



2SCALE

A secured market as a trigger for organizing the value chain

The case of the yellow maize and sesame partnerships in Mali

Photo: Mahamane Toure | Sesame harvesting, Mali

Faoussa Tadjou and Youssouf Traore and Baba Togola

2SCALE consortium



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KEY MESSAGE

A secure commodity market can trigger the professionalization and organization of actors in a commodity sector. In such a market environment lead companies are able to develop sustainable sourcing relations with producers, even when working with a system of intermediaries. These intermediaries foster close relations with producers, which helps companies to reliably source products. However, value chain coordination, is necessary to bring out the specific challenges that need to be addressed for each commodity.

Introduction

The following paper outlines how lead firms, targeting secure markets, were able to develop sustainable sourcing relations with producers by working with a system of collectors for yellow maize and sesame. Value chain coordination for these two commodities is relatively new and both commodities present particular challenges. Yellow maize has one main buyer with a stable output market, however, the crop was not typically grown in Mali and changes were required for the company to be able to source the desired volume of the product. Sesame is in high demand on the international market, buyers targeting this market purchase whatever comes their way as long as it is good

quality, which means it is difficult to establish lasting sourcing relations with producers.

In both cases, the lead firms – SONAF for maize and PROSEMA for sesame – had to develop a clear value proposition for farmers to trade with them. With the help of 2SCALE, strategies were developed to engage with stakeholders, particularly with producer organizations. The use of collectors to foster close relations with producers helped companies to secure their sourcing of products. 2SCALE's role was to support and build the capacity of both companies and producer organizations to benefit from a secure market, while also facilitating the development of relations with other stakeholders, such as input and finance providers.

Strengthening the organization of producer cooperatives and unions, as well as their relations other agribusiness cluster (ABC) members, proved a successful way to aggregate a sufficient volume of products upstream in the value chain, while services were able to trickle down to farm level. Enhanced coordination among actors is an important result of the 2SCALE partnerships in Mali, despite the challenging albeit favorable market environment.

The sourcing of yellow maize by SONAF in Mali

Initial situation

The company "Nama & Sons" (SONAF), founded in November 2010, is a grain marketing company in Sikasso, Mali that mainly trades yellow maize, for which the company has a very high demand from both Malian and foreign customers (30,000 tons per year). The company's Managing Director, Adama Dissa, has more than 35 years of experience in marketing large quantities of maize to national and sub-regional markets, particularly in Niger and Senegal. In order to satisfy the demands of Malian and foreign customers for yellow maize, SONAF was obliged to source supplies in Cote d'Ivoire because sufficient quantities of yellow maize was not being produced in Sikasso – the main maize producing region in Mali. The company only managed to supply its customers with 8,000 tons of yellow maize, 80 % of which was imported from Côte d'Ivoire. SONAF has guaranteed markets for the sale of yellow maize in Mali to large scale processors such as the *Grand Moulins du Mali* (GMM), wholesale traders in urban centers, and poultry farmers, as well as to traders in Nigeria and poultry farmers in Senegal.

The SONAF-2SCALE partnership

It was in the search for a solution to satisfy its customers that, at the end of 2013, SONAF sought the support of 2SCALE to strengthen and extend its yellow maize sourcing network in the Sikasso region, particularly in the districts of Sikasso and Kadiolo, in the south of Mali.

At the beginning of the partnership, the stakeholders involved were SONAF, which was responsible for the purchase of maize; collectors, who sourced maize from individual producers or producer organizations; and the National Bank for Agricultural Development (BNA), which provided SONAF with a revolving fund of 30 million FCFA.

Considering the high demand for yellow maize and the fact that this crop was not common in the farming practices of producers in South Mali, partnership activities started in 2014 with the installation of demonstration plots on the cultivation of yellow maize. The plots demonstrated the differences in growing yellow maize compared to other local maize varieties and the use of a cane planter to reduce production costs. The purpose of these demonstration plots was to show producers the potential of yellow maize to produce high yields, the availability of innovations to improve productivity (e.g. cane planters), and the existence of a secured market for yellow maize.

Activities formally began in May 2015 with the signing of a partnership agreement between SONAF and the International Fertilizer Development Centre (IFDC), which implements the 2SCALE program, for 3 years. The ambition of the partnership over these 3 years was to enable 10,000 smallholder producers from the Sikasso and Kadiolo districts to annually sell a total of 30,000 tons of yellow maize to SONAF. To meet this demand each producer would, therefore, need to deliver an average of 3 tons of yellow maize to SONAF per year.

