

A World Wide Web: Creating an Organic, Fair Trade Network in Mexico

Ashoka Fellow Hector Marcelli

What do you do when your only source of income is suddenly illegal? The coastal community of Mazunte, Oaxaca in Mexico faced just this dilemma when the government banned the killing of sea turtles in 1990. After the town's sole employer, a turtle slaughterhouse, closed the area was plunged into an economic crisis. Social activist and ecologist, Hector Marcelli, could not accept that a community so rich in natural resources should live in poverty. Thus, he started working with community members to develop environmentally sustainable alternatives to the turtle trade. A little over a decade later, a community which made its living killing an endangered species has learned how to thrive in ways which protect the reptile's environment. The area has



become a model of sustainable development and is home to several thriving industries, including the manufacture of natural cosmetics, organic chocolate and peanut butter factories, and coastal eco-tourism.

Hector Marcelli had been working in Oaxaca since 1983 through Ecosolar, an organization he founded to draw attention to the need for ecological protection of Mexico's reserve areas. The area's economic crisis expanded the organization's mission to include the promotion of sustainable economic development models, and its members began to assist communities searching for environmentally responsible alternatives to traditional farming and resource extraction.

Ecosolar's successes in Oaxaca convinced Hector that the key to success for small-scale economic enterprises lay in networks. Ecosolar's emphasis on mutually advantageous relationships among co-operative members had benefited the area economically and socially - but Hector wanted to create a larger network that could work on an international scale. A self-proclaimed fan of globalization, Hector began to explore the possibility of creating a global network that would promote fair trade, organic farming, and sustainable development across Mexico. Early on, Hector realized that without links between producers and consumers, the success of initiatives like Ecosolar would be limited. In 1999 he founded Bioplaneta, an organization that would facilitate the building of links along the production-consumption chain. The organization is an expanding arrangement of "fair trade" cooperatives, NGO's and distributors concerned with community development. "I am a big fan of networks," declares Hector. "This is what makes us strong. All these little groups working for social change can connect with one another. This way we are building something much larger. This is the positive side of globalization."



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Hector's 5-year plan is to replicate Bioplaneta's unique model throughout Mexico. Many organizations with hopes of joining in are requesting the network's evaluation. In one state alone, Bioplaneta has identified 3,000 rural production initiatives that would benefit from the types of tools the network offers - but it can only enroll about 30 of those projects at present because the organization is stretched to its financial and logistical limits. "By far the biggest problem we face," remarks Hector, "is one of scale."

Background

Hector Marcelli cut his activist teeth in the 1980s during a time of deepening crisis in Mexico's rural areas. His upbringing in a family which espoused Eastern spiritual philosophy, gave him not only a deep ecological sensibility, but also a commitment to the concept of 'impersonal service.' Hector's father, a Guru, stressed the importance of working for others out of love of giving, sharing and learning and committed himself and his family to a life of teaching and meditation. His father's dominant belief was that each person should contribute a 'grain of sand' towards the ideal of a fairer and more harmonious society and a world without frontiers. Hector became committed to achieving a form of globalization different from that which predominates today. "Instead of taking to the streets and blockading the World Bank offices," he says, "We're going to use the world trade strategy in favor of the social ecological process."

Mexico is one of the world's most enthusiastic participants in free trade agreements, boasting accords with some 30 countries. Trade liberalization began in the 1980s and accelerated following the North American Free Trade Agreement (NAFTA) signed in 1994, which lifted restrictions on multinational companies and trade. This allowed U.S. grain imports to swamp the Mexican market, causing local prices to plummet. At the same time spending cuts radically reduced small farm subsidies and price supports. Small farmers in rural Mexico, with no access to training, credit or equipment have found it difficult to compete in an export-oriented economy dominated by international agri-business. The resulting economic decline in rural areas has led to massive urbanization. Today, only 25 percent of Mexico's population lives in rural areas, compared to 57 percent in 1950. The small farmers who remain on their land usually live precariously, relying on subsistence crops produced on marginal, poor quality land. In areas such as Oaxaca where 75% of the economically active population works in agriculture, the social impact of this crisis was devastating. Here, as in other rural areas, armed movements rose up in protest against the government's inadequate efforts to alleviate the crisis, causing many Mexicans to fear increasing instability. Hector hoped to slow rural decline and urban migration through Ecosolar's efforts by providing alternatives to land degradation. He also hoped 'to show that environmentalism could be profitable.'

