



# Local Marketing of Organic Products in Developing Countries

Guidelines for Practitioners - Second revised edition 2010

Felicitas Flörchinger, Annette Bernd, Thomas Becker,  
Berthold Schrimpff & Johannes Kotschi



AGRECOL - Association for AgriCulture and Ecology - Germany

# IMPRINT

## Local Marketing of Organic Products in Developing Countries Guidelines for Practitioners - Second revised edition 2010

This work is published under the following license:



Attribution 2.0 Germany



You are free: to copy, distribute, display, and perform the work



to make derivative works

Under the following conditions:



You must attribute the work in the manner specified by the author or licensor (but not in any way that suggests that they endorse you or your use of the work)

- ◆ For any reuse or distribution, you must make clear to others the licence terms of this work.
- ◆ Any of these conditions can be waived if you get permission from the copyright holder.
- ◆ Nothing in this license impairs or restricts the author's moral rights.



Felicitas Flörchinger, Annette Bernd, Thomas Becker,  
Berthold Schrimpf & Johannes Kotschi

Local Marketing of Organic Products in Developing Countries -  
Guidelines for Practitioners. Göttingen: Agrecol e.V.

First published 2007 by AGRECOL Association, Göttingen, Germany  
([info@agrecol.de](mailto:info@agrecol.de))

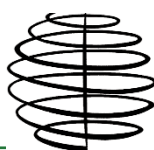
Second revised edition: 2010 by AGRECOL Association, Göttingen

Cover photograph courtesy of: Georgina Catacora

Cover and book design: Manuela Kunkel

Language editing: Ian Portman

Coordination of revision: Georg Dürr



**AGRECOL** Association for AgriCulture and Ecology - Germany



# FOREWORD

This manual on local marketing is intended to provide rural development facilitators with a guide to helping farm families develop and improve their local marketing of organic produce.



An emerging farmer proudly showing her organic onion production in KwaZulu-Natal, South Africa. The crop is there, but where is the market?  
Photo: B. Schrimpf

People who might find this handbook useful for their work will include farmer groups involved in collective marketing, agricultural advisors especially in regions where farmers want to strengthen or improve their co-operation in marketing. The manual may also be of use to, food processors and traders involved in local marketing initiatives, representatives of regional marketing boards, development workers in non-governmental or governmental organisations that support local and regional marketing initiatives, and anyone else interested in facilitating local marketing efforts.

Although we acknowledge that promoting the export of organic produce can play a role in improving rural livelihoods, we believe that improvement of local marketing plays a crucial role in supporting local farm families and local economies.

Most organic trade companies and many development organisations have put a lot of emphasis on promoting the export of organic produce and have given relatively little support to initiatives to improve local marketing and local economies. Yet, for the majority of farm families in the South, local marketing is the only viable option to capitalise better on their farming work. Export is an option for only a small minority of farmers who can meet the high standards and requirements of international trade.

Most small-scale farmers in the South are still dependent on local traders in an almost feudal-like system and are forced to sell their products at very disadvantageous conditions. In addition, support organisations often put too much emphasis on improving agricultural production, neglecting the fact that the outcome of these efforts will lead to improved livelihoods only if the produce can be sold for a reasonable price.

In addition, we see that many local initiatives in organic farming are deeply rooted in the local culture and understanding of their work based on experiences and techniques inherited from their ancestors. Indeed, these initiatives are one way to regain or retain cultural identity. This quest is not well served by imposing international standards for organic farming. Instead, we see a need to support these endeavours of local people to find their own understanding and definition of what they consider to be appropriate organic farming. We feel that such clarification processes are best served by engaging different actors such as farmers, consumers, traders or other members of civil society locally in fruitful interactions.

The Organic Agriculture in Rural Development (OARD) group - established during an international workshop "AlterOrganic - Local Agendas for Organic Agriculture in Rural Development" in 2002 - identified this gap as an important area on which to focus its work. Since then, the group has carried out several studies and compiled members' experiences with local marketing of organic produce and with providing support to such initiatives.

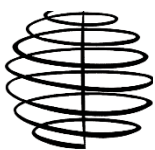
With this publication, we would now like to offer the results of this co-operation, combined with the local marketing know-how of others, in the form of an easy-to-use manual for the field.

The first version of this manual was completed in 2007. Its usefulness was then tested in the field and this second revised version is based on feedback from practitioners, to whom we extend a hearty thanks. We would like to encourage all readers to make use of the manual and to engage in critical discussions geared towards improving it still further.

The OARD group runs an electronic bulletin board and has an interactive website, where experiences and views on the manual can be exchanged and further improvements made in an interactive and transparent way.

Anyone interested in joining this work is most welcome to contact Thomas Becker ([thomas.becker@agrecol.de](mailto:thomas.becker@agrecol.de)), who is coordinating the continued work on this manual.

Dr. Ann Waters-Bayer, Chair AGRECOL



**AGRECOL** Association for Agriculture and Ecology - Germany

# TABLE OF CONTENTS

IMPRESSUM .....	2
► FOREWORD .....	3
► INTRODUCTION .....	6
About this manual .....	6
What is this manual about? .....	6
What is this manual for? .....	6
Who will use this manual? .....	6
How is this manual organized? .....	6
Comments please! .....	6
Why local marketing of organic products? .....	7
► PURPOSE OF MARKETING AND ITS BASIC PILLARS .....	8
► MARKET ANALYSIS .....	10
Potential Customers .....	10
Competitors .....	10
Distribution Channels.....	11
Own Potential .....	11
► THE PRODUCT .....	12
Quantity and Availability .....	12
Quality .....	12
The Range of Products .....	14
The Presentation of the Products .....	14
► THE PRICE .....	15
The Costs of Production .....	15
The Costs of Marketing .....	16
The Pricing .....	17
Income / Expenditure and Cash Flow .....	18
► THE PROMOTION OF THE PRODUCT .....	20
AIDA - Attention, Interest, Desire and Acquisition .....	20
The Logo .....	21
Packaging .....	21
Promotion Initiatives .....	22
► THE PLACE .....	24
Farmers' markets.....	25
Farm shops .....	26
Local Processing Industry .....	27
Food Stores .....	27
Supermarkets .....	27
The Box Scheme .....	29
Community Supported Agriculture (CSA) .....	30
Restaurants, hospitals, schools .....	31
► CO-OPERATION .....	32
Horizontal co-operation .....	32
Co-operation between producers .....	32
Co-operation between consumers .....	32
Vertical co-operation with trade .....	33
Integration of other stakeholders .....	33
What is behind organic agriculture? .....	35
► CHECKLIST FOR LOCAL MARKETING .....	37
► FURTHER READING .....	45
ACKNOWLEDGEMENTS .....	46



# INTRODUCTION

This manual is about local marketing of organic agricultural products. By organic we do not necessarily mean certified organic by international standards but rather as defined by the local group.

The manual discusses the important issues one should be thinking about when developing or improving one's local marketing of organic products.

## What is this manual for?

The manual is intended for use in the field. It should provide those who are involved in the facilitation of local marketing improvement with the necessary background and tools they may need. It offers hands-on help and is not a scholarly book intended for classroom use at universities.

## Who will use this manual?

The manual has been designed for groups or people involved in the promotion of local marketing of agricultural products with special focus on organic products:

- ◆ Farmers' groups involved in collective marketing
- ◆ NGOs involved in the promotion of local marketing
- ◆ Development workers involved in rural development
- ◆ Government organisations supporting local and regional marketing initiatives
- ◆ Processors and traders involved in local marketing initiatives
- ◆ Representatives of regional marketing boards

## How is this manual organized?

The manual consists of two main parts:

- A. The main chapters
- B. The checklist

In the main chapters you will find the basics of marketing such as product planning, pricing or promotion. Special focus is on local marketing and organic products. The check list is intended to provide a reference guide to cross-check your marketing project.

## Comments please!

We consider this manual work in progress. It is based on people's experiences with local marketing. Its promotion and improvement will rely on your feedback. For any comments, critique, additions or ideas, please contact Thomas Becker: [thomas.becker@agrecol.de](mailto:thomas.becker@agrecol.de)



Organic market in Chiang Mai, Thailand. The farmer' groups were supported by the Institute for a Sustainable Agriculture Community (ISAC) and the NorthNet Foundation. Photos: T. Becker

Discussing with customers inside the same market. On sale are also traditional local vegetable varieties which are hard to get on regular markets.



# Why local marketing of organic products?

Today there is a growing interest in organic farming and organic products all around the globe. Although the North tends to view its market actors as a driving force in the growing demand for organic products, an increasing demand for organic produce in many countries in the South can be observed as well.

In many places, present day interest in organic farming is rooted in much older local farming traditions. Both traditional and organic farming follow similar principles of appropriate and sustainable utilisation of locally available resources for agricultural production. Unfortunately, for more than 3 decades, agricultural policies in many countries have de-valued such traditions and have instead promoted so-called modern farming in collaboration with development organisations and with big agribusiness. The negative side-effects of these policies were usually an excessive use of mineral fertilizers and of pesticides, high pesticide residues in products, a decline in product quality, a dramatic increase of rural unemployment and of migration into cities.

It is only recently that a number of actors have been re-thinking their policies vis-à-vis agricultural production and have begun promoting organic farming also in the South. Their main emphasis, however, is the promotion of export production. This is quite understandable for organic manufacturers seeking raw materials around the world. It is less so for development organisations who, through their experience with rural development during the past 30 years, know about the crucial role of local anchorage and adaptedness of solutions. To them, organic farming is seen as a crucial component of broad based rural development.

In many places, farmers and farmer groups, for various reasons, start or restart a kind of organic agricultural production. We should support them in their quest to

re-define their own way of sustainable living and livelihood. A locally defined and adapted organic production needs local marketing. This implies more than selling surplus of produce grown for farmers' needs. It needs elaborate marketing strategies and efforts to meet the specific requirements of domestic markets.

Global rules for production and quality may not be applicable in local markets. They not only ignore local peculiarities, they are actually levelling them so as to obtain products that comply with world-wide standards. In addition, the international marketing system excludes most farmers in developing countries. Quantities supplied are often too small or too variable, the margins are too narrow



or the whole export system is too complicated for them to be able to cope with. It is only a small minority of farmers who are able to produce the quantities and the quality required for export.

This manual aims to support local organic agriculture initiatives by providing the information and experience on how to promote local marketing of organic products. We hope that the manual will prove to be useful for your work. We also hope that more organisations will realise the importance of locally and regionally adapted solutions and join hands with those actors who are already active in this field.

Market stand at a farmers' market in Ecuador. Products are neatly packed in family-sized quantities and presented on decorated tables. Posters with the name of the farmers' group and their village show customers where the products come from.

Photo: S. Uhlenbrock



# PURPOSE OF MARKETING AND ITS BASIC PILLARS

Selling their products is frequently a major problem for small farmers. Often, farmers think about selling and marketing only when they have a surplus but find that they face a number of difficulties: difficult or restricted access to markets, high competition in the market, markets dominated by intermediaries, a surplus on the market, a mismatch between what they have to offer and the consumers' demands. These are only some of the problems farmers are facing.

Products do not sell themselves. In order to market them successfully one must get active, analyse the different market opportunities, understand consumers' demands and promote the products.

The activities to be undertaken specifically depend on what you want to achieve. You should clarify a few basic questions for yourself:

- ◆ Do you want to sell to the market only when you have a surplus? or
- ◆ Do you plan to establish organic production as a long-term commercial activity in your farming enterprise?
- ◆ Do you want to sell directly to the consumer?
- ◆ Do you want to sell your products with little time and effort but at a lower price?
- ◆ Do you want to have a long-term relationship with your customers?

