely high rainfall, for example, dry their cocoa on thatched drying platforms that are heated by burning wood under them. Subsequently, Cameroon cocoa is infamous for its smoky odour, and taste.

These examples illustrate that post-harvest handling on farms can strongly affect product quality and thus the price that you get in the market. Problems with quality are sometimes the motivation to take on-farm post harvest processes away from the farmers. Examples are central coffee pulperies, cocoa fermentation units or shea butter processing units, which allow control of quality throughout the process. In that case the farmer delivers raw materials only, has less work in processing (and so also his wife), and usually earns a better income due to the improved quality. However, it means that value addition is taken away from the farm to people who need to be paid salaries, to factories that need a sizeable investment, and if the management is not good, it may actually mean a loss of income for the farmer.

On-farm storage?

Most smallholder farmers do not have much storage space, and usually no proper facilities. There are numerous factors that can affect product quality during on-farm storage:

- Are clean bags or baskets used for storage?
- Are the storage facilities clean, and free of bad odours and smoke?
- Are chemicals used indoors to control insects? (DDT is especially a problem)
- Are the products kept sufficiently dry, and off the ground?
- Can insects, farm animals or children enter the storage?

In short, if you want to be sure of a quality product, there is a lot of awareness to be raised, a lot to clean up, and a lot to be inspected by the field officers. Storage at farm level should therefore be avoided as far as possible. Ideally, the produce should be transferred from field to a well-managed central storage facility.

Quality has its price!

When farmers and middlemen are not being rewarded for better quality, the quality of the product tends to be low, and degenerates over time. This is almost always the case in situations where farmers get paid one price, regardless of humidity, impurities, or size. That means that often substantial improvements can be made, and must be made when developing the organic business; but it only comes with a better price for better quality.

Better quality, and price, is usually achieved through extra care and an extra effort. Many farmers, however, do not care too much about the quality of their product, as it is going to be mixed with that of colleagues during collection. You can change this by conducting a quality check at the moment when each individual farmer delivers the produce. Produce that does not fulfil the requirements has to be refused, even when it comes from the village chief, or a farmer to whom money was loaned. You can imagine the scene when refusing the product at intake, but it is a worthwhile process to go through, as quality pays. Once the price goes a bit higher, then more can be demanded from the farmer. Some buyers or collection stores manage a parallel system. They buy the best quality organic product for a better price. Produce of inferior quality is bought as conventional and henceforth kept separately.

9.3 TRANSPORT AND STORAGE OF RAW MATERIAL

Soon after harvest, farmers usually deliver their produce to a collection store. This can be their own primary society store at village level, the central store of their cooperative, or the store of the buyer. Whatever the arrangement, this is a critical point in the effort to secure quality and to do transparent business. What can go wrong during transport between the farm and the collection store and during storage is often ignored.

Quality management in transport

It may be difficult for the farmer to bring their produce to the collection store. If organic collection stores are not widespread and not always open, it might keep farmers from going the extra mile, and they sell the product around the corner for a lower price. When they make the journey, bags may break, or it may rain. They may collectively hire a pickup with other farmers and various things can

happen that may compromise the quality and integrity of the product. Making delivery easy is often a critical factor in getting the organic product, and getting it in good condition. The arrangement of proper storage facilities at village level and a pick up that goes around to collect the product from there may cost something, but is usually worth the effort.

In some cases, intermediary traders are used to collect the produce from the farmers. However, not all of them are willing to comply with the traceability and quality requirements of an organic business. They are often used to a less documented and more flexible system. They may not want to keep such a detailed administration, and they may not want their books to be scrutinised by organic

inspectors. Lack of traceability and quality management in the buying system obviously can have far reaching effects on the business. It is therefore important for the organic enterprise to keep this process in its own hands.



Transport of cashew at Coopercaju, Brazil
(Source: Claro)

Proper storage management

Once the product is brought to the collection store, the storage conditions are much more controllable. Although some products may have specific requirements, the following aspects need to be in place in order to maintain traceability and quality during storage of organic products:

- maintain clean and dry storage facilities
- keep windows meshed to prevent pests from entering
- check quality before taking the product into the store
- proper documentation of incoming and outgoing lots
- proper packaging of the goods into clean bags, bins or containers
- sufficient labelling of each bag or container in local language and English, indicating status (organic, in-conversion) and origin (farmer or farmer group)
- keep bags off the ground and away from walls to avoid formation of moulds
- regular monitoring for storage pests (insects, mice); use of traps if needed
- regular sampling and testing of the produce

Make sure that all staff working in the storage have received sufficient training and clear instructions. It is a good idea to describe the processes in a simple manual which serves as a reference document for the storage manager.

9.4 PROCESSING AND VALUE ADDITION

Value addition does not necessarily mean investment in processing facilities. As explained in the previous chapters, improving quality is an effective and relatively cheap way of creating higher value. Adding certification is another way of adding value (see chapter 2.5). Still, through simple processes

like cleaning, grading, fermentation and drying, or more complex processes like extraction, ginning, pulping or canning, you can add considerable value to your product, and thus get a higher price.

Preparing a product before selling

Farmers deliver a so-called farmer clean product. In most cases the product still needs to be cleaned, graded, and sometimes blended. Providing a cleaner product, (for example sesame with 99.9% purity instead of 99.5%), or grading to the wishes of the clients, are other ways of value addition. For dry products like cereals and pulses, this can be done with simple equipment like sieving and winnowing machines. Other products may require de-husking (e.g. sunflower seeds), de-hulling (e.g. coffee parchment) or milling (e.g. rice) before the product can be sold.



Fermentation of cocoa at Cooperativa El Ceibo, Bolivia (Source: Claro)

The pulping of coffee, the fermentation of cocoa beans or the curing of vanilla beans are quite a different type of processing. There are numerous factors in these processes that determine the quality of the product, and it requires quite a lot of skill and experience to master them. Curing vanilla beans takes at least 7 weeks during which the beans - quite a lot of capital! - need to be guarded closely in a dedicated store.

More sophisticated equipment is needed when for example oilseeds, cereals, pulses or nuts require CO₂ fumigation to guarantee a storage life of six months without insect infestation. It becomes even more complicated when the buyer wants the product to be aflatoxin screened (using UV light), or when it has to be run through a Sortex (optical detection of impurities or inferior product). Whereas there are fairly cheap solutions for starters, professional equipment quickly becomes sizeable investments, which need large volumes to become profitable.

It is not usually necessary to own such facilities. Some of this equipment is available for rent for the weeks that you need them, or you can mandate a sub-contractor who runs them on a commercial base. If facilities are used that normally process conventional products, you need to make sure that they are cleaned beforehand in order to avoid contamination of your organic product.

Further processing

It is true that by processing agricultural raw material, more value addition and employment is generated in the country. That fact that labour costs are low, however, is not a guarantee that the product is competitive. Local conventional industries are often not better and cheaper than in the rest of the world. When not competitive in the conventional sector, why would you be successful in the organic sector? In addition, with increasing globalisation the demands of the market seem to change faster than ever before. Product composition or at least packaging requirements and labels seem to change every year. The market wants the pineapple chunks in their own juice in ring pull cans

one year and the next in glass jars. Don't be surprised if your buyer wants a more yellow pineapple, or the pineapple in passion fruit juice.

It is often underestimated how complicated it is to start a processing operation by farmer organisations and entrepreneurs alike. Processing is a business that is quite different from primary production or exporting raw materials. Organising farmers for organic production, improving quality, achieving and maintaining certification, developing markets for raw materials are already considerable challenges. Only when these aspects are mastered and running well, should one consider investing further into processing. When processing requires other ingredients (certified organic inputs like sugar), or if the buyer wants you to use their packaging and you have to import it, it becomes obvious that processing is not too easy.



Preparing organic bananas for drying in Brazil
(Source: Gebana)

Despite these cautionary remarks, processing (part of) the raw material one or two steps further can still be a worthwhile investment for your business. Besides adding value to your product, it also allows you to diversify your market, and to cater to local and regional markets as well. Extracting oil from sesame or sunflower, or butter from cocoa beans or shea nuts, is comparatively easy and does not require huge investment. Another obvious choice for local processing is fruit drying, for which there are some very successful organic examples.⁶⁰ However, even with computerised hybrid solar driers for this, it is quite a challenge to obtain a high quality product throughout the year.

Although each type of processing has its own particularities, there are some principles to be considered that are valid for all of them:

- Make a feasibility study before you decide to invest
- Check with clients and experts in order to identify the right equipment
- Chose a location which has the necessary infrastructure (roads, electricity, water etc.) and which is located reasonably close to the producers
- Design the facilities in a way that work flows can be optimised and expansion is possible
- Make sure that the people who are in charge of managing the operation have the necessary technical know-how
- Ensure that proper hygiene is maintained (training of staff!) and that appropriate facilities are in place (toilets, fly screens etc.)

What seems to improve the chances of success is a close cooperation between local cooperatives or companies and buyers in the North. This helps in getting financing, in developing the right equipment and product, and in securing at least one market. Some very good examples exist of such cooperation that has even led on to new, innovative products.

9.5 EXPORTING

Exporting agricultural products is a risky business that requires experience and good management. It ranges from preparation for shipment of the goods to handling of payments. There is plenty

⁶⁰ E.g. Burkinature in Burkina Faso, burkinature.iframe.com and BioFresh in Uganda, www.biofreshltd.com

of general information available on how to organize exports⁶¹. In this chapter, you will find some additional guidance specifically for exporting organic products.

Preparation for shipment

There are many examples where the organic quality is jeopardised because of storage and transport conditions during shipment, even when the product is in export packaging. One source of risk is the packaging material. Export bags need to be made of suitable material that does not contaminate the produce. There have been problems because jute bags from Bangladesh were laced with pesticides, to keep the bags themselves in good condition. Wooden pallets on which the bags are loaded may have been treated too.

In many ports, the prevailing rules demand that agricultural produce is routinely fumigated whether it is necessary or not. This obviously cannot be done for organic products, so that you need to get an exception to the rule. Make sure that the



Loading containers on a ship in Paranagua, Brazil
(Source: Gebana)

containers used for shipment are clean and suitable for your type of product. Goods like coffee and cocoa are transported in ventilated containers. When the adjacent containers are fumigated some of it may still enter the organic container. Some of these problems can be avoided if you work with the better and more expensive container lines and discuss this before the exports take place. If you opt for the cheaper ones, it may be more difficult to predict what arrives on the other side. As mentioned before, the overseas customer values the quality and reliability of the product more than that it is a cheap price.

Packaging requirements

Any order should come with a packaging requirement or specification. Considering that the packaging may affect product quality and also can be an important cost factor it is important to be aware of these requirements. The dimensions, material and construction of the container need to be described clearly. Not following these specifications may lead to costly claims when cartons arrive crushed and product damaged. In the case of bulk packaging, the ease of handling at the receiving end but also the cost for used package waste disposal are important factors for the buyer. One should not only take into consideration the requirements of the client but also the specific conditions of the packaging method and transport itself. Packaging fruits on farm, wet from washing, transport over a 30 km potholed road, palletizing and containerising in the open air (rain) is different from bringing the fruits in harvest crates to a pack house which is in the port area.

61 See for example the CBI Export Planner, A comprehensive guide for prospective exporters in developing countries, cbi.nl/marketinfo/cbi/?action=showDetails&id=55&via=pub, the Organic Exchange Export Logistics Guide, www.organicexchange.org/Documents/farmer_expo2.pdf, and specific information on exporting to the EU, export-help.cec.eu.int, and to the US, www.aphis.usda.gov/ppq/precleanance

Prices of packaging materials vary enormously with the number you order and getting some harmony in packaging requirements can save you a lot of money. That is a good reason why entrepreneurs in the same category of product should cooperate, and bulk their orders from the package manufacturer. Ideally you can get price quotations from different locally or regionally based packaging manufacturers. When you tell them what the product is and the market, they can advise you on the options. For retail packed products it is not unusual to import or receive the packaging materials and labels from the country or company you are selling to. The cartons in which the empty glass jars arrive might be re-used for exporting the end product, when you think of it.



Packaging organic dates for export in Tunisia (Source: Gebana)

Packaging a retail product is more prone to changes in buyer preferences than packaging bulk. You would not be the first entrepreneur who orders a container of a certain type of packaging to realise half a year later that demands shift and you are stuck with it. A change in packaging often comes with a change in packaging equipment. Switching from glass jars to ring pull cans is quite an investment. Changing from stapled, paper lined 12.5 kg corrugated cartons to 10 kg glued, polyethylene bag lined cartons might be less of a problem.

The International Trade Centre⁶² has various on-line publications on the topic, even a special email address for enquiries⁶³.

The beetle in the bottle

A European importer of organic essential oils started sourcing organic peppermint oil from a new supplier. The oil which he received was of excellent quality, but to his horror he discovered a dead beetle in one of the aluminium containers. Unthinkable! What would have happened if his customer had received this container with the beetle! The supplier could not explain the presence of the beetle, and thought the importer was making up the story in order to reduce the price. During the next visit of the importer at his supplier, they had a look at the place where the empty containers were stored. The storage place was kept clean, but the containers were stored without their lids - an ideal place for insects to hide! The supplier reacted promptly and cleaned and closed all empty containers.

Labelling requirements

The way a retail-packed product is labelled is subject to specific regulations, in your country but above all in the countries where the product is marketed. The European Union has specific food labelling regulations⁶⁴. You need to confirm the labelling requirements with your buyer. It will include, at minimum:

- The name of the product
- The list of ingredients, starting with the biggest, ending with the smallest volume

62 www.intracen.org

63 packaging@intracen.org

64 ec.europa.eu/food/food/labellingnutrition/foodlabelling/comm_legisl_en.htm

- Net quantity
- Date of minimum durability, or ‘use by’ date
- Storage conditions like ‘keep dry’, or ‘keep refrigerated’
- The name and address of the manufacturer, or packager
- Particulars of the place of origin, e.g. ‘Product of Vietnam’

It is prohibited to try to mislead the consumer. No qualities should be suggested of the product that are not true or not unique to your product.

For your own purposes, and often demanded by the certifier, you will have to indicate a batch number, or date of packaging, to allow for traceability. As product handling is more and more automated during further handling, most buyers will ask you, or provide you with bar codes.

Sanitary and phytosanitary requirements

Food safety scares have led to sanitary and phytosanitary (SPS) requirements. The EU market appears to be more open than the US market when it comes to allowing imports from developing countries, especially fresh produce. The US are particularly famous for their phytosanitary requirements. You should consult relevant websites⁶⁵ and are advised to get specialised help when you want to enter the North-American market. The various requirements are often seen as barriers to trade. This has led the World Trade Organisation (WTO) to develop an SPS agreement. Consult the SPS Information Management System website for more information⁶⁶.

