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TRADE INFORMATION BRIEF

ORGANICS



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Participation in international trade has become one of the most important factors in increasing the prosperity of countries. Yet for many developing countries, perhaps particularly for those in Sub-Saharan Africa (SSA), trade is viewed primarily from a defensive perspective, with a focus on the disruptive effects of imports rather than on the opportunities presented by increased access to world markets. A key reason is the existence of information market gaps that are often associated with trade facilitation and development in developing countries – information on the export performance and potential of many developing countries remains incomplete.

The **TRADE INFORMATION SERVICE** series of market briefs aims to contribute to bridging this information gap for existing producers in the Southern African Development Community (SADC) who may not have the financial resources to generate a fully fledged market research process. The briefs are not intended to act as the detailed export market intelligence that successful exporting requires, but rather as a basic first-cut analysis of export prospects, to allow enterprises to make the decision on whether to initiate further market research.

Each Trade Information Brief will cover a product cluster of particular interest to members of SADC. The cluster may represent an existing key set of export products with potential for expansion, or a relatively new set where there is an indication of competitive advantage for the region.



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1. Introduction

The aim of the Trade Industry Brief (TIB) is to highlight potential export markets to SADC producers who may not have the financial resources to engage in preliminary market research activities. The TIB is not a detailed market intelligence report but rather highlights potential lucrative business opportunities in a market. A TIB should not be used to determine whether one enters a particular market but rather to ask questions about a market and stimulate further research. A series of TIBs has been produced that covers a range of product clusters. These clusters represent an existing key set of export products with potential for expansion, or a relatively new set, where an indication of a competitive advantage for the region is apparent. This TIB showcases opportunities for SADC growers and /or producers of organic agricultural products.

Farmers in SADC countries are particularly well-suited to grow organic products. Apart from traditional factors, such as abundant land and cheap labour, which is generically touted as the region's competitive advantage, farmers enjoy a greater more pervasive advantage. The market for organic products in most developing countries is entering into its growth phase and consumption is greater than production. This has pushed-up the price of an organic product compared to its conventional alternative. This price premium has encouraged farmers in developed countries to pursue organic farming but the conversion period takes three-years. Farms in SADC are classified as "virgin land" and as such the conversion period is one year. This gives SADC's farmers a considerable head-start which will be extremely useful to skim off excess price premiums before additional supply enters into the market. Furthermore, organic farming has the potential to be a more productive farming method for small-scale farmers as they are not reliant on difficult to obtain, expensive chemicals.

Trade data takes into consideration where a product originated from and where it was exported too and its physical characteristics. Trade data does differentiate between a product based on the process used to make it and as a result an organic apple is the same as a conventional apple. The blurring of definitions leads to data inconsistency, as the value of trade in organic products must be pieced together using disparate datasets from consumer panels or expert consultants. Some countries include data on exports; others report only on sales in multiple retailers, and in some countries the data collection methods have changed from one year to the next (Richter, 2005 cited in McKinna, 2006). Therefore it is recommended that readers use the market data presented in this TIB to form an idea about a market's value.

This TIB is divided into two parts. The first part is a traditional market report. It provides information about regions and countries level of involvement in organic agriculture, such as how much land is under organic cultivation, growth of organic farming, type of land farmed organically and the type of commodities grown on organic land. The next section investigates the demand for organic products in net importing regions and countries. This section is designed to answer readers' questions about what is the market's turnover and growth rate and what products do consumers want, why do consumers prefer certain products and how are these products distributed. The last point is important as it determines the availability of organic products, the range of products an exporter must supply to the market and price premiums levied on organic products. After reading the first section, one should have an understanding of the supply and demand side variables affecting trade in organic products.

The second section uses information described in the first section to create an export strategy. This section identifies potential export opportunities for SADC's exports, looks at issues that might affect SADC's producers from gaining access to these markets, and then provides ideas that could be explored by exporters to overcome supply-side or demand-side constraints blocking SADC's farmers / producers from entering into a market.





2. Rationale Behind Selecting Organics

Based on the following reasons, which will be explained in greater detail in this TIB, organic agricultural products were selected as a potential export crop for SADC's farmers to

- Capitalise on institutional and industrial structures (a) Regulations have been drafted in South Africa and Madagascar (b) International certifies in certain SADC countries can be used as a shared asset for other SADC member states (c) Farmers groups are active in Kenya, Ghana Senegal, South Africa, Uganda and Zimbabwe, and have got to the point of forming national organic networks that provide effective lobbying and advocacy bodies for the organic movement (Ntambi, 2006, 101)
- Supply the local, flourishing market with certified organic products, which could provide farmers with a market to experiment and test new processed products and exploit scale economies to participate in international markets.
- Enter a growing global market, whose growth rate is expected to increase over the next five years. This is impressive considering that the demand for organic products has experienced double-digit growth compared to an average annual growth rate of 1-2% per annum for conventional products.
- Participate in international trade as demand and supply have a geographical bias, crudely put, demand for organic products is located in the developed world, predominately Europe and North America, while the developing world, mostly Latin America and Asia, grows more organic products than its consumes.
- Apply expertise gained from participating in the international trade of conventional products, such as marketing contacts and cold chain management to the market for organic products.
- Benefit from SADC farmers' position as being classified as a low cost producer that sets the floor price for conventional products which is used to establish the price for organic products.
- Capitalise on SADC farmers' ability to bring their produce to the market in a shorter period than farmers from other developing regions as African smallholder farms qualify as "organic by default. The lengthy three year conversion period has been reduced to a year for land farmed under traditional African farming systems, so-called virgin land.

- Take advantage of SADC's comparative advantage in labour intensive industries because the cost of labour is cheaper in developing compared to developed countries. Organic farming is more labour intensive than conventional methods as it tends to become a substitute for chemical herbicides, pesticides and fertilisers."
- Earn greater profits for their produce: Organic products are sold for a premium because they are undersupplied. African small-scale agriculture is more suited to organic than conventional farming practices as commercial farming practices originate from the developed world. An unintended consequence is that organic farming produces better quality products, which retailers are willing to pay a better price. Furthermore participating in organic markets has allowed farmers to develop direct trading structures that serve both markets. These three factors have contributed to small-scale African farmers increasing their income by 50 percent (EPOPA, 2006).
- Use other members states' excellent market reputation to gain access into large markets: For example both South African and Tanzanian farmers have managed to forge ties with leading retailers in Europe.
- Move towards a more efficient and cost effective way of production that reduces production costs and increases productivity, which ultimately increases income and return on labour. Conventional farming methods rely on expensive, imported agri-chemicals that farmers cannot afford, and also, the supply of these chemicals is erratic. In comparison inputs required for organic farming have become easier to obtain as "the range of certified organic or non-organically produced products accepted as inputs into certified organic agriculture has grown remarkably over the recent years" (EPOPA, 2006b: 4).
- Bring marginalised small-scale farmers back into the economy: Organic farming is suited to difficult environments, "where resources are scarce and cultivation is problematic and it reduces operational risk by encouraging localised input production, fostering soil and water conservation and encouraging the diversification of production" (IFAD; 2005)
- Exploit positive externalities. Organic products are sold for a premium because they are undersupplied. African small-scale agriculture is more suited to organic than conventional farming practices as commercial farming practices originate from the developed world. An unintended consequence is that organic farming produces better quality products, which retailers are willing to pay a better price. Furthermore participating in organic markets has allowed farmers to develop direct trading structures that serve both markets. These three factors have contributed to small-scale African farmers increasing their income by 50 percent (EPOPA, 2006).



3. Defining Organic Agriculture

The principle underlying organic agriculture is that land should be farmed in an “ecologically friendly manner, paying particular attention to soil fertility maintenance” (Dimitri & Oberholzer, 2005:11). Turning a nebulous principle into a universal functional definition is very difficult because “the actual techniques used in ecological farming are region specific” (Dimitri & Oberholzer, 2005:11). Even though a standard definition does not exist, parties agree that the International Federation of Organic Agriculture’s (IFOAM) definition describes the basic tenets of organic farming.

“.....includes all agricultural systems that promote the environmentally, socially and economically sound production of food and fibres. These systems take local soil fertility as a key to successful production. By respecting the natural capacity of plants, animals and the landscape, it aims to optimise quality in all aspects of agriculture and the environment. Organic agriculture dramatically reduces external inputs by refraining from the use of chemo-synthetic fertilisers, pesticides, and pharmaceuticals. Instead it allows the powerful laws of nature to increase both agricultural yields and disease resistance. Organic agriculture adheres to globally accepted principles, which are implemented within local social-economic, geoclimatical and cultural settings” (IFOAM, 2004a).

Organic farming is filled with controversy from its definition to whether it is a less productive farming method compared to traditional techniques. The conventional argument is that organic farming is less productive as yields are lower and costs are higher. It should be kept in mind that this argument is based on research conducted in developed countries whose supply-side circumstances are different to Africa. Even in developed countries these reports’ findings are contentious as “net returns to various production systems may vary with biophysical and economic factors (such as soil type, climate, and proximity to markets), and a system that is optimal in one location may not be optimal in another” (Dimitri, 2002:4). Another argument that has been used against those who argue that organic farming is less productive compared to conventional practices is how does society measure “net returns” and why is the future not factored into standard calculations. Organic farming’s productivity measure includes a future element which is not discounted in standard profit calculations, in effect undervaluing organic farming’s profitability. A good exercise for SADC’s agricultural experts would be to gain a better understanding of the factors contributing to net returns to organic farming (Dimitri, 2002:4).

EPOA conducted research to assess the impact that organic agriculture has on small-scale farmers' productivity in Africa. Organic farming has a positive impact on farmers' productivity as it reduces their dependence on foreign inputs and allows them to take advantage of their natural resources. Farmers used commercial farming techniques in an erratic, piecemeal manner as inputs were either too expensive or were unavailable. Commercial farming practices must be employed as a system if they are to produce results. In this situation, constantly applying an approach that uses locally available materials and adapted production methods (manure for recycling, plant teas) to grow produce and control pests is a preferable option to using chemical inputs.

In addition, employing organic agricultural practices has various long-term positive spill-over effects as it stabilises eco-systems which improves soil fertility and biodiversity. These long-term benefits include lowering the risk of yield failure, reducing drought sensitivity by improving the soils' ability to retain water, decreasing pest infestations and improving farmers' ability to recycle nutrients and make better use of organic materials from their surrounding ecosystem (Kilcher, 2006: 91 and EPOA; 2006).



4. Organic Production: A Regional Breakdown

This section is based on SOEL-FiBL's 2007 survey that uses data collected from 23/12/2005. Organic agriculture is practiced in more than 120 countries by least 633, 991 farms, bringing the amount of land under organic cultivation to 31 million hectares, roughly 0.7% of the world's total agricultural land (Willer & Yussefi; 9: 2007). This land is not distributed evenly among regions: Oceania and Europe account for 62% of the world's land under organic cultivation with 11.9 million and 7 million hectares, respectively, comprising 29% and 23% of the world's organic land (Willer & Yussefi; 25: 2007). Based on the above statistics it is inevitable that the share of organic land as a proportion of total agricultural land is highest in Oceania standing at 2.6% followed by Europe with 1.38% (Willer & Yussefi; 24: 2007).

Europe is an interesting case study as the percentage of land farmed organically compared to total agricultural land varies among states and thus aggregate figures can be misleading. Certain states have reached shares of more than ten percent of agricultural land, such as Austria and Switzerland, while in the European Union; the share of organic land is almost four percent (Willer & Yussefi; 24: 2007).

Table 1: State of Organic Agriculture at 31st December, 2005

	Organic's share of Total Land	Hectares Organic Land	Percentage Organic Land	Number Organic Farms	Percentage Organic Farms
Oceania	2.59	11,845,100	38.76%	2,689	0.42%
Europe	1.38	6,920,462	22.65%	187,697	29.61
Latin America	0.93	5,809,320	19.01%	176,710	27.88%
Asia	0.21	2,893,572	9.47%	129,927	20.50%
North America	0.56	2,199,225	7.20%	12,063	1.90%
Africa	0.11	890,504	2.91%	124,805	19.69%
World Total	0.74	30,558,183	100.00%	633,891	100.00%

Source: SOEL-FiBL Survey 2007

Table 1 illustrates that an opportunity exists in Africa to increase the amount of land under organic cultivation as it comprises less than 1% of Africa's total cultivation, which is below other region's levels. The statistics also indicate that organic farming in Africa is a small-scale farmer activity as Africa's ratio of land farmed to number of farms is significantly higher than other continents' rate. In Africa organic farming provides opportunities to increase small communities' ability to participate in the economy. This should be kept in mind when selecting the type of agricultural commodities that should be grown and whether these commodities can be simply processed, without large investments in technology, to produce a light weight, durable good, such as dried fruit, pureed fruit products that can be easily transported.

Oceania and North America's ratio of land farmed to number of farms is small; one explanation could be that agricultural activity is dominated by commercial farms. Another reason is due to the type of land which affects the type of agricultural activity: In Oceania a large proportion of its organic land is permanent pastures, refer to Table 3 for greater detail.

Continents' composition of organic land varies, which in turn affects the type of crops they can grow. This is important as it will affect what crops SADC's farmers can grow; ultimately determining what markets they can target and who their main competitors will be. Globally, the majority of organic land under cultivation is classified as permanent pastures or grasslands; the next largest category is arable land. Permanent crop land is minimal at roughly 5% of the world's total organic land under cultivation. This bodes well for SADC's producers as Africa's largest land type is the aforementioned category, standing at 33%, representing 21% of the world's supply. This land is particularly good for growing citrus fruits. Unfortunately both Europe and Latin America also have access to this type of land and thus have the potential to grow the same type of crops as SADC's farmers. A positive spin-off is that these regions are large organic producers and thus by implication, the majority of organic farming activities are devoted to fruit, vegetable and other high value speciality crops. SADC's farmers can use these regions' knowledge, in particular Latin America, to their advantage without having to invest time and money to learn thorough experience.

Table 2: Continents' Organic Land by Land Type (hectares)

	Africa	Asia	Europe	Latin America	North America	Oceania	World Total
Arable Land	60,999	84,404	2,746,185	306,840	958,325		4,156,753
Other	37,396	990	240,462	10,531			289,379
Other Crops	7,796	998,446	130,184	38,890	4,956	370,000	1,550,272
Permanent Crops	292,522	59,123	512,538	488,934	40,378	100	1,393,595
Permanent Pastures	35,716	710,900	2,995,695	3,776,461	991,024	11,430,000	19,939,796
No Information	456,076	1,039,709	295,396	1,187,664	204,541	45,000	3,228,386
Region's Total Organic Land	890,505	2,893,572	6,920,460	5,809,320	2,199,224	11,845,100	30,558,181

Source: SOEL-FIBL Survey 2007

Table 3: Continents' Organic Land by Land Type (percentage of total)

	Africa	Asia	Europe	Latin America	North America	Oceania
Arable Land	1.47%	2.03%	66.07%	7.38%	23.05%	0.00%
Other	12.92%	0.34%	83.10%	3.64%	0.00%	0.00%
Other Crops	0.50%	64.40%	8.40%	2.51%	0.32%	23.87%
Permanent Crops	20.99%	4.24%	36.78%	35.08%	2.90%	0.01%
Permanent Pastures	0.18%	3.57%	15.02%	18.94%	4.97%	57.32%
No Information	14.13%	32.21%	9.15%	36.79%	6.34%	1.39%
Total Organic Land	2.91%	9.47%	22.65%	19.01%	7.20%	38.76%

Source: SOEL-FIBL Survey 2007

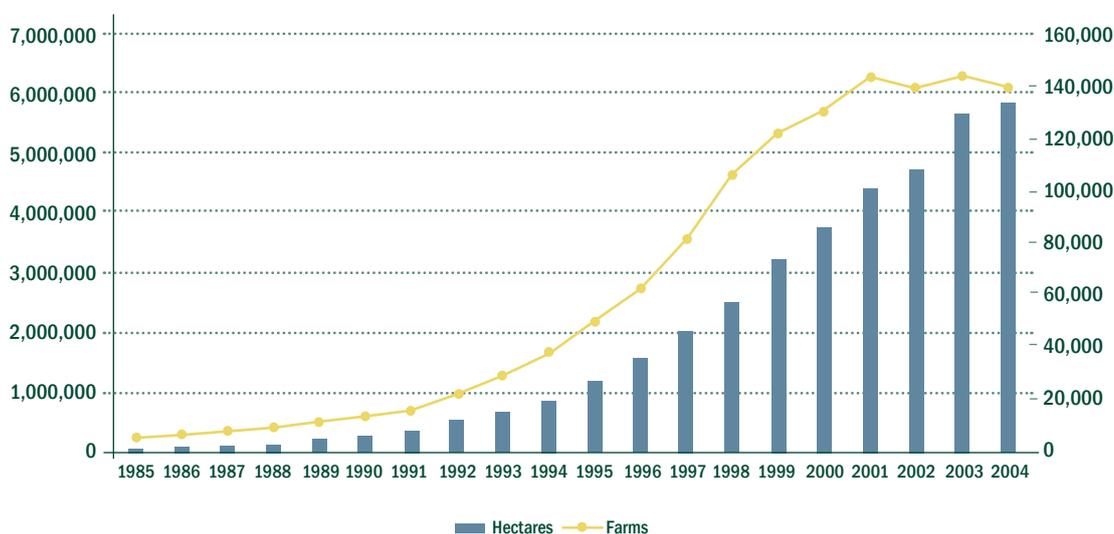
4.1. Europe

In 2005 6.9 million hectares of land was under organic cultivation in Europe and it was managed by 190, 000 farms (Willer & Yussefi; 2007). The majority of this activity is concentrated in the European Union, where 6.3 million hectares are cultivated by 160,000 farms, comprising 3.9% of the EU's total agricultural area (Willer & Yussefi; 2007). Italy had almost one fifth of the EU's organic land and almost a quarter of its organic farms in 2005. Unsurprisingly, Italy has managed to maintain its position as Europe's and the EU's largest producer of organic products (Hiller, 2006:131).

The majority of local production is consumed domestically and by implication exports are limited. France's ratio of production to exports is the highest in the region; these exports are mainly value-added grain products that are imported by Germany and Scandinavian countries.

Land under organic cultivation in the EU continues to grow (refer to Figure 1). This is due to the inclusion of Eastern European states into the EU, such as Poland and Lithuania, and the introduction of agricultural grants that renewed interest in agricultural activities in traditional rural areas in Italy and Spain.

Figure 1: Development of Organic Framing in the EU 1985-2004



Source: Welsh Institute of Rural Sciences, UK-Aberystwyth, SOEL, D-Bad Dürkheim, FiBL, CH-Frick

4.2. North America

In 2005 2.2 million hectares, which represents 0.6% of the region's total agricultural land, was farmed organically by 12, 000 farms. Increased regional demand for organic products coupled with a sticky supply-side has created a shortage, pushing-up the price of organic products. Price premiums have enticed farmers to "go-organic", despite a lengthy three year conversion process, from 2004-2005 land under

organic cultivation grew by 30%. Approximately 41% of organic farming activity is located on the Pacific Coast as this is where the majority of the market's 3000 facilities that process and distribute organic products certified to USDA standards are located (Hanuman, 2006:188). In contrast, over half of the states had 30 or fewer facilities" (Hanuman, 2006: 188).

4.3. Asia

In 2005 the region farmed 2.9 million hectares of land organically, representing a 9% share of the world's organic land, under the management of approximately 130, 000 farms (Willer & Yussefi, 2007).

The region's largest producers of organic products are China, India, Sri Lanka and Turkey. Demand for organic products in the region is limited, falling below domestic production. The majority of the region's surplus production is exported to Japan, United States and Europe. Both the domestic market for organic goods and the region's ability to export its products are constrained by bottlenecks throughout the value chain. Bottlenecks include access to infrastructure, skills to convert land, downstream factories to produce processed organic products and internationally accepted certification and accreditation agencies. The majority of the region's production is certified by foreign agencies as only China, the region's largest exporter, has established a local certification body

Case studies show that sufficient demand for products in a regional / local market is required to entice conventional food processors to cross-over into this niche market; in turn this investment is needed to supply higher margin products to export markets. On average farmers / producers in Asian countries face similar supply-side constraints as their counterparts in SADC. The deciding factor is how parties throughout the value chain pull their assets together to solve these problems. An encouraging sign in Asia is that the respective governments recognise that organic produce has the potential to be a lucrative cash crop as both global and domestic demand for these products should increase. Furthermore these governments acknowledge that turning a potential profitable industry into realised profits is easier if local / regional markets provide a base to exploit economies of scale in supply-side services.

The Malaysian government expects the domestic organic industry to be worth US\$210 million by 2012, roughly a growth rate of 20 percent per annum, and plans to add 20'000 hectares under organic farming by year 2010, increasing local production by 4'000 hectares per year. Throughout the region governments are increasing their subsidies allocated to organic farming: In 2005 the Thai government approved US\$26.6 million, the Sri Lankan government earmarked US\$ 4,150,000 for agriculture projects including organic projects and the Chinese government provides subsidies of US\$ 6000 - US\$ 4000 to farmers, depending on their location (Wai, 2006: 112).