Based on your basic orientation you can then start building your marketing strategy. To develop the right marketing strategy you need to consider

- ◆ which products you are going to sell,
- ◆ who your potential customers are,
- ◆ where you are going to offer the products and
- ◆ what price you want to get?

Before elaborating on the details of marketing we would like to highlight two common traps that newcomers easily fall into: focussing on solely one product and a strategy based only on short-term profit maximisation. Every farmer knows quite well the uncertainties and risks

associated with farming: weather, pests and diseases, unreliable input and produce markets. Most farmers employ a farming strategy which balances yield with risk reduction: they do not normally grow just one crop just because it fetches the highest price on the market or plant the highest yielding variety



Organic market in Chiang Mai, Thailand. Informing customers about the philosophy and concept through displays at the market entrance.

Photo: T. Becker

when it is not tolerant to pest outbreaks even though such outbreaks might occur only once in a while.

The same reasoning holds true for marketing in small farming conditions: Markets are also not fully predictable; there are always uncertainties and risks: fluctuating prices, market access, competition with other suppliers, changing consumer preferences. If one product or market fails, there must be alternatives to survive on. So an important issue in a marketing strategy is how to deal with the risk involved.

The second issue is very much related: short-term versus long-term orientation. Farming can only be done successfully





A farmer selling cheese and yoghurt at a farmers' market in Ecuador. Tasters of cheese and yoghurt are offered in small pieces and in cups to attract the customers. Photo: S. Uhlenbrock

with a long-term perspective. A sound marketing strategy should build on that. Good farming practices are geared towards balancing the ups and downs of yields and prices over seasons and years, and of varying market opportunities. Thus, production should not be completely revamped merely because one very tempting opportunity appears on the (global) market. Many incidents may jeopardize such a strategy: prices may drop, intermediaries may let you down, a plague may destroy the crop, etc. However, while production and marketing strategies may be kept stable over years, they should be open to adjustments as new trends develop, be it in production, e.g. through new technologies or products, be it in the market due to changing consumer preferences, new competitors or new market opportunities.

Even if a certain product is strongly promoted by external organisations, it is usually not a good idea to put all your eggs in one basket. It is highly advisable to start small, reflect on your experience, improve your judgement of opportunities and risks involved, and gradually to build on that.

In the end, for small farmers, the purpose of marketing is not primarily profit maximisation with a strong market dependency. Marketing activities rather complement farmers' efforts to ensure food secu-

rity and constitute a strategic element for improved livelihoods in the long term.

There are many ways to look at marketing in order to clarify the practical questions. In common marketing literature the following elements constitute the pillars of any marketing strategy.

- ◆ The Product from a crop or from animal husbandry
- ◆ The Price at which the product can be sold
- ◆ The Promotion that creates awareness about the product
- ◆ The Place where the product will be offered.

They are known as the 4 Ps and we suggest considering a 5th P for Producer and his/her situation:

- ◆ The Producer with his/her personality capacity, cultural background, socioeconomic situation and his/her ambitions and needs.

The 5 Ps interact with and depend on each other. In the following chapters they will be explained and discussed in detail.

# MARKET ANALYSIS

Before beginning any new business you need to know the market. This will help you choose the right marketing strategy, set up adequate distribution channels and promote your products. Find out who your target customers are and what they want. Only if you know what their needs are you will be able to offer tailor-made products and services. Especially for the promotion of your organic products you need to know which arguments to emphasize towards consumers. Are they more interested in health aspects or environmental issues? And how price-sensitive are they?

Different market research activities can be conducted:

- ◆ consumer surveys with questionnaires
- ◆ tasting tests, to see if people accept the product, or which tastes they prefer
- ◆ interviews with retailers and wholesalers

## Potential Customers

Consumer surveys are used to find out

questionnaires are given by Shepherd (2003). People have different needs and wishes. Which factors influence their purchasing behaviour? Are they sensitive to prices or is quality more important? Do they prefer shopping in supermarkets or on local street markets? Can you distinguish behavioural patterns by age, sex, income, family status, and region? Do consumers have preferences for products from certain regions or for certain varieties or breeds?



Andean women leaders communicating and educating consumers at the ECO Fair.  
Photo: G. Catacora

who buys certain products, why they buy them and where they buy them. They also give information about competing products, whether and why people buy them. Useful examples for designing

Specifically regarding organic produce: Are consumers aware of organic products. What do they associate with buying organic products? Better taste, healthy/not contaminated, support environmental



protection, contribute to social stability in rural areas, or others?

Conduct interviews with customers of supermarkets, street markets and other selling points. Find out which arguments and information is important for your potential customers. Use this opportunity to find out about the attitude towards organic products.

Often people don't like being interviewed - they don't want to waste time or are suspicious that you want to sell them something. Make sure to address them very politely and explain clearly and shortly what this interview is about.

Ask as few questions as possible to keep it short. Also make a survey of food processing companies. Which are their conditions to buy the ingredients of their products? Would they be interested in organic products? Would they be willing to pay more for organic products?

### Competitors

Most probably your products are not the only ones on the market. This means your products will have to compete with other similar products. You must find a way to convince customers to buy your products and not those from others. In order to achieve this you must know your competitors thoroughly. There are a couple of questions you should investigate:

- ◆ The competitors' products: Which products are being offered? Where do they come from? What is the quality of these products? What are the prices? Is there seasonality in supply? Is there a shortage of certain products? Are there other organic products on the market already?
- ◆ The marketing strategy of competitors: How do competitors promote their products? What are competitors planning for the future? What do customers think about these products?

Knowing all this will help you to identify advantages of your products in comparison to similar products and to identify weaknesses and possible risks in your marketing strategy. Don't forget that -

depending on who your competitors are - it might also be a viable option to team up with them and capitalise on each of your respective strengths (see also the chapter on co-operation).

### Distribution Channels

Find out which distribution or sales channels exist for your products. Would you have a choice to sell your product on a street market, to a shop or supermarket directly or to a trader? If you have, you should analyse them carefully. Which are the main distribution channels, which are their rules and conditions? Who are the intermediaries? You then identify those, which are best suited for your products and your possibilities.

### Own Potential

In the end, this is the most important aspect: what do you want to do, what can you realistically do, what are your strengths?

Make a realistic analysis of your situa-



Advertisement for a weekly market in Ecuador where organic products are sold directly by the farmers. The market is organised by PACAT (Productores Agroecológicos y Comercio Asociativo de Tungurahua), an association of 30 farmers' groups with about 600 member families.

Photo: S. Uhlenbrock

tion. Which products are you able to offer? What is your vision for the future? Which image do you want to give to your products? Do you have the financial, organisational, logistical and personal means to enter the market?

The findings of your market analysis form the basis for the five Ps: Product, Price, Promotion; Place and Preferences.



# THE PRODUCT

Every marketing-activity depends on the product you are going to offer. Decision making about distribution, promotion, price, branding, etc. is based upon the properties of your product. This has to be kept in mind when thinking about marketing. The product properties to be analysed in particular are quantity and availability, the quality, the range of products you are able to offer and the presentation of products you are going to choose.

## Quantity and Availability

Customers want a range of products to choose from throughout the year. You need to know how much of every product in your assortment you can offer continuously. For instance, if you want to

whether the demand for your products is seasonal. If you don't already know about the seasonality of your products, a valuable source of information may be the purchasing department of a supermarket.



Farmer explaining his experiment with conventional and organic cabbage, Kabale, Zambia.

Photo: T. Becker

establish a relationship with a supermarket, the client needs to know exactly the quantity he can purchase from you. If you fail to supply this quantity, he will have to look for other suppliers. Or, if you are planning for a farmers' market you must be able to guarantee a certain quantity and a minimum assortment over a longer period of time to satisfy customers' needs.

For some products, demand varies depending on the season. Peaks in demand may be induced by particular holidays such as Christmas. Find out

So at first, you will have to make an assessment of the actual situation:

- ◆ What are you - yourself and other farmers - growing and in which quantity?
- ◆ When will the products be harvested and when will they be available for sale?
- ◆ How much of the products will be consumed by your families and by your livestock?
- ◆ How much of the produce is available for sale?
- ◆ Will there be a shortage of some

products or an excess supply?

- ◆ Are there times of excess and shortage of supply over the year (seasonality for products)?
- ◆ Are there times of increased demand for certain products?

Such a primary assessment makes production planning possible. Probably most farmers follow a certain production rhythm throughout the year "now it's time for corn, now for potatoes..." and so on. Usually those patterns relate to climatic conditions such as rainy periods or frost but social-cultural or other factors also play their part. If a shift or elongation of the production period appears to be feasible in order to extend the period of supply or to fetch a better price, different production technologies might help. A few examples of these follow:

- ◆ Agro-forestry
- ◆ mixed cropping
- ◆ wind barriers to reduce frost damage and to establish a favourable micro climate within the cultivars
- ◆ mulching to keep moisture in the soil
- ◆ raised beds for a better drainage

Vegetable growers have to keep sowing and planting at intervals over the growing season in order to have always fresh, young produce to offer (e.g. green beans and lettuce). A longer growing season would not only allow a grower to vary planting and harvest dates but also to cultivate different products and to provide for the market demand for diversity. A range of products may also help farmers avoid over-supply of one product.

### Quality

Quality is a key factor of success in marketing initiatives. You can make a difference by offering only high quality products. If customers have the choice between your products and conventional goods, you must win by quality. But what does quality mean? Conventional quality standards usually refer to exte-

rior criteria such as size, shape, colour and weight. They often do not consider taste or healthiness, or other advantages of organic products. Generally, the quality criteria you have to consider are:

- ◆ appearance (size, shape, colour, weight)
- ◆ hygiene
- ◆ freshness
- ◆ nutritional value
- ◆ taste
- ◆ purity of the produce in accordance with the principles of organic production.

In addition, and as a great advantage to conventional production, you can offer an element of trust to consumers: production and processing according to rules, regulations or standards of Organic Agriculture (no matter whether they are international or locally developed and accepted).

Conventional production methods can influence the appearance of the products more easily, through mineral fertilizers, growth enhancers, pesticides against bug bites, maturity accelerators, etc. This helps to achieve nice looking, uniformly shaped goods. Such exterior quality criteria of conventional production are hard to beat. But, organic products do not necessarily have to look worse than conventional goods. It depends on how well farmers know how to produce. Improving the production skills of farmers is part of providing good quality produce to the market.

As visual appearance is very important for consumers, you should aim to offer the best quality possible. This concerns in first place hygiene (clean, washed products, packed in bags or boxes) and freshness; locally marketed products will always be fresher than products brought from farther away. In any case, you should establish minimum requirements of external quality criteria for the products and reject those which do not meet the criteria. Generally, a strict quality management is necessary. Quality con-

trol should be present at all stages from production to the day of sale.

You have advantages to conventional producers when it comes to intrinsic quality criteria such as nutritional value, taste and non-contamination with agro-chemicals. These are the very special assets of organic production and should be among the key arguments of your marketing activities. Frequently consumers are not sufficiently aware of these quality advantages.

So information and creating awareness among consumers, explaining methods of organic agriculture and the quality of its products, is vital for successful marketing.

If you are going to offer organic products, make sure they really are organically grown. Little frauds can result in a big loss as the following example shows:

On a farmers' bio market in Ecuador, there was a shortage of broccoli. Some farmers did not want to miss the chance and offered conventional broccoli they had purchased the day before at the wholesalers and declared it organic. Of course this was noticed (they had been watched by some envious neighbours) and the next day you could read it in the local newspaper.

The cheaters were punished by the group excluding them for several weeks from the market but the damage to the market was done. Customers had lost confidence and it took an enormous effort to regain it.

