



# STRENGTHENING THE SMALLHOLDER LINK IN THE COCOA VALUE CHAIN

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# Our Sustainability Philosophy

## To create Shareholder and Societal value concurrently

- ❖ Societal value interwoven with our business model
- ❖ Context -focused Approach - Deploy Resources & Domain expertise
- ❖ Aim for maximum social impact. Make meaningful contribution.
- ❖ Should result in an improvement of competitive position
- ❖ Self sustaining - Due to reciprocal value to shareholders

# What Investors Observe?

## IFC – Observations in their ERS memorandum

“..... Olam’s initiatives illustrate an important aspect of Olam’s operation – its business model and its Corporate Social responsibility model are largely indistinguishable from each other.

Both aim to achieve the same result – mutually beneficial, stable business relationships between the company and its suppliers...”

# S.E. Asia/Pac Cocoa Industry

- Indonesia- 500,000t\*
  - Sulawesi - small farmers producing **unfermented cocoa** (90%)
  - Java/Sumatra - large plantations with good fermentation (10%)
- Pacific Realm Islands - 50,000t - well fermented cocoa
- Malaysia - 30,000t - well fermented cocoa
- Philippines - 7,000t - fermented cocoa but fermentation is an issue
- Vietnam - Starting to produce well fermented cocoa

\*all values are approximate just to give an idea of proportions

# Main issues of cocoa quality in Asia/Pacific region

- 1- Nearly 75% of Asia/Pacific cocoa is under-fermented cocoa from Sulawesi with critical problems of quality and waste levels due to cocoa pod borer
- 2- Not enough of good fermented cocoa to cover increasing regional needs for grinding and consumption.
- 3- Threat for the quality of fermented cocoa in Papua New Guinea due to recent advent of cocoa pod borer.

# Major Causes for Quality deterioration

- Limited incentive for better quality.
- Insufficient Quality Control in the Bush.
- Limited Training for Farmers on Quality since the end of Success Alliance program
- Low Cocoa Prices have led to improper Crop Husbandry
- Increased storage time upcountry in anticipation of price increase

# WHY SUSTAINABILITY FOR OLAM IN INDO

- With greater share, comes greater responsibility
- Economic Value (Reciprocal Altruism)
- Scope to increase primary network at origins
  - Value add – for growers/plantations & ourselves
  - Obtain better knowledge of crop & growing areas

# KEY ACTION AREAS

- Farmer group recruitment, Training and Technical support
- Micro Financing, Fertilizer & input support.
- Supply chain development through Olam Bush units

# Farmer Group Development



# Training, Development & Technical Support

- Tie-ups with specialized local bodies
- Recruitment of staff trained by Success
- Focus on post-harvest training to improve quality of beans.
- Aim to educate farmers on the value of their cocoa and benefit of improving quality standards.
- Micro-financing & fertilizer distribution towards reinforcing the quality message.

# Farmer Training and Sustainability

## Harvesting Practices

- Harvesting practices
  - Fermentation
    - Methods
    - Time
  - Drying
    - Methods
    - Time
  - Quality
    - Issues
    - Improvement
- Sustainability
  - Inputs
  - Yields
  - Community
  - Value

# SUPPLY CHAIN DEVELOPMENT



# Supply Chain Development

- Move closer to the growing areas to be able to support growers with market-making.
- Bringing export standards closer to the growers through bush units.
- Transparent pricing system.
- Reinforce the quality message

# Relevance in Today's Context

- **Persuade other stakeholders to increase involvement as this is a challenge for the entire industry**
- **Develop as a Sustainable Buying Model**
- **Biggest challenge – Replicating the same across a larger area**



# Threat to the PNG cocoa quality by cocoa pod borer

- Generally good quality
- In April identified **cocoa pod borer** in the centre of cocoa production in East New Britain Province
- No CPB infestation in Bougainville (16,000t)
- Quick action for eradication was organised, but if CPB spreads, very serious quality issues could appear



# Papua New Guinea

- Challenges
  - Threat of pod-borer
    - ✓ Increase awareness further
    - ✓ Proactive approach of Cocoa Task Force to control infestation.
    - ✓ Quarantine of infected areas.
  - Reviving plantations in Bouganville
  - Maintain quality standards



"Finished at last !"

High Moon