4.4. South America

In 2005 South America had 5.8 million hectares of land under organic cultivation. The majority of the continent's organically farmed land is in Uruguay, Mexico and Argentina. The adoption of organic agriculture is growing the fastest in Brazil, Bolivia and Costa Rica. In Brazil the sector's growth is being pushed by the government, which has the distinction of being the only South America country that provides subsidies or economic support to this sector under its inter-ministerial Pro organic plan. The government support programme encourages production, research, association building, marketing and trade.

Demand for organic products is less than the continent's production and as a result South America is a net exporter of organic products. Organic crops are mostly destined for export markets in Europe, United States and Japan. The region exports a range of organic products including coffee and cocoa beans, bananas (Dominican Republic, Ecuador, Costa Rica and Ecuador), other fruit (Brazil, Chile, Colombia, Honduras, Dominican Republic, Argentina, Mexico, Costa Rica), fresh/dried vegetables (Argentina, Brazil and Chile), sugar (Paraguay, Brazil, Ecuador and Argentina), grains (Bolivia, Peru) and meat (Argentina). Exports from South America have a good market reputation amongst importers in developed countries because these goods are competitively priced and supply is consistent.

Trade data does not distinguish between organically and conventionally farmed goods as a result one must extrapolate trends from numerous data sets. This process is subjective and thus is prone to errors. Research indicates that monetary trade in fresh organic fruit and vegetables is greater than other food categories. Although South American farmers produce a range of organic products, they are renowned for the quality, quantity and diversity of their organically grown fresh fruit and vegetables. The region's largest exporters of both fresh and dried produce are Argentina, Brazil and Chile (Lernoud, 2006). Brazil exports apples and grapes, while Chile's exports exotic fruits, such as kiwi fruit, raspberries and strawberries. Colombia, Honduras and the Dominican Republic sell bananas, pineapples, mangoes and other tropical fruits (Lernoud, 2006: 156). Argentina sells apples, pears and citrus fruits, while Mexico exports apples and avocados. A considerable number of countries in the region export bananas: 70 percent of the bananas produced in the Dominican Republic are organic and 1.7 million kg of bananas are exported per annum from Costa Rica for baby food production in Europe and America (Lernoud, 2006: 156).

Studying the commercialisation of South America's organic industry should give SADC's producers a few tips about developing an organic based export industry. South America, similar to SADC, is also considered to be a low cost producer of fruit and vegetables due to its pool of low cost labour and climatic conditions. Furthermore South America's farmers, similar to their SADC counterparts, also find it dif-

difficult to satisfy importers quality standards and meet their regulatory requirements. The reason for this is largely due to insufficient information and limited skills to develop processes and procedures to meet importers standards (Lernoud, 2006). Support from the government and traders to develop these systems is limited (Lernoud, 2006). In essence not only do farmers from these regions face similar problems but they also arise from a similar set of issues. Argentina and Costa Rica are the only countries in the region that have been granted Third Country status in the European Union, and thus exports from these countries do not need to be re-certified by a European company when they enter the European market (Lernoud, 2006: 156). South American farmers have tackled problems arising from certification issues by working with international organisations and pooling their assets to create local certification bodies. International organisations that have a presence in South America are Organic Crop Improvement Association (USA), Farm Verified Organic (USA), Naturland (Europe), BCS Oeko-Garantie (Europe) and the Institute für Marktoekologie (Europe) (Lernoud, 2006: 158). IFOAM accredited regional organisations include (Argencert and Internacional Agropecuaria (Argentina), Instituto Biodinamico (Brazil) and Bolicert (Bolivia (Lernoud, 2006, 158). Other working agencies are Ecológica from Costa Rica, Bio Nica from Nicaragua, Maya Cert from Guatemala and CertiMex from México. Chile has Certificadora Chile Orgánico (CCO) and PROA - Corporación de Promoción Agropecuaria, Uruguay has Urucert and Sociedad de Consumidores de Productos Biológicos (SCPB) (Lernoud, 2006: 158).

Prospects for South America's organic industry are positive. The region is one of the biodiversity reservoirs of the world and as such has fertile lands and varied climatic zones; it also has cheap, skilled labour and a wealth of farming traditions to draw on. Farmers in the region recognised that the above factors allow them to produce almost anything in an ecological way and built infrastructure to export products. South American farmers' success in the industry is partially due to "being at the right place at the right time" and having the resources in place to capitalise on the development of markets that placed a price on the environment. These early gains have been ploughed back into the industry to sponsor (a) teaching courses at universities (b) conduct more experimental projects (c) improve certification standards (d) build basic infrastructure.

4.5. Oceania

In 2005 approximately 2, 689 farms cultivated 11.8 million hectares of land, of which a large proportion was pastoral land for low intensity grazing in Australia (Willer & Yussefi; 2007:13). Australia is the continent's largest producer and exporter of organic goods and thus its trade patterns shapes the continent's trade patterns. According to the Australian government's records, Europe is the country's largest exporting partner. This is not surprising as Australia is one of the countries on the

third party list for the EU, which simplifies market access issues. This makes it cheaper and easier for exporters to import Australian products as parties can bypass a maze of bureaucratic procedures. This gives Australia's farmers' a relative competitive advantage compared to countries that are not on the list.

The majority of this region's production is exported to Europe, Asia (mostly Japan) and North America. The continent's exports in 2003 ranked in decreasing order of quantity were grain, processed products; drinks, juices and meat. Farmers from Oceania will not be SADC farmers' direct competition because the respective farmers export different types of products, barring some exceptions. For example, Australia and New Zealand are Southern Hemisphere countries and might use this counter-seasonal advantage to supply exotic fruits to Northern Hemisphere countries. However it should be noted that SADC farmers' production costs are lower than their counterparts in Oceania, giving SADC's producers a competitive advantage.

In 2001, 70 percent of Australia's total organic exports (measured in quantity) was imported by Europe, especially the UK, Italy, Switzerland, France, the Netherlands and Germany (Austrade 2003). Although the volume of trade has remained relatively stable since 2001, the important issue is that the composition of Australia's trading partners has slowly changed. France and Belgium's importance as one of Australia's trading partners has increased. Other countries such as Japan, USA, Singapore, and Hong Kong have emerged as promising future export markets for Australian produce (Halpin and Sahota 2004: 10 cited in Wynen; 2006, 123).

4.6. Africa

Organic farming is increasing in Africa, although off a small base of 900, 000 hectares managed by 124,805 farms (Willer & Yussefi; 2007). The majority of this land is located in Egypt and South Africa, Tunisia, Morocco, Uganda and Zambia. A positive trend is that Southern Africa is Africa's fastest growing area for organic cultivation. The region's domestic consumption of organic products is less than its production and as a result it is a net exporter of organic products. The majority of these products are exported to the EU following established trade patterns created by colonial ties. Local demand should increase as the consumption of organic products moves beyond South African and Egyptian markets into Uganda and Kenya.

Africa has the factor endowments (i.e access to virgin land and abundant, cheap labour that has been exposed to "traditional" farming methods) to grow competitively, priced organic products. The big problem is access to logistics to move goods from farms to sizable markets and creating systems to certify that goods are organic. NGOs are pushing for the development of this sector on the belief that it has potential for small-scale farmers to grow cash crops, however governments



are less enthusiastic. Tunisia is the only country on the continent with its own organic standards, certification and inspection system that is compatible with the EU's organic regulation (Willer & Yussefi, 2007:12). Egypt and South Africa have made significant progress to develop EU compatible standards and Kenya, Uganda and Tanzania are moving towards this goal, but at a slower pace (Willer & Yussefi, 2007:12). Egypt, South Africa, Kenya, Uganda and Tanzania have established private certification organisations and are developing their own standards. Morocco, Ghana and Zambia have made some progress in developing their own standards (Willer & Yussefi, 2007:12).

The fact that African producers are reliant on foreign standards and certifying bodies makes it more difficult for them to participate in international markets. This limits their production and as a result they do not benefit from economies of scale. Furthermore it impedes the development of a domestic market as farmers can only retain their margins, as their production costs are higher, by selling goods for prices that are above consumers' threshold. Poor certification systems hinder the development of Africa's organic sector, "creating a "chicken and egg" situation, where the market does not develop because the necessary infrastructure is not in place, and the infrastructure is not there because the market is inadequately developed" (Ntambi, 2006:101).

Regional demand for organic products is limited due to low income levels, long distance to large markets and the insufficient availability of markets. As a result the primary market for organic produce is the international market, but to access this market, producers must have documented proof that they have complied with regulated processes. Thus one of the major factors impeding SADC farmers' ability to supply this market is certification issues. For farmers to invest in processes and assets to satisfy regulation, they need critical mass in the market. Entering this market becomes a chicken and egg situation, which can be broken if producers/ farmers pool resources to commercialise their products.

South Africa is SADC's largest producer comprising 53% of the region's organically farmed land in 2005. As the region is a net exporter of organic products it can be deduced that South Africa is also the region's largest exporter. This does not infer that it is the region's only exporter; other countries that deserve a mention are Tanzania, Zambia and Mozambique. However South Africa's relative production is considerably larger than SADC's other leading exporters and thus its trade patterns will have a large impact on SADC's trade performance. South African farmers and producers supply a limited range of good quality products. This strategy has allowed them to build a reputation in (a) Europe for fresh fruit, Rooibos and honeybush tea, and processed medicinal herbs, (b) United Kingdom for fruit (c) processed products in the USA

(d), Rooibos tea in Japan and (e) Bio Suisse pecan nuts in Switzerland. Ad hoc exports are also made to Australia and New Zealand. As the majority of global sales is for organic fruit and vegetables, this category deserves to be broken down further. South Africa's export product range includes deciduous fruit (mainly apples), citrus fruit (oranges, lemons and clementines), blueberries and raspberries. The main export market for the above products is Europe. Other SADC countries can use South Africa's reputation as a quality supplier to gain access into the above markets. This could be done by feeding into South African farmers' value chains or providing complementary products, for example, honey could be a complementary product to tea. This complementary product could be and sold to an exporter as a single branded product.

The reasons behind South Africa's success lies in building a certification network to access international markets, making organic foods a commercial product in domestic markets (in 2005 the market's estimated value was ZAR 100 million) and using import agents to distribute their products. The industry has access to international certifiers, such as Ecocert International and the UK Soil Association. Furthermore, in 2001 the National Department of Agriculture's released its Draft Organic Standards that were based on the EU 2092/91 Regulations, the IFOAM standards, and Codex Alimentarius (EPOPA, 2006b:7). Unfortunately since the release of this document the Department of Agriculture has not promulgated these standards, which is slowing down the industry's development. However the private sector continues to sponsor the sector's development: In 2001 South Africa's local certification agencies started inspecting and certifying goods for Pick'n Pay, Shoprite-Checkers and Woolworths (EPOPA, 2006b:7).

South African producers use export agencies, such as Katopé and Eurafruit, to handle their exports. These agencies take ownership of the produce and market it under their trade name, and therefore require certification, or act as non-certified agents, in which case the produce is marketed under the producer's name or that of a foreign retail chain. These products are sold either in bulk for re-packaging in the final importing country or in final retail packaging, depending on individual customer requirements. South African farmers that have exported their products through established relationships with foreign trading partners include citrus (by one of the largest certified co-operative groups in South Africa) and medicinal herbs and herbal extracts. Of particular importance to certified organic South African farmers' success is drawing on the marketing activities of the Dutch Company, Eosta, and their Welsh business partner, Organic Farm Foods (EPOPA: 2006b, 23).



5. Organic Production: Country Breakdown

In 2005 three quarters of the world's organic land was located in 10 countries. These countries are geographically concentrated in Europe (four countries) and South America (three countries). China and the United States' foray into this industry are relatively new, reflected in their double digit growth rates. From 2002-2005 China increased its land under organic cultivation by 66%, on an average annual basis, to reach 2,300,000 hectares in 2005, making it the world's third largest holder of organic land. China has the potential to increase its organic land under cultivation as it comprises only 0.41% of the country's total agricultural land. The United States managed to increase its land under cultivation by 14%, on an average annual basis, from 2002-2005 to reach 1,067,102 hectares. Both these countries grew their organics industry in response to market demand, albeit serving different markets. In China's case it was international demand, driven by exports; while for the United States it is domestic demand.

The most interesting aspect of the respective countries development of their organics industry is the manner in which the respective governments stimulated supply-side factors and the timing of their interventions. Government officials were looking for a sector that could be used to improve individuals' living standards in impoverished rural areas. Organic farming was perceived to be a good fit as it allows farmers to reduce input costs by foregoing the cost of expensive chemicals while increasing their returns by receiving price premiums in high-value markets (Nakanishi, 2003). The government sponsored a sector on the basis of its potential value, which can be seen as creating supply to service demand. The United States' presence in organic farming was led by commercial farmers in response to domestic demand. Once a relatively large, domestic commercial market was established the government created programmes that focused on helping farmers to sell better products in a quicker easier way. This is a slightly different approach to the Chinese government's decision to give farmers subsidies.

Over the next five years, experts predict that the United States and China will continue to increase the percentage of their total farm land under organic practices. Both countries have access to large, stable markets and less than 0.5% of the respective countries' total agricultural land is farmed organically, representing an opportunity for expansion. In addition both countries are investing in improving the knowledge content of their organic farming industries. The Chinese government has encouraged farmers to grow their skills as the market develops, as a result farming is moving away from its peasant base to become a professional activity.

Table 4: Organic Land Area by Country

Top 10 Countries	Hectares		Average Annual	Percentage of total	
	2002	2005	Growth 02 - 05	2002	2005
Australia	10,000,000	11,800,000	4.22%	41.22%	38.61%
Argentina	2,960,000	3,099,427	1.16%	12.30%	10.14%
China	301,295	2,300,000	66.22%	1.25%	7.53%
United States	950,000	1,620,351	14.28%	3.95%	5.30%
Italy	1,168,212	1,067,102	-2.24%	4.85%	3.49%
Spain	665,055	807,569	4.97%	2.76%	2.64%
Germany	696,978	807,406	3.75%	2.90%	2.90%
Brazil	841,796	842,000	0.01%	3.50%	2.76%
Uruguay	760,000	759,000	-0.03%	3.16%	2.48%
United Kingdom	724,523	619,852	-3.83%	3.01%	2.03%
Total World Organic Land	24,070,010	30,558,183	6.15%	100.00%	100.00%
Africa					
Kenya (22)	494	182,586	338.47%	0.00%	0.60%
Uganda (23)	122,000	182,000	10.52%	0.51%	0.60%
SADC States					
South Africa (42)	45,000	50,000	2.67%	0.19%	0.16%
Tanzania (49)	55,867	38,875	-8.67%	0.23%	0.13%
Zambia (84)	20,000	2,884	-38.38%	0.08%	0.01%
Madagascar (87)	130	2,220	103.28%	0.00%	0.01%
Mozambique (99)		716		0.00%	0.00%
Malawi (104)	325	325	0.00%	0.00%	0.00%
Mauritius (108)	175	175	0.00%	0.00%	0.00%
Zimbabwe (118)	40	25	-11.09%	0.00%	0.00%

Source: SOEL-FiBL Survey 2007 and 2004

An important issue is the impact that the United States and China's expansion of their organic industry could have on SADC farmers' competitiveness. SADC's farmers will probably be significantly affected by the United States' expansion into the organics industry when they export to the United States. China's impact on SADC farmers competitiveness is more wide spread as both countries are producing goods predominately to be exported to Europe and the United States. SADC's farmers should not be alarmed as the continent has a wealth of skills, especially in Kenya, Uganda, Egypt and South Africa; however they are dispersed and not inadequately documented.

Another interesting development in 2005 was the abundance of Eastern European countries among the Top 40 list: Czech Rep (17), Ukraine (18), Poland (25) Hungary (30), Latvia (31) Slovak Republic (34), Romania (35), Lithuania (37) and Estonia (38). SADC's share of global organic land under cultivation is marginal, roughly less than one percent. Over the period from 2002-2005 SADC's organic acreage under cultivation has decreased while the world's share of organic land has increased; indicating that SADC's relative standing has declined. This is a worrying trend. If the reason behind this drop is due to supply-side factors, such as industrial organisation or infrastructure, then SADC's farmers could approach their Kenyan or Ugandan counterparts, whose organic industry is flourishing.

Countries with the largest proportion of agricultural land under cultivation compared to their total farm land tend to be relatively small

producers of organic produce because the market for organics is in its mature phase and comparatively their land area is small. Two notable acceptations are Italy and the Czech Republic. Italy is Europe's largest organic producer; however its production levels are receding. Similar to other Eastern European countries, production of organic goods in Czech Republic is increasing as these products are re-expected into the EU (15) countries.

The statistics show that SADC has abundant land which provides an opportunity for States to get involved in organic farming. Access to land to pursue organic farming is one of SADC farmers' primary advantage compared to their South American competitors. An interesting issue is the extent of land available for Chinese and American farmers to move into organic agriculture. These countries' decision to convert to organic agriculture will have a substantial effect on trade patterns, and as a result SADC's farmers should be aware of these countries' plans.

Table 5: Countries' Percentage of Organic Farm Land in 2005

	Organic's Share of Total Agricultural	Country's Share of Total Organic Land
Top 10		
Lichtenstein	29	0.00%
Austria	14.16	1.18%
Switzerland	10.94	0.38%
Italy	8.4	3.49%
Estonia	7.22	0.20%
Finland	6.52	0.48%
Portugal	6.34	0.76%
Timor East	6.33	0.07%
Sweden	6.27	0.65%
Czech Rep	5.97	0.83%
Africa		
Kenya	0.69	0.60%
Uganda	1.46	0.60%
SADC States		
South Africa	0.05	0.16%
Tanzania	0.08	0.13%
Zambia	0.01	0.01%
Madagascar	0.01	0.01%
Mozambique	0	0.00%
Malawi	0.01	0.00%
Mauritius	0.15	0.00%
Zimbabwe	0	0.00%
Other		
Germany	4.74	2.64%
United Kingdom	3.9	2.03%
Mexico	2.87	1.01%
Argentina	2.41	10.14%
United States	0.5	2.03%
China	0.41	7.53%
Brazil	0.32	2.76%
Japan	0.16	0.03%

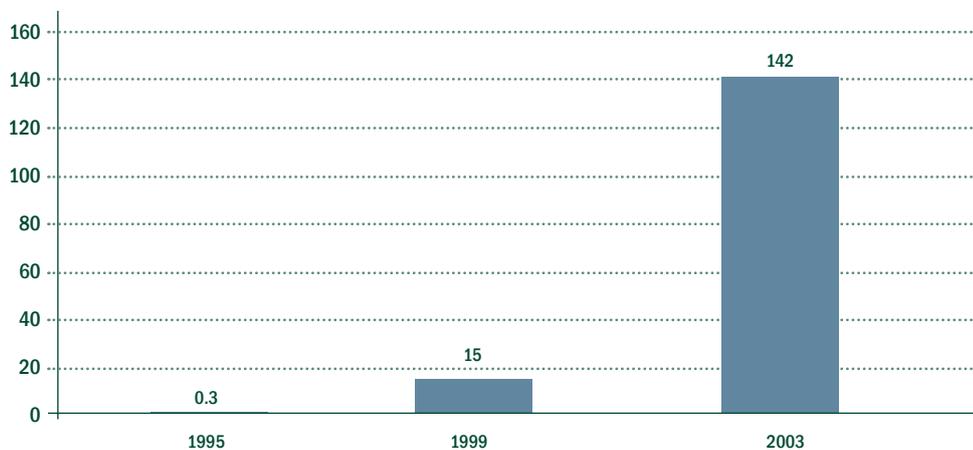
Source: SOEL-FIBL Survey 2007

Table 6 analyses the average increase in farmland from 2002-2005. The difference between this calculation and the one in Table 4 is that the latter looks at average growth per annum and the former is concerned with total growth over the entire 2002-2005 period. The striking feature of this exercise was the rampant growth of organic farmland under cultivation over the past four years (Table 6). The top 25 countries' land under organic cultivation grew by at least 60%, and these statistics exclude all countries whose organic land failed to reach 5000 hectares.

Eastern European countries have performed particularly well over the period with seven countries (Lithuania, Bulgaria, Latvia, Poland, Romania, Estonia and Slovakia) represented amongst the top 25. This growth in supply is driven by demand for organic products from continental European countries, which find it simpler to import products from Eastern Europe compared to other developing producers. Advantages for importers include cheaper and easier logistics and avoiding complicated market access issues.

