Market Access

A workshop to address issues on rural community managed supply chains accessing markets through networking, standardization and common identity creation

National Institute of Advanced Sciences, Bangalore
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<u>ORGANISED BY</u>

Aaharam Producer Company, Madurai
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A Note on this Report:

This is a verbatim report of the proceedings of the 2 day deliberations. The presentations made as part of the meeting have been enclosed as Appendix at the end of the analogue document and hyper linked as part of the digital document.

The content of the discussions have been edited for the sake of clarity and focus. Names of the participants have been abbreviated in the report, their full names and position and organisation they represent have been provided in the participant list that is part of the Appendix. Footnotes have been provided wherever possible by the compiler for the purpose of clarity. Significant points during the deliberations when Definitions, Clarifications, Decision Points, Examples and Announcements were made have been highlighted.

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Day 1: 10TH April 2006
Session 1: Introduction and Understanding of expectations
10:05 a.m.
Facilitator: Dilip, ETC Group

Dilip welcomed the gathering and the scope of the first programme. The participants are requested to talk about their expectations from the event.

The participants introduce themselves and share their expectation from the 2 day deliberations. Their expectations were listed in the white board so as to provide a everyone a visible presentation of why the others are there and also to establish a common purpose of the event.

Participant	**Expectation**
Gijs	Launch the Eco label for NPM produce
Ethen K	Understand the Aaharam model
Muthu	How to create mainstream market access for dry-land farmers
Ajay	Create an opportunity for farmers
Vasant	Explore (if not launch) a label
Sister Nitya Vivekapriya Amba	Promoting organic farming
Akila	Participating as an observer
Sadanandha	Better returns for the farmers
Praful	-
Vijay	Understanding of the issues and labelling
Raju	Understand Market and Certification; networking
Rengarajan	large scale supply chain networking
Olaganathan Annachchi	community mechanism for labelling
Daniel	value addition through labelling
Arun Raju	Explore as to how can farmers benefit through NPM What will be the benefit for farmers
Karunakaran	benefits for CEL programme from this initiative
Uthkarsh	Inter-state trade networking
Srinivasan	good marketing opportunities
Ram	market benefits and consumer angle
Mathew	-
Gladwin	Agriculture and its linkage to conservation
Kannan	-
Hema	Economic point of view, premium the consumers can pay, markets that can be additionally tapped
Lakshmikanth	exchange produce

Yadav	more produce for farmers
Padma	curious to understand this initiative

Session 2: Presentation of the programme agenda
10:20 a.m.
Presentation: Gijs, Chetna Organic

"As part of the planning for this programme, it was decided that we will not concentrate on calling the produce that we deal with as 'organic'[1]; in this platform we will not define the produce as organic. So, we call the produce as Pesticide–Free label" .

Decision: At this point there Gijs wanted to know whether the definition of organic and the need to differentiate between the certified organic and others needs to be discussed. It was agreed by everyone that there was no reason to discuss and there was a common consensus and understanding on this issue.

"The other issues - the inter-state trade and aaharam as a brand - to discuss these, there will be enough time in the evening when the Aaharam network partners meeting is scheduled to take place. The development of SOP will also be done during the evening session. Till 5 p.m. on the first day, we will discuss the label details. We are not going to be discussing organic certification here.

Programme

The programme for the 2 days will follow the broad following schedule:
Day 1: Introduction to participants, standards, compliances, label organization, Aaharam SOP
Day 2: introduction to retailers, feedback from market, brainstorming about label introduction, work plan and follow-up

Presentation [*Please Refer to Pesticide-Free-Label.pdf by Gijs Spoor*]

Farmers - The 3 groups who cannot call themselves as organic

- the in conversion farmers
- the by default farmers, some of them feel that it is difficult to be part of the organic certification process as it is perceived as costly
- the third case are those who feel that they may not be able to get rid of the chemical fertilizers usage; their lands are in a bad shape and they need some chemicals, but, will not use chemical pesticides

Consumers who don't have direct access to information on agriculture produce or where their food comes from and concerned about the risk of residues in their food.

Basic elements in the labeling process

[1] As per the new regulations proposed by the Government of India, all produce that are sold in the market as "Organic" need to be necessarily certified by a recognised process of certification and standards

1. Standards: what does the label mean
2. How do you make sure that the standards are adopted - the compliance mechanisms
3. Organization that will setup the standards and the compliance mechanisms
4. Who will be the user of the standards – brands and retailers

Available supply chain

1. local captive markets
2. exchange markets – networking markets through NGOs / CBOs
3. institutional markets – ashrams, housing societies, catering, restaurants
4. Open markets – retail relationships with chains like Nilgiris, Food world, etc...

10:34 a.m. **Discussion on the proposed programme for 2 days**

Uthkarsh: When we talk in terms of the supply chain, the price factor has not been scheduled for discussion in the programme. We also would like to know about the interventions that will be made on the supply chain management, this has to be given enough time during this programme.

Gijs: That is to do with Aaharam. Anything to do with the Aaharam framework will be discussed during the slated Aaharam discussion time. Any supply chain development can be discussed as part of the Aaharam discussion later in the day. We need to do a study on the potential market size for organic foods[2]. For that we need to know what are the products, once we have the details, we can go and see where the markets are.

Uthkarsh: How to organize supply chain is more important (than a discussion on labeling standards). There may be products for which we are not looking at labeling (as a marketing pre-requisite) at all.

Gijs: You can have as much time you want between 5 pm today and whatever time you go to bed to discuss these issues. But right now we will discuss the labeling issues.

Muthu: Once we work out details of what are the administrative processes and standards through the deliberations in the morning, then we can have a more significant interaction on the mechanisms that need to be in place for the implementation of the same as part of the marketing initiative.

[2] Reference: Gijs Spoor referred to a market study initiated by their organisation - Chetna Organic spread over a few cities across India to understand the potential size of the organic market in these states. He had also offered to share with the participants the findings of the study and the process / methodology of the study.

Vijay: I think, the support mechanisms that will be worked out for the network organizations (to work together) has to be understood and explored during these 2 days.

Muthu: We have scheduled to discuss these on the 2nd day afternoon.

Session 3: Presentation on the supply potential by partners
10:45 a.m.
Rengarajan, CCD [Link to Presentation by Rengarajan]

Rengarajan: Earlier we wanted to provide a complete compiled data of the products that different partners have to supply to the network. However, that has not been possible as still the information on the numbers are coming in; we will spend 5 – 10 minutes to discuss the quantity now, but will have a more precise picture by tomorrow morning. I will then make a presentation on Aaharam that will be discussed in the evening.
[explains the produce available from the networking partners]

Discussion on the Presentation

Ethen: The quantity presented here, is it for annual or seasonal?

Rengarajan: These are the peak season's availability.

Ajay: These 4 categories (organic, by default organic, NPM and in transit) that we are pointing out, is there going to be a definite method of certification for these?

Clarification by Ajay – I don't know whether we are geared up to handle certification; it is not simple to handle certified organic produce. Particularly, the "by-default" and "in-conversion" organic categories. There are guidelines (as part of the regular certification process) for giving certificate for in-conversion organic produce. It is difficult for the "by default organic" produce to claim itself as organic, we need to discuss more on this (category) as this is a critical issue to setup the organization and compliance mechanisms. If any of the networking partners want to go for organic certification, then Aaharam should make a decision (and define) on this aspect also.

Rengarajan: Whatever produce we have got so far, thee belong to the by default organic and NPM categories and so far we haven't got any in-conversion.

Gladwin: What if the definition of "by default organic"?

Muthu: *Definition:* The dry land farmers have traditionally not used chemicals to grow their produce in the dry regions, these produce are called "by default organic". What we are aiming (through this initiative of Market Access as part of the Aaharam network) is to enable supply of such produce to the mainstream markets.

Gladwin: The default status of these produce will not remain default if we link it to the markets; we need to somehow ensure that the market linkage you are trying to create does not change these to commercial and hence chemical (or certification dependent and driven organic) farms.

Vasant: Default organic are a category of farmers who are anyway doing farming without any chemicals.

Uthkarsh: We don't have enough on the market details as to what is the price and what is it that the retailers are willing to pay to the farmer; We need to know what is the price Aaharam producer company will pay for the produce and what is the price the retailer will pay for the product.

Muthu: Whatever Rengarajan has said in the presentation (of the produce volumes) is a market price for the produce and not the actual price that the farmer will get, this needs to be worked out when other numbers are clear in terms of the total product volume, transportation, etc.

Rengarajan: The market is a highly fluctuating phenomenon, we will not get into the details of the pricing and pricing related strategy as that would be premature at this stage.

Uthkarsh: The price is difference for different products and also for different varieties of produce of the same kind. A rice of a certain kind could fetch a premium in a certain markets.

Gladwin: Is there a market research that provides the details of the market capacity for such "by default organic" products?

Muthu: We need to understand that the markets are willing to explore exclusive organic promotion, but, their problems could be in finding a consistent and good supply.

