



HELVETAS

Together for a better world

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Organic and fairtrade value chains

- development objectives
- approaches
- facilitation
- impact
- challenges

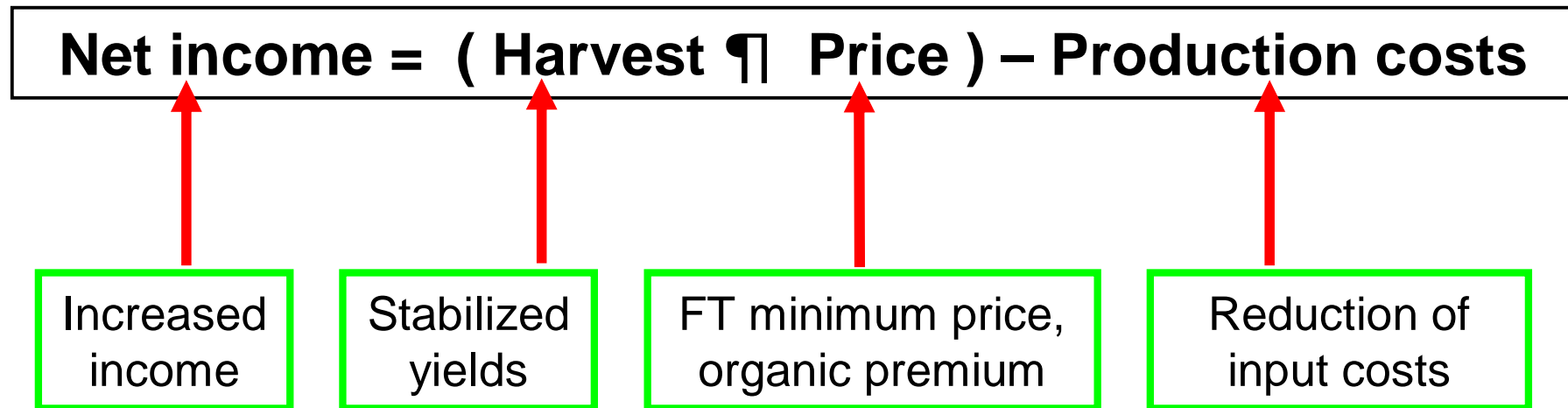
Frank Eyhorn

Organic & Fairtrade
Competence Centre

Workshop 3 May 2010

Potential development impact of organic & fairtrade

Simplified income model:



- + less financial and production risk, less indebtedness**
- + diversification of crops and income, more food security**
- + environmental benefits (soil, water, biodiversity)**
- + health benefits (no pesticides, better food)**

