

LANKA ORGANIC AGRICULTURE MOVEMENT

# Organic market in national and international context

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Analysis of Sri Lankan and Asian scenarios

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## **ORGANIC CULTIVATION IN THE REGION**

For most Asian countries, agriculture plays a vital role to the national economy. Many countries, for example Indonesia, have large numbers of small farmers practicing organic agriculture to reach self-sufficiency in food or to improve soil fertility. However, in Asia organic agricultural is in general mainly practiced for export. Although Asia has a very active organic movement (around a quarter of IFOAM's 703 members are from Asia), the area under organic cultivation remains relatively small. Among the more significant countries producing organic products are China, India, Indonesia, Sri Lanka as well as Israel.

In most Asian countries, the local markets are just emerging. In almost all Asian countries, local distribution is a huge problem and often a price premium cannot be achieved. A number of countries, such as Israel, Japan, Malaysia and the Philippines have specialized organic stores or markets.

In a number of countries, such as Thailand, Vietnam and Singapore, organic products, especially vegetables, have to compete with products grown with a limited use of chemical fertilizers and pesticides, such as IPM vegetables or "safe" and "hygienic" vegetables. Consumers are often greatly confused about the differences between these different kinds of products, because these low-chemical products are often promoted as being organic. Moreover, because these "pseudo-organic" are in many cases promoted by national governments, this creates an even more difficult situation for the organic producers and traders.

## **NATIONAL INITIATIVES TO DEVELOP THE ORGANIC SECTOR**

Many Asian countries have a high grassroots level involvement in the development of organic agriculture and many NGOs have programs to assist farmers in converting to organic agriculture, to markets organic products or to lobby for organic agriculture. However, large-scale and national programs are still rare. The only country with a reported government program to develop the organic sector is India. However, this APEDA (Agricultural and Processed Food Products Export Development Authority) program is aimed primarily at building up the export market and not much attention is being paid to build the markets domestically. APEDA is working along with the Ministry of Agriculture for carrying out the following measures:

- Training program for producers and certification agencies;
- Improving quality of research and development;
- Promoting certification programs;
- Developing national policies for organic production;
- Improving quality of products, packaging, logistic infrastructure and technical support;
- Promoting Indian organic products at international fairs.

## **NATIONAL ORGANIC REGULATIONS in Asia**

In the last few years, several Asian countries have developed national regulations for organic agriculture. This development is related to not only export but also to increasing domestic consumption. In India, Israel, Japan, Lebanon, South Korea, Taiwan and Thailand these regulations are fully implemented. Malaysia has also finalized its national regulations, but they

are not fully implemented yet. The Philippines, China, Indonesia and Vietnam are in the process of drafting their regulations. (Yussefi & Willer, 2003). First steps have also been taken to develop Nepal's national standard for organic agriculture products. In India, the National Program for Organic Production (NPOP) was launched in April 2000. The national standards for organic production and processing have been framed and the certification measures have been established. Regulations for use of the trademark "India Organic" have also been put in place.

Philippine National Standards, as the standards for standards in crop and livestock production. These national standards were adapted from the standards developed by the local certifiers OCCP. OCCP is a non-profit organization, with a membership composed mainly of NGOs, academics, local government units, the media, the organic private sector and some consumer groups. In other countries, such as Thailand, Malaysia and Vietnam NGOs and the private sector are also involved in the development of national standards.

### **AVAILABILITY OF CERTIFICATION**

Together with a lack of national organic regulations, the lack of certification is leading to consumer confusion in many Asian countries. Most organic products in Asia are certified by foreign certification agencies, such as NASAA (Australia), Ecocert (France), IMO (Switzerland), BCS (Germany), OGBA (USA), Krav (Sweden), Control Union (Netherlands), Naturland (Germany), ACT (Thailand) and OCIA (USA). In a few countries, such as India and Japan, these foreign certifiers have to be accredited by national accreditation agencies. China (OFDC, CGFDC), Israel (Agrion), Japan (JONA), Thailand (ACT, Organic Thailand), India (Indocert) and the Philippines (OCCP) have established local certification bodies. In addition, many foreign certifiers have opened branch offices in a number of countries, operated by local staff. This could further lower costs. In Singapore, the national authorities do not distinguish organic produce from conventional ones. Food can be imported and sold into Singapore as long as it satisfies the "Safe Food" requirements as stipulated. The national authority uses the Codex as the reference guideline for food standards.

