



# AGRIBUSINESS IN ASEAN: MAKING THE CASE FOR SMALLHOLDER INCLUSION

AN ANALYSIS OF TEN AGRICULTURAL PRIVATE SECTOR  
ACTORS WHO HAVE ADOPTED RESPONSIBLE AND  
INCLUSIVE APPROACHES TO SMALLHOLDER PRODUCERS

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*This report was developed as part of the Gender Transformative and Responsible Agribusiness Investments in South East Asia (GRAISEA) Programme which is funded by the Government of Sweden. Led by Oxfam and involving a range of partners, including CSR Asia, the programme aims to improve livelihoods for small-scale producers in South East Asia (ASEAN) through more responsible and inclusive value chains, private sector investments, and where women demonstrate economic leadership. Based on the recognition that financial viability and gender equitable and sustainable supply chains are not mutually exclusive, GRAISEA promotes win-win-win propositions: wins for communities, small-scale producers and larger businesses. The programme focuses on three intertwined approaches:*

- Promote corporate social responsibility and other private sector regulatory frameworks in South-East Asia with ASEAN and its member states and with leading agricultural companies*
  - Demonstrate gender transformative and responsible agribusiness investments for smallholders, in particular women in the selected value chains of palm oil and aquaculture*
  - Promote responsible and innovative investments in small and medium enterprises*
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# EXECUTIVE SUMMARY

## A context of economic growth and development

The growth of the agricultural industry - spurred by foreign investment and significant improvements in productivity and processing - has elevated the Association of Southeast Asian Nations (ASEAN) member states of Myanmar, Thailand, Laos, Cambodia, Vietnam, Malaysia, Indonesia and the Philippines as global leaders in soft commodities (such as coffee, timber, vegetable and fish) production and trade.<sup>1</sup> As the Green Revolution of 1965 to 1990 took place, so did significant advances in science, public investments and policy support for agriculture. In parallel so did wealth, urbanization and trade liberalization leading to exponential growth in agricultural productivity and demand across Asia.<sup>2</sup> Pathways out of poverty - whether through farming, employment, non-farm processing and trade or migration - are all heavily reliant on agriculture. As commercial investment continues to grow in the region its impact has the potential to transform the agricultural landscape. Smallholder farmers and cooperatives will gain access to credit, improve productivity, promote rural development and reduce market volatility. The private sector is in a position to optimise production and processing as well as contribute to the socio-economic development of the region.

## Challenges persist for smallholder farmers in Asia

Smallholder farmers - farm households that own or cultivate less than two hectares of land - represent a significant proportion of the upstream agricultural value chain.<sup>3</sup> They provide over 80 percent of the food consumed in a large part of



the developing world.<sup>4</sup> Smallholder productivity and sustainable rural development are inherently linked with economic growth, food security and poverty reduction. Yet, small-scale farmers are often neglected, living in poverty in remote and environmentally fragile locations, and part of marginalized and disenfranchised populations.<sup>5</sup> Moreover, smallholder farming in developing and emerging economies faces several productivity and transactional barriers in its efforts to access regional and global markets. These include dispersed production, low productivity, variable quality, high transaction costs, poor market institutions and poor governance, and an inaccessible rural financial system.<sup>6</sup>

Of the world's 500 million smallholder farmers, 87 percent are in the Asia Pacific region. Most of these farmers live in remote villages and are geographically scattered, with limited access to modern farming technology, services and information. The nature of many modern agricultural value chains has actually created additional barriers for smallholder farmers to improve their livelihoods. For example, the profit margins for smallholder farmers are increasingly being squeezed because of the involvement of multiple intermediaries in the agricultural value chain.

## Yet, opportunities for value creation emerge for agribusinesses that are responsible and inclusive of smallholders

While these barriers pose significant challenges to agribusinesses and farmers alike, they also incite opportunities for farmers and the

agribusiness sector to come together and create a more inclusive industry, empowering the poor and marginalized, building supply chain resiliency and operational sustainability.

If given the right sets of conditions, smallholders can be at the forefront of business profitability as well as in creating a more sustainable industry. Whilst some of the leading companies have created comprehensive programmes to deal with the issues from the farm level and to the end of the supply chain, most of the agricultural industry has yet to capitalise on the tangible benefits of environmental conservation, social progress, smallholder inclusion and the crucial role that women play within the smallholder system.

To really capitalise on these opportunities, the agricultural industry will need to move beyond the idea of “doing good” and recognise the value that responsible and inclusive business practices bring. Building a responsible and inclusive business approach requires companies to reimagine how they see and interact with farmers, particularly smallholder farmers. Greater inclusivity and tapping into an underrepresented smallholder population has the potential to secure raw materials, develop products and services that improve efficiency and stimulate innovation.<sup>7</sup> There are many ways that companies can support smallholders, through training and capacity building, logistical services and agricultural equipment and inputs. Companies then benefit by ensuring reliability of supply and marketing their responsible activities and products in emerging, and increasingly valuable, socially and environmentally conscious markets.

The companies highlighted in this report were chosen due their pre-established relationships with communities and smallholders that have realised returns on investment. Companies such as Jollibee, PT Mustika Minanusa Aurora (PT MMA) and CJ have experienced tripled bottom line returns and positive impacts, providing new opportunities for both the business and for people in local communities, improving their livelihoods.

**Understanding the enabling and inhibiting factors, and the local context is essential in achieving positive results from smallholder inclusion in large agricultural value chains**

It is important to realise that there are conditional elements that have enabled these companies to succeed within these markets. In the case on Olam and Klasik Beans, Olam leveraged a farmers’ cooperative to expedite the process of engaging with coffee farmers, to gain direct access to supply and to begin inputting capital into their training and production. Whereas for East-West Seeds, the company needed to conduct substantial research before entering the vegetable market in Myanmar to ensure that the market was mature enough to support a growing export market, that the soil and environmental conditions were appropriate and that the locations were not socially or political volatile to interfere with operations.



The ten cases chosen demonstrate that, despite social, environmental and political challenges, the private sector has the ability to create change. These models also display that despite the size of a company's operations, responsible and inclusive businesses approaches can be applicable to any company.

With larger companies, the potential for immediate impact and returns are greater. However, with a lack of understanding into how to integrate low-income, marginalized or at-risk populations investments go undervalued or come at cost rather than a profit. To overcome these limitations, companies need to consider the benefit of collaboration, aligning with local and international groups and governments. For smaller companies, while it may be easier to distribute the capital needed, the risk may come at a greater cost. For these small to medium sized enterprises, local insight and community-wide buy in are required for projects to reach scale.

### **Understanding gender perspectives and recognising the value that women create will differentiate the leaders in the agricultural industry**

For the future, it will be those companies that are inclusive, proactive towards supply resiliency and that have identified their risks associated with improper use of land and labour that will become industry leaders or maintain a market share. An integral part of this mentality will require a change in the perspective of how companies understand gender and an ability to recognise the opportunities, value and influence that women hold within the agricultural industry either as producers, processors, employees, board members or consumers. Empowering women has the capability to spark forward a progressive and transformational change within the industry.

Women play a crucial role within the smallholder system, however they represent an 'invisible' labour force burdened by inflexible working hours, gender bias and a disproportionate amount of additional obligations including childcare and household work. Women in Asia represent 50 percent of the agricultural labour force, yet research has shown that for agribusiness, women are both disengaged and undervalued.<sup>8</sup> Private sector investment in women is relatively non-existent and companies often ignore the day-to-day impact that women make in agricultural

production.

Companies have the potential through their engagement with women to help spur rural economic development, to close the region's gender gap and increase yields on average by 20 to 30 percent.<sup>9,10</sup> By increasing the involvement of women along major agricultural value chains, companies can take advantage of this opportunity to overcome constraints that hinder women's economic empowerment. For many companies in Asia, operations are 'gender blind' and although there are instances where companies are able to create a positive impact for women, it is often achieved unintentionally.

### **Responsible and inclusive business through strategic engagement with farmers and women**

A limited number of agricultural companies have identified the potential operational and reputational opportunities that exist through strategic engagement with farmers and women. The concept of inclusive business provide unique opportunities for the private sector to rethink how they are able to engage along their supply chains. Inclusive business strategies have the potential to alleviate rural poverty whilst scaling up commercial opportunities, markets and increasing intra-industry competitiveness.<sup>11</sup> A successful inclusive business strategy can unleash the advancement of the social, economic and environmental conditions of the communities in which it operates.

This report is to be used by agribusinesses throughout the agricultural supply chain as a reference tool to show how the private sector is able to directly or indirectly establish their own programmes and to outline the range of approaches that contribute to market expansion and supply security.

All stakeholders involved in the agribusiness sector can use this analysis as a resource and advocacy driver in promoting better agricultural practices and collective impacts.



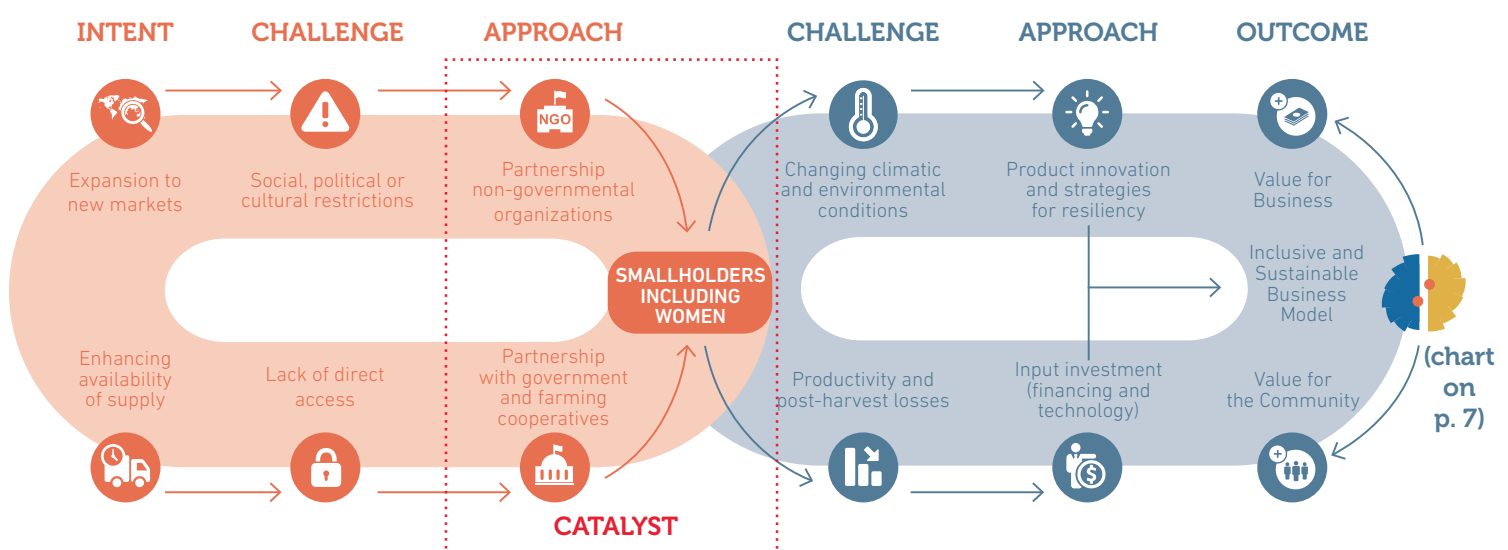


# BENEFITS TO BUSINESS

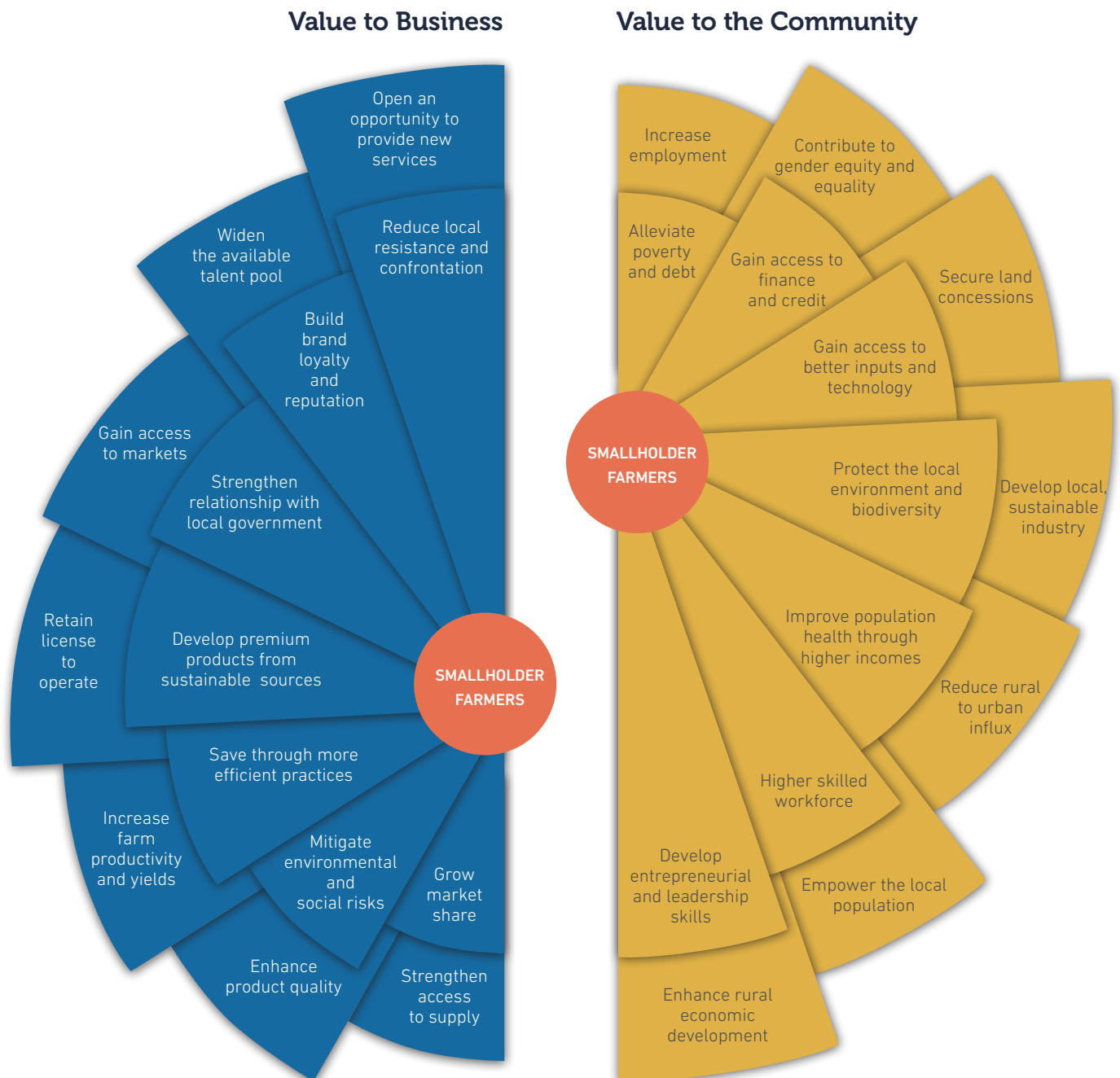
Strategic engagement with smallholders generates a range of direct and indirect business benefits for agricultural companies. Realizing this potential requires an understanding of the interdependence between creating value to business and value to the community.

