

# The limits of functional capacity strengthening: Reflections on an unsuccessful agribusiness venture

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## Maize–Benin PPP

The partnership is led by SOCIA, a company that processes maize into grits for the Brewery SOBEBRA; SOCIA seeks a reliable supply of traceable quality maize through organised POs.

## Summary

**This story differs from the rest as it shows how success was not achieved despite a lot of partnership-building efforts between maize farmers, a processing company and Benin's largest brewery. Still the story is interesting for drawing lessons for the future. A main conclusion is the importance of commitment of the lead firm to practising inclusive business and to involving local-level partners in decision-making to ensure their engagement, and processes that seek the best conditions for all partners.**

There are cases where the efforts of trainers and coaches do not succeed in improving the functioning of a partnership or in achieving tangible results. This was the case in the white maize partnership in Benin. Coming now to the end of three years on the project, we who were responsible for strengthening functional (or soft skills) capacity, will attempt to analyse in this account the reasons for our lack of success, to draw some lessons for the future. I would like to note however, that our reflections are based on incomplete information and therefore should only be considered as hypotheses.

## The basic facts

The initial business model was to market white maize produced by smallholder farmers in Benin through their communal organisations; and then to process this white maize into coarse maize meal grits for use by SOBEBRA, the country's largest brewery. SOCIA, the intermediate processing company, took the first initiative to ask for support from 2SCALE. The main challenge confronted by the company was to get an adequate supply of white maize that could be traced through a coding system, to satisfy the requirements of its client, the SOBEBRA brewery. The national federation

of producers' unions of Benin (FUPRO) saw an opportunity for its members and therefore engaged in a partnership with SOCIA and SOBEBRA.

2SCALE together with several communal producers' unions (or UCPs) belonging to FUPRO, engaged in the traceability system, that required coding starting from the production plots, to the producers, villages and municipalities. At the same time, 2SCALE implemented a two-year organisational and managerial capacity strengthening programme for the UCPs, to increase the efficiency of the partnership. Thanks to the intensive support to internal coaches (members of FUPRO), the maize producers have now improved the management of their farms and maize productivity. They have more insight into the advantages of collective purchases and sales, and they master negotiation techniques based on production cost calculations as well as techniques to reduce production costs. So, at the level of the farms, there has been quite some improvement.

### Differing levels of commitment

However, SOCIA, the initiator of the partnership has not shown the same scale of commitment to the farmers. Indeed, SOCIA hesitated too long to engage in a real production-supply contract with FUPRO, despite 2SCALE's extensive support in a negotiation process. In fact, SOCIA preferred to limit its engagement to develop purchase order letters once the maize was in the FUPRO stores. Also, SOCIA did not want to discuss the demand of the UCPs to obtain credit. It was only after long negotiations that SOCIA finally agreed to a tripartite arrangement with FUPRO and ALIDÉ, the credit provider, committing to purchase maize from FUPRO. The credit from ALIDÉ enabled FUPRO to provide seed and fertilisers to the producers through the UCPs. Although this centralised credit-input regulation was efficient, it did not help to nurture the interactions between the local actors, and the functioning of the nascent ABCs. For this reason, the coaches had difficulties mobilising local credit and input suppliers to rally behind the primary UCPs; hence, there has never been a real need to develop the local-level clusters for this partnership.

After some years of support, the traceability system started to function well. This was marred however by SOBEBRA's growing concern about the high level of aflatoxin in the maize supply. In response to this, 2SCALE successfully trained the producers to control all possible sources of aflatoxin contamination.

### The price-setting battle

Still, the real battle had just begun. SOCIA proposed a low 110 CFA francs/kg (€0.17) at delivery and did not have a real contract with the farmers stipulating the sales price. The farmers of course did not accept this as they had been trained to calculate the production costs (which amounted on average to 150 CFA francs/kg (€0.23) and they felt that

all the efforts they had made on improving traceability and on aflatoxin control were not being acknowledged. SOCIA and FUPRO then embarked on time-consuming negotiations with the farmers to finally arrive at a sales price of 135 CFA francs/kg (€0.21).

In the meantime, the market price for maize increased to 180 CFA francs/kg (€0.27) so of course the farmers started to sell their maize on the free market. Fearing a shortfall in their needed maize supply, SOCIA then proposed 150 CFA francs, but at this point this price was not attractive enough for the producers. Finally, only a small quantity of the traced maize has been sold to SOCIA. One out of the eight farmers' organisations, the UCP of Glazoué supplied the company with 90 tonnes, while its objective for 2015 had been to supply 2,000 tonnes, and SOCIA had expected a supply of 10,000 tonnes of maize. According to SOCIA and SOBEBRA, the producers betrayed their commitment. However, FUPRO has a different interpretation of what happened, and the organisation denounced several dysfunctions in the negotiation process as well as an inappropriate price-setting mechanism.

### Far from an inclusive business model

The major lesson to be learned from this account is that a partnership can only function if all key actors effectively commit themselves to the process at all stages. In this case, the point of view of the producers was not taken seriously enough. If it had been, this would have helped to better integrate the requirements of the partnership, to evaluate whether it was in fact feasible, and for all actors to engage in finding ways to adapt the different quality demands to the reality of the field. It also appears that there was a lack of true and strong commitment on behalf of the two companies, SOCIA and SOBEBRA, toward the inclusive business model, which requires an equal and trusted relationship with the local producers. This means that all parties should be involved in monitoring the process, anticipating difficulties and working together to find credible solutions. This was lacking. Lastly, and related to this last point, a decentralised decision-making process was missing. This should also be part of an inclusive business model. But FUPRO and SOCIA went for a centralised input-credit arrangement that did not encourage the development of agreements with local finance services and input suppliers around the UCPs, and so the agribusiness clusters did not really operationalise.

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14 Société béninoise de brasseries.

15 Société des industries alimentaires.

16 Fédération des unions des producteurs.

17 Union communale des producteurs.

18 Association de lutte pour la promotion des initiatives de développement.

19 Aflatoxin: poisonous and cancer-causing chemicals that are produced by certain moulds (*Aspergillus flavus* and *Aspergillus parasiticus*) which grow in soil, decaying vegetation, hay, and grains such as maize.