



# *Financing Local Sourcing Initiatives in Ghana -Partnerships that Work*

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The Most Vibrant and Iconic Business in Ghana

# GGBL and Local Sourcing Agenda

- Guinness Ghana Breweries Limited (GGBL) is Ghana's only total beverage business and a member of the Diageo businesses
- GGBL has been investing in developing selected local agricultural value chains
- Currently supporting over 12,000 farmers in Sorghum, maize and cassava production
- Our Local raw material (LRM) vision is to:  
*To generate long-term value with locally and sustainably sourced raw materials which meet quality standards and have a positive impact on the communities and environment in which we operate.*
- We understand that a supply chain is sustainable when it generates value at each stage of the chain.
- Our Target is to attain 50% local sourcing by 2017

# Our LRM Portfolio & our Brands

Sorghum





Cassava



Maize



# The Rationale-Why at the Heart of our Business:

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- 
- Grow our Reputation -*passionate about enriching the communities in which we operate*
  - Shape national policy
  - Decrease our Forex exposure
  - Reduce our COGS
  - Reap the opportunities from LRM Tax concessions.
  - Actively participate and contribute to the growth of the local economy -*directly investing in agriculture and through partnerships*

***Creating sustainable value for all value chain actors***

## Our Approach:



- **Identify and develop appropriate Local Raw Material (LRM) and engineer our brands to enable their use.**
- **Ensure that LRM could compete favorably against imported inputs in terms of:**
  - **value,**
  - **price,**
  - **quality and**
  - **consistency of supply.**

# Through PARTNERSHIPS that work



- Rural financing
- Production Credit
- Financial management training for suppliers



