



Olam International – an example of the role of the private sector in rural development

Introduction to Olam International

Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, supplying various products across 16 platforms to over 12,300 customers worldwide. From a direct presence in more than 65 countries with sourcing and processing in most major producing countries, Olam has built a global leadership position in many of its businesses, including Cashew, Spices & Vegetable Dehydrates, Cocoa, Coffee, Rice, Cotton and Wood Products. Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, Olam currently ranks among the top 40 largest listed companies in Singapore in terms of market capitalization and is a component stock in the Straits Times Index (STI). More information on Olam can be found at www.olamgroup.com

At the heart of Olam's operations is Growing Responsibly, this is our philosophy for developing sustainable supply chains. We have defined our approach to sustainability in clear policies, aspirations, our material areas (which includes; livelihoods, water, labour, food security, climate change and land management) and reporting progress transparently via our website [Olam's approach to building sustainable supply chains](#) and external reports.

Working with small-holder farmers

Olam has built a supply chain network of globally connecting to 3.9 million smallholders. The role of the smallholder in supplying national and international products is significant, particularly as populations and markets are continually increasing. In emerging economies many governments are now under resourced and direct support to small-holders has reduced. This has directly resulted in yield and quality decline and continual soil degradation. Olam, like others, is dependent on smallholder supply chains for many of the products within the businesses we operate.

In response, the role of the private sector in supply chains has progressively changed over the past 10 years, taking up the role of delivering extension based services to smallholder farmers so they can continually rise to the challenge of the growing markets. Olam has invested heavily and built partnerships in role of supplying technical training support, inputs and finance to ensure our supply chains are continually developing through increased integration with our farmers to ensure these important supply chains are not put at risk. Olam's model is to invest in agricultural processing units and then build the community farmer based supply chains to keep that processing unit fully operational. The approach Olam follows to the smallholders is the roll out of the **Olam Livelihood Charter (OLC)** see for full details see: [Olam Livelihood Charter](#). This is a development based framework applying 8 specific principles to build sustainable supply chains based on inclusive growth. Olam has now connected 352,000 smallholders through the Charter. Olam wants to continually move our farmers into this recognised development framework, building thriving communities and increasing rural incomes, but this needs significant investment. There are, therefore scaling-up constraints, so investment support from partners such as governments, donors and commercial brands is vital.

Building partnerships

Olam has developed a good reputation of designing and implementing partnerships within the supply chains, selected examples are:



- Bill & Melinda Gates Foundation - where Olam has been a lead partner in the Cocoa Livelihoods Program and African Cashew Initiative for the past 5 years.
- Millennium Challenge Corporation – Olam and Rainforest Alliance has been awarded a grant to develop and lead on a climate change adaptation strategy to support cocoa farmers in Indonesia.
- USAID – Olam has signed a global memorandum of understanding, where the key areas of focus are; developing small-holder projects, improved water management, food security and supporting the Tropical Forestry Alliance.
- IDH (Sustainable Trading Initiative) – Olam has received grants to support smallholder production in cotton, cashew, coffee, cocoa and spices in multiple locations.
- Technoserve - Olam has signed a global memorandum of understanding, where the key areas of focus is to structure and develop smallholder farmers into viable commercial cooperatives.
- International Financial Corporation – Olam receives both capital and supply chain finance from IFC. As part of the financing agreement we have now established 3 ongoing smallholder productivity improvement projects in; Sugar in India, Cocoa in Indonesia and Cote d'Ivoire.

Working in the Asian region

Olam has a direct presence and is managing supply chains in the following countries in the Asian region:

- Papua New Guinea
- East Timor
- Vietnam
- Indonesia
- Cambodia
- Laos
- India
- Thailand
- Myanmar

Going forward

Delivering long-term sustainable supply chains will, we believe, be based on multi-stakeholder collaboration. Investments are required in small-holder farmers based development solutions, which follow a landscape approach, designed to promote production of all viable crops creating local food security and the sale of surplus food crop and cash crops into the national and international markets. This includes:

- national land registry and tenure agreements;
- demand led research into localised varieties;
- small-holder farmer access to applicable financial products, both in terms of loans and viable insurance products;
- inclusive growth through the application of technology that will link transparently farmers to markets; and
- donors and governments developing and applying new small-holder business models with the private sector, current examples are CocoaAction and donor / private sector matching funding agreements.



Recommendations

Olam is directly involved in helping smallholders establish improvement projects in Papua New Guinea, East Timor, Vietnam, Indonesia, Cambodia, Laos, India, Thailand and Myanmar on cocoa, coffee, spices, cashew and rice. We are extremely willing to provide details on projects that we believe may be of interest to your Aid Sub Committee with suggestions regarding how we may be able to cooperate to increase the speed and likelihood of success for smallholders.