

FACULTAD DE COMERCIO

TRABAJO FIN DE MÁSTER

**“Fair trade vanilla market research and import
project from Papua New Guinea to Spain”**

LUIS MARIA RODRIGUEZ DEL EGIDO

Máster de Comercio Exterior

VALLADOLID, JULIO, 2021



UNIVERSIDAD DE VALLADOLID

MÁSTER EN COMERCIO EXTERIOR

CURSO ACADÉMICO 2020/2021

TRABAJO FIN DE MÁSTER

**“Fair trade vanilla market research and import project
from Papua New Guinea to Spain”**

Trabajo presentado por: Luis María Rodríguez del Egado

Firma:

Tutor: Javier Gómez González

Firma:

FACULTAD DE COMERCIO

Valladolid, 25 de Junio de 2021

Abstract

Fair Trade movement is an alternative trade system whose objective is to break the cycle of inequity between producers in underdeveloped countries in the global south and main distributors in the north, through fair distribution of the income across different steps in the supply chain. In this Final Master's Project we analyze the movement, a brief history, its participants, the certificate system and later a market research of fair trade products in Spain. We also make a market research of vanilla sector; starting from the global situation of the sector, then analyze Papua New Guinea as producer and last the Spanish market research. The last part of the project is to analyze Nengo Organic Vanilla, a fair trade farmer's cooperative in Papua New Guinea, its marketing strategies to enter the Spanish market and lastly describe the export/import operation. Last part, in the annexes, is two suggestion: a Fair Trade Vanilla day in Valladolid University to raise awareness and promote Nengo Organic Vanilla and a Business Development Plan to add value to the product of the cooperative.

INDEX

1. INTRODUCTION	1
2. FAIR TRADE	2
2.1. DEFINITION AND PRINCIPLES	2
2.2 HISTORY OF THE MOVEMENT	6
2.2.1 <i>General History</i>	6
2.2.2 <i>Spanish Fair Trade History</i>	7
2.3 PARTICIPANTS	8
2.3.1 <i>Support Organizations</i>	9
2.3.2 <i>Producer Networks and Organizations</i>	10
2.3.3 <i>Trade Organizations</i>	11
2.4 LABELS AND CERTIFICATES	14
3. VANILLA WORLDWIDE SECTOR	17
3.1 VANILLA GENERAL INFORMATION	18
3.2 WORLDWIDE VANILLA PRODUCTION	20
3.2.1 <i>Vanilla Top Five Producers</i>	21
3.4 VANILLA TRADE INFORMATION	24
3.5 VANILLA SECTOR AND THE IMPORTANCE OF FAIR TRADE.	27
4. VANILLA FROM PAPUA NEW GUINEA AND NENGO ORGANIC VANILLA	29
4.1 VANILLA SECTOR IN PAPUA NEW GUINEA	29
4.1.1 <i>Papua New Guinea General Information</i>	30
4.1.2 <i>Vanilla Production Papua New Guinea</i>	33
4.2 NENGO ORGANIC VANILLA	36
4.2.1 <i>The cooperative of vanilla farmers and the product</i>	37
4.2.2 <i>Fair Trade Small-scale producer certificate</i>	39

5. DISTRIBUTION AND MARKETING PLAN.....	43
5.1 FAIR TRADE SPANISH MARKET ANALYSIS	43
5.2 VANILLA SPANISH MARKET ANALYSIS	45
5.2.1 <i>Vanilla Spanish market in general</i>	45
5.2.2 <i>Vanilla from PNG</i>	49
5.3 PESTLE ANALYSIS.....	51
5.4 SWOT ANALYSIS.....	54
5.5 MARKETING MIX.....	57
6. EXPORT/IMPORT PROJECT PLAN	60
6.1 LOGISTIC PROCESS	61
6.2 LEGAL PROCEDURES AND REQUIREMENTS	64
6.2.1 <i>Legal procedures and requirements in origin (PNG)</i>	64
6.2.2 <i>Legal procedures and requirements in destination (Spain and EU)</i>	64
6.3 COST ANALYSIS.....	67
7. CONCLUSION.....	70
8. ANNEXES	72
ANNEX I: FAIR TRADE VANILLA DAY IN VALLADOLID UNIVERSITY	72
ANNEX II: BUSINESS DEVELOPMENT PLAN	74
9. SOURCES.....	77

FIGURE INDEX

Figure 1: Income Distribution through the Supply Chain	3
Figure 2: Ten principles of Fair Trade	4
Figure 3: Fair Trade producer organizations in the recent years	11
Figure 4: Fairtrade International Label for Different Products	15
Figure 5: World Fair Trade Organization Generic Label	16
Figure 6: Fair Trade Labels	17
Figure 7: Vanilla Harvested Area in Hectares	20
Figure 8: Vanilla Global Production in Tons	21
Figure 9: Vanilla global yield in kg per ha	21
Figure 10: World Map of Vanilla Producing Countries	22
Figure 11: Vanilla Production Top 5 Producing Countries	23
Figure 12: Vanilla Area Harvested of the Top Five Producer Countries	23
Figure 13: Vanilla Yield of the Top Five Producer Countries	24
Figure 14: Madagascar Vanilla Price Evolution	25
Figure 15: Vanilla Exporters 2019	26
Figure 16: Vanilla Importers 2019	27
Figure 17: Papua New Guinea data	30
Figure 18: Papua New Guinea Map	31
Figure 19: Papua New Guinea 2019 Exports Distribution	32
Figure 20: Papua New Guinea 2019 Imports Distribution	33
Figure 21: Papua New Guinea Vanilla Production	34
Figure 22: Papua New Guinea Area Dedicated to Vanilla Crops	35
Figure 23: Papua New Guinea 2019 Vanilla Exports	36
Figure 24: Vanilla Crops and Farmers	37

Figure 25: Ripe Vanilla Beans	38
Figure 26: Vanilla Beans Sun-drying.....	38
Figure 27: Vanilla Beans Ready for its Consumption	38
Figure 28: Fair Trade Sales Evolution.....	44
Figure 29: Evolution of Market Share of Different Selling points.....	45
Figure 30: Origin of Vanilla Imported to Spain in 2019 (OEC)	46
Figure 31: Origin of Vanilla Imported to Spain in 2019 (Data Comex)	46
Figure 32: Spanish Vanilla Total Import in US Dollars.....	47
Figure 33: Spanish Vanilla Total Import in Kilograms.....	47
Figure 34: Spanish Vanilla Import Price Evolution.....	48
Figure 35: Final Packaged Vanilla Market Sample.....	49
Figure 36: Spanish Vanilla Import from PNG in US Dollars.....	49
Figure 37: Spanish Vanilla Import from PNG in Kilograms	50
Figure 38: Spanish Import Price of Vanilla from PNG (\$/kg).....	50
Figure 39: SWOT Analysis Summary.....	57
Figure 40: Vanilla Beans in Tube	61
Figure 41: Deliver Place Unload 2020 Incoterm	63
Figure 42: IDEAS Universidad por el Comercio Justo Label	72
Figure 43: Vanilla tubes	75
Figure 44: Eurovanille Selling Stand	76

1. Introduction

Economic inequality between producing countries in the south and consumer countries in the north is a global growing problem. Actual economic system forces the poor countries, with low industry and infrastructure, to depend on highly labor-intensive sectors like agriculture, forestry and other primary sector. For which they earn low wages that hardly allow them to develop as country.

Fair Trades main objective is to breaks this cycle of inequity through solidarity and alternative trade system. Farmers and other workers at the base of the production system, usually in underdeveloped countries, receive a fair salary and enough income to support local communities. It also allows development of the infrastructure and industry required to add value to the raw products keeping the income for the community and the country.

Through this masters project we will develop and explain the whole import process of fair trade vanilla from Papua New Guinea to Spain. My objective is to be as accurate as possible to help Nengo Organic Vanilla Cooperative to find their first customers and prepare them to expand Spanish market and other European countries, as the European Union acts as single market.

First of all, we will start by introducing and explaining what is the Fair Trade Movement, few historical facts of the movement in general and in Spain particularly, the main different participants and how the labels and certifications works.

Secondly, we will analyze the sector of the product we are going to import: Vanilla. Since it is not a generally known product we will give some general information about the vanilla plant itself, how to crop it and prepare it for the final moment when is ready to consume. In addition to that, we will carry out a general worldwide market study of the sector and specifically study the main producer countries.

After give a general overview of fair trade and vanilla sector, we will focus in vanilla sector in Papua New Guinea and Nengo Organic Vanilla Cooperative. We will start by analyze Papua New Guinea as it's a small country and not so well recognized by the world economy. We will continue describing its Vanilla production. And finally we will focus in the Nengo Organic Vanilla Cooperative as the exporting company, the vanilla production they carry out and the fair trade certificate.

Next step in the project is to develop the import/export plan. First, analyze the logistic process to send the vanilla to Spain. Besides we will study all the administrative requirements and customs procedures to introduce the vanilla in the EU: the general commercial and transport documents that all trade requires and the specific sanitary, traceability and other documents required to import consumables.

After the import plan, we will carry out a distribution and marketing plan. Starting by analyze the fair trade and vanilla sector in the target market, Spain. After describe the mentioned sectors we will summarize it in a “PESTEL model” analysis (Political, Economic, Social, Technologic, Ecologic and Legal). The next step, after the external analysis, is to carry out an internal analysis of the product and the cooperative. For this we will use the Strengths, Weaknesses, Opportunities and Threats Model, otherwise known as, “SWOT model” the strategy we will use according to the 4 Ps of the Marketing Mix; Product, Price, Placement and Promotion.

Through the conclusion, we will analyze the main ideas from each part and decide if the import project is feasible taking into account the whole process.

2. Fair Trade

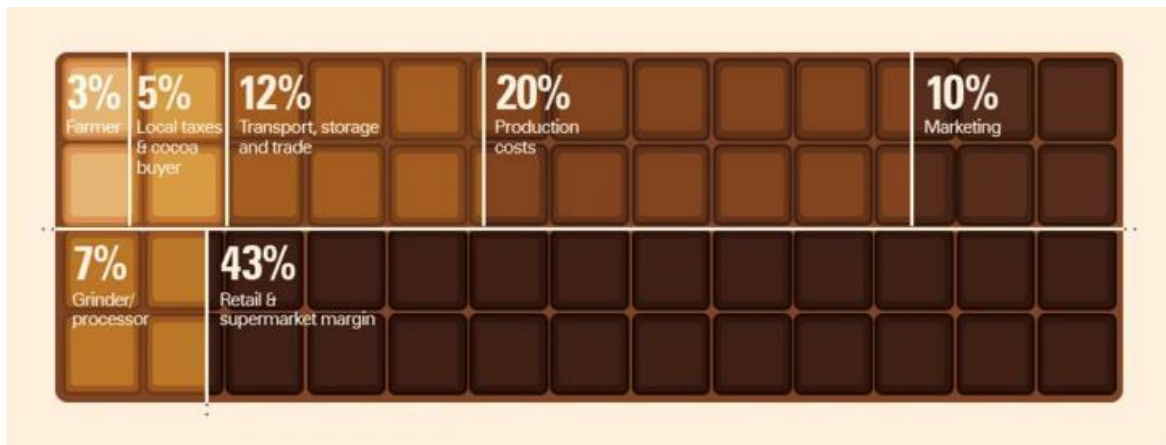
As I mentioned in the introduction, the Fair Trade Movement is an alternative trade system whose main objective is to fight against poverty and inequity. Throughout this section we will define more exactly what the Fair Trade Movement is and its ten principles, a brief history of the movement, the different kind of participants and how the label system works.

2.1. Definition and Principles

Fair trade seeks to transform the economic and labor relations of disadvantaged producers and workers with the companies that market these products, with the aim of improving their economic and working conditions, while protecting natural resources and the environment.

To illustrate this global problem we are going to use this image obtained from the NGO (Non-Governmental Organization) *Oxfam Intermon* website. In the image we can see how the price paid for the final customer, in this case for a chocolate bar, is distributed through the whole supply chain. Only a 3% goes directly to the farmer and only 5% stays as taxes in the origin country usually underdeveloped. The other 92% is divided between the rests of the steps of the supply chain usually a country in Europe or North America.

Figure 1: Income Distribution through the Supply Chain



Source: Oxfam Intermon

To do this, producers, intermediaries, consumers and other organizations have created a marketing system based on transparency, honesty and common respect, in pursuit of seeking the benefit of all parties: fair trade.

Different organizations dedicated to promoting fair trade and developing trade networks have defined Fair Trade:

- The State Fair Trade Coordinator defines it as "a solidarity and alternative trade system to the conventional one that pursues the development of peoples and the fight against poverty" (Coordinadora Estatal de Comercio Justo, 2020).
- The World Fair Trade Organization (WFTO) describes it as "a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South." (World Fair Trade Organization, 2020).

- *Oxfam Intermon*, one of the main NGO promoting and commercializing fair trade products in Spain, speaks of Fair Trade as “an ethical and alternative buying and selling system that aims to make the most disadvantaged people who produce what we consume can access the market in fair conditions. Thus, it seeks to change the unequal rules of international trade and help reduce disparity in the world”. (*Oxfam Intermón*, 2020).

WTFO has established the “10 principles of Fair Trade”. They are based in the International Labour Organization (ILO), the Universal Declaration of Human Rights and the other values of Fair Trade. To become a member of the WTFO, an organization or a company must comply with the standards based on these principles. (*Coordinadora Estatal de Comercio Justo*, 2020) (*World Fair Trade Organization*, 2017)

Figure 2: Ten Principles of Fair Trade



Source: *World Fair Trade Organization*.

1. “Creating Opportunities for Economically Disadvantaged Producers”. Reduce poverty through a trading system that supports marginalized producers. The main objective is to create opportunities that allow farmers in disadvantaged areas to escape poverty and allow them a fair income to ensure economic self-sufficiency.
2. “Transparency and Accountability”. The management of business relationships must be clear and transparent. Allowing all members of the supply chain access to information, from producers at source to consumer at destination, this facilitates the decision-making process at all levels.

3. “Fair Trading Practices”. Carrying out procedures such as paying at least 50% when doing the order, agreeing affordable interest rates, agreeing compensation when the order is canceled for reasons beyond the producer's control, etc. Through these measures, it is attempted to ensure the social and economic well-being of disadvantaged groups of small producers.
4. “Fair Payment”. Fair payment is that which has been negotiated and agreed based on participation and dialogue. Salary that allows an appropriate remuneration for the work of the producers, being a salary according to the remuneration for a weekly day of no more than 48 hours, allowing a decent standard of living based on the cost of living. In turn, the salary must be able to be sustained by the market, representing an equitable part of the production process in the entire supply chain.
5. “Ensuring no Child Labor and Forced Labor”. Application of the United Nations Convention on the Rights of the Child, as well as the application of national and local legislation on the use of child labor. Also ensure that there are no forced labor practices: involuntarily work under extortion, through the use of violence, debt manipulation or retention of documents. (International Labour Organization, 2020)
6. “Commitment to Non Discrimination, Gender Equity and Women’s Economic Empowerment and Freedom of Association.” The organization does not discriminate in hiring, remuneration, access to training, promotion, dismissal or retirement for reasons of race, social class, nationality, disability, gender, sexual orientation, union or political affiliation or age.
7. “Ensuring Good Working Conditions.” The organization provides a healthy and safe work environment for employees and members. Applies at least local and national laws and ILO (International Labour Organization) Conventions on health and safety at work.
8. “Providing Capacity Building.” The organization seeks to increase the positive impacts of development for marginalized small producers, through Fair Trade. Develop the skills and capabilities of your own employees or their members. Help producers improve their management skills, production capacities and access to local / regional / international Fair Trade markets and conventional markets.

9. "Promoting Fair Trade." Raises awareness about the goal of Fair Trade and the need for greater justice in world trade through Fair Trade. Provide your customers with information about yourself, the products you market, and the producer or member organizations that make or harvest the products. Honest advertising and marketing techniques are always used.
10. "Respect for the Environment." They maximize the use of raw materials purchased from sustainably managed sources in their distribution areas, buying locally when possible. They use production technologies that seek to reduce energy consumption and whenever possible they use renewable energy technologies to minimize greenhouse gas emissions. They seek to minimize the impact of their waste streams on the environment, using organic pesticides or low-pesticide production methods whenever possible.

2.2 History of the Movement

Fair Trade movement is nowadays known by the general customer. It is perceived as a modern consumption trend, like ecological products or veganism, but the movement started actually in the forties. In this section we will speak briefly about the history of the Fair Trade movement and the most important milestones from the global point of view and the Spanish one.

2.2.1 General History

The Fair Trade Movement started in the forties and the fifties decades in United States. By selling their own products, different groups of artisans and manufacturers developed the first initiatives to fight against the low prices and the high margins and the dependence to the intermediaries.

In 1946, Ten Thousand Villages, before known as Self Help Craft, starts buying fabric and needle work from Puerto Rican producers. Later, in 1958, the first fair trade specialized shop was opened in United States.

At the same time during the fifties, in Europe, the NGO Oxfam in United Kingdom started to sell handicrafts made by the Chinese refugees in the organizations stores. Few years later, in 1964 the first Fair Trade Organization was funded by Oxfam GB. In 1967, it is funded the first fair trade import company in the Netherlands: "*Fair Trade Organisatie*". And in the year 1969 the first specialized shop was opened in the Netherlands: Third World Shop.

"Fair trade vanilla market research and import project from Papua New Guinea to Spain"

Luis María Rodríguez del Egado

During the sixties and the seventies many NGS and south continent of producers; from Africa, Asia and South America; perceive their disadvantage and they started creating associations and starting contacts with the recently created fair trade NGO in Europe and North America. These relationships were based in respect, dialogue, transparency, and partnership.

During the eighties the movement arises and many organization and associations were created. In 1987, the European Fair Trade Association was funded by the 11 fair trade import companies existing. The first fair trade certification label was created in 1988 in the Netherlands: the “*Max Havelar*” label. In 1989 the International Federation of Alternative Traders (IFTA) was funded.

Today the IFTA is nowadays known as the World Fair Trade Organization, and it is the biggest and most important organization in the fair trade field. The WFTO is formed by more than four hundred members spread around seventy-six countries in the five continents. The WFTO includes associations of producers, trading companies and organizations whose purpose is educate and campaign for a better world.

2.2.2 Spanish Fair Trade History

In 1986 the first Fair Trade initiatives emerged in Spain, two stores were open by then: one by the organization “*Traperos de Emaús*” in *San Sebastián-Donostia* (Basque Country), and another one by “*Cooperativa Sandino*” (today known as “*Ideas*”) in Córdoba (Andalucía).

Ten years later, in 1996, the organizations participating in the movement became aware of the need to join forces and work in a coordinated manner in the sector. Seventeen associations and organizations funded the “*Coordinadora Estatal del Comercio Justo*” (*Fair Trade State Coordinator Organization*). Today it is made up of twenty-seven organizations and more than one hundred- thirty stores and points of sale throughout Spain.

Since that moment, Fair Trade in Spain has experienced a wide growth in acceptance, diffusion and sales volume. In addition, interesting legal and institutional support achievements have been made.

In 1996, same year than the “*Coordinadora Estatal del Comercio Justo*” was funded, the “*Comisión de Cooperación y Ayuda al Desarrollo*” (*Commission for Cooperation and Development Aid*) of the Spanish congress approves a non-legislative proposals about fair trade.

Two years later, in 1998, the Law 23/1998 about “*Cooperación Internacional para el Desarrollo*” (*International Cooperation for Development*), it is approve and mention specifically the Fair Trade movement in the 13th article. (Agencia Estatal: Boletín Oficial del Estado, 1998)

In 2005, the 2nd “*Plan Director de la Cooperación Española*” (*Director Plan for Spanish Cooperation*), sustained in the previous mentioned law, recognizes the importance of Fair Trade as a development tool and introduces as a strategic sector support for producer cooperatives and awareness-raising and development education actions. (Ministerio de Asuntos Exteriores y de Cooperacion, 2005)

In 2007 the Law 30/2007 about public sector contracts included fair trade in the public procurement criteria. In the same year, the international commission for development of the Congress approved a non-legislative proposal for the promotion of fair trade and responsible consumption. (Agencia Estatal: Boletín Oficial del Estado, 2007)

In 2008, another of the most important organizations in the sector was created in Spain: Fairtrade Iberica, the fair trade certification association that is part of Fair Trade International. This year starts the expansion of certified products in companies and large distribution and hospitality chains.