Experience: The 'Food World' retail chain's experiment in millets - there was a free shelf provided to exhibit the organic produce, however what was supplied was not of good quality and the retailer had to spend much money to get something else on their shelves later on.

This initiative is primarily to bring in to such markets the produce from the dry land regions without having to sell it at international prices (that is the price in which the export quality and export oriented organic food are being sold).

This meeting will be used for arriving at a standards with which we agree and at the end of the 2 days we will have a decision on the 3rd party who can be hired.

Sadananda: We also need to recognize whether the produce is default by nature or by deliberate decision on the part of the farmer.

Muthu: In Ramnad it is natural and not any deliberate or considered choice on the part of the farmer to become organic, in the process of providing a better markets for such farmers, we will ensure that it becomes a choice on their part.

Sadananda: If these produce are coming from a source that is based on traditional knowledge, then whatever is the labeling process and procedure has to be an open source kind of venture.

Ranga: The labeling and standards mechanisms will be discussed as part of the details of the standardization later on during the day.

Gladwin: *Example*: The Namdari retail in Bangalore follows a method of certification that doesn't seem to be costly, it is catering to a niche market, pricing becomes an issue that way; pricing vis-à-vis what you are getting in the market.

Muthu: Whatever is currently produced by the default organic farmer is currently sent to the local mandi where their organic produce gets lesser price than what the inorganically grown.

Gladwin: But this situation will change with the market linkage. They may not send it to the local mandi at all.

Muthu: Yes, it is a concern. But, we need to provide this linkage to ensure that there is a better return for the farmers.

Ajay: All horticulture interventions that have been made in the past have been led through a modern agriculture mind set, that of high bred varieties and chemical methods of farming. The consumer mind too is shaped by this kind of conditioning, he is rooted in accepting things by what is said about them, hence there is a need for a label.

Dilip: The idea of this session was to provide the details of programme. We need to take up discussion that comes out of the details at a later stage.

Decision: Rengarajan does not make his presentation, Ajay takes over the discussion on labeling.

Session 4: Understanding Certification, Labeling and Branding
11:06 a.m.
Presentation by Ajay Rastogi

Refer to the presentation certificate-label.pdf by Ajay Rastogi

Definitions: **Certification** is the most recognized international norm today – there are more organic certifying agencies in the world than the ISO certifying agencies put together. Certification standards are internationally accepted, our current NPOP is accepted to be at par with the European and Japanese standards.
A label - a label can follow a defined criteria, it can be defined through a wider stake holder consensus, it can be evaluated by a **third party evaluator**; we can have an informal labeling and an informal third party monitoring also.

Clarification:
The first party assurance means self assured by the farmer.
The **second party** is the consumer association, the buyer or the buying agency such as Aaharam network; it is not owned by the enterprise (of the farmer) but benefits from the produce.

A label creates an association (in the consumer) with a certain mental attribute, talks about process quality and production; it can also have socio-economic, cultural and geographical details.

Brand is something that you own; it is owned by private enterprises, the owner defines as to what is a brand; the quality control is based on internal mechanisms and systems placed by the brand owner.

The labels can have their own levels, color codes, notations like stars, etc. Labels are created based on our own need; it can be created for a specific need.

Example: labels bird friendly coffee and kosher labels by Jewish community.

All the players in the chain of custody have to be part of the standardization exercise.

Discussion on the Presentation
11:17 a.m.

Vasant: Can Ajay give a few examples of Brands.

Ajay: An example for a label could be the Swiss farmers cooperative COOP, more than 80% of the farmers are members of the COOP brand and they produce to supply to the market under this title. They also directly sell through their own retail outlets.

Dilip: *Announcement:* Tea is ready and we will break now and re-convene in about 15 minutes.

Ajay: *Example:* I want to talk about fair trade as that may illustrate the label idea far more clearly. Farmers were not getting enough for our produce, the Nestle coffee sells at Rs. 800/- per kg whereas the farmer gets negligible amount for his produce. Fair trade was started as a campaign to educate the consumer and arrive at a minimum fixed price on the product which will assure the producer of definite returns for their produce. This is a fair trade minimum price. Once everyone confirms to it, it will be labeled. Exploitation is an area of concern, environmental standards, social issues have also become part of the overall certification. Now Fair Trade is a full fledged retail chain, it has grown 100 times in the last 5 years. It is registered as a body, there was a time when the cost of fair trade certification was zero for the producer only 3 years ago, but today it costs Rs. 2000/- and this is due to the fact that there is a definite process to be adhered to when certification has to be in place. If we were to go towards certification, then it is going to be costly; an informal labeling does not cost that much. Aaharam is a brand and the label that Aaharam adopts can be different.

Uthkarsh: I need to address a question to Muthu, we need to know more about the non-label Aaharam trading processes, when are we going to discuss this, this will be a much bigger market and of immediate concern to the network partners who are assembled here.

Muthu: Apart from a captive market and mutual exchange, we need to go to the mainstream markets, where they need standards, we don't want a costly certification, some sort of a mutual agreement on a common standards would be good to arrive at as a result of these 2 day deliberations.

Uthkarsh: Is it possible to get a premium by abiding to these standards? then we can use it to provide for subsidies. We need two days to create a process design for this.

Ajay: Current organic certification processes involve much hassles for the farmer. We need to open a second window through which people in remote places such as the North East can also approach and participate in the market, have a label and access the market. It does not have to be limited to those who have worked for long (like the partners who have gathered here) and to people who have been involved in a social mobilization process.

Sadananda: Social mobilization is not a necessary precondition (and need not be) for accessing the market.

Sister Vivekapriya: The ordinary farmer will not be able to access the label, etc. There needs to be a process of education and facilitation before he can understand and adhere to such norms.

Dilip: We need to discuss this at a later stage today – maybe after 5 p.m., we will take a 15 minutes break now.

Participants break for Tea

Session 5: Presentation on Certification Standards
12.09 p.m.
Presentation by Gijs Spoor

Gijs: We need to understand as to why we are talking about the labeling in the first place, (we are doing so as) there is a need for the certification process in accessing the markets.

The label cannot be for people who can talk about pesticides, the label cannot stand for social causes that the individual producer may prescribe for. Some of these could not be uniform and the person need to develop a long term plan for this. There are minimum field level labeling and a more elaborate process labeling.

We need to understand as to whether we go for a field level labeling or there can be a process labeling which need to be in every stage in the supply chain. This has to be decided by each agency.

Question: We need to decide as part of the labeling standards decision as to If there is GMOs in the neighbor's land and not in our land, what is the status of the labeling?

Refer to the standards document (Gffa.pdf) and discussion notes by Gijs Spoor

Discussion as part of the presentation

Sadananda: Can you expand on that aspect (Minimum barriers to entry for small farmers)?

Ajay: Improve the use of local knowledge and technology is better than to impose various functional regulations that the organic certification brings in.

Gijs: All my time spent in the process of adhering to these standards should benefit the farmer in terms of cost saving.

Sadananda: What are the benefits?

Gladwin: If you are going to put a cost on the product then that tends towards a contract farming.

Gijs: This is different, here were talking of minimum price for the produce, my proposal is that we don't have a minimum price.

Vasant: What are the cost implications for a farmer creating boundaries (hedges as presented by Gijs) to his farm.

Gijs: If the farmer is going to use a green manure crop then he could benefit; there is a need for technical support in this.

Gladwin: There is a lot of these steps that require technical support, one has to pay attention to this.

Ajay: We can say in this standards that 'I will not spray' instead of saying that 'I am protecting it from my neighboring fields' too.

Sadananda: Then we cannot claim to the consumer that the produce pesticide free at all.

Gijs: Controlling contamination has to be implemented at the field level, at the input level, storage and transportation. Groups can monitor storage, you can also make the groups responsible for monitoring the individual storage, there needs to be a individual farmer plan to phase out the chemical fertilizers; it is easiest for the group (Community) to manage the plan.

Uthkarsh: Organic farming is not about phasing out the chemicals, the idea is that you increase the nutrients in the field by application of the organic equivalent which is cost saving.

Gijs: If no one is using any of fertilizers, then why can't we call the entire thing organic?

Vasant: My view as an outsider is that there is not such a large amount of organic inputs available (for application) in the field.

Uthkarsh: I agree with you, but, we need to identify and attend to the impediment; panchagavya is not possible in maharashtra, whereas amruthakaraisal is required here, we need to insist on the local skills and traditional knowledge as CCD has always maintained[3]. Farmers require support for testing and visiting fields that practice low input and innovative practices which they cannot afford currently.

Ajay: We are not talking to farmers who are organic, we want to know whether there is a case of farmers not using fertilizers; are there any farmers in a state lets say such as Orissa using fertilizers?

Raju: They don't use for millets and red gram, but use a little for maize.

[3] CCD as an organisation has for long promoted all its initiatives with the community rooted in the philosophy of LRTS - local resource and traditional skills.

Ajay: These cannot be called organic, but, there could be a method of certifying these too.

