



USAID
FROM THE AMERICAN PEOPLE

Mali Shea Kernel Value Chain Case Study

microREPORT #50

March 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by Eric Derks and Frank Lusby of Action for Enterprise, subcontractor to ACDI/VOCA, under the Accelerated Microenterprise Advancement Project Business Development Services Knowledge and Practice Task Order.

Mali Shea Kernel

Value Chain Case Study

microREPORT #50

Eric Derks and Frank Lusby

March 2006

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the view of the United States Agency for International Development or the United States Government.

CONTENTS

EXECUTIVE SUMMARY	2
I. INTRODUCTION	3
II. VALUE CHAIN CONTEXT	4
III. ANALYSIS	7
A. VALUE CHAIN COMPETITIVENESS	7
B. MARKET ACTORS' INCENTIVES FOR AND RISKS OF IMPROVING COMPETITIVENESS	8
IV. LESSONS LEARNED	12
A. IMPORTANCE OF INTER-FIRM COOPERATION TO VALUE CHAIN COMPETITIVENESS	12
B. INCENTIVES AND BENEFITS FOR MSES	13
C. QUESTIONS FOR DEVELOPMENT PRACTITIONERS	14
Figures	
Figure 1: Typical Trading Network to Collect 1,000 tons of Shea Kernels	5
Figure 2: Value Chain Map for Shea Kernels and Shea Butter	6

EXECUTIVE SUMMARY

This case study focuses on the incentives of and risks to market actors in Mali's shea kernel value chain in investing in upgrading operations and developing reliable sources of supply. The lessons from this case reveal how important inter-firm cooperation can be to enhancing or limiting market actors' incentives to invest and, therefore, its impact on the competitiveness of a value chain.

Mali is the world's second largest producer of shea fruit, which is a naturally occurring, uncultivated crop. Despite its endowment of shea trees, Mali is a poor competitor on the global market for kernels and butter. The kernels, sought by international vegetable oil firms, are of generally poor quality and yield less oil than kernels from other West African countries.

Gaps in the competitiveness of Mali's shea kernels are found at the production and trading levels. Traders, whose networks are led by exporters, comprise 3-4 layers of intermediaries buying and selling multiple rural products. They generally purchase kernels indiscriminately and seldom control for quality. Producers—rural women—gather shea fruit and process it to remove and sell its kernels or transform them into shea butter. Traditional processing practices are the main source of quality degradation.

The international vegetable oil firms have strong incentives to develop Mali as a reliable source of good quality kernels. They are investing in direct relations and greater cooperation with Malian exporters. Exporters and traders are also investing in improvements to the value chain, but to a lesser degree as they fear allocating too many resources to only one of their product areas, preferring to spread their resources, and risks, more broadly. Producers have few incentives to upgrade their processing practices as they currently perceive little benefit.

Increased inter-firm cooperation between vegetable oil firms and exporters, especially the learning flows it engendered, had a dramatic effect on amplifying exporters' incentives to invest in the shea kernel value chain. Sensitized to the international demand and its quality requirements, exporters sought to educate producers through radio and other means, and organized themselves to control quality. A local development project helped facilitate buyer-exporter relations by fostering market actors' incentives and mitigating their risks.

Lessons for development practitioners intervening in similar value chains are to:

- 1) identify key market actors such as the international buyers (here, vegetable oil firms) and local exporters who play a leadership role in the value chain.
- 2) facilitate learning and communication to promote inter-firm cooperation
- 3) mitigate actors' risks and accentuate incentives to investing in the value chain by helping offset the initial start-up costs of developing new business relations and communication strategies

In addition, when producers perceive insufficient incentives to upgrade practices, this becomes the primary challenge to value chain competitiveness. Facilitating learning flows to producers about their role in the value chain and the benefits of higher sales volumes are some of the programmatic options for practitioners.

I. INTRODUCTION

The prospects for Mali's overall shea value chain (shea butter and kernels) rest on improving the competitive position of its kernels, in which Mali's market players are poor competitors compared with those in other West African countries. After presenting the markets and actors of the shea kernel value chain, this case examines what gaps market actors need to close for Mali to be competitive, and how actors are seeking to address these problems.

An analysis then follows of the incentives and risks that shape and limit the investments of market actors to upgrade operations and develop reliable sources of supply. As its central theme, this case reveals how important inter-firm cooperation can be to these investments and, by extension, to the competitiveness of the value chain.

