

NETWORKED COMMUNITY FOR ORGANIC PRODUCERS' MARKET ACCESS (ORGANICSNET)

I. Project Basic Data

1. **Title:** Networked Community for Organic Producers' Market Access (OrganicsNet)
2. **Country:** Brazil
3. **Executing Agency:** Sociedade Nacional de Agricultura

II. Background

Consumers all over the world are fast becoming more conscientious of their health, therefore food consumption and wellness have become important issues. As a consequence, organic products are representing a new acceptable lifestyle choice, especially for urban consumers with more disposable incomes.

Although the principal markets are Japan, US and EU, organic agriculture is rapidly growing in Brazil. Sales reported in 2000 were USD 250 million and are projected at USD 3 billion by 2010¹, congregating approximately 6.5 million hectares and 19.000 producers, mostly small-scale farmers and companies with little market access or knowledge about certification, logistics, market offer/demand, price structure and lack basic managerial skills.

Under the leadership of the Brazilian Ministries of Agriculture and Agrarian Development, small producers are converting their fields into organic, increasing the number of producers, most of whom still lack the ability to sell even in national markets. Producers lack information about product presentation, labeling requirements, raw material suppliers, competitors, packing materials, certification, pricing, market demands, logistics/ transportation structure and distribution, and above all are unable to reach higher-value markets. In the present, their products are commercialized sporadically and in small quantities at farmers' markets, box schemes, home delivery, hotels and restaurants and some small specialized retailers, neither of which stimulate volume growth.

What started as a marginal business in Brazil is developing into a fast growing market segment that is attracting large agribusiness players and mainstream retailers. Major supermarkets have become receptive to organic products, as well as high-end restaurants. Specialized retail chains are rapidly expanding in Brazil and franchising abroad. An example of growing market demand is the "everyday low prices" Wal-mart's recent announcement of entrance into the organic market which could result in growth for well-organized producers but could hurt many SME.

The Brazilian organics market is steadily growing but SME lack understanding of the higher-value market being developed and face competition from experienced larger conventional food producers as well as more knowledgeable organic associations. Entrance into mainstream retailers is almost impossible for small producers who lack volume, financial backing and accepted certification, leaving important selling platforms to a few medium-sized companies. Mainstream retailer negotiating tactics (financial discounts, payment terms, advance payments) are additional entrance barriers.² Unable to reach customers through large volume retailers results in the inability of SME to increase volumes, reduce costs and guarantee survival. Producers need to adopt methods that will give their product aggregate value and hence a competitive edge.

This project proposes the development of a market access and information channel focused on organic products for SME, that would enable participants to form "virtual groups/communities" that would provide price and volume stability, improving market access. Through an Internet based platform, this project would facilitate the interaction between SME and the market by: providing product visibility, supporting commercialization and marketing processes, cultivating direct access and relationship building with customers; enabling logistics and distribution of their products (i.e. pooling small volumes into organic suited trucks and containers); facilitating information, as well as knowledge about customer's demands, raw

¹ http://www.ibd.com.br/noticias/2005/alimentos_mais_saudaveis.htm

² Roberta Teixeira da Costa, robertat@uol.com.br (Consumer profile - summer of 2005 at selected São Paulo supermarkets)

material and packing suppliers, best practices, certification, etc. The project also would enable not just communication with consumers but information sharing and exchange amongst organic players: fruit and vegetable producers, with seed, raw materials and packing producers, industries looking for ingredients and raw materials.

The platform will be coupled with a strong capacity building model and linked to a “Customer Service”, enabling agricultural producers to attain duly qualified and certified production, and to attain the highest levels of client satisfaction. Also it will allow tracking and traceability facilities and will also offer back-office services to each participant as well as to the administrator of the platform.

As a result, the project will enable organics producers to work with integrated production systems for capacity building, development of new sales channels, creation of new markets and increased supply volumes. It will focus on integrated production systems to enable transitions from sporadic sales to sustainable market sales. The supply chain will be better organized by enabling access to service providers whose purpose is to do so. Costs will be reduced by pooling production and improving logistics.

The proposed project complements SNA’s incubator initiative focused on the organic chain and Sebrae’s work with organic producers.

