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POLICY BRIEF

The Role of Private Companies in enhancing Inclusive Partnership Arrangements in Agro-food Chains in Ghana: Benefits and Challenges from Cocoa, Cassava and Soya Value Chains

INTRODUCTION

The quest to improve agriculture and food value chains in developing economies has led to the creation of diverse business models to help reach such goals by governments and their development partners. One of such business models is based on an inclusive value chain development approach that inform actors on the need to form partnership arrangements among and across agro-food chains to develop their business strategies.

This approach fosters participatory analysis and decision making in which actors are expected to lead in the improvement and sustainability of the value chains in which they are operating. Strategic actors are therefore identified, who then form partnerships in the form of Innovation Platforms (IPs) and Public-Private Partnerships (PPPs) to help improve value chain activities in the area of governance, coordination, management, creation of markets and related gaps at various levels of agro-food value chains. Whilst governments, donors, non-governmental organizations, farmer-based organizations, and related actors mostly participate in these partnership arrangements, it is noted that private actors, that include companies, processors, and marketers, who drive the business component of these agro-food chains, do not participate in the decision making processes of such partnership arrangements. Various reasons have been given for the lack of participation of private companies in agro-food chain partnerships.

This brief provides insights gained by a research project that studied incentives of strategic actors to join inclusive partnerships arrangements (IP and PPPs) and the respective outcomes. Private companies play an important role in the success of such partnership arrangements. They provide critical inputs, credit and market opportunities in agro-food value chains. Private actors simultaneously display competition and cooperation behaviour that help to drive as well as ensure the success and sustainability of value chains. By competition, companies and actors tend to promote their unique qualities and products that meet customers' needs and preferences. By cooperation behaviour through partnerships, companies and actors initiate joint efforts to create sustainable businesses they are associated with.

The Netherlands Research Organization (NWO-WOTRO) funded a joint research under taken by University of Ghana, Centre for Scientific and Industrial Research (CSIR), Cocoa Research Institute (CRI), SOLIDARIDAD West Africa, Royal Netherlands Embassy in Ghana, SNV among others to study how strategic partnerships induce changes in agro-food chains. This policy brief highlights outcomes from research into three main agro-food value chains
(1) CORIP cocoa partnership
(2) DONATA cassava partnership and
(3) 2Scale Soybean partnership.

Our research shows
(a) A diversity in partnership engagement of private actors (due to company cultures and financial capabilities);

(b) The beneficiary companies can derive from participation in partnerships, as it allows them to better position themselves and collaborate with local farmers/FBOs and NGOs to attain efficient, sustainable sourcing. Data was collected through interviews, focus group discussions, workshop presentations and reviews of field studies by experts and strategic actors linked to the case studies. Value chain analyses were also conducted on the three agro-food chains mentioned above.

Case Study 1: 2Scale Soybean Partnership Arrangement
Partnership activities:
The 2Scale Partnership arrangement is aimed at helping scale up marketing and production of grains especially in northern Ghana. The partnership brought out core competences, and expertise of researchers, marketing companies, farmers, input dealers, local NGOs that served as Business Support Service providers (BSS), with the aim to enhance, and scale up the soya value chain from subsistence to market based one. Farmers were grouped into clusters under each BSS and facilitated to become formalized as Farmer Based Organizations (FBOs). They were also trained in good agronomic practices and business management practices linked to processors, financial institutions, transporters and marketing companies.

Outcome:
Soybeans used to be sold by smallholder farmers at the local market, and on subsistence basis. The 2Scale partnership arrangement ensured that the produce was harvested and sold in commercial quantities and volumes, as well as by means of contract arrangements. The partnership arrangement further enabled and empowered farmers with the choice to decide on which of the available processors to sell their produce to.

Processors are used to purchase soya beans at open markets via middlemen who are mostly classified as 'Agents'. Agents receive bonuses on quotas given to them by procurement departments of soybean processing companies. The 2Scale partnership however have either eliminated or reduced the role of middlemen in price negotiation as well as sale of soybeans from warehouses and silos of smallholder cooperatives formed under the partnership arrangements.

The introduction of intervention mechanism in the area of finance, improved variety of seeds, market access as well as the formation of FBOs has helped reorganize the value chain as formal business.

Lesson Learnt:
Processors currently have access to improved quality soybeans from smallholder farmers involved in the partnership. This can be scaled up so that farmers could increase production and sales. Processors and private companies have an interest to join partnerships of value chains they are affiliated to. They, however, mentioned inadequate trust relationship as a de-motivation, due to previous experiences with some private intermediaries or so-called agents. Participating companies have however lauded the partnership as potential to create inclusive platforms that create win-win options for participating actors.

The creation of clusters and FBOs makes the role agents play in the soybean value chain superfluous. This is so because it creates direct contact and trust between private actors and farmers. The exchange of produce therefore becomes more efficient and both the farmer as well as the private actor benefit directly.

Image: *Delivery of soybean from Saboba (Northern Region) by hauler to Royal Danemec ltd, a private soybean processing company in Ashanti region, Ghana*

Case Study 2: DONATA Cassava Partnership Arrangement.
Partnership activities:
DONATA initiated the Innovation Platforms (IPs) model with the aim of connecting value chain actors such as farmers, transporters, processors, buyers, input dealers, traders, traditional authorities, local NGOs, the Wenchi district agriculture department under the local government municipal assembly.

The IPs serve as innovation centres where knowledge are exchanged. Information and experiences are shared among IP members, researchers, extension officers and the local NGO in the municipality. Other activities performed by the partners included joint field experiments, dissemination and adoption of new cassava varieties, production and processing of the cassava crops.