Whether farmers are certified organic producers or follow their own organic production rules, a strict control of the products and their production is a must. Certification of organic products is not necessary, but you should be in a position to give the consumer some kind of guarantee that your produce really is organic. Such a guarantee can be given by the group of farmers in a village, by the extension service or by an NGO that is

working in the region or by any other trustworthy institution.

### The Range of Products

Conditions and location of production, skills of farmers and opportunities to sell determine the range of products you and others are going to trade in. Which products are you going to offer? At the beginning of any marketing initiative it might be advisable to start with only a few products. Choose those products for which you can guarantee to supply continuously with respect to quantity and quality. Later, you can increase the assortment by adding more products and processed goods.

### The Presentation of the Products

No matter where you are planning to sell the products, good presentation of your products will help enormously to attract the consumer's attention. The products should look appetizing and clean. Boxes or crates should be clean and placed on tables or racks (instead of placing them on the ground). This attracts clients, invites them to see and smell or taste, is hygienic and underlines the quality of your product.

Vegetables and other crops should be cleaned of withered leaves and of soil. They should be harvested and transported carefully to avoid any damage.

It is also useful to offer quantities matching the purchasing habits of the customers. For instance, if you are going to sell on a farmers' market offer packages and bundles suitable for family households, for instance bags with 5 pounds of potatoes, 2 pounds of apples, bundles with 10 onions, boxes with 6 eggs etc.

Another aspect is the amount offered; an abundance of a product stimulates the consumer to buy, whereas a small quantity often has the opposite effect.

Organic quality cabbage from Katate, Zambia. The farmer can charge 30% above the going rate for his cabbages on the local market although there is no certification and people in the region are rather poor. Kabale, Zambia.  
Photo: T. Becker





# THE PRICE

Appropriate pricing is influenced by various factors. When making a decision about the price of your products it is essential to know the prices of competing products and their supply on the market in relation to demand. However, a precondition for pricing is knowledge about your costs.

## The Costs of Production

Costs of production form the basis for price setting. Selling produce below the costs of production leads to loss and eventually to insolvency of the business. You should, therefore, know, for instance, how much it costs to produce 50 kg of potatoes, a lettuce, a box of tomatoes, a chicken or 1 litre of milk. In order to find out such production costs, the farmer will have to sum up all costs which accrue when producing these products.

There are expenditures for seeds, fertilizers, hired labour, fuel or the unit costs of public services (water, electricity), or, in case of chicken production, feeds and veterinary medicine. Since these costs vary with the scale of production, they are called **variable costs**.

There are also **fixed costs**. They have to be paid whether there is production or

not. Fixed costs are for example the rent for the land or a storehouse, repayment rates of credits, interest or basic charges for public services (water, electricity).

A farmer must also set aside funds to replace longer lasting property or equipment. These may be buildings, such as a store, machines, such as irrigation equipment, or the tools to work with on the farm. Such funds are called depreciation. They accrue for the entire farm, so you have to calculate the portion your organic produce has to cover.

So, at first you need to find out all factors and inputs that contribute to your cost. Make a list of them and indicate their quantity (how much you use of each of them) and price. Make a separate list for each of your products (following the example below), so you will know how much the production of each of them costs.

Table 1: Example > Calculate the Costs of Production for Potatoes per Unit of Land

Item	Quantity	Unit	Price	Total
Variable Costs _____				
Seed _____				
Organic Fertiliser _____				
Labour _____				
Fuel _____				
Public Services _____				
Repair and Maintenance _____				
Other _____				
Total Variable Costs _____				
Fixed Costs (proportional) _____				
Land Rent _____				
Credit Charges _____				
Basic Charge for Public Services _____				
Other _____				
Total Fixed Costs _____				
Total Costs (variable + fixed)				

You expect the sales of your organic products to contribute to the costs of living of the families, and to provide money for further investment. This mark-up is usually considered to be part of the profit to be made. In family farms, farmers usually do not pay themselves a salary. Therefore, the profit also has to cover the remuneration of the farmers and their family members for the hours they have worked in agricultural production.

Once you have determined the production costs per unit of land it is easy to calculate the production cost per unit of the product. If for example the production cost for potatoes per ha are \$2000 and the yield per ha is 20 tons \_ the production cost is \$100 per ton (\$2000 divided by 20 tons) or 10 cent per kg.

Keep also in mind that cost and yields in organic agriculture differ from costs in "conventional" agriculture. While the cost may be higher (due to increased labour requirements) as well as lower (less use of external inputs), the yields tend to be generally a bit lower (no use of chemicals and mineral fertilizers).

Under many conditions we do, however, observe the opposite: in areas where growing conditions are less favourable (areas usually considered as low agricultural potential areas) there is a growing experience among farmer groups that organic is highly competitive with similar

or even better yields and lower production cost than conventional agriculture. No matter what, lowering your cost of production and increasing your yield is in most cases helpful (except where increased quantity reduces quality). The following practices might be useful:

- ◆ improve yield through better production techniques
- ◆ reduce losses to pests and diseases by proper biological pest management
- ◆ reduce external inputs by e.g. preparing organic fertiliser on the farm instead of buying it
- ◆ produce home-made pest repellents and disease cures
- ◆ use more efficient irrigation techniques to avoid losses of irrigation water
- ◆ reduce the number of intermediaries between the field and the consumer
- ◆ organize joint transportation of produce
- ◆ purchase packaging material in larger quantities and together with other farmers.

### The Cost of Marketing

In case you market your organic produce yourself, additional costs have to be considered for marketing. You have to pack your produce, for instance the potatoes, into boxes or bags, transport them to their destination market, and sell them. So you have to add packaging (labour, bags) and distribution costs (transport, rent of market space). By

**Table 2: Example > Calculate the Costs for Marketing of Potatoes**

Item	Quantity	Unit	Price	Total
Packaging _____				
Bags _____				
Labour _____				
Other Material _____				
Distribution _____				
Transport _____				
Credit Charges _____				
Labour _____				
Market Space _____				
<b>Total</b>				

adding the cost of production and marketing, you will find the total production cost of your potatoes. If you sell the potatoes at a lower rate than your total production cost you will lose money. By knowing the overall costs of production and marketing, we get a good idea of the price above which we will make a profit and the price below which we will lose money. What else do we need to consider in our pricing strategy?

### The Pricing

There are different strategies to determine the price of your product. A very common one is based on the market, i.e. to determine the prices for your products in comparison to quality and price of your competitors' products. In doing so, you should know precisely not only the price but also the quality of your competitor's products.

If you would like to sell for a higher price than your competitors, it must be obvious to the consumers what advantages your products have. Why should a consumer buy your product if it is more expensive than the competing ones? This you will have to find out and then communicate the advantages of your products to the consumers.

If your costs allow, you can try to be more competitive. In this case your prices will be lower than prices of competing products. Bear in mind that the price difference must be substantial enough to attract customers and influence their decision about where to buy. If the price difference is too small customers will rather stick to their habitual providers or markets. But bear in mind that offering lower prices is only profitable if your costs are still covered and you can increase your sales. The rise in sales must compensate for the lower price.

Generally, there are different strategies to set the price:

- ◆ The Introductory price: In order to introduce a new product to the market a competitive price can be given at the beginning. Such pricing might not

result in high profits during the introduction period but can be of help to push the product into the market until the customers get familiar with it. Later on the price can be raised to a more profitable level. The structure of your production costs gives you an indication where to set an introductory price. By all means, the price has to be at the level of your variable costs of production and marketing.

Otherwise, you lose money with each unit you sell. For a short period of time, you may sell your produce at that level. However, you should attempt to raise the price to cover the fixed costs as well to avoid drawing on other financial sources of your household.

- ◆ The price according to quantity: If you sell potatoes in bags of 50 kg, 5 or 1 kg respectively, the 50 kg bag should not cost 50 times the price of the 1 kg bag. A general rule is that the price per kg should fall as the amount sold increases. Packaging, transporting and selling in larger units is less costly in terms of labour, packaging material, and time and those savings can be passed on to the consumer. It is advisable to calculate these savings, in order not to give more rebate than you save.
- ◆ The price according to region: Prices can vary according to where the products are being sold. An increase in price may be necessary to cover higher transport costs if you are moving the product over longer distances. Another reason can be that in other regions of the country (the capital for instance) spending capacity of the customers might be higher than in remote rural areas. Find out what the prices of competing products are in other regions and adjust your prices accordingly.
- ◆ The price according to cost of production and trade: Pricing is based on variable production costs per unit. Adding the fixed production costs plus the profit you want to achieve per unit results in the product price.



This technique can be used if you are introducing a totally new product into the market. If there are competing products on the market, this is rather pointless since you will have to base your pricing on the existing price level.

Another possibility is to ask for a premium price due to the higher quality of your product. Organic farmers usually assume that their products can be sold at higher prices. They are pesticide free, have a better taste, enhance the environment, etc. Actually achieving higher prices depends on the willingness of the customers to pay them. Are consumers aware of the special quality and advantages and are they willing to pay a higher price for these benefits? Are they economically capable to spend more on food? Your market analysis gives you an indication of consumers' attitudes towards these questions.

Fair and adequate pricing of high quality organic products is essential to capture market shares from competitors.

### Income / Expenditure and Cash Flow

One of the most important factors any farmer or farmers' group should bear in mind is to never run out of money or \_ in other words \_ lose liquidity. Even if production and marketing of your products seems to be profitable on a long term basis, it can fail because cash shortages occur in between. With a simple Cash-

Flow-Calculation it is possible to get an overview over the income and the expenses of a business during a certain period of time.

As the first step you calculate your total income from your sales (of e.g. the three vegetables that you will produce during the dry/rainy season of six months). From your income you subtract your total expenditures (for the respective products and time).

What you get as a result is your profit for this time period and the product sales:  $\text{Income} - \text{expenses} = \text{profit}$ .

In this example you have a profit of \$1100. These \$1100 can be used for your expenses or be saved for future investments.

If you like to know which of your crops (e.g. types of vegetables) gives you which profit margin you may want to make the above calculation for each of them separately and compare.

But remember -even if your entire plan shows that you will make a profit in the long run (in our example six months) the undertaking might fail if you run out of money at a certain point in time.

Therefore it is advisable to do a "cash flow calculation" for shorter intervals (usually per month). In the following table the figures from table 3 are calculated on a monthly basis.

**Table 3: Income - Expenditure calculation (\$) - an example**

<b>Income</b>	
Sales Product 1 _____	4,100
Sales Product 2 _____	6,300
Sales Product 3 _____	3,000
Total Income _____	13,400
<b>EXPENDITURES</b>	
Production Costs _____	9,900
Marketing Costs _____	2,400
Other _____	0
Total Expenses _____	12,300
<b>Profit (income minus expenditures) _____</b>	<b>1,100</b>



A farmer in Hunan Province calculating gross margin for organic kiwi production.  
Photo: J. Kotschi

Table 4: Cash Flow plan for 6 months - in \$						
Month	Jan	Feb	Mar	Apr	May	Jun
<b>INCOME</b>						
Cash flow (\$) last month		200	0	300	1000	800
Sales Product 1	1000	800	1100	1200	0	0
Sales Product 2	1000	1000	900	1000	1100	1300
Sales Product 3	1000	200	300	500	400	600
<b>Total Income</b>	<b>3000</b>	<b>2200</b>	<b>2300</b>	<b>3000</b>	<b>2500</b>	<b>2700</b>
<b>EXPENDITURES</b>						
Production Costs	2200	1800	1600	1600	1300	1500
Marketing Costs	600	400	400	400	400	300
<b>Total Expenditures</b>	<b>2800</b>	<b>2200</b>	<b>2000</b>	<b>2000</b>	<b>1700</b>	<b>1800</b>
<b>Cash Flow (pos. or neg.)</b>	<b>+200</b>	<b>0</b>	<b>+300</b>	<b>+1000</b>	<b>+800</b>	<b>+900</b>
Please note that the cash flow from one month is used as income for the next month (first line)						

The cash flow at the bottom informs you whether your liquidity is positive throughout the entire time (if, from day 1 to the last day you have enough money to continue.) If it turns negative you are in trouble. In our example the month of February might be crucial as your liquidity is zero which means that even a small deviation in income or expenditure will leave you without the needed money. It is also evident in the example that you can not take any money in January or February for your personal expenses but that you have to reinvest all of it - whereas from March to June this might well be possible.

