

Pro-Poor Hibiscus Value Chain Integration in Sudan

Reducing poverty among female farmers and labor in the hibiscus industry while increasing exports

Consultative Meeting Report

October 21st, 2010, Sudanese Chambers of Industries Association, Khartoum, Sudan

Executive Summary

More than 80 major Sudanese and international stakeholders and actors within the hibiscus value chain gathered on October 21st, 2010 at the Sudanese Chambers of Industries Association. The purpose of the meeting was to discuss key findings of a joint Hibiscus Value Chain Assessment in Western Sudan and to develop recommendations for increasing profits for the mainly female hibiscus farmers while boosting hibiscus exports.

The event was jointly organized by the Central Bank of Sudan, the Ministry of Agriculture, the Ministry of International Cooperation, the Ahfad University for Women, the Sudanese Chambers of Industries Association, the Sudanese Businessmen and Employers Federation, Practical Action, IFAD and UNDP Sudan.



Earlier, on October 18th, nine female and two male farmers from Kordofan travelled to Khartoum to attend a two-day training session at the Ahfad University for Women, in order to receive a briefing on the initiative and to support them in preparing their participation in the consultative meeting.

In addition to the farmers, the meeting was attended by representatives of international importers, Sudanese wholesalers and exporters, processors, traders, banks, business associations, academia, federal and state-level government, NGOs, consultants, bilateral donors and the UN.

In his opening speech, Dr. Abdelatif Igaimi, Undersecretary of the Ministry of Agriculture, emphasized the importance of the hibiscus industry for the export sector and announced a new hibiscus support program by the Ministry to be launched in 2011.

The recommendations developed by the meeting participants will be submitted to the Ministry of Agriculture and other relevant government authorities.



Background on the Initiative

Hibiscus Production in Sudan: Sudan is renowned for producing high quality hibiscus, reckoned by some as perhaps the best in the world. Hibiscus is widely used as major ingredient of fruit teas. Primary producers within the hibiscus value chain are mainly poor rural women. The total volume of production in 2008 was estimated at 18 thousand tons (a good average compared to the past 10 years). The total volume of export is usually about half of the production, the rest is consumed in-country. Main importers of hibiscus are Germany (more than 80% of total export), followed by Mexico, Belgium, Egypt, Spain, France, UK, Hongkong, Italy, Japan, Lebanon, Netherlands, Poland, Russia, Saudi Arabia and Syria. Main cultivation areas are Kordofan and Darfur.

Rationale for a Value Chain Initiative: The hibiscus value chain provides an excellent opportunity to empower poor female farmers and labor in peripheral areas of Sudan within an already functioning value chain by engaging in a Public-Private Partnership with the local actors and international importers to increase the value added of poor producers. Practical Action has already demonstrated in an excellent pilot project the feasibility of improving the lives of women through collective bargaining and joint marketing of hibiscus. Through a concerted effort with the government, the UN, research and training providers together with national and international market actors, this impact could become sustainable, with considerable potential for expansion.

Sudan Enhanced Integrated Framework (EIF): The EIF has emphasized the need for pro-poor export growth through deeper trade integration by using the opportunities of value chain analysis in many Sudanese-agriculturally based exports. Benefits of EIF and Aid for Trade (Another Donors Support Initiative) are to build supply-side capacities and trade-related infrastructure in order to better facilitate access to markets and export.

As is well-known, large parts of the Sudan are land-locked; a good case is Darfur. The benefits stemming under the EIF and Aft initiatives will extend to remote areas of Darfur. We have to take this under consideration, when we plan how to expand micro finance networking in an area like Darfur under the current value chain analysis of Hibiscus. Both the household and the community concerns are to be assessed in the studied localities. It is very important to support production and processing of hibiscus. Equally important is to facilitate collaboration with the business and exporting communities encompassing a large section of Micro-, Small and Medium-sized Enterprises (MSMEs) in the implementation of the recommendations of the study.

As an assured means to support pro-poor growth, Sudan has to strengthen its ability to meet quality standards and add important dimensions to achieve international competitiveness.