Outcome:
Processors have access to processing sheds and milling machines, where value addition processes are handled in healthy and environmentally friendly way. Thus cassava is not only sold in their raw state, they are either processed by using appropriate technologies into cassava chips or cassava granules and flakes (gari), before they are sold to the market. There is the availability of improved and disease resistant cassava for the market. The innovation platforms have enabled members to understand the work dynamics of each actor along the value chain. Farmers and processors have access to information about who cassava can be sold to and at what volume.

Lesson Learnt:
Negotiation of price for cassava tubers, as well as processed cassava continues to be dictated and skewed towards traders and market women. Whilst IP members mentioned that their livelihoods have improved due to their participation in the IPs arrangement, and the provision of processing sheds, they lacked the power to negotiate fair prices when marketing their end produce. Market women who purchase majority of cassava produce, processors, transporters and private companies can help enhance and improve on the partnership arrangement. Private companies can as well benefit by joining IPs. This will aid them to have direct access to improved cassava as raw material, and its value added products such as gari and cassava chips for the local and international market. IP manages to improve quality and quantity of Cassava production, and processing but as no link is created with private companies for marketing and/or credit, the added value for processors and long distance cassava/gari traders remains limited. Business is thus restrained by lack of capital to buy and process cassava at processing sheds, and marketing is still done on an individual level.

Case Study 3: CORIP Cocoa Partnership

Partnership activities

The CORIP cocoa value chain programme, a Public-Private Partnership (PPP) comprises formal organisations such as the royal Netherlands embassy, Solidaridad West Africa (SWA) and the government of Ghana. Rural Service Centres (RSCs) that serve as avenues for information and knowledge sharing have been established due to the partnership. Old cocoa trees have been replaced, and new agronomic practices, aimed to improve cocoa production and yield have been embarked on by CORIP partners.

Interestingly, the private sector, made up of the cocoa buying companies such as OLAM, CARGILL, etc. have a matching fund support of fifty percent to grants provided by the Dutch government through its embassy in Ghana, to create the RSCs. The private companies implemented the RSCs creatively in a way that fitted their company culture. It is anticipated that the RSCs will have become self-sustainable by 2017. Companies and farmers are expected to negotiate payment modalities of services provided at the centres.

Outcome:
The initiation of public-private partnership mechanism has led to the establishment and enhancement of the cocoa value chain through private sector participation. The RSCs serve as avenues where farmers, extension staff, research, market and service providers share knowledge, information, train, sell products, goods and services needed to improve production of cocoa. Some farmers spontaneously create farmer learning groups due to the CORIP activities. However they play no role in prices or other types of negotiations as cocoa prices are determined at national level.

Lesson Learnt:
Inclusion of private companies in PPP formulation and execution has ensured appropriate fit of service delivery via RSCs and business logics of LBCs, including their international company partners. Through monthly exchange meetings at LCB level, they exchange information on how they can help farmers to improve GAPs, solve land property issues that constrain cocoa rehabilitation (via digital land mapping, training chiefs in need of cocoa rehabilitation and possible procedures) etc. In the end, investments in these activities ensure cocoa companies engage in sustainable sourcing of cocoa.

Knowledge and information are currently shared by extension staff, farmers and their representatives, as well as amongst the LBCs (on a monthly basis). Farmer centered activities to enhance decision making in the area of technical advice and training in good agronomic practices are on-going. A form of trust relationship is gradually being harnessed among progressive farmers, communities and LBC clerks. Group Formation for collaborative activities such as pruning gangs and chemical application have been documented.

Most private companies do not participate in partnerships arrangement due to uncertainty of benefits they could gain. The development of mechanism on knowledge and experience sharing within the business arena will help to build trust relationships among such strategic actors.

This is evident in the 2Scale partnership where the many actors formed a knowledge and information base to link FBOs and processors. Business Services Support (BSS) coordinators and FBOs meet periodically to discuss and explore options to improve production, yield, sales and marketing of soya in the operational areas. Private companies therefore stand to gain a lot in participating in inclusive partnership arrangements.

Private companies are strategic partners in agriculture value chain development and management. Their involvement in partnerships, as was in the case of 2Scale and CORIP, provide other actors critical knowledge on business requirements needed for the competitive (international) market.

Current partnership initiatives involved private actors' ad-hoc or passively in the design, implementation and review processes. It will be prudent for private actors to take active interest in participation in partnership arrangements to ensure sustainable sourcing. The participation of private actors in CORIP has created many insights in the role of private actors in value chains such as cocoa. Engagement in partnerships formulation in an early stage enables private companies' actors to influence the discussions and formulation of partnership policies, to make them fit in their companies interests and organisational culture.

IMPLICATIONS AND RECOMMENDATION

Private companies tend to benefit from participation in inclusive partnership arrangement initiatives in the following ways:

- Participation in partnerships serves as opportunities for other actors to know which private actors are working in the value chains, and vice versa. Value chain actors learn from the international market expertise of companies; they as well learn how to live up to standards followed by companies. Knowledge gained from private actors' participation in partnerships may help to make informed corporate decisions.

- There is an interest in engaging with IPs and partnerships (PPP) to ensure sustainable sourcing by private companies. Partnership initiatives should be able to create synergies that will take into account the interests of private companies.

Image: Soybean oil produced by 3K&A Company Limited, Kumasi, Ashanti Region, Ghana, West Africa

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INCLUDE
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