Great potential was seen because of the general concern among many consumers about the high pesticide residues in many foods, such as vegetables, as well as the interest in organic food among people seeking healthy foodstuffs because of an ailment. In addition, in some countries several food scandals contributed to this increased concern for food safety. As pioneers, these companies faced a number of initial challenges in a variety of areas. Apart from the problem that idealists/NGO workers do not always make good businessmen/women and all the "normal" difficulties in setting up a company (staff training, financing, etc.), there are a few issues more particular to the development of a local organic business organization, such as consumer awareness, market development and product (quality) development. Some of the main issues are listed below: Consumer level:

- Consumers' lack of information about organic products.
- Lack of consumer awareness. Therefore, much effort needed on consumers' education.
- Organic products unable to compete with conventional products, as most consumers are unknown to organic products and their benefit to nature, just compare the prices.
- Constant communication to customers would be ideal, but is time consuming.
- Consumers' perception: Organic = IPM or "safe".

- Number of organic consumers is very small and operators are competing for the same people.
- Market development:
- Limited expertise in marketing.
- Supermarket challenging - pricing, variety, global trends.
- Organic suppliers being smaller than conventional ones, wholesalers tend to discontinue slow moving items - continuous disruptive supply.
- No labeling laws exist in the country.
- Influx of pseudo-organic and "organic claims" (and a lack of regulations from government bodies)
- Competition is tough from unscrupulous competitors. No cooperation among operators.
- Product (quality) development:
- Lack of confidence in organic farming on the part of the farmer.
- Supply growing faster than the demand.

However, it seems that the main problems encountered in the market place are price competition and logistic arrangements. Certified organic products have to compete with self-claim and hygienic/safe products on price, product varieties and regularities. With high cost and smaller logistic infrastructure, it is difficult for many local marketing organizations to offer certified products competitively in market places. Moreover, many organizations also fail to purchase all fresh produce from the producers. This creates a burden for the producers because they then have to find their own market channels. This means sometimes competition at the supplier side as well.

### **3. SET UP CONSIDERATIONS**

#### **Lessons Learned 1: Scope and structure in relation to market environment**

- Size of operation: keep scope realistic to minimize overhead costs.
- Crucial to have sufficient own funding/investment, even if outside non-commercial financial support is available.
- Establish direct contact with producers and reduce the intermediaries.
- Decide on appropriate business set up.
- Build the initiative around one (or few) key products
- (At start) focus on organic only or sell natural and/or "clean"/IPM products as well?
- Differential pricing system.
- Agree on being a facilitator of trade (for a fee) or operate as "business".
- Work with producers or set up own farm? (Better control of quality, quantity, variety control)
- Difficult for NGO to decide to go into business (they should do "social things")
- For NGO: set up separate business entity?

## **LOCATION**

Some people say that there are three things important to sell organic products: location, location, and location. In other words, the importance of location cannot be emphasized enough. Criteria for the selection of a location mainly include accessibility for customers and the minimization of logistical bottlenecks in the delivery of the produce.

Higher level in education and consumption because it will not only contribute to publicity of organic food, but also help attract consumers. Organic food, however, is not an "elite" food and consumers with relatively low income may grow interested in organic food. Once organic food develops to a certain level and prices become more down to more reasonable levels, organic food specialty shops can be set up in other residential area sand attract and serve a wider variety of consumers.

With regards to (mobile) markets, such as organic bazaars, the location of the bazaar is a crucial factor for its success. The location should ideally have the following characteristics:

- Accessible by private, commercial and public transportation.
- Parking should be available.
- Visible by passers-by.
- Available year-round.
- Close proximity to commercial or office areas will increase potential customers.
- Sufficient space for current needs, as well as to allow for future expansion of the bazaar.

Hosting the bazaar along thoroughfares or near other bazaars may enhance the convenience for customers, and thus sales. It may also be necessary to organize the bazaar in varying parts of the city, since people may not be willing to travel long distances to purchase food.

