



BIO - UNITED LTD

Project Overview

Pendembu town is located in a lush swampy area between the Liberian border and the diamond town of Kenema, Sierra Leone's third city. The roads out this way are terrible – the tarmac (and diamonds) stop outside Kenema and the 75km journey east takes between 3 hours and a few days depending on the rain. The land is in large part overgrown with bush following neglect during the war years. The railway that linked the region to trading areas was ripped up and taken back to Britain at independence. It feels like the back-of-beyond, recognizable on the map only for being at heart of the civil war a decade ago.

While remote and offering few opportunities for livelihoods of local people, Pendembu district has very fertile soil and the damp forest conditions are perfect for growing cocoa. Smallholder farmers have produced cocoa for many years with plots being handed down from grandfathers in living memory. However the cocoa trade here, as in many parts of the world, greatly favored the exporters – in this case the Lebanese exporters – at the expense of the smallholder producers. Production of cocoa was of poor quality, being treated as a standard commodity rather than a specialty with a potentially high market value. Literacy levels in Sierra Leone are extremely low – around 30%. Logistics were also not on the side of producers/farmers.

In late 2008 Bio United (a subsidiary of Biolands International) started operations with no grid power, like most 85% of rural Sierra Leone, and in the absence of a good phone signal or internet connection, and established their base here on the outskirts of Pendembu. Their model is based on



the successful smallholder cocoa business in Tanzania. It emphasizes local governance and management of cocoa production supported by expert advice on improving the quality of farm management and the value of the crop. Above all, the major difference in the cocoa trade in Sierra Leone since Bio United was established is that the farmers get a much greater proportion of the value of the cocoa they produce – as much as 3 times what they were receiving in the past, effecting a shift in the market in favor of the poorest.

AECF agreed to provide a grant of just under \$1 million matching a company contribution of \$1.3m. It was approved for funding under AECF because of the potential systemic market change that the Bio United model would bring to cocoa in Sierra Leone – in terms of the quality of the product and also the structure of the profit pyramid. A key success of Bio United is that it has caused a rise in the entire market price for smallholders – not just for those who choose to sell their cocoa to BU.

Bio United aims to have the entire region that is fit to produce cocoa covered with plantations within the coming 2 years – a Kenema branch of BU is set to open in the second half of 2011 or 2012- which will afford coverage of the entire cocoa potential area.

Demand for cocoa beans from **Barry Callebaut** is limitless. Bio United is seeking to raise the quantity and quality of cocoa beans from Sierra Leone – in turn impacting on the price they can raise and the reputation of the country at large.

“I am very impressed by the way Bio United has pushed the development of the private sector - by opening the Pendembu branch, they are the largest employer of women and youth in the South East....”

Quote from the Vice President of Sierra Leone

Metrics Box	
Tonnes of cocoa produced in 2010	1313
Average market price in 2010	£2,100/Tonne
No. of registered farmers in Bio United	21,861 in Pendembu, 18,663 in Koinu
Active farmers	8,000
Average price to farmer	This has increased from around Leones 600/lb in the early 2000's (after the war), up to around Leones 1,600/lb and now Bio United buys it for between Leones 4,000-4,500/lb
Average yield per farmer	2-4 bags a year, which is sold to Bio United
No. of people employed by Bio United	20 full time office staff, 8 field supervisors (on payroll) 300 casual workers – 100 female hand-pickers, 122 off loaders and driers (including some war amputees) 39 village supervisors in Pendembu and 28 in Koinu 261 village coordinators in Kilahun and 242 in Kono district

THE BIO - UNITED PROJECT

Bio United started out by discussing their business model with local village chiefs and assisting the set up of a governance arrangement based on local custom and rules. Bio United only buys from farmers who wish to sell to them and are pre-registered. This helps ensure quality of the cocoa beans and qualifies the farmers for support from Bio United. However this does not imply an exclusive relationship with Bio United on the part of the farmer as they are can still sell their cocoa to other agents.