In reference to the ten business cases showcased within this report, successful engagement with smallholders takes a clear business approach, an understanding of risks and desired outcomes. As shown in the Smallholder Engagement Model engaging with smallholders directly can be challenging however through the development of local partnerships these relationships can accelerate how a company works with and supports local farmers and women. The result creates new value to business and the community.

## SMALLHOLDER ENGAGEMENT MODEL



## MAKING THE CASE FOR SMALLHOLDER INCLUSION





# SUMMARY OF CASES



Case	Country	About	Key Results
<b>CJ-KOICA Rural Development Creating Shared Value (CSV) Project</b>	Vietnam	CJ Group is a South Korean conglomerate working in partnership with the Korean International Cooperation Agency (KOICA) to secure a sustainable supply of red chili peppers in Vietnam.	<ul style="list-style-type: none"> <li>Increased crop output and annual household income for the farmers.</li> <li>Increased the sustainable supply of chili peppers for CJ.</li> <li>The CSV project supports a commitment made by the local government to address poverty while enabling CJ to gain market access.</li> </ul>
<b>Double A: Introducing secondary crops to increase smallholder incomes</b>	Thailand	Double A is an integrated pulp and paper manufacturing that has created an approach in Thailand to integrate paper trees amongst rice paddies.	<ul style="list-style-type: none"> <li>Farmers are benefiting from a second source of income.</li> <li>Incorporation of paper trees has increased the productivity of land.</li> <li>Double A has benefited through a secure supply of paper trees.</li> </ul>
<b>East-West Seed and the expanding vegetable market</b>	Myanmar	East-West Seeds is one of the largest vegetable seed companies in the world and a leader in Southeast Asia. The company has established Myanmar's first integrated seed development and production based with strong smallholder farmer support.	<ul style="list-style-type: none"> <li>Access to better quality seeds has meant higher yields and incomes for farmers.</li> <li>Farmers have benefited from more efficient farming practices which has put less strain on local resources.</li> <li>East-Weed Seed has emerged as a leader and innovator in the vegetable industry.</li> </ul>



Case	Country	About	Key Results
<b>FrieslandCampina: Increasing incomes for Thai dairy farmers</b>	Thailand	FrieslandCampina is a Dutch dairy cooperative and one of the largest producers of dairy products in the world. FrieslandCampina is working with dairy farmers in Thailand to increase the sustainable production of milk.	<ul style="list-style-type: none"> <li>Capacity building and technical training has increased the quality and quantity of milk available to market.</li> <li>Dairy farmers received training on improved feed and water management.</li> <li>Local production to local market reduces import tax that may impact the company's revenue.</li> </ul>
<b>Jollibee Foods and the farmer entrepreneurship programme</b>	The Philippines	Jollibee Food Corporation is the largest food service company in the Philippines. Through the Farmer Entrepreneurship Program (FEP), smallholder farmers are receiving training, information and direct access to local and international markets.	<ul style="list-style-type: none"> <li>Farmers have gained access to buyers which has helped stabilise their incomes.</li> <li>Training support has improved yields over a small size of land.</li> <li>Jollibee has seen the quality of produce improve due to on-the-ground engagement with farmers.</li> </ul>
<b>La Frutera: An inclusive joint venture between Unifrutti and the Paglas Group</b>	The Philippines	La Frutera is a commercial banana plantation established in 1996. Bananas being a commercial crop, La Frutera was created as a business initiative to provide employment opportunities to local Muslim communities and enhance the agricultural sector of the area.	<ul style="list-style-type: none"> <li>La Frutera has provided local farmers with a stable and increased income.</li> <li>Improved the plantation's management to include local leaders.</li> <li>Unifrutti has been able to maintain a steady supply of locally grown bananas for its Asian and Middle East markets.</li> </ul>
<b>Olam and Klasik Beans: Profits, incomes and a focus on the forest</b>	Indonesia	Olam International is a soft commodities processor and trader. Working with Klasik Beans to produce coffee and conserve the forests and ecosystems around its productions.	<ul style="list-style-type: none"> <li>Smallholders have gained access to a global market.</li> <li>Reforestation and conservation efforts have improved the quality of the forest.</li> <li>Olam has become a leading player in the speciality coffee industry.</li> </ul>

Case	Country	About	Key Results
<b>PT Mustika Minanusa Aurora and aquaculture innovation</b>	Indonesia	PT Mustika Minanusa Aurora (MMA) is a joint venture between MMA Seafood International and Taiwanese Da Chan. Working with environmental organisations, MMA is investing in initiatives that will contribute to the conservation of the local area and the sustainable supply of Indonesian shrimp	<ul style="list-style-type: none"> <li>• Shrimp farmers are producing higher quality shrimp and profiting from higher prices.</li> <li>• Through the partnership with WWF, the company has been able to rehabilitate local mangrove forests.</li> <li>• Investment into sustainable aquaculture has helped secure a more reliable supply for the company.</li> </ul>
<b>Stora Enso: Community Based Income Generation</b>	Laos	Store Enso is a global provider of renewable solutions for packaging, biomaterials, wood and paper. Working in the Southern regions of Laos, Stora Enso has invested in the development of fibre production and tree plantations.	<ul style="list-style-type: none"> <li>• Higher quality and paying job opportunities are improving farmer livelihoods.</li> <li>• Agronomic activities have improved local food security.</li> <li>• Stora benefits through a new source of competitively priced fibre.</li> </ul>
<b>Univanich: Sustainable and inclusive palm oil</b>	Thailand	Univanich is one of Thailand's leading palm oil producers and the largest exporter of crude palm oil. The Univanich Oil Palm Research Center in Krabi is working with smallholder farmers to adopt sustainable farming practices and improve the use and efficiency of agricultural inputs used in palm oil production.	<ul style="list-style-type: none"> <li>• Farmers reported higher incomes, improved living conditions and subsequently improved education for their children.</li> <li>• Univanich estates and mills have been Roundtable on Sustainable Palm Oil (RSPO) certified, meeting high standards for sustainable palm oil production.</li> <li>• Univanich is benefiting from higher yields and quality of supply through capacity building investments.</li> </ul>



# CJ-KOICA Rural Development Creating Shared Value (CSV) Project

Vietnam

## Context



CJ Group is a South Korean Conglomerate with operations in over 23 countries worldwide.



The CJ Cheiljedang subsidiary along with the Korean International Cooperation Agency (KOICA) formed the CJ-KOICA Saemaul Creating Shared Value (CSV) project in Vietnam.



As Korean firms invest more in Vietnam, CJ aims to develop a kimchi hub - a geographical area focused on the end-to-end supply for kimchi.

## Two Goals

1. Establish a sustainable food supply.
2. Reduce local poverty.



Ninh Thuan province was chosen for this location. Although one of the poorest provinces in Vietnam, with an average income of US\$ 1,083 per capita, it is the perfect location for growing red chili peppers.

## Programme Overview

### Organisational set up:

- CJ and KOICA each invest US\$ 1 million into the program annually to support infrastructure developments and community programs. This includes the Project Management Office (PMO).

### Cooperative:

- To date, 21 cooperative members have signed a contract to farm red chilli peppers with an annual production of approximately 30 tons.



### Community groups:

- The PMO assisted in establishing four community groups in order to make key decisions for the community:

Youth group

Women's group

Farmer's group

Elderly group

Improve basic living conditions and environments, build rural infrastructure and increase community income

### Chili farming:

#### The PMO has two teams:

- The agriculture team is responsible for the farmers' capacity building and agricultural techniques.
- The Saemaul team trains the farmers on the Saemul Undong (New village Movement) Spirit and helps them organize into a self-sufficient cooperative.



Saemul Undong is a South Korean Government initiative aimed at improving community development in rural areas.

## Partnerships



### K-water

A Korean water company with **experience** in irrigation and water management.



### Syngenta

Providing farmers with pesticides **knowledge** and agricultural **expertise**.



### Academia from Youngnam University

Providing **advice** on the concept of Saemul Undong.



### External CSV experts

Help to **develop** evaluation metrics for the program.

## Gender Perspective

Out of 21 households, 5 are represented by women who signed the contract. 5/21



3 out of 4 of the community groups are **led by women**

The women's group also runs its own initiatives, such as an "Income Project," where women collectively raise livestock.



50%

of the income is used for continuous community development projects.

50%

of the income distributed among themselves.

## Impacts

### Social Impact



**Socio-economic infrastructure:**  
Schools, community centre renovations and irrigation extension.



**Economic development:**  
Increase of produce quality has led to access to institutional buyers.



**Community self-reliance:**  
Inspiring community leadership and self-management.

### Business Impacts

Annually the cooperative is able to supply



By the end of 2017, CJ plans to scale the production of chili peppers to



Improved quality and quantity of chili pepper from Ninh Thuan is expected to form an important part of CJ's Kimchi value chain.

"By securing one of the key ingredients of Korean cuisine, chili pepper, CJ expects that this Rural Development CSV Project in Vietnam will later play a significant role as a hub of Korean food & food service business throughout Southeast Asia and the globe."

– Heekyung Jo Min

Executive Vice President and Executive Director of Global Creating Shared Value, CJ Group

## Success Factors



The PMO plays an important role in ensuring the localisation of the program and the continuous monitoring of progress.



The program has a long-term vision, thus enabling farmers to be independent and self-sufficient after CJ's exit in 3 years.



Each partner contributes to the program with their core expertise and capacity to generate a collective impact.



The program aligns with the New Rural Development (NRD) plan in Vietnam and helps Ninh Thuan province reach their poverty alleviation targets. This enabling CJ to receive Government support.

## Challenges



CJ plans to leave the program after three years, therefore the program needs to be designed so that farmers learn to be self-dependent in the long term.



Each partner has their own objectives and expectations, it has been a challenge to align these different interests and expectations.

## Future Plans

Continue to research other crop species suitable for local farming conditions.

Establish 2nd Saemaul CSV project in Lam Dong province this year.



**10 rural development projects** in Vietnam by 2020.

Establish standardised impact measurement and monitoring procedures for future projects.

Utilise existing supply network to create more synergies across different business lines including:



**food additives**



**animal feed**



**catering**



**logistics**

build a complete kimchi business value chain in Vietnam.

"The program has helped us form the habit of saving and nurturing our business skills. We have been learned new techniques in planting chili, which helps us increase our income and move away from traditional crops such as corn and rice."

– Ms. Ka Duyen

Women's Group Leader



# CJ-KOICA Rural Development Creating Shared Value (CSV) Project in Vietnam



## Key elements of this case

- Smallholder farmers' incomes can increase through their active engagement in the value chain of lead businesses.
- Developing community initiatives in parallel with farmer improvement plans will improve livelihoods for the whole community.
- Multiplier effects will be created with effective partnerships bringing together complimentary skills and resources.

## Context

CJ Group is a South Korean conglomerate with operations in 23 countries worldwide with large investments in food and food services. The CJ partnership with KOICA (Korean International Cooperation Agency) created the Rural Development Creating Shared Value (CSV) project in Vietnam, managed by the CJ food subsidiary CJ Cheiljedang.

Securing a steady flow of high quality agricultural products is essential for CJ's business. Red chili peppers, for example, are an important raw material in kimchi, a staple of Korean cuisine.<sup>12</sup> Based on initial assessments of its supply chain and consumer markets, CJ identified Vietnam as a strategic location for developing a kimchi hub (an area

focused on end-to-end supply chain development of Kimchi) in Southeast Asia, covering cabbage and chili planting, as well as kimchi production and processing. This can help increase incomes in a region where average annual income is US\$1,083 per capita.

CJ found an opportunity to secure a sustainable food supply and at the same time increase incomes (reducing poverty) in Ninh Thuan province. Poor agricultural practices and infrastructure had led to Ninh Thuan being one of the poorest provinces in Vietnam. However, the mountainous region has the perfect climate for growing red chili peppers and in May 2014, CJ established the CSV program at Tam Ngan Village in Ninh Thuan province in partnership with KOICA.

## Program overview

**Organisational set-up:** CJ and KOICA each invested US\$1 million into the program to support infrastructure projects and various community development programs, as well as the operation of the Project Management Office (PMO). CJ and KOICA started by establishing a PMO that works directly with the local community. The PMO comprised ten staff, both Vietnamese and Korean.

**Chili farming:** The PMO has an agriculture team, which consists of CJ's agriculture experts, responsible for the smallholder farmers' capacity building and agricultural techniques, and a Saemaul team, which trains farmers on the Saemaul Undong spirit and helps them organise themselves into a self-sufficient cooperative. The cooperative then liaises with the other local farmers and signs farming contracts with them. To date, 21 cooperative members have signed a contract to farm red chili peppers, with an annual production of approximately 30 tons. By the

end of 2016, more households were expected to join the program and expand the scale of chili pepper farming to 10 hectares.

The Saemaul Undong, also known as the New Village Movement, was a nationwide initiative launched by the South Korean government to modernize the rural economy in the 1970s.<sup>13</sup> It is made up of four pillars:

1. Core principles of diligence, self-reliance and cooperation
2. Community driven development initiatives based on experiences from Korea
3. Improving basic living conditions and environments, building rural infrastructure and increasing community income
4. Encouraging community initiatives for sustainable development with guidance and support from government and other organisations

**Community groups:** The PMO helped community members set up four community groups, including a Youth Group, a Women's Group, a Farmer's Group and an Elderly Group, each of which is comprised of 10-30 members. These groups have their own leaders and organize regular meetings to discuss the key issues relevant to their group as well as devise proposals for community programs that can improve their living standards. The leaders and representatives of these four groups form the Saemaul Committee, which makes key decisions for the community development programs.

**Government support:** The program aligns with the New Rural Development (NRD) plan in Vietnam and helps Ninh Thuan province to reach their poverty alleviation targets through the Rural Development CSV project. This enables CJ to receive support from the local government in Vietnam and share best practices in rural development from Korea.

## Partnerships

In addition to KOICA and local government agencies in Vietnam, the program also involves partners from different industries, including:

- **K-Water:** a Korean water company with experience in irrigation and water resource management.
- **Syngenta:** providing farmers with pesticides knowledge and agricultural expertise.
- **Academics from Youngnam University:** providing advice on the concept of Saemaul Undong and conducting research for the program.
- **External CSV experts** that help develop evaluation metrics for the program.

## Gender perspective

- **Women farmers:** Out of the 21 households, five are represented by women who signed the initial contract. In general, most family members are involved in farming activities. Thus for households where men sign the contract, there are also women involved in farming. However, on average, female farmers receive less income than male farmers for the same amount of work.
- **Leadership:** Out of the 4 community groups, 3 groups are led by women, which demonstrates the leadership of women in the village. The Women's Group is the first group that has proposed and implemented an "Income Project", where women collectively raise pigs and utilize 50% of the income for continuous community development projects, while distributing the remaining 50% amongst themselves.