Cultivation of organic land in Asia has also grown due to governments sequenced programmes to improve farming methods, invest in internationally accredited certification bodies and stress the financial rewards of exporting these products to developed markets. China and Thailand's growth can be traced to these factors. China's growth is particularly impressive, given its relatively large base, but what is more interesting is how the Chinese tapped into international markets to achieve this growth. The value of Chinese organic exports ballooned from less than US\$1 million in 1995 to approximately US\$142 million in 2003. China's main trading partners are North America, Japan and Europe. China also takes advantage of its proximity to emerging, relatively small markets in the region (South Korea, Singapore and Malaysia). Chinese farmers and producers have concentrated on establishing international certification for their export-orientated products, which is a good strategy to follow when resources are limited.

Figure 2: China's Organic Exports (US\$ millions, FOB prices)



Source: McKinna, 2006: 48

An exception to this generalisation is South Korea's production of organic products which is due to a consumer backlash against its domestic farming industry, whose agricultural methods are one of the most intensive in the world.

An interesting observation is the effect that government policies can have on a market's supply-side, provided a growing, accessible domestic market for these products exists. The EU provides generous agricultural subsidies to farmers to cover their land. Given the economic structure of Southern European states' economies, these subsidies were particularly attractive to farmers in Greece, Portugal and Spain. In contrast to the EU, growth in organic land under cultivation in the United States was mainly stimulated by demand-side issues and the government's involvement in supply-side issues was negligible.

SADC's growth in organic land over the period has been lacklustre, which is regrettable, as it represents a waste of resources. The region has ample "virgin" agricultural land, which gives the region a competitive advantage as the conversion process to organic status is simpler

Table 6: Growth in Organic Land from 2002-2005

	Hectares	Growth
Top 15	2005	2002-2005
Kenya	182,586	36860.73%
Syria	20,500	27602.70%
Republic of Korea	38,282	4144.12%
Bulgaria	14,320	2764.00%
Pakistan	20,310	310.95%
Greece	288,255	895.91%
Azerbaijan	20,308	699.53%
Lithuania	69,430	690.77%
Tunisia	143,099	683.89%
China	2,300,000	663.37%
Russia	40,000	658.15%
Philippines	14,134	606.70%
Latvia	118,612	600.44%
Thailand	21,701	443.48%
Nicaragua	51,057	374.95%
Other		
India	150,790	306.99%
Poland	167,740	213.44%
Portugal	233,458	171.74%
Romania	87,916	119.79%
Estonia	59,862	95.93%
Slovakia	92,191	84.39%
USA	1,620,351	70.56%
Slovenia	23,499	56.66%
Uganda	182,000	49.18%
Mexico	307,692	42.55%
Spain	807,596	21.43%

Source: SOEL-FIBL Survey 2007

and quicker, a year compared to three years. Over the period South Africa was the region's best performer increasing its cultivated organic land by 11% to reach 50 000 hectares in 2005. Kenya and Uganda posted good growth rates and thus maybe their experiences could be used by SADC's producers / farmers.

Based on 2005 statistics a relationship does not exist between the area of organic land farmed and the number of farms engaged in organic production as the five types of agricultural land require different farming systems. This being said, an interesting trend in the data emerges; China, United States and Eastern European Countries have managed to increase their land under cultivation at a greater rate than the growth in organic farms. This could possibly indicate that they are engaging in organic agriculture as a commercial practice and are exploiting economies of scale. In SADC the opposite trend emerges which presupposes that organic farming is moving towards becoming a subsistence agricultural activity. This issue should be investigated as it represents a waste of a lucrative business opportunity.

Table 7: Organic Farms by Country

Top 10 Countries	Number of Farms		Average Annual	Percentage of total		Change in
	2002	2005	Growth 02 - 05	2002	2005	Hectares
Mexico	53,577	83,174	11.62%	0.22%	0.27%	91,849
Italy	49,489	44,733	-2.49%	0.21%	0.15%	-101,110
Uganda	33,900	40,000	4.22%	0.14%	0.13%	60,000
Sri Lanka	3,301	35,000	80.45%	0.01%	0.11%	-5166
Philippines	500	34,990	189.23%	0.00%	0.11%	12,134
Tanzania	26,986	34,791	6.56%	0.11%	0.11%	-16992
Peru	23,057	33,474	9.77%	0.10%	0.11%	-45464
Austria	18,576	20,310	2.26%	0.08%	0.07%	63,972
East Timor		18,388		0.00%	0.06%	
Germany	15,628	17,020	2.16%	0.06%	0.06%	110,428
Total World Organic Farms	462,475	633,891	8.20%	1.92%	2.07%	171,416
SADC States						
South Africa	250		-100.00%	0.00%	0.00%	5,000
Zambia	27	9,248	236.65%	0.00%	0.03%	-17116
Madagascar	300		-100.00%	0.00%	0.00%	2,090
Mozambique	5000	1,904		0.02%	0.01%	716
Malawi	13	13	0.00%	0.00%	0.00%	-
Mauritius	3	5	13.62%	0.00%	0.00%	-
Zimbabwe	10	1	-43.77%	0.00%	0.00%	-15.00
Other						
United States	6949	8,445	5.00%	0.02	1.33%	670,351
China	2910	1,600	-13.89%	0.01	0.25%	1,998,705
Argentina	1779	1,736	-0.61%	0.00	0.27%	139,427
Brazil	19003	15,000	-5.74%	0.04	2.37%	231
Czech Republic	654	829	6.11%	0.00	0.13%	19,846
Poland	1977	7,183	38.06%	0.00	1.13%	114,225

Source: SOEL-FiBL Survey 2007 and 2004



6. Demand for Organic Products

The rise in consumers' demand for organic foods stems from a change in consumers' value system, affecting their preferences, so called "emotional" factors, combined with an increase in their disposable income. First, consumers' motivation to "go-organic" arises from concerns that conventional food is laced with chemicals which are detrimental to one's health. Medical studies suggest that certain food allergies are aggravated by eating specific chemicals in food. As consumers become increasingly health conscious, the perception that eating food that is closer to its natural state improves one's health, physical appearance and longevity gains public sentiment. Based on this belief system, consumers' decision to eat organic products is seen as a way to improve one's health and "control" specific dietary and allergy conditions. This view is rapidly gaining momentum in the United States and has been a part of Asian culture for centuries.

Second, consumers' purchasing decisions are being influenced by the belief that every person in society has a shared responsibility to create a cleaner environment. This mindset has increased environmental consciousness among consumers causing them to question how their food was grown / produced and whether it has a harmful affect on the environment. The population's respect for the environment is especially apparent in Alpine European countries whose population consumes more organic products, despite their greater price sensitivity of demand.

Finally, consumers are not only concerned about the appearance and taste of their food, but also, the manner in which it was made, and whether ethical practices were followed. This includes animal welfare and social aspects such as fair working conditions. A side, but related issue, is that consumers purchase organic food because it tastes better as it is fresher.

Based on the above factors motivating consumers' decision to eat organic products, the growth in demand for organic products is not evenly distributed between various classes of organic products. Generally, the demand for the organic version of a product compared to its conventional counterpart will be greater for products that have the following characteristics:

- The conventional product is highly processed and loaded with artificial chemicals compared to its organic counterpart ;
- The organic product is eaten fresh or is consumed in a relatively unadulterated state ; and

- The organic product is consumed by a group that requires additional nutrients or does not have the perceived ability to digest artificial ingredients, such as baby food and food for the frail.

The creation of a market requires the interaction between supply and demand forces. For the supply-side to be interested in selling a product it must be profitable. This requires that a potential product moves out of the good idea stage and processes are developed to commercialise the product. Organic products are more perishable and have a shorter shelf-life compared to conventional products-therefore transporting organic products far distances is a difficult task. The implication is that a market for organic products is geographically constrained, in essence trade is localised, unless suppliers create specialised supply chains.

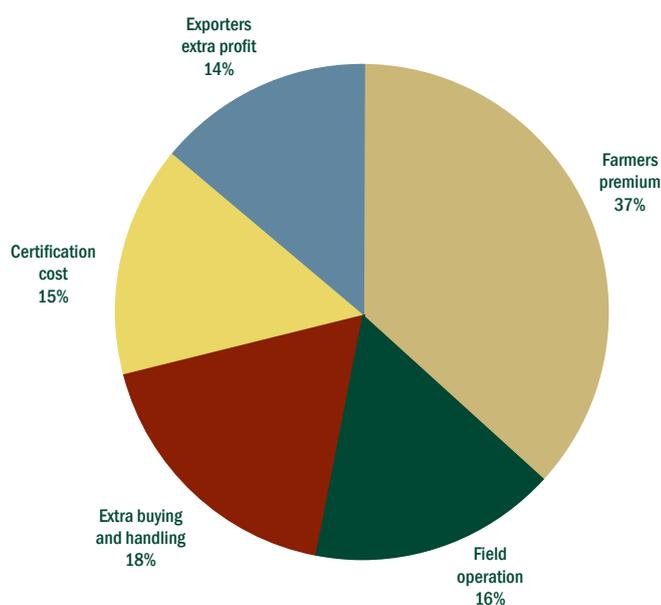
Markets for organic products initially developed in countries where domestic farmers produced organic goods that consumers could easily access through traditional village markets, farmers' markets and central markets. A combination of steady supply reinforced demand, allowing farmers to exploit economies of scale to produce cheaper goods. This increased the demand for organic goods as they become more affordable. Selling a greater quantity of cheaper goods increased farmers' profitability and as a result they could plough their excess profits into improving their function throughout the value-chain. This allowed farmers to produce better quality at a lower cost and thus their goods could be sold at a lower price without affecting their margins. An important implication is that supply creates demand as "the reliable availability of local organic produce is a key reason for the strong demand for organic foods in Continental Europe" (NcKinna, 2006: 6). If SADC's producers wish to develop a local market for organic produce it need not be a complicated process and should not be viewed as a task detracting resources from participating in international markets. Instead markets should be viewed as a system, where domestic markets serve as a complimentary market to international markets.

In developed countries consumers' demand for organic products cannot be satisfied by local producers, as a result this market is "undervalued" because supply-side rigidities are constraining its growth. Developed countries, such as United Kingdom, United States, Germany and Japan, consume more organic products than they produce. In contrast developing countries, such as China, Argentina and Brazil; produce more organic products than they consume. Consumption and production activities are geographically concentrated requiring goods to travel large distances. To overcome supply chain problems is not insurmountable, but it is an expensive task that requires vast sums of capital. Over the past five years the food retail sector has consolidated resulting in the emergence of huge chains. These chains were pivotal in creating a mainstream organics industry as they had the cash and

logistics knowledge to develop complicated supply chains, whose absence hindered the commercialisation of organic products.

Supermarkets' investment in supply chain management not only improved the availability of organic produce, but also, had a positive spill-over of reducing the relative cost of organic products. A price premium is levied on organic products due to limited supply in comparison to demand AND more expensive transaction costs, compared to conventional products, throughout the value chain such as higher production, processing, procurement and distribution costs (refer to Figure 3). The dispersion of organic farms and their relatively small production levels was touted as the main reason for higher production costs (Dimitri & Olberholzer, 2005:8). Supermarkets' involvement in the supply chain was designed to exploit economies of scale and source organic products from the cheapest producer. This lowered the price premium placed on organic goods compared to their conventional counterparts.

Figure 3: Price Premium Breakdown (percentage)



Source: EPOPA; 2006:6

The important point is that the structure of the retail industry affects the price premium placed on goods which in turn affects their widespread appeal. Price premiums for organic goods tend to be lower in countries where supermarkets are the dominant supplier of organic products compared to specialised retailers. In countries where supermarkets are the main distributors of organic products instead of specialised shops, sales growth of organic products is larger and organic products share in total food retail sales is higher. When SADC's producers decide to enter into a market it is important to understand the

structure of a country's food retail sector, and likely changes, as this will affect producers' margins and their total profitability.

In developed countries, most notably the United States, United Kingdom and Germany, up-market supermarkets have invested capital in promoting and stocking organic products. These stores have been the pioneers of organic produce and thus there tends to be a greater demand for organic products in markets where higher-end supermarkets have a greater market presence. This issue raises an important point: What is the relationship between the consumption of organic food and the role of education on consumers' purchasing decisions within a disposable income band? Conventional logic is that organic products are "luxury" goods and by definition are purchased by middle to upper income consumers. A study by Grieshaber (2005) tested this assumption by placing more expensive non-organic goods next to certified organic produce. The non-organic produce sold quicker than organic produce. This study begs the question whether "the consumption of certified produce may be a function of consumer education and awareness, and that these consumers, seeking quality produce, shop at more "upmarket" outlets, thereby generating the demand for certified produce" (EPOPA. 2006b:15)

The development of new products (biodegradable packaging, convenience organic foods) and the launch of new distribution channels (organic supermarkets and sales through the internet which are combined with box schemes) has created a growing market for organic products. Global sales of organic food and drink increased by 43 percent from US\$ 23 billion or Euro 17.8 billion in 2002 to US\$ 33 billion US-Dollars or Euro 25.5 billion in 2005" (Willer & Yussefi; 2007:11). The market for organic products is concentrated in Europe and North America, which comprised 96% of total global sales in 2005. These markets are undersupplied and rely on imports as consumers' demand for organic products in these regions is growing at a faster rate than domestic farmers' ability to increase production. This is due to the limited availability of agricultural land and the long conversion process to convert commercially farmed land into organic land.

6.1. Regions

6.1.1. Europe

In 2005 the market for organic products was valued between 13-14 billion Euros (Willer & Yussefi, 2007:14). The bulk of these sales were concentrated in former EU 15 countries. Europe's largest markets, in descending order, are the United Kingdom (1.213 billion GBP), Germany (3.9 billion Euros), Italy (2.4 billion Euros), France (2.2 billion Euros) (Willer & Yussefi, 2007:14). This does not imply that organic products are more widely accepted by consumers in these markets. Switzerland has the highest market share of organic products as a per-

centage of its total retail food market, standing at 4.5 percent in 2005 and the highest per capita consumption per annum of 100 Euros (Willer & Yussefi, 2007:14). The population's consumption of organic food in Eastern European is small, but it is experiencing high growth. This area is mainly a producer of agricultural commodities that are exported to Western European manufacturers to process and package to be sold by large retail chains.

The market for organic products in the Europe is classified as a mature market, and as such, is large in value but its growth has started to taper-off. Despite subdued growth rates, the market continues to sustain a double-digit growth rate. Organic products are available in most mainstream supermarkets, which is the dominant distribution channel. Retail chains are optimistic about the market's growth potential and predict that over the medium term organic products should capture a five percent market share of total retail food sales (CBI; 2005:21). Growing demand for organic products will be encouraged by consumers' distrust of conventional production methods, particularly if conventional agriculture is unable to communicate a clearer message. A new market development is the growth of "niche" supermarkets, which are becoming especially popular in Germany. Although this new distribution channel is gaining popularity, large multiple retail chains are expected to retain their leading role in the development of the organic market.

On average, price premiums for organic goods range between 15%-25% (CBI; 2005:80) depending on a market's retail structure and the popularity of organic products among consumers. Price premiums may make organic products a more attractive market for producers to supply; however in the long-run price premiums may limit these products' mass market appeal. Therefore the issue for producers is to find a balance between earning attractive margins and increasing consumers' willingness to buy organic products by making them affordable. These two goals seem incongruent. Case studies show that accentuating the benefits of organic products can be a way to align these goals. Even though consumers are price sensitive, they are willing to pay a premium for products that are perceived to be more nutritious or reduce their exposure to harmful chemicals. German consumers are the most price sensitive consumers in Continental Europe, spending roughly 11% of their disposable income on groceries, the lowest rate in Continental Europe (NcKinna, 2006:25). Yet German consumers' expenditure on organic products as a proportion of their total grocery bill is the highest in region (NcKinna, 2006: 25).

Making broad generalisations about Europe's organic market masks important country differences about the type of products demanded, how these products are distributed, a market's growth rate and the general acceptance of organic products among consumers. As a result general information is useful to understand the region but is insufficient to prepare an export strategy. On the expenditure side, countries per capita expenditure on organic products varies, it tends

to be lowest in Southern European countries, Spain's level is US\$7.3 per annum, and highest in Scandinavian and Alpine countries, Switzerland's rate is US\$105 per annum (Willer and Yussefi, 2004). The demand for organic produce is growing rapidly, although off a low base, in Eastern European countries compared to their Western European neighbours.

A stark difference exists between countries distribution channels, for example, "over 85 percent of organic products are sold through general food shops in Denmark compared with less than 5 percent in Luxembourg" (Dimitri & Oberholtzer, 2005:6). Supermarkets are the main distribution channel for organic products in Scandinavian countries, the United Kingdom and Austria. The main retail outlet for organic products in Luxembourg and Greece is through organic/health food stores, bakers, and butchers (Dimitri & Oberholtzer, 2005:6). In Ireland, Italy, France, Belgium, The Netherlands, and Germany, the distribution of organic food is evenly spread between supermarkets and other stores (Dimitri & Oberholtzer, 2005:6).

From a previous discussion in this paper, it was stressed that distribution channels affect the demand for organic products and the price paid for these products. In countries where supermarkets are the main distributors of organic products to consumers, compared to speciality stores, the premium levied on organic products is lower, the variety of products offered is greater and the quantity of organic products consumed is larger. The reason for the above trend is "lower distribution costs; it is cheaper to transport larger volumes of organic products, together with conventional products, to bigger distribution centres and on to major retailers than it is to transport small volumes to small specialist organic food shops" (CBI, 2005: 7). The implication is that as the market for organic products matures in the Europe, large retailers entrench their market position. As mentioned previously, this affects what products are required and how they must be supplied. These retailers want suppliers that can consistently deliver large volumes of a specific product, based on their requirements.

Different retail market structures make it simpler or more difficult for farmers/ producers to get product and price information. Exporters require information about a market to comply with regulations and create a product that suits consumers' preferences. Official sources of this information are limited and often out of date. Retailers have access to this information, but due to the nature of the industry, it is in their competitive interest to withhold it. A lack of information makes it difficult for exporters from developing countries to create products that suit consumers' preferences and thus they are not in the in the position to compete with the existing European brands.

Suppliers from developing countries will probably find it more difficult than their European counterparts to consistently deliver products that satisfy retailers' specifications. This problem can be "solved" by using an importer who specialises in organic products, as he/she will



have information about the European market, and more importantly country nuances, which are important for an exporter to adapt his/her product to the market (CBI, 2005: 7). In essence a specialised importer can serve more or less as an intermediary between a retailer and a farmer / producer. Another avenue for exporters to consider is supplying products to Europe's growing food processing industry (CBI, 2005). Consumers in this industry are looking for an assortment of organic processed foods that are copy-cat versions of conventional convenience foods and ready meals (CBI, 2005). The implication for SADC's farmers/ producers' is that providing less sub-sector with products requires less market research.

Considering the size, growth and access to infrastructure; SADC's producers should investigate the following markets' demand for organic products: The Netherlands, given its status as a re-export centre, Switzerland, Czech Republic, Poland and Hungary.

The Europe is a lucrative market, especially EU (15) countries, and thus SADC's producers should expect to face competition from other developing countries. SADC's main rivals for this market are Argentina, Mexico, Brazil, Dominican Republic, China, India and Turkey (CBI, 2005:6). A promising development is that the EU imports a variety of organic products from African countries, in particular Tunisia, Morocco, Egypt, Uganda and Zambia (CBI, 2005:6). The fact that other African countries have managed to build a reputation as reliable exporters of organic products will make it easier for SADC products to market their products SADCs' producers could also use South Africa's status as a leading developing country supplier to the Europe as a marketing tool.

Europe, in particular the EU (15) states, imports a range of organic goods including "fresh fruit and vegetables, coffee, tea and cocoa, grains, pulses and seeds, vegetable oils and fats, edible nuts, spices and herbs, dried fruits, fruit juices and concentrates, sugars and honey" (CBI, 2005:6). Given SADC's productive capabilities, exporting the following products should be explored further: tropical fruits, citrus fruits, off-season products and organic baby food.

6.1.2. United Kingdom's Organic Market

Table 8: Retail Sector Trends

Population	60 million
Acceptance	75% of the population
Value of the Organic Market	US\$1.84 billion p.a
Per capita Organic Consumption	30 EUR
Organic Market Growth	11% (2002-2007)
Organic's share of total food consumption	2%
Organic Imports	46% of total market
Market Outlook	3,5 out of 5
Export Opportunities	Baby food, counter seasonal fresh products, ingredients for processed foods, fruit juices, fruit juice concentrates dried fruits, honey and nuts

Source: McKinna 2006 and SOEL-FiBL Survey 2007 and CBI 2005

Based on estimates, in 2005 the United Kingdom was the third largest global market for organic products valued between US\$1.84-US\$ 1.9 billion per annum. The boom period for organic food in the United Kingdom was from 2000-2004 when the market achieved 68% growth. Since 2005 the market's growth rate has slowed down, remaining in double-digit territory, which is to be expected as the market enters into its mature stage. It is estimated that the market for organic products increases by 2 million pounds per week, almost double the rate of growth of the conventional grocery market (McKinna, 2006:18). This average growth rate masks important differences in growth between sub-categories (refer to Table 9). These growth rates should be interpreted with caution as a small growth rate does not imply a smaller market. In fact larger markets will probably experience smaller growth rates.

