

Market Recognition and Sustainability Schemes

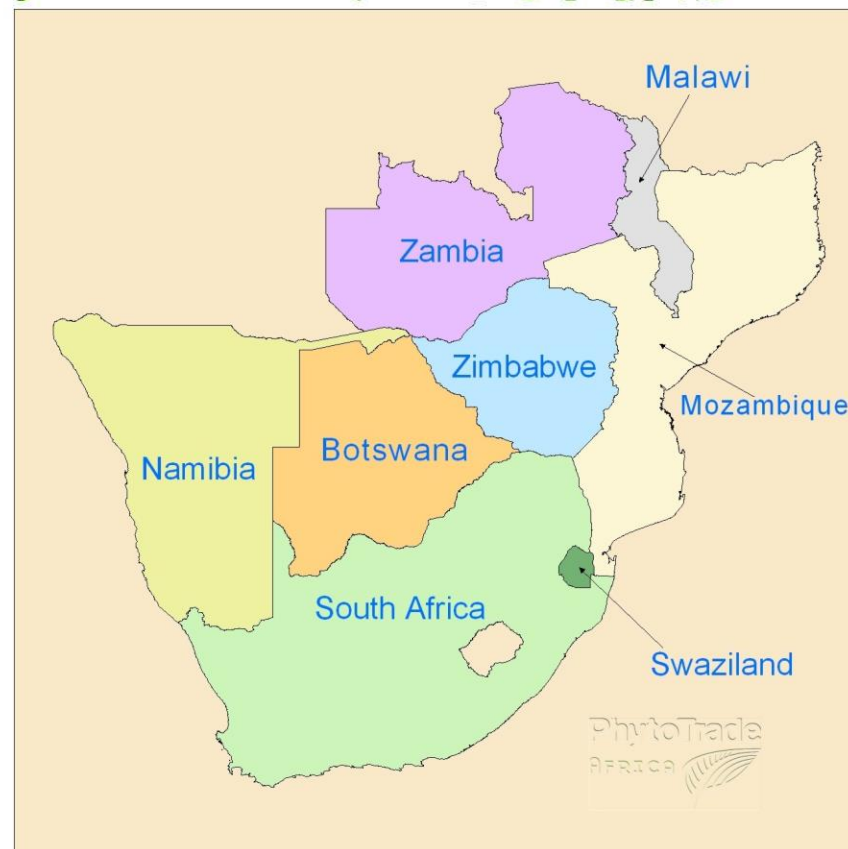
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The Southern African Natural
Products Trade Association

Southern African Natural Products Trade Association



- Non-profit trade association representing 50 + members
- SMEs, producer groups, NGOs, researchers, in 8 countries



Southern African Natural Products Trade Association



- Objective – develop income for rural producers (wild harvesting, traditional farming systems – pro-poor)
- Develop and facilitate markets for new natural products derived exclusively from selected indigenous plants



The Big Picture

What are we trying to achieve?

Basic goal is to reduce poverty for this generation

+

Without threatening the environmental security of the next generation





The Big Picture

Biodiversity conservation
is an essential element
of environmental security

BUT

Not an element that
many people understand



The Big Picture

Certainly not something that the market understands

For most consumers, the definition of an environmentally sound product is one that is ...





NOT TESTED ON ANIMALS!!

The Implications for Business

- Any business that is making genuine steps towards sustainable biodiversity management and poverty alleviation has no means of:
 - Assessing its progress
 - Differentiating itself on the market

The Implications for Business

- If it cannot differentiate itself on the market, it cannot cover the additional costs associated with biodiversity management and poverty alleviation
- If a business cannot cover the additional costs incurred, it will either:
 - Go out of business; or
 - Stop incurring those costs

The Implications for Poverty/Biodiversity

- Biodiversity-friendly, pro-poor businesses almost invariably incur greater costs
- Those costs have to be covered somehow
- Either they are covered through the market
- Or they are covered through subsidies (including fiscal incentives, tax breaks etc)
- If they are not covered, there will be no biodiversity-friendly, pro-poor businesses

Challenges

1. Will the market ever get it?
2. Will it ever be possible to differentiate yourself?
3. If so, will the benefits of differentiation outweigh the costs?

Will the market get it?

- The move towards naturals and organic is overwhelming
- L'Oreal buys the Body Shop, then Sanoflore



- Colgate buys Tom's of Main
- Clarins buys Kibio
- Etc. etc.

Will the market get it?



