

Export Promotion in the Tunisian Organics Sector

Case Study



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BACKGROUND

Tunisia is an emerging producer and exporter of organic products and is poised to become a leader in the global organics market. Growth has been sharp: from 2001 to 2011, Tunisia went from producing 9,000 tons to 200,000 tons of organic products per year. During the same decade, the number of organic food operators in Tunisia rose from 10 to approximately 2,000. Tunisia's growth in this area is in response to the global rise in the demand for organic foods, particularly in the United States, where organics sales have increased from \$3.6 billion in 1997 to more than \$39 billion in 2014.¹ For the American consumer, organic agricultural products are valued for their health and environmental benefits and are consumed by those who question the effects of pesticides, fertilizers, genetically modified foods, and other practices of industrial agriculture. The U.S. appetite for organics products presents a significant opportunity for Tunisia's organics sector.

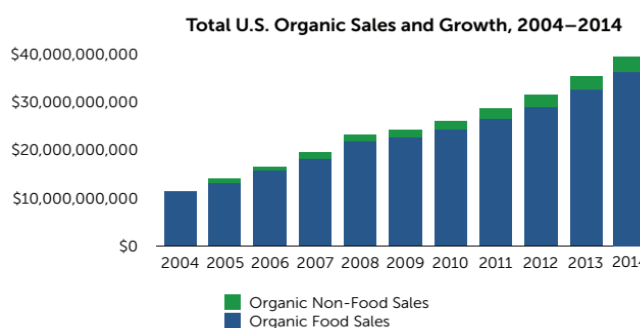


A Tunisian fruit vendor at the central market in the capital city of Tunis.

However, Tunisia's organics sector must overcome some obstacles before it can seize this opportunity to expand significantly into the U.S. export markets. First among them is achieving organic certification in the U.S. Many organic producers in Tunisia lack awareness of the certification process and requirements, including the provisions and regulations put in place under the Food Safety and Modernization Act of 2010. Second, connections between Tunisia's Ministry of Agriculture and the United States Department of Agriculture that are critical for export promotion are missing. Most countries that export agricultural products into the U.S. have cultivated strong relationships between the governments.

Finally, Tunisia's organics sector needs to have a greater understanding of the U.S. market and the types and quality of

products that are preferred. Until recently, Tunisia exported most of its organic products in bulk to buyers looking to add to their existing volumes. For example, Italy and Spain buy the majority of Tunisia's organic olive oil to blend with their own, and California does the same with Tunisia's dates. This long history of bulk exporting has made Tunisia a "ghost" exporter. As a result, the country has not put a lot of value on innovation, marketing, branding, and packaging, all of which are necessary to reach sophisticated markets like the U.S. In order to grow exports, the Tunisian organics



The graph above shows the growing demand for organic food in the U.S. over the last ten years. Source: Organic Trade Association

¹"State of the Industry," Organics Trade Association, accessed June 18, 2015, http://ota.com/sites/default/files/indexed_files/StateOfOrganicIndustry_0.pdf

sector must tackle some large issues: product diversification, quality certifications, and improved marketing.²

Tunisia SME Project Solution

The Tunisia Small and Medium Enterprise (SME) Project, which ran from 2012 to 2014, was designed to strengthen Tunisia's economic competitiveness and prospects for sustained growth by promoting greater SME involvement in trade and investment related activities. To do this, the project provided technical assistance to export-ready or near export-ready SMEs. Funded by the United States Agency for International Development (USAID), the project was implemented by IESC—the International Executive Service Corps—through the Volunteers for Economic Growth Alliance (VEGA).



Dates from southern Tunisia are ready to be harvested.

Given the limited two-year timeframe, the project employed a strategy that would not only increase exports in the short-term, but also create sustainable solutions to address long-term issues that hinder the overall growth of the organics sector. Part of this long-term strategy involved partnering with the Tunisian Ministry of Agriculture and Center for Export Promotion (CEPEX) so that these governmental agencies could form key relationships with project's clients and key stakeholders in both Tunisia and the U.S.