### **Lessons Learned 2: Considerations for location**

- Accessibility (Consumer to product or product to consumer?).
- Accessibility in relation to produce (for packaging, etc.).
- Locate organic food shops first in residential areas with a relatively higher level in education and consumption.

## **MARKETING STRATEGY**

### **Lessons Learned 3: Marketing strategy**

- (At start) publicity through word of mouth.
- Interpersonal contacts are important, also to get feedback on products.
- Work with grassroots (associations, community clubs, and schools) for farm visits.
- Use interest of mass media to publish on new and trendy issues.
- Base marketing strategy on knowledge of culture and habits of consumers.
- Use (strong) logo for communicating the products and the company.
- Focus on both local and export market (export market as money generator for local market development).

## 5. ORGANISING THE SUPPLY CHAIN

### SUPPLY CHAIN SYSTEMS

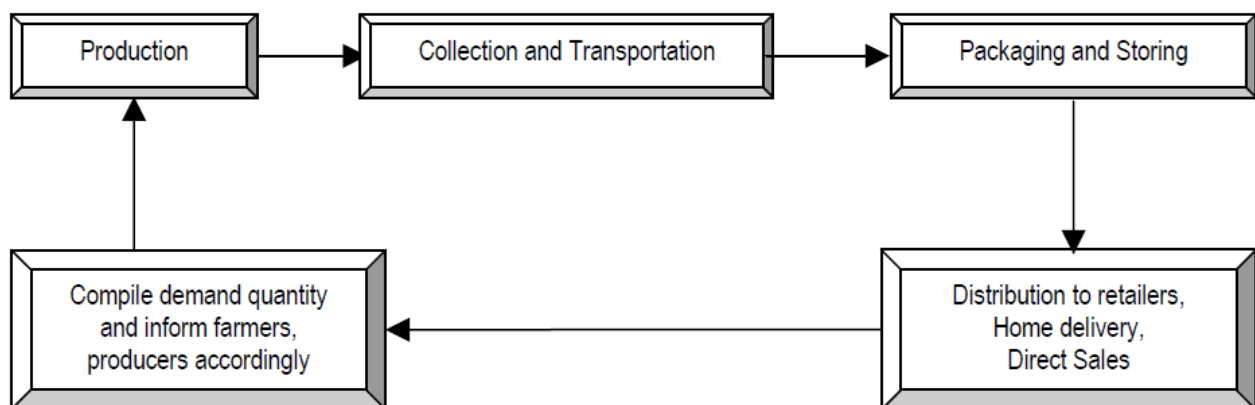
Supply chain management is one of the key issues to the success of developing a local organic market. Efficiency and quality management are determining factors and need particular attention. Key issue in quality development is the establishment of a quality assurance system throughout the supply chain. This involves quality of raw materials, procurement control system, processing quality, packaging, and stock management. Both the marketing organizations and the producers need to apply a Total Quality Management (TQM) for their operation so that product quality is continuously maintained.

Based on their set up and product lines, different marketing organizations manage their supply chain in different ways. For the organic bazaars supply chain management is accomplished in association with local committees and linked to extension programs. Farmers intending to supply a forthcoming organic bazaar submit an application to their local Community Learning Centre. After receiving the applications from the farmers, volunteers of IIRD visit the farms and assess the quantity and quality of the products to be sold and to verify whether the crop has been produced organically. Selection is then based on an analysis of supply and demand. Detailed descriptions of the procedure for supplying to bazaars are provided to the farmers in the organic production manual supplied to the farmers who are registered with IIRD. These include:

- Agreement with farmers.
- Calendar of training for the farmers.
- Organic bazaar manual.
- Farmer- consumer workshops.

Selected farmers are then required to sign an agreement with IIRD containing a declaration of organic integrity. Channeling supplies for organic bazaars is a complex process involving multiple stakeholders. Organic market schedules are announced for a period of three months, giving the IIRD volunteers adequate time for facilitating supplies. IIRD sends out detailed circulars inviting organic farmers to sell at the organic bazaar.

