# GUIDE FOR DECISION MAKERS

for farmer organizations and exporters

wishing to export organic and fair-trade certified products

and for business support organizations

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Sales and Marketing Group
Publishing Policy and Support Branch
Office of Knowledge Exchange, Research and Extension
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Viale delle Terme di Caracalla
00153 Rome, Italy

E-mail: publications-sales@fao.org
Fax: (+39) 06 57053360
Website: <www.fao.org/catalog/inter-e.htm>

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Trade and Markets Division

Food and Agriculture Organization of the United Nations

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# Contents

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*This publication was written by Cora Dankers, Project Technical Officer, Trade and Markets Division, FAO, with Ellen Pay, consultant.*

*Technical editing: Pascal Liu, Trade Economist, Trade and Markets Division, FAO.*

*Formatting and lay-out: Ellen Pay.*

*Project supervision: Pascal Liu.*

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# INTRODUCTION – HOW TO USE THIS GUIDE

This guide draws on the lessons learned in the framework of the project "*Increasing incomes and food security of small farmers in West and Central Africa through exports of organic and fair-trade tropical products*", implemented by FAO in Burkina Faso, Cameroon, Ghana, Senegal and Sierra Leone from September 2005 to September 2009, with funds provided by the German Government. For more information on this project, consult its website at <www.fao.org/organicag/organicexports/organicexports-home/it/>.

This guide was developed for farmer organizations and companies wishing to export organic and fair-trade certified products, as well as for organizations providing them with support services.

Although the guide may be read in its entirety, it was rather meant to be used fragmentarily, depending upon the user's needs of the moment. Indeed, every farmer organization, exporter or business support organization will be at a different stage in its development. Some tools may be too advanced for some users, while other tools may be too basic for others. You are thus encouraged to pick those tools that may be useful to you at your particular stage of development, while ignoring the others.

To avoid duplication, the guide frequently refers to other guides and manuals. Most of these have been used in the framework of the project and have proven to be useful.

Most of the information contained in this guide is relevant to farmer organizations, exporters and business support organizations alike. Where certain information is specifically aimed at one of these three subgroups, this is clearly indicated.

Although we have minimized the technical jargon in this guide, you may encounter some key words that you are not familiar with. Definitions of underlined terms can be found in the Terms and Definitions-section at the end of the guide.

# MODULE 1 – BEFORE YOU START

## INTRODUCTION

Before you start investing in the development of your export capacity or certification, you should ask yourself a few questions:

- **Farmer organizations**
  - *Do we want to export ourselves, or do we want to sell our products to an exporter?*
  - *If we choose to work with an exporter, do we stay independent, and sell to whoever we choose, or do we enter into an outgrower partnership with an exporter, and benefit from the services the exporter has to offer?*
- **Exporters**
  - *Do we want to develop our own production capacity, or do we source our products from individual farmers or farmer organizations?*
- **Farmer organizations and exporters**
  - *Which market do we target?*
  - *Which certification scheme do we choose?*
  - *What are our strengths and weaknesses?*

This module aims at providing some tools to answer these preliminary questions. Some of these tools require basic management capacities. If you feel you do not understand the material or are not yet capable of using the tools, we suggest that you first study some of the tools on basic management in Module 2 before returning to Module 1.

As a first step, we will give you the necessary information to carry out a preliminary self-evaluation of your strengths and weaknesses. Second, we will provide you with the necessary tools to analyse the opportunities and challenges presented by the market. At the end of Module 1, we will give you some tools to select the type of supply chain in which to operate, as well as the certification scheme best suited to your organization.

## THE 5M-APPROACH

We advise you to carry out a preliminary self-evaluation of the strengths and weaknesses of your organization and product by adopting the 5M-approach. According to the 5M-approach[1], organizations are evaluated on the basis of five variables: MEN, MEANS, METHODS, MACHINES and MEASURABLES.

*Try to answer the questions listed below. If you do not understand a question or are unable to answer it, skip it for the moment – you will carry out a more complete analysis in Module 3, where you will develop a proper business or export plan.*

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[1] *Adapted from the CBI Export Planner, paragraph 2.5.1. See <www.cbi.eu/marketinfo/cbi/docs/export_planner_a_comprehensive_guide_for_prospective_exporters_in_developing_countries?via=pub>.*

**MEN** **Who are the people in your organization? What are their experiences and capabilities?**

- Farmer organizations

  - *How would you describe the relation between the organization's members and its executive committee/management? Are the members democratically represented in the organization's decision making bodies? Do the member representatives possess the knowledge and skills to effectively execute their roles? Are both the organization's members and its management motivated to develop its activities, do they share the same objectives?*
  - *Is your organization managed by an executive committee consisting of member representatives, or by a professional salaried manager and staff, supervised by a board?*

- Farmer organizations and exporters

  - *What are the basic management capacities in your organization? Do you have the skills to organize meetings, develop a vision and strategy, draft work plans?*
  - *What are the export managing skills in your organization? Do you have skills for market research, contract negotiations, financial management, logistical organization, quality management, etc.? What are the computer and language skills in your organization?*
  - *Do you have contacts with support organizations (governmental, non-governmental, private) that can assist you? Do you already have business relationships, and are they long- or short-term?*

**MEANS** **What is the financial situation of your organization?**

- Farmer organizations and exporters

  - *Does your organization have a bank account, a basic accounting system, annual financial reports, external audits, etc.?*
  - *What are the financial resources your organization can draw upon? Does your organization have enough funds to pay for its running costs, or have you accumulated debts? Do you need prefinancing to buy products, or to prefinance your suppliers' production? Do you need prefinancing for the operational costs related to exporting? Do you have funds to expand your activities or will you have to obtain credit?*
  - *Do you already have relations with banks or other parties (exporters, importers) willing to invest in your organization?*

**METHODS** **What are the managerial methods and professionalism of the organization?**

- Farmer organizations

  - *What is the legal status of your organization? Are you officially a not-for-profit organization, and may this change as your activities grow?*

- Exporters

  - *What is the ownership structure of your company (family company, limited liability company, subsidiary, etc.)? Is the management free to decide on the company's strategy?*

- Farmer organizations and exporters

    - *Do you have export permits?*
    - *How is your organization structured? How does it organize its production and export activities? Does the organization's organigram clearly indicates everyone's responsibilities, as well as the "line of command"?*
    - *(For more advanced organizations) Do you have a sales or export officer or department? Do you have a quality management system/traceability system?*

[ MACHINES ] **What is the production capacity of your organization?**

- Farmer organizations and exporters

    - *Is the current production level sufficient to deliver exportable quantities? Can you easily expand your production capacity or would this require a long-term investment?*
    - *How easy is it for your organization to switch products?*
    - *To which degree do you depend upon external suppliers or factors beyond your control? For example, are there risks of production shortfalls due to black-outs or adverse weather conditions? Have you taken measures to deal with such risks (e.g. set up your own electricity generator or built a stock of inputs)?*

[ MEASURABLES ] ***What are the performance indicators of your organization?***

- Farmer organizations and exporters

    - *How has your sales volume developed over time?*
    - *(For more advanced organizations that have already carried out a cost-benefit analysis) What is your profit per unit/return on investments/labour productivity?*
    - *How do these indictors compare with those of the competition? Are you more or less efficient?*

Try to decide, for each M-variable, what your organization's main strenghts and weaknesses are. List at least one and no more than three strenghts and weaknesses for each M-variable.

*Note that weak organizations are usually weak at carrying out an analysis based on the 5M-approach. Indeed, if you have only a very vague idea of the issues involved in setting up an export business, it is also very difficult to assess your strengths and weaknesses. Organizations tend to concentrate their analysis on their practical experiences, and only identify weaknesses where they have actually encountered problems. However, "unknown" weaknesses are usually more problematic than "known" weaknesses. Remember this rule of thumb: if you haven't done it yet, your lack of experience is a weakness.*

## MARKET RESEARCH

### The product

If you still have the possibility to change your product without too many investments, it is important to know for which product demand is growing, and for which product demand is declining. Even if you cannot switch products, there may still be different demands for different varieties, qualities, grades etc. It is very important to understand these "differentiated market demands" because you may have to adapt your production methods to cater for them.

### The market – demand and price

To make an informed decision about investments, you need to know in which market you are likely to find a buyer. Which specific demands do different markets have for your product, and what are the price developments in these markets? Markets can be differentiated according to their region (the West-African market, the European market, the North-American market), their country (the Italian market, the German market), or their sales level (the wholesale market, the retail market). Within the retail market of a specific country different types of markets can be distinguished, such as the market for branded products, the market for supermarkets' own label products, markets for high and low priced products, etc. Note that markets for certified products (including organic and fair-trade) and other niche markets often have their own characteristics, and do not necessarily follow the general market trends.

### The market – other characteristics

Other market characteristics that may have an important impact upon your business include: the distance to the market (transport time), the language skills of importers, cultural similarities or differences that may influence the relations between business partners, and barriers to trade, including import tariffs, import restrictions based on rules of origin, labeling requirements (e.g. nutritional labeling), food safety and phytosanitary regulations and traceability requirements.

### The competition

What the competition is doing is as important as what the market is doing. Are there many other suppliers trying to sell the same product? Is your product over- or undersupplied?

### Organic and fair-trade markets

If you are thinking about targeting the fair-trade or organic markets, you may want to read the Market Briefs in this guide (see <www.fao.org/organicag/organicexports/oe-market-briefs/en/>. These briefs discuss the markets for a number of products that are important for West and Central Africa (cocoa, coffee, cotton, mangoes and pineapples), but contain information that is relevant for producers in other regions too. The list of references at the end of the briefs may prove particularly useful. Searching the internet on the names of the authors in the list may lead you to more recent publications on the same topic. Furthermore, the list contains numerous websites where you can find additional – and more recent – information.

*We will come back to market research (at a different level) in Module 7 of this guide, where we will discuss market research and marketing.*

## COMBINING SELF-EVALUATION AND MARKET RESEARCH

### SWOT ANALYSIS

SWOT analysis is a much used strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or business venture. It involves specifying the objective of the project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

Strength and Weaknesses refer to the internal situation of your organization, to those aspects that you can influence. We have already explained how you can analyse the strengths and weaknesses of your organization using the 5M approach. In the SWOT analysis, you should only mention those elements for which you score better or worse than your competitors. Opportunities and Threats refer to attributes of the external environment in which you operate, and which you do not control.

The analysis is presented in the SWOT matrix. It is advisable to carry out a separate SWOT analysis for different aspects of your organization and business, including (a) human resources and management; (b) finances; (c) production and operations; and (d) marketing. As far as the SWOT analysis of your marketing position is concerned, you should use at least the following information from the 5M analysis:

- Men: marketing skills in your organization;
- Means: the available marketing budget;
- Methods: traceability and quality management systems;
- Machines: production capacity and flexibility;
- Measurables: production costs per unit.

Combining the 5M and SWOT methods will allow you to identify the opportunities and threats for your business.

| | Helpful to achieving the objective | Harmful to achieving the objective |
|---|---|---|
| Internal origin (organization) | Strengths | Weaknesses |
| External origin (environment) | Opportunities | Threats |

### CHOOSING YOUR SUPPLY CHAIN STRUCTURE

There are many different types of international supply chains, and it is useful to assess the opportunities and disadvantages presented by each structure. Examples of international supply chain structures include:

Individual farmers → local trader → exporter → importer

Individual farmers under contract → exporter → importer

Outgrower group under contract → exporter → importer

Farmer association + subcontracting exporter for export services → importer

Farmer association → importer

Individual farmer (plantation) = exporter → importer

This is obviously a very simplified overview. It does not include the suppliers of inputs to farmers or the wholesalers and retailers to which the importers sell their products, and omits the more complex chains of processed and composite products. For example, the “local trader” in the first supply chain structure may consist of a number of village produce agents, small and larger traders and processors.

The relation between a farmer organization and its exporter may take various forms. On the one end of the spectrum, the exporter manages the outgrower group, controls the production planning and provides all the inputs; the growers are not allowed to sell to other buyers (third example). On the other end of the spectrum, the farmer organization manages itself, sources its own inputs, is certified under its own independent Internal Control System (ICS) and subcontracts an exporter to provide export services (fourth example). Other autonomously managed farmer associations decide to supply a single exporter under contract. Certain exporters manage the internal control system of a farmer organization, but do not supply inputs and allow the farmers to sell to other buyers. While each situation requires its specific arrangements, it is always important to clearly specify the roles and responsibilities of each party. More information on contract farming can be found at the FAO Contract Farming Resource Centre: <www.fao.org/ag/ags/contract-farming/en/>.

The SWOT analysis provides you with insights into your strengths and weaknesses, and allows you to assess which supply chain arrangement is most suitable for your organization. You should carefully assess the investments you need to make in order to take up your preferred position in the international supply chain. Do the benefits of these investments outweigh the costs? If you decide to export directly, for example, will the difference between the export price and the farm gate price enable your organization to assume all operational costs (costs of grading, packing, transportation, certification, port handling, etc.)? You may find that it is more profitable to sell your products to an exporter or processor, or even on the local market. This should not be seen as a "defeat"; after gaining more experience, you may decide to start exporting directly if a good market opportunity presents itself.

*Module 4 provides an in-depth look at cost-benefit analysis.*

### CHOOSING YOUR MARKET AND CERTIFICATION SCHEME

If you choose to export directly, you obviously need to choose your market. But even if you decide not to export yourself, it is good to have a general idea of the market you wish to supply, to know which exporters you should approach for collaboration. The SWOT analysis allows you to assess your strengths and weaknesses against the opportunities and threats presented by the market. In which market would your strengths give you a competitive advantage over your competitors?

For example, you may have learned that the European market is highly demanding as to the traceability of your product. If your organization already has a good internal quality management system in place, it may be able to meet these demands, while its competitors may have more difficulties. The market demand for traceability represents a competitive edge for your organization.

In another example, your product is being supplied by various competitors, and there is not much room for product differentiation in quality. In this case, you may decide to obtain organic certification – especially if your producers are not using any agrochemicals anyway – to supply a niche market where competition will be less fierce.

At this point, you should not be too specific in your choice of a market. For example, instead of Germany, you may choose Western Europe, to keep alternative options open.

### MAKING A WORK PLAN

Now that you know which market you want to target, you should develop a work plan to get there. The work plan should:

- Set out a number of clear, measurable targets;
- Contain a step-by-step strategy (including a timeline) to obtain these targets;
- Clarify responsibilities: who does what;
- Evaluate costs.

Look at the weaknesses of your organization as identified in the SWOT analysis. Which are your most important weaknesses, which weaknesses should be addressed first?

At this point, you should also identify whether you need any external help. If you do, you should start looking for organizations that can offer such kind of help. You may be able to obtain financial funds from your government or a project to hire private consultants.

*Module 2 will help you choose your partners.*

INFORMATION FOR BUSINESS SUPPORT ORGANIZATIONS

In West and Central Africa, where very few farmer organizations have the capacity to set up an export business, the “drive” to export is often provided by export promotion projects, which “recruit” farmer organizations to comply with their donors’ requirements. Business support organizations should clearly point out to farmer organizations the costs and risks involved in any export activity, as well as alternative ways to play a role on international markets. Indeed, selling to an exporter may prove a viable alternative to – and may even be more profitable than – exporting directly.

The expectations of the farmers involved in the project should be managed carefully. Farmers must be enthusiastic about the project in order to participate in training sessions and comply with quality and other standards. If the preparatory phases of the project take longer than expected, farmers may become disillusioned and abandon the project, taking the results of investments in farmer training with them. It is therefore very important to:

- Inform farmers about the expected duration of the preparatory phases of the project;
- Minimize the number of farmers involved in the development of the organization’s traceability, quality management and Internal Control Systems. While you may provide training to a larger group of farmers (e.g. to meet the donor’s project targets or create a pool of trained farmers to supply products when business picks up), involving too many farmers too early will make it impossible to buy the output of every farmer who has invested in meeting the project’s production and quality requirements;

Clearly inform the farmers of the production volumes that will be bought by the farmer organization or exporter; they will have to sell the remainder of their production volumes through their “old” channels.

Farmer organizations wishing to supply the fair-trade market are often obliged to export directly, which may lead business support organizations to go too fast in setting up export operations. In the worst case scenario, delivery problems are such that the whole fair-trade project is dropped altogether; in the best case scenario, the business support organization takes full control of the export activity, while it takes the farmer organization years to build the necessary export capabilities. To avoid such disappointments, it is crucial to carefully assess the farmer organization’s capacities and experiences and clearly – and realistically – inform all parties of the feasibility of activities, results and timeframes.

In addition to the SWOT tool discussed in this module, you may use Participatory Rural Appraisal (PRA) tools, empowering and involving farmers in the analysis of their initial situation. The following PRA tools may prove useful in the development of the organizations’ marketing system:

- VENN diagram <www.fao.org/Participation/tools/venndiagram.html>
- Flow diagram <www.fao.org/Participation/ft_more.jsp?ID=3061>
- Mobility mapping <www.fao.org/participation/tools/mobilitymap_545.html>
- Participatory cost/benefit analysis <www.fao.org/Participation/ft_more.jsp?ID=142> (see Module 4)

More PRA tools can be found at <www.fao.org/participation/tools/PRA.html>.

# MODULE 2 – PRODUCER GROUP/COMPANY MANAGEMENT

Module 1 dealt with the analysis of organizations according to the 5M-approach. Module 2 takes a detailed look at the two M's of Men and Methods. This Module was especially developed for farmer organizations without prior business experience, as well as farmer organizations that have been operating in an informal manner and need to be formalized. If your organization is already well established, you may quickly scan this Module to see if you find any useful information; if not, you may jump directly to Module 3.

## CONSTITUTION AND BY-LAWS/REGISTRATION

### CONSTITUTION/STATUTES AND BY-LAWS

**Introduction**

It is crucial for any new organization to develop a constitution (or statutes) and by-laws specifying *inter alia* the purpose of the organization, its membership rules and its method of operation. Whenever a dispute arises, the constitution will be the main reference text, providing guidance on how to resolve the dispute.

The actual drafting of the constitution and by-laws is best done by a small group with a certain knowledge of the functioning of farmer associations and cooperatives. However, the content of the constitution and by-laws should be based on discussions with all members on their expectations regarding the organization and its functioning.

**Before you start writing**

Make sure you understand the laws and regulations governing farmer organizations in your country. Some countries have standard formats for the statutes of farmer organizations and cooperatives.

If you intend to obtain certification under the Fairtrade-system, you should ensure that the constitution of your organization complies with the FLO standard for small farmer organizations (available at: <www.fairtrade.net/generic_producer_standards.html>).

**Contents**

A constitution typically includes:

- Name and address of the association
- Purpose/objective of the association
- Legal status (e.g. association, not-for-profit, cooperative, GIC etc.)
- Membership rules:
    - who can become a member
    - how membership can be terminated
    - rights and obligations of members
- Management and governance structure (organs of the organization)
- Rules for membership representation in the governance structure (including rules for calling meetings and election procedures for the annual general meeting and executive board/executive committees)
- Rules for financial management and reporting
- Complaints procedures and rules on how to deal with violations of the constitution
- Rules for amendments to the constitution and by-laws
- Rules to wind up the association

Do not include any elements that may change frequently (e.g. the height of the membership fees, names of office holders etc.) in the constitution or by-laws; these documents should only set out the general rules on how the association will decide on such issues (e.g. by the management body, the executive board or the annual general assembly, etc.).

Make sure your members have the chance to comment on a draft version of the constitution and by-laws (if not all members can read and write, you should make provisions to read out the draft to ensure that everyone gets a chance to voice comments). The final version of the constitution and by-laws should be approved by a general assembly.

## FORMAL REGISTRATION

In order to be able to conclude contracts with buyers or service providers, your organization must be officially registered and have a bank account.

Once registered, your organization will be included in the authorities' records. This may lead to certain obligations related e.g. to taxes, financial reporting or social security provisions for staff members. Be prepared to meet these obligations before you register.

Choose your legal status carefully. As a farmer association, you may be exempt from taxes, but the flip side of this coin is that you may not be able to obtain trading or export licenses. While the status of a cooperative may be better suited for your type of activities, the rules on governance and financial reporting for cooperatives are usually stricter than those for farmer associations. Alternatively, a farmer association may create a separate company for commercial operations, owned by the association.

Irrespectively of the selected legal status, it is important to clearly specify each party's liabilities in case of bankruptcy. For example, if the association is unable to honour its financial obligations vis-à-vis its lenders, do they have the right to seize assets (e.g. land) owned by its members?

As indicated above, your legal status will have implications upon the management and governance structure of your organization, and should thus be decided upon before the constitution and by-laws are finalized.

## TRAINING OF EXECUTIVE COMMITTEE OR BOARD MEMBERS

The approval of the organization's constitution and the election of its office holders should be followed by an assessment of the training needs of its officials. Even with a professional management team, the elected members of the supervising bodies will need some basic knowledge and skills to carry out their supervisory role in an effective manner.

Office holders may need training on:
- Understanding their role in the organization;
- Conducting meetings;
- Keeping minutes and records (and related computer skills);
- Understanding financial statements, basic accounting and bookkeeping;
- Basic understanding of the organization's business operations.

If the elected executive committee is to be in charge of the organization's business operations, the demands on its business knowledge and skills will obviously be much higher; in such cases, the executive committee will have the same training needs as professional staff members (see below).

## RECRUITING, TRAINING, MANAGING AND KEEPING STAFF

### PERMANENT STAFF MEMBERS

What are the existing skills of the staff or your organization as to market research, contract negotiation, financial management, logistics, quality management, etc.? Which computer and language skills are available within your organization? If any skills are missing, can you address these problems by providing training, or do you need to hire additional staff members (and do you have the financial resources to do this)? Permanent staff members usually constitute one of the most important cost categories for an organization. It is therefore very important to ensure that the right people are in the right place.

### FUNCTIONS AND JOB DESCRIPTIONS

In order to maximize the efficiency of the human resources within your organization, we suggest you carry out an inventory of all the tasks that need to be performed. On the basis of this inventory, you should formulate staff positions, as well as their corresponding job descriptions. In small organizations, one person will often perform multiple functions, while bigger organizations may create more specialized positions. Over time, as your business develops, you will need to review certain job descriptions. If your organization is doing well, you may be able to promote certain permanent staff members or recruit junior staff to carry out specific tasks under their supervision.

### RECRUITMENT

Many developing countries are faced with a scarcity of well-trained and experienced people, whereby well-qualified employees command high salaries – salaries a start-up business cannot afford.

Although you may be in a hurry, it is worth spending some time finding the right person for a particular position to avoid disappointments. Newly created cooperatives or export businesses typically do not have a professional personnel manager. The following section provides some information on standard recruitment practices.

#### Vacancy announcement

Any vacancy announcement should clearly describe the available position to ensure that applicants match the profile your organization is looking for.

Based on the job description, define the position’s “essential” and “desirable” skills and experiences. “Essential” skills and experiences are those that cannot easily be acquired on the job, while “desirable” competences can be taught on the job.

