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Faculty of Life Science

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**“Inclusive value chain analysis of diversification
options for a social business in Ghana”**

Thesis in the study program: Agricultural Economics

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Humboldt-Universität zu Berlin

Berlin, 2nd February 2017

Abstract

Moringa oleifera Lam. (“moringa”) is a naturally growing tree in Ghana, which can be used for a variety of applications and products. However, its economic potential is currently under-used especially for export markets. Markets for natural products in industrialised economies have experienced a strong growth over the last decade. Consumers increasingly demand nutritional and cosmetic products derived from natural resources. The question is, how can marginalised producers in developing economies benefit from such trends and be successfully integrated into the global trade system? The present thesis constitutes an elaborative study using an inclusive value chain approach to assess the economic growth potential and the poverty alleviation potential of the moringa oil value chain in northern Ghana. Following the idea of development through trade this thesis supports the evolution of business models with a social impact. It recommends picking up the production of the highly valued commodity moringa oil and provides ideas of how to best establish the value chain in order to ensure both a self-sustaining business model and social impact for impoverished rural communities. This thesis can be seen as a handbook for business models interested in growing, processing and marketing moringa oil for the European cosmetic and fragrance industry.

9. Summary and concluding remarks

Markets for natural products in industrialised economies have experienced a strong growth over the last decade. But how can marginalised producers in developing economies benefit from such trends and be successfully integrated into the global trade system? The present thesis constitutes an elaborative study using an inclusive value chain approach to assess the value chain of moringa oil in northern Ghana as an ingredient for the cosmetic industry. The methodology focuses on how to achieve the double objective of economic growth and poverty alleviation. Based on the value chain analysis undertaken, this thesis provides a recommended action for social businesses that seek to enable the participation of small-scale farmers within this market.

The assessment of the moringa oil value chain is based on an analysis of secondary and primary information sources. Interviews with potential buyers of moringa oil from Europe were conducted as well as with small-scale farmers in northern Ghana and different sector specialists.

This thesis finds that the market for moringa oil as an ingredient for the cosmetic industry has experienced significant growth over the past few years. Currently there is excess demand for moringa oil and prospects for the coming years seem promising. It is shown that moringa oil as an ingredient for the cosmetics is relatively easy to export to the European market, since no legal or private standards are necessary.

However, despite favourable demand conditions, to meet the quality standards of potential buyers, investments in processing technology and knowledge are necessary. These market entry barriers turned out to be too high for small-scale farmers and market entry is too risky for them. In order to successfully integrate small-scale farmers into the moringa oil value chain this thesis promotes a social business model and further elaborates on how the value chain can be set up.

The recommendation for a social business seeking to enter the market for moringa oil is to separate seed production from the more complex and capital-intensive task of the processing of the oil. Seed production is split across multiple small-scale farmers. Small-scale farmers are integrated as moringa seed suppliers and are not directly

engaged in the production of a high value commodity. The social business is based locally in Ghana and undertakes the production and marketing of moringa oil.

The advantages of this set up are that many marginalised small-scale farmers can be included in the scheme even if they have limited land. Through taking up moringa as an additional crop, which is not in competition to the current farming production, small-scale farmers can use their limited resources more efficiently and achieve higher incomes. The social business benefits from gains in specialisation. This separation also means that the business is able to provide flexible quantities and good qualities, which is a pre-condition to be competitive in the market. Once a link with cosmetic industry is established, it can be used to scale up the production in terms of different diversification options.

While this thesis provides a direct recommendation for social businesses interested in the moringa value chain, the methodology and the discussion are relevant for other oil crops like baobab oil, neem oil, cotton seed oil or avocado oil. The broader impact of this thesis is to develop a method for applying inclusive value chain analysis. Although moringa oil is a small value chain in comparison to larger donor induced value chains for staple crop production it has a significant potential for achieving poverty alleviation and economic growth in northern Ghana.