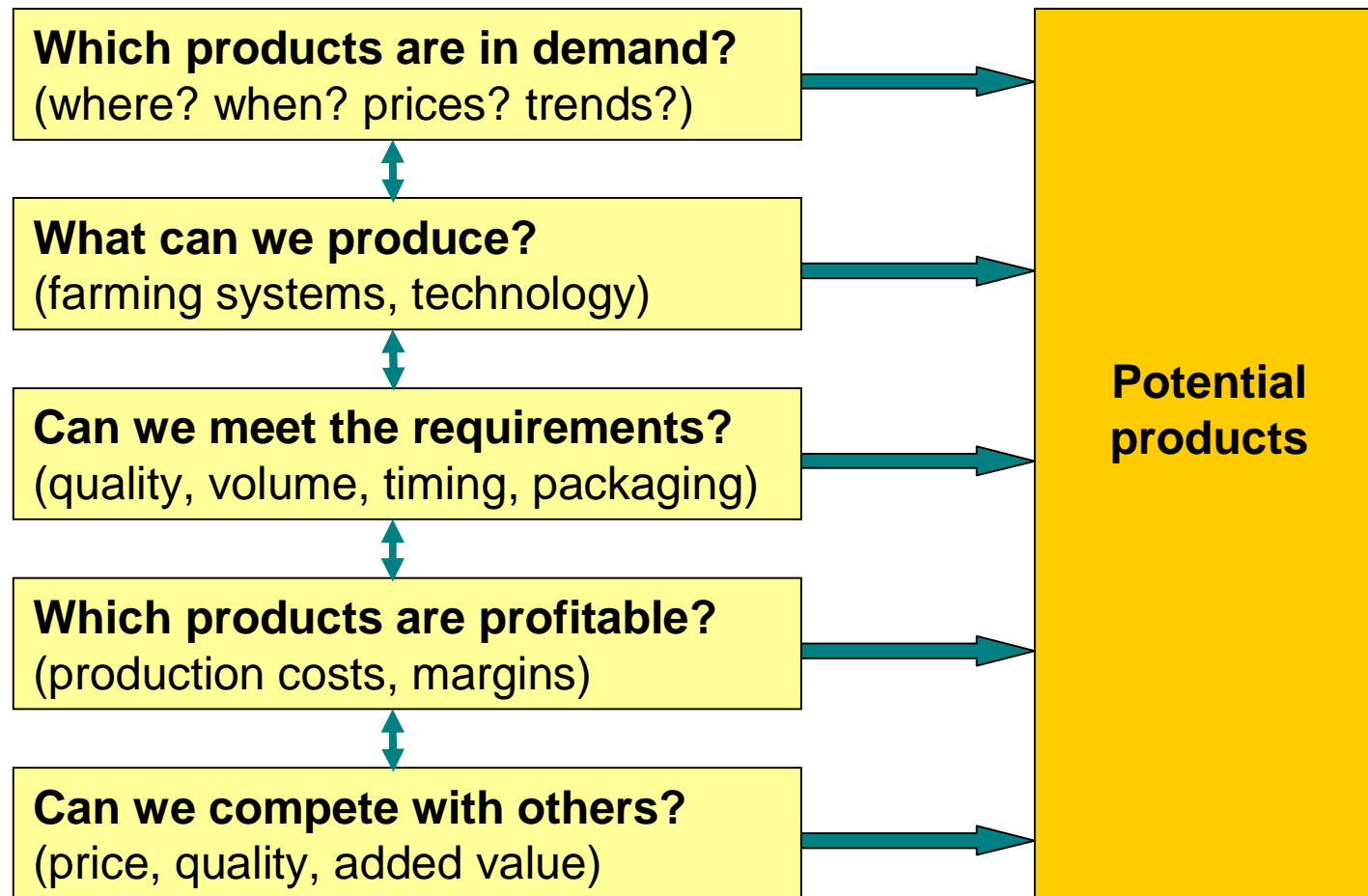
„Good Organic Agriculture Practice“

- „Organic by design“ instead of „organic by default“ (active soil fertility and nutrient management)
 - Farming system approach instead of focus on a single (cash) crop
 - Diversified production (crop rotation, intercropping, integration of animal husbandry)
 - Sustainable farming! (concerning yields, soil fertility, water use...)
- è See manuals at the IFOAM Training Platform www.ifoam.org