The vacancy announcement should contain a detailed job description, the essential and desirable qualifications and experiences, as well as an indication of the salary offered. It should also specify the chain of command in which the candidate will operate. A vacancy announcement for a marketing officer, for example, may specify that the officer will report to the general manager and supervise two junior staff members.

The vacancy announcement should give clear instructions as to how candidates may apply for the job, and set a deadline.

Distribute the vacancy announcement as widely as possible within those circles where you are most likely to find qualified people, including universities or institutes for higher professional education, or in newspapers and on websites that are read by the type of persons you are looking for. Business development projects may help you find a suitable candidate.

#### Shortlist

As soon as the deadline for the submission of applications has passed, select three to six candidates on the basis of the letters and CVs you have received.

If there are more than six candidates meeting the essential requirements, you can make a further selection on the basis of the following criteria:

- Desirable qualifications;
- “Team fit”: with the exception of job-specific knowledge and skills, the candidate’s level of experience and competences should be superior to that of the staff members he or she will supervise, but inferior to that of his or her immediate supervisor.

### Interviews

Invite the three to six short-listed candidates for an interview, during which you verify the most important claims made by the candidates in their respective applications. It may become clear that some candidates are less qualified than originally claimed, while others have in fact more knowledge or experience than was obvious from their applications.

Ask the candidate what they think working for your organization means, and what their motivation for applying is. If their answers do not correspond to reality, you need to correct their views and ask them to confirm their interest in the position.

### Selecting the right candidate

We recommend that you involve at least three staff members in the pre-selection and final selection of job seekers. Everyone, including managers, tends to select candidates on the basis of personal preferences. While this usually makes for a positive working atmosphere between like-minded people, it does not always guarantee the best business results. Creativity, for example, may be desirable for a product developer, while preciseness and organization are more important for a bookkeeper. Involving several staff members in the selection of new employees will ensure the complementarity of your team members' skills and competences.

### Direct offers

If you are unable to find good candidates through the normal recruitment procedure as described above, you may offer the job to someone who is already doing a (similar) job for another organization or company. Obviously, this method requires you to be able to offer a compensation package that is superior to the one the candidate is currently enjoying.

## EMPLOYMENT CONTRACTS

Of course, your organization's employment contracts should comply with the rules and regulations governing minimum wages, maximum working hours, etc. in your country of operation. Paying bonuses is a good way to motivate staff members when your organization does well. However, if bonuses weigh too heavily in your employees' overall compensation package, they may feel insecure about the level of their salary and even consider to be treated unfairly when sales – and bonuses – are down.

Your financial planning should include salaries plus bonuses, as well as other staff-related expenses, including costs related to insurance and social security payments.

## MANAGING AND KEEPING YOUR STAFF

Newly recruited staff members need to be introduced to your organization's operations; they require detailed explanations on what exactly is expected of them. While some people prefer receiving clear, detailed orders leaving little room for own initiatives, other employees will see what needs to be done and take their own initiatives, but may get irritated by direct detailed orders from the manager. Regular staff meetings are key to ensuring that your staff members are working as a team and contribute towards the development of your business. During these meetings, staff members collectively set out their work programme and divide tasks. Over time, these regular staff meetings will become part of your operations' routines and will not require much time, unless important changes need to be discussed. It is good practice to regularly enquire staff members about how they feel about their job. Are they satisfied with their actual level of responsibility? Do they feel they need more or less guidance? Do they need additional training? Such issues should be discussed with newly recruited staff members after one to three months in the job, and at least once a year with all staff members.

Offering regular training opportunities to your staff members ensures that they feel motivated and confident, and brings new knowledge to your organization. If a valued staff member has been offered a job by another organization, you will need to evaluate the costs of offering that person a salary increase or promotion, or, alternatively, of losing that staff member and recruiting someone new.

# RECORD KEEPING

## FARMER RECORDS

Every farmer association or cooperative should keep up-to-date records about its members. Meanwhile, exporting companies should maintain records about the farmers in their outgrower group(s). Each farmer should have a copy of the file that is kept on him or her.

Membership records should include information regarding:

- Registration (name, address, membership code), fee payments, suspensions;
- Participation in training sessions and meetings;
- Farm size, production area and planting dates of the export crop; any other relevant agronomic data;
- Yearly data regarding inputs used, harvested volumes, purchasing records (volumes, dates and sums paid), volumes sold to other buyers, unsold volumes.

For the organization to be able to keep complete files, farmers will need to keep records on their use of inputs, production and sales to other buyers. They may need training in order to be able to do so; if farmers are illiterate, field officers may need to visit them regularly to record the necessary information.

### Recommendations

It is good practice to keep a separate file for every farmer. Membership codes should be used only once. Renumbering members to fill gaps in the sequence of codes may cause confusion about which code denotes which farmer and create problems with certification. Once a code is assigned to a farmer, the code becomes “unique” and cannot be used for new members (if the farmer dies, the code may be transferred to his/her heir, on the condition that the farm is not divided between several heirs).

## OTHER RECORDS

- Meeting and training records: dates, minutes, lists of participants (see Module 6);
- Aggregate records of harvesting forecasts, purchases and sales (see Module 6);
- Store records, stock lists (see Module 6);
- Financial records (see Module 4).

## ORGANIZING YOUR RECORDS

Order your records in folders, binders and archive boxes and label them to avoid losing time looking for a particular document. Organize your electronic documents in folders, using the same classification as the one you use for your paper records.

# EXTERNAL RELATIONS

There are essentially four types of external relations:

- Relations with your suppliers, including banks (suppliers of financial services) and certification bodies (suppliers of certification services);
- Relations with support organizations;
- Relations with your buyers;
- Relations with your competitors.

## CHOOSING YOUR SUPPLIERS

The basic principle behind choosing your suppliers is rather simple: “best value for money”. In practice, choices may be very difficult. For example, your local supplier of cartons may be cheap, but delivers bad quality. You could buy excellent quality cartons abroad, but they are extremely expensive due to the higher transportation costs. Can you convince your buyer to make do with the cheaper local cartons? It may be worthwhile to seek collaboration with your competitors. To continue with the previous example, you could team up with other local exporters and place a bulk order for cartons with the foreign supplier at a discount. Cartons will no longer represent a factor of competition between you, but you may attract business away from other exporters who still use bad quality cartons.

For information on how to choose certification bodies, see Module 6.

## CHOOSING YOUR SUPPORT ORGANIZATIONS

Export promotion councils, development projects and other support organizations often seem to be "always helping the same people". However, this perception is often due to the fact that these organizations are unaware of the existence of other farmer organizations or exporters with promising business plans and a need for support. We therefore recommend that you draw up a list of institutions and projects active in your field of operation.

### Support services provided by the government

Support institutions and services provided by your government may include:

- Department for cooperative development;
- Agronomic extension services;
- Provision of subsidized plant material and inputs for pest and disease control (*make sure these are allowed under your certification scheme*);
- Collective mechanization programmes (e.g. renting out of tractors at cost price);
- Tax exemptions for imports of agricultural equipment;
- Export promotion council.

### Donor-funded development projects

Donor-funded projects usually have clearly defined and specific objectives. It is not unusual for these projects to be looking for credible local partners. They may contact your organization to assess whether it would be "eligible" for help. In order to assess whether a particular development project is right for your organization, you should ask yourself a number of questions:

- Do the project's objectives match those of your organization?
- Will the donors require information that you consider commercially sensitive or confidential?
- Will the project bring real help, or will it only take up your time?

## CHOOSING YOUR BUYERS

Before engaging in any commercial transactions with unknown buyers, you should try to find some information about your potential partners.

- Ask the export promotion council in your country or your embassy/consulate in the country of the buyer if the company has been officially registered;
- Do an internet search on the company;
- Ask other players in the business if they know the company; try to find out what kind of reputation they have.

If you are in a position to choose between several buyers, some of the factors that will determine you choice are:

- Price;
- Terms of payment, possibility of obtaining prefinancing;
- Quality requirements;
- Desired volumes and times of delivery;
- Long-term business perspectives.

## YOUR COMPETITORS

Even though you compete against each other, you and your competitors share a number of interests because you operate in the same field. Common interests may include: low export taxes, good handling services at the port, good credit facilities, etc. Farmer organizations and exporters often form national bodies or "inter-professional organizations" to defend these common interests. It may be worthwhile for you to become a member of such an organization.

*The importance of being contactable*

Many farmer organizations miss opportunities simply because it is very difficult to contact them. If you are faced with frequent internet server problems, create an alternative email address on another server. If your primary server is down, inform your main contacts that you can be reached on your alternative e-mail address. You should have a functioning telephone number and e-mail address, and, ideally, a skype account and fax number. Contact details on business cards, brochures and websites should be up-to-date at all times. The internet is an extremely important communication tool. Many websites offer useful information free of charge. In addition, many application procedures are handled through the internet. Certification bodies, for example, often provide online application forms. If you can choose between several internet providers, choose your provider on the basis of its reliability and speed, rather than opting for the cheapest one.

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**INFORMATION FOR BUSINESS SUPPORT ORGANIZATIONS**

A useful trainers' manual for agricultural cooperative development (and especially of weak or new organizations) is: FAO. 1998. *Agricultural Cooperative Development; a Manual for Trainers*. Available at: <www.fao.org/SD/2003/IN07023_en.htm>.

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# MODULE 3 – BUSINESS PLANNING

This module will help you to go from a vision (Module 1) to planning to “make it happen”. We will distinguish between three basic planning levels:

- Strategic planning (long-term);
- Programme planning (mid-term);
- Operational planning (short term).

Module 3 is very short, not because it is not important; quite to the contrary, because it is so important, a lot of material already exists. Rather than repeating other sources, we will guide you towards existing toolboxes, guides and manuals.

## STRATEGIC PLANNING

A strategic plan is a coordinated and systematic process aimed at establishing a course and direction for your company. A strategic plan should be developed by a team including the key players in the enterprise and discussed with the main members of the organization and business partners. A strategic plan may facilitate negotations with financial service providers. Strategic planning is recommended in the following situations: when you start a business / if you are preparing for a new venture such as a product launch / when markets are changing / if the business environment (laws, regulations, business practices) is changing. Strategic planning broadly consists of two components: the analysis of an enterprises’ strengths, weaknesses, opportunities and threats (SWOT analysis, see Module 1), and the development of strategies. For more information regarding strategic planning, see the website of the Business Development Bank of Canada (<www.bdc.ca/en/my_project/Projects/articles/strategic_planning.htm?context={2CE16A35-5040-4F1C-9DA0-E4D911FDFDC9}>). Your strategic planning may take the following structure (adapted from the **Export Marketing Plan Builder of the Centre for the Promotion of Imports from Developing Countries (CBI), available at: <www.cbi.eu/?pag=7>**):

1. Introduction and mission
2. Current market position (product, place, price and promotion)
3. Main market trends
4. SWOT analysis
   - 4.1 Strengths and weaknesses (company audit) (Men, Means, Methods, Machines, Measurables)
   - 4.2. Opportunities and threats (market audit)
   - 4.3 SWOT conclusions
5. SWOT analysis of the competition
6. Marketing strategy
   - 6.1 Market entry strategy
   - 6.2 Markets and segments
   - 6.3 Positioning strategy
   - 6.4 Branding strategy
   - 6.5 Product strategy (unique selling proposition, product development, packaging)
   - 6.6 Pricing strategy
   - 6.7 Distribution strategy
   - 6.8 Promotional strategy
7. Budget and forecasts (see Module 4)

For more information regarding the drafting of an export marketing plan, see Module 7.

# OPERATIONAL PLANNING

## ACTION PLAN

After developing a business or export plan, you should draft an action plan listing the activities needed to reach your objectives. This action plan clearly defines who should be doing what and when. For example, if one of the objectives of your marketing strategy is to increase your organization's product range, the activities necessary to reach this objective may include: obtaining quotations from suppliers of new packaging materials, obtaining and testing samples, ordering the chosen packaging material, training workers, pricing the new product, etc. Action plans are often presented in Excel sheets, indicating the required actions in the rows and the corresponding timeframe in the columns.

| Activity | Staff member | September | | | | October | | |
|---|---|---|---|---|---|---|---|---|
| | | Wk 1 | Wk 2 | Wk 3 | Wk 4 | Wk 5 | Wk 6 | … |
| ICS & quality | | | | | | | | |
| Internal inspection | Internal inspectors | | | | | | | |
| Internal inspection decisions | ICS manager | | | | | | | |
| Training regarding problems encountered upon inspection | Field officer | | | | | | | |
| … | | | | | | | | |
| Marketing & sales | | | | | | | | |
| Send Biofach application form | Marketing officer | | | | | | | |
| Develop new promotion materials | Marketing officer | | | | | | | |
| … | | | | | | | | |

## CHECKLIST

We advise you to draft an even more detailed checklist or "script" for your organizations' export activities. List all necessary activities (including information on who needs to do what and when) in chronological order.

Take note of your organization's first activities – how are they being carried out, which problems are encountered? This will help you draft more detailed and precise checklists in the future. If your export manager falls ill, his colleagues can take over his activities on the basis of the checklist.

*The table below provides an example of a checklist for export activities.*

Do not copy this example! Each organization – and each product – requires its own checklist. The contents of the checklist may vary according to the product (perishable or non-perishable), the value added by your organization (processing), whether you export directly or sell to an exporter, etc. A checklist for export activities may easily run for several pages.

*Example of a checklist for export activities*

| Activity | Duration | Start date | End date (deadine) | Staff member | Costs | Inputs |
|---|---|---|---|---|---|---|
| Train produce agents/harvesting teams | | | | | | |
| Plan target volume | | | | | | |
| Discuss buying terms with farmers | | | | | | |
| Obtain prefinancing | | | | | | |
| Inform buyers on volumes and start contract negotiations | | | | | | |
| Buy packaging material | | | | | | |
| Send samples to buyers | | | | | | |
| Finalize prefinancing and contracts with buyers | | | | | | |
| Secure transportation to packaging facility and obtain shipping/flight schedules | | | | | | |
| Hire and train temporary workers | | | | | | |
| Harvest/buy produce, label for traceability, record transactions | | | | | | |
| Transport to packaging facility and secure shipping/flights | | | | | | |
| Final sorting and packaging, label for traceability, keep records | | | | | | |
| Insure products | | | | | | |
| Transport to (air)port, offload and transit storage and fumigation | | | | | | |
| Export documents (phytosanitary documents, certificate of origin, EUR movement certificate) | | | | | | |
| Loading; send bill of lading to buyer and make request for payment | | | | | | |
| Upon payment, pay back prefinancing and loans, pay taxes and any outstanding payments to farmers and service providers | | | | | | |
| Request feedback on delivery from buyer (quality, timeliness, etc.) | | | | | | |
| Locate source of problems, investigate and solve | | | | | | |
| Calculate profit and loss | | | | | | |

# MODULE 4 –FINANCIAL MANAGEMENT

## BASIC BOOKKEEPING

Proper bookkeeping is absolutely essential to any farmer organization, cooperative or exporting business. If you do not have a good overview of how much your organization can spend on its various activities, or how its money is being spent, this should be one of your first priorities. Four types of stakeholders have good reasons to require your organization to operate a proper bookkeeping system: your farmers, your government, your credit providers and your buyers.

*Your farmers*
As a farmer association or cooperative, you sell products on behalf of your members and thus manage your members' money. Farmers will not work with your organization unless they are confident that you are handling their money well. Maintaining correct financial records will allow you to justify your decisions as to the management of their assets at any time.

*Your government*
Tax authorities and regulations governing the functioning of farmer associations and companies will require that you maintain correct and up-to-date financial records.

*Credit providers*
Your credit providers (including buyers providing prefinancing) will require proof that you are properly managing the funds they have provided to you.

*Your buyers*
Even if your buyers are not entitled to look into your accounts, knowing that you respect the principles of good bookkeeping may reassure them as to the professionalism of your organization. Buyers are not interested in working with suppliers that are likely to go bankrupt within the year or may decide to raise their prices halfway through the season because they suddenly discover they are making a loss.

The financial records of your organization may be kept by an employee (a bookkeeper or accountant), or you may outsource your bookkeeping to a professional external accountant or accounting firm. As a cooperative, you may benefit from accounting services offered by national cooperative unions. It is beyond the scope of this guide to go into the details of bookkeeping and accounting. Good courses are widely available and are worth the investment.

***No transaction without receipt***

A basic rule for all staff members! Every revenue or expenditure must be documented by way of a receipt or voucher, to be handed over to responsible officer. Expenditures are best documented by way of a receipt issued by the supplier of the goods or services. When this is not possible (for example in the case of a woman preparing lunch for a farmer training session organized in her village), you should issue your own receipt – signed by the supplier – to document the transaction. Cooperatives and companies generally use their own receipts to document sales. These receipts may be developed as part of the organization's overall traceability system.

## COST-BENEFIT ANALYSIS

To have more insights into your minor and major costs, it is useful to make a cost-of-production analysis, which is discussed in the next paragraph. A cost-of-production analysis will allow you to:

- Determine your major costs and where you may make savings;
- Determine your minimum price;
- Determine the minimum volume you have to produce to be profitable;
- Assess potential returns on investments;
- Predict what effect big changes in your operating environment will have on your business (e.g. fuel price increases).

| | |
|---|---|
| Step 1: | List all your costs |
| Step 2: | Divide your costs in variable and fixed costs and per product |
| Step 3: | Make your calculations |

While the principle of cost-benefit analysis is very simple (list all costs and incomes and calculate the balance) the practice can be quite complicated. Most importantly, you should not forget anything and record all expenses.

### STEP 1 – LISTING YOUR COSTS

A starting enterprise will have to predict many costs. You need to collect the prices of your inputs and estimate how many inputs you will use, estimate the salary costs of your employees, etc.

If your organization is already in business, you can consult your financial records. However, you may find that your bookkeeping methods are not up to par or do not facilitate the analysis of your organization's costs. You may need to instruct your bookkeeper to use different cost categories and inform your staff members of the correct procedures to report their expenses to the bookkeeper.

Certain costs do not appear as expenditures in financial statements, but should nevertheless be taken into account in your cost-of-production analysis. These costs include opportunity costs, amortization costs and the cost of money.

#### Opportunity costs

An opportunity cost is the cost of the alternative that must be forgone when choosing a certain action or making a certain decision. For example, although a farmer does not pay herself a salary, her working time has a cost since it could have been spent carrying out income-generating activities. This foregone income is called the "opportunity cost" of her time. The easiest way to quantify this opportunity cost is by estimating what the farmer could earn if she were to work on another farm. Similarly, a farmer may not consider his land to represent a cost since he has inherited it from his father; the opportunity cost of the land is the income the farmer could have earned by renting out his land.

#### Amortization costs

Amortization is the practice of writing off the initial costs of an asset in installments over a fixed period of time. The costs of the acquisition of a building, for example, are not all included in the financial sheets of that year, but divided in separate installments over the course of the life expectancy of the building.

#### Cost of money

A cost which is often overlooked in a cost-of-production analysis is the "cost of money", including interest payments on loans and bank fees. The paying back of a loan is not a cost in itself in the same way that receiving a loan or pre-financing is not an income. But the interest payment is a cost.

### STEP 2 – COST CATEGORIZATION

#### Variable and fixed costs

Distinguish between your operation's variable and fixed costs.

Variable costs = costs that depend on the production volume

Fixed costs = costs that do not depend on the production volume

Examples of variable costs include the costs of planting material, fertilizers and casual labour for harvesting (for a producer), or the costs of products sourced from farmers, transportation or casual labour for packing (for an exporter). Examples of fixed costs are: permanent staff salaries, office costs, maintenance costs and the amortization of machinery. The "hidden" costs that are often overlooked are usually fixed costs.

Since fixed costs are indirectly related to the volume of production, the boundary between fixed and variable costs is not always very clear. For example, purchasing machinery to increase your production capacity will result in an increase in your fixed costs.

#### Costs per product/product category

If your organization produces or exports various products, your financial records should indicate which costs concern which products (attribution). While this may be straightforward for certain expenditures, other costs may be harder to attribute. An exporter exporting both cocoa and coffee knows how much he paid for his cocoa, and how much for his coffee; however, if both products are stored in the same warehouse, how should the amortization costs of the warehouse be divided over the two products? The attribution of fixed costs may be particularly problematic. Choose one of the following approaches:

- Only the variable costs are divided per product; the fixed costs are attributed to the overall enterprise. This approach allows you to analyse gross profit margins for each product, as well as the net profit for the overall operation.

- Those fixed costs that clearly concern a particular product are attributed to that product. For example, an exporter exporting both fresh and dried fruits may attribute the amortization costs of his fruit dryer to the dried fruits only. Meanwhile, all "general" fixed costs are divided over the operation's various products according to the percentage of total revenue they represent. If the exporter in the previous example derives 60 percent of his revenues from selling fresh fruits and 40 percent of his revenues from selling dried fruits, 60 percent of the overall management and office costs may be attributed to the fresh fruits, and 40 percent to the dried fruits.

## STEP 3 – PROFIT CALCULATIONS

### Overall net profitability in a given year

This is the simplest calculation; you do not even need to distinguish between fixed and variable costs, or attribute your costs to your various products. Simply add up all costs and revenues incurred or generated by your operation in a given year, and calculate the difference. The outcome should equal the difference between your opening and closing balance of money and assets.

| Revenues - costs = overall net profitability |
|---|

### Net profitability of a particular product

The net profitability of a product is calculated as follows:

| Revenue generated by the product<br>– variable costs of the product<br>– fixed costs attributed to the product<br>=<br>net profitability of the product |
|---|

### Overall gross margin

The gross margin for your operation's overall production volume is calculated as follows:

| Total revenue – variable costs<br>=<br>gross margin of overall operation |
|---|

### Gross margin per unit

The gross margin per unit is calculated according to the following formula:

| Price per unit – variable costs per unit<br>=<br>gross margin per unit |
|---|

Importantly, your gross margin should always be positive. If the gross margin of one of your products is negative, the more units you sell, the more money you are loosing. You now have three options:

- Stop producing and selling the product;
- Reduce your variable costs (producing more efficiently) (see Reducing costs);
- Increase your sales price (see Price setting).

*Do not fool yourself by shifting a product's variable costs to the fixed costs category; your net profitability will still be negative!*

### Analysis

Comparing your net profitability and gross margin allows you to analyse the impact of your fixed costs on the net profitability of your enterprise or products. If your gross margin is positive, but the overall profitability of your enterprise or the profitability of one of your products is negative, you have several options:

- Lower your fixed and/or variable costs (see Reducing costs);
- Increase your sales price (see Price setting);
- Increase your sales volume without increasing your fixed costs (i.e. without investments in machinery or permanent staff).

A common error is to invest heavily at the start of an operation in order to quickly reach the targeted production volume. However, this entails high fixed costs from the start, when sales volumes may still be low. We advise you to start as "lean" as possible – you can always invest in more personnel and machinery when business picks up.