Gijs: In Andhra Pradesh they are going to convert 100,000 acres to NPM in the next cropping season, we ourselves have tried to adopt the 'organic' certification standards and are victims of its cost factor, so, we use NPM for the same fields. From Andhra Pradesh, there is not going to be any phasing out of fertilizers for now.

Gladwin: There are people who have the experience in growing in dry land farming without fertilizers; such people are all in isolated pockets. But, our experience is that the agriculture department comes with the sprayers or fertilizers.

Vijay: Our farmers don't use fertilizers, but, they have neighbours who have use and it would be difficult for us to think in terms of eliminating fertilizers completely.

Dilip: We need to realize that there is a broadening of the fold through this process, it is not a restrictive standard; can we restrict our discussion on just the standards then we will save time and come back to other issues later on.

Sister Vivekapriya: Can we also have a time frame for the conversion as part of the standards?

<further presentation of the standards by Gijs>

Raju: Are high yielding seeds (if grown within the prescribed criteria) acceptable as part of this standards?

Gijs: This we need to understand, if it is acceptable to everyone then it is fine.

Uthkarsh: What about farmers who have GMO seeds growing organically? Do we accept them also, I would like to say 'no' to that clearly. What I like about this (presentation) standards is that you have various levels possible (for farmers who are at different stages).

Discussion follows the presentation

12:50 p.m.

Facilitated by Dilip

All the participants are made to form into groups of three and discuss each step in the standard process presented and then present their response to be recorded in the screen.

1st Standard: Contamination Control

Group1: (Srinivasan, MSSRF) After harvesting, there are no drying yards in some pockets, (for organic farmers in their field area) we are trying to construct a separate yard for the farmers, but, some contamination is possible in this stage in the process. We are in conversion in growing coffee, lemon and pepper.

Group 2 We find that the first requirement (on enhancing the hedges) is not possible, the second (requirement) sprayer cleansing is not a major issue according to us, storage in the individual houses may be an issue, but, if it is in groups and group storage then there is no problem.

Group 3: We don't have any problem; we will look at the group responsibilities with more interest.

Group 4 (John, GMCL) My experience with the medical plant practitioners (is that) once (they are) assured of a definite returns, farmers adopt (whatever is required) practices

Uthkarsh: Storage too has problems, variety of market repellents have to be used, the cost of bio-storage pest control is something that needs to be looked into; there is an issue of who will bear the cost of packaging, clean packaging is something the cost should be borne by the marketer not the farmer.

Ajay: All of us want the farmers to have a higher value (return).

Karunakaran: The European and Americans have sold their technologies to our country (that are of no benefit and) now a new set of standards are being (sold) so as to make us borne the cost of the chemicals (technologies sold earlier) that have been dumped.

John: If it is the domestic market, the villager in the village is not asking for the label; is it important to think of the label at all?

Dilip: We are talking about the urban market here.

Uthkarsh: Is the rural mainstream market not important as a market here at all?

Ajay: We need to explain things a bit here. I have not heard of Chambal honey, I know of VGKK (honey). If the Chambal honey tomorrow is sold with the VGKK label and adheres to a certain standards that the VGKK prescribes then they both benefit. So, if there is a visibility of the label then we are talking about making the network accessible for others. We need to evolve as less cumbersome and easy to adopt standard as possible. We cannot repeat the mistake of ***desi ahaar***[4].

Vasanth: I am curious, you are saying that the rural markets are so big, then can there be a standardization required for a rural market?

Uthkarsh: We need to understand that there is a need to have brand, even rural consumers are aware of the brand. There is a need for a good cost, unless cost is provided in the market, then there will be no issues here. Labeling and Branding are exploratory. We started the meeting with some assumptions and there was no explorations to be looked into (as part of the meeting).

Gijs: We (I?) have a clear context that this labeling was going to be finalized in the meeting, this was discussed in a meeting in Hyderabad that is why we are here.

Ajay: There were a few people from MOFF who were present in that meeting in Hyderabad, I would like to ask Uthkarsh whether there are any changes in perspective in MOFF.

Dilip: The idea is whether we agree on a need for a label of this sort?

Uthkarsh: I agree but, saying 'yes' would mean committing to something, so we need to understand issues of compliance more carefully.

Group 5: Sister Nitya Vivekapriya: We need to select a few villages where there is a need to train and experiment in this (standards) in a small area first; there needs to be a cost subsidy in the areas where this is implemented for this exploration to be understood.

Group 6: We have a situation where SSP from Maharashtra are using both chemical fertilizers and pesticides. The Saki brand does not differentiate on the chemical and non-chemical issue. In Madhya Pradesh, it is possible.

Vijay: In the whole process, if this has to be viable, we need to understand the group processes and we need to have (the viability) to have them implemented.

Dilip: We need to talk about the capacity building also.

Group 7: Gijs: the technical requirements of the hedge, height of the hedge are issues in the small farms particularly in the dry land areas; run off may not be a major issue in the dry land areas.

[4] Desi Aahara was a brand launched with much fanfare by one of the government ventures a few years back which is considered a failure due to fundamental understanding of its meaning.

Ajay: Can we talk of the group (the community) size also?

2nd Standard: Soil Fertility

Group1: There is no availability of non-treated seeds in the market, so we cannot access them. There is no indication of HYV, these are not permitted in organic certification process, if they are allowed (as part of this standardization) then it is fine by us.

Group 2 We don't believe there is no scientific evidence for the 2 bags (of DAP as suggested) for the field and the planning is not going to be feasible. We are not sure why village map is necessary in this implementation standards.

Dilip: the entire fertilizer issue can be taken up for further research, we need not discuss the same here.

Group 3: The standards sound like encouraging the farmers to use chemicals, this needs to be debated.

Gladwin: You have a treated seeds and traditional non-treated seeds, what is the incentive for the farmer for using non-treated traditional seeds (through this standards process)?

Group 4: Whether this standards is an interim certification before the farmer enters into organic certification process?
As per organic standards, unless the entire chemical application stops the farmer cannot count his transition period as having started. Presently the farmer is doing conventional farming, is this certification valid for the interim period? What about the farmer if he gets into an organic certifying process?

Arun: If I were to use it for chetna organic, I will use this for an internal mechanism for my own organization.

Dilip: This is a different area of standardization, so we will limit to that area alone.

Group 5: The implementation mechanisms need to be understood more, about the labeling exercise we are using a better method to certification.

Dilip: This is a self-regulation mechanism.

Group 6 Vijay: Regarding the no synthetic pesticide used rule, we need to clarify this point a bit more; GMO should not be there; we think that there is no need for the village map.

Group 7: Ram: What is the cost of testing for the GM seeds and is this technology accessible for the community uniformly everywhere to implement? What with the contamination and penetration of spurious GM seeds in the market, this needs to be looked into seriously.

About the plan by the individual farmer - what will be the control to ensure that the plan is implemented, the peer pressure doesn't work on this aspect, the farmer may make a commitment voluntarily in the plan and just not stick to it later on how will be this ensured?

And the (2 bags of DAP per acre) the maximum limit for the chemical fertilizers doesn't seem to be a good idea, this may be dependent on many local factors and should be left to the communities to decide.

<u>The meeting breaks for lunch at 01:48 p.m.</u>

Session 6: Understanding the Corporate view on Branding
02:45 p.m.
Facilitation by Vasant Sabarwal, Ford Foundation

Vasant introduces the afternoon programme with the 2 guests Mr. Jaison John from Gujarat and Mr. Krishnamurthy who used to work for Cadbury's India.

Jaison John
Deputy Manager Agro
Adani Exports Limited

Jaison started his brief speech with an introduction to himself and his organisation. His organisation is a corporate house involved in commodity trading with expertise in the corporate trading mechanisms; also having expertise in the areas related to trading including quality, trading standards and other areas. The organization (Adani) deals in 50 different commodities and has many branches to facilitate its export trading activity.

He felt strongly that the network should not hesitate to market abroad. He felt that the best way to convince a customer in India is to go to the customer and talk to him directly. He strongly felt that people need to address the foreign market and utilize such market access for the benefit of the organic farming / food segment.

<u>02:50 p.m.</u>

Krishnamurthy
Marketing Expert
Ex-Cadbury India

Mr. Krishnamurthy felt that it would be better if the participants were to ask him questions rather than he launch on a lecture. He felt that through his response to the questions he would provide a context and information on different issues.

He described his background as being in the food and confectioneries in the past and having both marketing and supply side expertise. He mentioned that he can certainly help the network by sharing his branding experience.

The following is a report on the question and answer session with him on issues related to marketing in general and branding exercise in particular.

Question 1: What is a branding exercise? What are the forward and backward linkages that are required in such an exercise?

Anyone who is not building an brand without a true value proposition is conning the consumer; the consumer conning game is different. I don't come from there. We need not have a communicating exercise. We need to have a clear cut value that you need to communicate to your customer.

Question 2: Can you tell us something on having many brands as against one brand?