Since the first steps of the movement in Spain, social acceptance has been growing along with the volume of sales in the sector.

2.3 Participants

There are a wide range of companies, organizations and associations involved in the Fair Trade movement. The WFTO classify them in three main types depends on the functions they carry out:

- Fair Trade Support Organizations. Organizations whose functions are promoting, support, business advice and counseling, finance, etc. Including the WFTO itself as the main one.

- Fair Trade Networks. Legal entities whose function is to be associations of farmers, cooperatives and producers.
- Fair Trade Organizations. Organizations whose function is trading activities. In here, distributors, agents and this kind of companies.

2.3.1 Support Organizations

In this part, we include the organizations that functions promoting, certifying, organize and lead the fair trade movement, raise awareness, put in touch producers and sellers as a link and so on. In other words, their functions are not purely commercial; they do not produce or sell fair trade products.

- **World Fair Trade Organization (WFTO)**

As I mentioned before, in 1989, a group of alternative trade organizations funded the *International Federation for Alternative Trade* also known as IFAT. The main objective of the IFAT was to promote the exchange of information and ideas about fair trade. The starting members focus on help and promote the groups of artisans from the south in order to obtain access to the main market in the north.

Later the name changed to *World Fair Trade Organization (WFTO)*. Since then, the WFTO mission is to support and unite all the smaller organizations compromised with the values of Fair Trade.

In 2004, WFTO began to examine and evaluate other fair trade organizations through audits and inspections to check and certify if they fulfill the standards and principles of fair trade. In 2013, they introduced external independent audits that allowed the certified members to use the label directly on the tags of their products.

Later in 2018, WFTO presented their new standards. Those standards have more clear and specific definitions and an established criteria, they are developed to increase the control systems of the producing and distributor companies.

As we said before, WFTO has established the “Ten Principles of Fair Trade”. They are based in the *International Labor Organization (ILO)*, the Universal Declaration of Human Rights and the other values of fair trade. To become a member of the WFTO, an organization or a company must comply with the standards based on these principles.

- **Fairtrade International**

Fairtrade International is a non-profit organization. It was founded in 1997 and it is formed by 22 member organizations: 19 national or regional Fairtrade support organizations and three producer organizations.

The 19 national organizations, like *Fairtrade Iberica* in Spain and Portugal or *Max Havelaar* in France, have as main mission develop the market and promote fair trade. However, they are also responsible of certifying, management, control, etc.

The main three producer networks, whom we will talk about later, are also part of *Fairtrade International*: *Latin American and Caribbean Coordinator of Small Producers and Fair Trade Workers*, *Fairtrade Africa y Network of Asia and Pacific Producers*. These producers' networks represent the interest of the small producers, farmers and artisans. They have 50% of the participation and decision power in Fairtrade International Board.

2.3.2 Producer Networks and Organizations

A fair trade producer is an organization of producers that meets the fair trade standards of the WFTO. Usually they are based in the global south (Africa, South America and Asia) in some of the developing countries, but recently the WFTO also accepted as fair trade producers some organizations in Europe and North America.

Coffee and chocolate are the first products that comes to our mind when we talk about fair trade. Although, besides this products organizations and stores have a wide range offer, trying to adapt to the demand of the consumers. Nowadays, we can find a lot of different fair trade products in many different fields: shoes and clothes, mobile phones, lotions and cosmetics, alcoholic drinks, sodas and soft drinks, preservatives and of course, many different food products are available in the fair trade offer.

The criteria and standards to be considered fair trade producers are intended to support contract workers who have a working relationship with a producer network: people who manufacture, grow or process products and sell them directly to a producer network.

To be considered as a producer network, there must be at least 50 workers hired. When producers are organized as a registered producer networks, the organizations are responsible for controlling and reporting compliance with this group of fair trade standards. Under this number of workers it is considered Small scale Producer Organizations and their requirements are a bit different cause of the size.

According to the 2019 annual report of Fairtrade International, there are more than 1,800 producers' organizations, in which there are more 1.7 millions of producers and workers in 72 different countries and more than 35,000 licensed products. In the next graph we can see how the quantity of producer organizations have risen in the last years.

Figure 3: Fair Trade Producer Organizations in the Recent Years



Source: Fairtrade International.

The 3 main producer networks are *Coordinadora Latinoamericana y del Caribe de Pequeños/as Productores/as y Trabajadores/as de Comercio Justo (CLAC)*, *Fairtrade Africa (FTA)* and the *Network of Asia & Pacific Producers (NAPP)*.

2.3.3 Trade Organizations

There is a gap between production, that it is supposed to be as fair as possible, and the consumption by the final customer. Multiple distribution functions must be carried out so the fair trade products are available to consumer under the fair trade conditions. The function of fair trade products distribution is to satisfy consumer demand at the same time than complying with the 10 principles of the fair trade.

According to the fair trade principles, ten distributor's activities have been established in order to make the distribution process also fair and equitable. This ensures that fair trade products arrives to the customer under the best condition. (Elena González-Gascón, 2014)

1. **Adequacy of Supply to Demand.** The fair trade products are produced mainly by family businesses and small cooperatives. These organizations have low production volumes and for their commercialization they depend on an export center that groups all their purchases to sell them to the final destinations.
2. **Transfer of Ownership, Possession or Right to Use the Product.** Between the different distributions steps there may or may not be a transfer of ownership of the products depending on whether they are purchased or held in deposit, depending on how the intermediate acts as agent or distributor.
3. **Funding and Finance.** Through this third principle, producers are supported so they can have access to advance payment in the phases prior to harvest and production. In addition, development premiums are promoted based on the volume purchased and the use of minimum rates regardless of market price fluctuations.
4. **Assumption of Risks.** In the commercial distribution process, intermediaries assume responsibilities that occasionally entail risks of different kinds: risks inherent to the market, risks arising from financial operations and unforeseen risks.
5. **Additional Services.** Delivery, installation, repair, supply, advice, training, etc., are some of the services most often provided by intermediaries in the trade. Some fair trade companies are moving from selling their cocoa or coffee to be processed and marketed by others, to selling it processed, as chocolate or roasted and ground coffee, and shipping it directly to the customer.
6. **Carrying out Marketing Activities.** Fair trade is much more than a product marketing strategy; today it must be understood as a whole, with the central idea of achieving local production that is sustainable and at the same time generates employment with good working conditions. This involves the ninth principle of fair trade, the promotion of fair trade, which requires the use of honest advertising and marketing techniques.

7. **Logistics.** It includes any activity that ensures the link between the moment of manufacture and the moment of purchase or use. Distributors try to perform logistics functions while preserving the environment, polluting and producing as little waste as possible. And using recycled or easily biodegradable materials for product packaging.
8. **Reduction in the Number of Contacts.** The complexity of the commercialization process today has grown considerably with the increase of intermediaries that at each step increase the final price by having a profit margin. In the case of fair trade, the figure of the cooperatives, the exporting and importing centers are clear examples of how these intermediaries help to reduce the number of contacts. The objective is to reduce to three or four steps in the distribution chain: producers, distributors and wholesalers, retailers and finally the final consumer.
9. **Economies of Scale.** By grouping the supply of several producers, the intermediary is able to perform the functions attributed to it for a larger volume than an individual producer could do. It may seem that the above principle of reducing the number of intermediaries does not fully perform this function. However, more and more producers are grouping together in cooperatives and producers to be able to sell larger volumes together and have greater negotiating power.
10. **Assortment Creation.** The products offered by manufacturers are dictated by conditions of product homogeneity, while the final customer seeks a complex variety of products marked by their consumption habits. Historically, fair trade variety was reduced to cocoa, coffee, sugar and few other agriculture products. The role of the fair trade organizations is to create more variety, thus allowing consumers to have the possibility of being able to buy a wide range of fair trade products

One of the problems of fair trade product distribution is that it is not necessary for the distributor to be certified to trade fair trade products. In other words, a fair trade product can be traded by any distributor or agent, the product still comes from small producers according to the main principles, but during the distribution process infringe on the fair trade distributors activities. For example, adding unnecessary steps in the process which adds a profit rate to themselves or by selling few fair trade or ecological products just as a marketing strategy to “green wash” the company.

So when you are buying fair trade products, it is also important to buy from certified distributors. In the *Coordinadora Estatal de Comercio Justo* website we can find a list of the certified import companies working in Spain: *Adsis Equimercado, Alternativa 3, Espanica, Eticambio, Fundación Isabel Martín, Fundación Vicente Ferrer, IDEAS and Oxfam Intermón*. (Coordinadora Estatal de Comercio Justo, 2021)

2.4 Labels and Certificates

A fair trade certification or label is a special tag or symbol on a product or service that certifies that it is produced or made according to specific standards based on the ten principles of the fair trade. Some of these standards must be fulfilled before the certification, others in an established period of time and others must be improved continuously.

The certification labels can be created and managed by private professional organism or public authorities. In the fair trade sector there are no many public specific labels, the majority and the most important ones are private organization labels whose labor it is to analyze the production process and certify it as fair trade product or service.

The fair trade labels are defined by the next characteristics:

- They are based in specific standards, according to the 10 principles of the fair trade.
- They carry out controls and audits to verify that the process are done according to these standards.
- They are an easy recognizable symbol that the customers can associate with fair trade.
- They reach many different sectors on the different steps of the value chain: from the production itself, through the supply chain, to the product selling places to the final customer.

Commerce Equitable France in collaboration with other fair trade associations has created the International Guide to Fair Trade Labels in its 2020 edition (Commerce Equitable France, 2020). In this guide they explain the important of the labels in general and they analyze many different labels the process and the criteria that they require for a product.

In the next pages we will analyze and give a general overview of the 2 more important ones and mention another few.

- **Fairtrade International Label**

Fairtrade International Label is one of the oldest and most recognized globally. As we mentioned before, in the Fairtrade International organization the producers have 50% of votes in the general board. In other words, they have a lot of decision power and they are involved in the creation of the standards, the labels and other policies.

Figure 4: Fairtrade International Label for Different Products



Source: Fairtrade International.

Certifying every participant in the supply chain of a fair trade product, from the origin to the final packaging, is a requirement for every company that buys or sells a product with the Fairtrade International label. This requirement is also applied to the companies who sell directly from producers and/or are responsible for paying or passing on the Fairtrade price.

Verification process are necessary for brands that have signed an agreement to use the Fairtrade International Label. They carry out controls and audits to verify that the process are done according to these standards.

- **World Fair Trade Organization Label**

Another important label is the one from the WFTO. WFTO has created a robust and comprehensive assurance system based on its own specific standards. It includes external audits, which are completed by peer review during the accreditation process, and other fair trade certificates are also recognized.

Figure 5: World Fair Trade Organization Generic Label.



Source: World Fair Trade Organization

WFTO is also making every effort to find the best compromise between improving the quality of control and keeping certification costs at a level that can be afforded by small producer organizations.

There are two different kind of labels inside the WFTO system: the label for products of member organizations and the label for buying companies.

- Label for products of member organizations. WFTO members that have passed the audit and sign the contract that certifies they fulfill the standards, they can use the label on all products from producers or producer groups controlled by the internal management system, and on all products from suppliers controlled by other WFTO members.
- Label for buying companies. This label is meant to be used by companies who buy and distribute fair trade products or for those companies who transform or use fair trade products in their production chain. If the purchasing entity is not a member of the WFTO, it must sign a contract with the WFTO for the use of the seal and pay a small fee (1% of the selling price). This seal can only be used for products containing at least 95% of the ingredients from a certified fair trade producer company.

This two labels are the most used and both are globally used. Although, the Fair Trade Movement has been growing in the last decade and many other fair trade certifying companies have appear in a national level creating their own labels.

In the next image we can see another six labels from other fair trade associations:

- *Biopartenaire* based in France.
- Fairtrade India.
- *Simbolo de Pequeños Productores* (Small Producers Symbol) based in Mexico but used in all South America.
- Fair Trade USA,
- Fair Trade Lebanon
- Fairtrade Naturland Fair label based in Germany they are focused in organic and ecological products but they also have a fair trade label.

Figure 6: Fair Trade Labels



Source: *International Guide to Fair Trade Labels (2020 edition)*

3. Vanilla Worldwide Sector

In this part of the project we will analyze the vanilla world sector. First of all explaining the characteristics of the product: the plant itself, the uses and crop and harvest process.

Secondly, we will give a whole overview of the vanilla world market: in terms of production with data from the Food and Agriculture Organization of the United Nations. After the global data, we will compare the five main producer countries: Madagascar, Indonesia, Mexico, Papua New Guinea, and China.

And at last we will analyze trade and commercial stats from the Observatory of Economic (OEC) Complexity and other trade global organizations such as World Trade Organization and the World Integrated Trade Solutions (WITS) platform from the World Bank.

3.1 Vanilla General Information

Vanilla is a kind of climbing plant from the family of the Orchidaceae which originates in Mexico and other Central American areas. Vanilla most common species used is *Vanilla Planifolia*, usually known as “Mexican” or “Bourbon”, and *Vanilla Tahitensis*, though nowadays there more than 150 varieties of vanilla. During many centuries pre-Hispanic cultures used the vanilla as fragrance and perfume, tribute similar as sage in other cultures and for its culinary uses together with the cocoa.

In the nineteenth century, during the colonial process, Belgium and France introduced the plant in other areas in Asia and Africa. This zones has with similar tropical weather conditions that allows the production and crop of the vanilla plant. By introducing the plant in other areas, Belgium and France got to break the Mexican-Spanish monopoly of Vanilla. This spread of the vanilla production could not be developed before, until the manual pollination was not discovered, since only the local insects make it naturally.

As I mentioned before, vanilla is a climbing plant, so in order to cultivate it is necessary a tree to give vanilla plant the support, shade and soil conditions it needs. Vanilla traditional cultivation method uses low forest as the harvest area to grow vanilla plant. Another method used is the creation of shade houses, they use a shade cloth that allows a 50% luminosity and tutor poles to support the plant and the shade cloth.

Usually the cultivation of vanilla uses an intercropped system with other plants such as coffee or citruses like oranges or lemon trees. This method allows higher economical productivity of the land.

During the vanilla blooming period, the plant grows many groups between eight to ten flowers. The flowers are between 5-8 cm in white or yellow tones, depends on the variety. Once the pollination process is done, the flower becomes in a 15-25 cm long pod. This pod is what we know as the “vanilla bean” that once cured offers the characteristic vanilla taste and smell.

One of the main difficulties of vanilla cultivation is the pollination process. It can be done naturally by insects or the wind itself, but this has such a low rate of success so most of the flowers do not get pollinate and later do not become beans. So to get the most efficiency, the pollination process must be done manually, flower by flower, to maximize the rate of pollinated flowers.

Once the vanilla bean is ripe the harvest process starts. This process is done manually too to avoid harming the bean and preventing it from any damage. When we have all the mature-green vanilla beans the next step is to cure them to obtain the potent smell and flavor that makes vanilla so valuable. The first methods to cure it and let it dry in the plant itself before harvesting.

Nowadays, through study and research of the chemical compounds of the plant more effective methods have been developed, for the vanilla bean to obtain the most flavor. First step, the “killing” called as such because its purpose is to make the seeds unable to sprout. The vanilla it is placed in special ovens or directly exposed to sunlight to reach specific temperatures between 40° and 80° Celsius. Depending on the temperature different times are used, but always having some space between the beans for correct airing.

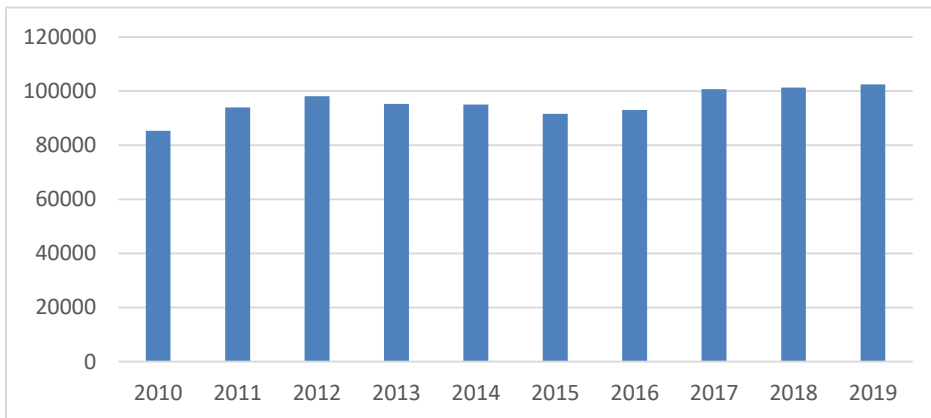
After the “killing”, the “sweating” process begins. The killed vanilla beans are place in high temperature high humidity environment during seven to ten days in order to produce the necessary chemical reactions. After the “sweating” process, the beans contain around 70% moisture. Through sun-dry and air-dry during days they reach 25% humidity. These are the perfect conditions in which they acquire the maximum flavor and smell and when they must be packaged.

The manual pollination and harvest process plus the complicated curing process makes the vanilla production a highly labor-intensive which, increases the cost of production. The high production cost added to the small productivity of the vanilla fields make the vanilla the second most expensive spice, just after saffron.

3.2 Worldwide Vanilla Production

According to the *Food and Agriculture Organization of the United Nations* (FAO) statistics the area dedicated to the vanilla crop has increased around 20% in the last decade. In the next graph we can see how it rose from 85 thousand hectares to more than 100 thousand in the period between 2010 and 2019.

Figure 7: Vanilla Harvested Area in Hectares

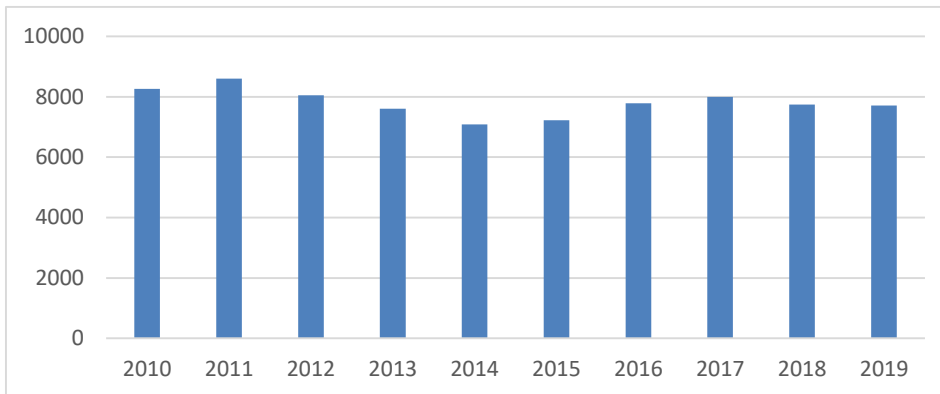


Source: *Food and Agriculture Organization of United Nations*.

Although it can seem a huge crop area we have to take into account the vanilla plant characteristics. As we said before vanilla is a kind of orchid, only from the vanilla pod we obtain the extracts with the smell and flavor we know as “vanilla”.

Despite the worldwide vanilla harvested areas growth, the production has not followed trend. It has decreased around a 10%, moving from a worldwide production of 8.257 tons in 2010 to 7.715 tons in 2019. This reduction of the vanilla production is due to crop problems such as global warming changing weather conditions, but also to the increase of controls and selection processes that are used in order to increase the quality of the final product.

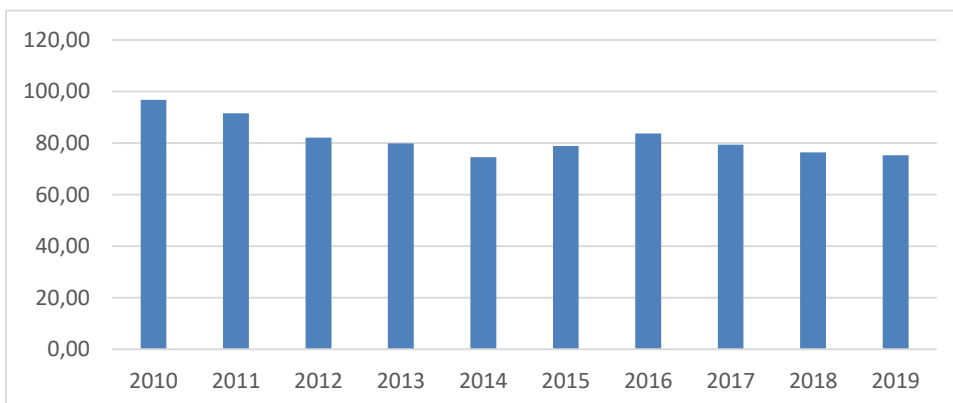
Figure 8: Vanilla Global Production in Tons



Source: Food and Agriculture Organization of United Nations.

