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Value chain integration as a fit between structure and performance: A situation analysis of the malt-barley value chain in Ethiopia

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Introduction (1)

- Value chain structure (VCS)
 - geographic dispersions of members
 - vertical and horizontal arrangements
 - governance mechanism, and
 - level of information flows
- Value chain integration (VCI)
 - collaboration among members
 - coordination of activities
 - commitment towards relationships and goals
 - joint decision making





Introduction (2)

- Value chain performance (VCP)
 - quality
 - flexibility
 - Responsiveness, and
 - efficiency
- Gaps
 - limited studies on how VCS constructs influence VCI
 - doubt whether VCI influences VCP positively
- Objectives
 - Explore the structure of the Malt Barley Value Chain (MBVC)
 - Analyze the relationships between VCS, VCI, and VCP
 - formulate key propositions for further studies





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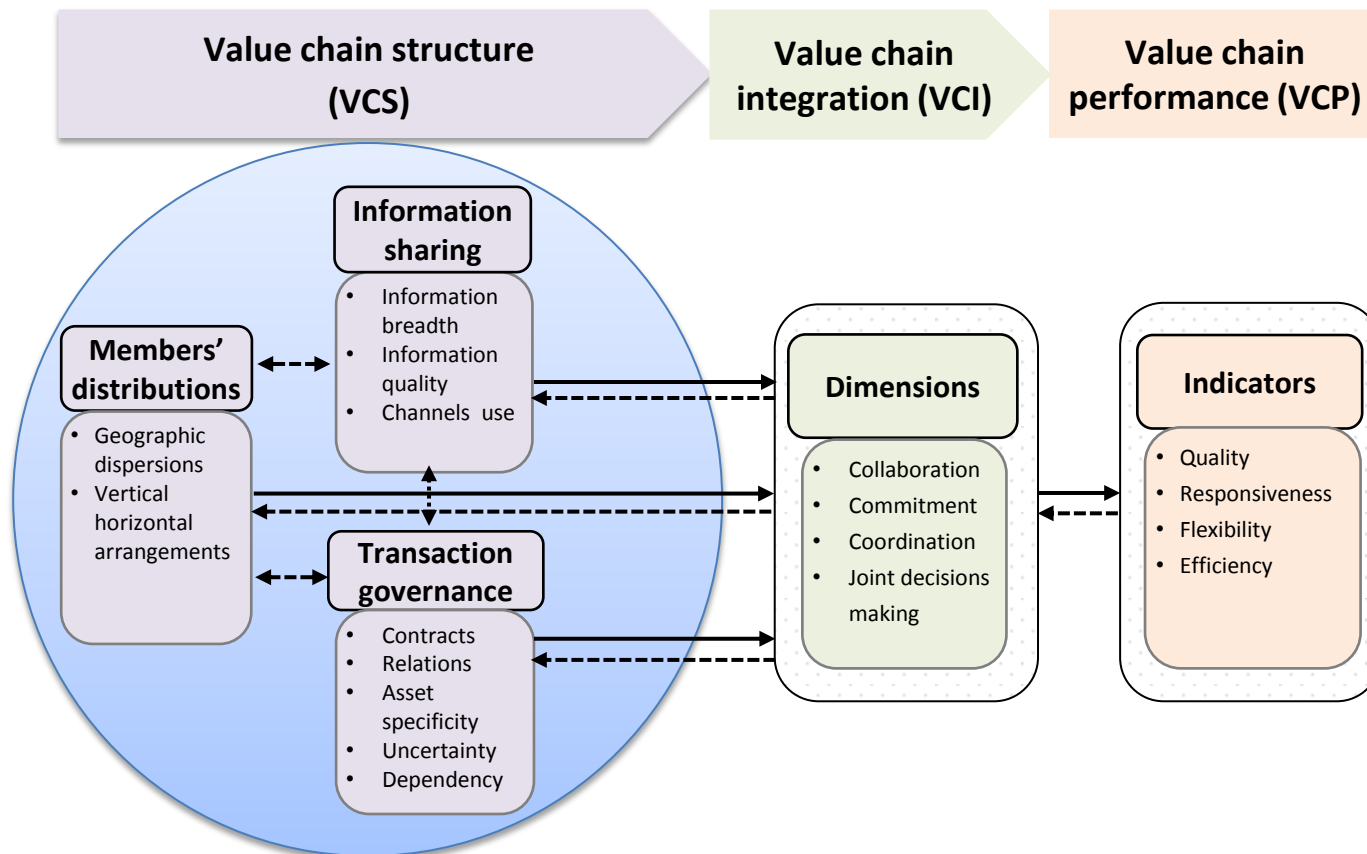
Introduction (3)