Payment terms

Payments from clients to suppliers, that is from importers to exporters, can be a tricky issue. When selling goods in the international markets, there are various risks for both the exporter (the seller) and the importer (the buyer). You want to be sure that you get the payment for the shipped goods, and your client wants to be sure to get the product quality he has ordered. Payment terms and conditions therefore need to be negotiated carefully, and fixed in the sales contracts. Payment procedures in international trade are in most cases related to Incoterms.⁶⁷ Incoterms are delivery terms such as FCA (Free Carrier), FOB (Free on Board), CIF (Cost, Insurance and Freight) and CFR (Cost and Freight). Each Incoterm has its own risks and responsibilities. If payment terms are related to Incoterms, payment is triggered at the moment the goods have been delivered as specified in the sales contract.

If you are not sure that a client will pay, you can demand a bill of exchange or a letter of credit before shipping the goods. A letter of credit is a guarantee from the bank of the buyer which states that it will pay if all conditions in the related sales contract have been met. You still run the risk that your client may claim that the quality is not up to the agreed specifications. You may therefore prefer to agree on a “cash against document” (CAD) arrangement, meaning that once the container is delivered into the harbour, the buyer has to pay cash in exchange for the shipping documents, before receiving the goods. If the buyer does not pay, you can sell the goods to somebody else.

65 www.aphis.usda.gov/ppq/preclearance

66 spsims.wto.org

67 See www.iccwbo.org/incoterms

On the other hand it is obvious that the buyer wants to have some sort of security to receive the real product s/he has paid for, and not to end up with a container of material s/he can not use or sell. A reasonable way to do justice to both sides is for example to agree with your buyer that 80% of the product is paid “cash against documents”, and the remaining 20% within 30 days of delivery, after analysis of the goods.

It is quite usual for the buyer to have made his decision based on a sample of the product that you provided. Very often, a non-representative sample is sent which means that the buyer expects something better than s/he actually receives. This can lead to discounting or even refusal of the shipment. You must send a representative sample and keep part of that sample for yourself. If there is little mutual trust, you or the buyer can demand that the port agency or a surveyor such as SGS or Control Union takes the sample, and even supervises the loading and unloading of the container, to avoid endless discussions about discounts later on. This is particularly relevant if you cover the costs of shipment and insurance (CIF).

Summary of recommendations

- Make use of the ICS to ensure that the produce is of high and consistent quality. Ensure good quality management during harvesting and post-harvest handling.
- Conduct quality checks when farmers deliver their produce. Pay a higher price for produce of high quality.
- Arrange for proper storage facilities and for suitable collection of the produce at village level. Ensure that traceability is guaranteed during buying, transport and storing.
- Engage in processing only to a degree that you are able to handle. Simple processes like cleaning, grading and fermenting can immediately add considerable value to a product, without involving large investments and risks.
- Before setting up a processing unit, check whether it makes a viable business case and whether the output can meet the requirements of the market.
- Make sure that the packaging material and containers used for shipment are clean and suitable for your type of product.
- In order to ensure that you receive your payment for shipped goods, make certain that reasonable payment terms are defined in the sales contracts. Send representative samples to your clients before shipment.

10 MARKETING

Throughout this guide a number of characteristics of organic markets have been given, especially in chapter 3. This chapter is about marketing: how to get your products to the market, and how to get somebody to buy your products. Some entrepreneurs have a natural gift for marketing, others find it difficult. A lot has been written elsewhere about the marketing of agricultural products in general and in some cases about organic marketing in particular.⁶⁸ This chapter provides you with the basic know-how needed for successful marketing of organic products.

10.1 MARKETING STRATEGY

Until the end of the 1990s, there was a shortage of supply of most organic products. Any supplier could find a place in the international market. Nowadays it is a buyer's market, there is a lot on offer, products are coming in from many different countries, and buyers can pick and choose. Newcomers try to find their place by being cheaper. While that is usually the way to start the business, cheap organic production usually comes with quality and integrity problems. You may start at the bottom of the market but as soon as possible you move up by building a track record of accomplished deals, learning and improving along the way.

Spot market versus fixed buyers

Some organic businesses sell to one buyer. The majority however sells to a number of buyers, into quite different markets. When you supply to a fixed buyer every year, you are part of an integrated supply chain. You may still sell part of your goods on the spot market: this last one is more for speculators. Often organic businesses start on the 'spot' market, and over time find some fixed buyers. How you do your marketing obviously differs depending on the market that you are addressing.

Quick deal or long-term trade relationship?

The Tigray Agricultural Marketing Promotion Agency (TAMPA) supported onion producers in Northern Ethiopia establish links with a wholesaler from a major town in the district. A contract between the wholesaler and the farmers group was signed while the production was at planting stage. The agreed price was 2.20 birr (0.22 dollar) per kilogram. At the time of harvesting, another trader from the region promised the farmers he would buy their onions at 2.40 birr (0.24 dollar) per kg, and they terminated the previous contract. However, he did not respect the agreement, and finally the farmers had to sell their onions at the local market at 1.20 birr (0.12 dollar) per kg. The farmers therefore lost a lot compared to the price offered by the wholesaler who had wanted to establish a long-term trade relationship.

-Ghidey Gebremedhin Debessu, TAMPA, Ethiopia

68 E.g. EPOPA, 2006. Organic Exporter Guide. Hands-on help for exports from Africa. www.grolink.se/epopa/Publications/EPOPA%20Organic%20Exporter%20Guide%202006.pdf;

FiBL, 2004. A Guide to successful organic marketing initiatives.

<https://www.fibl-shop.org/shop/show.php?sprache=EN&art=1338>

Developing a marketing plan

It is not necessary to write out a big plan but it is important to think through a number of areas where you must make some choices, and then that becomes your marketing plan or strategy. The marketing plan is part of your business plan (see chapter 6.1). When you review it a few years later you will appreciate it and will realise how much has changed. Typically, a marketing plan includes the following steps:

1. Market overview – trends, market segments, target markets
2. Competitive review
3. Strengths, weaknesses, opportunities and threats
4. Sales goals & marketing objectives
5. Strategies
6. Marketing budget
7. Timing

Joint marketing of cotton from West Africa

In order to reach a strong market position you can also choose to form strategic partnerships with other producer organisations or businesses. During a workshop on organic and Fair Trade value chain development, several participants involved in the production and marketing of organic cotton from West-Africa discussed together how a strategic partnership concerning joint marketing could strengthen their market position.

Sensitising the customer on the competitive advantages of organic cotton from Africa is a costly activity which can also require marketing activities in the target countries. As all West-African organic cotton producing organisations and their supporting partners have this same goal, they could easily design a joint strategy and then share the costs of the execution of their marketing strategy.

Other joint marketing-related activities could be:

- pooling the volumes of organic cotton on offer
- developing a joint data-base on potential clients
- jointly communicating with potential clients on available quantity and quality
- establishing a joint trading house for West-African organic cotton
- joint capacity building of the marketing specialists of the individual organisations
- jointly developing marketing tools such as websites, brochures, etc.
- joint participation in trade fairs.

There is a lot of general information about making marketing plans on the internet. Some of it is not so relevant to the context of an organic agriculture business. In some cases information is promised for free, but very soon you are triggered into buying something. Nevertheless it is a good idea to surf on the internet to get inspiration for developing the content of a marketing plan.⁶⁹

⁶⁹ Useful websites are for example www.knowthis.com/principles-of-marketing-tutorials and www.quickmba.com/marketing/plan

10.2 THE 4 PS

A helpful exercise in order to develop your marketing strategy is to think in the 4 Ps.⁷⁰ These are Product, Price, Place and Promotion. An example is given below.

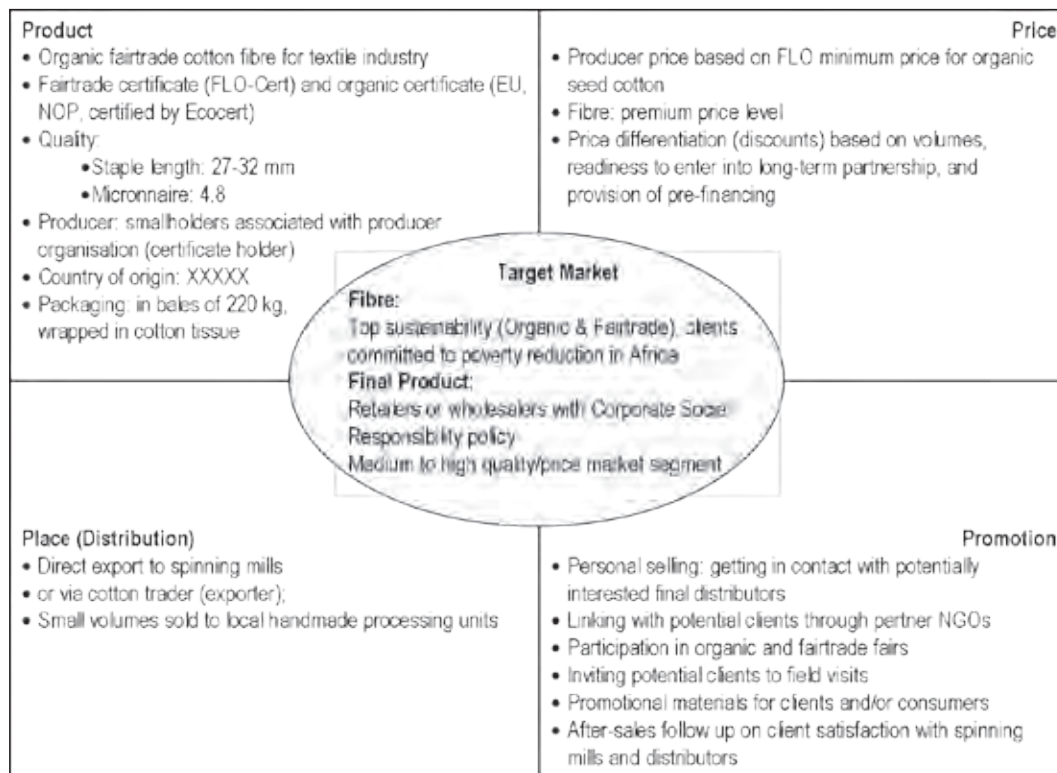


Figure 21: Example of the 4Ps for marketing of organic-Fair Trade cotton from Africa

Product

Do you know your product details: the variety, the specification, what exactly you are selling and how it compares with that of your competitors? How are you doing your shipping, what are the payment terms that you are proposing? Is there a story behind the product (e.g. the impact on the farmers' livelihoods)? Also, have you asked the various buyers precisely what they are looking for? Can you supply that?

If you are a coffee exporter, it may be fairly easy to determine whether there is a market for your coffee, organic and/or Fair Trade, as most origins are well known to most traders. For many products however, the market depends very much on what your product exactly is. Many buyers will insist on seeing and testing a sample before they can say whether it is a product they might be interested in. Send them a representative sample and always ask them for the results of their analyses; there is much to learn from these.

Price

The way you price your product gives it a certain position in the market. Prices of organic products are subject to supply and demand. For many commodities the conventional world market price is taken as a reference, with a certain fixed or percentage premium added, for example 15%. That is still

⁷⁰ For a detailed description, see www.netmba.com/marketing/mix

just an idea of the price; throughout the year prices will vary to some extent. In times of temporary shortage especially, prices can shoot up. If there is an oversupply or glut, prices can even fall to conventional levels.

There are 4 types of pricing strategies (Figure 22):

- **Penetration Pricing:** The price is set artificially low in order to gain market share. Once this is achieved, the price is increased.
- **Economy Pricing:** This is a no frills low price. The cost of marketing is kept at a minimum. You use the cheapest certification body. You offer a product and that's it, no questions asked.
- **Price Skimming:** You can charge a high price because you have a substantial competitive advantage, or because there is a shortage in the market. However, the high price is not sustainable, it actually attracts new competitors into the market, and the price inevitably falls due to increased supply.
- **Premium Pricing:** You use a high price because there is uniqueness about the product or service you offer. This approach is used where a substantial competitive advantage exists. Such high prices are charged for example for specialty coffees.

		Quality	
		Low	High
Price	Low	Economy	Penetration
	High	Skimming	Premium

Figure 22: Pricing strategies matrix (Source: www.marketingteacher.com)

You will normally agree on a price in US \$, sometimes in EUR. At the time when you set the price the calculation may be correct. However, payment date may be 2 or 3 months away. If you agree on a price before you buy from the farmers you have to be particularly aware of the risks you run with the exchange rate and the farm gate price. An example of how the profitability of the business can completely change is given in chapter 6.4 (sensitivity analyses).

To reduce these risks the two parties can agree on a price setting mechanism, which possibly also involves the farmers (associations). You reduce the risk but at the same time you increase the opportunity to get the best possible price.

Place

Most businesses like to sell themselves. In some sectors you have the choice to supply to an agent, a distributor. Examples are weekly consignments of fresh fruit sent to Europe by sea freight. Nobody really knows what the market situation is in two to three weeks time when the fruits arrive at the market. As it is a perishable product you are at the buyer's mercy. In such a case it might be advantageous to work with a commission agent, who knows the market inside out and is always able to sell the fruit for the best possible price. You cannot deal with that from say Ghana, Cameroon or Costa Rica.

Another example is with shea oil or butter. If you want to supply the cosmetics market you have to deliver relatively small volumes, perhaps 1500 kgs. When supplying from West Africa, you have to ship such a small volume by air freight. The alternative is to ship a sea container and have stock somewhere in Europe from where the product is distributed from. Such distributors often become partners in your business. The same happens with spices.

There are some efforts going on to promote internet based trading platforms.⁷¹ In organic businesses where quality and integrity is of more importance than in the regular trade, this interest is limited. For business in developing countries where it is already difficult to do normal business, selling products over the internet adds yet another dimension. However, it is an interesting platform to see what is around. You can always place your product on such a website and see what serious and not so serious offers come in. If it becomes serious there will be personal contacts made.

Promotion

The most important way of promoting your product, your company, is through communication with your clients. This is the Achilles heel or weak point for many start-up businesses that often feel somewhat insecure; you have to be able to present yourself, you have to communicate well.

You can start with compiling information for a company brochure, with the history and location of the project, the production base, what has been achieved by the project over time, what the plans are for the future, and ending with product information like product specification, volumes, harvest season, and packaging options.⁷² The next step is to formulate your unique selling proposition, USP. You come up with the reason why your products stand out: are they better, cheaper, or targeted to a specific market niche? The particular mix of core benefits of your products is the basis for the promotion of your products; that is what you are selling. If your product does not stand out, then your service needs to make the difference. Stress that element. Are you better at delivery times, payment terms, and answering the phone than your competitors? For further information, see "Your Image Builder"⁷³.

You could print this information as a nice brochure but you first should think through where you would distribute this brochure. If you don't intend to go to trade shows there is little use in having such a brochure. Another option is to prepare product description sheets for each product you have on offer, which still can include information on the initiative on its back (see the example in Annex

⁷¹ One example is www.greentrade.net

⁷² For examples of brochures, see www.grolink.se/epopa/Publications/index.htm#Brochures

⁷³ SIPPO/CBI, 2003. Your Image Builder. www.sippo.ch/internet/osec/en/home/import/publications/sippo_and_partner.html

A6.1). You need this kind of information at hand whenever someone contacts you or somebody else from your company. Your people need to all tell the same story.