In the final section, this case underscores the analytical and programmatic considerations necessary for development practitioners to foster market actors' incentives and mitigate their risks to investment. This section also discusses the challenges for micro- and small enterprises (MSEs) to upgrade their practices when they perceive insufficient incentives to do so.

Lastly, practical examples are drawn from how one development program was able to spur investment through interventions focused on the cooperative relations between market actors at different levels of the value chain. The paper closes with a discussion of critical questions raised by this case.

II. VALUE CHAIN CONTEXT

END MARKETS FOR SHEA KERNELS

Shea is a fruit indigenous to a band of African countries along the Sahel. The fruit's kernel is prized for its oil content, which is used in producing countries as a cooking oil, balm and soap. Outside Africa, shea oil, further refined and fractionated, is used as a vegetable fat, mainly to enhance cocoa butter for chocolate but also for confectionary purposes. Cocoa butter enhancement represents nearly 90 percent of the world market, but the better known uses of shea oil, or butter, are in cosmetics and pharmaceuticals. Most shea butter for cosmetics and pharmaceuticals is highly processed and refined although raw, unrefined shea butter enjoys a niche market of discriminating consumers.

VALUE CHAIN FUNCTIONS AND ACTOR

This section will look briefly at each function in the value chain (depicted on the left side of the value chain map) as well as the market actors who exercise those functions.

Importing/Processing

Shea butter extraction and processing is dominated by two major European **vegetable oil firms**—Aarhus Karlshamn and Loders-Croklaan—which control 95 percent of the world's trade in shea kernels. There is, however, growing competition from firms in India and Japan, such as Fuji Oils. These firms supply shea based products to manufacturers of chocolate, cosmetics and pharmaceuticals and also sell finished vegetable oil products for wholesale. In West Africa, there are a few industrial extraction facilities, some of whom extract oil on a toll basis for Loders-Croklaan.

Most shea kernels originate from a handful of West African countries: Ghana, Benin, Burkina Faso, Togo and Mali. **Regional traders** source from these countries and sell to the international vegetable oil firms. With increasing frequency, however, the **vegetable oil firms** buy directly from national exporters who are closer to the sources of production.

Export and Rural Distribution

In Mali, the supply chain has three distinct layers of intermediary traders. At the top are **exporters** who coordinate and finance the purchase of shea kernels from lower-level traders. Next are the **consolidators** who purchase at weekly rural markets and oversee the activities of **collectors**. Collectors buy direct from women producers, most often at weekly markets but occasionally in the villages.

Consolidators and collectors are typically part of an informal network led by an exporter. These trading networks have three characteristics important for this case study:

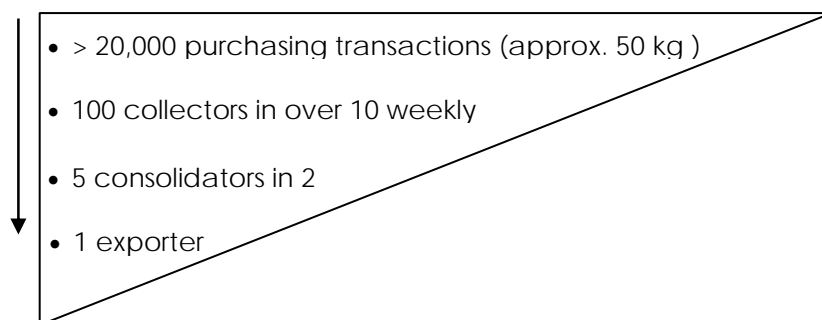
1. Trading networks purchase, consolidate and distribute multiple rural products of which shea kernels are not always the most significant or remunerative.
2. Inter-firm relationships between traders within a network are highly cooperative and often very long-standing, sometimes passed down from generation to generation. The relationships are grounded on trust and reliability. This facilitates transactions among the traders and allows them, for example, to make cash advances to one another to facilitate purchases.

3. There are three, and sometimes four, intermediary layers of consolidators and collectors in most networks. Given the sparseness of the rural population in many shea production zones, these layers allow exporters to cover large areas and to amass marketable quantities of kernels in the shortest possible time. These layers also allow the networks to efficiently manage thousands of transactions with women producers, who often only sell 100 kilograms during a season. As illustrated in Figure 1 below, an exporter with a typical contract for 1000 tons must have a network that can efficiently manage over 20,000 transactions.

