

Entering the organic export market

A practical guide for farmers' organisations



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Foreword

Global demand for organic products has been growing for more than ten years and farmers from developing countries can benefit from this niche market, which can offer premium prices. The EPOPA Programme (Export Promotion of Organic Products from Africa), which ran from 1997 to the end of 2008 in Tanzania and Uganda (and, for a while, in Zambia), aimed at increasing the income of farmers in these countries by linking them to the organic export market. At the end of the programme more than 100,000 smallholders were benefiting from participating in organic export projects. EPOPA was initiated and financed by the Swedish International Development Cooperation Agency, SIDA, and implemented by AgroEco Consultancy (the Netherlands) and Grolink (Sweden). All three authors of this Agrodok have several years experience working for the EPOPA Programme.

Agromisa is grateful that the experiences of EPOPA can be shared with others through this Agrodok. We hope that this Agrodok will help to spread the East African experience to other ACP countries, and that more small scale farmers and their organisations will become successful players in organic production and trade.

Special thanks go to Gijs Spoor of Zameen Organic, a pioneering farmer-owned marketing company for Fairtrade, organic and pesticide free cotton. Gijs provided us with information for one of the case studies, which illustrates many of the issues described in the text.

We thank everybody else, too numerous to mention, who has contributed to this publication.

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1 Introduction

Organic production can offer different benefits. These can include: a better price for better quality and lower input costs; crop diversification; better natural resource management; conservation of biodiversity; improved soil fertility, and; fewer health risks for farmers and consumers. **Exporting organic products** can be attractive for farmers and their producer organisations; the specific market segments (niche markets) offer the opportunity to achieve better prices and acquire a more privileged market position.

It is tempting (and often misleading) to only look at the benefits of entering the organic niche markets. In order to avoid disappointments, it is necessary to prepare well and to have an understanding and knowledge of the key issues involved in these export markets.

1.1 The scope and focus of this guide

The aim of this Agrodok is to provide smallholder farmers' organisations and similar groups with the information that they need to decide whether organic export marketing activities might be right for them and what they need to do to become involved in these activities. This Agrodok provides the knowledge, information and links to resources to help you prepare yourself to start an organic export business. Supporting organisations, such as development NGOs, government departments and consultants, who are intermediates in developing organic chains will also benefit from this Agrodok, as will business people.

Not all agricultural produce is suitable for export. Traditional export crops include coffee, tea, cotton and sesame. There are also organic export markets for fresh produce, such as vegetables and fruits. New export products are being developed all the time, examples being flowers, medicinal and cosmetic products. For all of these products this Agrodok is useful.

Useful related publications to read are:

- **‘Marketing for small scale producers’** and **‘Starting a cooperative’**, published by Agromisa (www.agromisa.org) and CTA, the Technical Centre for Agricultural and Rural Cooperation ACP-EU (www.cta.int). An Agrodok on organic cultivation practices is currently in preparation and will complement this Agrodok.
- **‘Regulations, Standards and Certification for Agricultural Exports’** (2006), a practical manual published by CTA, EPOPA and FAO.
- **‘The Organic Business Guide’** (2010), published by IFOAM.

1.2 The structure of this guide

This guide describes the steps that have to be followed to prepare for entering the organic export market.

Chapter 1 –This chapter introduces some key issues that you need to be aware of before entering the organic export business.



Chapter 2 - The organic market: In general, farmers’ organisations will initiate export activities when their members are producing products which have a potential on the organic export market. The first step to take is to assess the organic market, to find out if there is a demand for the product and to know what the quality and entry requirements are for that market.

Chapter 3 - Organic production and certification:

The farmers next need to explore if their farms and production methods are organically certifiable. Organic products are produced in an environmentally friendly way that follows organic standards and are externally certified. When working with larger groups of smallholders, an Internal Control System has to be developed.



Chapter 4 - Feasibility and investments: The initiative must assess whether its business strategy will be feasible. Better ('premium') prices can be expected on the organic market, but there are also higher costs (e.g. certification). The business can only be sustainable if it makes a profit.