In the previous graph we can see how the production has gone down in the last decade. If we cross this production data with the previous harvested area data the result is that the yield has gone from 96 kg/ha in 2010 to 75 kg/ha in 2019.

Figure 9: Vanilla Global Yield in Kg per Ha



Source: Food and Agriculture Organization of United Nations.

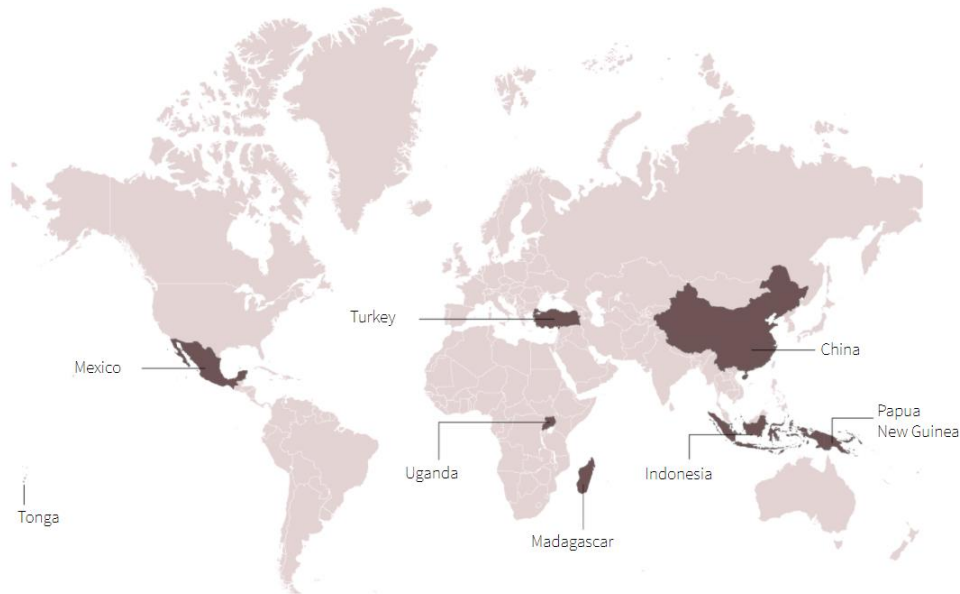
The productivity or yield of the vanilla is so small compared to other crops. Between 100 and 75 kilograms per hectare, while other crops like wheat and legumes have productivities superior to 3,000 and 6,000 kg/ha respectively.

3.2.1 Vanilla Top Five Producers

In this section, we will analyze and compare the five most important vanilla producing countries and highlight the most important information. Later, in the heading 4.2. *Vanilla from Papua New Guinea*, we will focus specifically on the information and data about the origin country, Papua New Guinea.

According to the FAO the five countries that produce the most vanilla are, in order: Madagascar, Indonesia, Mexico, Papua New Guinea and China (excluding special regions with autonomy regimes: Hong Kong, Macao and Taiwan). All of these countries with the specific, similar tropical climatic conditions that vanilla plant requires. In the map we can see the areas where we can find vanilla

Figure 10: World Map of Vanilla Producing Countries

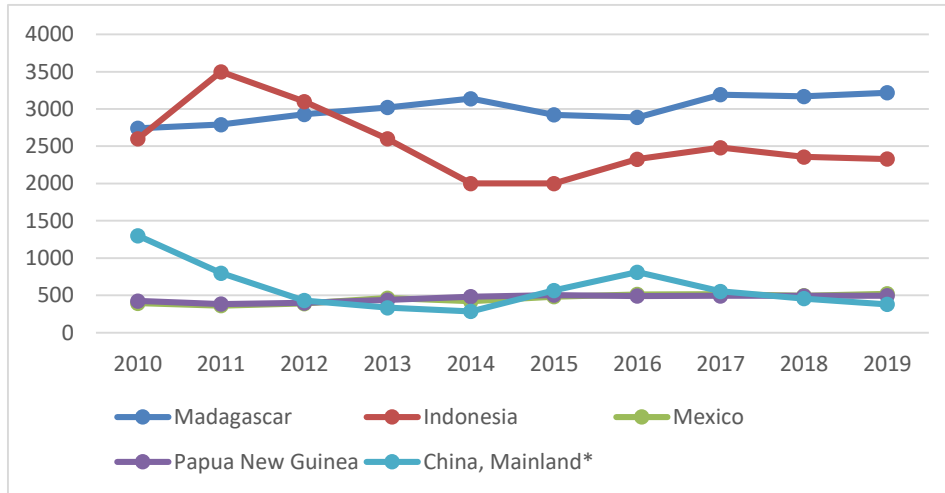


Source: Reuters Graphics

In the graph we can see the evolution of the production of the top five countries. Madagascar and Indonesia lead the vanilla production with 3,200 and 2,300 tons respectively in the year 2019. Far behind them, Mexico and Papua New Guinea with around 500 tons and in fifth place China with 400 tons.

Comparing this production with the total 7,700 tons world production, we can say that Madagascar produces 41% of the total, Indonesia 30%, Mexico and Papua New Guinea close to 7% each one and China 5%.

Figure 11: Vanilla Production Top 5 Producing Countries

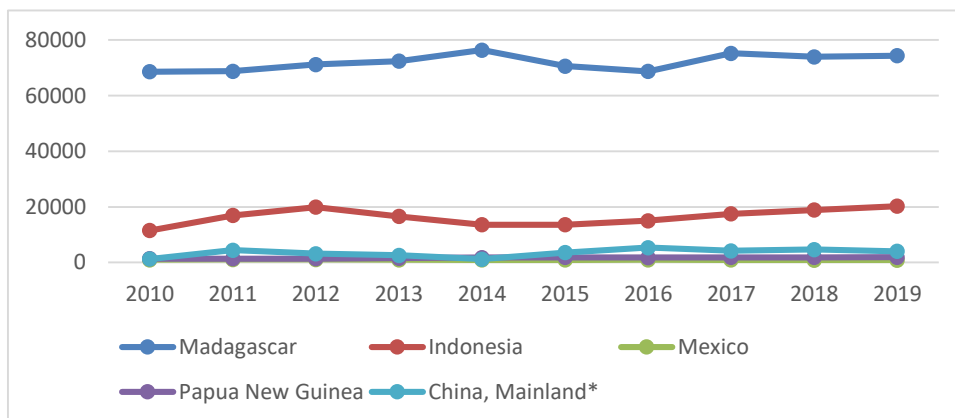


Source: Food and Agriculture Organization of United Nations.

Although the production information is the most important economically speaking, this is not directly related with the harvest area. Madagascar and Indonesia are by far the main producers but their production it is not direct related to the area used to cultivate vanilla, Madagascar uses much more area compared to the production that they obtain.

In the next graph we can see the evolution of the harvest area of the top five countries. Madagascar leading the vanilla harvest area with more than 70,000 hectares in the year 2019. Far behind, is Indonesia with 20,000 hectares, China with 4,000, Papua New Guinea with almost 2,000 and finally Mexico with almost 1,000 hectares.

Figure 12: Vanilla Area Harvested of the Top Five Producer Countries

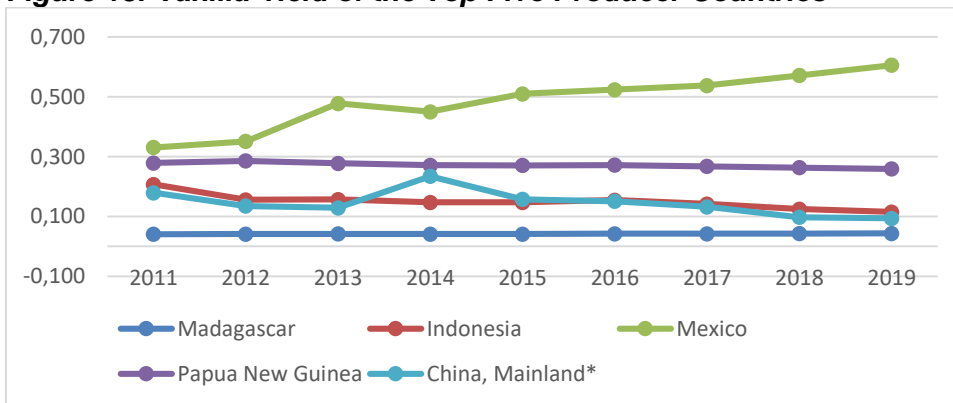


Source: Food and Agriculture Organization of United Nations.

Comparing these harvest areas with the total 100,000 hectares used globally to cultivate vanilla, we can say that Madagascar has 70% of the total, Indonesia 20%, China 4%, Papua close to 2% and Mexico close to 1%.

Dividing the production between the harvested area we can calculate the productivity or “yield”, in this instance we obtain the information in tons/hectares. The most productive is Mexico, since the plant originates from there, producing 0.6 tons per hectare. Then Papua New Guinea with a productivity of 0.25 tons/hectare, China and Indonesia close to 0.1 tons/hectare. And last one Madagascar with 0.04 tons per hectare, in other words, only 40 kg of vanilla are obtained in an area of 10,000 square meters.

Figure 13: Vanilla Yield of the Top Five Producer Countries



Source: Food and Agriculture Organization of United Nations.

3.4 Vanilla Trade Information

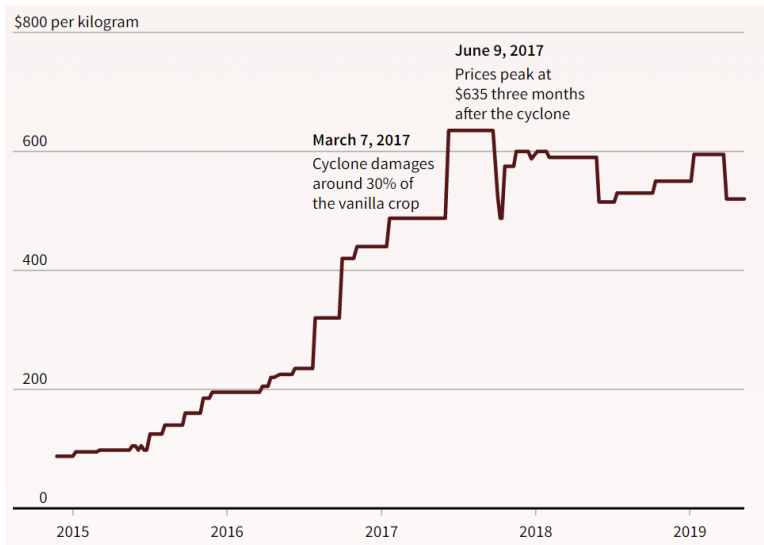
As we have seen before, the highest vanilla producing country is Madagascar, they produce more than 40% of the total in tons. Additionally, they are also the first country in terms of exported value, selling more than 55% of the total in economic value. Therefore, the leading country in vanilla market, Madagascar sets the market price and quality standards that other producing countries follow.

As we mention before, vanilla is the second most expensive spice just behind saffron. In the next graphic we can observe how Madagascar’s vanilla market sale price, set the vanilla price on a global scale. Over time these prices have risen from 88 \$/kg in January 2015 to 520 \$/kg in May 2019. It is also observed that climatic conditions made a production shortage raising the price to 635 \$/kg in 2017. The rapid growth of vanilla prices are sometimes related by market researchers to the announcement made by Nestle and other big companies about resistance to use artificial vanilla flavors in place of real vanilla.

“Fair trade vanilla market research and import project from Papua New Guinea to Spain”

Luis María Rodríguez del Egido

Figure 14: Madagascar Vanilla Price Evolution



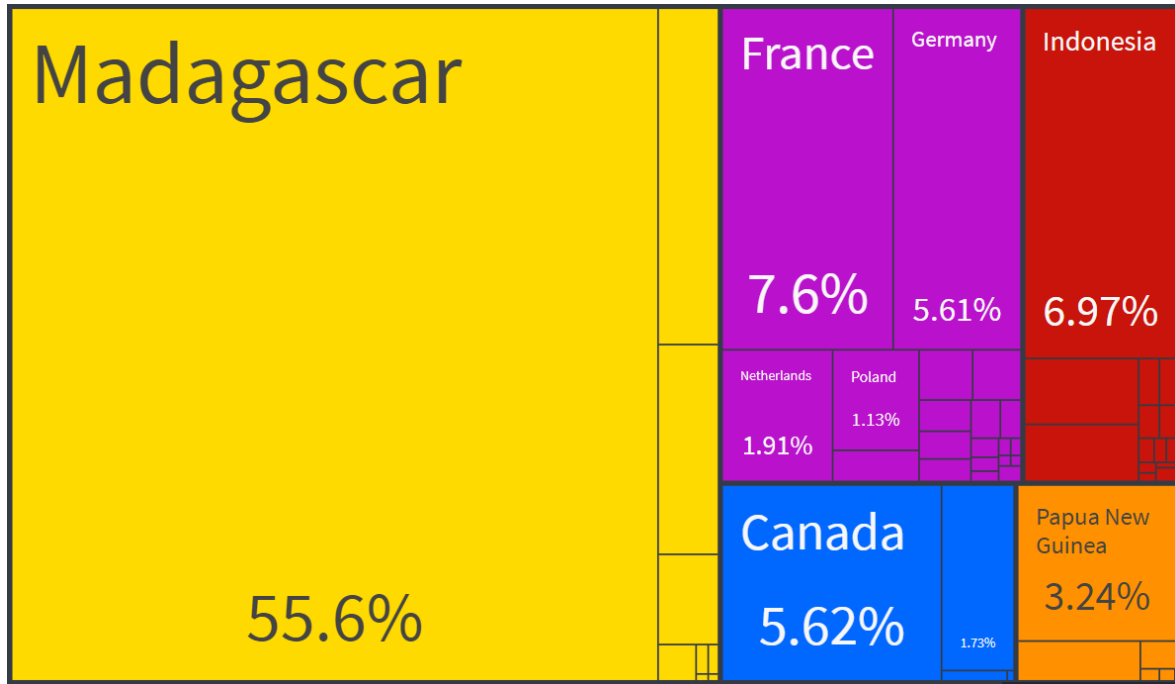
Source: Refinitiv through Reuters Graphics.

This information corresponds with wholesale price of vanilla, price paid by big companies that buy in bulk from main exporters. Of course, the price paid to the farmers is much lower. According to Bloomberg article “Vanillanomics” about vanilla market in Madagascar minimum wage for agricultural workers is 18¢ an hour, less than \$1 a day. (Bloomberg, 2019) In the next section 3.5 *Vanilla Sector and the Importance of Fair Trade*. we investigate deeper into this.

While looking for vanilla trading information we will use the Harmonized System. Vanilla’s Tariq code is included under the heading “09 - Coffee, tea, mate and spices”. Vanilla 4-Digits code in this system is 0905, it includes the 6-Digits “090510 - neither crushed nor ground vanilla” and “090520 - crushed or ground vanilla”.

According to the Observatory of Economic Complexity (OEC), the vanilla trade around the whole world reached \$1.17 Billion (\$1,170,000,000) during 2019 (most recent data). This means a 20.5% drop from the \$1.47 Billion. In 2019, Vanilla was the 874th most traded product, representing 0.0065% of the total world trade.

Figure 15: Vanilla Exporters 2019

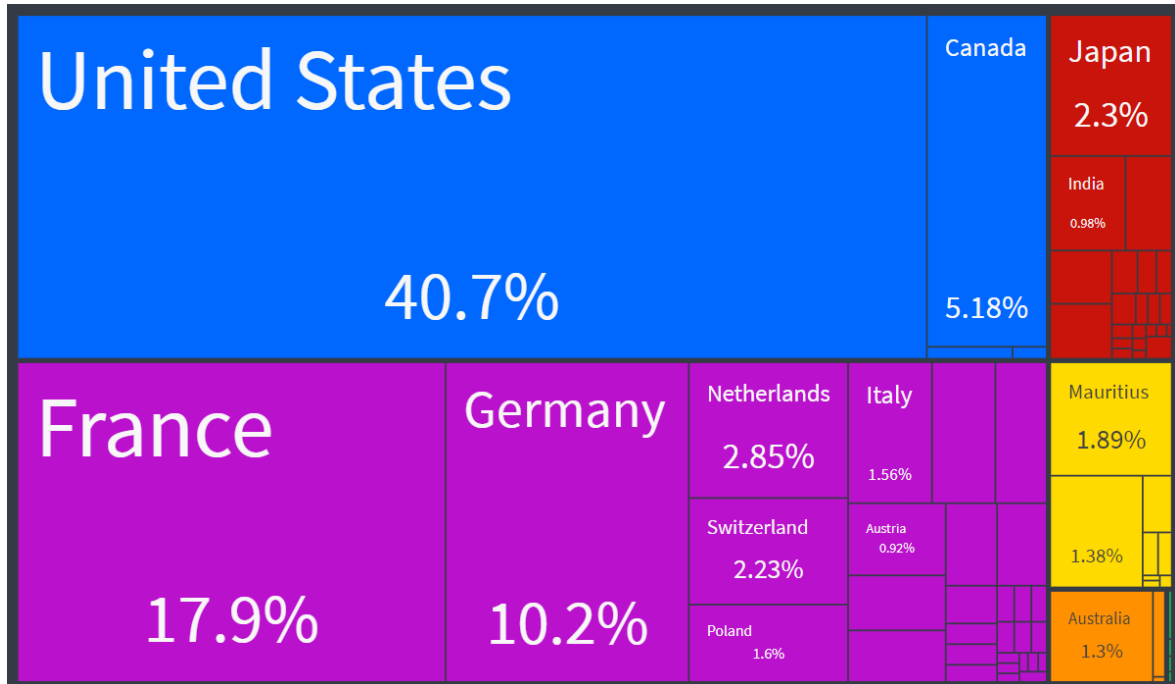


Source: *Observatory of Economic Complexity*.

According to the OEC: “In 2019, the top exporters of Vanilla were Madagascar (\$651M), France (\$89M), Indonesia (\$81.7M), Canada (\$65.8M) and Germany (\$65.8M).” (Observatory of Economic Complexity, 2021) This is the data represented in the previous graph, adding the rest of the export countries.

According to World Integrated Trade Solutions (WITS), organization dependent of the World Bank, in 2019, the top exporters of vanilla are: Madagascar (\$584.2M), France (\$99.5M), Germany (\$70.7M), Indonesia (\$69.6M) and Canada (\$65.8M). (World Integrated Trade Solutions, 2021) The numbers are slightly different than the OEC.

Figure 16: Vanilla Importers 2019



Source: Observatory of Economic Complexity.

In 2019, the top importers of Vanilla were United States (\$477M), France (\$210M), Germany (\$119M), Canada (\$60.7M), and Netherlands (\$33.4M).” (Observatory of Economic Complexity, 2021) This is the data represented in the previous graph, adding the rest of the import countries.

According to World Integrated Trade Solutions (WITS) in 2019, the top importers of vanilla are: United States (\$525.5M), France (\$209.7M), Germany (\$125.2M), Canada (\$65.5M) and Japan (\$27.6M). The numbers are slightly different than the OEC.

Vanilla is a luxury product with a high price, therefore, it is consumed in the wealthiest areas of the world: North America and Europe. The demand and the price has risen in the last few years with the explosion of high cuisine trends.

3.5 Vanilla Sector and the Importance of Fair Trade.

Countries in Europe and North America usually buy vanilla cheap in bulk from producer countries, all located in the “global south”, and then they package and resell it to final consumers in their countries, even re-export to other countries.

In Madagascar's case, the relationship between global production (41%) and export (55%) is so clear. Madagascar is the only country who has created the industry necessary around vanilla to allow them to cultivate, collect, package and export directly to the final consumer. In other words, they produce, add value to the product and export by themselves, keeping the profit in the country.