Tell me what is the value you want to communicate to your customer and I will tell you what you need to build. Cadburys is a common brand – Dairy Milk, 5 Star, etc. are all different specific brands. Cadburys, Nestle, Britannia are all common brands. If I am trying to communicate a chocolaty experience across brands then I will use a generic brand. If I want to communicate a specific feature of a product, then I use a specific brands.

LG is a common brand – they can have a wide variety of products in the market, but, they need not have a specific brands. The value proposition is already clear to the customer (without a need to create a specific brand just for this purpose).

At this point a clarification on the background of the people present and the objectives were provided by Vasant Sabarwal to Krishnamurthy.

Vasant: There are a group of 10 – 12 organizations here, these are organizations that work with poor farmers, in dry land agriculture, these are dry land categories. They do not use chemical fertilizers or pesticides that we are forced to use otherwise. As a group we are trying to leverage on the advantage of the low chemical food grown by these communities and use it to provide better returns for them. Most of us are not from the business world and we are using the terms here rather loosely so you need to simplify things for us.

Question 3: We are trying to facilitate a formation of an inter-state network primarily to target the network that is available through (our own) network and everyone in their own way has a local market. Now if we were to work under a larger common brand name, is there a case for a common brand?

Why don't you say that there is no one (else) doing a chemical free produce in this country? Why don't (you) leverage the advantage of the market to utilize your strengths to promote the produce? If you think that there is a domestic market and your objective is to maximize that, then don't wear the hat of "how do I want to maximize the farmers needs". Instead talk about "the overall requirement or opportunity" and think in terms of tapping that opportunity. If we know that there is a customer available in this country and that (he) is willing to pay for you for the value. Whether there is an opportunity and whether you can communicate that you are pest free. If pest free already sells, if the consumer already is happy to use pest free, then all that you need to do is to help him to know that it is pest free.

Brand as a nomenclature is an irrelevant phenomena. There are many brands that have entered common language, they don't represent the value. The largest brand that sold cold beverage in Indonesia and beat coco-cala is called ABC brand, now what does that communicate?

Question 4: All brand people talk about the communication of value to the consumer. (in the case of organic food) It is a value that is extended beyond the community to the environment and also a larger benefit – how do we communicate this many pronged benefit to the consumer.

If you are in the business of selling to the consumer then please stay focused.

Question 5: How do you communicate a value larger than what the individual can perceive.

Amul did not communicate that this is a farmers initiative when it hit the market. It was satisfying a need in the market, that was the value. That it was owned by a farmers cooperative was communicated to the consumer much later. But those were different times.

You have an issue here, you have chemical full products and you have a pest free product. Will you buy the chemical free product? Your farmer will automatically benefit if the consumer is buying. If you say that you are doing a greater good, the consumers are not going to buy. You tell them that they will not suffer from one disease or other (then) they will buy.

Question 6: What are the mechanisms of the true value proposition communication.

If 15 of you can pull in a major volume. The only way you can command respect (in the market is) when the consumer asks for your product. If you have to push the product, then the product is dead.

One small scenario – if you can only supply 200,000 tonnes, (then) go after a market share in a limited area. For example – Maharashtra, assuming 200,000 will go altogether. Maharashtra is easier, the southern states are already eating rice and it is difficult to convince such consumers. If this can be attempted in a limited area and after 2 years if everyone can talk about this product (in that area). Concentrate on a few territories, how do you communicate that you are pest free – that is a marketing game, you can do 100 of ways. I will pick AmWay and ModiCare as models –

(their model comprises of utilising) people in and around to market the products, it must be clear in your communication that your product is pest free. You say what you are doing. Focus on the consumer – don't focus on the producer or anyone else, it is best to concentrate on what makes sense to the consumers. Before 50 years, these pesticides were not around. Make sure that wherever you market, the quantity you market crosses the threshold level. You cannot sell 1 kg in 3 different areas – focus on a single geographical area. In one limited area and make a difference to the consumer there.

Question 7: These are about 5-6 groups, each targeting 10,000 families, rural families. These are looking for low cost products, quality is not the criteria; here we need 3 months of credit and they can shift from their rural retailer. The urban market is also a big potential.

The amul people only attended to the urban market. It was all about setting up a distribution channel.

Question 8: How do we communicate and create a need?

Please understand that is there a demand from your market. Do not educate (the consumer), leave it to the larger corporate. if you have the money you will spend it on educating the farmer, why do you want to spend on the consumer.

Look at the model of Namdhari, if the customer is willing to pay, please go after him and get the extra premium that he is willing to pay. Why do you want to waste the premium.

Question 9: Can we agree that we want to remove the number of levels through which the (product has to pass through), that the traders have to be eliminated?

I don't't' care whether there is an intermediaries are there or not. What I need to have is to have the ability to reach out to my consumer and to communicate what I want to sell. The intermediaries exist because they want to benefit from the relationship that exist between me and my customer.

You maybe surprised to know, but, distributors pay money in advance to the corporate. They give blank cheques to the producer / corporate and we fill up the details at the time of dispatching the product. Even today large corporates work this way, their distributors fund them through their advance payments.

Question 10: What kind of mechanisms are required to ensure that the quality is ensured?

This is the reason why you need to control the intermediary. You need to figure out how you control the distribution channel. The corporate houses taking blank cheques from them is one method of control.

Be clear about your value proposition – if it is a farm produce that reaches within a short time, be clear about why you are doing it. Do not address multiple channels. If the *raitu bazaar* is focused, the customer should get the product whatever be the value proposition. If we merely say that cut out the intermediaries the profits will increase. The *Apna Bazaar* initiative by the government was a huge failure.

Question 11: How do you communicate a value proposition to a consumer if there are inherent issues such as the non-certification?

Answer is that, today atta and rice are being promoted. Today many super markets are communicating to the customer through their own packaging of the staples that the product is graded and packaged clearly. We need remember that this is assuming that the customer wanted that value proposition.

If you deal with a guy, give him what he wants. Don't talk to him about other things. The brand is a nomenclature. If you say that the product is different and that it has a market, think of its value proposition.

Question 12: Will it make sense for a mother brand or many products.

I am a marketing guy, it is better if it is lesser. Your base proposition is pesticide free product. Stay with that. Whatever you produce is pest free, it could be brinjals, it could be oranges. Stay with it and don't get too much diverted.

Question 13: What about organic cotton? Here there is no direct immediate benefit?

If you are talking to the environmental group. There are some consumers who are worried about their babies food, they will buy without any problems. Pick what you want to do. Do not come from Nehruvian mindset - production generating a demand is a no-no in today's and tomorrows world. Look at the demand today and then choose how you can fulfill that and earn that. The farmer earns money from this, that is your area, focus and do the same.

The big companies – Kellogs when it came to India was targeting blokes who want to switch from idly, ragi, etc. to corn flakes, they went behind them. I personally wont go for it, but, there are people who do and they went for them.

Question 14: You have listed many things that you have experienced and learnt. Can you talk about some failures?

Everything that I have said is based on failures, the first thing I said was based on failures. At some point the Bajaj scooter company assumed that for ever and ever Indians, we will keep buying scooters thought Bajaj. They could not think beyond their own production end. Then came the bikes, mileage, looks, efficiency and speed and the scooters are no longer the consumer choice. The second lesson, do not do 100 things, any company that launches 10 products will suffer. Pick what want to do and focus on that. All the time use the principle of focus, if you don't do that, it looks like risk mitigation, you have greater chances of failure. Don't worry too much about naming or other nomenclature, those who focus on a customer value do well. The aspirational value is a con game don't get into that.

Vasant: Thank you, Mr. Krishnamurthy, we are sure your thoughts will resonate through the rest of the discussions.

Session 7: Standards Compliance Mechanisms
4:15 p.m.
Facilitation Vasant Sabarwal, Ford Foundation

Vasant: We will discuss the issues related to compliance till 5:15. I request Ajay Rastogi to take over now.

Ajay: Compliance is a very difficult subject (for the farmers). I have done more than 200 organic certifications and over 6 different compliance standards at international level. We will present 4 different models and then look at where we are and what kind of compliances need to be done here.

These are the activities that need to be done at different levels in the organic farming marketing. **OFAI**[5] says that NPOP is fine, the compliances mechanisms are a bit rigorous (in the organic certification process) and they want to think of a different kind of compliances mechanisms.

The **Craftmark**[6] has All India Craft Workers Associations, this also has the buyers like **FabIndia**[7] in it. They are working with their focus on one claim, "hand made in India". They have set up standards through which they provide labeling on the hand made products, they have no further values to communication to their consumers. The certification has its own standards and they will work with their own. The promoters platform is the organic bazaar market standards.

The farm diary documents everything that the farmer does, whereas the farm record maintains only the information on the inputs. In the case of craftmark their identity is known and there is no documentation by producer. Even for a subcontractor they only have a list and nothing more. If I have to have neem cake, in the case of NPOP neem input is restricted and tobacco is a banned input. You have to maintain such information as part of the requirement there.

Discussion based on the presentation
04.32 p.m.

Ganesh balachandran, Ford Foundation: Can we look at the activity listed in the presentation, can we take a look at were is Aaharam for a beginning?

