

2SCALE

Promo Fruits Benin: Agricultural producers at the heart of agribusiness development

Photo: Mahamane Toure | Harvesting pineapple IRA Benin

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KEY MESSAGE

The inclusive development of agribusiness should put producers at the heart of an initiative. Economic initiatives become competitive and inclusive through the effective integration of producers into the supply chain of processing units. A sourcing system that retains the loyalty of producers must ensure their access to financial services (input credit) and maintain competitive and attractive prices for producers.

Introduction

Pineapple is a widespread crop in southern Benin thanks to favorable agro-climatic conditions. This demanding, but fairly profitable crop is grown by smallholder farmers, often on plots less than 1 ha.

Confronted with sales problems, in 2000 a group of pineapple producers under the leadership of Mr Dieudonné Alladjodjo started negotiations with the Beninese Brewery Company (SOBEBRA) for the use of pineapple as a raw material in the manufacturing of their drinks. Since the negotiations were unsuccessful, these producers explored other avenues such as the export of fresh pineapple to the European Union (EU). However,

the requirements in quality standards did not allow them to enter this market. Moreover, Nigeria, a major producer of pineapples, had a great influence in setting fruit prices in sub-regional and international markets. It was then that the option of processing pineapple juice for the local market appeared to be the most interesting.

In 2001 the group created the Pineapple Recovery Initiative (IRA) cooperative, with a starting capital of US \$5,000, which was mobilized by the producers, and a processing capacity of 200 kg of pineapple per day. Two functions were fulfilled by this cooperative: the production of pineapple fruit and the processing of pineapples into juice.

Promo Fruits

History

With the progressive development of its markets, the IRA cooperative gradually increased its processing capacity to 5,000 kg per day in 2009. At the same time, it had also expanded its raw material sourcing network beyond members of the cooperative. New pineapple production cooperatives were formed and became suppliers to the cooperative's processing unit.

In 2011, in order to mobilize its financial counterpart from a bank in order to bid for a call of the US funded Millennium Challenge Account (MCA), the IRA cooperative was transformed into a company with limited liability (SARL) and 100 % of its shares distributed among IRA member producers. The processing unit of the IRA cooperative was transferred to the company, known as Promo Fruits, for more professional management. The pineapple production component was maintained within the cooperative. With support of the MCA and bank loans, Promo Fruits, still headed by Mr. Alladjodjo, was able to install a modern processing line with an automatic fruit processing unit, which produces pineapple juice in cans. With this increase in the company's processing capacity (from 5 to 45 tons per day), the sourcing network also expanded to eight new producer cooperatives, who supply the raw material together with the IRA producer members.

The new processing line was designed to target consumers outside Benin because cans are easier to transport than glass bottles, which local natural juices are usually packaged in. In addition, cans are more acceptable for Muslim consumers, who are reluctant to use reconditioned bottles of beer. Promo Fruits juices, although more expensive than most other fruit juices, are appreciated by consumers because they are 100 % natural, well preserved, transported very easily and have a packaging accepted by all. In 2012, Promo Fruits obtained certification of the West African Economic and Monetary Union (UEMOA) for the sale of its products in the sub-region. It allowed Promo Fruits to penetrate the sub-regional market and double its turnover in 2013.

Business model

The business model of Promo Fruits is based on four pillars: 1) The company sources from small-scale pineapple producers in Benin, including 2,580 producers grouped into nine professional organizations (situation in 2014); 2) Promo Fruits produces 100 % natural juice (with no additives), for which the company has been able to develop a national and sub-regional market. Benefiting from sales prices that are more attractive than other juices in the same quality range, Promo Fruits is able to pay a fair share to smallholder pineapple producers, which improves their income and enhances their participation in the local economy; 3) The company offers producers a competitive and incentivizing price, which motivates and retains producers and allows the factory to guarantee its supply; 4) Promo Fruits intervenes upstream of the value chain by facilitating the access of producers, who are members of the sourcing network, to an input credit system. A local microfinance institution (FECECAM – *Faîtière des Caisses d'Épargne et de Crédit Agricole Mutuel*) offers a credit facility for the purchase of inputs, which is guaranteed by Promo Fruits' equipment. The company reimburses the credit through a levy when paying producers for the raw material they provide.

Entrepreneurial leadership

Mr. Alladjodjo plays a key role in the development of this company. Born on 20 February 1977 into a farming household, he holds a bachelor's degree in economics. Since his youth, he has always been interested in the rural environment, especially in the production of pineapple. His background has ensured that he knows how to deal with farmers.