“L'Oreal CEO Jean-Paul Agon has made it clear that he wants to increase the company's footprint in the naturals and organic arena, stating that current demand was too great to ignore, indicating the possibility of further acquisitions in this area.” Cosmetics Design Europe Oct 2006

“Natural & organic cosmetic sales are increasing by over 20% a year whereas the conventional cosmetics industry is stagnating.” Organic Monitor Oct 2006

Will the market get it?

- Question is whether the more complex biodiversity/poverty argument will ever be understood by the market
- All the signs are that it can and will be
- Market is growing more sophisticated
- Issues of biodiversity, equitable Access and Benefit Sharing, genuine pro-poor impact are all appearing in consumers minds
- Also starting to feature in the consciousness of governments and of private investors (e.g. Natura)

Will the market get it?

Product	Volume 000s MT	Producers 000s HH	Value Millions USD
Mongongo	45	400	20
Kalahari Melon	300	1,500	21
Parinari	95	2,400	37
Ximenia	90	1,500	38
Marula	880	2,400	263
Trichilia	915	2,300	502
Baobab	715	1,300	962
Kigelia	705	1,800	1,588
Total	3,745	13,600	3,430

One natural
products
feasibility study
conducted in 10
SADC countries
in 2005

Will differentiation be possible?



- It has to be
- If there is consumer demand for biodiversity-friendly, pro-poor goods and services, there will be demand for a differentiation system
- Once this demand exists, the market will respond
- How the market responds will determine the success

Will differentiation be possible?



- Natural response would be through the rapid implementation of a number of different certification/verification schemes
- Many will be hastily conceived and poorly developed, and will quickly sink
- There will be a period of confusion in the market before, eventually, the regulatory authorities step in

Will differentiation be possible?

- A more measured and thoughtful response would be to look ahead and plan for the time when differentiation becomes the norm
- Develop something now that will serve this function in the future
- Thereby avoiding that initial period of boom-bust confusion and regulatory intervention

Will the benefits exceed costs?

- Initially probably not
- But in the longer term, the balance will tip in favour of the differentiation mechanism
- Ultimately, differentiation will cease to be an optional extra, it will become an inevitable prerequisite for entering the market

Conclusion

- Is the scale of the market opportunity for biodiversity-friendly, pro-poor goods and services big enough to warrant serious investigation?



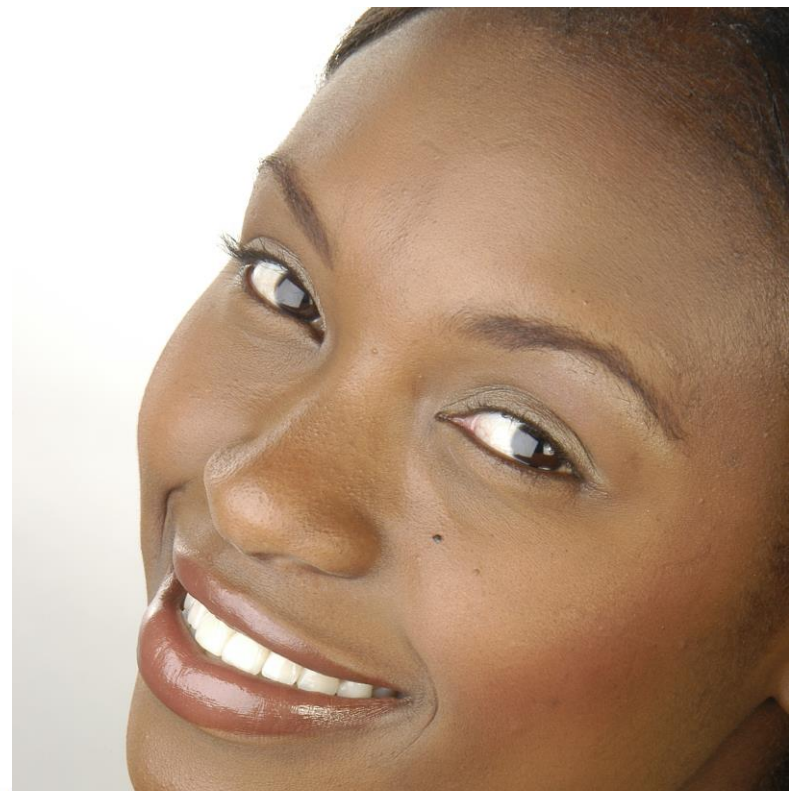
Conclusion

- Is market differentiation going to be possible and desirable for this market?



Conclusion

- Has the time come to start working towards such a market differentiation mechanism?



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