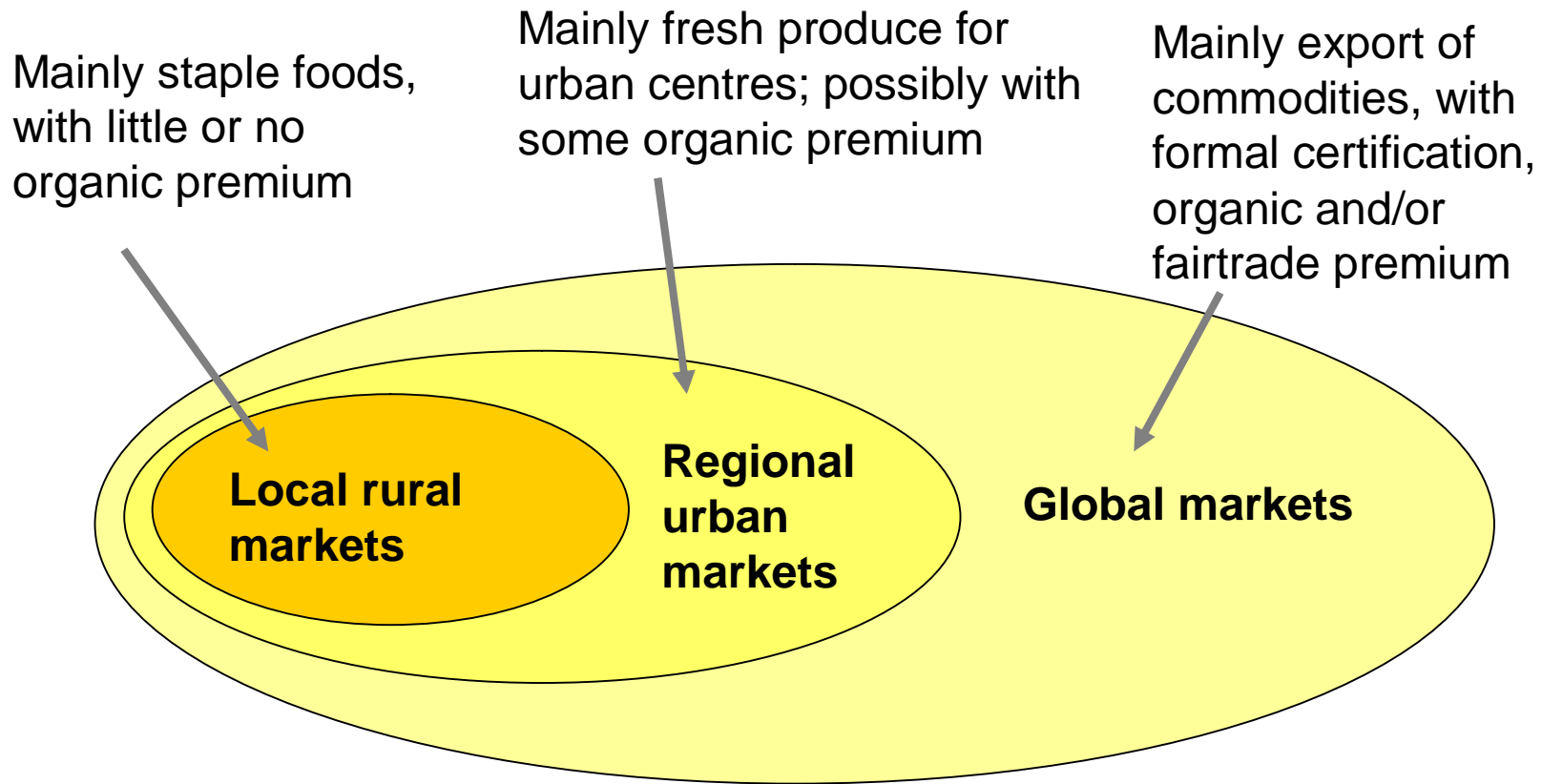


„You can't push a chain...“

è Start from the market!

