Regional Workshop on Jurisdictional Integrated Landscape Management Programs

MAPUTO: Jul 20-22, 2015

Presentation by:

Gurinder Singh Goindi
Vice President Olam

E: gurinder.goindi@olamnet.com
M: +233544342701
Agenda

• Olam – Intro and CRS

• Olam Ghana : Climate Initiatives

• Challenges

• Recommendations / Suggestions
Olam International’s Heritage

1989 Established in Nigeria with cashew exports to India.

1996 HQ moved to Singapore

2005 Listed on the Singapore Exchange. Traded volumes crossed 2.5m MT

2007 Launched acquisition phase, starting with Queensland Cotton Holdings (Australia) and Universal Blanchers (USA)

2009 Hewitt Associates, RBL Group and Fortune Award for Global Top Companies for Leaders

2010 Extension into midstream and upstream businesses

2012 Significant expansion of downstream operations. Traded volumes crossed 10m MT

2013 Rainforest Alliance and Guardian Group awards for sustainability

FY2014

16 platforms (44 products)

65 countries

23,000 employees

3.9m farmers in the supply chain

135 processing plants

14.88m MT sales volume

S$19.42b sales revenue

Olam: 25 years Investing for Development Building Thriving Communities
We selectively integrate upstream, midstream, and downstream. In Africa, this includes:

- **Upstream** plantations of palm and rubber in Gabon, rice in Nigeria, and coffee in Tanzania and Zambia
- **Mid-stream** processing such as our Ghana wheat mill and cocoa processing in Cote d'Ivoire
- **Downstream** Packaged Foods Business selling consumer staples like tomato paste and noodles

Nearly 80% of our sourcing volumes are in emerging markets

Africa is a key strategic pillar for Olam

We develop local talent

- West Africa Trainee programme, developing tomorrow’s managers
- Building agricultural capacity through training for smallholder farmers and cooperatives
- Supporting local entrepreneurs (e.g. primary processors, distributors)
Growing Responsibly – Why?

At Olam, we believe that **profitable growth** needs to be combined with a way of doing business. It involves creating value on an **ethical, socially responsible** and **environmentally sustainable** basis – we have called this ‘**Growing Responsibly**.’

Olam is committed to ‘Growing Responsibly’ because it’s the right thing to do – it is about HOW we do business.

- It creates differentiation
- Customers and investors are increasingly demanding sustainable supply chain solutions
- Employees and potential employees are more motivated
Olam’s 7 Material Areas

PEOPLE

- FOOD SECURITY
  Improving access to affordable food

- FOOD SAFETY
  Improving food safety and quality across our business

- LABOUR
  Providing a safe place to work where everyone’s rights are respected

PLANET

- LAND
  Selecting and managing land responsibly

- WATER
  Establishing landscape-level water management

- CLIMATE CHANGE
  Adapting to risks and opportunities for Olam & communities

PROFIT

- LIVELIHOODS
  Supporting thriving communities
Growing Responsibly: Why is it important to Olam?

**CR&S as a growth opportunity**
A sustainable approach promotes growth without compromising future generations.

**CR&S as risk management**
A responsible approach helps mitigate risks to business, environment, and society.
Growing Responsibly: Key issues for Africa

Pillars of Sustainability

**PEOPLE**
- Food security
- Health
- Education
- Population rise
- Safety
- Human rights
- (child labour, gender, labour)
- Watsan at work

**PLANET**
- Land mgmt
- Soil fertility
- Forest degradation
- Irrigation
- Greenhouse gas
- Land grabbing
- Illegal chemicals
- Pollution control
- Respect for protected areas

**PROFIT**
- Farm yields
- Skills & capacity
- Access to finance
- Access to market
- Big business potential impact on indigenous means of livelihoods

Foundation of Responsibility

PEOPLE

PLANET

PROFIT
Olam Livelihood Charter

We aim to bring prosperity to our farming communities and build long-term relationships based on fairness and trust, transferring skills and knowledge through partnerships.