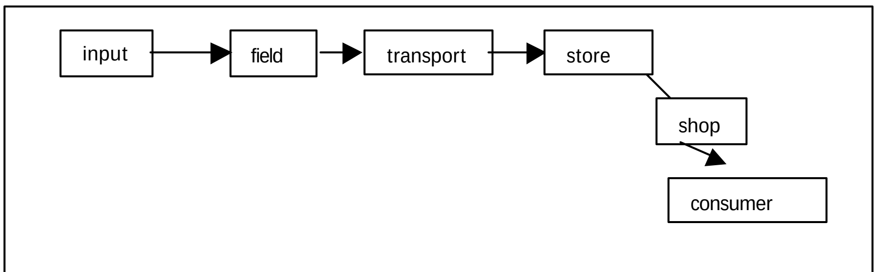
Vasant: By looking at a compliance mechanism, we may look at a system through which we can provide for a complete, simple, simplist, least hassle, pesticide free food to the consumers.

[5] Organic Farmers Association of India (OFAI) is a large network of organic farmers spread across the country that is involved in standardisation, lobbying, advocacy and campaigning on behalf of organic farmers.
[6] Craftmark is a label promoted by the All India Craft Workers Association
[7] FabIndia is a retail chain of ethnic fabric and food including organic food that is targeted at the urban consumers through a chain of retail shops across the urban centres in India

Gijs: In cotton, when we were looking at internal control mechanisms, we had different steps in the process identified and all the risks listed at each level and then how we can control the risks. Controlling the level of the supply chain need to be done.

Vasant: Can you take up and put together the supply chain and explain? If you are basing a product on a certain attribute, then automatically you need to understand and provide for a complete standards process. Does the models presented fit with what is being attempted here.

Gijs draw out the stages in the process in which the risk assessment has to be done.



Risk Assessment Stages

Risks possibilities at each level	
Inputs	pesticides and other chemicals, GMOs
In the field	Drift, gradation can be very poor, the mixing of produce, (on farm) drying of the produce brings in its own, Fungus, neighbor effects – run offs
primary processing	foreign matter, chemical spillage on the road
in the store	mix bags, rodent, rodent control tablets, fungus / pest, previous stocks, packaging material, drift, ripening / coloring agents
in transport	risk in the transport of mixed bags, previous stock, chemical residues in transport, mixing bags of different produce for transport, intentional substitution, uncovered transport could lead to fungus or chemical exposure
In the shop	intentional and non-intentional, adulteration, mixed produce, contamination from chemical merchandise in the shop

Control Mechanisms	
Inputs in the field	Monitoring methods 1. Undertaking by the farmer

	2. Monitoring by group at time of spraying 3. checking bills for GMOs 4. random tests – testing of high risk farmers seeds Education of the farmer about the benefit of the label and awareness about the GMOs
Field level mechanisms	Discussion on the height of the hedge. There is no standard (in the proposed standards model) as of now as to what is the height and breadth of the hedge, under what conditions is this particular standard applicable, if it is in the wind direction, if it is downstream,etc. it was agreed that many of these factors were location specific. Season and crop specific risk levels have to be developed as part of defining the standards.

Daniel: The hedge could be another crop which could be taller than the main crop in the area, this would be 10-15 rows of the crop.

Olaganathan: It can be a wind break, but, it is not going to prevent in all conditions from the GM pollen or chemical drift.

Sister Nitya Vivekapriya: I agree.

John: What happens in the case of rain, how do we define the run-off issue in the current proposed standards.

Gijs: The bund and the pit in the field can be used for management of the run offs.

Vasant: We need to have to stop now and we need to have more discussions later on.

At this stage for want of time further discussion on the proposed labeling standards as presented was stopped.

Session ends at 5:20 p.m.
Uthkarsh: We will break for a short while and re-convene for a meeting of the Aaharam network partners.

Session 8: Aaharam network partners meeting
05:45 p.m.
Facilitated by Uthkarsh Ghate, MOFF

Uthkarsh: We will try to understand each other and the work each of do to begin with as it may be essential for the larger understanding of why we are here. We will try to understand the initiative of ATREE, GMCL, AAHARAM, we need to understand what is Aaharam as it is today, we also have SICAS as a brand from Maharashtra, MOFF is another initiative from Maharashtra, Fish supply chain will presented by Dr. Karunakaran, Ekta Parishad will talk about their work in Madhya Pradesh.

Sri Venkatachalam is a member of tamilnadu organic farmers association as a chapter of Indian organic farmers association state chapter. He will also talk at some point in time on the Indian Organic Farmers Association.

The details of the presentation of each member is provided in the tabulated and is enclosed as Appendix. The salient points of each of the presentation alone are provided as highlights in this section.

Ramesh Kannan from ATREE Bangalore, spoke of the ATREE initiative:

- The organisation works primarily in the malaimada hills in Karnataka, very close to mettur Stanley reservoir.
- It works with the sholigas tribes. These people are highly dependent on the forest produce, earlier bamboo basket weaving was a major occupation.
- ATREE did an assessment and understood that lantana, a weed has taken over 60% of the hills, learning that the Tamilnadu and Andhra Pradesh farmers are doing lantana baskets, it took its farmers to these places to learn this method for the farmers in the MM hills. In Dehradun it was found that there are artisans who are doing lantana furniture, getting to know this, artisans from MM hills were sent to be trained on this.
- The product made by them is being marketed in the Bangalore market currently.
- The consumers find the furniture attractive, as good as the bamboo and it costs less too - they may typically spend Rs.350 – 400/- for lantana furniture instead of Rs. 600/- for bamboo.
- Currently 15 families directly benefit from the Lantana furniture making industry. Another 60 families are being trained.
- Marketing strategy is dependent on customer feedback, use ideas from the customer to design new products.
- There is a need for more artisans, and more master craftsmen.
- Whatever is being produced in MM hills is enough to sustain the families for 6 months and for the remaining time they are dependent on the labourer job the end up doing in the stone quarries near Madurai. However the employment in the quarries is exposing these tribals to many health risks, currently, the medicines from the GMCL are promoted among the tribals through the SHGs.

06:10 p.m.

Presentation on the GMCL BY John, CCD

- This presentation will be about the background of the medicinal plant markets and the GMCL initiative.
- We have formed separate groups of the gatherers and they do the procurement, this is taken to a central processing place, where it is cleaned.
- We have currently 72 groups, they had paid Rs. 500/- as their initial share holding in the company. Now they have Rs. 5 lakhs as their share.
- We have 72 species being locally marketed, and in all trade dealing in about 108 species, 36 species are sold in the bigger markets.
- Eight major companies includes Himalayas, Kevin Care buy the produce from this company.
- They (the medicinal plant gatherers) can get advance for the herbs they will be collecting, they get fixed regular price, 30% more than the traders value.
- overall 70% is ploughed back to them, 10% go to logistics, 10% for the NGO promoting and 10% for the salaries.
- We have centralized godowns in 5 regions, every month we process a stock of 250 tonnes. They have set of protocols for good collection and storage practices that are the requirements of the end users.
- Annually, the medicinal plant gatherers work about 120 days in a year and they get Rs. 50/- per day instead of Rs. 30/- that they would get as daily wage in other labor jobs in the region. In all about 1000 women are involved.
- A total of Rs. 49 lakhs has been the investment, Rs. 69 lakhs worth of earning was achieved, with a maximum of Rs. 6000 / year per person earning.
- All together they get 80%, in which they get 70% at the time of procurement and in this they have in all seasons.
- Whatever material we collect we sell it to the pharmaceutical companies, it has also partnered with SHGs (kalasams) and identified 18 different illnesses for which they are currently utilizing the processed medicine.
- 10 People are involved in the production processes. Altogether there are 42,000 family members benefiting through the usage of this medicine.
- Everyday there is a collection of data of each resource area, it is possible to keep track of each resource area and how far the sustainable practice are adhered to. An annual estimate is made of the resource areas and the changed documented and identified.
- Resource mapping has helped to take care of the source understanding and utilization. Localised decentralized first level processing has been done to ensure the safety of the produce.

6:33 p.m.

Rengarajan on Aaharam

Presentation by Rengarajan, Aaharam-network.pdf

- Aaharam has been in vogue for the last 2 years now.
- The working capital sourced from 3 different sources, one third from the organization, the other two third comes from the groups as partly the supply itself and partly from the membership fee.

The need to have a separate strategy for the rural markets – like interest free credit period to enter the rural markets,etc. need to develop strategies for different niche market segments – defense, sports personnel, army and police, religious institutions were agreed upon by the participants.

As the long day came to an end, the discussion tends to become slow and everyone is ready to end the day. It is agreed that the presentations from the member partners will continue the next day and the session would commence half an hour earlier scheduled to accommodate the same.