The same type of information is often placed on a company web site. While a lot of people take pride in having a website, its usefulness in terms of promotion is often limited, if the website is not easily found by an internet search, or the content is not updated. However, a well maintained and well linked website can be a useful tool to promote your products. In some countries, the national movement or association has an internet platform where all members can present their products. Whatever medium you chose, you have to refresh the information at least once a year.

10.3 BUILDING AND MAINTAINING CLIENT RELATIONS

Personal contact is of primary importance in organic marketing, more so than in general trade. For a business relationship to become more than a one-off deal you need to build a personal rapport with your buyers. Whereas in conventional trade your product usually goes into an anonymous supply, this is not the case in organics. Buyers, retailers and even consumers want to know where the product comes from.

When you are new in the organic business you may be at a loss to know how to get your first contacts. The GreenTrade website may put you in contact with potential buyers.⁷⁴ The catalogues of past trade shows are also good sources of information. Ask a friend who visits a show to bring a spare copy of the catalogue. In some cases like the Biofach, these catalogues are on-line. The Chamber of Commerce, Export Board or foreign embassies often have databases with requests. You may want to talk with someone about your ideas. Another entry point could be local organic conferences where the organisers have invited some international speakers. They may not be in your line of business but they may still give you some advice and contacts. However, there is no better place to meet potential buyers than at an international trade fair.

Participating in trade fairs

To keep your commercial relationships up to date, it is best to meet your main buyers every year. Unless you have the funds to visit them one by one, or for inviting them one by one to visit your place, there is no better way for doing this than at a trade fair. There are a number of specifically organic trade fairs, there are international and regional organic trade fairs, and increasingly you will find organic suppliers also exhibiting at general trade fairs.

Trade fairs are a good place to let buyers know that you are in the market: to show yourself, to see what others are offering, to compare yourself with the competition. It is a good place to meet your (prospective) buyers, and to understand their requirements. It is an excellent place to see and discuss how the market moves so that you can adapt yourself in time. Very often important orders are agreed on. Some of your buyers may invite you to visit their premises before or after a trade show. It can be a very worthwhile investment. A few weeks after the trade fair you should use all this information to evaluate your business and - if necessary - to adapt your marketing strategy.

⁷⁴ www.greentrade.net

The main organic trade fairs

- The oldest and biggest organic trade show is Biofach⁷⁵ in Nuremberg, Germany, in February each year. Biofach is so successful that it has spread to other countries like the US, Japan, China, India and Brazil.
- The All Things Organic show⁷⁶ in Chicago is the main event for the US and Canada. It is organised by the Organic Trade Association⁷⁷, the organic business association in North America.
- In the UK, the main show is the Natural and Organic Food Expo⁷⁸. As the name indicates it is both for certified organic products and for natural products. That includes food supplements.
- In Dubai there is the Middle East Natural and Organic Products Expo (MENOPE)⁷⁹, which would give you a glimpse of the Middle East market.
- The European Fair Trade Fair is a new exhibition specifically for Fair Trade products, so far held in France⁸⁰. This is interesting if your organic products are also certified Fair Trade.

There are many more national shows where local producers and buyers meet, but also buyers come from abroad looking for goods to import. These are not usually as interesting for exporters from developing countries to visit or exhibit at.

For the local or regional market you should look for local or national trade shows. Quite often the organic associations will have a booth there. This may help you in developing your national or regional business. Do not forget: you can export your product as certified organic but it may be a lot easier to sell volumes of good quality product as conventional in the local market.

How to get to international trade fairs

You can choose to go as a visitor, or you can have your own stall. There is quite a difference. The first is sufficient if you just want to look around, or you already know your buyers. If you are not yet known you may have to make the investment of exhibiting. That is, for many, fairly expensive but it is also a hassle to organise. There are a number of agencies that have programmes to support you going there. Sometimes this is part of a wider activity to assist you improving your business. Examples are CBI⁸¹, SIPPO⁸² and CDE⁸³. In some countries, the Export Promotion Board has such schemes, too.



For established companies it is a regular activity to visit trade shows, but it is quite a step for a start up company. For African exporters there is an Africa Pavilion⁸⁴ at the Biofach. It is organised centrally but each country or region has a local coordinator who supports exporters and visitors to organise a

75 www.biofach.de

76 www.organicexpo.com

77 www.ota.com

78 www.naturalproducts.co.uk

79 www.biztradeshows.com/natural-organic-expo

80 www.salon-europeen-commerce-equitable.org/en

81 www.cbi.eu

82 www.sippo.ch

83 www.cde.eu

84 www.organicafricapavilion.com

country stand. Exporters from other continents depend on their export board to organise a country stand. These agencies help you to prepare for such a trade show, and advise on the flyer or poster to make, and on what samples to take. They can give you a list of potential buyers who also exhibit. This is always done by cost-sharing: inevitably you'll have to pay part of the costs yourself, even if it is only the flight.

If you go to a trade fair the SIPPO manual 'From contacts to contracts' is a very good guide to help you get the most out of your participation.⁸⁵ Do not forget that it is one thing to make a good presentation during the trade show but that the 'proof of the pudding' comes after it. You should plan to follow-up on what was discussed during the meetings, send reminder letters, etc. Only then it is an investment that will pay off.

Maintaining client relations

Communication is key in maintaining client relations. In international trade, this primarily happens through email. Be very serious about how you handle your e-mailing. Respond to e-mails within a week at the latest. Otherwise you will create the impression that you are not in business. Telephoning may be the main communication at home, but international calls are often still prohibitively expensive. Skype (Voice Over Internet) offers some cheap or free opportunities and is increasingly used.⁸⁶

If you are in the field or abroad, and so not available to buyers, delegate communication tasks to someone else. You can still keep in touch by phone with your staff if there are queries over how they should reply. With some businesses it is only the director that is allowed to communicate with clients. This does not give a good impression as no one wants to work with a company that hinges on one person only (see also chapter 6.7, management capacity).



A farmer cooperative in Bolivia meets a client for fairtrade organic cocoa (Source: Claro)

You have to respond to enquiries from potential buyers. Some of these will not be serious interests; they are just to find out what your offer is. There is no harm though in checking back with them a few months later. It is more important that you follow up clients with whom you have done business before. Get their feedback - are they satisfied with your product and service, what could be improved the next time? In case of an unhappy customer, do not hide. Do not think up excuses but try to come up with solutions.

It is most important that you are reliable. It is a big mistake to promise to deliver if you can't. Do not forget that your buyers all communicate with each other, tell stories but also buy from each other. How do you want to be remembered when they talk about you? Do you want them to say 'Ah, that is a good one', or do you want them to say 'Oh no, not that one'? Some exporters don't want to tell anyone with whom they have done business and for how long and what their experiences were. There

⁸⁵ www.sippo.ch/internet/osec/en/home/import/publications/sippo_and_partner.html

⁸⁶ Available for free download from www.skype.org

are exporters who have supplied about every buyer, but every time it was a one-off. If you can show that you fulfilled your contracts for three years with a certain buyer, and that you never failed on a contract, then you are in a good position for finding a better market.

Why do buyers stick to you?

Having a couple of loyal buyers is one of the most important success factors for your business. Below you can find a list of reasons why buyers may stick to you:

- You deliver the desired products and volumes; you have consistent quality, year after year.
- You follow up professionally on complaints about quality. You ask for evidence, you investigate, you explain, you learn from it.
- You can be easily reached. You respond seriously, even to difficult issues. When you are not there, there is somebody else in your organisation who can respond.
- You have clear information on how far you can go with your prices, and you explain why you cannot reduce further. You know your numbers and you know the alternatives.
- You are willing to listen to your buyer's problems. You don't tell stories or have excuses all the time.
- You inform them about problems at your end if they do the same with you. You act like a partner.
- You can keep a secret or two (so that they tell you more...).
- When you promise something, you keep to it. You are reliable and trustworthy.
- You can deal with their competitors, but are open about it instead of denying it, or giving them a feeling that you are cheating them.
- You are willing and capable to adjust, improve, and expand.

10.4 WHAT ASSISTANCE AND SUPPORT CAN I GET IN MARKETING?

In most countries there is an Export Promotion Board. They may have information; they may have a programme where you can get support, like visiting international trade fairs. There may be donor-financed Private Sector Development programmes that have a market development component. See for example what USAid⁸⁷ is doing in your country.

The Dutch Centre for Promotion of Imports, CBI⁸⁸ has an Export Coaching programme in the field of natural ingredients for food, pharmaceuticals and cosmetics. Organic fits under that, and exporters from 30 countries can apply. Upon pre-selection, you are visited by an expert who makes an audit to see how ready you are. This leads to an action plan, and you can get assistance from experts who visit but also correspond with you. You can participate in the EXPRO seminar, which includes a familiarisation study of the supply chain on the importer's side. At the end of the seminar you write up an export marketing plan. You then start preparing for participation in a major trade show, such as Biofach. Participation in the show is for three years. It is subsidised but you are expected to take over the costs increasingly.

⁸⁷ www.usaid.gov/our_work/economic_growth_and_trade

⁸⁸ www.cbi.eu

SIPPO is the Swiss Import Promotion Programme⁸⁹. It has the facility to support producers in participating in selected trade fairs: again Biofach is one of them. The SIPPO homepage has a range of publications on export-import related topics.

If you are also Fair Trade certified you may benefit from support provided by local coordinators of the Fair Trade movement. Various organisations support their producers' organisations. The international Fair Trade Labelling Organisation (FLO)⁹⁰ has regional coordinators on the ground that support new and existing producers to improve their business. Also Twin Trade⁹¹ in the UK has a partnership programme.

Summary of recommendations

- Think through the main points relevant for successful marketing of your products (target markets, competitiveness, marketing strategies and budget etc.).
- Decide how to position your product in the market (product specification, price, distribution channels, and promotion).
- Find out the exact specifications of your product; if necessary get it tested for quality parameters. Be clear on how your product compares with that of your competitors.
- When agreeing a price with a client, be aware of possible fluctuations in local market prices (farmers may sell in the open market) and in exchange rates.
- Check out options for selling to agents or wholesalers who know the market and might be able to keep stocks at central locations.
- Prepare yourself for interaction with clients in a professional way. Present your business and offer in a suitable way (e.g. brochure, web site), and make sure that the provided information is up to date.
- In order to get in touch with potential buyers and to get to know the market, participate in international trade fairs specialising in organic products - either as a visitor or an exhibitor. Good preparation and follow-up are crucial for making a successful trade fair visit.
- Ensure prompt and reliable communication with your clients. Get their feedback, and try to find solutions in case they have complaints.

89 www.sippo.ch

90 www.fairtrade.net/what_we_do

91 www.twin.org.uk/PPP

11 MOVING UP

Once your business is set-up and going well, you will probably think about the next step to take in order to expand, improve, and consolidate. This chapter takes up a couple of topics that are worth considering at this stage. It is about reaching out in scale and depth (impact), and the need to constantly change and adapt. It ends with some reflections and guidance concerning the role of your business in a national and international context.

11.1 SCALING UP

Donors usually limit their support for the development of value chains to an initial phase in which the costs are still high as outreach is limited and research and extension are rather intensive. In the first years, the “cost of intervention per farmer” is high. Once the field staff and the farmers find out what works, the first farmers are certified and a market has been reached, more farmers can join in, and costs per farmer should go down substantially. Economies of scale kick in (see chapter 6.4). Buyers normally want larger volumes once they are satisfied with your quality. It is therefore important to develop a scalable approach, and to think and work in phases of developing your business. You might start with 200 farmers, and your plan is that 6 years later there will be 1000 involved.

Scalability

In some value chains it is easy to scale up as long as there is a growing demand for the product and enough farmers who are interested in becoming part of the initiative. Other chains are small and will remain small. In this case high initial start up costs may not be justified. As all business needs to start from market demand, the trend in this demand is a critical factor in scalability. If market demand increases too fast for production to keep up with it, one might lose buyers as they go elsewhere. There is an extreme example where a group of farmers in Uganda got a trial shipment of pre-packed dried fruit together. Two weeks after arrival in Europe, the customer sent a message that he wanted 3 times more, immediately, as the product was selling very well. This kind of jump in demand is difficult to respond to, and may even lead to the end of the business relationship (as it did in this case).

Scaling up organic cotton production in West-Africa

In 2002, Helvetas (Swiss Association for International Cooperation) started supporting cotton farmers in Mali to convert to organic production and to access Fair Trade markets in Europe. Within four years, the initiative that had started with some 200 farmers grew into a producer organisation with almost 2,000 members. New organic cotton initiatives were subsequently started in Burkina Faso, Senegal and Benin. By 2008, in response to strong market demand, the number of organic cotton producers in these initiatives had grown to 13'000. Besides cotton, the producer organisations also started dealing with sesame, shea and other crops. Quick expansion of organic cotton production in Asia and a slow-down in global demand due to the economic crisis lead to an oversupply of organic cotton in 2009. As the crisis also affected some of the buyers of the West African cotton, the producer organisations decided to halt expansion until the market situation relaxes. Farmers were encouraged to reduce their cotton area to some extent, and to grow sesame, peanuts and fonio instead, for which market prospects were better. In the end, the crisis stimulated efforts to diversify production and markets, to increase efficiency and thus reduce the cost price, and to intensify local processing and value addition.

On the other hand, if market demand halts, growth of production may stall as well. This was observed in organic cotton projects in West-Africa in 2009, where expansion was temporarily halted as a result of oversupply at global level (see box). This reiterates the point that a business should preferably not be dependant on one product or one market alone. As a last resort there should also be a conventional market. Have an emergency market in mind all the time.

A group of organic pineapple growers in West-Africa started processing pineapples and had to consolidate their production process and increase their market first before they could include more farmers. In general it is good to have a certain buffer: that there are farmers waiting to sell to you, or that there are mechanisms to buy more or less from the farmers. That means that you, or the farmers, need to have alternative (local) markets in times of lower demand.

Adapting to scale

When your business has grown significantly, it is likely that you will need to revise some of your structures and processes and adapt them to the new scale of operations. You will probably need to redefine roles and responsibilities within the organisation and may need to hire additional people to whom you can delegate tasks that you are not able to handle all by yourself any longer.

An extension system that covers 5,000 farmers needs to have more sophisticated management processes than one for 200 farmers. In order to realise lower costs per new farmer reached, less staff intensive methods need to be developed, e.g. by involving farmer leaders who train other farmers. For specific new target groups or for a new product, however, higher capacity building costs could be temporarily justified.

Another issue in scalability is the internal control system: the bigger the group of producers gets, the more developed the ICS has to be. At some time you may need to revise and re-organize the whole system. That is perfectly normal when business grows.

11.2 HAVING AN IMPACT

As a mature organic business you not only want to see good figures in your books, but you also want to be sure that what you are doing benefits the farmers, the environment, and the country. You probably also want to let others know, so that they buy your product or support your work in some way. Some donor agencies insist on monitoring the impact of their support. But how can you find out the actual impact of your work?

Measuring impact

Impact in this context refers to the change in the economic, social and environmental situation of the involved farming communities that is induced by the organic business. It goes beyond the increase of income; it also looks at how the additional income is distributed and spent, and how the overall livelihood situation changes (see box).