### Return on investment

The return on investment is what you earn per dollar (euro/franc/...) you invest in your operation.

$$\frac{\text{Net profitability of a product}}{\text{total costs attributed to a product}} = \text{return on investment of a product}$$

A product with a high profitability per unit may have a lower return on investment than a product with a low profitability per unit.

Just as you calculate return on investment, you may also calculate return on labour. The return on the farmer's own (non-salaried) labour may be used as a proxy for the cost of his labour, rather than the opportunity cost of his "theoretical" salary.

> An exporter of fresh and dried fruits wanted to expand his dried fruits operation since he was convinced that it had a higher profitability; this was confirmed by the cost-benefit analysis of the enterprise. However, the return on investment of the enterprises' fresh fruits operation turned out to be higher than that of its dried fruits operation. The exporter therefore decided to expand his production of both fresh and dried fruits.

### Analysis

While an overall enterprise may be profitable, one of the products in its product range may be making a loss. If one of your products is unprofitable, you have several options:

- Decrease your costs;
- Increase your sales price;
- Increase the sales volume of the product (if the gross margin of the product is positive and certain fixed costs may be attributed to it).

If none of these options are possible, you may:

- Eliminate the product and concentrate on your profitable products;
- "Subsidize" the loss-making product with the profits generated by your other products.

You may decide to keep less profitable or loss-making products in your product range for one of the following reasons:

- To offer your clients a full range of products: if you do not offer the non-profitable products, your clients may also stop buying the profitable products;
- A farmer association or cooperative may strive to maximize the income of its the farmers, rather than maximize its profits. However, it is in the interest of the farmers that the enterprise is economically sustainable. If the profits generated by one product are used to subsidize another product, these profits can not be used to invest in expanding the organization's operations and buy more products from farmers. These considerations should be kept in mind when discussing loss-making products with farmers.

"Separate" products which often make a loss are by-products. For example, a fruit exporter may sell his rejected fruits on the local market; second-grade shea butter which can not be exported may be used for making soap. In such cases, the loss on the by-product should be considered as a cost in the production process of the main product. Selling the rejected products on the local market is merely a way of reducing the costs of the sorting process.

### Break-even point

If your gross margin is positive, you may calculate the minimum volume which you need to sell at a given price in order to cover both variable and fixed costs – your break-even point.

$$\frac{\text{Annual fixed costs}}{\text{gross margin per unit}} = \text{break-even point}$$

Or:

$$\frac{\text{Annual fixed costs}}{\text{price per unit – variable costs per unit}} = \text{break-even point}$$

A simple example: exporting one tonne of a certain product represents a variable cost of US$1 000. The enterprise's annual fixed costs amount to US$5 000. The selling price of the product is US$1 500 per tonne. The enterprise will have to export at least
5 000 / (1 500 – 1 000) = 10
tonnes per year in order to break even.

### Minimum Price

Your minimum selling price should cover at least your variable costs; however, you may also set a minimum price which, for a given volume, covers both variable and fixed costs.

$$\frac{\text{Fixed costs}}{\text{volume}} + \text{variable costs per unit} = \text{minimum price}$$

A simple example: exporting one tonne of certain product represents a variable cost of US$1 000. The enterprise's annual fixed costs amount to US$5 000. The buyer has ordered 10 tonnes. The minimum price the enterprise should charge is

**(5 000 / 10) + 1 000 = 1 500**

or US$1 500 per tonne.

### Formats for calculations

You may use various formats to calculate gross margins, net profitability, break-even points etc.

The Annexes to Module 4 provide some examples.

Annex A provides an example of the cost table used by a mango export operation to calculate its desired FOB price. The table does not include details of the exporter's fixed costs, but is rather based on a desired margin per exported container to cover these fixed costs.

Annex B provides an example of the cost table for a cocoa exporter's annual general meeting and farmer training sessions. While the method used in this example to calculate the break-even point is more complex, the table is more informative as it indicates the loss or profit generated by each additional exported container. The standard calculation of the break-even point is given at the end of the table.

Annex C provides a very detailed example of a cost-benefit analysis for a producer growing both conventional and organic pineapples.

## COST-BENEFIT ANALYSIS OF CERTIFICATION

Implementing changes in an organization's management or production methods to comply with the requirements of a certification scheme represents an investment. As with all investments, you should assess whether the benefits generated by the investment are likely to outweigh its costs.

Obtaining certification may allow your organization to:

- Improve its market access: certification may allow you to supply new buyers or retain your current buyers;
- Obtain a price premium;
- Obtain prefinancing (especially for certain fair-trade commodities).

The costs of certification generally include:

- Costs to comply with the scheme's requirements (e.g. at the level of production methods, democratic organization, etc.);
- Costs to prove compliance with the standard (e.g. costs related to recordkeeping, setting up an Internal Control System (ICS), etc.);
- Certification fees to be paid to the certification body;
- Labelling costs.

Annex C to this Module, providing an example of a cost-benefit analysis for the parallel production of organic and conventional pineapples, may be used as a format to compare the costs and benefits of conventional and organic production operations.

Alternatively, you may list all additional costs and revenues your organization is likely to incur or generate as a result of certification, to assess whether the investment is worthwhile. While certain costs related to certification will only be incurred during the initial phase of operations, most certification expenses are recurrent (e.g. employing an ICS officer, paying certification fees, etc.).

Organic certification generally requires a conversion period of three years, during which the producer must comply with the scheme's requirements and pay certification fees, but is not yet allowed to sell labelled organic products. All extra costs incurred during the conversion period should be regarded as investment costs.

## CASH FLOW ANALYSIS

A cash flow analysis allows you to decide when to make certain investments or obtain credit. Unlike a cost-benefit analysis, a cash flow analysis only looks at income and expenditures as they occur. While amortizations do not appear in the cash flow analysis, the reception and repayment of loans do.

A typical cash flow analysis looks like the following table:

| | Month 1 | Month 2 | … |
|---|---|---|---|
| Initial balance | | | |
| Income | | | |
| Expenditures | | | |
| Closing balance | | | |

Analyzing your cash flow is generally quite straightforward; the only difficulty may be to predict when certain expenditures and incomes will occur. Monthly salary payments are easy to time, but when exactly are your buyers going to pay their bills?

The closing balances of each period indicate how much and when you can invest. For seasonal products, they indicate when your operation is likely to run out of cash and require credit to bridge the gap until the next sales earnings start coming in.

The following should be kept in mind when requesting credit:

- Money costs money: the interest to be paid on a loan will result in an increase in your cost-of-production;
- Operations with a year-round product cycle should only take out credit for investments in the expansion of the business. If your revenues do not cover your running costs, your business is making a loss and taking out a loan may only make the situation worse;
- Operations with a seasonal product need to buy a lot of products from their farmers upfront, but may only be paid by their buyers at the end of the season; hence the need for prefinancing (profitable enterprises may decide to use their profits to prefinance their next campaign, reducing the need to obtain credit);
- Carefully assess the timing of your credit needs and pay back your loans as quickly as you can to reduce the period over which you will need to pay interest. Credit providers often oblige their borrowers to spread installment payments over a long period of time. Do not accept long repayment periods if your cash flow analysis indicates that you could pay back the loan much sooner.

## FROM ANALYSIS TO ACTION

In the former paragraphs we have already discussed a couple of actions that can be taken in response to certain outcomes of the financial analysis. In this paragraph we give an overview of these actions and go into more details.

### COST-BENEFIT LESSONS FOR YOUR STAFF

Distinguishing between variable and fixed costs and between the various products within an enterprise's product range requires detailed expenditure reporting by all employees. Make this clear to them; employees will be more likely to comply with detailed reporting requirements (*No transaction without receipt!*) if they understand why they are necessary. Employees should be encouraged not to waste any of the organization's resources. After all, their job security depends on their employer's financial wellbeing! All employees should have some basic knowledge of the organization's major and minor cost categories. Staff members should not waste their time trying to save a few pennies, but focus their efforts on those areas where important savings can be made.

***Penny wise and dollar foolish***

A dried fruit processor and exporter put plastic sheets between the layers of dried fruit to prevent them from sticking together. Feedback from the buyer revealed that the plastic sheets did not cover the whole surface of the box and that some fruits were still sticking together. When the general manager investigated the problem, the line manager explained that he had instructed his staff members to use a minimum amount of plastic to save on packaging material. The general manager explained that the plastic sheets represented only a minor cost in the whole operation. The company had positioned itself in the high quality segment of the market, and any quality defects could lead customers to look for other suppliers. The cost of loosing customers could never be compensated by any savings made on packaging material.

## REDUCING COSTS

Reducing costs or increasing your sales volume without increasing fixed costs are two ways to increase the efficiency of your operations. Reducing costs is not easy and should be done carefully. Certain cost-cutting measures may affect the quality of your product and thus lead to a decrease in demand. When trying to reduce costs, you should look at the largest cost categories, including:

- Inputs: is it possible to find an alternative for or use less of an expensive input?
- Personnel: is it possible to do the same work with less staff, or produce more with the same number of staff members?
- Equipment and buildings: if amortizations represent an important cost for your organization, you should evaluate whether your equipment and buildings are used as efficiently as possible. May it be cheaper to rent, rather than own, your equipment? Or could you rent out your equipment when idle to earn some extra income? Could you increase your production volume without investing in new machinery (e.g. by introducing shifts)?

## PRICE SETTING

As indicated earlier, your unit price should cover at least the variable costs per unit. Ideally, your minimum price should cover both variable and fixed costs for a given production volume – the maximum volume you can produce or export with your current production or export capacity. Your sales price will also depend on the volume sold to a particular buyer. Many suppliers offer discounts when buyers order large volumes, which allow them to "spread" their fixed costs over a higher number of units.

As you are unlikely to operate at your full production or export capacity, it is good practice to set a price that is considerable higher than the minimum price calculated on the basis of your maximum capacity, and then offer a discounted price (which should still be higher than your minimum price) for large orders. However, your price cannot be determined solely by internal factors; it will also be influenced by the prices practiced by your competitors. You cannot set a higher price than your competitors unless you offer a better quality product (including certification) or better services (see Module 7). If – for the same quality of products or services – your competitors' price is lower than the minimum price required to make a profit, your competitors are producing the same product in a more efficient manner, and you will have to look for ways to reduce your production costs.

Note that the initial sales of start-up enterprises are likely to remain far below their target volumes. At the same time, these enterprises must set a competitive price to enter the market, and thus accept initial net losses. These losses should be regarded as investments costs to be earned back at a later stage when sales volumes have increased.

## CONTRACT NEGOTIATIONS

Apart from the sales volume and price, many other elements of a sales contract are of crucial importance.

> A contract is not written for situations where everything goes right, but for situations where something goes wrong.

Any sales contract should clearly stipulate which party is responsible in case something goes wrong. Make a list of everything that could go wrong, as well as the likelihood that it will go wrong; divide these risks into those that can be controlled or avoided and those that cannot (e.g. the destruction of your crop due to a storm). The sales contract should contain provisions regarding those risks that can be controlled or avoided, specifying who is responsible at which stage. A sales contract between an importer and an exporter generally holds the exporter responsible for any problems arising before the delivery of the goods (FOB or CIF). In turn, the exporter will have concluded a contract with his producer(s), according to which the producer(s) is/are responsible for any problems occurring at the production stage.

Problems may arise when the buyer and seller disagree as to the quality of the product upon delivery, for example when the products were sold on FOB terms and the buyer only sees his products upon arrival in the country of importation. To avoid such conflicts, quality assurance checks may be executed by third parties (e.g. SGS, BVQI, etc.) at both the packing stage in the country of origin and the point of reception in the importing country. If these checks reveal a discrepancy between the quality of the products at the stage of packing and the quality upon delivery, something may have gone wrong during transportation and the transport company may be responsible for any losses. Not surprisingly, third party quality assurance certification is widely used by traders in perishable products, including fresh fruits.

### Checklist for sales contracts

The contract should clearly specify which party owns the products at each stage of the supply chain (= terms of delivery). At which point does the transfer of ownership take place? Which costs and risks are borne by the seller, and which costs and risks are borne by the buyer? Such provisions are specified by the Incoterms, a set of universal terms of delivery published by the International Chamber of Commerce (ICC) (see <www.iccwbo.org/incoterms/id3040/index.html>). Using the internationally accepted Incoterms avoids confusion as to the interpretation of a sales contract. For a good overview, see the CBI Export Planner, Annex 2, available at <www.medibtikar.eu/IMG/pdf/Export_Planner_from_Developing_Countries_to_EU_Markets.pdf>.

The terms of payment determine when and how the buyer should pay the seller. An overview of the universal nomenclature for the various options for securing payment is given in Annex 1 of the CBI Export Planner.

The International Trade Centre (ITC) has published a number of manuals and guides concerning trade financing, see <www.intracen.org/tfs/welcome2.htm?http&&&www.intracen.org/tfs/publications/manuals.htm>.

The contract's product specifications should be clear and verifiable. "Good quality" is not objectively measurable; "less than 5 percent mould" is. For many commodities there are international standards for quality grading. If they exist, use them in your contract.

**A number of organizations have developed model contracts for international trade; the Annexes to this guide (Additional Resources) provide a link to the various sources. For general principles governing international sales contracts, see the Unidroit Principles of International Commercial Contracts (<www.unidroit.org/english/principles/contracts/principles2004/integralversionprinciples2004-e.pdf>), or the Database of the United Nations Convention on Contracts for the International Sale of Goods (CISG), including a Guide presenting contract clauses and documents for dealing with contract issues and tips for contract administration when the CISG applies (see <www.cisg.law.pace.edu/cisg/contracts.html>). For a general overview of both legislative texts, see <www.tradeforum.org/news/fullstory.php/aid/508/Primer_for_Exporters:_International_Sales_Contracts_.html>. For a list of both free and fee based online sources of contract forms, see <www.findlaw.com/16forms/collections.html>.**

## INFORMATION FOR BUSINESS SUPPORT ORGANIZATIONS AND COOPERATIVES ASSISTING FARMERS IN CALCULATING THEIR COSTS OF PRODUCTION

Assisting farmer organizations in carrying out a cost-benefit analysis is especially difficult when their managers do not have the necessary educational background; helping small farmers to undertake a cost-benefit analysis of their operations is even more difficult. However, farmer organizations need to know their farmers' costs of production in order to set a suitable price, while farmers benefit from a better understanding of the profitability of their operations. In addition, fair-trade certification requires the setting of a fair minimum farm-gate price covering at least the costs of production (including the costs of complying with the fair-trade standards).

### Recommendations

- Collect some background information yourself (e.g. on the cost of renting land, minimum and average wages for farm labourers, the costs of inputs etc.);
- Conduct the analysis in collaboration with a group of about ten farmers;
- If there are any literate farmers in the group, involve them first; although they are likely to be among the richer farmers and their methods may be more input-intensive than those of the average operation, they may be able to provide you with background information regarding costs of production. This information can then be discussed and verified with the other farmers;
- Conduct your analysis according to the production calendar, from the preparation of the soil to harvesting, to make the farmers – who are experts in their operations – feel at ease and avoid any omissions;
- Although farmers will mix up variable and fixed costs, you may still analyse their operations' net profitability with them, and categorize costs afterwards;
- Discuss production costs on the basis of the average plot size and convert these costs to per acre/hectare costs afterwards, as farmers are likely to overestimate costs per acre/hectare;
- Use units of measurement the farmers are comfortable with, even if these are barrels or cartloads; if possible, convert these units into metric units (kilograms, tonnes, litres, etc.), especially for production and sales volumes (e.g. convert crates to kilograms). For the chosen plot size, convert all indicators into monetary terms in order to calculate costs per acre/hectare;
- Many costs and yields will vary greatly from one year to another and from one farmer to the other. Try to agree on the extremes (what are the highest (when everything goes according to plan) and lowest (when everything goes wrong) possible yields?), then agree on an average;
- Explain the concept of "opportunity cost" by using examples farmers can identify themselves with. A farmer who owns his land, for example, may not have to rent land; however, he does forego any revenues he could have made by renting his land out. Likewise, a farmer working on her own land may not pay herself a wage; however, she does forego any wages she could have made by doing paid work for someone else.

*Profitable vs. loss-making products*

A cooperative was selling a fruit in two quality grades; grade 1 was making profits while grade 2 was making a loss. The cooperative's manager explained to its members that the organization was using the profits generated by grade 1 to cover the losses incurred by grade 2; the management wanted to stop selling grade 2 and use the profits generated by grade 1 to increase the enterprise's production volume. The farmers, however, wanted to the cooperative to continue selling grade 2 fruits, which they would otherwise have to sell on the local market or throw away. The cooperative's managers assisted the farmers in carrying out a cost-benefit analysis of their operations, which helped the farmers understand that they could increase their earnings by selling more grade 1 fruits. They agreed to lower the farm-gate price for grade 2 fruits to allow the cooperative to reduce its losses and invest in the expansion of its operations. In addition, the cooperative organized training sessions on improved production methods to ensure that more fruits would meet the grade 1 requirements.

# MODULE 5 –TRAINING

This Module assumes that you now have a clear idea about:
- the volume you need to be able to deliver;
- the requirements imposed upon your product in terms of quality;
- the requirements imposed upon your product and production process in terms of certification.

Farmers, be they members of a cooperative or outgrowers, need to be aware of and able to comply with the demands imposed upon the product and production process. Module 5 will present some of the material that was used during the project and may prove useful for other organizations too. Meanwhile, Module 6 will discuss compliance with certification requirements and present training material to establish an internal control system. Each enterprise will have its own unique training needs; it is therefore impossible to provide training material that exactly matches your specific situation.

## ORGANIC PRODUCTION

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International Federation of Organic Agriculture Movements (IFOAM). 2004.
*Training Manual for Organic Agriculture in the Tropics; Theory, Transparencies and Didactic Approach*
Available at: <http://shop.ifoam.org/bookstore/index.php?cPath=64_68_35>.

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This manual, offering a resource basis for trainers, will help develop the structure of a training course or workshop and provide material and ideas for its organization. The manual can also serve as a handbook for those who want to get a clearer idea about the basics of organic agriculture. The manual contains the following chapters: Introduction; Principles of organic agriculture; Soil fertility; Plant nutrition; Pest, disease and weed management; Animal husbandry; Farm economy.

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International Federation of Organic Agriculture Movements (IFOAM). 2005
*Training Manual for Organic Agriculture in the Humid Tropics; Theory, Transparencies and Didactic Approach*
Available at: <http://shop.ifoam.org/bookstore/index.php?cPath=64_68_75>.

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The main focus of this manual is on small-farm practices in developing countries located in the humid tropics, taking into account their specific geographic and climatic conditions. The manual contains case studies of organic farming systems, describes successful organic marketing initiatives and offers guidelines for the main crops of the humid tropics.

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International Federation of Organic Agriculture Movements (IFOAM). 2005.
*Training Manual for Organic Agriculture in the Arid and Semi-Arid Tropics; Theory, Transparencies and Didactic Approach*
Available at: <http://shop.ifoam.org/bookstore/index.php?cPath=64_68_72>.

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Idem; focusing on arid and semi-arid ecosystems.

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FAO/Agro Eco. 2008.
Improve your sugarloaf pineapple production; illustrated manual for organic farmers in Ghana.
Available at:
<www.fao.org/fileadmin/templates/organicexports/docs/Organic_sugarloaf_pineapple_manual.pdf>.

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This manual was developed for small sugarloaf pineapple producers in the Ekumfi district in Ghana in the framework of the FAO project on organic and fair-trade exports from Africa.

# FARMER FIELD SCHOOL PROGRAMMES

## BACKGROUND INFORMATION

A training approach that may be useful to train large groups of farmers is the Farmer Field School (FFS) model, a group-based learning process developed by the FAO inter-country Integrated Pest Management (IPM) Programme for rice in Asia in the late 1980s. Since then, the FFS model has been used worldwide on a wide range of crops including cotton, tea, coffee, cacao, black pepper, vegetables, small grains, and legumes. Contrary to earlier agricultural extension programmes, which expected farmers to adopt generalized recommendations formulated by specialists from outside the community, the FFS is a non-formal group-based learning process, stressing participatory discovery learning through field experiments; farmers' existing experiences and knowledge are integrated into the programme. Empowerment is a critical feature of the FFS. The FFS provides farmers with an initial experience in experimentation based on plant biology, agronomy and ecology, allowing farmers to learn and achieve greater control over technologies, markets, agricultural policies and agro-ecosystems and thus make better decisions at the field level.

The basic elements common to FFS organized worldwide include:

- *Location*: the FFS is organized in the community where farmers live; its primary learning material is the school's experimental field;
- *Timing*: the FFS programme is based on crop phenology; seedling issues are studied during the seedling stage, fertilizer issues are discussed during high nutrient demand stages, etc. Farmers meet on a weekly basis over the course of a whole season; the course cycle, generally comprising between 10 and 16 training sessions, has a clear beginning and ending;
- *Group size*: most FFS are organized for groups of between 25 and 30 farmers. This group is often subdivided in smaller groups of around five farmers to allow everyone to fully participate in field observations, analysis, discussion, and presentations;
- *Facilitators*: all FFS facilitators have undergone season-long courses in growing the concerned crop "from seed to seed"; these courses also include facilitation skills and group dynamic/group building methods. The facilitator attempts to work herself out of a job by building the capacity of the group; many FFS take over the job of the extension facilitator by providing Farmer to Farmer training and organizing other local activities to strengthen the other members of the community;
- *Methodology*: IPM methods are always compared to conventional practices, and the beneficial aspects of IPM are integrated in existing practices;
- *Support group*: one of the jobs of the facilitator is to assist the FFS in developing into a support group so that participants can support one another after the FFS programme is over;
- *Evaluation*: all Field Schools include field based pre- and post-tests, allowing participants to determine follow-up activities. Follow-up activities may vary from monthly discussion sessions to farmers repeating the FFS process (e.g. on another crop) or organizing a FFS for other farmers.

### THE PROJECT

By adopting the FFS approach for the projects on cocoa in Sierra Leone and mangoes in Burkina Faso, the FAO project enhanced farmers' participation in their association's decision making structures and contributed towards the organizations' overall development. Local farmers were trained to function as facilitators, allowing them to assume leadership roles within their organizations. The FFA process was adapted to the specificities of the projects; for example, since the crops were perennial, it was impossible to provide season-long facilitator training, or compare non-FFS and FFS plots. The traditional farmer-centred approach of the FFS was shifted towards a more supply chain-centred approach, with export demands co-determining learning needs.

The project on cocoa built on the pioneering work of the International Institute of Tropical Agriculture (IITA) Sustainable Tree Crops Program (STCP), which had already developed a FFS curriculum and IPM manual for cocoa. The manual was adapted to the specific situation of farmers in Sierra Leone (e.g. focus on the rehabilitation of plantations after the war, as well as on bean fermentation and drying to improve the quality of the cocoa); instead of focusing on IPM, the project's manual was centered on organic production methods. Meanwhile, controlling fruit flies was a key concern of the project on mangoes. In addition, a lot of attention was paid to pruning techniques, as most mango trees were relatively old, which led to problems relating fruit size and coloration. Both the cocoa and mango programmes included training sessions dedicated to certification schemes and standards. Both projects drew on the expertise of staff members of the Ministries of Agriculture of the respective countries, who had already been involved in other FFS programmes.