Table 9: Expected Growth Rates from 2002 and 2007 for the total organic market and for specific product categories

Category	% growth
Total organic market	11.0
Convenience products	8.8
Meat Products	12.3
Dairy products	8.8
Fruit and vegetables	8.3
Cereal products	6.0

Source: McKinna, 2006:18

The United Kingdom's retail food industry is dominated by supermarkets, which are considered to be the most developed in the world. In 2004 approximately 86% of organic sales were through supermarkets (CBI, 2005). An important issue is that supermarkets have the power to alter consumers' purchasing patterns and therefore change the type of products demanded by consumers. Supermarkets have promoted the consumption of packaged, convenience foods as they can charge a higher mark-up on them and they are easier to transport. Supermarkets' ability to re-educate consumers to prefer the taste and ease of convenience meals has created a culture where consumers expect organic foods to mirror the variety of their conventional counterparts.

Table 10: Distribution Channels for Organic Products (estimates)

Outlet	2001 -02		2002 - 03		2003 -04		
	Sales (£ mil)	% Total market value	Sales (£ mil)	% Total market value	Sales (£ mil)	% Total market value	Annual Growth %
Total organic market							
Supermarkets	755	82	821	81.0	899.4	80	9.5
Direct sales	73	8	93.3	9.0	108.4	10	16.2
Independent retailers	92	10	101.0	10.0	111.1	10	10.0
Total	920		1,015.3		1,118.9		10.2

Source: McKinna, 2006:20

The structure of the retail food market in the United Kingdom creates a "winner-takes" all situation for exporters. To make it profitable for supermarkets to increase the demand for organic products by investing in advertising campaigns and cold chain management, they require

consistent supply. Supermarkets value consistency and are willing to pay a premium for it. This creates a situation where supermarkets enter into an annual contract with a few large producers/ farmers to supply them with large volumes of organic products. This type of contractual environment creates opportunities for large suppliers, single desk exporters or consolidated individual groups. By implication it favours a handful of “lucky” suppliers. Fixed product specifications reduces suppliers’ exposure to market and financial risk and it opens up an opportunity to supply a range of value-added goods, which are often logistically easier to transport than commodity type products.

Although supermarkets dominate the distribution of organic products, consumers are exploring other options; the most popular being direct sales from farmers’ markets, farm shops, box schemes and mail–order services (Willer and Yussefi, 2004). These new distribution channels are responsible for much of the growth in the United Kingdom’s market. In 2004 sales of organic products through farm shops and home delivery schemes grew by 16% to reach £108 million (NcKinna, 2006:19). Although this growth rate is impressive, it is off a small base and thus it did not even dent supermarkets’ dominant position. Supermarkets’ share of organic food sales decreased a meagre percent from 81% to 80%, yet the value of their sales increased from £821 million in 2002/03 to £899 million in 2003/04 because the market’s overall value increased (NcKinna, 2006:16). The opening up of a new distribution channel is important as it gives SADC’s exporters another route to break into the market. The fact that this sales channel is in its infancy probably makes it easier for new suppliers to gain contracts as they do not have to compete against entrenched market participants.

The United Kingdom consumes more organic products than it produces, the shortfall is met by imports. In 2004 76% of its total organic imports were for fruit, vegetables and salad crops. The majority of the market’s fruit was imported from the United States, Central America, Spain, The Netherlands and France. The sustainability of this situation has been questioned. Supermarkets are eager to import agricultural commodities from developing regions as these goods are often cheaper than their equivalent domestic produced goods. Consumers’ demand for organic products is influenced by ethical considerations, one being, the need to support local farmers. Another concern is that even though imported products satisfy regulation, it does not imply that these practices are equivalent to domestic producers’ ethical labour and environmental sustainability practises. In response to consumers’ backlash “the major supermarkets in the United Kingdom have codes of practice and product quality and integrity standards, which not only cover food safety and performance, but also increasingly cover environmental sustainability and social ethics” (NcKinna, 2006:19). These measures could have a positive and negative affect on SADC produc-

ers' ability to serve this market. The positive effect is that producers' ability to satisfy these stringent standards by default means that their goods satisfy other standards. Standards are often cited as a barrier to entry and thus a producer's ability to meet "niche" standards protects his/her market position. The negative effect is that consumers will use each successive win to create a fresh set of standards, and once a producer has invested in satisfying previous regulation, he/she is tied into the market due to issues arising from asset specificity problems.

For additional information on this market, refer to the following articles: <http://www.soilassociation.org>, <http://www.organic-europe.net>, UK Department for Environment, Food & Rural Affairs (<http://www.defra.gov.uk/farm/organic/default.htm>), Organic Trade News at <http://www.organic.com> and the Organic Centre Wales <http://www.organic.aber.ac.uk>.

6.1.3. Germany's Organic Market

In 2004 Germany's organic market was valued at US\$ 4.2 billion, representing roughly 2.5 percent of its total retail food sales. It is the second largest market for organic products in Europe, and is also the fastest growing market for organic products in Europe achieving a 12% per annum growth rate in 2004 (CBI, 2005). Domestic production satisfies 60% of the population's demand for organic products (CBI, 2005:22).

Retail outlets in Germany tend to stock a basic range, normally 20 to 50 items, of easy-to-handle organic staple goods. Supermarkets are the main distribution channel with a 36% share of organic retail sales. Other important distribution channels include health-food shops and direct sales with a 34 percent and 16 percent share of organic retail sales, respectively (CBI, 2005). This stands in contrast to most Scandinavian countries, the United Kingdom, Switzerland and Austria where more than two-thirds of all organic products are sold via conventional retail channels (CBI, 2005, 137). The independent organic retail sector has not had its market encroached on by the growing number of conventional retailers. Specialised organic distribution channels grow by approximately 10% per annum and comprise roughly 3'000 specialised organic stores and 250 specialised organic supermarkets throughout Germany (CBI, 2005). Specialised organic stores stock a wide range of grocery products but their most important products are fruits, vegetables, cheese and other fresh products (CBI, 2005). In theory the structure of Germany's retail sector makes it simpler to break into the market than the United Kingdom. The German market requires smaller range of simpler products, which allows SADC's producers to specialise in supplying certain products and the market has more access points.

The price premium charged on organic compared to conventional

goods in Germany varies between 60%-70%, which is above the European average rate. High price premiums are especially apparent in the market for organic fresh fruit, vegetables and potatoes. It is expected that price premiums for organic products will decrease as organic retail outlets become more common and domestic producers face greater competition from imported goods. A falling price premium bodes well for the market's growth given the price sensitive nature of German consumers who are reluctant to pay more than a 20% price premium on organic products (FiBL, 2007).

For additional information refer to the following reports: The country report on Germany at www.organic-europe.net and http://www.soel.de/oekolandbau/deutschland_ueber.html, at the Organisation of Organic Retailers at <http://boelw.de/pm+M548514cfe9f.html> and on <http://www.oekolandbau.de>.

6.1.4. Other Continental European Countries

The Italian market was worth 1.4 billion Euros in 2003, comprising approximately 1.5 % of total food sales. Fruit and vegetables account for over 50% of organic food sales. Supermarkets' share of the organic retail market is 30%, while the remainder is held by organic stores and direct sales. Price premiums levied on organic compared to conventional products in supermarkets and organic stores are roughly 25% or 30%, respectively.

In France the market for organic products is small and growing rapidly from 0.5% of total food sales in 1997 to 1.5% in 2003 (CBI, 2005:26). Supermarkets are an important distribution channel and account for 50% of total organic sales while the rest is sold in health stores, direct sales and open-air markets. Supermarkets' position as the main distribution channel for organic produce will strengthen, increasing the demand for organic processed food beyond its current average annual growth rate of 17.5 percent.

The demand for all organic products grows, on average, by 12% p.a due to consumers' fears about GMO food, but local production capacity is limited. It is expected that France will rely on imports to satisfy the shortfall. This bodes well for importers as France's propensity to import organic products will increase. In 2004 imports comprised 10% of total organic food sales of which 60 percent was from Germany, Spain and Italy and the remaining 40% was from countries outside the EU. Fruits are predominately imported from Belgium, Spain, Israel and Italy.

For additional information, refer to the following information sources: <http://www.organic-europe.net> and to <http://www.pronatura.com>. A market report on the French organic food market can be found at <http://www.fas.usda.gov/gainfiles/200110/130682544.pdf>. More recent

information is available at Agence Bio. There Bio-barometer 2003 is available at http://www.agencebio.org/upload/pagesEdito/fichiers/Barometre_consom_2003.pdf.

6.1.5. The Netherlands

The domestic market for organic products is relatively small compared to European standards. From 2000- 2004 the market grew by 100% to be worth 419 Euros. This growth was attributed to an outbreak of foot and mouth disease that sparked fears among consumers about eating contaminated food and marketing efforts by a leading retailer, Albert Heijn (CBI, 2005:76). Given a major retailer's role in stimulating demand it is to be expected that supermarkets have a leading share of the market standing at 46% in 2004. In 2004 organic retail sales represented roughly 1.8% of total food sales (CBI, 2005:76) and 39% of organic sales are for potatoes, vegetables and fruit (CBI, 2005:76).

Demand for organic produce is increasing although the demand for food is generally decreasing. The organic market should continue to grow on the back of government's ambitious plans to promote organic food through its Organic Agriculture 2005-2007 policy. According to The Netherlands Food Retail Organisation 10% of the population should frequently purchase organic food products by 2010.

This market is important because The Netherlands is one of the EU's leading exporters of all organic products, and is aggressively building-up its capacity to export processed organic foods. In 1999 it had 642 processors in 1999 which grew to 823 in April 2005. The largest importers focussing on organic food products in the Netherlands are Do-it, Doen Food Ingredients and Tradin. The country's export performance is due to Rotterdam's status as an export processing zone for goods that are repackaged and then distributed throughout Europe. It is estimated that Dutch companies re-export 80% of the organic food products they import; the majority of these exports are destined for other European countries. For example the United Kingdom imports its organic products from The Netherlands, which in turn originally imported them from Argentina and Zambia.

When an exporter considers this market he/she must be aware that the demand for organic products is greater than domestic consumption and should factor the re-export market into his/her export strategy. The re-export market should not only be viewed as another market but also a "distribution channel" that can be used as a feeder point into other markets, which aids the spread of SADC producers' goods throughout Europe, building their reputation.

For additional information refer to <http://www.organiceurope.net> and to <http://www.platformbiologica.nl/>. Information on certified Dutch producers and processors is available on <http://www.skal.nl>.



6.1.6. North America

In 2005 the North American market for organic products was worth US\$ 14.9 billion or 11.5 billion Euros, and on average grows by US\$ 1.5 billion a year, making it the fastest growing market for organic products, expanding by US\$ 1.5 billion a year (Willer & Yussefi, 2007:15). The United States is the region's largest consumer of organic products, with Canada lagging behind. However both these markets have similar growth rates, hovering around 20% per annum, making it the fastest growing sector within the retail food industry. Both these markets rely on imports to satisfy demand as domestic production lags behind consumption and the range of products produced is limited.

Large retailers have been instrumental in creating a market for organic products using marketing campaigns to stimulate consumers' desire for these products and investing in supply chain management to deliver these products. In the medium-term demand is expected to be larger than supply, resulting in supply-side shortages. The North American farming industry is particularly apt at interpreting market signals and thus will respond to these shortages over the long-term. The problem complicating the adjustment period is the three year conversion process.

6.1.7. United States' Organic Market

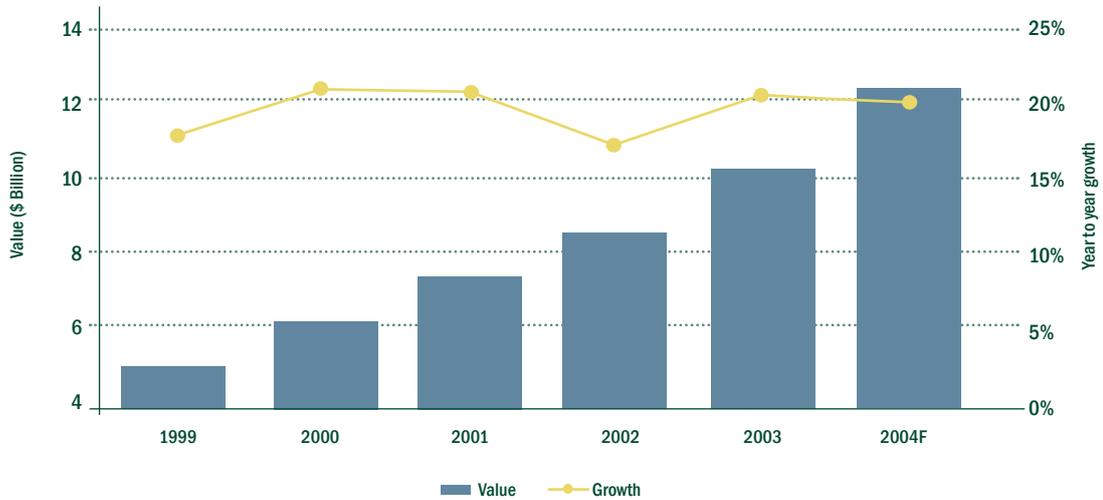
Table 11: Retail Sector Trends

Population	290 million
Acceptance	40% of the population
Value of the Organic Market	US\$13 billion p.a
Organic Market Growth	21% (2002-2007)
Organic's share of total food consumption	2%
Organic Imports	US\$ 1.5 billion (2002)
Market Outlook	4 out of 5
Export Opportunities	Processed food products, counter seasonal fresh products, ingredients for processed foods, fruit juice concentrate, dried fruits and nuts

Source: McKinna 2006 and SOEL-FiBL Survey 2007 and FAS 2005

The demand for organic products in the United States has increased rapidly over the past four years (refer to Figure 4). Per capita consumption of organic food was over \$35 per person in 2003, nearly double the value in 1999 (Dimitri & Oberholtzer, 2005: 3). The extent of the growth in organic goods becomes apparent when its 20% growth rate is compared to the 2%- 3% growth achieved by the conventional food industry (FAS; 2005: 4). The sector's phenomenal growth can be attributed to a change in consumers' preferences and the old adage that supply creates its own demand. This is especially the case when one of the world's largest retailers, Kmart, decides to promote a good. Experts predict that the sector will continue to achieve strong growth and that retail sales of organic food will reach US\$ 23.8 billion in 2010, representing roughly 3.5% of total retail food sales (NBJ, 2004 cited in Dimitri & Oberholtzer & Green, 2005:4).

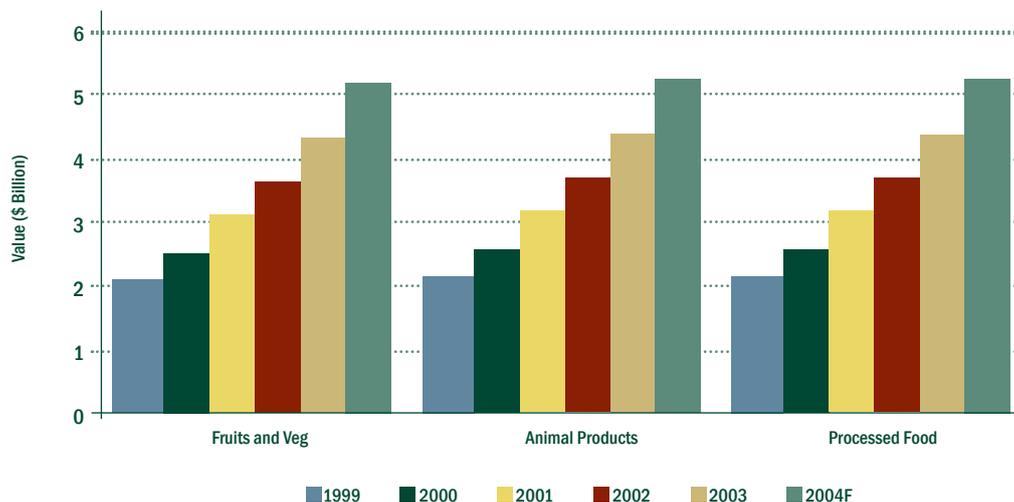
Figure 4: United States' Organic Food Retail Sales and Growth from 1999-2004



Source: FAS; 4: 2005

Aggregate growth rates and market values make it difficult to determine the types of products consumers' demand as large discrepancies in demand exist between sub-product categories. In the United States the market's demand for organic animal products is a fraction of its demand for fruit, vegetables and processed food (refer to Figure 5). This is important information as SADC's producers have a comparative advantage in supplying the aforementioned products. Consumers predominately purchase organic versions of the following products: tomatoes, leafy vegetables, carrots, apples, potatoes, peaches, bananas, squash, strawberries, beans, mushrooms, cantaloupe, celery, broccoli, and oranges (The Packer, 2002 cited in FAS; 2005:4). Furthermore, all things being equal, consumers tend to buy more organic vegetables than fruit.

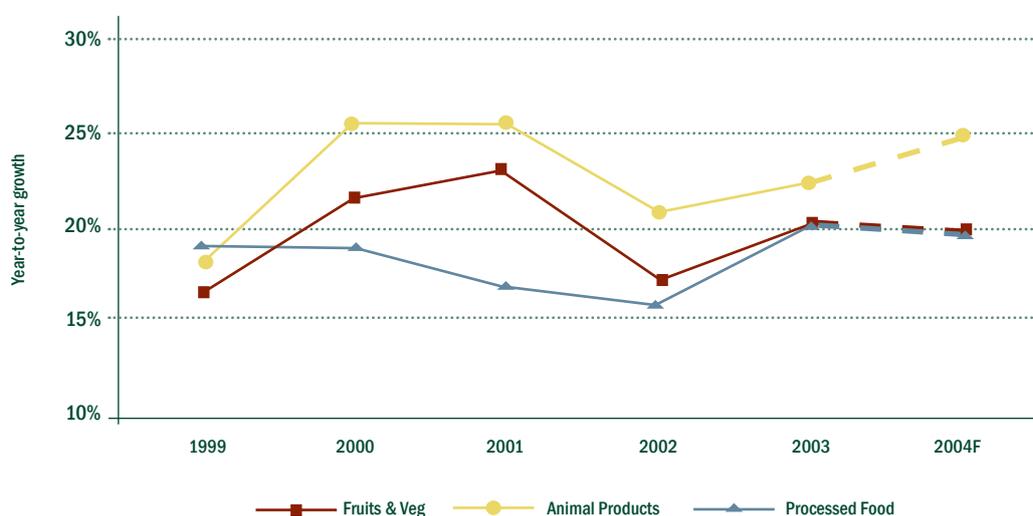
Figure 5: United States' Value of Organic Retail Sales from 1999-2004



Source: FAS; 5: 2005

Organic fruit and vegetables are the largest sub-market, but they are not the fastest growing submarket. This is to be expected given the sub-sector's size which implies that a small growth rate translates into a big increase in value. The market for meat and meat products has been the fastest growing market since 2002. This market has grown by roughly 5% more than the fruit and vegetable markets, however it should be noted that this growth is off a substantially lower base.

Figure 6: United State' Growth in Organic Retail Sales by Category



Source: FAS; 5: 2005

The retail food sector has an oligopolistic market structure and by definition is dominated by a few large, competitive mega-supermarket chains, such as Kmart and Costco. To remain competitive these chains have simplified their supply chains by working exclusively with large suppliers. This market structure makes it more difficult for small suppliers to enter the market as they do not have access to infrastructure, capital or land to grow large volumes and also benefit from the associated economies of scale. This does not imply that SADC's farmers cannot enter the market; the important issue is that they should not enter the market individually but should form co-ops or associations and enter the market as a collective.

The retail market in the United States is competitive and as a means to entice consumers into their stores, retailers are constantly on the look-out to introduce new products onto their shelves, before their competitors. As a result they have quickly mobilised their large capital resources to take advantage of consumers' growing demand for

organic produce. It is estimated that 57% of supermarkets in the United States stock a broad range of organic products (McKinna, 2006:13). Furthermore, supermarkets are the largest distributor of organic products. Although supermarkets position as the leading distributor of organic products has significantly increased since 2003, these statistics provide a useful reference point: 47%, 44% and 9% of organic foods were sold through supermarkets, natural food stores, and direct or other marketing channels (OTA, 2004).

Supermarkets have not only contributed to the growth of the organic market but have also influenced the type and variety of products consumers' demand. Supermarkets are responsible for increasing the demand for packaged organic foods. During 2002-2003 sales of packaged fresh produce grew by 26% to reach \$US364 million, supermarkets' sales comprised three-fourths of this total (USDA, ERS, 2005). The number of organic products introduced into retail markets doubled over the last decade from 14 in 1993 to 30 in 2003 (USDA, ERS, 2005). Supermarkets' demand for more diverse organic product ranges has caused companies to introduce organic versions of their established brands. This opens up new opportunities for suppliers to enter into an established market. Previously established corporations entered the organic market by acquiring an organic brand and marketing products under the original organic brand (Haumann, 2006:188). A greater number of organic food processors in the United States are importing organic food products to meet their needs or to cut costs (Haumann, 2006, 188). These imports include products that are difficult to grow in the United States due to climatic conditions (bananas and coffee), and also fairly common products such as soybeans, beef and a variety of fruits and vegetables (Haumann, 2006:188).