A first approximation to assess the economic impact is to consider proxy indicators that can be easily observed, e.g. the change in the number of farm animals, motorbikes or brick houses. You can do this more systematically by conducting a baseline study before the first marketing season, and comparing with the changes after a couple of years. However, there can be various reasons for

these changes, many of which are not related to your intervention (general economic development, climatic conditions etc.). These should be identified. Another approach to assess the impact of the organic business is to compare organic farmers with a similar group of conventional farmers. For this one needs to select representative samples of organic and conventional farms located in the same area and to collect the most relevant impact data. It is better to focus on a limited set of data which can be easily collected, rather than getting lost in surveys that are too complex.

Before you get engaged in impact assessments, it is a good idea to get familiar with the basic concepts⁹², and to have a look at some examples⁹³.

Typical impact indicators

- crop shares in cultivated land
- crop yields
- gross margins of crops (revenues minus input costs)
- work load and distribution
- household revenue and its utilisation
- soil fertility (e.g. organic carbon content)
- health and nutrition status
- change in gender relations
- ability to cope with risks

Getting to know your impact

You can use this kind of methodology yourself to monitor direct economic impact. Your field staff should be able to conduct a survey among samples of organic and conventional farmers in a period of the year in which they are not so busy. Ideally, you involve the farmers in keeping simple records on input costs, yields and revenues, which they are usually able to do with some assistance of your field staff. More sophisticated assessments, for example of gender equity, health or vulnerability, require more expertise and should be left to specialists.

With a bit of luck you can find an external agency that will do the impact assessment for you, with or without your field agents being involved, for free or for a little money. This could be thesis students from a national or foreign



A researcher interviews an organic farmer for an impact study in India (Source: Helvetas)

92 Useful websites on impact assessment in general are www.iaia.org, and for environmental and social impact in particular www.isealliance.org (Standards Tools ->Assessing Impacts)

93 Examples of impact studies in organic farming are available on the following web sites: www.epopa.info; www.organicandfair.org; www.fibl.org

university, or consultants mandated by the organisations that support you. You then get an independent report, which is more credible.

There is always a lot to learn from such a study; it is another way of looking at what you are doing. Often such studies indicate ways that you can improve your impact, and provide you with suggestions on how to consolidate and expand your business. They may also show weaknesses, and be critical. Don't take that personally - there should always be something to improve!

11.3 CONSTANT LEARNING AND IMPROVING

Any business can only become successful when you constantly observe your performance, learn from positive as well as negative experiences, and know how to adapt yourself to the changing environment - the local environment as well as the market.

Performance indicators

What do you measure as an indicator of success? Is it the volume of products sold, or how much is in your bank account at the end of the year? There are other performance indicators that are worth taking a closer look at:

- Real cost price at the end of the season compared with calculated cost price beforehand
- Cost of field staff per farmer and per product output
- Quantity of product sold per farmer
- Isolated costs per unit of output (certification, logistics, management, marketing, financing costs)
- Increase of income for your business as well as for the average farmer
- Accuracy of your risk assessment, and how you addressed these risks
- Number of non-compliances identified during inspection
- Number of farmers wanting to join the initiative
- Staff turnover
- Complaints from clients

Continuous improvement

As you would expect, there are certain techniques developed for periodically assessing your business performance. One of them is called the PDCA cycle, which stands for Plan-Do-Control-Act.⁹⁴ It means that you plan your activities, you implement them, you measure (control) and then you act on what you have found.

It is important to involve your team in evaluating the performance of your business, as they may be aware of problems you might overlook. If they are involved in the analysis, it is more likely that they will implement the necessary corrective measures. You can do exercises like asking yourself and your team the following questions:

- How organic are the farmers we work with? How sustainable is their farming system? Are they reliable suppliers; how loyal are they to our business; how loyal are we to them?

⁹⁴ en.wikipedia.org/wiki/PDCA

- Do we have a proper book keeping and data management system; do we get the information that we need to optimise the business?
- Where did we gain and where did we lose business opportunities? How do our clients perceive us, and what could we do to improve client relations?
- How did the environment in which we operate change, and how about the markets which we are targeting? What did we do to respond to these changes?

You will see that it is very worthwhile to do this kind of self-assessment, and you will probably detect some points to help you improve your internal business performance. Only continuous improvement and adaptation will keep you in business in the long term.

11.4 NATIONAL AND INTERNATIONAL NETWORKS

Most business people - organic or not - start up their ventures on their own. Many think that involvement of others may create dependencies and make you vulnerable. On the other hand, there is a lot to gain from collaboration with other businesses and initiatives that have similar goals.

Collaboration at national level

The development of an organic sector in your country also benefits your business. Of course you run your business on your own, but it is better to communicate, coordinate and perhaps even cooperate with fellow initiatives. In a number of countries there are national movements or NGOs with the specific purpose of facilitating the development of the organic sector. By being a member, you support this development and also keep in touch with likeminded individuals.

There can be benefits on the political level (see chapter 4.3) as well as on the business level. Exchanging information about suppliers of inputs, certification bodies or other service providers easily pays off. In some cases trainings are organised on a national level, like certification updates, or on maintaining your ICS. Some national organic movements organize round tables where stakeholders of a specific sub-sector come together to coordinate their activities. Others receive donor funding for trade related activities, like organising a stall in national and international fairs, or developing local markets.

Doing things together may be difficult at times, but should bring benefits in the end. Even if you think that the national movement is NGO-driven and thus not your style, it may still contribute to a more suitable environment for your business. It is therefore still worthwhile to be a member, a quiet but supportive member, or an active member when you can. Basically, the more you give, the more you will get out of it.

A better bargain

Pineapple exporters in Ghana are known for their ferocious competition, yet, there are some common interests. It was found that the price that exporters paid for the same pineapple cartons differed by 200%. As the cost of packaging is about the same as for the fruits that go in it, pooling of the carton orders quickly paid off. Finally they decided to cooperate.

What can you expect from international networks?

On an even larger scale there are international networks for organic agriculture and Fair Trade. The most relevant international networks for organic businesses and Fair Trade are:

- IFOAM - International Federation of Organic Agriculture Movements (www.ifoam.org)
- Organic Exchange - a business network of the organic fibre and textile industry (www.organicexchange.org)
- FLO - Fair trade Labelling Organisations (www.fairtrade.net)
- WFTO - World Fair Trade Organization (www.wfto.com)

These organisations provide information and produce publications on organics and Fair Trade, and links to other businesses and organisations (directories). They organise meetings and conferences where you can learn more about specific topics and make useful contacts. They all have newsletters that keep you informed about new developments in the sector. Last but not least they lobby for an enabling policy environment, and have their own projects to support initiatives in developing countries. By becoming a member of one of these organisations, you become member of a global community. You get access to information and networks, and you can actively participate in shaping the development of the sector.

Another option is to join a community of practice formed around your field of interest. A community of practice is an internet-based platform on which practitioners exchange know-how and discuss topics of joint interest. An example is the Global Organic Cotton Community Platform (www.organiccotton.org).

Summary of recommendations

- Develop a scalable approach, and work in phases of developing your business.
- Do not depend on one product and one market alone, as your growth plan may otherwise be disrupted by fluctuations in market demand.
- Keep flexible to react to the market and think of alternative markets in times of lower demand.
- When your business has grown substantially, adapt your structures and processes to the new scale.
- Assess the impact of your work by monitoring changes of economic, social and environmental indicators over time, and by comparing "your" farmers with similar conventional ones.
- Review the performance of your business in regular intervals with the help of meaningful performance indicators and suitable methods (like PDCA).
- Involve your team in a self-assessment of your business, and address identified points to improve business performance.
- Collaborate with likeminded businesses and organisations to jointly develop the organic sector in your country.
- Join international networks and communities of practice in order to get access to information and know-how.

12 WHAT ROLE FOR FACILITATORS, GOVERNMENTS AND DONORS?

As stated in the beginning, the guide is primarily written for people directly involved in organic businesses. This last chapter addresses organisations that support the development of organic businesses and value chains. These can be NGOs, development agencies, local governments and donors.

12.1 FACILITATING THE DEVELOPMENT OF ORGANIC VALUE CHAINS

Typical facilitators of organic value chains are development NGOs and business development programmes. Their role is usually a temporary one, needed until the point of time when an organic business is economically and institutionally viable and the value chain is functioning well. If some kind of facilitation is needed permanently, it should be offered by a service provider and should be paid for by the chain actors (see chapter 4.2).

What role for facilitators?

The role of the facilitator is to develop and strengthen the capacities of chain actors and service providers, and to help them overcome hurdles and bottlenecks. In a situation where organic production and marketing are entirely new, the facilitator can also make information accessible, stimulate innovation, and support interested chain actors in building the necessary capacities.

One important function of value chain facilitation is to link suitable stakeholders (producer organisations, processors, buyers, certification agencies, finance) and to ensure that they mutually communicate their requirements and coordinate their activities. The facilitator needs to make sure that all stakeholders are heard, and mediates between the different interests of the chain actors. Doing this in a way that is accepted by all stakeholders is much easier for a neutral organisation than for a value chain actor.

The following activities are suitable to facilitate the development of organic businesses and value chains:

- Convening information events in which interested stakeholders can learn about the basic aspects of this business (production systems, certification, markets), and the available support;
- Providing organic businesses with initial links to suitable value chain partners (e.g. processors, traders) and service providers (e.g. business development services, financial service providers);
- Organising workshops in which value chain actors can learn about how to set-up an organic business;
- Organising periodic round tables at which the different stakeholders of a value chain coordinate their activities and discuss how to address challenges jointly;
- Coaching value chain actors on implementing their role, and stimulate the development of the required capacities (participation in trainings, exchange workshops, exposure visits etc.);
- Lobbying to create a more enabling environment for organic value chains (see chapter 12.2).

What should be avoided?

There are a number of activities that facilitators should be very careful not to get engaged in (see box “common pitfalls”). Facilitation implies that you do not get directly involved in the value chain - you do not produce, buy, sell, or provide services that are permanently needed. If an NGO or government programme that is designed to last only for a few years takes up core functions of a value chain, the entire chain is likely to collapse once the support ends. A competent agricultural advisory service and an internal control system, for example, are essential for the functioning of an organic production initiative. These services should therefore not be provided by a development project. However, the facilitator can support the initial development of the necessary capacities by helping the actors to design suitable systems and tools, and to recruit and train the necessary staff.

Common pitfalls in facilitating organic value chains

- Taking up or subsidising core functions of the value chain such as operating the extension and internal control system, or conducting marketing activities.
- Being biased towards some actors, e.g. exclusively promoting farmer's interests.
- Motivating actors to cover more functions than they are able to manage.
- Putting people in place who do not have the required experience and skills, including foreign ‘experts’.
- Focusing only on one product, ignoring the importance of rotation crops or the farm system.
- Focusing only on one (export) market, ignoring the importance of product and market diversification.
- Narrowly focusing on certification aspects, neglecting the need to address quality issues or field problems like pest management.
- Neglecting the aspect of scale (break even!) and scalability (impact!).
- Missing important aspects influencing the value chain (e.g. government policies, competitive disadvantages).
- Hanging on to the pilot phase; lacking a clear exit strategy.

Often, development projects are too ambitious, i.e. one wants to do too much in a too short a time period. Farmer groups or business have to take on more than they can handle, and are left to their own devices at a too early stage. This may result in failures which frustrate producers, entrepreneurs and donors alike.⁹⁵

12.2 CREATING A CONDUCTIVE ENVIRONMENT FOR ORGANIC BUSINESSES

The success of an organic value chain initiative depends to a considerable extent on the business environment in which it operates. Do government policies further or hinder organic production? Are legal provisions in place that will enable private businesses to enforce contracts and to prosecute fraudulent practices? Can agriculture-based businesses get access to credit? Do agricultural research

⁹⁵ See also Lusby, F. 2006. Useful Principles for Adopting a Market Development Approach for Enterprise Development Organisations. In: International Journal of Emerging Markets Vol. 1, No. 4.

and extension services cater to the needs of organic farmers? In many countries, the answer to most of these questions is “only to some extent” or “not really”.

Working towards an enabling environment

Some aspects of the business environment of a specific country cause obstacles to agro-businesses in general. Weaknesses in transport infrastructure, financial services and legal systems affect many types of businesses, and are not easily changed. However, there are some aspects that cause obstacles specifically to organic businesses. Pesticide application schemes, compulsory fumigation of agricultural goods for export, fertiliser subsidies and the promotion of GMOs are typical examples.

For identifying these obstacles, it is important to consult with and listen to the practitioners involved in organic value chains. In the case of Uganda, the organic export sector came together after realising that the plan of the Ministry of Health to spray farmers’ huts with DDT to control malaria was seriously jeopardising their business (many farmers store produce in their huts). Guided by the national organic movement (NOGAMU) they convinced the government that in the organic areas less hazardous insecticides would be sprayed.

In many countries, there are either national or international schemes to support the development of agri-businesses. Often they include cost sharing arrangements for setting up processing or storage facilities, or export promotion programmes. Organic businesses should be able to benefit from these schemes as well. Transparent and proactive information about the existence of these schemes, for example via the organic agriculture movement of the country, is a first step in this.

Organic agriculture policies

In most countries with an organic sector, NGOs and private businesses were the early drivers. Increasingly, governments are taking an interest in the development of this sector. Governments that want to create an enabling environment for organic businesses could formulate an organic agriculture policy. The book “Best Practices for Organic Policy” published by UNEP and UNCTAD provides comprehensive guidance for formulating suitable policies⁹⁶. Suitable elements of an organic sector policy are:

- Informing farmers and companies about organic agriculture
- Support the set-up of organic extension services and internal control systems
- Promote recycling of agricultural waste
- Promote consumer education and awareness on organic agriculture
- Collect and publish data on organic production and markets
- Develop national standards and regulations to foster the domestic market
- Facilitate development of the domestic market; encourage public procurement of organic products
- Support export promotion activities, e.g. participation in trade fairs
- Establish organic research and seed breeding programmes
- Include organic agriculture in the curricula of schools and universities

⁹⁶ www.unep.ch/etb/publications/UNCTAD_DITC_TED_2007_3.pdf

When developing organic policies, it is important that the different stakeholders can contribute their views. It is a good idea to establish a permanent body for consultations between government, civil society and private sector.

Equally important as having an organic policy is that other policies are coherent with and not contradictory to it. Once organic agriculture is included in national policies, funds need to be made available to implement them.

12.3 WHAT ROLE FOR DONORS AND DEVELOPMENT AGENCIES?

Various donors and development agencies support organic initiatives in low and middle-income countries.⁹⁷ They want to be sure that their support is effective in producing the desired impact. They also should be concerned that the initiatives grow into a viable business that can continue without donor funding.