Business model

SONAF's initial business model was based on sourcing yellow maize from smallholder farmers and their organizations, either directly (when quantities are large) or through collectors. Payments for the purchase of maize by SONAF from producers or their organizations were direct. The company also pre-finances some of its collectors to buy maize, but some collectors stock up maize at their own expense and deliver it to SONAF in bulk. In the latter case, the payment is made directly to collectors if SONAF has sufficient liquidity, otherwise it was made a few days after SONAF has received the stock. SONAF's business model is a typical Malian trader model: buying and (almost immediately) selling. The trader only buys when they have a client and, hence, payment to farmers depends on the existence of clients.

This business model was not without problems. The poor organization of producers has proved to be a major obstacle to the organization of collection, compliance with commitments, and control of the product and its quality, among other issues. In fact, the absence of written contracts for the purchase of maize, competition from other operators, and non-compliance with verbal commitments significantly limited SONAF's operations.

A secured market as a trigger for organizing the value chain



Mahamane Toure | Yellow maize in Mali

Interventions through the partnership

Mobilization of producers

In order to reach the targeted 10,000 smallholder producers, who can deliver an average of 3 tons of yellow maize, several actions have been undertaken. 2SCALE and SONAF have begun mobilizing producers for the partnership through the organization of meetings in the Sikasso and Kadiolo districts to outline the partnership, its vision and objectives and the market opportunities that exist for growing yellow maize. These producers, members of 183 farmer organizations, are linked through 10 yellow maize Agricultural Business Clusters (ABCs). These clusters are set up according to the geographical situation and common interests of the actors, or depend on the administrative division. An ABC, by definition, is a network of grassroots actors (producers, input suppliers, microfinance institutions, banks, etc.) working in synergy on an agricultural product in order to serve a specific market.

2SCALE facilitated the installation of demonstration plots of yellow maize during the 2015/16 agricultural season in the localities of Loulouni, Katiorni, Soucourani Missirikoro, M'pègnesso, Siani and Kignan; and the organization of guided visits around the demonstration plots throughout the growing season, from the crop's vegetative development stage to the plants' maturity. The plot visits served as a forum for exchanging experiences between visitors and

pilot producers. All of these partnership activities contributed to the mobilization of 14,206 producers, including 4,613 women, directly linked to SONAF between 2015 and 2017.

In order to facilitate the coordination of activities between the producers and other ABC actors, such as input suppliers, apex producer organizations have been set up within each ABC in order to coordinate input needs, monitor input distribution, organize the marketing of maize, and organize capacity training sessions. An apex is the umbrella of all farmer organizations of an ABC that is exclusively made up of producers. The establishment of yellow maize ABCs in the target areas of SONAF and the organization of farmer organizations in an apex are designed to better meet the demand for yellow maize by the company. ABC members have received various training and coaching from 2SCALE on traceability techniques, quality standards, contracting, etc. This training and coaching has made it possible to further strengthen the business relationships between SONAF and the producer organizations.

With the objective of ensuring the continuity of the partnership's activities after the support of 2SCALE ends, the stakeholders of the yellow maize sector have set up a platform, which is composed of SONAF, financial institutions, input suppliers and leaders of apex producer organizations. The purpose of the platform is to ensure that stakeholder access to credit and inputs (seeds, fertilizers and

pesticides) is facilitated on an ongoing basis, exchanges between stakeholders are organized according to new orientations of the partnership and new developments in the yellow maize sector.

Development of a mechanism for accessing quality seeds

In some localities, there was limited use by farmers of improved yellow maize seed due to a lack of information on the seed and poor accessibility of quality seeds. Despite the higher yields from the use of improved seeds, producers were reluctant to invest because they considered the price of the improved seed material too high. In order to find a solution, 2SCALE organized meetings with the Regional Direction of Agriculture (DRA) to obtain a list of yellow maize varieties available for extension and information on seed producers' organizations in the region of Sikasso.

Subsequently, 2SCALE facilitated the linking of seed cooperatives – including the Sikasso Seed Producers Cooperative (COPROSA) and the Sikasso Seed Producers' Company (SOPROSA) – and other suppliers of agricultural inputs, with producer organizations of the ABCs for the purchase of improved inputs. 2SCALE has also organized training courses for grassroots seed organizations, members of COPROSA and SOPROSA and other seed suppliers, on seed conservation techniques to ensure their quality and availability. This relationship enabled the actors in the seed value chain and the yellow grain value chain to interact and coordinate their activities. More than 70 tons of improved seeds have been purchased by producer organizations since. It not only allows yellow maize farmers to make gains through higher productivity, but seed producers are also assured of an important market for their seeds.