You may include initial investment, from your own funds or from other sources, which you put into your enterprises as income in your cash flow plan. Such a cash flow plan is useful not only if you can finance your undertakings from your own means but it is also usually required when you are looking for credit. Banks want to know whether you will be able to pay rates and interest before they give you credit (in this case the credit money is added in your calculation under income and the interest and the repayment rates as expenditures).

# THE PROMOTION OF THE PRODUCT

Promotion and communication are of crucial importance in marketing. This applies in particular, if you want to sell a new organic product. With so many competitors and distractions around, how can you make sure people will listen to you?

## AIDA - Attention, Interest, Desire and Acquisition

There is a simple formula - named AIDA describing the principal aspects of successful promotion: Aida stands for: Attention, Interest, Desire and Acquisition.

First, you must attract customer's attention. Imagine a market with many different market stands. All of them offer more or less the same choice of items. Something makes the client want to have a closer look at a special stand. What is this something that attracts his/her attention? Is it

- ◆ the type of product you offer?
- ◆ the way the product is being displayed?
- ◆ the way you present yourself at the stand?
- ◆ the way you present yourself towards the approaching client?

Now the customer has to take a closer look at the stand. Maybe he/she will not find anything special and rather decide to go on looking somewhere else or there may be something that captures his/her interest that he/she wants to know more about the offered items.

Then the customer begins to ask you, the seller, about the products - or maybe you are a good salesperson and address him when you notice the customer's interest. In the following conversation you, the seller, will try to convince the customer to buy at your stand. You have lots of arguments why your produce is good or even better than others. Which could be arguments to make him/her want to purchase your prod-

ucts, to stimulate his/her desire to own them?

Once the customer has the desire to buy, what else can affect his/her decision whether to buy or not? Maybe he/she does not really need the product, or the price is too high, or the shopping basket is too full already? Or the customer decides to buy the product because he/she needs it, can afford it - and can make the acquisition.



This process from attention to acquisition shows that to be successful you must know your customers - their needs and values. Only if you understand the factors influencing their purchasing decisions you can address them appropriately. Also: Speak the customer's language. Only if you follow a similar line of thinking as to what constitutes good food will you know what he or she needs. For instance, talking about a good meal: Maybe, while you think about a plate

Organic market in Chiang Mai, Thailand. Customers come not only to buy organic, but also because farmers offer typical local products and local varieties which are difficult to find elsewhere.

Photo: T. Becker



with plenty of salad or vegetables, a source of carbohydrate like potato or manioc, a piece of a protein food fried in a few drops of oil and a choice of fruits for dessert, your customer imagines a double burger with extra fries. If you want to win this customer, it might be useless to talk about vitamins in vegetables as he/she would not understand you.

Especially in the marketing of local and organic products, communication has much to do with public education. The advantage of local organic food is not as obvious to customers as tangible factors such as the visual appearance of lettuce or the size of an apple.

The strategy of promoting your products has to consider who your customer is. Is it the end consumer, the purchasing agent of a supermarket, the diet counsel of a hospital or is it the representative of town municipality from which you want support or approval for a new farmers' market?

- ◆ Consumers are mostly attracted by the benefits with respect to nutrition and health. Consumers aware of the principles of organic farming may also be open to environmental issues or social effects. So the entry point for promotion and communication should be their direct benefits and convictions, and consumers should easily find these convictions reflected in the products you present to them.
- ◆ The purchasing agent is interested in the benefits for the supermarket, the price, quality, and the guaranteed quantity. If you co-operate with a supermarket, make sure the supermarket participates in a communication strategy to address and inform consumers. Politicians and civil servants may be interested in regional economic benefits, a positive image, and the local origin of the goods.

### The Logo

Marketing of organic food will only work if you have the customer's trust and confidence concerning the organic quality of the products. This trust and confidence

can be reflected in a logo, which carries the message of the unique characteristics of your produce. The logo has to be backed by some sort of quality proof: whether it is organic certification according to an international standard or the farmers groups' own production guidelines and a local guarantee system. Label your products with this unique logo so the customer can distinguish them easily from other products.

A Logo can be a word or a phrase, a picture or drawing or a combination. Whichever option you choose it should be clearly related to your products and their special quality. In the case of local marketing there should be an explicit connection to the region. It is important to keep it short and simple (KISS). Do not try to put the whole message into the logo; the goal is rather to produce a mental link in the customer's mind: when seeing the logo he or she should automatically associate the message which had been promoted by other means. As an example: some of the most successful logos worldwide are Coca Cola and McDonalds. -Most people recognize them even if they see only a small fraction of the actual logo, as they are unmistakable.

The logo should appear wherever you sell your products: In the supermarket, on the market stand, on the promotion flyers, as a sticker on your bundle of onions, and imprinted on your potato bags.

### Packaging

Packaging is not only to ensure safe transportation of your products. It also serves to attract attention of the client and make the product more appetizing. Clean bags and boxes, with the logo on them and clean products inside will certainly make a difference and be attractive to customers.

Be careful not to over-pack the products. Good presentation does not mean that every broccoli or lettuce should be wrapped in plastic foil. Use as much natural material as possible, i.e. to tie up the spring onions don't use a plastic band but a string of cotton or straw, maybe



Logo of the ECO Fair that represents three of the basic elements in organic agriculture: Sun (main source of energy), soil and plants.

Photo: G. Catacora

something that doesn't even have to be purchased but grows on the farm.

### Promotion Initiatives

Before you start selling, you need to promote your products: let people know where they can purchase your products, what is special about them, what your terms of supply and delivery are. Also tell them about your farm, your business or organization, your specific goals, your principles, your mission. Promotion should be a continuous process accompanying all market activities.

Possibilities for advertising through media or other platforms for promotion are:

- ◆ Place advertisements in newspapers that will inform people about your market.
- ◆ Contact newspapers and magazines and tell them about your business. Articles in the mass media reach many people at little or no cost.
- ◆ Offer radio interviews in the popular regional channels about your initiative, the organisation, organic farming, social effects etc.
- ◆ Distribute flyers or leaflets with information about your products and your market initiative
- ◆ Put advertising posters in strategic places, where many people will look at them - perhaps the bulletin board of the municipality, medical clinics, schools, pharmacies etc.
- ◆ If you organize a farmers' market, learn together with other farmers how to attract people, how to answer questions about organic farming, and how to promote the products.
- ◆ Organize field days for your customers, so they can see where the products come from
- ◆ Offer samples for tasting, for instance slices of an apple, a cup of yogurt, some bread with homemade marmalades, etc.
- ◆ Participate in food fairs, this will help you to get into contact with other organisations, to get an overview about the market, and to get in touch with purchasers of supermarkets or processing industries.
- ◆ Contact schools, universities, churches, social clubs etc. and offer them to give a lecture about organic farming, product quality, healthy nutrition or other related subjects.

Try to establish a good relationship with the media and other communication platforms. If they get interested, you may get a permanent forum, for example a fixed column in the nutrition/health/agriculture or regional section of the local newspaper or the local radio.



The following are some arguments that you can use to promote local organic products. Choose the arguments carefully depending on the people you want to address. Some of these arguments might be of special interest for politicians, others for consumers.

Appetizing baskets with organic fruits and legumes produced by the farmers' association PACAT are offered at a farmers' market in Ambato, Ecuador. Photo: S. Uhlenbrock

- ◆ Freshness: Locally-grown organic fruits and vegetables are usually harvested within 24 hours of being purchased by the consumer
- ◆ Taste: Produce picked and eaten at the height of freshness tastes better.
- ◆ Nutrition: Nutritional value declines, often dramatically, as time passes after harvest. Because locally-grown produce is freshest, it is more nutritionally complete.
- ◆ Purity: People are getting more and more concerned about residues of agrochemicals in their food. These materials are not permitted in an



organic production system neither before nor after harvest.

- ◆ **Regional Economic Stability:** Buying locally grown food keeps money with in the community. This contributes to the health of all sectors of the local economy, increasing the local quality of life.
- ◆ **Variety:** Organic farmers selling locally are not limited to the few varieties that are bred for long distance shipping, high yields, and long shelf life. Many organic farmers raise and sell wonderful unusual varieties that customers desire but can no longer find on supermarket shelves.
- ◆ **Soil Fertility:** Soil health is essential for the survival of mankind. Conventional farming practices are rapidly depleting topsoil fertility. Creating and sustaining soil fertility is the major objective for organic growers.
- ◆ **Energy saving:** Buying locally grown organic foods decreases dependency on petroleum, a non- renewable energy source. Organic production systems do not rely upon the input of petroleum derived fertilizers and pesticides and thus save energy at the farm. Long-term studies have shown that organic agriculture produces up to 60% less CO<sub>2</sub> than intensive conventional agriculture.
- ◆ **Environmental Protection:** Soil erosion; pesticide contamination of soil, air, and water; nitrate loading of waterways and wells; and elimination of planetary biodiversity are some of the problems associated with today's predominant farming methods. Organic growers use practices that protect soil, air, and water resources; and that promote biodiversity.
- ◆ **Cost:** Conventional food prices do not reflect the hidden costs for the environment, peoples' health or the social consequences (unemployment) of predominant production practices. Examples of external effects of conventional farming are the high cost of correcting a water supply polluted by agricultural run-off, or of obtaining medical treatment for pesticide induced illness suffered by farmers or consumers. When these and other hidden costs are taken into account,

as they should be, the advantages of locally grown organic foods become obvious.

- ◆ **A step toward regional food self reliance:** Dependency on far away food sources leaves a region vulnerable to supply disruptions, and removes any real accountability of producer to consumer. It also tends to promote larger, less diversified farms that hurt the environment as well as local economies and communities. Regional food production systems, on the other hand, keep the food supply in the hands of many, providing interesting job and self-employment



opportunities, and enabling people to influence how their food is grown.

- ◆ **Passing on the Stewardship Ethic.** When you buy locally produced organic food you cannot help but raise the consciousness of your friends and family about how food buying decisions can make a difference in your life and the life of your community; and about how this basic act is connected to planetary issues.

Native woman promoting and selling around 100 different varieties of native potato during the 1st Exhibition of Agrobio-diversity of the ECO Fair.  
Photo: G. Catacora



# THE PLACE

Where will you sell your products and how will they get there?

A product can be sold either directly or indirectly. Directly means the producer himself sells the product to the customer. Indirect sales involve one or more intermediaries. Indirect channels of distribution are intermediaries, agents, wholesalers or retailers. When the product passes down the chain to the next intermediary, value may be added by processing and elaborating: for example deep frozen potato fries or orange juice.

The choice of the place of sale depends on economic opportunities and personal preferences. If you are a good salesperson, you may enjoy personal contact with customers and wish to sell to the end consumer. Otherwise, you may prefer to concentrate on production and leave the marketing of your products to intermediaries.