Gathering and Processing Shea Kernels

There are over 500,000 producers in Mali's shea kernel value chain, most of whom are rural women. They participate as processors and sellers of kernels and butter, processing butter to meet their household needs for cooking oil, moisturizers and soap ingredients

Figure 1: Typical Trading Network to Collect 1,000 tons of Shea Kernels



The producers' calendar of activities falls into two phases. In the first, women gather shea fruit after it ripens and falls. They then process the fruit to where they can effectively store the kernels for later sale or transformation into butter. This first phase coincides with the start of the rains in June, a period of competing farm activities. Therefore, women prefer to put off additional processing until later. In the second phase, kernels are prepared and sold to buyers or ground and processed into butter. Shea butter has a ready market nearly all year round with price peaks just prior to when the new production is gathered in June and July. The market for shea kernels, on the other hand, lasts for only four to six months between October and March.

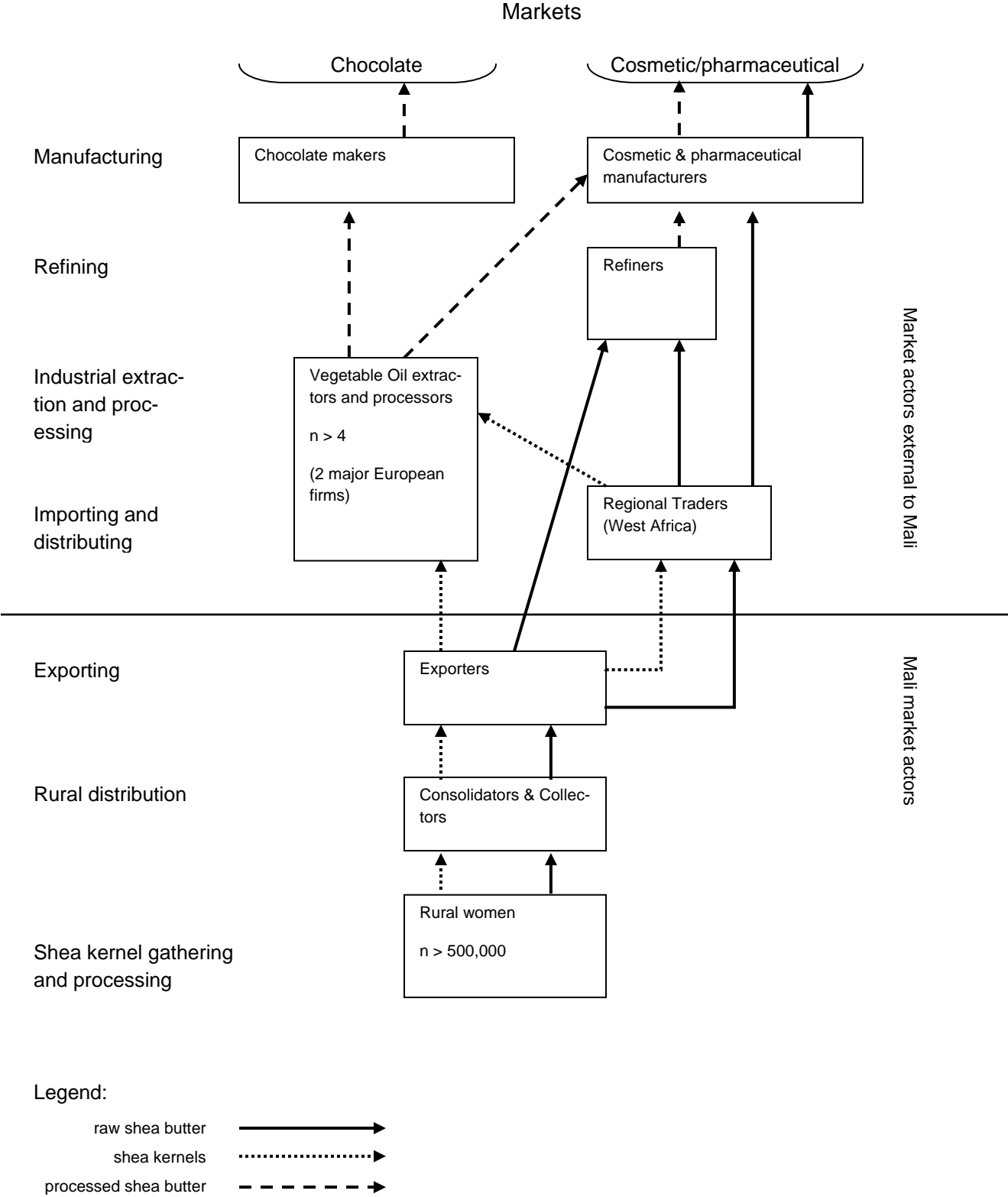
SUPPORTING MARKETS

Being a land-locked country with sparsely populated shea production zones, the most important support market is for transportation services. Domestically, the cost of consolidating supplies from remote areas can be 8 percent of the kernels' export value. Trucking costs for transporting kernels to a maritime port or the extraction facility in a second country is often an additional 35 percent of the export value.

ENABLING ENVIRONMENT

The Malian government recognizes the importance of shea as a national resource and has few controls governing its trade. In the 1980s, it banned shea kernel exports in order to ensure sufficient supply for a national extraction industry. The industry failed and the ban was rescinded, but the policy resulted in the departure of several leading actors from the sector (some of whom never returned) and disrupted relations with international buyers.

Figure 2: Value Chain Map for Shea Kernels and Shea Butter



III. ANALYSIS

A. VALUE CHAIN COMPETITIVENESS

CRITICAL SUCCESS FACTORS

The major vegetable oil firms are the arbiters of success for the other actors in the shea kernel value chain. The principal criteria they use for determining which exporters they will buy from are price, quality and reliability. Price is the most important success factor as vegetable oil firms live under constant pressure from their own buyers and competitors to lower prices and yet maintain high quality.

Rivaling price as a measure of success is quality. Poor quality kernels with lower oil content and higher free fatty acids, moisture and impurity levels increase the firm's processing costs to correct these imperfections and result in lower oil yields. Lastly, vegetable oil firms value those suppliers who year on year deliver quantities of consistently good quality kernel as this eases their cost projections and smoothes processing operations.