During this time many NGO's working with community groups began to promote the idea of 'specialized production,' emphasizing small producers' comparative advantage in local handicrafts, organic produce, and eco-tourism. They successfully carved out niche markets for small producers who met the fair-trade seal of approval, based on their provisions for fair wages, decent workplace conditions, and environmental sustainability.

Bioplaneta forms part of this movement but fair trade is, as Hector sees it, a stepping stone to the larger social change needed to fundamentally address the problems of inequality, poverty, and the environment in rural Mexico. "We're not there yet," Hector says. "We're still a long way off. People need to pick themselves up and do something. They need to get organized at the bottom, and then we will see change." According to this vision, Bioplaneta is much more than a fair trade organization; rather, it is a launching pad for community development and the strengthening of civil society networks.

The Birth of the Bioplaneta Network

Working with many of the same southern Mexican communities in Oaxaca, Ecosolar is in many ways the predecessor of Bioplaneta. Initially Ecosolar's aim was to draw awareness to environmental degradation in the coastal region of Mazunte and to champion protection of ecological reserve. But the deepening rural crisis made it clear that a balance was needed between protecting a fragile ecosystem and promoting the economic needs of the impoverished local population. Ecosolar continues to strive to provide real economic alternatives that benefit both rural communities and the environment.

Like many NGO's involved in helping Mexico's rural communities during the 1980s, Ecosolar promoted the alternative production approach to rural development. Hector and his colleagues in Ecosolar attributed the limited success of many of these ventures to "An absence of information and an organizing mechanism which allow small-producer associations to combine their efforts so as to reach scale, learn about quality control procedures and identify markets." Ecosolar aimed to provide this mechanism. In addition to public education on conservation issues, Ecosolar became involved in the promotion of fair production and commercialization of agricultural products, technical support and professional assistance for rural producers.

By 1999, Ecosolar had drawn together 13 cooperatives working in eco-tourism, cosmetics, preserves, chocolate, agriculture, organic gardening, printing, and construction. Its influence had spread rapidly through Central and South America due to the establishment of four offices outside Mexico. Through its efforts, the organization provided the space for dialogue around fair trade between politicians, business entrepreneurs and academics.

Despite the growth in Ecosolar, Hector saw the need for an entity that could expand the network and work on an international scale. "For small producers to make it," argues Hector, "They need access to markets and effective distribution channels. Existing relationships between producers, technical facilitators, investors, and consumers are too disorganized to take full advantage of the opportunities available." Over the years, the Ecosolar team had built up extensive links with producer associations, technical assistance organizations, and business investors. Hector sought to recruit these individuals and organizations as members of a network that would share information and increase access to international markets. He began to work on developing an extensive database of these contacts and facilitated communication among them. His starting principle was that any collaborative venture must be beneficial to all parties.