Day 2: 11th April 2006
Session 8 (cotd -): Aaharam network partners meeting
09:23 a.m.
Facilitation by Uthkarsh Ghate, MOFF

Raju bhai Yadav, SSP, Maharashtra starts presentation
With inputs from Lakshmikanthji and translation from Uthkarsh

- The SSP group manages a large network called the Sakas (details in the enclosed data sheet).
- Negotiating with large producers for direct delivery to their packaging unit.
- There is a definite 10-20% cost saving for the customers.
- Compulsory items are not packaged, it is given directly in the 300 – 500 gms. bags.
- Exploring the possible future collaborative with the local retailers for Sakas networks.
- More produce to be stocked up with the local Lakshmi's to ensure that there is a supply whenever there is a event in the village they are able to meet the demand instead of going to through 8 day cycle (as is currently being practiced).

09:58 a.m.
Gijs, from Chetna Organic, Andhra Pradesh

- Work in Vidharbha and other nearby areas in Maharashtra and in Karimnagar and nearby areas in Andhra Pradesh.
- Minimum 50% of the produce from small farmers, as per the requirement from the Fairtrade network.

Ajay: NPOP has as of now not mentioned any distance for the GM and non GM and it is to be understood further.

10:25 a.m.
Dr. Karunakaran's, Cel Network briefly spoke about the proposed establishment of inter-state fish marketing network

- This programme (the Cel programme) is spread across 7 southern states, Gujarat, Karnataka, Tamilnadu, Andhra Pradesh, Orissa, Pondicherry, Kerala
- The CEL programme has identified different ecosystems for conservation and different enterprises through which they can be sold.
- The base line data for supply chain management was collected from poompuhar and kanyakumari, different types of fish products from different pockets which can serve other markets across the network have also been identified.
- Gujarat during certain times of the year, the fishermen get about 1-2 tonnes which is not marketed because they don't have the a good storage or processing practice.
- At present we are conducting resource mapping in all he southern states, including the lakshwadeep islands where the fishing is done only in certain seasons.

- Hook and line method of fishing is practiced there, there is a very good market for their produce in Sri Lanka and the western coast of India also.
- In Andhra Pradesh the fishermen hardly fish for 2 months in oct-dec, in Tamilnadu they are engaged through out the year and the fish is harvested through the year. The AP and TN fisher men have been facilitated to exchange their knowledge and share their expertise.
- In Orissa, fishermen get more crabs and prawns, per kg is 200 Rs. For the crabs, whereas there is Rs. 300 – 400 in the Chennai market. Likewise in the case of white crab the Gujarat fishermen get Rs.120/- per kg, whereas the same product fetches Rs. 200/- In the Chennai market. This needs to be explored.

Gijs: Can we transport the fish alive on the boat.

Karunagaran: Even it is exported alive it can only be inland fishes and crabs, but sea fish cannot be transported alive.

Ms. Prabha: Is there any plan for upscaling or processing.

Karunakaran: So far there is no plan to tie-up with the processing, but there is a need to explore for them.

Ajay: Has there been any identification of livelihood based tie-up with other agencies working in these 7 states.

Karunagaran: The local communities will identify the possible enterprises with our participation. We have identified certain areas in which we can work.

10:38 a.m.
Dr. Raju from Welfare for Weaker Sections, Orissa briefly presenting their work

- The SHGs have almost 1crore rupees.
- 5 groups have started ragi processing, they buy Rs. 5 a kilo and a processed ragi and the same is sold for Rs. 10/- a kilo.
- The federation also have a cashew processing, they have established a cashew processing unit that can provide a capacity of 5 quintals per day. The first quality can be sold at Rs. 250/- and the second quality at Rs. 200/- and the third quality at Rs. 180/-.
- The redgrams are plentily available – 50 tons can be supplied per year during the season. This is not processed and this can be provided at Rs. 18/- per kilo.
- The turmeric is grown in the hills and can be made available at Rs. 20/- a kilo. This too is organic.
- Bajra and jowhar price varies between Rs. 5 - 8/- a kilo, but can be made available.
- We are cultivating maize with 200 farmers in foot hills, this is available for sale also.
- All these products are available are organic but not certified.

G. Raju, from the Community Centre for Development, Orissa

- Apart from all those products that Dr. Raju mentioned, there are other products that are possible.

- There is a major problem of the marketing.
- Our organization made a small initiative on the market potential, we have lot of horticulture products that are grown organically – pineapple is a major product. The rate is falling down to Rs. 3/-, there are transportation and storage issues.
- The Orissa University of Agricultural Te chnology is helping us with sorting out our issues.
- We have started small unit for processing and packaging.
- There is certainly some amount of improvement, the rate has grown and one pineapple fetches a value of Rs. 22/- currently.
- The juice is also collected from the groups and provided to a branded juice marketer in Bhubhaneshwar; this is being sold in the open market.
- Jack fruit is also being processed and is being marketed in a form in which it can be consumed over a 10 month period.
- Cashew apple juice like a fruit juice is also being promoted. Citric acid extraction from lemons is also being initiated. We need market networking and that is why we are here.
- Mr. Raju has a brochure full of products that his organisation is marketing. He informs that the organisation has not worked on any kind of branding exercise but is interested.

<u>10:49 a.m.</u>
Uthkarsh: Is there sufficiently trained network in the village level from the community who can monitor, take care of the procurement.

Raju: There is no such community participation and it is being done through our initiative currently. We have also started cooperative, but, there needs to be further work before this can happen.

Uthkarsh: There is demand for organic cashew from the north and if it is available in plenty in the forests of places like Orissa, then we can have a certain possibility of a movement of products from the south to the north.

Ms. Prabha makes a presentation on the Organic Exchange:

- organic exchange is a not-for profit based in California.
- There was a need for one body that would provide a platform for the organic cotton growers, spinners, weavers, procurement people and others.
- What we are trying to do in India is to work with the farmers, not just in working with organic cotton, but also to some extent fair trade practices.
- There may be some who don't want to be part of the fair trade exchange, so there is no imposing the standards, but promoting and education going on.

Mr. Vijay, Ekta Parishad on their work:

- Ekta parishad has 27 NGOs and 3 lakh people in 10 states.
- Honey has been initiated in the chambal area. There are many other enterprises going on, but, here we will talk just about honey.
- The honey unit has been on for 6 years, bee keeping, honey processing, packaging and marketing. The organic wild honey collected from the forest, epi-culture, traditional honey gatherers are provided with training.

- 20% is sold directly from the ashram. 70% is through the retail network, we have 0.25% stock.
- Now we have a sale of 7.5 tonnes, now the total sale value is 1.2 lakhs.
- The processing unit was supported by KVIC of the union govt. we have reserve capital of 1 laks each year.
- Annual income comes to 36 lakh maximum, ecological honey collection methods are provided for training, the larva is not destroyed and honey is collected from each comb for 3times.

Praful: How do we take the honey into the larger aaharam network, we will be able to provide honey at a lesser rate than what we provide to retailers to ensure that there is a increase in returns for the trading networks.

Vijay: If we have a good storage facility and working capital for us and some help with the transportation, we can move from 13 tonnes to 100 tonnes easily.

Prabha: Is it all one kind of honey or are there different kinds of honey?

Vijay: It is dependent on different market demands. We are doing it both ways, multi-flora and single flora that is fully dependent on the demand from the market.

Vijay: We have a very long drawn training process, going for almost a month. Our value proposition is that this is a pure honey.

11:10 a.m. presentation over

Uthkarsh talking about the MOFF work in Maharashtra**:**

- Over the last few years 3000 farmers have committed suicide across country, 600 from the cotton region.
- Many of them due to the cost of production going high in the past few years and huge debts has ensured that there is a certain movement from one area to another and more farmers are interested in organic cultivation. Grow your own food for the farmer's family has been done very well.
- Dhal processing unit started with 1.5 lakhs and running successfully.
- The local government is aware of it and is promoting another 40 units. Similar processing units are setup for cotton and dal processing in other districts.
- Retail chains currently being set-up.
- MOFF does not use certified process or product. About 5-10% is certified in the overall MOFF initiative.
- There has been some initiative on branding the MOFF products and later on there will be standardization. OFAI might create some branding under which MOFF will be able to sell its products.

Gijs: The brand is called MOFF?

Uthkarsh: We haven't so far got any specific branding, there are many local brand names, we will have to think about it. Maha Organic was an exhibition that we held with other organizations with the government. We are thinking of starting a company in the lines of aaharam.

Session 9: Interaction with retailers on possible linkages
11:44 a.m. re-convene after breaking for tea
Facilitation: Dilip
Participants: Mr. Ebby Mathews and Mr. Uday Kumar from Spencers Daily retail chain, Mr. Senthi from Aryas, Coimbatore

Ajay provided to the Corporate representatives a brief background on the meeting and the network present.

Ajay: Many of the people here who have been working with farmers in the realm of rural development for a long time now. By the virtue of their small farms, they produce chemical free food and other products, but because of them being too small they cannot access markets. The window of opportunity that exists for them as organic certification is costly and too rigorous and they cannot afford it. Hence we are here to understand whether we can have a labeling (process) that we can agree on, we have been discussing the same si nce yesterday, we wanted to understand how and what kind of products can be brought into this kind of initiative with retailers like yourself.