MALI'S COMPETITIVE POSITION

On the whole, Mali's shea kernel value chain competes poorly with those in Ghana (the leading supplier), Benin and Burkina Faso. Despite having the second largest production of shea fruit in West Africa, Mali consistently captures less than 10 percent of the global market for shea kernels. Representatives from the major vegetable oil firms point to several areas where Malian exporters lag behind their counterparts in Ghana:

- **Price:** Malian kernels cost more to get to a port or an extraction facility than kernels from other countries. Exporters are therefore challenged to meet international buyer prices.
- **Quality:** Malian shea kernels are generally of inferior quality than those from other countries. Ghanaian kernels, for example, are considered the best quality. Compared with Mali, their kernels have consistently lower free fatty acid levels and higher oil content and are less contaminated by moisture, charcoal from smoke fires and impurities.
- **Reliability:** The reputation of Malian exporters has suffered from the consistently inferior quality of their shea kernels and from long-held negative perceptions of Malian traders (discussed below).

GAPS IN MALI'S COMPETITIVENESS

Mali's competitiveness gaps occur at both the producer level and at the trading network level.

Gap 1: Producer Level

At the producer level, kernel processing practices are directly linked to losses of shea kernel oil content, increases in free fatty acid levels and contamination by polycyclic aromatic hydrocarbons (PAH)¹. Most producers bury gathered shea fruit in pits for four to ten months, during which time the fruit decomposes, and then remove the kernels from the pits when they are ready for sale or transformation into butter. Prior to being sold or processed, kernels are dried

¹ The presence of PAH is proscribed by EU legislation in all foodstuff ingredients because of its carcinogenic effects.

in ovens over a wood fire. Only a few ethnic groups in Mali traditionally employ the recommended practices of boiling shea soon after it is gathered and drying the kernels in the sun or by other smokeless means that quickly remove moisture before mold sets in.

Gap 2: Trading Network Level

Gaps at this level mainly implicate exporters as they are the chief coordinators of operations and negotiators with international buyers. Their main shortcoming is an absence of effective quality control and sorting processes that lets kernels of variable quality and foreign matter enter the supply chain. Exporters—along with their associated networks of consolidators and collectors—also employ practices that degrade shea kernel quality such as packing kernels in plastic sacks that retain moisture and storing sacks of kernels in poorly ventilated warehouses.