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The FFS manuals developed for the projects on cocoa in Sierra Leone and mangoes in Burkina Faso can be downloaded from the project's website at <www.fao.org/organicag/organicexports/oe-countries-products/oe-sierra-leone/en/> and <www.fao.org/organicag/organicexports/oe-countries-products/burkina-faso/en/>, respecively.

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## TRAINING ON PROCESSING AND PACKAGING: HACCP

As specifications related to processing and packaging techniques and quality vary considerably from one buyer to another, each processor or exporter will need to organize tailor-made training sessions for its staff members.

The FAO Food Quality and Standards Service has developed a number of tools providing guidance and technical support to implementing agencies working on capacity building and training in the field of food safety and quality. For more information, see <www.fao.org/ag/agn/agns/capacity_tools_en.asp>.

A widely implemented (and demanded) approach to control food risks is the Hazard Analysis and Critical Control Point (HACCP) System, which controls critical points in food handling to prevent food safety problems. The implementation of a HACCP system is a central requirement for certification against a number of food safety standards, including the BRC Global Standard, ISO 22000, etc. For a HACCP training manual, see:

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FAO. 1998.
*Food Quality and Safety Systems - A Training Manual on Food Hygiene and the Hazard Analysis and Critical Control Point (HACCP) System*
<www.fao.org/docrep/W8088E/W8088E00.htm>

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# MODULE 6 - CERTIFICATION

While Module 1 briefly touched upon the choice of a certification scheme and Module 4 discussed the costs and benefits of certification, Module 6 discusses organic, fair-trade and GLOBALGAP certification in greater detail. The Module provides tools to set up an Internal Control System (ICS) and prepare for certification.

*Before thinking about adding value to your product by obtaining certification, it is crucial that your organization delivers a quality product, in the right volume, at the right time, and at a competitive price. These aspects were discussed in the first five Modules of this guide. If you have skipped these Modules and gone straight to Module 6, please take some time to check whether you need to implement some improvements in these fields first.*

## QUALITY MANAGEMENT SYSTEMS (QMS)

### ISO 9001

Quality management addresses product quality and the means to achieve it. Quality Management Systems (QMS) use quality assurance and process control techniques to achieve a better and more consistent product quality.

The International Organization for Standardization's ISO 9000 series describes standards for the development and implementation of a QMS addressing the principles and processes surrounding the design, development and delivery of a general product or service. Organizations can participate in a continuing certification process to ISO 9001:2008, one of the standards in the ISO 9000 series, to demonstrate their compliance with ISO's QMS requirements. A company or organization that has been independently audited and certified to comply with ISO 9001:2008 may publicly state that it is "ISO 9001 certified". Certification to the ISO 9001:2008 standard does not guarantee the quality of end products and services; rather, it certifies that formalized business processes are being applied. However, the benefits of ISO 9001 certification often do not outweigh the amount of money, time and paperwork required for registration, especially when combined with another value-adding certification scheme. ISO 9001:2008 can also be implemented without certification, simply for the quality benefits that can be achieved. Implementing the ISO 9001:2008 principles may help an organization to control or improve the quality of its products and services, reduce the cost of quality failures and become more competitive. Organizations with a functioning QMS will find it easier to comply with requirements regarding documentation and traceability imposed by other certification schemes.

More information regarding the ISO 9000 standards can be found at:
<www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000/iso_9000_essentials.htm>.
The ISO 9001:2008 standard can be downloaded from the website against a fee of CHF 118.

### ITC'S ISO 9001 FITNESS CHECKER

To increase the accessibility of the ISO 9001 standard for small and medium enterprises in developing countries, the International Trade Centre (ITC) has developed its "ISO 9001 Fitness Checker", allowing organizations to become familiar with the principles of quality management and assess their readiness to implement an ISO 9001-based QMS. More information on the ISO 9001 Fitness Checker, consisting of a book and CD ROM, can be found at: <www.intracen.org/ec/welcome3.htm?http&&&www.intracen.org/ec/isochecker/>. An introductory check list can be downloaded from:
<www.intracen.org/ec/isochecker/gapanaly.pdf>.
To access the complete Fitness Checker, national trade support institutions must sign a joint publication agreement with the ITC before divulging the Fitness Checker in their country (see:
<www.intracen.org/ec/welcome3.htm?http&&&www.intracen.org/ec/isochecker/>). Current partners are listed on the following webpage:
<www.intracen.org/ec/welcome3.htm?http&&&www.intracen.org/ec/isochecker/>. In Africa, the Ghana Standards Board (<www.ghanastandards.org>) and the Malawi Bureau of Standards (<www.sadc-sqam.org>) have developed national adaptations of the Fitness Checker.

### QMS FOR COFFEE COOPERATIVES

The organization Fair Access to Quality (FAQ) (<http://faq.smallholders-go4quality.org>) has developed a project aimed at helping smallholder organizations to interpret the ISO 9001 standard with a view to improving their quality management (see: <www.smallholders-go4quality.org>). The programme supports producer partners in combining different voluntary and obligatory market requirements into one integrated management system. FAQ's manual for coffee cooperatives, *Coffee Quality Management for Smallholder Producer Groups*, can be downloaded from <www.qms4s.org/downloads/0000009cbe0963102/index.php>.

## GROUP CERTIFICATION

### DEFINITION

The first organic certification schemes were centered around the certification of individual farms. However, it quickly became clear that many smallholders in developing countries were unable to afford the certification fees charged by internationally recognized organic certification bodies. In response to this problem, the concept of organic group certification was developed; this principle was later adopted by other certification schemes.

Group certification is the practice of organizing individual producers into structured groups, whereby part of the control tasks are shifted from an external audit to internal inspections. In order to assume these control tasks, the group must develop an internal control system that ensures that the individual group members are meeting the requirements of the standard. An external certification body checks whether the internal control system functions satisfactorily. The internal management system enables the group members to improve their practices over time.

Group certification requires a minimum number of farmers to participate in the scheme. Certification fees for group certification are generally higher than those for individual certification, and setting up an internal control system comes a price tag. Group certification is therefore cheaper than individual certification only if the costs can be divided over a sufficient number of farmers.

In addition, while the number of farms to be inspected by the external inspection body is determined on the basis of risk assessment, the minimum number of farm inspections hovers around 12; if the group is smaller, all farmers are inspected, which nullifies any cost savings in terms of external inspection as compared to individual certification.

However, it may still be worthwhile to certify small groups if:

- The group is expected to grow in the near future, and wishes to have a tested internal control system in place;
- The farmers are not capable of managing individual certification (e.g. because they are illiterate);
- The farming activities of an exporter or cooperative are to be certified in conjunction with its processing or exporting operations.

### COMMON REQUIREMENTS FOR GROUP CERTIFICATION

The ISEAL Alliance, a not-for-profit organization promoting codes of good practice for social and environmental standards, has recently facilitated agreement on a set of common requirements for the certification of producer groups which may potentially be adopted as baseline requirements across systems (available at: <www.isealalliance.org/index.cfm?nodeid=1>). The resulting document focuses on certification requirements for the credible structure and functioning of a group of producers. It does not include performance requirements that are specific to any one standard but is intended to complement them. Although the document is aimed at standard-setting organizations and certification bodies, it may constitute a useful guide for organizations setting up an internal control system in preparation for group certification.

### PREPARING FOR GROUP CERTIFICATION

While certification processes differ from one certification scheme to the next (see below), two problems related to external inspection that are frequently occurred across the scope of certification schemes are the following:

- The information provided by farmers is inconsistent with the information contained in the organization's files. To ensure that the information kept by the organization on its farmers is correct, each farmer should be given an updated copy of his file and sign his file to mark his agreement with its contents. If the farmer cannot read, the file should be read out to her by someone who has her full trust (i.e. not the cooperative/organization's field officer);

- Many farmers in developing countries have become accustomed to being questioned by strangers in preparation for new projects; in order to increase their chances of benefiting from such projects, farmers often complain about a lack of training, low prices or weak sales. If an organization's farmers complain to external inspectors, they have not understood the purpose of the external inspection.

The above problems may be avoided by training farmers, not only about improved production methods and compliance with a scheme's requirements, but also about the objectives of certification and the various elements of the certification process, including external inspection. The organization's field officer generally accompanies the external inspector on his farm inspection round. The field officer should ensure that the external inspector is properly introduced, to prevent farmers from confusing the inspection visit with project identification missions. Detailed standard-specific guidance on group certification is provided in the below sections.

## ORGANIC CERTIFICATION

### ORGANIC PRODUCTION VS ORGANIC CERTIFICATION

Choosing to grow organic and choosing to apply for organic certification are two separate decisions; an organization may choose to produce organically and respect generally accepted organic standards, without however obtaining third party certification.

The decision to start producing organically may be inspired by a number of factors, including:

- The desire to increase the yields of traditional farming systems without using expensive external inputs;
- Environmental reasons: to avoid polluting the environment with agrochemicals or to increase farm biodiversity;
- Health-related reasons: to avoid the handling of agrochemicals by farm workers or to avoid pesticide residues in food;
- The desire to gain access to the niche market for organic products (where products generally generate a price premium).

The fourth and last objective, gaining access to the market for organic products, is the only objective requiring organizations to provide guarantees to customers as to the organic status of their products. Depending upon the requirements of your particular niche market, these guarantees may be given in the form of a) a Participatory Guarantee System (PGS), or b) third party certification.

PGS provide a credible and affordable alternative to third party certification for smallholders and organizations marketing their products locally, in the absence of public regulations concerning the labelling of organic products. PGS are centered around local, publicly available standards for organic agriculture. They are built on a foundation of trust, social networks and knowledge exchange, and recognize producers as organic through a process based on stakeholder participation. For more information on PGS, visit IFOAM's website at <www.ifoam.org/about_ifoam/standards/pgs.html>.

Where markets are governed by public regulations concerning the labelling of organic products, third party certification is indispensable. The remainder of this section deals with organic third party certification.

## STEPS TOWARDS CERTIFICATION

### Overview of steps

i. Select the organic standard against which you want to get certified;
ii. Draw up a shortlist of potential certification bodies (see below), download their forms and gather information regarding their specific requirements (e.g. for group certification);
iii. Ensure the compliance of your operations with the standard. Design your record keeping and Internal Control Systems in a way that allows you to easily fill out all the required forms;
iv. Request a quotation, select a certification body and sign a contract;
v. Decide whether or not your organization requires a pre-audit prior to the actual inspection;
vi. Fill out all the forms and send in all the necessary documentation;
vii. Once the documentation is accepted, agree on the inspection date. The certification body will send you a preliminary invoice, requesting your organization to pay an advance fee (generally around 50–70 percent of the total certification fee);
viii. Perform the last internal inspection and inform farmers and staff members about the coming external inspection;
ix. External inspection;
x. Immediate corrective actions;
xi. Upon reception of the final invoice, pay the outstanding amount;
xii. The certification body will decide whether your organization complies with the requirements for certification; if the decision is positive, the certification body will send out a certificate (certain bodies will wait for this final decision before sending out their final invoice).

### Selecting the appropriate organic standard

As a minimum, your products will need to comply with the public regulations concerning organic products in your target market. However, certain markets are characterized by a strong presence of private organic labels (often owned by national farmers associations), imposing requirements over and beyond those set by public regulations. The most important markets governed by public regulations concerning the production and sale of organic products include:

- The European Union, with its “Council Regulation on Organic Production and Labelling of Organic Products”. See: <http://ec.europa.eu/agriculture/organic/splash_en>;
- The United States, with its “National Organic Program” (NOP). See: <www.ams.usda.gov/AMSv1.0/nop>;
- Japan, with its “Japanese Agricultural Standard” (JAS). See: <www.maff.go.jp/e/jas/index.html>;
- Canada, with its “Organic Products Regulations”. See: <www.inspection.gc.ca/english/fssa/orgbio/orgbioe.shtml>.

Examples of important private organic labels include Bio Suisse (Switzerland) (see <www.bio-suisse.ch>); Demeter (biodynamic agriculture, worldwide) (see <www.demeter.net>); Naturland (worldwide) (see <www.naturland.de>); the Soil Association (United Kingdom) (see <www.soilassociation.org>); KRAV (Sweden), (see: <www.krav.se/System/Spraklankar/In-English/KRAV-/>).

A useful overview of public and private organic standards can be found at <www.imo.ch/imo_regulation_organic_production_en,2002,998.html>.

### Choice of certification body

Your choice of an appropriate certification body should be determined by the following factors:
- Range of certification products;
- Price;
- Buyer preferences;
- Services.

*The EU organic logo*

*Range of certification products*

Your choice of a certification body will be limited to those certification bodies that offer certification against the standard that you have selected. While most private labels require applicants to be inspected by the certification body that owns them, other private labels may have authorized third parties to verify compliance with the their requirements (even if the final decision is taken by the certification body owning the label). The Soil Association, for example, has authorized the Institute for Marketecology (IMO) to verify compliance with its criteria; while IMO issues the certificate of compliance with the EU public regulations, the Soil Association issues a certificate demonstrating compliance with its own additional requirements (see <www.imo.ch/imo_services_organic_private_soil_association_en,2770,998.html>).

It is useful to verify whether your chosen certification body offers certification not only against your standard of choice, but also against other (organic) standards; this will make it easier for your organization to obtain additional certifications as market opportunities arise.

*Price*

Inspection and certification fees may vary considerably from one certification body to the other. Request all certification bodies offering your preferred certifications to send you a quote. The certification body will require information on the number of farmers, the area under production, the complexity of your production and processing operations, etc. in order to calculate a price; make sure you have this basic documentation ready. Request a detailed breakdown of costs, not just an overall sum, to gain an insight into what makes one certification body more expensive than another (e.g. travel costs, inspection fees, the final decision on certification).

Certification bodies with an office in your country or those working with local inspectors are not necessarily cheaper. Since running an office or hiring local inspectors also carries a price tag (e.g. for training), it may well be cheaper for certification bodies to fly in an inspector once in a while, especially when the number of inspections to be carried out in the country are limited. The best method to limit your certification fees is to limit the time the certification body and its inspector need to dedicate to your organization. If an inspection reveals many critical non-conformities, the certification body will require that they are corrected first; it will then carry out another inspection before granting the certificate. Implementing an efficient Internal Control System is therefore the best way to limit your inspection fees. After several years of compliance with a particular standard, the certification body may decide to lower its risk assessment of your organization and reduce its inspection time, thereby reducing the costs of certification for your organization.

*Buyer preferences*

Ask your buyers if they prefer any particular certification. While it is generally easier to trade internationally when both the seller and the buyer are certified by the same certification body, recent changes in the European Union's regulations aimed at simplifying administrative procedures may facilitate operations involving multiple certification bodies in a single supply chain. Put aside these administrative considerations, market preferences may dictate your organization's choice of a particular certification scheme. In some markets, consumers clearly prefer certain (private) labels to others, while organic products imported into the European Union may carry the European and/or a national organic label. Meanwhile, certain buyers may prefer suppliers that have been certified by a certification body with a reputation for thoroughness.

*Services*

Ask other organizations about the quality of the services offered by their certification body. How fast does the certification body react to queries? Do they provide regular and clear updates about changes in the standards and procedures? Do they speak your language? How long does it take for the certification body to reach a decision as to the certification of an organization? There may be a trade-off between price and quality. Cheaper certification bodies may organize fewer meetings of their evaluation committee, resulting in delays in the certification procedure, while certification bodies that guarantee a rapid decision after inspection may charge higher fees. While certification bodies with local offices or inspectors are not necessarily cheaper (see above), applicants may find it cheaper and easier to contact local representatives who speak their own language. In addition, local inspectors are likely to have a better understanding of the specific circumstances in which organizations operate.

While the result of the inspection for compliance with a particular standard should be the same irrespectively of which certification body or inspector that carries out the inspection, in practice this can make a large difference. Ask certified companies and farmer associations about their experiences with a certain certification body and/or inspector. Do they make big problems out of minor issues?

**Pre-audit**

You may ask your certification body to carry out a pre-audit as part of the preparations for the development of an Internal Control System. A pre-audit will demonstrate if and where your system does not yet conform to the requirements of the certification scheme. A pre-audit may be particularly useful for organizations where farmers do not use agrochemicals. Even if the Internal Control System of such an organization is not yet ready for certification, a pre-audit may already document the non-use of agrochemicals – this may be considered as the start of the organization's organic conversion period.

**Forms**

The certification body will send you precise instructions regarding the required documentation. Adapt your Internal Control System to these requirements to ensure you have all the necessary information and align your documentation system to the formats used by the certification body for membership lists, sanction reports etc. This is especially important for Internal Control Systems for group certification, since different certification bodies have different requirements as to how an Internal Control System should operate and be documented.

**Internal inspection**

We advise you to carry out a last internal inspection just before the external inspectors arrive, to verify whether your organization complies with all (documentary) requirements. This final inspection round provides an opportunity to explain to all farmers why and when this external inspection is carried out and secure their full cooperation.

**External inspection**

Cooperate fully with the external inspector, comply with all documentary requirements and organize the field visits as efficiently as possible. The longer the inspector needs to wait for a piece of information, the more expensive his visit will be.

Of course, the inspector should also treat the organization's staff members and farmers in a correct and polite manner. If you feel the inspection was not conducted properly, complain to the certification body in writing. Possible grounds for complaints include:

- Language: the inspector did not understand the local language; there was no translation and farmers were forced to speak in a language they do not fully master;
- Lack of understanding of the crop or product;
- Improper conduct e.g. intimidation of farmers.

**Immediate corrective actions**

The certification body may request an inspected organization to implement immediate corrective measures (e.g. providing additional or improved documentation) before certification is granted.

## INTERNAL CONTROL SYSTEM MANUALS

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IFOAM. 2007. *Internal Control Systems for Group Certification – Training Curriculum for Producers.*

Available in English, French, Spanish and Turkish from <http://shop.ifoam.org/bookstore/index.php?cPath=64_68_46_47> (free for IFOAM members; EUR25 for downloads, EUR28 for CD ROM).

The document *Smallholder Group Certification – Guidance Manual for Producer Organizations*, which forms part of the *Training Curriculum,* can be downloaded free of charge at <www.imo.ch/portal/pics/documents/ics_guidance_manual.pdf>.

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**Overview of steps**

According to the IFOAM Training Curriculum, the implementation of an Internal Control System for organic agriculture consists of the following essential steps:

- Selection of qualified personnel and staff training on organic production and Internal Control Systems;
- Identification of farmers; farmer awareness raising on organic principles;
- Development of an ICS manual, containing tailor-made procedures and forms (initially, the manual does not need to be worked out into the smallest detail; what is more important is that the manual's procedures and forms are fully understood and implemented by all staff members);

- Evaluation of the ICS manual by the certification body, preferably before, or else during, the first inspection round; the certification body may provide useful comments or suggestions to improve the manual;
- Gradual improvement of the ICS manual (procedures, forms etc.) and its implementation by ICS staff members.

**Examples of ICS manuals**

For an example of what an ICS manual may look like, consult the following documents:

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Agro Eco. 2001. *Smallholder Group Certification – Internal Control System – Example Document*. Available at: <http://faq.smallholders-go4quality.org/dynamic/media/2/files/Internal_Control_System_example_document_complete.pdf>.

FAO. 2009.
*Example document describing an internal control system for organic group certification*.
(Example document developed by the project (adapted from the Agro Eco example), specific for the fruit sector for both farmer organizations and exporters with outgrower groups).
See <www.fao.org/organicag/organicexports/oe-rationale-strategy/oe-actvities/en/>.

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Please note that using these documents as examples for the development of your own ICS Manual does not guarantee the approval of your ICS by the certification body. These documents are examples only; do not copy them! Adapt your ICS to the specificities of your organization's situation, in collaboration with the people who will be responsible for the implementation of the system. Consult your certification body about their specific requirements for ICS and group certification – they may have developed standard formats for ICS documents.

## FAIR-TRADE CERTIFICATION

### RATIONALE

The objective of fair-trade initiatives is to improve the terms and conditions under which smallholders participate in the market. They typically offer a price premium; the FLO system also offers a guaranteed minimum price. Suppliers operating under a fair-trade system must ensure that the benefits of the system are shared with producer members and/or workers.

Although the fair-trade system was meant to improve market access for smallholders, in practice it is often the importers who look for suppliers to meet the demand for fair-trade products. Fair-trade certification then becomes a means to exploit a market opportunity. Before investing in fair-trade certification, you should try to find a potential buyer for your fair-trade products. Your current conventional or organic buyer may be interested in entering the fair-trade market.

### SELECTING A CERTIFICATION SCHEME AND BODY

Fair-trade initiatives include:

**The FLO system**

The fair-trade system developed by Fairtrade Labelling Organizations International (FLO), centered around the Transfair, Max Havelaar and Fairtrade labels, is the world's most important fair-trade scheme for agricultural products. FLO labelled products are certified by FLO-Cert (<www.flo-cert.net>). For more information, see <www.fairtrade.net>.

### WFTO

The World Fair Trade Organization (WFTO, formerly IFAT) authorizes member organizations respecting WFTO's *10 Principles of Fair Trade* to use the WFTO logo (which, unlike the FLO labels, is not a product mark). WFTO's Sustainable Fair Trade Management System (SFTMS) seeks to provide a management system certification for fair-trade goods and their production processes, complementing FLO's existing product labelling approach. SFTMS is tailored to the needs and the reality of small organizations. After a successful, independent third-party audit and validation of a published report, products sold by an SFTMS certified and registered organization may carry a label communicating that the items were sourced and produced under fair-trade principles and practices. For more information, see <www.wfto.com> and <www.wfto.com/index.php?option=com_content&task=view&id=915&Itemid=285>.

### Fair-trade certification schemes developed by organic certification bodies

- Ecocert Fair Trade (EFT) programme: <www.ecocert.com/-EFT-.html>;
- IMO's Fair for Life brand: <www.imo.ch/imo_services_social_accountability_fair_trade_en,1778,998.html> or <www.fairforlife.net>.

### Smaller initiatives

There are numerous local initiatives from consumers who import small quantities under fair-trade conditions (for example Equiterre, <www.equiterre.com>, or Minga, <www.minga.net>).

## FLO FAIR-TRADE CERTIFICATION – STEPS

### Overview

i. Download the relevant standards from <www.fairtrade.net/standards.html>;
ii. Study the standards to assess whether your organization could comply with them, how much preparation time it would need and how much compliance would cost;
iii. Find a buyer before making any investments;
iv. Start the compliance process and apply for certification with FLO-Cert (<www.flo-cert.net>).