Proceedings of the Consultative Meeting

In his opening speech, Dr. Abdelatif Igami, the Undersecretary of the Ministry of Agriculture, described hibiscus as one of the most important crops for the poor, due to its resistance to draughts and pests as well as its labour intensive nature. He saw the main challenges in creating an enabling environment for the farmers via training services, empowering farmers to produce in larger scale, to increase productivity, opening marketing and trade opportunities as well as supporting export. He also emphasized the importance of the hibiscus industry for the Sudanese export sector and announced a new hibiscus support program by the Ministry to be launched in 2011.



Dr. El Fatih Abbas, Vice Secretary General, Sudanese Chambers of Industries Association welcomed the initiative's focus on women and suggested to focus not merely on the raw material, but to target processing process as well as local and international marketing.

Waleed Shaiboon, Microfinance Unit Deputy Director, Central Bank of Sudan dwelt on the large effects that small industries can have on GDP-growth, and discussed the exposure of domestic markets to international competition.

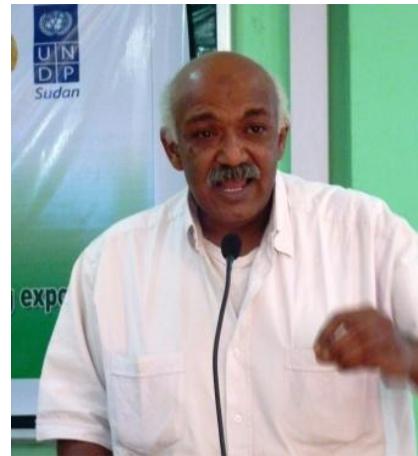
Prof. Dr. Ghassim Badri, President of the Ahfad University for Women mentioned the collaboration between Ahfad and the Central Bank of Sudan Microfinance Unit on training rural development specialists who will help communities to access microfinance and business opportunities.

Fatima El Sheikh, Head of the HIV, MDGs & Poverty Reduction Unit, UNDP Sudan, mentioned the fierce competition in the hibiscus sector and the challenges female farmers are facing.

Musa Ibrahim, Programme Officer, UNDP Sudan, mentioned UNDP's value chain analysis undertaken in Darfur on commodities such as sheep, cattle, groundnuts, oranges, honey and hibiscus. This analysis should now be transformed into collaboration among the actors within the respective value chains.

Srijana Rana, Policy Advisor, Private Sector Division, UNDP New York, presented UNDP's global "Pro-Poor Value Chain Integration Approach – How to reduce poverty while promoting business". After explaining the approach, she clarified the role of the private sector in conflict-affected environments. *(presentation available upon request).*

Lena Mahgoub, UN Global Compact Network Sudan manager, presented the principles of the UN Global Compact and the Sudan Network.



The key findings of the “Joint Hibiscus Value Chain Assessment in Kordofan and South Darfur” conducted by UNDP & Ahfad University for Women, IFAD, Practical Action, DED and the Ministry of Agriculture were presented by Dr. Babiker Badri, Ahfad University for Women, Maja Bott, Economic Advisor, UNDP Sudan, and El Azhari Mahgoub Farah, Director of Statistics, Ministry of Agriculture.

In his presentation on “Hibiscus – a female crop,” Dr. Babiker Badri illustrated the value chain from the farmers, through village merchants who monopolise the local trade to the farmers’ disadvantage and sell to town traders, who resell the produce the large wholesalers in the major hibiscus markets of Sudan.

He also elaborated on cultural practices and beliefs regarding hibiscus production that in some states prevent men from harvesting the crop. This fact provides the opportunity for women to stay in business once hibiscus becomes a profitable farming activity. (*presentation available upon request*).