As I said previously, Madagascar Minimum wage for agricultural workers is 18¢ an hour. One of the main fair trade objectives is to distribute the final income of the products through all the supply chain with more equitable rates. Through fair trade organizations, producers receive a more equitable salary, better conditions and the opportunities to create economic and social development of the communities.

The rest of producers producer countries do not have the industry or infrastructure that would allow them to export the final elaborated product, so they wholesale vanilla in bulk to more developed countries who process and package it for the final consumer.

Indonesia produces 30% of global vanilla, while it only represents 7% of the exports. Mexico and Papua New Guinea produce close to 7%, these numbers are so far from the 0.01% and 3% that their export figures represent respectively. Later, in the heading "4.1.2 *Vanilla Production Papua New Guinea*, we will analyze with more details the case of Papua New Guinea.

These differences between producers and exporters enables poverty in the rural areas of these countries. The most extreme cases are Madagascar and Papua New Guinea, they are respectively in the 164th and 155th place out of 189 countries in the Human Development Index 2020. Indonesia is in the 107th place, China 85th and Mexico 74th, although these countries are in a better position within the index, the poverty in the rural areas of these countries is also important. (United Nations Development Programme, 2020)

This is the case of vanilla but also many other agriculture products and raw materials. In the book *Handbook of Vanilla Science and Technology*, one of the most detailed books about vanilla, the authors discusses fair trade as the only future for the sector.

Fair trade seeks to transform the economic and labor relations of disadvantaged producers and workers with the companies that market these products. The fair trade objective is to eliminate inequality and poorness through a trade system in which the farmers or producers obtain a just payment for their work.

Through all the vanilla sector research carried out and explained, we can conclude that the producers, mostly in underdeveloped rural areas, are not receiving a fair retribution for their product. Fair trade vanilla is the only way to maintain the economy of these producers and enable them to create the industry and infrastructure to add value to the product and keep the profits for the community and the countries.

4. Vanilla from Papua New Guinea and *Nengo*

Organic Vanilla

In this section we will analyze specifically the vanilla market in Papua New Guinea, starting with a macroeconomic analysis of the country. After a brief profile of Papua New Guinea, we explain vanilla market: country production and the export destinations.

After Papua New Guinea's market, we are going to give an overview of the cooperative in Morabe Province, their vanilla production and the fair trade certificate procedure.

4.1 Vanilla Sector in Papua New Guinea

Papua New Guinea is a small insular country in Oceania not so known by Europeans. We will start with a brief profile of the country from geographical, historical, social and economic perspectives and closing with few generic notes to introduce the country to those who do not know it.

We continue with the vanilla sector in the country: the production and land used to cultivate numbers extracted from the FAO statistics and the destination countries to whom Papua New Guinea Export the vanilla.

4.1.1 Papua New Guinea General Information

Figure 17: Papua New Guinea data

Capital	Port Moresby
Population	8.776.109
Surface	462.840 km ²
Population density	19 inhabitants / km ²
Currency	Kina (PGK)
Exchange rate	1 USD = 3.53 PGK
GDP	24.829 M. \$
Growth rate	5.9%
GDP per capita	2.490 \$
Trade Balance	+7.7 B.€

Source: The World Bank.

Independent State of Papua New Guinea is a country part of Oceania situated in the South-West of the Pacific Ocean. It is formed but the Eastern half of New Guinea Island and many other islands around it: New Britain, New Ireland and Bougainville Island among others. It has a land border with Indonesia, owner of the other half of New Guinea Island and maritime border with Australia in the south and Solomon Islands in the East. The country has a few active volcanoes.

Papua New Guinea is divide in 4 regions: Momase in the North of their own part of New Guinea Island, the Highlands in the center, Southern Region and New Guinea Islands Region formed by all the other islands that are a part of the country. The capital, Port Moresby, is situated in the South, although the most populated area is the Highlands Region.

Figure 18: Papua New Guinea Map



Source: United Nations Cartography.

The Portuguese and Spanish were the first Europeans to arrive in the early 16th century. Between 17th and 19th century Britain, Germany and Australia fought for the control of Papua New Guinea. It was not until 1975 when they achieved independency from Australia and became a parliamentary monarchy. Papua New Guinea belongs to the Commonwealth, it is in the 32nd place out of 49 countries in its Youth Index. (The Commonwealth, 2020)

Papua New Guinea is one of the most underdeveloped countries outside the Sub-Saharan Africa and one of the poorest in the Asia and Pacific region. According to the United Nations, it is the 155th country, out of 189, in the Human Development Index. (United Nations Development Programme, 2020)

Papua New Guinea's Economy, as a developing country, is based in the primary sector. The economy is dominated by the extraction of natural resources. Most of the population is dedicated to agriculture, forestry and fishing, more than 80% of the population lives in rural areas and a great part of them rely on subsistence production. Another important

"Fair trade vanilla market research and import project from Papua New Guinea to Spain"

Luis María Rodríguez del Egido

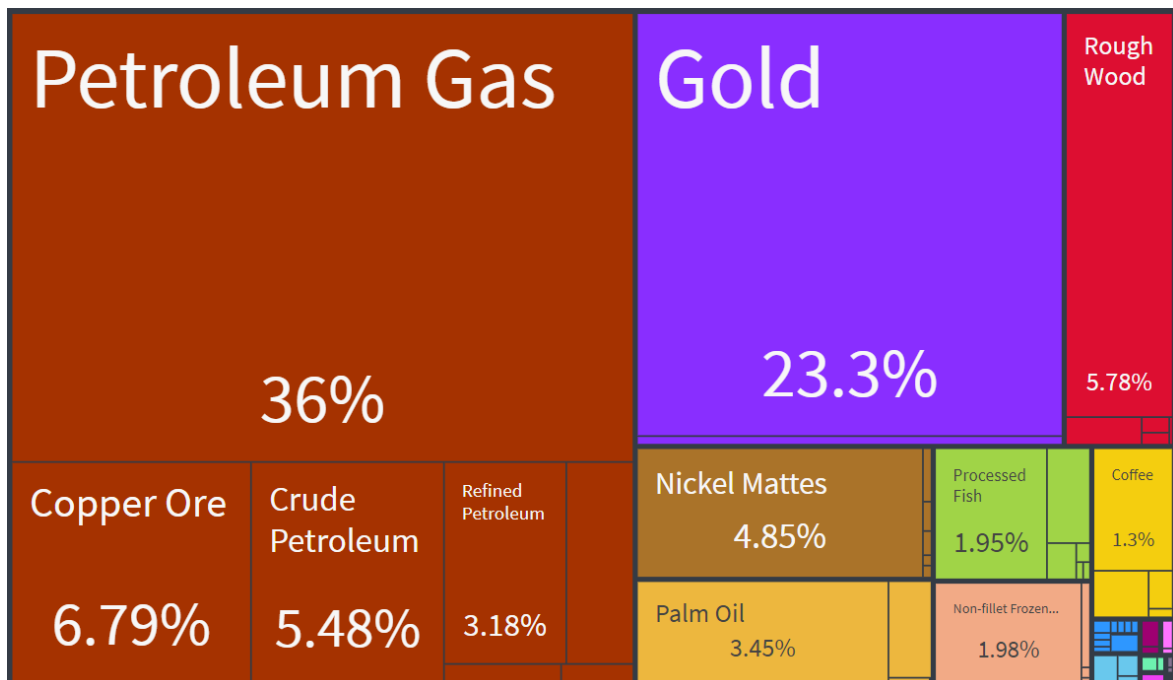
sector is the extraction of minerals, which are the main part of their exportations. In the last years, the touristic sector is gaining importance in the economy of the country.

In macroeconomic terms, it has a Gross Domestic Product of 24.829 M. \$ in 2019, it means a growth of the 5.9% comparing to previous year. Although they experienced a contraction of 3.8% in 2020, it was soon followed by a rebound around 3.5% in 2021–22, according to The World Bank Forecast. (The World Bank, 2021)

In terms of trade and commercial relationships, Papua New Guinea trade balance remains positive in the last years, in 2019 it was above \$7,700 Million surplus. This trade and commercial sector represents about a third of the GDP. Its main commercial partners are Australia, Japan, Singapore and China.

Export reached \$11 Billion representing about 45% of the GDP. Most exported items are minerals, mainly copper and gold, and crude oil, they represent three quarters of the exports. The other quarter is represented by agriculture, forestry and fisheries commodities, such as, coffee, cocoa, palm oil and vanilla. In the next graph we can see the whole distribution of the exports, obtained from the Observatory of Economic Complexity.

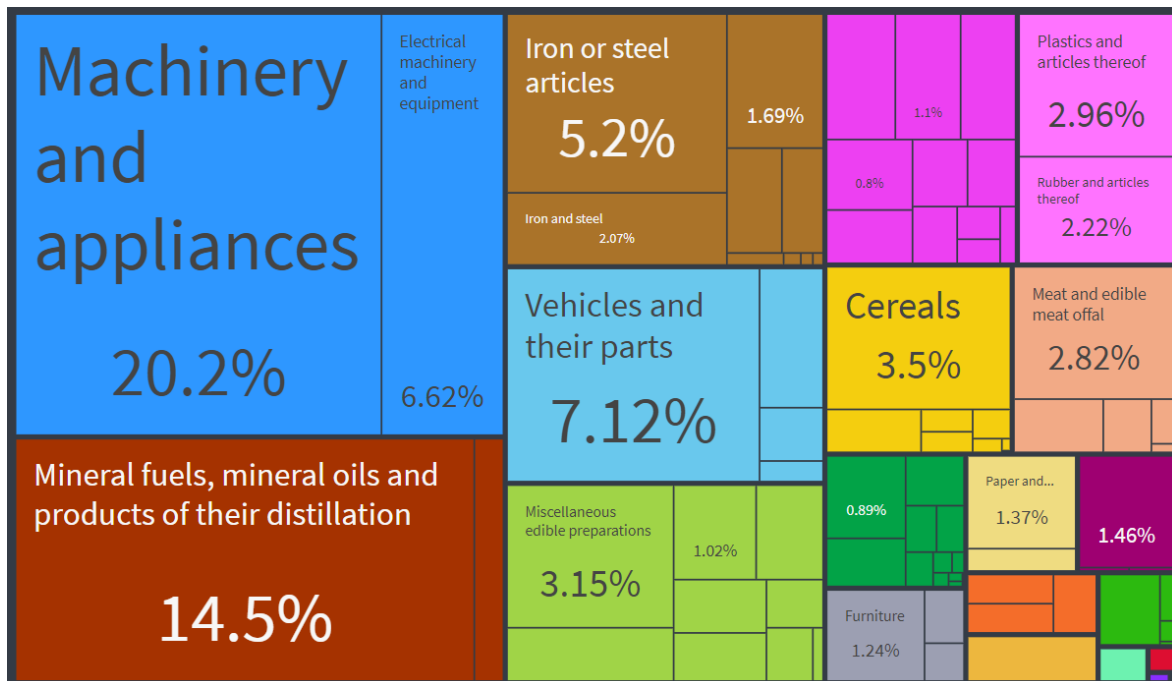
Figure 19: Papua New Guinea 2019 Exports Distribution



Source: Observatory of Economic Complexity.

Export reached \$11 Billion representing about 45% of the GDP with the most imported items being refined oil and gas and machinery. They also import all the vehicles, electronic devices and all kinds of industry products. This represents about 2 thirds of the imports, the other third is formed by food and drink products, clothes and all kind of basic life commodities. In the next graph we can see the whole distribution of the imports, obtained from the Observatory of Economic Complexity.

Figure 20: Papua New Guinea 2019 Imports Distribution



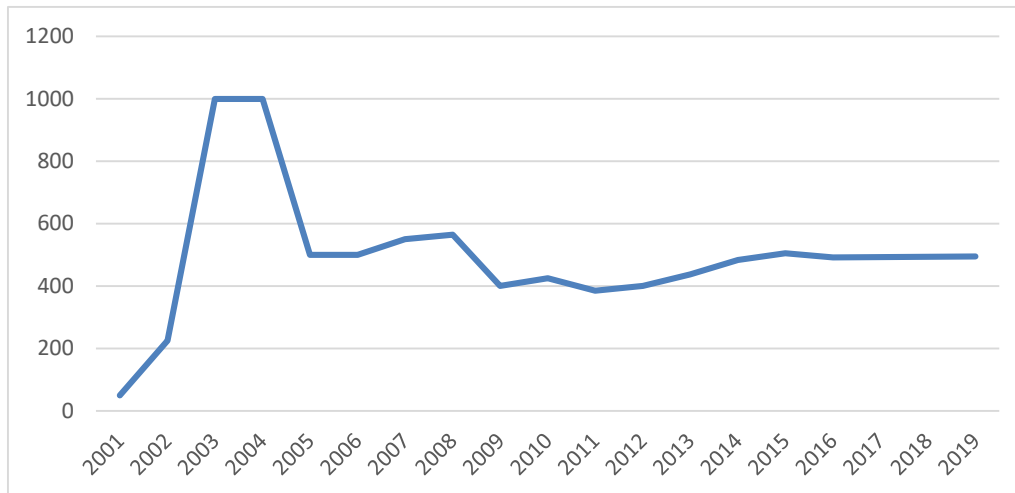
Source: Observatory of Economic Complexity.

4.1.2 Vanilla Production Papua New Guinea

As we mentioned before, Papua New Guinea is the fourth country in the world in vanilla production in the world. Madagascar and Indonesia are by so far first and second producers respectively. Mexico, Papua New Guinea and China produce more or less the same quantity and they have been constantly changing positions in this ranking.

Papua New Guinea’s vanilla production was 495 tons in the year 2019 according to the Food and Agriculture Organization of the United Nations. In the next graph we can observe the evolution of vanilla production in the last 2 decades.

Figure 21: Papua New Guinea Vanilla Production



Source: Food and Agriculture Organization of United Nations.

The commercial vanilla production started with the new millennium, before the year 2000 few households were growing vanilla in Papua New Guinea, most of them for the local consumption and national market. The vanilla industry was supported by the government through public funds and investment in a plan to diversify the economy into high-value export products.

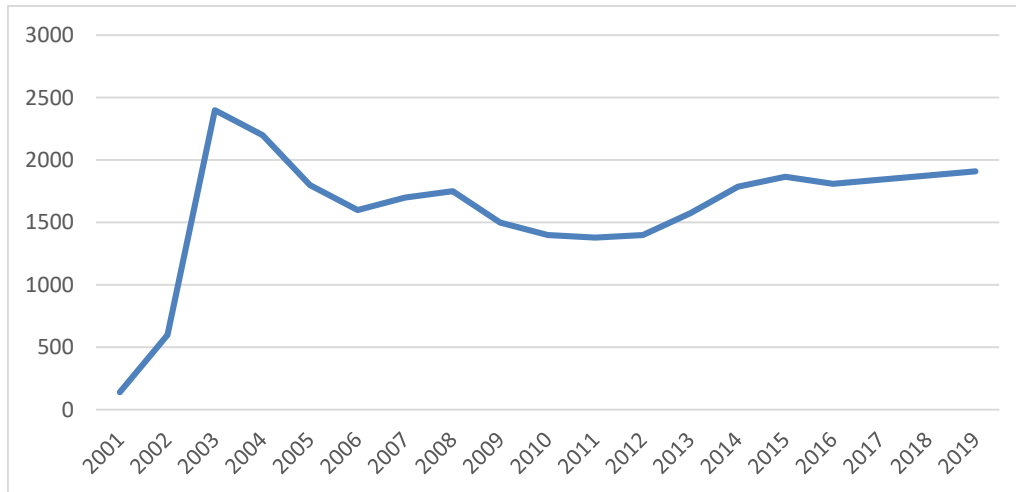
After few years of this government program to expand the industry, the people working within it increased from a few hundred in 1999, to more than 50,000 in 2004 and more than 100,000 in 2012 according to the Spice Industry Board 2012 report of Papua New Guinea Agriculture Department. (Papua New Guinea Spice Industry Board Secretariat, 2012)

The quick expansion of vanilla production between 2001 and 2004 coincided in time with a streak of bad crops caused by cyclones and a war period in Madagascar and the launch of “Vanilla Coke” which increased the world demand (McGregor, 2004) After that period, vanilla production in Papua New Guinea stabilized between 400 and 500 tons till now.

Firstly, the intention of these government programs were to increase the quantity and encourage the producers to export. Nowadays, after the great success in the expansion of vanilla fields, the Spice Industry Board have a registration systems that ensure the traceability and quality controls to keep the standards from the fields, though the curing process, to the final product.

In the next graph we can see the evolution of the area dedicated to vanilla production in the last 2 years. We can observe the same tendency that the production, quick growth until 2003 and a stabilization later between 1,500 and 2,000 hectares.

Figure 22: Papua New Guinea Area Dedicated to Vanilla Crops



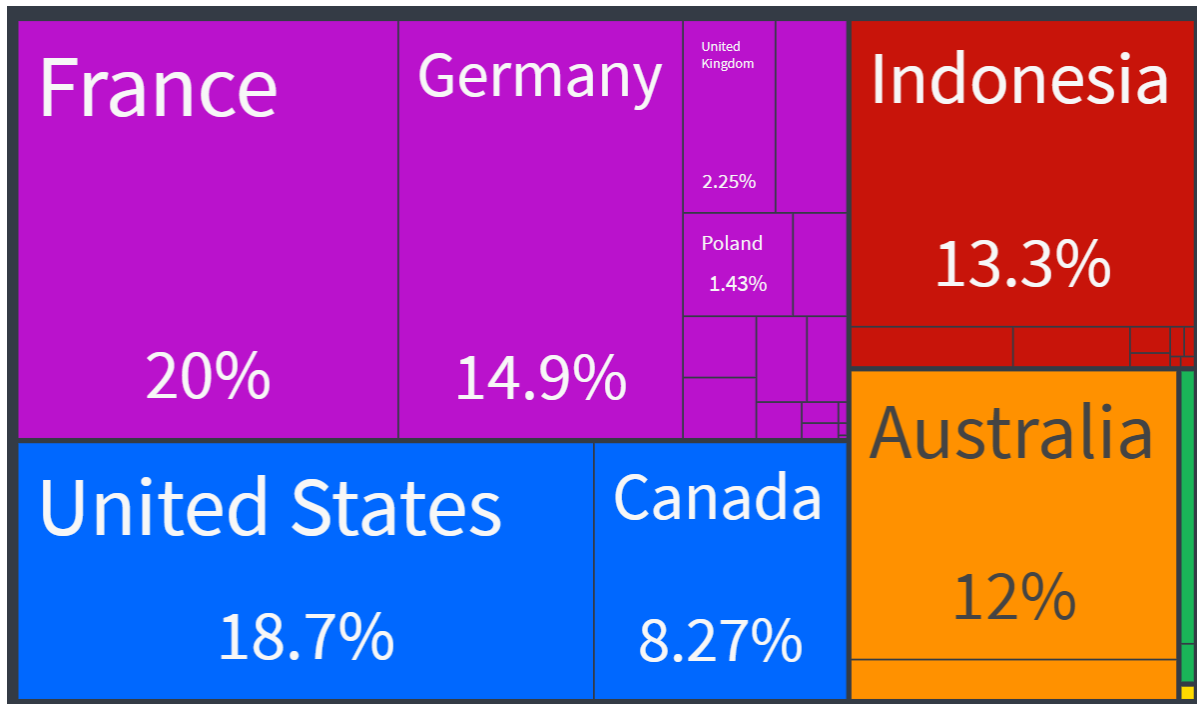
Source: Food and Agriculture Organization of United Nations.

So we can say that in terms of productivity Papua New Guinea has been always so stable unlike Madagascar's vanilla production crisis caused by hurricanes and cyclones. The vanilla yield remains stable between 0.4 and 0.25 tons per hectare, making Papua New Guinea the second country in terms of productivity just after Mexico.

Although, Papuan vanilla productivity is the second best, in terms of quality it is far from Madagascar vanilla standards. So, as I mentioned, in the last few years the goal for Papua New Guinea vanilla industry is to increase the quality to be competitive in the global market.

In terms of export, Papua New Guinea exported \$38 million, according to the OEC. In the next graph we can see the destination, the main ones were France, United States, Germany, Indonesian and Australia.