### Costs

The costs of certification under the FLO system depend on the current situation of your organization. Farmer organizations operating under the FLO system must be democratically organized; their members must have a voice in decision making structures and profits must be distributed fairly amongst members. In practical terms, organizations operating under the FLO system must organize annual general meetings; their members must understand the concept of fair-trade and agree to seek FLO certification. Large organizations whose members are spread across various villages must organize elections for representatives to the general assembly. Developing democratic structures is generally the most important cost incurred by organizations seeking FLO certification. FLO standards require hired labourers to have the right to join independent unions to collectively negotiate working conditions, while a joint body bringing together managers and workers decides on the use of the Fairtrade premium. Organizations operating under the FLO system must pay FLO minimum wages and implement health and safety measures to avoid work related injuries. If your organization has not yet developed any of these measures, compliance with the FLO standards may be quite costly. However, as improvements in working conditions generally lead to increases in productivity, these costs may be earned back over time. In addition to these compliance costs, your organization will need to pay a certification fee. For an overview of the fees charged by FLO-Cert, see <www.flo-cert.net/flo-cert/main.php?id=13>. To help new smallholder organizations pay their initial certification costs, FLO has set up a Certification Fund (see below).

### Finding a buyer

To prevent suppliers from incurring inspection costs without having any assurances as to finding an outlet for their fair-trade products, FLO-Cert only inspects organizations that can present a letter of intent from a potential buyer.

To find a buyer you may adopt one or several of the following approaches:

- Contact FLO to ask if they are aware of any importers looking for your product. FLO has liaison officers in many countries (see <www.fairtrade.net/liaison_officers.html>) who may be able to help you; they can be contacted through FLO;
- Check the list of FLO licensees for your product in your target market (see <www.flo-cert.net/flo-cert/main.php?id=10>) ;
- Contact FLO's national "Fairtrade Labelling Initiatives" to find out about potential buyers in each of the national markets (see
- <www.fairtrade.net/fairtrade_near_you.html>);
- See Module 7 for information regarding general marketing tools.

**Compliance and application for certification**

Once you have found a potential buyer, you may start preparing for compliance with the FLO standards. Organize a general assembly to elect an executive committee, revise your organization's constitution (if necessary) and approve the decision to apply for Fairtrade certification. Fill out the FLO-Cert application form (available at: <www.flo-cert.net/flo-cert/main.php?id=10>) and send it to FLO-Cert.

FLO-Cert will evaluate whether your organization falls within the scope of its certification scheme; if it does, you will need to pay an application fee. FLO-Cert will then send you further information concerning the certification process, as well as additional forms and, for small farmer organizations, application forms for the FLO Certification Fund (see <www.fairtrade.net/producer_certification_fund.html?&scale=0>), which may cover up to 75 percent of the certification fee during the first year, and a smaller proportion during the second year (over time, organizations are expected to pay their certification fees with the additional revenues they generate by exporting under the Fairtrade system).

## GLOBALGAP

GLOBALGAP is a private sector body that sets voluntary standards for the certification of agricultural products. The GLOBALGAP standard, one of the most widely recognized international standards, is a pre-farm gate standard aimed at minimizing the detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety and animal welfare. GLOBALGAP is a business-to-business label. It is not directly visible to consumers, but assures your buyer that you respect the GLOBALGAP requirements, for example in the field of food safety. Certain buyers require their suppliers to be GLOBALGAP certified. The steps to obtain GLOBALGAP certification include:

- Obtain information about your buyer's precise requirements. Many buyers do not require full GLOBALGAP certification, but rather ask their suppliers to demonstrate that they are working towards obtaining certification, e.g. by way of their own documentation, evidence of training or a pre-audit. While suppliers are of course expected to eventually obtain full certification, this approach allows organizations to spread investments towards compliance over time;
- Carefully study the GLOBALGAP requirements. The GLOBALGAP standards can be downloaded from <www.globalgap.org/cms/front_content.php?idart=34>;
- We strongly recommend you to have your organization pre-audited by a qualified person to determine which standards you do (not) comply with, and which requirements do not apply to your organization's situation. GLOBALGAP approved certification bodies normally offer a pre-audit service. Alternatively, independent consultants may be cheaper and may also provide advice as to the choice of your certification body;
- Draw up an action plan based on the pre-audit results, setting out the necessary actions to ensure 95 percent compliance with GLOBAPGAP's so-called "minor musts" and 100 percent compliance with its "major musts";
- Select your certification body. For a list of all GLOBAPGAP approved certification bodes, see <www2.GLOBALGAP.org/apprcbs.html>;
- Prepare for inspection (and organize one last internal inspection just before the inspection by external inspectors).

**Group certification**

To reduce the costs of GLOBALGAP compliance and certification for small-scale farmers, a collective certification scheme (GLOBALGAP Option 2) was set up to allow groups of farmers to comply with the GLOBALGAP requirements as a unit. GLOBALGAP Option 2 allows producer groups to centralize compliance measures (e.g. pesticide storage), allowing them to reap certain benefits of scale. The structure of the producer group must enable the application of a Quality Management System across the whole group. In cooperation with the German "Deutsche Gesellschaft für Technische

Zusammenarbeit" (GTZ) and the "Gesellschaft für Ressourcenschutz" (GfRS), GLOBALGAP has developed a manual for smallholders, including operational procedures and recording forms to be used as templates by producer groups. The latest version of this manual can be downloaded from: <www.GLOBALGAP.org/cms/upload/Documents/QMS_Manual-Final-1.pdf>. In 2007, GLOBALGAP appointed an Africa Observer to participate in GLOBALGAP's Sector Committees, provide technical support to GLOBALGAP members in developing countries and act as a "smallholder ambassador" by identifying ways to facilitate the compliance of smallholders with GLOBALGAP standards. For more information, see <www.africa-observer.info>. In February 2008 a GLOBALGAP Smallholder Taskforce was established, see: <www.GLOBALGAP.org/cms/front_content.php?idart=299&idcat=70&lang=1&client=1>.

## INFORMATION FOR BUSINESS SUPPORT ORGANIZATIONS

### INTERNAL CONTROL SYSTEM DEVELOPMENT

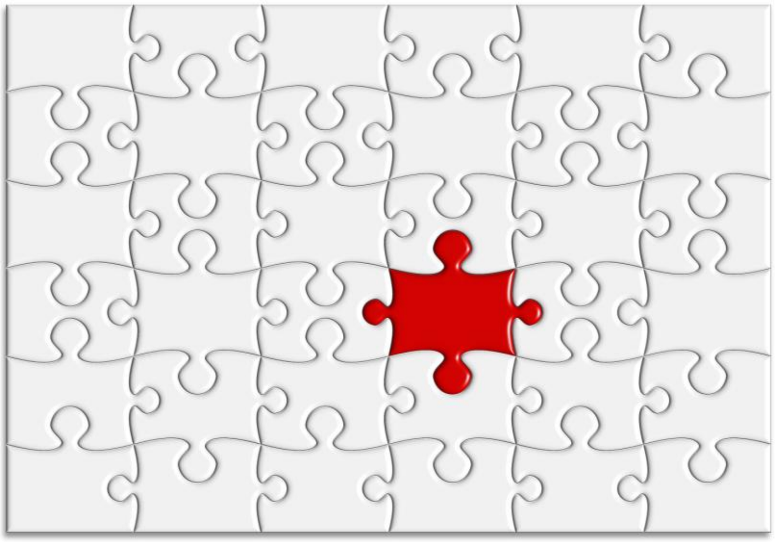
Any business support organization developing an ICS manual for a producer group should do so in close collaboration with the group, to ensure that the manual is adapted to the particular situation of the group. Indeed, the quality of an ICS crucially depends upon its implementation by ICS staff members. Involving the group's staff in the development of the ICS doubles as a sensitization and training process.

### FINANCIAL SUPPORT AND CONTRACTS

Several donors and projects now provide financial support to farmer organizations to pay for certification fees in the preparation or conversion period. This is a very simple and straightforward tool to help smallholder organizations take advantage of the markets for certified products.

Donors are advised to make this financial support directly available to the farmer organization, rather than paying the certification body themselves or via a business support organization. Handling invoices, bank transfers etc. will be a learning process in itself for the organization, and prevent the business support organization from becoming the certification body's interlocutor. Maintaining contacts with the certification body is a useful test for farmer organizations. If an organization is incapable of maintaining such contacts, the business support organization may need to provide permanent support services; alternatively, the group may opt to obtain certification through an exporter, who owns the certificate (in such cases, the group can only sell certified products through this exporter).

Business support organization are advised to conclude contracts with farmer organizations concerning the management of funds, the actions that need to be undertaken in order to export certified products etc. Negotiating and honouring such contracts may provide a useful learning experience for organizations preparing themselves for their first commercial contracts.



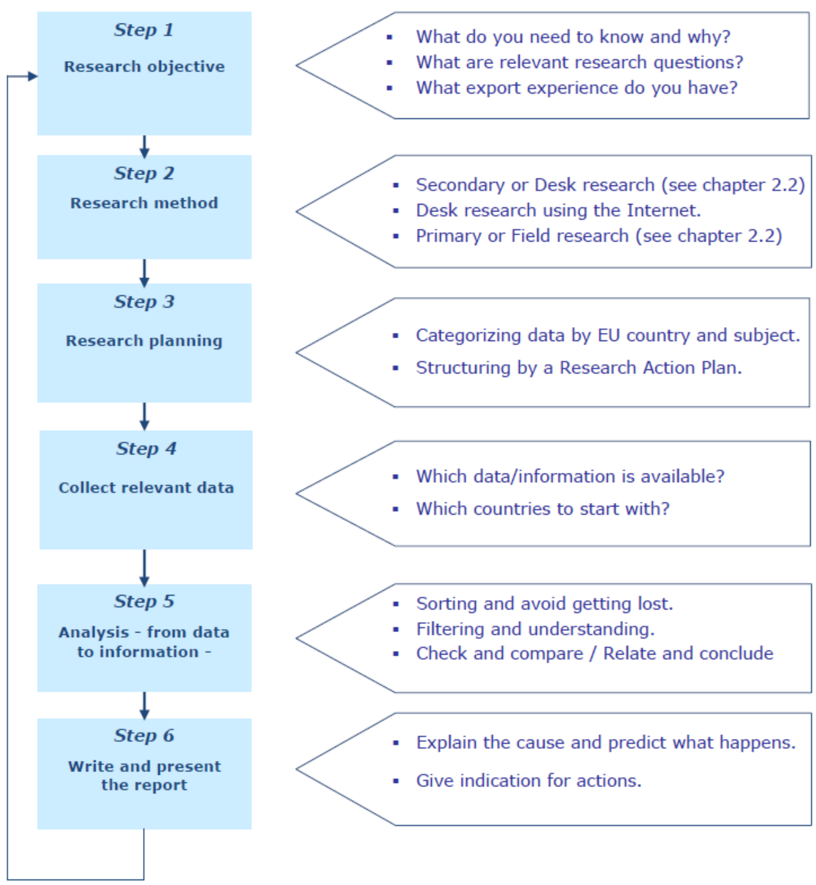
# MODULE 7 – MARKET RESEARCH AND MARKETING

Module 1 introduced a number of market research tools that may help you to make initial choices about your preferred position in the supply chain, your target markets and certification schemes of choice. Module 7 further discusses market research as a basis for the development of your marketing activities.

## MARKET RESEARCH [2]

Before committing your organization to the complexities and costs involved in exporting, it is absolutely essential to undertake some degree of research to better understand the foreign markets you will be competing in and the consumers to whom you will be selling – in other words, to conduct market research. Your market research should allow you to answer a number of questions, including: What are the biggest/fastest growing markets for our products? Which requirements (legal requirements, customer requirements) do we need to comply with in order to access the market? Will our products be accepted in the market? Who are my customers likely to be? What quantities are likely to be purchased? What modifications need to be made to the product to enhance its appeal in the market place? What is the long-term potential of the product in the market? Where is the market heading? Which new regulations or technologies may affect the way we do business? Who are our likely competitors? What are their strengths and weaknesses? Who can assist me in marketing my goods within the foreign marketplace? …

In your export endeavours, you will be undertaking both *market research* and *marketing research*. Market research is aimed at understanding how the marketplace works and selecting the most promising markets, while marketing research is about putting together a winning “marketing mix” – the “package” of marketing elements (i.e. the product, price, place and promotion factors, see the Four Ps of Marketing) that will allow your organization to meet the needs of its customers and succeed in the marketplace. Market research and marketing research are closely linked; in fact, the information compiled through market research will enable you to develop a sound export marketing plan. It is important that you conduct your market research in a meaningful manner; simply compiling statistical and other information about your markets without any clear objective will lead to information overload and wrong decisions. Set your research objective – the type of information you need – keeping in mind your financial and organizational constraints. Conduct your research according to the following six step approach[3]:




*Source: CBI (2008).*

[2] *Adapted from ExportHelp, see: <www.exporthelp.co.za>.*

[3] *Adapted from CBI. 2008. CBI Export Manual: Your Guide to Market Research. Available at: <www.cbi.eu>.*

Once you have collected relevant market data, the information must be transformed into intelligence: it must be compared and interpreted, and conclusions must be drawn. Analyse market trends and opportunities and try to predict future market developments; assess how they fit into your business objective and influence your marketing plan. Your research report should present all relevant data collected during the research stages in a well-organized and logical manner. You may structure your research report as follows:

- Introduction: why was the research done, what were the research objectives and which research methods were used;
- Findings: market size and structure, market trends, opportunities and threats, marketing and distribution channels, competing products, tastes, habits and attitudes of potential buyers, etc;
- Conclusions and recommendations: the conclusions indicate the significance of the research findings, and are often presented in the form of options i.e. the courses of action open to the organization and the corresponding costs. Recommendations could cover aspects such as which type of agent to employ, proposed advertising and promotional activities, price setting, strategies to fight the competition, etc.

For a detailed discussion of these various steps in the research process, including a useful overview of potential sources of market information and various market research techniques, see:

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Centre for the Promotion of Imports from Developing Countries (CBI). 2008. *CBI Export Manual: Your Guide to Market Research:*
*Part 1: Your Research Assistant - Improving your competence in market research*
(<www.cbi.eu/marketinfo/cbi/?action=showDetails&id=62>)*;*
*Part 2: Your research practice*
<www.cbi.eu/marketinfo/cbi/docs/your_guide_to_market_research_part_2_your_research_practice>*;*
*Part 3: Your research action plan* <www.cbi.eu/?pag=7>

For a discussion of the contents of these tools, see the Annexes to this guide ("Additional Resources").

ExportHelp presents a 21-step manual to successful exporting (see: <www.exporthelp.co.za/modules/intro.html>);
Step 7 (<www.exporthelp.co.za/modules/7_researching_potential/intro.html>) provides a very clear overview of the market research process.

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## DEVELOPING AN EXPORT PLAN [5]

One of the most crucial steps in setting up an export business is the development of an export plan, including a SWOT analysis (see Module 1), your export objectives and an export marketing plan. The export plan is a formal, written plan of action that serves as a framework for the development of your organization's export business. It outlines the organizational goals, target markets and activities that will enable your organization to achieve its objectives.

### SETTING YOUR EXPORT OBJECTIVES

While an organization's mission statement defines its purpose in very broad terms (e.g. "We are dedicated to growing coffee beans to produce high quality, affordable coffee"), the export objectives set more specific, measurable and time-bound targets (e.g. "Become one of the top five national suppliers of bulk coffee to the European market within the next five years"). The rest of the export plan will deal with the marketing strategies and activities that are necessary to achieve these objectives – the export marketing plan.

### THE EXPORT MARKETING PLAN

With your market research report and export SWOT analysis in hand and your export objectives clearly defined, you can now move on to prepare an export marketing plan, describing how you will meet the needs of your overseas buyers. Your export

[5] *Adapted from ExportHelp, see: <www.exporthelp.co.za>.*

marketing plan must indicate how you will adapt your product to your buyers' expectations, how you will price it, how you will inform potential buyers of your product and encourage them to buy it, and how you will get your product to your buyers. A common mistake is to confuse marketing with advertising or promotion, or even selling. Marketing involves much more than just those elements: researching your customers' needs; manufacturing the products your customers need at a price which they are willing to pay; promoting your products; organizing the delivery of your products; ensuring that your customers' are satisfied with your product and services; etc.

### The four P's of marketing

Marketing decisions influencing consumers' decisions to purchase goods or services generally fall into the following four controllable categories: Place, Product, Price and Promotion. These four elements, describing the strategic position of a product in the marketplace, are often referred to as the "marketing mix". Broadly defined, optimizing the marketing mix through a marketing plan is the primary responsibility of marketing. Indeed, the challenge of the marketing manager is to mould the *controllable* elements of marketing (i.e. product, price, place and promotion) to best meet the needs of the organization's customers, within the framework of the *uncontrollable* elements of the market place (including – at the micro level – export agents, importers, customers, etc. and – at the macro level – the legal, political, social, cultural, economic and technological environment in with the organization operates). Your export marketing plan outlines, for each of the four controllable variables, how your organization intends to do this.

***Product*** refers to the specifications of the actual goods and services you deliver, including aspects related to quality, volume, packaging, labelling, etc. The scope of a product generally includes supporting elements such as certifications, guarantees, and customer support services.

When preparing a product strategy within the framework of your export marketing plan, you should consider *inter alia*:

- Whether you will export the same product as the one you are selling on the domestic market, or whether you will modify the product or even develop a new product;
- Whether you need to eliminate obsolete products from your product range;
- How you will package your products, taking into account a number of factors that include climate conditions, the type of transportation and handling your product will be subjected to, costs, the type of retail outlet through which your products are sold, cultural preferences for colours, shapes and materials, environmental concerns, legal requirements, etc.;
- Which labelling requirements apply to your product and which languages your product should be labelled in;
- Whether your organization will sell its products under its own brand, or whether it will operate under the brand name of an importer or retailer;
- Etc.

Ideally, your organization should offer a unique combination of product and ***price*** – a combination which your competitors cannot offer. Try to find a market in which your product/price combination is not yet available. For more information regarding the development of a product strategy, see <www.exporthelp.co.za/modules/8_export_plan/product/intro.html> or CBI's Export Manual, Part 2, Chapter 6.3.

***Place*** refers not only the geographical region where your product will be sold, but also your particular market segment, as well as the distribution channel through which your products will eventually reach their buyer.

*Market entry*

"Market entry" refers to the options available to you to gain entry to and establishing yourself in foreign markets. Your organization may decide to export indirectly, through an intermediary; alternatively, it may opt to sell its products directly to a foreign buyer, bypassing any intermediaries. While direct exporting allows organizations to exert a greater degree of control over the export process, most organizations will need an intermediary to help them deal with the complexities of exporting to foreign markets. Your intermediary will put his knowledge of the market to the service of your organization and guide your products to the right buyers, via the right channels of distribution. Trading partners for indirect market entry include *inter alia* commission agents, trading houses, brokers or domestic collective exporting organizations. For additional information regarding market entry options, see CBI's Export Planner, Chapter 4.6, or <www.exporthelp.co.za/marketing/market_entry.html>. For information on working with export agents, see <www.exporthelp.co.za/marketing/using_agents.html>.

*In-market channels of distribution*

Once you have selected a strategy for market entry, you will need to address the question of how to ensure the delivery of your products to their buyers within the foreign market. While many suppliers leave the job of selecting the right in-market distribution channels for their products to their intermediaries who know the market better, you should at least have enough information about your market's distribution channels to understand and assess your trading partner's proposals. Exporters commonly make the mistake of thinking that their task has been accomplished once they have delivered their goods to the foreign importer, ignoring the distribution channel that links the importer with the final buyer. The choice of a distribution channel depends *inter alia* on anticipated distribution costs, the degree of control over the channel exerted by the exporter, market coverage (the number of outlets through which a product is sold), as well as on the adopted market entry strategy. For additional information regarding in-market distribution channels, see CBI's Export Planner, Chapter 4.7, CBI's Export Manual, Part 2, Chapter 6.5, or <www.exporthelp.co.za/modules/8_export_plan/distribution/in_market_distribution.html>.

*Promotion* refers to the use of communication tools to make your product known to potential buyers, including advertising, public relations, direct marketing, direct selling, online marketing, personal selling and sales promotion. Promotion tools allow you to communicate with your customers to ensure that they know your product and its characteristics and buy and use it to their satisfaction; they may be targeted at the final consumer of your products (business-to-consumer promotion) or at the businesses within your distribution channel (business-to-business promotion). There are essentially six types of marketing tools you may choose to promote your products:

- **Advertising** is paid-for promotion in the mass media (e.g. television or radio advertising; advertising in newspapers, magazines and directories; outdoor advertising (billboards, flyers, posters); in-store advertising; promotional gifts; internet advertising). While advertising is generally too expensive and too broad in its impact for small exporters, highly targeted advertising (e.g. through specialist industry magazines or websites) may be worth considering because it allows you to reach your target audience.
- **Publicity** (or public relations) is the unpaid diffusion of "newsworthy" messages about your organization/product in the mass media. Publicity aims at generating goodwill and positively influencing public opinion towards your organization. Publicity is generally difficult to generate in overseas markets where your organization is not well known. However, it may be interesting for your organization to place press releases with specialized industry media, including trade magazines, chambers of commerce, industry associations, etc.
- **Personal selling** is a two-way person-to-person communication process during which the seller learns about the potential buyer's needs and tries to fulfill these needs by offering a product or service. Personal selling activities may be carried out by a foreign-based or traveling export salesperson (or sales team), or by a foreign-based sales agent; the options open to your organization will largely depend on its available promotion budget.
- **Sales promotion** is the time-limited use of communication tools to stimulate demand for a product, and includes techniques such as in-store displays, couponing, price deals, contests, samples or loyalty programmes (= *consumer sales promotion*); and discounts and rebates (an amount paid by way of reduction, return, or refund on what has already been paid), trade contests (a competition allowing sales persons to win a prize for generating the most sales during a particular period of time), sales training, the provision of sales aids (posters, brochures, presentations, demonstration models, ...), slotting fees (fees paid by an exporter to obtain the inclusion of his product in a wholesaler's or retailer's sales catalogue), etc. (= *business or trade sales promotion*).
- **Direct marketing** is the direct communication with potential buyers through mail, telephone, fax or email with the aim of generating a response in the form of an order or a request for further information or a personal visit. Direct marketing to a specific target audience is within financial reach for most exporters.
- **Internet marketing** is one of the most cost-effective international marketing tools available; it will give your organization a global presence, 24 hours a day, allowing you to be "local" in many markets. Developing your own website is a cost-effective way of distributing up-to-date information about your organization; in addition, websites can be adapted to just about any budget. Simple websites often fulfill their tasks quite adequately, however, it is important to regularly update the content and look of your website to ensure it remains informative and dynamic.

Today, internet marketing offers possibilities that go far beyond spreading the electronic version of your organization's brochure. Websites may include features enabling interaction with potential or existing buyers and other interested parties, or even allow buyers to conclude purchases online.

Carefully analyse which internet marketing techniques would allow you to reach your target audience, including search engine optimization, discussion forums and newsgroups, e-mail marketing, website linking, etc.