After providing an overview of the international producing and purchasing countries, international competition aspects, Maja Bott presented a SWOT-analysis of the Sudanese hibiscus industry:

Strengths	Weaknesses
<ul style="list-style-type: none"> Famous variety Favorable climate Drought-resistant, tolerates poor soil Year-round sun-drying Organic production Low input requirements (-> low financial risk) Not suitable for mechanized harvest, labor intensive to process Can be grown as part of multi-cropping system Hibiscus production manual by PA Good international reputation -> brand in the international market encouraging increase of quantity and quality 	<ul style="list-style-type: none"> Uncertain, unpredictable economic environment High local price fluctuations (local markets) Lack of infrastructure (roads, transport, distances) Lack of research -> gap in agricultural extension Small-scale farmers: limited access to markets & market information re price & quality requirements (no links to ex/importers), poor bargaining skills, no credit/high credit cost Lack of efficient producer organizations Insufficient quality control (10-15% loss after cleaning, 15% lower price sifting) Inefficient, (too long marketing chains, too many intermediaries), monopolistic, inequitable markets High, multiple taxation (15-17% local tax at auctions) -> High transaction costs -> Low Competitiveness

<p>Opportunities</p> <p>Interest by international importers to integrate their existing value chains and to help reducing price fluctuations through contract farming pilot</p> <p>Government interest in pro-poor value chain integration & improving business environment (lower taxation and more efficient regulation)</p> <p>International value chain support programs for higher production standards, and better services (seed storage, transportation)</p> <p>FAO-SIFSIA-supported Market Price Information System – inclusion of hibiscus?</p>	<p>Threats</p> <p>Drought, floods, pests, security issues</p> <p>High volatility of Int Exchange Rate (SDG/\$/Euro)</p> <p>High international price fluctuations</p> <p>High int. quality requirements (seed variety, cleanliness, absence of pesticides, absence of child labor, tracking of origin)</p> <p>Global competitors, e.g. China, Thailand, Nigeria (lower prices, higher compliance)</p> <p>If these requirements are not met by Sudan, the country will further lose substantially market share</p>
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She explained the Hibiscus Value Chain Analysis from Nyala to Port Sudan and the distribution of the value added along the chain.

The table below provides an overview, how the price of one Quntar (45 kg) of Hibiscus increases from the cost of production (21.70 USD), showing that the producer is making a loss instead of a profit) in South Darfur, until it is exported from Port Sudan at a price of 105 USD (Freight-On-Board).



The table presents the different types of costs covered by the price increase, and demonstrates that the major share of the value-added is not associated with the farmer, but with trading and taxation.

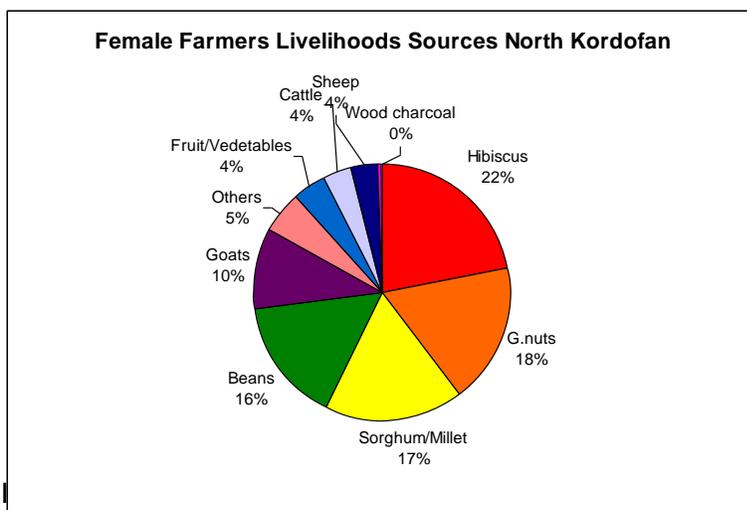
This analysis showed that major parts of the value added are not benefiting the farmers, whose share in the value added is well below international levels, but to trading intermediaries and multi-level taxes and fees (*presentation available upon request*).

Hibiscus Value Chain Analysis from South Darfur to FOB, in US\$ / Quntar (= 45 kg), Dec 2009