Figure 23: Papua New Guinea 2019 Vanilla Exports



Source: Observatory of Economic Complexity

As we mentioned before, Papua New Guinea is an underdeveloped country who does not have a strong industry and infrastructure, so most of this export is sold in bulk to food processor companies who package vanilla for the final consumer.

We saw in the heading 3.4 *Vanilla Trade Information*, between these countries that export more vanilla we can see France, Germany and Canada. They actually export even more than Papua New Guinea in terms of value, of course not in quantity. It is not a coincidence that these countries appear also in the previous graph as destination of Papua New Guinea vanilla, they buy vanilla cheap then they package and resell to final consumers in their countries and even re-export it.

4.2 Nengo Organic Vanilla

In this section we will describe the company and the product according to 1st hand information from Veronica Bue, Senior Lecturer and Researcher from PNG University of Technology. Besides, we will analyze the guidelines to obtain the fair trade certificate from Fairtrade International.

4.2.1 The cooperative of vanilla farmers and the product

“*Nengo Organic Vanilla* is a small Business Enterprise with the aim of assisting farmers to reap the benefits of their labor by providing a good market for their vanilla beans. Both our products are organically grown and sun-dried and cured. We believe in quality and strive to produce quality beans for our potential Buyers. We understand the importance of certification and aim to get our farmers certified in the near future.”

That is the company’s statement of *Nengo Organic Vanilla*, a company made in 2018 in Morobe Province by Veronica Bue from Papua New Guinea University. It is a temporary company to start organizing the farmers’ cooperative and start the contacts with potential buyers and food process companies.

The cooperative itself it is not formed yet. However more than 20 farmers who are cultivating more than 500 vanilla stands are willing to join the cooperative and they have done pre-agreements under certain conditions to be part of the future cooperative. In the next picture we can see photos of the actual vanilla crops and the farmers.

Figure 24: Vanilla Crops and Farmers



Source: Veronica Bue for *Nengo Organic Vanilla*.

They produce the 2 most common vanilla varieties: *Vanilla Tahitensis* and *Vanilla Planifolia*, commercially known as Bourbon. They are organically cultivated using natural products. Vanilla is cultivated in family farms and processed by the traditional method, using just the sun to dry it.

In the next 3 pictures we can see: a bunch of beans when they are ripped and ready to be harvested, few beans laying in the sun during the drying process and finally the dried vanilla beans ready for its consumption.

Figure 25: Ripe Vanilla Beans



Source: Nengo Organic Vanilla.

Figure 26: Vanilla Beans Sun-drying



Source: Nengo Organic Vanilla.

Figure 27: Vanilla Beans Ready for its Consumption



Source: Nengo Organic Vanilla.

When the process is completed and the vanilla beans are dry, they are selected and organized according to the variety and the length. As a result we obtain the next catalog of products:

- *A Grade* : Best Super Black Vanilla Beans:

Planifollia $\geq 15\text{cm}$): \$500/ KG

Tahitensis ($\geq 15\text{cm}$): \$500/ KG

- *B Grade*: Super Black Vanilla Beans:

Planifollia (12-14cm): \$450 / KG

Tahitensis (12-14cm): \$400 / KG

- *C Grade*: Good Dry Vanilla:

Both Planifollia & Tahitensis ($< 12\text{cm}$): \$300/KG

4.2.2 Fair Trade Small-scale producer certificate

Nengo Organic Vanilla is still in forming process, so it still has not the fair trade certificate. In this section we will analyze the steps and procedures to obtain the *Fairtrade Standard for Herbs, Herbal Teas & Spices for Small Producer Organizations and traders*. This certificate is extended by Fairtrade International through *Flocert*, company that check the requirements and carries out the audits. We have chosen the certificate from this organization because it is the most used, the one with more visibility and the one most known by general public.

First requirement asked by *Fairtrade International* is the geographical scope. The purpose of this requirement is to determine the producer from which countries can be certified. *Fairtrade International* takes into consideration the income per capita, wealth inequity and other social and economic indicators. Papua New Guinea is included in this list in the group of countries from Asia and Pacific.

After the geographical scope we have to check under which standard or certificate we can include *Nengo Organic Vanilla*, in our case it is Small-scale Producer Organizations. This is the main definition Small-scale Producer: "All small-scale farms are operated and managed by members and their families. This means that members and their families are directly involved in farming activities (unless not possible due to age, incapacity etc.)" (Fairtrade International, 2019)

Fairtrade International has a wide variety of label for many specific products: cocoa, coffee, cane sugar, cotton and fiber crops, fresh fruits, etc. Vanilla is included in the *Herbs, Herbal Teas and Spices* label category.

Once we know the Standard that our organization would fit in and the specific product label, there are many requirements that we have to check to obtain the certificate. The requirements are divided in four main groups: General Requirements, Trade, Production and Business Development.

- **General requirements**

General requirements are about the producer organization and the fair trade standards, the process to be certified as fair trade producer and the framework for the effective implementation of the Fairtrade International Standard.

The organization must be registered and established according to the legality of its country; the management of it must be in a democratic way and the workers must be an essential part in the company's General Assembly; besides, 2/3 of the workers need to be small-scale producers according to their definition of it: "Small –scale producers are farmers who are not structurally dependent on permanent hired labor and who manage their production activity mainly with family workforce."

Another general requirement is referred to the potential market for the product, which we will later analyze and prove in the sections 5.1 Fair Trade Spanish Market Analysis and 5.2 Vanilla Spanish market analysis.

Finally, some general requirements are related to the process itself to obtain the certificate. The company compromise to accepting audits, to have a contact person for the certification matters and that the members will not take actions to evade the Standard.

- **Trade requirements**

Trade requirements are related to the conditions of the commercial transactions between the producer organization and its customers. They have to be carried out in a framework of transparency.

First set of trade requirements are about the traceability. Producer organization must have a documented record of the products lots, the production flow, sales and workers during the whole process.

Another trade requirement is about the source of fair trade products for new producer organizations. They can sell stock just from the previous year to get the certification.

The third set of trade requirements is about contracts. Both you and your buyer must follow Fair trade general lines. If the buyer is suspended or decertified for not filling this general Fair Trade lines, the contract can be terminated.

And finally, last trade requirements are about the use of *Fairtrade International* mark and label. It can be used on the wholesale packaging, samples, website and any promotional material with the previous consent of the organization.

- **Production requirements**

This is the bigger and more important section of the requirements to obtain the fair trade certificate. It is divided in three parts: Management of Production Practices, Environmental Development and Labor Conditions.

- Management of Production Practices

This section is about the management structures and procedures, the objective is to support the organization and its members to enhance the production requirements.

It must be documented through an Internal Management System (IMS) that includes management structure, inspection and training plans and the person responsible of it, list of all the members of the organization, etc. The main objective of this IMS is to have a clear document available for all the members with the plans, objectives and processes of the organization.

- Environmental Development

The objective of this set of requirements is to ensure that the organization and its members follow agricultural practices that contribute with the protection of the environment and biodiversity through a sustainable production system.

In the IMS, explained in the previous section, must appear the person responsible for the environmental development. The task of the environmental development responsible is to inform, assess, train and monitor about it.

In this section we pay special attention to pesticides, materials and processes like the cleaning, storage and how to use them. There are list of pesticides, herbicides and hazardous materials whose use must be avoided.

Other important parts of the Environmental Development are the water sources and its uses, the protection of forest vegetation and biodiversity, the use of genetically modified organism and the awareness about climate change.

- Labor Conditions

This section is about ensure and guarantee the working conditions according to the ILO conventions, national legislation and the international human rights treaties.

The organization must be free from discrimination on any basis of race, colour, gender, sex, religion, political opinion, national extraction or social origin.

Also special attention is paid to forced or compulsory labour according to the ILO conventions. Besides, workers must be free to associate, create unions and have representatives.

Child labor and child protection policies must be taking into account to. No children under 15 years can be employed. In case it is a familiar farm they can help under certain conditions but families must prioritize their studies and school access.

The organization have to promote good conditions of employment, use permanent contracts as much as possible and minimize subcontract and temporary contracts. Also workers must receive equitable remuneration for their work.

- **Business and Development requirements**

This chapter is about the development of the business, its members and the society around. First step is to analyze the needs and the points to improve. Once needs are identify, a development plan is created with clear activities, objectives and a timeline for it. The development plan reinvest part of the profits of the organization in acquire more actives for the business itself or items that allow the members or the society around it a better life level.

The development plan must be agreed democratically in the general assembly of the organizations. Besides, one of the members has to be the person responsible of it, control and the objectives are done according to the plan.

In *Annex I*, I make a small simple proposition of business development, based on the fair trade principle of reducing intermediaries. Instead of whole selling vanilla beans to a food process company to be packaged individually, adding one intermediary, we can package it and sell it directly to retail companies. The investment is relatively low and the long term profit can be so big.

5. Distribution and Marketing Plan

In this chapter we are going to develop market research for fair trade and vanilla sectors. Furthermore, we will use the PESTLE model to analyze the macro environmental characteristics of our destination country, Spain.

After external analysis, we are going to use SWOT model and Marketing Mix Four Ps to analyze the company inside this market and its strategies.

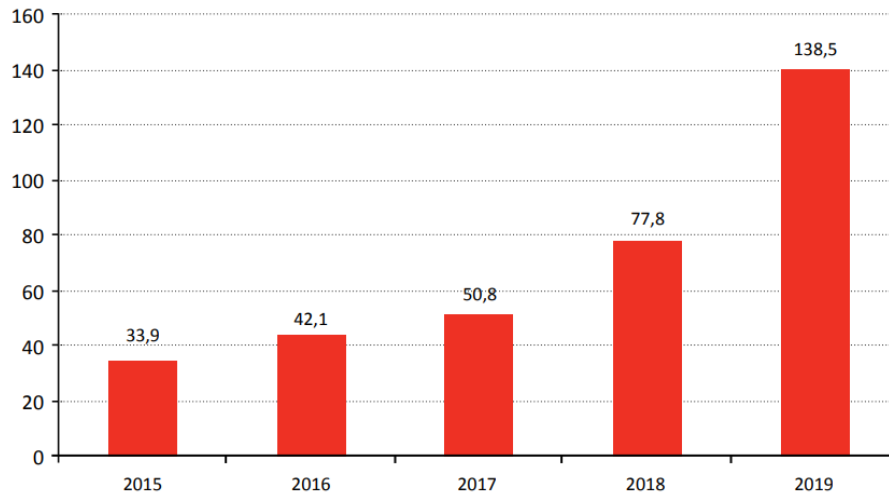
5.1 Fair Trade Spanish Market Analysis

For this section we are going to use the information in the 2019 Annual Report (most recent one) and some previous ones of the Fair Trade State Coordinator Organization. In this report they analyze the situation of Fair Trade movement in Spain, comparing with previous year we can see the evolution of the sector.

As I mentioned in the section 2.2.2 Spanish Fair Trade History, the first Fair Trade initiatives emerged in Spain in 1986 with two only stores. It was 10 years later in 1996 when the organizations participating in the movement joined forces and funded the “*Coordinadora Estatal del Comercio Justo*”.

Since that moment, fair trade in Spain has experienced a wide growth in acceptance, diffusion and sales volume. First economic data of the sector was registered in the year 2,000, sales volume this year reached 7 million euros. In the next graph we can see the evolution of the sales from 2015. In last five years sales growth from €33.9 million to €138.5 million, the 2019 sales were four times the 2015 sales.

Figure 28: Fair Trade Sales Evolution



Source: *Coordinadora Estatal del Comercio Justo*.

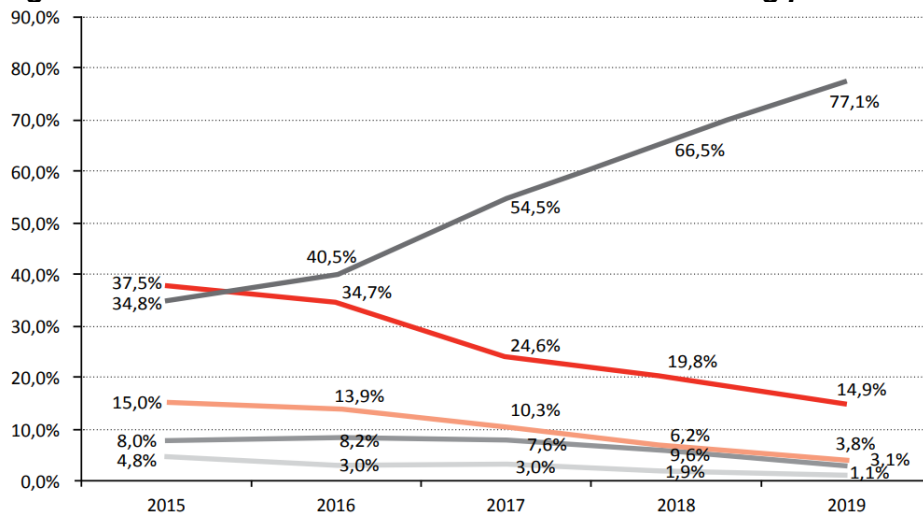
This growth is due to many reasons. First of all, the quantity and variety of fair trade products. In 2019 there were more than 1,700 certified fair trade products registered, almost double than in 2018. The number of brands also increased more or less the same amount from 190 brands in 2018 to more than 310 fair trade brands in 2019.

Another reason for the sales exponential growth is the change in consumption habits. According to Spanish Foundation for Science and Technology survey, 47.8% of the Spanish population has change its consumption habits based environmental or ethical motivations.

If we analyze the fair trade sales by product types we can see a clear tendency: 96.8% of the total is represented by food products, 2.8% is handcraft products and the rest 0.4% is represented mostly by cosmetic products. Being more precise: 75% is cocoa and related sweets, 17% coffee, 1.4% tea and another 1.4% clothing products.

Analyzing the sales in terms of selling points, we can observe how the retailer and supermarket companies are consolidating their first position with almost 80% of market share. In the next graph we can see the market share of different types of shops: in grey supermarkets, in red hotel and catering channels, orange for fair trade specialized shops and grey for other small retail shops.

Figure 29: Evolution of Market Share of Different Selling points



Source: *Coordinadora Estatal del Comercio Justo*.

This rising of supermarket as fair trade selling points has good consequences for the producers but bad consequences for final customer. On the good side, the sales increase in an exponential level and producers', in developing countries, income rises the same as a consequence. On the other side, fair trade certified distributors have certain level of profit margin and they try to reduce at maximum the number of intermediaries. So when you, as final customer, buy a fair trade product in a supermarket, you are paying probably a higher price destined to the supermarket margin.

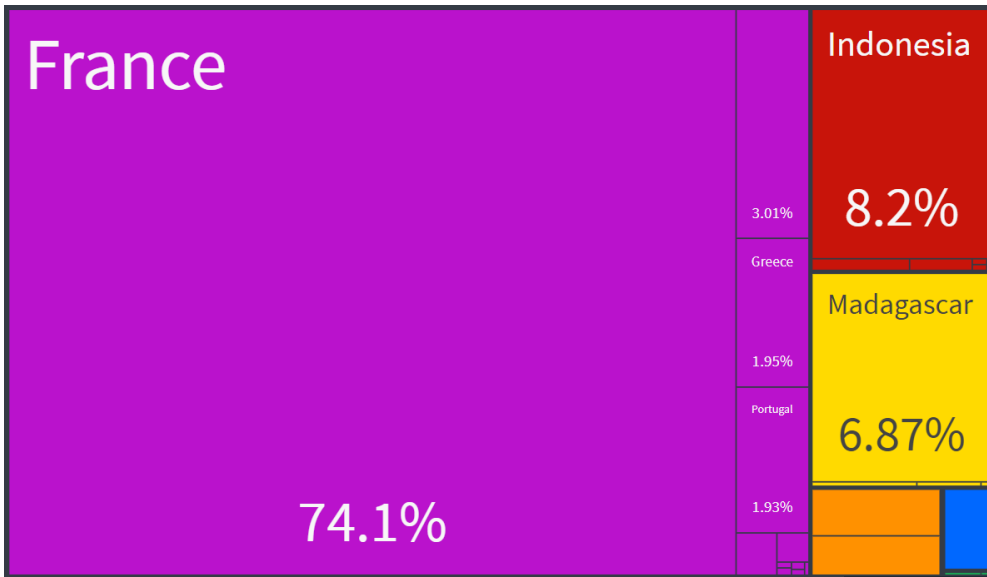
5.2 Vanilla Spanish market analysis

In this section we will make a market research of vanilla in Spain. Since we don't produce any vanilla we part from the base that the consumption of vanilla in Spain equals the total vanilla imported plus products with vanilla in them minus the vanilla exported to third countries. Besides we also will analyze the numbers of vanilla imported from Papua New Guinea.

5.2.1 Vanilla Spanish market in general

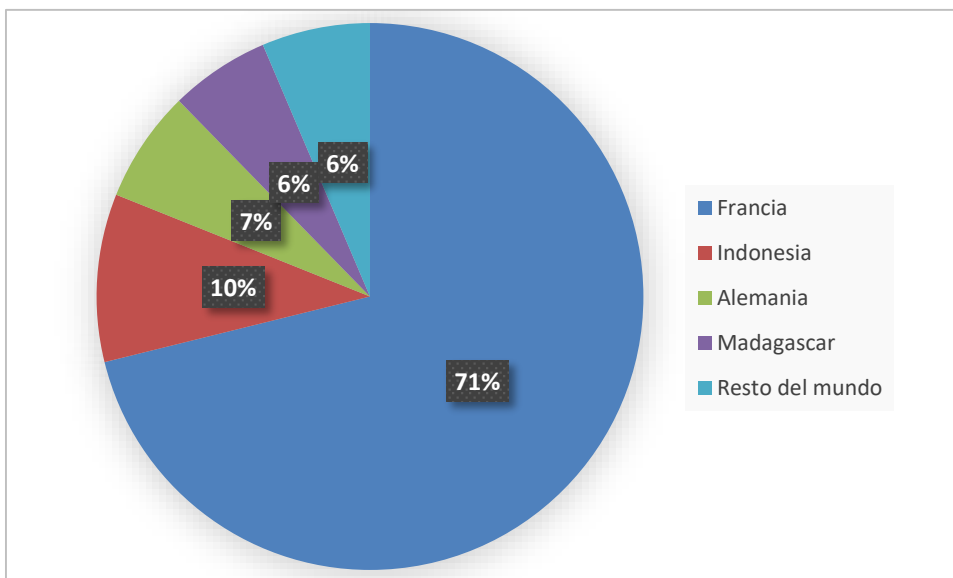
Spain does not meet the climatic conditions to cultivate vanilla. In other words, that all the vanilla consumed in Spain is imported. In the next graphs we can see the origin of the vanilla imported from Spain in 2019 from 2 different sources: Data Comex (statistic data base from the Spanish Ministry of Industry, Commerce and Tourism) and The Observatory of Economic Complexity.

Figure 30: Origin of Vanilla Imported to Spain in 2019 (OEC)



Source: Observatory of Economic Complexity.

Figure 31: Origin of Vanilla Imported to Spain in 2019 (Data Comex)



Source: Data Comex.

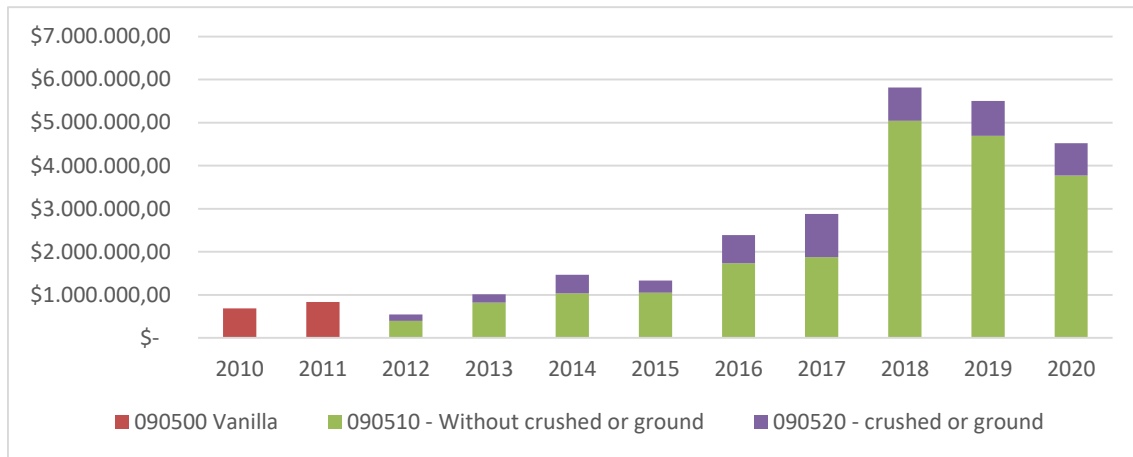
The data is quite similar, but not exactly the same. In the OEC page it shows the vanilla import reached \$6.12 M while according to DataComex was only \$5.5 M. For further analysis, we are going to take into account DataComex information. As I said before DataComex is a statistic data base from the *Spanish Ministry of Industry, Commerce and Tourism* whose source is directly the *Custom Department*, so we assume their number are more exact.