In addition, managers from the major vegetable oil firms remark that Malian exporters are more likely than their counterparts in Ghana to view business relations with them as adversarial, rather than as a partnership. In addition, they claim that Malian exporters focus more on immediate gain rather than on the potential benefits of long-term relations.

B. MARKET ACTORS' INCENTIVES FOR AND RISKS OF IMPROVING COMPETITIVENESS

This section will examine the incentives and risks that market actors in the shea kernel value chain have for improving Mali's competitiveness. It will also describe how actors are acting on these incentives in terms of their investments in new operations and supply relationships.

OVERARCHING INCENTIVES FOR A COMPETITIVE SHEA KERNEL VALUE CHAIN IN MALI

Mali's poor quality kernels are a dissuading factor for international vegetable oil and other firms looking to invest in industrial shea butter extraction facilities in Mali. In other countries, these firms have shown a willingness to make such investments as a means of offsetting the high costs of transporting bulky shea kernels out of the country. Arguably, the growth of Mali's shea kernel and shea butter value chains hinges on the country's capacity to extract shea butter industrially. Apart from the quality issues of its kernels, traditional extraction methods by rural women are inadequate to meet the demands of the international vegetable oil firms and cosmetic manufacturers. Artisanal production is too inexact for the formulations of the large cosmetic manufacturers and the chances of contamination make it too risky for firms that supply the foodstuffs market.

At this present juncture, the overarching incentives for market players to address competitiveness gaps are the prospects of increased sales of kernels and ultimately the establishment of industrial extraction capabilities in Mali for greater value addition. Achieving both of these results entails improving the quality of the kernel supply.

THE INTERNATIONAL BUYER LEVEL

Incentives to Invest

The major vegetable oil firms' incentives to invest in Mali as a source of reliable quality shea kernels are shaped by opportunities and threats to their businesses. On the opportunity side, international firms indicate that the demand for shea-based products is increasing steadily and that they need to develop new sources of supply. In addition, the inter-

national firms view direct trade arrangements with exporters—instead of with regional traders—as an opportunity for better traceability of their supplies and control in managing quality issues. As seen above, quality issues have a direct correlation with vegetable oil firms’ operating costs. Improving quality and expanding their supply base would allow them to expand their market and, as one firm noted, penetrate new markets should they be able to provide even greater quantities at lower cost.

As for threats to their businesses, the vegetable oil firms fear over-reliance on their present sources for shea kernels. Although the countries supplying the bulk of their demand are presently stable, the recent crisis in the Ivory Coast, which has greatly complicated the world’s supply of cocoa, attest to the imprudence of relying on a limited supply base. By this measure, the large production capacity of Mali becomes an attractive addition as a supply source. Furthermore, the fierce competition between the major vegetable oil firms for shea kernel supply compels them to expand their supply base and make trade arrangements with suppliers that would be difficult for their competitors to replicate or take away.

Current Investments

Throughout the West Africa region, vegetable oil firms are investing in trade relations with national exporters who are closer to production sources. In addition to Mali, the international firms are investing in new or expanded relationships with exporters in Nigeria and Guinea, neither of which has been a traditional supplier of kernels to international buyers. In each of these countries, the vegetable oil firms are negotiating with local exporters, significantly curtailing previous purchasing relationships with regional traders.

In Mali, the number of arrangements with local exporters has increased from two in 2003 to ten by the end of 2005. The scope of these relations has also broadened. For example, one of the major firms, active in Mali since 2004, furnishes exporters with better quality packing materials, provides quantitative feedback on shea kernel quality, and holds open negotiations based on known costs and expected margins. This firm also supports exporters with quality issues, providing technical information and accompanying them on visits to production sites to support quality improvement messages.

The same vegetable oil firm also explored opportunities to source even closer to production through the establishment of rural buying stations, which would enable it to communicate more effectively with producers and induce them to sell better quality kernels. This initiative was ultimately deemed too costly but it is indicative of the vegetable oil firms’ general intentions.