This CSV project has two important components which should be achieved simultaneously; community (self-reliance) development and agricultural development. Therefore, women groups' activities (income project, raising pigs) are also considered as parts of the 'CJ-KOICA Rural Development CSV project' value chain.



## Impacts and results

### Social impacts:

The program assists local villages in Ninh Thuan province, with Tam Ngan as a pilot village, to improve conditions in three key areas:

- **Socio-economic infrastructure:** household water pipe installation, school, kindergarten and community centre renovation and the extension of irrigation systems to 1,250 meters.
- **Economic activities and development:** provision of micro-credit financing to the cooperative, increased outputs and an increase in annual household income from US\$ 500 to US\$ 1,700. The increase in product quality has also led to access to other institutional buyers.
- **Community self-reliance:** building up the capacity of the farmer cooperative, inspiring community leadership and developing self-management for the future.

### Business impacts:

- The cooperative is able to supply around 30 tons of chili pepper per year.
- CJ plans to scale up the production of red chili peppers to 200 tons by the end of 2017.
- The improved quality and quantity of the chili pepper supply from Ninh Thuan is expected to form an important part of CJ's kimchi value chain in Vietnam.

## Success factors

- The PMO plays an important role in ensuring the localization of the program and the continuous monitoring of progress.
- The program has a long-term vision of enabling the farmers to be independent and self-sufficient after CJ exits after three years.
- Each partner effectively contributes to the program with their core expertise and capacity, which generates a collective impact and contributes to the success of the public-private partnership.
- The project has strengthened ties with community leaders and their engagement within the program. Including fostering young community leaders for the long-term commitment and sustainability of the project.

## Challenges

- Since CJ plans to exit from the program after three years, the program needs to be designed in a way so that the farmers can learn to be self-dependent in the long term. The change of mind set and habits is a greater challenge than empowering them with farming knowledge and techniques.
- The collaboration with multiple partners is sometimes difficult to manage. Each partner has their own objectives and expectations, thus the initiative has been a challenge to align the interests and expectations of different partners.

## Future plans

CJ will continue to explore crop species suitable for further developing local farming opportunities such as green beans, and develop standards and criteria for measuring the social and business impacts of its CSV model. The results of the pilot program at Tam Ngan village are also expected to highlight key areas of focus for future anti-poverty initiatives in other agricultural areas of rural Vietnam.

- CJ established its 2nd Rural Development CSV project in Myanmar in 2016 and aims to expand the rural development projects throughout Southeast Asian countries.
- With the acquisition of the largest kimchi production factory and sales network in Vietnam in 2015, the Group also aims to create more synergies across different business lines including food additives, animal feed, catering and logistics, and build a complete kimchi business value chain in Vietnam.
- Based on the model of the pilot village, the Group plans to set up standardized impact measurement and monitoring procedures for future projects.





# Double A: Introducing Secondary Crops to Increase Smallholder Incomes

Thailand

## Context



million tonnes



Headquartered in Thailand, Double A (1991) Public Co., Ltd is an integrated pulp and paper manufacturer with a production capacity of 1 million tonnes of writing and copy paper per year. Double A works closely with Thai farmers to cultivate trees for paper along the unused space between rice paddies that are referred to as “KHAN-NA”.

## Programme Overview



### Suitable tree varieties

Over three decades, Double A has invested in the development of tree strains capable of producing high yields while adaptable to Southeast Asia's tropical climate.



### Debt reduction

Issuing a buy-back contract for seedlings bought by farmers. Buy-back contracts reduce debt risks for farmers and guarantees quality support and production of trees.



### Capacity development for farmers

Providing training to farmers to build local capacity of planting, growing and harvesting Double A Paper-Trees.



### Enhancing access to certification

Advocating that forest certification schemes should be more accessible for smallholders to further enhance incomes of farmers.

To date, over 400 million Double A Paper-Trees have been planted in Thailand which have provided secondary incomes to over 1.5 million farmers.

“The KHAN-NA model has provided our company (Double A) with an opportunity to work more closely in the communities where we operate. To secure a sustainable supply, expand our operations and contribute to local development while more importantly supporting local farmers and the families that we depend on.”

— K. Thirawit Leetavorn

Senior Executive Vice President at Double A (1991) Public Co., Ltd.

## Partnerships



**Kasetsart University:** Researchers from the University conducted work to better understand **the impact** of Double A Paper-Trees on **local crops** and the surrounding **environment**.



Chulalongkorn University and the **Asian Institute of Technology (AIT):** Helped to track farmer **satisfaction** and **practical** support during **implementation**.



Programme for the Endorsement of Forest Certification (**PEFC**): The world's **largest** forest certification system provided the **certification framework**.


## Gender Perspective




Double A's KHAN-NA model provides access to income for Thai farmers. The program helps augment the livelihoods of Thai farmers by providing an alternative source of income on top of the regular income from traditional cash crops such as rice. **In addition, the KHAN-NA model is an inclusive platform as it is open to all regardless of gender.**




## Impacts



**Growing timber supply:** The KHAN-NA model has increased the availability and supply of paper trees across Thailand.



**Rational land use management and risk reduction:** This technique ensures that land is not converted to monocultures or taken away from food production.



**Farmer empowerment:** The survey carried out by Asian Institute of Technology and Chulalongkorn University found that farmers felt socially and economically empowered by the new opportunities that Double A has provided through the model.

## Success Factors



**Secondary crops:** The model creates new value from pulp production without adversely affecting the farmer's primary crop. Research indicated that farmers have been able to earn US\$1,000 more per crop cycle.



**Support to farmers and their networks:** Double A provides timely technical support to farmers to ensure their output.

"Growing Double A Paper-Trees provides many benefits. It contributes to making a greener environment for the community and generates additional income for the farmers. It also provides the ridges of our paddies with enough shade, which serves as our shelter from the harsh sunlight."

— Kasem Kulsaree  
Farmer of Double A Paper

## Challenges



**Resource deployment**  
The KHAN-NA model required significant resources during the initial stages of the model's development and deployment.



**Logistics**  
The model required significant logistical support during harvesting and post-harvesting as the wood was often difficult to access and extract.



**Wood certification**  
With an increasing market demand for certified wood, the production of paper trees needed to have some level of certification in order to be truly sustainable and reach premium prices.

## Future Plans

Double A intends to scale up and replicate this model in other areas of Thailand and across Asia. Working with key national and international stakeholders, including PEFC, to develop a certification framework for Double A Paper from KHAN-NA and similar agroforestry programmes.

# Double A: Introducing Secondary Crops to Increase Smallholder Incomes in Thailand



## Key elements of this case

- Providing secondary incomes to smallholders through efficient land use helps to reduce climate change related debt risks.
- Most of the farmers that take part in the initiative are women, improving livelihoods for the whole family.
- Buy-back contracts that guarantee smallholders future incomes, makes them more willing to change and innovate in the way they farm.

## Context

Headquartered in Thailand, Double A (1991) Public Co., Ltd is an integrated pulp and paper manufacturer with a production capacity of 1 million tonnes of writing and copy paper per year. Double A works closely with Thai farmers to cultivate trees for paper along the unused space between rice paddies that are referred to as “KHAN-NA”. With a large proportion of Thailand being preserved for agricultural food production, there is limited space for the cultivation of trees. Double A recognised this as an opportunity to improve the efficiency of

land use, creating space to grow paper trees in amongst the rice paddies.<sup>14</sup>

In recent years Thai rice farmers have become susceptible to losses and debt risks due to erratic climatic conditions coupled with increasing costs of farming inputs and market instability. Double A has created an innovative approach to increase the availability of paper trees in Thailand with the capability to reduce rural poverty and enhance livelihoods of smallholders.

## Program overview

Double A works closely with Thai farmers to cultivate trees for paper between fields, on the raised pieces of soil that are referred to as KHAN-NA. The KHAN-NA, previously vacant and unused, is transformed into a productive agricultural resource. Key aspects of the program are:

**Suitable tree varieties:** Over three decades, Double A has invested in the development of tree strains capable of producing high yields while adaptable to Southeast Asia’s tropical climate. The result was the introduction of a hybrid species of Eucalyptus, naturally made with a short root system (for low water consumption) and faster growth rates. These trees can then be harvested more often, between three to five years.

**Capacity development for farmers:** Double A provides training to farmers to build local capacity of planting, growing and harvesting Double A Paper-Trees.

**Debt reduction:** Double A issues a buy-back contract for seedlings bought by farmers. Buy-back contracts reduce debt risks for farmers and guarantees quality support and production of trees. The approach encourages the farmers to change and innovate.

**Enhancing access to certification:** In a number of forums, the company has advocated that forest certification schemes should be more accessible for smallholders to further enhance incomes of farmers.

To date, over 400 million Double A Paper-Trees have been planted in Thailand which have provided secondary incomes to over 1.5 million farmers.<sup>15</sup>

## Partnerships

Double A partnered with several academic institutions to research, review, and support the implementation of this agro-forestry model.

- **Kasetsart University:** Researchers from the University conducted work to better understand the potential impact of Double A Paper-Trees on local crops and the surrounding environment (including water and soil).
- **Chulalongkorn University and the Asian Institute of Technology (AIT):** Helped to track farmer satisfaction and provided technical and practical support during implementation and measured environmental impact.
- **Programme for the Endorsement of Forest Certification (PEFC):** The world's largest forest certification system provided the certification framework.

## Gender perspective

- Double A's KHAN-NA model provides access to income for Thai farmers. The program helps augment the livelihoods of Thai farmers by providing an alternative source of income on top of the regular income from traditional cash crops such as rice. In addition, the KHAN-NA model is an inclusive platform as it is open to all regardless of gender.

## Impacts and results

- **Growing timber supply:** The KHAN-NA model has increased the availability and supply of paper trees across Thailand.
- **Rational land use management and risk reduction:** This technique ensures that land is not converted to monocultures or taken away from food production and enables the sustainable use of natural resources.
- **Farmer empowerment:** The survey carried out by AIT and Chulalongkorn University found that farmers felt socially and economically empowered by the new opportunities that Double A has provided through the model. The research also found that access to income for women improved the wellbeing of the entire family.





## Success factors

- **Secondary crops:** The model creates new value from pulp production without adversely affecting the farmer's primary crop. Double A research indicated that farmers have been able to earn US\$1,000 more per crop cycle with the integration of the new trees.
- **Support to farmers and their networks:** Double A provides timely technical support to farmers to ensure their output. New farmers need extra support and reassurance that the trees will not affect their primary crops and to establish trust in the buy-back contracts.
- **Dual incomes:** There is no conversion of agricultural lands for paper tree growing. Instead, the KHAN-NA model encourages farmers to have two sources of income, with rice as a cash crop, benefiting their livelihoods and the local ecology.

## Challenges

- **Resource deployment:** The KHAN-NA model required significant resources during the initial stages of the model's development and deployment. This required strategic efforts to move farmers away from traditional practices, to understand the ecological and financial benefits involved, and to instil confidence in the company's buy-back contracts.
- **Logistics:** The model required significant logistical support during harvesting and post-harvesting as the harvestable wood was often difficult to access and extract.
- **Wood certification:** With an increasing market demand for certified wood, the production of paper trees needed to have some level of certification in order to be truly sustainable and reach premium prices.

## Future plans

- Double A intends to scale up and replicate this model in other areas of Thailand and across Asia. As there is potential to enhance sustainable practices, increase harvest and post-harvest yields as well as incorporate more smallholders and large agricultural companies.
- Double A is working with key national and international stakeholders, including PEFC, to develop a certification framework for Double A Paper from KHAN-NA and similar agroforestry programmes.<sup>16</sup>

# East-West Seed and Expanding Vegetable Market in Myanmar

## Myanmar

### Context



East-West Seed (EWS) is one of the largest vegetable seed companies in the world and a leader in Southeast Asia.



For over 30 years, developed and propagated a range of hybrid and open-pollinated tropical vegetable seeds, designed to adapt to local growing conditions and wet markets.



Supporting smallholder farmers through innovative products, knowledge transfer and advocating the role of vegetables as a profitable business opportunity.

#### EWS' business approach to improving the income and livelihoods of smallholder farmers includes:

- Focusing on local breeding which caters to local demand and conditions, in order to expand and develop more than 800 varieties of 37 vegetable crops varieties.
- Developing small seed packages (approx. US\$1 per pouch) to suit the needs of smallholder farmers, who represent 85% of the world's farm holdings.
- Providing local extension workers to train farmers on improved growing techniques, which have been used in Thailand, India, Cambodia, Indonesia, Myanmar and the Philippines. In 2016, EWS set up a corporate foundation to direct and manage farmer extension services and cultivate business opportunities.



### Programme Overview



#### 2005

Since 2005, EWS sought to establish Myanmar's first integrated seed development and production base.



#### 100,000 Farmers

Given that quality seed is still considered to be at a rate of low penetration, the potential for uptake could expand to over 100,000 additional farmers and provide each farmer an additional US\$76 to US\$524 per hectare.



#### Quality

High quality seed and the right knowledge, small holders can vastly improve their crop yields, profits and competitiveness.



#### Nationally

Nationally, the seed market in Myanmar is estimated to grow to over US\$31 million over the next few years.

#### Long term local development:

- EWS' business objectives focus on long-term commercial interests as opposed to short term gains which only hinder the development of the local market.

#### Sharing sensitive information:

- The company shares "non-excludable" information to all farmers, rather than just those that work directly with the company.

#### Building a competitive market:

- The objective is to create an environment where commercial activities are more successful and in doing so, create an accessible, growing and competitive market.

### Partnerships



Formed range of partnerships with a multitude of stakeholders.



#### 5,400 farmers

In 2015, the company was able to reach over 5,400 smallholder farmers in part due to funding programs such as the **Livelihoods and Food Security Trust Fund (LIFT)** fund.



The LIFT fund in collaboration with Mercy Corps and Swisscontact has helped EWS to overcome challenges within the value chain and to target and disseminate key technical knowledge.

### Gender Perspective

In 2016, 20-25% of Myanmar farmers **participating in EWS extension activities were women.**



EWS aims to develop **business opportunities** for all smallholder farmers and encourages anyone to participate in its trainings, regardless of gender.



Providing an **inclusive environment** for women to gain knowledge and develop their skills in order to improve their livelihoods.



## Impacts

### Social and Business Impacts



EWS has emerged as a leader and innovator in the vegetable industry.



Enhanced healthy competition within the market either through training or the dissemination of best farming and cultivation practices.



Improved access to better quality seed and technical knowledge from EWS' extension activities.



With knowledge dissemination, farmers are overcoming technical barriers and increasing productivity within the domestic vegetable industry.