Sector Analysis and Export Assistance Plans

The first step was to assess and analyze the current state of the organics industry in Tunisia and identify key opportunities and weaknesses for Tunisian SMEs. The project recruited IESC volunteer Nissa Pierson, an organics expert with more than 15 years of experience working in the U.S. organics industry. In addition, Pierson has particular expertise in helping small, high-potential growers in developing countries to gain access to international markets.

During her two-week technical assignment in Tunisia, Pierson met one-on-one with 17 small and medium-sized companies in the organics sector and evaluated each company's export potential. Of those 17 companies, Pierson selected seven for which she performed a SWOT analysis and made recommendations to the SMEs of marketing activities and potential partnerships that might help them expand into the U.S. market. In addition to providing this valuable feedback, Pierson conducted a workshop with the SMEs on the complexities and scale of the U.S. organic market. She facilitated a second workshop for government stakeholders to focus on the government's role in capacity building and reducing obstacles to the growth of organic exports to the U.S.

²Nissa Pierson, "Organics Sector Technical Assistance Assignment Final Report." USAID Tunisia SME Project, June 2013.

Organics Buyers Mission

To build on the analysis, training, and recommendations provided by Pierson, the project recruited a second IESC volunteer, Melody Meyer, to help facilitate an organics buyers' mission to Tunisia. Meyer worked with the project team to design a robust application process. Each buyer provided information on the products they distribute, their purchase volume, and current products of interest to their companies. The project partnered with the Ministry of Agriculture and CEPEX, who selected and funded the buyers. Meyer was instrumental in soliciting applications from buyers that had never sourced from Tunisia and would never have looked at Tunisia as an organics source prior to this outreach.

To prepare the Tunisian companies for the buyers' mission, the project team organized a workshop and coaching session on how to sell organic products to the American market. The training included a review of the Generalized System of Preferences (GSP), the largest and oldest U.S. trade preference program, and how it gives producers in designated countries access to U.S. consumers.³ The workshop also covered key food production requirements under the U.S. Food and Drug Administration and 2013 changes to the Food Safety Modernization Act. The training concluded with an overview of business-to-business (B2B) events, including issues related to product design, quality, and pricing, sample selection, marketing materials, and strategies to generate larger orders.

The first U.S. organics buyers' mission to Tunisia took place in December 2013. Melody Meyer traveled to Tunisia with four U.S. buyers to visit 32 Tunisian companies to sample their products. The U.S. buyers were from Woodstock Farming, Bread Alone, Thornes International, and Bianca International, which covered the nuts, fruits and vegetables, olive oil, essential oils, and condiments sub-sectors. Collectively, the group represented a purchasing volume of approximately \$150 million annually.

The buyers' activities included a B2B networking event and field visits to farms and processing plants at Moulin Mahjoub, CHO, Herbiotech Aroma, and VACPA Boujbel. The B2B meetings in Tunis were conducted at the CEPEX facility, with support from the Tunisia SME Project staff. The buyers filled out scorecards for each of the companies that they met with to rank the likelihood of proceeding with an order, offered specific feedback on the individual companies, and general feedback on the sector overall. Woodstock Farming ranked four companies highly and expressed interest in follow-up contact; Bread Alone ranked six companies highly with interest in follow-up contact; Thornes International

Volunteer Expert Melody Meyer



Melody Meyer began her career in agriculture at the Iowa Natural Food Cooperative. She went on to build her own company, Source Organic, which linked organic producers to producers across the globe. She is currently vice president of policy and industry relations for United Natural Foods. A committed advocate for organic agriculture, she shares her knowledge and passion on her blog, as a speaker at major international trade missions, and before Congress.