For organizations involved in wholesale, retail or operating home delivery systems, a basic flowchart is as follows:



Although not in all organizations with the same thoroughness, all organizations apply quality control measure east the different levels of the supply chain. In addition, most organizations have a recording system to monitor product flow. Such systems are essential since they will allow the organization to plan production as close as possible with sales (and vice versa) and to identify inefficiencies in the system, such as high waste. For processed goods, the input supply chain is different for each product that is dealt with. For the raw materials, the procurement is most often directly from the producer. As far as the packing materials are concerned, they are often procured as and when required, reducing the amount of stock. This might not seem be a bottleneck but several organizations had initially problems finding appropriate materials or, due to a shortage of funds and limited purchase capabilities, could only buy second hand materials. These items had their limitations in terms of breakages and durability.

### **KEY CONTRACT PROVISIONS**

Apart from the organic bazaar system and when organic produce is sourced from an own farm, most organizations sign (long-term) contracts with their suppliers. Usually, these contracts include compliance to organic agriculture, terms of delivery and payment, and prices. Production and harvest is the responsibility of the producers, while the marketing organization is usually responsible for collection of products, packing and delivery to customers. Prices are often fixed for longer or shorter periods (but at least for the duration of one season). However, it is often difficult to meet farmers' expectations of sales volumes at desired price. To provide further assurance to producers, many organizations have developed advance purchasing schemes. Some organizations have the policy that they will purchase all products produced by the farmers. However, when sales cannot be guaranteed (or if the policy cannot be funded from other sources) this could become a big financial burden for the organization. In some cases, organizations therefore later changed this policy to a system of giving the farmers a guaranteed minimum that will be bought from them.

### **LESSONS LEARNED**

Organizing the supply is not simple, particularly when dealing with fresh produce such as vegetables and with different (contracted) producers. Contact with the producers is sometimes not easy (lack of reliable telephone connections, farmer groups not well organized) and sometimes last-minute orders from customers cannot be included.

In some countries, the increasing demand for organic products cannot be served because of poor collection channels, insufficient production of organic products, poor transportation facilities and (in case of processed goods) lack of proper processing facilities. A well-documented supply chain management system cannot solve these problems, but could serve as an important tool to identify the essential bottlenecks and priority set he issues to be tackled.



Quality control remains a difficult area. Although many organizations have developed clear quality standards, often together with the farmers, and have included them in their contracts, it is difficult for the staff directly involved in purchasing from the farmers to always be strict, especially when farmers have no other sales outlets and put some pressure on the staff to accept all their produce. In addition, when amounts are not similar to what was ordered it may be difficult for the staff to find the balance between quality and having enough product. Separating the ordering and paying from the collecting could be one solution that is being tried out. Other organizations have tried to solve this issue through a process of staff confidence building but also through a system of rewards.

Training of farmers is also a key element in improving quality control. Training does not only increase farmers' technical knowledge and skills but also their understanding about the importance of this issue. Technological development of producers is also important to improve production efficiency, which will result in a lower cost of production. Lower production costs are essential in the long-term since it is unlikely that the current high premium prices for organic products can be sustained in the long-term. Many organizations have been able to secure some funding from NGOs or bilateral projects to implement training for farmers.

#### **Lessons Learned 4: Supply chain management**

- Follow 'conventional' supply chain (but difficult in case of organic business).
- Direct business relation.
- Quality is key (quality assurance scheme, TQM).
- Plan sales in line with production.
- Difficult to meet farmers' expectations of sales volumes at desired price.
- Develop advance purchasing scheme (assurance to producers).
- Provided training to producers.
- Technological development important to improve efficiency
- lower cost of production.

### **6. HANDLING AND STOCK MANAGEMENT**

#### **Lessons Learned 5: Handling and stock management**

- Total Quality Management also essential in handling and stock management.
- Important to monitor purchase, waste, and sales so that informed decisions can be made on planning of production, purchase amounts.
- Make the system effective and use the data generated!
- Have contingency plan for waste (promotion at same time).

### **7. MARKETING (PROMOTION) AND SALES MANAGEMENT**

#### **CURRENT BUSINESS AND MARKETING MODELS**

Among the marketing organizations contributing to the case studies four different business and marketing categories could be distinguished:

- Direct Sales/Farmers Markets, for example the organic bazaars organized by IIRD.
- Retail
- Wholesale/Retail/Export:
- The Organic Bazaars organized by IIRD (India) are representative of the first category.