Presentation the Aaharam
11:49 a.m.
Rengarajan, CCD
Rengarajan's presentation aaharam-for-retailers.pdf

Dilip: Now we will have a feedback from the retailers as to what is their requirements.

Uday: We talk about our customers. As a retailer we have to think as to how we can reach to our customers. We have been thinking of organic for the past 4 years. Then we were thinking of complete organic and maybe today that includes products that are safe from pesticide usage.

There are a segment of customers looking for safe to food range, we don't call it organic. The nitty gritties are different, 90% of customers having safe food in mind are not bothered whether it is organic or not. We have been looking at making available entire food basket available to them from us. Many times the knowledgeable customer asks for a certification of organic and even demands that we cannot sell without certification, this has even had legal reunifications. Retail is a very tough business, it requires to bring every product to the demand placed by the tongue of the consumer as part of the shelf.

If you are really looking for any premium product selling, then the volume for organic is very less. Every residential corner has a shop and the size of people who demand such premium is very low. Similarly if there is very little volume, it is not going to be viable, one cucumber and papaya is going to give very little mileage. When the size is small, the logistics and costing is going to be a major issue. Spencer's is known for quality and service, we have classified vending into

- Spencer's Daily - is a neighbor store which will have much more for the neighborhood and may have products that are location specific, this could be the place where we will organic placed in specific neighborhoods

- Spencer's Super stores - is a larger store with more variety
- Spencer Hyper stores - is a very large store with everything available under one roof of area over 60,000 sq. ft.
- Spencer's fresh - Fresh is a small store selling vegetables and fruits

We will be opening more shops in bglore in the next few months, currently we have only one in the city. We are planning on shop inside a shop concept being developed in our major outlet in M.G.Road, the queries from our side are as follows:

1. There are customers asking for the genuinely of the product – the process that ensures that exclusivity that the customer can be guaranteed
2. What is the range available, is there a consolidated basket for the customer.
3. We at the retail element are looking for brands and consolidated requirements. This is when the retailer will entertain the organic products seriously.

Price is not the criteria, it could be on par with the conventional, we also would look at the premium price if there is a label that guarantees this segment of customer. The turnover (for fruits and vegetables) moved from the beginning of Rs. 60,000/- to Rs. 4.3 /-crore today. But still this is a peanut in front of the larger market that exists. **68% of my customers who are billed in the super market buy vegetables and fruits, it is possible that there are enough of them with the safe food mindset.** I need the following:

1. consolidated food basket
2. quality ensured and
3. ownership with some agency that can handle any product complaints

There is a chemical free and safe to eat food, we need to work out as to what is the right word to carry and how to call them. NPM may be a good idea, but, we need to be careful as to how we ensure the same, we need to guarantee that there are no chemical residues. We cannot call it poison free as the customers will raises questions as to whether everything else that we sell is poisonous and if so why are we selling them anyway.

Baskar: We have some experience, **whether it is certified organic or otherwise, the customers are wiling to accept our word and are not particular about the certification**, but, the supply chain is important. We started in November, we couldn't get a consistent supply. There are questions for vegetables, we get a few vegetables. But we are not able to consistently purchase and provide our customers a consistent supply of what they want. If I have grocery shop I want to get everything – there is no organic oil in Tamilnadu, I am sourcing it from Maharashtra, we are looking from Sesame and Sunflower but it is not possible to take all the risk as I manage a single retail shop.

We need some networks to share such risks with retailers like myself. **We did a market survey in Coimbatore and found that there is remarkable market need. We need a good robust supply chain.** We are not able to supply certain goods. We have both certified and non-certified organic products. There is a class of customers who are very particular about certificate and others who are not completely demanding certificates.

Raju: What are the kind of product range and what is the shelf cost?

Baskar: If it is certified then we sell it at 35% higher cost. There are very few brands that have been promoted.

Uday: We started with fruits and vegetables, we started with our own farmers, we are paying higher for a certified price for a product. We are trying to promote a pricing policy (the same has been published in the APOF magazine)[8] we have been trying to make dedicated organic farmers, **we are also looking for brands and labels from here**. We are having dedicated farmers in different regions and for different products. We have made a pricing policy based on our experience. Pulses and grains we have to go by the market forces. We have tried to get from Uttaranchal, but, things there are at a very preparatory level. My experiment with trying to convince retail chains to keep organic produce in their shelves in the past 3 yrs. were all failures largely to the inconsistent supply. There needs to be consistency of supply. **There also needs to be a strong communication.**

GIjs: What kind of communication are you talking about?

Uday: We are not talking to the consumer, there is no strong communication to the consumer. Where are you doing an "eat eggs" kind of campaign for the consumer. Definitely the consumers can be made to think in that directly, first cut you can do organizing through the retail chain.

Example: The Australian apples example – The first time Australian apples entered the Indian market in 1997, they brought in 3 containers and did a massive push in the market, the ensured that it was available everywhere, from that they moved to 30 containers the next year and today 700 containers of these apples land in Chennai. Every kitchen has seen it at some point in time. A passion is required in communicating the same to the customer and it has to be contagious.

Gijs: Are you going to give us that kind of push for Organic?

Uday: We can join any facilitating committee and then be available with you in whatever way you need us to support as long as the consumer is satisfied.

Gijs: What do you think is the level of guarantee that is required for the customer?

Uday: I will convey it through a typical Indian example. Mr. X who walked into a restaurant had some food and later developed a problem can easily blame it on the food. He may have done 100 other things in between having the food and developing the problem. How to reach the message of the food safety to the customer is important, through a story book, through a strategy, the consolidator in the back end is to make this effort. We need to communicate to the customer about the process.

[8] Uday has agreed to make the policy note available to people if they get in touch with him at the mobile phone number: 9342433221 and email: udayfresh@yahoo.co.in

There is no big process, if you are genuine, if every individual represented here is genuine, a consolidation declaration form, a logistic declaration form, a vending declaration form ensures 99% validation as for as I am concerned.

Is it your responsibility to bring the product in the prescribed standard from the farmer to you. If anyone is owning a label then that person is liable for any consequences, there is a need for a contract to be signed. That is the term everywhere (in business world). There are also precautions that we need to take in terms of storage, the hygiene that we have in our store is equally important for our customers and hence for us. We are as much careful from whom we are purchasing as we are careful for the consumer who buy from us.

I personally feel that this is the right time (for a large scale organic food consolidation exercise), people are very conscious of what they are consuming – the kind of health foods that are coming up, the fitness centers that are coming up everywhere. Fruits and vegetables are considered healthy products, even the most educated does not realize that these contain the most amount of pesticide residues. In the Supermarket sales there is a clear shift in the consumer behavior from moving from soft drinks such as coke and pepsi to the fresh fruit juice that is coming in the packs. My job is to offer it to the customer, the moment there is a disruption in the supply then I am not going to be looking at that are supplier again. Through very clear legal process only will we be able to get the customers. We have the unbranded products as our key today, more than 60% of the products in the supermarket sales are through unbranded products. We pay a lot of attention to details.

We have a consolidated centre for our grains and pulses also. We do a lot to ensure that the customer gets the best. We know what you are talking about is the product of the future, we understand and are willing to cooperate. We would like to help and participate in whatever way we can. If I were to place it with the chemically grown product, the organic looks good. I am willing give you space, time and facilities inside our shops to provide you the education to the consumer. But we are only as educated as our customers. We are willing to talk to the customers and willing to bring them to you in our shops.

What price differential will the customer be able pay?

In MG road, 20% premium (more than the chemical produce) is not a problem, it is dependent on the customer profile to whom we are targeting. We need to target specific customer profiles and we need to understand ones. We know that there are 2 things, trusted organic and certified organic. To a common man, I am not sure whether there is a different for the certified and non-certified.

Organic is targeting international markets, the volume has to be more. In a premium class stores (like MG road) the trusted organic can have 20% high, 35% to 38% higher for the certified organic. One is the affordability and the other us the Known value of the item (KVI). People are not going to pay high value for their regular supply of organic, we have made it into a public policy at Spencer's. We have made our organic pricing policy an open document. We pay once in 15 days and high value once in 7 days. We are starting with pulses, payment in 22 days and then (once the produce supply becomes regular supply) for 30 days.

We have wastage risks on our part, we have also fluctuation linked products in certain areas.

There are 2 kinds of products – daily use and occasional use – the daily use is high volume and low margin product, we have the occasional markets where there could be an extra premium.

Bhaskar: 35% of my customers go for certified organic and the other 65% would go with trusted organic. There is a lot of personal selling, each person has to be attended to by someone.

Uday & Abaham: If aaharam is willing to train and put in its own personnel, then we can accommodate such people in our shops for direct selling to the customers. We can also get our person trained, but, then our attrition rates are very high. The Indian customer is touch and feel customer, they need to have a someone who can talk to them.

There could be 2 brands in the package, the individual farm who is certifying the farm can have their brand and those who have processing supply chain management can have their brand also in the package. These two can be independent, it should be separated. One independent of the other will suffer.