The initiative must support farmers through all 8 principles to be in the OLC:
1. Access to finance
2. Improved yield
3. Labour practices
4. Market access
5. Quality
6. Traceability
7. Social investment
8. Environmental impact

FY2014 global facts
- 350,147 OLC farmers
- 623,150 hectares
- 8 products (cocoa, coffee, cotton, cashew, sugar, chilli, sesame, pepper)
- 12 countries
- US$183.7m in short and medium-term financing
- US$21.2m in quality premium paid
- US$4.6m invested in training
Ghana

Climate Initiatives - JUABESO – BIA
JUABESO – BIA LANDSCAPE

“Globally Significant Biodiversity Area

Timber Concessions

Bia National Park

Krokosua Hills FR
BENEFITS FROM CLIMATE SMART AGRICULTURE

Farmers
• Build capacity for managing climate change
• Reduce GHG emissions
• Achieve certification and climate verification
• Organize cooperatives & cooperative union

Communities
• Restore ecosystems
• Enhance remnant forests
• Conserve nearby forests
• Develop small enterprises
• Environmental education

Olam
• Strengthen reputation as leader and pioneer
• Build resilient supply chain
• De-link cocoa production and deforestation
• Fulfil livelihoods strategy
Juabeso-Bia initiative incorporates land use management at a landscape scale

**FARM**
- Reduce emissions, plant trees, increase carbon on farm, increase productivity

**LANDSCAPE**
- Conserve protected area and forest reserve, create biological corridor, restore ecosystem

**COUNTRY**
- Support national strategies for cocoa and REDD + provide demonstration sites

**GLOBAL**
- Included in government’s proposals to Carbon Fund and Forest Investment Program
THE JUABESO-BIA LANDSCAPE APPROACH

- Agriculture putting pressure on forest
- Cocoa productivity low
- Key biodiversity area
- Cultural significance for communities
- Government wish to increase cocoa exports
- Policy of local management of protected areas

- Landscape approach enabled
  - Communities, governments and farmers to plan together for livelihoods and conservation
  - Common vision on farm practices, reforestation, biodiversity conservation and income diversification
  - International funding to support development of REDD + project design
Results to date - LIVELIHOODS

• 2800 farmers from 34 communities applying SAN standard and Climate Module

• 100,000 shade tree seedlings planted and two nurseries established

• New cooperatives and producer group formed (Climate Cocoa Cooperative Union)

• Increases in productivity measured

• Trading relationship developed with premium payments
Results to date- CLIMATE MANAGEMENT

- 15 teachers trained in climate education; environment clubs in 12 schools

- Methodology developed to measure carbon from tree planting

- Carbon sequestered from improved practices and reforestation estimated

- New community Land Management Board formed

- Project included in Government’s Emission Reduction Project Idea Note to World Bank to reduce GHGs through sustainably intensified cocoa production
SUSTAINABLE AGRICULTURE & Redd + safeguards

Sustainable agriculture approach meets REDD + safeguards:

- Community buy-in
- Alternative livelihoods
- Protection of sacred sites
- Biodiversity and ecosystem services gains
- Permanent market mechanism

While integration of REDD + creates opportunity for carbon market finance

- Quantification of GHG emissions
- Verification and registration
SCALE POTENTIAL

- Cost efficient methodology for quantifying C stocks on smallholder farms
- Opportunity for insetting quantified C sequestered
- Stratification of cocoa system enables management of shade tree stocking densities
- Continuous improvement of farming practices increases yields, improves livelihoods, enhances resiliency
- Successful model replicable in other landscapes
- Viable REDD+ pilot site for GoG low carbon development, consistent with Forest Carbon Partnership Facility
Phase II targets

- Maintain training and technical assistance and include new communities (Olam local office support)
- Verify and scale system of tree ownership and registration
- Facilitate cooperative development and strengthen Climate Cocoa Cooperative Union
- Promote approach to government and support its climate management and carbon financing strategies
- Further test carbon measurement methodology and develop business case for sustainability + carbon
HOW WE IMPACT OUR COMMUNITIES

**Climate Smart Cocoa**

- FCCA- 1m dollar Olam /RA – climate smart cocoa. LMB concept....
- Fallow lands project- 100,000 trees cover over 30,000 ha of fallow lands.
- Distributed 70,000 hybrid cocoa seedlings to farmers
- Distributed 75,000 shade trees

**Community Development**

- Premium distribution- **$500,000 for 2015**
- Provided mechanised boreholes in communities
- World Aids Day celebrations

**Training and development**

- Provided 350 sets of PPEs to communities
- 8,000 farmers certified under 5 RA certificates.
- We cover a total of 130 communities- GAP/GEP/GSP.... Farmer Business School.

