

# Enterprising Organic Farming: The Case of BLOWS Agro Products

## DOMINICA

### Introduction

The use of herbs and spices is a sector of rapidly growing consumer interest and concern, particularly when these are organically grown. The local and regional markets are largely untapped and the extra-regional market is hungry for such exotic tropical products. Agricultural diversification of the Eastern Caribbean is being promoted as a critical strategy for addressing economic declines from traditional agriculture.

Small islands have the capacity to supply niche markets for exotic tropical products. The experience of BLOWS Agro Products (BAP) in Dominica demonstrates the potential of a small enterprise as one option in agricultural diversification. BAP's experience is particularly relevant in the context of the decline of the **banana** industry in the Windward Islands, where alternatives in agricultural production are being explored with varying degrees of success.

Capturing and maximising an alternative niche market has been the dream that has motivated Blows Agro Products (BAP) and all those who work with them. At the same time, BAP is part of a budding movement for organic farming in Dominica which complements the national thrust to make the nature isle of Dominica the premier eco-tourism destination in the Caribbean.

However, while the company operates in a specialised area of production, its experience parallels that of many small scale enterprises which are struggling to be sustainable, to grow from informally operating ventures to profitable companies. They face the harsh realities of the market forces. Their major stumbling block, inability to access capital, testifies to the structure of a system that has impeded the growth of small enterprises which could play a major role in ensuring economic stability and sustainability in small economies.

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## Background

Blows Agro Products is a company that produces herbal teas and spices from organically grown (i.e. without the use of chemical fertilisers) raw material, using processing techniques that are environmentally friendly. An observer of BAP cannot but be impressed by the potential of the enterprise. BAP was the first company in Dominica, and perhaps in the Eastern Caribbean, to process and package herbal teas on a commercial basis. According to a recent regional market analysis of the herbal tea industry, it is clear that there is a growing consciousness among Dominicans and others in the Caribbean region of the value of traditional herbal teas. Internationally, there is a rapidly growing demand for organically grown products, and especially those with a tropical flavour.

Traditionally, Dominicans have grown herbs in their backyards or have had access to them from community lands; the use of herbs in traditional remedies for ailments as well as to promote good health is a significant aspect of Dominican culture.

The founder of BAP, Glenis “Blows” Bellot, is a visionary. Determined to preserve the cultural traditions of Dominica by using herbs as part of everyday life, he grew the herbs and explored their uses. With a strong Rastafarian philosophical underpinn-

ing, he was convinced that it was possible to develop a business and still work in harmony with nature. He sought ways of drying and packaging the herbs so that they could be available to people inside and outside Dominica who wanted to use herbs but did not have access to them.

A start was made in 1984 when “Blows” and his family established a small retail outlet selling fruits, spices and fresh herbs. Through linkages with a contact in the United Kingdom, the group was able to acquire an old tea-bagging machine and was then able to expand the product base to include local herbal teas. This provided the impetus that launched their entire operation of organically grown teas and spices.

### *Mission and Objectives*

BLOWS Agro Products is dedicated to being in the forefront in the development and marketing of environmentally acceptable products which will enhance the quality of agro-processing in Dominica and the Caribbean region. The company’s mission is to be a leader in helping the agro-business in several ways:

- To provide farmers with a market for their products and, through diversification, to strengthen their economic base.

- To produce **higher yields** of environmentally clean products as raw material for agro-processing.
- To make **an** ever-increasing economic impact on the agricultural sector in Dominica.

### *Organisational Structure*

BAP evolved from a family enterprise to one with a clearly defined structure. BAP was registered as a co-operative in **1988**, and was incorporated as a limited liability company in **1990**. It has three shareholders, all of whom play important roles in the company for product development, general management, farm management, and production and supervision. All the principals (shareholder-leaders) have received various levels of technical and management training. Their wide experience and constant reflection have enabled them to provide direction to the company from its infancy. However, after many challenges, they have recognised the need for more systematic business structures and systems, while they struggle to maintain a democratic organisational structure.

The company currently has a total of ten staff of whom three are the managing shareholders.

### Sourcing Raw Materials

One of BAP's biggest challenges has been to ensure a regular supply of raw material. By generating interest in local farmers who shared a common concern, "Blows" himself was able to persuade them to supply the co-operative with organically grown herbs. In addition, BAP was able to provide technical advice to its suppliers in an effort to ensure greater consistency in the quality and quantity of the products supplied.