In the United States both the absolute demand and rate of growth of organic products is greater than domestic production. This has created a scarcity mentality among market participants, driving up prices. Another factor pushing up prices is the conventional logic that organic agricultural production is less productive than conventional methods as its yields are lower and its operating costs are higher (this is a contentious issue, refer to Section 3). According to a USDA (2003) survey the average, annual, wholesale price that two types of organic fresh vegetables fetched between 1989 and 1992 were double that of their conventional counterparts. Furthermore, "monthly farm-gate price premiums for several major organic fruits and vegetables consistently exceeded 100 percent between 1992 and 1996 Glaser et al., 1998 cited in Dimitri & Oberholtzer & Green, 2005:11) Price premiums for frozen organic vegetables during this period followed similar trends (Glaser et al., 1998 cited in Dimitri & Oberholtzer & Green, 2005:11). It should be noted that these studies mask wide variations in weekly prices.

According to experts the above price premiums are not sustainable over the long-term. They should slowly erode over the next five years as the domestic supply of organic products increases and demand starts to stabilise. In addition, it is in mega-retailers' interest to reduce price premiums as it deters consumers from purchasing organic products, which limits the market's growth. Supermarkets can exert their market power to decrease producers and processors' margins or source products from low-cost, large scale organic producers, such as China and South America (McKinna; 2006: 14).

Although the majority of the increase in American farmers' organic products is consumed by the domestic market, and in fact falls short of domestic demand making the United States a net importer of organic products. The country does export between US\$125-250 million of organic goods per year of which US\$75-US\$150 million of these exports are bound for Canada. It is estimated that two-thirds of Canada's demand for organic products is satisfied by imports and that over 55% of these imports are from the United States. This is due to proximity, a free trade agreement and shared cultural preferences. After Canada, the top destinations for the United States' organic exports over the past five years have been Japan, the European Union, Taiwan, South Korea, New Zealand and Australia (FAS, 2005:9). The United States' main organic exports are soybeans, food ingredients, fruit juices, frozen vegetables and dried fruit (FAS, 2005:9). An interesting point is that the majority of the United States' exports to its largest trading partner, Canada, is processed food.

6.1.8. Asia

It is difficult to discuss the region's demand for organic foods as each country's organic market is at a different stage of development. Even though Singapore is a prosperous country, the population's demand for organic products is limited as they assume that all products sold in retail outlets is safe because it is endorsed by the government. South Korea has the potential to be a profitable market but restrictive certification laws for fresh produce make it difficult to enter this market. These laws are not applied to processed goods. Consumers are aware about the benefits of consuming organic foods, since a tenuous link between the intensive use of pesticides, which is a key feature of domestic agriculture, has been linked to cancer. Taiwan's organic market is classified as embryonic. The market's ability to move into its next stage of development has been slowed down by consumers' confidence in organic products being tarnished by misleading claims. The demand for organic products in Malaysia is limited and should not substantially increase as consumers do not trust the authenticity of organic products. Given these factors, the most attractive markets in the region are and Japan, the region's largest, most established and sophisticated market, and China, the region's fastest growing market.

6.1.9. Features of Japan's Organic Market

Table 12: Retail Sector Trends

Population	127 million
Acceptance	High
Value of the Organic Market	Green Food US\$ 3 billion and Organic US\$ 250 million
Organic Market Growth	70% (2002-2007)
Organic's share of total food consumption	1%
Organic Imports	Fruit, vegetables, rice, and green tea are mostly grown in Japan. Processed food, are imported from countries like Australia, USA and Germany.
Market Outlook	4 out of 5
Export Opportunities	Fruit and vegetable juice, fruit

Source: McKinna 2006 and SOEL-FIBL Survey 2007

Japan is a net importer of organic products. This situation arises due to the interaction of consumers' preferences, limited availability of agricultural land and wet, humid climatic conditions. The fact that the market for all organic products is undersupplied bodes well for SADC's producers. Supply shortages of fresh fruit and vegetables are particularly acute, as demand for these products comprise almost 75% of Japan's organic food sales (McKinna: 2006). Japanese consumers' demand for mandarins, kiwi fruit, strawberries, oranges and bananas is particularly high compared to supply. Another encouraging market development for SADC's producers is that Japanese climatic conditions make it difficult for domestic farmers to grow these products, but they are ideally suited to be grown in SADC's climate. Japanese farmers do grow limited quantities of citrus fruits and the government protects its farmers' market by applying a high tariff on imports.

Consumers' growing demand for fresh fruit and vegetables coupled with the introduction of strict certification laws in 2001 exacerbated supply-side shortages. In Japan products can only be labelled organic if they satisfy JAS certification standards. When the new standards were introduced, the organic market's value fell by 90% from US\$3 billion in 2000 to US\$250 million in 2001 (McKinna, 2006:28). Products that were no longer deemed to be organic were classified as 'specially cultivated crops' or 'Green Foods' which are grown with reduced use of chemical pesticides and fertilisers" (McKinna, 2006:28).

Limited supply and increasing demand has pushed up the price of organic products. On average consumers are prepared to pay a price premium between 10%-20%. Japanese culture values healthy living and thus it is culturally acceptable to pay a premium for products that contribute to one's health and longevity. Although consumers are quality conscious and risk averse which entrenches loyalty to a brand, they have become more price-sensitive since the recession and are prepared to hunt for branded products at the best possible price. Japan's propensity to import organic products to satisfy its demand is expected to increase, combined with consumers' willingness to pay a premium

for organic products makes it an attractive export market for SADC's producers. This statement is particularly apt given China's tarnished "organic" credentials due to traces of chemicals found in "organic" frozen spinach. China's proximity to the Japanese market makes it one of Japan's largest suppliers of organic products and thus this negative perception opens up a window of opportunity for SADC's producers to enter the market. This incident also has an indirect negative impact on SADC exporters' ability to break into the Japanese market as it accentuates Japanese consumers tendency to prefer local products over foreign products (McKinna,2006). Japanese consumers' preference implies that it is better for an exporter to avoid competing against local products and rather concentrate on exporting items that cannot be grown locally.

Based on statistical measures (i.e per capita income, value of imports, market growth rates, etc) the Japanese market provides SADC's farmers with lucrative export opportunities. The big issue with this market is a producer's ability to convert "potential" opportunities into cash. This market is complicated to operate in due to stringent JAS certification standards, product traceability issues and a complicated, fragmented distribution system.

Once products are fumigated, they are no longer allowed to carry the JAS organic label. Port officers randomly fumigate all food products entering Japan and as a result an organic farmer's ability to get his/her products as being certified organic becomes a lottery.

The structure of Japan's food retail sector is "unique" and as a result to be a successful exporter, one must understand the system. In contrast to other developed countries' retail sector most Japanese consumers purchase the majority of their groceries from small, local retailers instead of large supermarket chains: 70% Japan's retail food sales are generated by more than 1 million shops (McKinna, 2006). It is estimated that 25% of organic products are sold through distribution organisations that specialise in organic food; specialised home delivery networks comprise 55% of sales; food-brokers and traders handle about 5%; wholesale and warehouse organisations sell about 5% and the remaining 10% of sales is through food- processors and manufacturers (McKinna; 30: 2006). In Japan the most important channel for organic food is the teikei system, but its position is slowly being eroded by conventional retail outlets. This change could make it easier for SADC's producers to move into this market as it is more difficult to break into established retail supply chains than emerging ones. Both the larger chains and the smaller local stores stock 'organic' and 'Green Foods'. Irrespective of a stores size, they operate within the convoluted Japanese retail system which increases retailers' costs. As mentioned earlier, Japanese consumers are price sensitive, especially since the recession. This has created a gap in the market for other distribution channels that can reduce their costs and then pass these savings onto

the consumer in the form of reduced prices. Home delivery and online shopping are gaining ground as a larger distribution channel for organic products, and as a result could be an interesting topic for SADC's producers to research (McKinna, 2006).

6.1.10. China's Organic Market

Table 13: Retail Sector Trends

Population	1.3 billion
Acceptance	Low
Value of the Organic Market	US\$150 million p.a
Per capita Organic Consumption	
Organic Market Growth	30%
Organic's share of total food consumption	Less than 1%
Organic Imports	Domestic Supply
Market Outlook	3,5 out of 5
Export Opportunities	Baby food, counter seasonal fresh products, ingredients for processed foods, fruit juice concentrate, dried fruits and nuts

Source: McKinna 2006 and SOEL-FIBL Survey 2007

This market is important because of consumers' potential propensity to consume organic products. The interaction between the following variables could create a lucrative market (a) strong cultural pull towards healthy eating (b) growth of local organic certification bodies (c) increased public concern about food safety (d) rising per capita income levels (e) spread of supermarkets (f) China's one child policy that causes parents to give their children the best of everything. When this market's "potential" will be realised is difficult to predict and thus SADC's producers should enter this market early to gain a first mover advantage. In addition, a spate of food contamination incidents across the country has reduced consumers' confidence that their food is safe, which has increased their awareness about the benefits of consuming organically grown products. These events make it simpler for SADC's producers to market their organic products.

The major factors constraining the market's growth are a limited and inconsistent supply of products, high / divergent price premiums levied on organic products, confusion among consumers about what is an organic product and how can one be assured that a product is indeed organic (certification). On certain goods, the organic version carries a 300 – 400% price premium. However on average price premium levels range from 10%-50% with 20-30% as an approximate average (IFAD, 2005). When price premiums fit into this acceptable range, consumers' overriding question is whether products' certification is authentic.

The structure of China's retail food sector is changing. Traditional markets are being replaced by supermarkets. This will affect the rate at which organic products are introduced to the public and the type of products demanded by consumers. Supermarkets provide opportu-

nities for low cost producers, such as SADC, because supermarkets' profit model is based on moving large volumes of commodity-based stock. Chinese supermarkets use large, centralised distribution centres and specialised/dedicated wholesalers operating preferred supplier systems. This distribution system favours suppliers that can deliver large volumes of quality stock, consistently. Local producers do not have the capacity to fulfil supermarket's requirements. SADC's farmers have proved that they have the capacity to do this, albeit for conventional products. Given the market's emerging nature, the type of products demanded by consumers is rudimentary, mostly vegetables, fruit and rice. The demand for organic processed food is marginal, except for baby food due to parents doting attitude.

6.1.11. Africa

The demand for organic products throughout Africa is small. Generally, the market for these goods is geographically concentrated in the urbanised, cosmopolitan areas of upper-income countries where supermarkets play a leading role in the retail food sector. Countries, whose demand for organic food is growing at an increasing rate, yet off a small base, are South Africa and Egypt. The fact that South Africa imports organic products to support its growing demand bodes well for the creation of a regional market. Trade between South Africa and its fellow SADC states is limited, mostly confined to Zambia, while its other trading partners are the EU (Germany and the United Kingdom), United States, Australia and New Zealand (EPOPA, 2006b, 19). Imports cover the entire value chain from inputs to final food products (EPOPA, 2006b, 19).

6.1.12. Australia / Oceania

The demand for organic products is rapidly growing in Australia and New Zealand, yet these countries are not attractive export markets for SADC's products. These countries propensity to import organic products is erratic as they are imported to compensate for unexpected dips in domestic production. In 2003 imports of organic products were estimated to be worth AUS\$ 13 million of which the majority was imported from New Zealand, United States and the United Kingdom (Wynen; 2006: 123).

Australia and New Zealand are large producers of organic products: Australia has the distinction of having the world's largest percentage of its agricultural land dedicated to organic farming. In addition, large geographic distances inflate transport costs and complicate logistics to deliver products. These markets should not be written-off. They might not be good base-markets but they could provide opportunities for SADC's farmers to bump-up their profits when supply is constrained and prices are high. According to a survey conducted by AQIS (2003) average price premiums levied on organic products fall between 50%-

75%. Price premiums on fruit and vegetables usually fall between 50%-60%; although price premiums of up to 100 percent are not considered to be uncommon (Bulletin 2001 cited in Wynen; 2006:122).

6.1.13. South America

A culmination of factors has created a buoyant market for organic products in South America which can be satisfied by local production. South America is ranked the world's second largest producer of organic products, behind the Europe, and produces a wide range of products. Its low cost producer status and its ample supply of cheap labour have allowed the continent to become a net exporter of organic products, and in fact, it is one of SADC farmers' major competitors. Therefore this market does not appear to be an attractive destination for SADC's exports. This does not imply that this market is irrelevant for SADC's farmers. It provides an important case study about using localised "informal" markets to stimulate domestic demand for organic products.

Creating a domestic market is often touted as being the forerunner for export success. This argument implies causation between a country's export success and access to a local market. This paper does not support this argument. Instead it is argued that creating a local market for a product is important as it allows producers to "test" new products in a domestic market, it serves as a base to reduce average costs and consolidate participants' actions in a geographic area which simplifies logistics. As a result a local market is important as it gives producers' critical mass and access to services to participate in international markets.

Countries in South America have created a range of simple distribution channels to connect growers with consumers under the slogan: "From my family to your family" (Lernoud, 2006: 153). These forms of co-operation allow small-scale farmers to sell their products to consumers without going through a complicated web of middlemen; consumers have an opportunity to purchase healthy foods, and most importantly, the benefits from economic activity do not flow out of the community.

Small-scale farmers are marketing their products by becoming a "garden" for urban families. A large group of consumers, approximately 40 families, for purpose of this paper a consumer association, signs a contract with a farmer to supply them with products (Lernoud, 2006: 156). Both parties agree on what to sow and develop a budget, taking into consideration both parties' needs, and consumers pay the farmer a proportion of the agreed amount to start that year's production (Lernoud, 2006: 156). Parties share the risks and fix prices (Lernoud, 2006: 156). This arrangement could be particularly useful in SADC as it provides small-scale farmers with the initial capital that is difficult to secure because of poorly developed micro-lending markets. This scheme also benefits consumers as it shields them from rising food inflation.

This humble growing service could service as the basis for small-scale farmers to create a box scheme or home delivery service. Box schemes have been a simple, effective way for farmers to generate interest for organic products among relatively wealthy city dwellers. A producer assembles a box of assorted products, which he has sourced from other farmers, and delivers these boxes to the homes of his/her clients, on a weekly basis (Lernoud, 2006: 155). These schemes are important as they are the starting point for more “complex” forms of industrial organisation, such as producer associations and specialised shops, which grew out of a successful home delivery system. In Argentina, box schemes were used to create a consumer base that allowed producers to sell their products to supermarkets. In Uruguay and Brazil, the market for organic products has developed in a similar fashion as Argentina’s market (Lernoud, 2006: 155).

In Brazil, Ecuador and Costa Rica farmers have formed producer associations to gather their individual vegetables and fruits to sell their produce collectively (Lernoud, 2006: 153). Farmers transport their products to big metropolitan areas where it is either sold to supermarkets, under the name of the farmer or the brand name of the association, or it is sold directly to consumers at open air markets (Lernoud, 2006: 153). The government has realised that neighbourhood fairs and small informal markets have positive short-term (allows farmers to receive the full price of their goods as the middleman is cut out) and long-term (creates areas of economic activity that eventually tie up to form a large market) impact. To promote the development of this distribution channel, the government sponsors stalls and advertising.

In South America producers are aware that consumers’ desire to eat organic products is influenced by education. This led to the development of specialised organic stores that serve as a centralised, relatively large-scale distribution and an information point. These stores are useful as they provide a bridging point between informal markets where consumers have the chance to speak to farmers and large supermarkets that offer convenience by providing a range of stock.

7. Prospective Trade Opportunities for SADC's Farmers

The aim of this section is to suggest areas of further research about the type of agricultural products SADC's farmers / producers could grow and where lucrative markets for these products lie. This section "maps" SADC farmers' supply-side capabilities to regions / countries' demand profile for organic products. The intersecting areas represent potential, lucrative export markets for SADC farmers / producers' products.

According to the IFOAM survey (2005) 33% of Africa's organic land under cultivation was classified for permanent crop production. This land is used to grow tropical fruit, olives and nuts (Willer & Yussefi, 2007). Given the type of agricultural land in the region, SADC farmers have built a competitive advantage in exporting the following goods: Fresh vegetables (Madagascar, Malawi, South Africa and Zambia), Citrus fruit (South Africa), Tropical Fruit (Madagascar, South Africa and Tanzania) and dried fruit (Madagascar and Tanzania) .

Table 14: Breakdown of Africa's Land Organic Cultivation in 2005

	Hectares Organic Land	Percentage Organic Land
Arable Land	60,999	6.85%
Other	37,396	4.20%
Other Crops	7,796	0.88%
Permanent Crops	292,522	32.85%
Permanent Pastures	35,716	4.01%
No Information	456,076	51.22%
Africa's Total Organic Land	890,505	100.00%

Source: SOEL-FIBL Survey 2007

A stylised fact emerging from Section 6 is that demand for organic products in developed countries, notably the EU (15), United States, Canada, Japan and Switzerland, is increasing at a faster rate than their farmers' ability to supply these products. As a result domestic production is insufficient to satisfy domestic consumption and these countries rely on imports to cover the shortfall. This situation should continue in the foreseeable future, despite government subsidies that encourage organic cultivation and alluring price premiums for organic goods. The market's demand side growth is due to social, economic and health factors, which react relatively quickly to new information. The supply-side is sticky and slow to adjust to changes due to a minimum three-year conversion period from conventional to organic farming practices. In addition, rapid urbanisation in developed countries and the movement away from an agrarian to a services based economy has restricted the amount of land open for farming and created a dependence on intensive farming practices to ensure food security.

The aim of this TIB is to highlight potential markets that should be investigated further. As a result this TIB will provide information about the largest consumer markets for organic produce and generically discuss the other markets. SADC farmers / producers should contemplate reducing their exposure to risk by creating an export strategy that contains a range of markets at different stages of development. Mature markets are easier to supply but harder to break into. These markets tend to be dominated by supermarkets and thus supply chains that can cope with the demands of importing organic products have been established. Also consumers are aware about the benefits of consuming organic products, but they are more difficult to please as they demand more stringent labelling practices/ certification credentials. Growth markets provide SADC's farmers with a chance to develop its products with the market. For example, organic markets initially demand fresh products and then "graduate" to processed foods. Supply chains / distribution channels in these markets are still forming, which makes it easier for SADC's farmers to get a toehold into the market. Consumers are more experimental in these markets compared to established markets. This opens up an opportunity for SADC's farmers to export "uniquely" African products, think organic Amarula Cream. In emerging markets, both the availability and range of organic products offered to consumers is limited and demand fluctuates. For SADC's farmers it could be useful to enter these markets when they are on the cusp of becoming emerging markets. The advantage of these markets is that they suit SADC farmers' supply-side capability- they require small quantities of a limited range of products.

Table 15: Market Maturity Table

Mature	Growth	Emerging
Austria, Denmark, Germany, Switzerland, United Kingdom,	Finland, Italy, The Netherlands, Sweden, France, Belgium United States, China, Taiwan, South Korea, Japan	Czech Republic, Ireland, Slovenia, Spain, Norway, Portugal, Poland , Hungary

Source: Adapted from CBI 2005

It is important to recognise supply-side bottlenecks and factor them into SADC producers/ farmers creation of an export strategy. Problems facing SADC's producers, especially since organic products have a shorter shelf-life than their conventional counterparts, are high transport costs and poor infrastructure. According to Ntambi (2006, 100), "for most sub-Saharan African countries the best potential for organic exports undoubtedly lies in low volume – high value crops (such as coffee, herbs, spices, medicinal and beauty products), non-perishable items and those which offer opportunities for adding value locally, such as tropical fruits. Therefore SADC's exporters might need to break into a market by supplying commodity products, but they should consider developing a long-term plan to supply processed products.

The EU is the largest market for organic products and thus should be included in SADC farmers' export strategy. The majority of this market's demand for organic products comprises fresh fruit and vegetables, but demand for processed products is growing. This region is a net importer of all organic products. In 2001 30% of its total organic imports were for fruit and vegetable in their fresh and processed form.

