

BIZ

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Upgrading Value Chains of NUS

Commercial Solutions to a Commercial Problem



Gus Le Breton
Sept 2013

Outline

1. Who am I?
2. What is an NUS Value Chain?
3. Why would we want to upgrade it?
4. What have we learned so far about upgrading NUS value chains?
5. What do we still have to learn?
6. Challenges for presenters

1. Who am I?

THEME 2: UPGRADING VALUE CHAINS OF NEGLECTED AND UNDERUTILIZED SPECIES

Successful income generation from NUS relies on effective value addition strategies that take a systems perspective and involve multiple stakeholders. Papers within this theme will present experience and lessons learned related to production, processing and marketing of NUS and how these efforts have benefited, or can benefit smallholder farmers in particular. Aspects to be considered include seed systems, storage, value addition and marketing. The role of three levels of value chain actors – operators, service providers, and regulating and policy institutions – will be explored.

- Operator
- Service Provider
- Policy side

Operator



Operator



katavi
SUSTAINABLE AGE DEFENCE

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<p>Shop Online</p> <p>"Nature always had the answer - we just had to find it" Victor Beresnevsky, Senior Scientist, Katavi Anti-Aging Research Team</p>	<p>The Science of Beauty</p> <p>Scientists have made great strides in understanding what causes skin to age and have determined that over 90% of the visible signs of aging are as a result of environmental damage.</p>	<p>All Natural Ingredients</p> <p>The extracts used in our formulations have been tried and tested over generations.</p> <p>All the extracts are verified by the Union for Ethical BioTrade as being of ethical and environmentally sustainable origin.</p>	<p>Ubuntu - giving back</p> <p>Ubuntu is an African ethic or humanist philosophy focusing on people's allegiances and relations with each other. Wikipedia.</p>
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Service Provider



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Innovation hub, acting to develop new business opportunities around previously underutilised species.

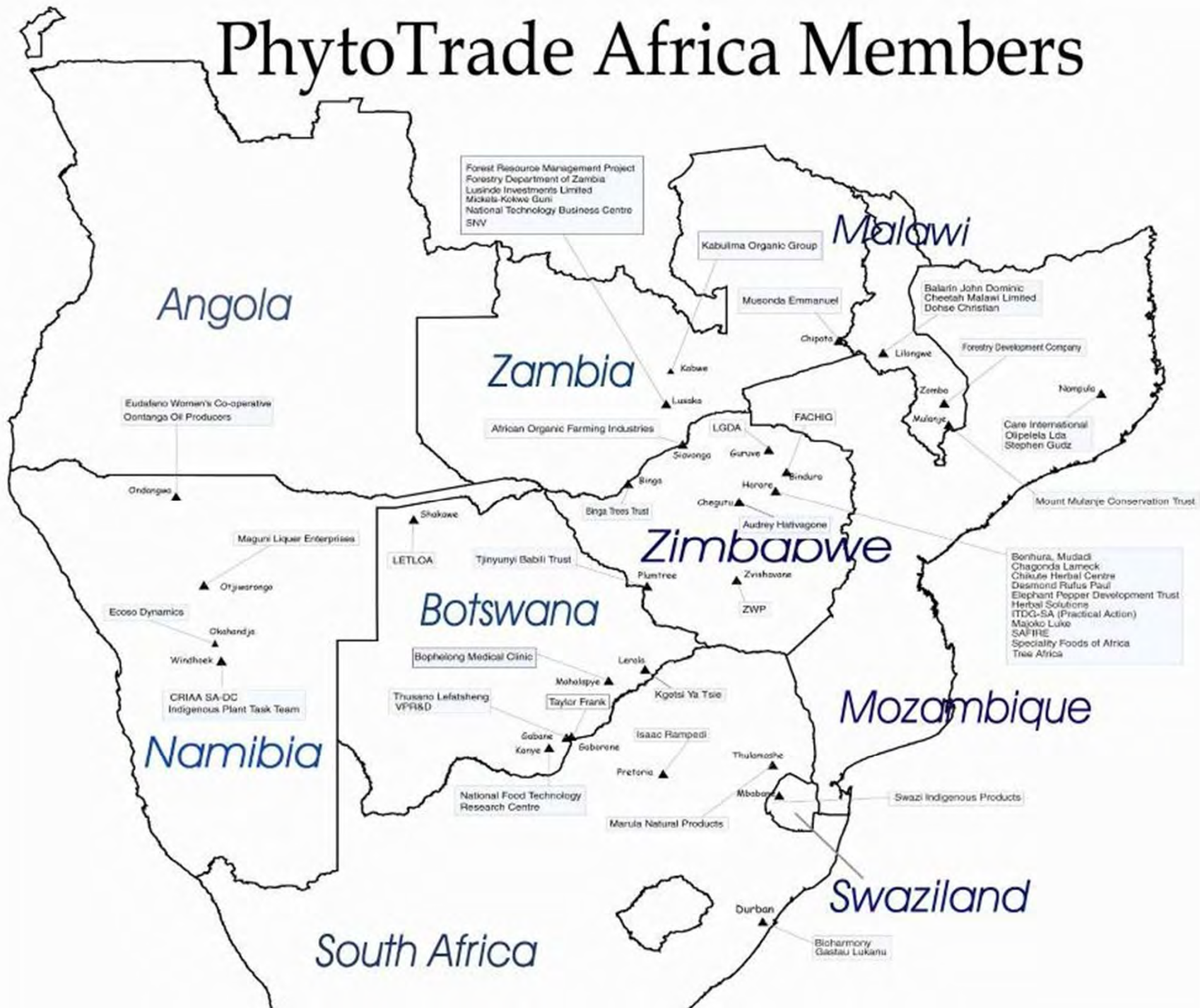
Aim is to strengthen food security and commercial competitive advantage through the introduction of new crops from underutilised species