Reasons to support the development of organic businesses

Supporting organic initiatives addresses agriculture, environment, economic development and trade in one go. Aspects like biodiversity and climate change can easily be added to an organic project. Anybody can become an organic farmer but organic farming seems to be particularly fitting for smallholders. Besides the well-known advantages of organic production - the avoidance of potentially harmful agro-chemicals and the higher price for producers - there are some aspects that should be of particular interest for donors and development agencies:

- As organic farming usually requires more labour, and people are needed in extension, internal control and value addition, organic initiatives offer an opportunity to create employment in rural areas.
- Organic markets not only offer a better price; they are usually a safer place for smallholders to be in than anonymous bulk markets where they have to compete with large-scale mechanised producers.
- The fact that organic farming does not need much money for inputs makes it easier for women to produce cash-crops and thus to earn some extra income. If organic initiatives take gender aspects into consideration from the beginning, women can really benefit (see chapter 4.4).
- Organic and Fair Trade certification require that farmers are organised in groups. This helps strengthen their position within the value chain (negotiation power!) and makes it easier to address social and environmental issues. The farmer organisations can facilitate access to know-how, credit and political influence.
- Because of the traceability requirement in organic supply chains, it is easier to measure the impact of an intervention. From the ICS documents one can learn how many farmers produced how much, and can calculate the additional income generated. One can show value for money.

⁹⁷ A list of major donors and development agencies that are currently engaged in supporting the development of organic value chains and businesses is provided in Annex A2.2

By supporting the development of organic value chains that link smallholders to markets, donors and development agencies can contribute to more sustainable resource management, better livelihoods of the involved farmers and workers, and more employment and value generation in the producing country.

Making sure that support is effective

Not all organic initiatives, however, automatically result in viable value chains that can run on their own once the support ends. In some cases, donor intervention may even hinder promising organic businesses from flourishing, as it can hamper emerging entrepreneurial thinking, subsidise competition, and distort the market. The long-term effect of the intervention largely depends on how the support programme is designed.

If the aim is to establish value chains and businesses that sooner rather than later run on their own, donors and development organisations should select carefully the partners who have the potential to achieve this goal. Their contributions should be designed in a way that they stimulate and reward entrepreneurial thinking (if it is not already there). In allocating financial support, they should therefore follow a similar procedure as a bank would do: carefully check whether the envisaged business model has real potential to become profitable within a reasonable time span, define the grant amount based on a business plan, and set clear conditions to be fulfilled. Conditions should include that progress in implementation is monitored and documented, and that other funding sources are openly declared.

In order to make sure that the business aspects are taken seriously, the donor should insist that the grantee invests at least some of their own capital, or organises a loan from a bank. It is a good idea to provide part of the contribution as a loan that is to be paid back once the break-even point is reached. This is particularly true for funds used for investing in processing infrastructure. Working with loans rather than grants also helps reduce distorting effects on competition. Donors can also change the due amount into shares issued to the farmers.

Instead of subsidising specific components like extension services or certification fees, donors should preferably pay a diminishing contribution to cover the expected loss until the business breaks even (see chapter 6.4). If core functions of the operation are subsidised, it will be difficult to integrate their costs into the product price once the subsidy stops (see box).

Nevertheless, the ultimate goal of supporting an organic initiative, next to improving the income of the producers and their households, is the financial sustainability of the producer organisation or company. All funds should therefore be used in a business-like manner, and be efficient and cost effective. Dependency on donor funding should be avoided among value chain actors. Financial instruments for financing value chain actors should stimulate entrepreneurship, responsibility, ownership and financial sustainability. Examples are loans, guarantees and share capital (see chapter 6.5). However, a producer organisation or a social enterprise will need a strong financial base (sufficient equity) in order to qualify for external investments and loans. Donation of seed capital and investments into shares are suitable mechanisms to create sufficient equity.

Subsidies?

No doubt: an organic business needs financial means to start-up, improve or enlarge its operations. If prospects for making profit are good enough, private businesses are likely to invest their money. Most probably, such businesses would choose to work with some large farms rather than with hundreds of smallholders in remote areas. Where poverty alleviation and inclusion of disadvantaged groups of society is an inherent goal of an initiative, investment of public funds is justified.

Nevertheless, the ultimate goal of supporting an organic initiative, next to improving the income of the producers and their households, is the financial sustainability of the producer organisation or company. All funds should therefore be used in a business-like manner, and be efficient and cost effective. Dependency on donor funding should be avoided among value chain actors. Financial instruments for financing value chain actors should stimulate entrepreneurship, responsibility, ownership and financial sustainability. Examples are loans, guarantees and share capital (see chapter 6.5). However, a producer organisation or a social enterprise will need a strong financial base (sufficient equity) in order to qualify for external investments and loans. Donation of seed capital and investments into shares are suitable mechanisms to create sufficient equity.

Exit strategy

Development agencies need to have a clear exit strategy for their support to organic initiatives. They need to communicate clearly to the partners in which way and for how long they are going to support them. The exit strategy needs to ensure that by the end of the project intervention businesses are established that are institutionally and economically sustainable. The support should therefore not only be limited to funding part of the operational costs and investments, but also to ensuring that necessary capacities and skills are developed, that the entire value chain is functioning well, and that an enabling environment is created. Some level of donor coordination is needed to avoid donors coming in where others go out because of lack of progress (see box).

Donor darlings

There are some producer organisations but also private businesses that continue to attract donor funding. In some cases there are different donors assisting at the same time. "Milking donors" may be one way of doing business, but it does not reflect well on the capacity of a business to earn its own money. It does not make a business a trustworthy commercial partner, and it certainly does not stimulate entrepreneurial thinking if funds are too easily available. Although the development impact of organic businesses may justify that such funds are used to start them, businesses should be very careful not to become dependent on donor funding for their survival.

For the sustainability of the value chain it is important that businesses have access to local service providers. Donors come and go, foreign experts come and go, but a local service provider stays - provided they get sufficient business from users that are willing to pay for it.

Summary of recommendations

- In order to develop a new organic value chain, facilitators should provide information, enable communication between stakeholders and support them in overcoming hurdles and bottlenecks.
- Facilitators should not take up or subsidise core functions of the value chain, and should not be biased towards a specific actor.
- Governments that want to support the development of organic businesses should involve stakeholders in identifying the main obstacles. They need to ensure that organic initiatives also have access to general programmes that support agri-businesses and exports.
- Policies to support the organic sector should comprehensively address the different aspects that make an environment conducive to sustainable businesses (access to information, consumer awareness, suitable regulations, start-up support, market development etc.).
- Development agencies need to select carefully the partners who have potential to become viable businesses. They need to take care that their support stimulates entrepreneurial thinking rather than hindering it.
- A clear exit strategy is needed that ensures that supported initiatives are institutionally and economically sustainable by the end of the project.

ANNEXES

A1 USEFUL REFERENCES AND WEBSITES

Organic agriculture

Organisations and websites

- IFOAM - International Federation of Organic Agriculture Movements: Comprehensive information, principles and standards, member directory, list of professionals, publications, media, training platform etc. www.ifoam.org
- ISOFAR - International Society of Organic Agriculture Research: Research publications and events. www.isofar.org
- Organic world: Statistics and news. www.organic-world.net
- Organics at FAO - Food and Agriculture Organisation: Publications, country data, glossary, bibliographic references, web links, link to research institutions, events etc. www.fao.org/organicag
- Organics at ITC - International Trade Centre: Business directories, news, publications www.intracen.org/organics
- Naturland: Organic cultivation guidelines for various crops. www.naturland.de/publications.html
- ILEIA - Centre for Information on Low External Input and Sustainable Agriculture: Library, information, news. ileia.leisa.info
- UNEP-UNCTAD: Capacity building on organic agriculture. www.unep-unctad.org/cbtf -> Organic agriculture

Publications

- FAO (2007): Organic Agriculture and Food Security <ftp://ftp.fao.org/docrep/fao/meeting/012/ah952e.pdf>
- FiBL/ITC (2007): Organic Farming and Climate Change
- <https://www.fibl-shop.org/shop/pdf/mb-1500-climate-change.pdf>
- IFOAM Training manuals on organic agriculture in the tropics www.ifoam.org -> Growing Organic -> Training Platform
- Pretty, J., 2005. The Earthscan Reader in Sustainable Agriculture. Earthscan, London.
- Nemes, N., 2009. Comparative Analyses of Organic and Non-Organic Farming Systems: A critical assessment of farm profitability. FAO Rome. <ftp://ftp.fao.org/docrep/fao/011/ak355e/ak355e00.pdf>

Organic certification

Publications

- Standards and regulations: see Annex A5.1
- EPOPA/CTA/FAO, 2006: Regulations, standards and certification for agricultural exports. www.fao.org/docrep/010/a0791e/a0791e00.HTM
- FAO Manuals on Certification for agricultural exports. www.fao.org/ES/ESC/en/15/262/highlight_269.html

- IFOAM Internal Control Systems for Group Certification – Training Kit for Producer. www.ifoam.org -> Growing Organic -> Training Platform
- ICS tools on www.organicandfair.org -> Publications and www.organiccotton.org -> Library
- IFOAM/IOIA, 2000. International Organic Inspection Manual. shop.ifoam.org
- The Organic Standard: Monthly journal on organic certification topics. www.organicstandard.com
- The Organic Certification Directory. www.organicstandard.com/directory.html

Fair Trade

Organisations and websites

- FLO - Fairtrade Labelling Organizations International: Standards, products, producers, resources, news. www.fairtrade.net
- Fair Trade Institute: Online collection of Fair Trade research publications. www.fairtrade-institute.org
- World Fair Trade Organization. www.wfto.com
- Fair for Life. www.fairforlife.net
- Ecocert Fair Trade. www.ecocert.com/-EFT-.html
- Soil Association Ethical Trade. www.soilassociation.org

Value chain facilitation

Organisations and websites

- GTZ ValueLinks (www.value-links.de/manual/distributor.html)
- KIT Value chains for development (smartsite.kit.nl/smartsite.shtml?ch=FAB&id=12505)
- SDC Markets4Poor (www.markets4poor.org/publication)

Publications

- UNEP/UNCTAD, 2008. Best practices for Organic Policy. What developing country governments can do to promote the organic sector.

Agricultural extension

Organisations and websites

- Agridea. www.agridea-international.ch
- Global Farmer Field School. www.farmerfieldschool.info

Publications

- Agridea, 2002. Innovative Approaches to Financing Extension for Agriculture and Natural Resource Management. Conceptual considerations and analysis of experience. www.agridea-international.ch
- CIP-UPWARD/IDRC, 2005. Participatory Research and Development for Sustainable Agriculture and Natural Resources Management: A Sourcebook. www.idrc.ca
- Helvetas, 2005. You Pay for What You Get. From budget financing to result based payments. www.helvetas.org

Gender issues in value chains

Organisations and websites

- Agri-ProFocus Gender in Value Chains Learning Group. genderinvaluechains.ning.com

Publications

- EPOPA Gender Learning and Sharing; Project end report. www.grolink.se/epopa/Publications/GenderProjectEndReport.pdf
- Farnworth, Cathy & Jessica Hutchings, 2009. Organic Agriculture and Womens' Empowerment. IFOAM. www.ifoam.org ->Growing organic ->Arguments for Organic ->Social Justice
- IFOAM Training Module on Gender in Organic Agriculture. www.ifoam.org ->Growing Organic ->Training Platform
- Pyburn & Verhart (forthcoming). Strategies for Addressing Gender in Certified Coffee Chains. KIT, Amsterdam.

Business planning and management

Organisations and websites

- BizPlanIt's Virtual Business Plan. www.bizplanit.com/vplan.html
- ICA - International Cooperatives Association. www.ica.coop/al-ica
- FAO/ILO. Cooperatives and Producers' Organisations. www.fao-ilo.org/fao-ilo-coop
- ILO - International Labour Organisation. Publications related to agricultural cooperatives www.ilo.org/empent/WorkingUnits/lang--en/WCMS_DOC_ENT_DPT_COO_EN/index.htm
- Agromisa/CTA, 2006: Starting a cooperative. Farmer-controlled economic initiatives. www.agromisa.org/agrodoks/Agromisa-AD-38-E.pdf
- Financing institutions: see Annex A3.4
- Micro-finance: www.microfinancegateway.org

Publications

- Agromisa / CTA, 2010. Entering the Organic Export Market, A practical guide for farmers' organisations. www.agromisa.org. People living in a country which is part of the ACP group (African, Caribbean, and Pacific states) can request the document free-of-charge through cta@cta.int.
- Berdegué, J.A., E. Biénabe and L. Peppelenbos, 2008. Keys to Inclusion of Small-scale Producers in Dynamic Markets. IIED London.
- FAO, 1998. Agricultural Cooperative Development. A manual for trainers. <ftp://ftp.fao.org/docrep/fao/005/X0475E/X0475E00.pdf>
- FAO, 2009. Business management for small-scale agri-industries. www.fao.org/docrep/011/i0499e/i0499e00.htm
- Koning, M. de, van Steenhuijsen Piters, B., 2009. Farmers as Shareholders; A close look at recent experience. KIT, Amsterdam. www.kitpublishers.nl/smartsite.shtml?&id=33740&ItemID=2764&ch=FAB
- MATCOM Cooperative Training Manuals, available from COOP@ilo.org.

Markets and marketing

Organisations and websites

- For a list of the main organic trade fairs, see chapter 10.3
- CBI - Centre for the Promotion of Imports. www.cbi.eu
- Greentrade: Organic market place and exchange platform. www.greentrade.net
- Organic Links: Market information and business directory. www.organic-market.info
- Organic Market Place at ITC: Importers, exporters, fairs. www.intracen.org/organics/market-place.htm
- Organic Monitor: Organic market information. www.organicmonitor.com
- Organic Trade Association: Business platform for North America. www.ota.com
- Ecomercados: Organic marketing initiative in Central America; business directory and market information. www.ecomercados.org
- EU Generalised System of Preferences, ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences
- US African Growth and Opportunity Act, www.agoa.gov
- Sanitary and Phytosanitary Measures. spsims.wto.org
- SIPPO - Swiss Import Promotion Programme. www.sippo.ch
- Marketing: www.knowthis.com/principles-of-marketing-tutorials, www.quickmba.com/marketing/plan and www.netmba.com/marketing/mix

Publications

- Agromisia/CTA, 2004: Marketing for small-scale producers. www.agromisa.org/agrodoks/Agromisa-AD-26-E.pdf
- Buley, M. et al, 1997. Exporting Organic Products; Marketing Handbook. GTZ, Eschborn
- EPOPA, 2006. Organic Exporter Guide – hands-on help for organic exports from Africa. www.ifoam.org
- FiBL, 2004. A Guide to successful organic marketing initiatives. <https://www.fibl-shop.org/shop/show.php?sprache=EN&art=1338>
- IFOAM, 2004. Developing Local Marketing Initiatives. A Guide for Small and Medium Enterprises. shop.ifoam.org/bookstore/product_info.php?cPath=64_22&products_id=452
- ITC, 2007. Overview of World Production and Marketing of Organic Wild Collected Products. www.intracen.org/organics
- ITC, 2006. Marketing Manual and Web Directory for Organic Spices, Culinary Herbs and Essential Oils. www.intracen.org/Organics/documents/marketing-manual.pdf
- Organic Exchange, 2009: Export Logistics. An introductory guide to procedures. www.organicexchange.org/Documents/farmer_expo2.pdf
- CBI, 2004. Export Planner. A comprehensive guide for prospective exporters in developing countries. cbi.nl/marketinfo/cbi/?action=showDetails&id=55&via=pub
- SIPPO/CBI, 2003. Your Image Builder. www.sippo.ch/internet/osec/en/home/import/publications/sippo_and_partner.html
- SIPPO, 2008. From contacts to contracts. A guide to practice. www.sippo.ch/internet/osec/en/home/import/publications/sippo_and_partner.html

A2 VALUE CHAIN FACILITATION

A2.1 Consultancy for developing organic value chains

<i>Organizations</i>	<i>Comments</i>	<i>Further information</i>
IFOAM Forum of Consultants	Consultancy companies and individuals with a common code of conduct supporting the organic movement	www.ifoam.org/about_ifoam/professional/consultants.html
ITC platform	Database of business contacts for importers and exporters of organic products	www.intracen.org/dbms/organics/index.asp
UNEP	List of resource persons	www.unep.fr/scp/rpanel/members.htm
UNIDO	Providing trade related development services, consultancy in agro-value chain development and a value chain analysis tool kit	www.unido.org/index.php?id=7395
AgroEco LB	Consultancy in linking partners in organic food supply chains	www.louisbolck.org
Bioherb	Consultancy on all aspects of organic agriculture and essential oils, spices, herbs and medicinal plants	www.bioherb.de
FiBL	Consultancy in market development, certification	www.fibl.org
FLO producer support unit	Supporting producers by facilitating relationships with buyers and by helping to gain access to new markets	www.fairtrade.net/services_and_relations.html
Greennet	Support to organic initiatives in East and South-East Asia	www.greennet.or.th
Grolink	Assistance in development projects, training, and marketing of organic products	www.grolink.se
Helvetas Organic & Fair trade Competence Centre OFTCC	Supporting development of organic and Fair Trade value chains	www.organicandfair.org
Intercooperation	Consultancy services and project implementation on organic value chains	www.intercooperation.org
Organic Exchange	Supporting farmers in increasing their access to markets for organically grown cotton and food crops	www.organicexchange.org
Traidcraft	Support in building supply chains and in developing market access programmes	www.traidcraft.co.uk

A2.2 Donors and development agencies supporting organic value chains

The following table lists important organisations that are or have been active in supporting organic value chain projects. Please note that the list is not complete, and that priorities may change over time.

