

## Case Study 3. Food Security Context: Market Linkages with Export Firms Haiti Multi-Year Assistance Programme

*World Vision Haiti*

### a. Background

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Mangos are Haiti's largest agricultural export, with more than \$10 million in sales per year. The export market for mangos is demanding because exporters prefer to work with suppliers that can provide large volumes of mangos with consistent quality. Small producers do not produce enough as individuals to supply the exporters directly.

World Vision, under the multi-year assistance programme (MYAP), financed by USAID's Food for Peace initiative, is committed to increasing extremely poor producers' income in Haiti's Central Plateau. WV has assisted Haitian mango growers to increase marketable produce through post-harvest loss reduction measures and encouraged higher and more stable prices through forward contracting between producer groups and mango exporters.

### b. How did the programme incorporate extremely poor producers?

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The programme undertook several activities to link extremely poor producers to markets, including facilitating the development of business relationships with exporters, encouraging farmers to adopt improved post-harvest practices, and helping the groups to get organic and fair trade certifications.

- ▶ **Support for setting up a mango collection system through the group's marketing agents.** The project provides technical assistance to different actors in the Central Plateau mango market chain. The programme helped the producers organise to put in place the collection, cleaning, and grading of the mangos so that what they produced met the exporter's requirements.
- ▶ **Training for producers so they have access to fair trade and organic markets in the U.S. and Europe.** Producers and exporters received assistance in accessing specialty markets (fair trade and certified organic). This involved contracting certification consultants and agencies for organic and fair trade markets, developing appropriate internal control systems, and training producer organisations in management and maintenance.

Producer groups in the Central Plateau were certified for organic production and fair trade participation, with appropriate technical assistance and certification costs subsidised through donor funding. One exporter was also certified, which became a sustainable link between the producer groups and the certifiers after project funding ended. The project assisted the groups and the exporter to re-establish the certifications (which must be renewed on a yearly basis), as well as provided business skills training to the mango groups.

- ▶ **Initiatives to increase production.** Production-enhancing activities were implemented to increase both per tree production as well as the number of trees producing fruit. Several new mango plantations were started, using locally purchased seedlings from seed producers, and planting in orchards using a survival subsidy to ensure tree permanence. This survival subsidy involved setting up a system of periodic payments to farmers based on

the number of healthy trees remaining in a field over time, which encouraged farmers to take care of their trees. Grafting techniques were taught to farmers so they could graft improved mango varieties onto existing rootstock of lower producing trees.

- ▶ **Contracts with exporters.** Contracts between the producers and the exporter were developed under the MYAP to make terms, conditions, and responsibilities clear to all parties in written form. The specific objective of the agreements was to support ongoing work by the exporter in producer group compliance with fair trade and organic certification requirements, address post-harvest issues, and make investments in new mango production to expand supply over the medium and long term. The indirect objective of the agreements was to strengthen the sustainable market link between producer groups and the exporter (such that the producer groups, or other groups in the same zone, will be able to increase the supply of mangos, reduce post-harvest losses, and maintain the required procedures and internal control systems largely on their own). A copy of the agreement is found below.

### **c. What went well and why**

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Benefits flowed through to producers in terms of higher and more stable farm gate prices. A fair trade premium of 10 per cent of the producer price is given by the buyer-participants to support community social projects. The U.S. supermarket chain Whole Foods has taken a special interest in the Haiti mango programme and during the 2011 mango season imported three 50,000 lb. containers per week of certified fair trade and organic mangos. This was sufficient incentive for extremely poor mango producers to participate in the programme and engage with the groups. Exporters were similarly motivated, since this expanded their mango market contacts in the U.S. and resulted in direct agreements with large supermarket chains like Whole Foods.

### **d. Issues and recommendations**

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Given the large size of the investment by the exporter, there is a reluctance to facilitate expansion of the concepts and lessons learned to the broader community, with a preference for retaining the relationships and knowledge for future business purposes. Given the costs of innovation, it seems that some sort of expiring “patent” procedure might be necessary, after which the lessons learned and relationships should be more widely shared with the industry.

### **e. Lessons learned/conclusions**

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1. There are significant specialty market opportunities that increase the value of production and incentivise resource poor farmers. However, they involve increased costs in terms of maintaining practices and records to sustain certifications, which themselves bring additional costs from the certifying agencies.
2. The system has been sustained over seven years, but not without difficulties and setbacks. Key to sustainability has been the interest and commitment of the mango exporter, who has continued to support the producer groups with training and facilitated organic and fair trade re-certification after some of the groups lost status through non-compliance with organisational and control systems. Key to maintaining and sustaining the relationship between extremely poor producers and the exporters is the transfer of the internal control systems to the producer

groups and the ability of the groups to hire managers capable of maintaining the fair trade certification systems adequately.





