Developing the rice industry in Africa

Burkina Faso assessment

July 2012

BILL & MELINDA GATES foundation

Agenda

A. Executive summary

B. Rice production and consumption in Burkina Faso

C. Uncertainty in Burkina Faso rice market

D. Recommendations

E. Next steps

A. Executive summary

Executive summary

- **Rice production in Burkina Faso is promising** because of good yields and a large number of longstanding rice farmers – Bagré is a priority region because of its proximity to market, the planned irrigation expansion and the importance of rice for local smallholders
  - There are ~100k smallholders producing rice already in Burkina Faso with yields of ~2 MT / ha
  - Rice production is either fully irrigated, irrigated by water containment, or strictly rainfed methods (50% is from strictly rainfed)
  - Although the West has 26% of the production, Bagré is the most attractive production region (with 23% of production) due to good transport links to Ouagadougou, the planned expansion of its irrigated land (from 1,800 ha today to 15,000 ha in 2015), the importance of rice as a cash and staple crop in the region

- **However, there are severe issues along the whole value chain**. Notably the value chain is very fragmented, there is virtually no access to capex financing or working capital, and the market share of local rice is small in comparison to less-expensive imported rice from Taiwan.
  - Production is very fragmented, with almost no commercial producers, and smallholders producing on 0.5 – 1.0 ha each. Processing is also very fragmented with almost no large scale millers
  - The market is dominated by low quality (old) imported rice (selling effectively at a 16% discount), which is attractive to local consumers who are currently more price-sensitive than quality-conscious. Consumers also prefer this older rice's ability to absorb more water, allowing it to yield 35% more cooked rice volume for the same price
  - All value chain players raised a lack of finance as a critical issue which limits their productivity and scale

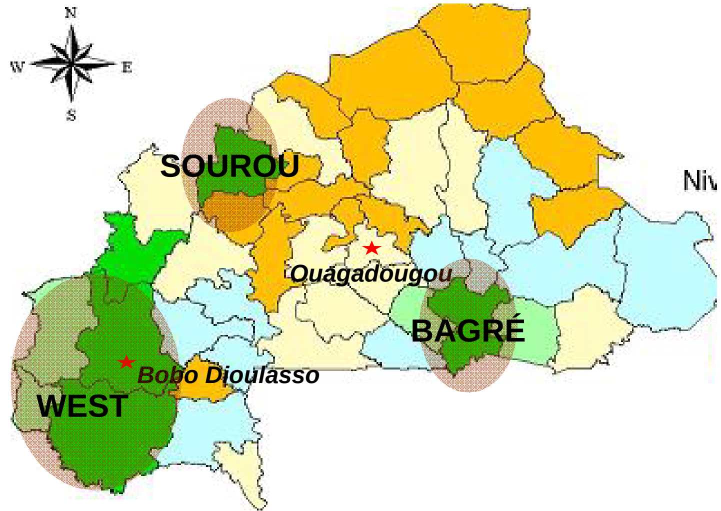
- **Considering the uncertainties** around the increase in irrigated land and low market demand for locally produced rice, **we should monitor the evolution of the industry before making large scale investments** while undertaking a number of pilot programs and working to improve the business environment over the near term.
  - Work with several smaller commercial players along the rice value chain to set up and help grow smaller outgrower schemes
  - The majority of the market is household consumption of production – focus our efforts there by working with partners on getting the input supply and production systems right
  - Perform thorough market research to understand the latent demand for local rice
  - Work with the Government of Burkina Faso to start improving the "ease of doing business" climate

Source: Team analysis

B. Rice production and consumption in Burkina Faso

There are three large rice producing areas in Burkina Faso and rice is a priority crop for the GoBF

Burkina Faso

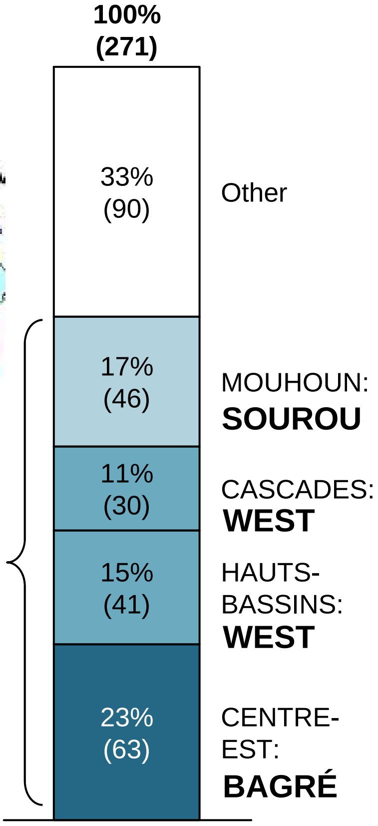


Production levels

- 🟧 4 – 1500 MT
- 🟨 1501 – 3000 MT
- 🟦 3001 – 6000 MT
- 🟩 6001 – 10000 MT
- 🟩 10001 – 28118 MT

*Regions are **West** (Hauts-bassins and Cascades), **Bagré** (Centre-Est) and **Sourou** (Mouhoun)*

Regional rice paddy production, 2011 ['000 MT (%)]



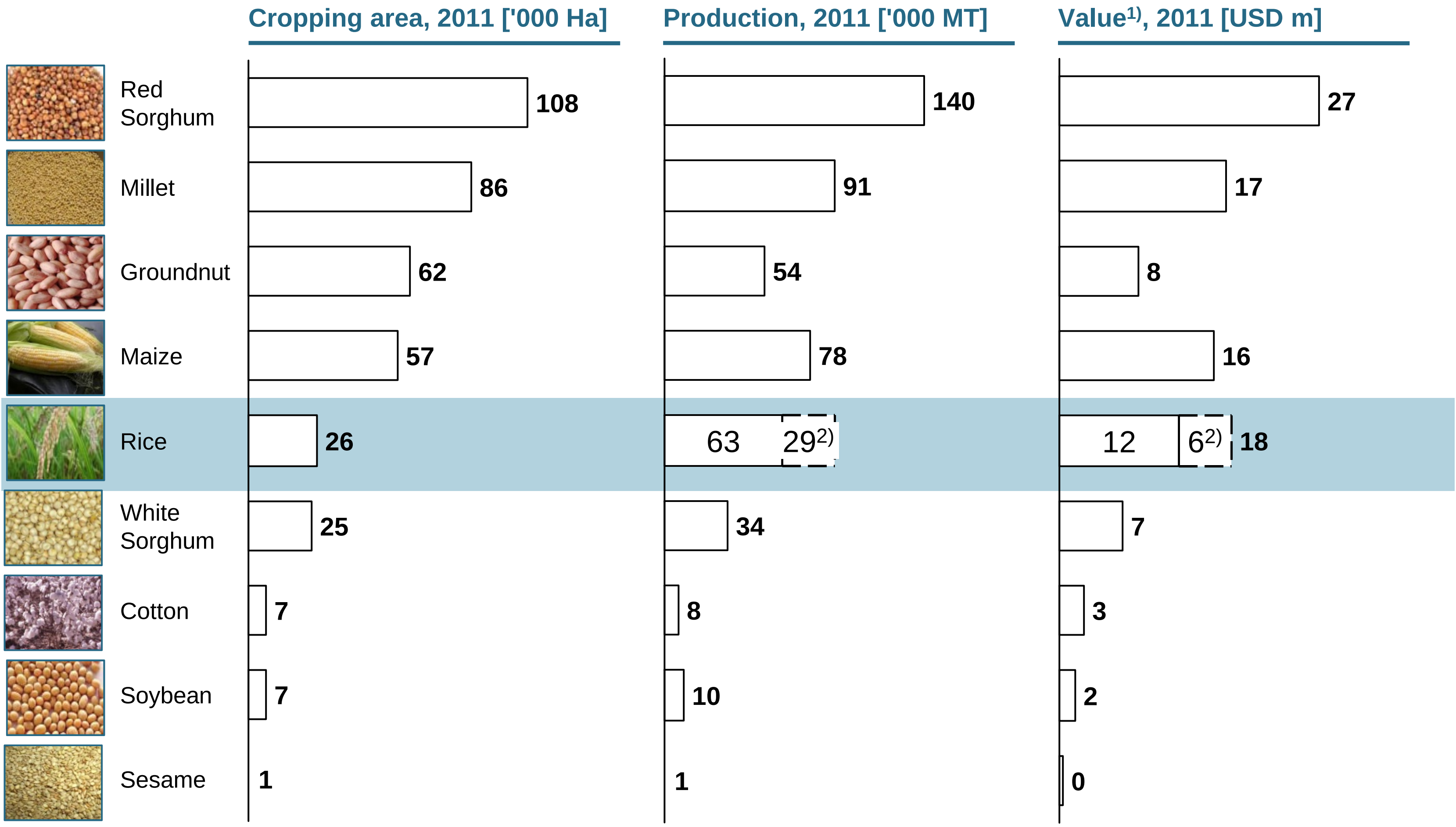
Government National Policy: Rice production

- Rice production is a **major development priority** for the Government of Burkina Faso **in its food security strategy**
- **National Strategy for the Development of the Rice Value Chain (2011-2018) is built on four pillars**
  - Increase acreage of rice production (all types)
  - Sustainable increase of yields of rice production
  - Improve post harvest handling and marketing
  - Research and distribute technologies
- The objective of the Government of Burkina Faso is to quadruple rice production by 2018

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire et STRATEGIE NATIONALE DE DEVELOPPEMENT DE LA RIZICULTURE

Rice's high yield and value makes it the fifth most important crop in Bagré, and the most important cash crop

