How organic agriculture contributes to economic development in Africa

MARKET-DRIVEN DEVELOPMENT OF ORGANIC HIGH VALUE CHAINS

Introduction

Market-driven development of organic value chains

Agriculture is the basis for millions of livelihoods and improvement of the agricultural sector is a prerequisite for development of many African countries.

It is relevant to consider how a market oriented development of sustainable agriculture combined with local or regional processing of products targeted at high value markets may increase income, employment and capacity building of women and young people in rural societies.

The demand for organic products in high value food markets in Europe and North America has increased by 10-25% per year and is the fastest growing foodmarket segment, with an increasing import from developing countries.

Photo: Organic Denmark

The potentials of organic value chains

Modern Organic Agriculture builds on principles for improving soil fertility through incorporation of legumes and compost, strengthening ecological support-functions and using natural regulation and crop diversity to prevent pest and diseases. Using such agro-ecological practices helps farmers to intensify and increase production without necessarily depending on chemical pesticides and fertilisers, which again reduces their risk to become indebted or poisoned by pesticides. Moreover, following organic principles allows farmers to better adapt to the challenges from climate change, water constraints and loss of soil.

Organic agriculture can contribute to increase productivity and reduce poverty and vulnerability among African farmers. Given the right focus on training and capacity building in primary production and in food processing, organic production creates employment, transfers knowledge and improves access to high value markets.

Organic value chains in East Africa

An attractive niche for market oriented farmers is production of certified organic agricultural products for high value chains. It can potentially involve thousands of smallholder farmers given the right organisational framework and market links. Farmers can get access to inputs and training, which improves their overall agricultural knowledge and market orientation. This has been demonstrated by the programme Export Promotion of Organic Products from Africa (EPOPA), which supported local business partners in creating links between farmers in Uganda and Tanzania and export markets (1993-2008). Approximately 80,000 farmers have been involved in certified cash crop production with a value of app. 15 Mio US$ yearly generating a total export value of more than double this amount (EPOPA 2008). The farm families involved have benefited

Lessons-learnt from the programme Export Promotion of Organic Products from Africa (EPOPA)

'In order to set up a successful export project, there was a need to find the right mix of the following:

» A willing and capable exporter
» A production base, i.e., willing farmers in an area with suitable conditions and basic knowledge of production
» Market demand
» Products that could be competitive in quality and price'

'The continued strong demand of organic products and the increased policy support contributed to the success of EPOPA. Other important factors were:

» Clear market focus of the projects and focus on tangible results; using commercial actors to link farmers to markets
» Integrating extension work in the commercial chain so that the exporters are responsible for extension work, financed by income from the trade
» The use of group certification to facilitate the certification process'

from price premiums and improved productivity due to training in organic methods and general capacity building.

Sustainable rural development

Many of the projects supported by EPOPA have also established local processing factories for drying, canning etc. of primary products into high value processed food. This has created employment opportunities for a large number of young women in the villages. In the report, 'Organic Exports – A way to a better life?' it is further stated that: 'Much of what was accomplished by EPOPA could also be accomplished by other programs, also without the organic component (EPOPA, 2008). However, the organic markets do provide special incentives. The organic production system is well-adapted to African smallholders and is sustainable. Apart from the effects of income, organic farming also produces public good and ecosystems services such as carbon sequestration and biodiversity.'

Organic value chains in West Africa

The experience of Helvetas, promoting organic value chains in West Africa, confirms this potential. Since 2002, Helvetas supported cotton producer organisations in Mali and subsequently in Burkina Faso, Senegal and Benin in converting to organic production systems and to access organic and fair-trade markets. By 2009, some 14,000 certified smallholder farms participate in these programmes.

An impact assessment study in Burkina Faso concludes that conversion to organic farming improved farmers' incomes, food security and overall livelihoods (Pineau 2009). Besides cotton, rotation crops and associated crops such as sesame, shea, hibiscus, pulses and fonio are produced organically and sold in domestic and international markets. In addition, Helvetas supports organic fruit production, processing and marketing in Mali (mango) and Benin (pineapple).

Organic production - a market-oriented approach

As demonstrated by the programs of EPOPA and Helvetas, the market oriented approach is a good example of an organic private sector development involving companies and commercially oriented farmers. Contract production of organic food, fibres and beverages presently includes cocoa, coffee, tea, fresh and dried fruit, cotton and spices.

There is potential for involving many more farmers in Africa and with a broader range of products. Presently, the percentage of certified organic land is above 0.5 % of agricultural area in a few countries such as Uganda, Egypt and Tunesia (Willer et al. 2008). Globally, organic agriculture has increased significantly over the last 5 years to a total of 30.4 million hectares and involving millions of market oriented farmers from small scale family farms to plantations. However, this development has lagged behind in Africa (up

Existing organic value chains in West Africa

Examples of small-scale processing of e.g. cotton, shea, sesame can be found or ready made end products - such as dried pineapple:

» Organic cotton (Benin, Burkina, Mali and Senegal)
» Organic fresh and dried pineapple (Benin, Ghana)
» Organic shea butter (Burkina, Mali)
» Organic Sesamis grain and oil (Mali, Burkina, Senegal)
» Organic coffee in Togo and organic cocoa in Ghana

Experience from West Africa indicates that the organic sector is still to become more market integrated. Actions are needed in terms of:
» Capacity building of stakeholders, to ensure quality and good organization of the sector,
» Promotion of public-private initiatives to leverage obstacles in sector of processing, in terms of technology and investment,
» Market and export promotion initiatives to assist stakeholders finding good outlets.