Policy Side



- PhytoTrade Africa
- Membership-based trade association representing producers in the NUS sector (“natural products”)
- Developing the natural products industry for the benefit of rural producers

PhytoTrade Africa Members



EU Novel Foods

COMMISSION DECISION

of 27.VI.2008

authorising the placing on the market of Baobab dried fruit pulp as novel food ingredient under Regulation (EC) N° 258/97 of the European Parliament and of the Council

(Only the English text is authentic)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 258/97 of the European Parliament and of the Council of 27 January 1997 concerning novel foods and novel food ingredients¹, and in particular Article 7 thereof,

Whereas:

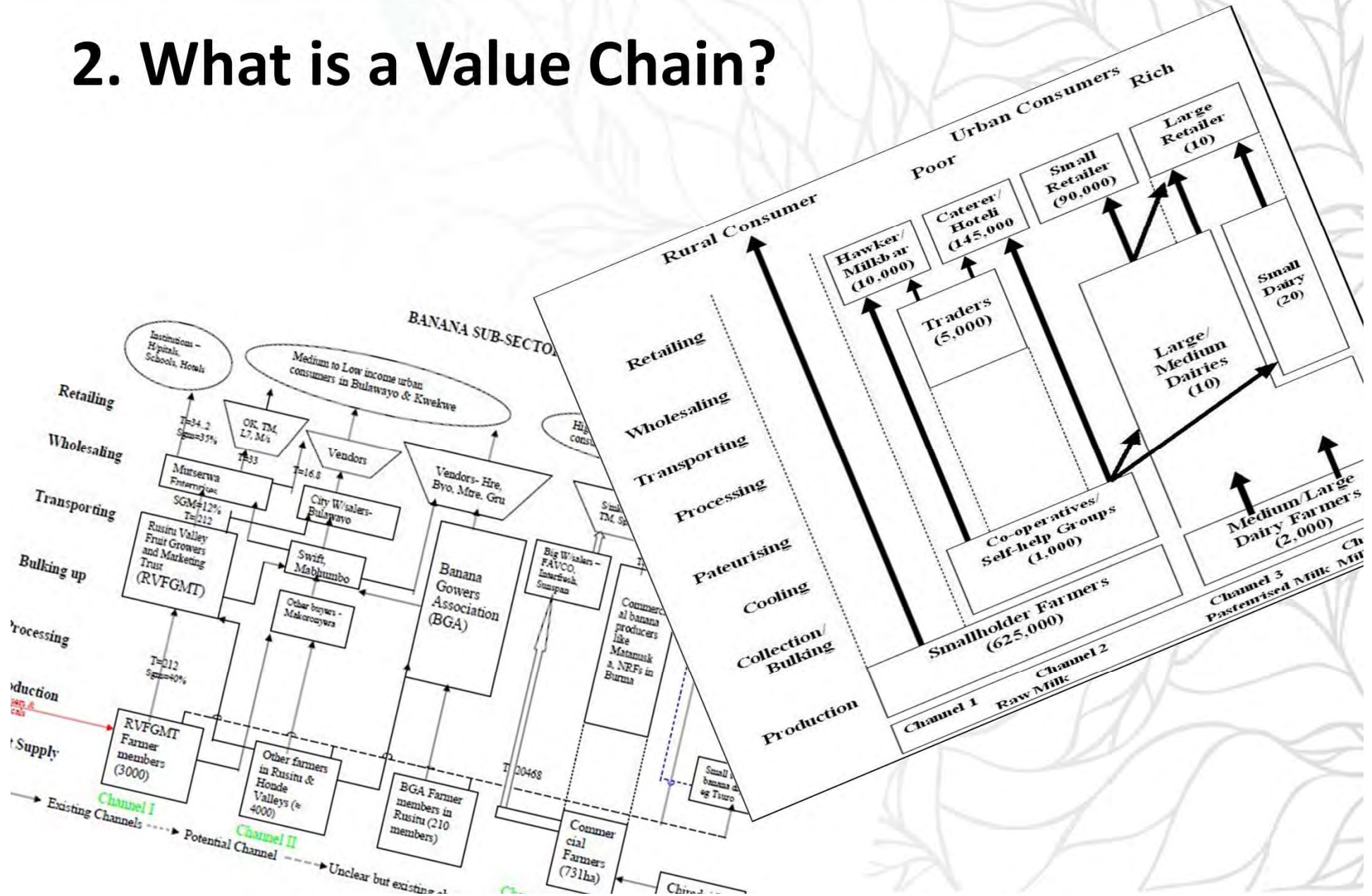
(1) On 9 August 2006 the company PhytoTrade Africa made a request to the competent