## Memorandum of Understanding Between AGRIDEV and EXPORT FIRM A Mango Production and Marketing Activity

### Context and rationale

Haitian *Francique* mangos have reached the shelves of both mainstream and niche markets in the U.S. following the acquisition of organic and fair trade certifications for mango producer groups and one key exporter. Organising formal producer associations and federations was undertaken by the Hillside Agriculture Programme beginning in 2000, and those initial efforts paid off with the establishment of new supply relationships. The termination of the Hillside Agriculture Programme in 2007 left some activities in process but not yet sustainable, particularly those related to producer group management in order to meet organic and fair trade certification standards. In the interim, Export Firm A and its associates have endeavoured to maintain and sustain the producer relationships and have succeeded in re-establishing previously lost fair trade and organic certifications. Maintenance and strengthening of those relationships and continuance of the certifications programme is key to continued growth of exportable mangos and increasing producer incomes.

The Haitian mango supply chain faces a number of challenges and difficulties. The principal challenges include:

- ▶ The mango producer groups established under the Hillside Agriculture Programme have struggled to maintain the established internal control systems that enable the organic and fair trade certifications. This is due in part to withdrawal of critical programme support before the required management changes were fully adopted, as well as increasingly stringent requirements by certifiers, particularly for organic produce.
- ▶ Haitian (exportable) mango production is well below potential, with insufficient plantings, and 50-70 per cent of the fruit damaged or of poor quality due to problems during the harvest, transport, treatment, and packing stages.
- ▶ Post-harvest practices are deficient, including farm-level picking and transport techniques, inadequate preparation for shipping to the packing plants, as well as deficiencies in washing, hot water treatment, sorting, and packing at some of the plants. All of these deficiencies combined contribute to the high loss and rejection rates stated above. Previous training programmes were targeted toward mango farmers, when in fact the production is often sold to Madame Saras<sup>1</sup> before harvest and managed by hired pickers.

### Scope

The specific objective of this partnership is to support ongoing work by Export Firm A and associates in producer group compliance with fair trade and organic certification requirements, address post-harvest issues, and make investments in new mango production to expand supply over the medium and long term. A more general indirect objective of this agreement is to strengthen the sustainable market link between producer groups and Export Firm A such that the producer groups, or other

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<sup>1</sup> Informal traders who buy from the farm gate at very low prices.

groups in the same zone, will be able to increase the supply of mangos, reduce post-harvest losses, and maintain the required procedures and internal control systems largely on their own.

Specific work activities under this agreement to be undertaken by the sellers (mango producer groups) include:

1. Provide necessary support/labour for the collection of \_\_\_ dozen of good quality organic mangoes from participating farmers between the months of March-July \_\_\_.
2. Allocate, maintain, and supply the necessary labour force for the planting of \_\_\_ hectares of mango orchards on land that belongs to participating farmers between the months of March-September \_\_\_.
3. Purchase mango seedlings from a private nursery to be developed with the support of Agridev.
4. Maintain mango orchards according to best production practices as developed and recommended by Agridev.
5. Organise the harvest according to a schedule that will be established with the buyer, and supply the necessary labour to properly harvest and pack mangos.
6. Organise collection so that it complies with the quality standards required by the technicians and the quality requirements of the buyer.

Specific work activities under this agreement to be undertaken by the buyer (Export Firm A) include:

1. Develop and negotiate an advance purchase contract with the sellers specifying the prices, quantities and quality characteristics of mangos to be supplied by the sellers.
2. Purchase supplies of mangos collected and meeting quality requirements.
3. Provide transport from field collection centres to the packing plant according to an agreed schedule with seller.
4. Hire and train a field supervisor who will oversee the field collection, field packing, and transport activities.
5. Partially subsidise the maintenance of mango orchards established by sellers through payment of a periodic survival subsidy, possibly using fair trade premium as a source of funds.
6. Facilitate communication between producer groups and the certifying organisations (FLO and Ecocert).
7. As appropriate, support producer training activities in internal control systems management and certification compliance, post-harvest practices, and mango production activities.
8. Assist sellers to open accounts in a local financial institution for sales proceeds and other payments.

Specific work activities under this agreement to be undertaken by WV/Agridev include:

1. Train sellers in the importance of technical aspects of the organic and fair trade certification processes, in collaboration with Export Firm A and its associates.
2. Provide technical and financial support for establishing mango orchards, including supply of seedlings, design of production plans and farmer training in mango production best practices.
3. Cost share with buyer the tree survival payment for two seasons.
4. Cost share half the salary of the buyer's field supervisor for one season.
5. Develop and support system of collection and transport of mangos from the trees to the collection centres.

6. Ensure compliance of the groups and exporter in meeting the terms and conditions of the contracts/agreements established for fruit procurement during the season. Troubleshoot as necessary.
7. Assist sellers and buyer to address issues raised by the organic and fair trade certifiers.
8. Provide timely responses to issues as they arise, particularly when other intermediaries compete for the same harvest.
9. Train sellers in administrative procedures and accounting
10. Maintain a continuous field presence throughout the entire mango harvest season, moving from location to location around the region as the season progresses.

**Budget**

The agreement included a budget to implement the agreement.