Chapter 5 - Developing the chain: An export business needs a chain of actors that links the producers with the consumers. Organic production is a long-term business and it is important to develop a value chain with committed actors, who will honour their responsibilities to sustain the chain and the certification process, which is the key to the organic market.



Chapter 6 - Marketing organic export: Marketing involves promotion, finding a buyer who will pay an acceptable price and exporting the produce to a market where there is demand. Specific knowledge and skills are required to do this successfully.

Chapter 7 - Planning, evaluation and management: Last, but not least, good management, including cycles of planning and evaluation, is a fundamental requirement for running a successful business. This chapter points out a few key management issues that are relevant to organic exports. It includes a check list on how to be successful in organic exports.



In the **Appendices** the reader can find:

- Internal Control System - requirements
- Price risk management
- Finance institutions
- Further reading
- Useful addresses
- Glossary

1.3 Issues to consider before starting

Entering the organic market is a business strategy

Starting an organic export business can involve making many changes in key areas of an organisation, such as marketing, administration, relations with farmers, etc. Organic exporting requires a commitment to working in an environmentally friendly way and to building a long term trading relationship. Many organic importers want to be assured that your organic business does more than just ‘abide by the rules’ but also want to see that you are an organisation that is ‘making a difference’.

Organising farmers

There are two reasons why farmers need to be organised to meet the requirements of export organic markets. First, export marketing requires relatively large volumes of produce, so many farmers need to be involved in the project. Secondly in order to be organic, they need to be certified and this is best done as a group. This requires an Internal Control System, which needs to be managed (see Section 3.3).

Export marketing

Farmers and their organisations have to make a realistic choice about getting involved with export marketing, which is a specialised business which requires capital, organised management, knowledge of the market (market contacts) and logistical capacities.

There are several options: here are three examples:

- Find an exporting company to do the exporting for the farmers’ organisation. This is appropriate when your organisation is primarily involved in production. The company can provide the experience, skills and logistics for the exporting. The exporting company can contract the farmers individually or sign a contract with the farmers’ organisation.
- Agree with a fellow farmers’ organisation, which is already exporting, to assist you or to take care of the marketing and exporting of your produce.

- Do the export marketing yourselves, taking the risks and covering the costs. It is advisable that your organisation already has a dedicated export department or manager and that you are sure that you have the necessary capacity within your organisation.

Export or domestic market?

Domestic and regional markets are usually much more accessible than export markets and should definitely be considered before starting with overseas exports. This is especially true for finished-products, which will face very strong competition in Western markets. For some products, domestic prices might be higher than export prices. It is then more sensible to compete for a position in the local market instead of exporting. Other aspects to consider are direct payment (cash), the shelf life of the product and less strict product and delivery requirements. A new company can learn and gain trading experience in the domestic and regional market, after which it can look into export marketing.

Certain products such as local vegetables and food crops (maize, yams, beans, etc), have no (or hardly any) significant organic export markets. In some places domestic organic markets are developing, which offer an opportunity to sell into a domestic or regional organic market.

Implications for management

Deciding for a strategy to enter a specific market segment (in this case organic) has implications for the management and activities of the organisation. It is beyond the scope of this manual to go into detail about all, including general, management issues. All chapters, on market knowledge, organic production and certification, feasibility and risks, building a value chain and export marketing, cover specific management issues that are important for organic businesses. Please read these carefully.

According to experienced exporters from Africa, first-class management is the most important factor for successful exporting: it is more important than achieving the highest market prices.

1.4 Other special products for specific market segments

Organic produce is one type of a special product for a specific niche market. There are other special agricultural products with specific market segments. These include:

- **Fairtrade** – ensures good social conditions for producers and workers, examples include Fairtrade tea from Kenya or Fairtrade mangoes from Burkina Faso. See also section 2.4.
- **Gourmet and speciality** – a product that is pure and of exceptional quality, such as pure Harrar coffee from Ethiopia or single origin Togo cocoa. Importing companies have their own quality standards to check if the product complies with gourmet quality.
- **Eco-friendly** – is produced in an environment friendly way, but agrochemicals are not completely forbidden. Eco-OK bananas certified by the Rainforest Alliance (RA) are one example. RA implements its own standards and auditing to guarantee the Eco-friendly quality.