**Women Empowerment & Education**

- Additional livelihood- beekeeping and grass cutter rearing, Palm oil extraction
- Support for Education- Sefwiman Education fund
Cocoa Sector – Key Points

- Production L3Y: 850K to 950K MT
- No. of farmers: 800K to 1Mn
- Area under cultivation: 1.6 -1.8 Mn Ha
- Average farm holding: 0.4 to 4 Ha
- Regulated: Cocobod
- Sensitivity to Economy: High
Sector Challenges

1. Sustainable Cocoa Production

2. Sustainable Industry Chain

3. Sustainable Consumption
Recommendations

• Consumer Involvement Approach
• Support and Augment existing models
• Better Co-ordination between various initiatives
• Simplify Performance Measurement
• Redefine and review Donor Expectations
• Prioritize Infra-structure Creation
• Improve Market Access
• Encourage Knowledge Transfers
Consumer Involvement Approach

Example: Cocoa

• Size of Chocolate market: USD 120Bn
• Total revenue of all Producers: USD 12-13 Bn
• Total tax Revenue in Destination Markets: USD 18 Bn
• Inter Industry Dependency: Sugar and Dairy
• Consumption Markets: EU, Americas: 80%
Support Existing Models

• Ghana Cocobod
  – Free Fertiliser Distribution
  – Free Seedling Distribution

• Embassy of Netherlands
  – CORIP: Cocoa Rehabilitation and Intensification Programme - €7Mn grant + Private Sector

• World Cocoa Foundation: CocoAction

• Private Sector Sustainability Initiatives
Connecting farm productivity and community
Professional Farmers in Thriving Communities

Professional cocoa farmers provide a primary source of livelihoods to the community...

... in which women have equal right to participate and where sufficient income is generated for kids to go to school.

Professional Farmers in Thriving Communities

who create profitable, thriving farms thanks to the benefits of the Productivity Package...

... so that the community thrives and creates the next generation of educated, motivated cocoa farmers...
Cocoa communities are not Sustainable

Women play vital role in cocoa, but are disadvantaged*

- Women’s income is 70% in CDI and 25-30% in Ghana less than men*
- Women have less access to training, farming inputs, loans, and bank accounts which fuels lower productivity and income
- Of 4% of women in coops, only 0.3% hold leadership positions

Education is inadequate

- High illiteracy among cocoa farmers
- Not every child attends school

Children become subject to child labor

- Too often lack of alternatives – both for labor and education – are the cause
- Cultural norms perpetuate practices

*Source: MDLZ Cocoa Life Gender Assessments by M. Hiscox, Harvard University and CARE International
• Empowers communities to own their future
• Attracts next generation
• Foundation of sustainable cocoa supply chain
Better Co-ordination between various initiatives

*The Third International Conference on Financing for Development* in Addis Ababa from 13 to 16 July 2015,

**Refer the “Outcome Document” released**
Objective

To Create Smart, Effective, and Sustainable Enterprise – *any sector it may be.*
Thanks
“Self-Help Water project”

- Community of 500-1000 people
- Major source of water was river
- Water borne diseases- Bilhazia,
- Support Community with mechanized Boreholes
- Cost of bore hole- 6,000 USD
- Sale of Water
- Proceeds from sale banked
- Formed Borehole management committee of 5 members.
- Oversee maintenance and manage grievances.
Cost Benefit Analysis – Bee keeping

**Inputs/items** | **Amount (USD)**
--- | ---
Bee Hives & Stands | 100
Bee Suit | 20
Smoker | 15
Hive tool | 5
Aluminum Pots | 50
Bucket | 3
Container | 4
Brushes | 4
Hand Gloves | 5
Wellington Boots | 5
Cost of training per farmer | 50
**Total Cost** | **261**

**OUTPUT PER YEAR** | **QTY**
--- | ---
Harvest per hive (kg) | 20
Frequency of harvest/year | 2
Total Harvest/Farmer (kg) | 200
Income per kg of honey (USD) | 2
Total income per season (USD) | 400
**Net Income for year one (USD)** | **139**

**Assumptions:**
Two harvest will be done annually.
# Cost Benefit Analysis: Grass cutter Rearing

## Descriptions

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Cost (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition &amp; training Materials</td>
<td>300</td>
</tr>
<tr>
<td>Accommodation</td>
<td>200</td>
</tr>
<tr>
<td>field trip</td>
<td>50</td>
</tr>
<tr>
<td>Start up stock (4 female &amp; 1 male)</td>
<td>50</td>
</tr>
<tr>
<td>Three apartment Pen (cage)</td>
<td>150</td>
</tr>
<tr>
<td>Average feeding cost p.a.</td>
<td>200</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td><strong>950</strong></td>
</tr>
</tbody>
</table>

## Output

- Sale in year two per animal – USD 37.5
- Total Income p.a. – USD 600