- Post harvest Credit
- Invoice discounting

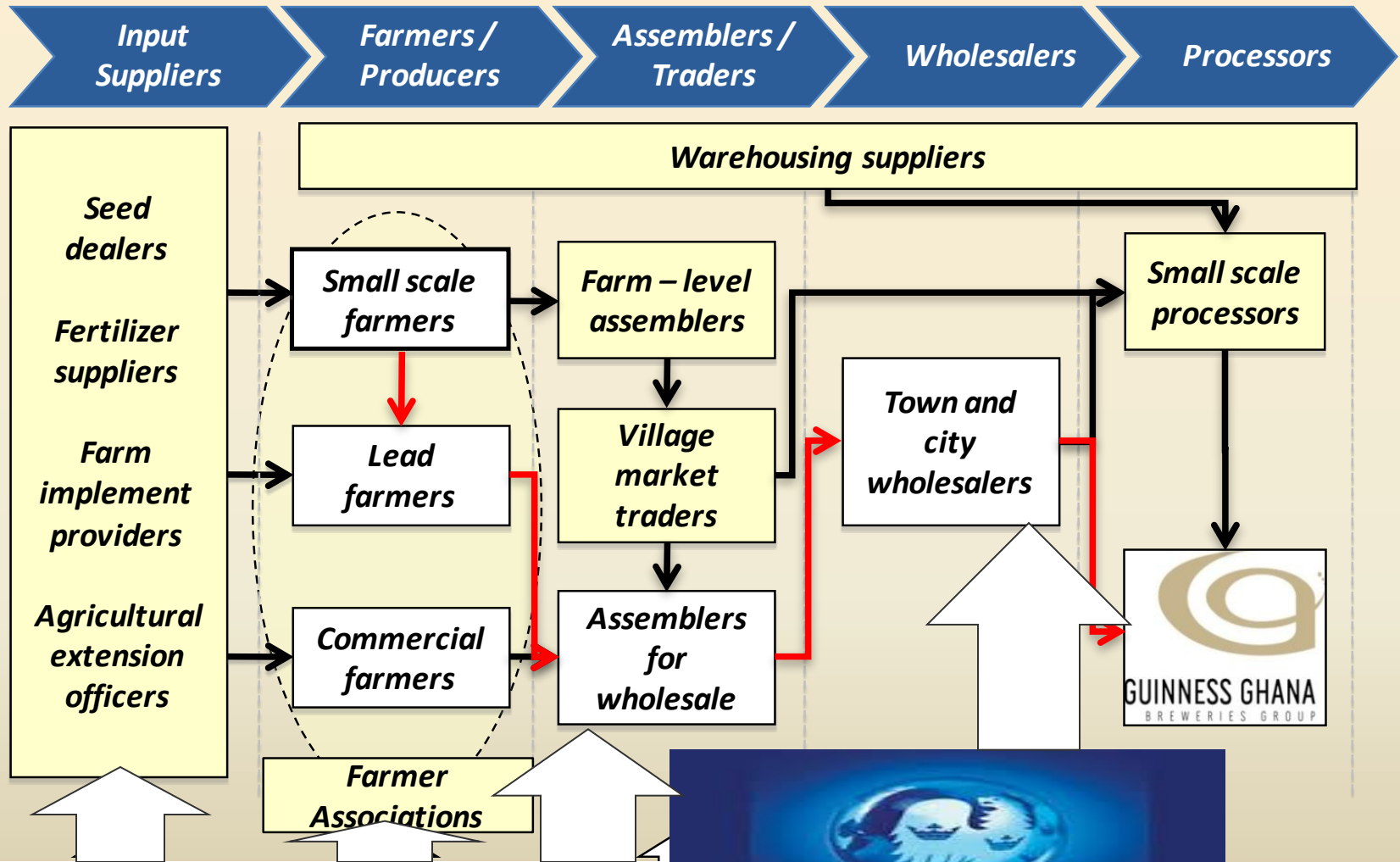


- Buyer - *Single largest consumer*
- Financial intermediation
- Quality benchmarking



- Increase productivity
- Improve technical and managerial skills
- Reduce transaction cost of smallholder farmers