Important options for local marketing of organic products:

- ◆ Farmers' markets
- ◆ Farm shops
- ◆ Restaurants and hotels
- ◆ Schools, hospitals
- ◆ Local processing industry
- ◆ Food stores
- ◆ Supermarkets
- ◆ Box scheme
- ◆ Subscription farming
- ◆ Community Supported Agriculture

Each of these channels has its own requirements regarding quality, quantity, packaging, pricing, conditions of supply and delivery, etc. The producer should evaluate the options of sale and try to establish alternative outlets, thus avoiding a one-sided dependency on a single buyer and retaining an influence over pricing and supply.

Experience from local marketing initiatives often shows a development from direct to indirect sales when the amount of products and the number of persons involved increase.

The activities of Eco-Logica a producers' association in Peru began in 1998 with a basket home-delivery service, sold in the districts with the highest purchasing power in Lima. Given the high distribution costs, the delivery service was ended after a year. The home-delivery service was replaced by a weekly street market that attracted an ever-increasing number of consumers, sales and products. Thanks to this successful initiative, Eco-Logica Peru started another weekly street market in another place in 2005.

With increasing demand, it became obvious that a weekly market would not solve the marketing problems of organic producers. Efforts would have to be focused on mass sales. At the time, the discussions were centred on whether it was advisable to sell the products in supermarkets or to have an own grocery store. The advantage of having an own grocery store was that an environment could be created that would be adapted to the needs and expectations of consumers. Selling to supermarkets was not recommended by some producers who had done this: they had experienced long waits for payment and had problems with the return of damaged products. The advantages of selling in supermarkets were that fixed costs were lower and consumers would find a complete range of goods (part of them organic products). Finally a decision was taken in favour of the supermarkets. (Schreiber et al 2007).

## Farmers' Markets

Farmers' markets are the easiest way to do local marketing as they do not require extensive physical equipment and coordination efforts are small. At farmers' markets producers sell directly to the final customer. Well organized farmers' markets are very attractive to consumers and give a good opportunity for direct contact with the customer.

A group of producers who want to organize an organic farmers' market should meet the following conditions:

- ◆ A good variety of products
- ◆ Good quality of products
- ◆ A good assortment throughout the whole year
- ◆ Farmers committed to assume their duties
- ◆ Certificate or another guarantee for the organic nature of the products
- ◆ Transport from the farms to the market must be organized and ensured

The location of the market should be in a public place with easy access for everyone. It should be accessible by public transport and for cars and offer parking opportunities. A good location is a place where many people pass by and see the market. It should be free of contamina-

tion and garbage and not close to sources of contamination, bad smells or excessive noise. The neighbourhood should not be too expensive or too poor; it should be acceptable for people of different social rank.

At an organic market farmers offer special, high quality products. This special quality should be represented by the appearance of the whole market. People should appreciate attractively-arranged products on clean tables, carefully packed vegetables, cleanly dressed sellers.

Prices should be clearly displayed on a visible list. Avoid bargaining; the purpose of an organic farmers' market is not competition among the farmers. The prices should be fair for both sides \_ farmers and customers, so bargaining should not be necessary. After some time, customers understand that they should accept the given prices \_ although whether this is feasible or not clearly depends on the traditions in your culture.

An even easier and less costly way of direct marketing is the booth at the road side, which is usually set up on a temporary basis to sell seasonal products such as fruits.



ANOFA Farmers' Market. This small market has been held three times in Bacolod City, Philippines near a cathedral in order to attract churchgoers. Since consumer response has been positive it is planned to convert it to a regular weekly market.  
Photo: J. Alapar

### Farm shops

A more intensive way of direct marketing is to open up a shop on the farm – a sound practice in places where many potential customers are passing by. The shop is normally built in an extra room on the farm, if possible with a room for storage attached and a way to keep products cool. The room must be clean and friendly, the products arranged nicely, and all wilted pieces removed.

There are disadvantages, too:

- ◆ The shop keeping has to be regarded as an extra and time consuming job. It takes time to always have fresh products in the shop, to weigh and package small quantities, to chat with customers. This time is not available for other farm work. Possibly an extra person has to be employed.
- ◆ The assortment of goods has to be



Advertising on-farm sales of organic chicken and vegetables at the Mpepu self-help project farm site in Limpopo, South Africa  
Photo: B. Schrimpf

Such a shop has several advantages:

- ◆ Direct contact with the consumers creates an atmosphere of trust and understanding. The advantages of the products and the characteristics of organic agriculture can be explained; a bond will be created between consumers and producers
- ◆ Customers like to shop here because of the personal atmosphere and because they experience the farm, they have an “adventure” while shopping
- ◆ As there are no wholesalers or retailers involved the farmer can keep the full retail price. Many customers will accept a higher price because they know who they support and what quality they get
- ◆ Some kinds of products do not have to be packaged
- ◆ Transport is a less important issue

attractive enough for people to come regularly. That means either the farm has a highly diverse production or additional products have to be bought from outside.

- ◆ The person working in the shop must be well informed and friendly; the farm should look attractive.

Farm shops usually need the above mentioned good location and easy accessibility – but advertisement is also needed to make it known. You should also decide if it is more feasible to serve customers whenever they come or to stick to fixed opening hours and make these opening hours known to your customers.



### Local Processing Industry

Food processing companies need high quality input for their products. Especially companies which produce breakfast cereals, corn bars or baby food are very interested in non-contaminated, organic ingredients.

Another option can be the processing of products by your group, e.g. to make dried mangos, marmalades, tomato-sauce, or chutneys. This adds value to your products and is also useful for conservation of products at times when fresh produce are in oversupply. But be careful to meet the sanitary requirements of public health authorities for processed food stuff.

These processed goods can be sold on a farmers' market or via small retailers in local food stores. They will probably not meet the quality and quantity demands of bigger supermarkets.

### Food Stores

Local retailers might be interested in extending their assortment with organic products. Explain the difference between your products and conventional ones. Maybe you can give them a leaflet with the main arguments and characteristics of organic products and organic farming. Try to get a special place for your products, an own shelf or table, where the products are displayed together with information about them. At the beginning, while your products are being introduced, you might want to be present to talk to the customers and offer them samples to taste.

In big cities, mainly in Asia, there are also organic food stores. They are mostly well stocked with non-perishable food items (grains, pulses, oil) but lack vegetables, dairy products and meat which makes a good opportunity for farmers to come in with their products.

Another possibility is that producer groups manage their own local food store. This way of marketing is often encouraged by NGOs that support organic agriculture producer groups as for instance Navdanya in India or Naykrishi in Bangladesh.

### Supermarkets

Over the past few years, supermarkets have become increasingly important in the food supply of the population. At the beginning, supermarkets could only be found in urban centres. Now, even in smaller villages, branches are being built. They compete with the traditional wholesalers' markets and with small food retailers. Their high sales volumes increase their bargaining power and streamlined logistics allow them to cut costs and offer the products at prices that may be even lower than those at traditional markets. Customers are attracted to the supermarkets for different reasons: the broad assortment offers everything they need for the family shopping basket; they do not have to go to different places to satisfy their needs; and they can save time doing the whole shopping at one place. Also products are usually of high quality as supermarkets have very strict conditions and permanent quality control.

These facts present opportunities as well as threats for the producers. For farmers who are able to meet the stringent conditions of the supermarket, this may represent an opportunity to enter a new market. On the other hand prices are low and mostly not negotiable. In addition, a common practice in supermarkets is delayed payment for products (up to several months after they receive the

---

A rice mill in Anhui Province, China helps to add value to agricultural products  
Photo: J. Kotschi





Start of supermarket sale of certified organic eggs of Eco-Lógica Peru. Organic eggs are popular because conventional eggs in Peru usually have a fishy taste. The producer premium for organic eggs was 280% compared with conventional eggs.

Photo: F. Schreiber

goods). Sometimes the risk of not selling everything is shifted from the supermarket to the farmer when the supermarket insists on paying only for those products which could be sold. Given the perishable nature of these products, this can result in big losses for the farmers. Given these disadvantages and risks, it is not advisable to rely on a supermarket as sole partner.

Selling to a supermarket can nonetheless be a very interesting option especially for organic producers. It might give them the opportunity to reach new customers, e.g. people who would not purchase their food at traditional markets. To meet the demands of the supermarket, farmers might have to organize themselves in larger operational and organizational units like co-operatives or associations in order to be able to guarantee quality and quantity of their products and exact timing of supplies.

In the supermarket it is even more important than in other shops that the organic products can be distinguished easily from conventional goods. A special marketing strategy should be developed with the participation of the supermarket management. Optimal would be an "organic corner" or shelf where only organic products are displayed. Marketing initiatives such as the development of handouts or posters to be displayed together with the products should be discussed with the management as well. A good reason for a supermarket to add organic products to the assortment is the possibility of attracting new customers and of gaining an advantage over competing supermarkets.

In co-operation with a supermarket, many aspects have to be considered. The producer association Grupo Eco-Logica Peru has collected valuable experience on this (Schreiber et al. 2007). [www.ideas.org.pe/ecoperu](http://www.ideas.org.pe/ecoperu)

### The Box Scheme

Home delivery services of organic food on a subscription basis are known as 'Box Schemes'. The concept was first developed in the U.K. in the 1980s. A Box Scheme is a simple direct or indirect delivery of farm produce to consumers. A box may contain different kind of vegetables and fruits. Consumers pay a fixed amount per box which may be offered in different sizes and content

A box-scheme can be managed by one producer or by a group of producers. Participating farmers will deliver their produce at a location, produce will be cleaned, packed into boxes and loaded to a truck which will take the boxes to the customers. Customers must be interested in regular delivery, accept an

assortment composed by the producer(s) and willing to pay a little extra for this service. Box schemes have become very popular worldwide for the marketing of Organic Food.

The system can be a good option for a farmers' group and even generate additional employment for cleaning and packaging. It is a simple and flexible marketing concept and can be done with a minimum of packaging. It can be started with just a few products and gradually become diversified according to the capacity of the producer(s). However, it requires a lot of organizational and logistic effort.

#### Example: Northwood Farm, Devon, United Kingdom

Tim Deane has been operating a Box Scheme over the past 10 years on his 30acre farm. The box scheme supplies 60 crops and 150 varieties annually to its 150 customers. Each box contains 7 to 16 crops. Teamed up with another farmer, Martyn Bragg, together they sell products worth about 35,000. They are successfully selling to their neighbours, who also have their own farms and enjoy rural life. Some 40 to 50 customers (20%) are from the same village, the rest lives in the local area.

**The Operation:** Boxes are delivered to each individual household every week. Products are sold in plastic boxes, three of which consumers have to buy at the beginning. Unlike larger scale box schemes, Tim and his partner do not buy from outside to keep the number of items stable. When setting prices, market prices are taken into consideration, but they are fixed all year around. Communication with consumers is guaranteed by issuing monthly newsletters, setting up open days on farms in summer and providing the possibility for customers to pick up their boxes directly from the 'pack-house'. Customers can pass requests on to the producers by putting notes on the returning boxes.

**The advantage:** According to Tim, they can earn more money out of their organic farm than they used to when selling to conventional markets. The prices are better, income is generated weekly and there is less risk because of fixed prices, which all enable them to make their living out of his small organic farm. Besides, they have to spend less effort to comply with standards on shape and size of produce. Also, by producing a wide variety of produce organically, the farm's economy is more stable. Furthermore, Tim simply feels that it is more 'interesting' for him to work on his farm and to operate his box scheme.