Establishment of a system for input credits

One of the constraints of producers was the difficulty of accessing inputs at the beginning of the rainy season due to a lack of funds. In order to find a solution to this problem, the SONAF-2SCALE partnership, together with the USAID funded West Africa Fertilizer Program (WAFP 2012–2017), organized meetings with banks such as the BNDA and microfinance institutions, such as Sôrôyiriwaso, Nyèsigiso and Kafo Jiginew, to explain the objective of the partnership and the producers' problem of access to inputs. At the same time, 2SCALE and SONAF also exchanged views on the subject to find a solution. All these exchanges made it possible to set up a mechanism for producers to access input credits backed by SONAF contracts with producer organizations.

The mechanism works as follows: the producer organization expresses its need for inputs (seeds, pesticides and fertilizers), its demands for credit are prepared and submitted at the financial institution where the organization has opened an account. A contract of commitment

from SONAF is made and deposited with the financial institution for the purchase of maize grain, which equals the value of required credit for inputs. Another contract is made between SONAF and the producer organization for the purchase of maize grain. Once the financial institution grants the credit for inputs, the producer organization purchases inputs from suppliers according to the amount of credit approved by the financial institution. The input supplier is paid on the basis of the financial institution agent's certification of the existence of the stock of inputs in the producer organization's warehouse and the presentation of the delivery slip signed by the president of the producer organization. After the harvest, the producer organization aggregates the stock of maize grain and calls upon SONAF for collection. Once the company has collected the maize, it will pay the equivalent amount into the account of the producer organization at the financial institution, which granted the credit. Thanks to this system, several financial institutions (BNDA, Sôrôyiriwaso and Nyèsigiso) granted 146.8 million FCFA as input credit to 1,625 producers, including 277 women, during the 2015/16 and 2016/17 agricultural seasons.

Capacity strengthening of producers to increase agricultural productivity

One of the major concerns of producers is their low yields of yellow maize, which is due to several factors, such as access to and use of inputs, and the lack of up-to-date knowledge on good agricultural practices. 2SCALE organized several training sessions for producers on new technologies, such as the use of cane planters but also anti-erosion techniques, composting and fertilizer spreading techniques, which are new for young farmers, and quality and traceability standards. 2SCALE also set up demonstration plots on the cultivation of yellow maize and organized guided tours around the plots.

Professionalization of SONAF

2SCALE advised the Managing Director of SONAF on the importance of formalizing business relationships and the commitment of collectors to the company in order to reduce its dependence on external suppliers. As a result a contract template was been developed and validated by SONAF. Thereafter, between 2015 and 2017, more than 100 contracts have been signed between SONAF, producer organizations and collectors. Training sessions on quality and traceability standards were initiated by 2SCALE and given to the company's staff so that they could monitor these standards.

2SCALE also facilitated the design of a logo for SONAF and gave advice on the bagging of the maize collected in order to improve its brand visibility to producers and buyers. SONAF has scheduled other activities such as the development of newsletters, brochures and the creation of a website for the company.

Results

The mobilization of a growing number of producers has led to an increased formalization of the business relationship between SONAF and producer organizations, and between SONAF and the collectors, through maize purchase contracts. Many contracts are also used as collateral for access to input credits. Linking maize grain producer organizations with seed producer organizations, coupled with improved access to inputs, contributed to yield increases of 2-3 tons per hectare, in addition to the production of the best quality maize.

The partnership also contributed to the strengthening of collaboration between SONAF and BNDA, which increased the ceiling of the company's line of credit from 30 million to 300 million FCFA because the bank has been reassured by the guaranteed market of SONAF. A link, initiated by 2SCALE, has been established between SONAF and Root Capital, which is a financing institution for small and medium-sized enterprises in Senegal, for the provision of a credit line of 150 million FCFA. This credit will serve to meet SONAF's additional liquidity needs and offer a better interest rate than that of BNDA.

The collaboration between input suppliers, producer organizations and BNDA is becoming increasingly robust with better governance and increased aggregation capacity of producer organizations, which has resulted in an increase in the volume of input credits granted to producers (from 7.9 million FCFA in 2015/16 to 19 million FCFA in 2016/17). Improved relations between actors are now reflected in the supply of inputs (fertilizers) to localities, often even before the bank makes the funds available to producers, due to an established level of trust.