"Knowledge transfer activities, catalyses opportunities in new and developing markets where EWS has a long term commercial ambition. Through showcasing profitable and sustainable farm practices, our pre-commercial work grows a demand for better quality agro-inputs in areas which would otherwise be of less immediate interest or priority to the company."

— Stuart Morris

Director at East-West Seed Knowledge Transfer

## Success Factors



Cross sector partnerships with international development organisations, government agencies (Dutch government and European Union), the government of Myanmar and the local non-governmental sector.



Smallholder capacity building.



Dialogue with the public sector by jointly organising roundtable meetings, seminars, trainings and other events involving policymakers, regulators, society and industry.



Promoting the emergence of a dynamic wholesale and retail market for fresh tropical vegetables.



Supporting the development of the job market through on-the-job training for fresh graduates, scholarships and advise on vegetable production activities at Yezin Agricultural University.



EWS extension teams monitor farms using EWS seed to support production.

"I was already growing corn, black gram and tomatoes but without being aware of improved varieties and techniques I was unable to increase my income. EWS supported me with high quality seeds and in developing my skills after which I experienced a higher income, enabling me to live peacefully and with more security."

— Thet Naing

Smallholder Farmer

## Challenges



Farmers experience issues related to access to credit, market information, infrastructure.



Lack of public policy support as the national government has focused on the development of the rice industry as opposed to the vegetable industry.

## Future Plans

EWS is continuously working to provide business opportunities for smallholder farmers

- The company will enhance its seed distribution systems
- Expanding the availability of extension activities
- Cooperate strategically with partners to improve and enlarge public outreach.



# East-West Seed and the Expanding Vegetable Market in Myanmar



## Key elements of this case

- In Myanmar vegetables are all grown by smallholder farmers. As domestic demand grows and export markets expand there is a huge potential to grow more products and increase farmer incomes.
- Better productivity and quality can be achieved by using better quality seeds and through knowledge transfer to farmers and other key actors in the agricultural sector.
- Strategic partnerships with development agencies and governments have allowed EWS to scale up their activities with smallholders.

## Context

East-West Seed (EWS) is one of the largest vegetable seed companies in the world and a leader in Southeast Asia.<sup>17</sup> In 2016, EWS was recognised for its leadership in providing access to quality seeds to smallholder<sup>18</sup> farmers, receiving first place on the “Access to Seeds Global Index” for Vegetable Seed Companies.<sup>19</sup> EWS recognises that feeding the world’s growing population is one of the most pressing challenges of the 21st century and smallholder farmers in Asia represent an untapped opportunity to help meet that challenge.

For over 30 years, East-West Seed has developed and propagated a range of hybrid and open-pollinated tropical vegetable seeds, designed to adapt to local growing conditions and wet locations. East-West Seed has sought to support smallholder farmers through innovative products, knowledge transfer and demonstrating a role of vegetables as a profitable business opportunity.

The business approach of EWS is based around improving the income and livelihoods of smallholder farmers including:

- Focusing on local breeding which caters to local demand and weather conditions, in order to expand and develop more than 800 varieties of 37 vegetable crops.<sup>20</sup>
- Developing small seed packages (approx. US\$1 per pouch) to suit the needs of smallholder farmers, who represent 85% of the world’s farm holdings.
- Providing local extension workers to train farmers on improved growing techniques, which have been used in Thailand, India, Cambodia, Indonesia, Myanmar and the Philippines. In 2016, EWS set up a corporate foundation to direct and manage farmer extension services and cultivate business opportunities.<sup>21</sup>

In addition to improving agricultural productivity and profits for smallholder farmers, EWS’ business objectives focus on long-term commercial interests as opposed to short term gains which only hinder the development of the local market. To achieve this, the company shares “non-excludable” vegetable farming information to all farmers, rather than just those that work directly with the company. The overarching objective is to create an environment where commercial activities are more successful and in doing so, create an accessible, growing and competitive market.

## Program overview

Since entering the market in 2005, EWS has sought to establish Myanmar's first integrated seed development and production base, combined with strong farmer support that focuses on embedding market-oriented knowledge and technology to scale-up the productivity and income of farmers.

Presently, smallholder farmers supply all of the fresh vegetables in Myanmar, however yields and quality of produce remain poor. As Myanmar's economy develops and the market transforms, there will be growing consumer demand for higher quality vegetables. For the export market, border trade of fresh vegetables are a significant opportunity for Myanmar. However, as the liberalisation of trade under the ASEAN Economic Community opens local smallholders to increasing competition from abroad.

Private sector expertise and resources can help develop breeding programs for Myanmar that are aligned to the changing needs of Myanmar's domestic and export markets for fresh vegetables. EWS is extending access to high quality seeds to smallholder farmers in Myanmar. These seeds with high productivity and tolerance to pests and diseases are developed through local in-field research. In addition to the seeds, EWS is also delivering advanced horticultural knowledge to enable farmers to increase their farm productivity and income.

Although the current average net profit in Myanmar is not known, experience shows it can be as low as US\$450 per hectare. Figures collected from key farmers in Shan, Rakhine, Bago and Mandalay indicate that the average net income from 400 square meter demonstration farms using high-quality seeds and improved farming practices is approximately US\$4,375 per hectare.

EWS approach in Myanmar is to focus on enhancing knowledge transfer:

**To smallholders:** At the heart of EWS approach to smallholder farmers in Myanmar is sharing of technical knowledge to develop profitable, sustainable, and more efficient farming practices.<sup>22</sup> Through training, field days and demonstration farms, the company promotes better cultivation practices that allow farmers to reap the full benefits of quality seeds. This lays the foundation for the development of a more vibrant agricultural business sector by increasing the supply and demand for high quality seeds.

**To government:** EWS encourages dialogue and strengthens linkages with the public sector by jointly organising roundtable meetings, seminars, training and other events involving policymakers, regulators, industry and local communities.

**To the education and the scientific community:** EWS supports the development of market-focused human resources through scholarships at Yezin Agricultural University, on-the-job experience for fresh graduates and providing farm inputs and advice for vegetable production activities within the university.

## Partnerships

EWS has formed a range of strategic partnerships with a multitude of stakeholders ranging from academia, the private and public sectors, non-governmental organizations and development organizations. In 2015, the company was able to reach over 5,400 smallholder farmers due to funding programs such as the Livelihoods and Food Security Trust Fund (LIFT) fund. The LIFT fund in collaboration with Mercy Corps and Swisscontact has helped EWS to overcome challenges within the value chain and to target and disseminate key technical knowledge.<sup>23</sup> EWS has also worked with development specialists from the Dutch government and the European Union.<sup>24</sup>

## Gender perspective

In 2016, 25% of Myanmar farmers participating in EWS extension activities were women. This is expected to grow due to the increasing demand for pollinators, a job that is commonly done by female farmers. EWS aims to develop business opportunities for all smallholder farmers and encourages anyone to participate in its trainings, regardless of gender.

## Impacts and results

- **Innovation within the industry:** EWS has emerged as a leader and innovator in the vegetable industry, committed to making transformative change in the field and in promoting healthy competition within the market through training and the dissemination of best farming and cultivation practices.
- **Growth of the local economy:** Access to better quality seed and technical knowledge from EWS' extension activities provides farmers with the means to realize higher yields and incomes as a result. Building farmer capacity supports farmers to overcome technical barriers and promotes the growth of the domestic vegetable market and local economy.

## Success factors

- **Cross sector partnerships:** Collaborating with international development organisations, government agencies, and the local non-governmental sector has enabled the company to build up the capacity of smallholders and to benefit an emerging and dynamic wholesale and retail market for fresh vegetables. This approach has also worked well for EWS in markets such as the Philippines, Cambodia, Indonesia, Thailand, India, and Tanzania.
- **Higher incomes:** At least 50% of commercial vegetable farmers in Myanmar are using low-quality traded seed that hinders crop productivity. EWS extension teams monitor farms using EWS seed to support production and ensure that gross crop margins, and net farmers' incomes are increasing.

## Challenges

- **Trust and access:** It is necessary to reduce farmers' aversion to 'risk' or change. This takes time, commitment and regular face-to-face contact. EWS specialises in production practices from seed to harvest, however farmers have many other issues affecting the success of their business (e.g. access to credit, market information and infrastructure).
- **Changing public sector interests:** Government policy has been predominately focused on the development of the rice industry, although more focus has now been directed to the vegetable industry with the recent support of the Ministry of Agriculture and Irrigation. These changing public policies were a result of numerous stakeholder engagement exercises in which EWS took a leading role.

## Future plans

EWS is continuously working to provide business opportunities for smallholder farmers. The company will enhance its distribution systems so that farmers receive improved access to seeds. An integral part of the process will require EWS to expand the availability of extension activities and to cooperate strategically with partners to improve and enlarge public outreach.



# FrieslandCampina: Increasing Incomes for Thai Dairy Farmers

Thailand

## Context

FrieslandCampina has grown rapidly across Asia in the past 30 years in line with high growth in demand for their products and changing consumer preferences.

The FrieslandCampina Dairy Development Programme (DDP) aims to contribute to food security, more sustainable production of milk and raising the standards of living for dairy farmers in a number of focus countries.



The DDP aims to help farmers in three ways:



Raising raw milk quality and safety.



Increase farm productivity.



Supporting farmers in getting a market for their milk.

## Programme Overview



Over **80 percent** of milk in Asia is produced by smallholders. In Thailand, in order to support local smallholder dairy farmers to raise the quantity and quality of their milk production, FrieslandCampina introduced the DDP in 2011.



Today more than **5,500** Thai farmers, each owning between **15-20 cows**, are already a part of the DDP and numbers are growing.

The goals of the programme are to:



Establish a holistic milk collection system



Provide technical services and consultation programmes



Assist with rural agricultural development and health promotion

Train farmers on: animal health, fertility and calf-rearing, milk quality, feed and water management, data management, accounts and business management.



## Partnerships



Working with **local** governments in **Thailand** ensures that the **DDP aligns** with the government **agenda** on agricultural production.



Collaborating with **Agriterro** and **Wageningen University** in the **Netherlands** helps with research support.

Through its **"Farmer2Farmer"** initiative, FrieslandCampina has created an **exchange in knowledge** between experienced Dutch farmers (who visit Thailand) and the local farmers.



## Gender Perspective



Women are central to the purchasing decisions for their children and by highlighting the nutritional benefits of dairy FrieslandCampina can educate women and children about health.

By improving the income of farmers, women have more of a choice to opt out of performing heavier, manual farm work.

## Impacts

### Business Impacts



FrieslandCampina is able to maintain a steady supply of milk, purchasing up to 340 tonnes of raw milk per day.



Provide local markets with local produce.



Increased the resilience of its own supply chain.

### Social Impact



Thai farmers are producing higher quantities of milk.



Farmers and their families are remaining in rural areas.



The local sourcing of milk has led to an increase in employment in milk collection centres (MCCs).



As one of the largest dairy producers in Thailand, FrieslandCampina promotes better nutrition and plays a large role in community development and health education.

"By developing and investing in the local dairy sector in Asia, FrieslandCampina is able to secure livelihoods of farmers and future generations of dairy farmers. The smallholder dairy community is integral to our daily operations, and we are enhancing the dairy processing infrastructure as well as the security of our supply chain through the Dairy Development Programme."

— Piet Hilarides  
Chief Operating Officer at  
FrieslandCampina Asia

## Success Factors



Thai society has accepted dairy as a necessary product for vitamin consumption.



The DDP has direct and indirect impacts such as creating extra jobs and driving the development of the entire dairy sector.

"I have learned how to improve the quality of my milk and keep records. With FrieslandCampina's assistance I am able to improve the hygiene and nutrition of my cows, leading to higher yields and better quality milk production. My income has increased substantially and my children are proud to stay on the farm and run a profitable business."

— Supasit Soobkambang  
Smallholder Farmer

## Challenges



### Investment

There is a need to continually invest in infrastructure and technologies.



### World markets

Volatile dairy prices on the world market can increase the cost of producing milk in Thailand.



### Social impacts

Measuring social impacts is always a challenge.

## Future Plans



Continue to engage with farmers and increase the quality of the interactions with cooperatives by developing new, appropriate training structures.



Develop a new set of Key Performance Indicators.



Develop another 100 farms under the DDP.



# FrieslandCampina: Increasing Incomes for Thai Dairy Farmers



## Key elements of this case

- Helping to improve the quantity and quality of production can increase the incomes of farmers and at the same time make a company's supply chain more secure and resilient.
- Farmers from countries with well-developed agricultural sectors are often able (and willing) to provide experience and insights to help smallholders in developing countries.
- There is a need to continually invest in infrastructure and technologies that can enhance capabilities and capacity in order to improve farmers' productivity.

## Context

FrieslandCampina is a Dutch dairy cooperative and one of the largest producers of dairy products worldwide. It has many different brands in Asia that promote dairy as an important part of daily nutrition. With its high-quality milk and dairy products, FrieslandCampina seeks to make a contribution to food security and health. It also places a great emphasis on making sure that it provides a good living for its farmers now and in the future.

FrieslandCampina has grown rapidly across Asia in the past 30 years in line with high growth in demand for their products and changing consumer preferences. Although this growth has often been met by overseas imports of milk from traditional dairy farming countries, the desire for fresh, locally sourced milk has provided opportunities to incorporate local suppliers into their supply chain.

The FrieslandCampina Dairy Development Programme (DDP) aims to contribute to food security, more sustainable production of milk and raising the standards of living for dairy farmers in a number of focus countries.<sup>25</sup> In order to achieve this, FrieslandCampina focuses on sharing knowledge and expertise concerning the sector by means of training, knowledge partnerships and initiating and supporting projects aimed at improving the dairy farming infrastructure. The DDP supports local dairy farmers (mainly smallholders) in particular in Indonesia, Thailand, Vietnam, Malaysia, China, Russia, Romania and Nigeria to improve the quality of the milk, to increase the productivity per cow and to improve access to the market.

The DDP aims to help farmers in three ways:

- Raising raw milk quality and safety
- Increase farm productivity
- Supporting farmers in getting a market for their milk

## Program overview

Nearly 80 percent of milk in Asia is produced by smallholders.<sup>26</sup> In Thailand, in order to support local smallholder dairy farmers to raise the quantity and quality of their milk production, FrieslandCampina introduced the DDP in 2011. FrieslandCampina found that local smallholder dairy farmers were not able to reach end markets with their produce and were generating low returns. Over time this has resulted in a sharp reduction in the number of young people staying on as farmers.



FrieslandCampina recognised that there was an opportunity for smallholder dairy farmers to produce milk locally and have become critical to FrieslandCampina's supply chain. In sourcing from smallholders, FrieslandCampina recognised the need to support the livelihoods of the suppliers and make dairy farming more attractive to the next generation of farmers.