**The challenges:** Nowadays, they face more competition because several people have started box schemes in the same area. However, only few consumers have left his box scheme, which he thinks is because he has continuously made efforts to supply good products. Source: Taniguchi (2003)



## Community Supported Agriculture (CSA)

Community Supported Agriculture (CSA) is a model of close linkage between a farmer and the customers. It is quite common in the USA and Japan (Teikei) and might be an interesting option for producers and producer groups in developing countries.

The CSA-model is simple: the farmer sets a price for a share of the year's produce from his/her farm, then recruits a group of participants who purchase a membership in the farm and receive a weekly supply of freshly-picked produce. CSA members have the satisfaction of knowing where their food comes from and the farmer who grows it. The farmer has a guaranteed market in place - often before the growing season begins - cou-

pled with up-front cash from member payments that can eliminate the need to borrow start-up capital. Farmers also benefit by developing a long-term community interest in the viability of their farm. Reconnecting people with the land and the farmers that support them is an important part of CSA.

The CSA model has unlimited potential for connecting consumers directly to the source of their food, and for giving small-scale farmers and market gardeners a viable alternative to other marketing efforts. In the USA, CSA projects first started on the east coast in the mid-1980s. The idea has spread quickly to the west coast, and today there are about 1700 CSA-farms with some 340,000 consumers throughout the country who rely on CSA arrangements for the majority of their produce.



The Kwamfundo women's group is growing organic vegetables at a school site in a Cape flats township in South Africa. Products are sold to a privately run organic box scheme, selling the products in Cape Town.

Photo: B. Schrimpf

### The Ten Principles of Teikei

1. To build a friendly and creative relationship not as mere trading partners
2. To produce according to pre-arranged plans on an agreement between the producer(s) and the consumer(s)
3. To accept all the produce delivered from the producer(s)
4. To set prices in the spirit of mutual benefits
5. To deepen the mutual communication for mutual respect and trust
6. To manage self-distribution, either by the producer(s) or by the consumer(s)
7. To be democratic in group activities
8. To take much interest in studying issues related to Organic Agriculture
9. To keep members of each group in an appropriate number
10. To go on making a steady progress even if slow toward the final goal of the convinced management of Organic Agriculture and ecologically sound life.

Japan Organic Agriculture Association (Taniguchi 2003)

For more information, see for example <http://www.joaa.net/English/teikei.htm>



Mr. Mtshalie from St. Bernards in KwaZulu-Natal picking his organically grown lettuce for sale at a nearby hotel.  
Photo: B. Schrimpf

### Restaurants, hospitals, schools

Restaurants, hotels, hospitals, schools are also potential customers. They all need fresh provisions for their kitchens. There are usually two main challenges with these customers: logistics and price. They often buy only from one source which supplies everything they need in an efficient way for a cheap price. Their price calculations leave usually very small margins; they are often not willing to buy organic products for a substantially higher price. In order to make it attractive for them to buy your premium products at a higher price you should figure out how you can make logistics easy for them: regular offers, easy ordering, reliable delivery, perhaps some pre-processing (cleaning, cutting, etc.) and flexibility on your side could make buying from you attractive for them.

In addition, for higher standard restaurants and hotels, top quality products and freshness is a high value and you can deliver them more easily than large wholesalers can. For public school lunch programs, Japanese researchers have identified six steps to the successful marketing of local produce to such programs:

- ◆ Estimate the rate at which local produce is currently being used in the local school meals.

- ◆ Conduct research on how many parents of the school children want local, organic produce to be used in school meals.
- ◆ Investigate the current situation of quantity, prices, and seasons of the produce currently used in school meals.
- ◆ Organize a producers association and examine feasibility
- ◆ Study how local schools procure meals.
- ◆ Make good presentation on the findings and show your ability to fulfil your proposal.

One of the big obstacles to selling to public institutions is bureaucracy. One strategy to win a school meal tender is to allow contracts to be broken into small plots, stipulating specific product and service criteria, such as freshness, conformation criteria, delivery times, seasonal menus or local specific products. Another way to avoid the red tape of public procurement laws is to set up a private organization that runs school canteens, such as parent committees in Italy. Yet another way is to operate a local food outlet where school caterers purchase produce on the 'spot' rather than procuring through contracts (Taniguchi 2003).



# CO-OPERATION

Co-operation means that several people or entities work together with a common goal instead of working separately and competing against each other. Experience from many emerging organic marketing initiatives has shown that co-operations can be important or even vital to make marketing a success. In the initial stage it helps to overcome shortages in product supply and to gain bargaining power. At a later stage, co-operation can provide additional possibilities to further expand and develop the range and quantity of your products.

Co-operation is possible in various ways:

- ◆ Collaboration between two or more stakeholders who are more or less doing similar things is called “horizontal cooperation”: producers collaborate with other producers, traders with traders, or consumers with consumers.
- ◆ Collaboration between two or more stakeholders who are doing different things in the “production-to-consumer chain”. For example, farmers producing organic products and shops selling organic products are working together. Here, the term “vertical co-operation” is used.

However, co-operation is of course also possible between producers and other stakeholders, who are not directly participating in the market chain, but who might well be important for a successful marketing initiative, like credit institutions, mass media or NGOs.

## Horizontal cooperation

### > Co-operation between producers

In general, the two main benefits of horizontal co-operation are the combination of different strengths two or more cooperating partners might have and the pooling of resources for tasks that can better be done in a larger framework rather than individually by each actor (e.g. transport, market fees or surveys).

The most common case of horizontal co-operation is the collaboration of producers and producer organisations. In the majority of cases an individual small producer may need partners who can help out with products when his own

production becomes scarce. Starting from such a simple type of more informal co-operation, an emerging marketing initiative might have to respond to all needed requirements, such as:

- ◆ Demands of the market to be served (which products can be sold at what price)
- ◆ Quantity and quality requirements and specification of product(s) to be sold
- ◆ Information and orientation to be collected and used
- ◆ Logistics of warehousing and transport
- ◆ Creation and distribution of promotion materials
- ◆ Money to cover the costs, especially in the beginning

In almost all areas mentioned above, a strong co-operation and joint organisation is helpful. Even organisations of small farmers may need to co-operate with other organisations in order to have more possibilities to act in the market.

What is essential at this stage is to find a suitable co-operation partner. Besides enhancing co-operation through additional production and bargaining power it might be important that the partners produce complementary products. However, the most important factor for a fruitful co-operation is in many cases that the partners are sharing similar interests, objectives and even values.

When it comes to the details, many points will have to be considered and answered (for details see also the check list in the annex).



### Co-operation between consumers

In this case consumers who are interested in buying their food together in order to reduce expenses and obtain the quality of products they desire co-operate. Such food co-operatives are often found in an urban environment.

A good example can be found in Riobamba, Ecuador, where a group of low income families have been purchasing together since the year 2000. The savings are between 60 and 70 % compared with individual shopping (Canasta Comunitaria, Corporación Utopía Regional Chimborazo). The next step they are planning is to purchase directly from producers to further reduce expenses by avoiding the intermediaries and also to get to know where exactly their food comes from.

This leads us to a form of vertical co-operation, where consumers co-operate directly with farmers. Among the advantages are lower prices for consumers (because they do not have to pay the intermediary margins), a secure sales channel for farmers and reduced marketing costs for producers if consumers purchase on farm and in large quantities.

A quite advanced form of farmer-consumer co-operation is described in the paragraph about the Community Supported Agriculture (CSA), (see page 30). Such food co-operatives often seek both to reduce expenses and to support local farmers and organic production methods.

### Vertical co-operation with trade

The most common case of vertical co-operation is the collaboration between producers and distributors. Producers need the security that their product can be sold; distributors - like shop owners, supermarkets, processors - need a reliable provision of goods. Sustainable development of the market requires fair trade relations.

For vertical co-operations it is crucial that all partners have clear objectives for themselves and also for their co-operation. As a general rule for all co-operations, clear and detailed agree-

ments help to enhance a stable relationship and to avoid tension.

Sometimes distributors (e.g. supermarkets) demand from producers that they deliver exclusively to them. Accepting such requests is quite dangerous for farmers as it makes them dependent on



only one customer who might look for a different source for his products in the years to come - while the farmer has lost his other customers in the meantime. Often, in such cases, good prices and conditions are offered for the first years and are reduced for later years to a point where you no longer make enough profit.

Similar to the above, aspects of product quality, packing and availability throughout the year are as important as the price and conditions of payment.

In order to come to a lasting co-operation, producer and buyer should be fair in their conditions and transparent in their arguments. Feedback of the buyer about product quality and consumer acceptance can help to improve the products and strengthen co-operation. Planning of future sales should be done together for better fulfilment of needs and possibilities from both sides.

Organic vegetables are offered in a shop belonging to ERPE (Escuelas Radiofónicas Populares del Ecuador), Riobamba. The shop opens 3 days a week and vegetables are sold out after 2 hours. The customers appreciate the freshness and taste of the organic products.

Photo: S. Uhlenbrock

### Integration of other stakeholders

Further development of the local market for organic products needs the co-operation of as many stakeholders as possible. Co-operation on different levels and with different points of view can help to attract attention in public and to develop new marketing ideas. In addition, it allows participants join knowledge and forces and to reduce cost. Not only producers and traders in the market or processors can be stakeholders in the local marketing process of organic products, but also others with very different functions.

In particular, developmental, not-for-profit NGOs play an important and often crucial role in enhancing local marketing initiatives of organic products. While in many cases they are trying to enhance food security or food sovereignty of farm families, some farmers are more innovative or productive than others and produce surplus to such an extent that there is too much to be consumed by the farmer families alone or even too much to be marketed only to the nearby community.

The Valley Trust in South Africa is a typical example of such a NGO that has worked for many years with organic farmers in a former homeland area in KwaZulu Natal (Schrimpf, Haigh and Ngcobo 2007).

Through interacting with The Valley Trust many farmers started to develop and expand their production area which led to a considerable surplus. Marketing emerged as an issue, as opportunities to sell surplus production were sought. The issue of marketing was not initially planned for in a strategic way, but emerged as a request from farmers to the Valley Trust to assist in selling their surplus production and to facilitate their market access. For a couple of years now, The Valley Trust and the farmers have been trying to accelerate organic marketing. Recently there have been some successes but a major factor they discovered was that it is definitely more

difficult to establish a marketing system for organic products that goes beyond selling in the neighbourhood, than to enhance organic production.

While The Valley Trust never tried to act as an independent marketing agent, as it

It is definitely more difficult to establish a marketing system for organic products that goes beyond selling in the neighbourhood, than to enhance organic production.

felt that this was not its mandate, other development NGOs have set up a marketing unit that acts as a for-profit entity. This has been

the case with an organic farmers' association in the Caucasus which faced similar requests from their clients and started among other marketing initiatives an organic products outlet in a major city. The initial plan was that this organic products shop would generate profit and, in turn, financially support the organisation. The shop was realised, but financial surplus was never reached because the shop always ran at a loss.

The same has been reported from other development NGOs that have made similar attempts. While many factors might be responsible for these failures, there are certainly also success stories - \_experience shows that it is very difficult for an NGO with a not-for-profit culture to manage a for-profit business successfully, with its entirely different organisational culture.

---

Signpost in front of the Tuban Organic Farmers' Association office. Kapchorwa, Uganda.  
Photo: T. Becker





# What is behind organic agriculture?

Marketing of organic products cannot be seen as an independent activity driven merely by economic arguments. And Organic Agriculture is not confined to production alone. It rather comprises a way of living and perceives human beings and their activities as part of nature. Unfortunately many products sold as organic do not deserve the name. The fact that they have been grown without agro-chemicals and mineral fertilizers does not mean they are organic.