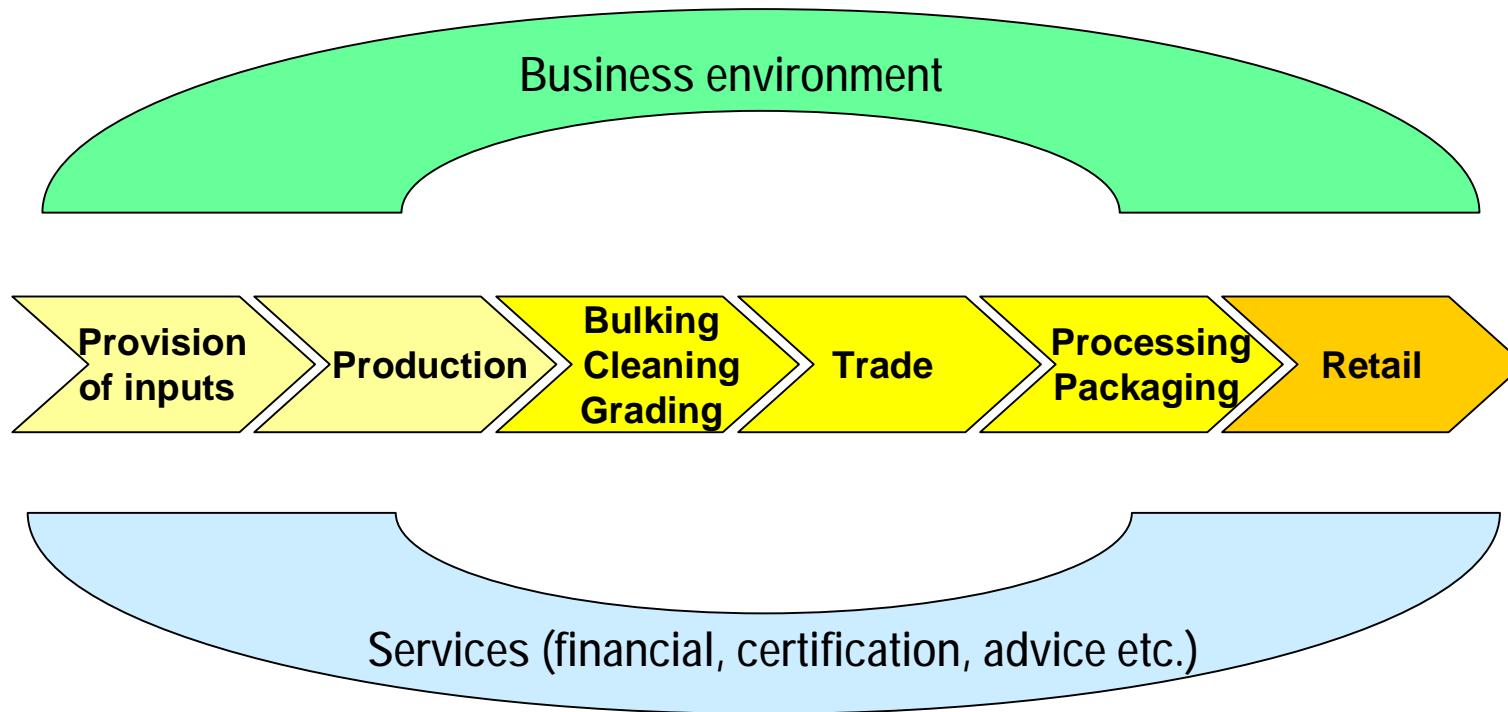


Local vs. regional vs. global markets

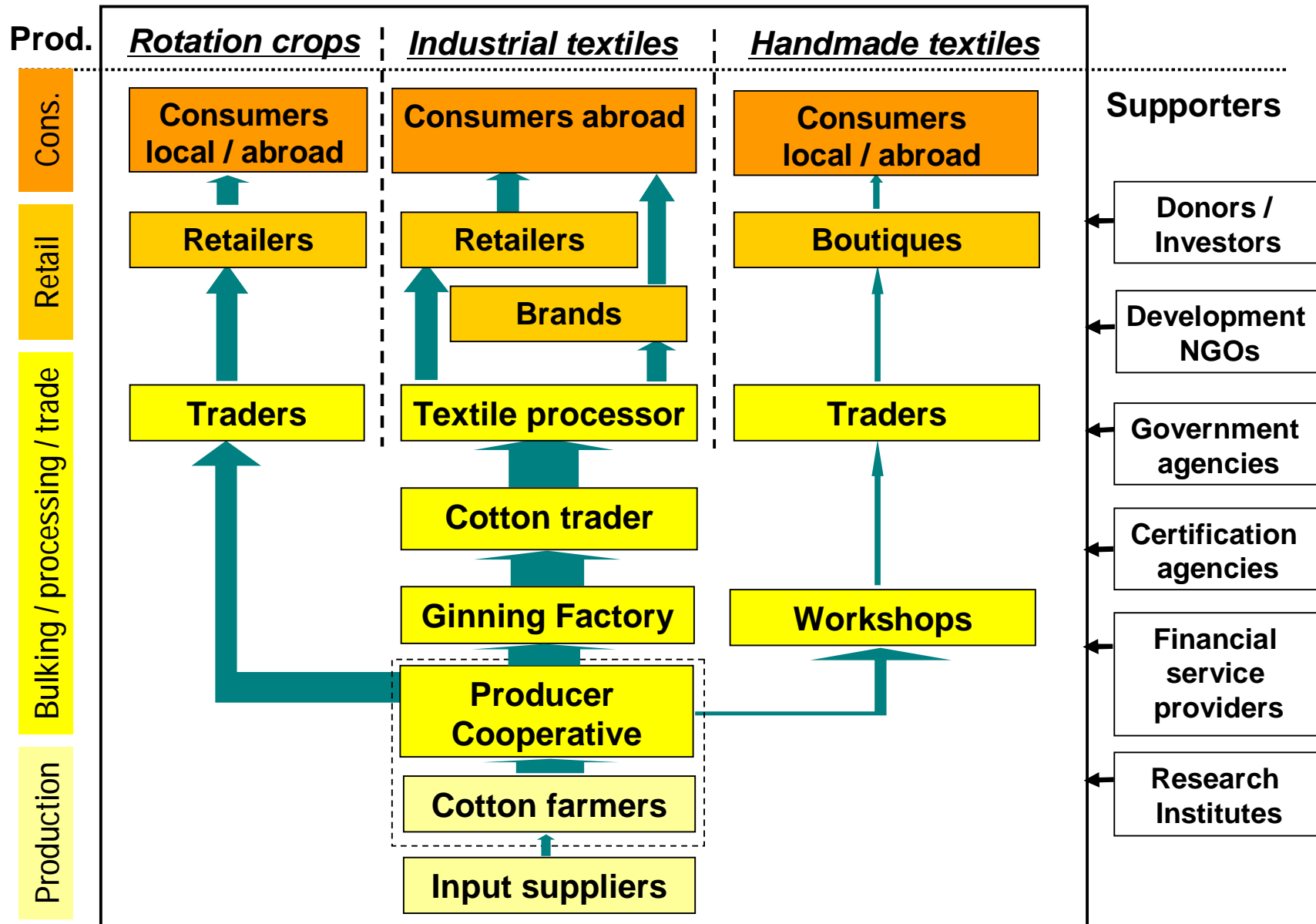


Increasing logistics, quality requirements, premium, competition

Organic and fairtrade value chains



Example: Organic cotton value chain map in West-Africa



Producer organisation versus company set-up

Producer organisation

- + owned by farmers!
- + avoiding „middle men“!
- + coherence, loyalty!
- im-balanced focus on farmers' interest?
- management skills?
- „slow and heavy“?

Contract farming

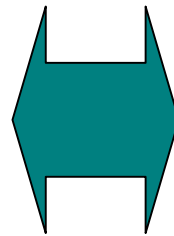
- do farmers really benefit?
- high transaction costs?
- adherence of farmers?
- + business orientation **à** competitiveness!
- + professional management!
- + „quick and flexible“!

è Play a role that matches with your capacities!

Specialisation or diversification?

Specialisation

- sufficient know-how of production methods, processing technology, markets
- professional management of business relations
- making use of economies of scale



Diversification

- reducing risks (production risk, price risk)
- opening up new development opportunities
- making use of synergies (farming system, infrastructure, certificates, management systems etc.)