SONAF, through the mobilization of more than 14,000 producers and its offer of a secure market, has been able to increase the volume of yellow maize it markets from 8,000 to 27,898 tons per year, which is almost in line with demand. However, the inclusion of women and youth, through a more tailor-made approach for these groups remains a challenge (Box 1).

The partnerships activities have enabled the company to professionalize and better organize the collection of produce. A logbook was introduced to record the maize collected per supply area, which helps to better manage supply and update the company's financial statements.



Mahamane Toure | Yellow maize harvest in Mali

BOX 1 | MINDSET CHANGES IN THE YELLOW MAIZE PARTNERSHIP

“Arouna, on va manger?” The president, who must have had a name, but everyone calls him le president, of the producer organization of M’pègnèso invites me cordially for dinner. The president is enjoying the company anyway and starts a long story in Bambara; a good one, apparently. I am quietly sitting back to observe the crowd. There is Adama Dissa, the Managing Director of SONAF, the business champion of our yellow maize partnership in Mali, and another major story teller, visibly at ease in this environment; and then there are Daouda Bamba, Boureima Bamba, Drissa Sylla, and a few other members of the producer group, who joined later. Adama, the mayor of the village, and the coach of the agribusiness cluster, who facilitates linkages within the agribusiness cluster, coordinates local level capacity strengthening activities and encourages bottom-up innovation is there as well, looking around to see if all goes well. And then there is 2SCALE: Baba Togola, our team leader in Mali, Yousseuf Traore, the partnership facilitator, and me. The village was visited at the onset of our annual strategic partnership meeting in Sikasso, it had been raining and we were sitting just outside the president’s warehouse.

We had been discussing the results so far of our yellow maize partnership. The partnership started in 2014, and aims to develop an alternative source of income for (smallholder) cotton producers in this area. Cotton, according to some of these farmers, is nowadays mainly cultivated to access services and inputs, not to make (much) money. SONAF collects, aggregates and re-sells the yellow maize to clients in Mali and beyond. Much progress has been made, and some major foundations for a yellow maize supply chain put in place. Yousseuf Traore, our partnership facilitator, gets a lot of praise for this. The farmers specifically mention what they see as the key characteristics of a good facilitator: honesty (frankness), competence, and courteousness. The latter puzzles me for a while. Tact and respect are indeed critical capacities of a good facilitator and Yousseuf certainly has those qualities.

However, when the president showed us his fields (at least 6 ha of yellow maize, 3 ha of white maize, certainly a large area of cotton somewhere, closed areas with vegetables and papaya), I got this troubling feeling that we might also be too nice, too much with the elders, and the already powerful. Where are the women, the youth? I see change, but where are the transformative changes? Yousseuf and Baba appear to be conscious of these challenges. They have only just started. The farmers they are working with are the front-runners, the most motivated; farmers that can drive the supply chain. Yousseuf also stressed that you need to have the elders on your side to get anywhere. In the next months and year(s), more emphasis will be given on the inclusion of smallholders, and of women and youth wherever there are real opportunities. We should not use the concept of inclusive business to easily. Inclusive business is more than economic growth; nor can we just assume so-called trickle down effects. Inclusive business requires a dedicated pro-active approach to empower and support the inclusion of vulnerable groups, i.e., smallholder farmers; women and the youth. Their “voice” must be heard and taken into account.

The next day, I ask my question again and the president takes the floor. He asserts that the partnership is not exclusive; many women however have other priorities, including collecting sheanuts, which generates significant income. They also have smaller plots, and thus limited space for and probably less interest in growing yellow maize. Some of these things are changing however, and the president would welcome women and youth on board in the partnership, in whatever kind of roles. That is good and comforting to hear; as it was good to see the two women, and some younger coaches as well during the meeting. We’ll meet again.

Arno Maatman, Project Director 2SCALE

The volume of maize imported from Cote d’Ivoire fell sharply, from 6,400 to 400 tons per year, despite the significant increase in the volume of maize marketed by SONAF. Consequently, the company’s transaction costs have been reduced, while the local economy in the Sikasso region has been stimulated.

The organization of apex producer organizations at the ABC level and the establishment of the platform, by all actors in the partnership, to ensure the continuity of activities after the support of 2SCALE ceases, demonstrate that the actors have a shared interest in continuing to work together. A mechanism

for the internal recovery of financial resources has been set up by the platform members to ensure, among other things, that meetings are organized.