- Contributions
 - builds concepts under VCS, VCI and VCP
 - define how these concepts interact
 - Identification of key propositions
- Why MBVC?
 - broadness in its structure
 - provide livelihood for vast number of members
 - great contributor to the overall national economy





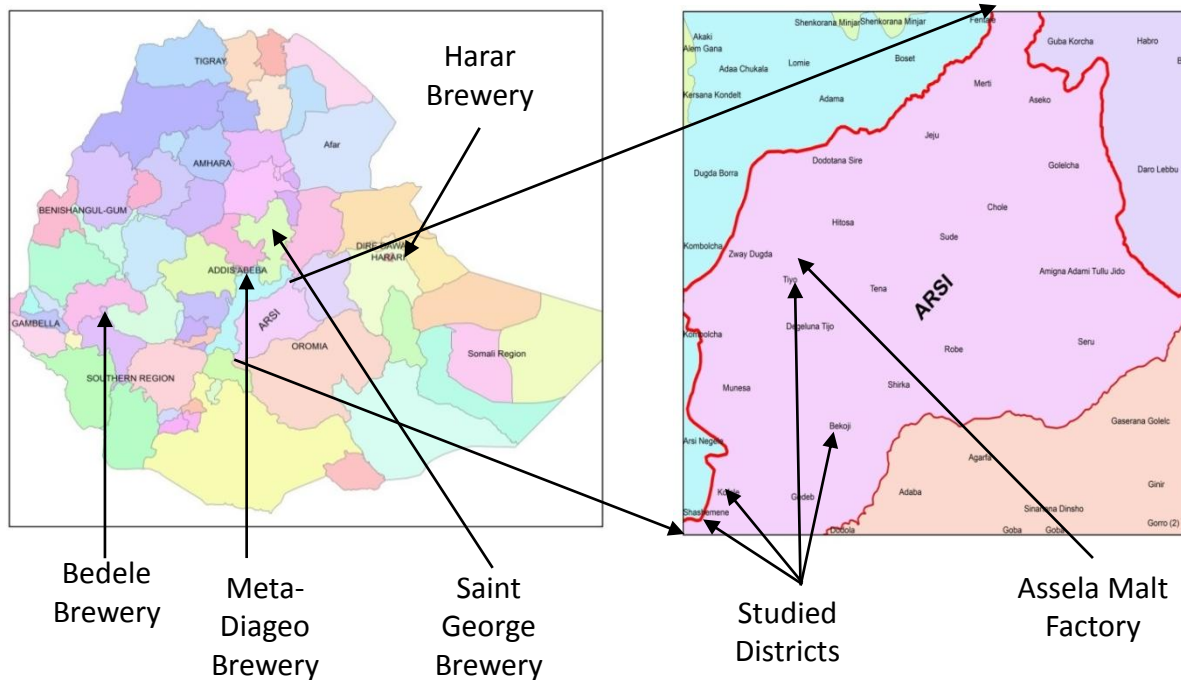
Conceptual framework





Methodology (1)

- Holistic case study
- Study area





Methodology (2)

Data collection

- In total, 76 interviews

- 27 with farmers; 13 with traders; 17 with cooperative staff; 5 with managers at AMF; 11 with managers at breweries, 2 with managers at ESE, and 1 with coordinator of NGO program

- Interviews were conducted

- using pre-tested guides
 - during June to August, 2013

- Data analysis

- data were organized, described and interpreted based on our conceptual framework.