This was the beginning of Bioplaneta, launched in 1999 with initial funding from Ashoka and financial and in-kind support from Citigroup and the Mexican Bank BANAMEX. After a year of planning, Hector invited the first group of producers to join the network. Because of its roots in Ecosolar, Bioplaneta concentrated its first efforts in Oaxaca but has since expanded to other regions and now works in twelve states, with a majority of producers in Oaxaca and Veracruz. Bioplaneta aims to provide a framework for trade that is socially, environmentally and economically sustainable by creating fair trade links between small producers and consumers. Socially, Bioplaneta supports small, worker owned cooperatives in low-income communities, located in ecologically fragile and important areas. Bioplaneta helps its producers to devise environmentally sustainable business plans by protecting local resources, using only organic inputs, and considering the human impact on the land. In economic terms, Bioplaneta helps cooperatives to develop products that will sell in national and international fair trade markets. Its consultation process helps businesses learn how to increase their profits by transforming crops into more finished goods. For example, a group of 200 indigenous Totonacas, whose ancestors have cultivated vanilla beans since the 1200s, are now assembling the tools and know-how to distill vanilla extract.

A Tool for Small Producers

Hector describes Bioplaneta as a "network of networks," bringing together a network of NGO's, and providing technical assistance to a network of producers, so they can reach the national and international standards of quality, organic production and fair trade, and meet the demands of a global network of distributors of Eco-Solidarity products. The Bioplaneta network is, in Hector's words, a "tool for small producers." Staff consult to members, providing technical, diagnostic and financial assistance. Hector and a core group of staff work from Mexico City.

Bioplaneta is a two-part organization: Bioplaneta, A.C. (Asociacion Civil) a non-profit organization, and Bioplaneta, S.A. (Sociedad Anonima) a for-profit business charged with marketing the producers' goods. Within Bioplaneta, A.C. there are networks of both producers and technical advisors. Bioplaneta, S.A. searches for new markets and promotes the producers' products. (See appendix 1, Organizational Flow.) The network of forty-three cooperatives includes 27 producers of organic goods such as cosmetics, chocolate, peanut butter, coffee or vanilla, seven ecotourism projects, four agro-ecology training/consultant organizations, and four artisan groups producing handicrafts.

The needs of each group of producers are unique, and Hector is quick to stress that there is no template for Bioplaneta's supportive role. In each case, however, Bioplaneta begins by completing an examination of the cooperative in question. This diagnostic process considers the community, its needs and resources, as well as the cooperative's capacity for growth and its social commitment. The diagnostic also takes into consideration the ecological impact of the cooperative, as well as the marketability of its products. After the diagnostic, Bioplaneta invites the group to sign an agreement, formally incorporating it into the network. The producers thereby become stakeholders in the organization and are able to vote on its structure and leadership. The next step is to implement a production plan, providing training and assistance with the help of technical partners and other NGOs. Bioplaneta staff guides each member from product development, production, and marketing to business development.

In Search of Markets

Hector and his team dedicate many of their resources to seeking out new markets for Bioplaneta's products. Hector emphasizes the importance of this market sensitive approach, explaining, "The biggest question for each producer is, is there a market?" Marketing strategies are developed in cooperation with the producers.

Bioplaneta's website (<http://www.bioplaneta.com>) profiles members, goods, and services, and provides an effective on-line ordering system. Bioplaneta staff help to connect producers to well established international fair trade networks, where consumers tend to buy in bulk. However, the high transportation and transaction costs (such as tariffs and other forms of protectionism) make international sales less profitable compared to national sales. Hector estimates that fifty percent of the total volume of sales is international. The national market is split between specialty stores and restaurants, corporate sales (for example, company gift baskets), and direct sales via the cooperative's own stores and the Bioplaneta website. Internet sales remain low, however, as on-line sales are a relatively new phenomenon in Mexico.

Marketing methods vary a great deal between the cooperatives. The producers of food goods (like coffee, chocolate, and vanilla), have tapped into a network of gourmet and health supermarkets and restaurants in Mexico. Artisans and handicraft producers, for their part, market their goods in craft fairs and markets near tourist centers.