As a consequence, marketing activities should be embedded in the comprehensive approach of Organic Agriculture. According to the International Federation of Organic Agricultural Movements (IFOAM), four main principles are to be respected:

- ◆ **Health:** Organic Agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.
- ◆ **Ecology:** Organic Agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.
- ◆ **Fairness:** Organic Agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities
- ◆ **Care:** Organic Agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment.

The guiding principles of health and ecology aim to cultivate land or raise animals in harmony with nature or - expressed in modern terminology - according to the laws of ecosystems. Natural processes are enhanced; nutrient and energy flows are kept as cyclic as possible; plant and animal husbandry are closely linked. The agricultural enterprise - "the farm" - with its people, land, plants and animals is conceived as a manifold whole, as an organism.

Methods of Organic Agriculture aim to use nutrients as efficiently as possible

and not only once; they are re-used as much as possible through largely closed nutrient cycles. Mineral fertilizer is not excluded but strictly limited. Fertilizers are applied primarily in order to enhance soil fertility, especially in marginal areas. In contrast, in conventional agriculture, fertilizers serve primarily to maximize yields. Optimising inputs instead of maximizing outputs is proba-



bly the most profound difference between the two types of agriculture.

This is the key issue: making optimal use of resources for production in marginal areas where resources are limited. Resource-poor people need to be empowered to make better use of a minimum of inputs - nutrients, water, and seed - to obtain at least modest yields in a sustainable way so that they can secure

Mrs Fireweini Tedla in Tigray, Ethiopia proudly presenting her Begaite dairy cows. From sales of their milk and offspring she was able to start a small room rental business.

Photo: B. Schrimpf



their subsistence and, wherever possible, sell their small surpluses.

The principles of fairness and care have a cultural, social and economic dimension. The culture has a great influence on agriculture.

Ancestral wisdom and practices must be revived and included (as long as

they are agro-ecologically sound, - not every ancestral practice is sustainable) and the philosophy and beliefs of farmers (i.e. Cosmovision) must be considered. Hence, Organic Agriculture in South Africa will have another face than it has in Vietnam or Peru. Marketing strategies driven only by economic interests are most likely to help only a few individuals.

Socially, the farming family is central. It has strong influence on the dynamics of the system. A farm is the product of a combination of natural conditions of the site and the social, economic and cultural situation of the family. Organic Agriculture aims at equity among the different groups of human beings (gender, age, ethnic groups, class). It also looks for accordance and coordination among the different actors of the rural sector. This includes the communities, farmer organizations as well as politics.

Economically, the introduction of cash crops for an external market may be an interesting option for the farmers, but it must not jeopardize the economic survival of families. Cultivation of cash crops for export like coffee or cacao implies high initial investments and several years without any financial revenue. Prices on the world market are insecure and there is no guarantee that they will compensate for those investments and unproductive years. In the worst case farmers may lose their land if gains fail to meet expectations. The well being of all individuals involved is the primary goal. - This includes farmers, their families, consumers, and the communities they are living in.

Hence, food security of the groups involved must be provided before think-

ing about introduction of promising export cash crops. Marketing strategies driven only by economic interests are most likely to help only a few individuals. Organic Agriculture ecology considers not only the economy of the human

beings involved but also the economy of the whole system.

Food security is not only of importance for the well being of farming families. It is also a relevant issue for a country's independence. A country, which is not able to satisfy the most basic needs of its population and depends on other countries, will have an extremely weak position in any international treaties.

Last but not least there are political aspects. Organic agriculture is an alternative proposal for national and international politics. Instead of exploitation and domination controlled by a few transnational companies, which are driven by economic interests only, organic agriculture aims at strengthening the rural sector. A political approach looking for maximum support of the organic production will have to make sure the farmers have access to land, water, seeds, information, education, technical assistance, credits and commercialization and will have to protect local and national production.

---

Selling organically grown herbs and spices at the central market in Tbilisi, Georgia / Caucasus.  
Photo: B. Schrimpf



# CHECKLIST FOR LOCAL MARKETING

This check list is meant for everybody who is interested in increasing sales of organic products in the local market. These may be farmers, farmers' organisations, processors, NGOs, official bodies, or any party in the market chain. As a result the objectives in increasing sales of organic products may be various and different - also the means to be applied, and consequently the questions which correspond to the individual situation. Some may be of importance, some not for a particular case. For each person or organisation concerned, each question should be answered in relation to their own situation and objectives.

## 1. Basic questions to be answered:

First of all, before marketing organic products, you must have a clear understanding of the concept of organic agriculture, and the rules and regulations you want to comply with. There may be generally agreed standards of production and processing, there may be "standards" in your village or defined by yourself. In any case, you have to be clear about your definitions of organic production and processing. Secondly, if you are in a group that wants to start marketing, everyone must have a common understanding:

- ◆ What does organic agriculture mean for me?
- ◆ Do we have a common understanding of organic agriculture in our group?
- ◆ Which are my/our rules or standards for organic agriculture?

## 2. What do I want with local marketing?

If you have some clarity about what you want to achieve with your local marketing efforts, it will be much easier for you to find the right approach and to take the steps needed to achieve your goals. Do you want to...

- ◆ Create income alternatives for producers and their families?
- ◆ Strengthen the local economy?
- ◆ Improve food security of the region?
- ◆ Become less dependent on global market fluctuations?
- ◆ Save local varieties?

## 3. Which products are to be marketed?

The basic question is whether you want to offer a broad assortment of different products or whether you are going to specialize on one or a few products and process them further, e.g. tomatoes, tomato-salsa, dried tomatoes, tomato concentrate, tomato juice etc. You should start your marketing initiative with something you are really good at and which you already have.

- ◆ What products do we have?
- ◆ What are my/our strengths, where are we really good at?
- ◆ Is it easier for us to offer a broad range of products or to focus on one product or product line?

#### 4. How can I define the quantity to be sold?

Do you have enough produce left to sell after nourishing your families and feeding the livestock? Self-supply should be assured before you sell anything.

How much do you produce?

How much of it will your family need?

How much do you need for your livestock?

Can the relations be changed?

So how much do you have left for selling?

- ◆ Total quantity produced
- ◆ How much for personal consumption
- ◆ How much for feeding of animals
- ◆ How much for others
- ◆ Quantity for sales
- ◆ Which quantity do I have for sale now to start with?

#### 5. Which aspects of product quality have to be considered?

Quality should take into consideration consumers' expectations which may vary. For example, for processing, the demand may be very different than for direct consumption. Quality is a key factor of success in marketing initiatives.

- ◆ Do exterior characteristics like size, shape, color, weight match clients' expectations?
- ◆ Hygiene?
- ◆ How fresh are the products when they reach the place of sales?
- ◆ How can I keep them fresh during sale?
- ◆ What is the nutritional value of my products?
- ◆ How do they taste?
- ◆ Are they contaminated with agrochemicals?
- ◆ Are they produced and processed according to organic rules, regulations or standards?

#### 6. Can I ensure supply throughout the year?

Reliable delivery is an important aspect to bear in mind if we want to strengthen our relationship with our customers. Especially for fresh product this means continuous supply for as long as possible during the season. First you should get an overview of your actual production:

- ◆ What are you producing right now?
- ◆ When will you harvest?
- ◆ How much will you harvest?

You will get an inventory of your products throughout the year allowing you to see in which months you might experience shortcomings. You may be able to influence supply by means such as production planning, alternate production, prolongation of the productive season or storage.

- ◆ Period of harvest?
- ◆ Period of sales?
- ◆ Do you have storage facilities?
- ◆ How high are losses during storage?



## 7. Are there legal provisions which must be respected?

Existing legal regulations have to be observed, even more, if the product is sold in more formal structures e.g. supermarkets, or for further processing. Regulations on specific hygiene rules for food, especially of animal origin must be considered, and in most countries you will need permission from the public health authority.

- ◆ Are there legal regulations regarding the product?
- ◆ Is marketing itself regulated (e.g. do product taxes apply)?

## 8. How can organic quality be certified?

Certifications are a confirmation for clients and consumers, that the product has been produced according to certain rules or standards. Consequently they are marketing instruments, but do not necessarily influence the intrinsic value of the product. Although organic production has to follow the stipulated rules carefully, official certifications do not always exist. Even if they do exist, formal certification may not be necessary for all markets. In many cases there are other ways to ensure the organic character of the product.

An international IFOAM-Certification is quite expensive for farmers and only necessary if you are going to address foreign markets. In many countries there are national certification systems using internal control systems. Find out what exists in your country and try to affiliate your group if you want a certification. Too many different regulations and organic labels will confuse the customer.

- ◆ Do I need a certification of my products?
- ◆ Do I need an international certification?
- ◆ Are there national certification systems in my country?

## 9. How can I attract attention to my product (presentation)?

A good presentation helps to attract the consumers' attention and interest. If the product looks good and interesting or attractive, clients, namely consumers, will be more easily ready to try it. Nevertheless different clients and consumers may have different expectations or reactions to a certain type of presentation. Hence the presentation should be elaborated taking in consideration the client aimed at. In certain cases it may be even better to elaborate packing and label together with the owner of the point of sales, who is in direct contact with the consumer.

Packaging again is depending on the product and the market. It has to obey technical needs and serves at the same time to attract the attention of the buyer, especially in case of final consumers.

A good label is a strong eye catcher and will help consumers to remember and identify your products. Normally there are strong legal regulations to be obeyed before applying for a label.

- ◆ Which is the target-market of my product?
- ◆ Is it end consumers, supermarkets, processing industry or wholesaler?
- ◆ What presentation will be attractive for the client?
- ◆ What packaging would be attractive / desired by the client?
- ◆ Do you have a label for the products?
- ◆ Are there legal regulations / formalities to be considered for a label?

## 10. Transport

Transport facilities are of utmost importance when deciding on a market-place or marketing channel. Sales are only viable if you can deliver a good quality product within an adequate time, and at a reasonable cost. Transport facilities can be very variable, depending on the distance to market, the value of the product, the quantity to be moved and roads available. When starting marketing activities, existing transport should be used. Only later on, and if you have stable and profitable sales, should special transport facilities be acquired. Often, individual transport costs may be lowered by partnerships or co-operation agreements.

- ◆ What transport facilities exist?
- ◆ How much is the cost of transport?
- ◆ Can I reduce costs by sharing transport with others?

## 11. Diversification of products

Diversification is the key to successful organic agriculture and helps to reduce risks for farmers. If you have a diversified production, losses due to pests, diseases or climatic factors will not affect the whole production and price fluctuations on the market will certainly not affect all products. Have a look at the varieties you are producing. Frequently farmers produce some heirloom varieties in their backyards for themselves and use new varieties for marketing. But consumers often yearn for those old varieties. These varieties are usually very well adapted to your climatic and edaphic (soil) conditions and resistant to many pests and diseases. This applies to your livestock, as well. Maybe the big white chickens grow faster, but what about the cost for medicine and special feed? And how do they taste compared to the chickens your grandmother used to raise?

- ◆ Which crops am I producing?
- ◆ Can I improve diversity by introducing other crops?
- ◆ Which varieties do I use?
- ◆ Do I have heirloom varieties?

## 12. How can I find the right price

Setting the right price for a product is very important for sales. It may be difficult and complicated to determine it, but it is simply unavoidable for sustainable market activity. Most important is that you know your production costs, i.e. how much does the product cost you from seeding to the point of sales. Obviously, if you sell cheaper than that you are losing money. Have a look at the market. You need to know how much is being paid currently and if the prices have been volatile in the past. You must know your competitors and their prices. There are different methods for pricing:

- ◆ Based on the market situation
- ◆ Competitive pricing
- ◆ Introductory pricing
- ◆ According to quantity
- ◆ According to region
- ◆ According to costs of production and trade
- ◆ What are my production and marketing costs?
- ◆ What is the market price of my products?
- ◆ How do prices change over the year?
- ◆ What influences the price on the market?
- ◆ How many competitors do I have?