Today more than 5,500 Thai farmers, each owning between 15-20 cows, are already a part of the Company's DDP and numbers are growing. The goals of the programme are to:

- **Establish a holistic milk collection system to get access to markets**
- **Provide technical services and consultation programmes to improve productivity, hygiene and quality**
- **Offer incentive payments when quality and quantity factors are met**
- **Assist with rural agricultural development and health promotion**
- **Train farmers on:**
  - *animal health – maintaining healthy cows is the first step in producing quality milk fertility and calf-rearing*
  - *milk quality – ensuring standard milk quality and safety among different suppliers feed and water management*
  - *data management, accounts and business management*

Through its "Farmer2Farmer" initiative, FrieslandCampina has created an exchange in knowledge between experienced Dutch farmers (who visit Thailand) and the local farmers. By leveraging Dutch farming experience, FrieslandCampina is able to equip Thai smallholder dairy farmers with skills and technical knowledge that can increase their production capabilities.<sup>27</sup>

The result has been better prices paid to farmers for their milk, increased production and less wastage due to poor quality and contamination. This has increased incomes for the farmers themselves and created new jobs around milk collection systems.

## Partnerships

Developing partnerships is critical to the success of the DDP as well as in teaching people about the nutritional benefits of dairy in diets:

- Working with local governments in Thailand ensures that the DDP aligns with the government agenda on agricultural production.
- Collaborating with Agriterro and Wageningen University in the Netherlands helps with research support.

## Gender perspective

FrieslandCampina both directly and indirectly supports the position of women in Thailand's farming communities:

- By supporting the development of bio-gas systems in remote areas, FrieslandCampina is reducing traditional wood fire ovens and improving the health of women.
- By improving the income of farmers, women have more of a choice to opt out of performing heavier, manual farm work.
- Women are central to the purchasing decisions of their children, therefore FrieslandCampina designed products with information on them, to display the nutritional benefits of milk to women and children.

## Impacts and results

### Business impact:

- FrieslandCampina is able to maintain a steady supply of milk, purchasing up to 340 tonnes of raw milk per day. This supply is used to make cheese and other dairy products, for the domestic market as well as for export to countries in the region.
- FrieslandCampina is able to provide local markets with local produce, decreasing the demand on imports and raising their own revenues.
- Through increasing the quality and quantity of milk coming from smallholder farmers, FrieslandCampina has increased the reliability of its own supply chain.

### Social impact:

- Due to the DDP, Thai farmers are producing higher quantities of milk than before and are able to earn a higher income for their families.
- Due to these increased incomes, farmers and their families are remaining in rural areas. This reduction on migration to the cities has a positive effect on rural development.
- The local sourcing of milk has led to an increase in employment in milk collection centres (MCCs) where local people are employed as technicians, support staff and collection point employees.
- As one of the largest dairy producers in Thailand, FrieslandCampina promotes better nutrition and plays a large role in community development and health education.

## Success factors

- The “Farmer2Farmer” initiative provided smallholder dairy farmers with skills and technical knowledge, increasing the farmers’ quality, production and incomes.
- Thai society has accepted dairy as a necessary product for vitamin consumption for the young and old. The Government has also developed support schemes for introducing milk into schools and other communities, helping to further increase demand.
- The DDP has direct and indirect impacts such as creating extra jobs and driving the development of the entire dairy sector.

## Challenges

Although there is increased demand for dairy products across Asia, there are challenges associated with managing a smallholder model.

- The sheer number of smallholder farmers supplying fresh milk to FrieslandCampina in Thailand requires a large network and comprehensive infrastructure. There is a need to continually invest in infrastructure and technologies that can enhance capabilities and capacity in order to improve farmers’ productivity.
- Volatile dairy prices on the world market can increase the cost of producing milk in Thailand due to lower efficiencies.
- Ensuring that the new skills taught through the DDP are actually implemented on the farm in order to maintain the quantity and quality of milk.

- Measuring social impacts is always a challenge but FrieslandCampina is in the process of developing measurement indicators.
- Promoting positive actions toward environmental issues is a universal obstacle when dealing with the traditional agrarian sector.

### Future plans

There is still a large portion of demand that is met by dairy imports and rural areas where agricultural practices still need developing. FrieslandCampina aims to:

- Continue to engage with farmers and increase the quality of the interactions with cooperatives by developing new, appropriate training structures.
- Develop a new set of Key Performance Indicators including Good Dairy Farming Practices (GDFF) scores.
- Develop another 100 farms under the DDP and use them as learning centres for others.





# Jollibee Foods and the Farmer Entrepreneurship Programme


The Philippines

## Context



**Largest food service provider in the Philippines.**

**2,300**  
JFC has more than **2,300 branches** in the Philippines and more than **600** globally.



**32%**  
**Agriculture is a critical component** of the Philippines economy, employing 32% of the total workforce.



JFC recognized that a key driver for economic growth in rural communities is access to market-based, entrepreneurial opportunities.

## Programme Overview

### Farmer capacity-building

- Farmers receive training on agro-business development, with the eight-step clustering approach developed by the Catholic Relief Service (CRS).
- The eight steps prepare farmers to link with the market.



### Partnership Management

- Jollibee Group Foundation (JGF) assists farmers in obtaining access to various resources and technical assistance, including institutional buyers such as JFC.



### Advocacy and Promotion

- JGF partners with academic institutions to document the initiatives and develop materials.



"Many have said that directly supplying to Jollibee is an impossible dream for farmers, but FEP has been a great blessing. We discovered that we could dream for ourselves and our families."

— Arnold Dizon  
Chairman of KALASAG Farmers Producers Cooperative



## Partnerships

### NGO



Catholic Relief Services (CRS)  
**Assists with Farmer training**

### BUSINESS



National Livelihood Development Corporation (NLDC)  
**Micro-finance**

### EDUCATION



Local academic institutions document the initiatives and develop materials

### GOVERNMENT



Local Government Units (LGUs)  
**Visit the farmers to ensure operating expectation of**



Department of Agriculture (DA)  
**Provides training and facilities**

## Gender Perspective

Both men and women participate in the suite of workshops and sessions run by the FEP.



### In most farming groups:

Men are more involved in the primary farming work.

Women are more responsible for the processing.

The Hundred Islands Farmpreneurs Association (HIFA) is one of the cooperatives where **women make up 7** out of 17 of the total members, predominantly in leadership positions.

7/17



They have worked with JFC since 2015

## Impacts

### For Farmers



#### Development as entrepreneurs:

Since 2008, more than 1,800 farmers involved in the FEP agro-enterprise training.



#### Increased and stable income:

Increase of produce quality has led to access to buyers.



#### Shared benefit for the community:

One of the cooperatives, the Kalasa Farmers Cooperative, hires women, the elderly and out-of-school youth to process their produce.

### For JFC's business

#### Quality improvements:

Technical training and on the ground engagement = an increase in product quality.



#### A more diverse and secure supply

Through partnerships with a range of different farmer groups.



**25%** of JFC's vegetable requirements sourced directly from farmer groups.

"On the supply side, we benefit from better diversification and hence more stable prices. By having both a few traders and many farmers, we have diversified our set of suppliers and are assured of supply while helping boost the rural economy."

— Ysmael Baysasaid

Chief Financial Officer at Jollibee Foods Corporation, Philippines

## Success Factors



**Senior Management support** – the founders of JFC believe in supporting smallholders along their supply chain.



**Links to market:** JGF assists farmers with partnership management to ensure the sustainability of links established between farmers and buyers.



**The commitment of the Local Government Units (LGU)** – the most successful FEP initiative takes place in an area where the mayor saw the potential of working with the Foundation.



**The Cooperatives** are geographically spread around the Philippines to vary crop growth and decrease the risk of regional uncertainties from weather or local issues.

## Challenges



**Coordination between different partners.**



**Scaling the project** requires many partners.



**Advanced agro-technology, post-harvest facilities and local research** is still unavailable.



#### Capacity building of farmers

- Re-training the farmers' mindsets takes longer than improving farming techniques.
- More time is required to understand and adopt new business practices.

## Future Plans

FEP will continue to expand its scale and help more farmers to enhance their entrepreneurship spirit and skills, as well as gain direct access to markets. It is the JGF's vision that a new and better relationship between local businesses and farmers across the Philippines will be formed



# Jollibee Foods and the Farmer Entrepreneurship Programme in the Philippines



## Key elements of this case

- Providing smallholders with direct access to end-markets can substantially increase their incomes.
- A range of partnerships are critical to helping farmers gain skills and knowledge as well as business management skills.
- By working directly with a diverse range of suppliers a company can make its supply chain more secure.

## Context

Jollibee Foods Corporation (JFC) is the largest food service company in the Philippines. Over the past 40 years, JFC has grown into Asia's biggest restaurant chain in terms of market capitalization. JFC has more than 2,600 branches locally and more than 600 globally. Its most famous brand is Jollibee, the largest quick service restaurant chain in the Philippines. As a food company, JFC is heavily reliant on local produce.

Agriculture is a critical component of the Philippine economy, employing 33 percent of the country's total workforce<sup>28</sup> and accounting for 11 percent of the annual Gross Domestic Product (GDP).<sup>29</sup> However, smallholder farmers often struggle to receive fair compensation for their labour. JFC recognized that the key driver for economic growth in rural communities is access to market-based, entrepreneurial opportunities and knowledge that can assure better rewards for farmers and rural populations.

## Program overview

Jollibee Group Foundation (JGF) and its partners started the Farmer Entrepreneurship Program (FEP) in 2008 to support smallholder farmer groups in three key ways:

**Farmer capacity-building:** Farmers receive training on agro-business development, with the eight-step clustering approach developed by the Catholic Relief Services (CRS). The eight steps prepare farmers to create direct links with the market, assist them in organizing into small groups (clusters) and guides them to engage the market with favourable arrangements that improve their incomes and livelihood<sup>30</sup>:

1. *Partnership building, site selection and cluster formation*
2. *Product selection and supply assessment*
3. *Market chain story*
4. *Cluster commitment setting*
5. *Agroenterprises plan and mobilisation*
6. *Product supply organising*
7. *Test marketing*
8. *Sustained enterprises*



**Partnership management:** JGF assists farmers in obtaining access to various resources and technical assistance, including institutional buyers such as JFC.

**Advocacy and promotion:** JGF partners with academic institutions to document the initiatives and develop program materials to share insights from the FEP with a broader audience.

## Partnerships

- **Catholic Relief Services (CRS):** CRS developed the eight-step clustering approach to agro-enterprise development, which is utilized in the farmer capacity-building activities.
- **National Livelihood Development Corporation (NLDC):** This government-owned corporation provides credit to farmers through accredited micro-finance institutions (MFIs), rural banks, cooperatives and non-government organizations (NGOs).
- **Local government units (LGUs):** The LGUs play an important role in supporting the implementation of the program on the ground. The LGUs visit the farmers regularly to ensure that both the technical aspects and the organizations systems are aligned with the expectation of JFC and JGF.<sup>31</sup>
- **Department of Agriculture (DA):** DA provides training support and farming facilities, including harvest facilities and agricultural equipment.
- **Academia:** FEP collaborates with local academic institutions in documenting the program.

## Gender perspective

In most of the farmer groups, men are the majority and women usually take the responsibility of processing instead of the primary farming work. However, there is one successful farmer group, namely the Hundred Islands Farmpreneurs Association, where seven out of the 17 members are women, holding leadership positions.

## Impacts and results

### For farmers:

- **Development as entrepreneurs:** Since 2008, more than 1,800 farmers have been involved in the FEP agro-enterprise training, through which they have gained business skills and knowledge to capitalize on market opportunities.<sup>32</sup> They understand how to budget for their crops and create a profit margin.
- **Increased and stable income:** The farmers became more aware of the standards and quality of agricultural produce that buyers are looking for. With the increase of produce quality, the farmers have gained more access to buyers, which helps increase and stabilize their income. With the increased income, the farmers were able to pay off debts, send their children to school and acquire additional equipment.
- **Shared benefit for the community:** The economic opportunities that the farmer groups experienced have also extended to their communities. For example, the Kalasag Farmers Producers cooperative of Nueva Ecija was one of the first farmer groups to join the FEP and hires women, the elderly and out-of-school youth to peel their onions, providing greater access to employment opportunities for the community.

#### For JFC's business:

- **Quality improvements:** Through providing technical training and having more on-the-ground engagement with farmers, the quality of the produce has improved.
- **A more diverse and secure supply base:** Through the FEP, JFC has established long-term and direct partnerships with a range of different farmer groups, which also improves the diversity and security of JFC's agricultural supply chain. In 2016, 20 percent of JFC's vegetable requirements were sourced directly from farmer groups.

### Success factors

- **Senior management support:** The founders of JFC believe that the company has an opportunity to support smallholder farmers along its supply chain.
- **The commitment of LGUs:** The LGU facilitates on-the-ground implementation of the program and serves as a bridge between JGF and the farmers, providing not only support services but also local knowledge and business insights. For example, the most successful FEP initiative takes place in an area where the mayor had the foresight to see the potential of working with JGF to improve the livelihood for smallholder farmers.
- **Links to the market:** JGF assists farmers with partnership management to ensure the ongoing sustainability of links established between farmers and buyers.

### Challenges

- **Scaling the project:** In order to increase direct supply from smallholders there is a need to establish and manage even more partnerships.
- **Capacity building of farmers:** It takes a much longer time to change farmers' mind-sets than it does to improve their farming techniques. Many farmers are used to traditional practices and not all are willing to adopt innovations. After the initial technical support stage, the farmers need time to understand and adopt the business knowledge learnt from the FEP training sessions.
- **Technology and facilities:** Access to advanced agro-technology and post-harvest facilities is still relatively poor. Farmers have limited access to technology and facilities to manage pesticides, as well as store and transport their produce.

### Future plans

FEP will continue to expand its scale and help more farmers to enhance their entrepreneurship spirit and skills, as well as gain direct access to markets. It is JGF's vision that a new and better relationship between local businesses and farmers across the Philippines will be formed.

# La Frutera: An Inclusive Joint Venture between Unifrutti and the Paglas Group

The Philippines

## General Background

**Banana plantation established in 1996 as a joint venture between Unifrutti and the Paglas Group**

Located in the Muslim province of Maguindanao, Autonomous Region of Muslim Mindanao (ARMM), the Philippines.