Lessons learned

Replication

The guaranteed market that SONAF has for its products, translates into a secured market for yellow maize producers. The company developed a clear vision of the type, quantity and quality of produce it wanted. It was also committed to work with producers and had an open mind, which allowed to fully understand the dynamics at the producer level. SONAF, with the help of 2SCALE, provided technical and support to producer organizations to further consolidate their business relationships, which made it possible to mobilize more producers around its sourcing system.

The SONAF's secured market is also an important guarantee for financial institutions to facilitate access to credit for producers. Together with the technical support provided, producers have become more professional and better able to invest in agricultural production. It became apparent that when a contract between two parties is signed, it is necessary to be flexible in relation to the proposed prices and even to mention in the contract the conditions for price changes in the event that prices change when the maize is purchased. This can avoid unpleasant surprises that may affect the business relationship between producer organizations and SONAF.

Even before the partnership is established, it is necessary to identify whether partners are committed. An investigation into the morality of farmer leaders has proved to be very important for the development of a lasting relationship between SONAF and producer organizations and avoids unpleasant surprises. In the future SONAF will favor working with small or medium-sized producer organizations (50 to 150 members) for the facilitation

of access to inputs. Experience has shown that governance within these small or medium-sized organizations is much more transparent and effective than that of a large organization with more than 1,000 members (Box 2).

Scaling up

Regarding the scaling up of operations, it is possible to foresee the expansion of SONAF's activities. On the one hand, SONAF faces liquidity problems when its own clients are late in paying their due, and therefore, a fairly consistent working capital would be necessary to secure operations. On the other hand, it will be necessary to ensure the dynamism of the producer organizations and the ABCs. Although they have been trained to be autonomous from the 2SCALE project, the fact remains that the actors' meetings are often limited to coaching activities in some ABCs.

Ongoing work to strengthen producers' capacities in terms of quality standards, business relationships, input credit management and maize production techniques remains essential. These activities are vital for the continuity of the partnership's activities and an increase in the number of producers in the sourcing system.

So far little attention has been given to the business environment. The company is still awaiting approval to develop the site chosen for its new processing unit to transform the yellow maize into maize-based flours for human consumption. With the installation of the unit, SONAF will need more yellow maize, thus creating new market opportunities for smallholder producers in the Sikasso and Kadiolo districts. The factory however will require a longer-term vision, and related planning: nothing short of a mindset change. This goes together with stronger (formal or informal) contractual arrangements with farmers, indicating things like target (minimum) quantities, quality criteria, incentives and pricing mechanisms.

BOX 2 | REPAYMENTS OF LOANS BY SMALL AND LARGE COOPERATIVES

“With access to the input credits system initiated by 2SCALE, more than 127 million FCFA was mobilized to purchase inputs for four producer organizations of the partnership. At the time of the repayment (in kind), the two small organizations paid their debt before the due date, while the two large organizations, receiving large sums (60 million FCFA for one cooperative and 30 million FCFA francs for another one) have not been able to repay the total amount of their credit so far. Surveys have shown, for the most part, that the two leaders of both organizations have diverted the amounts reimbursed by their members for other purposes. Actions are still in progress for the total recovery of input credits from 2015/16”.

A 2SCALE facilitator

The sourcing of sesame by PROSEMA in Mali

Initial situation

The price of sesame fluctuates greatly and depends on the global market price. The sesame market is characterized by the presence of many buyers with different capacities and status. While some buyers in the sector are more specialized in trading sesame, others wait for the right moment to launch into the business of trading the commodity. Such traders are totally unaware of the evolution of market prices and often offer irrational prices to producers. Nationals, as well as foreigners (mainly those working with traders located in Burkina Faso), flood the market at the time of the buying of sesame. During the last decade, the price per kilogram of sesame increased from 150-200 FCFA to 500-600 FCFA, with a peak period during the 2014/15 season when sesame was sold at 1,000 FCFA/kg in some localities in Mali.

The company "Promoting Sesame in Mali" (PROSEMA) was created in 2006 for the valorization of Mali's sesame, in a context where buyers

were snatching sesame and causing price instability. The company works exclusively with sesame, primarily exporting both conventional and organic husked and unshelled sesame. In the future, PROSEMA plans to convert sesame into oil and livestock feed. The company's headquarters are based in Bamako and there is a cleaning and processing unit in Fana (120 km from Bamako, on the Bamako-Ségou road). The company has gradually developed a network to source sesame from producers in the regions of Ségou, Sikasso, Koulikoro, Kayes and Mopti.