In 1994 he created his first agricultural enterprise, specializing in the production and marketing of pineapple, at the age of 17 years, whilst still at high school. Because of the exceptional results, he was selected in 1999 as one of the four best farmers in a national competition. With the award of 2 million CFA francs (about US \$3,600) he earned, he grew his farm from 1 to 3 ha of pineapple production.

This self-taught leader, who is closely linked to farmers and knows their realities, has always advocated for producers' best interests. For him, the sustainable development of agribusiness must place producers at the heart of the initiative. All parties must benefit from growth, therefore smallholder producers must be involved in local economic development.

Organization of the sourcing system

The opportunity to process pineapple into juice was seized by the smallholder shareholders of Promo Fruits. Unlike some initiatives that start out like this and end up disintegrating or dying out, here the actors have used group discipline and professional management to



Mahamane Toure | Harvesting pineapple IRA Benin

expand the initiative. In addition, the company's positioning in a niche market (100 % natural juices without additives) and the setting up of a new production line for consumers outside Benin opens the way for more profitability. This has motivated other producers to integrate into the supply chain and benefit from an incentivizing purchase price.

Services to producers embedded in the value chain

In a competitive export environment to the EU, with Nigerian traders selling pineapple and many other small local pineapple processing units, it is crucial for a processing company to strengthen its relations with producers, not only by offering competitive prices, but also by providing services upstream of the value chain. With support of the Non-Cotton Inputs Project (PINC 2009-2012; funded by the Netherlands and implemented by IFDC), a tripartite contract was signed between a local financial institution (FECECAM), a fertilizer supplier and Promo Fruits. The company organizes the expression of the input requirements of producers in its sourcing network and submits a related request for credit to the financial institution. FECECAM pays the fertilizer supplier, which provides the fertilizer to the company, who then distributes it to the producers. Promo Fruits then reimburses FECECAM by levying on pineapple purchases from producers.

Promo Fruits and 2SCALE partnership

Origin

Promo Fruits was interested in working with IFDC through 2SCALE as it relied on a business model that integrates smallholder pineapple producers and ensures their participation in the local economy. In 2013, 2SCALE supported Promo Fruits to refine its business plan and facilitated (via financial negotiations) the company's attainment of an equipment loan (US \$800,000) from Oikocredit International. 2SCALE also supported 2,580 small-scale pineapple producers in the Atlantique region in the south of Benin, who are members of the company's sourcing network, to improve their productivity and access input credits.

On the basis of these collaborations, Promo Fruits contacted 2SCALE again in late 2014, by which time it was producing about 5.2 million liters of pineapple juice per year that it marketed throughout the West African sub-region (market shares in 2013: Benin: 10 %, Niger: 15 %, Burkina Faso: 12 %, Mali: 23 %, Senegal: 11 %, Togo: 5%, Ivory Coast: 6% and Ghana: 18 %). Commercial relations with new customers were also developing, notably in Nigeria and France (in the latter case for pineapple juice concentrate).

Promo Fruits entered into a partnership with 2SCALE with the aim of expanding regular sourcing of quality raw material from pineapple producers, who, together with farm laborers, would hence benefit from an improved income. While expanding its activities, the company also intended to integrate consumers at the bottom of the pyramid (BoP) into its clientele.

Key actors

All value chain stakeholders (producer organizations, input suppliers, Promo Fruits, packaging suppliers, transporters, microfinance institutions, agricultural services, etc.) have joined forces in the IRA Pineapple Juice Innovation Platform. Created in June 2014, this Platform is a multi-stakeholder consultation framework, which aims to strengthen the coordination of activities and improve the performance of the pineapple juice value chain. The Platform is registered with the relevant authorities and its chairmanship is provided by the IRA cooperative. The IRA Pineapple Juice Innovation Platform also recruited specialized technicians, including agribusiness coaches, to support the technical supervision of pineapple producers.

Ambitions

The shared ambition of Promo Fruits and 2SCALE is to increase the income and living standards of 10,000 smallholder pineapple producers and their workers by increasing agricultural productivity by 30 % and improving access to the market developed by Promo Fruits. Another ambition is to improve the nutrition status of poor consumers by providing a product that is affordable for them.

Considering the increase in market demand and new market opportunities, particularly in France and Nigeria, Promo Fruits plans to triple its processing capacity by purchasing new equipment, which will reduce processing costs. As part of this expansion, the company also plans to diversify its products. As well as producing juice in cans, it wants to produce juice in different packaging (aseptic bags or carton packs) for various categories of clients (aseptic bags for repacking and filling by other processors; carton packs for BoP consumers).

