



*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

June 5, 2007  
Lusaka, Zambia

**Jeff Stein**  
**CEO, Karma Organics**  
**Chair, African Organic Food & Fiber Initiative**

**Tel: +1-212-810-6629**  
**[jeff.stein@karma-organics.com](mailto:jeff.stein@karma-organics.com)**

# 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

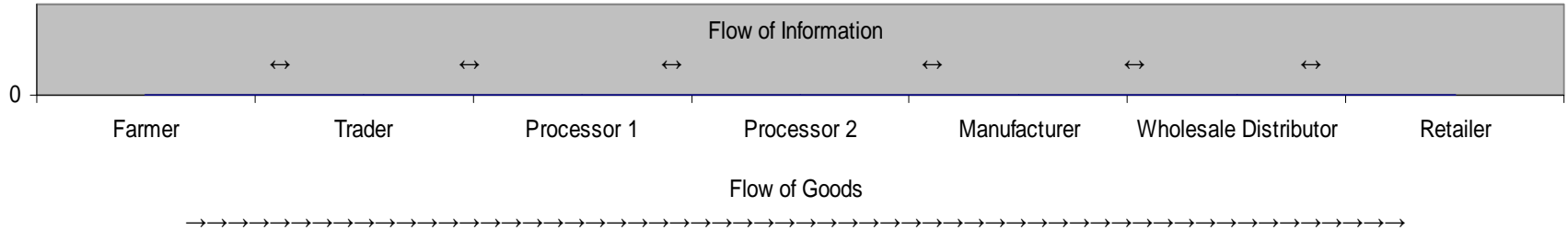
# Africa's Competitive Advantage

- **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