Despite this diversity of sources, PROSEMA had difficulties mobilizing the amount of sesame needed to satisfy its customers. In fact, the annual requirement of the company's clients is more than 20,000 tons, but it only managed to mobilize about 500 tons per year.

Initiatives have been taken by PROSEMA to retain producers by providing services such as training, input credits and agricultural equipment. Training was provided with support from development projects, while input credits and small equipment were awarded by

Mahamane Toure | Sesame in Mali



PROSEMA to be reimbursed by producers as they supply of sesame. Despite this support, producers still made significant parallel sales, attracted by the best prices offered by other buyers, or by the earlier arrival of these buyers on the market. For example, at the beginning of the marketing period, when producers are more in need of money to cope, for example, with labor costs of cotton harvesting.

PROSEMA's value proposition was, therefore, to offer training, input credits and small equipment to producers (directly or through its collaborators), in order to retain them. However, these efforts have not produced all of the expected effects. There are various reasons for this, including the insufficient financial resources of the company to sustain these services; PROSEMA's lack of professionalism in the management of input credits; and its failure to take into account the fact that producers have little interest in lasting relationships in a context where sesame is sold to bidders who have sufficient financial resources during the whole marketing period.

The PROSEMA-2SCALE partnership

PROSEMA was already a partner in a previous project with IFDC, called Economic Development at the Base by the Agricultural Business Clusters (DEB-PEA). These clusters aimed to improve production and marketing of sesame, based on value propositions by producer organizations. 2SCALE inherited the previous project's ABCs and a partnership agreement was signed between 2SCALE and PROSEMA in September 2014. Through the partnership with 2SCALE the company intends to develop inclusive business relationships that are profitable and sustainable for all partners (producers, intermediaries, input suppliers, financial institutions). PROSEMA's final aim is to secure a supply of increasing quantities of sesame from producers, especially from smallholders that are excluded from the cotton production.

Business model

PROSEMA sources sesame from producers in the regions of Ségou, Sikasso, Koulikoro, Kayes and Mopti through various intermediaries:

- Service providers, either sesame producers or traders who have good relationships with producers in their areas. During each marketing campaign, these traders receive a fund from PROSEMA to buy on behalf of the company the maximum possible amount of sesame produced in their zone. Their service is remunerated by the company on the basis of a set price per kilogram of collected sesame.
- Company delegates, who are agents engaged by PROSEMA for the technical supervision of producers, work under the responsibility of the company to oversee the purchase of sesame.
- Agricultural extension services which collaborate with PROSEMA for the supply of sesame. These include, the Office of the Upper

Niger Valley (OHVN), the Office for Rice of Ségou (ORS) and the Regional Direction of Agriculture (DRA) of Ségou, Koulikoro, Sikasso and Kayes.

- NGOs that supervise producers and their organizations in the development of the sesame value chains (conventional or organic).
- Farmers' unions, made up of several farmers' organizations, which collaborate with PROSEMA to improve the production, supply and marketing of sesame.

PROSEMA, for its part, sells its sesame on the international market to buyers in China, India, Japan, Israel, Turkey and Europe.

Interventions through the partnership

Given the competitive environment in which PROSEMA operates and its ambition to increase its sourcing capacity from 500 to 20,000 tons of quality sesame, at a competitive price from 40,000 small sesame producers, the main challenge for the partnership was to identify measures that would lead producers to sell to PROSEMA rather than to its competitors. With the support of 2SCALE, a series of diagnoses with stakeholders in the sesame value chain were carried out during the various governance meetings of the partnership, as well as during the planning and review meetings with PROSEMA staff. On the basis of the results, a strategy was developed to meet this challenge.

An important conclusion was that the different sourcing channels did not have the same efficiency. PROSEMA delegates and local service providers have been more productive compared to agricultural extension services, NGOs and farmers' organizations. By way of illustration, during the 2015/16 campaign, the four delegates and the nine service providers collected over 78 % of the total volume of sesame collected (3,303 tons). Service providers and delegates function as local entrepreneurs. They have their own producers' networks from which they mobilize the sesame for PROSEMA, while granting themselves strong profit margins. Therefore, PROSEMA opted to prioritize these channels at the cost of others, revealed to be less effective.