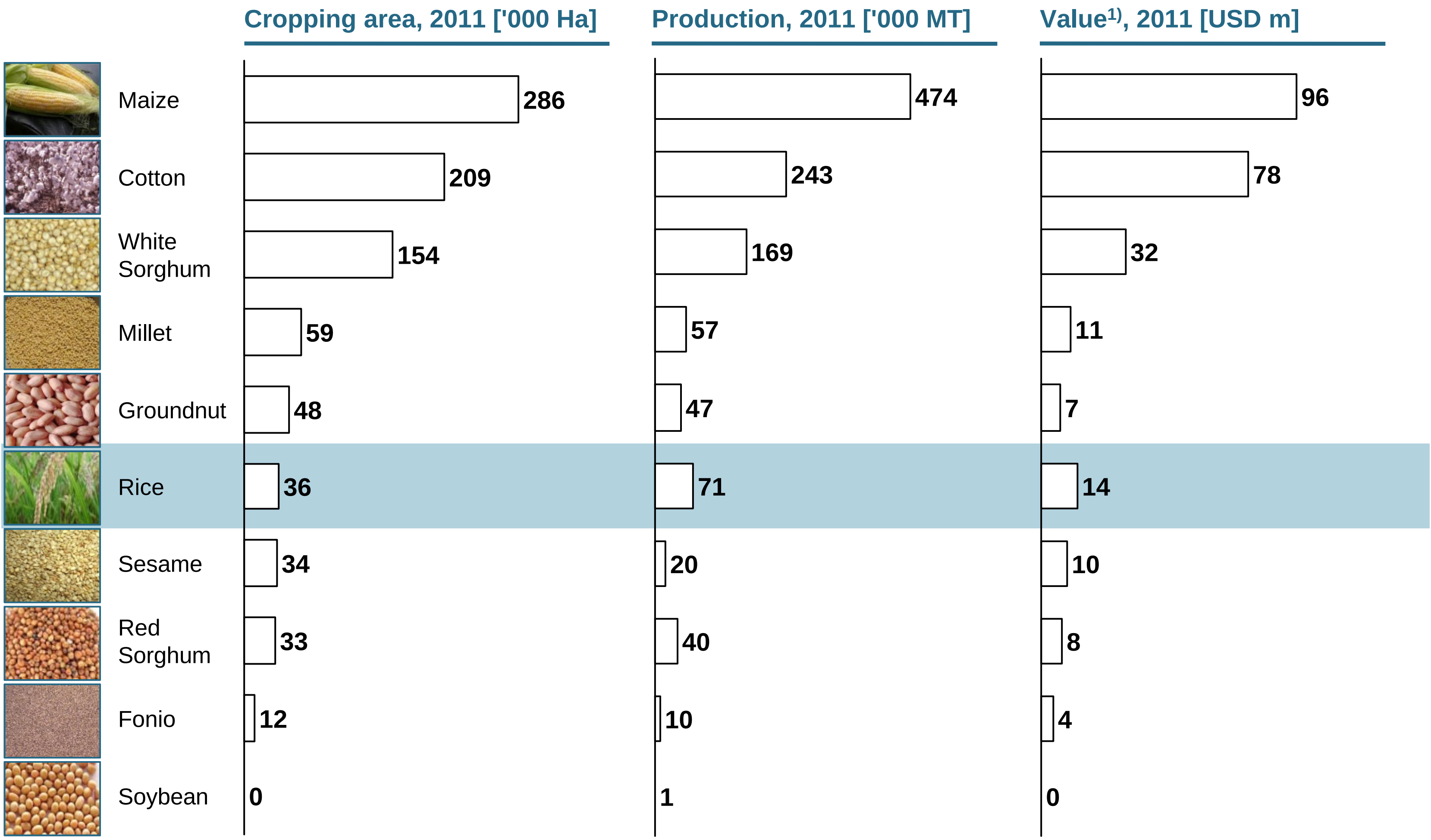
Major crops in Bagré region



[1] Based on 2006 prices; 2) Assuming yield rises to 3.5 MT / ha from current average of 2.4 MT / ha
Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

Rice is also the fourth most important crop by value in the West but lags far behind cotton, the most important cash crop

Major crops in West region

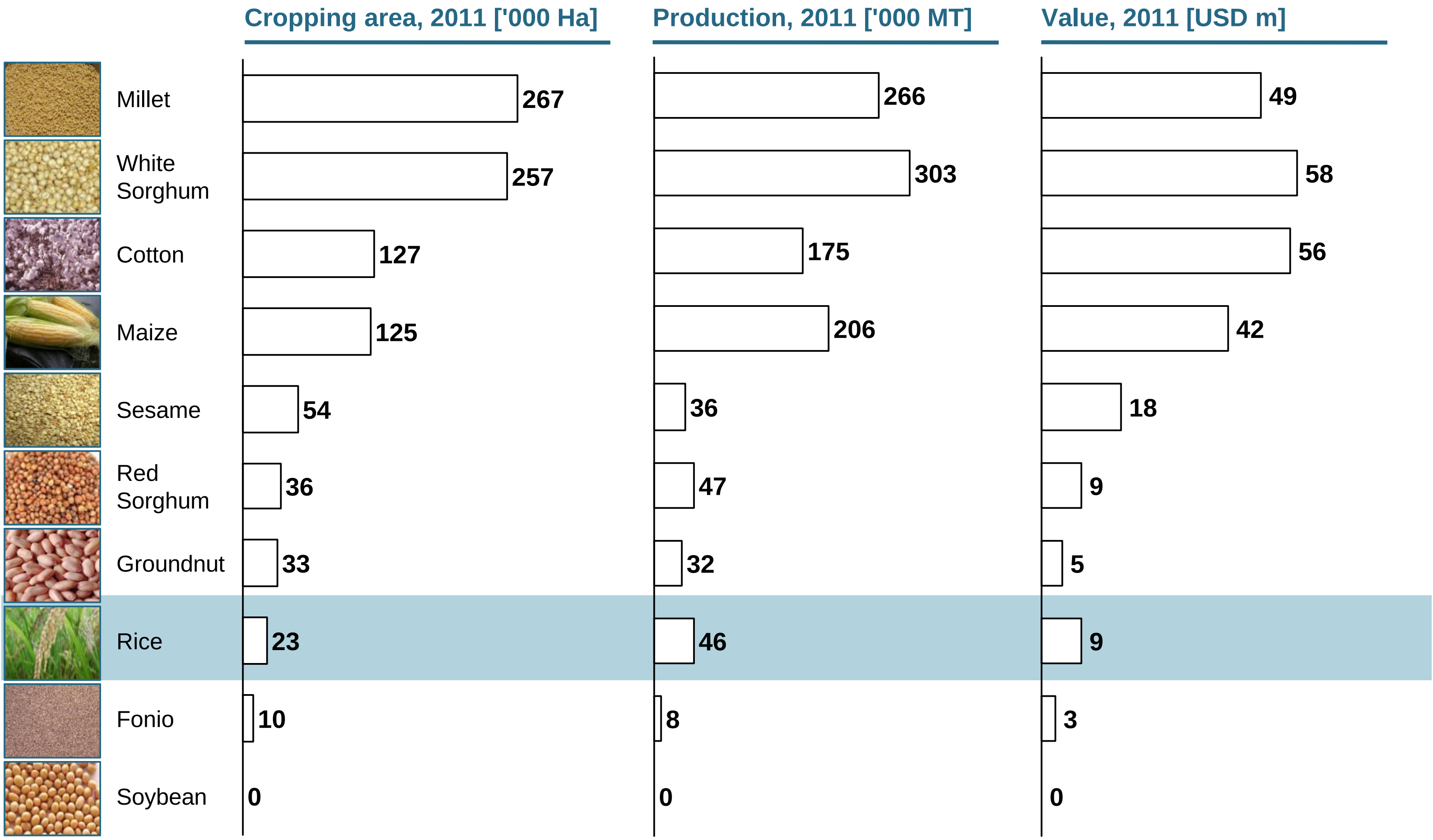


[1] Based on 2006 prices

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

Rice is a relatively minor crop in Sourou from both a staple and cash crop perspective

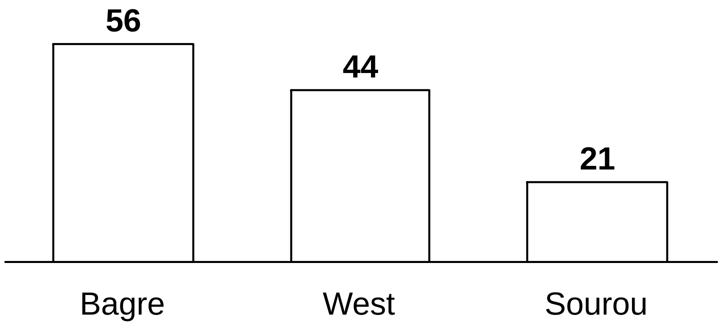
Major crops in Sourou region



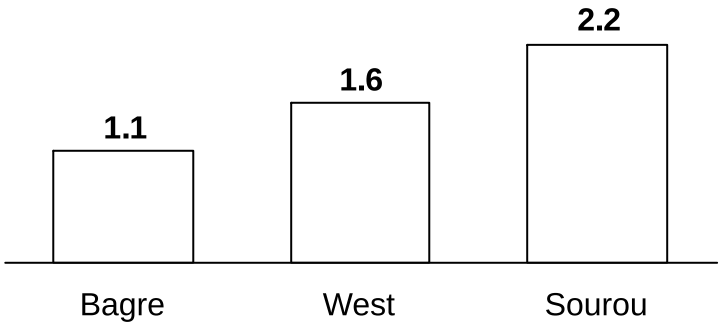
[1] Based on 2006 prices
Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

Burkina Faso has ~100,000 households that produce rice – profiles differ by type of land preparation

Rural households that produce rice in the three regions, 2006[1] ['000]



Rice production per year per household in the three regions, 2011[2] [MT]



Rice smallholders in the three regions

- Currently there are ~100k smallholders growing rice in Burkina Faso spread across the three main producing areas
- The smallholder farmers can be divided by the type of land they grow rice on:
    - Strictly rainfed rice – these are often very small plots with low yields, mostly for consumption
    - Irrigation by water containment – slightly higher yields and plot sizes, some surplus production
    - Full irrigation – 1 Ha plots with relatively high yield (80% of production is sold)
- Over the three regions **~50% of production comes from rainfed land and ~50% from the two irrigation types**
- Farmers typically produce rice in parallel with other crops
    - Sorghum, millet or maize is often grown as an alternative staple
    - Cotton and groundnut are often grown as cash crops (however no cotton in Bagré)

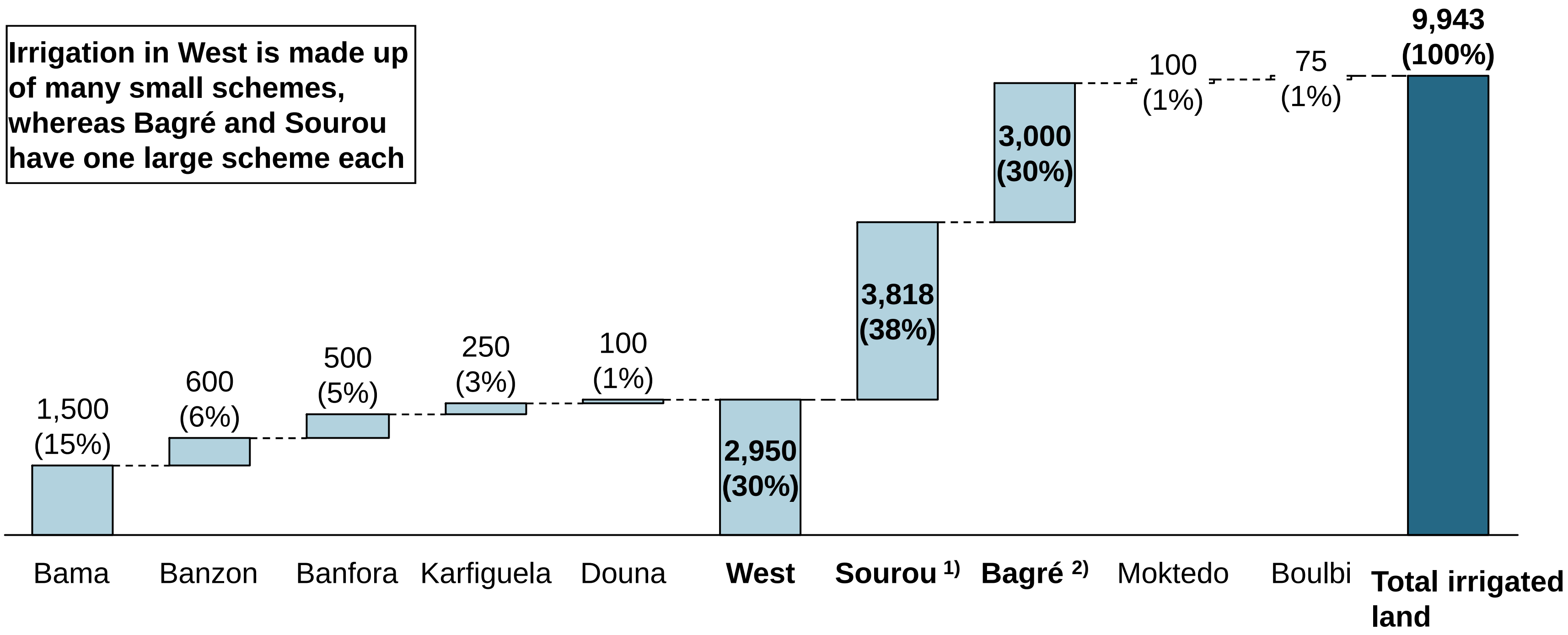
1) Latest figures available by DPSAA; 2) Production per household based on 2011 production numbers and 2006 household numbers – production doubled from 2006 to 2011