Bioplaneta, S.A. takes on the task of marketing the diversity of Bioplaneta products. The "for profit" label of the "S.A." organization, however, is deceiving. The goal of the S.A. at the moment is simply to pay for its own operating costs in order to relieve some of the financial burden on Bioplaneta's non-profit arm. "If we can get marketing to pay for itself," Hector explains, "We can concentrate more of our resources on training and assistance for the producers." While Hector dreams that one day the S.A. will generate a surplus to reinvest in the A.C., this has not happened yet. Rather, profit margins for some of the producers are so slim that the S.A. often takes a commission of one percent or less - not enough to cover its costs. Bioplaneta's commission varies depending on profits of a given cooperative. Those who incur high transaction costs or who suffer when international prices fall (coffee producers, for example) have very low profit margins. Other industries, for example eco-tourism or crafts, have higher profit margins and Bioplaneta takes a bigger commission--sometimes up to ten percent. In this way the cooperatives subsidize one another within the Bioplaneta network. Early on in the diagnostic process Bioplaneta attempts to determine the cooperative's level of social commitment, both to their own community and to the fair trade network. When the more profitable cooperatives give a bigger percentage of their sales back to Bioplaneta, they demonstrate first the value of Bioplaneta's service, and second their commitment to the producer's network as a whole.

Hector explains that, despite being "for profit," Bioplaneta S.A. is not market driven. "We cannot be market driven and still work for our producers. The market is too hard right now. This is the problem with fair trade; the [market] conditions really do not exist yet." High start-up costs, transportation and transaction costs, and the price of organic and fair-trade certification have hurt the producers' profits. Moreover, small producers are pitted against large, multinational companies with the advantage of scale and resources on their side. International trade law on a variety of issues (for example, tariffs, subsidies and intellectual and environmental property rights) are determined by bodies such as the World Trade Organization and by regional agreements such as NAFTA. These agreements traditionally have not favored small producers. Bioplaneta's producers compete on this uneven playing ground. The barriers they face highlight concerns over the long-term viability of fair trade, and remind us that, in Hector's words, "Fair trade alone is not the answer."

Mazunte Natural Cosmetics: a success story

Mazunte Natural Cosmetics is, in many ways, the Bioplaneta poster child. Mazunte lies along the Oaxaca coast in an area that boasts some of Mexico's most beautiful beaches. Puerto Escondido, less than an hour away, has long been recognized as one of the best surfing beaches in Mexico. Despite its lush and sunny appearance, the region is one of the country's poorest. Before 1990, sea turtles "harvested" for their eggs, meat and shells, were the backbone of the economy. The construction of a turtle slaughterhouse in Mazunte quickly attracted the region's unemployed and landless. This slaughterhouse not only threatened the endangered turtle population, but also polluted the surrounding beach, air and water. As a woman working at the cosmetics cooperative recalls, "There was blood in the water, and the air smelled terrible." Many environmentalists therefore welcomed the closing of the slaughterhouse following a 1990 ban on killing sea turtles. But Mazunte's very *raison d'être* ceased to exist when the slaughterhouse closed, and the majority of the towns' residents found themselves out of work. "People were very angry at that time," Hector recalls. "They were angry at the ecologists who took their jobs away."

In 1992 Hector and his colleagues in Ecosolar held an environment festival in Mazunte, inviting national and international visitors in an attempt to attract attention to the region. The attempt worked, as Mazunte caught the eye of Anita Roddick, founder of the international cosmetics company The Body Shop. Ms. Roddick donated funds, equipment and formulas to a group of fifteen women to start a natural cosmetics factory. The cooperative produces shampoo, conditioner, deodorant, body oil, and face cream, all made from organic, natural ingredients. The Body Shop purchases five to eight percent of their products each

year but the rest of the sales are independent. Since their beginning in 1996 the women of Mazunte Natural Cosmetics have made a profit every year, through direct sales from their factory store, distribution through Bioplaneta, and through boutique sales throughout Mexico. The cooperative divides the profits three ways: first, earnings are distributed among the fifteen women; second, a portion of earnings is set aside for reinvestment (money that allowed the cooperative to purchase new land to construct tourist cabins); and third, the remaining funds are used to support other social and environmental projects in the area.