Organisation	Web link
AECF - Africa Enterprise Challenge Fund	www.aecfafrica.org
BTC - Belgian Development Cooperation Agency	www.btctb.org
Danida, Denmark	www.danidadevforum.um.dk
DED - German Development Service	www.ded.de
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit, Germany	www.gtz.de
Hivos - Humanist Institute for Development Cooperation, The Netherlands	www.hivos.nl
ICCO - Interchurch Organisation for Development Cooperation, The Netherlands	www.icco.nl
ITC - International Trade Centre	www.intracen.org
Oxfam	www.oxfam.org
Pro Invest (EU)	www.proinvest-eu.org
SECO - Swiss State Secretariat for Economic Affairs	www.seco.admin.ch
Shell Foundation	www.shellfoundation.org
SIDA - Swedish International Development Cooperation Agency	www.sida.se

A3 BUSINESS PLANNING

A3.1 Outline of a business plan for an organic business

Executive Summary

- A very important part of your business plan, especially if you want to convince investors! Provide on max. 2-3 pages a precise summary of the main aspects of your organic business.
- Cover at least the following: Scope of your business (production, processing, trade etc.), description of products, certifications, target markets, organisational set-up, management team, financing sources, finance requirements.
- Keep it short; details on each of these points should be explained in the body of the business plan. The executive summary is meant to give a short, to the point, overview of your business, your financial needs and the unique selling points of your business.

Description of the company or organisation

- Explain who you are (legal organisation) and what is your motivation for organic farming, the envisaged development impact, your guiding principles in working with farmers etc.
- Describe your business history; include historical data on volumes, turnover, number of farmers and employees etc.
- Outline how you are organized (organisational chart), especially how you involve farmers in your business, how you are linked with processors, traders or service providers.
- Describe the current status of your business and your future plans (growth, product diversification, vertical integration).

Business environment

- Describe the political, social and economic environment in which your business operates. What are the main obstacles and threats for an organic business? What opportunities can be used? What is the attitude of the government towards organic businesses; are there supportive policies?
- Describe the situation of other organic businesses operating in your country. Do they collaborate or participate in networks?

Products and services

- Describe the products you are planning to offer, the degree of processing, and the quality specifications. Explain which certifications you envisage.
- Analyze how your products compete in the market.
- Describe the purpose of your products. Describe any specific features or benefits of your products, i.e. the competitive advantage (or disadvantage) of your product.

Industry and value chain analysis

- Describe the organic industry you are in (volumes, revenue, trends). Describe the opportunities and threats of the industry to your company.
- Describe the value chain(s) in which you are involved (value chain map). Analyse and describe any bottle necks, critical links, opportunities and threats in the value chain.

Marketing plan

- Describe your target markets (at local, regional and international level) and the respective clients (processing industry, wholesalers, retailers etc.). Indicate the market size and average sales price of each target market.
- Identify the trends of your target markets concerning market growth and preferences and how these trends form an opportunity or threat for your business.
- Outline how you will reach your target market (sales price, marketing activities, marketing channels and material).

Competitive analysis

- Identify your main competitors. Describe the strength and weaknesses of the competitors, including product quality and sales price.
- Clarify your competitive (dis)advantages.
- Define the market share you envisage to achieve and motivate how you will achieve this.

Operations Plan

- Describe the location of your office and production area, the facilities and equipment needed. Indicate the planned number of associated farmers, production figures, number of staff etc.
- Describe the activities from input supply up to sales, including the arrangements for bulking, storing, transporting and processing of the produce.
- Describe the extension and internal control system, the system to manage information, and the measures taken to ensure product quality.
- Calculate the variable and fixed costs of the production (cost price).

Financial Plan

- Demonstrate the feasibility of your business (break-even). Calculate and comment your expected profit or loss over the next 3-5 years (including worst case - best case scenarios). Include an income statement and balance sheet with the results of the past 3 years (for existing businesses) and the planned results of the coming 3 to 5 years.
- Calculate the expected cash flow and the need for (trade) finance for the first two years on a monthly basis.
- Describe the sources of funds (own capital, investments, loans, advance payments by clients, grants), and how they are used.

Management Plan

- Describe the management structures and how decisions are taken. Describe the profiles of the individual members of the management team.
- Describe the Advisory Board, the supporting organisation or the consultants assisting you.
- Describe which competencies are still missing and how you plan to get them.

Risk analysis

- Demonstrate your ability to understand potential problems that could occur to your business. Explain how you plan to reduce and manage these risks.

A3.2 Production planning tool - example

Production figures	Year 1	Year 2	Year 3	Year 4	Year 5
No. of farmers	200	400	550	700	800
No. of field officers	5	6	7	8	8
average area under product A (ha)	1.50	1.55	1.58	1.60	1.60
average yield product A (kg/ha)	1'000	1'100	1'150	1'200	1'220
% of product A delivered to project	80%	85%	88%	90%	90%
total volume product A (raw material) (t)	240'000	579'700	879'428	1'209'600	1'405'440
average area under product B (ha)	0.50	0.60	0.65	0.70	0.72
average yield product B (kg/ha)	600	700	750	780	800
% of product B delivered to project	60%	70%	80%	85%	90%
total volume product B (raw material) (t)	36'000	117'600	214'500	324'870	414'720

A3.3 Examples of cost price calculations

Example of organic pineapple processing

Volumes / conversion	15% chunks/slices, 10% crush, 20% juice from fresh fruit				
1	ton =	2 222	tins =	370	cartons
13 770	tons =	30 600	tins =	5 100	cartons
100	ctn. =	210	kg solids	60	kg juice
Costs	Need	Price (Tsh)		Tsh/100 ctn.	US\$/tin
Fresh pineapples (incl. premium)	1 167	85	/kg	99 195	0.128
Transport from field to factory		75 000	/ton	87 525	0.113
Labour	60	1 850	/mday	48 261	0.062
Diesel oil	30	1 200	/liter	15 652	0.020
Water & Electricity	30 000			13 043	0.022
Tins (easy open)	2 222	348	/piece	772 867	0.269
Labels	2 222	25	/piece	55 556	0.072
Boxes	100	200	/piece	20 000	0.026
Glue	100	25	/box	2 500	0.003
Misc. Expenses				50 000	0.064
Field organisation		zie blad2			0.007
Transport from factory to port		450 000	/lorry	30 000	0.039
Certification costs					0.072
Total expenses per tin					0.895
Income from extra juice	197	361	/liter	71 046	0.091
Total cost per 450g tin					0.804
Sales price					0.978
profit/tin					0.174
total profit/container					5 331

Example of organic cotton fibre production

Volumes / conversion	factor	kilos				
Kilos organic seed cotton		1'900'000				
Kilos lint	42.0%	798'000				
Kilos cotton seed	55.0%	1'045'000				
Losses at ginning	3.0%	57'000				
Lbs/kg conversion	0.4535					
FCFA/Euro rate	655.96					
USD/Euro, Mar 2008	1.55					
Cost price (FOB)	factor	units	FCFA total	FCFA/ kg lint	Euro/kg	% of FOB
Inputs						
Fertiliser (oilcake)	40	all csc rec.	25'080'000	31	0.05	3.9%
Hoes & machetes	1'750	2	1'750'000	2	0.00	0.3%
Input provision			26'830'000	34	0.05	4.2%
Conventional price	180.0		342'000'000	429	0.65	53.5%
Organic premium	38.9%		133'000'000	167	0.25	20.8%
Seed cotton cost	250.0		475'000'000	595	0.91	74.3%
Field staff			34'025'235	43	0.07	5.3%
Certification			6'559'600	8	0.01	1.0%
Village store fee	2.0%	osc value	9'500'000	12	0.02	1.5%
Transport store-ginnery	12.0	kg osc	22'800'000	29	0.04	3.6%
Primary marketing			32'300'000	40	0.06	5.0%
Ginning costs	25.0	kg sc	47'500'000	60	0.09	7.4%
Cotton seed value	-30	kg cs	-31'350'000	-39	-0.06	-4.9%
Classification	500	bale (220 kg)	1'813'636	2	0.00	0.3%
Fibre analysis	20'000	sample	200'000	0	0.00	0.0%
Ginning & baling			18'163'636	23	0.03	2.8%
Warehousing	0.5	2	798'000	1	0.00	0.1%
Finance charges	0.8%	0	0	0	-	0.0%
Storage			798'000	1	0.00	0.1%
Transport to port	21.0	kg fibre	16'758'000	21	0.03	2.6%
Exporter	1.0%		5'838'519	7	0.01	0.9%
Taxes	0.5%		2'834'232	4	0.01	0.4%
Cotton fibre marketing			25'430'751	32	0.05	4.0%
Coordination			10'181'745	13	0.02	1.6%
Consultancy			10'364'168	13	0.02	1.6%
Coordination			20'545'913	26	0.04	3.2%
FOB			639'653'135	802	1.22	100%

A3.4 Financing institutions providing loans for organic and Fair Trade businesses

Name of the bank	Services	Web link
Triodos	Trade finance loans to organic and Fair Trade producers Microfinance	www.triodos.org
Oikocredit	Microfinance Loans Guarantees Credit lines Equity investments	www.oikocredit.org
ResponsAbility	SME finance microfinance Fair Trade Finance of independent media Private equity	www.responsability.com
Rabobank	Trade finance Farm finance, Sustainable Agriculture Guarantee Fund Infrastructure finance for food & agribusiness industries Finance of clean technology / renewable energy	www.rabobank.com
Shared Interest	Trade finance and longer term loans for Fair Trade producer groups Credit to Fair Trade buyers to provide advance payments to producers	www.shared-interest.com
Etimos	Finance for micro-credit institutions and trade finance for producer groups	www.etimos.it

A4 ORGANISATIONAL SET-UP AND PROCESSES

A4.1 Roles and responsibilities in extension and ICS

<i>Actors</i>	<i>Responsibility of extension service</i>	<i>Responsibility of ICSI</i>
<i>Approval committee</i>		<ul style="list-style-type: none"> • Approval of list of non-conformities and sanctions • Approval of organic status of producers, based on recommendations in inspection reports • Decision on exclusion of producers due to non-compliance with internal standards • Handling appeals of producers against decisions of the internal inspectors or ICS manager
<i>Head of extension / ICS</i>	<ul style="list-style-type: none"> • Development, management and revision of the extension system (curricula, training material) • Training of extension staff on extension methodology • Coordination of participatory research activities • Supervision of training activities, technical advice and exchange activities (including visits to at least 1-2% of the farmers) • Coordination of input supply and distribution 	<ul style="list-style-type: none"> • Development, management and revision of the ICS (procedures, forms etc.) • Training of extension staff on ICS aspects • Update and analysis of central database • Supervision of internal inspection activities (including re-inspection of 1-2% of the farms) • Decision on sanctions for minor non-compliances
<i>Field officer / internal inspector</i>	<ul style="list-style-type: none"> • Technical advice to lead farmers and farmers • Training of producers • Visit to each farm at least twice per season • Monitoring of implementation of recommended production practices • Identification of problems in the field, and developing appropriate solutions • Facilitating the exchange between farmers • Follow-up on the distribution of inputs and equipments 	<ul style="list-style-type: none"> • Supervision of the work of lead farmers • Registration of producers (farm characteristics, location of plots, plot size) • Supervision of record keeping at farmer group level • Transfer of data and information to the head of ICS • Internal inspection of each farm (check records, physical inspection of farm, yield estimates) • Inspection of storage facilities • Supervision of buying the produce • Cross-checking data of each farm
<i>Lead farmer</i>	<ul style="list-style-type: none"> • Regular visit to farmers; technical advice • Monitoring of implementation of recommended production practices • Identification of problems in the field, and developing appropriate solutions • Facilitating the exchange between farmers 	<ul style="list-style-type: none"> • Support farmers in keeping records • Registering farmers interested to join • Transfer of data and information to the field officer

A4.2 Job description for Field Officer - example

Team and responsibilities

The Field Officer (FO) functions in a team comprising of other Field Officers and a Documentation Officer (DO), all managed by the Field Supervisor (FS). The FO reports to the Field Supervisor. The team works from the field office. The FO attends monthly team meetings in the organic field office. Progress and any problems are reported and a plan made how to solve them.

The FO is assigned to a certain area, a locality, a group of farmers for whom he/she is responsible. The FO is expected to live in that area. The FO is not expected to be a farmer unless it is a model farm. During the time of internal inspection (2 months of the year), the FO may be transferred to the locality of a fellow FO.

The FO shall be a good representative of the exporter. This includes that the right information from the exporter is communicated to the farmers, and that important information from the farmers is fed back to the exporter (via the Field Supervisor). Good communication normally means through contact farmers.

Assistance to farmers

The FO shall be responsible for correctly informing the farmers (men and women) of the standards of organic production as laid down in the internal regulation. This means that regularly, awareness and training workshops are held on demonstration farms, or otherwise. The FO shall assist the farmers (men and women) in improving agricultural production in a sustainable organic way. This may involve some experimentation on the demonstration farms or on individual farms. The strategy for farm improvements is decided every year in the team. The FO is to implement that strategy. The FO shall work with the farmers to produce predominantly Grade 1 produce; picked at the right time in the right way, properly fermented, washed and dried.