A form of sales promotion well worth looking into is participation in **trade fairs**: time- and (often) industry-specific marketing events at which exhibitors present their products and services to potential buyers and industry participants. The interactive environment of trade fairs, bringing together supply and demand in a market, enables companies to undertake market research and promote themselves and their products vis-à-vis potential buyers; some trade fairs even allow companies to sell their products on the spot. Trade fairs represent one of the most efficient and intense marketing channels available to exporters, allowing them to compress their marketing efforts into a single timeframe and location. Participating in trade fairs is relatively costly; if exhibiting is beyond your financial reach, you may still want to attend a trade fair as a visitor. CBI has developed an interactive export manual ("Your expo coach - Exporter's edition") to help you manage trade fair participations effectively and efficiently. The manual contains useful tips and checklists for the preparation, participation and follow-up of an exhibition.

Several support organizations and projects work together to help organic African exporters exhibit at the BioFach trade fair, see <www.organicafricapavilion.com>.

A Unique Selling Proposition (USP) is an additional tool to distinguish your product from that of your competitors; it may significantly enhance your chances in the (export) market. A USP is a distinct and appealing idea that sets your product favorably apart from that of any other competitor. Any characteristic that makes your product "special" can be its USP, as long as your customers recognize it as such, including a better taste, colour or shape, a lower price, a more durable or attractive packaging, a better availability, a consistent quality, flawless delivery, optimal communication, etc. Your USP should be integrated into every form of your marketing, including advertisements, direct mailing material, sales pitches, etc.

Rather than adopting a single promotional tool, you are likely to use a "mix" of the tools described above. According to CBI, the most effective promotional tools for exporters are: personal selling, internet marketing (including web catalogues), participation in trade fairs, sales promotion (sampling discounts), and trade missions (whereby a group of local exporters travels abroad to meet the business community in a foreign country).

For further information on marketing your products, see the Annexes to this guide ("Additional Resources").

## MANAGING YOUR TRADE RELATIONS

Your marketing efforts are not over once you have found a buyer, signed a contract and delivered your goods! Appoint an account or area manager to keep the relation with your buyer "alive"; your trade partners should feel supported and backed-up at all times. To optimize your organization's trade relations, follow these basic rules:

- Answer all letters, faxes and e-mails from trade partners promptly (e-mails within 24 hours). Even if you are unable to deal with a particular question, acknowledge receipt of your partner's message and indicate that you are working on it. Answer questions as precisely and completely as possible;
- Ask questions if you have any doubts as to your partners' requirements and expectations; it is better to ask questions than to make mistakes in your deliveries;
- Be clear about your organization's possibilities and limitations. If you are unable to fulfill a particular request, say so – western buyers may become irritated if you tell them you "will try" and eventually do not live up to your promises;
- Honour every detail of the contract. Immediately inform your buyers of any problems as to deliveries and shipments (delays, unavailable goods, etc.) to allow them to implement corrective measures; your partners prefer being informed about problems rather than finding out about them on the day of delivery;
- Make it possible for your buyers to provide feedback; are they satisfied with their delivery? What could be done better? If there are any

problems, do not ignore them. Take the criticism seriously, thank you partner for his reaction, try to obtain as many details as to why he is dissatisfied as possible and solve the problem.

For additional practical information on the negotiation of export contracts, including the process of prospecting buyers, obtaining sales appointments, introducing yourself and your organization, keys to successful negotiation and closing sales, see: <www.exporthelp.co.za/modules/12_quoting/intro.html#8>. For cultural differences in doing business in different parts of the world, see: <www.exporthelp.co.za/modules/12_quoting/abroad.html>.

*The importance of immediately informing trade partners about problems*

Due to adverse weather conditions, a farmer association was unable to deliver the quantity and quality agreed upon in the sales contract with its buyer.

*Scenario a*: the association was afraid of telling the buyer about the problem, and tried to source products from other farmers. In the end, the shipment was late and incomplete; the seller could not honour his obligations vis-à-vis his buyers. The farmer association was held liable for the losses incurred by the buyer.

*Scenario b*: the association informed its buyer that it did not have sufficient high quality products to meet the provisions of the contract; it could, however, provide additional products of a lower quality. The buyer agreed that the association would deliver the original quantity, consisting partially of lower quality products, for a lower price.

# ANNEXES

## ORGANIZATIONS

| | | |
|---|---|---|
| CBI | Centre for the Promotion of Imports from Developing Countries | <www.cbi.eu> |
| CTA | Technical Centre for Agricultural and Rural Co-operation ACP-EU | <www.cta.int> |
| FAO | Food and Agriculture Organization of the United Nations | <www.fao.org> |
| FLO | Fairtrade Labelling Organizations International | <www.fairtrade.net> |
| IFOAM | International Federation of Organic Agriculture Movements | <www.ifoam.org> |
| IITA | International Institute of Tropical Agriculture | <www.iita.org> |
| ILO | International Labour Organization | <www.ilo.org> |
| ISO | International Organization for Standardization | <www.iso.org> |
| ITC | International Trade Centre | <www.intracen.org> |
| SIPPO | Swiss Import Promotion Programme | <www.sippo.ch> |
| WFTO | World Fair Trade Organization | <www.wfto.com> |

## TERMS AND DEFINITIONS

**5M-approach**
The 5M-approach is a self-evaluation method for organizations and enterprises, based on five variables: Men, Means, Methods, Machines and Measurables. For each of these variables, the organization or enterprises' strengths and weaknesses are identified and analysed.

**BRC Global Standards**
The BRC Global Standards are a set of four technical standards that govern the production, packaging, storage and distribution of safe food and consumer products. Originally developed in response to the needs of members of the British Retail Consortium, the BRC Global Standards are now specified by retailers and branded manufacturers in Europe, North America and beyond. Certification to the BRC Global Standard, which is achieved through audit by a third party certification body, reassures retailers and branded manufacturers of the capability and competence of the supplier, and reduces the need for retailers and manufacturers to carry out their own audits. For more information, see <www.brcglobalstandards.com>.

**Certification**
a. Certification is the procedure by which official certification bodies, or officially recognized certification bodies, provide written or equivalent assurance that foods or food control systems conform to requirements. Certification of food may be, as appropriate, based on a range of inspection activities which may include continuous on-line inspection, auditing of quality assurance systems and examination of finished products (FAO/WHO Codex Alimentarius, 2007).
b. Third-party attestation related to products, processes, systems or persons. An attestation is the issue of a statement based on a decision following review that fulfilment of specified requirements has been demonstrated (ISO/IEC 17011/2004) .

**Constitution and by-laws**
The constitution of an organization is a brief statement of its basic objectives, structure, and methods of operation, while the by-laws comprise a set of regulations for its internal organization. Some or all of the by-laws may be embedded in the constitution.

**Contract farming**

System whereby a central processing or exporting unit purchases the harvests of independent farmers; the terms of the purchase are arranged in advance through contracts. The terms of the contract vary and usually specify how much produce the contractor will buy and what price they will pay for it. The contractor frequently provides credit inputs and technical advice (adapted from FAO. 2009. *Glossary on Organic Farming.* Available at <www.fao.org/fileadmin/templates/organicag/files/Glossary_on_Organic_Agriculture.pdf>).

**Conventional agriculture**

What is accepted as the norm and is the most dominant agricultural practice. Since World War II, and mainly in the industrialized world, conventional agriculture has become an industrialized form of farming characterized by mechanization, monocultures, and the use of synthetic inputs such as chemical fertilizers, pesticides and genetically modified organisms (GMOs), with an emphasis on maximizing productivity and profitability and treating the farm produce as a commodity (adapted from FAO. 2009. *Glossary on Organic Farming*).

**Conversion period**

The conversion period is the time between the start of organic management and the certification of crops or animal husbandry as organic. It is the time taken to neutralise chemical residues, if any, left behind in the soil by formerly practised agricultural techniques. The start of the conversion period is normally calculated from the date of application to the certification body or, alternatively, from the date of the last application of unapproved inputs providing the operator can demonstrate that the full standards requirements have been met since (adapted from FAO. 2009. *Glossary on Organic Farming*).

**Fair-trade and Fairtrade**

Fair-trade is a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South (adapted from FAO. 2009. *Glossary on Organic Farming*). Fair-trade relations under the FLO system are indicated as “Fairtrade”.

**Free on Board (FOB)**

Term of delivery; one of the most widely used Incoterms. “FOB [name of port]” means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. The passing of the risk occurs when the goods pass the ship's rail at the port of shipment.

**Groupe d’Initiatives Communes (GIC)**

“Groupe d’Initiatives Communes” or “Groupe d’Intérêt Commun” (“Common Initiatives Group” or “Common Interest Group”). Term used throughout French-speaking countries in West-Africa. GICs are a simplified, informal type of cooperatives. Their precise legal status varies from country to country.

**Incoterms**

The Incoterms are a set of universal terms of delivery published by the International Chamber of Commerce (ICC); they are widely used in international commercial transactions to divide transaction costs and responsibilities between buyer and seller. They closely correspond to the UN Convention on Contracts for the International Sale of Goods (CISG). Using the internationally accepted Incoterms avoids confusion as to the interpretation of a sales contract. For more information, see <www.iccwbo.org/incoterms/id3040/index.html>.

**Internal control system (ICS)**

An Internal Control System (ICS) is the part of a documented quality assurance system that allows an external certification body to delegate the periodical inspection of individual group members to an identified body or unit within the certified operator. This means that the third party certification bodies only have to inspect the well-functioning of the system, as well as to perform a few spot-check re-inspections of individual smallholders (adapted from FAO. 2009. *Glossary on Organic Farming*).

**ISO 22000 and HACCP**

ISO 22000 is an international standard developed by the International Organization for Standardization (ISO), which specifies requirements for a food safety management system (FSMS) that apply to all organizations in the food chain, from primary producers over processors and manufacturers to food service and product providers. ISO 22000 integrates the principles of the Hazard Analysis and Critical Control Point (HACCP) system, a methodology and a management system used to identify, prevent, and control food safety hazards by applying controls to critical stages in the food manufacturing process. ISO does not require third-party certification. While organizations may self-assess their FSMS system and declare that it complies with ISO 22000, such a statement will be much more credible if validated by an accredited, independent auditor. For more information regarding ISO 22000, see <www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=35466>.
For additional information on HACCP, see <www.fao.org/docrep/005/Y1579E/Y1579E00.HTM>.

**Organic agriculture**

Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasizes the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, cultural, biological and mechanical methods, as opposed to using synthetic materials, to fulfill any specific function within the system (adapted from FAO. 2009. *Glossary on Organic Farming*).

**Outgrower partnership**

Under outgrower partnerships, growers allocate land and other resources to the production for an exporting company, with the company providing a guaranteed market. The nature of individual outgrower partnerships (e.g. responsibilities, contributions, returns) tends to be detailed in formal contracts.

**Participatory Guarantee System (PGS)**

A Participatory Guarantee System is a locally focused quality assurance system. It certifies producers based on active participation of stakeholders and is built on a foundation of trust, social networks and knowledge exchange. Participatory Guarantee Systems share a common goal with third-party certification systems in providing a credible guarantee for consumers seeking organic produce. The difference is in approach. As the name suggests, direct participation of farmers and even consumers in the guarantee system is not only encouraged but may be required (adapted from FAO. 2009. *Glossary on Organic Farming*).

**Participatory Rural Appraisal (PRA)**

Participatory Rural Appraisal is an approach used by organizations involved in international development, aimed at incorporating the knowledge and opinions of rural people in the planning and management of development projects and programmes. PRA emphasizes the direct participation of local communities, who become the main investigators and analysts; PRA enables people to express and analyse the realities of their lives and conditions, to plan themselves what action to take, and to monitor and evaluate the results. For more information, see <www.fao.org/Participation/english_web_new/content_en/PRA.html>.

**Phenology**

Phenology is the study of periodic plant and animal life cycle events and how these are influenced by seasonal and inter-annual variations in climate.

**Price premium**

The price premium is the difference between the price fetched by a certified (organic, fair-trade) product and that fetched by a non-certified equivalent product. In the FLO Fairtrade system, the use of the price premium is decided democratically by the producer organization following certain criteria. It is normally used to invest in developmental, social or environmental projects.

**Quality Management System (QMS)**
A Quality Management System is a system to direct and control an organization with regard to quality; it encompasses the organizational structure, procedures, processes and resources needed to implement quality management. Quality management is considered to have three components: quality control, quality assurance and quality improvement; it focuses not only on product quality but also on the means to achieve it.

**Skype**
Skype is a software application that allows users to make voice calls over the Internet. Calls to other users of the service and, in some countries, to free-of-charge numbers, are free, while calls to other landlines and mobile phones can be made for a fee. Additional features include instant messaging, file transfer and video conferencing. The Skype software can be downloaded free-of-charge from <www.skype.com>.

**SWOT analysis**
SWOT analysis is a widely used strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities and Threats involved in a project or business venture. It involves specifying the objective of a project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective, whereby Strengths and Weaknesses refer to the internal situation of an organization, and Threats and Opportunities to the attributes of the external environment in which the organization operates. The analysis of the Strengths and Weaknesses and Threats and Opportunities is presented in the so-called SWOT matrix.

**United Nations Convention on Contracts for the International Sale of Goods (CISG)**
The "United Nations Convention on Contracts for the International Sale of Goods" (CISG) is a treaty offering a uniform international sales law regulating the rights and obligations of buyers and sellers in international transactions for the sale of goods. Unless excluded by the express terms of a contract, the CISG is deemed to be incorporated into (and supplant) any otherwise applicable domestic law(s) governing a transaction in goods between parties from different Contracting States. The CISG is currently used by countries that account for about two-thirds of all world trade. For more information, see <www.cisg.law.pace.edu>.

# ADDITIONAL RESOURCES

PRODUCER ORGANIZATIONS – CREATION/MANAGEMENT/MARKETING

- **FAO.** 2009. *Course on agribusiness management for producers' associations.* FAO Training Materials for Agricultural Management, Marketing and Finance 8.

  <www.fao.org/docrep/011/i0499e/i0499e00.htm>

  This manual is aimed at improving the agribusiness management capabilities of leaders and managers of producers' associations as well as those of technicians from governments, NGOs and the private sector, who provide technical assistance to agro-enterprises. The manual includes four modules: agrofood systems and chains, organizational principles for producers' associations, planning for producers' associations and post-harvest and marketing.

- **FAO.** 2001. *Agricultural cooperative development: a manual for trainers.*

  <www.fao.org/SD/2003/IN07023_en.htm>

  This manual deals with ways in which trainers and promoters of cooperatives can support cooperative members and management in the development of their cooperative organizations.

- **FAO.** 1995. *The group enterprise book. A practical guide for group promotors to assist groups in setting up and running successful small enterprises.*

  <ftp://ftp.fao.org/sd/sda/sdar/geb_en.pdf>

This book shows in simple illustrated steps how small enterprises can be developed and run by small groups in rural communities using a participative approach. It is intended for use by group promoters (or GPs), extension workers and other rural development staff to help existing groups to set up and run their enterprises. The manual addresses issues such as the choice of a project, business planning, managing the business (bookkeeping, recordkeeping, marketing, etc.), and the role of inter-group associations.

- **Koopmans, R.** 2006. *Starting a cooperative. Farmer controlled economic initiatives*. Agromisa and CTA.

  <www.agromisa.org/agrodoks/Agromisa-AD-38-E.pdf>

  Includes the following chapters: What is a cooperative; Why are farmers interested in cooperatives; What is needed to form a cooperative; Cooperative management; Statutes and by-laws; Finance; Potential pitfalls; Establishing a cooperative.

- **Penrose-Buckley, C.** 2007. *Producer organisations: a guide to developing collective rural enterprises*. Oxfam.

  <http://publications.oxfam.org.uk/oxfam/add_info_044.asp>

  This guide describes different types of producer organisations, and draws out learning points and key factors affecting their success, based on ten case studies from around the world. The book provides step-by-step guidance for development practitioners, managers, and all those interested in how development organisations can help small-scale producers build effective collective businesses.

- The **Rural Finance Learning Centre** of the FAO (<www.ruralfinance.org>) provides financial services for people living in rural areas. This Learning Centre aims to assist organisations in developing countries to build their capacity to deliver improved financial services which meet the needs of rural households and businesses. The following documents, published by the Centre, may prove particularly useful for the readers of this guide:

  - **FAO/ILO.** 1986. *Self study and training for members and staff of agricultural cooperatives. A guidance manual for advisers and trainers*.

    <www.ruralfinance.org/servlet/BinaryDownloaderServlet/43595_Guidance_manual.pdf?filename=1162334253153_guidance_for_trainers.pdf&refID=43595>

    This manual offers guidance to field workers involved in advising and providing training for committee members and staff of primary agricultural co-operatives. The manual gives advice on how to plan and carry out training activities and discusses methods for assessing training needs.

  - **ILO.** 1984. *Making a budget. A self study guide for members and staff of agricultural cooperatives.*

    <www.ruralfinance.org/servlet/CDSServlet?status=ND0zNTY4OSY2PWVuJjMzPWxl c3NvbiYzNz1rb3M~>

    This manual takes the reader through the discussions of a farmers' cooperative committee meeting as they prepare a budget for their next year's operations. Each lesson covers a different stage in the budgeting process, for example estimating income from the sales of produce and sales of supplies, estimating the running costs, preparing the final budget and estimating the net surplus, preparing a cash budget. All the calculations involved are carefully explained.

  - **Witte, R.** 2004. Enterprise budgets and variable costs. Agromisa.

    <www.ruralfinance.org/servlet/CDSServlet?status=ND0xMDE2LjQxNzExJjY9ZnImMzM9ZG9jdW1lbnRzJnNob3dDaGlsZHJlbj10cnVlJjM3PWluZm8~#koinfo>

    This brief deals with variable costs and enterprise budgets. After describing the basics of farm economics (1) and enterprises (2), methods of calculating a crop budget (3) and a livestock budget (4) are given. The document concludes with a short discussion on the use of enterprise budgets.

- The **Global Farmer Field School Network and Resource Centre** has a vast collection of information on Farmer Field Schools for every conceivable subject and with experiences from around the world: <www.farmerfieldschool.info>.

BUSINESS MANAGEMENT / MARKET STUDY / MARKETING

*Portal websites*

- SME Toolkit
  A project of the International Finance Corporation, a member of the World Bank Group, the SME Toolkit offers free business management information and training for small and medium enterprises (SMEs) on accounting and finance, business planning, human resources (HR), marketing and sales, operations, and information technology. Register (free of charge) to obtain full access to all webpages and documents. The website is built around a number of crucial themes in international business: accounting and finance, business planning, human resources, international business, legal & insurance, marketing & sales, operations, technology, women-owned businesses. Each section features links to a wide range of how-to articles, business forms, free business software, online training, self-assessment exercises, quizzes, and other resources. The regional toolboxes represent various geographical zones and take into account region-specific rules and regulations. The homepage of the project can be accessed at <www.smetoolkit.org>. Do not miss the pages concerning:
  - The creation of an effective business plan (<www.smetoolkit.org/smetoolkit/en/content/en/793/Creating-an-Effective-Business-Plan>) and the sample business plans (<www.smetoolkit.org/smetoolkit/en/content/en/236/Sample-Business-Plans>);
  - Bookkeeping and recordkeeping basics (<www.smetoolkit.org/smetoolkit/en/content/en/28/Bookkeeping-and-Record-Keeping-Basics>) and the training module on accounting and cash-flow (<www.smetoolkit.org/smetoolkit/en/content/en/83/Accounting-and-Cash-Flow>):
  - Recruiting and hiring (<www.smetoolkit.org/smetoolkit/en/category/937/Recruiting-Hiring>) and the interactive hiring tool (<www.smetoolkit.org/smetoolkit/en/content/en/1082/Know-Who-You-Want-to-Hire-An-Interactive-Hiring-Tool>);
  - Market research and planning (<www.smetoolkit.org/smetoolkit/en/category/953/Market-Research-Planning>), etc.

- Business Development Bank of Canada
  The website of the Business Development Bank of Canada (<www.bdc.ca/en/home.htm>) is a portal website addressing a wide range of issues related to the setting up of a commercial/export activity. While the site is primarily aimed at small and medium-sized Canadian enterprises, much of the information provided on the website is relevant for enterprises worldwide, including the following sections:

  - Starting a business (<www.bdc.ca/en/my_project/Projects/starting_business.htm>);
  - Developing a business plan (<www.bdc.ca/en/my_project/Projects/articles/starting_business_plan.htm>) and business plan models and examples (<www.bdc.ca/en/business_tools/business_plan/default.htm>);
  - Strategic planning (<www.bdc.ca/en/my_project/Projects/articles/strategic_planning.htm?context={4860ECC2-6AD0-4E81-9CB2-487DB7D28F0D}>);
  - Developing a production plan (<www.bdc.ca/en/my_project/Projects/articles/production_planning_plan.htm?context={DB84555F-96B4-4909-9628-51845D19AF95}>);
  - Devising an export plan (<www.bdc.ca/en/my_project/Projects/articles/exporting_plan.htm?context={9A1AADBE-B72C-4C88-8B91-8D699794E78A}>);
  - Day-to-day business operations (<www.bdc.ca/en/my_project/Projects/articles/start6e.htm?context={87E02FA3-811B-44FF-8278-8BBA454C6F98}>);
  - Logistics planning (<www.bdc.ca/en/my_project/Projects/articles/operations_logistics.htm?context={DB84555F-96B4-4909-9628-51845D19AF95}>);

- Sales and marketing (<www.bdc.ca/en/my_project/Projects/growth/marketing_sales_distribution.htm>);
- Export marketing (<www.bdc.ca/en/my_project/Projects/articles/exporting_marketing.htm?context={9A1AADBE-B72C-4C88-8B91-8D699794E78A}>);
- Human resources mangement (<www.bdc.ca/en/my_project/Projects/growth/human_resources.htm>);
- E-business (<www.bdc.ca/en/my_project/Projects/ebusiness.htm>);
- Quality standards (<www.bdc.ca/en/my_project/Projects/quality.htm>).

- **Canada Business**

The Canada Business website (<www.canadabusiness.ca/eng/>) is a portal website aimed at facilitating access to reliable, up-to-date information regarding the setting up and running of a small enterprise. Don't miss the webpages concerning:

- Starting a business (<www.canadabusiness.ca/eng/125/>);
- The Step-by-Step Guide to Exporting (<www.tradecommissioner.gc.ca/eng/StepENGPDF.pdf>);
- The guide to market research and analysis (<www.canadabusiness.ca/eng/guide/2428/>);
- Writing a business plan (<www.canadabusiness.ca/eng/guide/1408/>);
- Managing and training staff (<www.canadabusiness.ca/eng/85/180/>);
- Etc.

- **Eur-Export**

Eur-Export (<www.eur-export.com>), a self-training website on international trade co-financed by the European Union, addresses export-related issues in the fields of marketing, logistics, finance and legal issues.

- The section on marketing offers information on the analysis of the export potential of an enterprise, the study of foreign markets, the product (selection, development, positioning), methods of price setting, distribution (methods to penetrate foreign markets), and communication;
- The section on logistics contains information regarding customs (the EU's customs policy, customs procedures, administrative management of customs operations), transportation (selection of a method of transportation, insurance, contracts, etc.), storage and the electronic exchange of data;
- The finance section provides information regarding international financing, international payments, the risk of non-payment and exchange risks;
- The legal section discusses the legal and political environment in which companies operate (international commercial law, international disputes, international contracts, etc.).