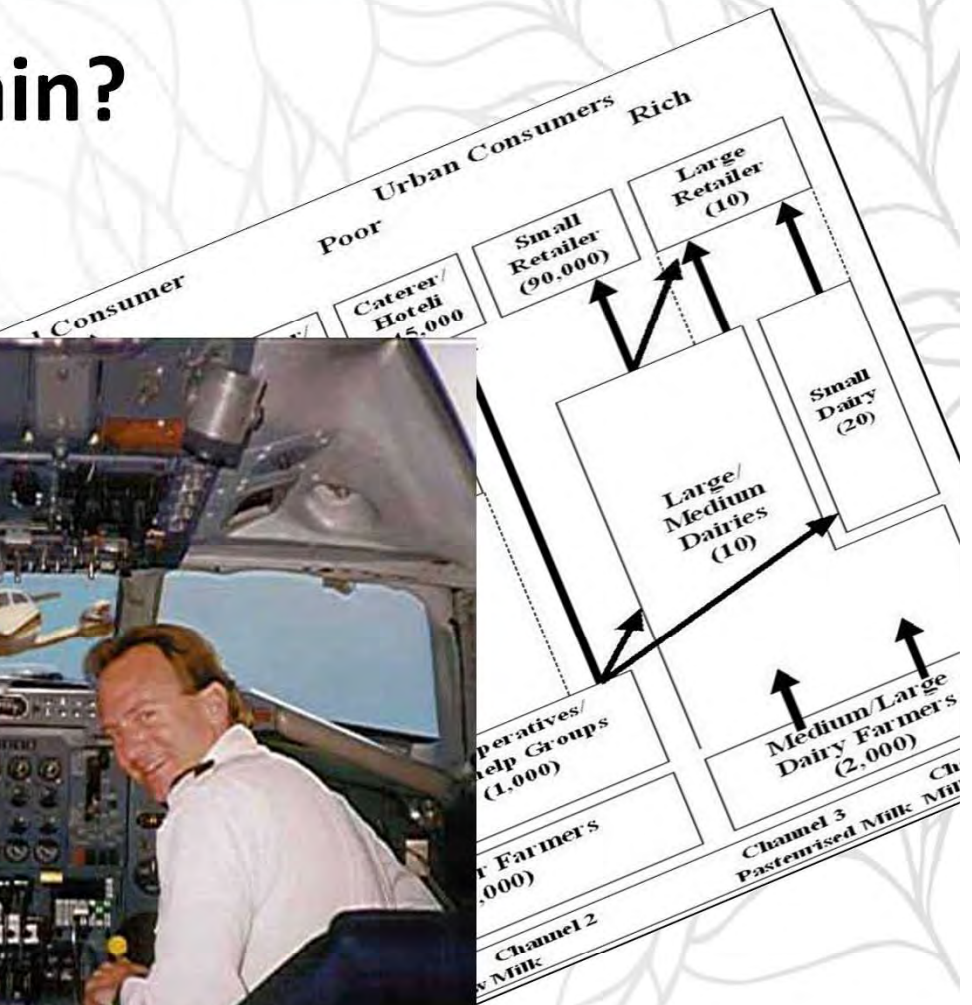
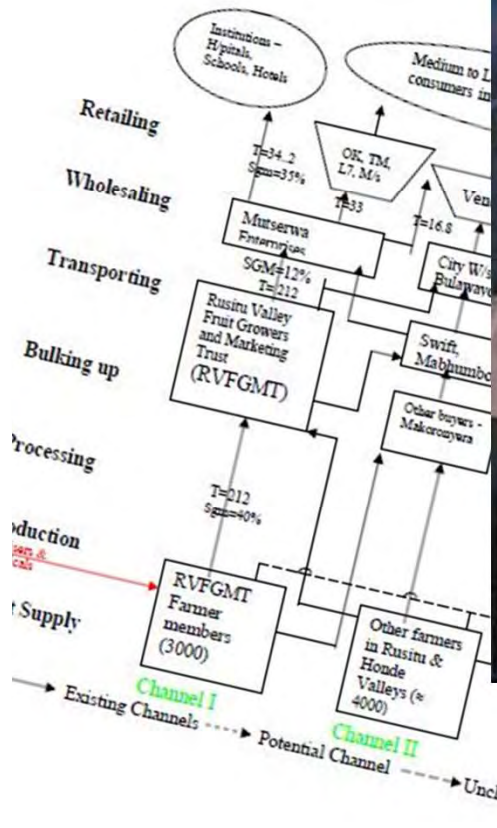
2. What is a Value Chain?