"Fair trade vanilla market research and import project from Papua New Guinea to Spain"

Luis María Rodríguez del Egido

In the following graph we can see the evolution of total import of vanilla to Spain in the last decade measured in US Dollars. As we can see the vanilla import had an upward trend from 2010 until 2019. Covid 19 had a strong impact in world's economy and the global trade was stopped for few months. We can see how in 2019 and 2020 the vanilla import in USD decreased 10% and 20% respectively compared to the previous year.

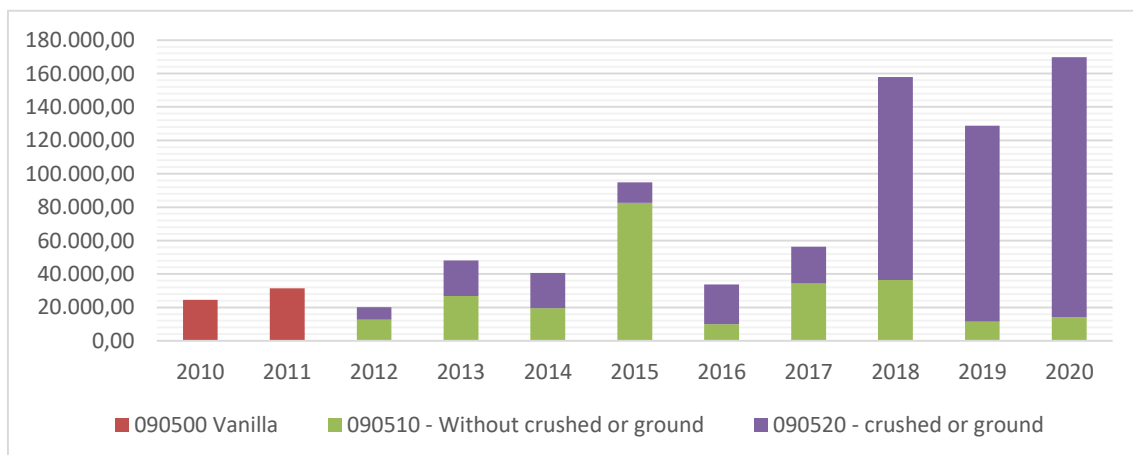
Figure 32: Spanish Vanilla Total Import in US Dollars



Source: Data Comex.

In the following graph we can see the evolution of total import of vanilla to Spain in the last decade measured in kilograms. This trend is quite different from the one in US Dollars. We can see also a rising tendency, although it is much more irregular than the previous one. It grew from 2010 to 2015, it stopped abruptly in 2016 and it recovers the previous growing rate in the last years.

Figure 33: Spanish Vanilla Total Import in Kilograms

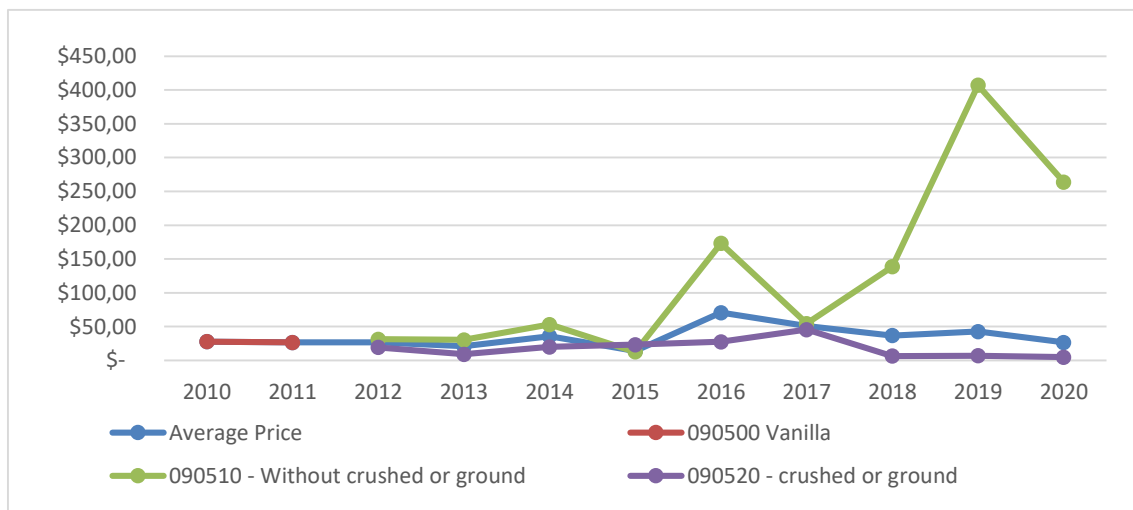


Source: Data Comex.

We import much more crushed or ground vanilla, the reason is because the vanilla we import is processed in France and imported as a paste or vanilla essence, generally for baking industry.

Dividing the kilograms between the US dollar import numbers we obtain the import prices. In the next graph we can see how the import price, measured in \$/kg, evolved in the last decade. It seems illogical but crushed vanilla is cheaper than vanilla beans. The reason is that longer and best quality vanilla beans are sold as a gourmet product, while the small or the broken ones are ground and processed as paste or essence.

Figure 34: Spanish Vanilla Import Price Evolution



Source: Data Comex.

Although, not all the vanilla imported is consumed by Spanish customers. We export around a 10% of the vanilla that we import, depends on the year and if we make the math in dollars or kilograms. So the direct consumption by Spanish industry or final customer is close to 90% of this numbers. Although the real vanilla consumption would be higher if we take into account the imported products that contain vanilla.

Previous graph is import vanilla price, in other words, wholesale price of vanilla bought in bulk. Generally, whole vanilla beans are sold like gourmet products (except *Mercadona* one), in glass or plastic tubes with 1 or 2 beans, with cork or screw aluminum tap. In the next table we can see some examples of retail price for the final customer. The average retail price for vanilla beans is around \$2,300 for a kilogram.

Figure 35: Final Packaged Vanilla Market Sample

Store	Brand	Format	Net weight (gr.)	Price/unit (€)	Price €/kg	Price \$/kg
Carrefour	Dr. Oetker	Plastic tube/cork tap	2,8	4,75 €	1.696,43 €	\$ 2.035,71
El corte Ingles	Vahiné	Plastic envelope	5	9,95 €	1.990,00 €	\$ 2.388,00
El corte Ingles	Terre exotique	Glass tube/aluminum tap	8	10,90 €	1.362,50 €	\$ 1.635,00
El corte Ingles	Oena	Glass pot	3	7,90 €	2.633,33 €	\$ 3.160,00
El corte Ingles	Dr. Oetker	Plastic tube/cork tap	2,8	4,75 €	1.696,43 €	\$ 2.035,71
Eroski	Vahiné	Plastic envelope	2	4,75 €	2.375,00 €	\$ 2.850,00
Eroski	Vahiné	Plastic envelope	5	8,99 €	1.798,00 €	\$ 2.157,60
Eroski	Dr. Oetker	Plastic tube/cork tap	2,8	4,76 €	1.700,00 €	\$ 2.040,00
Alcampo	Vahiné	Plastic envelope	2	4,69 €	2.345,00 €	\$ 2.814,00
Terre exotique Web	Terre exotique	Glass tube/aluminum tap	6	17,55 €	2.925,00 €	\$ 3.510,00
Terre exotique Web	Terre exotique	Glass tube/aluminum tap	8	10,15 €	1.268,75 €	\$ 1.522,50
La bolsa de estraza	Eurovanille	Glass tube/cork tap	6	11,30 €	1.883,33 €	\$ 2.260,00
Mercadona	Hacendado	Plastic envelope	5	2,50 €	500,00 €	\$ 600,00

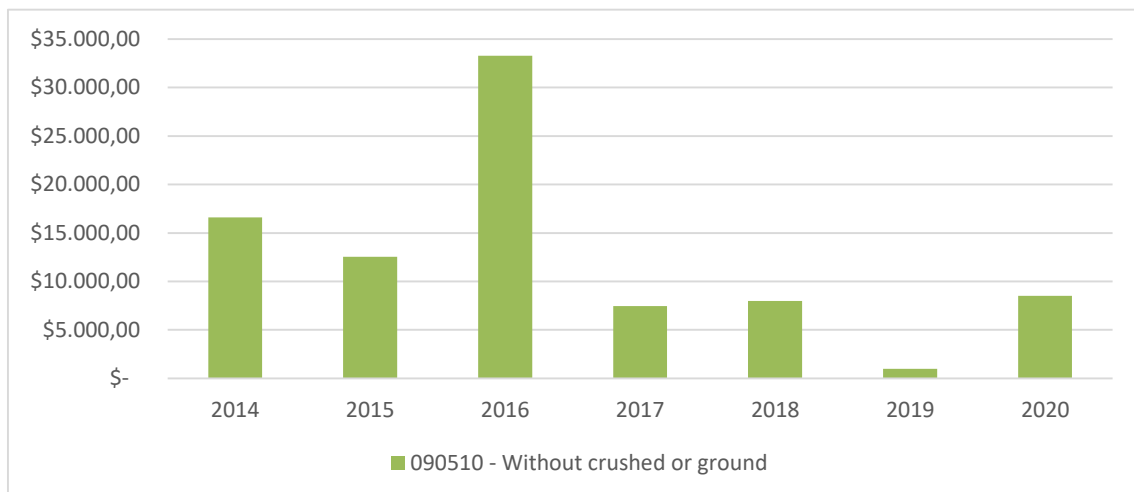
Source: Self Made.

5.2.2 Vanilla from PNG

As we saw in the previous section, main countries from where we import vanilla are: France, Indonesia, Germany and Madagascar. Vanilla import from Papua New Guinea represent less than 1% of the Spanish total.

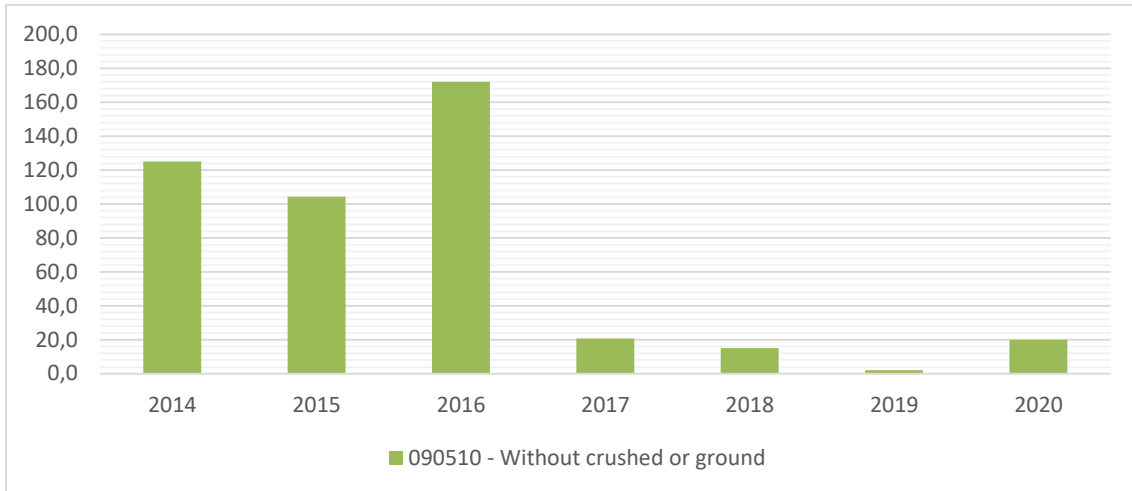
There are no data before 2014, we presume it is because there was no import operations. In the next graphs we can see the Spanish import data from PNG. According to this seven years data, when the import never was above \$33,000, we can say that vanilla import operations are so few.

Figure 36: Spanish Vanilla Import from PNG in US Dollars



Source: Data Comex.

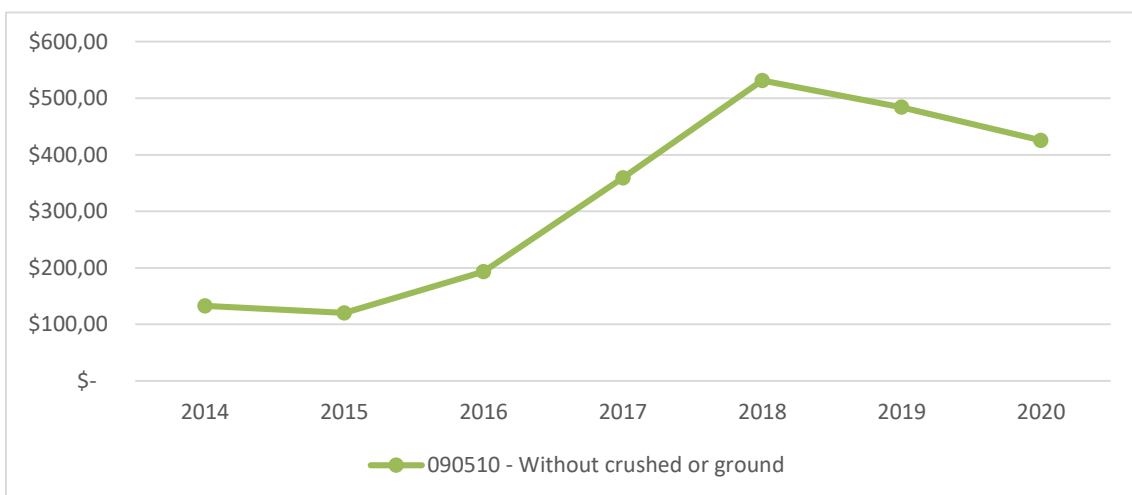
Figure 37: Spanish Vanilla Import from PNG in Kilograms



Source: Data Comex.

Dividing the data of import in dollars and kilograms we obtain the Spanish import price of vanilla from PNG. In the next graph we can see how it rises from \$130 in 2014 to its price peak of \$530 in 2018. After this peak, the price slightly dropped to \$530 in 2020. We can observe clearly how this Spanish imports prices follows the trend that Madagascar, as leading producer country, dictates. We can see Madagascar price evolution in *Figure 14: Madagascar Vanilla Price Evolution*

Figure 38: Spanish Import Price of Vanilla from PNG (\$/Kg)



Source: Data Comex.

5.3 PESTLE Analysis

The PESTLE analysis is a model used to describe the circumstances of a market. It is used in marketing as a technique for market research to give a whole overview of the macro-environmental characteristics of a potential market. It describes the market framework based on 6 factors explained in the acronym PESTLE: Political, Economic, Social, Technological, Legal and Environmental.

- Political Factors

Spain is parliamentary monarchy; it is considered a full democracy and it is in the 22nd place out of more than 160 countries. Nowadays, the government is a coalition formed by two parties: *Partido Socialista Obrero Español*, left-center social-democracy party, and *Unidas Podemos*, left wing party minority partner in the coalition. Their politics are based on the use of social politics, currently focusing in overcoming the economic crisis caused by the COVID-19.

Spain is organized as a “state of autonomies”. It is formed by 17 Autonomic Regions with certain administrative independence from central government in some aspects like taxation, health and education amongst others. This is also translated in social and cultural differences. There are some regionalist countries, most important those who pursuit the independence movements in Catalonia and Basque Country, and few others like Galician and Canary Islands.

Spain is also one of the 27 member countries of the European Union, after the adhesion treatment signed in 1986. We are also part of the countries in the Eurozone that use Euros (€) as currency. Spain is part of the border-free Schengen Area; this means there is freedom for movements of people, capitals and goods between the country members. In other words, getting access to Spanish Market opens the door to the whole European common market.

- Economic Factors

Spain is the 14th economy in the world and the 4th in the European Union (after the Brexit) in terms of GDP. Spanish GDP was \$1,393,000 million in 2019 according to World Bank data. In 2020, due to Covid-19 crisis, its GDP dropped around a 10% to \$1,278,210 million. Although, European Central Bank forecast that Spanish economy will recover the pre-COVID situation in 2022.

In terms of GDP per capita, we are in the place 36th out of 196 countries, with an annual GDP per capita of \$27,000 in 2020. Spain minimum wage is around \$1,300, in Spanish currency €950 wage, with 14 payments (12 month plus two surplus wages).

In terms of business a commercial relationships, Spain is in 30th place for Ease of Doing Business Ranking of World Bank. Spanish trade balance in 2020 was negative \$18 billion with a cover rate of 94%. Spain exported \$307 billion and imported \$325 billion. Spain's main exported products are: vehicles and components, machinery and chemical products, main destination for it is the rest of members of the EU. Spain's main imported products are: oil and fuel, machinery and vehicles and its components, principal origin are other members of the E.U. and Asia.

- Social Factors

The Spanish population is around 47 million inhabitants. Mostly located in cost regions and Madrid, the capital; the population density in the rest of Spain is quite low and concentrated in small cities. As I mentioned before, there are many cultural differences between regions. The simplest and easiest cultural division would be: Cantabric coast and north regions, center regions and Mediterranean coast regions.

Spanish population is has one of the oldest population age on average in the world. This is cause by low birth rates, seven births per 1,000 inhabitants in 2020; a low fertility rate of 1.6 children per woman, lower than the 2.1 replacement-level fertility; combined with one of the highest life expectancy, higher than 83 years. Despite all these factors, its population grows slow but constantly thanks to the migration moving in a favorable rate.

Another important fact is Spain takes 25th place in Human Development Index. Spain provides access to public primary and secondary education and health systems to its population. It is also a safe country.

One of the biggest social problems is the high rates of unemployment, especially in the young adult population. Unemployment rate for people under 25 years old is close to 40%.

- Technological Factors

Spain has a high level of technological development; access to internet is majoritarian, except some rural zones, and the use of ICTs (Information and Communication Technology) is well spread.

As I mentioned before, before our main exported products are vehicles, machinery and chemical products, proving the importance of industry in our economy.

In terms of transport infrastructure, we have a good highway and road system, shaped as a spider web with Madrid in its center. Furthermore, we are leaders in the train sector with a good railroad infrastructure spread around the whole country.

Although, Spanish R&D (Research and Development) investment rates are so low. Spain invested in R&D in 2019 1.24% of its GDP, far of European 2.18% average. Further to the investment above 3% of its GDP of technology leader countries like Germany, USA, Japan and South Korea.

- Environmental Factors

Environmental Performance Index carries out a research based in 32 indicators divided in different groups like ecosystem vitality, pollution emissions, water waste, and air quality, amongst other factors. Spain places 14th out of 190 countries.

Utilization of sustainable energy sources has grown a lot in the last year. We have a great climate conditions that allow for the use of wind turbines and solar panels. According to Eurostats, Spain usage of renewable energy sources was 18.4%, ninth place in the EU. Also, according to International Renewable Energy Agency, Spain is the 8th country in terms of installed capacity.

As I mentioned in 5.1 Fair Trade Spanish Market Analysis, Spanish perception about climate change shows that most of the population sees it as a serious problem and close to half of the population has changed its consumption habits for ethical or environmental reasons.

Generally, Spain is well-behaved in terms of environmentalism. Although, there are some problems in which we have to improve; like traffic pollutions in big cities, the excessive use of fossil fuel by some big companies while we have alternative resources available, some punctual construction project generally associate to tourism too close to the shore, and few others.

- Legal Factors

As I said before, Spain is a full democracy in a good place on the world list. This reaffirms the separation of powers and its legal security.

Related to Fair trade, we mentioned in the section 2.2.2 Spanish Fair Trade History the few legal steps from the government to promote the movement. Like the Law 30/2007 about public sector contracts which included fair trade in the public procurement criteria.

