

## **Opportunities for African Small Farmers in Ethical Foods Markets: An Entrepreneurial Perspective**

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### **Abstract**

Income growth in many countries is fuelling expansion of the ethical consumer segment and creating an unprecedented opportunity for small African farmers. The challenge is how to organize these farmers to seize the opportunities being offered by the emerging market. We argue in this paper that the development of entrepreneurial perspectives on small farmers' realities could help alleviate the current economic challenges confronting them. We suggest increased engagement between researchers and academics with producers in entrepreneurial ventures to seize these opportunities. This is new model of economic development focuses on microeconomic solutions through entrepreneurial initiatives. We believe the agricultural economics profession's ability to engage producers in this manner will not only increase its relevance but provide needed financial resources to grow education and research programs

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### **Introduction**

Ethical consumption is becoming an important movement around the world as people become increasing conscious about how their consumption decisions and patterns affect other parts of their lives and society. These changes are opening trade opportunities as new market segments focusing on ethical consumption are developed and serviced. For example, the environmental movement has successfully nurtured and supported the transformation of the organic foods segment into a major and a fast growing industry in the US and Europe. Similarly, the animal welfare groups are helping shape a new farm animal production system that is changing the way meat and other animal products are produced and marketed. As these shifts in consumption occur, a small proportion of producers are becoming critical to the associated supply chains. Niman Ranch of California, a producer of organic lamb, beef and pork products, has grown to \$100 million in sales over a decade or so because of the the ethical consumer segment. Similarly, the retailing group, Whole Foods Market of Texas, has been experienced consistent growth over the past decade based on both stock price and profitability. A similar trend is occurring in Europe with companies such as Waitrose and Sainsbury expanding their natural, organic and fair trade product lines. The thrust of this paper is that African small farmers have a natural opportunity to

participate aggressively in the growing ethical markets because most of their activities fit the ethical sensibilities of the ethical consumer. We investigate the reasons why despite their proximity to some of the rapidly growing ethical markets, African small farmers are still not significant players when compared to South American or Chinese farmers. The paper argues that leveraging the entrepreneurial orientation of African small farmers and working with them to identify and seize opportunities is fundamental to their capacity to participate fully in these markets. The paper begins with a definition of the ethical consumer markets and review of the performance trends in the segment. It then carves the challenges of economic development and participation in emerging markets within the context of entrepreneurship. The paper ends with a proposition for the academy to develop a strategic initiative that engages producers in an active research framework to achieve outcomes that are beneficial to both the academy and the producers while contributing to a new model for economic development

### **Ethical Consumption**

Lang and Hines (1993) identify three waves of consumerism: consumer choice; corporate accountability; and ethical consumption. Consumer choice focused on the definition of product value in terms of its cost, seeking to maximize the quantity and quality of the product while minimizing the cost of

acquisition. This continues to pervade most of the commodity market, with the majority of consumers maintaining control over their choice purely on tangible economic benefits and costs. Corporate accountability emerged as a result of concerns about corporate malfeasance regarding product safety and similar charges. Some consumers avoided products manufactured or supplied by companies they deemed to be crooked. This accountability extended to avoiding products that violated environmental, animal welfare and other ethical issues. The focus for choosing a product was thus not only on the tangible economic benefits and costs but the real and perceived externalities that are associated with the product.

The ethical consumption wave incorporates merges the different dimensions of the corporate accountability wave, bringing together environmentalism, human rights, animal welfare, social responsibility and fair trade into a complex matrix for making consumption decisions (Tallontire et al. 2001). For the ethical consumer, there is an active belief and an expectation that consumers can influence the production of products and services through their consumption choices. The desired outcomes for such consumption choices, unlike consumer choice and corporate accountability waves, may not have direct (in space and time) effects on the consumer. For example, by choosing to consume fair trade products, ethical consumers are affecting production decisions and increasing fair treatment of distant producers with whom they have no direct connection except through the human web. Their expectation is that such a decision will contribute to making the world is a better place.

Sustainable consumption is emerging as a more rigorous dimension of ethical consumption, presenting itself as understanding and managing demand in ways that achieve social, economic and environmental goals (Robins and Roberts, 1998). Thus, sustainable consumption brings into focus not only the ethical consumer's desire to make the world a better place, but a conscious effort to ensure that both economic and social accounting along the supply chain of all products are computed accurately so that they are reflected in the prices consumers pay. The argument is that when prices reflect all costs, including accounting for all externalities, consumers and producers will make consumption and production decisions that create a sustainable economic and social system (Robins and Roberts, 1998).