Cost of Production: Seeds & Tools, Land Use, Labor, Sack, Storage (Quntar)	21.7
Farmers Union Tax (paid by farmer) (Q)	1.0
Farmer Profit Margin	-1.5
Farm Gate Price (incl. Shayl) (Q)	21.3
Local Taxes, Fees (Q) (Zakat (10% of farm gate price), Profit (1.25 US\$/Q)	8.1
Rural Market Merchant(s) Margin	10.0
Rural Market Merchant Selling Price (Q)	39.4
Local Transport (Q), Handling / Service Charge (Q)	6.3
Local dues by locality	0.8
VAT on local Tpt (Q), VAT on local product 2% (Q)	1.5
Local Trader(s) / Agent(s) Margin (Q)	6.3
2ndary Market Auction Price (Nyala Crop Auction)	54.2
Wholesaler-Agent Margin 2ndary to terminal market	5.4
SSMO (Q), 2ndary Auction Service Charge (Q)	1.9
Storage (for 1 month), Handling	2.5
Interstate Transport Fees	1.7
Transport (2dary market to El Obeid)	4.2
El Obeid Auction Price	69.8
Tpt, Handling, Interstate Tax, El Obeid/KRT/Pt Sudan (+Container)	7.3
Khartoum Auction Price	77.1
Exporter Margin (20%)	15.4.0
Cost until FOB: Cleaning, Testing, Handling, Packaging, Storage, Taxes, Fees	12.5
Export Price (FOB) in US\$ / Q (=45 kg) and US\$ / MT (=22.25 Quntar)	105 US\$ / Quntar = 2,336 US\$ / MT

El Azhari Mahgoub Farah presented the sample field assessments undertaken under his management by the Ministry of Agriculture in North and South Kordofan as well as in South Darfur with logistic support by IFAD and UNDP. The State Ministries assessed 150 female farmers (50 farmers per state) in 3 days.

The data analysed by Statistician Hamza Abdalla Siror clearly shows, that the revenue female farmers are generating from selling their hibiscus crop is barely above subsistence levels. There is no incentive for these farmers to increase quantity or quality of their production. For this reason, the farmers would also not be able to come good on their credit re-payments. At the same time, there are large gaps in access to financial services for the female farmers.



Hibiscus (22% of income sources) is the main cash crop for the 50 inter-viewed female farmers of North Kordofan, closely followed by Ground Nuts, Sorghum / Millet and Beans. This pattern looks similar for South Kordofan (19% of income) and South Darfur (18%).

in Kordofan and Darfur - Lessons Learned and Potential for Expansion”, Mohamed Majzoub, Country Director of Practical Action described the project which supported 27.000 farmers in 61 villages, to increase farmers’ income by improving their production and productivity and increasing their share on the hibiscus market. He presented a complete hibiscus market map. The project produced an excellent baseline survey and

market study, supported the communities in establishing Community Based Organizations, creating a storage and inventory loan service, identification, selection and propagation of improved seeds as well as building local seeds suppliers and finally local provision of tools.



According to Mr. Majzoub, the main constraints are as follows::

1. High international market competition
2. Unfavorable policy environment (38 tax and tariffs) on hibiscus
3. Production is not export oriented, (exporting surplus)
4. Lack of services (e.g. financing at appropriate timing)
5. Unspecified government role for improving hibiscus production and marketing
6. Poor infrastructure services
7. Fluctuation of local currency

Mr. Majzoub stated that as main challenges:

1. The production volume needs to increase in order to meet the demand created by the value chain intervention through:
 - Network of all hibiscus production and marketing stakeholders
 - The Ministry of Agriculture should support hibiscus farmers in all production areas
 - A special fund for financing hibiscus production and marketing should be established
 - Improve the policy environment to reduce cost of production to allow Sudanese crop to compete
2. Building the capacity of farmers associations
3. Outreach and scaling up successes
4. The issue of child labour is being raised as an important concern for foreign companies
5. Employment opportunities need to be created for the current cleaners who will lose their jobs as a result of the shift to new ways of harvesting.

Four female farmers spoke about their situation, experiences, needs, capacities and recommendations. The farmers complained about their marginal role in the trading of the hibiscus (which is due to localized monopsonies): they only have one trader or traders-cartel to buy their product, who determines market prices. Due to monopsonistic price setting, female farmers are left with a low price for their product, and thus revenue margin is squeezed to near subsistent level. In simple terms, they described their struggle by the following: “We produce the crop, then the traders come and take it on their terms”. One of the farmers, Magboula Omer, presented a wonderful poem about hibiscus farming (*available upon request*).

Dr. Buthaina A-Elnaiem raised another issue, that women are often excluded from collaborative farmers action, even project formation. She stated that usually there are no women represented in the workshops and meeting of farmers groups.