### Bananas

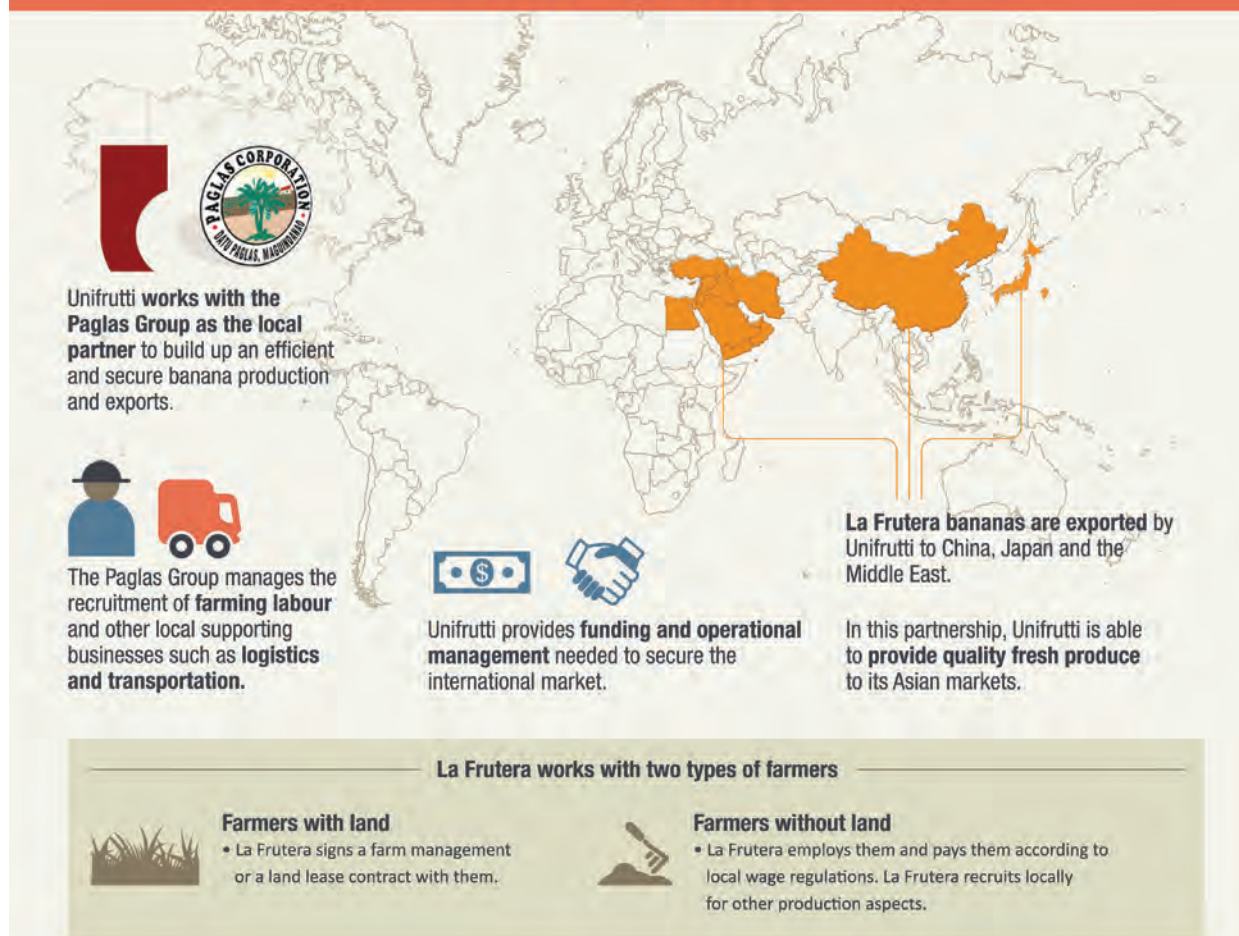
Are a major commercial crop in the Philippines.



Created a business initiative to take advantage of the favourable local production conditions whilst also providing employment opportunities to the local Muslim communities, and peace building enhancing agricultural development.

Unifrutti is a worldwide grower and exporter of fresh fruit based in Chile.

## Programme Overview



## Partnerships



### Philippines Business for Social Progress (PBSP):

- Community engagement and documenting the progress of the program.



### Bangsamoro Development Authority:

- Peace building.



### Technical Education and Skills Development Authority (TESDA):

- Around 40 employees of La Frutera, receive the opportunity to attend vocational training initiated by TESDA.



### Local authorities:

- Partnership in infrastructure projects to improve the condition of local communities.



## Gender Perspective

Women are not directly involved in the farming process but take part in packaging, processing jobs and administrative tasks.



Women make up **more than 50% of labour in the production facilities** and are becoming more involved in the management of cooperatives.

## Impacts

### Social



Providing employment has given local people a greater purpose and has **decreased crime**.



Infrastructure building and livelihood improvement projects.

- The total community development project investment amounted to US \$8,300 in 2015.



Contributes to the **education, health and spiritual development** of the local communities.

- US \$21,800 for 5 landowners to **attend the pilgrimage to Mecca** every year.
- Scholarship for 4 landowner dependents to take up **agriculture related courses every year** with US \$3,316 in financial support.

### Economic



#### Stable Income

La Frutera has provided the local farmers with a stable and increased income.



#### Spillover Effect

The local communities are also employed by La Frutera in the processing and logistics process.



#### Market Reach

Opened the province to international markets.



#### Steady Supply

Unifrutti is able to maintain a steady supply of quality produce for its international markets.

## Success Factors



**Clear market-oriented approach to integrate local banana producers into the international market through exports.**



**Local partnership - easy to reach out to local communities and recruit farming labour.**



**Reorienting the plantation's management structure around local leaders resulted in greater stability of workers and the local communities.**

"My hometown used to be a no man's island. Transforming the war zone to an economic zone seemed an impossible dream. But we made it."

— Datu Ibrahim Paglas III  
Chair and CEO of the Paglas Group

## Challenges



**Culturally challenging environment**  
Difficult to get interest from the trust of locals.



**In the initial stages, local stability and safety was an issue.**



**Increasingly challenging economic environment**  
The Group is having difficulty securing more funding for community engagement projects.

## Future Plans



The current scale of engagement with local farmers will be maintained.



La Frutera will try to upscale its community livelihood programs to provide better infrastructure support.



Increase the output of the banana cooperatives.

# La Frutera: an Inclusive Joint Venture between Unifrutti and the Paglas Group in the Philippines



## Key elements of this case

- A market-oriented approach was able to overcome a culturally challenging environment and achieved buy-in of a marginalized community in the midst of a violent conflict.
- Unifrutti has been able to achieve a steady supply of locally grown bananas that were produced and exported to markets in China, Japan and the Middle East.
- With the banana value chain secured, La Frutera has supported local farmers in stabilizing and increasing their incomes.

## Context

La Frutera is a commercial banana plantation established in 1996 as a joint venture between Unifrutti and the Paglas Group. The joint venture is located in the Muslim province of Maguindanao, Autonomous Region of Muslim Mindanao (ARMM), the Philippines.

Export bananas of the Cavendish variety are a major commercial crop in the Philippines, produced solely in the traditionally typhoon-free Mindanao. In recent years, the Department of Agriculture and the Department of Trade and Industry (DTI) began to encourage partnerships between international buyers and local farmer cooperatives to achieve a more efficient supply of bananas. La Frutera was created as a business initiative that was originally meant to take advantage of untapped fertile production soils in the Philippines' Autonomous Muslim Region. But then the

investors quickly realised the project actually went beyond that by providing employment opportunities to the local Muslim communities, enhancing the development of the agricultural sector in the area, and, even contributed to the attainment of lasting peace in the community.

The Mindanao region has a long history of suffering from violent conflicts due to rebellion, clan wars, lawlessness; all resulting in poverty. Given the background of conflict resolution in the ARMM, the establishment of La Frutera is not only meaningful in an economic way, but also contributes to the peace building process through providing equal and more accessible employment opportunities for the local Muslim community. The La Frutera project features prominently in what a United Nations report calls The Datu Paglas Story: From War Zone to Economic Zone.

## Program overview

Unifrutti works with the Paglas Group, as the local joint venture partner, to build up an efficient and secure banana production and exportation value chain. Unifrutti is a worldwide grower and exporter of fresh fruit based in Chile, and as such provides the funding and operational management needed to secure the market for exportation. The Paglas Group, as the local partner, manages the recruitment and management of farming labour and other local supporting businesses such as logistics and transportation.

The bananas produced by La Frutera are marketed and exported by Unifrutti to China, Japan and the Middle East, among many other regions.<sup>33</sup>

La Frutera works with two types of farmers:

With landowners, La Frutera signs a farm management or a land lease contract. La Frutera guarantees that these farmers have the right to continue working as a farmer and be employed by La Frutera. Alternatively, the landowner can nominate a family member to exercise this right.

For those who do not own land themselves, La Frutera employs them and pays them according to the minimum wage regulations. La Frutera also recruits from local communities to work in other parts of the banana value chain, including processing and packaging.

In this partnership, Unifrutti is able to provide quality fresh produce to its Asian markets, and contribute to attainment of lasting peace in the communities.

## Partnerships

- **Philippines Business for Social Progress (PBSP):** Social preparation and documenting the progress of the program
- **Bangsamoro Development Authority:** Peace building
- **Technical Education and Skills Development Authority (TESDA):** Around 40 employees of La Frutera, including landowners and their dependents, receive the opportunity to attend vocational training initiated by TESDA.
- **Local authorities:** Partnership in infrastructure projects to improve the condition of local communities.

## Gender perspective

- Women are not directly involved in the farming process but instead take part in packaging and administration tasks.
- Women make up more than 50 percent of labour in the production facilities and are becoming more involved in the management of cooperatives.<sup>35</sup>

## Impacts and results

### Social impact:

- La Frutera has contributed to the peacebuilding of local communities. Providing employment and income has given local people a greater purpose, and has decreased crime in the province.
- With a business value chain in place, La Frutera has provided the local farmers with a stable and increased income.<sup>34</sup>
- This effect has also spilled over to the local communities who are also employed by La Frutera in the processing and logistics process.
- La Frutera pays attention to the education, health and spiritual development of the local communities. For example, Unifrutti pays Php 1 million (US\$ 21,800) for three landowners to attend the pilgrimage to Mecca every year and provides scholarship for four landowner dependents to take up agriculture related courses every year with Php 152,120 (US\$ 3,316) in financial support.



- The Group also works closely with the local communities on infrastructure building and livelihood improvement projects. The total community development project investment amounted to Php 378,000 (US\$ 8,300) in 2015.

#### **Business impact:**

- Unifrutti is able to maintain a steady supply of locally grown bananas for its Asian and Middle East markets.
- Opened the province to international markets.

#### **Success factors**

- A clear market-oriented approach to integrate local banana producers in the international market through exporting the products abroad.
- The partnership with the Paglas Group makes it easy to reach out to local communities and recruit farming labour.
- Reorienting the plantation's management structure around local leaders resulted in greater stability of workers and local communities.

#### **Challenges**

- In an initially culturally challenging environment, it is difficult to get the buy-in of local Muslim communities. However, with the partnership with the Paglas Group, this issue was solved.
- In the initial stages, local stability and safety was an issue.
- In an increasingly challenging economic environment, the Group is having difficulty securing more funding for community engagement projects.

#### **Future plans**

The engagement with local farmers and communities has been ongoing as part of La Frutera's business value and mission but Unifrutti aims to increase the current scale of engagement with local farmers and increase the output of the banana cooperatives. La Frutera will try to upscale its community livelihood programs to provide better infrastructure and support.

# Olam and Klasik Beans: Profits, Incomes and a Focus on the Forest

Indonesia

## Context



Olam International Limited supplies cocoa, coffee, cashews, rice, cotton and other food and industrial raw materials to over **16,200 customers worldwide.**

In 2012, in response to global brands' demand for premium coffee, Olam decided to work at a local level to source premium coffee from small holders.

Olam partnered with Klasik Beans, a cooperative based in West Java, Indonesia, which restores and cultivates a local variety of coffee called Sunda Hejo.

There were 4 key points for managing the investment:



Source premium coffee from smallholders.



Manage coffee value chain from cultivation to shelf.



Enhance smallholder capabilities and income.



Promote coffee farming to avoid rural-urban migration.

### Klasik Beans Cooperative

The Cooperative's primary objective is to preserve the forest while generating a stable income for its farmers.

**1200 smallholders** with a plot of 2 hectares/each.

Organized in **34 groups (20-50 members)** choosing their own structure and leader.

Aims to preserve the **forest** and increase **farmers' incomes.**

## Programme Overview

### Infrastructure development

- Olam developed infrastructure for composting and post-harvest quality practices including fermenting, sorting and drying.

### Market access

- Direct contact between end buyers and farmers.
- Price premium from certification.

### Capacity building

- Experts conduct field training on:
  - seedling care
  - pruning techniques
  - avoidance of soil erosion
  - soil enrichment through compost usage.
- Workshops on record keeping for production and finance.
- Wildlife workshops to increase awareness on the gibbon's role as a seed disperser.

### Environmental conservation

- Each farmer commits to planting the specific coffee variety plus 16 different types of native trees to balance the forest.



## Partnerships

In 2013, one of the largest specialty coffee companies in the world entered into a partnership with Olam and Klasik Beans to establish a new category of coffee in West Java and provide farmers with training and technical assistance to meet their Sustainable Quality standards for single origin coffee, developed in partnership with Rainforest Alliance.

"At Olam, we invest for long term growth. Our success and sustainability on the ground is reliant on local partnerships. That is why we partner with groups such as Klasik Beans. Taking a participatory approach to community investment brings greater access to supply, higher quality beans and long term business growth."

### Local NGOs

Train farmers on the importance of wildlife.



### Local Universities

Develop organic pest control systems.



— **Moray McLeish**  
Vice President, Corporate Responsibility and Sustainability, Asia at Olam International Limited



## Gender Perspective

The presence of women in coffee production in Indonesia is widespread, as women traditionally collect food from the forest.

The program identified women as the main target for workshops on record keeping and finance.



Initially only 120 men formed Klasik Beans, in 2016, the cooperative grew to include over 95 women farmers with women also in leadership positions.

## Impacts



### Higher income

25% price premium, employment at the local level and more spare time because of improved practices.



### Smallholders feel empowered to be able to reach the global market:

Coffee volumes have increased from 80 tonnes in 2011 to 1,350 tonnes in 2015.  
Total of 1,407,566 coffee trees. 30,000 new coffee trees grown by farmers in 2015.  
54 tonnes of compost, 11 Compost Workshops reached 374 farmers in 2015.



### Conservation

Reforestation has improved the quality of the forests as well as the survival rate of the Javan gibbon.



### Innovation

Olam is a leader and innovator in the speciality coffee industry, earning them a huge competitive advantage.



### Replicability

The Bali branch was started in 2012 and in 2014 the coffee was successfully approved for Starbucks.

"The program has improved my life: before I had just enough for daily food, now I can save for the education of my children and for my retirement and investment for my families' future."

— Lim Endun  
Smallholder Farmer

## Success Factors

### Focus on the forest

Strong focus on sustainable practices and reforestation – changing smallholder behaviour and improving the forests.

### Long term investments

- In **infrastructures and relationship building** between Olam and the farmers, and between the farmers and their environment.
- In **capacity building**, productivity improvement and extended market access has resulted in a win-win result for the farmers and for Olam.



### Participation and ownership

- Klasik Beans actively encourages smallholders to express their opinion on major decisions.
- Farmers are not imposed with techniques and are free to change methods if they are not satisfied.

## Challenges



### Scalability

The number of smallholders that joined the cooperative increased from 8 in 2009 to 1,200 in 2016, with a waiting list of 500 farmers.