The consumption waves may be attributed to a number of factors including education, income and increasing realization of the important role of human action on the survival of the planet. We know there is a relationship between education and income but the relationship between income and ethical consumption has been at best anecdotal (Cooperative Bank, 1992). However, European survey results show that there is a positive relationship between education level and the proportion of consumers who act on their awareness about ethical issues and purchase fair-trade products. This is reflected in the 37 percent increase in total sales of fair trade labelled products in 18 developed countries €831.5 million in 2004 to €1,141.6 million in 2005. The highest changes (sales volume) were seen in fresh fruits and wine. In 2004, fair trade labels sold about 5,157 tons of fresh fruits and increased that by 83 percent to 8,289 tons in 2005. To put this growth in context, total fresh fruit sales under fair trade labels in 2003 amounted to 1,291 tons. There were 569 fair trade certified producers and producer organizations (in excess of one million farmers and workers) in 50 countries in 2006, more than double the number of organizations in 2001 (FLO International, 2007). An analysis of certification data of Fairtrade Labelling Organization (FLO) in as of October 2006 shows that Africa is lagging South America in terms of number of producers and producer organizations as well as average producers/producer organizations per participating country and lagging Asia in terms of producer organizations per participating country (Table 1).

The activity of FLO is only a small part of the changes that are occurring in consumption and related decisions. Harrison (2007) reports that there has been a sea change in corporate behaviour in the last decade or so (Table 2). At the consumer level, there is movement away from price-focused purchases to ethical consumption that addresses issues such as organic, environmental protection through eco-labels animal welfare and organic food. Firms are also shifting from merely maximizing profits to becoming more socially responsible by focusing on people, planet and profits (Elkington, 1997). Investors are carefully choosing to place their resources in corporations and activities that support community development and in companies that exhibit excellence in corporate governance. More importantly, shareholder activism has increased significantly in recent years, almost in tandem with the increases in

**Table 2: Fairtrade certified producer organizations by region (October 2006)**

Region	No. of Countries	No. of Producer Organizations	Producer Organizations/Country
Africa	25	167	7
South America	18	293	17
Asia	9	89	10
Pacific	2	6	3
Caribbean	3	21	7
Total	57	576	11

Source: FLO International ([http://www.fairtrade.net/by\\_location.html](http://www.fairtrade.net/by_location.html)).

**Table 3: Emerging metrics of performance at different levels of the economy**

Level	Metric	New Metric	Measurement Tools
Consumer	Price	Ethical Consumption	Fair trade, Organic Food, Eco-labelling
Firm	Profits	Social Responsibility	Triple Bottom Line
Investor	Capital	Socially Responsible Investment	Community Development Finance, Corporate Governance
National	GDP	Quality of Life	Human Development Index

ethical consumption. Finally, there is a strong movement to move from traditional metrics of national well-being such as gross domestic product to Human Development Index, promoted by the UNDP and even Gross Happiness Index, which is Bhutan's metric of national well-being.

#### **Entrepreneurial Perspective on the African Small Farmers' Situation**

The agriculture and agribusiness industries of sub-Saharan Africa present significant comparative advantage in the emerging global marketplace (Wood, 2002). Unfortunately, the region has been relatively incapable of transforming its comparative advantage into competitive advantage to exploit inherent value. As a result, farmers in sub-Saharan Africa remain among the poorest of many working people around the globe. Sanchez (2001) argues that pessimism about the prospects for agricultural productivity in Africa are unjustified because soil and climate conditions in many of its areas are no worse, and in some cases are better, than the conditions encountered in other tropical and sub-tropical regions of the developing world, where productivity is much higher and poverty

alleviation has been sustained. Many authors attribute the poor performance of sub-Saharan Africa to external factors such as access to technology and poor infrastructure (CEPA, 2002).

While we do not disagree with the perspective that increased access to technological improvements (seeds, fertilizers, tractors, etc.) would be helpful in increasing productivity, we argue that where they have been supplied, performance has not been sustained. The Green Revolution efforts in the mid-1960s are illustrative of these attempts to address the technology divide problem.