Investment Risks

The risks to the vegetable oil firms’ investments are not, however, insubstantial. Previously, these firms dealt with two to five regional traders. By-passing these traders for direct arrangements with national exporters has more than quadrupled the number of suppliers they manage, which represents an increase in operating costs. In addition, as the vegetable oil firms expand into Mali and other new supply countries, they must develop business relations with exporters they little know, many of whom are bound to disappoint, further compounding the cost of start-up operations.

With regards to Mali’s quality issues, the vegetable oil firms are not wholly certain that the exporters will succeed in closing their competitiveness gaps, or, if they do succeed, how quickly they can do so. Furthermore, getting exporters to value the benefits of long-term trade relations is still a challenge and the risk of investing in unfruitful relationships is worrisome.

Facilitated Activities

Action for Enterprise's (AFE) recent three-year market development program in Mali helped assess and, where feasible, mitigate some of these risks through project interventions. This helped the international firms to lower the initial costs of identifying reliable exporters and concluding successful trade agreements. For example, AFE's activities were instrumental in vetting reliable suppliers for one international buyer and troubleshooting early communications so that critical messages were not lost or misunderstood. In addition, AFE's assessment of a village-based buying scheme, which was deemed too expensive and inefficient, prevented one firm from making a poor investment that might have detracted from investments in more promising supply operations in the country.

In July of 2005, AFE organized a conference at which the two major European vegetable oil firms joined forces to communicate with the principal shea kernel exporters in Mali. Putting aside their rivalry, both firms realized that Malian exporters needed to hear their shared perspective of Mali as a supply source, the importance of improving quality and the need for collaboration with exporters to help bring about quality improvements.

TRADING NETWORK LEVEL IN MALI

Malian exporters are the main focus of this section given their role as coordinators and financiers of supply chain operations and their comparatively large stake in the value chain's economic success. The intermediary consolidators and rural collectors have proportionately less incentive to invest in upgrading production and trading practices, although changes in their actions are essential for closing the gaps noted above.

Incentives to Invest

Exporters' incentives are clear. First, if they can improve their operations in a way that encourages producers to upgrade their processing techniques, thereby raising shea kernel quality levels, they will enjoy greater market share and long-term trade relations. Exporters who do not make these improvements risk losing market share entirely. Second, exporters have an incentive to pressure their peers to polish Mali's tarnished reputation as a supply source or risk losing market share to other countries. Failure to improve the country's reputation might also cause the vegetable oil firms to allocate their limited investment resources away from in favor of efforts elsewhere.

Current Investments

In response to these incentives, several exporters are tackling problems within their own trading networks as well as reaching out to producers. Within their networks, exporters are raising their quality requirements and communicating these requirements to lower level traders. They are tightening controls of shea kernel purchases to limit impurities (rocks, dirt, etc.) from entering the supply chain. Many exporters and consolidators have increased their use of rural radio to transmit quality standards and to educate producers on the advantages of upgrading their processing practices.

In a more innovative initiative, at the far northern limits of Mali's shea production zone, trading networks have organized to sanction any trader in their zone who buys and sells substandard quality shea kernels. This form of cooperation, effectively eliminating the market for poor quality kernels, has raised the bar for all producers in the zone. If successful, this zone could draw more buyers and benefit from greater sales volumes.

Investment Risks

Exporters' investments are tempered by distrust of the international vegetable oil firms and the perceived costs of upgrading the practices of producers and their own trading networks. At the time of this case study, many exporters were not wholly convinced of the benefits of long-term relations with vegetable oil firms and remained skeptical of the firms' threats of sanctions for exporters who failed to make improvements. That Mali's shea kernels were held in such low regards was news to many exporters and the perceived introduction of new quality requirements seemed suspiciously abrupt. Furthermore, when vegetable oil firms promoted the benefits of long-term business relations, certain exporters felt that a dedicated supply relationship benefited the international buyer more than the exporter who would have fewer market options to choose from.

Exporters' investments are also constrained by the costs of upgrading value chain practices, for which offsetting returns are mid- to long-term prospects. For example, exporters recognize that offering a monetary incentive to producers for good quality shea kernels would likely result in greater supplies of the kernels sought by international buyers. However, exporters' capacity to increase purchase prices for producers are restricted by their slim margins, high operating costs and the price offered by international buyers, who will only pay a premium for better quality once an exporter has proven to be a reliable supplier. Exporters, then, must make the initial investments and trust that they will be rewarded later with greater market share and higher returns for better quality.