Figure 7: EU's Organic Imports in 2001 (tonnes)

	Cereals	Oil seeds	Potatoes	Vegetable	Fruit (incl. nuts)	Milk (products)	Wine
Germany	120,000	20,000	10,000	40,000	80,000	20,000	110,000
Denmark	12,000	-	1,000	1,100	9,700	0	-
France	48,000	-	2,500	30,000	40,000	27,000	-
Italy		-	1,000	15,000	18,000	25,000	-
Netherlands	100,000	10,000	1,000	23,000	68,100	7,500	19,600
Sweden	3,000	-	143	1,142	3,857	0	1,093
UK	40,000	-	15,083	29,351	73,300	4,900	3,000
Sum EU - 15	551,292	-	39,693	168,655	323,237	104,783	-
Other EU*	28,292	-	8,967	29,062	30,383	-	-

*Excludes new EU member states

Source: OMIaRD, 2004 cited in CBI, 2006:55

Profitable prospects exist for SADC's farmers to supply organic fruit juice, fruit concentrate and dried fruit. In 2004 the region's imports of fruit juice/ concentrate and dried fruit were valued at 4,180,362 and 878,127million Euro, respectively. Per capita consumption of fruit juice is higher in West-European countries, but rapid growth in Southern European consumers' consumption (especially Greece, Portugal and Spain) of fruit juice is closing this gap (CBI, 2005). In 2005 Germany was the EU's largest market for organic fruit juices, comprising 46% of sales in Europe, followed by France (16%) and the United Kingdom (12%) (CBI, 2005). Germany is Europe's largest producer of fruit juice. Imports of fruit juice from Non-European countries go through the port of Rotterdam in The Netherlands (CBI, 2005). The implication is that fruit juice concentrate is imported by the Netherlands which then re-exports it to German manufactures. The leading imported product is orange juice and SADC farmers' major competitor for this market are Brazilian farmers. The EU also imports pineapple juice predominately from India and Ghana. For additional information on dried fruits and fruit juice/concentrate please refer to CBI's EU Market Survey 2004 "Preserved Fruits and Vegetables" and the EU Market Brief "Fruit Juices" 2005.

Table 16: Snap-shot of trade in Fruit Juice/Concertrate

Importers of Fruit Juice/Concertrate		Exporters of Fruit Juice/Concertrate	
Germany	20.00%	The Netherlands	17.00%
The Netherlands	17.00%	Germany	15.00%
France	14.00%	Brazil	14.00%
United Kingdom	12.00%	Belgium	8.00%
Other	37.00%	Spain	7.00%
		Other	39.00%

Source: CBI, 2005

Another good prospective organic product for SADC's farmers to export is dried fruit. First, it is less bulky, weigh less and has a longer shelf-life than fresh fruit which simplifies logistics. Second, it serves as an easy stepping-stone for SADC's farmers to move into supplying value-added products. Third, it is a lucrative market in the EU, which was valued at € 7.9 billion and a volume of 3.8 million tonnes in 2003 (CBI, 2005). The EU's biggest consumers of dried fruits are the United Kingdom, Germany, France, and The Netherlands. The EU's most popular dried fruits are sultanas, dates, raisins, prunes and apricots. Fourth, SADC's exposure to market risk is reduced as this product is demanded by two consumer segments, the retail (health food industry /retail food markets) and the industrial sector, and they require a range of products. In the near future, the industrial sector will be the largest buyer of dried fruit because of consumers' growing demand for ready-to-eat healthy snacks, muesli and processed foods.

The implication for SADC's farmers is that their export strategy must include industrial processors. Furthermore SADC's farmers should capitalise on consumers' desire for exotic tastes and persuade industrial processors to consider adding dried banana, mango, papaya and pineapple into their products. These dried fruits were chosen as the market already has developed a taste for these products, but on a limited scale. Finally exporters should be aware that product tastes differ within demand segments. For example the health food industry demand fruit that does not have any additives and is dried using natural processes. While retail stores sell sugared fruit treated with sulphur to prolong a product's shelf-life.

SADC farmers/ producers' competition for this market are (a) Turkey for sultanas (b) Tunisia for dates (c) Ecuador for bananas, accounting for over half of extra-EU imports in 2003 (c) Thailand, the Philippines, Sri Lanka and Burkina Faso for mango and papayas and (d) Thailand and the Philippines are the main suppliers of dried pineapple and dried bananas to the EU. SADC farmers' competition for these markets is farmers from developing countries that face similar supply-side constraints.

Exporters transport products in 10- to 20-kilogram cartons which are then sold to European importers who package and mix the fruit in their own facilities. The Netherlands and Germany are the entry point into the Europe.

Table 17: Snap-shot of trade in Dried Fruit in 2005 (percentage of Trade)

Importers of dried fruit		Exporters of dried fruit	
United Kingdom	23.00%	Turkey	35.00%
Germany	22.00%	Usa	14.00%
France	13.00%	France	6.00%
The Netherlands	8.00%	Tunisa	6.00%
Other	34.00%	Chile	5.00%
		Other	34.00%

Source: CBI, 2005

It is estimated that the United States imported between US\$ 1 billion-US\$1.5 billion of organic products in 2002 (FAS, 2005: 10). It is estimated that the value of the United States' imports exceeds exports by a ratio of approximately 8 to 1. The United States' trading partners are geographically spread from the EU, Asia and Latin America. Latin American countries, in particular Mexico, Brazil, Argentina and Uruguay, tend to supply fresh produce and raw ingredients for processed products. The United States imports large quantities of raw organic ingredients to be used as ingredients to prepare organic processed foods. Asian countries, largely China, India and Thailand, concentrate on supplying raw inputs for the processed food industry, in particular soybeans and frozen fruits and vegetables. Imported products from Europe tend to be more "value-added" products and include pasta, olive oil, wine and tomatoes. Another lucrative, but fairly erratic market is supplying organic produce to supplement domestic production during winter months. It is apparent that the United States' import partners are more diverse than the EU's as the organic market is not as well established.

It is suggested that SADC's producers use their market reputation as a low-cost producer of high quality conventional fresh produce as a selling point to market their organic products. Also to benefit from economies of scale in production, stretch investments made in infrastructure and costs incurred in establishing internationally accredited certification procedures; farmers should investigate specialising in producing products that have universal appeal in the United States and the EU.

In summary this section proposes that SADC's farmers and producers should explore exporting to markets where:

- SADC's farmers are considered to be a competitive, high-quality producer of conventional products;

- SADC's farmers have a reputation as a consistent supplier of high quality produce as their supply chain and logistics management process are reliable;
- SADC's farmers can use their counter-seasonal advantage to supply "exotic" products to the Northern Hemisphere;
- SADC's farmers use different marketing strategies for different products: Perishable products should be supplied to markets where SADC's geographic proximity is better; and
- SADC's farmers should investigate creating products that are simple to process, not bulky or heavy, have a long-shelf life and can be consumed in their "raw state" or used as an ingredient in processed food.





8. Marketing Activities

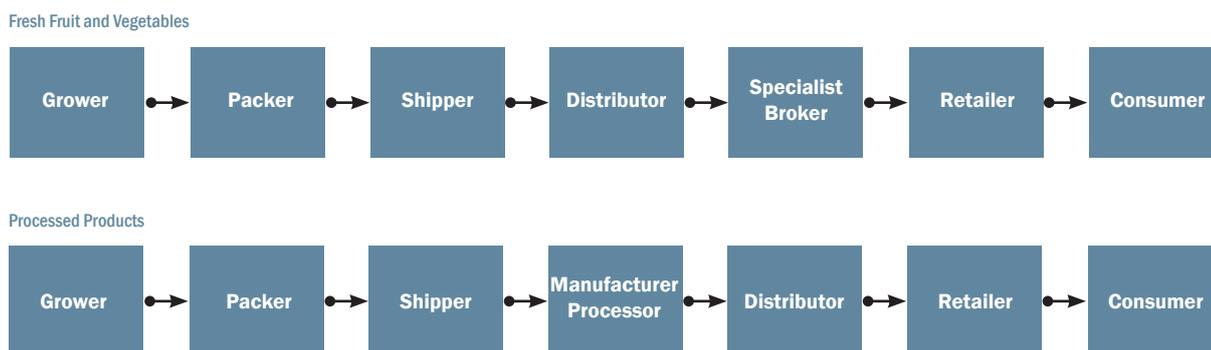
It has been stressed throughout this TIB that the structure of a country's retail sector will affect contractual relationships between parties throughout the value chain, the quantity of goods demanded, the range of products required, the quality of goods accepted by parties and the extent of price premiums. For example, in the United States and the United Kingdom the retail sector is dominated by mega-stores that place a premium value on entering into long-term supply contracts with low cost producers to ensure consistent supply of goods. In South America and France organic products are supplied to small-scale, up-market speciality shops, which tend to favour an erratic, diverse supply of goods in smaller quantities, however they tend to pay a larger price premium. Given these differences it is vital that SADC's farmers and producers understand the retail structure of their potential market.

It is rare that experts agree on an issue, yet they are all united on their prediction that over the next five years mega-retailers will entrench their dominant market position in the global food industry. Retailers' powerful position will come from their ability to gain a foothold in new markets in Asia (China, India) and South America (Argentina, Brazil). As organic foods become more widely accepted by consumers, the market's product profile, aided by retailers' marketing tactics, should cross-over into processed, convenience foods. Food processors' investments in infrastructure are designed for continuous large production runs. To minimise the risk of erratic supply, which disrupts their operations, food processors tend to secure long-term production arrangements with a few, large suppliers or move backwards into the supply chain and recruit farmers to grow organic products to meet their specifications. This could open up opportunities for SADC's farmers to receive financial and technical support from processors to convert their farms to organic agriculture. An important area of research for farmer associations to explore is how one secures contracts with these large retailers. To do this, one needs to have an understanding of the industry's value chain.

The first value chain is for the movement of fruit and vegetables. The second value chain is for the movement of processed goods, which tends to be slightly more complicated. Farmers sell their fruit and vegetables to a manufacturer, who converts them into a processed product. These processed products move on to a distributor, a middleman, who aids the movement of goods from manufacturers to retailers. Distributors are the chameleon of the supply chain as they assume different functions at different times in different circumstances. For example, a middleman (shipper) sources raw commodities from farmers

and delivers them to manufacturers, who creates a processed good and then sells these goods to retailers. The middleman's function in this scenario was to secure a consistent supply of raw materials to meet the manufacturer's organic standards (Dimitri, 2002).

Figure 8: Generic Marketing Chain



Source: Adapted from Dimitri, 2002:14





9. Market Access Issues

9.1. Tariffs

Tariffs increase the price of imported goods compared to domestic goods, thereby giving domestic producers a relative price advantage. The type of tariff applied to a good is dependant on its country of origin and the type of product. For example an importing country will apply a different tariff rate on apples imported from the United Kingdom compared to apples from Uganda. In addition the tariff rate an importing country applies to a good is affected by a product's external, tangible characteristics- tariffs levied on apples, apple juice and apple pie will be different. The general rule is that higher tariff rates are applied to processed goods compared to commodity items; as a result tariffs levied on apples should be lower than those charged on apple juice. Tariffs were not designed to consider the intangible characteristics of a good, such as ethical production practices (were labourers treated fairly), environmental standards (were toxins damped into rivers) and fair trade issues (were free trade principles upheld). As a result tariffs do not take distinguish and thus consider the different operational processes used to produce a good, for example, in terms of trade classifications an organic apple and a conventional apple are the same product. For greater detail on tariffs refer to the previous Trade Information Brief on Fruit and Vegetables and the following websites:

- United States: http://www.fas.usda.gov/scripts/wtopdf/wtopdf_frm.asp
- European Union: http://ec.europa.eu/taxation_customs/dds/en/tarhome.htm
- Japan: <http://www.apectariff.org.tdb.cgi/ff3235/apeccgj.cgi?JP>
- General information: www.nda.agric.za
- Preferential Access to the EU for Developing Countries: http://ec.europa.eu/trade/issues/global/gsp/eba/index_en.htm

9.2. Non-Tariffs Barriers

Non-tariff barriers (NTB) take the form of strict sanitary and phytosanitary measures or adherence to stringent certification measures as such as ISO 9000 certification. NTBs' potential to hinder exporters' ability to sell their products into foreign markets is greater than tariff barriers. Non-tariff barriers increase a producer's costs throughout the supply chain due to the complexity of the processes that he/she must adhere too and the bureaucratic cost of ensuring that procedures are documented. On average, producers in developing countries face

greater supply side constraints than their developed counterparts. By implication NTBs tend to have a disproportionate negative affect on developing countries farmers/ producers' ability to compete in international markets. In the organics' sector, the NTBs that have the greatest impact on SADC farmers' ability to compete in international markets are organic certification and accreditation standards and farmers access to government subsidies.

Developed countries argue that organic certification and accreditation standards provide information to consumers that reduce their risk of making an erroneous purchasing decision. In economic terms labels are a signalling device that are used to reduce consumers' transaction costs. It is difficult for consumers to distinguish whether a product was cultivated in an organic or conventional manner by examining it. This creates a situation where a seller has an advantage over a buyer as he/she can masquerade a product as "organic" and charge a premium. Certification ensures that produce is farmed, distributed and processed to satisfy standards that ensure a product is "organic". As a result standards and certification procedures are used to create a "fair" trading environment, where consumers' exposure to opportunistic behaviour is reduced.

Developing countries argue that the original intent behind certification and accreditation procedures has been lost due to a barrage of complicated, sometimes conflicting, bureaucratic procedures. Furthermore developing countries ascertain that some of these standards affect on the quality of imported food is minimal at best, the overriding effect is to increase foreign producers' cost base, often eroding their competitive advantage, by making them adhere to and document countless bureaucratic procedures.

The theoretical basis of developed countries' argument is plausible. Organic standards allow a good's intangible characteristics, such as benefits to the environment, to become tangible, in the form of a label, which is necessary to inform a buyer that the seller has used organic practices to produce his good. The problem lies in the application of theory which has created a bureaucratic maze of certification and accreditation agencies, which supports developing countries' criticism of the system. In 2005 395 organisations offered organic certification services, of which 160 were located in Europe, 93 resided in Asia and 80 existed in North America (Willer & Yussefi, 2007:11). The United States, Japan, China and Germany have the most organic certification bodies. This is not surprising as three out of the four countries are ranked among the world's largest importers of organic products, and China is one of the world's largest exporters of organic products. China's approach to certification could be termed "strategic" as the majority of its certified 200 products are destined for export markets.

A large percentage of internationally accredited certification organisations also operate outside of their home country: 40% are approved by the European Union, 32% have ISO 65 accreditation and 28% are

accredited under the US National Organic Program (Willer & Yussefi, 2007:11). Even if a country has not established its own certification agency this should not act as a deterrent to enter the organic industry. For detailed information about certification of organic foodstuffs in developing countries, refer to a paper at <http://www2.gtz.de/dokumente/bib/02-5121.pdf>.

A common sense approach to certification is emerging as parties agree that these measures are required yet the way the system works must be simplified. This has motivated politicians, farmers and bureaucrats to harmonise standards. The IFOAM Basic Standards and the Global Codex Alimentarius standards are accepted by the market as the international framework for certification bodies and standard-setting organisations. The Codex Alimentarius standards provide an internationally agreed upon framework for traded organic food (IFOAM, 2004b). If a disagreement arises between countries about the equivalence of organic food regulations, Codex guidelines can be used as a reference in trade disputes at the WTO level (IFOAM, 2004b).

IFOAM is an NGO that is designing a system to authenticate the organic quality claims of various accreditation bodies. This will allow certificates issued by certifiers in a country to be accepted as legitimate proof of a product's organic status by other countries' accredited certification authorities. In 1992 IFOAM started its international equivalency accreditation programme. It is feared that this programme might create more, rather than less bureaucracy. Initially IFOAM's basic standards were supposed to set minimum requirements and acknowledge countries' detailed preferences. Instead IFOAM standards are more rigorous than national standards, such as those laid down by European Union or the United States, "which industry experts suggest may lead to a tiered structure of the international certification industry" (Organic Trade Services, 2004 cited in Dimitri & Oberholtzer, 2005:12).

This has created a situation where certifiers do not acknowledge each other's certification. If exporters wish to avoid unnecessary and expensive double certification, it is vital that they verify whether the organisation used to certify their products is accepted by their trading partners. This bureaucratic maze led to the establishment of IFOAM's Accreditation Programme. Under this programme agencies that inspect and certify the authenticity of organic produce and/or are involved in processing operations can approach the IFOAM to evaluate their procedures against internationally agreed criteria. If they are acceptable, an agency can gain IFOAM accreditation status, which can be used as a marketing tool as IFOAM-accredited certifiers mutually recognise each others certificates. Accredited bodies in developing countries include those in Argentina, Bolivia, Brazil and Thailand (see <http://www.ioas.org>).

Another NTB that is more difficult to gauge its direct affect on SADC farmers' trade performance is agricultural support programmes. South American farmers, SADC's major competitors as they are also classi-

fied as low cost producers; do not receive direct subsidies or economic aid from the government. Asian governments provide limited support to their organic farmers, but governments' financial support to the sector is growing. Farmers in Oceania received limited government support, which is restricted to marketing activities. Governments in the EU and North America, in particular the United States, subsidise their organic industries.

Although other countries' governments subsidise their organic industry, this TIB focuses on the EU and United States' programmes. First, these markets are the primary export market for SADC farmers' goods and thus they will compete against local farmers that receive support. Second, SADC's farmers/ producers can use these case studies to lobby government for greater support and involvement. Finally, the case studies show that different policies can be produce similar outcomes which could be used to argue that limited resources should not act as a deterrent to creating a policy for SADC's organic industry.

The American government's organic agricultural policies are primarily designed to influence the market's demand-side by passing regulation on certification rules and labelling standards, but they also address supply-side bottlenecks. The government also funds research and education programmes and helps create markets for farmers' products through sponsoring marketing initiatives, such as trade fairs and access to market information. The Farm Security and Rural Investment Act of 2002 provide organic crop and livestock producers with research and technical assistance about production and marketing issues. Provisions stipulated in the act include a cost-share program to reimburse producers for being certified and grants for new organic research, education, and extension activities. Other indirect benefits available to organic farmers are processes used to produce agricultural commodities as they fall into the definition of products that qualify for value-added market development grants. Organic farmers also qualify for assistance under conservation programmes, such as the Agricultural Management Assistance programme.

In 2005 US\$7 million was allocated to the National Organic Program, Certification Cost-share programme, and Integrated Organic Programme (Dimitri & Oberholtzer, 2005: 19). This amount excludes funds made available to organic farmers under the USDA's Sustainable Agriculture Research and Education programme and Value-Added Producer Grants programme, specific projects for organic research through the Agricultural Research Service (USDA), and technical assistance and research by Federal, State, and local agencies (Dimitri & Oberholtzer, 2005: 19).

The EU's agricultural policy follows a different approach. The basic premise is that organic farming makes a positive contribution to society and thus it should be encouraged. Furthermore as society shares the benefits, it should contribute to the "costs" of promoting organic farming. To increase the percentage of land farmed organically, the EU

has implemented policies that affect the demand and supply of organic products. Supply-side policies include farming subsidies to cover farmers' conversion costs, general operating expenses, so called "green payments", access to research, marketing support and education. The primary focus of the EU's expenditure on organic research is allocated to innovation in production techniques, food processing and food retailing. R& D spent on organic farming techniques is approximately 70-80 million euros per year, of which 60% of this expenditure is due to Germany, Switzerland and Denmark's activities (Niggli 2005 cited in Dimitri & Oberholtzer, 2005:17). On the demand side, national standards and certification procedures complicate entry and serve as "a barrier to entry" as customers are educated to accept products that carry a certain label (Dimitri & Oberholtzer, 2005:11).

By far the most controversial issue and the source of frustration for foreign farmers is the advantage EU farmers get by receiving subsidies to cover their conversion costs and existing farming costs (rules and conditions are defined in the 1992 Common Agricultural Policy (CAP), EU Regulation 2078/92. The way this policy is applied by member states is different. French farmers receive the full subsidy while the United Kingdom does not support existing farmers' operations. The share of organic land supported by agricultural policies ranges from between 33-37% in France and Italy to roughly 93-94% in Finland and Sweden (Dimitri & Oberholtzer, 2005:17). For more detailed information about the support organic farmers receive in the EU, please refer to the following websites:

- Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations; available at http://europa.eu.int/comm/agriculture/rur/leg/index_en.htm.
- The introduction of the EU regulation on organic farming since 1992 European Action Plan on Organic Food and Farming in June 2004: http://europa.eu.int/comm/agriculture/qual/organic/plan/index_en.htm and at <http://www.organic-europe.net/>.

9.2.1. European Union

Article 11 of EU Regulation 2092/91 governs market access for organic products imported into the EU from third countries. This regulation stipulates minimum rules/ standards governing the way organic products and feedstuff for organic husbandry must be produced, processed, imported, inspected, labelled and marketed in the European Union (Willer & Yussefi, 2007). Amendments made to this regulation in 2004 broadened its scope to include wholesale, retail and storage activities in addition to making these rules applicable to new member states.



The regulation lays down the principles of organic production. The fertility and biological activity of soil must be maintained by cultivating legumes and using green manure or deep-rooting plants in a multi-annual rotation programme (CBI, 2005:85). Only by-products from livestock farming and other organic and mineral fertilisers mentioned on the approved list can be used (CBI, 2005:85). Plant diseases and weeds must be controlled using naturally resilient species, appropriate rotation and mechanical cultivation procedures. (CBI, 2005:85). A limited number of plant protection products are allowed for the immediate treatment of crops (CBI, 2005:85).