Therefore, the company must guarantee a regular supply of quality pineapples from smallholders. At the beginning of the partnership,

Mahamane Toure | Women and Youth in pineapple PPP, Benin PromoFruits



pineapple producers obtained relatively low yields (35 t/ha compared to a potential 75 t/ha). They were unable to supply fruits according to the required quality standards because they did not master some key technical operations. The fact that the producers do not properly select quality ratoon does not allow them to grow big fruits. Poor fruit harvesting techniques, as well as transport conditions, also affect the quality of fruits.

Finally, the lack of mastery of floral induction techniques (TIF) by producers and farm laborers distorts the plant's programming and lowers its processing efficiency. It should be noted that the company communicates sourcing schemes to producers. Producers are then able to start TIF operations to provide the requested quantity at the required time. The non-application of TIF causes the producer to deliver below the company's forecasts.

2SCALE interventions

Upgrading of the Promo Fruits processing facilities

In upgrading the processing facilities of Promo Fruits, 2SCALE facilitated the development of a business plan and connected the company with Oikocredit International to negotiate an investment loan (US \$2,000,000) on favorable terms (i.e. with an interest rate of 8 %). The company also obtained support from other partners, such as the UEMAO's Office for restructuring and upgrading enterprises (BRMN - US \$200,000 for material support and US \$100,000 for technical support) and the EU (US \$60,000 for the implementation of the Hazard Analysis Critical Control Points system (HACCP)). The total investment made by the company was US \$3,470,000 (including its own financial resources).

This funding allowed for the improvement of the company's processing equipment (e.g. for the production of juice concentrate and carton packaging) and core processes, according to HACCP requirements. The processing capacity increased from 45 to 100 tons per day and processing costs were reduced by 20 % and losses by 3-10 %. The new equipment has also reduced the manual work involved in processing and packaging the juice, and working conditions for employees have been improved with the construction of dormitories and separate bathrooms. Finally, with this increase in processing capacity, the regular supply of raw material and the diversification of its products and distribution network, the company almost doubled the volume of juice marketed from 5.2 to 11.5 million liters of juice per year.

The alignment of producer organizations with the Promo Fruits business model

In order to allow pineapple producers to meet the quality standards demanded by the company, the IRA Pineapple Juice Innovation Platform recruited 27 technical specialists who were assigned

to the nine producer organizations (i.e. three technicians per organization). Promo Fruits provided the agents with motorbikes and fuel, while 2SCALE subsidized technicians' salaries for a limited period. These technicians ensure the technical support of producers and farm laborers for the success of technical operations, such as varietal purification, TIF and harvesting techniques, which impact the yield and quality of the pineapple fruit. 2SCALE also facilitated the development and implementation of a training and coaching plan for pineapple producers, and funded the development of demonstration plots. These activities have resulted in yield increases of more than 57 % (from 35 to 55 t/ha) and improved pineapple quality (63 % of pineapple delivered to the company now meets the quality requirements).

2SCALE also supported the IRA Pineapple Juice Innovation Platform to organize awareness campaigns to identify and mobilize other pineapple producers, including vulnerable producers (such as women and youth). Field meetings with old and new producers were facilitated by the technicians and the leaders of the Platform to (re-) explain the sourcing system, the expectations of Promo Fruits and the benefits for the producers. Thereafter, more than 12,000 farmers and agricultural workers joined the value chain, of which 3,715 were producers, which consequently increased the volume of pineapples delivered to the plant from 11,200 to 21,500 tons per year.

Promo Fruits also continued cooperation with producers for access to input credit. In 2016, the Platform carried out a diagnosis on the inclusiveness of the credit system. The diagnosis revealed that the credit system only touched about 1,000 producers, 10 % of whom were women, while the number of producers and agricultural workers represented by the IRA Juice Innovation Platform was about 12,000. Thus, the majority remained excluded from this financing scheme because they do not meet the conditions and criteria of the financial institutions currently involved. In order to overcome this situation and allow for enhanced financial inclusion, 2SCALE has supported the creation of a financial structure, managed and supported by Platform members, which respects regional and national regulations on decentralized financial services. Producers have already subscribed to shares in the savings of the credit cooperative (COOPEC-RA – *Coopérative d'Épargne et de Crédit pour la Relance Agricole*), whose statutes and internal rules as well as its business plan were adopted in May 2017 at its constitutive general assembly.

Capacity strengthening for leadership and multi-stakeholder coordination

Technical support to pineapple producers is a service provided by the IRA Pineapple Juice Innovation Platform, which recruits specialist technicians and manages them. The financing of these services is



Mahamane Toure | Women and Youth in pineapple PPP, Benin PromoFruits

guaranteed through a levy system operated by Promo Fruits on the purchase price paid to the producers. This system will replace the current wage subsidy by 2SCALE. The flat-rate levy system (FCFA 2.91 per kg) is co-managed by the company and the producers' organizations. The acceptance of this levy was made possible by the increase in pineapple yields. Input market surveys were also organized and led to the collective purchase of agricultural inputs with the financial support of Oikocredit International.