Many of the potential investments to improve shea kernel quality also represent threats to existing trading operations. One potential investment is to increase outreach to producers by communicating and controlling for the buyers' quality requirements. Exporters currently employ mass media such as radio and fliers, which achieves sufficient breadth of coverage but is not effective in conveying detailed information or developing trust between traders and producers. Some exporters fear that efforts to develop closer ties and more involved communication strategies with producers could curtail their operations by limiting their geographical coverage and, thereby, their access to sufficient quantities of shea kernel producers.

Exporters also fear making investments that favor only one of the multiple products in which they traditionally trade. There is risk in allocating too many resources in one product area instead of spreading resources over all products. There is also risk in becoming too specialized, especially in trading shea kernels that have notoriously irregular production cycles in Mali which may or may not correspond with price fluctuations on the international market.

SHEA PRODUCER LEVEL

As there are currently no price premiums offered for improved quality kernels, rural producers perceive little incentive to upgrade processing practices. While opportunities to sell greater volumes through traders linked to the international vegetable oil firms exist, they are not yet widely appreciated. (There have been recent increases in sales due to international buyer orders, but these sales have been limited to certain areas.)

Furthermore, revenues from selling shea butter on local markets invariably exceed comparable revenues from selling shea kernels. Although markets for shea butter are not unlimited, producers nevertheless prioritize the use of their kernels. Typically, the best quality kernels (with the highest oil content) are transformed into butter for household consumption or sale, while the remaining lower quality kernels are sold to the traders.

IV. LESSONS LEARNED

A. IMPORTANCE OF INTER-FIRM COOPERATION TO VALUE CHAIN COMPETITIVENESS

This case clearly underscores the importance of inter-firm cooperation to value chain competitiveness, especially with regard to how value chain actors are sensitized to market demand and the incentives they perceive for satisfying this demand. One of the reasons for the stagnation of Mali's shea kernel value chain was the lack of communication between international vegetable oil firms and Malian exporters. Once exporters became aware of their competitive position and how unfavorably they were perceived by international buyers, they began to change certain practices. They also began to weigh further investments in upgrading against the reward of greater market opportunity.

The direction of these learning flows is important to note. As seen, the international vegetable oil firms have strong incentives to expand their supply base and improve overall quality and, as such, have been very proactive in making their position understood. Such a top-down, "directed" flow of learning has implications for development practitioners intervening in global value chains with similar competitiveness gaps. These lessons include:

- Identifying key market drivers or lead firms (actors whose incentives for investing in change outweigh their risks) who can play a leadership role in mobilizing and organizing other market actors
- Facilitating early communication (learning flows) between these lead firms and other value chain actors to ensure that messages are received and understood
- Mitigating the risks and amplifying the incentives of lead firms to invest in change and to communicate their demand to suppliers

PROGRAMMATIC RESPONSES TO INCENTIVES AND RISKS

In its interventions in this value chain, AFE prioritized facilitating inter-firm cooperation between international vegetable oil firms and Malian exporters. The success of this cooperative relationship was considered a prerequisite for addressing the gaps in value chain competitiveness. Lessons from its programmatic responses to the incentives and risks of the respective market actors include:

1. Interventions can speed up entry by international buyers into supply sources in developing countries by helping them avoid missteps and poor investments that could impede their success and willingness to invest further. Some of AFE's key interventions included:
 - Facilitating importers' learning of value chain gaps, constraints and cost structures. Vegetable oil firms received summaries of AFE's value chain assessment that highlighted areas of strategic interest such as exporters' lack of awareness of quality requirements. Suggestions were also made to importers on the value of expediting contracting arrangements so that export companies could exercise timely control of the shea kernel production process.
 - Mitigating the risks of costly, unsuccessful trade arrangements by introducing international buyers to credible exporters (vetted by the project) and by identifying geographic areas where good quality kernels are produced.
 - Troubleshooting communications between international buyers and exporters, which, especially for nascent relations, were fraught with unexpressed, conflicting expectations that jeopardized the relationships' future.