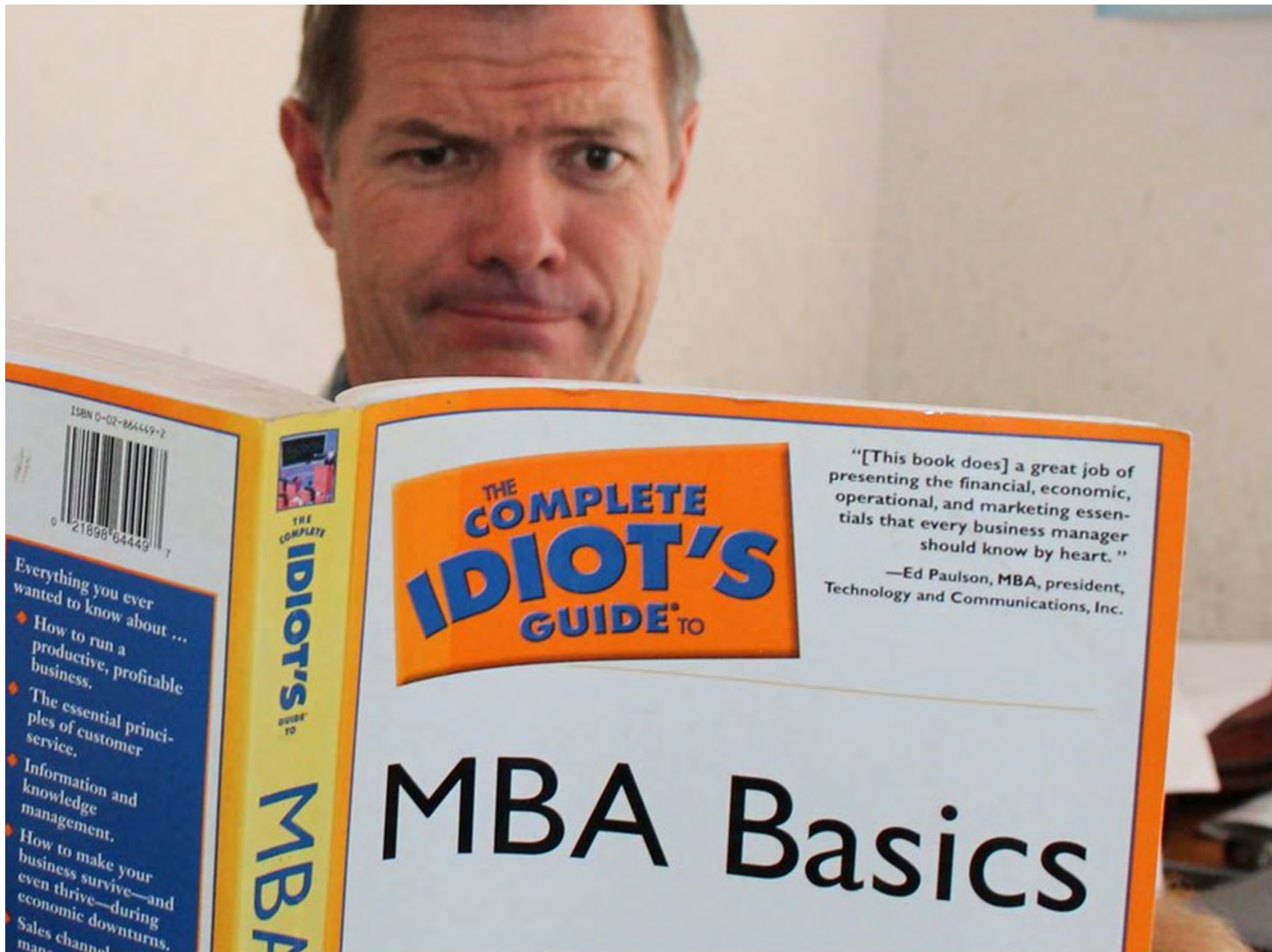


2. What is a Value Chain?



2. What is a Value Chain?





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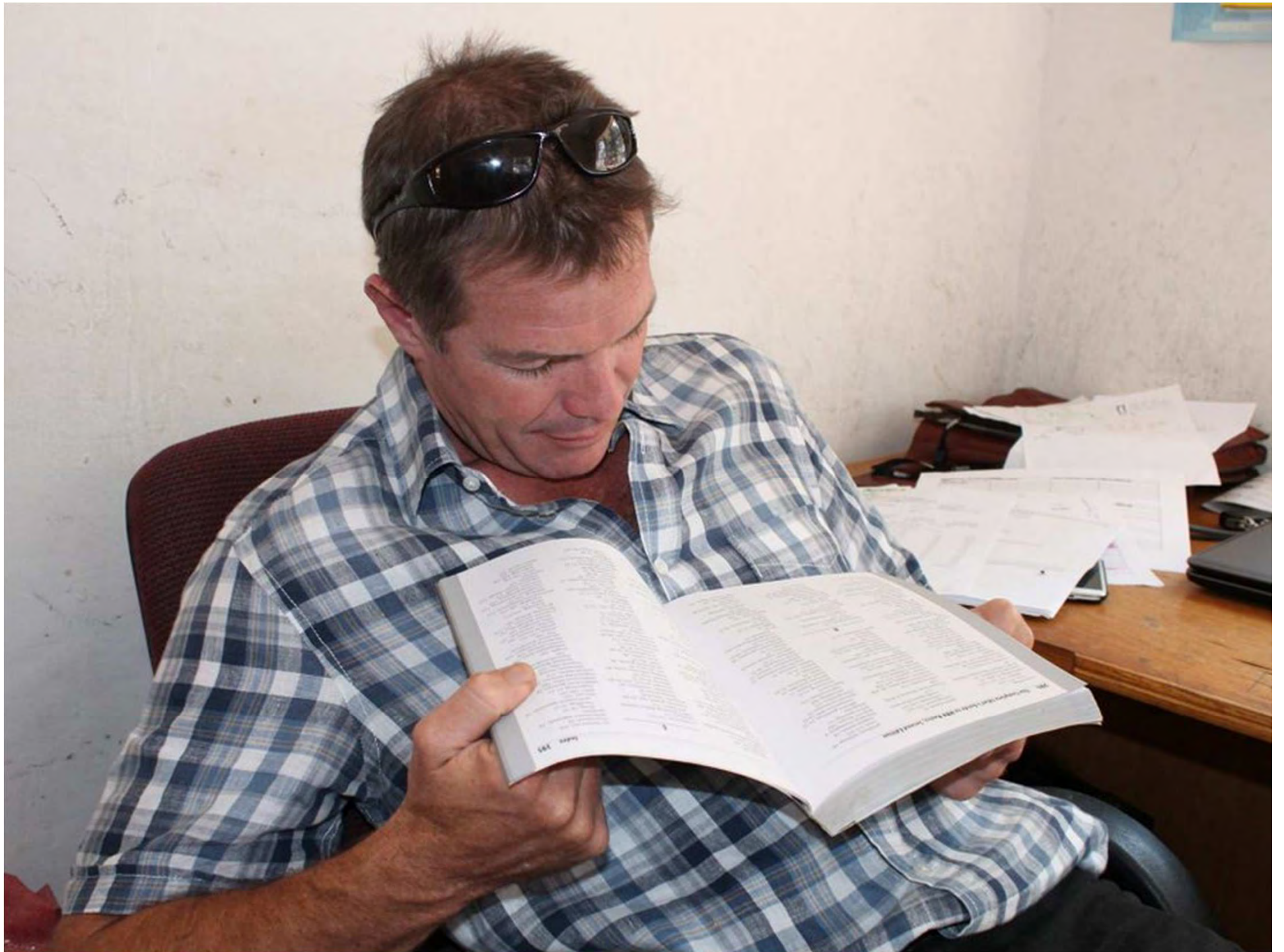
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—Ed Paulson, MBA, president,
Technology and Communications, Inc.





