

A women-owned shea butter company: from a social model to a competitive market model

Author: Lassina Konaté

Organisation: SNV Burkina Faso

This case is one of a series specifically prepared by SNV and local partners for the “Seas of Change” event, taking place in The Hague, 11-13 April 2012. The cases cover a range of commodities and approaches in value chain development across Africa, Asia and Latin America. They usually include several of the following elements: strengthening of producer organisations, productivity improvement and value addition, business development services, inclusive business ventures, contract farming, marketing arrangements and improved chain financing. The work has been done with local entrepreneurs, NGOs and government bodies. Among the international collaborative partners are: IFAD, FAO, EU, USAID, DANIDA, Helvetas and IDB. For an overview of these SNV cases please see www.snvworld.org/en/sectors/agriculture

Key features

The Nununa Federation brings together 4,000 women shea producers in Burkina Faso. Shea is traditionally collected and processed by women. In 2009, the Federation changed its business model completely with the support of SNV to become, today, a profitable semi-industrial processing unit with diversified export outlets, whose shareholders are the women producers. The production of shea butter was increased by industrializing the processing of the butter, which enabled the Federation to become more competitive, to increase profitability and redistribute more profits to its thousands of women members. At the same time women earned more from selling the kernels and could diversify their income by for example producing and selling sesame. The 4,000 members have profited from a 95% increase in income from shea production, while the position and workload of women shea nut collectors has also improved. Additionally, together with their families, they are benefiting from social activities stimulated and financed by the Federation, such as health insurance and education. In total, these changes in shea production have changed the lives of more than 24,000 people.

1. Context and background

The international market for shea is dominated by two main by-products: shea kernels, representing 90% to 95% of the market, and shea butter which accounts for the remaining 5% to 10%. Shea kernels are the basis for shea butter and both products find their way onto local, regional and international markets. The Nununa Federation started operating on the basis of the narrow but growing global market for shea butter, which has grown at a steady 10% to 15% over the past decade. This trend is driven by an increased demand by cosmetics, food and chemical industries for shea products, not only in the traditional markets for shea of Europe and Japan but also in – for shea – new markets like the United States, Canada, and even Eastern Europe. This structural increase in demand in the global shea market has led to a profound change in the economic environment for the shea sector in producing countries, like Burkina Faso. Fierce competition has emerged for shea kernels between national actors and subsidiaries of large international firms, because kernels are the basis for shea butter and cosmetic and food production.

It was within this context that in 2003, the cosmetics company L'Occitane started to collaborate with two unions of women producers in Sissili and Ziro provinces, in an effort to secure a shea butter supply chain. It began to buy the shea butter produced individually by each of the 600 women members. Women are at the base of the shea butter production due to traditional gender work division. This commercial agreement acted as a catalyst for the institutional and organisational development of women producers. This process was supported by various international, financial and technical partners for development such as the CECI (Centre for Study and International Co-operation) and ICCO (Dutch Development Organisation). The women groups transformed themselves into a Federation of 92 groups, while the number of women producers involved grew to 3,928, and production rose from eight metric tonnes (mt) to 300 mt of shea butter due to the creation of six production centres, where women could bring their shea kernels and produce shea butter by making use of centre equipment.

The Federation succeeded in gaining producer loyalty. After paying the women for their shea butter, it redistributed the profits generated by sales through financing social initiatives and by creating a mutual health insurance scheme. Members of the federation could subscribe to this insurance scheme. Moreover, the Federation and local authorities agreed on the implementation of conventions for the exploitation and the maintenance of shea parks – in effect protected forest areas where shea trees grow. These conventions allowed women producers to have exclusive access to shea nuts, the raw material for production. The reputation of the Nununa Federation spread in Burkina Faso and in the West African sub-region as a result of its mastery of the shea butter production through the production centres and its ability to redistribute profits to its members.

However, a study conducted by SNV and the Federation in 2009 showed that the business model used by the Federation was not competitive enough in the long run, mainly due to high production costs. SNV therefore facilitated the identification of market-based solutions. This enabled the Federation to be more competitive, to strike a financial balance, and redistribute more profits to its thousands of women members.

2. Underlying business model

Analysing the cost structure of the six centres of production was an important first step in the identification of market-based solutions. The production process was arranged in the following way: at the production centres, women producers were offered diverse services such as the provision of water and energy and access to equipment for producing shea butter from the kernels they supplied. After processing the shea butter at these production centres, the butter was weighed and then brought to the Federation's headquarters to be filtered again, mixed and packaged for sale. Several features of the production process suffered from inefficiencies.

The processing itself was organised in a time-consuming and ineffective way, while the Federation was facing growing demand. It was time-consuming since it depended on the availability of women to bring in their shea butter. The Federation was therefore regularly confronted with delays in deliveries. Moreover, it was difficult to reach an economy of scale and to reduce the unit cost of production due to the intense use of firewood and water in the shea butter production process.

Payments to the women producers could also be improved, since it was only based on the quantity of production, while the quality and time of processing were not taken into consideration. After processing, the Federation's marketing strategy was overly specific and limited. It was for 80 to 90 percent centred on one major client, L'Occitane. The remaining 10 to 20 percent was oriented towards niche markets such as organic and/or equitable cosmetics labels.

Finally, the study also addressed the Federation's management model. The formal structure was functional. The main decisions were taken by the General Assembly, which was the supreme executive instance; it elected the Federation President and the members of her executive office. The General Assembly was in charge of the recruitment of an operations manager who was responsible for production: supply, quality packaging, and transport. A more direct problem was at the executive level. No distinction was made between its social and economic activities. Income from sales and other incomes like donations from external structures were put in the same basket. This complicated the financial structure of the Federation and its accountability to its members and donors. It was not oriented towards ensuring efficient production and commercial interest.