Magboula Omer, Hibiscus Farmer

Four working groups prepared recommendations on key challenges & opportunities regarding the issues of Productivity, Quality, Price Fluctuations and the Enabling Business Environment.

Presentation and Discussion of the Recommendations by the Working Groups

Recommendations by the Working Group on Productivity

Members: Ministry of Agriculture and farmers representatives

- 1) The use of improved seeds should be promoted
- 2) Research should be conducted for the adoption of suitable technologies for farming, harvesting and post-harvest processing of the hibiscus crop
- 3) This research should be followed up by promoting improved harvesting methods to minimize losses and improve quality
- 4) Farmers should be supported through specific hibiscus extension and other services
- 5) More attention and support should be directed towards pest and crop disease control
- 6) Microfinance should be offered by more providers and should be accessible to more farmers
- 7) Livelihoods of the farmers in general need to improve, so that the farmers can be more engaged in the area



Recommendations by the Working Group on Quality

Members: Hibiscus Importer, Wholesaler, Agricultural Research Center and farmers representatives
 The group categorized as key quality issues “variety”, “organic fertilization”, “harvest method”, “post-harvest handling” and “packaging and labelling”.

- 1) **Variety:** The best varieties for export and their distinguishing properties are the following:
 - Abu Shankal: dark red colour, thick calyx, easy to peel, better weight, can stay in the field through early winter giving time for harvest, the seed box does not open after harvest.
 - Fathia: light red color, big calyx, easy to peel, better weight (but less than Abu Shankal), can also be harvested through early winter, the seed box is big, but it *shatters* with maturity.
 - Shallafat El Naga (camel-lip): dark red colour, thick calyx, good weight, easy to peel.
- 2) **Taste and flavour** is key to the quality. It is a combination of acidity and minerals.
- 3) **Crop management:**
 1. Seed priming (8 hours)
 2. Organic Fertilizer (cow manure) should be used because it leads to high antocyanine content and high acidity.
- 4) **The harvest method** can be traditional or improved (Gargara).
- 5) **Post-harvest method:** It is recommended to dry the crop in a hanging net to avoid contamination and crop loss. The drying should take one day in the sun, and two days in the shade to reduce antocyanine breakdown.
- 6) **Packaging and labelling:**
 1. The crop should be packaged in clean polyethylene bags or carton boxes.
 2. The crop should be labeled from the farm level in order to enable wholesalers, importers and retailers to trace back the quality of the produce throughout its value chain.



Recommendations by the Working Group on Price Fluctuations

Members: Ministry of Agriculture, traders and farmers representatives

The group conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis of the issue.

Strengths: There is a high demand for hibiscus from Sudan, both at the local and international levels. Since hibiscus is a natural product, prices fluctuate in relation to harvest seasons. Hibiscus producer organizations should be created / strengthened in order to achieve better prices.

Weaknesses: The marketing chain of hibiscus is very long, because many intermediaries are involved, who take part of the overall profit margin. This creates very high indirect marketing costs.

Opportunities: Factors that could contribute to improve the situation:

- Cheaper and more accessible finance for farmers (current Murabaha rates of Shayl and Salaam loans for farmers are currently at an equivalent of a 40-55% interest rate per annum).
- Farmers should be enabled to fulfill additional marketing functions (e.g. grading, packaging, cleaning and handling)
- Farmers need to be able to compare offers by wholesalers, e.g. by means of a Market Information System which provides real time price information

Threats: There is a real threat to hibiscus export from international competition. Other countries produce a similar quality at a lower price.

The quality of the crop at different levels of the value chain has been challenged by the purchasing entities. Contamination is an issue.

Recommendations: The group recommends to pilot a contract farming model, similar to past arrangements, but not with the government as purchaser, but international importers and their Sudanese exporters.

Importer – Exporter – Farmer

The contracts between Importer and Exporter, as well as between Exporter and Farmers specify a fixed price (or a pricing model), quantity and quality of the produce to be traded.

Local banks or other microfinance providers could provide credit (in collaboration with exporters / importers) based on such contracts. Draught insurance does not need to be part of the package since hibiscus is a very draught-resistant crop. This credit would enable the farmers to invest in quantity (from secondary to primary cash crop) and improved quality of their produce.