Green Net (Thailand) is very developed into the third category. At present, it sells through four channels: - Its own shop in Bangkok, - Wholesale to Green Health shops in Bangkok and other provinces. These shops can be specialty shops selling mainly organic products or convenience shops having organic products in one shelf. - Export of rice to European fair-trade groups and - Direct sale, but only of small quantities of product.

There is no special means or formula for success, but from the beginning the organization should be clear on the message and the expectations for the specific activity. The different marketing initiatives apply a wide range of methods to communicate their products and organizations to consumers. The following is a list of the most common methods applied:

- Consumers meetings. IIRD, for example, organizes consumers meetings in association with women's groups and social clubs like the Lions, Rotarians, etc. to discuss the importance of organic agriculture, food security and health. While providing information about upcoming organic bazaars, the IIRD also discusses strategies on how citizens may decrease environmental pollution.
- Invitations letters to directly invite individuals or organizations to activities and special events.
- Printing and distribution of leaflets. Promotional materials are printed in mass quantities and distributed, providing information about the organization, products, and sometimes activities. The format is generally a one to two pages leaflet.
- Mass media. Articles are published in the printed media such as newspapers and magazines, describing the benefits of organic agriculture. Many organizations maintain relationships with journalists who are interested in the issue and support the organic movement. Press conferences are sometimes held and press releases are another way to further the local organic movement.
- Advertisements. Several organizations regularly advertise in local newspapers that have wide circulation. Placing banners in strategic locations within the city may also be attempted. In addition, stills or moving ads may be broadcasted through local TV network. This is, however, a relatively expensive strategy and may not always bring the anticipated results. However, Green Net continues to adopt a policy of no advertisement.
- Direct marketing. The bazaar, market or shop itself presents a forum for person-to-person marketing of organic products. This forum allows consumers to inquire about organic products or agriculture directly from the producer or staff of the marketing organization. Direct marketing may also be under taken through door-to-door campaigns or over the phone. However, the latter methods are time consuming and labor-intensive.

- Word of mouth: Publicity may also be generated through personal interactions among consumers. If consumers are satisfied with the organic bazaar, market or shop and their purchases, they may recommend it to their friends and colleagues. This would also help to spread information about organic agriculture and the organic movement in general. Many organizations have benefited from this kind of "advertisement" in their start up phase.
- Field visits. Many organizations organize regular meetings between consumers and organic producers. By sharing experiences and offering suggestions, these meetings have been found to be useful to both parties.
- Consumer newsletter. Some organizations send regular newsletter to their members or regular customers. These newsletters include information about upcoming events, articles about organic agriculture or health issues, recipes, etc. To this end, these organizations have prepared a consumer register with the names of regular consumers and members.
- Display information and photographs. Keystone, for example, produced a video on honey collection, which is shown in their shops to sensitize the customers about the people behind the product.
- Participation in trade and food fairs. Organic producers could display and sell their products at these events, which are regularly organized in most countries at both the national and local level. While some countries have specialized fairs for "safe" agricultural products, only the Philippines has an annual event, which showcases organic and Herbal products (Biosearch).

Another important means of communication is the organization's packaging and logo. Packaging should be attractive and be in line with the organic identity of the products. When possible, recycle materials, such as paper, should be used, but in some countries, such materials may be expensive and not always be readily available. Some commonly used packaging materials are plastic bags (transparent), paper, carton and locally made containers like bamboo crates.

A strong logo is also important. A good logo is attractive, easy to recognize and confirming the organic identity of both company and products. Many organic marketing initiatives have developed their own logo at a very early stage and have found that the use of a logo improves the communication about the products and the company. In some countries, the company's logo has become almost synonymous for organic products.