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Case description

- About 420 thousand tons of malt-barley, 36 thousand tons of malt, and 4 million hectoliters of beer
- Demand for malt is about 100 thousand tons
- Existing malt plant as the capacity of 36 thousand tons
- It leaves a gap of 65 thousand tons





Buyer-seller relationship at the upstream

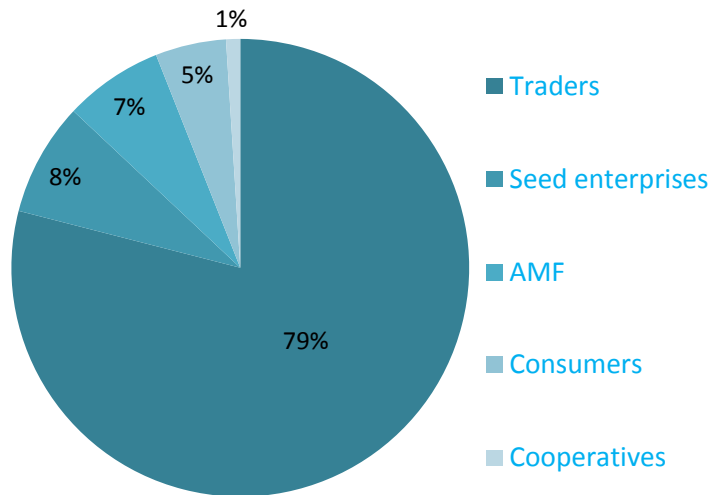


Fig 1a: Buyers of malt-barley (farmers' data)

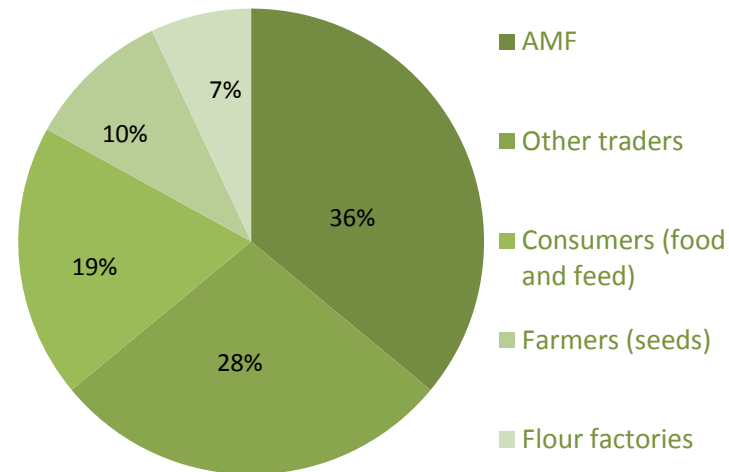


Fig 1b: Buyers of malt-barley (traders' data)



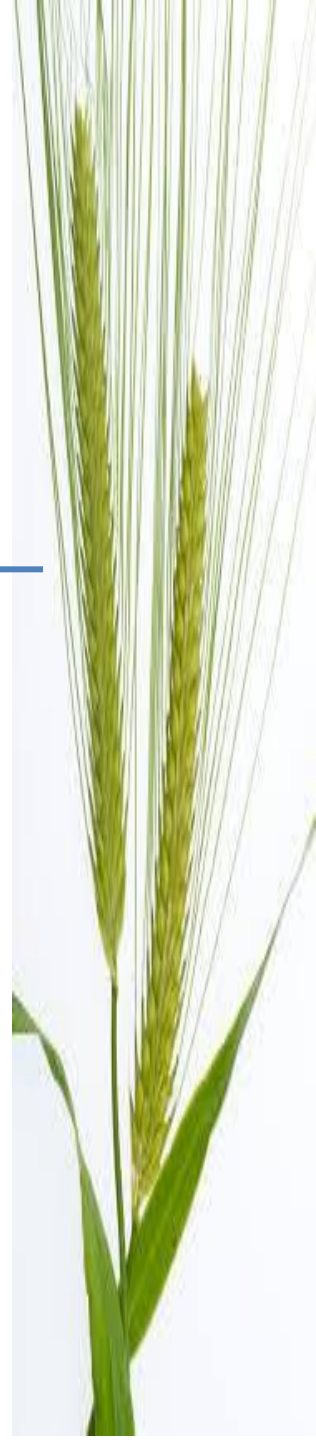


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Observed results (1)

- Entrance of multinational breweries
 - provided a big opportunity for the chain
 - created big market for local malt barley and malt
 - new entrants have already started upscaling works
 - socio-economic importance of local sourcing





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Observed results

Geographic distribution of members

- large number of small farmers, not organized in to supply groups
- many traders with limited capacity
- members are dispersedly located
- poor road conditions and limited transport facilities

“P1: The more disperse the geographic locations of value chain members, the weaker the integration of the chain.”