### Accreditation vs sustainability

Accreditation does not always mean sustainability and the standards often do not serve their ultimate purpose which is to preserve the forest.



### Organic disease control

Farmers are struggling to find organic solutions to prevent and treat diseases.

## Future Plans



A speciality coffee buyer will support a Reforestation Programme to become 100% carbon neutral by offsetting the company's residual operational carbon footprint.



20 stations for water treatment to produce drinking water.



Integrate sustainable livestock farming opportunities into the program.



Olam would like to increase the farmers' access to finance.



# Olam and Klasik Beans: Profits, Incomes and a Focus on the Forest in Indonesia



## Key elements of this case

- Providing smallholders with new skills and new techniques leading to access to premium markets can substantially increase their incomes through improved productivity and higher prices.
- A focus on protecting the forest in parallel with creating new business opportunities will bring both economic and environmental win-win situations.
- This program has established Olam as a leading player in the specialty coffee industry, earning them a competitive advantage.

## Context

Olam International Limited is a globally integrated supply chain manager, processor and trader of soft commodities including cocoa, coffee, cashews, rice and cotton. Headquartered in Singapore, Olam supplies food and industrial raw materials to over 16,200 customers worldwide.

In 2012, in response to the demand for premium coffee from global brands such as Starbucks, Keurig and Nippon coffee, Olam decided to work at a local level to source premium coffee directly from smallholders.

In Indonesia, Olam put together a team called 'Olam Indonesia Gourmet Coffee Operations' and tasked them with finding and supporting smallholders to produce a reliable supply of premium quality coffee. They identified the ideal partner in a cooperative in West Java called Klasik Beans, which cultivated a local variety of premium beans called 'Sunda Hejo.'

Klasik Beans' primary objective is to preserve the forest while generating a stable income for their farmers. It represents 1,200 smallholders each cultivating a small forest plot of about

two hectares.<sup>36</sup> Under the arrangement, each farmer maintains the ownership of the land and has the choice to grow coffee or just focus on reforestation. The farmers organize themselves in groups and choose their own structure and leader.

Olam needed to source premium quality coffee from smallholders in Indonesia and assure buyers of complete traceability. For these reasons, Olam wanted to control the entire processing procedure from cultivation to shipment of the coffee beans. Through its engagement with Klasik Beans, Olam prevented quality variability within the supply and strengthened the capabilities of local farmers by sharing their expertise in agronomic techniques.

Olam also wanted to make coffee farming more attractive for the local farmers and encourage local farmers to continue growing coffee rather than look for alternatives in urban areas. In the past, poor quality beans and an opaque supply chain that has discouraged interest in sustainable coffee production.

## Program overview

Olam has invested in developing technical skills as well as in equipment improvements for Klasik Beans. Through Klasik Beans, Olam was able to provide production-enhancing technologies to farmers and deliver training and assistance. Key activities included:

**Infrastructure development:** *Olam supported the building of infrastructure for fermenting, sorting and drying processes as well as composting and post-harvest quality practices.*

**Capacity building:** *In order to ensure that farmer's incomes continue to increase, the team provides farmers with in-the-field training to ensure that best practices are implemented at the grassroots level. This includes seedling care, pruning techniques, how to avoid soil erosion and soil enrichment through compost usage. Additionally, the team organized workshops to support record keeping for production and finance, mostly attended by women.*

**Market access:** *The gourmet coffee creates a link between end buyers and the farmers providing an opportunity for premiums from third-party certification.*

**Forest focus:** *Klasik Beans has a dedicated team that provides farmers with coffee trees and promotes knowledge sharing among them. The cooperative provides additional training on conservation of land and native trees. In 2015, 30,000 native trees were planted. Farmers assessed their plots and if there are not at least 16 different tree varieties, Klasik Beans provides tree varieties from their own nursery, to preserve the ecology of the area. Klasik Beans also brought its farmers to the Java Primate Rehabilitation Center to increase their awareness of the Javan gibbon's role as a seed disperser and their role in keeping the forest healthy.*

**Olam Livelihood Charter:** *This programme builds upon Olam's global program for bringing livelihood improvements to smallholders.*



## Partnerships

In 2013, one of the largest specialty coffee companies in the world entered into a partnership with Olam and Klasik Beans to establish a new category of coffee in West Java and provide farmers with training and technical assistance to meet their Sustainable Quality standards for single origin coffee, developed in partnership with Rainforest Alliance. This partnership has provided additional investment in community infrastructure and added to the existing programmes to improve farmers' performance. In 2015, 450 farmers received a premium payout for the coffee that was exported under this partnership. Fostering the sustainable cultivation of quality coffee in Indonesia will also help the buyer of this coffee to meet future demand and achieve their aim of using 100% sustainably sourced green coffee by 2020.

Olam collaborates with the Klasik Beans cooperative to carry out its activities. Outside of this program, Olam and Klasik Beans cooperate with:

- **Local schools and universities:** hosting educational visits to learn about coffee and sustainability
- **Local NGOs:** to train farmers on the importance of wildlife

## Gender perspective

- The presence of women in coffee production in Indonesia is widespread because women are traditionally collectors of food from the forest.
- Initially 120 men formed Klasik Bean. Soon after women began to participate and moved up to a leadership positions. Currently the cooperative has grown to include 95 female farmers.
- Olam and Klasik Beans has not felt the need to develop measures specifically for women but as men are mostly engaged in the heavy physical work, it has been identified that women should become a main target of the record keeping and finance workshops.

## Impacts and results

### *Social impacts:*

- Olam pays a 25% premium for the high-quality of the coffee. Because of this, farmers have higher incomes. The farmers are then willing to further improve their practice. Local people have the opportunity to work in the local coffee production and are not forced to look for jobs elsewhere.
- Smallholders gain access to the global market with impressive results: coffee volumes have increased from 80 metric tons in 2011 to 1,350 metric tons in 2015 and now demand is exceeding supply. There are now 1,407,566 coffee trees with around 30,000 new coffee trees grown by farmers in 2015 through "Good Seedling" workshops.
- Eleven composting workshops have taught farmers about soil quality management and have led to 54,000 kg of compost being produced in 2015.
- Reforestation and conservation activities have improved the quality of the forest – as well as the water quality and quantity in the lower valleys. Efforts have improved survival rates of the endangered Javan gibbon and other local primates.
- The 30,000 native trees that have been planted will have an impact on coffee quality and the environment for the next 50 years. These are critical to creating the 60% shade that coffee bushes need to produce red, ripe berries.

### *Business impact:*

- This program has established Olam as a leading and innovative player in the specialty coffee industry, earning them a huge competitive advantage. This not only helps Indonesian coffee sales, but has also facilitated successful entry into other locations such as East Timor and Laos.
- After the success of Sunda Hejo, Olam started focusing on other islands in Indonesia in order to understand if the business model was replicable. Further success has been achieved in Bali, Sulawesi and Aceh.
- Olam can ensure a stable supply of completely traceable premium quality coffee cultivated by smallholders to its clients.



## Success factors

- **Focus on the Forest:** Strong and sustainable reforestation processes are promoted. Before being able to plant coffee, the farmers have to commit to having at least 16 varieties of forest trees. This is to preserve the soil and the forest, so coffee farming can then be successfully maintained. The model also decreases the need for inputs such as high yield seeds, fertilizers and pesticides.
- **Long term investment:** Longevity is based on long-term relationships, between Olam and the farmers, and between the farmers and their environment. Coffee is a long-term crop and Olam's investments – from training to tree planting – have built the foundations for long-term benefits.
- **Capacity building** has been the key to sustainability in this programme. The productivity improvements have resulted in win-win situations for farmers and Olam. Teaching sound agronomy practices helps farmers produce the best quality coffee.
- **Participation and ownership:** Klasik Beans requests farmers to make their own decisions. Techniques are not imposed on farmers and they are free to change methods if they are not satisfied. The programme is supported by a team that understands how to produce premium coffee, sharing that knowledge with the 1,200 farmers that sell to Olam.
- **Farmer loyalty:** The cooperative has impartially looked after the interests of its members and brought them several other intangible advantages, such as democratic governance and added transparency. Over the years, this has secured the trust of its smallholder members.

## Challenges

- **Scalability:** There is now a waiting list to enter the cooperative. The number of smallholders that joined the cooperative increased from 8 in 2009 to 1,200 in 2016, with a waiting list of 500 farmers. Klasik Beans worries that it cannot maintain the same level of trust with farmers if they expand too fast.
- **Accreditation versus sustainability:** Sustainability and accreditation sometimes do not go hand in hand as the requirements for each might not overlap. For example, sustainability work on the ground in Java for specific issues can be different to generic global accreditation requirements which may or may not be valid for local issues - bridging this gap might take time.
- **Organic disease control:** The cooperative is currently looking for organic solutions to prevent and treat diseases that decrease productivity. To achieve this target, Klasik Beans is currently building a disease control laboratory to test new techniques.
- **Coffee prices:** There is a high level of volatility in the market for coffee.

## Future plans

- Olam is piloting 20 stations for water treatment to produce drinking water.
- It is also examining opportunities for introducing sustainable livestock farming.
- Increase farmer's access to credit, with possible funding from a multilateral development bank, to teach farmers new inter-cropping techniques to improve their food security, and support them to plant sustainably in new areas.
- A Reforestation Programme is planned for a specialty coffee buyer aiming to become a carbon neutral company by increasing farm climate resilience through agroforestry.

# PT Mustika Minanusa Aurora and Aquaculture Innovation

Indonesia

## Context



A seafood processing joint venture between Indonesian MMA Seafood International and Taiwanese DaChan Group established on the island of **Borneo, Indonesia in 1999.**



PT Mustika Minanusa Aurora (MMA) exports 90% of its black tiger shrimp and other seafood products to Japan, the U.S., the EU and other parts of Asia. With the remaining 10% being sold to domestic markets in Jakarta, Surabaya and Makassar.



First opened in 1999, PT MMA now has an annual production capacity of **4,000 tonnes.**



**40 Years**

The black tiger shrimp;

- Has been farmed in North Kalimantan province for more than 40 years.
- Is one of the largest species of shrimp and is in high demand across Asia.
- Is grown naturally in pond systems.



PT MMA does not own any ponds and relies on the supply from local smallholder farmers.



PT MMA supports the farmers in developing their ponds and improving productivity.

## Programme Overview

### Seafood Savers Initiative

PT MMA was admitted into the WWF – Indonesia Seafood Savers program in 2015.

Seafood Savers has 5 main endeavours:

- Accepts those who carry out sustainable fishing practices as members.
- Assists companies to obtain the Aquaculture Stewardship Council (ASC) or Marine Stewardship Council (MSC) Certification.
- Facilitates responsible seafood product procurement.
- Encourages national policies that support sustainable fisheries.
- Educates consumers about the importance of choosing responsible seafood products.



### Aquaculture Improvement Program

PT MMA also provides support to farmers through the Aquaculture Improvement Program (AIP).



In class training and in-the-field training



Technical monitoring of stocks and farms on site



Discouraging the use of chemicals in ponds



Providing virus-free shrimp fry or healthy stock

### Mangrove ecosystem conservation

The mangroves are a key element in supporting the natural environment and marine coastal life and since 2006 PT MMA has worked with WWF to construct conservation areas.



## Partnerships



### WWF Seafood Savers Program

Seafood Savers is an initiative of WWF-Indonesia and acts as a platform for **sustainable** business practices in aquaculture.



### Local government

The local government is a supporter of the **industry** and is fighting for **legal** recognition of the land.



### Local University

The local **university** conducts research on shrimp and **pond health.**



### Local community

To assist in the promotion of the mangrove **conservation.**

## Gender Perspective

The identification of gender issues is a developing concept for farmers in North Kalimantan.

Women are employed by PT MMA to work locally in the processing plants.



Although women do not work in the ponds, they are an important part of understanding and ensuring the quality of the processed shrimp.



## Impacts

### Social Impact



A high quality harvest has resulted in greater income for farmers and families.

hectares



2,300



On average, a local farmer who has 20 hectares of pond can earn 1 billion Rupiah (US\$77,000) for 3 months, 3 times a year.



The community has a deeper understanding of sustainability.

### Business Impacts



Seafood Savers conducts reviews of the farms and provides recommendations.



Investing in the farms has helped to ensure PT MMA's supply chain without contracts.



1,200 workers

PT MMA employs around 1,200 workers in their processing factory, all of whom are on the Government's worker insurance program.

"By implementing the ASC standard and better management practices, the harvest from my ponds have become better and the quality of the surrounding environment has improved. There are no pesticides in our ponds, and the workers are more aware about their safety now."

— Rusli Nurdin  
Local shrimp farmer

## Success Factors



Strong commitment from both parent companies of PT MMA.



The farmers are willing to cooperate and improve their ponds.



The North Kalimantan local Government is a strong supporter of shrimp farming.



There is a synergy between all stakeholders.

## Challenges



Legal aspect – The land regulation recently re-zoned half of the ponds to forestry areas, making them illegal.



Innovation – Improvements to the ponds are slow.



Maintenance - Siltation, water acidity and bank erosion are impacting pond outputs.



Location aspects - The rural location of the ponds makes them a dangerous place to work.

## Future Plans



Support the local government in legally re-zoning the shrimp ponds.



Help more farmers become part of MMA's supply chain and assist them in improving their ponds.

Assist farmers in establishing a shrimp farming association and to address other gender issues in the supply chain.

Develop and conduct the improvements needed for the ASC certification for at least one farm within PT MMA's supply chain each year.



# PT Mustika Minanusa Aurora and Aquaculture Innovation in Indonesia



## Key elements of this case

- Improving aquaculture practices can increase the incomes of smallholder farmers whilst simultaneously helping to restore and conserve the natural environment.
- Certification to standards can help in the process by creating premium prices for sustainable farming practices.
- Despite there being strong incentives for aquaculture innovations, the improvement in the operation of farmers has been slow.

## Context

PT Mustika Minanusa Aurora (MMA) is a seafood processing joint venture between the Indonesian company MMA Seafood International and the Taiwanese company Dachan Group. Established on the island of Borneo, Indonesia in 1999, PT MMA exports black tiger shrimp and other seafood to markets in Japan, Europe, the US and other parts of Asia. Since opening their first processing facilities in 1999, MMA has an annual production capacity of 4,000 tonnes of seafood.

The black tiger shrimp is one of the largest types of shrimp and has been of increasing demand across Asia. This increase in demand has translated into increased prices, particularly in markets such as Japan where importers are willing to pay higher prices for naturally farmed seafood.<sup>37</sup>

Shrimp farming in North Kalimantan province has remained the same since the 1970s. Pond farming is a popular technique used for small-scale fish farming in rural areas. In the pond system, farmers do not use feed or chemicals in the water, but treat the ponds as complete ecosystems, allowing for natural growth of the shrimp. The low-density requirements of the

shrimp result in the use of very large spaces (a single pond can be up to 20 hectares) and low productivity rates. This model is only maintained because the price of quality black tiger shrimp can be five times higher than other varieties.