In combination with the support for the most effective sourcing channels, there has been a gradual development of a business model that is more attractive to other players in the value chain. With the support of 2SCALE, PROSEMA facilitated the process of setting up 14 new sesame producer cooperatives, involving intermediaries such as company delegates and local service providers. Using delegates as entry points at the cooperative level is beneficial for the following reasons: they are familiar with the field; they continue to operate within the value chain (they are not eliminated at the benefit of a direct relationship between



Mahamane Toure | Sesame processing at the PROSEMA facility

the producers and the company); and they have a relationship of trust with both producers and the company. The organization of the sesame cooperatives was supported by training and coaching, carried out by 2SCALE, focusing on the importance of well managed and functioning producer organizations.

In order to motivate producers as sourcing partners and increase their capacity to conduct production and post-harvest operations, a Farmer Field School (FFS) facility was set up in collaboration with the Integrated Production and Pest Management (GIPD) program of the National Direction of Agriculture (DNA). As a result, 14 FFSs were set up for four ABCs. Five FFS facilitators and five PROSEMA delegates were trained as farmer facilitators. A total of 333 producers, 68 of them women, attended training sessions at the FFS. In addition to sesame production (land preparation, seed selection, fertilization, pest control), FFSs also deal with issues related to post-harvest operations and the quality of sesame.

With regard to increasing the loyalty of producers and thus increasing the supply of sesame, PROSEMA tried to provide producers with the inputs (fertilizers, herbicides) they needed, in the form of input credits. However, it should be noted that the company did not have the necessary resources or the expertise required to assume this function. In most cases, this resulted in a situation of non-repayment of the input credits granted. Training and information was provided to ABC members on the cluster approach and exchanges were facilitated by 2SCALE in order to find a local solution to the problem of access to input credits. Most producer organizations lacked sufficient credibility with financial institutions and input suppliers because of their low level of organization and limited understanding of entrepreneurship. They were not then able to build reliable relationships with input suppliers and financial institutions. However, 2SCALE has facilitated close partnerships between producer organizations and input suppliers to evolve towards a more sustainable solution for access to inputs; i.e. PROSEMA being a secured buyer of sesame. At the same

time, PROSEMA came to understand that it was not its responsibility to provide inputs and equipment to producers. It is up to producers to source inputs through the development of close partnerships with input suppliers and financial institutions.

An important aspect of the partnership between PROSEMA and 2SCALE is the relationship between the grassroots actors at the ABC level. The clusters that had already been created by the previous project were reinforced by ongoing support for networking and capacity building of member actors. ABCs are close partnerships between all the local actors in a sector (agricultural producers and their organizations, input suppliers, financial institutions, etc.), who share a common ambition to satisfy a market segment. Networking facilitates the building of relationships of trust between actors enabling them to work together, and PROSEMA, through its purchasing power and the motivation this offers, acts as a catalyst for ABC collaboration and facilitates the building of relationship of trusts between cluster members.

During training and coaching, the types and content of contracts offered by PROSEMA to the sesame cooperatives were analyzed. This analysis made it possible to identify how best to motivate actors to sell their produce to PROSEMA rather than to other buyers.

It was agreed that a motivational system for intermediaries is necessary to ensure the efficient aggregation of sesame for PROSEMA. This system was put in place with the introduction of performance bonuses to be paid to intermediaries depending on the volume of sesame collected. Similarly, a mechanism for the capturing and retrocession of financial resources to producer organizations, also based on the volume of sesame collected, has been set up to encourage improvements in the technical and organizational skills of members (trainings), as well as improvements in the organization's performance, in terms of production and sales of sesame.

Producers take advantage of the PROSEMA relationship through two motivational systems. One fixes the farm-gate price; based on a standardized cost-benefit analysis of sesame production at farm level, coupled with the introduction of a mechanism for managing price changes during the marketing period. The other one is a bonus-malus system linked to the quality of sesame.

In order to have sufficient funds for the collection of sesame, PROSEMA had to be very active in the mobilization of financial resources. The Dutch firm, SCOPEinsight, carried out an audit of the company through 2SCALE, the results of which were used in negotiations with banks. During the 2016/17 season, a line of credit totaling 1.2 billion FCFA was mobilized.