(Source: personal communication with Dr. Ir. Tovignan Silvére)

Experience from a study on
Challenges of modern supply chain inclusion for organic smallholders

The DARCOF III research project GlobalOrg is funded by the Danish Ministry of Food, Agriculture and Fisheries. Read more at www.icrofs.org/darcofiii

A range of specific market chain development constraints in the conventional and the organic farm sector were identified in the study undertaken in Kenya, Tanzania, Brazil, China and Egypt (see the table below).

For most small-holder farmers trying to leave the traditional food system and enter an alternative organic market or the more formalized procurement systems of either the domestic or export oriented supply chains, the entry point are in most cases via an intermediary company. It was found that inclusion of small-holder farmers into the various food systems depends to a large extent on the capacity of the intermediaries and their ability to cope with both internal and external constraints while linking farmers to agro-supply chains.

Capacity building of this particular segment is, therefore, crucial, starting with analysis of the types of intermediaries, the level of market commercialisation and type of product chain the intermediary is linking small-holders into. Moreover the experience and social capital of the intermediary and their ability to organize and optimize should be considered.

Source: Kledal, 2009

	Common development issues	Specific organic development issues
Supply system	Fragmented supply Conformity assessment costs	Limited organic inputs Producer uncertainty on premiums Adaptation of organic techniques New regulations
Intermediaries	Inadequate management Undercapitalized High risk on capital borrowing	Organic often a small segment High search/information/control costs linkedwith post production and transaction
Demand system	Small/large order Ever changing standards Different standards for different importers Changing consumer markets Asymmetric bargain/trading power	Volatile export markets due to the small segment Regional differences on changing standards Weak transformation of consumer trends in the North Innovation and Agribusiness in the North
Supporting Resource Environment	Weak Infrastructure (roads,communication) High bureaucracy for firm registration and receiving credit	Relevant research Lack of institutional 'set up' forwarding information and data on export markets Trading specificities

Development constraints faced by the conventional and organic farm sector respectively in the South, when aiming for inclusion into the modern Agro-food systems.

from 332,000 hectares of certified agricultural land in 2005 to 417,000 in 2006) and there is a large potential for tapping into the market opportunities. Several African countries are in a process of creating and implementing national regulations for certification and control of organic products for export.

Organic certification for smallholder farmers

For smallholder farmers 'group certification' is possible. This requires a certain level of organisation and internal quality control system, however, *the process of developing and establishing a group certification system does at the same time provide opportunities for building social capital and address rural development at community level.*

Organic agriculture improves productivity and food security

In addition to the export potential of certified organic products the development of non-certified organic agriculture can also contribute to improve food security among poor families in rural areas. Experiences from African countries demonstrate the potential for producing a food surplus to be sold at local and regional markets based on agro-ecological methods and using locally available resources in stead of capital requiring inputs.

Development organisations such as FAO, IFAD and numerous NGO's recognise the role played by organic agriculture in the modernisation and improvement of African agriculture parallel with other types of agriculture. Building on several years of collaboration in the so-called Capacity Building Task Force on Trade, Environment and Development (CBTF) UNEP and UNCTAD released a joint report in 2008: Organic Agriculture and Food Security in Africa. The Secretary-General of UNCTAD Mr. Supachai Panitchpakdi together with Mr. Achim Steiner, executive director of UNEP states that *'The evidence presented in this study supports the argument that organic agriculture can be more conducive to food security than most conventional systems, and that it is more likely to be sustainable in the long term'.*

Support to innovation and capacity building in high value chains

The benefits of market access and good prices in organic high value chain, is a good driver for development of smallholder farms. However, in the development of and support to organic value chains care should be taken to secure that organic cash crops are seen as part of a holistic agro-ecosystems approach in the capacity building and improvement of the natural, human and social capitals in rural districts and along the value chain. Modern Organic Agriculture is knowledge intensive and there is a strong need for more training and capacity building among farmers, organisations and companies involved in developing a market oriented organic sector. Such initiatives should go hand in hand with further development of agro-ecological practices adapted to the widely differing growth conditions, which exist in Africa. There is also a need for support to innovation of new products for high value markets based on local processing and to business development according to the experiences of CBTF, EPOPA and Helvetas. The 'Organic Business Guide' developed by Helvetas, Agro-Eco Louis Bolk Institute and IFOAM, with support from UNEP, ICCO, SECO and SIDA, provides a solid basis for capacity building in this regard.[1]

[1] *Print copies and pdf-downloads will soon be available from www.ifoam.org; an interactive online version is presently developed at http://en.wikibooks.org/wiki/Organic_Business_Guide*

Further reading and references

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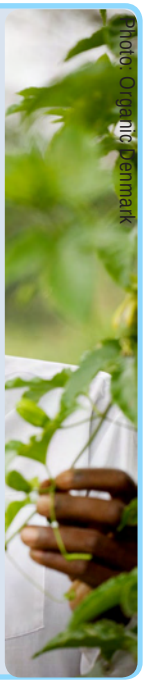

Photo: Organic Denmark