³Tunisian exporters were previously eligible for duty-free treatment under the General System of Preferences; however, legal authorization for the GSP expired on July 31, 2013. Tunisian exporters are now subject to normal trade duties.

ranked five companies highly with interest in follow-up contact; and Bianca International ranked two companies highly, with interest in follow-up contact.

Fancy Food Show

As a companion and follow-up activity to the buyers' mission, the project sent four companies from the olive oil, essential oil, dates, and almond sectors to the New York Fancy Food Show in June 2014. The companies—Argumia, Green Fruit, Domain Sidi Mrayeh, and Herbes de Tunisie—were selected based on previous experience exporting to the U.S. and because of their ongoing relationship with Melody Meyer after her initial assignment. The companies committed to developing promotional materials for the show and attending trainings with Meyer. The project paid for the participants' airfare to New York, and they contributed cost share for hotel accommodations and other transportation costs. CEPEX sponsored their registration to the Fancy Food Show.



Representatives from Tunisian organics companies at the Fancy Food Show in New York with IESC volunteer Melody Meyer.

Prior to their travel, the project provided all of the participants with additional coaching and training to prepare for the show. The training material was similar to what was given before the buyers' mission and covered guidance on sample selection, how to tailor marketing materials, how to address technical questions from buyers, and strategies to generate larger orders. None of the participants had previously traveled to the U.S., and they welcomed the in-depth preparation.

For each of the participating companies, Meyer facilitated B2B meetings with prospective importers and sales agents interested in expanding into the Tunisian organics market. A total of 23 such meetings were conducted. Meyer accompanied the companies to the show and gave them a guided tour, highlighting companies, booths, and trends for the Tunisian participants to note.

“The companies I witnessed offer the highest quality and degree of pride in work at the artisan level. The U.S. consumer shopping at Whole Foods is looking for exactly what Tunisia has to offer.”

American buyer participating in the 2013 Buyers' Mission

IMPACT

The Tunisia SME Project's interventions helped local SMEs better understand the obstacles to entering the U.S. market. After attending the workshops and meeting with volunteer U.S. organic experts, the SMEs were able to improve their business practices and marketing techniques to cater to the American consumer. These activities not only spread awareness of Tunisian organic products, but also encouraged collaboration with Tunisian government stakeholders and partnerships among fellow SMEs.

Initiating Collaboration and Country Branding

Pierson's initial assessment concluded that the major interventions were in product innovation and modernization, improved marketing and branding, and the need for collaboration with government stakeholders. While in Tunisia, Pierson was able to see firsthand the infrastructure of the organics industry and speak directly with government stakeholders to help them understand the potential of small and medium-sized businesses in this sector. She also stressed the importance of businesses and government stakeholders working together to promote Tunisian exports in the U.S. market. The formal and informal trainings and meetings that the project facilitated provided the business, the Ministry of Agriculture, and CEDEX with an opportunity to interact with an expert of U.S. organics and gain insights into how to expand in the U.S. market. This was a necessary first step in export promotion and linking the government stakeholders with SMEs and organic sector counterparts.

U.S. Buyers Discover Tunisian Organics

The feedback gained from the international buyers who visited Tunisia was extremely valuable for the participating SMEs. Not only did SMEs learn about the individual improvements they could make, they also had the opportunity to discuss strategies for expanding the Tunisian organics market as a whole. Further, there were additional benefits to the client SMEs. For example, Mustapha Sghaier, founder and manager of date and date by-product production company Green Fruit, established a market linkage as a result of the B2B events held during the buyers' mission in December 2013. As the project closed, Sghaier was in the process of finalizing an order of 10-12 containers of date by-product for the American organic company Oasis Garden. The order was initiated by a buyer from Bianca International who had attended the buyers' mission and later connected Sghaier with a contact from Oasis Garden. Sghaier noted that without the opportunity to interact directly with the U.S. buyers, he would not have been able to obtain an international order.



Staff members at Green Fruit working on an order of date by-product.

