



Value chain development - Case in Burundi: White Sorghum

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Introduction

The White Sorghum value chain development project in Burundi is done by SPARK, an international private sector development organization, in collaboration with Mobinc, a local expert network organization. The project is part of SPARK's Agri-Business Creation programme (ABC).

The ABC programme is aimed at creating employment for stability. Through analysis of the social-economic and political context, specific locations and target groups were chosen. SPARK has done several value chain analyses, with the context analysis as basis, aimed at identifying where rapid job creation for rural youth and migrant groups was possible, within a certain value chain or cluster. White Sorghum showed to have a rapid result potential by building capacity of a group of farmers, cooperatives, and related entrepreneurs in the regions of Cibitoke and Bubanza in Burundi.

Context

The objective of the programme within the post-conflict context of Burundi is rapid job creation for rural youth in general. This is all the more relevant due to the threat that groups of youth pose, as the Imbonerakure, in the run up to the elections this summer. Farmers that cultivate sorghum could employ formerly armed youth, returnees from refugee camps, migrants, returnees, landless, etc. aimed at maintaining stability. To maintain stability while there is such an influx of labor force, it is essential to create jobs for these vulnerable groups.

Opportunity

The opportunity for farmers was the large market offered by the lead-firm and beer brewery Brarudi (mostly owned by Heineken). One Brarudi factory located in Gitega (center of the country), which had been closed due to fierce beer competition from East African countries, has now opened based on the introduction of a new brand of white sorghum beer, which is a traditional drink in the region. The total demand for White Sorghum beer is increasing exponentially.

Partnerships

The partnerships in this value chain, and others, are essential for the strategy to succeed. In this particular VCD project the external partners are Heineken and Eucord, that started this collaboration under the Millennium (previously called 'Schokland') accords from the Dutch Ministry of Foreign Affairs. The demand side, arranged by Brarudi, is the building block to get the market development process started. Two local microfinance organizations (CECM and COSPEC) are also involved, supported through a programme by TERRAFINA microfinance. The government is expected to be an important partner as well, but low community trust in the government is common in this context. The commitment of the government has so far been low. Currently the partnerships are built, first locally with the Ministry of Agriculture and livestock and later also nationally.

Value chain

This value chain is short, both in time-lapse and in linkages. It lasts only 110 days from sowing to harvesting. Also the linkages are relatively short, where farmers are selling directly to the main buyer, Brarudi. Only supporting services stand between these links such as warehousing and transportation, which is mostly done by Eucord, including the sales links. Thus, the development of capacities is mostly focused on producers and producer organisations. Since the value chain is still young, Eucord is also providing inputs to farmers such as seeds and fertilizers. After harvesting and drying at cooperatives, the White Sorghum is transported by private trucks, also serviced by EUCORD, to the Brarudi factory.

Within that short period, two more services are solicited: microfinances to provide short term loans guaranteed by SPARK, and MOBINC to provide for capacity building on fields monitoring and training on cooperative management. The guarantee for the loans is essential in this post-conflict context. Without these loans, many farmers would not be able to participate in this value chain. And they would not employ laborers to work on their fields.

As the value chain matures, other service providers and entrepreneurs will be encouraged to provide support. These are mainly input providers and transporters. The Brarudi beer brewery offers currently the opportunity, but SPARK and MOBINC also work on differentiation of the market. Already, white sorghum is cooked with beans as a local dish and also prepared as a local drink like sorghum porridge. In addition, white sorghum trade is practiced between Rwanda, Burundi, Tanzania and East DR Congo.

Challenges

The challenge for the farmers is how to increase their margins and reduce production costs, given that the prices are set by Brarudi. The same counts for input providers. Such strategy needs capacity, both in negotiation towards the buyer as well as to the input suppliers. In addition, the factory is often late with payments, exploiting their role as a monopolized buyer. The price remains the main challenge for the farmers to create a sustainable business model. This will be difficult to change as long as the value chain is dominated by one buyer and supplier base. In addition, corruption is a huge threat to the farmer and also to the down-stream linkages within the value chain. This challenge is also better met by having farmer cooperatives started and specific capacity build into counter the mentioned barriers and threats.

One of the main challenges for the farmers, especially the many without options to offer collateral, is financing their business model. In the unstable political Burundian post-conflict context, general trust is low. Banks are hesitant to give loans. So this is precisely what SPARK's guarantee fund does, it makes possible loans for these producers to bridge the period to a more stable situation and by doing so fostering horizontal and vertical linkages.

Another challenge is to support farmers during the period between two agricultural seasons. As revenues from white sorghum are not high, farmers might be tempted to go for other ventures. SPARK and MOBINC are looking for opportunities to train farmers on other revenue generating skills, such as: bakery, sewing, production of construction materials, carpentry, etc.

Roles

Based on SPARK's value chain analyses, the gaps or weak linkages in the value chain are identified. Based on these, capacity building is set-up as well as new business opportunities are identified. Together with Mobinc, intervention packages are designed and implemented. Mobinc is taking a facilitators' role in the chain, as capacity building partner to the farmers and other related entrepreneurs. Brarudi is the buyer and takes no other role. Eucord is the facilitator on the up-stream level of the chain. However, Eucord has also taken a role in parts of the chain itself, as inputs supplier and transportation provider between the warehouse and Heineken.

Conclusion

Farmers are needed to get further organized and build an entrepreneurial 'fence' around them, possibly through cooperatives. They need to achieve stronger bargaining power towards the lead firm for price setting and short payment periods (already, off-market buyers are benefitting from the harvest against the interest of Brarudi). Such capacity will also be needed towards their suppliers in the future, and also to counter corruption throughout the processes. In the long run, an entrepreneurial cooperative structure could provide this. The role of the various partnerships in this approach is ensuring the market linkage and the quality of the capacity building, and therefore the sustainability of the producer and entrepreneurship structure, and jobs created. The partnership with the government is more difficult in this post-conflict context, where it is important to make use of the government institutes that really support the value chain.

The approach will sustain the job creation potential for the vulnerable youth, which has a crucial role in the sustained stability. Capacity building of farmers on agricultural and business techniques within the white sorghum value chain and also on other revenue generating skills for market differentiation will thus help sustain job creation for the vulnerable groups, that will also be employed as laborers and as such sustain stability in Burundi.



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