A final section of the website contains useful links related to market study, marketing, logistics, finance, and legal issues.

- **ExportHelp**

ExportHelp (<www.exporthelp.co.za/index.html>) is a valuable on-line source of export-related information. While ExportHelp is a portal targeted at small and medium sized businesses in South Africa, its information is relevant for exporters worldwide. Of particular interest are ExportHelp's Guide to Exporting in 21 Steps, see <www.exporthelp.co.za/assistance/export_guide.html>, a very detailed yet legible guide covering all aspects of the exporting process, from evaluating export readiness over market and marketing research to negotiating and quoting in exports, obtaining payments etc. ExportHelp's section on marketing is especially thorough, see <www.exporthelp.co.za/index.html> and click on "Export Marketing" in the left hand column. Meanwhile, the "Export Tools" link provides useful tools such as the Export Readiness Checker, the Export SWOT Checklist, export documentation templates, etc. The "Export Reference" link in the right hand column leads to useful reference material, including customs, country, telephone, airport and port codes, container types, cargo symbols etc.

*Entrepreneurship*

- **Nova Scotia Agricultural College.** 2001. *Agri-Entrepreneurship Training Manual.*

  <http://nsac.ca/international/International_Projects/Previous_Projects/Ghana/Training_Manual/TrainingManual.asp>

  Training manual based on Nova Scotia Agricultural College's five-year entrepreneurship project in the north of Ghana. The manual consists of five modules: Group Formation and Strengthening; Post Harvest Handling System; Marketing; Record-Keeping; Financial Management. Each module begins with notes for the facilitator, some general guidelines and a warm-up exercise. Then the module themes are introduced using fact sheets and a visual aid poster, followed by session guidelines, exercises, discussion questions and answers.
  - The Marketing section of the manual covers the following themes: marketing; market research; new product development; pricing; retailing and merchandising; selling; group marketing.
  - The section on record-keeping covers the following issues: introduction to record-keeping; cash book; record-keeping for inventory; credit book/cost-of-production records;
  - The financial management module covers the following themes: money management; managing cash and credit; calculating profit; business planning.

*Strategic/export planning*

- **Centre for the Promotion of Imports from Developing Countries (CBI).** 2004. *Export Planner; a comprehensive guide for prospective exporters in developing countries.*

  <www.cbi.eu> or
  <www.medibtikar.eu/IMG/pdf/Export_Planner_from_Developing_Countries_to_EU_Markets.pdf>

  This handbook focuses on the development and planning of export activities. It contains the following sections: Management: goals, resources, tools; The exporting company; The target market abroad; Market entry strategy; Selecting trade partners; Management planning.

- **Export Promotion of Organic Products from Africa (EPOPA).** 2006. *Organic exporter guide; hands-on help for organic exports from Africa.*

  <www.grolink.se/epopa/Publications/index.htm> or
  <www.epopa.info> (click on the tab "publications" – the guide is included in the list of reports)

- **International Trade Centre (ITC).** *Export Fitness Checker.*

  <www.intracen.org/ec/checker/bepartner.htm>

  This checklist of 59 questions gives an enterprise the opportunity to run a quick check on its export readiness by identifying possible gaps before entering a foreign market. Firms that are already exporting can discover some useful tips.

- **Koekoek, F.J., Leijdens, M. and G. Rieks.** *2010. Entering the organic export market. A practical guide for farmers' organizations.* Agrodok-series No. 48. CTA and Agromisa Foundation.

  <www.agromisa.org/index.php?PageId=141&PerformAction=ShowDetail&RecordId=303>

  The aim of this publication is to provide smallholder farmers' organisations and similar groups with the information they need to decide whether organic export marketing activities are right for them, and what they need to do to become involved in these activities. The guide contains the following chapters: 1. Key issues: what you need to be aware of before entering the organic export business; 2. The organic market: the demand for organic products, quality and entry requirements; 3. Organic production and certification: organic production standards, developing an internal control system: 4. Feasability and investments: costs of an organic export business, investment capital and trade finance, risk analysis and risk management; 5. Developing the chain: the different actors in the supply chain and their responsibilities; 6. Organic export marketing: developing a marketing strategy, the 4 Ps; 7. Management, planning and evaluation: SWOT analysis, cost-benefit analysis, success in organic exports; 8. Case study: Zameen. The annexes to the guide set out the requirements for an internal control system; explain price risk management; list organizations that may be interested in providing credit to organic export initiatives; and list further reading resources and useful contacts.

- **Van Elzakker, B. and F. Eyhorn.** 2010*. The Organic Business Guide. Developing sustainable value chains with smallholders.* IFOAM.

  <www.ifoam.org/bookstore> (the tools in the Annex are available from <www.organicandfair.org> – *Publications*)

  This guide provides practical know-how and information necessary to set up, manage and develop an organic businesss. It is primarily aimed at people involved in the setting up and management of an organic business with smallholders in low- and middle-income countries, including individual entrepreneurs, senior staff of companies, managers of cooperatives, business development NGOs and consultants, financial service providers and government agencies. The guide contains the following chapters: Organic production and fair trade / Starting from the market / Developing organic value chains / Designing the organic production system / Planning and managing your business / Organising producers for the market / Certification and Internal Control Systems / From field to market / Marketing / Moving up / What role for facilitators, governments and donors? / Useful references and websites.

*Market research*

- **Centre for the Promotion of Imports from Developing Countries (CBI).** 2008. *CBI Export Manual: your guide to market research:*
  *Part 1: Your research assistant - improving your competence in market research;*
  *Part 2: Your research practice;*
  *Part 3: Your research action plan.*

  Part 1 of the CBI Export Manual (available at <www.cbi.eu/marketinfo/cbi/?action=showDetails&id=62>) provides you with the necessary theoretical insights into market research. The information in Part 1 will enable you to structure your research process, choose the appropriate research tools, analyse your findings and present them in a logical research report. Part 2 of the Export Manual (available at <www.cbi.eu/marketinfo/cbi/docs/your_guide_to_market_research_part_2_your_research_practice>) provides more advanced market research information. The manual, which focuses on the European market, contains useful guidelines as to the selection of your research subjects (the topics on which you want to gather information), where to find information and how to process it (e.g. how to obtain, sort and analyse statistics). Part 3 of the Export Manual is an online interactive tool aimed at assisting you in the development of a research action plan, setting out your research objectives and research questions; your methods and sources; your planning in terms of time and human and financial resources; and possible results and conclusions. The tool can be accessed at <www.cbi.eu/?pag=7> or <www.cbi.eu/marketinfo/cbi/docs/your_guide_to_market_research_part_3_your_research_action_plan>.

- **FAO.** 1997. *Marketing research and information systems. Marketing and Agribusiness Text – 4.* (<www.fao.org/docrep/W3241E/W3241E00.htm>).

  This handbook has the intention of providing those charged with making marketing decisions in the food and agricultural sectors of the developing world in general, and the tropical regions in particular, with a foundation for better understanding customer motivations and market forces.

- **FAO.** 2000. *Understanding and using market information.*

  <www.fao.org/ag/AGS/subjects/en/agmarket/understanding.html>

  This guide is designed to assist extension workers and others in regular contact with farming communities to advise farmers on how best to use market information. The guide how farmers can use and benefit from market information, and what the available sources of market information are. Why prices change, both in the short term and long term, how to interpret prices provided by a market information service, and how to calculate costs between farmer and market are also covered. In addition, the guide provides a number of practical ways in which extension workers and others can work to support farmers' marketing efforts.

- For an overview of the regulations and certifications governing your enterprise, consult the following document: **FAO.** *Regulations, standards and certification for agricultural export. A practical manual for producers and exporters.*

| | |
|---|---|
| West Africa (2006) | in English (<www.fao.org/docrep/009/a0587e/a0587e00.htm> )<br>in French (<www.fao.org/docrep/009/a0587f/a0587f00.htm>) |
| East Africa (2006) | in English (<www.fao.org/docrep/010/a0791e/a0791e00.htm>) |
| Asia (2007) | in English, Thai, Bahasa, Vietnamese, Chinese, Burmese, Bangla, Telugu, Hindi, Urdu, Farsi, and Lao (<www.fao.org/es/esc/en/15/262/highlight_270.html>) |
| South America (2003) | in Spanish (<www.fao.org/es/esc/common/ecg/269/en/Manual_Suramerica.pdf>) |
| Central America (2002) | in Spanish (<www.fao.org/es/esc/common/ecg/269/en/Guia_FAO_RUTA.pdf>) |

  Note that these handbooks contain references to local support organizations that can provide additional information.

- The European Union's **Export Helpdesk** provides an overview of the regulations and administrative procedures governing imports into the EU: <http://exporthelp.europa.eu/> (in English, Spanish, French and Portugese).

- The **International Trade Centre (ITC)** has developed five web portals: Trade Map, Market Access Map, Investment Map, Trade Competitiveness Map and Product Map to enhance the transparency of global trade and market access and to help users in their market analyses. All users from developing countries and territories may access the ITC's market analysis tools free of charge.
  - Trade Map (<www.trademap.org>) provides users with indicators on export performance, international demand, alternative markets and the role of competitors. Trade Map covers 220 countries and territories and 5300 products of the Harmonized System. Trade data is also available at the tariff line level for more than 120 countries and on a quarterly and monthly basis for more than 50 countries;
  - Market Access Map (<www.macmap.org>) covers customs tariffs (import duties) and other measures applied by 187 importing countries to products from 239 countries and territories. MFN and preferential applied import tariff rates are shown for products at the most detailed national tariff line level;
  - Investment Map (<www.investmentmap.org>) provides foreign direct investment (FDI) data for 80 countries at the sectoral level, together with foreign affiliates, trade flows and tariffs for over 150 countries;
  - Trade Competitiveness Map (<www.intracen.org/countries>) provides country market analysis profiles for around 240 countries and territories. Each profile provides a series of tools to facilitate strategic market research, monitor national and sectoral trade and macro-economic performance and design trade development strategies;
  - Product Map (<www.p-maps.org/Client/index.aspx>) contains various types of information (market studies, useful links, international prices, business contacts, export performance indicators of exporting countries, …) on over 5000 products, organised in 72 product groups.

- The **Swiss Import Promotion Programme (SIPPO)** offers useful information on exporting to the Swiss and European markets: <www.osec.ch/internet/osec/en/home/import/publications.html>.

- The **Swiss Import Promotion Programme (SIPPO)** has issued a document entitled “From Contacts to Contracts”, which provides useful information on how to derive maximum benefits from your participation in international trade fairs. See: <www.osec.ch/internet/osec/en/home/import/publications/sippo_and_partner.-ContentSlot-62277-ItemList-25420-File.File.pdf/pub_SIPPO_From_Contacts_to_Contracts.pdf>.

- The **Swiss Import Promotion Programme** and the **Centre for the Promotion of Imports from Developing Countries** (CBI) have developed “Your Image Builder”, which aims at assisting small and medium-sized businesses in establishing and improving their corporate identity and managing their supply chains. See: <www.osec.ch/internet/osec/en/home/import/publications/sippo_and_partner.-ContentSlot-2891-ItemList-93775-File.File.pdf/pub_image.pdf>.

- **Technical Centre for Agricultural and Rural Co-operation ACP-EU (CTA).** *Marketing strategies for smallscale farmers.* Rural Radio Resource Pack.

  <www.anancy.net/documents/file_en/RRRP08-5e.pdf>

  This document contains transcripts of interviews of farmers and farmer-support organisation officers on marketing-related issues, including market research, market information systems, linking buyers and sellers, group marketing, adding value, etc.

- The **Rural Infrastructure and Agro-Industries Division** (AGS) of the FAO issues a number of interesting publication, including the Agricultural Services Bulletins (see <www.fao.org/ag/AGS/publications/en/bulletins.html>). The following documents may prove particularly useful for the readers of this guide:

  - **FAO.** 2009. *Horticultural marketing*. Marketing Extension Guide 5. See <www.fao.org/ag/AGS/subjects/en/agmarket/docs/Horticultural_EN.pdf>;
  - **FAO.** 2007. *Approaches to linking farmers to markets. A review of experiences to date* (<www.fao.org/ag/AGS/subjects/en/agmarket/linkages/agsf13.html>);
  - **FAO.** 2004. *Helping small farmers think about better growing and marketing* (<www.fao.org/AG/Ags/subjects/en/farmMgmt/pdf/publication_list/pacific_manual.pdf>). This manual is designed to train field facilitators to help interested small farmers and farmer groups make decisions that will improve their income. The manual itself is divided into five primary parts: the farming systems approach to development; farm management; marketing; the production-marketing link; risk management. The annexes contain i.a. examples of farm record forms;
  - **FAO.** 1997. *Basic finance for marketers* (<www.fao.org/docrep/W4343E/W4343E00.htm>);
  - **FAO.** 1997. *Global agricultural marketing management* (<www.fao.org/docrep/W5973E/W5973E00.htm>);
  - **FAO.** 1997. *Agricultural and food marketing management* (<www.fao.org/DOCREP/004/W3240E/W3240E00.HTM>);
  - **FAO.** 1989. *The marketing of horticultural products. A resource and training manual for extension officers.* Agricultural Services Bulletin 76. See <www.fao.org/docrep/s8270e/s8270e00.htm>.

*e-Business*

- **International Trade Centre (ITC).** 2003. *The changing marketplace: putting “e” to work*.

  <www.intracen.org/eshop/f_e_IP_Title.Asp?ID=29218&LN=EN>

  Trilingual CD-ROM containing information on ITC's various e-related initiatives designed to help small and medium-sized enterprises put “e” to work and overcome the “digital divide” - also contains best practice cases on e-trade, and a selection of related ITC publications and links to other organizations' web sites.

- **Scottish Enterprise** has developed a number of e-seminars on the use of the internet in business, including seminars on search engine optimization, e-mail marketing, selling online, web design and website content management. See: <www.scottish-enterprise.com/e-seminars/>. Other useful information from Scottish Enterprise includes:
  - <www.scottish-enterprise.com/publications03-search_engine_optimisation.pdf> on search engine optimization;
  - <www.scottish-enterprise.com/publications/viral_and_e-mail_marketing.pdf> on viral and e-mail marketing;
  - <www.scottish-enterprise.com/publicationswebsite_linking_strategies.pdf> on website linking strategies;
  - <www.scottish-enterprise.com/publications/online_payments.pdf> on online payments.

- For some examples of small and medium sized (Canadian) exporters who have successfully integrated the internet in their marketing efforts, see <http://citt.management.dal.ca/Files/pdf's/DP-179.pdf>; pp. 21–22 in particular provide useful practical information and tips.

*Sales contracts*

Several organizations have developed model contracts for international trade, including the “International Commercial Sale of Perishable Goods Model Contract” developed by the International Trade Centre (available at <www.jurisint.org/en/con/339.html> – including a User’s Guide); the “Official Contract for Transactions in Cocoa Beans” (on FOB or CIF terms) (available at: <www.jurisint.org/en/con/4_1.html>); the “General CIF Terms Contract” and “General FOB Terms Contract” developed by the Grain and Feed Trade Association (available at <www.jurisint.org/en/con/3_1.html>); the COFREUROP rules for the international trade in fruits and vegetables (available at <www.dfhv.de/~upload/dfhv/pdf/cofreuropenglisch1999.pdf>).

STANDARDS/QUALITY MANAGEMENT SYSTEMS/CERTIFICATION

- **FAO.** 2003. *Environmental and social standards, certification and labelling for cash crops.*

  <www.fao.org/docrep/006/y5136e/y5136e00.htm>

  This document contains i.a. the following sections: the concepts of standards, certification and labelling; overview of existing standards and certification programmes; production and markets; impact assessment of social and environmental certification; the WTO and environmental and social standards, certification and labelling; etc.

- **FAO**. 2004. *Voluntary standards and certification for environmentally and socially responsible agricultural production and trade.*

  <www.fao.org/docrep/007/y5763e/y5763e00.htm>

- **International Trade Centre (ITC).** 2001. *Export quality management: an answer book for small and medium-sized exporters.*

  <www.intracen.org/eshop/f_e_IP_Title.Asp?ID=25551&LN=EN>

  Questions and answers on all aspects of quality control and management directed to exporters - covers technical regulations and standards, product certification, testing, metrology, quality management; explains ISO 9000, ISO 14000, Hazard Analysis Critical Control Point (HACCP); etc.

- **International Trade Centre (ITC).** 2007. *ISO 22000 Food safety management systems. An easy-to-use checklist for small businesses: are you ready?*

  <www.intracen.org/eshop/f_e_IP_Title.Asp?ID=38308&LN=EN>

  Checklist covering issues related to the setting-up, implementation and certification of a food safety management system according to ISO 22000:2005. The Checklist contains 13 sections, each covering a particular aspect of ISO 22000, with a brief explanation of the relevant requirements and guidance on how to incorporate the requirements into a food safety management system; also provides a list of useful Web resources.

- **Schoenmakers, M.** 2009. *One quality management system. Multiple standard compliance. Quality management for smallholder producer groups.* FAQ.

  <www.qms4s.org/downloads/assets/plugindata/poola/qm guidance document 16.pdf>

  This guidance document gives a model and provides guidance in setting up and controlling an integrated Quality Management System for producer organisations against multiple market requirements. The system approach is taken from ISO 9001:2008 and ISO 22000:2005. Explanations, examples and supporting workshops are designed to suit the reality of producer organisations.

- FAO's **Food Quality and Standards Service** (AGNS) develops tools to provide guidance and technical support to be used by implementing agencies working in the area of food safety and quality. The following document may prove particularly useful for users of this manual:

  - **FAO.** 2001. Food Quality and Safety Systems - A Training Manual on Food Hygiene and the Hazard Analysis and Critical Control Point (HACCP) System

    <www.fao.org/docrep/W8088E/W8088E00.htm>

    This manual contains three sections: principles and methods of training / recommended international code of practice – general principles of food hygiene / the hazard analysis and critical control point (HACCP) system.

FINAL REMARKS

- *For the complete list of publications by the International Trade Centre (ITC), visit <www.intracen.org/eshop/f_e_Publications.asp?LN=EN>.*

- *For the complete list of publications by the Technical Centre for Agricultural and Rural Co-operation ACP-EU, visit <www.cta.int/en/CTA-Portals/Publication-Catalogue-and-Virtual-Library/E-catalogue>.*

- *The French version of this manual contains links to other useful resources, see <www.fao.org/organicag/organicexports/export-guide/fr/>.*

## A. COST TABLE FOR THE EXPORTATION OF MANGOES

| | | | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| | *Category* | *Detail* | *¢ / kg* | *¢ / carton* | *¢ / pallet* | *¢ / container (20 feet)* | *¢ / container (40 feet)* |
| 5 | *Raw materials and harvest* | Mangoes at farm gate price | | =C5*J13 | =D5*K14 | =E5*L15 | =E5*L16 |
| 6 | | Margin for harvesting team (10%) | =C5*10% | =C6*J13 | =D6*K14 | =E6*L15 | =E6*L16 |
| 7 | | Harvesting costs | =D7/J13 | =E7/K14 | =F7/L16 | | |
| 8 | | Transport to packing station | =D8/J13 | =E8/K14 | =F8/L16 | | |
| 10 | | **TOTAL HARVEST** | **=SUM(C5:C8)** | **=SUM(D5:D8)** | **=SUM(E5:E8)** | **=SUM(F5:F8)** | **=SUM(G5:G8)** |
| 12 | *Sorting* | Rejected mangoes (15 %) | **=C10*100/85** | **=D10*100/85** | **=E10*100/85** | **=F10*100/85** | **=F10*100/85** |
| 14 | *Grading and packing* | Cost packing station + personnel | | =E14/K14 | =G14/L16 | | |
| 15 | | Cartons | =D15/J13 | | =D15*K14 | =E15*L15 | =E15*L16 |
| 16 | | Pallets | =D16/J13 | =E16/K14 | | =E16*L15 | =E16*L16 |
| 17 | | Corner strips | =D17/J13 | =E17/K14 | | =E17*L15 | =E17*L16 |
| 18 | | Straps | =D18/J13 | =E18/K14 | | =E18*L15 | =E18*L16 |
| 19 | | Buckles | =D19/J13 | =E19/K14 | | =E19*L15 | =E19*L16 |
| 20 | | **TOTAL GRADING AND PACKING** | **=SUM(C14:C19)** | **=SUM(D14:D19)** | **=SUM(E14:E19)** | **=SUM(F14:F19)** | **=SUM(G14:G19)** |
| 22 | *Placing on board* | Containering, placing on board, transit | =D23/J13 | =E22/K14 | =G22/L16 | | |
| 24 | *Formalities* | Dispatching of documents | =D24/J13 | =E24/K14 | =G24/L16 | | |
| 25 | | Fixed costs per delivery invoice | =D25/J13 | =E25/K14 | =G25/L16 | | |
| 26 | | Phytosanitary certificate | =D26/J13 | =E26/K14 | =G26/L16 | | |
| 27 | | EUR 1 certificate | =D27/J13 | =E27/K14 | =G27/L16 | | |
| 28 | | **TOTAL FORMALITIES** | **=SUM(C24:C27)** | **=SUM(D24:D27)** | **=SUM(E24:E27)** | **=SUM(F24:F27** | **=SUM(G24:G27)** |
| 30 | *Subtotal* | **Subtotal VARIABLE costs** | =C10+C12+C20 +C22+C28 | =D10+D12+D20 +D22+D28 | =E10+E12+E20 +E22+E28 | =F10+F12+F20 +F22+F28 | =G10+G12+G20 +G22+G28 |
| 31 | *Exporter Margin* | **Margin to cover fixed costs** | **=C30*..%** | **=D30*..%** | **=E30*..%** | **=F30*..%** | **=G30*..%** |
| 33 | *TOTAL* | **FOB** | **=C30+C31** | **=D30+D31** | **=E30+E31** | **F30+F31** | **=G30+G31** |

*Highlighted cells contain original data. ¢ may refer to any currency.*

*Some calculations with "L16"in the formula are based on 40 feet container (costs per pallet, carton and kg may be higher for 20 feet container).*

| | | J | K | L |
|---|---|---|---|---|
| | | Kg | Carton | Pallet |
| 13 | Carton | 4 | | |
| 14 | Pallet | 960 | 240 | |
| 15 | Container (20 feet) | 9,600 | 2,400 | 10 |
| 16 | Container (40 feet) | 19,200 | 4,800 | 20 |

Please note that these working sheets are available in excel format from <www.fao.org/organicag/organicexports/export-guide/en/>.