2. Exporters whose operations are strongly shaped by cultural traditions may be less responsive to international market pressures and incentives. Malian shea kernel exporters were understandably torn between international market pressures to improve product quality and the desire to maintain their traditional trading operations. Increased investments and specialization would likely improve their competitive position, but would also threaten to undermine their capacity to trade in and spread their risks over multiple rural products. Program interventions to address this issue included:
 - Identifying new, ambitious exporters who are not bound by traditional trading practices and promote them to international buyers. In this case, Loders-Croklaan preferred to cultivate relations with new exporters having found it difficult to build long-term business relations with older, more established exporters.
 - Cost-share with exporters to develop replicable mass communication tools: press communiqués for rural radio, simple fliers with exporters' logos, and one-time promotional material underscoring the quality parameters. These materials helped exporters maximize the impact of mass media to reach a large number of producers.
 - Facilitating information flows between international buyers and Malian trading networks to promote buying standards and quality control measures. This activity resulted in increased inter-firm cooperation in one region of Mali where trader networks set quality standards and enforced compliance through sanctions of collectors purchasing substandard shea kernels. Such practices forced producers to upgrade their practices without receiving any immediate price benefit. Producers are expected, however, to benefit in the near-term from higher sales volumes as this region becomes a recognized, reliable supply source and its traders develop long-term relations with international buyers.

B. INCENTIVES AND BENEFITS FOR MSES

When there are insufficient incentives for producers to upgrade their processing practices, this becomes the primary constraint to value chain competitiveness. In the Mali shea kernel case, producers lack the immediate incentive of a price premium to motivate them to upgrade. Unless they can see other reasons to upgrade, it is unlikely that they will.

For development programs in similar situations, interventions can support campaigns to amplify the short-term benefits to producers (including increases in sales volume) and explain the importance of their contribution to the competitiveness of the value chain as a whole. Another option is to target production zones where upgrading is not necessary, or is less costly, and promote these sources to traders. In Mali, AFE targeted two zones where kernel quality already met buyer requirements. However, producers still needed inducements from market buyers to sell their better quality kernels and not transform them into shea butter.

Another option is to help exporters and traders find cost-effective ways to communicate to producers the value of long-term trade relations with them, especially if exporters are linked to a growing international market. The program then facilitates discussions and troubleshoots emerging relations. The challenge in this case was how to make such linkages cost-effective for exporters given the high ratio of producers to traders. In addition, as with other agricultural value chains, the timeframe needed for producers to perceive significant benefits may need to extend for two or three crop cycles.

Lastly, programs can support such trader-led initiatives as that described above where traders eliminate all market opportunities for producers to sell poor quality products by setting strict trading standards and policing each others' activities. In Mali's context, given the strong inter-firm relations between exporters and traders in their networks, this approach could be the most effective and achieve the quickest results.

C. QUESTIONS FOR DEVELOPMENT PRACTITIONERS

This case raises some questions that may not have immediate answers but which are worth discussing.

1. What are justifiable timeframes for MSEs to realize benefits from program interventions? This case shows that MSEs' short-term benefits are for higher sales volumes and that price premiums are long-term prospects contingent upon quality improvements. Furthermore, as seen in this case, upgrading the trading and production practices that would improve shea kernel quality are dependent on exporters investing in these operations. Amplifying exporters' incentives to do so was a first step. Realizing results from these investments, however, could take several production cycles.
2. In many global value chains where producers in several countries compete, benefits to MSEs that upgrade practices often signify higher sales volumes and not necessarily price premiums. Shea kernel producers in Mali, for example, could increase their sales volumes by supplying a better quality kernel, but receiving a price premium is somewhat in question. For market development programs in similar value chains, what are strategies for amplifying the incentives to MSEs that hinge on the benefits of higher sales volumes? Also, can production efficiencies be gained by MSEs in such value chains to leverage higher sales volumes into significantly higher earnings?

Accelerated Microenterprise Advancement Project (AMAP) is a four-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development, which is an important tool for economic growth and poverty alleviation.

For more information on AMAP and related publications, please visit www.microLINKS.org.

Accelerated Microenterprise Advancement Project

Contract Number: GEG-I-00-02-00016-00

Task Order: Knowledge and Practice

Contractor: **ACDI/VOCA**

Olaf Kula, Program Manager

Tel: (202) 879-0213

E-mail: OKula@acdivoca.org

Action for Enterprise is a non-profit organization that focuses on private sector and enterprise development.

ACDI/VOCA is a private, non-profit international development organization based in Washington, DC.