The regulation's rules on processed organic foods is designed to restrict the presence of non-agricultural ingredients (additives, micro-organisms, enzyme preparations, minerals, vitamins) and processing aids used to prepare organic food. The principle underlying the regulation is that "only natural or nature identical products that are considered not to "degenerate" the organic production method followed for the production of the agricultural ingredient may be used during processing" (CBI, 2005:85). The Regulation contains an approved list of non-agricultural ingredients and processing aids. It is forbidden to use ionising irradiation and genetically modified micro-organisms to prepare foodstuffs (CBI, 2005:85).

Based on the premise that labels are away to convey information to the public and thus serve as a tool to protect consumers from fraudulent claims, the regulation's rules on labelling procedures are detailed and strict. Specific rules apply to (a) unprocessed agricultural products (b) foodstuffs whose total agricultural ingredients contain more than 95% of organic ingredients (CBI, 2005: 86). These products can be labelled "organic" provided any non-organic ingredients are on the EU's approved list (c) foodstuffs containing between 70%-95% organic ingredients (CBI, 2005:86). These products cannot be labelled "organic" but the word organic may be used in conjunction with the constituent organic ingredients, provided these ingredients are listed clearly in weight order (CBI, 2005: 86) (d) Imports that comply with EU regulation are eligible to be labelled organic and carry the EU's organic logo. Products containing GMOs will not qualify to be labelled as organic, except those containing up to 0.9 % of GMO content through accidental contamination.

Applications, supervision and sanctions are dealt with at the regional, centralised level. Each European country is responsible for enforcing the regulation, but has the leeway to interpret the way it will be applied to create a monitoring and inspection system (Willer & Yussefi, 2007). Essentially the "what" is prescribed by the EU but the "how" is left up to each individual EU state. This has created a system where each member state has a national body, which is recognised by the EU with the authority to certify that organic products comply with EU law. Each countries approved national body has the power to legitimise other domestic certification entities to certify organic products. EU

regulation does not prescribe how member states should approve and supervise certification bodies. This gap has created space for certifiers to invoke additional public or private standards. The most popular areas being around animal production, the use of inputs and areas not covered in the regulation, such as fish and non-food agricultural products (Rundgren, 2002 cited in Dabbert et al; 2004).

Certification bodies have developed their own labels to distinguish their brand from other products, whose standards might be less stringent. This has created a complicated, multiple labelling system. In some countries, only one logo is used and recognised but in other EU countries use a range of labels, logos, and brands (Dabbert et al., 2004). Some member states have public labels, while in other member states, private certifiers have their own labels, some well known to the public (e.g., KRAV in Sweden, Skal in The Netherlands, or the Soil Association in the UK) (Rundgren, 2002 cited in Dabbert et al., 2004). In most member countries, private certifiers who have their own standards are legally obligated, on request from parties, to certify products to meet EU regulation. Under this scenario a producer can use the EU label and member state label but not the private label of the certifier (Rundgren, 2002 cited in Dabbert et al., 2004).

Officially, if a producer or processor is certified by one of the EU approved certification entities, he/she should attain blanket coverage throughout the EU, however in practise this does not apply. On the supply-side, each member state has the autonomy to decide how it will apply regulations resulting in certain member states having stricter standards. On the demand-side, consumers are aware that differences among standards exist and prefer to purchase goods that are certified by particular bodies. This has created a pecking order among EU certification bodies, which SADC's producers must be aware of when they market their products.

The regulation allows other countries' certification systems to be accepted on a bilateral agreement, a so-called equivalency agreement. Once a country's certification system is deemed to be equivalent, its organic products, excluding livestock and meat products, can be certified by an approved domestic certification agency, instead of signing an inspection contract with an European certification agency and applying for an import permit with the local competent authority (Willer & Yussefi, 2004). Being placed on the "third list of countries" provides a country with a competitive advantage as it simplifies bureaucratic procedures, making it easier and simpler for an exporter to access the EU market. The following countries appear on the third countries list (i.e have equivalent status) Argentina, Australia, Costa Rica, Czech Republic, Hungary, Israel, New Zealand and Switzerland under Article 11 of the Regulation (CBI, 2005). The Commission is in the process of assessing nine more applications from Chile, Columbia, Dominican Republic, Guatemala, India, Japan, Tunisia, Turkey and the United States (CBI, 2005). Of the countries listed above, the only countries that are low



cost exporters of organic products and thus their placement on the list improves their competitive standing compared to SADC's producers are Argentina, Czech Republic, Hungary, Chile, Columbia, Dominican Republic, Guatemala, India, Tunisia and Turkey. Another issue is a few of these countries are also geographically closer to the EU than SADC countries.

If a non-EU country does not appear on the third list of countries its products can be imported into the EU provided an importer provides documentation to authorities that these products were produced and inspected following equivalent standards. To testify to this fact "each consignment of organic products from non-EU countries must be accompanied by a certificate of inspection up to the place of delivery in the EU, issued by the inspection body of the exporter" (CBI, 2005:85). Import permits are relatively hassle-free to obtain, provided an EU-accredited certification body has certified the products. The following highly regarded EU inspection organisations operate internationally: Control Union Certifications (f.k.a. Skal, Netherlands), BCS and Naturland (Germany), Ecocert (Germany, France, Belgium, Italy), KRAV (Scandinavia), Soil Association (United Kingdom) and IMO (Switzerland).

Exporters from non-EU countries must import their goods into the EU in sealed packaging" (CBI, 2005). These goods must be accompanied by a 'Certificate of Inspection for Import of Products from Organic Production, which contains the importer's details and a product description which is identical to the one found on the inspection certificate accompanying the consignment. For products be "imported" as organic goods, the control certificate must be endorsed by Custom Authorities in the EU-port of entry (CBI, 2005).

More detailed information about the EU's regulation on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs can be downloaded at the following sites: http://europa.eu.int/eur-lex/en/consleg/main/1991/en_1991R2092_index.html or http://www.organic-europe.net/europe_eu/default.asp#2092

9.2.2. United States of America

The basic premise of organic farming systems is to use the natural processes of ecosystems, such as soil organism activities, nutrient cycling, biological pest management and composting, to grow crops. Organic farming foregoes the use of synthetic chemicals, antibiotics, and hormones in crop production; and prohibits the use of antibiotics and hormones in livestock production. The USDA established regulation, formally known as the NOP, to ensure that producers adhere to the above principles of organic agriculture. The regulation "address the methods, practices, and substances used in producing and handling crops, livestock, and processed agricultural products" (FAS, 2005). Its focus is regulating how a product is produced, not inspection stand-

ards to measure a product's qualities. The regulation explicitly forbids the use of certain substances and production methods, such as use of Genetically Modified Organisms, sewage sludge or ionizing radiation. Standards list approved synthetic and prohibited non-synthetic substances that can be used, or must be avoided, when organic goods are produced or handled.

From October 2002, a product can only be sold, labelled or represented as an "organic" product in the United States if it has been certified as such by an NOP Accredited Certifying Agent. After being certified by an Accredited Certifying Agent, products meeting the NOP's standards and labelling requirements can be imported into the United States. This regulation applies to organic growers, handlers, food processors and distributors, who must be certified by State or private agencies/organisations, under the uniform standards developed by USDA. This rule is waived if a farmer or a handler's yearly sales of organic agricultural products is less than US\$ 5,000. Retail food establishments that sell organically produced agricultural products, but do not process them, are also exempt from certification. Food handlers must ensure that all non-agricultural ingredients, whether synthetic or non-synthetic, be included on the national list. Handlers must prevent the mixing/ contact of organic with non-organic products and protect organic products from contact with prohibited substances.

The NOP's labelling requirements apply to raw, fresh and processed products that contain organic ingredients. For a product to be labelled 100% organic, and carry the USDA's organic seal, all its ingredients must be organically produced; except water and salt (Dimitri & Oberholtzer & Greene, 2005:3). Products whose ingredients are at least 95% organic can be labelled "organic" (Dimitri & Oberholtzer & Greene, 2005:3). Products carrying the label "made with organic ingredients" must contain at least 70% organic ingredients (Dimitri & Oberholtzer & Greene, 2005:3). "Products with less than 70-percent organic ingredients cannot use the term organic anywhere on the principal display panel but may identify the specific ingredients that are organically produced on the ingredients statement on the information panel" (Dimitri & Oberholtzer & Greene, 2005:3)

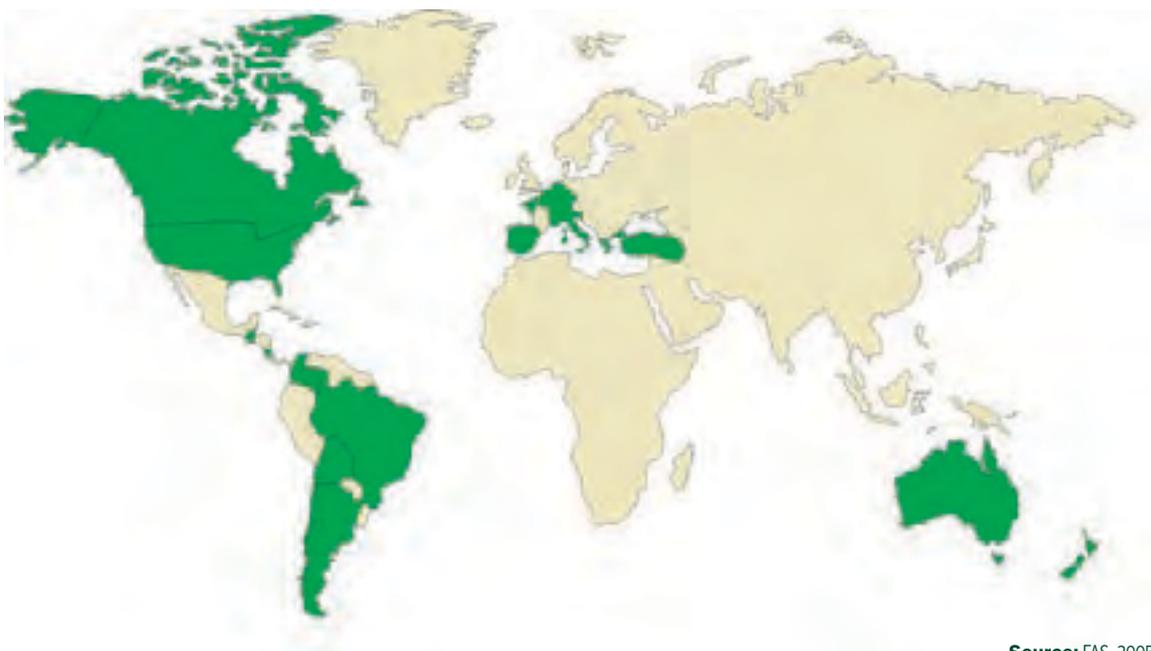
Under the regulation the NOP system is implemented / enforced by agents acting on behalf of accredited bodies. Inspections are done by officials that have been trained on NOP rules, using NOP questionnaires (Willer & Yussefi, 2007:81). A product is only deemed to be "organic" if an agency accredited by the US Department of Agriculture issues a certificate that attests to a product's organic authenticity. Only when a product is certified to be organic by an accredited agency can it be exported into the United States. It is irrelevant whether the certification body is based inside or outside the United States (Willer & Yussefi, 2007:81).

The NOP has a provision to accept other certification systems on the basis of a bilateral agreement. This process has been slow as

countries' ability to reach consensus on organic standard agreements requires complex negotiations. Japan has the distinction of being the only country that has agreed to accept organic products certified to the USDA standard (FAS, 2005:10). The United States' government has given the governments of Canada (British Columbia and Quebec), New Zealand, Denmark and the United Kingdom authority to accredit certifiers and to certify products to the USDA standard. Producers in these countries can export products bearing the USDA ORGANIC seal to the U.S." (FAS, 2005:10). This status does make it easier for farmers/ producers from the above countries to export their goods to the United States compared to SADC's farmers/ producers. However this advantage will only marginally affect SADC producers' propensity to export their products as these countries are net importers, except for New Zealand, whose distance from markets detracts from its competitiveness.

In February 2005 there existed 97 accredited USDA certifying agents of which 56 were located in the United States and the remaining 41, were scattered in countries outside the United States (refer to Figure 9). The region with the most accredited certifies, in descending order, is Europe, Latin America, Canada and Australia. A notable feature is the absence of certain low cost producers, which in some cases are geographically close: Asian countries, especially China, and Mexico. However an accredited certifying agent based in the United States can certify an organic producer in Mexico. Thailand has applied to have its certifiers accredited by the USDA .

Figure 9: Countries with a USDA Certifying Agent (February 2005)



Source: FAS, 2005:11

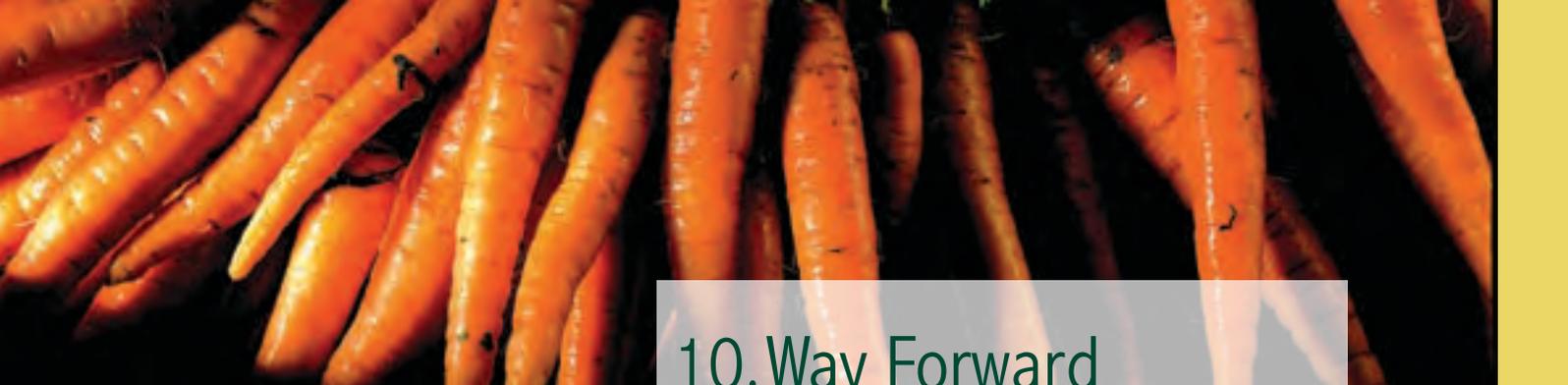
SADC does not have any NOP accredited certifiers. For a product to enter into the United States as an organic product it must be certified as such by an accredited NOP certifier. To get around this problem in the short-run, SADC's producers should enter into a contract with an American based certifier who has international certification credentials and understands the supply-side constraints facing farmers in SADC. The above suggestion is a practical measure but not the optimal option. Rather in the long-run SADC's producers should form an association that sells the benefits of gaining NOP accreditation to regional and national certifying agencies and encourages these agencies to apply for accreditation.

For further information, visit USDA's Agricultural Marketing Service/National Organic Program website, at www.ams.usda.gov/nop or <http://www.ams.usda.gov/nop/indexIE.htm>

9.2.3. Japan

Japan's JAS certification requirements are complicated and extremely stringent. When these regulations were introduced in April 2001 the organic market shrink by 90% as products that were previously deemed to be organic, no longer qualified, and were relegated to "Green Food". For goods to be classified as organic products under JAS, producers and processors must maintain an audit trail and document operational procedures as a part of a comprehensive quality system. If an "organic product" has been fumigated it is not eligible to be labelled as a certified JAS organic product (McKinna, 2006). Some market sources mention that fumigation is carried out for over 70% of a shipment, regardless of whether the shipment carries quarantine pests (FAO, 2001 cited in McKinna, 2006). SADC producers' exports of fresh fruit and vegetables to Japan must be certified by the JAS as organic products to carry the JAS organic label, and thus be recognised as organic products in the Japanese market. In contrast, a raw and/or processed product that is exported in bulk does not have to be JAS certified if it is imported by a JAS certified operator in Japan (McKinna, 2006).

Detailed information about Japan's organic certification rules can be downloaded at http://www.maff.go.jp/soshiki/syokuhin/hinshitu/e_label/index.htm or www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_top.htm



10. Way Forward

The basic premise underlying the proposed “way forward” is to improve SADC farmers / producers’ supply-side capabilities to turn SADC’s potential endowments into profits by creating products that have a commercial application and creating a range of markets that require products of different sophistication. Based on the recommendation that SADC’s farmers should target mature (United Kingdom and Germany), growing (The Netherlands, United States, Japan, South Korea and China) and emerging (Poland, Czech Republic and Hungary) markets and supply fresh produce and simple processed products (fruit juice or concentrate and dried fruit), this section looks at ways farmers could improve their competitiveness to move into these markets. After examining case studies, mostly the experiences of South American farmers, to understand the actions SADC’s farmers could take to create a lucrative organics industry certain stylised facts emerge. SADC has the potential to be a large producer and exporter of organic products because of its endowments. However having resources is not the same as creating a system that allows these resources to be used to create a product. This is one of the major problems in SADC is that endowments tend to exist in isolation instead of being part of a productive system.

Another issue that needs to be addressed is farmers’ ability to create a commercial application for their products. In SADC farmers have technical knowledge about growing crops, but systems required to create a commercial product and get this product to a suitable markets are poor. This TIB argues that marketing activities go beyond price, product and placement. Marketing activities should start at the beginning of the value chain and not after production as traditionally advocated. Ensuring that a product can be certified by an accredited organisation that it is an organic product and can be labelled as such is a farmer’s most crucial marketing activity. This is a mammoth task as certification processes and procedures span the entire value chain from the type of inputs used to prepare land to packaging requirements. Farmers from developing countries have argued that complicated certification procedures block trade and are used by developed countries to protect them from cheaper imported goods. This issue has been debated and will not be discussed in the TIB. The important issue is that farmers must comply with regulatory standards and thus the issue is how farmers in SADC should pool their resources to meet regulatory / certification requirements in the simplest, cheapest way.

Small-scale rural farmers in Africa managed to comply with onerous regulations and where rewarded with a 15%-40% price premium for their goods (EPOPA, 2006). One of the reasons behind their suc-

cess was co-operating with international donors, IFOAM and each other. Therefore one of the underlying messages of the “way forward” is that SADC’s farmers / producers should combine their resources through forming associations to improve their certification procedures. This tactic has proved successful for small-scale farmers throughout Africa. These farmers have worked with a combined group of NGOs (EPOPA, KRAV and IMO) which have developed an Internal Control System (ICS) that allows organic certification to be organised into groups. This substantially lowers the cost of external (foreign) organic certification for small-scale farmers. The first step in the process would be for SADC’s farmers/producers to lobby government bodies to get accredited American and European authorities to recognise SADC’s standards. When domestic organic rules are recognised as equivalent to the organic rules of the country to which exports are sent, unnecessary additional certification costs are avoided. The next step is to form project teams that have an “outreach” component and go into communities to help establish simple internal control systems.

Ultimately if SADC’s organic industry is to develop, SADC’s member states must establish national and regional organic standards and regulations and then create a reliable independent accreditation and control system to enforce these rules. This task will be made easier if farmers / producers draw on other SADC countries’ experiences—South Africa has two certifying organisations and its national standard is based on the EU’s regulation. Zambia and Tanzania have made considerable progress in developing their own standards. The importance of developing standards that are equivalent to those of the EU or the United States should not be underestimated. The development of Argentina’s organic sector was given a huge boost when national organic legislation was approved.

Although SADC’s standards should be deemed to be equivalent to the EU’s standards, this does not imply “exactly the same as” SADC’s producers / farmers should develop equivalent certification standards that do not mimic complex developing countries structures. They should work with organisations such as EPOPA that have developed certification standards and procedures in the region and trained certified inspectors. EPOPA supported the development of national organic certification bodies in Uganda and Tanzania, resulting in UgoCert and TanCert, the first national certification bodies for organic agriculture in those countries (EPOPA, 2006). Developing standards and reaching consensus on how they will be applied is a lengthy process. As a result SADC’s farmers / producers should use other “bridging” methods to place their products in international markets. This includes exporting certified organic products through close cooperation with an accredited certification body and a specialised importer.

Organic products carry a price premium compared to their conventional counterparts. The prospect of higher margins has encouraged some producers to make false claims about their product's organic status. Consumers are wary of being taken in by "fake" organic products and false marketing claims. To minimise the risk of this occurrence consumers rely on labels to differentiate between authentic and fake products. This creates a situation where fulfilling regulation, a grudge activity, could be turned into one of SADC farmers/ producers most effective marketing tool.

