

CASE STUDY 64

Shea butter is booming, Burkina Faso

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Country & Sector: Burkina Faso, shea butter value chain

Context

Shea butter is wanted: in Burkina, in Western Africa, but also in Europe, the United States, Canada and Asia. The virtues are numerous and convince more and more people to use what is also called 'l'or des femmes'. Is your little baby having a stuffed nose? Rub it in with some shea butter and within a day or two, he or she is released from any discomfort. Did you get sunburned? Put on some butter to heal your skin. Are you stressed? Get yourself a massage with shea butter oil and you will feel reborn! In West Africa, shea butter is also used for cooking and preparing tasty pastries. And this is merely the beginning. On industrial level, shea counts several applications. The majority of the exported kernels provides an important raw material for Cocoa Butter Replacers (CBRs) and is used for manufacturing chocolate and other confectionery (mostly in Europe). The international cosmetic and pharmaceutical companies (in Japan, US, Europe) are taking a high interest in shea butter for the production of all kinds of beauty and care products.

The Shea tree (in French: arbre à karité) can only be found in a wide swathe of Sahelian Africa from Senegal to Ethiopia. The tree grows a fruit, with a nut containing a kernel. The kernel is used for producing shea butter through a complex and intensive production process that requires huge amounts wood and water. West Africa is by far the largest producer and exporter of shea kernels and butter. Estimations are hard to make and sources differ on the exact amounts of kernels and butter produced. According to USAID WATH⁶, Burkina collected in 2004 around 75.000 tons of kernels of which 40.000 were exported (37.000 as kernels and 3000 tons as butter) and 35.000 tons were destined for local transformation into butter. Burkina would account for approximately 26% of the exports.

The shea butter value chain knows a very strict gender division of labour. Women (and children) collect the nuts and clean the kernels. Middlemen buy the kernels from the women for (inter)national traders who are directly connected with international companies. The national and international trade on kernels is nearly completely male.

The transformation of kernels to shea butter on the contrary is a women's business. Up to 400.000 women in Burkina earn their money by collecting shea nuts and/or transforming them into butter. This is very hard work and doing it alone is nearly a mission impossible. Women can be days out on the field collecting nuts and the transformation of kernels into butter demands huge (physical) efforts. Therefore, women gather to help each other out. At the same time, this is an opportunity to catch up with each other and thus very important for social networking.

Clients and partners

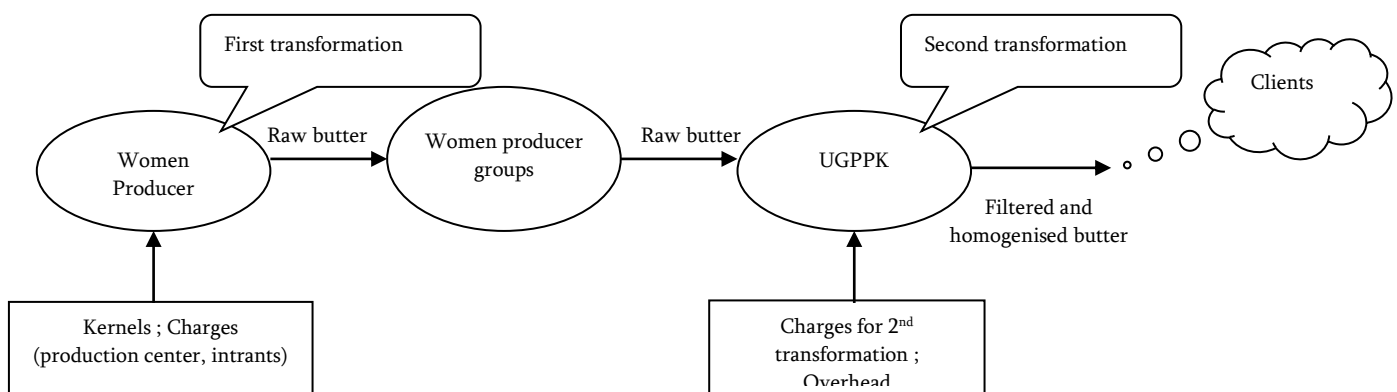
⁶ United States Agency International Development, West Africa Trade Hub

UGPPK/S-Z (Union des Groupements de Productrices de Produits de Karité des Provinces de la Sissili et du Ziro) was born out of the need to organise women active in producing shea butter. UGPPK is situated in Léo, in the South-West of Burkina, and has ramifications in eight communities in the surroundings of Léo. Starting with 18 women groups and 600 members in 2001, UGPPK has managed to grow out to a professional organisation, counting 91 women groups with a total of 3928 members (all women). The shea butter produced at individual level does not qualify for international trade. It needs to be further "neutralised". This only can be done mechanically, either by a Union that is well equipped, or by a factory.

A technical team headed by a director supports the women's activities and is responsible for the second transformation of the butter and the commercialisation of it. The main client of UGPPK has always been OCCITANE, a French manufacturer and retailer of skincare, body care, fragrance and hair care. Actual production capacity of UGPPK is 300 tons, while sells are about 150 tons leading to a yearly turnover of 150 million FCFA.