Managing an organic / fairtrade business

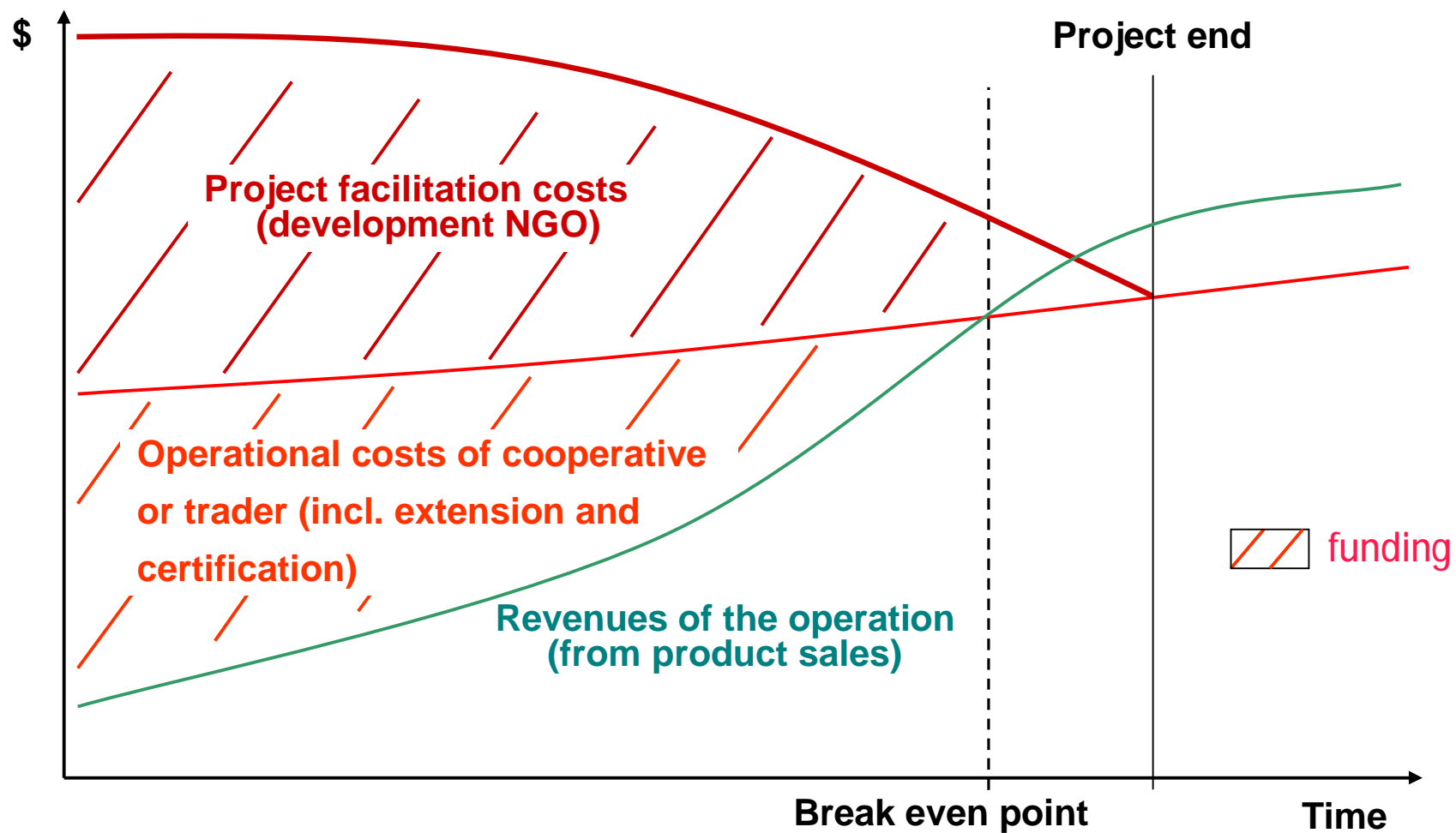
- Organizing the farmers
- Establishing extension and internal control systems
- Achieving and maintaining certification
- Organizing processing, logistics and marketing
- Developing a viable business strategy and plan
- Sound financial planning and management