## **CUSTOMER SERVICES POLICIES**

## **LESSONS LEARNED**

Marketing organic products is an educational process and it takes many years to educate people. Marketing efforts are related to both the social and ecological aspects of the product. In doing so, a lot of effort has to go in to capacity building, production related issues, quality parameters and the logistics of procuring products from sometimes remote and inaccessible areas. However, in most cases the products sell more because of their quality and competitive pricing, rather than the social marketing. The key is quality of produce; it is the fundamental criteria to secure the market position and product branding. There are many marketing constraints, which make the task for a small organic marketing initiative even more challenging, for example:

- Lack of supportive policies from the government to encourage organic production.
- Governments supporting domestic market development for semi-organic products such as "safe" or "IPM".
- Lack of infrastructure/equipment to produce high quality products.
- High certification costs.
- Lack of market information.
- Producers are not organized and/or do not have a central handling facility.
- No sufficient economy of scale to reach the market.

Organic certification is also becoming increasingly important in relation to marketing, as there are many self claimed green products on the market. Consumer is confusion and loss of confidence of organic product concrete long-term implications for future market. This is especially true for new consumers who have little knowledge about organic products. However, certification is an expensive exercise, but it is essential to gain consumers' trust, especially if the produce is not sold directly by a farm but through third parties, such as retail shops.

The organization needs to be creative and innovative in communicating its message. Getting together with similar initiatives or NGO advocacy groups for generic promotions may save costs as well as reach a wider audience. GN: More cooperation with other organic trading organization is necessary in order to promote organic consumption. The joint publicity campaign in which different traders contribute can create more impacts among consumers compared with individual efforts.

Supermarkets are potentially attractive channels for the sale of organic products. However, they are often very demanding in terms of product quality, availability and price. Usually, supermarkets, dictate the type of packaging material for the products they will purchase, which creates additional expenses for the marketing organization or the producers.

#### **Lessons Learned 6: Market communication**

- Be pro-active with certification (expensive, but essential to build consumer trust).
- Good packaging with clear (corporate) identity.
- Product development (in maturing market consumers ask for more products).
- Strategy (benefits organic agriculture & product benefits).

- Collaboration with other in organic sector for generic promotion activities.
- Use the media (organic TV and Radio).
- Message: quality, organic is better way, health, fair trade, help indigenous people, direct from producer (but may change over time as market develops).

### **Lessons Learned 7: Customer servicing**

- Get constant feedback of customers on product and service.
- Provide information about product, sales (location, timing).
- Staff in contact with customers should have knowledge on organic farming and be able to explain philosophy of the operation.
- Find ways to build trust, not always need (particularly at start) for certification.
- Never take the customer for granted (continuous education/feedback).
- Upper class people may have the money but the housekeeper buys the product.
- Supermarkets: interesting market but very demanding (ready for it?).
- Staff in contact with dealers should have knowledge on organic farming and be able to explain philosophy of the operation.

## **8. COST, MARGINS, PRICE SETTING AND VALUE ADDITION**

### **GENERAL PRICE POLICIES AN COST STRUCTURES**

In general, an organic marketing initiative is expected to build in or carry more costs in contrast to conventional marketing. This is largely because of the "additional" environment management and social responsibility it wants to carry. Organic marketing initiatives therefore have a distinct cost disadvantage against conventional businesses, which do not internalize equivalent environmental and social costs, in the market for similar products categories. (Ong Kung Wai, 2000) Many organic marketing organizations implement fair trade principles in their price setting policies. One of these principles is that the price at which the producers sell their products should at least cover their cost of production. However, there are only few situations where farmers and/or traders have calculated actual production costs. In addition, no external studies on organic production costs have been done so far, which could be used as framework for price setting. Hence, organizations, such as Green Net and Hanoi Organics, have decided to follow a price setting policy in which the producer groups are allowed to determine the prices for their organic products. However, producers rarely make a comparison with conventional products, making the organic prices often substantially higher than chemical products.

Alternatively, Organico Nepal follows a system, in which it ensures the farmers' investment costs, including land rent, farm inputs, labor costs, packaging, operational costs, delivery costs etc. According to this policy, consumers or their representatives are involved while computing the cost of production. Masipag (Philippines) applies the strategy that before a price is negotiated; product quality is evaluated based on organic standards and post-harvest quality. Prices for different products are calculated as follows:

- Paddy: The sum of the highest prevailing price/contract price, multiplied by the post harvest quality rating.
- Milled rice: The price is based on production costs, current market price and desired cost benefit ratio. Studies showed that pesticides-free white rice is more expensive to produce because of the 13% lower milling recovery compared to brown rice. This difference is caused by the fact that brown rice is polished and is significant enough to make brown rice more profitable than white rice. For the organic bazaars, different options are available for the purchase and storage of organic products:
  - Direct purchase from the farmers by the bazaar operators and sale to customers. Purchases could be made at a premium price compared with the prices offered by intermediaries and traders. The bazaar operator is required to maintain the stocks. The farmer representatives are present during the bazaars and incentive return is additionally provided to the farmers based on sales of their products.
  - Non-purchase strategy. The bazaar operator facilitates the supply of organic products through the participation of farmers in the bazaars, ensures the organic integrity of products and provides the required extension support and market development activities. The operator receives service charges to cover his costs.
  - Combination of purchase and non-purchase system. The bazaar operator can combine the direct purchase and non-purchase systems in order to maximize advantages and tide over constraints. In this method, the operator could decide for direct purchase for a limited range of products depending upon the advantages and availability of funds. Each option has its specific advantages and disadvantages; mainly related to financing, profit levels, stock management, packing/grading, supply chain management, and interaction with consumers.

### **Lessons Learned 8: Cost, margins, price setting and value adding**

- Initially, basic price determined by producer, but in future should do more specific cost-benefit calculations for organic production.
- Set price organic in relation to conventional (need make that comparison).
- What premium for organic is acceptable in mature market (10-20% only is possible?).
- Reaching economy of scale is important for sustainable development.

### **National level organic marketing spaces**

**1 Good Market – Sevalanka Foundation** led marketing program. It grew up to many different places. They have stalls available **Diyatha Uyana**, Nuga tree near the **Race course ground** and In the **LAKPAHANA** premises having special shop. This is place with many groups who come and meet for

ecological products. Also Good Market now mostly selling PGS approved producer's products only. Some of the groups from assessment who had start the link with this initiative.

## **2 Sambodhiviharaya Wasawisanathi (toxin free) pola Sundays only –**

It was stated by the Sri Lanka Government Medical Officers Association campaign of toxin free food place. This is getting free publicity by the Buddhist TV channel; there are lots of educated buyers from Colombo who come to this place. Small scale producers' products are generally moving here. Now they also are thinking to go for kind of guarantee system.

## **3 SambodhiViharaya – Marina Group managed – MULUTHANGEYA**

This also in the next The Buddhist channel, run famous coconut oil producer Marina Group. This place having good customer base, they are selling ecological products and organic products both. Now they also create system for farmers to fallow for their product to be guarantee. This place can be good link for rice and vegetable and fruits for assessed groups.

## **4 Supermarkets – 3 different Super market chain**

### **4.1 KEELS supermarkets**

Keels are the first supermarket who starts to sell Organic products. Now in their main 3 supermarket branches who sell organic vegetable and fruits. They are only selling SriCert certified products only. They are waiting to move and start with another 15 branches but problem is not enough supply.

### **4.2 CARGILLS**

Cargills is the second supper market who starts organic selling. Now there is good moving with organic products. They are purchasing from the nearby farmers places. It is helping with transport cost. It is easy to supply from farmer areas. They need all range of product with organically produced.

### **4.3 ARPICO**

ARPICO is planning 15 different supper centers to go for organic. Now they have got train their staff for the operation. They are waiting with suppliers to come forward to supply organic products. ARPICO is also planning to expand organic in to regional level.

## **5 Mihimandala home delivery Services.**

There are so many orders catering from SriCert certified organic farms by different parts of the country. They also having organic farms operated by them self, with this capacity there supplying nearly 100 customers. They also need different products to supply in to this scheme.

## **6 AGCO COOP Ltd.**

AGCO is also supplying to different marketing channels. There also certified by SriCert. There are good production farm at Nuwara Eliya belongs to the AGCO. With the orders what they have got, AGCO needs all type organic products suppliers with certified.

## ***Proposed marketing systems***

### **7 Organic Clearing Center (OCC)**

There are few systems overlapping same way. Therefore LOAM, SriCert and AGCO together and forming this as a new initiative. This will get orders from everywhere and it will do operation based in Sounders Place in Pettah, Colombo. It will do the central handling bulk for retailers and suppliers. They also are trying to do with organic supply to the hotel chains. In future they will move for organic importation as well.

