

## **Mixed Containers**

### **A sustainable path to develop local markets**

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#### **Author's Background**

María Calzada

CEO El Rincón Orgánico

Founder of El Rincón Orgánico, a pioneer company in the latinamerican organic market; has been working in this industry for more than 25 years, exporting since 1994, and doing mixed containers for more than 10 years.

Juan Martín Flores

El Rincón Orgánico – Foreign Trade Department

Bachelor in International Business Administration; has been collaborating in the development of this project since it's beginning..

#### **Summary**

Market data shows that consumption of organic products is growing but it is highly concentrated within the big world economies. This situation has negative consequences for the small players around the world who cannot access exports, imports, and/ or consumption through a fair and sustainable way. After acknowledging this situation, El Rincón Orgánico team came up with the idea of implementing Mixed Containers to open foreign markets and to help address these issues that small players face. The outcome was an increase in the local market consumption of its main client, which improved market conditions for exporters, retailers and consumers involved. This experience is telling us that there is a sustainable way of developing emerging markets and it is worth the efforts that this project implies.

#### **Background**

It is a fact that demand for organic products is growing daily, but today the market is mainly driven by exports to the big markets such as the European Union and The United States.

This has different impacts for several small players in the industry. First, small producers struggle to make it to export due to having small quantities available and much higher costs; therefore they cannot compete with the big exporters. Second, small retailers are not able to test a wider variety of organic products in their local markets because they cannot import few quantities of each product, they need to buy a whole container of each item but they do not have the budget nor the customers yet to do so in an effective way. Finally, this situation limits the access of the consumers to many organic products, and the big consequence is that local markets will never develop under this context as many local producers will not be willing to take the risk of producing new goods that are not tested yet in their markets.

We believe that the development of the domestic markets in the producers countries is a debt that the organic movement has and needs to work on to build a sustainable future. This is why ten years ago El Rincón Orgánico team developed the idea of Mixed Containers as a tool that would help fix these issues that small players face.

#### **Main chapter**

A Mixed Container, in essence, is the union of several producers, and brings small amounts of products all together in one container. It gathers farmers from different points of a region together to jointly export to the world. It brings the opportunity to those small producers to get access to the global market in a sustainable and fair way, as well as to small retailers the possibility of starting a smooth process to test the response of their domestic markets.

After 10 years of consolidating mixed containers and working with producers from all corners of South America we have been able to see the connection we generated between small and big players. The results are amazing, and we find this big effort worthy when we saw our main client starting to buy containers of a product for which at first it would only purchase a few tons. It was a long term project but it paid off for all the players involved. The consumers were finally able to see the big variety of goods that the organic market has for them.

By bringing the possibility of having a number of non-local products, that are needed in our daily life, we will give the consumers the possibility to expand their consumption of organic products. Nowadays consumers are looking for a greater diversity of organic products and usually for small retailers it is difficult to expand their offer because of the lack of products (specially processed products) in their countries or regions.

This is only one example on how, by offering a bit of everything and making it easier to the small retailers to import, the domestic markets start to grow and benefit directly the small producers and consumers.

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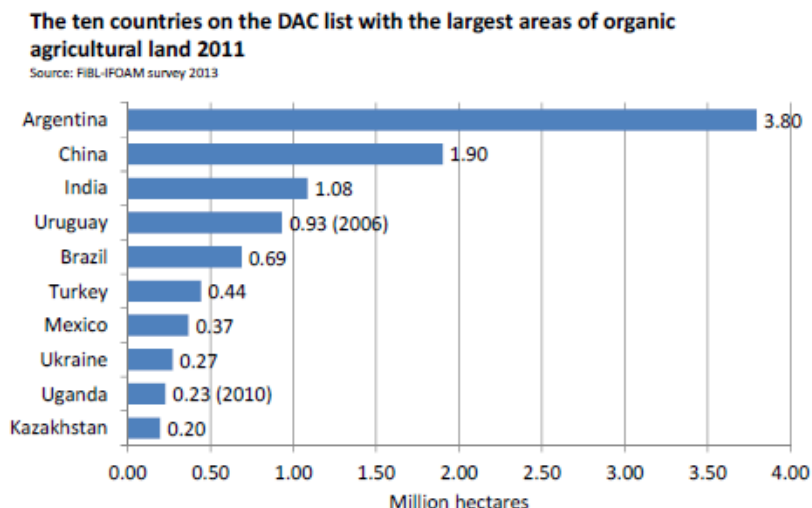
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There is a huge potential to continue developing the domestic markets, and Mixed Containers has proven success as the way to enable this process.

### Local Production & Exports

We know production in developing countries is huge, and we can validate this statement with the chart below. But this is mainly dominated by big producers exporting to developed markets. Here is where we see the potential of integration of the smaller producers.



**Figure 15: Countries on the DAC list: the countries with the largest organic agricultural land in 2011**

Source: FiBL and IFOAM 2013; based on information from the private sector, certifiers, and governments. For detailed data sources see annex, page 322.