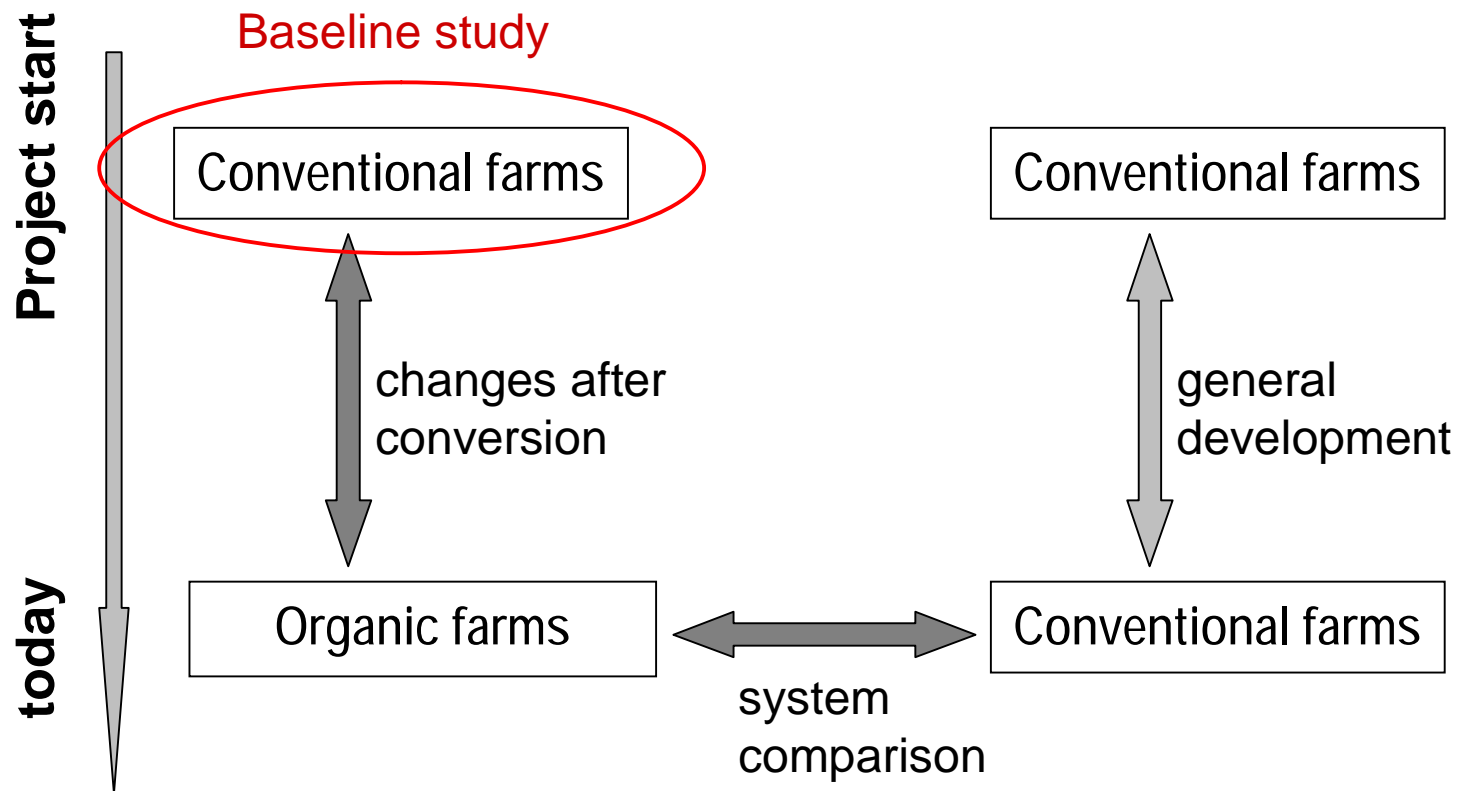
Facilitating value chain development

- Provide information, enable communication, address obstacles, facilitate contacts
- Do not take up or subsidize core functions of the value chain
- Take care to stimulate entrepreneurial thinking rather than hindering it
- Work towards a conducive business and policy environment
- Develop a clear exit strategy that ensures institutional and economic sustainability

Support based on a business plan logic



Assessing the impact of organic farming



Example: Impact assessment in Burkina Faso

Organic cotton farms compared to conventional farms:

- **20-40% lower yields, but 50-60% higher price**
- **90% lower input costs, 30% more profit**
- **Less need to take loans**
- **Better health due to the absence of pesticides**
- **Improved nutritional situation**
- **Improved soil fertility due to compost application**



Common challenges

Production Management

- Improving production systems and yields
- Diversification of production and value addition
- Building efficient internal control and quality management systems

Business management

- Developing realistic business plans
- Organizing access to finance (cash flow, investments)
- Building management skills of producer organisations



Common challenges (cont.)

Markets and marketing

- Developing a competitive advantage
- Developing marketing skills at local level
- Building long-term trade partnerships
- Dealing with market fluctuations

Facilitation

- Develop value chains without subsidizing core functions
- Finding suitable partners who can be chain leaders
- Scaling up to break even and to have an impact