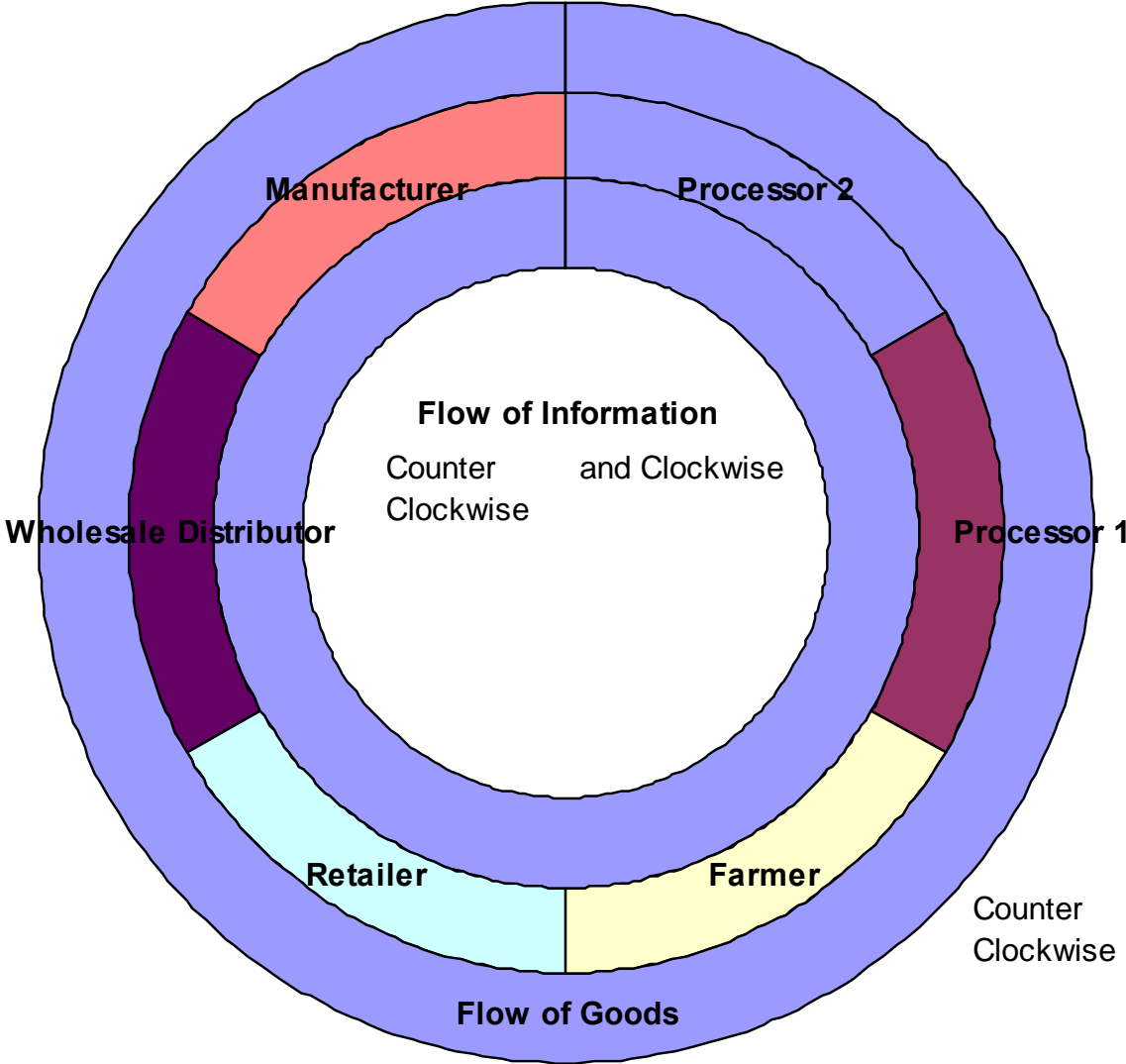
## Traditional Supply Chain



## Bullwhip Effect

- oversupply and price discounts
- undersupply and stockouts

# Inverted Integration Supply Chain



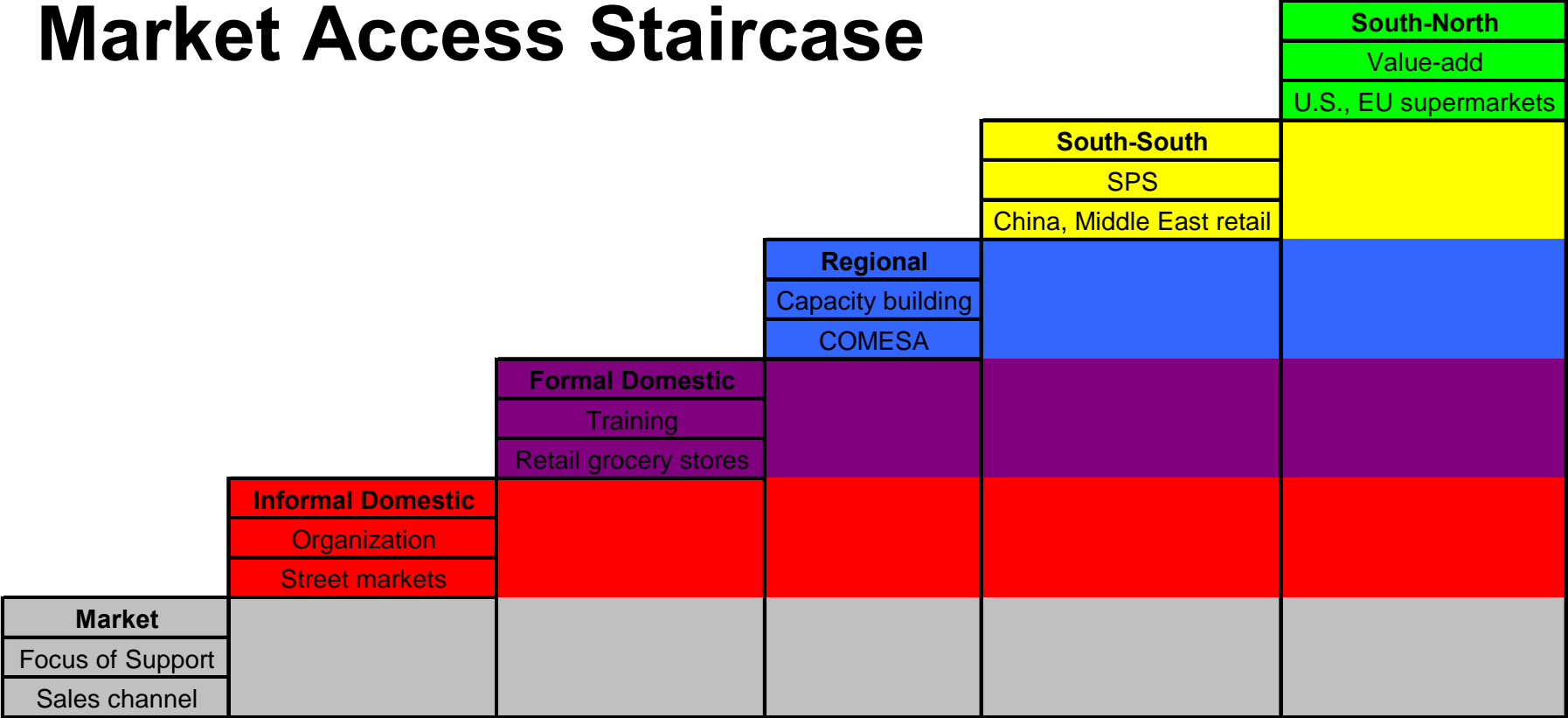
# African Organic Food & Fiber Initiative

- 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



# 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