### **8 Organic Root - home delivery service**

This will be web based ordering system and home delivery service for organic and rainforest products. It will work with Toxic Free Farmer Movement which is RRI and OXFAM Italy initiative. They also willing to go with certified system. With the technological arrangement now it is on the way as a system. These will rich to the supper customers who are educated and committed with organic.

## **Provincial opportunities**

### **1 The Fresh Shop – Kundasale**

The fresh shop was started 9<sup>th</sup> of July 2014. They have publicized about organic availability, they were thought they can manage the supply but from the first week they got big orders. Now they can't cater orders therefore they only handling organic vegetable herbs and fruits in two days on week. This shop is having big opportunity to get more organic products.

### **2 Nirogi Lanka –Mathara**

Nirogi Lanka is organic food shop based in Mathara. There are lots of committed people are becoming as customers of this shop. This is run by leading organic committed lawyer who based in there. He also run certified organic dragon fruits farm. He also is waiting with organic products from nearby areas. Different vegetable, spices, fruits and traditional rice is main products what they are selling in there.

### **3 Anuradhapura**



Group of doctors are trying to start organic outlet in Anuradhapura. Same time they have start few organic farms surrounding areas. That will create lot of opportunities for producers. To start the shop they also need continues supply.

## **What is the opportunities with Assessment Group**

The groups has to come together with clusters areas where are operated

For example

- 1 Dimbulagala, alahara, Hingurakgoda, Madirigiriya can come together as a Polonnaruwa cluster
- 2 Thambuththegama, Rajanganaya, Madawachchiya and kakirawa as a Anuradhapura cluster
- 3 Akkarayankulam, Kudiirippu, Anawilundan and omanthei as a Killinochchi cluster
- 4 Warakapola, rambukkana, Aranayaka, Galigamuwa, mawanalla as a Kegalle cluster
- 5 Hathagala, Ambalanthota, Magama, Weerawila, as a Hambanthota cluster
- 6 Vakarei, baticloa and Komari as a Baticloa cluster
- 7 Separately with NuwaraEliya cluster with Ragala and Agarapathana

## **We can recommend to**

- 1 Group system with production concern, that has to be separate group
- 2 Technological developments are much needed for vegetable groups
- 3 Rice groups needs proper production plan with varieties which are suitability for lands
- 4 For the Killinochchi and Hambanthota clusters has to go Animal husbandry plans
- 5 Killinochchi cluster also can plan with pulses for developing value add products
- 6 Proper farm planning for cluster level and Continues supplies has to ensure
- 7 Certification system- PGS system can be apply to everywhere in this clusters
- 8 Collection systems has to develop within the cluster
- 9 Traditional Rice has to come with cluster level label and quality management.
- 10 Seed paddy could be separately sell under one label with cluster level
- 11 Cluster level outlet can be one option to develop market with concern consumers
- 12 Production planning training is much needed for clusters
- 13 Production Data system can be the link among the clusters
- 14 PGS facilitators has to train soon and those facilitators has to be with each cluster
- 15 These clusters later bring in to one umbrella and start find option – Organic Root

## **What can be the link with others**

Cluster level there are some link with others, therefore national level Oxfam can be facilitate to bring together these groups. They can come together for marketing aspect

- 1 OXFAM Italy and RRI – Polonnaruwa - Vavunia
- 2 World Vision - Anuradhapura - polonnaruwa - NuwaraEliya
- 3 CARE - Anuradhapura – Hambanthota - Killinochchi
- 4 AGCO - Polonnaruwa – NuwaraEliya

### **Certification Options**

#### 1 PGS certification system

Most of the groups are not aware how it is important to go for guarantee system. Therefore at the start it is good to go with Participatory Guarantee System – (PGS) with all clusters. We need to facilitators for those areas. PGS system well accepted system world wide for local marketing. LOAM can assist to do the training those facilitators and fallow up and finally bring them to certification level.

#### 2 SriCert Local Organic certification systems

SriCert certification system is needed if the groups are supplying to main level supermarkets or suppliers. This can be going as group certification with cluster level. Some of the main producing groups can get SriCert certification for those markets. Those who get certification also get link to the AGCO marketing system.