Responsibilities within the ICS

The FO shall implement the Internal Control System as described in the ICS manual. This means that the FO is responsible that for each farm under his/her responsibility

- correct information is available, updated from the Farm Entrance Form
- producer contracts are signed
- a proper yield estimate is done prior to harvest
- an annual internal inspection is done
- non-compliances from the internal inspection are followed-up
- areas for improvements indicated during the internal inspection are addressed
- Corrective Action Requests from the certification body are implemented

The documents under the FO's control are always kept dry and in a secure place. Documents gone missing are reported instantly to the FS. The FO guards the organic integrity of the farmers under his/her control. Failure to maintain organic status is a reason for summary dismissal.

Responsibilities during marketing

During marketing, the FO shall

- communicate prices and buying times to the farmers
- monitor prices paid by the competition and report to the FS
- advise farmers on logistics (storage, delivery)
- confirm the identity of delivering farmers
- assist the buying agent in establishing the quality grade
- address substandard quality
- investigate suspicions of over delivery and contamination

Equipment

Every three years, the FO is given a bicycle as means of transport. The FO is responsible for maintenance of the bicycle. Breakdown of the bicycle is not an acceptable excuse for work not done. The FO is given gumboots and a cap to identify him/her as the internal inspector.

Targets

Every year specific targets are set by the FS (number of farmers, yield, new practices implemented, ICS work done on time). When achieved, the FO receives a bonus.

Confidentiality

All documents are confidential and should not be shared with any person without the consent of the Field Supervisor. Information requests from outsiders are forwarded to the FS. The FO shall assist buyers and/or inspectors of the certification body when they are visiting the farmers. At that time, the FO shall answer questions, share information, show documents etc. to facilitate the visit.

Further conditions

The Field Officer is not allowed to work for one year for another organic operator after termination of his/her job, regardless who is to blame for the discontinuation of the employment.

Date:

Signature of FO

Signature of Employer

A4.3 Content of an Operating Manual

1. Use and update of the manual
 - Objectives, how to use, distribution
 - Revision and up-dating of the manual
2. The organic production and Fair Trade system
 - The organic farming system, production methods
 - The Fair Trade system, handling of minimum price and premiums
3. Organisational set-up
 - Organigramme, roles and responsibilities
 - Selecting and organizing the producers
4. The extension system
 - Roles, processes and tools
 - Training of staff
 - Training of farmers
 - Extension visits
 - Facilitating farmer-to-farmer exchange
 - Supply of inputs
5. The Internal Control System (ICS)
 - Roles, processes and tools
 - Training of staff
 - Risk management
 - Documentation
 - Internal inspection visits
 - Internal approval procedure
6. Post-harvest operations
 - Storage, bulking, transport
 - Processing
 - Marketing, payments
7. Quality management and monitoring
 - Data management
 - Sampling, cross-checking
 - Product quality management
 - Impact monitoring
 - Annexes
 - Reference documents
 - Forms and templates

A4.4 Annual operational plan

Activity	Responsible person	Tool / form	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Identify groups and farmers; inform about ICS	Extension officer	Meetings and group discussions, preliminary assessment													
Risk assessment	Head of extension	Risk assessment checklist													
Application of individual members to primary cooperative	Primary Coop	Farmer's application with signature													
Contracting farmers	ICS manager	Farmer agreement; internal regulations													
Training of ICS technicians	ICS manager	Training reference materials													
Training farmers on ICS and organic production	Extension officer	Farmer diary, ICS formats, list of participants													
Document profile data of farms, draw maps	Facilitator	Farmer diary, base line information questionnaire, farmer register													
Internal inspection of nursery	Internal inspector	Inspection report nursery													
Monitoring and technical advice visit to farms	Facilitator	Farmer diary, farmer register (enter visits)													
Internal inspection of farm	Internal inspector	Inspection report farm													
Internal inspection of pulping centre	Internal inspector	Inspection report pulping centre													
Supervise internal inspection activities	ICS manager	Register of re-inspected farms / pulping centres / nurseries													
Approval decisions for farms, pulping centres and nurseries	Approval committee / ICS manager	Inspection report, approved list of farmers													
Fresh cherry delivery to pulping centre	Pulper operator	Register of fresh cherry delivery with harvest estimate													
Delivery of parchment to processing centre	Marketing manager	Register of dry parchment delivery													
Hulling of dry parchment, grading/sorting	Marketing manager	Register of hulling activities													
External inspection	Certification body / ICS manager	List of approved farms / pulping centres / nurseries													
Selling of green beans	Marketing manager	Register of sales													

A4.5 Checklist: What you may need for an organic business

Category	Details
Personnel	<ul style="list-style-type: none"> • management • accountant • extension staff, internal inspectors • marketing staff • labour for processing, packaging, transport
Buildings (owned or on rent)	<ul style="list-style-type: none"> • office buildings • processing facilities • storage facilities
Processing equipment	<ul style="list-style-type: none"> • cleaning / sorting / grading equipment • processing equipment and machinery • packaging equipment
Transport equipment	<ul style="list-style-type: none"> • motorbikes for field staff • trucks for transport of goods
IT & communication equipment	<ul style="list-style-type: none"> • computers, internet equipment • printer, copier etc. • communication equipment
Other technical equipment	<ul style="list-style-type: none"> • scales to weigh goods • GPS to position / measure fields
External services	<ul style="list-style-type: none"> • input providers • technical advisory services • certification services • business advisory services • transport services (if outsourced), • processing services (if outsourced) • auditing services • financial services
Certificates / Permits	<ul style="list-style-type: none"> • organic certificates • Fair Trade certificates • phytosanitary declaration • (non) fumigation declaration • export permits
Finance	<ul style="list-style-type: none"> • own capital (equity) • credits • trade loans

A5 CERTIFICATION AND ICS

A5.1 Overview of important organic standards and labels

Standards / labels	Comments	Further information
Official organic regulations		
EU-organic regulation	Council Regulation (EC) No 834/2007 came into force on January 1, 2009	ec.europa.eu/agriculture/organic
US-NOP	Production and labelling standards for organic agricultural products in the USA	www.ams.usda.gov/AMSV1.0/NOP
Japan JAS	Standards for production and processing of organic products in the Japanese market	www.maff.go.jp/e/jas/specific/organic.html
Private organic labels		
Naturland	German label for organic agricultural production and processing, organic aquaculture, textile production, cosmetics, forest management, bio + fair	www.naturland.de
Soil Association	UK standards for organic production and processing of food, but also of textiles and cosmetics, ethical trade standard	www.soilassociation.org
Swiss bud ("Knospe")	Swiss label for organic food products, known for prohibiting air freight	www.bio-suisse.ch
Demeter	Biodynamic agriculture method, requiring specific measures to strengthen the life processes in soil and foodstuffs	www.demeter.net
Product-specific organic standards		
Global Organic Textile Standard-GOTS	Covering the entire process from (organic) fibre to finished product	www.global-standard.org
Cosmetics-COSMOS	A number of private initiatives have merged into one European standard	www.cosmos-standard.org

A5.2 Sustainability and industry standards that can be combined with organics

Standards / labels	Comments	Further information
Sustainability standards		
Fair Trade	Food, wine, flowers, sport balls	www.fairtrade.net
FairWild	Standard for wild-collected natural ingredients	www.fairwild.org
FairForLife	Combination of social and fair-trade standards for agricultural, manufacturing and trading operations	www.fairforlife.net
Rainforest Alliance	Conserving biodiversity, standard for agricultural and forest products as well as tourism	www.rainforest-alliance.org
Utz Certified	Coffee, cocoa and tea certification programs	www.utzcertified.org/
CmiA - Cotton made in Africa	Enhancing competitiveness of African cotton	www.cotton-made-in-africa.com
BCI	Approach to minimize harmful impacts in cotton production, no formal certification but self assessment and learning exercise	www.bettercotton.org
4C	Producers, trade, industry and civil society work together for more sustainability in the coffee sector	www.4c-coffeeassociation.org
Quality and social standards		
GLOBALGAP	Key reference for Good Agricultural Practices (G.A.P.), is a single integrated supermarket standard with modular applications for different product groups, mainly known in the fruit and vegetables sector	www.globalgap.org
SA 8000	Standard for improving working conditions, based on international human rights conventions. Was first auditable social standard	www.sa-intl.org
Child labour	Certification showing that agricultural products are not produced by forced labour or child labour	www.laborrights.org/stop-child-labor/child-labor-free-certification-initiative
International Food Standard	Food safety standard used by many supermarkets in Germany and France	www.food-care.info
BRC Food Standard	Food safety standard of the British Retail Consortium	www.brcglobalstandards.com/standards/food
ISO 9000	Quality management standard	www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000.htm
HACCP	Hazard Analysis & Critical Control Point, a systematic preventive approach used in the food industry	www.haccpalliance.org

A5.3 Farmer agreement - example

Farmer's Name :Code No :

Total Land Area (ha) :Area under organic management:.....

Village/Locality..... District:

XXX is a producer cooperative established for the benefit of small farmers producing organic coffee. XXX provides its member farmers with the following services:

1. Coordination of the organic coffee production and quality management program.
2. Coordination of the supply of suitable planting material and equipment.
3. Training and technical advice on organic production practices and quality management.
4. Organisational support to the organic coffee producer groups.
5. Arranging for organic certification based on an internal control system.
6. Purchase of coffee cherries from certified organic production through authorised pulping centres.
7. Payment of a guaranteed minimum price and organic premium at time of delivery. Prices and premiums will be announced at the beginning of each season.
8. Processing and marketing of the coffee in local and international markets.

The farmer declares:

1. I, the undersigned, accept to become/am a member of XXX and to participate in its organic coffee production and quality management program.
2. I agree to follow the internal organic regulation (attached) as well as the quality management guidelines specified by XXX.
3. I will not use synthetic pesticides, herbicides, fertilizers on any crop within my farm.
4. I will only use seeds and plant material that are approved by XXX and that are not treated with synthetic pesticides.
5. I commit to supply only ripe and undamaged coffee cherries produced on my certified organic fields. I will supply the fresh cherries to the pulper operator assigned by XXX.
6. I agree to follow the organic management training programme as organised by XXX.
7. In case I observe any violation of the organic regulation, I will report this to the internal Inspector or a responsible person of XXX.
8. I understand that any violation of the organic regulation will lead to the exclusion from the programme and refusal of the produce.
9. I will allow inspections by persons authorised by XXX and give access to all fields, farm buildings and documents.

Date:

Date:

Signature:

Signature:

Farmer's Name:

Representative of XXX:

A5.4 Internal regulations – example

Topic	Regulation
At farm level	
1. Training and meetings	Attend introductory training on organic coffee production and ICS. Participate in at least 3 out of 5 group meetings.
2. Documentation	Keep farm diary up to date. Keep receipts of purchased inputs.
3. Hired labour	Fair treatment and payment of hired labour; no exploitative utilisation of children as labour (schooling needs to be ensured).
4. No “parallel production”	No conventional coffee production in the entire farm managed by the signatory.
5. Animal husbandry	Apply sufficient bedding material in sheds, maintain hygiene. No brutality against animals, no preventive use of antibiotics, no growth hormones. Collect farm yard manure and protect it from rain and direct sun.
6. Biodiversity	Encourage mixed cropping, integrate indigenous trees in the farm, protect natural habitats.
7. Management of wastes	No environmentally hazardous materials thrown in the fields (e.g. plastics, batteries); no use of night soil unless fully decomposed.
Management of organic plots	
8. History of plots	At least 3 years since the last application of chemical fertilizer or pesticides; otherwise product needs to be sold as in-conversion or conventional.
9. Organic management of entire plot	All crops in the organic plots need to be managed organically; no application of chemical inputs and use of GMO seeds (including intercrops of coffee).
10. Isolation of organic plots	Sufficient distance (5m) or buffer zone (hedge etc. of min. 3m) to conventional plots that are treated with pesticides. Ensure that no irrigation water from fields where chemical fertilizer or pesticides are applied enters the organic plot.
11. Soil and water conservation	Implement measures to prevent soil erosion, to increase infiltration and to preserve soil moisture (e.g. terracing, bunds, contour planting, cover crops, mulching).
12. Crop rotation	Sufficient rotation of intercrops in young plantations; sufficient rotation among organic annual crops; at least one legume crop in three years.
13. Seedlings and seeds	Only seeds and seedlings originating from organic farms or nurseries to be used; if not available, conventional but untreated seeds and seedlings may be used.
14. Nutrient management	Recycling of organic material through composting and/or mulching, no burning of crop residues. Use of organic manures prepared on the farm (e.g. FYM, compost, liquid fertilizer); no use of any chemical fertiliser. Use external fertilizers only if listed in Approved materials list or with permission of internal inspector.
15. Management of pests, diseases and weeds	Use preventive measures in order to avoid strong infestations with pests and diseases (phyto-sanitary measures, rotation and intercropping, use of repellents, traps); no use of chemical pesticides or herbicides. Use pest management inputs only if listed in Approved materials list or with permission of internal inspector.
Coffee pruning and density	
16. Shade trees	In coffee plantations, sufficient shade trees need to be planted (ideally 50% shading, min. 25% shading).
17. Coffee pruning and density	Regular pruning and de-topping of coffee trees; avoid dense population of trees which invites diseases and affects quality of coffee (max. 125 trees/ropani).
18. Harvest	Only supply ripe cherries which are not damaged; first and last coffee picking not delivered to pulping centre. Use clean bags or vessels for picking; delivery of coffee cherries to the pulping centre on the same day.