Spain is a member state of the European Union common market and the Schengen Zone. In terms of import laws, all the products that enter the EU have to meet specific requirements common to all the member states. In the section 6.2.2 Legal Procedures and Requirements in Destination (Spain and E.U.) we describe all the documentation and other requirements requested to the imported products.

5.4 SWOT Analysis

SWOT analysis is acronym of the four factors studied in it: Strength, Weakness, Opportunities and Threats. It is an internal and external analysis technique for companies. This analysis method studies the company itself: “Strengths” represent the positive values of the company and “Weakness” represent the negative ones. It is also used to analyze the environment and market factors: “Opportunities” that can grant market access and “Threats” that can negatively effect the work.

This SWOT analysis must be the base for our marketing and management strategies. We have to highlight our “Strengths” to the customer and exploit as much as we can the “Opportunities” of the market. On the other side, we have to keep improving and developing to eliminate “Weaknesses” and create preventive and palliative plans for the “Threats” to minimize their impact.

- Strengths

The best possible strength for the market logic is a high quality product with a market competitive price. Nengo Organic Vanilla cultivates, processes and dries vanilla in a traditional and most organic possible way. As a result we obtain best quality vanilla beans of two different spices: Vanilla Planifolia, commercially know as Bourbon, and Vanilla Tahitiensis.

Product is vacuum sealed once is dry and ready to consume keeping its freshness, smell and taste characteristic intact. Also, being vacuum sealed allows one to storage it easily. Vanilla beans do not need to be refrigerated, just well packaged in a shady and fresh place.

Fair trade is a way to differentiate our vanilla from others in the market, as I mentioned before customers habits are changing to be more ethical and environmental. Fair trade certificate ensures to the customer that vanilla has been cultivated ethically. Vanilla is produced under good working conditions of the farmers, whom will also receive a fair salary for their work and helping their community to develop.

Fair trade certificate also has strict requirements about environmentalism. Vanilla is produced in the most organically and ecologically ways possible. Being certified as fair trade ensures that producers take care of water resources and biodiversity. Also, use of pesticides and fertilizers is avoided.

- Weaknesses

One of the biggest weakness is the novelty of Nengo Organic Vanilla as a cooperative. Although the individual farmers are experienced in cultivating vanilla, being associated as a cooperative is whole new challenge. Organization and management problems will arise during the first steps as a company. It is critical to overcome the first year, luckily fair trade requirements describes many of the procedures to follow, so we have to take the requirements as a good practices guide not only as the check list to complete to be certified.

As a small cooperative of farmers, our market share is so small, so is our bargaining power. Our negotiating position is so inferior to big distributors and customer companies, so we are exposed to price volatility of vanilla market. Our best chance to avoid this is fair trade. Fair trade distributors and companies with same ethical values will be more incline to pay a fair price for the vanilla, even when the price drops.

Vanilla is a seasonal product like other vegetables and plant origin products. It is harvested in autumn and processed during the few months after. The size of our company and the characteristics of the product limits and dictates the quantity of our production so we cannot serve a continued flow of product.

We can storage vanilla for long periods of time, without a great cost, vanilla crops grow and are harvested once a year so this can lead to lack of storage. Not being able to serve our clients necessities is a problem, although it can be perceived also as a success because it would mean that we sold all our production.

- Opportunities

Nowadays, the general public tends to worry more about their nutrition. Trends like high cuisine, foodies and food related accounts in social media are promoting the use of more natural and some gourmet products. Our vanilla as a gourmet organic product fits perfectly in this trends.

As I mentioned before, half of the Spanish population has modified their consumption habits to be more ethical. This added to the interest and promotion of big companies, like Carrefour and Ben & Jerry's, of fair trade products is stimulating the growth of the movement and the demand of fair trade certified products.

In the last years, vanilla price has followed an upward trend. Prices have risen from \$100 to \$500 for a kilogram in five years. The trend seems to be stabilizing but the rising demand can lead to higher prices.

There are many products with fair trade vanilla in its ingredients but the main distributors does not sell fair trade vanilla beans, as I said in the section 5.1 Fair Trade Spanish Market Analysis. This lack of competitors can be a great opportunity in short term.

As last opportunity, entering and being established in the Spanish market can grant us the access to the whole European Union Market. Legal procedures and requirements are common to the EU, we only would have to adapt the tags to the language of other European countries and look for other clients.

- Threats

We have talked about the rising price of vanilla last years, although, the price trend is quite irregular and it shows great volatility. Vanilla plant is so delicate and it only grow in few places in the world. Any change in the producer countries, especially Madagascar, can make huge changes in vanilla price in short time periods.

Also vanilla requires specific weather, temperature and humidity. Climatic change and global warming is changing slowly this necessary conditions. Also, natural disasters such as hurricanes and typhoons are getting more frequent as a result.

Spain and the E.U. external politics are quite stable and global trade tends to liberalism and reduction of tariffs between countries. Although, episodes like last year's commercial war between U.S.A., under Trump's government, and China can happen. Political and legal change can be a threat in long term. Not only political and trade factor can affect global market. Crisis like the one in 2009 and the caused by COVID-19 are getting more frequent and unpredictable.

Consumption of vanilla and fair trade products is growing. Although, the rising of the movement and the certified producers can lead to attract new competitors to the Spanish and European market.

Figure 39: SWOT Analysis Summary

	Positive Factors	Negative Factors
Internal Factors	Strengths	Weaknesses
	-Quality product	-New company
	-Easy storage	-Low bargaining power
	-Fair trade differentiation	-Seasonal product
	-Organic differentiation	-Inventory management
External Factors	Opportunities	Threats
	-Trendy product	-Price volatility
	-Rising demand	-Climate change
	-Rising market price	-Political and legal changes
	-Low competition	-Economic crisis
-Access to European market	-New competitors	

Source: Self-made

5.5 Marketing Mix

Based on the characteristics of the external environment (market researches and PESTLE analysis) and the internal characteristics of the company (SWOT analysis) we are going to describe the marketing strategy of *Nengo Organic Vanilla*. Marketing mix, also known as the four Ps of Marketing, is an analysis of the marketing strategies of a company describing the four main factors: Product, Price, Place and Promotion.

"Fair trade vanilla market research and import project from Papua New Guinea to Spain"

Luis María Rodríguez del Egado

- Product

Nengo Organic Vanilla cultivates processes and dries vanilla in a traditional and most organic possible way. As a result we obtain best quality vanilla beans, ready for its consumption, of two different spices: Vanilla Planifolia, commercially know as Bourbon, and Vanilla Tahitiensis.

The vanilla beans quality is measured according to different parameters: smell, taste, humidity size, etc. The best quality vanilla is sold as gourmet product in culinary shops, although nowadays we can find it in retail sector due to the increasing demand.

Our vanilla beans meet all these quality standards. The bigger beans, longer than 12 cm, can be packaged in tubes to be sold to the generic customer. Smaller beans, considered less attractive visually but with the same culinary characteristic, can be grinded and use to obtain vanilla paste or essence.

Vanilla is sold in bulk to distributors and food process companies. We sell it packaged in vacuum sealed bags in boxes, so the client can package it in individual tubes or grind it to obtain vanilla paste or essence.

- Price

Madagascar and Indonesia are the market leaders in the vanilla sector, they produce more than 70% of the world vanilla. Madagascar and Indonesia, with the majority of vanilla market share, are the ones who decide the global price.

Papua New Guinea, despite being in the Top 5 vanilla producers, only produces 7% of the total. In other words, we have no power in the price making decisions about the global vanilla price. *Nengo Organic Vanilla* as a small farmer's cooperative behaves as an "accepting price" company, so the price of our product has to be similar to the market price.

As we saw in *Figure 14: Madagascar Vanilla Price Evolution*, actual price is around \$500. Spanish import price for not ground vanilla, described in the section 5.2 Vanilla Spanish market analysis, is so low compared to the general price. Although final customer price for vanilla beans is higher than \$2000 due to the high margin of the intermediaries.

Our vanilla is certified as fair trade, so this ensures that farmers and producers receive an ethical salary, working under fair conditions and respecting the environment. In other words, in addition to best quality vanilla beans customer is paying for the added values. This differentiation of our product is translated into a higher price.

This is the list of our products and its wholesale ExWorks Price:

- *A Grade* : Best Super Black Vanilla Beans:
Planifollia $\geq 15\text{cm}$): \$500/ KG
Tahitensis ($\geq 15\text{cm}$): \$500/ KG
 - *B Grade*: Super Black Vanilla Beans:
Planifollia (12-14cm): \$450 / KG
Tahitensis (12-14cm): \$400 / KG
 - *C Grade*: Good Dry Vanilla:
Both Planifollia & Tahitensis ($< 12\text{cm}$): \$300/KG
- Place

As I said, *Nengo Organic Vanilla* target client is distributors and food process companies. One of the ten principles of Fair Trade is to minimize intermediaries and reduce their margin to equitable levels. Ideally, we would sell our product only to fair trade certified distributors. In the section 2.3.3 Trade Organizations, I mention the list of certified distributors obtain from *Coordinadora Estatal del Comercio Justo* website.

Ideally, we would only sell our product to these certified distributors, because they ensure that they work according to the Fair Trade principles. Although big mainstream retail companies like Carrefour, Alcampo, Eroski and few others are including fair trade products in their catalogs. Nowadays, they sell more than 70% of the fair trade products in Spain.

Another option is to sell our vanilla to food process companies that use fair trade products. As I said in the section 5.1 Fair Trade Spanish Market Analysis, main fair trade distributors does not sell vanilla beans but there are processed food products (for example chocolate bars, bakery or ice cream) certified as fair trade. This means that the cocoa, vanilla, coffee, sugar and most of its ingredients are certified as fair trade too.

- Promotion

One of fair trade organization's function is to promote and raise awareness of the customer to the movement. Although they are not promoting directly our product the fair trade sector numbers are rising, indirectly this affects *Nengo Organic Vanilla*. They are not promoting our vanilla, but they are encouraging new ethical consumption habits that in long term affect us.

Nowadays, international commerce is done through Internet. First contact is generally done via email or social media, especially for this case since Spain and Papua New Guinea are in the opposite sides of the world. One of the first steps, once the cooperative is created, is to increase our internet presence.

Nengo Organic Vanilla website is critically important. It will meet the function of a business card with all the contact information and addresses. In addition to the contact function, website can be used as a showcase for our products, the curating process of vanilla and the price for customers.

And last function of website is to approach the farmer's reality to the customers with videos of images of the vanilla process and the day a day activities in the society. A picture is worth a thousand words, we are selling a far trade product with an ethical value added. We should prove to the clients and customer that pay this extra value is necessary and that they are contributing to improve live conditions of real people.

The website works as a passive promotion mean. In addition to this, we must actively look for clients, distributors and food clients and contact them directly thought more traditional methods like cold mailing.

In the Annex II, I make a proposal to Valladolid University. The university is applying for a certificate of Fair Trade Support University, initiative recently created by the Spanish NGO *IDEAS*.

6. Export/Import Project Plan

In this section we will explain an example of vanilla import/export plan. Firstly, we are going to analyze the logistical procedure and its two different parts: the packaging and storage and the transportation from Papua New Guinea to Spanish distributors.

"Fair trade vanilla market research and import project from Papua New Guinea to Spain"

Luis María Rodríguez del Egido

In addition, we will analyze all the requirements and documents necessary to import vanilla to Spain and the European Union since we are part of the common market. Also, we will make a brief approximate cost analysis of the process.

6.1 Logistic Process

The export/import operation we are planning is 52 kg of vanilla of different species and qualities according to the need. Let's suppose this is the purchase order we have received from the client:

- 20kg of Vanilla Planifolia: A Grade
- 20 kg of Vanilla Tahitiensis: A Grade
- 8 kg of Vanilla Planifolia: C Grade
- 4 kg of Vanilla Tahitiensis: C Grade

The client is a vanilla distributor, that will package the A grade vanilla in tubes of 2 beans like the one we can see in the picture below, most common package used to sell to the final customer, and the C Grade vanilla will be grinded to vanilla extract essence.

Figure 40: Vanilla Beans in Tube



Source: Elite Fine Food.

Vanilla is a plant origin food, so once it is cured it requires to be stored in certain conditions. It must be preserved in a fresh dark and dry place. Heat and humidity might cause the growth of moss. On the other hand, exposure to air or storage in cardboard might dry the beans too much and cause loss of the flavor and aromatic characteristics. In terms of temperature the vanilla needs to be fresh but it does not require to be refrigerated. Temperatures between 10° C to 20° C are perfect once it is packaged.

Nengo Organic Vanilla uses a vacuum sealed process to preserve the vanilla in perfect conditions. The vanilla is weighted and packaged in plastic packaging, between one and four kilograms, that are vacuum sealed. Once the vacuum sealed packages are prepared

they are tagged with the weight, the product grade and the vanilla spice. Once the vanilla is vacuum sealed and tagged, it goes into a cardboard box for the transport.

For the operation we are planning the package would be the next:

- 5 units of Vanilla Planifolia A Grade, net weight 4 kg/unit.
- 5 units of Vanilla Tahitiensis A Grade, net weight 4 kg/unit.
- 2 units of Vanilla Planifolia: C Grade, net weight 4 kg/unit.
- 1 unit of Vanilla Tahitiensis: C Grade, net weight 4 kg/unit.

Spain and Papua New Guinea almost are situated in the opposite side of the world, so the transport by ship would take approximately two months. Vanilla is a perishable product, although it lasts a few months once vacuum sealed, by ship it would lose half of its use life. Also, vanilla is high value product in relation with its weight. These are the reasons why we are going to use air transportation.

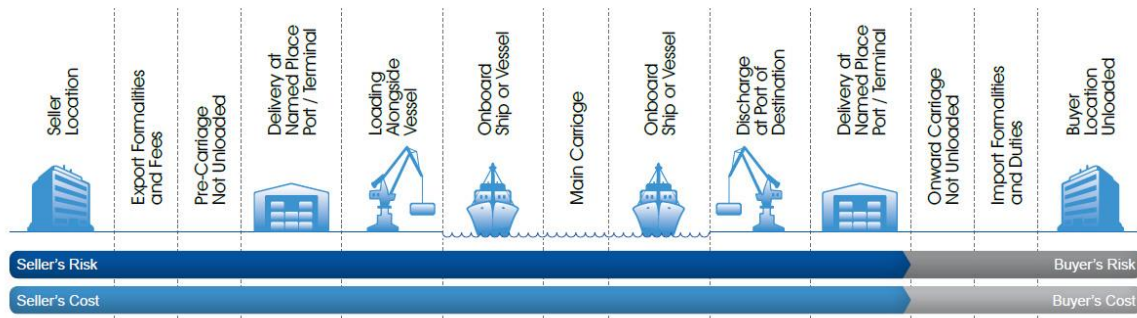
Shipment by plane has its advantages and disadvantages. The main advantage is the quickness. Besides it is one of the most safe and reliable, it has one of the lowest rates of accidents of all transport means. The main disadvantages are the high cost and the size limits for the cargo.

Air shipment is usually used in 3 cases: to emergency shipment that require the shortest travel time, perishable products whose properties expire so fast and items whose relationship value-weight is high. Vanilla fits perfectly in the last 2 groups.

International Commercial Terms or Incoterms are a set of standardized rules and guidelines commonly accepted for international trade. They define the responsibilities, duties and rights of the parties in the import/export operations. They were published in 1936 by the International Chamber of Commerce and recently modified in 2020.

For this operation we are going to use the recently approved Incoterm DPU (Deliver Place Unload). It is similar to DAT (Delivered At Terminal) from Incoterms 2010. To summarize the conditions of this incoterm, the seller is responsible of both cost and risk from the seller location to the destination airport. The buyer cost and responsibilities are: to receive the cargo, assume the cost of tariffs and customs procedures in destination and transport it to its own facilities. In the next image we can see it explained graphically.

Figure 41: Deliver Place Unload 2020 Incoterm



Source: AIT Worldwide Logistics.

In our export operation, Nengo Organic Vanilla is responsible of cost and risk of the following steps:

- Transport from the facilities of the organization to Port Moresby Airport.
- Legal procedures in origin (PNG) that we will explain in the next section.
- Loading the cargo to the plane.
- The main transportation by plane.
- Unloading the cargo from the plane.

If something happens to the vanilla packages during these steps Nengo Organic Vanilla would be responsible for it. It would be Nengo Organic Vanilla who has to fill the complaint do the shipment company.

Once the cargo is unloaded from the plane, the cost and risk is responsibility of the buyer. So the food distributor company who bought the vanilla has to carry out the following steps:

- Receive the cargo and documents. At this moment the property and responsibility of the vanilla is to the buyer.
- Legal procedures in destination (Spain) that we explain the next section.
- Transport from Madrid Airport to its facilities.

6.2 Legal Procedures and Requirements

In this heading we are going to list and explain all the documents and requirements necessary for vanilla import operation. We divide it in two parts: the ones required in the origin and those required in Spanish customs to enter the European Union. The vanilla as a product requires specific requirements to ensure public health.

6.2.1 Legal procedures and Requirements in Origin (PNG)

The legal procedures and requirements necessary to export vanilla from Papua New Guinea are: the registration as exporter and the phytosanitary certificate. (Papua New Guinea Spice Industry Board Secretariat, 2012)

The first requirement we must meet is the registration as exporter in the Papua New Guinea Spice Industry Board Secretariat (PNGSIB). This government organization depends on the Agriculture Department. They carry on the quality controls and certificates necessities to be certified as exporter.

Besides this registration, Papua New Guinea requires a phytosanitary certificate that will be also required by the European Union and Spain as a part of it. The organization in charge of the phytosanitary requirement is the National Agriculture and Quarantine Inspection Authority (NAQIA). The phytosanitary control checks the level of certain chemicals and fertilizers, as well as the presence of any plague or illness in the vanilla.

6.2.2 Legal Procedures and Requirements in Destination (Spain and E.U.)

Spain is part of the European Union as one of the 27 members of the European Single Market. The 27 Member States of the E.U. work as a single territory in terms of customs. This means that all the general requirements necessary to export to Spain are the same than to any other country of the E.U..

We are making a list of all the necessary requirements and describe them briefly. We are going to divide them in 2 groups: general requirements, necessary for any import to the E.U. no matter what kind of product it is, and specific requirements for vanilla import, corresponding with the Tariq code 090510 "Vanilla - neither crushed nor ground".

- **General Requirements**

- Commercial Invoice.

It is the official record of a commercial transaction between the seller and buyer, exporter and importer in this case, in other words a proof of a sales contract. The minimum data included must be: name and address of both parts, date of issue, number of invoice, description of the goods, quantity and unit measure, unit and total value and the currency of it. There is no specific required form, just those ones adjusted to general business practice.

- Packing List

The Packing List is a commercial document that includes all the detail information about the products. It must include at least: name and address of those involved; description of the goods; type of packaging; number of packages; content of every package; mark and numbers of every package; and net weight, gross weight and measurement of the packages. There is no specific required form, just those ones adjusted to general business practice.

- Transport Document.

It depends on the transportation mean used. In this case, since we are using plane transportation we will need Air Waybill (AWB). The AWB serves as a proof of the transport contract between the consignor and the carrier company.

The carrier company members of the International Air Transport Association (IATA) use the Standard Air Waybill. This includes at least the following information: name and address of shipper, consignee and carrier's agent, origin and destination airports, description of the goods, quantity and unit measure, unit and total value and the currency of it as well as the payment mean. At least 3 copies must be printed: one for the consignor, one for the consignee and one for the carrier, besides another copy can be required by the customs agent. In the Annexes we include the Standard Air Waybill (International Air Transport Association (IATA), 2018)

- Single Administrative Document (SAD)

The goods imported have to be declared to the customs authorities of the E.U. Member State. The Single Administrative Document (SAD) is the E.U. common import declaration document used in all the Member States. The SAD includes the following fields: information of all the parties involved in the operation; identification of the goods (with tariq code), quantity and unit of measure; financial and commercial information (invoice value, incoterm used, currency and exchange rate, mean of payment, taxes, tariffs...) and the list of all the documents attached to the SAD. Usually 3 copies are required for general import operations. In the annexes we can see the SAD sheet

- Customs Value Declaration

The Customs Value Declaration is a document that must be presented to customs authorities only if the value exceeds €20,000. The customs value includes: the commercial value of goods, the transport and the insurance cost until the first entry point of the E.U..