Value Chains

- What the programme says.....

THEME 2: UPGRADING VALUE CHAINS OF NEGLECTED AND UNDERUTILIZED SPECIES

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2. What is a Value Chain?

- Production, Processing, Marketing
- The steps in adding value to a raw material to make it into a consumer-ready product

3. Why would we want to upgrade it?

- What constitutes a successful upgrade?
- What would the outcome of a successful upgrade be?

Baobab oil 1.0



Baobab oil 4.0



Baobab factory 1.0



Baobab factory 4.0



Baobab producer 1.0



Baobab producer 4.0



3. Why would we want to upgrade it?

- Our interest is primarily in the people at the beginning of the chain
- Any attempts to upgrade the value chain should ultimately be aimed at improving the livelihoods of the primary producers who feed into that chain



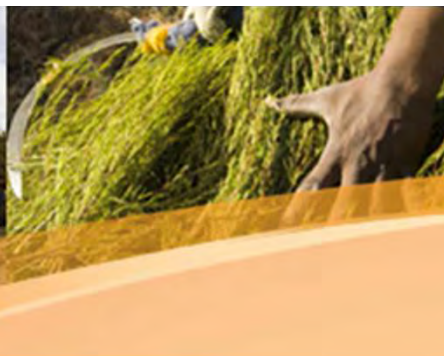
4. What have ~~we~~ I learned so far about upgrading value chains?

What constitutes “State of *my Art*” when it comes to upgrading NUS value chains

Seven Key Lessons from the NUS Value Chain front line

Lesson 1: Long term horizons

- Long term work, requiring sustained, long term investment
- Donors/investors/governments tend to think short-term
- This doesn't work for NUS value chains e.g. Kiwi fruit, Rooibos tea etc etc



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About Rooibos

The Story of Rooibos

From its humble origins in the rugged Cederberg region of the Western Cape, the Rooibos industry has charted phenomenal growth, accumulating a history as colourful as the land from which it comes.

- **In times gone by:** The local people of the area first discovered that the fine, needle-like leaves of the *Aspalathus linearis* plant made a tasty, aromatic tea. The leaves and fine stems were chopped with axes and bruised with hammers before being left in heaps to ferment. Once fermented, the leaves and thin stems were spread out to dry in the hot African sun, ready for use as a thirst-quenching drink. Today, Rooibos is still processed in much the same way, but, of course, the methods are now mechanised and far more refined.
- **Around 1900:** The Rooibos industry was a little more than a cottage industry.
- **1904:** Benjamin Ginsberg, a Russian immigrant and pioneer in the area, became interested in Rooibos and realised its marketing potential. He started trading it from the local farmers. The fact that Ginsberg came from a family who had been in the tea industry in Europe for centuries provided him with the know-how to market this new "mountain tea".
- **1930:** By 1930, Dr P le Fras Nortier, the local medical doctor and amateur botanist, had discovered the secret of germinating Rooibos seeds. Together with Olof Bergh, a commercial farmer, he developed new cultivation methods and soon the production of Rooibos began on a much larger scale along the slopes of the Cederberg mountain range.
- **1948:** The Rooibos producers established the Clanwilliam Tea Cooperative in 1948 when the Rooibos market collapsed after the Second World War.
- **1954:** At the request of the Cooperative, the Minister of Agriculture appointed the Rooibos Tea Control Board in 1954. The Control Board's task was to regulate marketing, stabilise prices, and improve and standardise quality. A new era began for the Rooibos industry, as the Board's leadership guided the industry towards stability and prosperity. Since that time, the industry has



Lesson 2: Importance of clear strategic vision towards livelihood improvement

- If improving livelihoods of primary producers is the end goal, we need to have that in mind from Day 1 (“begin with the end in mind”)
- Many NUS value chain upgrades have actually had the opposite effect

Lesson 3: Benefits of collaboration between different players in the chain

- Not all players in the chain have the same objectives
- Left to their own devices, they will naturally pull in different directions to each other
- If brought together into a single collaborative framework, they can be made to work together towards the same end e.g. PhytoTrade Africa, Rooibos Tea Council of South Africa, RIRDC Tea Tree Strategy (Australia)

More than R2 Million for local rooibos research in 2012

Exercise, stress, ageing, cancer and obesity are some of the lifestyle challenges that feature prominently in the South African Rooibos Council's R2 million research budget this year.



