Leveraging consumer demand for organic goods to build sustainable agricultural economies in Africa

International Workshop on Strengthening and Widening Markets and Overcoming Supply Side Constraints for African Agriculture

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Karma Organics

- Sales and marketing arm of AK Verwaltungs-und Handelsgesellschaft, one of the world’s largest producers of organic food and cotton crops

- 120 different packaged food products in more than 5,000 stores throughout Europe, U.S. and Japan

- Supply about half of the world’s organic cotton

- Sources of production (2006):
  - Turkey, Syria, Sri Lanka, Central Asia, Tanzania, Uganda, Eastern Europe

- Production (2007):
  - more than 20 countries

- 20 yrs. experience in organic growing

- Products
  - Cotton -- bulk
  - Food -- bulk, private label and own-brand
What is Organic?

Prohibitions:

• No synthetic pesticides
• No synthetic fertilizers
• No GMO

Farming Best Management Practices:

• Rotation crops and focus on soil health
• Integrated pest management
• Organic inputs for insect, weed and soil management
• Water conservation and efficiency

Environmental Authenticity:

• Certified, transparent system
Market for Organic

• No longer niche, now mainstream

• $40 billion

• Major players
  – Wal-Mart, Carrefour, Tesco, Marks & Spencer, Co-Op, Gap, Unilever, Kraft

• Food growing at 20%, cotton at 100%+

• Shortage of supplies
Africa’s Competitive Advantage

• Weakness Now a Strength
  – Large areas of cultivated and fallow land that have not been subjected to chemical pesticides or fertilizers

• U.S., EU, China and Brazil’s Disadvantage
  – Widespread and intensive use of chemicals
  – Existing high-productivity makes economic gains from organic more difficult to achieve
Organic Requires a Better Way of Doing Business

• Environmental Authenticity
  – Consumer only values organic in the marketplace if they believe it is organic

• Commitment

• Alignment of Interests

• Transparency
Bullwhip Effect

- oversupply and price discounts
- undersupply and stockouts
African Organic Food & Fiber Initiative

• Trade association of major U.S. and EU food and apparel companies

• Pledge to source $1 billion of organic goods from Sub-Saharan Africa by 2012

• Program Areas
  – Technical Assistance
  – Education and Advocacy
  – Trade Promotion
  – Investment Promotion
Key Constraints to Reaching $1 Billion

- Quality yarn spinning bottleneck
- SPS bottleneck
- Transport and energy infrastructure
Market Access Staircase

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Top 10 Most Important Support Functions

1. Farmer and Management Training
   - Integrated pest management
   - Best Management Practices

2. Control Systems
   - Internal control systems
   - Tracking and tracing
   - Certification

3. Technical Assistance
   - Expert SPS consultants

4. Organizational Capacity Building
   - National certification bodies

5. Market Access
   - Bring the market to the farmer
Top 10 Most Important Support Functions

6. Access to Capital
   – Matchmaking PE w SMEs ready for expansion

7. Research
   – Seed quality optimization for local ecosystems
   – Traditional pest remedies

8. Supportive Policies
   – Organic-only growing zones

9. Stable and Enforced Regulatory Environment
   – anti-piracy enforcement

10. Innovative Infrastructure Work-Arounds
    – backhaul w USAID food aid
    – distributive power systems subsidized by UNIDO