- **Specific requirements**

In order to guarantee the consumer health, the European Union has strict laws for all the food intended to human consumption. *TRACES (Trade Control and Export System)* is the E.U. platform through which we can obtain the permits and certifications to import food products to the E.U..

We will list all the specific requirements to import food products. Since we are importing vanilla beans, non-processed food, some of these requirements could not be required for this operation. We can use the phytosanitary certificate extended by the *National Agriculture and Quarantine Inspection Authority (NAQIA)*

- Control of Contaminants in Foodstuff and Pesticide Residues in Plants

To import vanilla, or any other food or agriculture product, is necessary a chemical analysis. This chemical analysis must include the levels of nitrates, sulfites, mycotoxins, metals and pesticide residues.

- Health Control of Consumables of Non-Animal Origin

Food products must meet few conditions of hygiene and preparation process. Under these measures the EU ensures the food safety and hygiene processes are carried on during the preparation of the products. Also, special attention is given to the additives and conservatives used.

- Traceability, Compliance and Responsibility in Food and Feed

Food products or any other product used in their production must meet strict rules of traceability. All the ingredients must have been tracked from the origin.

In this case, vanilla as the only ingredient, we will need the origin certificate extended by the *Guinea Spice Industry Board Secretariat* (PNGSIB).

- Labelling of Foodstuff

All food products sold in European Union must meet certain rules of label. The label must be in the official language of the EU Member States in a good legibility text size. The label has to include the ingredients, additives and the nutritional value for processed food. In our case, our only specifications to write are the “vanilla from Papua New Guinea” in Spanish and a visible text size.

6.3 Cost Analysis

In this sub-heading we are going to make a brief approximate cost analysis following all the steps in the production and logistic from the vanilla fields to the final distributor. We start with the gross income of the operation, continue with direct related cost of the operation and end up with the fix cost of *Nengo Organic Vanilla*.

Calculate the fix cost of the company and associate it to a certain amount of vanilla would require a financial analysis of the company that for the moment does not even exist. So we are going to list and describe the different cost without doing the financial analysis.

- Gross income: Ex Works price: **\$23.600**
 - 20 kg of Vanilla Planifolia: A Grade \$500/kg = \$10,000
 - 20 kg of Vanilla Tahitiensis: A Grade \$500/kg = \$10,000
 - 8 kg of Vanilla Planifolia: C Grade \$300/kg = \$ 2,400
 - 4 kg of Vanilla Tahitiensis: C Grade \$300/kg = \$ 1,200

In Fair Trade, the same way that we talk about adding ethical values to the product, we have to talk about social benefits and profits. We can see that economically the income is so high, we have to realize also that we are helping to improve the life quality of the farmers and the development of a society around them. These are also clear incomes to take into account but so hard to measure economically.

- Variable cost
- Certificates in Origin: \$165

According to Veronica, first-hand information, the phytosanitary certificate for export is around \$15, in local currency K50 (PNG Kina). The Customs Brokers Fee, it is around \$150 (K440) and increases depending on the weight of the vanilla.

- Packaging: \$50

Vanilla is packaged by Veronica Bue in *PNG University of Technology*. The cost of packaging refers to the vacuum sealed bags, the box required for the transport and the tags. Cost of preparing the 13 packages for the transport would be around 50\$.

- Transport: \$1,000 - \$1,300

We have asked to companies like DHL or FedEx for a budget through their websites. We have chosen these companies because they offer whole logistic solutions to operations like this. They would pick the packages in the cooperative facilities and bring it to Madrid Airport according to the chosen Incoterm.

According to the budget from these companies, shipment from Lae (Morobe Province, PNG) to Madrid (Spain) the price of the sending would be around \$1,000 - \$1,300 including the transport insurance. Depends on the date, how the packages are organized and other conditions.

- Fix cost
- Production and Workforce

It is hard to calculate production cost. The curing and drying process of vanilla it is long and complicated, as I have explained, so the main cost this is the workforce. Since it is organic and made by the traditional method, farmers do not require many materials further than the tools and water used. The land used is formed by small family farms property of the cooperative members.

The cooperative, once existing, would be formed by the farmers and few workers in charge of management and commercial duties. We have to add to some other expenses like the computers for administrative duties and the web domain.

- Export License

According to Veronica's firsthand information, the export license is renewed every year for the amount of PNG Kina 1500, around \$430.

- Fair Trade Certificate

Fairtrade International certificate for small-scale producers has a cost depends on the number of workers, facilities and other characteristics of the company. First years cost is higher, since the company has to cover the application fee and the initial audits, but it decrease second year and becomes more affordable.

Flocert, audit company working for Fairtrade International, offers a page to introduce the characteristics of the applying company to obtain a budget for the certificate. According to the approximate budget, first years cost would be around \$3,000. Application fee is around \$700, for the certificate fee \$1,800 and the other \$500 for the processing fee. The second and next years' cost of the certification decrease. Cost for next years would be around \$1,700: for the certificate fee \$1,500 and the other \$200 for the processing fee.

Once you get the certification and you become part of Fairtrade International, you can access to support and asses services to. The price can change in further years as the company evolves and gets bigger, sells larger volume or the company goes from small producer to trader of fair trade products.

- Cost in Destination.

We decided to use the Incoterm DPU (Deliver Place Unload), according to this Incoterm any cost incurred in destination is responsibility of the buyer. So in this case it is the Spanish client who has to pay for the custom agent, the Value Add Tax and corresponding tariff.

- Customs Agent

Custom agent duty is check that vanilla meets all the requirements describe in the 6.2.2 Legal Procedures and Requirements in Destination (Spain and E.U.). They also act as legal representative of the import company when receiving the merchandise.

- 10% Value Add Tax (VAT): \$2,360

Value Add Tax reduced rate apply to vanilla in Spain is 10%. Vanilla, in this case, is included under the heading “Intracomunitary acquisitions and import goods” and the subheading “Animals, vegetables and other products destined to obtain products for human nutrition” (Agencia Tributaria, 2021). In our case, the EXW price of the vanilla is \$23,600, so the 10% VAT would be \$2,360.

- 6% Tariffs: \$1,416

Tariff rate apply to vanilla (Tariq code 090510) is 6%. This tariff rate is apply to vanilla introduce to the EU, no matter the origin country. In our case, the EXW price of the vanilla is \$23,600, so the 6% tariff would be \$1,416.

7. Conclusion

Through this project we have seen the inequity of international commercial relationships. How the producers in origin countries in the global south receive less than 10% of the total income, while the rest divides in different stages of the supply chain in the developed countries.

Poverty, inequity and global climate change are the biggest problems we face as human society. Fair Trade movement it is not a definitive solution but it helps to balance commercial relationships. Buying fair trade certified products we ensure that producers receive a fair payment for their products, that they have better working conditions, that we minimize the number of intermediaries and that they work respecting the environment and biodiversity.

We have given a whole overview of vanilla sector globally, in Papua New Guinea and in Spain. We have described the cultivation and process of curing of vanilla beans. We made a market research, starting from the global production and commercial point of view. After this we evaluated market in Papua Nueva Guinea and Spain, as origin and destination country of our import/export operation.

Vanilla is a high labor-intensive product due to its long and complicated curing process. It is also a crop whose cultivation needs so specific weather conditions, so few countries produce it. This makes vanilla a gourmet product, it is the second most expensive spice just behind saffron.

Following the market research of vanilla and fair trade sectors, we created specific marketing profile using the SWOT and Marketing Mix models. The strategies for Nengo Organic Vanilla obtained from these models would help the cooperative in its first steps to foreign markets. Best actives of the cooperative are the great quality product and the ethical added value from the Fairtrade International Label. We have to focus to promote these values while looking for market opportunities.

With this project we have describe vanilla and fair trade sectors and proved that there is an opportunity to import vanilla from Papua New Guinea. Vanilla consumption in Spain is rising over the last years. Consumption habits and customer awareness are changing to be more ethical pushing fair trade sales.

There is a clear specific niche of possible clients: fair trade certified distributors, big retailer companies and supermarkets and food brands whose ingredients are fair trade. Furthermore, we have not found any fair trade vanilla beans individually packaged in the market. This lack of competitors can be the best opportunity for *Nengo Organic Vanilla*.

Finally, as described in the logistic process, the necessary requirements and a brief cost analysis of the import/export operation. Economic and financially, we can see that there is so much potential profit; vanilla is a gourmet high value product with a rising demand. We can use air transportation due to his high value compared to the light weight without increasing the cost excessively.

Our selling price between \$300 and \$500 depend on the product allows the cooperative to reattribute fairly to the farmers. At the same time there is enough price distance to the \$2,000 retail selling price to make it attractive to intermediaries. In the Annex II we make a proposal business development plan: developing of a tube package process inside the cooperative to be able to sell it to final customer. Packaging it ourselves, we add value to the product and keep this income to the cooperative instead of divide it between intermediaries.

To continue this project, it would be necessary a more profound and detail financial analysis of *Nengo Organic Vanilla*. Starting with a funding plan and the required investment to create the cooperative and buy the necessary resources. Since the farmers would provide the production required tools and land to cultivate, it will be necessary office equipment to commercial and management duties. We also would need a cash flow projection and an income statement forecast. To do this we need to study deeply the production cost and all the expenses and make a sale forecast based on commercial stats contacting with our clients.

8. Annexes

In this additional chapter we are going to add to proposal. First, one to Valladolid University and its Fair Trade work group and a second one to Nengo Organic Vanilla as a business development plan to package their vanilla beans.

Annex I: Fair Trade Vanilla Day in Valladolid University

IDEAS, Spanish acronym for “Iniciativas de Economía Alternativa y Solidaria” (Initiatives of Alternative and Solidarity Economy) is a Spanish fair trade organization. They are member of the WFTO and funding member of the “Coordinadora Estatal de Comercio Justo”. One of their last initiatives is to create the label to Universities for the Fair Trade. (IDEAS, 2021)

Figure 42: IDEAS Universidad por el Comercio Justo Label



Sources: IDEAS

Valladolid has created a fair trade working group formed by teachers, students, researchers and other members of many faculties and campus. The objective is to promote fair trade and obtain this certification. There are four requirements:

“Fair trade vanilla market research and import project from Papua New Guinea to Spain”

Luis María Rodríguez del Egado

- Requirement 1: Institutional Compromise and Fair Ethical Buying Initiatives.

At least one contract or concession that have required the publication of a tender document that considers, at least, a Fair Trade criterion.

At least one direct purchase or contracts (without the need to publish the bidding documents) that have incorporated at least one Fair Trade product per year.

- Requirement 2: Accessibility to Fair Trade Products.

At least three sale points: dining rooms, cafeterias or vending machines that offer at least three Fair Trade food products.

At least one point of sales minority establishments located on university campuses (bookstores, stores, etc.) that offer at least one Fair Trade product.

- Requirement 3: Communication and Awareness Initiatives.

At least carry out two initiatives to communicate about responsible consumption and Fair Trade per year (news published in the press, maintenance of social communication channels, etc.).

At least organize two activities to raise awareness on responsible consumption and Fair Trade per year (Fair Trade Day, campaigns, etc.).

- Requirement 4: Creation of a Promoter or a Working Group.

A University for Fair Trade must have a working group that facilitates a space for exchange and coordination participated by agents who promote and supervise the progress of all the actions undertaken in favor of Fair Trade and responsible consumption.

The working group is already created, as I mentioned, and there already few initiatives established and many others on process for this year. (IDEAS, 2021)

My input to this project, in addition to this master's thesis, is to suggest the organization of a Fair Trade Vanilla Day at the university. The act would be done once the cooperative is formed as a promotion act or before as funds collecting initiative to help the cooperative in the first steps.

The initiative would be carried out using vanilla from *Nengo Organic Vanilla*. The university cafeterias of different faculties can offer vanilla custard, "natillas" for the Spanish speakers, as dessert these days charging one or two extra euros as a donation.

Traditionally, it is served with a cookie on top so we could try to get involved Siro or Gullon, local big cookies and sweets companies.

In addition, we can set up some information stands in the different campus with two objectives: inform about fair trade itself and the cooperative and act as a selling point for vanilla beans, whose whole profit would go to the cooperative.

Last initiative of Fair Trade Vanilla Day would be a series of seminars in Commerce Faculty. The seminars would be carried out by one representative from IDEAS, another one from Commerce Faculty. Lastly, if the time difference allows it, a representative of *Nengo Organic Vanilla* through video conference could show us first-hand video of the vanilla curing process, the social reality of the farmers in Papua New Guinea and how Fair Trade helps in their development.

Annex II: Business Development Plan

In the section 4.2.2 Fair Trade Small-scale producer certificate, we said that one of the requirements is to have business development plan. As part of it, I would like to add this proposal: developing of a tube package to be able to sell it to final customer.

There is huge gap between the wholesale price, around \$500, and the final customer price, above \$2,000. Packaging it ourselves, we add value to the product and keep this income to the cooperative instead of divide it between intermediaries.

The commercial package most use for vanilla beans are sample tubes with one or two beans inside. Ideally the tap must be aluminum or plastic to keep the perfect level of humidity, although we also could find it with a cork and a heat-sealing plastic around it. The tubes we require are 2 cm diameter and 15 to 20 cm long, depends on the size of the beans.

One of the ten principles of Fair Trade is the protection of environment, so according to this we are going to avoid the use of plastic and look for glass tubes, which is a recyclable material. Despite cork is and organic material, it is porous. We would need a heat-sealing plastic, low environmental, around and the machine to seal it. We dismiss the cork and go for the glass tube with aluminum screw tap.

In the next image we can see vanilla sample tubes sold in Alibaba website, although we can find similar products in websites of laboratory and pharmaceutical materials. The sample tubes on the image are specially design for vanilla, they are 20 mm diameter and 200 mm long with screw aluminum tap.

Figure 43: Vanilla tubes



Source: Alibaba

We contact this Chinese packaging company through the Alibaba website. The minimum order is 3000 units, with a unitary cost of \$0.23. The total cost would be \$690 plus the import tariff and the taxes in Papua New Guinea.

In addition to the tubes, we would need the precision scales to weight the beans to make 6 grams exactly. We can find them easily for \$15 to \$20. One vanilla bean is between two and four grams. We will include two vanillas with a net weight of 6 grams. With 3,000 tubes and 0.06 kg of vanilla in each we would have enough tubes to package 180 kg of vanilla.

To have final product we can include our own tag with Nengo Organic Vanilla brand and the Fairtrade International label. Epson, leader in the printer sector, has label and tag small printer specific range of products. The price for a small printer would go from \$2,000 to \$4,500. We have to add the consumable supplies: label paper sheets and ink. Finally, a graphic designer is necessary to do the labels design.

To have a good presentation to the final customer we can contact a cardboard package company to design a foldable stand for the tubes like the one in the next image. We would include them in the box with the tubes when exporting it. We can ask for boxes for the tubes and cardboard thick sheets to place in between the tube layers so they do not bump into each other in the box.

Figure 44: Eurovanille Selling Stand



Source: Eurovanille

The packaging facility we can divide it in three zones: weighting and tubing zone, label pasting zone and finally storage. The workers would be located around a long table and the process would be dividing in four stages:

1. Weighting and selecting the beans, place it in a tray and push it to the next stage.
2. Put two beans in the tube, close it, place it in a tray and push it to the next stage.
3. Paste the label in the tube, put the tube in a box and the tray to a pile.
4. Lastly, return the empty trays to the beginning and take the box to store when it is full.

This could be a cheap and effective way of doing and assembly line without buying big expensive machinery. Since matching two beans with exact weight of 6 grams is harder we would have two people doing this, one to put the weighed beans in tubes, one pasting the label and one returning the empty tray and moving to the final box.

9. Sources

- Agencia Estatal: Boletín Oficial del Estado. (1998, July 7th). *Ley 23/1998, de 7 de julio, de Cooperación Internacional para el Desarrollo*. Retrieved from <https://www.boe.es/eli/es/l/1998/07/07/23>
- Agencia Estatal: Boletín Oficial del Estado. (2007, October 30th). *Ley 30/2007, de 30 de octubre, de Contratos del Sector Público*. Retrieved from <https://www.boe.es/eli/es/l/2007/10/30/30>
- Agencia Tributaria. (2021, May). *Tipos Impositivos en el IVA*. Retrieved from <https://bit.ly/3qfl8D7>
- Belanger, D. H.-F. (2011). *Handbook of Vanilla Science and Technology*. Blackwell Publishing Ltd.
- Bloomberg. (2019, December 17th). *Vanillanomics*. Retrieved from <https://bloom.bg/2UiaqRk>
- Commerce Equitable France. (2020). *International Guide to Fair Trade Labels (2020 edition)*. Retrieved from <https://bit.ly/3ayhGhp>
- Coordinadora Estatal de Comercio Justo. (2020, November). *Los diez principios internacionales*. Retrieved from <https://bit.ly/3d4tEAv>
- Coordinadora Estatal de Comercio Justo. (2020, November). *Qué es el Comercio Justo*. Retrieved from <https://comerciojusto.org/que-es-el-comercio-justo-2/>
- Coordinadora Estatal de Comercio Justo. (2021, March). *El proceso del Comercio Justo*. Retrieved from <https://bit.ly/35JdpoE>
- Elena González-Gascón, M. D. (2014). *El Comercio Justo: Canales de distribución, proceso comercial y tendencias*. Retrieved from <https://bit.ly/3tTWE4g>
- Fairtrade International. (2019, April 3rd). *Fairtrade Standard for Smallscale Producer Organizations*. Retrieved from https://files.fairtrade.net/SPO_EN.pdf
- IDEAS. (2021, July 16th). *Universidades por el Comercio Justo*. Retrieved from <https://ideas.coop/las-universidades-por-el-comercio-justo/>

- Instituto Nacional de Investigaciones Forestales Agrícolas y Pecuarias, México. (2014). *Producción de vainilla en 3 sistemas de producción en la sierra Huasteca Potosina*. Retrieved from <https://bit.ly/3gR4syF>
- International Air Transport Association (IATA). (2018, September). *e-AWB Implementation Playbook*. Retrieved from <https://bit.ly/3d1uPRm>
- International Labour Organization. (2020, November). *What is forced labour, modern slavery and human trafficking*. Retrieved from <https://bit.ly/2STgJKU>
- McGregor, A. (2004, September). *Diversification into High-Value Export Products: Case Study of the Papua New Guinea Vanilla Industry*. Retrieved from <https://bit.ly/2TUtXag>
- Ministerio de Asuntos Exteriores y de Cooperación. (2005). *Plan Director de la Cooperación Española 2005-2008*. Retrieved from <https://bit.ly/3vN4Q6G>
- Observatory of Economic Complexity. (2021, Mayo 11th). *Vanilla: 0905*. Retrieved from <https://bit.ly/35JO6Tm>
- Oxfam Intermón. (2020, November). *Guía práctica para comprar Comercio Justo*. Retrieved from <https://bit.ly/3xloCBw>
- Papua New Guinea Spice Industry Board Secretariat. (2012). *Annual Management Report 2011/2012*. Retrieved from <https://bit.ly/3qjq7DH>
- Reuters Graphics. (2019, June 3rd). *A scarce flavor*. Retrieved from <https://tmsnr.rs/3qfvQe1>
- The Commonwealth. (2020, May 19th). *Member countries: Papua New Guinea*. Retrieved from <https://bit.ly/3vHA1jK>
- The Commonwealth. (2021, May 12th). *Papua New Guinea profile*. Retrieved from <https://bit.ly/3zFjsYS>
- The World Bank. (2021, April 7th). *Papua New Guinea*. Retrieved from <https://www.worldbank.org/en/country/png/overview>
- United Nations Development Programme. (2020). *Human Development Report 2020*. Retrieved from <https://bit.ly/35JE6JC>

World Fair Trade Organization. (2020, November). *About us*. Retrieved from <https://wfto.com/who-we-are>

World Fair Trade Organization. (2017, December). Retrieved from Los 10 Principios de Comercio Justo_: <https://bit.ly/3mNUbol>

World Integrated Trade Solutions. (2021, May 11th). *Vanilla exports by country in 2019*. Retrieved from <https://bit.ly/3zOWZIO>