Observed results (2)

Horizontal structure

- number of tiers to form the entire value chain
- AMF failed to establish nearby collection centers though repeatedly implored
- set a minimum supply size of 5 tons
- cooperatives are weak and unstructured
- left wider room for traders

“P2: The longer the horizontal structure, the weaker the integration of the value chain.”





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Observed results (3)

Vertical structure

- too many farmers producing malt-barley forming wider tier
- too narrow at the malt factory

“P3: The wider/narrower the vertical structure of the value chain, the weaker the value chain integration.”





Observed results (4)

Information sharing

Information asymmetry on:

- members involved
- needs and duties of these members
- values added by these members (information on costs and benefits out of participation)

“P4: the less information is shared between value chain members, the weaker the value chain integration.”





Observed results (5)

Transaction governance



Farmers - traders

- modular
- relational
- Loan-alliance

Farmers - cooperatives

- equity-alliance (weak)
- membership agreement

Traders – AMF

modular

AMF- breweries

contractual

Cooperative – AMF

Preferential rights

“P5: The less suitable the governance mechanisms under use, the weaker the integration of the value chain.”





Observed results (6)

VCI

- Poor collaboration among members
- Poor coordination of activities and decisions
- Less commitment towards relationships and goals
- absence of multi-stakeholders platform (MSP)

VCP

- farmers → plans, quality and efficiency
- traders → turnover (efficiency) and quality grades
- AMF → quality standards (adopted from European Brewery Convention- EBC)
- members are not satisfied with current achievements

“P6: The weaker the value chain integration, the lower the value chain performance.”





Conclusions (1)

The MBVC is characterized by:

- dispersedly located members
- information asymmetry
- weak cooperative system
- opportunistic traders
- monopoly/monopsony malt factory
- poor governance mechanisms
- lack of value chain-thinking
- absence of multi-stakeholder platform (being infant chain)





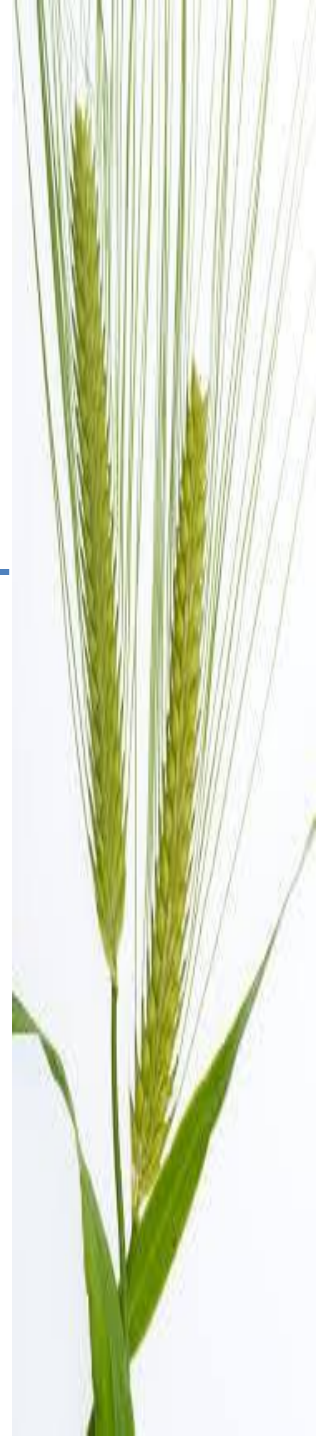
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Conclusion (2)

As a result:

- less quantity and poor quality of inputs/outputs
- Weak integration of the chain
- high degree of dependence on imported malt
- low level of performance in all measures
- Untapped potential that could change the quality of lives





Way forward?

- Further investigation





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Thank you!!!