The dilemma came in the pricing of the raw materials. The farmers expected to receive from BAP a price comparable to what they would get from retail sales in the market. It took a long time for them to be convinced that the volume BAP was willing to purchase would offset the lower wholesale prices which BAP could realistically pay and still remain competitive. Balancing production and sales was a struggle for the young company with its limited production experience and lack of marketing skills. And at the same time that the company was struggling to cope with high retail prices for its raw materials, it was being challenged to process the volume of herbs delivered weekly, and to market the finished product. At one stage, unprocessed stock piled up higher and higher as the company, with its limited markets, was unable to find sales for its product and had to cease taking raw materials.

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Farmers, who had counted on BAP as an important market for their specialty produce, were disappointed and disillusioned and became reluctant to produce primarily for the company. The young enterprise was challenged to produce its own raw materials. It therefore leased land in a remote north-eastern part of the country where it began to cultivate its own herbs, and was thus able to pace production to the rate of demand. However, the company faced many difficulties in utilising this leased land. First, the land was in a banana producing area and the aerial spraying of the banana crop had a negative impact on the herb plants. A second major challenge was transportation of labour and produce to and from this remote area.

It was clearly imperative for the company to find a plot more readily accessible to its Roseau production base. BAP was finally able to obtain lease of three and a half acres of government land, which was part of the Agricultural Technical College and a short distance from the capital, Roseau. **This** was a major achievement since it enabled the co-operative to cultivate its own herbs: basil, peppermint, spearmint and anise, and some of the root spices like ginger. It was a win-win situation, for the students from the Technical College had access to the agricultural lands for their practical work while **BAP** had access to water.

BAP now produces **75%** of the herbs it requires for its production. The location and space at the leased land also provided opportunities for experimentation with new varieties of herbs and with methods for increasing yields. In addition, it allowed the group to develop a small nursery that could produce vegetable seedlings for local farmers, and this has become an additional source of finance for the production enterprise.

One of the challenges BAP continues to face is access to organic inputs, fertilisers and pesticides, and the question of pest control has still not been satisfactorily resolved. While many organic and natural methods have been tried, including intercropping with natural pesticide plants like neem and pepper, these are still not adequate. The company also has difficulty in getting a sufficiency of organic inputs such as manure, since Dominica does not have a dairy industry and many chicken farms have found a more profitable market for their waste product. Composting of bagasse and coconut fibre is an alternative still being explored.

#### *Production and processing*

Production operations are straightforward. Raw materials (fresh herbs **and** spices) are received, examined and washed. They are placed in a solar dryer for two to three days and then mulled into powder or flakes for packaging.

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Within a few years, the enterprise had made great strides. It had moved from drying herbs in the open sunlight to using locally built solar dryers. It had moved from pounding the dried herbs and spices with the traditional mortar and pestle to utilising electric equipment. It had moved from rudimentary packaging techniques, including the emptying and repackaging of commercial tea bags (very expensively), to importing and using bulk packaging material.

One of the greatest constraints to the expansion of the production is the physical facility itself. Operating from a small factory shell of two thousand square feet in the Bath Industrial Park, the company has to store its dried raw materials, and grind and package products without adequate space, ventilation or equipment. The solar drier has limited capacity and does not always function to maximum capacity. There is a need to modify its design so as to be able to use gas heating and speed drying when needed.

The major production' challenge remains capital investment. The company requires funds to buy equipment, as well as to upgrade the production processes and storage capacity, so as to create more efficient working conditions.

### *Marketing Strategies*

BAP'S leadership recognised early that marketing is the key to a successful product. Through the support of the Dominica Export and Import Agency (DEXIA), and the Eastern Caribbean Export Development Agency (ECSEDA), BAP's products were showcased at various Export Promotional showcases both inside and outside Dominica. Many people have been amazed at the range and quality of the local herbal teas available. The demonstrated capability and potential of the company made it eligible to lease a small factory shed in the government Industrial Park in Bath Estate.

As BAP continued to grow, it gained recognition at the regional level. Linkages with development agencies stimulated an exchange with GRENCODA which was also actively involved in the processing of spices. The exchange gave a tremendous boost to the BAP leadership which not only gained new ideas about packaging and promotion, but also shared some of their own expertise in production and processing.

While BAP's products are well known in Dominica, a major challenge has been to identify and tap regional and international markets. The founder himself was able to make contact with and to supply the Guadeloupean market through informal linkages and

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contacts. However, because of the lack of funds for promotion, the company was advised not to pursue the French market and it therefore lost the opportunity available at the time.