It is important to note that of the buyers that attended the buyers' mission, none had ever sourced from Tunisia and would not have looked to Tunisia for organics products without the project's intervention. These U.S. buyers are now looking at Tunisia as a source of reliable quality products with the capacity to meet organic and international export certification standards.

Further, by coupling a buyers' mission with trade show participation, SMEs in the organics sector have gained the information, knowledge, and skills that will help them participate successfully in future missions and trade shows. These skills include:

- Pre-show preparation;
- Marketing materials;
- Interacting with buyers;
- Networking with agents, distributors, and, fellow sector-specific SMEs; and
- Steps to international certification.

Tunisian Organics Access the International Market

With experience interacting with international buyers under their belts, some of the Tunisian SMEs were ready to travel to the U.S. and promote their products and the Tunisian organic sector. With one-on-one mentoring and coaching from IESC volunteer Melody Meyer, four SMEs successfully established market linkages and initiated deals with American buyers.

“Without Melody’s assistance, we wouldn’t have been as productive at the Fancy Food Show,” said Herbiotech’s Leif Tlemcani. “She prepared us, the Tunisian companies, and personalized all of our introductions to the U.S. buyers.” Meyer’s coaching helped the SMEs to tell the story of Tunisian organics in a compelling manner, highlighting the history and quality of not only the companies, but also of Tunisia. Tlemcani had several promising meetings with buyers, which built his confidence to initiate more business relationships in the U.S. organics market. “Before the Fancy Food Show, I thought we would never export to the U.S.,” Tlemcani said. “Thanks to this project, we will export dried herbs to the U.S.”

A total of three orders were initiated as a direct outcome of the trip to the Fancy Food Show. Agrumia, an almond producer, generated an order of four to ten containers of almonds, and Herbiotech had a deal to export 400 tons of dried herbs. Sghaier of Green Fruit finalized a deal for 250 tons of date powder. As a result, he planned to double his staff for the next harvest season.

The benefits for the four participating SMEs went well beyond their immediate sales to the U.S. The Fancy Food show provided them an opportunity to learn something much more valuable over the long term: how the American customer thinks. “I learned more about packaging and advertising techniques,” Tlemcani said. “It was not just a trip to do business.” The four companies learned more about the American organics sector and what American consumers expect. And they are better prepared to meet these standards.

LESSONS LEARNED

Value of a Volunteer

The success of the project activities with Tunisian organics can be largely attributed to the use of volunteer experts. Unlike many paid consultants, volunteers take a 360-degree view of the situation, and are more inclined to go beyond and outside the scope of the original assignment. Perhaps most

Success in the U.S. Market

The American buyers described the trip as an eye-opening experience. “The companies I witnessed offer the highest quality and degree of pride in work at the artisan-level,” said one of the participants. “The U.S. consumer who is shopping at Whole Foods is looking for exactly what Tunisia has to offer.”

This encouraging feedback led Selima Ghariani, CEO of the organic olive oil producer Tunihuile, to attend the San Francisco Winter Fancy Food Show in January 2014.

At the show, Tunihuile promoted its brand, developed a network of contacts, and ultimately closed a deal with the firm New Yorkaise for 300 tons of organic Tunisian olive oil valued at \$1.2 million. Ghariani’s company is now looking to set-up a solid logistics structure in the U.S.

importantly, volunteers develop personal relationships with the clients and often maintain these well beyond the project life.

The project's organics experts, Nissa Pierson and Melody Meyer, are actively involved in the industry, and were able to have a firsthand introduction to Tunisian organics, talk directly to the SME owners and see, taste, and smell the quality of organic products that Tunisia has to offer.

Meyer, who was brought on to organize the buyers' mission to Tunisia and attend the Summer Fancy Food Show, built relationships with the businesses she worked with. After her official assignment, she made herself available for remote coaching and technical assistance. Furthermore, Meyer accompanied Selima Ghariani of Tunihuile at the Winter Fancy Food Show in San Francisco in 2013. With Meyer's support and coaching, Ghariani made a \$1.2 million sale for Tunihuile. Meyer's close relationship with the business owners helped her to better represent and promote the Tunisian organics sector. And because she traveled to the country, she established a connection with the country that she wouldn't have otherwise. Meyer used her own expertise—and more importantly, her contacts—to advance the image of Tunisia and the promise of its organic products, and the project helped Tunisian organics successfully enter a new market.