A5.5 List of non-conformities and sanctions – example

Sanctions and the levels of decisions

<i>Gravities</i>	<i>Sanctions</i>	<i>Levels of decisions</i>
Very serious (A)	(A1): If non-conformity is admitted by the farmer : downgrading of the farm and products and exclusion of the producer for the ongoing year (A2): If non-conformity is discovered : downgrading of the farm and products and exclusion of the producer for two years (A3): In the event of using chemical (pesticides or fertilizers) to treat plot: the plot is in conversion for two years	Approval Committee
Severe (B)	(B1): In the event of measures to be realised in the current campaign: warning of the producer and state corrective measures which have to be verified during an additional internal control. (B2): In the event of measures to be realised in the following season: Warning of the producer and state corrective measures; then check their implementation during the next control.	Zone responsable (inform immediately the head of ICS)
Minor (C)	(C1): Warning of the producer and state corrective measures, then check their implementation during the next control. In the case of recurrence: sanction B1	Internal inspector

Non conformities according to internal standards / internal control

Control points	Non-conformities	Gravity	Comments
Acces	Refuse to give access to the internal and/or external controller to the units.	A	If the producer is wrong, apply sanction A2. If not, re-schedule the internal control.
Cheating	Selling more product than was actually produced on the certified plots.	A	Sanction A2
Increasing the weight	Increasing the weight of the product (e.g. with water) before its marketing	A	Sanction A2
Corrective measures	Corrective measures demanded in previous inspection not implemented.	A/B	In the event of deliberated recurrence, increase the level of sanction.
Participation in training/meetings	No participation in trainings or meetings of the project without valid reason.	C	Sanction C1
Documentation	Documents (fiches parcelle et exploitation, contrats etc.) not signed.	C	Sanction C1
Organic farm	Conventional production in the same farm, without sufficient separation.	B	Apply sanction B1, measures to ensure separation
Parallel production	Producer with the same product in organic and conventional.	A	Sanction A2
Integration of livestock	Insufficient livestock in the farm.	C	Sanction C1
Biodiversity	Biodiversity not sufficiently considered.	C	Sanction C1
Management of waste	Presence of polluting wastes in the fields.	C	Sanction C1
History of plots	Untrue declaration on the history of farm/ plot or concerning activities done.	A/B	According to the gravity, apply Sanction A1, A3 or B1.
Rotation of crops	Growing cotton after cotton on the same plot.	B	Sanction B2
Rotation of crops	Insufficient integration of leguminous plants in the rotation system.	C	Sanction C1
Isolation of plots	Insufficient separation or buffer zone with conventional plots.	C	Sanction C1
Marking of plots	Insufficient marking of organic plots.	C	Sanction C1
Preparation of soil	Use of fire for "cleaning" the plot.	B	Apply sanction B2 ; in case of recurrence: sanction A3
Seeds	Use of seeds treated with chemicals.	A	Sanction A3, without conversion of plot
Seeds	Use of GMO seeds	A	Sanction A2
Seeds	Doubtful origin of the seeds and/or of organic pesticides.	C	Sanction C1
Fertilization	Use of chemical fertilizers.	A	Sanction A3, with A1 or A2
Pest and disease management	Use of chemical pesticides.	A	Sanction A3, with A1 or A2
Pest and disease management	Use of a sprayer from a conventional farm.	B	Sanction B1
Pest and disease management	Presence of packing of chemical pesticides or fertilizers in the farm.	C	If no chemicals were applied, Sanction C1
Harvest	Use of non-recommended material for collecting the harvest.	C	Sanction C1
Storage	Storage of chemical pesticides or fertilizers in the farm.	B	Sanction B1
Storage	Storage of organic products in the conventional storeroom.	C	Sanction C1

A6 MARKETING TOOLS

A6.1 Product description sheet - example of cotton from Burkina Faso¹

Product	Cotton fibre (organic, Fair Trade)
Provenience	Burkina Faso (West-Africa)
Supplier	UNPCB - Union Nationale des Producteurs de Coton du Burkina (Farmer cooperative, established 1998)
Product specification	Fibre length: 27 - 32 mm Micronnaire: 3.5 – 4.8 Packaging: bales of 210 kg (+/- 10 kg)
Certificates	Organic: EU (since 2004) and NOP (since 2008), certification by Certisys (Belgium), certificate holder: UNPCB Fair Trade: FLO-Cert (since 2005), Certificate holder: UNPCB
Quantities for sale	2009: ca.950 tons; 2010: ca. 500 tons
Availability	immediately (volumes in stock): 500 tons 2009 harvest: shipping from January 2010 onwards
Processing	Ginning (saw gins) by Fasocoton and Sofitex
Quality management	At farm level: Quality management in harvest and post-harvest handling, integrated in extension and internal control system. Monitoring by trained technical staff of UNPCB and lead farmers. Systematic GMO testing of seeds. At ginning level: Quality control at delivery of raw cotton. Quality management system of Fasocoton and Sofitex. Systematic GMO testing of cotton fibre.
Export / Shipping	Export handling: UNPCB (since 2007, for EU and US markets) Port of exportation: Abidjan (Ivory Coast) or other West-African port Shipping containers: 20 or 40 feet, i.e. 10-12 tons or 20-24 tons Treatment: none
Price setting	Based on FLO minimum price for organic-Fair Trade seed cotton, incl. Fair Trade premium. Specific offers for cotton fibre (FOB shipping port) depend on volumes, quality and pre-finance arrangements.
Contact	UNPCB - Union Nationale des Producteurs de Coton du Burkina M Georges Guebré (programme officer) 02 BP 1677, Bobo Dioulasso, Burkina Faso Tel.: 00226 76 57 23 29 e-mail: gguebre@yahoo.fr web-site: www.unpcb.org

¹ A template is available at www.organiccotton.org -> library -> Product description sheet template

Purchase Contract 08/2009

90 (ninety) tonnes (t) organic sesame, unhulled,
harvest 2009, oil content min. 50%

Seller: XXX
Address
Contact: (name, phone, e-mail)

Buyer: YYY
Address
Contact: (name, phone, e-mail)

Product specification:

Product: Sesame unhulled
Volume: 90t
Price: USD 1360 / tonne
Conditions: CIF Rotterdam

Quality:	Purity:	min. 99.5%
	Humidity:	max 7.0%
	FFA:	max 1.5%
	oil content:	min. 50.0%
	Peroxide:	max. 1.0

GMO free declaration
Organic certification: IMO, SKAL

Analysis: SGS quality analysis
Packing: 18t per container, in big bags of 25kg
Delivery: immediate shipment, ETA Rotterdam 20-09-09

Date, Signature

Seller

Date, Signature

Buyer

A7 GENERAL TOOLS

A7.1 *Typical pitfalls, and how to avoid them*

<i>Typical pitfalls</i>	<i>How to avoid them</i>
The farmers are not selling to you - you fail to buy the needed quantity from the farmers	Provide for easy marketing outlets, work on a better price, agree on a risk reduction strategy with the buyers, built loyalty with the farmers
You cannot buy because you have not organized trade finance in time; you are running short of money to pay your staff	Plan and organise your cash flow in time and have a reliable mechanism for delivering the money to the villages
Critical staff leaves, e.g. for starting an organic business for themselves	Be a good employer, pay them well, give them fixed contracts; have clear statements on competition and confidentiality in their contracts; have a deputy defined for all critical functions
Field officers doing a sloppy job in extension and ICS; they are not following up on the Corrective Action Requests from the certification body	Have a Field Supervisor who looks after them; set targets, provide incentives, ensure that the work remains interesting for them
You do not get the certificates in time, or not at all (e.g. because inspections are done too late, you did not pay the fees in time etc.)	Make sure that ICS activities are implemented in time, that communication with the certifier is up to date, that bills are paid
Shipped produce is refused by the customer, due to insufficient quality or contamination with pesticides or GMO	Have an effective quality management; send representative samples; check quality yourself before shipping
The market changes even before you have yourself organised; you are too slow, not flexible enough to react	Invest in multi-purpose products and diversification, be prepared to be flexible from the beginning
You are too protective of your business, you do not share your troubles with knowledgeable persons, you struggle, you don't develop	Share your problems with some friends; contract specialist help for specific tasks, acquire the necessary skills to develop your business

A7.2 *Checklist: What makes a successful organic business*

- Your farmers are loyal to you. More farmers want to join. The farmers appreciate the support of the field officers; both production and quality increase. The farmers have a farm with a future.
- An organisation with head office, grading, processing and packing facilities, stores, field office and buying stations is in place. Quality assurance has been developed. You work with the same, reliable transport company year after year.
- The company is well-managed, the staff is well trained, there is low staff rotation. The company 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.
- There is proper organic certification for the target markets. The contact with the certifier is pleasant. There are only few corrective action requests after the annual inspection.
- You have a sizeable volume of a number of products of a quality demanded in the market. Every three years there is a new product. A unique selling proposition has been developed, one that is recognised by your buyers and competitors. You improve your business by asking feedback from customers.
- Every year the marketing plan is rehearsed and confirmed. A number of markets and buyers have been tested. You operate in 2-3 different markets. Longer term agreements have been made with 2-3 selected buyers. You see each other every year. You have visited each other.
- There are clear and efficient procedures on how to define prices (in buying and selling). There is a consistent policy on handling price and exchange risks. The company is in touch with the latest market and price developments.
- A continuous analysis of costs and benefits shows that normally there is a 15-20% margin. This margin is used to expand the business.
- Your health and that of the family is well.

INDEX

<i>Break-even</i>	53, 57ff	<i>Management</i>	47ff, 50f, 64f, 67ff , 121f, 157
<i>Business models</i>	13 , 128	<i>Margins</i>	57 , 65f
<i>Business plan</i>	47ff , 55, 137f	<i>Market channels</i>	17 , 112
<i>Buying</i>	13, 43, 50, 63, 79, 81f	<i>Marketing</i>	70ff, 108ff , 116, 154f
<i>Cash flow</i>	60f , 63 , 91	<i>Networks</i>	122f
<i>Certification body</i>	7, 32, 83f	<i>Non-compliance</i>	87, 89
<i>Client relations</i>	30, 113ff	<i>Operating manual</i>	52 , 145
<i>Competition</i>	19, 25f , 70f, 74 , 110ff, 128	<i>Operational planning</i>	65 , 146
<i>Consumers</i>	9, 19 , 23f, 112f, 126	<i>Organic certification</i>	6, 32, 45, 83ff , 93, 148
<i>Contamination</i>	45, 97 , 98, 100, 106	<i>Organic market</i>	13, 19, 16ff , 21
<i>Conversion</i>	11, 16, 41ff , 81, 106	<i>Organic production</i>	6, 12, 38ff , 97, 139
<i>Cooperatives</i>	2, 30, 62, 67, 70ff	<i>Organisational structure</i>	49ff , 67, 7ff , 88
<i>Costs</i>	11, 55ff , 59, 65, 81, 85f , 106, 139f	<i>Packaging</i>	13, 101, 103, 104f
<i>Co-existence</i>	45	<i>Participatory guarantee systems</i>	7
<i>Data management</i>	91ff	<i>Partnerships</i>	30 , 63, 73
<i>Diversification</i>	39, 53f	<i>Payments</i>	8, 60, 63, 76, 81f , 106
<i>Entrepreneur</i>	3, 10 , 68, 71	<i>Performance</i>	39, 65, 121f
<i>Evaluation</i>	65, 119f, 121f	<i>Pig cycles</i>	21
<i>Export</i>	16, 22ff , 103ff , 114f	<i>Post-harvest</i>	99f
<i>Extension</i>	32, 49ff, 74ff , 77f, 88f	<i>Premium</i>	8, 11, 18, 39ff, 80ff , 96, 110f
<i>Fair for Life</i>	9	<i>Price</i>	18 , 25, 56f , 66f, 79ff , 96, 100, 110f
<i>Fair trade</i>	2, 7ff , 34, 86, 117, 123	<i>Processing</i>	17, 28, 31f, 50, 54, 101ff
<i>Fair trade market</i>	18 , 114	<i>Products</i>	19 , 110
<i>Fair trade prices</i>	7, 18, 42, 80f	<i>Quality management</i>	25, 94, 96ff , 100
<i>Farmers</i>	11, 72ff , 80, 150	<i>Risks</i>	21, 38f, 43, 54, 59, 65ff , 106
<i>Field staff</i>	49, 77f , 90, 143f	<i>Samples</i>	21, 68, 110, 107
<i>Finance</i>	32, 44, 55ff , 61ff , 76	<i>Scale</i>	52ff , 94, 118f
<i>Gender</i>	3, 33ff , 120, 127	<i>Side-selling</i>	79f
<i>GMO</i>	45	<i>Storage</i>	13, 66, 100f
<i>Government</i>	32, 125ff	<i>Subsidies</i>	126, 129
<i>Impact</i>	10, 119ff , 127f	<i>Support</i>	33, 64, 116f, 127ff , 135f
<i>Industry standards</i>	15 , 149	<i>Sustainability standards</i>	14 , 149
<i>Inputs</i>	6, 11, 38, 43f	<i>Traceability</i>	28, 31f, 88, 90f
<i>Internal control system</i>	49, 86ff , 93f, 151ff	<i>Trade fairs</i>	113ff , 117
<i>Labelling</i>	6, 83 , 105f	<i>Value chain</i>	27ff , 31, 124f
<i>Local markets</i>	7, 16, 22ff , 79	<i>Wild collection</i>	41



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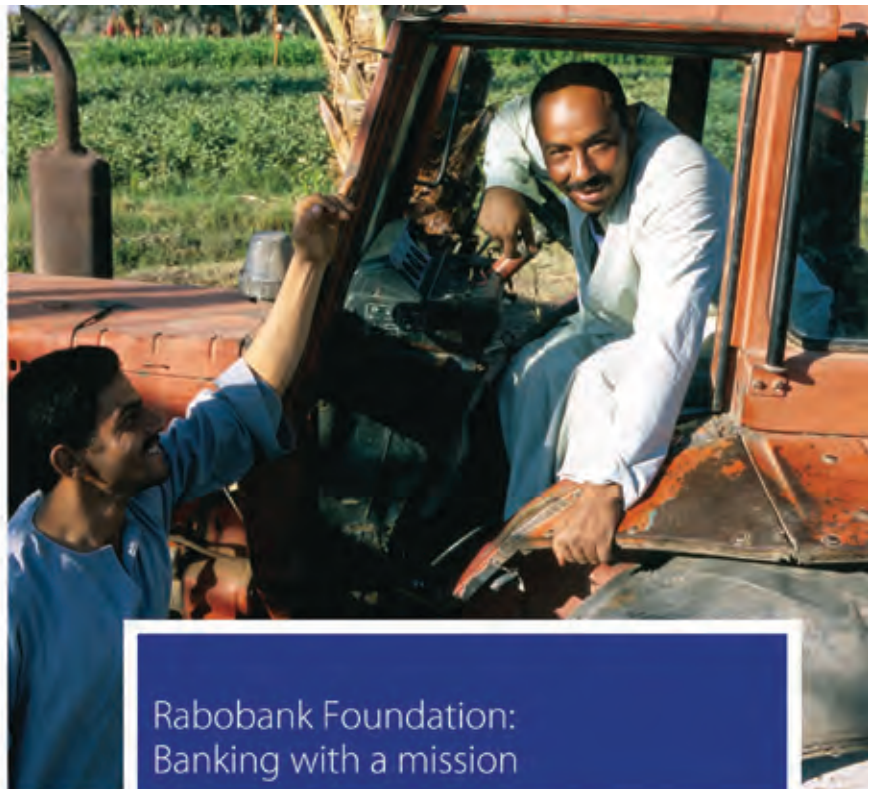
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Sales of organic products are steadily increasing, and so is organic production in low and middle income countries. For good reason: for farmers it is an opportunity to increase their income and manage their land in a more sustainable way. Getting the produce from the field to the market requires a certain level of organisation, management and finance; a well-functioning organic business. Whether set up in the form of a producer cooperative or a private company, the organic business needs to be efficient, well structured and profitable.

This guide is written for those who are actively engaged in setting up or managing organic businesses with groups of smallholders. It provides practical know-how and essential information for planning, managing and expanding such a business. Covering topics from designing production and internal control systems to business planning and marketing, it attempts to be a comprehensive reference book for organic entrepreneurs, cooperatives and facilitators.

The guide was developed in a participatory process involving people who are active and experienced in managing or supporting organic businesses in Africa, Asia, and Latin America. It draws on a wide range of practical examples and provides links to useful resources available on the internet.

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