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

The irrigated land in Burkina Faso at the moment is distributed fairly evenly over the three rice producing areas

Government irrigation schemes in Burkina Faso, 2011 [Ha]

Irrigation in West is made up of many small schemes, whereas Bagré and Sourou have one large scheme each

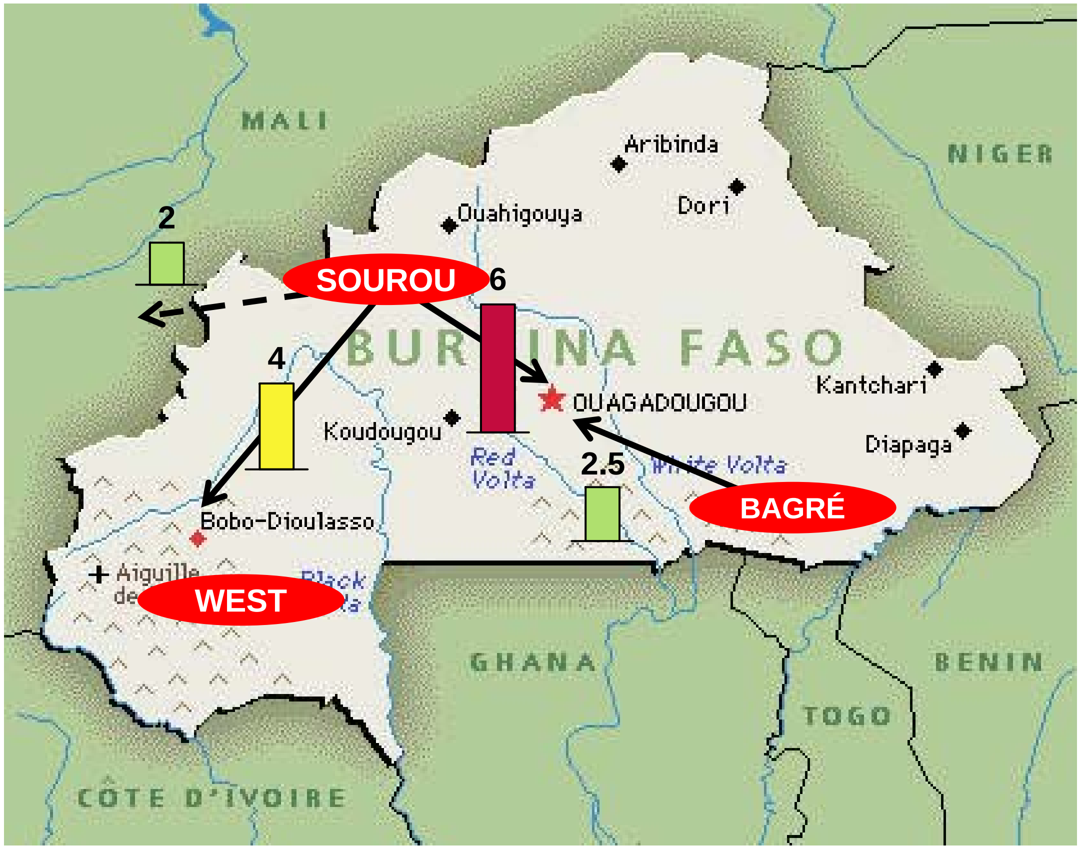


1) In Sourou, during raining season 2,000 Ha is planted with rice, in dry season 1,000 Ha is rice, rest is corn and vegetables; 2) In Bagré at the moment 1,800 Ha is used for rice, a further 1,200 Ha will shift to rice in 2013

Source: Burkina Faso Government rice responsible

Bagré is closest to the largest rice consuming market Ouagadougou– the West is close to Bobo, another substantial rice market

Time from key producing rice regions and markets, hr, 2012



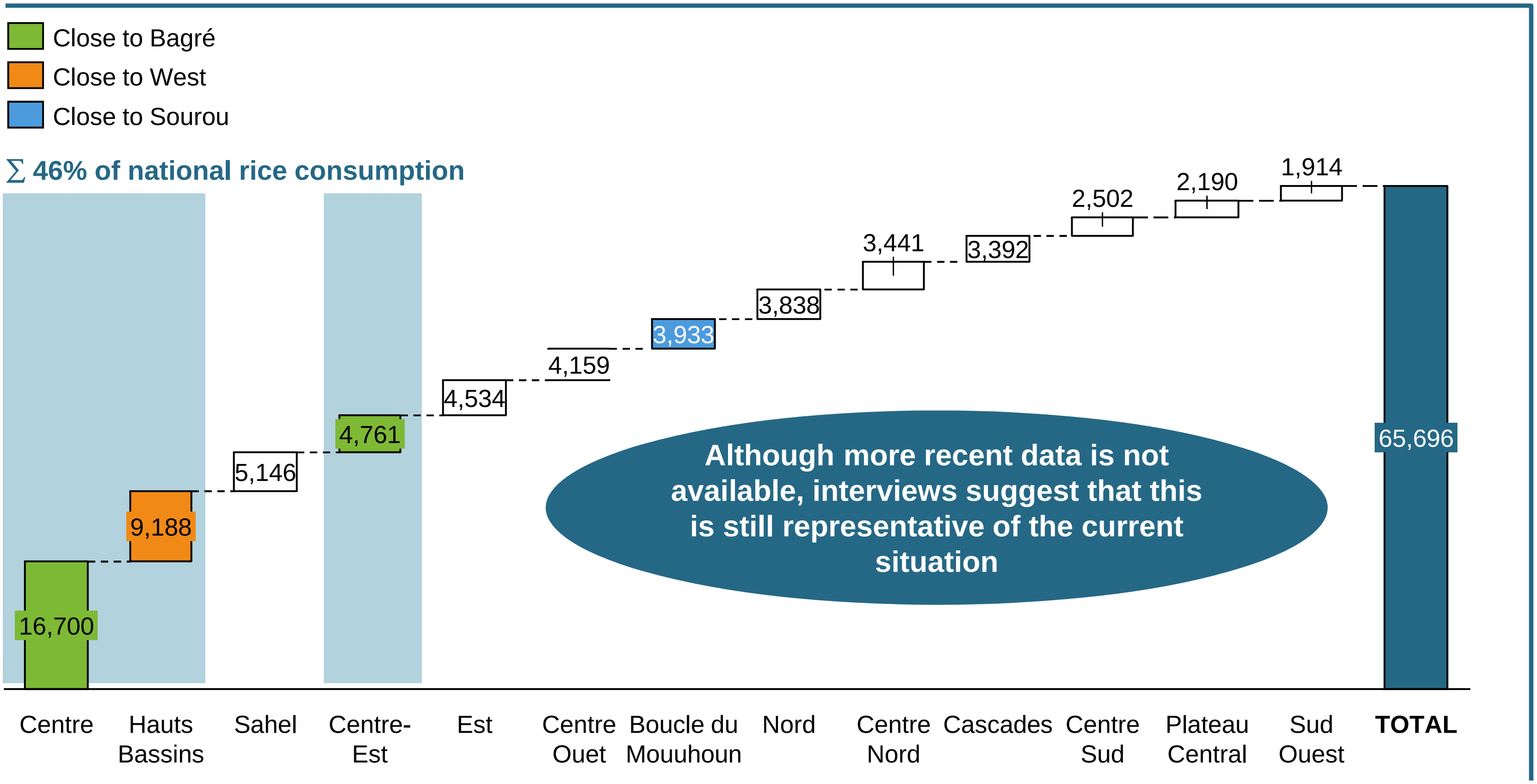
Transport from rice producing regions

- Bagré is well positioned as it is close to Ouagadougou, along a good tar road
- The Western rice producing areas are close to Bobo, the second largest rice consuming market in Burkina Faso
- Sourou is far away from both Bobo and Ouagadougou and poor quality roads make it uncompetitive for both markets; therefore the export market into Mali is most interesting for Sourou
- Although exports are officially banned at the moment, Malian traders still buy paddy from Burkina Faso informally

Source: Union Nationale de Producteur de Riz du Burkina Faso

Bagré and the West have the best access to the majority of the demand in Burkina Faso

Rice market size by regional total expenditure on rice, 2003 [CFA m]



Although more recent data is not available, interviews suggest that this is still representative of the current situation

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

Apart from key link roads into Ouagadougou, road infrastructure across the country is generally poor

Ouagadougou/ Bagré road

Bagré irrigation scheme

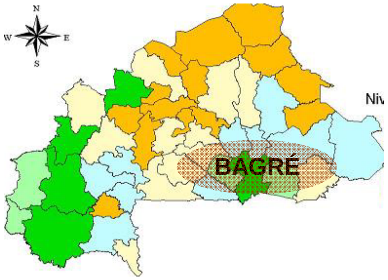
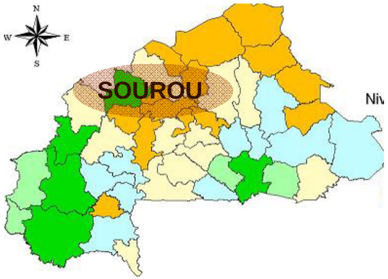
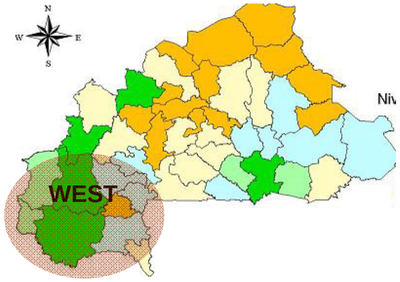
- Only 4% of roads in the country are classified as paved (vs. 12% in Ghana)
- Main roads (e.g., between Ouagadougou and Bagré) are good and recently developed
- However, some main roads that have not been developed recently (e.g., between Sourou and Ouagadougou) remain very poor
- Rural roads are largely poor and can be impassable in the rains

Source: UNDATA.org, Interviews, field visits

The commercial players in Burkina Faso are relatively small and dispersed

Volumes per processor are on slide 18

🟥 **Commercial players**

	Inputs	Producer[1]	Processor		Market
			White rice	Parboiled rice	
 BAGRÉ	**Agro Production**	**Zakane Mahoumoud** Various farmer unions (e.g., Union des Producteurs de Riz de Bagré)	**Sahel Farm** **Grenier Faso** **Zakane Mahoumoud** **Koama Industries** **Bikinga**	Kaboré Mariam Nana Mariam	**Jean Pierre Yameogo** **Jermey Boutin** Sonagesse
 SOUROU		Various farmer unions (e.g., Union des Producteurs de Riz de Sourou)	**TRAORE Koflan** **KOUSSE Koussé**	Sawadogo Mariam Nana Claude	**Jean Pierre Yameogo** **Jermey Boutin** Sonagesse
 WEST	**NAFASO** **Agro Production**	Various farmer unions (e.g., Union des Producteurs de Riz de Sud Ouest)	**Wend-yam de Kodeni** **SANKARE et DIAKITE** **Société de Décorticage de Riz** **Various small processors[2]**	Sawadogo Mariam Ouédraogo Kalizèta Ouédraogo Mariam Large number of small parboilers	**Jean Pierre Yameogo** **Jermey Boutin** Sonagesse