According to Bioplaneta's economic, environmental and social standards, Mazunte Natural Cosmetics is an unequivocal success. In economic terms, not only is there market demand for the products, but the cooperative has demonstrated strong administrative and business management skills. Environmentally, the cosmetics are manufactured using only organic goods, and the factory minimizes its impact by cleaning and recycling its wastewater in a self-contained treatment plant. According to Hector, however, the social impact of the cooperative is the greatest triumph. The cosmetics factory has invested in other projects in the area, exhibiting its solidarity with others in the Bioplaneta network.

Building Networks: Globalization from Below

Bioplaneta emphasizes the need for a timely return on investment so that fragile new ventures will not founder. This is achieved by using the techniques of big business, while simultaneously rekindling residents' latent desire to protect their environment and enhance social development. Bioplaneta ensures the survival of the newly emerging entrepreneur class by encouraging horizontal and vertical market integration. Hector has always argued that members who made investments would reap the timely returns they required only if they purchased inputs from one another, shared both their expertise and their earnings, added value to their individual efforts by transforming or refining raw materials, and shrewdly marketed their finished products to targeted consumers.

The network's members have responded well to Bioplaneta's encouragement to build supply chains among themselves. They sell some US\$100,000 worth of products annually to each other. Networks are also encouraged through another mechanism. When members receive seed money for a business, they are not asked to repay the donor. Instead, once they are operating in the black their stakeholders must agree to give an equivalent amount - either in money or services - to another start-up fair trade venture.

Mazunte Natural Cosmetics has become the oldest and most successful of what has become a successful regional network that includes organic chocolate and peanut butter factories, a mangrove conservation project, and crocodile and iguana nurseries. Despite the different goods and services they produce, all of the cooperatives hope to boost their sales via eco-tourism. The groups help each other by sharing both experiences and resources. There is talk, for example, of purchasing several trucks in order to transport tourists from one site to another within the network.

Recognizing that they stood to gain from the economic development of the region as a whole, the women at Mazunte Natural Cosmetics have invested in other fair trade and ecological projects in the area. La Ventanilla Eco-tourism is a project a few kilometers down the coast that offers tours through a mangrove and crocodile nursery. La Ventanilla intends to expand its business by opening a restaurant catering to eco-tourists. The cosmetics cooperative has contributed funds for the construction of the restaurant. In part this is a gesture of good will to their neighbors, but the cosmetics cooperative also hopes to benefit from an increase in ecotourism traffic in the area. In turn, Ventanilla is paying off the value of its investment from the cosmetics factory by giving tourism courses to the Tuxtla Community Eco-tourism Network. This network consists of projects in four villages that work together under Bioplaneta's umbrella.

When the Mazunte Natural Cosmetics factory won an international award for successful women's projects, it allotted the prize money to the chocolate confectioners of the San Rafael Toluca Producers Union so they could complete their own factory. Mazunte has also contributed to several other Bioplaneta projects, including the construction of an organic chocolate factory and an iguana nursery. Who knew there was a market? In addition, the cosmetics cooperative has demonstrated a sense of social responsibility by donating funds to help rebuild a local school destroyed by a hurricane. In this way, leading enterprises set an example that inspires other producers. "At first we had only dreams, and some who bought them," Marcelli said. "It's easier now, because some of these dreams are functioning."

Hector is thrilled to see the development of this strong, regional network. In another example, a group of six eco-tourism projects stretching across Oaxaca from the mountains to the coast have joined forces. They share experience, promote one another's projects, and, like the Oaxaca coastal network, are considering shared investment in a fleet of trucks. Bioplaneta actively fosters the creation of such networks. As Hector notes, "You cannot force cooperation, but you can encourage it. People generally want to help each other, and they see that it works."

