

2SCALE



**2SCALE AGRIBUSINESS
CLUSTER PROGRAM – BENIN
PINEAPPLE SECTOR**

2014-2017

**EXECUTIVE SUMMARY OF AN AMEA/IFDC
CASE STUDY**

2024

INTRODUCTION

2SCALE is an IFDC incubation program that manages a portfolio of public-private partnerships (PPPs) for inclusive businesses in agribusiness sectors and industries. 2SCALE offers a range of support services to its business champions (SMEs and farmer groups) and other key partners in specific value chains, enabling them to produce, process and supply quality food products to local and regional markets. In each partnership, the business champion is linked to production areas to source raw materials or sell inputs. In these areas, 2SCALE promotes Agricultural Business Clusters (ABCs), which are informal networks formed around farmer groups. The ABC approach works to address coordination issues to enable local actors to efficiently supply raw materials or have access to quality inputs for successful trade. The dynamics within ABCs depend on several actors, who make up these ABCs.

The objective of this case study was to analyze the roles played by aggregators within ABCs and how 2SCALE supported small producers and micro-entrepreneurs in the Benin pineapple value chain to have a balance of power with value chain actors. The full case study is available here, which includes a full explanation of the case study methodology, a mapping of actors, their roles and responsibilities, and the results of outcomes.

2SCALE APPROACH

As part of the start-up process, 2SCALE supported a value chain mapping which identified and classified value chain actors in each Pôle d'Enterprises Agricoles/Agricultural Enterprises Poles (PEAs). This process also mapped out the capacity needs and roles of these actors in terms of the business development services (BDS) they offered. 2SCALE then examined the inclusive business strategies of aggregators and interviewed PEAs to consider what may be effective inclusive business strategies. This led to the following being identified as strategies to enable inclusion:

A

GROUP PRODUCTIVITY TRAINING:

Training groups to increase productivity is generally more cost-effective than working one-on-one with farmers.

B

AGGREGATION:

Aggregation reduces logistics costs for smallholder farmers. Producers can also add value to crops through managing rejects, variety sorting, storage and other functions, depending on their capacity. Moreover, aggregation reduces the cost of collecting and disseminating information for companies seeking certification of organic crops, or by reducing audits costs, for example. Aggregation also reduces costs related to marketing, distribution, money lending and service fees for businesses selling inputs or financial services to smallholders.

C

MARKETING AND DISTRIBUTION OF SERVICES:

Supporting groups to develop collective marketing gives farmers bargaining power to get better prices.

This led to 2SCALE to invest in the mobilization and revitalization of associative movements e.g. Communal Union of Pineapple Producers of Allada (UCPA), the Producers' Group of the Rural Commune of Zinvié (GPACRuZ), the Union of Pineapple Producers' Groups of Toffo (UGPAT), the Federation of Economic Interest Groups of the Atlantic (FGIEA), the National Federation of Pineapple Professionals' Organizations of Benin (FENOPAB), the Association of Fruit and Vegetable Producers of Benin (APFB), etc. To this, we must also add the creation of the interprofessional association (AIAB), which is gradually positioning itself as an effective advocacy organization.

RESULTS

2SCALE had an impact at two levels. The first is with the value chain actors with whom they work directly and the second is on the development of the whole pineapple value chain sector.

In terms of the impact with direct beneficiaries, the following table shows that **producer income almost doubled** through the support of IFDC-2SCALE.

CATEGORY OF PRODUCERS	AVERAGE INCOME BEFORE SUPPORT	AVERAGE INCOME AFTER SUPPORT	GAP		IMPROVED PRODUCTIVITY AND EVOLUTION OF THE INITIATIVE			TOTAL FORMED (%)
					YES	NO		
MEN	120.200.0	227.800.0	107.600.0	154	60,16%	08	3,13%	82,04
WIVES	19.100.0	47.700.0	28.600.0	38	14,84%	00	0%	17,96
TOTAL	139.300.0	275.500.0	136.200.0	192	75%	08	3,12%	100

Source: Survey data

75% of the producers attributed this significant improvement to the advisory support and training received, which enabled productivity improvements, larger volumes of production, and the signing of contracts with Promo Fruits. However, it should be noted that 22% of producers did not feel their profitability had improved. This may depend on the market targeted as producers earn twice as much income from targeting the sub-regional/regional market (as shown in the table below).

ACTORS		FRUIT DESTINED FOR THE LOCAL MARKET	FRUIT DESTINED FOR THE SUB-REGIONAL, REGIONAL MARKET	PINEAPPLE JUICE FOR THE LOCAL AND REGIONAL MARKET	FRUIT, INTENDED FOR LOCAL, REGIONAL AND EUROPEAN MARKETS
Value Added (VA)	Producers	39,1	47,1	31,8	31,8
	Traders/Exporter	9,7	42,4	57,1	57,1
	Transformers	0	0	397,1	397,1
	Total	48,8	89,5	486	486
Profit	Producers	35,2	43,2	27,9	27,9
	Traders/Exporter	5,8	38,5	53,2	53,2
	Transformers			393,2	393,2
	Total	41	81,7	474,3	474,3

The study also found that the average annual income was estimated at 544,531 FCFA (US\$ 875), which contributes significantly to the well-being of producers and their families. They are able to provide schooling for their children, guarantee their own health services and that of their families.