1) All producers in Burkina Faso, especially on the irrigation schemes, are part of a production group; 2) There are many more processors in West

Source: Interviews

The rice value chain in Burkina Faso at the moment has severe challenges at all stages

Inputs

- Seeds, inputs and crop protection are not sufficiently available and not affordable for the majority of smallholder farmers in Burkina Faso
- Local seed production suffers from quality challenges and insufficient base seed
- Total irrigated land is currently small with little funding for expansion (World Bank funds in Bagré might increase area there)

Production

- The majority of smallholder farmers in Burkina Faso have very small plots of land
- Yields on rainfed and irrigation by water containment land are very low, yields on irrigation land are acceptable
- Farmers do not adhere to best production practices
- All production and harvest is done manually

Processing

- About half of local rice is processed by parboiling women groups
- Another quarter is processed on field in small local mills
- Much of the remaining paddy is exported informally (e.g., to Mali) and processed there
- The remaining paddy is processed to white rice by small industrial players who suffer from a lack of paddy and capital

Market

- 80% of the Burkina Faso population is poor and rural and does not buy rice
- Half of the rice consumption in Burkina Faso is satisfied by imports which sell at ~36% effective price discount to local rice
- These imports, that are bought by the slightly more affluent 20% of the population, are dumped, over-aged stocks from Asia
- Quality of local rice is often of too poor quality (too broken, too much foreign matter) to meet market demand

Enabling Environment and Infrastructure

Infrastructure

- Roads around Ouagadougou and Bobo are good, but roads are of poor quality in other areas and further away from the cities
- There is a lack of storage for inputs, paddy and processed rice
- Electricity availability is poor, particularly in Sourou

Business & finance environment

- Access to working capital and investment finance is close to impossible for all actors along the whole value chain
- All banks are very wary of rural lending

Industry bodies & sector policies

- All actors in the value chain are organized in local, regional and national unions and cooperatives – capacity is low in most cases
- The GoBF does not allow export of rice

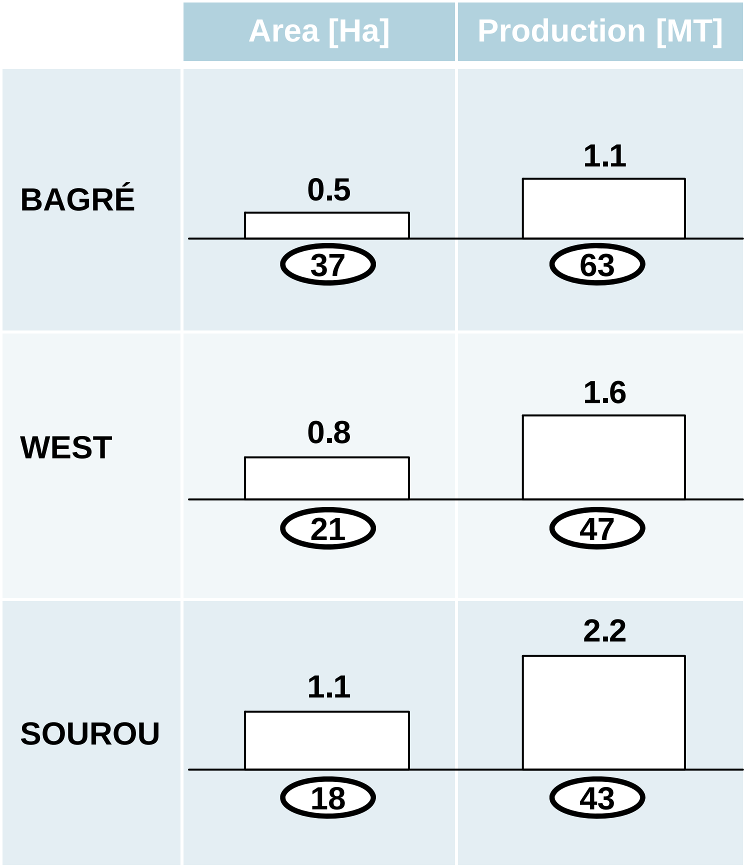
Research & extension services

- The national institute of agricultural research (INERA) does rice research but is resource constrained
- There are not sufficient government extension officers to cover the whole country

Rice production in Burkina Faso is very fragmented and there are no larger rice producers

○ % irrigated 1)

Cropped area and production per rice smallholder, per region



Rice production in the three regions

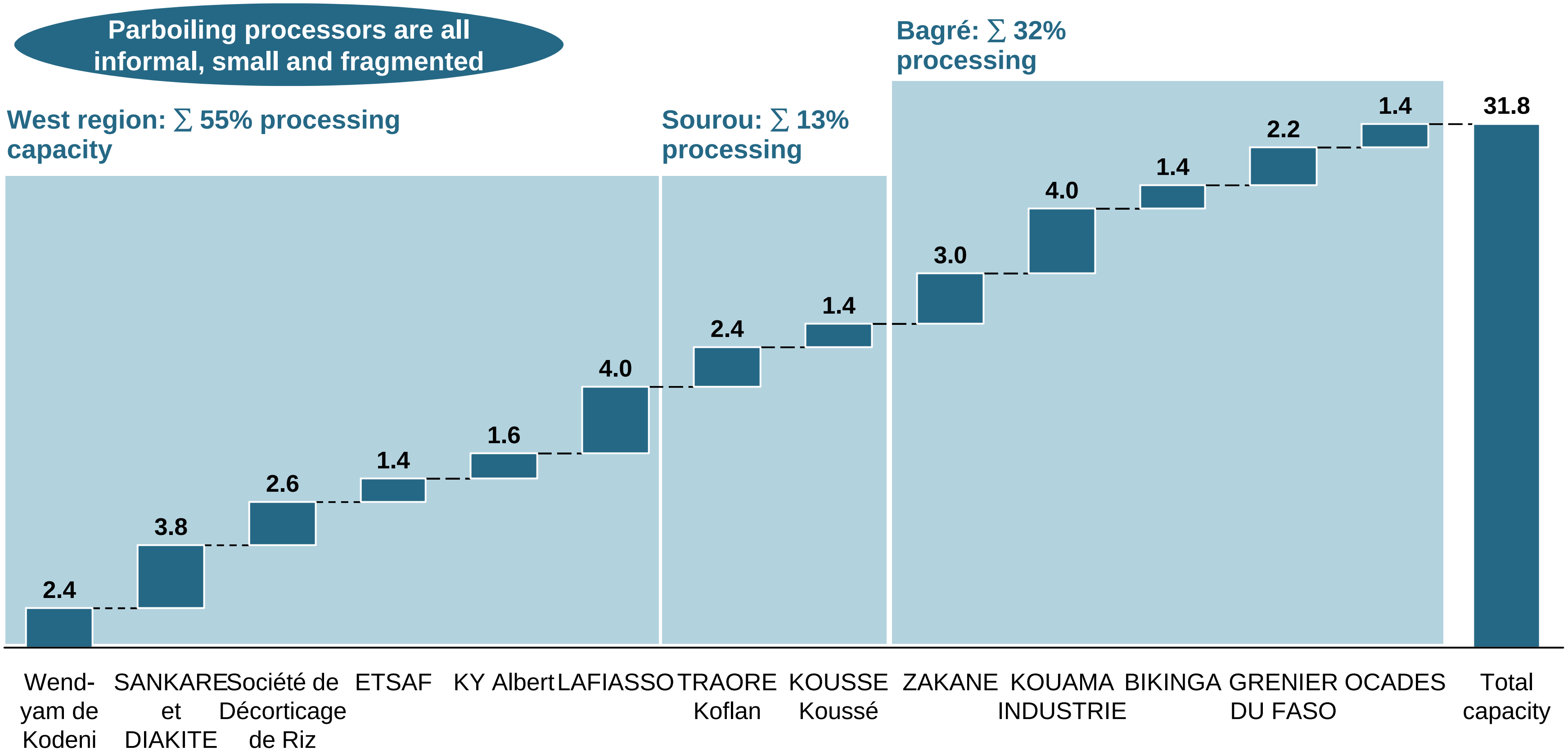
- Rice production throughout Burkina Faso is very fragmented - average plot sized vary from 0.5 to 1 Ha per farmer
- There is anecdotal evidence of farmers who have up to 100 Ha of land, but these are not many
- Partly this is caused by the ‘law on small plots’ that applies to most irrigation schemes and that prohibits anyone to have more than 1 Ha on an irrigation scheme
- For the planned extension of the Bagré irrigation scheme a specific area will be developed for agribusinesses where larger plots will be allowed

1) % of land irrigated is made up of full irrigation and irrigation by water containment

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire

White rice processing capacity in BF is low and dispersed over many smaller units – the majority are in the West

Installed milling capacity of white rice mills in Burkina Faso 2012 [‘000 MT/per year$^{1)}$]



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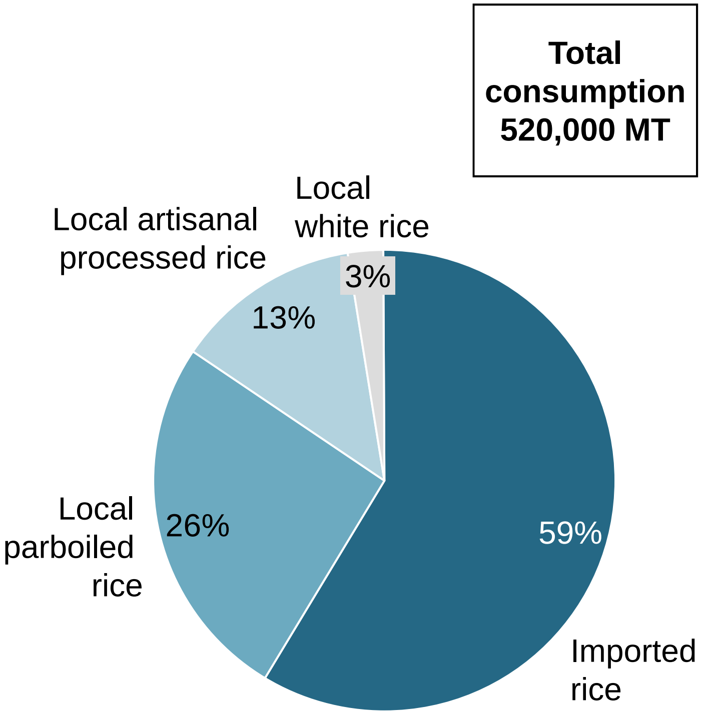
1) Assuming mill runs for a maximum of ~12 hours a day and 250 days per year

Source: GIZ Programme Développement de l'Agriculture (PDA) Burkina Faso

At the moment rice consumption in Burkina Faso is satisfied by imported rice, parboiled rice and for a small part, local white rice