Gijs: You were saying about a basket, you say you have a farm. Can we tie up with them?

Uday: We do get people from university to ensure that we have a calendar were we say what (chemicals) cannot be used. We don't tell our farmers 100% organic, we would rather use 99% organic and don't call it organic. But, we need to ascertain and the name in which we give the billing to the customers.

At Kancheepuram (CII venture with the local collectorate), we are getting 1m.t. of vegetables to the super markets. This is happening now. We are slowly moving from the chemical to organic, but, we cannot afford certification. We need to show successes and we are of consistent supplies. We are interested to have it in the major metros.

We can work out for the one store at MG road, we can give you what we consume wants now and we can have a target for 25 to 30% of the product to be converted.

Our final message is, "Be behind the product and be behind the customer".

01:00 p.m. – break for lunch

Concluding Session: Discuss action steps
2:15 p.m.
Facilitated by Dilip

Dilip: Lets take it forward from where we were before lunch, Spencer's wants to deal with only one large body and other thing is that they want to deal with a label which can undertake the ownership for compliance. Now we want to discuss whether we are ready to discuss this and form and join together as an association and are we ready to form a common label. If there is a consensus then can we move forward and plan things.

Vijay: Is there any other issue we can discuss in this group.

Muthu: It may be better for us to discuss with the larger group.

Dilip: It is better if we were to do it in small groups; if we are not going to form an association and how we are going to do this.

Uthkarsh: Are we going to discuss just whether we are going to be part of it or not or are we going to also looking at the guiding principles?

Dilip: These could be as conditions, can come to them later on?

The participants form into smaller groups and discuss.

Group 1

Rengarajan: 5 of us have agreed to be part of the association; 2 have agreed to be part only after they take a clear view of the whole scheme of things. It was also felt that enough caution have to be established to ensure that there is no politics.

Vijay: It was also felt that the individual CBE has to be sensitive of the risks that are being shared by the association. If the risk is that of the individual group then the brand of the group has to be retained, if the label is giving a USP then it is fine. The federation may loose its identity is a concern.

Muthu: If we were to look at the GMCL model, then there is no losing of identity involved here. All the risks are involved with the individual groups or federations, but, what we are talking about is a confederation.

Group 2

Gijs: Our group was talking about the label. We have a platform of organizations that will get together on deciding on the label and the labeling mechanism and how to comply with this. There was a question of who owns the label and it was explained (by Gijs) that, it is a standards committee that is formed and decides on the overall scheme of things. It was asked whether there would be a consus achieved on the overall standards that the committee would come up with.

It also discussed the quality of the product and whether the individual group will take the responsibility on the quality.

Gladwin: We need to understand that we are talking about 2 different things here, the marketing function and the labeling function. We need to understand the consequences of these different groups.

<u>Group 3</u>

Uthkarsh: All the members in the group are agreed on the marketing focus. We are agreed to be part of any association as long as no member of this association are involved in GMO crops.

People are agreed to be market focused and that there is a labeling involved in the overall scheme of things.

Organic farmers are also agreed on the need to sit with the non-organic farmers.

<u>Group 4</u>

Muthu: We are all agreed on the fact that there is a need for a platform.

<u>Discussion</u>

Dilip: There is a consensus on the marketing function of the association and there is a division on the need for the labeling of the produce. We are also looking at the conditions o the association for a marketing function.

Gladwin: The labeling association can be country wide and the marketing one can be region specific. We should define the scale. Wherever there is some capacity then there could be a regional marketing function.

Dilip: We need to have a smaller groups and then come together to form the association. We need to list down issues and concerns in the association and then present it to the smaller group.

<u>Issues:</u>

1. Can we look at single label or can we look at multiple labels. (Uthkarsh)
2. Is lobbying and advocacy going to be a function of the association (prabha)
3. Need to involve professionals in the area of labeling for particular type of products (Vijay) – there needs to be some additional assistance
4. Each NGO and farmer federation should be a part of this association, rather than the individual members (Raju)

Muthu on his expectations: In our experience of GMCL, there was an association of NGOs (with similar objectives as the GMCL) early on, but, it could not survive the funding crisis, the primary producers when they became the governing council of the commercial venture only then we can bring in the competitive advantage as it is a matter of sustenance for them. Another association of NGOs will not work.

We believed since the earlier meeting on the 6th of February (at Chennai which few of the participants had attended) that there was a need for market linkage, the market experience of ours has been otherwise. Many farming group know that there is availability of unattached funds from NGOs and having an NGO besides them gives them access to such a fund, and hence this is utilized by the farmer groups. But this weakens them and does not enable them for entering the mainstream market. Once we become a partner in the commercial venture, then the regular buyer is the one who determines the quality and the processes and the farmers and the NGOs both will have to adhere to these standards that are the business pre-requisites with which we need to work. The only advantage we as a network (have) is that we have created a social network and the physical infrastructure that we may have and the access we have to the community, credit and the knowledge sources either in terms of research or academic establishments. We need to form a primary producer based group, ex. for the honey gatherers there should be a honey gatherers association, there should be a certificate from the panchyat and municipal and many other certificates are required even now for them to sell their honey - atleast 6-7 legal compliant certificates are required for us to enter the market even today.

The proposal is that if we have a set of produce with which we would like to enter the mainstream market, then we cannot bring it in at our own leisure and expect the market to wait. If we need to sustain in any form of new market, then we need to utilize our strength (otherwise we will end up with situations like the honey - which is superior because of the tribals knowledge and expertise and perhaps one of the best in the world is sold at the cheapest price in the world) and enter the mainstreat market. If we can identify our own prime products (strengths) and get associated as primary producers, and then we can create a basket (as the market demands) that is required for the market.

All the legal compliances can be the responsibility of the network and each one of ht network members can leverage and benefit from the certifications that the others have already got. Legal compliances can be simplified, ex: the honey from different regions can use the FPO and the Agmark and sell it by utilising the label. Without losing their identity, these primary producers can become the founding members of a larger organization.

Gladwin: I think there is a definite need to access the market, and if the labeling process is going to facilitate that market access then we can have a labeling or the marketing network matures at a later stage and it takens up the labeling then. It takes a lot (of effort) to enter the market.

Vasant: I would second what Gladwin has said and say that the focus is market access then we need to understand a small group needs to sit for this purpose and this group has to be charged with coming with the plans. This group if it feels that the label is important then we need to move forward with getting resources organized,etc.

Arun: What is the guarantee that farmers are moving towards a labeling standards compliance. There is a need to access the market and to get the things fine.

Dilip: The Spencers needs only a standards compliance and a single group or association to vouch for the same. Retailer benefits from your logo if only it adds any value.

John: Are we jumping the gun if we are talking about the market demand rather than a market access.

Gladwin: I think we need to have 2 different groups that will work on the labeling and the market access details respectively.

Muthu: We agree, we need to have the labeling and related activities to be defined by a separate group. We will have the Ecoserve as the certifying agency and it would done the role to define the proposal creation and we will have a marketing access group that would initially do a procurable potential of each of the network group members.

Vasant: We need a lot more people to work on it over and above Rengarajan who is currently the only one handling this.

Prabha: We need to have some one who can answer on behalf of the group.

Gijs: We conducted a study is 6 city based market research involving 3000 customers was that we used MBA students and we had a very committed set of people. We can share the methodology of this study as much as the findings of the study with this group in a week or two.

Muthu: Contact person for the group to be maintained with Ram. The group consisting of Ram, Rengarajan and Uthkarsh will be involved in accessing the market. The group consisting of Ajai and Gijs and Gladwin will be involved in the labeling process. Both the groups together will look at the association of the overall networking. Procurable Potential Assessment (PPA) being conducted with the network partners.

Action Step:
Organisation:
Label: Gijs, Ajay and Gladwin
Market: Ranga, Uthkarsh, Ram
Association: Both the groups will get together
Overall coordination: Rengarajan, CCD
Communication: Ram, Samanvaya

Timelines
Before the 30th of April - proposal by both teams for their 6 month activity and budget.
In 6 months Duration - provide a complete business and standardization plan.

Market group
Scope of work (proposal)
- Budget
- People
- Issues
  - Anchoring the association / networking
  - Communication
  - Assess demand / supply
  - Product priorities
  - Scale-region vs. nation

Institutional form
Marketing models
Legal issues

30th April - for the proposal on the scope of work. It would include people, resources are required.

At the end of 6 months, the team should come up with a complete business plans and information and research needs for the same. Institutional framework also to be finalized, backend support.

<u>Labeling group</u>
Scope of work
Issues

- Anchoring the association / networking
- Standards
- Compliance
- Institution
- Training
- Labeling fee structures
- Positioning
- Promotion
- Legal issues

1st July – for the submission of the final form. Te draft will be circulated in April, which is a proposal that will say how the final proposal will be proposed (budget and people will be needed for this purpose).

Options for naming for the label to be provided by the group that can be adopted later by the larger group.