# Sorghum Value Chain

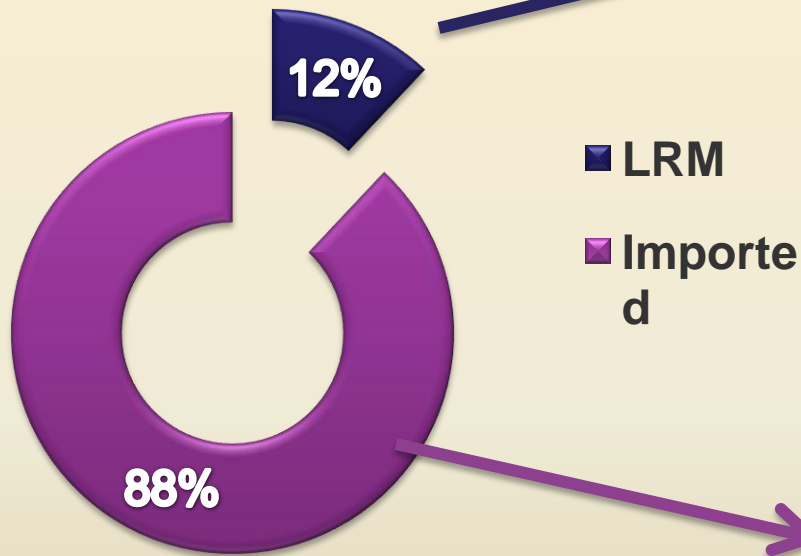


**rootcapital**

PIONEERING FINANCE FOR RURAL COMMUNITIES

**BARCLAYS**

## Comparison of Raw Material by Weight



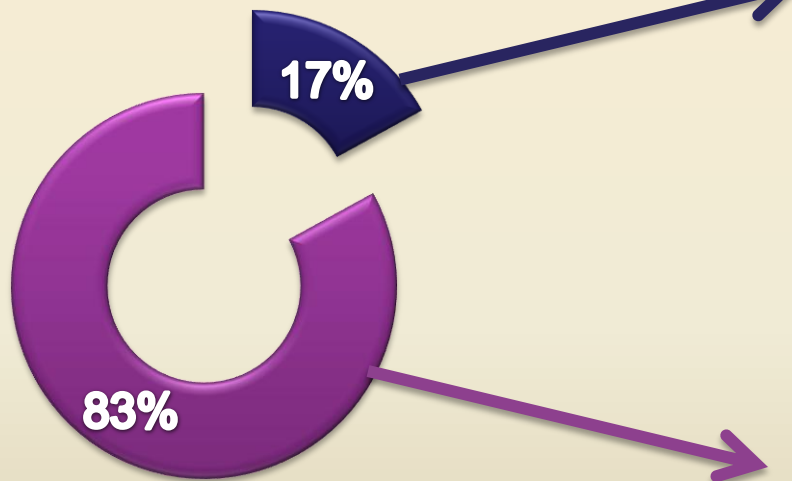
- Maize grits – 5%
- Sorghum – 7%

- Barley – 20%
- Malt – 50%
- Sugars – 18%



## Comparison of Raw Material by weight

■ LRM ■ Imported



- Maize grits – 6%
- Sorghum – 9%
- Cassava Starch – 2%

- Barley – 26%
- Malt – 44%
- Sugars – 14%

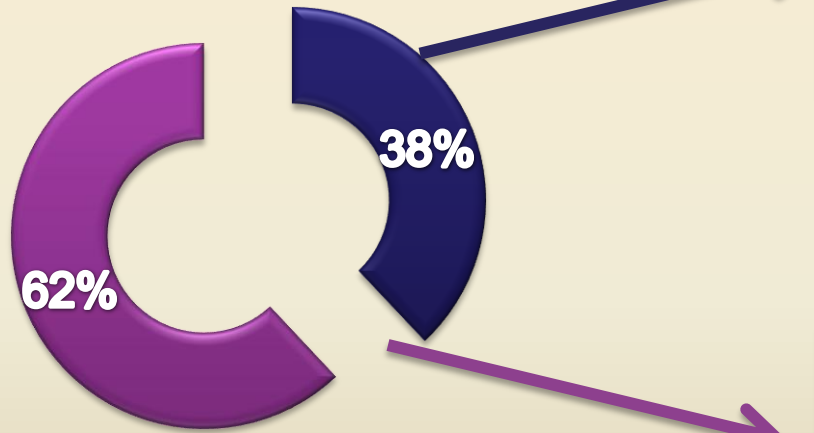
Moving forward:



# The Power of Partnerships (Where we are NOW)

## Comparison of Raw Material by Weight

■ LRM ■ Imported



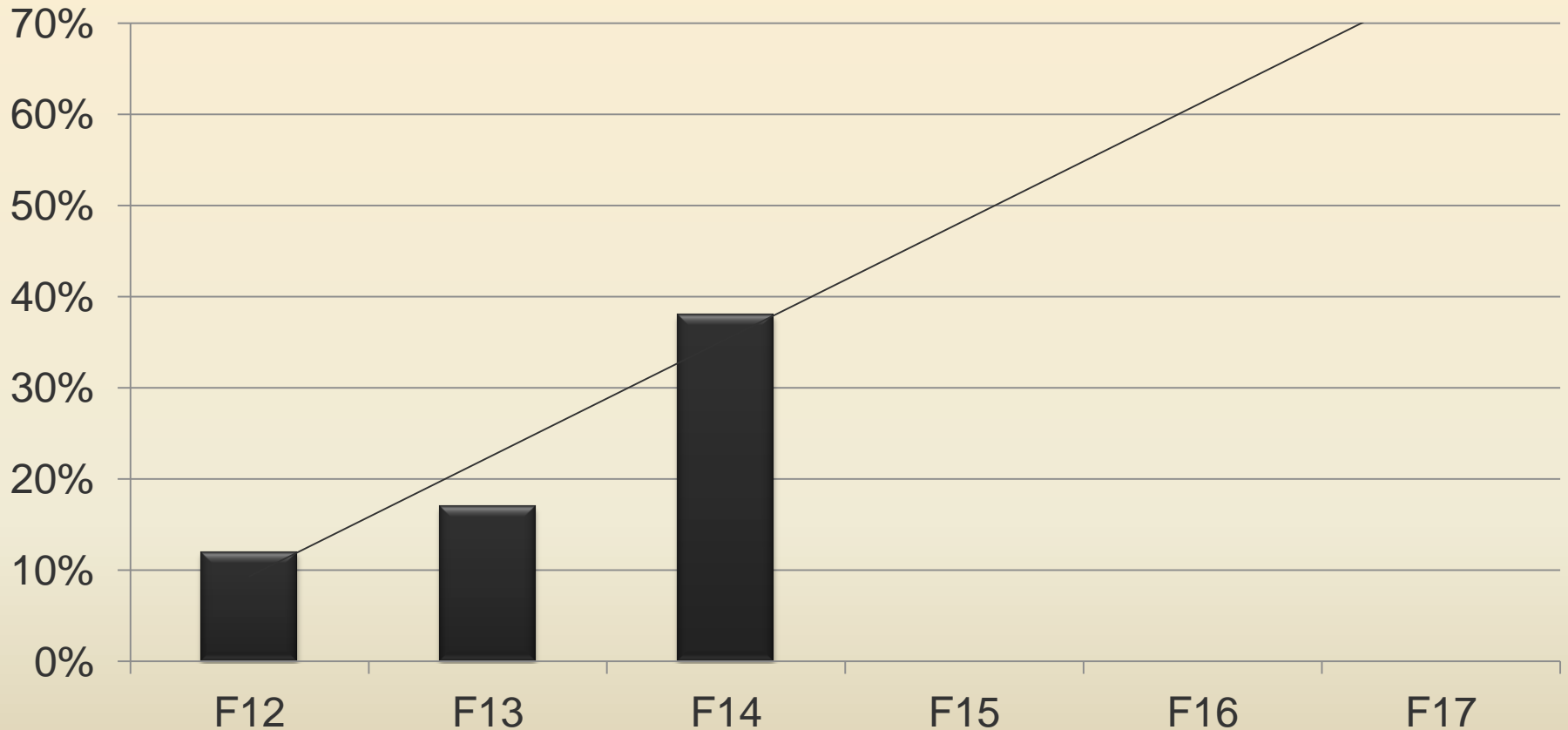
- Maize grits-13%
- Sorghum – 23%
- Cassava Starch – 2%