Burkina Faso annual rice consumption per type, 2010

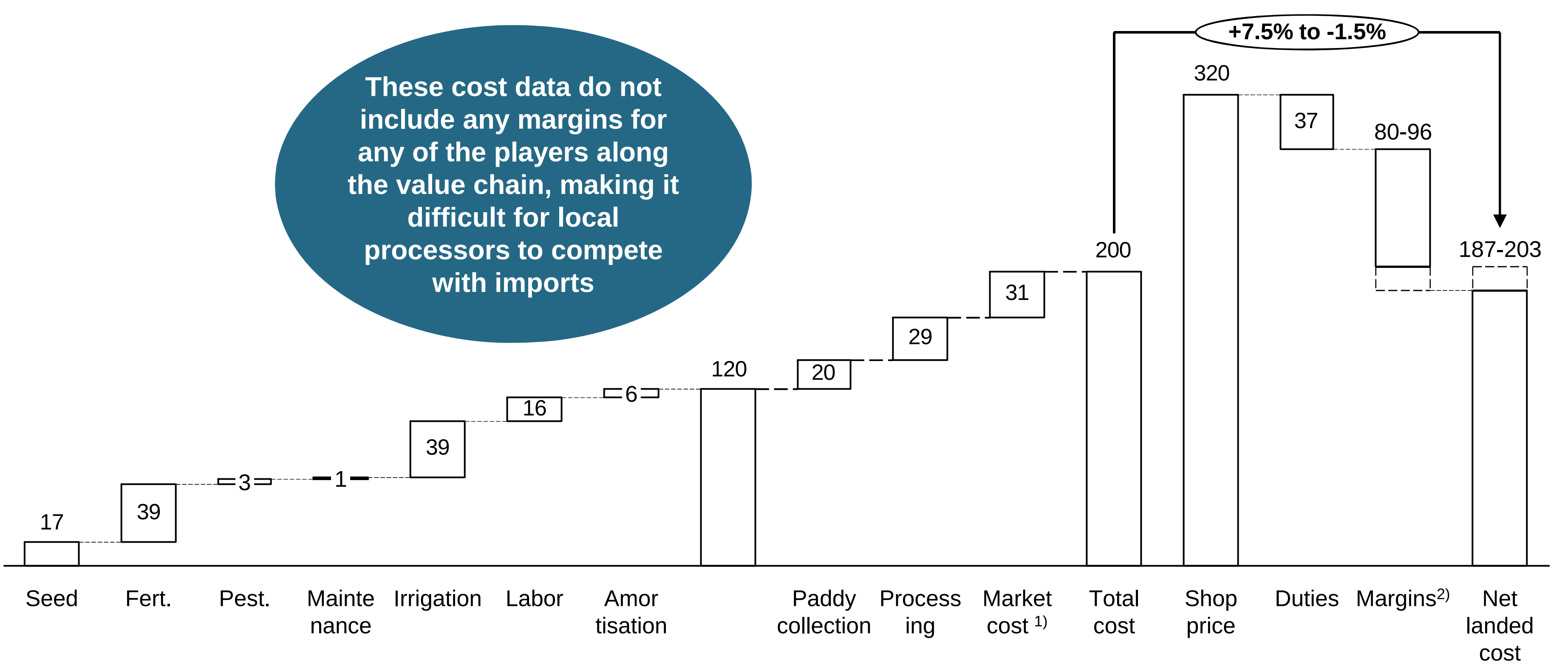


Types of rice in Burkina Faso

- **Imported rice**
  - The majority is over-aged buffer stock from Asia, it is therefore very dry
  - Preferred for its taste and because it increases volume on cooking by 25%-30% more than fresh local rice (as it is dry)
  - Imported by large traders and is most easily accessible for the urban consumers in Bobo and Ouagadougou
- **Local parboiled rice**
  - Processed and marketed in local markets by women groups
  - The majority of parboiled rice is eaten in rural areas – preference there because fewer impurities than local white
  - Rural communities combine parboiled rice with many dishes
  - Urban consumers only eat it with the dish ‘riz graz’
- **Local artisanal processed rice**
  - White rice that is processed on the side of the field and consumed by the smallholder and his/her family
- **Local white rice**
  - Traded by some larger traders and is difficult to come by
  - Quality is poor, the price is high
  - In addition, it absorbs less water on cooking than imported rice, giving 25%-30% less volume per kg of milled rice (implying a 25%-30% higher price to consumers)

Source: Direction de la Prospective a des statistiques Agricoles a Alimentaire, STRATEGIE NATIONALE DE DEVELOPPEMENT DE LA RIZICULTURE, ETUDE DE MARCHE SUR LE RIZ LOCAL by IntermonOxfam-UNPR-B

After allowing for the tariffs and trader margins, local production costs are very similar to the cost of imported rice



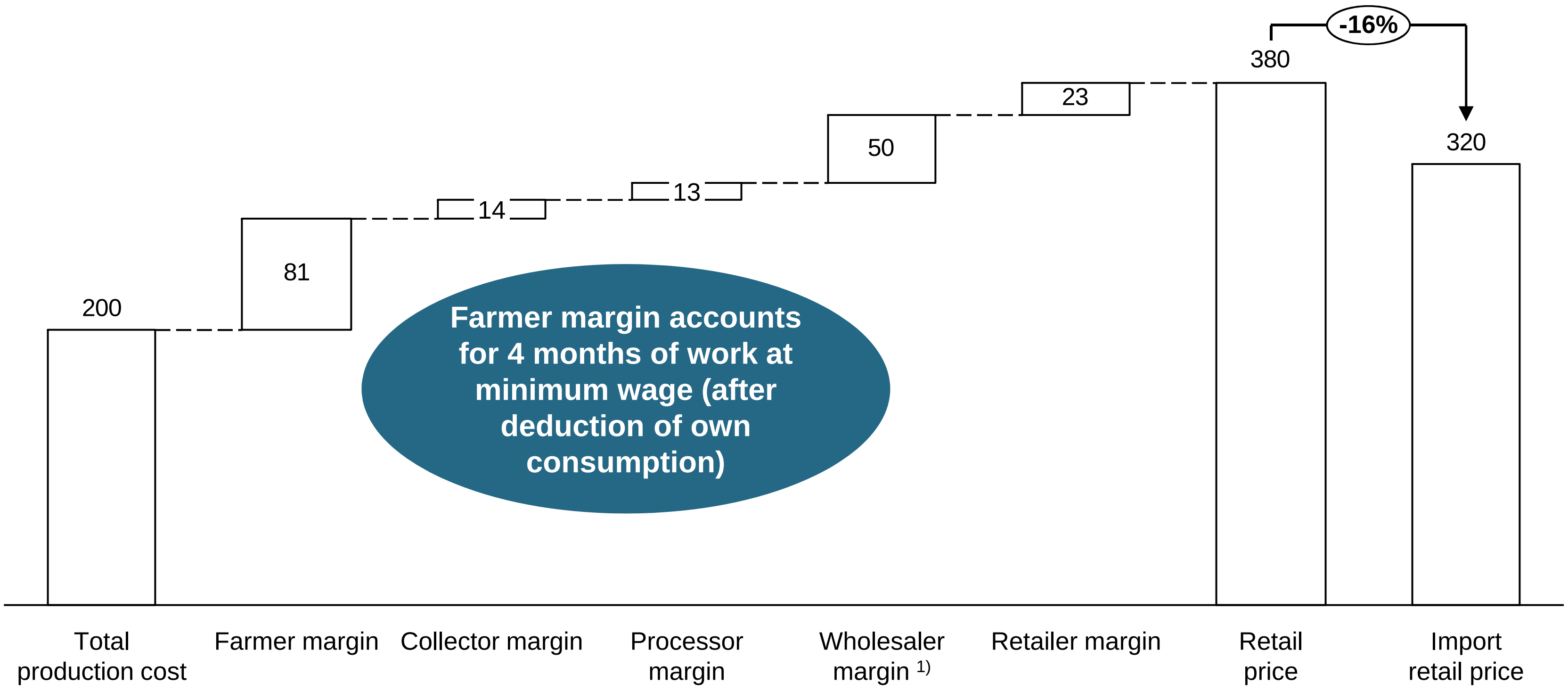
1) Market cost includes transport and packaging costs of wholesalers and retailers 2) Margins of importers, wholesalers and retailers together estimated at 25% - 30%

Source: ETUDE SUR LA STRUCTURE DES PRIX DU RIZ LOCAL AU BURKINA FASO, GoBN DIRECTION GENERALE DE LA PROMOTION DE L'ECONOMIE RURALE, 2011 and interviews with importer

Taking into account margins along the value chain, the retail price of local rice 16% is higher than imported rice at the moment

Retail price of local white rice based on production cost of smallholder irrigated farm with pumping, 2011 [FCFA / KG]

Retail price of imported rice, 2011 [FCFA / KG]



Farmer margin accounts for 4 months of work at minimum wage (after deduction of own consumption)

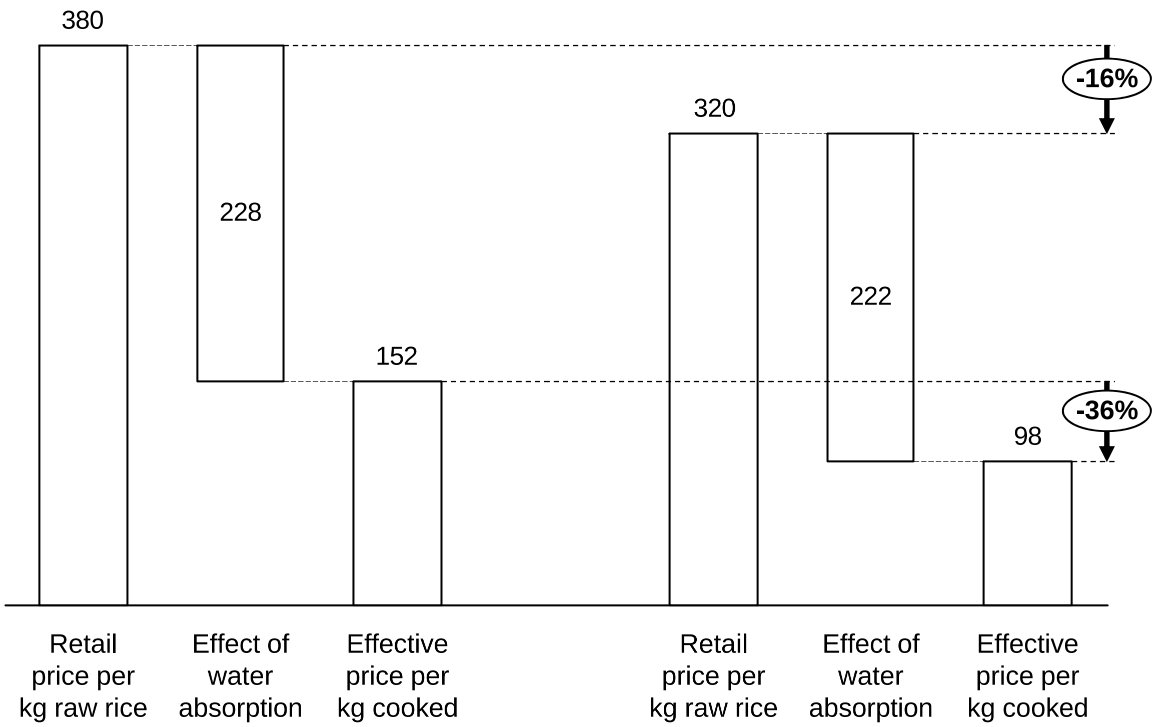
1) This includes the margin for large and medium sized wholesalers

Source: ETUDE SUR LA STRUCTURE DES PRIX DU RIZ LOCAL AU BURKINA FASO, GoBN DIRECTION GENERALE DE LA PROMOTION DE L'ECONOMIE RURALE, 2011 and interviews with importer

This is exacerbated by the fact that imported rice is old and dry, which increases volume after boiling and decreasing the competitiveness of local rice on a price/kg cooked basis

Effective price of cooked local white rice [FCFA / KG]

Effective price of cooked imported white rice [FCFA / KG]



