

Are prices fair along quinoa's supply chain?

By Leah Dobkin

Last September, Organic & Wellness News took part in a press mission to Ecuador that included visiting organic projects, quinoa farmer cooperatives from Riobamba among them. The cooperatives receive 39 cents/lb for organic quinoa (27 cents/lb for conventional).

Back in Canada on a trip to , a local grocery store chain in Ottawa, Adriana Michael, publisher of Organic & Wellness News, discovered organic quinoa from Bob's Red Mill, a US based wholesaler who buys the organic quinoa from ERPE's cooperatives in Ecuador, via Importer Inca Organics. The quinoa package of 725 grms on the retail shelf had a price tag of 8,99 CAD (\$8,89 US).

Surprised of the difference in price from producer to end consumer for a product with no significant added value, Michael wondered what the costs were along the distribution chain, and if the system and price structure is fair to farmers and consumers? Are there hidden costs, or are there just too many links in the chain?

The quinoa's supply chain, as with other food ingredients, includes the farmers, cooperatives, processors, exporters, importers, wholesalers and retailers. Some of these links are more forthcoming than others about costs and profit margins.

ERPE, a nonprofit foundation concerned with malnutrition and living standards of indigenous communities in Ecuador, started the Coprobich cooperative consisting of 3,000 quinoa farmers.

The cooperative sells quinoa to Sumak Life, a nonprofit facility

which cleans and packages the quinoa in Riobamba, Ecuador and pays the fees for organic and fair trade certifications. Sumak Life receives 26 cents/lb to clean and process the quinoa. The fair trade product is exported to France. The organic certified harvest goes to the UK and the U.S. Marjorie and Bob Leventry, owners of Inca Organics in the U.S. buy the quinoa FOB Riobamba for 0.70 cents/lb from Erpe/Sumak Life. They sell the quinoa to distributors such as wholesaler Bob's Red Mill at 0.87 cents/lb. Inca Organics pays for shipping to port, shipping to USA, England and Canada, insurance and warehousing. The quinoa enjoys duty-free status.

Bob's Red Mill Natural Food's quinoa sells for 8.99 CAD (8.89 US) for 725 grams at Canada's retail stores. Taken together the wholesaler, distributors and retailer have created over a 600% mark-up. The farmer receives approximately seven percent of the profit.

Infinity Foods of Brighton, UK is the European importer, wholesaler, and packer of the organic quinoa coming from ERPE's cooperatives in Ecuador. According to Infinity representative, Robin FitzGibbon, Infinity's profit margin is between 10-25%.

Matthew Cox, Marketing Manager from Bob's Red Mill Natural Foods, says "I can tell you that the margin is typical for our industry and consistent with margins for the other products in our line. You should keep in mind that between Bob's Red Mill and retailers, there are distributors that elevate the final cost for retailers."

Prices can vary from country to country, and as exchange rates change. Packaged quinoa is selling in the U.S. at \$5.17 /lb at a small food cooperative and \$3.45/lb at Whole Foods. Packaged

quinoa is selling for \$3.49/lb to \$4.79/lb on various web sites (not including S & H).

Bulk quinoa in health food stores goes for anywhere from \$1.59 pound for white quinoa to \$2.49 pound for red quinoa.

The health food store pays around 0.70 to 0.95 cent/pound for bulk quinoa.

The best deal for consumers is buying quinoa in bulk at health food stores, where often costs are minimized because the health food store buys directly from the importer, and skips the distributor and wholesaler.

There are many factors that influence costs, such as labour, cleaning and processing, manufacturing, packaging, international and national shipping, inventory/ storage and insurance.

It is difficult to determine if mark-up and profit margins are out of line without full disclosure of all of these costs.

“Weather, natural disasters, insects, poor grain processing, and improper storage can affect the quality and costs of quinoa,” says Cox.

For example, farmers can face enormous problems growing quinoa because of more extreme weather systems caused by global warming. In 2006 frosts came late in the year and a volcano spit ash over the fields last year, killing the small plants and ruining most of the crop.

FitzGibbon says there has been a 5% increase in quinoa prices over the last six months, and believes it could increase by 10-

20% in 2008. Juan Perez Sarmiento, executive president of ERPE, says “Prices may increase abroad... here we have a set up price, but no protection for the farmer if the harvest goes wrong.”

It seems that quinoa costs and profit margins are consistent with other whole food grains. And costs can be slightly higher

because of the difficulty of transporting the quinoa from high mountainous regions, and the processing cost to remove the saponin, a bitter coating on the quinoa.

Never-the-less, sticker-shocked consumers like Adriana Michael, who buy packaged organic quinoa from stores, can't help but wonder if there is any way to streamline the quinoa chain to lower costs to consumers, and increase profits for farmers.

Pablo Laguna, is a quinoa consultant and researcher who developed the quinoa standard for the Fair Trade Labeling Organization (FLO) in 2004. He believes that FLO needs to review the standard, and to increase the fair trade price that farmers receive for their quinoa. For quinoa to truly become a sustainable crop for the indigenous people of the Andes, and a sustainable business for everyone else involved, perhaps a careful review of the distribution chain might be in order as well. It would definitely help if interested consumers could find out more easily, what portion of their dollars goes to the farmers, and how.