At the value chain level, public-private partnerships have also enabled the following to be achieved:

- The extension of the production basin to the departments of Plateau and Zou-Couffo further north
- The provision of a specific fertilizer for 10N-5P-26K pineapple (currently being tested)
- The creation of a new cut fruit sector (factory under construction)
- The development of the export sector for fresh pineapples to Europe, which is in full development (this time with a specific analysis of the practices of exporting producers)
- The development of the organic sector and juice for Europe

SUCCESS FACTORS

The study also examined how effective 2SCALE had been to change the nature of business and empower the farmer organizations. The table below shows the progress made to enable access to credit (67%) and access to market information (72%). There is less progress on formal contracting. However, 18% with formal contracts is still a significant achievement given the nature of most agribusiness in Benin.

ELEMENTS	CREDIT RECEIVED		ACCESS TO INFORMATION		SIGNED CONTRACT	
	YES	NO	YES	NO	FORMAL	INFORMAL
PRODUCERS	172	84	184	72	46	210
PERCENTAGE	67,19%	32,81%	71,88%	28,12%	17,79%	82,03%

From the interviews carried out with stakeholders, it appears that several conditions contribute to the proper functioning and sustainable maintenance of the pineapple clusters. These are:

- The respect of commitments by each party (i.e. contracts)
- The provision of inputs to producers on credit at (very) affordable prices
- Cash payment immediately after purchase of produce

“As long as the parties continue to respect their commitments, there is no valid reason why the adventure, the beautiful adventure, with Promo Fruits should not continue,” said one of the producers surveyed. As one of the representatives of Promo Fruits suggested, *“There are conditions to be respected by pineapple producers to be able not only to sell their products to us but also and above all to benefit upstream from our support services, in particular our technical support and access to input credit for a quantitative and qualitative improvement of their production.”*

The availability of inputs on credit at (very) affordable prices is one of the main advantages of the PEA. “Champion” companies require producers to meet certain quality standards. Such compliance requires specific technical and financial investments for which (small) producers lack capacity. Therefore, Champion companies that offer technical, financial and input support are particularly important for pineapple producers.

Finally, **cash payment after purchase** of the fruit from the producer is a significant incentive for producers to remain with the Champion company. This drastically reduces the temptation to sell in other markets. All the support from Promo Fruits is likely to maintain and continue to operate.

CHALLENGES

The main challenge facing the “champion” company were the regular power cuts. In addition, there were delays in deliveries of pineapple, climate change and bushfires (which affected yields), theft and border closures. In contrast, the traders considered the lack of pre-financing for pineapple producers in their network as the main factor influencing the proper functioning of the networks, which affects their reputation as “reliable partners” in the eyes of producers. The pineapple producers also highlighted the difficulty of accessing finance, especially for inputs, as a key factor affecting their ability to deliver pineapples of the right quantity and quality.

RECOMMENDATIONS

The pineapple value chain generates growth and added value but inclusive growth is much higher where there are farmers who have strong relationships with Champion companies. The most isolated producers generate the lowest revenues. This suggests the pineapple sector has significant development potential if it is organized well. The following recommendations are therefore made:

A system of support should be established for the pineapple sector, which would have some relevance for other value chains in Benin:

Establish an efficient and more inclusive input supply mechanism (in which actors are bound by strong contractual business relationships)

Set up a system for the production of certified ratoon to producers

Support the financing of structuring infrastructure and logistics for transport, packaging, storage and palletizing, handling, etc.

Promote business models based on the cluster approach and contractual relations between producers and private operators (traders, processors and exporters)

Facilitate installation of packaging manufacturing units at a lower cost for processors/exporters

Aggregators should be supported to:

Develop a partnership with the National Fund for Agricultural Development (FNDA) which aims to support the development of promising agricultural value chains for appropriate and sustainable financing on the basis of a business plan

Develop/strengthen partnership and business relationships with SODECO to define a business model for the supply of inputs, or with any other private partner capable of integrating itself as an actor for the supply of specific pineapple inputs

Seek the support of TFPs to encourage the construction of new pineapple clusters at the local level in order to support the dynamics of grassroots actors

Strengthen relations with pineapple producers by providing regular technical, financial and input support upstream and adapted to the needs of producers

Carry out a centralized collection of raw materials by partner cooperatives

Initiate, encourage and support the establishment of formalized, self-managed savings and credit cooperatives by members of producer cooperatives for the financial inclusion of all PEA producers

Facilitate and negotiate affordable interest rates for loans from financial institutions (through bipartite or tripartite partnerships) granted to producers who are members of PEA cooperatives.

Ensure cash payment after immediate purchase of the fruit from the producer

After each season, carry out an assessment to strengthen and improve procurement and supply.