Inflation of imported rice

- The vast majority of the rice imported into Burkina Faso is at least 7 years old, with some batches going up to 20 years
- This seriously reduces nutrition
- However consumers like this dryness because it makes the rice inflate greatly **(30%)** during cooking, effectively reducing the price by that same percentage while still “filling the plate”

Source: Interviews on price level and inflation characteristics with processors and traders in Burkina Faso

A lack of access to finance was mentioned as a serious issue by all actors along the value chain

Impact of lack of finance along the value chain

Inputs

- Seed producers cannot access finance from banks to make investments in larger storage facilities
- They also don't have sufficient working capital to contract more outgrowers

Production

- Farmers generally have no cash at the start of the harvest to purchase the right amount and quality of seeds, fertilizer and crop protection
- Because farmers buy fertilizer and crop protection too late, they cannot adhere to the optimal production calendar
- Farmers have no funds to access any kind of mechanization for production and harvesting

Processing

- Processors are constrained by their working capital, limiting the amount of paddy they can keep in stock, thereby limiting the amount of processed rice
- Some processors even buy paddy from farmers on credit
- They are also constrained by a lack of finance for capital investments in new equipment with more capacity and more storage capacity

Market

- Traders of local rice are constrained by their working capital – they would like to keep more rice in stock to satisfy orders better but they cannot
- They also lack sufficient finance to invest in more storage capacity

Enabling Environment and Infrastructure

- Infrastructure
- Business & finance environment
- Industry bodies & sector policies
- Research & extension services

Source: Interviews

C. Uncertainty in Burkina Faso rice market

There are a number of areas of uncertainty all along the rice value chain in Burkina Faso

Areas of uncertainty along the rice value chain

Inputs

- There are plans to extend the irrigation scheme in Bagré on a large scale (with the World Bank funding)
- The project has, however, just started in the spring of 2012 and it is unclear how and when the plans will be realized
- The GoBF has plans to greatly increase the irrigation by water containment hectares – also not clear when and how

Production

Processing

Market

- Market interviews indicated that there is latent demand for the more expensive local rice
- It is uncertain whether this is the case or not
- Even if there is latent demand ,the market for white rice in Burkina Faso will most likely be small but requires further market research

Enabling Environment and Infrastructure

Infrastructure

Business & finance environment

- Doing business in Burkina Faso is very difficult on almost all possible aspects
- It is unclear how this will deter private investors
- The Bagré Growth Pole project is aiming to attract investors through tax holidays etc., but it is unclear how this will play out

Industry bodies & sector policies

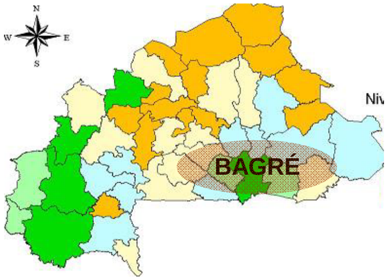
- Since the market in Burkina Faso is small, exporting might be an option for increased production
- However at the moment there is an export ban

Research & extension services

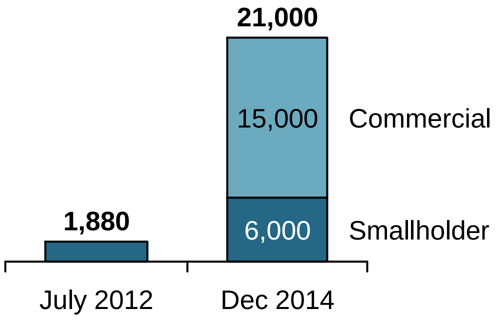
Source: Interviews

Plans have been made to drastically increase irrigated land – it is not sure yet how and when plans will be executed

Irrigation expansion plans [Ha]

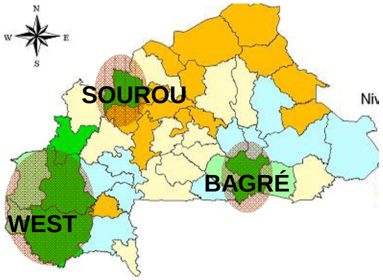


Full irrigation

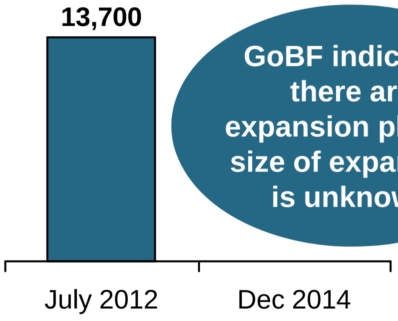


Comments

- Bagré is an irrigation scheme that exists since the construction of the dam in the 1980's
- In the spring of 2012 the Bagré Growth Pole project was launched with USD 133 m from the World Bank
- The Growth Pole aims to accelerate growth of land development and wants to attract private investors
- The market does not seem confident that the project will be a success and, given its history, it would require a step change in the performance of the organization



Irrigation by water containment



GoBF indicated there are expansion plans – size of expansion is unknown

- The GoBF currently supports communities in Burkina Faso with the land preparation of irrigation by water containment schemes
- Since this is so much cheaper than the development of irrigation, they have decided to focus on water containment schemes
- Funding and capacity of the Ministry are restricted and it is not clear when and how these hectares will grow

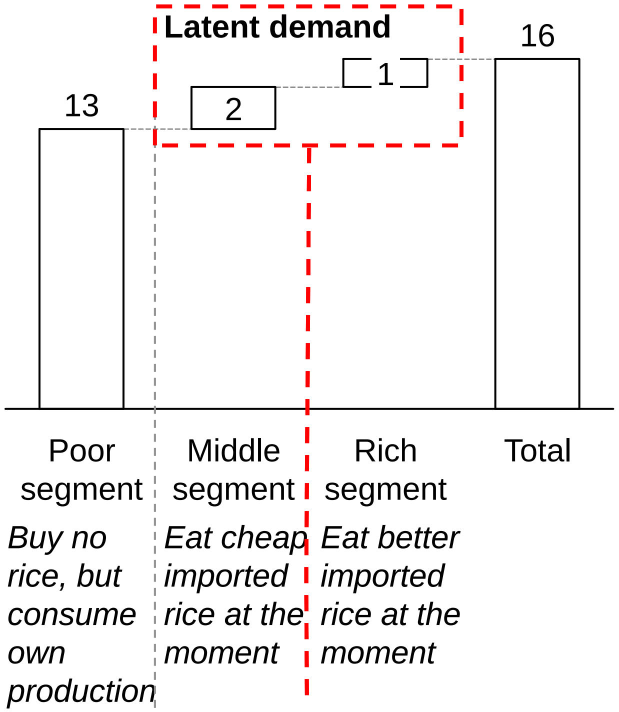
Source: Bagré Growth Pole office, Direction de la Prospective a des statistiques Agricoles a Alimentaire

Interviews expect latent demand for the more expensive local rice but focus should be on huge on-farm consumption market

Quotes on latent demand from rice market players

Large local rice trader	*"I have much more demand from buyers for local rice than I can supply. If there would be more local rice on the market people would buy it."* Jean Piere Yameogo
GoBF rice respon-sible	*"People like eating local rice, but they cannot find it on the market. The GoBF is also educating the population on preparation of local rice through TV commercials."* Youssouf Ouattara
Processor in Bagré	*"I do not process more rice because I have no funds to grow – but I want to grow my business because I know I will find a market for my rice."* Zakané Mahamoudou
Processor near Ouaga	*"I have invested in new, better quality processing equipment. It will be hard to get sufficient paddy for it, but I am close to Ouagadougou market where I can sell"* Abdul Tamboura

Estimated rice market segmentation [persons per segment, m]



At current average rice consumption (33kg / capita), this equates to <100k MT of rice, or the production of a single 10k ha commercial producer

Source: Interviews

Doing business in Burkina Faso is difficult – it increases the risks on local investments made

World Bank doing business ranking of Sub-Saharan Africa: selected countries

RANK	COUNTRY
1	Mauritius
5	Ghana
7	Zambia
10	Ethiopia
12	Uganda
14	Tanzania
15	Nigeria
22	Mali
24	Burkina Faso
26	Senegal
34	Côte d’Ivoire
38	Niger
46	Chad

Burkina Faso ranks #150 on Global list - below Iran, Tajikistan and the West Bank & Gaza

Comments

- Burkina Faso scores particularly low on the dimensions Electricity, Protecting Investors, Paying Taxes and Trading Across Border
- There is anecdotal evidence of multiple investors in the agricultural sector who decided not to invest in Burkina Faso after initial research, reasons quoted are:
    - No *physical access* to the relevant legislation documents
    - No clarity around which GoBF bodies are responsible for what rules and regulations
    - General lack of clarity in various business rules and regulations (e.g., export, labour, land ownership)

Source: World Bank ‘Doing Business’ ranking 2012, interviews

The Bagré Growth Pole project aims to attract investors through creating a Special Economic Zone; it is not sure yet it will pass through parliament and we don't know what the impact will be

Bagré Growth Pole *Special Economic Zone*

- **Taxation**
  - 5 years' exemption for producers for the domestic market and 7 years' exemption for commercial exporters from relevant taxes
  - Thereafter, corporation tax rate will drop by 10 points until the 12th year
- **Customs**
  - Exemption from all customs taxes and duties (including VAT) for import and export of goods directly involved in production
  - Simplified procedures for the issue of entry visas and work permits for expatriates
- **Circulation of capital**
  - Unrestricted execution of financial operations
  - Unrestricted transfer of funds
- **Other benefits**
  - Exemption from the proportional business licence for 5 to 7 years
  - Exemption from employer tax and apprenticeship tax for 5 to 7 years

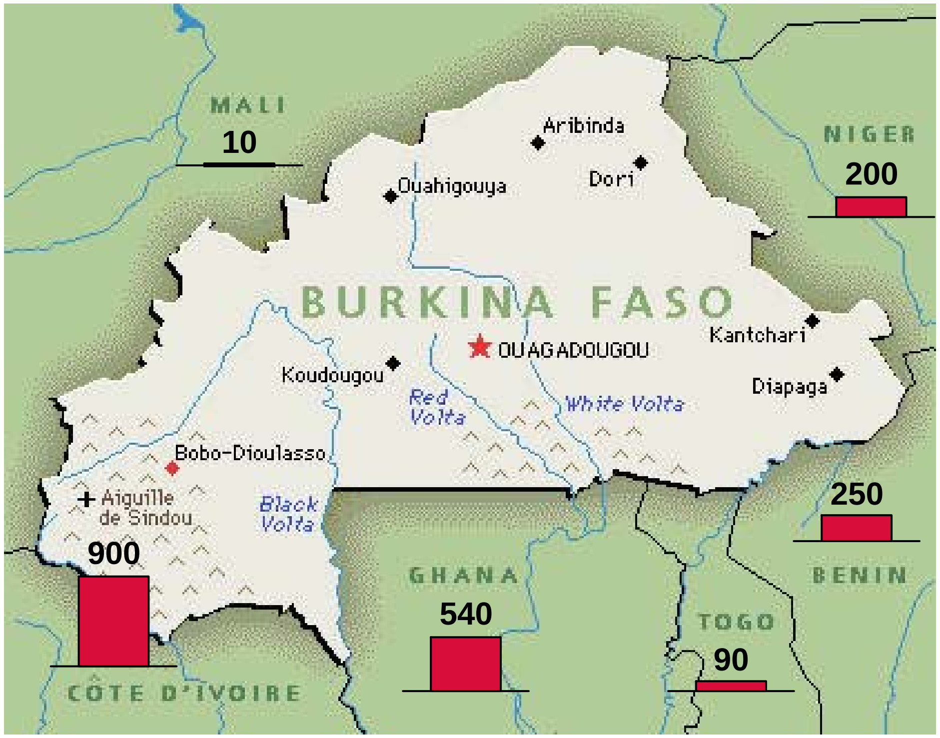
Private sector involvement in Bagré Growth Pole