Growing Pains

To increase the impact of its work and to support emerging networks, Bioplaneta must expand. The organization is stretched to its financial and logistical limits. At present there are fifteen full time employees. Some are based in Mexico City, coordinating specific areas such as eco-tourism or marketing. Other staff serve as regional consultants, working directly with the producers' networks in states across Mexico. Hector finds that this ratio of fifteen permanent staff to just over forty producers works well. In order to provide comprehensive assistance, and to monitor the quality and quantity of the products, Bioplaneta must maintain its current ratio of staff to producers. These very practical staff and funding constraints are the primary obstacle to the organization's growth.

Market constraints also pose a challenge to Bioplaneta's future development. Bioplaneta's producers operate in a relatively empty playing field as the markets for fair trade, organic goods and eco-tourism remain largely undeveloped in Mexico. As the organization looks forward, it must consider that the fair trade market cannot attract a limitless number of new entrants. What will the organization do, for example, should the eco-tourism market in Oaxaca become saturated? Will a mushrooming growth in fair trade industries force prices down and competition up? Is it possible that the strength of Bioplaneta's producers might lead them to dominate local markets, to the exclusion of other groups? Similar questions arise concerning the environmental sustainability of fair trade. One or two projects, for example in eco-tourism, have little impact. What will happen, however, if there is a market boom? How will the Oaxaca coast cope with such an increase in tourism, and what pressures will be placed upon the land, resources and fragile ecosystem?

Bioplaneta's experience illustrates some of the more poignant critiques of fair trade - namely that fair trade may create dependency on volatile, external markets and detract important focus from local needs. It is Bioplaneta's stated goal to promote community-based development. Yet its cooperatives produce luxury goods and services. The luxury goods produced by Bioplaneta's members are rarely intended for local consumption. In rural areas where farming is becoming less and less profitable, fair trade production is an attractive alternative. As fewer people produce for local consumption, rural residents will become more dependent on imports for basics such as food. Bioplaneta's producers are dependent on external markets and their fluctuations. Coffee producers, for example, have been hard hit as international prices fell. Although the fair trade price for coffee is maintained at a "just" or livable level, the competition from less expensive, non fair trade sources is fierce.

Hector is very aware of these and other critiques of fair trade, but sidesteps the issues by focusing on the larger goal of Bioplaneta--that is, the long term, sustainable development of rural communities. "Fair trade is only a partial solution," he explains. Bioplaneta is, in Hector's words, a response "for the time being" to rural poverty. The process of developing a fair trade network, he believes, is more important than the end result. By building networks, Bioplaneta encourages community development and strengthens civil society organizations. It is this empowering process that Hector hopes will be the lasting legacy of Bioplaneta.

For Hector a far greater threat to success comes from infighting within families and communities when residents who are not involved in the network see new enterprises flourishing and become jealous. Church and political parties are another major threat. Hector explains that local officials often try to undermine emerging enterprises when they involve people from the political party that is not in power. Missionaries also create problems when the fair trade movement attempts to organize a community, says Hector, "by frightening residents with the notion that ecologists are messengers of Satan."

Spreading the Vision

Through his vision, energy, and skills, Hector has produced a sophisticated structure to promote both fair trade and community development. Thanks to Bioplaneta's successful efforts, the Economy Secretariat of Mexico (formerly known as the Dept. of Commerce and Industrial Promotion) is on the verge of signing an important agreement to give federal money and logistical support to Bioplaneta so that it can help its members export their products. "For the first time in the country's history, they are putting down money to support fair trade and organic commerce for communities to export," Marcelli said. "The politicians are seeing that the products seem successful, and they want to be in the photo."

Hector regards this as progress towards his vision of spreading the Bioplaneta model from one-third of Mexico's states to all the remaining states within five years. He hopes to change the system so that, in response to the model pioneered by the Bioplaneta network, Mexican government policies put the needs of network members at the forefront of trade and development strategy. Many people have told him it's a utopian vision. He replies: "Well, I only like to do utopian things, because everybody else does the other, so what's the point?"