

Seasonal Planning process to sell sorghum: aggregation and bulk sale by Setit Humera and Dansha Aurora Unions to Diageo under negotiated conditions arrangements



1. Pioneer partnership

The replicable practice of seasonal planning process by producer organizations (POs) to sell sorghum to a brewery company named Diageo (Meta Abo Brewery SC) on negotiated terms is implemented in Ethiopia in 2016 under the Sesame rotational crops partnership. In the area, Sesame is a cash crop whereas sorghum is produced for consumption as it does not have good price in the market. Due to continuous sesame mono-cropping for years, soil fertility has declined significantly, further contributing to poor yields. Among the candidate crops trialled as a rotational crop, sorghum has shown promising results in terms of adaptability to the area, but it does not have agribusiness linkage where farmers can fully cover their field in sorghum production. Hence, the central pitch of the partnership is sorghum as a key market pull rotational crop for the sesame farming system through creating agribusiness linkage with brewery (Meta Abo Brewery SC). This required selection of suitable variety of sorghum for brewery making, seasonal planning of its agronomic schedule, aggregation and bulking, and business linkage conditions to fulfil the requirement of off-taker. Hence the Setit Humera, Dansha Aurora, Metema and Selam PO unions are capacitated in terms of seasonal planning of the advised agronomic practices and negotiate on the terms and conditions of the business deal with off-taker.

2. Replicable practice

A challenge in one segment of the value chain can be an opportunity for another actor within the same value chain. While farmers in the North Western part of the country have untapped natural potential to produce sorghum, they were trapped into sesame farming due to the market availability and its role as the sole cash source for farm households. The decline in soil fertility caused by the mono-cropping of sesame coupled with decline in international prices of sesame put farmers at a loss. This initiated prospecting for options of farm enterprises that can competitively generate cash for the farmer and break the mono-cropping cycle. After series of farm trials on the possible rotational crops, Sorghum was promising but with low agribusiness linkage challenge of low output price. At this point, Diageo was approached to set-up agribusiness linkages for farmers to produce sorghum that can serve for brewery. This required a careful selection of suitable variety, seasonal planning of all the agronomic practice for quality and quantity production, negotiate the conditions (win-win price, point of delivery, quality parameters among the POs and Diageo brewery. Based on negotiated contract agreement, POs cascaded seasonal planning of the agronomic practices and volume of delivery to their member primary cooperatives. With this the market for sorghum is ignited and the agribusiness demand for sorghum took the increasing rate since then with price change from 300 birr before 2014 to 1200 birr in 2019 at farm gate level. As a result, farmers currently prefer to plant sorghum for its high productivity and better market price. Cognizant of this fact, the POs aspired to set-up enhanced sorghum processing factory to further contribute to the food and nutrition security and sustain smallholder farmer market. In 2020 production season, almost 80% farmers planted sorghum as coping strategy for the lock down of the COVID-19 pandemic. This is basically due to the confidence that farmers developed on sorghum marketability.

To summarize, this practice is addressing constraints in terms of:

<p>Inclusion</p>	<ul style="list-style-type: none">• Ownership: Smallholder farmers own the POs itself. They have land as a necessary condition to be member of the POs.• Voice: Smallholder farmers are represented by their POs under the negotiation with the off-taker and improved their confidence on sorghum marketability.• Rewards: Famers are paid competitive price by the off taker through their PO. Further, through the contract signed POs have access to finance by presenting the contract as a guarantee to the banks.
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3. Preconditions for replication

Tapping the potential of the area in Enterprise selection

Identifying potential crops that fit the agro-ecology and natural resources in an area are key to replicating this practice. The partnership area has a huge untapped potential of sorghum production that helped the farmers to generate considerable amount of return which is comparable and sometime better than sesame.

Flexibility of the negotiating parties to understand each other situation (Responsible business)

Usually, businesses strive to maximize their returns and do not build collaboration among business partners. In case of working with smallholder farmers, it is necessary to take extra mile to understand their situation and take into consideration the power imbalance to build business relationship with them. In this case, a series of discussions were facilitated to make contract terms clear and mutually beneficial for the parties entering the business deal. Hence, willingness of the off taker to go through such inclusive negotiation process is mandatory.

Capacitating the less powered actor

Building the capacity of the less powered, disconnected party from the system is relevant to bridge the communication barrier among the negotiating parties. Smallholder farmers lack information in terms of where sorghum can be used for brewery, which type at what time. Further, aggregation of the crop from individual smallholder farmers does not make a business sense for the off taker. Hence, smallholder farmers and their PO need to be capacitated on the necessary skills required to meet the demand of the off taker.

4. Results Achieved

The POs supplied a total of 2,360 tons of white sorghum for Diageo in 2017. From this, the POs earned ETB 18.63 million and a net profit of 2.6 million. This is from scratch and improved the income of smallholder farmers: cooperative members received 77% of the final price of sorghum, while non-members were only getting 60%. Furthermore, smallholder farmers were able to get an additional 7% as incentive for meeting the quality standard. In general, the market linkage presented a new and highly effective strategy: sustaining sesame production while maintaining a market for rotational crops. Moreover, this strategy reduces the risk of relying on a single crop – sesame – and simultaneously improves soil fertility through crop rotation. This has further encouraged the POs to engage in enhanced sorghum processing business.

Want to know more?

If you want to know more about this practice, please reach out to Yemisrach Getachew, yaseffa@2scale.org, Partnership Facilitator in Ethiopia.

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