- Bagré Growth Pole becoming a Special Economic Zone with all the related benefits for investors is not a fact yet – this legislation still has to pass parliament
- Monitor works for Bagré Growth Pole to help attract private sector and is in the process of approaching investors with their investment teasers
- Furthermore the Bagré Growth Pole project has organized a private sector conference in cooperation with Monitor in September 2012
- Monitor is working to get a few (around 10) already interested investors before the conference
- Based on this conference BMGF will be in better position to tell what private sector interest into the Bagré Growth Pole project will be

Source: Bagré Growth Pole office

Since local market demand is uncertain export could be an option – however for now export of rice is prohibited

Annual imported rice for Burkina Faso’s neighbors [2009, ‘000 MT]



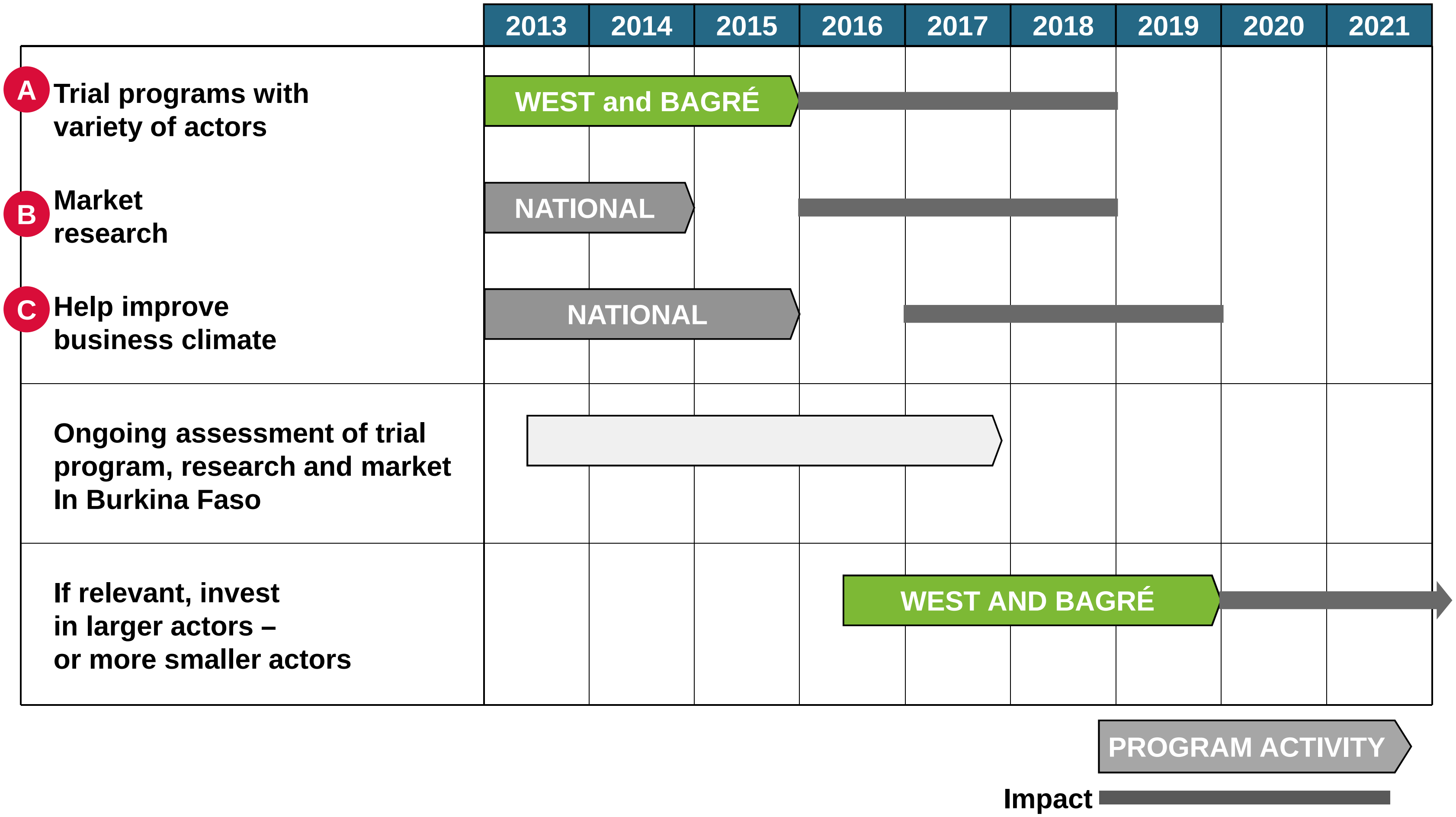
Rice export regulations Burkina Faso

- At the moment **rice exports are banned** in Burkina Faso
- However, in the region and, in particular, in Burkina Faso these bans are very hard to enforce and local traders still find ways around the bans
- This leads to unofficial estimates that up to 20% of paddy from Burkina Faso leaves the country illegally
- Still, officially, trade volumes of rice in West Africa are almost negligible and official regional trade is problematic
- If Bagré indeed becomes a Special Economic Zone it would be exempt from this export ban

Source: USAID, West Africa Rice Value Chain analysis 2009, GIZ Programme Développement de l'Agriculture (PDA) Burkina Faso

D. Recommendations

We therefore suggest BMGF do some initial work to test the rice market before making any large investments



A Trial programs with variety of actors

B Market research

C Help improve business climate

Ongoing assessment of trial program, research and market In Burkina Faso

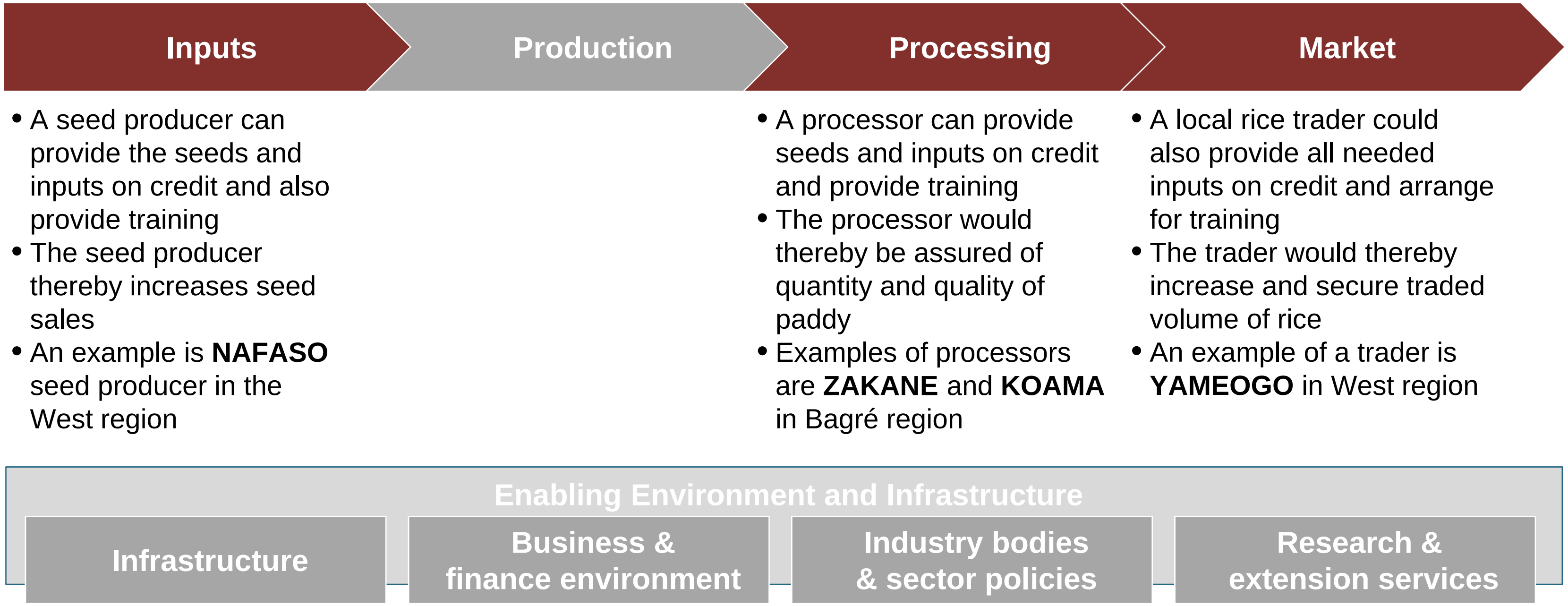
If relevant, invest in larger actors – or more smaller actors

Source: Interviews

A

In the short term, smallholders can be supported by multiple small sized actors in different positions in the value chain

Possible actors along the value chain that can support rice smallholders in Burkina Faso



Inputs

- A seed producer can provide the seeds and inputs on credit and also provide training
- The seed producer thereby increases seed sales
- An example is **NAFASO** seed producer in the West region

Production

Processing

- A processor can provide seeds and inputs on credit and provide training
- The processor would thereby be assured of quantity and quality of paddy
- Examples of processors are **ZAKANE** and **KOAMA** in Bagré region

Market

- A local rice trader could also provide all needed inputs on credit and arrange for training
- The trader would thereby increase and secure traded volume of rice
- An example of a trader is **YAMEOGO** in West region

Enabling Environment and Infrastructure

Infrastructure

Business & finance environment

Industry bodies & sector policies

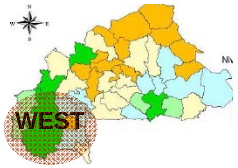
Research & extension services

Source: Interviews

The seed producer NAFASO provides seeds, training and market to smallholders, however they can use help to grow and improve

General information NAFASO

- NAFASO is based 100 km outside of Bobo in the hart of the West region
- He is a producer of seeds since 1993, since 2007-2008 also working with seed outgrowers
- He employs 14 people and has 200 seasonal workers



NAFASO commercial and smallholder activities and potential BMGF support

	Inputs	Production	Processing	Market
COMMERCIAL	• Produce 1,200 MT of rice seed annually • Also produce foundation seed based on INERA base seed on 200 Ha			• Has set up outlets (with AGRA) / partners with outlets to make seeds more widely available to farmers
SMALL HOLDER	• Work with a network of 19 medium sized seed producers • Also work with 180 smallholders • Provide foundation seed and fertilizer to smallholders	• Provide training to smallholder seed producers • Certify seed after harvest		• Buy produced seed from smallholders, deduct cost of inputs and sell seed to rice farmers through commercial distribution network
DONOR SUPPORT	• Develop distribution model for when numbers of smallholders increase greatly	• Develop improved training program • Identify and select partners for implementation • Help identify and select farmers		• Develop training program for retail outlets • Select new franchise retail outlets

Source: Interviews

A **Inputs**

They can also use support with finance and extension services to foster growth

NAFASO commercial and smallholder activities and potential donor support

	Enabling Environment and Infrastructure			
	Infrastructure	**Business & finance environment**	**Industry bodies & sector policies**	**Research & extension services**
COMMERCIAL		• NAFASO is severely constrained by a lack of working capital and investment finance		
SMALL HOLDER		• Provide seed and fertilizer to smallholders on credit		• NAFASO hires officers that provide the training to the smallholders
BMGF SUPPORT	• Help think through potential new land preparation model to increase yields	• Provide a guarantee to a local bank to improve access to additional working capital (to increase number of farmers in program) and capital financing (for storage capacity)		• Select and identify trainers • Train the trainers