NEWS

Rooibos shows promise in curbing diabetes

On 14 November 2011 – World Diabetes Day – the world will focus on this silent killer disease that is fast escalating into a global health epidemic. Obesity is directly associated with development of type 2 diabetes. Responding to the diabetes challenge, a group of leading South African researchers are focusing their attention on a unique South African herbal tea – Rooibos – and specifically its anti-diabetic and anti-obesity properties. Dr Johan Louw at the Diabetes Discovery Platform at the Medical Research Council (MRC) and Prof Lizette

Top News

Member News

Rainforest Alliance workshop well attended

Written by Gerhard

Friday, 05 August 2011 10:51

The first Rainforest Alliance workshop to develop Interpretation Guidelines for applying the Sustainable Agriculture Network (SAN) Standard to Rooibos took place on 7 July 2011 in Clanwilliam.

"How to" sustainability book published

Lesson 4: The need for commercially-driven Research and Development

- Research should be a means to an end, not an end in itself
- Effective research around NUS value chains has to be commercially-driven
- Key to this is linking public sector researchers to the private sector
- Optimal way to achieve this is through long term commercial partnerships with private sector players (e.g. Olvea and Argan oil)

Lesson 5: Markets don't grow on trees

- Success of an NUS value chain is ultimately dependent upon market uptake of the end product
- No market equals no value chain
- Markets for NUS don't evolve spontaneously, they need sustained and long term development
- Requires investment in consumer awareness-raising, elaboration of the benefits of consumption to the consumer etc. e.g the Better Breakfast Week (www.betterbrekkie.com)

Better Breakfast

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this amazing fruit at
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Lesson 6: Managing the regulatory environment

- National regulators need to understand and share the vision (e.g. Namibia KMS)
- International regulatory environment needs to be understood and complied with (e.g. Noni juice Novel Foods)

SUMMARY OF REGULATORY REQUIREMENTS FOR LABELING OF COSMETICS MARKETED IN THE UNITED STATES

Cosmetics marketed in the United States, whether manufactured here or imported from abroad, must be in compliance with the provisions of the Federal Food, Drug, and Cosmetic (FD&C) Act, the Fair Packaging and Labeling (FP&L) Act, and the regulations published under the authority of these laws.

The regulations published by the Food and Drug Administration (FDA) are all codified in Title 21, Code of Federal Regulations (21 CFR). The regulations applicable to cosmetics are stated at 21 CFR, parts 700 to 740 (21 CFR 700 to 740). The color additive regulations applicable to cosmetics are found at 21 CFR 73, 74, 81 and 82.

Under Section 8 (New Dietary Ingredient) of DSHEA, a new dietary ingredient (NDI) means "a dietary ingredient that was not marketed in the United States before October 15, 1994."¹ In contrast, an old dietary ingredient (ODI) is a dietary ingredient that was lawfully marketed² in the United States before October 15, 1994. For NDIs, Section 413 (a)(2) of the federal Food, Drug and Cosmetic Act (FDCA) requires that the manufacturer or marketer notify FDA 75 days prior to the introduction of the ingredient into the market with sufficient data to provide substantiation of the ingredient's general safety. For ODIs, a 75-day safety notification is not required. The ingredient is presumed to be safe unless evidence suggests otherwise (i.e., the ingredient is grandfathered³).

1. Outline of the Novel Food Regulation

1.1 What are the objectives of the Novel Food Regulation?

The Novel Food Regulation was enacted on 27 January 1997 and came into force on 15 May 1997. Its principal objectives are:

- to protect the functioning of the internal market within the Community¹; and
- to protect public health.²

Consistent with these objectives, the Novel Food Regulation establishes a Community system for the pre-market approval of novel foods.³

This regulation fixes a single cut-off date of 15 May 1997, after which novel foods require approval based on a safety assessment before they can be placed on the market in the Community. For foodstuffs that were on the market in some Member States only before that date, the principle of mutual recognition applies, ensuring the functioning of the internal market. Making novel foods subject to a single safety assessment before they are placed on the market in the Community provides the public with a positive assurance of safety. This contrasts with the previous situation, when pre-market safety assessments were not generally conducted in relation to novel foods. Where appropriate, public health can also be safeguarded by the establishment of conditions of use in relation to novel foods.



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

Food and Drug Administration
5100 Paint Branch Parkway
College Park, Maryland 20740

JUL 20 2006

Dr. Robert McKay, Vice President
Peppic, Inc.
30 Two Bridges Road, Suite 210
Fairfield, New Jersey 07004

Dear Mr. McKay:

This is to inform you that the notification, dated April 28, 2006, that you submitted pursuant to 21 U.S.C. 350b(a)(2)(section 413(a)(2) of the Federal Food, Drug, and Cosmetic Act (the Act)) was filed by the Food and Drug Administration (FDA) on May 11, 2006. Additional information incorporated into a revised notice, dated June 7, 2006, was received on June 14, 2006. Your notification concerned the substance that you identified as "Extramel," cantaloupe melon extract, *Cucumis Melo* L, that you intend to market as a new dietary ingredient.