Bio United provides an inventory of the registered farms to assess the state of the plantation and the degree of assistance required. They pay commission to a Village Coordinator (VC) who is selected by village farmers. The only requirement from Bio United is that the VC must be literate and numerate. The VC is then trained by Bio United and coordinates harvesting and collection of

cocoa beans to the Village Post. Bio United certifies the Village Coordinators to help them ensure good auditing of farmers' records and accounts.

The VC assists farmers with cleaning the land, pruning the cocoa trees, fermenting the cocoa beans and the drying process. VCs commission is Leones 135 per pound produced by the 80 or so farmers in their village. So in addition to being farmers themselves and profiting from the increased cocoa price, they are able to make additional money as extension agents for BU.

By helping farmers improve the quality of the cocoa - by 'broching' (cleaning) the land, fermenting and drying the cocoa appropriately, Bio United is encouraging smallholders to take pride in what they are producing as well as enjoying a much higher price for the final product. BioLands' mission is to make farming an enjoyable, as well as a profitable livelihood instead of being the default activity for those who have failed at school or can't afford to move away to find better work opportunities.

Bio United provides transport for the cocoa free of charge. Field coordinators sensitize village coordinator farmers to what Bio United call the trust ability of the model. Their role is to help village coordinators by:

- ❖ Teaching re-farms management.
- ❖ Helping in the post harvest process (fermenting and drying)
- ❖ Documenting at the buying stage – receipts to farmers – each bag of cocoa must be traceable to the specific village and farmers.

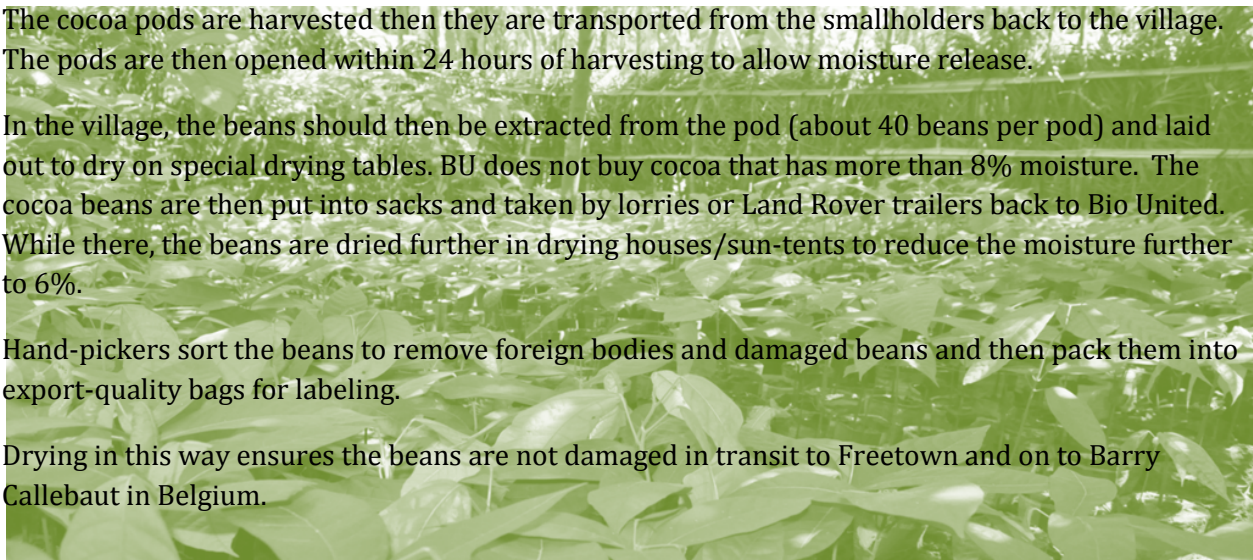
HARVESTING AND PREPARING THE COCOA – THE BIO UNITED WAY

The cocoa pods are harvested then they are transported from the smallholders back to the village. The pods are then opened within 24 hours of harvesting to allow moisture release.

In the village, the beans should then be extracted from the pod (about 40 beans per pod) and laid out to dry on special drying tables. BU does not buy cocoa that has more than 8% moisture. The cocoa beans are then put into sacks and taken by lorries or Land Rover trailers back to Bio United. While there, the beans are dried further in drying houses/sun-tents to reduce the moisture further to 6%.