Source: Interviews

A processor who would be ready to partner is ZAKANE in Bagré who already works with smallholders…

General information ZAKANE

- ZAKANE is based in the middle of the Bagré irrigation area
- Started as rice farmer and grew into seed producer and a processor; also works with outgrowers
- ZAKANE has an entrepreneurial spirit and sets an example for his region

ZAKANE commercial and smallholder activities and potential donor support

	Inputs	Production	Processing	Market
COMMERCIAL	• Produces 600 MT certified seed per year on 80 Ha	• Produces rice commercially in Bagré on 30Ha irrigated land	• Owns and runs a white rice processing plant with 12MT capacity per day – i.e., 3,000 MT per year	• Sells white rice to Sonagesse, traders and local buyers
SMALL HOLDER	• Works with 60 smallholders at the moment, providing seed and fertilizer	• ZAKANE supports the production of smallholders with technical advice throughout the season, this is easy for him since they produce parallel to his own farm	• Often has no cash and buys paddy on credit from farmers • After processing, pays smallholders back minus costs of seeds and fertilizer	
DONOR SUPPORT	• Develop distribution model for when numbers of smallholders increase greatly	• Develop improved training program • Identify and select partners for implementation • Help identify and select farmers	• Provide technical assistance to improve processing efficiency and select best equipment	

Source: Interviews

… but is constrained by a lack of finance

ZAKANE commercial and smallholder activities and potential BMGF support

	Enabling Environment and Infrastructure			
	Infrastructure	Business & finance environment	Industry bodies & sector policies	Research & extension services
COMMERCIAL		• ZAKANE is severely constrained by a lack of working capital and investment finance		
SMALL HOLDER		• Provides seed and fertilizer to smallholders on credit		• ZAKANE and his team personally monitor the activities of the smallholders they pre-finance
DONOR SUPPORT	• Help think through potential new land preparation model to increase yields	• Provide a guarantee to local bank to increase access to additional working capital (to increase number of farmers in program) and capex financing (for new processing unit)		• Select and identify trainers to expand number of smallholders • Train the trainers

Source: Interviews

Another processor which could be supported with expansion is KOAMA, close to Ouagadougou

General information KOAMA

- KOAMA is based close to Ouagadougou, ~2 hours from Bagré on the Ouagadougou – Bagré road
- KOAMA started as a rice importer and than invested in a small rice mill
- Has now purchased a larger and better mill from Italy – will start working with it from October 2012
- Will need much larger amounts of paddy, for which he wants to set up an outgrower scheme

KOAMA commercial and smallholder activities and potential donor support

	Inputs	Production	Processing	Market
COMMERCIAL			• Owns and runs a white rice processing plant with 4,000 MT / year • He has invested in new processing equipment with 36 MT / day, i.e., 9,000 MT / year	• Sells white rice to Sonagesse mainly
SMALL HOLDER		• They have started looking into working with a farmer network	• Go out to Bagré to buy paddy from smallholder farmers • They have some buying relationships with farmers, but the farmers often sell to other buyers and do not keep to agreements	
DONOR SUPPORT	• Develop distribution model for new outgrower scheme	• Develop training program • Identify and select partners for implementation • Help identify and select farmers for new outgrower scheme	• Provide technical assistance for improving processing efficiency and selection of equipment	

Source: Interviews

KOAMA is also constrained by a lack of finance

KOAMA commercial and smallholder activities and potential donor support

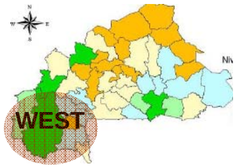
	Enabling Environment and Infrastructure			
	Infrastructure	**Business & finance environment**	**Industry bodies & sector policies**	**Research & extension services**
COMMERCIAL		• KOAMA is severely constrained by a lack of working capital to buy sufficient paddy		
SMALL HOLDER				
DONOR SUPPORT	• Help think through potential new land preparation model for new outgrower scheme to increase yields	• Provide a guarantee to local bank to improve access to additional working capital (to increase the number of farmers in program and increase paddy buying power)		• Select and identify trainers • Train the trainers

Source: Interviews

The trader YAMEOGO buys and sells rice and has also started a cooperation of producers

General information YAMEOGO

- YAMEOGO has been in Koudougou since 1990 as a trader – he buys and sell all over Burkina Faso
- Has taken over the business from his father and it has been a tradition to help smallholders produce through input provision so as to ensure enough stock for trading
- This has involved setting up a cooperation of actors along the value chain



YAMEOGO commercial and smallholder activities and potential donor support

	Inputs	Production	Processing	Market
COMMERCIAL				• YAMEOGO buys and sells about 1,000 MT of local rice per year
SMALL HOLDER	• YAMEOGO provides seeds and fertilizer to 1,176 actors along the value chain, the majority being producers			• YAMEOGO buys rice from smallholders and deducts cost of seed and fertilizer
DONOR SUPPORT	• Develop distribution model for when numbers of smallholders increase greatly	• Develop training program • Identify and select partners for implementation • Help identify and select farmers		

Source: Interviews

A Market

…they can use support in expanding work with smallholder farmers

YAMEOGO commercial and smallholder activities and potential donor support

Enabling Environment and Infrastructure

	Infrastructure	Business & finance environment	Industry bodies & sector policies	Research & extension services
COMMERCIAL		• YAMEOGO is constrained by working capital to buy enough rice to trade • YAMEOGO would also like to invest in more storage capacity		
SMALL HOLDER		• YAMEOGO provides seed and fertilizer to smallholders on credit		
DONOR SUPPORT	• Help think through potential new land preparation model to increase yields	• Provide a guarantee to local bank so that additional finance for working capital (to increase the number of farmers in program) and investments (for storage capacity) can be found		• Select and identify trainers for the outgrower program • Train the trainers

Source: Interviews

B

In parallel, market knowledge must be improved by conducting a more extensive market research on latent demand for local rice

Findings in current market research

- For traders there are issues with the quality and the price of local (white and parboiled) rice
- Restaurant keepers have concerns with the taste, impurities, availability, price and cooking method of local rice
- Households like the taste of local white rice, but feel it is too expensive and not easily accessible

Problems with current market research

- Current research is based on small sample size (interviews with 143 traders, 77 restaurant owners and 145 households)
- Questions asked to different groups are not consistent
- Linkages between rice preference questions and actual volumes consumed are not made

Additional market research needed

- Conduct market research that includes greater numbers of respondents
- Furthermore, test for the following research questions:
    - What is the expected change in income and thereby change in buying behaviour of Bobo and Ouagadougou populations?
    - How responsive are Burkinabe to the nationalist argument for buying local rice?
    - How responsive are Burkinabe to large scale promotion campaigns in general?

Source: ETUDE DE MARCHE SUR LE RIZ LOCAL by IntermonOxfam-UNPR-B

C

Furthermore donors and the government can work together to develop a better climate for doing business

	Key issues in doing business climate	Possible action
Trading across border	• Export bans reduce the potential market for smallholders and commercial farmers • The time and cost to import or export goods are much higher than sub-Saharan peer group • Quality control on imports is not robust	• Conduct an analysis to develop robust proposal on improvements • Maintain high level dialogue to push for improvement
Protecting investors	• Directors cannot easily be held liable and investor suits are difficult • Legislation is difficult to obtain	• Make legislation easily available • Advise the government on improvements to legal systems
Paying taxes	• The time spent paying taxes is very long due to the complexity of the process	• Advise the government on suitable tax reforms
Getting electricity	• Getting connected to the electricity network is very expensive	• Bring together potential investors in electricity infrastructure to improve access to electricity in rice growing areas

Source: World Bank ‘Doing Business’ ranking 2012

BMGF can continuously monitor the uncertainties and the learning they acquire from their actions in Burkina Faso

Areas of uncertainty along the rice value chain and actions BMGF will undertake

Inputs

- Monitor the progress at the Bagré Growth Pole Project
- Monitor the progress with extension of irrigation through water containment hectares

Production

- Monitor the progress of small pilots with actors along the value chain to determine productivity increase potential

Processing

Market

- Consider outcome of market research and decide, based on that, whether there will be sufficient market for increased production of local white rice

Enabling Environment and Infrastructure

Infrastructure

Business & finance environment

- Monitor BMGF work and consider willingness of GoBF to improve the situation

Industry bodies & sector policies

- Monitor developments around rice export ban

Research & extension services

BMGF should expand their program in Burkina Faso when the uncertainties reduce and the environment becomes more attractive

Source: Interviews

There are a range of potential partners to work with to provide assistance in implementation in Burkina Faso

Potential implementation partners

LOCAL ORGANIZATIONS

- There is a large number of local organization that are involved with all nodes of the value chain that could be a partner for BMGF:
  - AGRODIA – association of input dealers
  - National Union of Rice producers
  - National Union of Rice processors
- TechnoServe has experience with processing in Burkina Faso
- IFDC have implemented a number rice of programmes in Burkina Faso
- GIZ/PDA are currently implementing a rice project in Burkina Faso and are very knowledgably about this crop in Burkina Faso
- Intermon Oxfam have implemented a large program with the parboiling women groups in Burkina Faso

Potential funding partners

- USAID is active in rice through their regional trade program ATP
- JICA are very active in the rice industry development (are involved with the development of the national rice strategy)

Source: Interviews

E. Next steps

Next steps

- Test required activities with potential partners and identify ones to support
- Search for and select potential agency that can do market research
- Select potential partners to work with
- Request a detailed work outline and cost from potential partners for the support
- Identify donors willing to co-fund the support
- Select partner
- Launch support

Source: Team analysis

APPENDIX

Burkina Faso interviews conducted 1 of 2
Government and private sector

	Organization	Position	Name
Government	Bagre Growth pole	Project director	Issaka Kargougou
	Ministère de l'Agriculture et de l'Hydraulique - Direction Générale de Promotion de L'Economie Rurale	Directeur General	Souleymane Ouedraogo
	Direction de la Prospective et des Statistiques Agricoles et Alimentaires	Statistician	Richard Guissou
Private Sector	RMG Concept SA - Sahel Farming (WIENCO)		
	Rizerie Wend Konta de Bagre	Directeur General	Zakane Mahamoudou
	NAFASO	Directeur General	Abdoulaye Sawadogo
	KOAMA INDUSTRIES	Directeur General	Abdou Tamboura
	Agro Productions	Directeur General	Ouboli Jonas Yogo
	Bikinga	Directeur General	Salif Bikinga
	Jean Pierre Yameogo	Directeur General	Jean Pierre Yameogo

Burkina Faso interviews conducted 2 of 2
Industry associations, Donors and NGO's

	Organization	Position	Name
Industry associations	Comité Interprofessionnel du Riz du Burkina	Vice president	Jean Pierre Yameogo
	Union Nationale des Producteurs de Riz du Burkina	General Manager	
	Association des Grossistes et Détaillants d'Intrants Agricoles (AGRODIA)	Marketing and communications responsible	Irene Zoungrana
Donors and NGO's	USAID Agribusiness and Trade Promotion (ATP)	Rice Value Chain Leader	Kokou Zotoglo
	JICA	Technical adviser to the Ministery of Agriculture	Yoshifumi Tsukii
	GIZ/ Programme Développement de l'Agriculture (PDA)	Chief of Party	Dr. Florent Dirk Thies
	IFDC	Economist	Stephane Bayala
	OXFAM-INTERMON	Project manager rice	Karim Sere
	MONITOR	Global Partner	Bernard Chidzero

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