If we cast the problem with the perspective of entrepreneurship, then we may argue that success in attaining sustained productivity and income growth may be due to an inability to see opportunities, evaluate them and seize them in order to profit from them. This perspective internalizes the problem and challenges policy makers to revisit the tools of economic development by altering the alertness of producers to opportunities in the marketplace. The argument we are making is that unleashing the entrepreneurial spirit will reduce the hurdles of the

identified technological and infrastructural challenges and create new perspectives on how to leverage resources to sustained these farmers' ability to transform their natural comparative advantage into a competitive advantage. After nearly two centuries of research and conversations about entrepreneurship, there still is no universally accepted definition of the concept. Some look at it a self-employment while others look at as launching new ventures. We believe entrepreneurship is broader than either of these; that it is a way of thinking as well as an approach to purposeful action (Mises, 1964). We see entrepreneurship as the alertness to seeing and evaluating opportunities and a propensity to seizing the best opportunities to create desired outcomes. We see it as the skilfulness in marshalling resources to achieve desired goals. As a result of bearing all the uncertainties of their venture, entrepreneurs seek to earn higher than market returns by being innovative in the recombination of resources that create superior efficiencies or customer value. Thus, the opportunities and their implementation are a means to an end defined by the entrepreneur. The necessary and sufficient conditions for entrepreneurship, then, are innovation, uncertainty in the outcome from the innovation and purposeful action (Amanor-Boadu, 2006). Within the context of this paper, the desired outcome of the purposeful action dimension of entrepreneurship is increased wealth and wealth creation capacity among African small farmers.

#### *A Strategic Initiative*

How do we unleash the entrepreneurial spirit in the African small farmer economy? The traditional approach is to teach producers how to increase their alertness to opportunity scoping (Kirzner, 1997), assessment capabilities (Fiet, 2004), selection and implementation (Schumpeter, 1954) (Figure 1).

We have argued that as consumers become increasingly aware of the impacts of their consumption on their environment and society, they may make some changes in their consumption decisions. The likelihood of these changes occurring is a function of the consumer's education and income. We have argued that the production practices of African small farmers place them at an advantage in meeting the sensibilities of ethical consumers with lower price elasticities. While the well-being of the participating farmers in fair trade initiatives has increased in relative terms, are there organisational structures that may be

implemented to enhance their wealth and wealth-creating capacities?

Without impugning any ill-intent, it is important to note that the downstream supply chains formed to meet the needs of ethical consumers are essentially not very different from the structures they purport to replace except returning a higher proportion of profits in relation to the previous situation to producers. As long as producers are not responsible for optimizing the share of downstream operations they perform or control, they will not be maximizing their share of value created. Therefore, there is a need to evaluate all embedded opportunities in the supply chain to extract the ones that increase producer competitiveness.

The African agricultural economics academy has a clear role to play as a partner, a mentor and a guide in enhancing the alertness, assessment, selection and implementation capabilities of the Africa small farmer when it comes to emerging opportunities for which there is a natural comparative advantage. The academy can help transform this comparative advantage into a sustained competitive advantage by perceiving these relationships as collaborative entrepreneurial ventures to achieve congruent goals. By conducting the necessary market research and creating the operational strategies, by organizing the producers and negotiating the terms of engagement with potential customers, the academy can initiate excellent new research agenda within the active research framework while helping the producers learn to be more entrepreneurial in their decisions and actions. They help the producers take ownership of their supply chains and share the results with their academic partners through structured or unstructured arrangements. Most importantly, the academy achieves insights into how to achieve development objectives from a microeconomic perspective and provide a living laboratory for training future academy members.

#### **Conclusions**

The emerging ethical consumer market presents a natural comparative advantage for African small farmers. We know some producers have already been participants through the Fairtrade Labelling Organization and its affiliates. But we need to find new models of engagement that allow the agricultural economics academy to connect with its producer constituents in ways that orchestrate these efforts and

support wealth creation. By exploring an entrepreneurial perspective of the potential relationship that may be forged between the academy and producers, we can develop excellent research and teaching forums while solving a persistent problem that has faced the academy – how to enhance the economic well-being of the African small farmer.

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**Figure 1:** The entrepreneurship process