

Going organic

In line with the 'living healthy' trend, organic products are fast gaining popularity. What does it take to be successful in this niche business?

by Tho Li Ming

Going organic is no longer the reserve of the sick who aim to eat well to get well. The organic industry is gaining ground as more and more people embrace a healthier lifestyle.

For two business owners, it is more than just offering consumers chemical- and pesticide-free products — it also involves being ethical about the quality of their products. Here,

Starting up

When starting an organic business, learn as much as you can about the industry first. Wong Kai Yuen, managing director of EcoGreen Farm Sdn Bhd, which runs the EcoGreen Organic Shop and Life Café and Organic Restaurant, was a chemical engineer running his own engineering and construction business when he invested in an organic farm in 1997. "I was invited to join the farmer and invest in the farm in terms of selling and

small scale from my home two days every week."

In 2001, he decided to go into retail and set up shop in Taman Tun Dr Ismail, Kuala Lumpur, with a capital outlay of more than RM80,000. "I chose TTDI because it was close to my home — I believe in working where I live — so it was time- and energy-saving. It was not due to the fact that it was a middle and upper-middle income location."

"In retrospect, it was a good place to start [the business] as organic food is pricier than other food and, I believe, many changes in society start with people who are able to afford them," he says. However, he adds that one can start an organic business from a stall with start-up costs from as low as RM10,000.

Terry Lee, director-cum-retail manager of FMC Greenland Sdn Bhd, which runs BMS Organics, says

after his brother, a doctor based in Taiwan, noticed that more and more people were getting sick, especially from cancer. Realising that Western medicine was not the only way to heal patients, the doctor roped in Lee and two other brothers to venture into the organic business. "Before we started anything, the entire family went on an organic raw food diet. After six months, we found ourselves getting noticeably healthier, so we decided to venture into the business."

After locating retail space on the first floor of a shoplot in USJ9, Subang Jaya, the Lees spent RM100,000 on setting up, with the bulk of the money going to products and the remainder on display shelves and renovations. "We also delivered products to customers and gave consultations. Back then, many of our customers were cancer patients, so we had to sit down [with them] to discuss how they could change their diet and lifestyle," explains Lee.

For both Lee and Wong, sourcing for products was not too difficult as there were many importers and distributors around. They started off with fresh produce before moving on to bottled and canned products, as well as functional food such as supplements, healthcare and beauty products. Their products are a mixture of locally-produced and imported items.

Both men say certification is important but acknowledge that certain products cannot be certified although they are authentically organic. "The local certification is Scheme Organic Malaysia (SOM) issued by the Department of Agriculture based on the MS 1529 standards. However, non-governmental organization, Organic Alliance Malaysia (OAM), can also facilitate overseas-based certifications, from Australia, Europe or Thailand, of local products as local



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certification is not developed yet," explains Wong.

"Certain local farms are marketed in such a way that the market accepts them as organic. They are trusted to be organic and word of mouth brands them as such. These trusted farms co-exist with the certification process. For those [consumers] who aren't sure, they can always consult the OAM," he adds.

The Lees visit most of their suppliers to ensure quality. They rigorously test every product that is sold in their 18 outlets. "The directors will try food products beforehand, after which they will go through a nutritionist and doctors before being put on the shelves," says Lee, adding that most of BMS Organics' products

are certified by the Australian National Association of Sustainable Agriculture as organic.

As with other new businesses, starting up the business when the industry was still in its infancy took a lot of hard work. Lee and his brothers did not draw on their salaries and fully invested their effort and time in consulting with their customers and products. They managed to break even within a year.

Wong had similar struggles as his business was slow in growing. "It was not profitable and had to be cross-subsidised by my engineering business because volume was low and the market was small. On top of that, we were also new in the retailing and grocery business, so it

ORGANIC OR NATURAL?

MANY ORGANIC BUSINESS owners carry both organic as well as natural products. What is the difference between the two? According to Terry Lee, director cum retail manager of FMC Greenland Sdn Bhd, organic products do not contain chemical fertilisers, pesticides, and artificial colouring, preservatives or

additives. This is adopted right from the farming till the packaging process. "Among our products, 90% are organic and 10% natural."

Natural products, according to Wong Kai Yuen, managing director of EcoGreen Farm Sdn Bhd, are products that can be sourced from conventional farming,

and may contain chemical pesticides. "However, chemical substances are not added after harvesting. Harvests that are not cultivated or wild harvests such as sea salt are considered natural as they are not from organic agriculture and harvested from the sea respectively. We use that term in a broad manner."

season. If conventional vegetable farmers are affected, the situation is worse for organic farmers who produce less output to begin with. "On top of that, they have to deal with produce that have been destroyed by bugs," says Lee.

As organic products are free of chemical pesticides and preservatives, supply is naturally limited. "Customers can't expect to have all products all year round and they have to eat whatever is in season. Take organic apples, for example. We can only get them for six months from the northern hemisphere before we have to turn to our southern hemisphere suppliers. So in the interim period, supply can be disrupted," says Wang.

Succeeding in the business

The organic industry has come a long way compared with a decade ago. The market, although still considered small, is growing slowly and steadily. For Wong, the key to success is to follow the movement of the market and not try to jump ahead. "There is demand for organic products and the market will grow and, in the future,

accelerate rapidly. For now, we have to dance to the market's needs and realise that it takes some time for consumers to be aware of the benefits of going organic."

There are signs that the industry is moving forward, says Lee. "In Malaysia, organic products are generally two to three times more expensive than ordinary products although, looking back, prices have dropped compared to many years ago. One example is barley and wheatgrass powder, which we sold at RM139 for 200gm back in 1997. Today, because of the volume that we are able to have [thanks to demand], it's selling at RM69."

Being ethical is vital in an industry that focuses on ensuring that its products are safe and healthy for consumption. The owners say profit is always the last thing on their mind. Instead, they focus on how they can serve and educate the community. Lee and Wong say their profit margins are not high and range from 15% and 30% across all products. "Our satisfaction doesn't come from the money but from our customers," says Lee. ■

was a learning period for us. We only managed to break even after eight years. I think in today's context, owners should be able to break even within three years."

Marketing the business required creativity and setting themselves apart from the competition. From passing out flyers in the beginning, Wong has moved on to setting up a website and is using the online social networking site Facebook to update customers on what's going on in the shop as well as the industry as a whole. "For my family members and me, who are all involved in the business, we maintain a close relationship with our customers and even give them tips about how to cook with the ingredients bought from our shop. We have to constantly arm ourselves with knowledge about nutrition and the current thinking to engage with our customers."

Good, well-trained staff will help to attract and retain customers. Lee says it helps that all his staff are given professional training and tested on their knowledge about health. "Other exams will be given every two months to make sure their knowledge is up to date. We spend a lot of time and effort as we want to be professional."

Maintaining the business

Maintaining an organic business is different from that of a regular business as maintaining and supplying quality products is a major challenge. Lee acknowledges that it's not easy to source for good products at reasonable prices. "Organic products are not cheap when they come from the suppliers. Pricing is always tricky and we try to set competitive prices through the volume that we produce ourselves for the export market today."

In tropical countries, supply can be interrupted by a prolonged rainy