Another way to increase the marketability of a product is changing its physical form. One of the drawbacks of organic produce is that they have a shorter shelf-life and look less appealing than conventional products. A delaying a product's perishability and reducing its weight/bulkiness is important for SADC's farmers as goods must be transported vast distances and infrastructure is poor. This scenario presents an opportunity for SADC's engineers to develop, simple technology that can be used in peri-rural / rural areas to create processed products, such as snack packs of dried fruit and juice concentrates. It would be an added bonus if this technology was not dependant on electricity and used green forms of energy. Therefore as part of the way forward a regional team of engineers should be used to develop technology. Furthermore allowing a products to be rudimentary processed by a local community ensures that a percentage of value-added profits are kept in the community. Another consideration is that farmers' exposure to market risk is reduced as they sell a range of products, and also supply a product that has multiple uses and is demanded by different consumer groups (i.e retail outlets and industrial food processors). In the EU Dried fruit is consumed in snack packs, added to breakfast cereals, muesli, bakery products, dairy products and desserts. Fruit juice concentrate is used by the beverage dairy, jam and confectionery industry.

The last premise of the "way forward" is to create a cluster of markets (domestic, regional "hub" and international) that require different types of goods of various quality and quantity. Domestic markets would include open-air markets, fairs, box schemes and consumer-farmer growing programmes. The domestic market in South Africa has the capacity to become SADC's regional organic market due to the market's value and its access to infrastructure. In 2005 the wholesale market for vegetable sales via Produce Markets and the Wholesale Market for Packaged Goods was approximately R800 million, with potential fruit sales rising this figure to over a R1 billion (AOFF reported cited in EPOPA, 2006b, 25).

Before South Africa's organic market can be transformed into SADC regional market, a few structural problems in South Africa's retail market should be addressed. First, in contrast to international markets,

farmers are not assured of being paid a premium for their organic produce compared to conventional products, despite, on average, retailers charging a higher price for organic products (EPOPA, 2006b: 26). Second, producers have accused supermarkets of including the mass of a product's packaging in determining the final retail price, in effect charging a premium for packaging (EPOPA, 2006b: 26). Finally, supermarket's standardised packaging policy that sets upper and lower limits for a product's size is a major obstacle for organic producers (EPOPA, 2006b: 26). The above issues has caused farmers to produce other goods or allow their certification to lapse, in effect moving out of "official" organic agriculture.

On a positive note, supplying South Africa's supermarkets with organic food will be a good learning curve for SADC's farmers / producers. South Africa's large retailers' standards are similar, yet on a smaller scale, to their international counterparts. First, producers must consistently supply large quantities of high quality produce, pack it and then transport it to these chain's centralised food distribution centres (EPOPA, 2006b, 28). Finally, supermarkets want to expand their range of certified products on their shelves. Farmers and producers must have the capacity to supply new products, in relatively turn around times.

The issue is matching a farmer's skills with a market that requires a product of the same sophistication. For example it would be difficult for a small-scale farmer in Angola to provide packaged, processed organic products to Woolworths but this market might be easy for a Namibian farmer to supply. In essence, creating a range of markets should provide farmers with "stepping-stones" to supply more lucrative markets with sophisticated products. The idea is that participating in markets sharpens farmers' agricultural skills, allows them to amass capital, understand the importance of supplying products of uniform quantity at a reasonable price (value consistency) and makes them more susceptible to anticipating consumers' purchasing behaviour.

The last point becomes increasingly important as a farmer moves into more sophisticated markets, which in this case is supplying a large retail chain in a developed market. Supermarkets are the largest and fastest growing distribution channel for fresh organic produce. These stores value consistency of supply. To ensure this, supermarkets have created buyer-driven global commodity chains (FAO, 2004). Production is outsourced to developing countries' farmers; whose produce most satisfy contractual price, quality, delivery and food safety requirements (FAO, 2004). These contracts are difficult to secure because of stringent product specifications. The up-side is that they are very lucrative and improve farmers' cashflow (FAO, 2004). Creating a system of cascading markets gives SADC's farmers / producers the time to build up their skills and network, which in turn opens-up opportunities to pool

resources to service a contract with an international supermarket. It is unrealistic to think that a farmer can bridge the gap from selling excess produce in an open air market to supply an international retailer without being “trained” by participating in local and regional markets.

One of the factors hindering SADC producers/ farmers from signing contracts with large retailers is the perception that doing business in Africa is fraught with uncertainty which increases a buyer’s exposure to operational risk (EPOPA; 2006). This perceived risk requires a middle-man to act as a co-ordinator between both parties. In Africa the following arrangement has been used. A large group of small-scale farmers are introduced to commercial exporters as contract farmers (EPOPA; 2006). An exporter uses field staff to ensure that products are grown according to organic certified standards. Field staff are trained by NGOs to provide advice on organic agriculture, extension methods, record keeping for certification purposes and quality management (EPOPA; 2006). EPOPA has shown that it is possible and necessary for exporters, through its field staff, to provide these crucial services otherwise the quality of organic products cannot be guaranteed. However, it has been EPOPA’s experience that exporters need assistance to get accustomed to this new role, especially during the first year (EPOPA; 2006).

In developed countries consumers’ tastes are consistently evolving due to travel and a plethora of celebrity chefs cooking shows. Retailers want suppliers to develop new products in relatively short turn around times. A supplier’s ability to quickly access information about consumers’ tastes and turn it into products will affect his/her competitiveness. Therefore for SADC’s farmers to break into export markets, the first step is to build a reliable relationship with an importer, trader or wholesaler in the proposed target market. The second step is for producers to have infrastructure in place that allows him/her to convert his/her knowledge into a product. A large proportion of SADC’s farmers do not have the capital to build these facilities. Furthermore this technology originated from developed countries and thus is built for large production runs which will be difficult for a single producer to maintain. This opens-up an opportunity to create a “time-share” factory system where SADC’s producers pool resources to invest in building food processing factories, preferably near ports, such as Coega.

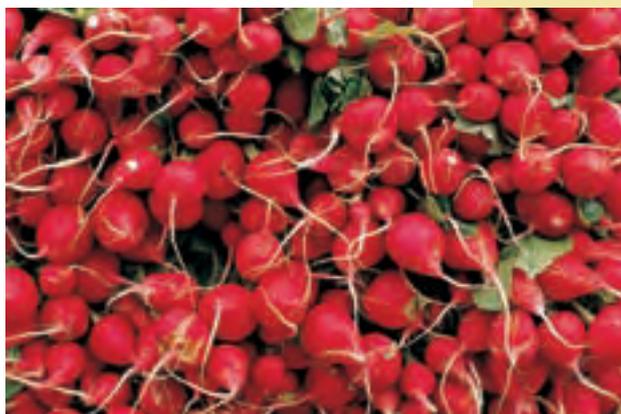
The concept behind this suggestion is that SADC’s producers should share resources as access to capital in the region is limited and expensive. In the short-run this sharing concept could be applied to existing assets. South Africa has invested in assets and processes to supply international markets with processed goods, which are easier to transport and carry better margins than fresh goods. In 2004 South Africa’s food processing industry totalled 2 228 food processing companies of which 28 food and 10 beverage processors met ISO 9001

and 9002 standards (APOP, 2006b, 17). The industry also contains downstream services that have organic certification and satisfy ISO 9000 and 9001 standards and are accredited according to Food Safety systems, typically HACCP or BRC (APOP, 2006b: 17). Also SADC's farmers/ producers should use other member states' success in a market to market their own goods. South Africa has a reputation for being an exporter of high quality agricultural produce, such as rooibos tea, citrus, sub-tropical fruit, and speciality vegetables and berries (APPOP, 2006b:7).

In the short-term the following practical steps should be investigated by SADC's producers and farmers:

Problem	Programme
Fresh produce arrives at markets in a damaged condition.	Investigate the cost-benefit of investing in post-harvest handling (e.g. cold storage), good infrastructure and logistics (including harbour or airports) systems, and investigate funding structures that pool farmers' resources
Lack of product diversity, fluctuating quality, and inconsistent supply.	Conduct R&D in production techniques, look at the impact of using technology to mitigate operational risks and create a forum where producers can work with supermarkets to test new products in the domestic market
Missing opportunities to pool market participants' resources to invest in assets and build "critical mass" to influence policy decisions.	Work with NGOs and government agencies to promote a series of "organic road-shows" that gives incentives to farmers to join national organisations that represent organic agriculture within their structure.
Lack of information about who-is-who in the industry which makes it difficult for parties to combine their resources, such as forming export councils, to gauge export opportunities.	Encourage market participants to lodge contact and production details in public and company-owned databases, such as the Go-Organic database (www.go-organic.co.za) and the website of the organisers of the Natural and Organic Products Exhibition (NOPE).
Difficult to enter into international markets due to a lack of information and NTBs.	Enter into a commercial relationship with marketing organisations that specialise in organic products, such as EPOPA; Eosta / Organic Farm Foods; AOFF; Ahold Sustainable Trade Development, a Dutch company with South African representation and entering into a production agreement with supermarkets/ food processors to supply them with specific products. Another option, which is a fairly recent development, is selling an equity portion stake in one's farm/ business to international based marketing companies or their business partners, who then are responsible for converting and managing the entity as an organic certified business. f supplying the direct marketing needs of the European company(EPOPA: 2006b: 23).

Source EPOPA, 2006b, 26-31





11. Conclusion

In 2005 it was estimated that global consumption of organic products was worth approximately US\$ 33 billion of which fresh organic produce comprised approximately 60%–90% of total consumption (Willer & Yussefi, 2007:11). The Organic Monitor estimates that sales of organic products should reach US\$40 billion by 2007 (Willer & Yussefi, 2007:11). Global sales of organic food should continue to grow at an increasing rate as supply and demand side factors that previously stifled the industry's development are being addressed. A combination of inconsistent product supply because of poor year-round availability of produce made it difficult for suppliers to take advantage of scale economies required to develop strong organic supply chains. Organic products have a shorter shelf life than conventional products and thus require better logistics. This created a situation where the market for organic products needed good logics to grow but suppliers were apprehensive to invest in supply changes until they had critical mass, but acquiring critical mass required improving supply chain management. This situation is the classic chicken and egg problem. On the demand-side price premiums reduce consumers' appetite for organic products and incidents of fake claims have tarnished consumers' confidence in the authenticity of labels. This reinforces consumers' position not to pay high premiums because of the risk of being taken advantage of. These problems are being addressed by mega-retailers participation in the global food industry.

Changes in the structure of the global food retail industry have led to the emergence of mega-supermarkets. These entities have invested in logistics, infrastructure, product development and marketing programmes to bring organic products into the mainstream. Supermarkets have increased the demand for organics by giving consumers a greater range of more eye appealing, cheaper organic products. Although the value and volume of organic produce sold by supermarkets has grown exponentially, it is off a small base. Organic products' share of total global retail sales hovers around 1.5%-2.5%. A more important issue is that supermarkets' business plans indicate that organics is a "growth" market and as such they plan to invest more funds into improving their supply chains, which should lower their costs. Due to the competitive nature of the retail industry, lower costs will probably be passed onto consumers in the form of lower prices. A combination of lower prices and the introduction of more products should increase the demand for organic products at a faster rate than the industry's historical growth rate.

Based on the hectares of organic land under cultivation in 2005 Australia, Argentina, China, United States, Italy, Spain, Germany, Bra-

zil, Uruguay and the United Kingdom were the world's ten largest growers of organic products. The developed countries included on this list consume more organic products than they produce and as a result are net importers. In contrast, the developing countries on the list consume less than they produce and are net exporters. NGOs and governments in developing countries have encouraged their farmers to grow organic crops, as farmers in these regions, on average, have a comparative advantage in organic production compared to farmers from developed regions. Farmers in developing countries have access to cheaper labour (organic farming is more labour intensive), a greater proportion of farmers has been exposed to traditional agricultural methods which makes the conversion process simpler and relying on developed countries' technologies exposed developing farmers to operational risk, which decreased their productivity.

Consumers' demand is driven by economic, social and health issues. As a society's per capita GDP increases, consumers' discretionary income also increases, allowing them to buy higher quality and differentiated food products (McKinna, 2006:3). On the social side, urbanisation and long-working hours has created a yearning among urban elite for simpler, more pure lifestyles. Organic products epitomise naturalness and getting back to basics. Stares about GMO foods and "links" between certain food additives/ preserves and cancer have caused consumers to eat organic foods because of associated long-term health benefits.

A mixture of political, social and economic reasons created a situation where the largest consumers of fresh products are northern hemisphere countries while the largest producers are southern hemisphere countries. Given the distance between markets, the price premium placed on organic products makes it more attractive for developing countries to grow and ship these products. SADC's farmers/ producers should be aware of developments in Asia as producers in this region, in particular China, receive government support to ramp up their production of organic products destined for export markets. South American producers, especially from Brazil, Argentina and Chile who have a reputation among large importing nations (United States, United Kingdom, Japan, Canada and Germany) of being low cost suppliers of good quality produce are SADC farmers' greatest competition.

Based on global production and consumption patterns the world's largest consumers of organic products are continental Europe (Germany, France, and Italy), United States and the United Kingdom. These countries are all net importers of organic products as they consume more than they produce, even though they are ranked among the largest growers of organic produce. Emerging export markets for organic products are Poland, Czech Republic and Hungary as these countries

access to organic land is limited compared to the extent of demand from their domestic population and EU 15 countries.

Demand and supply have geographic dimensions and as a result trade between countries is used to move surplus production to areas of excess demand. The flow of organic products between countries is slowed down by non-tariff barriers pertaining to a maze of rules concerning when a product can be certified and labelled as organic. Another issue that restricts trade in organic products is a country's phytosanitary requirements. It is a common practice that goods must be fumigated by port officials, yet once certified organic goods are chemically treated they lose their organic status. Market access issues are being addressed in a haphazard manner and thus the creation of a standardised global certification and phytosanitary system is a long way-off. One of the factors determining an exporter's success is his/her ability to work around these market access issues, without draining his/her resources. One way to meet this challenge is to investigate different forms of cooperation such as associations.

If consumers' preferences are excluded then trade in organic products presents itself as an ideal situation. Unfortunately this is not the case. Consumers in developed countries, such as the EU, Japan and the United States, prefer to buy domestic farmers' products compared to exactly the same product grown by a foreign producer, especially one from a developing country. Consumers' hesitation to purchase organic products grown by foreign farmers is because they distrust these products' authenticity. As a consequence when developing country producers export goods to developed regions, they are exposed to the risk of substitution from the consumer-side and farmers' performance on the supply-side. This does not imply that developing producers cannot export their products, the issue is rather that they must be strategic about the markets they decide to target and the means used to get their products into retail outlets. Markets, such as the United Kingdom and Belgium, where demand is significantly larger than supply have no choice but to import products. In these markets retailers used campaigns to change consumers' perceptions. In other developed countries, consumers' perceptions can be changed, but it is a complicated, expensive process and therefore producers from developing countries need to team-up with local organic importers, wholesalers and retailers. Also "using the same domestic organic label in the country of consumption would help to make consumers familiar with imported organic produce, as they are more likely to recognise the equivalency of the product based on domestic standards" (FAO 2004).

Trade in organic products has a hierarchical structure. At the top of the hierarchy are imports from countries in the same region. Intra-regional trade in organic products is rife compared to conventional products. This is due to customers' preference for "locally" produced organic goods, the fact that organic goods require more complicated supply chain management as they have a shorter shelf life and fumigation

laws. In the EU the Netherlands, France and Italy export fresh produce to the United Kingdom, Denmark and Belgium. The second tier is importers who are geographically close and whose organic standards are deemed to be equivalent by the importing country's national organic certifier. In the case of the EU it would be countries in the Mediterranean area (Israel, Morocco and Egypt) but for the United States it would be Mexico and Costa Rica. The third tier comprises other low cost producers from developing countries.

Given consumers' preference for locally produced goods or goods from countries whose organic standards are deemed to be equivalent, SADC's farmers / producers should investigate exporting (a) counter-seasonal fresh organic temperate zone produce and non-temperate zone products (b) products that cannot be produced in the colder climates in northern developed countries (c) seasonal produce that is short in supply (d) products from second tier countries that are temporarily absent or insufficient to satisfy exports and (e) processed fruit and vegetables because of market access restrictions and phytosanitary requirements (FAO, 2004).

If SADC farmers/producers' "potential resources" are mapped to business opportunities in the global market for organic goods, it appears that developing a regional industry as an exotic fruit and vegetables producer could be a lucrative activity. This market's potential should be investigated as it provides opportunities for small-scale farmers to get involved in rudimentary value-added activities, such as producing dried fruit and juice concentrates. It also spreads producers' exposure to market risk as their products have a broader application and thus they can be sold to supermarkets or food processors.

One of SADC's biggest challenges is turning potential endowments into profits by creating products that have a commercial application and creating a range of markets that require products of different sophistication. In the organic sector the most important issue involved in generating commercial interest for one's product is getting it certified organic by an international accredited authority. This is a good solution but ultimately the best option is create a system of organic standards and establish an internationally recognised certification system. SADC's farmers can draw on experiences from fellow African countries and also success stories of small-scale, rural African farmers who have collectively formed group certification schemes under the guidance of EPOPA.

One of the factors enticing producers from developing countries to go-organic is the allure of greater profits. According to the FAO (2004), on average, consumers are willing to pay a 20% price premium on an organic product compared to its conventional counterpart, and price premiums levied on organic products are roughly 20-40%. The reason for charging a premium is to compensate parties for lower yields, higher production costs and more intricate logistical arrangements. SADC's farmers have the potential to be low cost organic producers; further-



more, organic agriculture could improve small-scale farmers' productivity. This creates a situation where SADC's farmers could undercut their competitors and still get the same profit margin. A price is dependant on supply and demand conditions. Domestic production of organic products in developed countries is increasing and because of the three year conversion process, there is a lagged affect on prices. Although this increase in production will dampen prices, it is unlikely to meet demand for most products. SADC's farmers have a window of opportunity to take advantage of constrained supply conditions because they have a one year conversion process. SADC farmers/ growers main constraint to profit from their resources is establishing internationally accredited organic certification procedures, within a short-time, to take advantage of the global market's undersupply of fresh organic fruit and vegetables.

14. Appendix

Table 18 : Expected Growth Rates from 2003-2007 for Selected European Countries

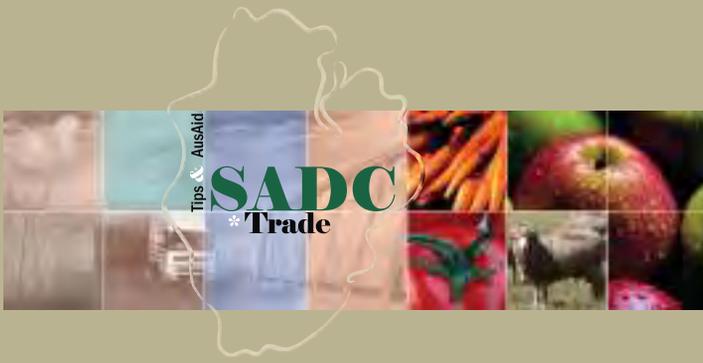
	Germany	UK	Italy	France	Denmark
Overall	4.8	11	5.5	6.1	1.5
Convenience products	7.3	8.8	6.3	10.0	3.3
Meat products	3.1	12.3	7.2	10.0	1.7
Dairy products	6.7	8.8	4.1	6.5	1.0
Fruit & Vegetables	7.1	8.3	5.8	5.0	4.0
Cereals products	4.6	6.0	4.4	5.3	2.5
Urban regions	8.1	9.9	6.8	7.6	2.9
Rural regions	4.7	6.9	3.6	3.5	1.8

Source: CBI-2006: 21-2006 – Expected growth rates: 2003-2007

Table 19: Price Premium Paid for Organic Products in South Africa from January to May 2005

Produce prices May 2005	Hyperama	Woolworths	Pick 'n Pay	Pick 'n Pay conventional
Apples / Kg	9,99	14,48		5,99
Avocado / 2's	11,99	17,95	11,99	11,99
Baby Marrow / 400 grams	8,99	11,42	10,99	7,99
Bananas / Kg		14,27	11,00	11,00
Brinjal / 2's	7,99	13,98	7,99	8,99
Broccoli / each	7,59	7,95	6,99	
Cocktail Tomatoes / 350 grams	7,99	15,66	12,59	12,59
Green Beans / 400 grams		11,37	8,49	8,99
Green Beans / Kg	22,00	35,70	19,98	17,49
Green Pepper / 2's	9,99	8,95	8,99	7,99
Herb Salad Pack	8,59	8,59	7,99	7,99
Herbs	3,99	4,99	4,29	4,99
Leeks		6,99		
Lemons / 3's	6,99	8,95	4,87	4,49
Sweet Peppers / 3's (red, yellow, green pack)	15,99		14,99	14,99
Sweet corn / 4's		11,99		9,99
Sweet Italian Peppers / 400 grams	10,99	10,95		13,99
Sweet Peppers / 2's	10,99		8,99	6,99
Sweet Potato	5,99	5,99	5,99	
Swiss Chard / Kg	17,47	29,95	17,47	16,63

Source: EPOPA, 2006b: 27



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