BAP's limited success in marketing, is indicative of the problems often faced by many small producers who are trying to penetrate the local and regional herbal tea and spice markets in competition with the large, international suppliers whose sheer volume enables them to market a cheaper product to the consumer. The challenge for BAP is to find the niche market, both local and overseas, which is interested in organically grown herbal products, and to make products at a competitive price.

Expanding its market potential was an area where **BAP** constantly sought technical assistance but in this regard advice received (from different quarters) was sometimes conflicting, sometimes misdirected. For example, attractive packaging was designed and a substantial investment made to acquire packaging stock in an effort to boost sales. However, while the packaging seemed attractive there were crucial errors in the artistic design, in the quality of mesh selected for the tea bags, and in the description of the products. These did not meet the ISO international packaging standards required for export to the European market. So, in spite of its large packaging investment, the company failed to maximise a critical

element of its promotional strategy. New product packaging is being designed to address these issues.

The company also had difficulty in accessing the larger Caribbean markets like Barbados and Trinidad. Retailers in these countries who might otherwise have been interested in the BAP products, were reluctant to stock them, since the products lacked sales, marketing and advertising support to promote them. The company has recently followed through on some of the recommendations of technical consultants and has undertaken a Caribbean-wide research on the herbal tea market which will place it in a better position to pursue this market. It has also been able to secure a consistent market for bulk produce in Antigua, which has bolstered sales.

At the same time, BAP has continued to tap the potential of the local market. Part of its local marketing strategy is an educational programme targeted at both residents and visitors, to build awareness of the value of herbal teas. It has used promotional strategies such as taste sampling to stimulate greater interest in the products. New market directions include targeting cruise ship passengers and particularly the health conscious visitors to Dominica.

The most successful local strategy has been to develop good relationships with local retailers, especially supermarkets,

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including regular monitoring of their shelf stock. This personal touch ensures that the consumer has a more reliable access to the products. As a result, local sales increased significantly in 1996 and 1997. However, in order to continue its expansion, BAP still has to mount an effective and successful marketing strategy and this also requires capital investment.

### *Organising the Business*

The founder recognised early that he could not, nor did he want to, operate this organic herbal business as a sole proprietor. With family and close friends, a co-operative was formed to enable the group to take advantage of the benefits available to co-operatives for importation of material and equipment. The company was later registered as a limited liability company.

In the early developmental years, BAP was supported by grant funding but since its marketing potential became apparent, this has understandably declined, and the company has been gearing itself for self-sufficiency and profitability,

BAP has received a great deal of technical advice and support for its productive and marketing activities, particularly from the DEXIA and ECSEDA. In 1992, the Caribbean Technology Consultancy Services Network (CTCS) provided support for

a comprehensive assessment of its accounting and management systems and its market potential, as well as for the development of a business plan. Many of the recommendations had been implemented by 1994 when a CESO sponsored consultant assisted in rationalising BAP's organisational structure and identified where overlapping roles and responsibilities compromised operational efficiency and management effectiveness.

However, while many of the systems and structures have still to be improved, the biggest constraint to the growth of the company is still that of capitalisation. Securing investment or loans has not been easy, and this difficulty has been compounded by prejudices toward a marginalised group such as the Rastafarians. While BAP has received small loans from local agencies like the National Development Foundation of Dominica and the Agricultural Aid Bank, it has not been able to attract large capital investment. Consequently, a major challenge it faces is its cash flow, which affects loan repayment.

This situation is now being turned around. Through the institutional strengthening process, many systems were set in place to monitor production inputs. By cultivating its own herbs, BAP has been able to reduce the cost of raw materials. As a result, production costs which have generally been high, have fallen from 83% of gross sales in

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1992 to 42% in 1997 - a significant achievement! BAP was able to realise a profit for the first time in 1997, which places it in a stronger position to negotiate with potential investors. The company continues to focus on streamlining operational costs and on reducing direct inputs.

### **Organic Fanning Movement in Dominica**

BAP's struggle to promote an organic herbal product must be seen in the wider context of organic farming in Dominica. A few farmers have consistently produced organically grown products, mainly fresh fruit and vegetables for the local market. Their numbers have been steadily growing, but with little support or recognition from the government.

DEXIA's sponsorship of a conference on organic production in 1996 gave a boost to this small agricultural sector, and led to the formation of an Organic Farmers Association, which is still in its infancy stage.

The growing organisation faces several challenges. Its priority task is to develop clear standards in order to obtain the organic certification that would enable members to gain access to potential niche markets in Europe and North America. Members will also need to work collectively to maximise their leverage so as to gain concessions for

imports of equipment, materials and other inputs. The experience of BAP provides many lessons that are applicable to other organic farmers in Dominica and throughout the Caribbean.