Your notification states that you intend to market a product consisting of a powder. Under conditions of use stated in your notice you state: "10 mg of "Extramel" is the recommended daily dose, equivalent to 142 I.U. of antioxidant enzymes (superoxide dismutase and catalase) and 1.8 µg of other antioxidants."

Lesson 7: Bridging the supply-demand gap

- Especially in the early stages, supply and demand will rarely be matched
- This requires careful management:
 - Undersupply will result in the loss of commercial interest (e.g. with ximenia oil)
 - Oversupply will result in a collapse in prices and a “race to the bottom” (e.g. with shea butter)
- Most effective way to manage this gap is through organisation of producers

Summary

- Think long term
- Engage all the actors in the value chain, and those that affect the value chain (private sector, researchers, regulators, producers, service-providers, investors)
- Don't be afraid to take pro-active measures when needed (e.g. to manage over-supply)
- Ultimately, upgrading NUS value chains is a commercial exercise, which needs to be tackled in a commercial manner

5. What do we still have to learn?

Three future lessons we still haven't quite figured out

Future lesson 1: How to attract investment into this sector

- Investors tend to pick the lowest-hanging fruit
- We need to bring some of the branches down to make them easier to reach
- Future donor support for Africa will be much more heavily-oriented towards the private sector
- We need to awaken the private sector's interest
- The investment will follow

The BioTrade Seed Fund (“BTSF”) and Technical Assistance Facility seeks to be the premier early-stage investor in African businesses that develop and market innovative cosmetic, nutritional and medicinal products sourced from indigenous natural resources and produced in an ecologically and socially responsible manner

Opportunity

- To **enable BioTrade businesses** to transition from artisan to industrial scale manufacturing, increase quality control and standards, and expand ingredients and products into new export markets
- To provide technical assistance to these companies to **manage growth, enhance reporting and be positioned to take on future investments**

Investment Strategy

- The BTSF is targeting \$8 million for an seed facility and \$ 2 million for a TA facility, primarily from DFI and private grant-makers/investors to help position African BioTrade SMEs to attract impact and commercial investment
- **They offer next generation TA** to professionalize SMEs and **targeted seed financing** to help companies scale-up

Team

- The BTSF and TA facility will be managed by **D. Capital Partners** (“DCP”) and **PhytoTrade Africa** (“PTA”), combining DCP’s emerging markets impact investment expertise with PTA’s market knowledge, linkages and technical expertise in the Southern African BioTrade sector.

Future lesson 2: How to brand ourselves and the work we do

- Despite the multiple social, economic and ecological benefits of investing in the NUS sector, we have repeatedly failed to capture the imagination of policy-makers, private capital and the public
- This is partly due to our own unimaginative branding
- We urgently need to rebrand ourselves

Future lesson 3: How to manage expectations

- The need to gain attention often requires us to underestimate the time it takes to upgrade NUS value chains, and overestimate the speed with which impacts will be felt
- This results inevitably in a crisis of expectations, from producers, from policy-makers and from the market
- We don't yet know how to avoid this