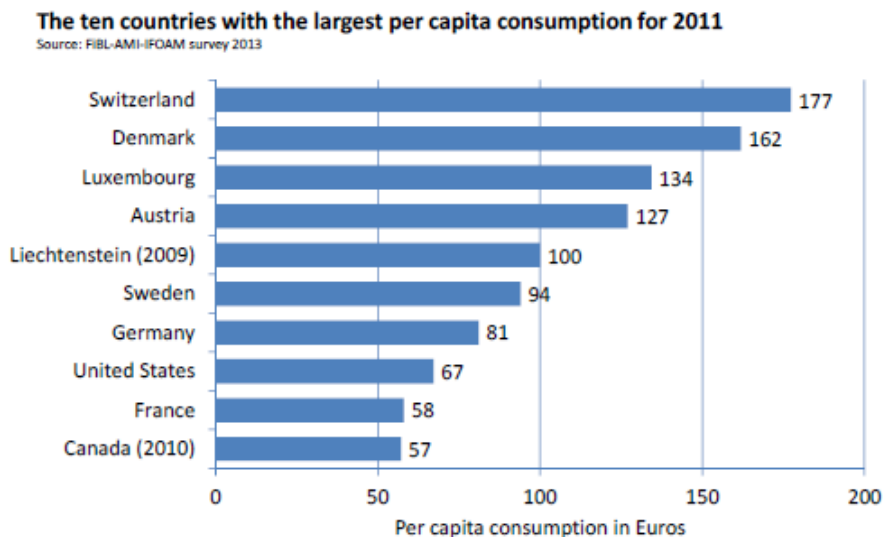
### Figure 1. Countries on the DAC list: the countries with the largest organic agricultural land in 2011

Source: FiBL and IFOAM survey 2013 – The World of Organic Agriculture 2014

### Importers/ Retailers

As stated before, the organic market is mainly driven by exports to the EU and the US. This is why our focus is on the enlargement of consumption in the developing markets.

Please see chart below for hard data on consumption figures:



**Figure 14: Global market: The countries with the highest per capita consumption 2011**

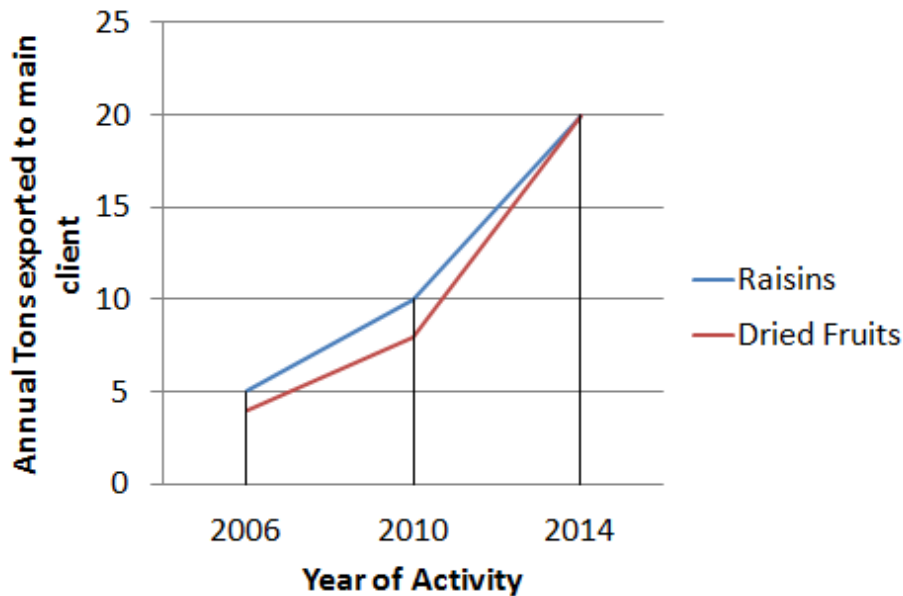
Source: FiBL-AMI-IFOAM Survey 2013, based on data from government bodies, the private sector, and market research companies. For data sources see annex, page 322.

### Figure 2. Global Market: The countries with the highest per capita consumption 2011

Source: FiBL and IFOAM survey 2013 – The World of Organic Agriculture 2014

### Mixed Containers

This tool helps small producers to access foreign markets and small retailers to test local demand, both with low levels of investment and risk. Find below a chart showing evolution of exports to our main client with two products as examples:



**Figure 3. Poucher growth per year**

Source: El Rincón Orgánico

### Local Markets Development

The final result of this process is the sustainable development of local markets. After products are tested and demand is generated, retailers will enlarge their business, local producers will work to satisfy local demand (assuming raw materials needed are available), and local consumers will benefit from a wider variety of organic products.

### **Core messages and conclusions**

Mixed containers are a proven successful tool to address the issues we already mentioned and that are still affecting small players in the organic business. The market data and also the experience gained these years developing this tool validate this statement. El Rincón Orgánico has developed this project in Argentina and plans to use it as a model to replicate in several other countries. We see it as a circular and continuous process with potential to develop the organic market in emerging countries. These results are telling all of us in the organic sector that there is a way of guaranteeing a sustainable future for our industry and that we should keep making all the efforts needed towards this goal because it is worth doing so.