### 13. Processing and product development

Product development and processing are very important factors both in diversifying your product range and in meeting evolving consumer demand. On one hand, a farmer can add value to the product by processing it on his own farm. On the other hand, commercial/industrial processing is opening the door to the purchase of bigger volumes of the unprocessed product. Co-operation is a crucial factor in product development and at all levels. Especially for organic products, processing at the farm level fits with the image of "near to nature". Yet you must be certain that all processing facilities and procedures are fully hygienic and free of any health risk for the consumer! In evolving markets for organic products sales to a processor are possible mainly in a type of co-operation where the processor is willing to promote his products as organic. Often, to begin with, the processing of organic products will pass through a period of conventional sales, until conditions allow for an organic declaration.

Product development means both developing new products, or varying and improving existing ones. To start with, this is possible by very cheap and simple means, but may become very knowledge and cost intensive at a higher technological level. It is best to begin with what you know and what you are really good at and then you might start experimenting with small batches of modified/improved products.

- ◆ Do I want to process the products myself?
- ◆ Do I have the facilities for processing?
- ◆ Are there sanitary regulations to be considered?
- ◆ Do I want to deliver to a processor?
- ◆ Is the processor willing to promote the organic origin of the processed good?
- ◆ Can I guarantee delivery of the required volumes?

### 14. The placement of products

Different market channels offer different opportunities, but make different demands, too. It is not possible here to give individual or specific guiding questions for varying outlets. What we offer is a general orientation as to which factors deserve special attention. Sometimes, less sophisticated sales points, at or near by the farm may be easier to arrange. The crucial point is where a certain product or range of products fits best to the chosen sales channel.

- ◆ Where can I sell my products?
- ◆ Does a market place exist in my surroundings?
- ◆ Should I promote (with my organisation) an organic farmers' market?
- ◆ Is there a store or supermarket nearby?
- ◆ Is there a processor or factory within reach where I can sell my product?
- ◆ Which advantages has my product in the chosen market compared to competing products?
- ◆ What are the advantages for me of my preferred sales channel in comparison to others?
- ◆ What are the problems?
- ◆ Can I ensure delivery of the required quality?
- ◆ Can I ensure delivery of the required quantity during the whole period of demand?
- ◆ Can I ensure transport of the product?



## 15. Promotion of products

Promotion should be done depending on the clients you want to address. In case of sales in your own surroundings, the promotion should be as personal and direct as possible. The further the distance to the sales place, the more technical will be the means of promotion. Organic products carry an additional social value, which should be promoted in the public to raise consumers' awareness. There are many different ways and media which can be used for the promotion of your products:

- > Radio: Place advertisements in popular channels, offer to give interviews about your initiative, the organisation, organic farming, social effects etc.
- > Leaflets/Flyers: distribute flyers with information about your products and/or market
- > Posters: put advertising posters in strategic places, where many people will see them, maybe the bulletin board of the municipality, medical clinics, schools, pharmacies
- > Direct marketing: if you organize a farmers' market show the farmers how to deal with people, how to answer questions about organic farming, how to promote the products
- > Field days: organize field visits for your customers, so they can see where the products come from
- > Samples: offer samples to taste - slices from an apple, a cup of yogurt, some bread with home-made marmalades
- > Fairs: participate in food fairs, this will help you contact other organisations, get an overview of the market, get in touch with purchasers of supermarkets or processing industries

- ◆ Who do I want to address?
- ◆ How can I reach them, using which media?
- ◆ What do I want to tell my clients?
- ◆ What do my clients want to know?
- ◆ How can I reach their hearts?
- ◆ Is the content of my information true?
- ◆ Is the content of my information understandable?
- ◆ Is the presentation attractive?
- ◆ Will the clients recognize my product?
- ◆ How can they recognize it?
- ◆ How can I convince them about the organic quality of my product?
- ◆ Do I need an external proof (organic seal or certification)?
- ◆ For which clients do I need a certification?
- ◆ How can my clients try my product?
- ◆ Is there existing consciousness already about organic production and organic products?
- ◆ How can I relate to the existing knowledge about the value of organic products?
- ◆ Can I gain co-operation in increasing public awareness?
- ◆ With whom can I cooperate in educating consumers about organics?
- ◆ Are there regulations regarding public advertisement?
- ◆ Does my client have special regulations for creating and designing of information for transmission?
- ◆ How long do I plan to engage in promotion?
- ◆ How much will it cost?
- ◆ How much work do I have to invest?
- ◆ Is there anyone to help me?
- ◆ Can I afford professional help?
- ◆ Can I get someone else to pay for publication?

## 16. Co-operation with other producers

In an emerging market - as the market of organic products - co-operation is an important tool to gain a market share, but also to overcome the shortages of the beginning. Later on co-operation gives additional possibilities and areas of action for further growth and development. Co-operation can help to succeed on all levels of the market chain.

In the majority of cases an individual small producer is not able to respond to the needs of commercialization. Quantity of product to be sold, information and orientation to be collected and used, logistics of warehousing and transport, confection and distribution of promotion materials, finally money to afford the costs, especially in the beginning - in nearly all areas a strong co-operation and organisation is of help. Even small farmers organisations may need to cooperate in order to have more possibilities to act in the market. Front of this background, each of the above mentioned aspects should be examined under the question whether the farmer or group is strong enough to respond, or should look for co-operation. Thus the following questions are not meant to identify areas of co-operation, but to foster the co-operation especially of producers.

- ◆ In which subject do I need co-operation with others?
- ◆ What exactly do I want to achieve with the cooperation?
- ◆ How many people should act together or participate in order to reach the objective?
- ◆ How shall we organize the group?
- ◆ Who will take over which responsibility?
- ◆ What is the common objective?
- ◆ What is the contribution of each member?
- ◆ What are the expected outcomes?

## 17. Co-operation with trade

To reach efficient sales a good co-operation between producers and distributors is necessary. Producers need the security for the sales of their products, distributors shop owners, supermarket managers, processors - need the reliable provision with goods. Sustainable development of the market needs fair trade relations.

- ◆ Can we meet the quality demands?
- ◆ Can we guarantee continuity in product supply?
- ◆ Is the price fair to producer and buyer?
- ◆ Is delivery in time secured?
- ◆ Is payment in time secured?

## 18. Culture and gender are important aspects of marketing – which have to be considered in particular?

Organic agriculture as a sustainable production method is widely related to traditional production, and thus to the culture of the population. However, in many cases women are the ones who produce and market organic products, especially, if these are coming from horticulture or keeping of small animals, but also in case of home processed products.

- ◆ How do women participate in the process?
- ◆ Who is in charge of the additional workload?
- ◆ Which effect does it have on household income?
- ◆ What is the additional income used for?

## 19. Integration of other stakeholders

Further development of the local market for organic products needs the co-operation of as many stake holders as possible.

Co-operation on different levels and with actors who have different points of view can help to gain more attention in the public and to develop new concepts for marketing. It also helps to join knowledge and forces and to reduce cost.

Identify possible stakeholders who might support your activities. What might be their interest in the process?

- ◆ Traders: are they interested in a new product line for diversification and to increase sales?
- ◆ Processors: are they looking for reliable sources of high quality ingredients of their products?
- ◆ NGOs: are they looking for good projects to support?
- ◆ Science and investigation: they might want to do research on the social or health effects of your initiative - this would add to your publicity
- ◆ Banks and financing agencies: do they offer small funding opportunities?
- ◆ Press: ask them to grant you a column, page or section where you can report on your initiative, organic products, healthy nutrition
- ◆ Political decision makers: their support for your initiative can raise public awareness



# FURTHER READING

## Research and Development Studies of the OARD-Group

B. Schrimpf, R. Haigh and X. Ngcobo (2007): Experiences of the Valley Trust in facilitating marketing of organic vegetables and fruit grown by small scale farmers in the Valley of a Thousand Hills in KwaZulu-Natal, South Africa. OARD-Study. AGRECOL. [www.agrecol.de](http://www.agrecol.de)

AGROLINK (2006): Strengthening and management of the organic farmer's group in Bulgaria. OARD-Study. AGRECOL. [www.agreco.de](http://www.agreco.de)

Genus a.b (2006): Potential Demand & Perceptions Study for Organic Foods in India (South & West India) - A Pioneering Report. ETC/Solidaridad India. [www.agrecol.de](http://www.agrecol.de)

Keystone (2006): Organic Produce in the Nilgiris - Promoting Local Markets. A Market Study Report. [www.agrecol.de](http://www.agrecol.de)

Schreiber, F, CP del Pino, JL Bazo, JLJ Cardenas. (2007) From the Organic Farm to the Supermarket - An experience of small-scale producers. Grupo Eco-Lógica Perú. Lima. [www.agrecol.de](http://www.agrecol.de)

Organiconepal (2006): Linking Organic Farmers in Incentive Sharing Mechanisms through Promoting Local Marketing. Project Completion Report. [www.agrecol.de](http://www.agrecol.de)

## Other

De vald, A (2004): Marketing for small scale producers. Agrodok 26. Agromisa Foundation, Wageningen. This publication can be downloaded free of charge from at the AGROMISA website: [www.agromisalustrum.org](http://www.agromisalustrum.org) or at the rural finance learning centre: [www.ruralfinance.org](http://www.ruralfinance.org)

Fonseca MF (2004): Formal organic certification not the only answer. IFOAM. Ecology and Farming. May-August 2004. 39-40.

Haldy, MBA Hanns-Michael (2004): Organic Food Subscription Schemes in Emerging Organic Markets: TEI-KEI, CSA and Box-Schemes. Presentation at the 6th IFAOM-Asia Scientific Conference, Yangpyung / South Korea, 7th-11th September 2004; Published in: Proceedings of the 6th IFAOM-Asia Scientific Conference, pp174-189. Research Institute of Organic Agriculture. This publication can be downloaded free of charge at the Organic eprints website: <http://orgprints.org/4267>

IFOAM (2004): Developing Local Marketing Initiatives for Organic Products in Asia. A guide for Small and Medium Enterprises. 40p.

NABU (2003): Vermarktung regionaler Produkte an den Lebensmittel und Naturkosthandel. Checkliste zur Optimierung der Vermarktung regionaler Produkte. Ergebnis des Experten-Workshops vom 14.2. in Nürnberg. DVL, NABU und Umweltbundesamt.

O. Schmid, U. Hamm, T. Richter, A. Dahlke (2004): A Guide to Successful Organic Marketing Initiatives. FiBL, OMIaRD Publication, Volume 6, 2004, 210 pages.

Shepherd, A. (2003): Market Research for Agroprocessors. Marketing Extension Guide 3. FAO (<http://www.fao.org/waicent/faoinfo/agricult/ags/AGSM/markres.pdf>)

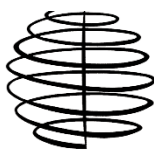
Sligh, M and C Christman (2003): Who Owns Organic? The Global Status, Prospects and Challenges of a Changing Organic Market. Rural Advancement Foundation International. Pittsboro, USA.

Taniguchi, Y (2003): IFOAM Background Paper on Local Markets. Mimeo. IFOAM Bonn

# ACKNOWLEDGEMENTS

We gratefully acknowledge the support of the following organisations:

- ◆ Interchurch Organization for Development Cooperation (ICCO)
- ◆ MISEREOR
- ◆ International Federation of Organic Agriculture Movements (IFOAM)



**AGRECOL** Association for AgriCulture and Ecology - Germany