- Malt – 26%
- Barley – 24%
- Sugars – 12%



**Local Content Increased by 42% in F13 and has Grown by 124% in F14**

## PERCENTAGE INCREASE IN LRM BY WEIGHT



**At the current rate, GGBL's LRM can reach 70% by F17 (subject to BVE)**

# Lessons Learned-What Works

Financing in isolation does not guarantee a sustainable value chain.

Focusing on the following will be helpful:

- **Improved productivity-** *yield improvement initiatives are critical in reducing cost of production and improving farmer margins*
- **Guaranteed market** and *price-signed contracts*
- **Flexible payment** terms
- **Flexible lending** and the role of agribusiness professionals
- **Total commitments of all stakeholders** to ensure success - *willingness of stakeholders to review existing internal policies*
- **Demonstration of rewards** and benefits for all
- **Smart innovations** that roll on *others to compliment efforts -the Barclays and Root capital example*
- **National government support-***input subsidy for farmers and tax incentives for companies committed to local sourcing*
- **Sensitivity to Food security concerns-** *dialogue with national authorities and civil society*

## Going forward, we will focus on 3 Key Areas:

### Our Strategy

- To deliver sustainable brand value engineering (BVE) agenda on our existing brands using acceptable local substitutes to 30 - 70% LRM.
- Develop and commercialise accessible (beer/alcohol) propositions using 70%+ LRM to consumers who currently do not access beer or interact with the category infrequently. They currently mostly interact with the local informal beverages.
- Develop a capability (innovation, plant capacity, value chain, policy leadership) that enables us to grow our LRM input.

### Value Chain Development

- How do we develop a value chain to guarantee access to LRM for the future?
- How do we influence the establishment of a commodity exchange such that LRM's move to commodity based supply/demand cycle vs. inflation based negotiations – i.e. currently increasing yields does not necessarily lead to price reductions?
- How do we encourage investment in LRM value chains (e.g. seed varieties and agronomy support (maize & sorghum), processing (cassava))?

### Investment

- Innovative technologies that would unlock the potential of local sourcing
- Upgrade traditional brewhouse technologies



# Finally, design a Road Map to Achieve Sustainability through Enhanced Capacity of our farmers and suppliers

## Infrastructure Development :

### Production equipments:



**Tractors**



**Harvest & Threshing**

### Post harvest infrastructure:



**Cleaning Machines**



**Storage and warehousing**



**Testing and standardized tools- moisture meters etc**

## Skill Development

Collaborate with the relevant stakeholders/institutions to offer capacity building programs that will enhance the skills of the suppliers in the following areas:



**Technical Skills & Sustainable Agriculture**



**Financial & Business Literacy**



**Organizational & Management Skills**