**DIRECT EXPORT COSTS (pre-shipment)**

| | | | C | D | E | F | G | H | |
|---|---|---|---|---|---|---|---|---|---|
| | *Items* | *Unit* | *Unit price* | *¢ / lb* | *¢ / kg* | *¢ / bag* | *¢ / tonne* | *¢ / 12.5t* | *Comments* |
| 7 | Cocoa farmer price | lbs | | =C7 | =D7*2.21 | =E7*62.5 | =E7*1000 | =G7*12.5 | |
| 8 | Produce agent commission | %/accepted bag | | | | =F7*..% | =G7*..% | =H7*..% | |
| 9 | Transport to main store (small truck) | truckload of 5 tonnes | | | | | =B9/5 | =G9*12.5 | |
| 10 | Jute bags | bag | | | | =C10 | =F10*16 | =G10*12.5 | |
| 11 | Handling (conditioning, sorting, weighing, bagging) | bag | | | | =C11 | =F11*16 | =G11*12.5 | |
| 12 | Loading | bag | | | | =C12 | =F12*16 | =G12*12.5 | |
| 13 | Insurance | tonne | 1% of export value | | | | =FOB price*0.01 | =G13*12.5 | |
| | | | | | | | | | |
| 15 | Transport to port (big truck) | truckload 1 container | | | | | | =C15 | |
| 16 | Handling at port | container | | | | | | =C16 | |
| 17 | Temporary storage at port | container | | | | | | =C17 | |
| 18 | Container loading/handling | container | | | | | | =C18 | |
| 19 | Fumigation | container | | | | | | =C19 | |
| 20 | Phytosanitary certificate | certificate | | | | | | =C20 | |
| 21 | Certificate of Origin | certificate | | | | | | =C21 | |
| 22 | EUR Movement Certificate | certificate | | | | | | =C22 | |
| 23 | Bill of Lading | bill of lading | | | | | | =C23 | |
| 24 | Government tax | per tonne | 2.5% of export value | | | | =FOBprice* 0.25 | =G24*12.5 | |
| | | | | | | | | | |
| 26 | Communication, courier for samples etc. | per contract | | | | | | | |
| | | | | | | | | | |
| 28 | TOTAL | | | | | | =H28/12.5 | =SUM(H7:H 26) | |

*Highlighted cells contain original data. ¢ may refer to any currency.*

OVERHEAD COSTS (salaries)

| | | B | C | D | E |
|---|---|---|---|---|---|
| | *Item* | *¢ per month /staff member* | *Number of staff members* | *Cost per year* | *Cost per container (10 containers/yr)* |
| | *Management* | | | | |
| 7 | General manager | | 1 | =B7*12 | =D7/10 |
| 8 | Financial manager | | 1 | =B8*12 | =D8/10 |
| | *Other staff* | | | | |
| 10 | Store guards (3) | | 3 | =B10*C10*12 | =D10/10 |
| 11 | Field officers for ICS etc. (3) | | 3 | =B11*C11*12 | =D11/10 |
| | | | | | |
| 13 | Total actual staff | | | =SUM(D6:D10) | =SUM(E6:E10) |

*Highlighted cells contain original data.*

*¢ may refer to any currency.*

OTHER OVERHEAD COSTS (excluding salaries and direct export costs)

| | *Item* | *Comment* | *Cost in ¢/annum* |
|---|---|---|---|
| | *Running costs* | | |
| 7 | Social security | 5% of salary costs | |
| 8 | Income tax | 10% of salary costs | |
| 9 | Company tax | 10% of profit | |
| 10 | External audit | | |
| 11 | Insurance (staff, equipment) | | |
| 12 | Association registration | | |
| 13 | Communication | | |
| 14 | Transport | | |
| 15 | Travel incl. accommodation etc. | | |
| 16 | Allowances for management board members | | |
| 17 | Costs of annual general meeting | | |
| 18 | Delegates costs for AGM | | |
| 19 | Utilities | | |
| 20 | Fuel | | |
| 21 | Office consumables | | |
| 22 | Office furniture | | |
| 23 | Repairs | | |
| 24 | Property rental | | |
| 25 | Miscellaneous Meetings | | |
| | | | |
| 27 | **Sub-total** | | =SUM(C7:C25) |
| | | | |
| | *Farmer Field School costs* | | |
| 30 | Facilitator training | | |
| 31 | Facilitators allowances | 50 FFS x 20 wks x ... ¢ | |
| 32 | Materials, transport etc | | |
| 33 | **Sub-total** | | =SUM(C30:C33) |
| | | | |
| | *Certification costs* (ICS costs in salaries and other overheads) | | |
| 36 | Fairtrade certification costs (3000 €/yr) | *exchange rate | |
| 37 | Organic certifiction costs (600 €/yr) | *exchange rate | |
| 38 | **Sub-total** | | =SUM(C37:C37) |
| | | | |
| 40 | **TOTAL (without organic cert)** | | =C27+C33+C36 |

*Highlighted cells contain original data.*

*¢ may refer to any currency.*

**Calculation of the break-even point for a cocoa export association**

| | | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| 4 | 2007 price per ton in $ | | | | | | | |
| 5 | 2007 price per container in $ | =B6*12.5 | | | | | | |
| 6 | Exchange rate 2007 US$ to ¢ | | | | | | | |
| | | | | | | | | |
| | *No. of containers exported* | *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| 10 | Income 2007 ($) | =1*B4 | =2*B4 | =3*B4 | =4*B4 | =5*B4 | =6*B4 | =7*B4 |
| 11 | Income in ¢ | =B10*B6 | =C10*B6 | =D10*B6 | =E10*B6 | =F10*B6 | =G10*B6 | =H10*B6 |
| | | | | | | | | |
| 13 | Direct costs for export in ¢ | =H28 of working sheet “Direct export costs” | =B13*2 | =B13*3 | =B13*4 | =B13*5 | =B13*6 | =B13*7 |
| 14 | Salaries in ¢ | =D12 of working sheet “Overhead costs salaries” | =B14 | =B14 | =B14 | =B14 | =B14 | =B14 |
| 15 | Other overheads in ¢ | =C40 of working sheet “Other overhead costs” | =B15 | =B15 | =B15 | =B15 | =B15 | =B15 |
| | | | | | | | | |
| 17 | Total expenditure | =SUM(B13:B15) | =SUM(C13:C15) | =SUM(D13:D15) | =SUM(E13:E15) | =SUM(F13:F15) | =SUM(G13:G15) | =SUM(H13:H15) |
| | | | | | | | | |
| 19 | Loss/profit (2007 prices) | =B11-B17 | =C11-C17 | =D11-D17 | =E11-E17 | =F11-F17 | =G11-G17 | =H11-H17 |
| | | | | | | | | |
| 21 | 2008 price per ton in $ | | | | | | | |
| 22 | 2008 price per container in $ | =B6*12.5 | | | | | | |
| 23 | Exchange rate 2008 US$ to ¢ | | | | | | | |
| | | | | | | | | |
| | *No. of containers exported* | *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| 25 | Income 2008 ($) | =1*B4 | =2*B4 | =3*B4 | =4*B4 | =5*B4 | =6*B4 | =7*B4 |
| 26 | Income in ¢ | =B10*B6 | =C10*B6 | =D10*B6 | =E10*B6 | =F10*B6 | =G10*B6 | =H10*B6 |
| | | | | | | | | |
| 28 | Loss/profit (2008 prices) | =B26-B17 | =C26-C17 | =D26-D17 | =E26-E17 | =F26-F17 | =G26-G17 | =H26-H17 |
| | | | | | | | | |
| | *Break-even calculation at 2008 prices* | | | | | | | |
| 32 | Direct cost for export per container | =B13 | | | | | | |
| 33 | Salaries | =B14 | | | | | | |
| 34 | Other overheads | =B15 | | | | | | |
| 35 | Total overheads | =B33+B34 | | | | | | |
| 36 | **Break-even point** | =B35/(B26-B32) | | | | | | |

*Highlighted cells contain original data.*

*¢ may refer to any currency.*

**C. COST-BENEFIT ANALYSIS FOR CONVENTIONAL AND ORGANIC PINEAPPLE PRODUCTION**

***C.1. VARIABLE COSTS FOR CONVENTIONAL PRODUCTION***

| | | | C | D | E | F |
|---|---|---|---|---|---|---|
| | *Farm operation* | | *Unit* | *Quantity* | *Unit cost* | *Total cost* |
| 4 | Soil preparation | Plowing and levelling | labour day | | | =D4*E4 |
| 5 | | Nematicide application | labour day | | | =D5*E5 |
| 6 | | Base fertilization | labour day | | | =D6*E6 |
| 7 | | Planting bed preparation | labour day | | | =D7*E7 |
| 8 | | Tractor operations | labour day | | | =D8*E8 |
| 9 | | Subtotal soil preparation | | | | =SUM(F4:F8) |
| 12 | Planting material | Suckers | sucker | | | =D12*E12 |
| 13 | | Transport suckers | tractor hire (lumpsum) | | | =E13 |
| 14 | | Sorting and fungicide treatment | sucker | | | =D14*E14 |
| 15 | | water | cask | | | =D15*E15 |
| 16 | | Subtotal planting material | | | | =SUM(F12:F15) |
| 18 | Planting | Subtotal planting | sucker | | | =D18*E18 |
| 21 | Inputs | Fertilizers | kg | | | =D21*E21 |
| 22 | | Nematicides | kg | | | =D22*E22 |
| 23 | | Fongicide | packet | | | =D23*E23 |
| 24 | | Insecticides | litre | | | =D24*E24 |
| 25 | | Herbicide | kg | | | =D25*E25 |
| 26 | | Water for input applications | litre | | | =D26*E26 |
| 27 | | Subtotal inputs | | | | =SUM(F21:F26) |
| 30 | Small tools | Hoe | piece | | | =D30*E30 |
| 31 | | Rake | piece | | | =D31*E31 |
| 32 | | Machete | piece | | | =D32*E32 |
| 33 | | Gloves | piece | | | =D33*E33 |
| 34 | | Boots | piece | | | =D34*E34 |
| 35 | | Files | piece | | | =D35*E35 |
| 36 | | Basin | piece | | | =D36*E36 |
| 37 | | Flask | piece | | | =D37*E37 |
| 38 | | Harvesting knife | piece | | | =D38*E38 |
| 39 | | Torches | piece | | | =D39*E39 |
| 40 | | Batteries | piece | | | =D40*E40 |
| 41 | | Subtotal small tools | | | | =SUM(F30:F40) |
| 44 | Casual labour | Fertilization & pesticide treatments | labour day | | | =D44*E44 |
| 45 | | Weeding | labour day | | | =D45*E45 |
| 46 | | Flower induction treatment | sucker | | | =D46*E46 |
| 47 | | Crown reduction | labour day | | | =D47*E47 |
| 48 | | Harvest | labour day | | | =D48*E48 |
| 49 | | Transport fruit to packing house | tractor hire (per hour) | | | =D49*E49 |
| 50 | | Subtotal casual labour | | | | =SUM(F44:F49) |
| 53 | Commercialisation | Cartons | kg | | | =D53*E53 |
| 54 | | Labels, glue etc. | kg | | | =D54*E54 |
| 55 | | Pallets (maintenance....) | kg | | | =D55*E55 |
| 56 | | Transport packing house-airport | kg | | | =D56*E56 |
| 57 | | Custom charges | lumpsum | | | =E57 |
| 58 | | Phytosanitary certificate | piece | | | =D58*E58 |
| 59 | | Taxes | kg | | | =D59*E59 |
| 60 | | Subtotal commercialisation | | | | =SUM(F53:F59) |
| 62 | TOTAL VARIABLE COSTS | | | | | =SUM(F9,F16,F18,F27,F41,F50,F60) |

### C.2. VARIABLE COSTS FOR ORGANIC PRODUCTION

| | | | C | D | E | F |
|---|---|---|---|---|---|---|
| | Farm operation | | Unit | Quantity | Unit Cost | Total Cost |
| 4 | Soil preparation | Plowing and levelling | labour day | | | =D4*E4 |
| 5 | | Base fertilization (manure) | labour day | | | =D5*E5 |
| 6 | | Placement polyethylene | labour day | | | =D6*E6 |
| 7 | | Planting bed preparation | labour day | | | =D7*E7 |
| 8 | | Tractor operations | labour day | | | =D8*E8 |
| 9 | | **Subtotal soil preparation** | | | | **=SUM(F4:F8)** |
| 12 | Planting material | Suckers | sucker | | | =D12*E12 |
| 13 | | Transport suckers | tractor hire (lumpsum) | | | =E13 |
| 14 | | Sorting and bio-fungicide treatment | sucker | | | =D14*E14 |
| 15 | | Water | cask | | | =D15*E15 |
| 16 | | **Subtotal planting material** | | | | **=SUM(F12:F15)** |
| 18 | Planting | **Subtotal planting** | sucker | | | =D18*E18 |
| 21 | Inputs | Potassium sulphate | kg | | | =D21*E21 |
| 22 | | Chicken manure | kg | | | =D22*E22 |
| 23 | | Nordox (for sucker treatment) | sachets | | | =D23*E23 |
| 24 | | Ash solution | litres | | | =D24*E24 |
| 25 | | Polyethylene | kg | | | =D25*E25 |
| 26 | | Water for manure applications | litres | | | =D26*E26 |
| 27 | | **Subtotal inputs** | | | | **=SUM(F21:F26)** |
| 30 | Small tools | Hoe | piece | | | =D30*E30 |
| 31 | | Rake | piece | | | =D31*E31 |
| 32 | | Machete | piece | | | =D32*E32 |
| 33 | | Gloves | piece | | | =D33*E33 |
| 34 | | Boots | piece | | | =D34*E34 |
| 35 | | Files | piece | | | =D35*E35 |
| 36 | | Basin | piece | | | =D36*E36 |
| 37 | | Flask | piece | | | =D37*E37 |
| 38 | | Harvesting knife | piece | | | =D38*E38 |
| 39 | | Torches | piece | | | =D39*E39 |
| 40 | | Batteries | piece | | | =D40*E40 |
| 41 | | **Subtotal small tools** | | | | **=SUM(F30:F40)** |
| 44 | Casual labour | Fertilization | labour day | | | =D44*E44 |
| 45 | | Weeding | labour day | | | =D45*E45 |
| 46 | | Flower induction treatment | sucker | | | =D46*E46 |
| 47 | | Crown reduction | labour day | | | =D47*E47 |
| 48 | | Harvest | labour day | | | =D48*E48 |
| 49 | | Transport fruit to packing house | tractor hire (per hour) | | | =D49*E49 |
| 50 | | **Subtotal casual labour** | | | | **=SUM(F44:F49)** |
| 53 | Commercialisation | Cartons | kg | | | =D53*E53 |
| 54 | | Labels, glue etc. | kg | | | =D54*E54 |
| 55 | | Pallets (maintenance….) | kg | | | =D55*E55 |
| 56 | | Transport packing house-airport | kg | | | =D56*E56 |
| 57 | | Custom charges | lumpsum | | | =E57 |
| 58 | | Phytosanitary certificate | piece | | | =D58*E58 |
| 59 | | Taxes | kg | | | =D59*E59 |
| 60 | | **Subtotal commercialization** | | | | **=SUM(F53:F59)** |
| 62 | TOTAL VARIABLE COSTS | | | | | **=SUM(F9,F16,F18,F27,F41,F50,F60)** |

| | | C | D | E | F | H | I | J | K | M | N | O | P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *C.3. FIXED COSTS FOR CONVENTIONAL AND ORGANIC PRODUCTION* | | | | | | *TOTAL* | | *CONVENTIONAL* | | *ORGANIC* | | | |
| | Calculation of percentages of general costs to be attributed to conventional and organic production | | | | | *Exports/year* | | *Exports/ year* | *% conventional* | *Exports/ year* | *% organic* | | |
| 3 | | | | | | (tonnes) | | | =J3/I3 | | =M3/I3 | | |
| | | *GENERAL COSTS* | | | | *Exclusive conventional costs or attributed* | | | | *Exclusive organic costs or attributed* | | | |
| | *Type* | *Unit* | *Quantity* | *Unit costs* | *Total costs* | *Unit* | *Quantity* | *Unit costs* | *Total costs* | *Unit* | *Quantity* | *Unit costs* | *Total costs* |
| | A) Land | | | | | | | | | | | | |
| 9 | Land (rent or at opportunity costs) | | | | | ha | | | =I9*J9 | ha | | | =N9*O9 |
| 10 | Subtotal land | | | | | | | | =K9 | | | | =P9 |
| | B) Management | | | | | | | | | | | | |
| 13 | General manager | year | 1 | | =D13*E13 | | | | =F13*K3 | | | | =F13*N3 |
| 14 | Quality manager | year | 1 | | =D14*E14 | | | | =F14*K3 | | | | =F14*N3 |
| 15 | Other permanent staff | year | | | =D15*E15 | | | | =F15*K3 | | | | =F15*N3 |
| 16 | Electricity & communications | year | | | total | | | | =F16*K3 | | | | =F16*N3 |
| 17 | Export licence | year | 1 | | =D17*E17 | | | | =F17*K3 | | | | =F17*N3 |
| 18 | Fuel and vehicle maintenance | year | | | total | | | | =F18*K3 | | | | =F18*N3 |
| 19 | Training | year | | | total | | | | =F19*K3 | | | | =F19*N3 |
| 20 | Subtotal management | | | | =SUM(F13:F19) | | | | =F20*K3 | | | | =F20*N3 |
| | C) Depreciation (of buildings, machinery & equipment) | *Quantity* | *Life (years)* | *Price* | *Costs per year* | *Quantity* | *Life (years)* | *Price* | *Costs per year* | *Quantity* | *Life (years)* | *Price* | *Costs per year* |
| | Seperate equipment | | | | | | | | | | | | |
| 24 | Sprayer | | | | | | | | =H24*(J24/I24) | | | | =M24*(O24/N24) |
| 25 | Cord roller | | | | | | | | =H25*(J25/I25) | | | | =M25*(O25/N25) |
| 26 | Water casks/barrels | | | | | | | | =H26*(J26/I26) | | | | =M26*(O26/N26) |
| 27 | Harvesting crates | | | | | | | | =H27*(J27/I27) | | | | =M27*(O27/N27) |
| 28 | Packing sheds conventional / bio | | | | | | | | =H28*(J28/I28) | | | | =M28*(O28/N28) |
| | General equipment | | | | | | | | | | | | |
| 30 | Office furniture | | | | =C30*(E30/D30) | | | | =F30*K3 | | | | =F30*N3 |
| 31 | Computer and printer | | | | =C31*(E31/D31) | | | | =F31*K3 | | | | =F31*N3 |
| 32 | Vehicles | | | | =C32*(E32/D32) | | | | =F32*K3 | | | | =F32*N3 |
| 33 | Office building | | | | =C33*(E33/D33) | | | | =F33*K3 | | | | =F33*N3 |
| 34 | Subtotal depreciation | | | | | | | | =SUM(K24:K33) | | | | =SUM(P24:P33) |
| | D) Certification | | | | | | | | | | | | |
| 37 | Organic certification | | | | | | | | | invoice | | | |
| 38 | Technical training | | | | | | | | | lumpsum | | | |
| 39 | Internal inspector | | | | | | | | | labour days | | | |
| 40 | Subtotal certification | | | | | | | | | | | | =SUM(P37:P39) |
| 42 | TOTAL FIXED COSTS (A+B+C +D) PER YEAR | | | | | | | | =K10+K20+K34 | | | | =P10+P20+P34+P40 |

| *PROFIT CALCULATION* | | | *C* | *D* | *E* | *F* | *H* | *I* | *J* | *K* |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *CONVENTIONAL* | | | | *ORGANIC* | | | |
| REVENUE | | | *Unit* | *Quantity* | *Price* | *Total* | *Unit* | *Quantity* | *Price* | *Total* |
| 3 | i. | Exports | tonne | | | =D3*E3 | tonne | | | =I3*J3 |
| 4 | ii. | Local market sales | tonne | | | =D4*E4 | tonne | | | =I4*J4 |
| 5 | iii. | Sales of suckers | sucker | | | =D5*E5 | sucker | | | =I5*J5 |
| 6 | | TOTAL REVENUE | | | | =SUM(F3:F5) | | | | =SUM(F3:F5) |
| TOTAL VARIABLE COSTS | | | | | | | | | | |
| 9 | 1. | Soil preparation | | | | =F9 of working sheet C.1. | | | | =F9 of working sheet C.2. |
| 10 | 2. | Planting material | | | | =F16 of working sheet C.1. | | | | =F16 of working sheet C.2. |
| 11 | 3. | Planting | | | | =F18 of working sheet C.1. | | | | =F18 of working sheet C.2. |
| 12 | 4. | Inputs | | | | =F27 of working sheet C.1. | | | | =F27 of working sheet C.2. |
| 13 | 5. | Small tools | | | | =F41 of working sheet C.1. | | | | =F41 of working sheet C.2. |
| 14 | 6. | Casual labour | | | | =F50 of working sheet C.1. | | | | =F50 of working sheet C.2. |
| 15 | 7. | Commercialisation | | | | =F60 of working sheet C.1. | | | | =F60 of working sheet C.2. |
| 16 | | TOTAL VARIABLE COSTS | | | | =F62 of working sheet C.1. | | | | = F62 of working sheet C.2. |
| 18 | GROSS MARGIN 2007/8 | | | | | =F6-F16 | | | | =K6-K16 |
| 20 | | Variable costs per exported tonne | | | | =F16/D3 | | | | =K16/I3 |
| 21 | | Price per exported tonne | | | | =E3 | | | | =J3 |
| 22 | | GROS MARGIN PER TONNE | | | | =F21-F20 | | | | =K21-K20 |
| 24 | | Variable costs per hectare | | | | =F16/D1 | | | | =K16/I1 |
| 25 | | Revenue per hectare | | | | =F6/D1 | | | | =K6/I1 |
| 26 | | GROSS MARGIN PER HECTARE | | | | =F25-F24 | | | | =K25-K24 |
| | TOTAL ATTRIBUTED FIXED COSTS PER YEAR | | | | | | | | | |
| 29 | a. | Land | | | | =K9 of working sheet C.3. | | | | =P9 of working sheet C.3. |
| 30 | b. | Management | | | | =K20 of working sheet C.3. | | | | =P20 of working sheet C.3. |
| 31 | c. | Depreciations | | | | =K34 of working sheet C.3. | | | | =P34 of working sheet C.3. |
| 32 | d. | Certification | | | | 0 | | | | =P40 of working sheet C.3. |
| 33 | | TOTAL FIXED COSTS | | | | =K42 of working sheet C.3. | | | | =P42 of working sheet C.3. |
| 35 | NET PROFIT | | | | | =F18-F33 | | | | =K18-K33 |
| | BREAK-EVEN POINT | | | | | | | | | |
| 40 | Break-even point in ha to be harvested each year (fixed costs/gross margin per ha) | | | | | =F33/F26 | | | | =K33/K26 |
| 41 | Total hectare including fallow (4 year cycle) | | | | | =F40*4 | | | | =K40*4 |
| 42 | Exportable yield (in tonnes/ha) | | | | | =D3/D1 | | | | =I3/I1 |
| 43 | BREAK-EVEN POINT (in tonnes to be exported per year) | | | | | =F40*F42 | | | | =K40*K42 |