Additional recommendations:

Farmers need to gain greater control of the marketing margin, the marketing chain and marketing cost. Farmers should be introduced to the idea of fulfilling additional marketing functions, such as grading, packaging and handling.

They group emphasized the importance of the efficiency wage hypothesis – that actors are encouraged to perform better based on better financial rewards:

Key to the increase of hibiscus quantity and quality is a fair price for the producer!



Recommendations by the Working Group on the Enabling Business Environment

Members: Ministry of International Cooperation, microfinance providers, traders, UNDP.

1. **Locality fees:** Fees should be charged by the locality against a specialized collection form. Once exporter delivers, these fees are to be refunded by the government and deducted from the state (locality) share of the revenue.
2. **One-stop shop:** Transactions of all commodities should be regulated by a single office that is centrally located.
3. **SSMO:** Regulatory powers entrusted to SSMO, the Sudanese Standards and Metrics Organization, should be practiced effectively when applied to grades and packages.
4. **Microfinance:** Awareness of Microfinance procedures should be encouraged and linked with capacity building among hibiscus female farmers groups as a tool for empowerment.



Feedback on the consultative meeting by the participants:

The meeting was considered useful by all 19 evaluation form respondents. The overall rating of the event was good to excellent.

A few sample remarks by the participants:

“It was an extremely positive event and a good basis for the work we have to do for future. Above all the appearance of the women farmers and their speeches had been overwhelming. To get all those stakeholders on one table was important and also advantageous.”

“Yes, I am new to the concept and this serves as a good practical example. Very glad to be here. Made good contacts. Thanks.”

“I learned a lot about different views and opinions of the different stakeholders in the hibiscus supply chain.”

“If we support the recommendations of the forum, we will contribute to increasing the farmers’ income, increasing exports, reducing poverty.”

Immediate results and next steps:

Policy: The Ministry of Agriculture, UNDP Sudan and Ahfad University for Women will issue a comprehensive report on the hibiscus value chain assessment.

To ensure the implementation of the meeting recommendations, the Ministry of International Cooperation and the key partners are forming a follow-up committee to prepare an action plan.

The assessment report and the action plan will be submitted to the relevant government authorities.

Implementation: The key partners, two importers, who were internationally selected as potential lead companies and additional local actors are jointly designing a pilot project for Kordofan and South Darfur to improve the livelihoods of farmers and labor in a sustainable way.

The Agricultural Research Center in El Obeid has developed a Training Manual on Hibiscus Production for which it is requesting UNDP to fund the typing and translation. This manual could then be widely used for hibiscus extension work.

All meeting participants and other interested parties are being invited to a web-based information and discussion forum, which will contain the presented materials, to continue the information exchange and discussion.



The consultative meeting was jointly facilitated by Dr. Mohamed Ali Dingle, Enhanced Integrated Framework Focal Point, Ministry of International Cooperation, and Srijana Rana, Policy Advisor, Private Sector Division, UNDP New York.

A heartfelt thank you goes to Sabir Dedan, Assistant with the PSD project of UNDP Sudan. Mr Dedan did an amazing job in organizing the farmers household assessment with the Ministry of Agriculture; identification, travel and accommodation for the farmers and Sudanese Businessmen and Employers Federation (SBMF)-representatives, in collaboration with Practical Action, the NGO Eid El Nil, Ministry of Agriculture and SBMF; the 2-days preparatory training of the farmers with Ahfad University for Women as well as for organizing the consultative meeting with the Sudanese Chambers of Industries Association and other key partners – all within 2 weeks.

Key partners:

Initiators: UNDP Sudan and Ahfad University for Women
UN & NGOs: UNDP, IFAD, Practical Action
Private Sector: Sudanese Businessmen & Employers Federation, Sudanese Chambers of Industries, International Importers, Sudanese Wholesalers, Traders and Farmers
Government: EIF-Focal point of the Ministry of International Cooperation, Ministry of Agriculture, Central Bank of Sudan Microfinance Unit, State governments

Information & Materials: Comprehensive information, including presentations and materials can be requested from UNDP Sudan.

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