The study demonstrated the potential competitive advantages of transforming the Federation's processing system into a semi-industrial unit. This offered a double advantage of reducing production costs and increasing production capacity and performance. This would help guarantee a competitive and more sustainable market positioning for the Federation's shea products.

A new business model was developed with support from SNV. This included the construction of a small factory for the industrial processing of shea butter, improvements at a commercial level and a different organisational model for the Federation. A fully mechanised and more efficient production facility was installed with funding from the Agridius Foundation. The production capacities of the Federation rose from 300 mt to 600 mt and the production costs per kilo of butter decreased by 95% (from 1.68 €/kg to 0.86 €/kg).

This also changed the division of labour and responsibilities. Women, formerly involved in the production of shea butter at the six production centres, were now focused on collecting shea nuts and cleaning these nuts into shea kernels. They now just sell these kernels, the raw material for producing shea butter, to the factory. This reduces their labour intensive and tedious task of manually producing shea butter on a small scale and offers women opportunities for other income generating activities such as the production of sesame. Some women have been trained and are now highly skilled employees at the processing unit. For the vast majority of the 4,000 members of the Federation, shea production remains an important additional source of income.

At a commercial level, the Federation has changed its strategy to diversify its customer base. Although it remains still strongly focused on shea butter for cosmetics, the Federation has expanded its market share through positioning itself in new market segments, such as shea butter for food at regional and international markets.

Furthermore, the management system also changed. The Federation is now managed by a management unit which is being turned into a real private enterprise. In the near future, the women members of the General Assembly of the Federation will become shareholders of the enterprise, and will elect a Board of Directors. This stimulates better governance and accountability for Federation to its members, donors and commercial partners. The Federation will become a market-oriented business supported by reduced production costs and a differentiated marketing strategy. It will move from a structure funded by grants to a fully profitable organisation.

3. Evolution of the initiative

The Federation developed, with support from SNV, a new marketing and business plan. The Swiss Agridius Foundation (www.agridius.com), dedicated to the promotion of female entrepreneurship in the interest of development and creation of employment, provided a grant of €125,000 for the technical equipment used in the processing system. This unit started functioning at the end of 2010. The production of shea butter is now completely industrialised, increasing the quality and homogeneity of the shea butter, with the knock-on effect of boosting the Federation's market position.

Business surveys recently conducted in Europe, Canada and the United States confirmed the growing interest in shea butter and predict a potential for market growth. In its new configuration, the Federation can be more responsive to market demand in terms of price, quality and delivery. Hence, the Federation is in a better position to gain new market shares and ensure a sustainable income to a growing number of women in Burkina Faso.

The Federation is already diversifying its customers, with an initiative to create a warehouse in Canada. Until now, the Federation has had several two to three tonne orders, which were too expensive to transport separately. Due to the higher productivity rates at the factory, orders have become bigger, which has made it possible to bundle orders in a shared 30 mt container which means they can be shipped to Canada in one load. The shea butter will be temporarily stored in a warehouse and from there transported to customers with the support of a Canadian (sister) organisation. A second warehouse is planned in the United States during 2012.

This initiative is a key development in the shea value chain in Burkina Faso as it increases the production of shea butter in a commercialised way. It has put also a stronger focus on the role and organisation of women shae nut collectors.

4. Impact

In view of the challenges and opportunities, particularly the need to reduce its production costs, the Nununa Federation has modernised its production process. The 4,000 women members remain its owners and benefit from its improved profits. The arduous nature of their work has been reduced while their revenues have greatly increased through the sale of shea kernels to the factory. Their income as collectors and sellers of shea kernels has increased by 95% to €219. Due to the reduction of workload, women were able to diversify their income activities.

In addition to these changes in income, women have also benefited from annual bonuses for the quality of the kernels, which rose from €111 to €182 compared to their previous income based on sold kernels. Permanent Federation employees increased from eight to 26 (of which seven are men) and temporary employees to 30 women. The Federation also allocates part of its profits (charged on the sale of products) to stimulate and finance social activities that benefit communities in the region. These social activities facilitate access to health care through a health insurance scheme for its members and literacy for rural women and education for children, especially girls. In this way, in addition to the Federation's 4,000 members, their family members also benefit from these services. On the whole, the initiative to commercialise the production of shea butter has now affected the lives of more than 24,000 people.

5. What are the key implications for scaling inclusive business?

The innovation in the Federation's processing system has significance in the scaling-up of its activities and greater inclusiveness of its business. Indeed, the mechanisation of a traditional, labour intensive technique to produce shea butter is a major change in the process. It has generated a comparative advantage for the Federation because it is unique in Burkina Faso and the West-African region. Furthermore, it created a shift from being a producers' organisation to one owning a company. The implemented business model has helped to distinguish the economic and commercial function of the Federation from its social function.

Every step in the process to move towards a business company has been discussed with the women members of the Federation. Participative sessions on the need for change, advantages and disadvantages of different models, have been organised with often illiterate women. Above all, it was the women themselves who decided finally on the actual business model.

Finally, compared to other similar organisations, the Nununa Federation clearly has stood out in terms of good governance, and is marked by the effective and active participation of its members in decision-making, transparency in management and financial benefits. Furthermore, the growth of the Federation is based on the acceptance of change by the grassroots women, who are the owners.