6. Challenges for presenters

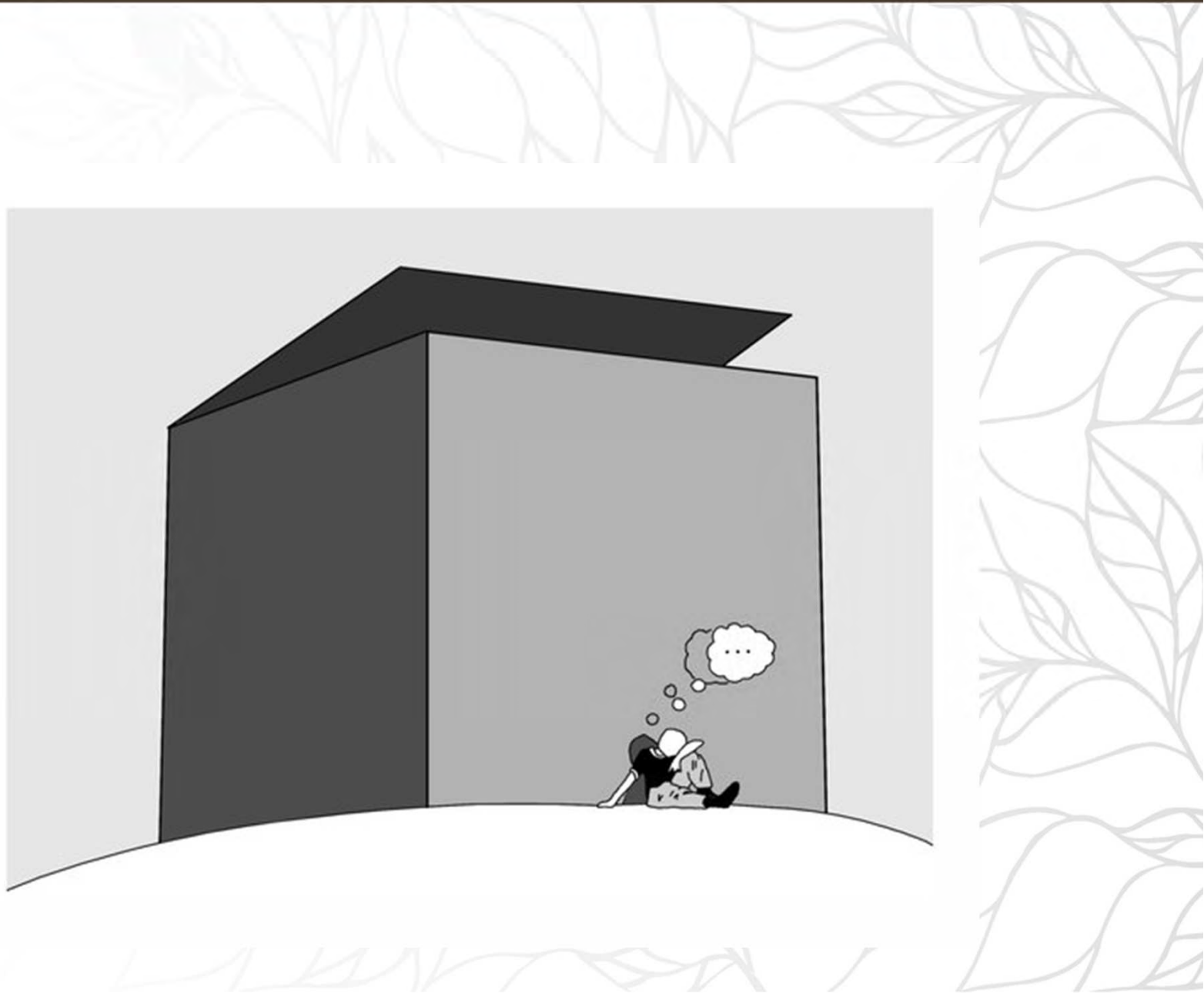
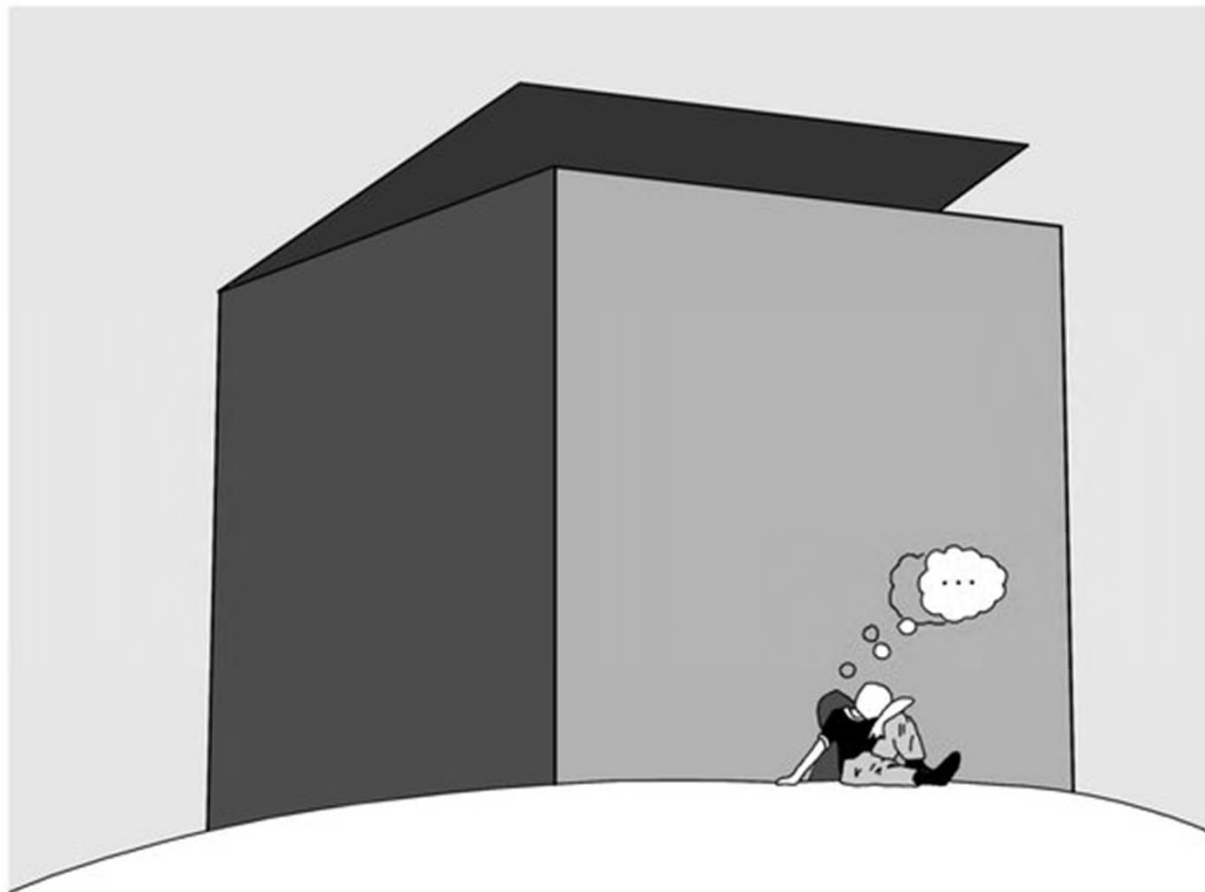
- Demonstrate how your work ultimately contributes towards improved producer livelihoods
- Be as practical and as results-oriented as you can in your recommendations
- Bring out any opportunities you see for collaboration between different actors in the value chain

And finally....

**Wake up and smell the
Ethiopian Yirgacheffe.**

First thing







Thank You