III. Project Objective, Components, and Activities

The project objective is to improve Brazil’s organic production chain and to increase small producers’ competitiveness and market penetration. To this end, the project will deploy an ICT-Based platform to support and boost SME’s production, commercialization and delivery of organic products in Brazil and abroad. At the end of the project:

- SME will be able to attain greater visibility , which will give them the opportunity to enter new markets and reach new customers.
- At least 50 organics SME involved in consortia-based operations improving organic chain efficiency and reaching production scale.
- Sporadic sales will be changed to into sustainable market sales through integrated production systems.
- The supply chain will be organized, which will ensure the efficient delivery of products.
- Improved the products’ quality and adaptation to domestic and international market requirements through continuous capacity building and training programs.
- Certification support made available through the main certification entities.

The project includes the following components:

Component 1: Infrastructure and Content Deployment & Maintenance

The component consists of the development of the platform. The main activities are: (i) Pilot Participants Selection; (ii) Detailed Planning and Content Definition; (iii) Portal and Platform construction as well as operation; (iv) Customer Service Implementation and Operation.

Component 2: Continuous Human Resources Capacity Building

The objective of this component is to provide specialized training for all participants in the pilot program. It considers the following activities: (i) Training for High Quality Production; (ii) Training for High Quality Commercial Services and Legislation; (iii) Training of Sales Personnel in Points of Sales.

Component 3: Transactions and Fulfillments

This component will stimulate ICT-Based activities of market prospecting, transaction negotiation, closing deals and post-deal fulfillment interaction. It includes the following activities: (i) Market Penetration and Consolidation; (ii) Marketing and Customer Satisfaction; (iii) Follow-up.

Component 4: Evaluation and Dissemination

The objective of this component is to evaluate the results of the project, make any necessary adjustments and launch it to the general public. The includes activities are: (i) Final Revision; (ii) Adjustments; (iii) Opening to Wider Participation.

IV. Executing Agency

SNA is a private not for profit institution founded in 1897 to enhance the development of Brazil's agriculture through education, research and policy building.. Bringing together business leaders, academics, producers, companies involved in the agribusiness chain, SNA acts as a networking organization providing a congenial setting to discuss challenges facing the producers. It has been involved for many years in educating small agricultural producers on various issues related to the agricultural production, markets and technologies. To this end, SNA has carried out projects involving the mobilization of producers, key public and private figures, students, researchers and professors..

SNA has been working very closely with organic producers realizing that small-scale farmers must overcome a series of constraints to access the fast-growing organic market i.e. raw materials and production inputs, small volume goods transportation and handling, as well as market information. Its agribusiness incubator, a dynamic model of sustainable and efficient business operation to enable organic entrepreneurs to improve viability and profitability of operations, is facilitating access to organic producer associations and networks, and is knowledgeable about the demands and needs of the sector.

V. Main Issues

Beneficiaries: The pilot project will benefit 50 producers who handle spices, cookies, teas, guaraná, honey, coffee, rice, grains, fruit juices, dry fruits, soft-drinks and cosmetics. It also involves 8 duly certified "large anchors producers", of which 5 other smaller companies depend on (i.e. raw material suppliers).

Project Indicators: Following are the project performance indicators:

PERSPECTIVA	INDICATORS
Objectives	Producers affiliated to the platform
Processes	Producers' productivity growth
	Products adapted to reach economy of scale
Marketing/Sales	Growth in exports

Sustainability: The income source will come from monthly access, subscription fees, consultant services, capacity building and training, and a percentage on transactions performed through the platform.

Dissemination: Since SNA is part of a network of organic players, the dissemination of the services and results of the project will include direct mail campaigns and periodic newsletters sent to producers and entities related to Brazil's organic production. Also SNA will promote the project through its website www.sna.agr.br, its magazine "A Lavoura", and specialized local and international fairs. They work closely with Sebrae, Ministry of Agriculture and Planeta Organico -- organic portal -- all of which are involved with organics in Brazil and are willing to join efforts for the dissemination of the project results.

Risks: The main risks are the following: (i) Producers not being able to access computers on 24-hour basis due to lack of good telephone connections or broadband. To mitigate this risk the project cannot be merely based on IT. It will include phone/fax services; (ii) Lack of reliable and acceptable tracking and traceability mechanisms. Organic markets are based on consumer reliance on safeness and quality of products being offered thus traceability mechanisms are very important. To mitigate risks close contact with producers, certification entities will be in place, to enable understanding and analysis of production systems used by SME.