Management of the Platform and its member producer organizations has been professionalized with support from 2SCALE. For example, through the compliance of agricultural cooperatives with the Organization for the Harmonization of Business Law Standards in Africa (OHADA) rules, the updating of administrative and financial management tools, and organizational self-assessments. At present, the Platform and member cooperatives regularly hold statutory meetings and general assemblies.

The leadership of the IRA Juice Innovation Platform is confirmed, among other things, by negotiating affordable interest rates for credit to producer members (which has resulted in decreases of 24 % to 12 % with FECECAM and 10 % to 8.75 % with Oikocredit); as well as through the Platform's facilitation of a more smooth transport and delivery process for pineapple fruits (i.e. the harmonization of transport prices, invoicing of transport prices per ton and use of a weighbridge at the processing plant).

Diversification of consumer-friendly products at the BoP

In 2015, Promo Fruits, with the support of 2SCALE, conducted a rapid market study to identify major trends in fruit juice consumption among low-income consumers. These consumers are found in various sectors, such as primary and secondary education (students), the army (rank and file soldiers) and craft centers. They tend to buy drinks on the street, in open markets and at schools. They prefer pineapple juice with the following characteristics: packed in cartons, bags or bottles of 200 to 500 ml, natural and cooled juice, costing between 100 and 200 FCFA per unit. As a result of this study, three proposals for selling the juice (1) in strollers with sandwiches, 2) in strollers without sandwiches and 3) with tricycle bicycles) were developed and tested for 4 months to assess which options were the most effective for propelling sales in this market segment.

It was found that strollers with or without sandwiches were most suitable for the sale of juice in urban areas and that tricycles were more efficient in the more distant rural areas for reaching low-income consumers. The test also showed that juices in bio-degradable bags (150 ml), cartons (200 ml) and cans (250 ml) can be marketed through these means.

In view of these results and with the commitment of Promo Fruits to conquering this market segment, 2SCALE is currently supporting the company to obtain financing from a financial institution for the scaling up of the pilot.

Opportunities to improve competitiveness

Promo Fruits bases its competitiveness on solid business relationships with producer organizations, which are the basis of the value chain. However, with the arrival of a new pineapple processing unit, competition for sufficient supply is increasing and requires innovations by all the actors of the IRA Pineapple Juice Innovation Platform.

Opportunities to innovate and improve competitiveness include:

- The producer payment system. Payment is currently done through the only bank in the town of Allada and involves the risk of carrying large sums of money over long distances. Mobile payment systems, via GSM networks, offer a more secure alternative with local terminals located near producers.
- Tailored fertilizers and other inputs. The inputs currently used for pineapple cultivation are not crop specific. The Platform could take the lead in the research and development of specific inputs, and facilitate access to and the distribution of these inputs.
- Use of post-harvest pineapple waste. This could be used for the production of biogas to supply the boiler in the processing plant and, thus, reduce processing costs.

Lessons learned

The leadership of Mr. Alladjodjo is considered to be one of the keys to the success of the Promo Fruits business model. He is a self-educated and enlightened entrepreneur with a good knowledge of the farmers'

milieu, who has seized opportunities to expand his business with support from partners. The creation of a pineapple fruit processing company - with producers as shareholders - which is managed professionally by Mr. Alladjodjo, has facilitated the implementation of an inclusive agenda through the development of a sourcing system from smallholders. However, this leadership model raises risks associated with over-reliance on a single individual.

In the pineapple sector in Benin, where processors and traders compete for sourcing from smallholders in a relatively small area that is suitable for pineapple cultivation, sourcing systems need to embed services for smallholders in order to enhance loyalty. Promo Fruits has played a decisive role in the services provided to producers upstream of the value chain (e.g. via access to input credit). It also incited the company to expand the market for pineapple juice, lower processing costs and reduce losses during processing, in order to offer a competitive purchase price to producers.

The creation of a multi-stakeholder innovation platform not only has helped to make the management of the value chain more transparent, and highlight the converging and divergent interests of various stakeholders, but also stimulated technical and organizational co-innovation in the value chain in order to maintain the competitiveness of the value chain end products.

Mahamane Toure | Pineapple demonstration plot





Mahamane Toure | Transport of pineapple, IRA Benin

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-Bélangier, 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, Youssef 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.

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