Economic and social empowerment is the key word in its mission. In order to do this, women are very much involved directly in the decision processes and in the economic activities. For instance, 78% of the price sold to companies (in 2009, 1240 FCFA for 1 kilo shea butter) is paid to women producers directly. 22% is used for the investment (staff, equipment, buildings, etc) of the Union.

For the moment, the production of shea butter is organised according to this schema:



Each member of the union produces and sells her butter to the local group that in its turn, sells the butter of all its members to the Union. As stated before, women tend to form groups (3 or 4) to produce the butter. They turn shifts: today's butter is for the one that brought the kernels and tomorrow the same women will engage in producing butter for someone else in their subgroup.

This works quite well, but several factors though inhibit UGPPK to grow and conquer more markets:

- This way of producing entails a very high production cost with a high pressure on natural resources (wood, water);
- The quality of the butter is not guaranteed due to the fact that an increasing amount of groups are delivering butter for UGPPK to commercialise and that follow up becomes more complicated as the union grows;
- The terms of delivery are in most cases not respected due to the fact that the coordination of an increasing number of women groups is getting more difficult;
- This way of producing is only feasible on command. It leaves no flexibility to respond to unplanned market demands, which occur from time to time. In fact, the clients are there, but UGPPK has to refuse too often their commands because it lacks flexibility in production.

Those factors limit the profitability of the economic activities. Therefore, UGPPK is looking for a more efficient and sustainable way to produce its shea butter in order to be able to better respond to market demands, to conquer new markets and thus to increase the revenues of its members. Last but not least, the Union is heavily subsidised for the moment, so the activity is not self-sustaining. So it is time to take a serious look at the production and commercialisation set-up of the Union.

Intervention logic and methods

SNV undertook a comprehensive study to look at the actual modus of producing shea butter with special attention to the financial parameters. Next to the current way of producing shea butter, also centralised production set-up was examined. Revenues were calculated for the women and for the Union. This study permitted UGPPK to get a clear view on the components of the production costs and on the possibilities to reduce production costs while at the same time improving quality and respect of delivery terms.

The study revealed that in the actual production mode, UGPPK as a union is not making profit but loss, a loss of 305.23 FCFA for one kilo of (conventional) butter. The following table clarifies these figures (the figures are justified in the study "Elaboration de trois scénarios possibles sur l'organisation de la production et la commercialisation de l'UGPPK", undertaken by SNV in 2009-2010):

Elements	FCFA/kg
Production cost/woman producer	762,94
Sale price to the Union	970
Profit/woman producer	207,06⁷
Transformation cost/UGPPK	25
Overhead/UGPPK	550,23
Production cost/UGPPK (filtered and homogenised butter)	1545,23⁸
Sale price to the client	1240
Profit/UGPPK	-305,23⁹

Women receive 970FCFA for one kilo of butter, which leaves them with 207,06 FCFA for one kilo of butter if she doesn't remunerate her time. On the level of the Union however, a loss of 305,23 FCFA per kilo butter is demonstrated. Subventions from different partners mask

this loss.

If production would be centralised, the profit would be 132.71 for one kilo of butter (with an estimated capacity of 600 tonnes) on the level of the Union. The women would earn a profit of 420 FCFA for three kilo's of kernels (only in case if they collect the kernels themselves), the amount needed to produce one kilo of butter.

Elements	FCFA/kg
Kernels (3kg)/woman producer	90
Sale price to the Union (3kg)	510
Profit/woman producer	420¹⁰
Production cost/UGPPK	566
Overhead/UGPPK	541,29
Production cost/UGPPK (filtered and homogenized butter)	1107,29¹¹
Sale price to the client	1240
Profit/UGPPK	132,71¹²