The partners in the sesame value chain face the challenge of optimizing loyalty among themselves, especially in a context of recurring fluctuations in market prices, tensions around sourcing of sesame and questions surrounding contractual commitments. 2SCALE facilitated a business development forum that brought together PROSEMA's networks of collectors, leaders of 120 producer organizations undergoing a restructuring phase, agricultural services, and the Mali Company for Crop Protection (MPC) – one of the largest input suppliers in Mali. This forum made it possible to diagnose the key problem areas with regards to loyalty and to strengthen the capacity of actors to formulate and implement strategies related to resolving these issues. On the key issue of parallel sales, stakeholders identified a series of measures such as: the certification of sesame for more rewarding segments of the international market – PROSEMA is already engaged in ISO certification procedures for environmental and food safety standards – which involves improving the quality of sesame and the related quality control mechanisms; the development of internal capitalization strategies by producer organizations for reimbursing input credits; and attracting social investors for the development of the sesame value chain.

Results

Presently, PROSEMA is linked to 14 sesame cooperatives that form the basis of its sesame sourcing system. The partnership with 2SCALE enabled PROSEMA to increase its total source of sesame from 500 tons to more than 3,000 tons per year by the end of the 2016/17 season. Following the positive impact of these 14 organizations on the quantities and quality of mobilized sesame, PROSEMA has begun to establish new cooperatives of sesame producers in other ABCs.

Thanks to training on good agricultural practices and PROSEMA's focus on sourcing from producer organizations that provide internal quality control, the level of impurity of the sesame supplied to PROSEMA has also decreased from 11 % to 8 % in 2016.

There has also been a certain evolution in the nature of relations between PROSEMA and sesame producers. They are no longer merely beneficiaries of PROSEMA initiatives; they have become business partners who negotiate and establish contracts with the company. A similar dynamic can be observed between producers and suppliers of inputs.

It is the nature of the relationships established by PROSEMA with various players in the sesame sector that have enabled the company to improve its position in the market. Its business model, which favors sourcing from grassroots producer organizations (sesame cooperatives) by integrating intermediaries (local service providers, company delegates), allows different stakeholders to benefit from their activities.

Lessons learned

Replication

Despite a highly competitive environment, a company such as PROSEMA succeeded in developing sustainable and profitable business relationships with producers and other players in the sesame value chain. However, certain conditions are necessary for this type of development. First, actors need a good mutual understanding of the value proposition of the company. Secondly, the value proposition must provide for accompanying measures that meet the needs of producers. Thirdly, the fact that PROSEMA has a network of intermediaries in charge of sourcing, linking PROSEMA and the other actors on the ground, is a great asset.

Scaling up

The partnership between PROSEMA and 2SCALE in synergy with the ABCs has laid the groundwork for better coordination

of the activities of stakeholders in the value chain. This coordination not only allows PROSEMA to aggregate larger volumes of sesame using its intermediaries, but also facilitates the acquisition of important knowledge by actors to promote their development. In addition, the intermediaries ensure close communication between producers and the company, which results in better information sharing and increases transparency in the transactions between them. Finally, through networking and linking at the ABC level, producers can access services, such as input credits, that PROSEMA cannot provide. Following this model, PROSEMA can continue the establishment of producer cooperatives in other areas of sesame production. To this end, the partnership plans to organize exchange visits between producers in new areas and members of cooperatives already in place.



This paper is part of a series in which 2SCALE facilitators and coordinators share their experiences. Contributors: Abalo Adodo, Grégoire Oniankitan Agai, Mathias Ahounou, Geneviève Audet-Bélanger, Tekalgn Ayano, Judith Chabari, Assefa Degefu, François Dossouhoui, Peter Gildemacher, Olugbenga Stephen Idowu, Alhassan Issahaku, Peter Kirimi, Eric Lakoussan, Arnoldus Maatman, Janet Macharia, Douglas Magaja, Jacqueline Ndambuki, David Njenga, Irene Njogu, Francis Nthuku, Thompson Ogunsanmi, Gabriel Olengo, Kwame Pipim, Hiwot Shimeles, Faoussa Tadjou, Addis Teshome, Baba Togola, Mahamane Toure, Youssouf Traore, Niek van Dijk, Ajay Varadachary, Raphael Vogelsperger, Allan Wayira and Bertus Wennink.

2SCALE manages public-private partnerships (PPPs) for inclusive agri-business in Africa. Partnership agreements are developed with companies with inclusive business agendas. 2SCALE offers support services to companies, farmer groups and other relevant stakeholders – enabling them to produce, transform and supply quality food products to local, national and regional markets, including Base of the Pyramid consumers. 2SCALE strengthens the capacity of grassroots and value chain actors, supports innovation and coordinated action, and improves skills to assure effective participation in markets. The focus countries of the programme are Benin, Ethiopia, Ghana, Ivory Coast, Kenya, Mali, Mozambique, Nigeria and Uganda.