### *Successes and Achievements*

BAP is the only enterprise in Dominica, and perhaps the first in the Eastern Caribbean, to package organically grown herbs and spices on a commercial basis. Its successes have come from its sales in the local market and particularly to Dominicans overseas who arrange for their families to purchase local herbs and spices.

BAP has been able to survive as a co-operative against all odds. The underpinning Rastafarian philosophy of equitable relationships has provided a foundation for the high level of co-operation and collaboration which is exhibited in the company. The stakeholders and members have weathered together the storms of variable income and financial loss, while remaining committed to the vision of the enterprise.

BAP's exposure outside Dominica at various export promotional activities has enabled it to benefit from the experience of other entrepreneurs in the food-processing sector, and to share with others its own experiences.

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Access to raw materials was one of BAP's biggest challenges in its early years. The plot of land at the nearby Stock Farm, has enabled BAP to ensure a consistent supply of quality products and, since it now produces 75% of its raw materials, it has been able to reduce its raw material costs significantly. The farm also enables access to other agricultural market niches, as BAP sells its nursery seedling plants to farmers and thereby generates supplementary income.

The BAP enterprise has pointed the way for other efforts in agricultural diversification and it demonstrates how these can become profitable. The enterprise has also been able to demonstrate the successful use of organic inputs (manure instead of chemical fertilisers) and has shown that these can produce a commercially viable product.

BAP has been able to access technical support from a variety of national and regional bodies - it has also received cautious support from Government through DEXIA and by gaining concessions on imports.

#### *Challenges and Constraints*

Like many small companies, BAP was able to obtain small loans - but in a piecemeal manner. Lack of access to funds has limited BAP's expansion, since it has not yet been able to access

the necessary funds to capitalise the enterprise adequately and has therefore not been able to undertake the appropriate consolidation and expansion which would enable it to develop systematically.

Lack of business experience has resulted in losses due to errors in planning and expenditure. The company has had to absorb these losses, and these have also affected its profitability.

The challenge of the Rastafarian philosophy is to maintain equity in relationships and not to succumb to inequities inherent in a capitalist system of production. These have challenged the company and have led to decisions which may not always have appeared to be the best business decisions, but which were taken in the best interests of the overall business enterprise.

#### **lessons learned**

- Organic farming to capture niche markets is a viable option for agricultural diversification in small island economies. However, the success of such enterprises requires a vision of what is possible, and the dedication to achieve it.
- The experience of BAP highlights many of the dilemmas faced by small enterprises. It is a good example of growth from a small co-

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operative to a small company. While the potential is enormous, achieving this requires capital investment, which is often not available for untested enterprises which are striving to capture unexplored niche markets.

- Institutional strengthening takes a long time but is essential for the viability of small enterprises. Many types of inputs are required to address and streamline production and administrative processes. While small companies have a great need for such activities they generally operate under tremendous pressure and often do not take the time nor have the human and financial resources to allocate to such ventures. Consequently, in order for inputs to be maximised these have to be made consistently over a significant period of time.
- In order to be economically viable, small businesses need to have access to risk capital. While small loans can be helpful at various stages of the company's growth, they can become burdensome, unless consolidated. Lending agencies need to have more flexible **financing** policies, in order to facilitate the growth of such enterprises.
- To be successful, small enterprises, particularly those targeting niche markets, need to invest in marketing strategies, including that of attractive and distinctive packaging, that can help to identify their products to the consumer. The personal touch and linkages with retailers *go* a long way towards keeping the products on the shelves and available to consumers.

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**Recommendations**

Agricultural diversification may be an important option for countries in the Eastern Caribbean, given the decline in traditional agriculture. It is recommended that technical support and funding be provided to assist small developing companies - one of the solutions to ensuring stability and sustainability of development.

Networking with other groups in the region whose interests are organic farming product development, should enable BAP to obtain much needed information on accessing organic fertilisers, pesticides and other soil treatments.

Innovative marketing strategies are also important and can include the supply to local hotels with a certain

number of herbal teabags for use as welcome drinks for guest and to airlines operating in the region. Pamphlets with information on the positive health aspects of the use of herbs and spices can also be printed and distributed to hotels' reception desks, airlines, supermarkets, restaurants, travel agencies and business places, in an attempt to reach and educate more people about the product, thereby targeting new markets.

Further policy analysis on the work of BAP is recommended, as important lessons on alternative development which incorporates elements of the Rastafarian cultural norms, can be shared among Rasfarian entrepreneurs globally.