⁷ 970-762,94 = 207,06

⁸ 970+25+550,23 = 1545,23

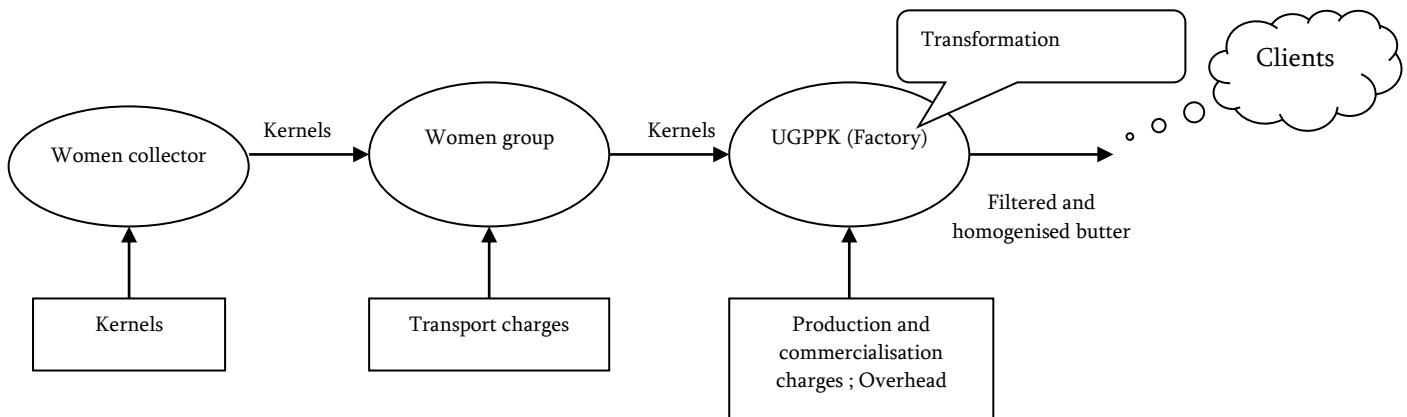
⁹ 1240-1545,23 = -305,23

¹⁰ 510-90 = 420

¹¹ 566+541,29 = 1107,29

¹² 1240-1107,29 = 132,71

A centralized production through a semi-industrial factory in Léo would not only reduce the production cost, it would make UGPPK also more flexible in handling unexpected commands and it would upgrade the quality and homogeneity of the butter since all the butter will be handled in the same way. On top of that, the amounts of water and wood will be reduced in a factory set-up, lifting pressure on the environment. Visually, we can present the future Union like this:



Outcome

UGPPK displayed the results of the study to its members so that everyone could understand what the cost structure of shea butter is and where possible improvements are situated. Women are enthusiastic about the idea of centralising the production of butter. Of course, they will continue producing shea butter themselves, but this butter will be for local market while UGPPK will focus on conquering the regional and international market. A business plan is being elaborated to get financing for the ambitious project. ICCO is already involved and other potential financial partners are identified (for instance La Caisse Populaire).

Impact

In short, by building a factory, the Union will make more money, so the women will earn more money. This is possible because of following interrelated effects:

- ❖ The production cost will be reduced from 1545,23 FCFA/kg to 1107,29 FCFA/kg, allowing the Union to make bigger profit and selling higher volumes.
- ❖ Production will be enhanced from 150 tons now up to 600 tons.
- ❖ Employment will be created in the factory, for almost 100 people, mainly women.
- ❖ Women members of UGPPK will earn more money by delivering the nuts. They will have a gain of about 420FCFA for delivering 3 kilo kernels instead of 207,06 FCFA for producing one kilo of shea butter (in the scenario that they collect the kernels themselves).

The opportunities that bring along a well functioning shea butter factory are out there, but continuous attention is needed to make women the owner of the factory and thus their future. Participation is very important, not only on governance level but also on capital level. Reflections on how to set up a shareholder structure with the women being the shareholders, are ongoing.

Lessons learnt

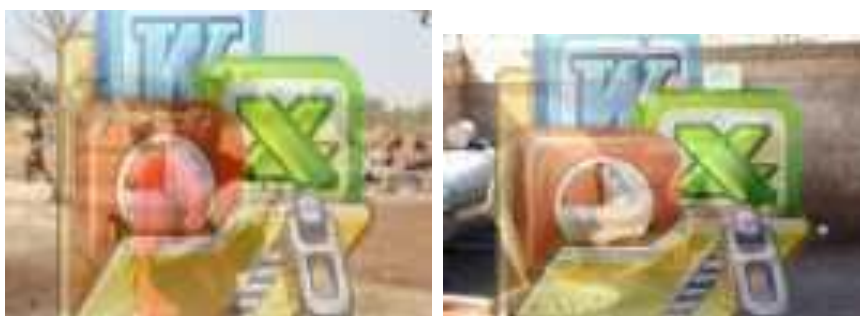
An important lesson is that every 'value chain' should be looked at in a wider local economic development reality. It is not just about tackling bottlenecks in the chain, it is also about reflecting on what effects a possible solution might bring about to the wider environment. Women will earn more for less work, but will also have more time available. How will they fill in this time? Next to that, producing shea butter is not only an economic activity, but also a social event, permitting to catch up with each other and creating social tissue. Because of this, UGPPK is setting up other activities that will generate revenue, like producing sesame. This will enhance the revenues of the women even more and will allow them to hold on to their social network. To be continued!

Photos and quotes

'Thanks to SNV we know now how much our butter actually costs and at what price it is ok to sell or not. Before, we were just producing without knowing if we were actually making profit or loss. I think we can call ourselves business women now, understanding better our economic reality and reflecting on how to improve it! Everybody is very motivated to step into this new ambitious plan. We are not afraid of it, on the contrary, we want to own it and be an example for many other producers of shea butter.' The President of UGPPK, Diasso Nana



Field visit of Bien Aimé Johnson (Country Director SNV Burkina Faso) and Pater Nico (Country Director SNV Mali) to the production site of UGPPK in Léo (26 October 2010)



Members of the UGPPK
(Union des Groupements de Productrices de Produits de Karité,
Provinces de la Sissili et du Ziro)