"Volunteering is a real world way to get outside our desires and ourselves, to experience something new and rewarding," said Meyer. "It's a way to truly give, just for the satisfaction of helping others achieve a better life."

Targeting the Organics Sector

Tunisia SME Project focused on four sectors: textiles, tourism, business services, and organics. If the project had been designed to target a more limited number of sectors, the impact would have been greater. The project itself was small and had a short timeframe. The organics sector showed the most promise, particularly in furthering trade relations between the U.S. and Tunisia. As such, the project would have been able to achieve more if the focus had been narrowed.

Collaboration with Tunisian Government

The Tunisia SME Project was instrumental in increasing the engagement of Tunisian institutions in export promotion and business development activities. The project held high-level meetings with Tunisian government institutions and ministries to provide general information and reinforce awareness of business constraints to business development and exportation. These relationships were instrumental in building capacity in export and trade promotion and have yielded considerable benefit to the long-term sustainability of the project objectives. To cite one example, the Ministry of Industry recognized that it had not fully appreciated the value of collaboration with the Ministry of Agriculture until both ministries worked together on the organics buyers mission in December 2013. Building these types of

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Leif Tlemcani, owner of Herbiotech

engagements and partnerships between different Tunisian institutions may reap great benefit in future trade related activities.

Trade Shows and Buyers Missions

Studies have shown that U.S. buyers only make large deals with a business after they have seen them multiple times at a particular trade show. Sponsoring trade show participation has the potential to reap significant benefits for SMEs by giving them visibility and credibility in selected industries and providing access to market information and buyer/investor networks. While trade shows provide initial exposure, buyers' missions are an important opportunity for buyers to evaluate production capacity firsthand and provide feedback to suppliers on market requirements. Buyers' missions can also help facilitate further matchmaking, inform producer investment, and motivate supplier technical assistance. There have been significant returns on a modest level of investment in a combination of trade shows and buyers missions.



Date powder produced by Green Fruit and exported to the U.S.

Networking among SMEs

The Tunisia SME Project activities, training, and missions created a space for Tunisian businesses to network and to market themselves together under the Tunisian brand. As the project progressed, many of the participating companies came to understand that they were not in direct competition with each other and could benefit from coordination and partnerships. During trade missions and trade shows, some of the companies began to collaborate on their pitch, approaching potential buyers together and promoting themselves as a package of services, rather than individual businesses. If these SMEs continue to pool their resources and services, they can potentially generate bigger, more profitable market linkages. Further, the newly developed business relationships between the SMEs add an element of sustainability to the development intervention; these partnerships have the potential to last well beyond the life of the project.

CONCLUSION

The global demand for organic products continues to increase. As Tunisia responds to this demand, small and medium enterprises have a significant role to play in the sector's growth and the establishment of a country brand. The Ministry of Agriculture, CEPEX, and other Tunisian stakeholders are willing and interested in developing the organics industry. The Tunisia SME Project recommends that key stakeholders continue to engage small and medium enterprises and invest further in their success and to work in partnership to position the Tunisian organics brand as a key international export.

"A few years ago, we considered closing because of the revolution, but now we're exporting to the U.S.," said Mustapha Sghaier of Green Fruit. "We will have an easier time getting loans from the bank so we can expand and hire more staff."

Tunisian organics have the potential to make a significant impact on the industry, which in turn will positively influence the Tunisian economy. As these businesses continue to establish market linkages with buyers, maintain relationships with key sector experts, and increase their trade show attendance, American consumers can expect to see more Tunisian organic products in their grocery stores.