Hand-pickers sort the beans to remove foreign bodies and damaged beans and then pack them into export-quality bags for labeling.

Drying in this way ensures the beans are not damaged in transit to Freetown and on to Barry Callebaut in Belgium.



HUMAN DEVELOPMENT IMPACT

Pendembu itself has many signs of increased wealth- more corrugated/zinc roofs on houses, more motorbikes, more generators, phones and a lot of rehabilitated houses. There is an outlet of Splash, the mobile money retailer, in Pendembu, a further sign of increased wealth. The manger, *Sidique* said he has around 10 customers a day, many cocoa farmers or Bio United employees, processing 'cash-in' or 'cash-out' transactions through him to relatives in Freetown and elsewhere.

Elsewhere in the district are clear signs of rehabilitation of houses, villages and land since the destruction of the war, although particularly in relation to land cleaning, there is still a long way to go to restore the area to pre-war levels of order.

Farmers complain of the slow progress towards cleaning the land.

BU is helping many with this but has

stopped providing the pre-financing for this after high default levels in repayment (i.e. through selling Bio United cocoa).

"Every new structure and house you see here (in Pendembu) is from (the income from) cocoa. BU has fulfilled its corporate responsibility by helping farmers – mostly by raising the price of cocoa but also by improving feeder roads leading to production areas, and by engaging our youth. Unemployment of youth in the district was very high and now 90% of youth are engaged in cocoa business. Crime has gone down and BU has encouraged the farmers by educating them in how to increase yields and produce high quality cocoa." Paramount Chief Condor

The price rise in cocoa beans passed down to the farmer by Bio United represents an increase of 163% on the original price – from Leones 1,600/lb to 4,200lb. This is life changing in the long run and represents a win-win scenario as Bio United also benefits by having a sustainable relationship with smallholders. Bio United is the only cocoa exporter to publish a price transparently. The Bio United price is now the benchmark price.

There is a somewhat negative legacy of pre-financing in the area: agents would for example swap a bag of cocoa for a bag of rice, giving the farmers no transparency over pricing or the true relative values of different commodities.

HUMAN INTEREST STORY

Mariam Kamo is a widow in her seventies. She inherited a large cocoa plot when her husband died and she is assisted by her two sons to manage it. She said the price she receives for the cocoa from Bio United is much greater than the price she used to get. She is able to pay for the school fees of 4 grandchildren and has recently finished constructing a smart new house for herself.

BIODIVERSITY: TAKING COCOA BACK TO THE JUNGLE

Biodiversity techniques in Bolivia have had significant impact on cocoa yield. Bio United has budgeted \$200,000 to a biodiversity scheme in Sierra Leone in 2011. Three Bolivian farmers will stay at Pendembu for a short term basis to train farmers. They will demonstrate how bad monoculture is for the environment and how beneficial it can be – to soil and forestry management, and to disease avoidance to grow bananas and garlic alongside cocoa. Not only will this provide more food and a better variety of food to eat, it will improve the cocoa yield.

Eric Smeets, the director and co-owner of Bio United believes that the application of this biodiversity model in Sierra Leone is going to change dramatically how cocoa is farmed. The farmers will realize a much better share of world market price... \$23 per famer if calculated on 40,000 - 8000 active – makes it \$100+ per farmer net benefit.



Mr. Eric Smeets, co-owner of Bio United discussing with Mr. George Manu.

**The AECF**

The Africa Enterprise Challenge Fund (AECF) is a US\$100m private sector fund, backed by some of the biggest names in development finance and hosted by the Alliance for a Green Revolution in Africa (AGRA)

Sectors funded by AECF

AECF aims to encourage private sector companies to compete for investment support for their new and innovative business ideas in agri-business, rural financial services, renewable energy and technologies to assist small farmers to adapt to climate change.

Criteria for funding

To qualify for funding a project should be commercially viable and have a positive impact on the rural poor in Africa, delivering increased incomes and employment for poor people, through reduced costs and improved productivity.

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