The shrimp harvest can occur every three months, with a maximum of three cycles per year. In the 1990's there has been significant destruction of mangroves to create pond systems for shrimp farming, which has become a concern of local and national authorities.

MMA does not own any farms or ponds themselves and relies on supply from local smallholder farmers. Most of the smallholder farmers operate as a family unit in rural areas, with some of the larger farms employing people to work in the ponds.

In rural Indonesia, written contracts for the supply of goods are not common but personal relationships are strong. MMA relies on the loyalty of farmers and their verbal acceptance as confirmation of a sale. In order to maintain these important relationships, MMA assists farmers in developing their ponds and improving their productivity. This is augmented through being a member of Seafood Savers Program, a group of likeminded seafood companies aiming for more sustainable seafood practices.

## Program overview

MMA has seen an increase in production and sales over the past 17 years in North Kalimantan and is now the biggest supplier in the area. Recognising themselves as the biggest stakeholder in local success, they have worked with local government and WWF in developing the natural environment and increasing farming productivity.

### WWF mangrove conservation

PT MMA first partnered with WWF Indonesia in 2006 to develop mangrove conservation areas.<sup>38</sup> It was recognised that the mangroves are a key element in supporting the natural environment and marine life. The destruction of local mangrove areas to make space for pond systems has had a negative impact on the natural environment and therefore reforestation is a priority for the government.

### WWF Seafood Savers

In 2015, the collaboration between MMA and WWF increased when MMA signed up as a member to the Seafood Savers programme.<sup>39</sup> Seafood Savers is a WWF Indonesia initiative on sustainable aquaculture that aims to identify and assist those companies interested in adopting innovations to improve sustainable aquaculture practices. MMA collaboration in the Seafood Savers Program has five main endeavours:

1. Accepts as members and provides promotion to those that carry out sustainable fishing practices – MMA had to go through a rigorous application process.
2. Assists companies to obtain the Aquaculture Stewardship Council (ASC) Certification. Seafood Savers is helping to prepare MMA's team, its facilities and its smallholder suppliers to obtain the certification. The ASC certification is being demanded by international purchasers and would go a long way in ensuring better quality along the supply chain. WWF Seafood Savers conducts site visits and provides training to farmers regarding maintenance and greater shrimp production. They invite auditors to the sites and manage the accreditation process.
3. Facilitates responsible seafood product procurement through multi-partner relationships.
4. Encourages national policies that support sustainable fisheries.
5. Educates consumers about the importance of choosing responsible seafood products.

Both MMA and WWF have acknowledged the benefits of implementing the principles needed to attain ASC approval. MMA can work towards the accreditation as a way of dealing with smallholders' land ownership, health and income. It also provides guidelines for dealing with the environmental impact of farming, particularly in the use of chemicals and embankment erosion.

### Aquaculture Improvement Program (AIP)

One way that PT MMA is assisting farmers to prepare for the ASC certification is through an AIP approach, which includes:

- *In class training and in-the-field training*
- *Technical monitoring of stocks and farms on site*
- *Reductions in the use of chemicals in ponds*
- *Providing virus-free shrimp fry or healthy stock*

## Partnerships

- **WWF-Seafood Savers Programme:** Seafood Savers acts as a mechanism for sustainable business practices in aquaculture. As a member of Seafood Savers, MMA is given assistance in sustainable produce procurement and accreditation development.
- **Local government:** The local government in North Kalimantan is a supporter of the industry and is fighting for legal recognition of the land and the protection of mangroves.
- **Local university:** The local university partners with MMA and Seafood Savers to conduct research on shrimp and pond health, as well as mangroves.
- **Local community:** To assist in the promotion of mangrove conservation.

## Gender perspective

- There is no specific programme aimed at women's development with MMA's smallholders. However, MMA are working with WWF to find new ways to discuss the involvement of women in development.
- Although women do not work in the ponds, women must also understand how to improve the quality of their shrimp, and assist in this. Women are employed by MMA to work locally in the processing plants.

## Impacts and results

Securing an international market for the shrimp have benefited both MMA and the farmers, while engaging in the Seafood Savers has helped to improve the lives of the farmers.

- If farmers are able to produce high quality shrimp, they are able to get higher prices, which in turn increases household income. Despite not being directly involved in the farming process, the entire family will benefit.
- On average, a local farmer who has 20-hectare pond can earn up to 1 billion Rupiah (US\$77,000) in three months, three times per year
- MMA employs 1,200 workers in their processing factory, all of whom are on the Government's worker insurance program.
- WWF conducts reviews of the farms and provide recommendations for further improvements.
- As there is no contract between smallholders and MMA, developing the accreditation and investing in the farms has helped to secure a reliable supply for MMA.
- The community has a deeper understanding of sustainability and the need for sustainable farming practices.

## Success factors

There are a range of success factors involved in managing MMA and the smallholder farmers:

- There is a strong commitment from both parent companies of MMA and Japanese importers to securing and developing MMA's supply chain. Both parent companies are pleased to conduct various improvement activities with farmers.
- The North Kalimantan Government is a strong supporter of the shrimp farming. The province is highly dependent on the shrimp farms and as such, the Government is able to provide money to improve the farming.



- There is a willingness on the part of farmers to improve their aquaculture practices. The farmers are the main factors, and MMA and Seafood Savers know that they cannot do anything without them. The premium price market means that shrimp farmers are open to change.
- Most importantly, there is a synergy between all stakeholders in understanding the need for improved farming practices that contributes to both environmental conservation and sustainable development.

## Challenges

There are various challenges in developing the local farms:

- **Legal aspects:** The special land regulation recently re-zoned the status of many of the farm ponds to 'forestry areas.' Under this regulation, any activity other than growing natural forests is not allowed. This has made almost 50 percent of the ponds illegal despite the ponds operating long before the regulation was established. The provincial Government has had to work hard to fight against the national government to remove the new regulation, but uncertainty for the farmers and processors are still there.
- **Innovation:** Levels of improvements remain low. In many cases the aquaculture practices in the ponds has not significantly improved.
- **Maintenance:** Siltation, water acidity and bank erosion are affecting pond outputs.
- **Location:** The rural location of the ponds makes them dangerous places to work, mostly due to the poor state of the ponds and potential crocodile attacks.

## Future plans

- Support the local government in legally re-zoning the shrimp ponds.
- Help more farmers become part of MMA's supply chain and assist them in improving their ponds.
- Develop and conduct the improvements needed for the ASC certification for at least one farm within PT MMA's supply chain each year.
- Assist farmers in establishing a shrimp farming association.
- Address gender issues in the supply chain.

# Stora Enso and Community Based Income Generation

Laos PDR

## Context



Global provider of renewable solutions in packaging, biomaterials, wood and paper with a presence in **35 countries worldwide.**



Invests in research to replace all non-renewable materials with climate-friendly alternatives.

The south of Laos was chosen as an ideal location as it had:

- A **sparsely populated** area
- A low degree of **forest coverage**
- **Easy road access** to nearby Vietnamese ports



### Diversity

Many ethnic groups with linguistic and cultural diversity.



### Few opportunities

Serious food insecurity, poor education, low literacy, poor maternal health, low cash incomes and lack of income generation opportunities.



### Defoliation

Heavy defoliation during the Vietnam War.



### UXO

The presence of Unexploded Ordinance (UXO).

## Programme Overview

### The Plantation Model

The Plantation Model is designed to **connect intensive industrial wood production** within existing natural ecosystems



In operation since **2006.**



Over **2,700 hectares.**



Involving approximately **50 villages.**



Reaching up to **6,000 farmers.**

### It includes



Participatory use of land activities with farmers maintaining rights to access all plantations.



Clearing land from **unexploded bombs** or using degraded land not suitable for growing rice.



Planting eucalyptus and acacia **trees for fibre production.**



Reserving some of the **safe land** between trees for other crop cultivation or livestock farming.



Organizing an annual **"Farmer-to-farmer"** forum to exchange ideas, experiences, and cultivation techniques.



Introducing a **Community Development Fund** – for education, water, health, sanitation, and income generation activities.



In 2015-16, Stora Enso invested **US\$306,000 in infrastructure** projects such as electricity and water supply connections, road upgrades and the purchase of livestock.



Actively protect and restore valuable ecosystems.

## Partnerships



**International Finance Cooperation (IFC)**  
Social risk management and stakeholder engagement.



**Village Focus International (VFI)**  
Land management and consultation.

**Mekong Regional Land Governance (MRLG)**  
deepening the understanding of CSR practices in land-based investment in Laos, identifying and documenting good practices that are replicable and can serve as a model for other companies.



**The Centre for People and Forests (RECOFTC)**  
Training staff in terms of Free Prior and Informed Consent (FPIC) and value chain development.

## Gender Perspective

Stora Enso focuses on long-term gender initiatives:



Piloted a scholarship program to promote ability, achievement and gender equality in secondary schools in the district of Ta Oy.



Developed the Sports, Health and Education Program to enrich children's sports activities by creating a closer community environment for boys and girls equally.

## Impacts



**Created jobs** for farmers - and developed a **market-oriented mind-set** through capacity building.



**Improved food security** and productivity.



Decreased pressure on existing forests by **clearing land** from unexploded bombs.



**Increased carbon stocks** to reduce climate change.



Created a new **source of competitively priced fibre**.

Our work in Laos has shown the potential of empowerment. By introducing a plantation model that puts the farmer's needs alongside with the company's, Stora Enso has created a mutually beneficial business environment. The company benefits with the communities while ensuring a long-term, sustainable plantation project.

— **Peter Fogde**  
Chief Operating Officer at Stora Enso

## Success Factors



**Cultivating closer relationships** with farmers and listening to their concerns.



**Fine-tuning the business model and making it attractive to a large number of farmers** – most notably by understanding the need for cash-crop developments alongside plantations.



**Human Resources** - staff that understand and respect ethnic traditions and customs.

When Stora Enso came here, they worked on the soil. The crops have improved and we don't have to depend on the rain as we did before.

— **Choycheek**  
Plantation Watchman, Lapeung Village, Ta Oy District, Saravan Province.

## Challenges



**Obtaining larger plots of land** to scale-up the model.



Finding skilled and dedicated staff **to effectively communicate** with minority farmers.



**Bureaucracy** from the national and local authorities has slowed down some activities.

## Future Plans



Further develop agroforestry model.



Establish a 35,000 hectare estate of fast growing hardwood plantations to produce different types of renewable bio-materials by 2030.



Create wood processing facilities to serve local and international markets.



Continue to study suitable cash crops, create jobs and support the local economy.



# Stora Enso: Community Based Income Generation in Laos



## Key elements of this case

- A new approach to planning and managing plantations can restore degraded land, protect the environment, cultivate profitable crops and increase incomes for disadvantaged farmers.
- A fund to support community development in parallel with creating new income generating opportunities can help to increase benefits to the whole community and a “social licence” to operate.
- A consultation process with the communities based on Free, Prior and Informed Consent (FPIC) in order to foster a long-term partnership with all concerned parties.

## Context

Stora Enso is a global provider of renewable solutions for packaging, biomaterials, wood and paper with a presence in 35 countries. Stora Enso invests in research and is committed to replacing all non-renewable materials with climate-friendly alternatives that leave a smaller carbon footprint.

Looking to build a competitively priced fibre, Stora Enso identified an opportunity in the Southern part of Laos. The location was ideal due to it being a low populated area with a low degree of forest coverage as well as located with access to nearby Vietnamese ports. However, the region is also home to many ethnic groups with significant linguistic and cultural diversity. The local communities

face hardship and several development challenges, most considerably serious food insecurity, poor education, low literacy, poor maternal health, low incomes and a lack of income generation opportunities. The area is at the heart of what once was the Ho Chi Minh Trail – an area heavily bombed and defoliated during the Vietnam War.<sup>40</sup> The presence of Unexploded Ordnance (UXO) has been the single largest obstacle to socio-economic development.<sup>41</sup>

Since entering Laos, Stora Enso decided that improving the livelihoods of the local population was key to their development in the country and recognised the local villagers’ unique economic and cultural needs, including their rights to land use for agriculture and traditional use of their forests.

## Program overview

In order to develop local fibre production and tree plantations, Stora Enso introduced their own plantation model. It was a pioneering approach combining intensive industrial wood production on degraded land, crop cultivation and protection and restoration of natural ecosystems. Since 2006, Stora Enso has cleared the land of undetonated bombs to plant eucalyptus and acacia trees.<sup>42</sup> The trees are planted widely and the space between is used for growing crops for the local farmers. This model is used across 2,700 hectares, involving approximately 50 villages and engaging almost 6,000 farmers.

### ***Responsible land acquisition and land-use planning***

The approach includes participatory land-use planning activities, a community benefit package and active protection and restoration of valuable ecosystems. Stora Enso carries out land surveys and mapping with villagers to identify different types and areas of land-use. The aim of this activity is to recognize areas of social importance or high conservation value. The farmers retain the right to access all plantations and all plantations adhere to the principle of Free and Prior Informed Consent (FPIC).

### ***Sustainable plantation management***

The model is designed to the degraded land created by the presence of bombs or because it is no longer suitable for the cultivation of rice. While clearing the land for plantation purposes the farmers also reserve some of the safe land for their own crops.

### ***Agroforestry for food security and sustainability***

The villagers can grow rice and other agricultural crops between trees, allowing for an integrated production of trees for the company and food for the farmers with the aim of ensuring food security. Farmers can also get cash income by growing crops between the tree lines and use the land for grazing of cattle.<sup>43</sup> Stora Enso's model is based on the concept to divide the agroforestry plantations into several compartments that are planted in a seven-year cycle. The purpose of this rotation is to ensure steady income for local farmers whilst reducing pressure on existing forests.<sup>44</sup>

### ***Farmer forums***

On an annual basis, the company organises 'farmer-to-farmer' forums to provide its target farmers with the opportunity to exchange ideas, experiences and cultivation techniques as well as the support of Stora Enso agronomists. The purpose of the forums is to promote sustainable agriculture and enables Stora Enso to develop closer relationships with farmers and listen to their concerns about their local operations.

### ***Community development fund***

Stora Enso employs local farmers whenever possible and provides training to develop the skills of the farmers. The company has established its own development fund to improve the quality of life in the participating villages. After improving food security, the main focus has been on improving education, water, health, sanitation, income generation and infrastructure development targeting the most vulnerable groups. Close to USD\$70,000 of funding was allocated during 2016 (USD\$236 000 during 2015) to infrastructure projects such as electricity and water supply connections, road maintenance and the purchase of livestock to enhance food security.

## **Partnerships**

Over the years, Stora Enso has relied on the experience of a great number of partners including the farmers to ensure sustainable and inclusive development. These have included partnerships with:

- ***International Finance Cooperation (IFC)*** is helping to improve its social risk management in Laos to work together on stakeholder identification and engagement planning, including FPIC in the company's operating procedures.<sup>45</sup>
- ***Village Focus International (VFI)*** is developing and testing tools to support the company's FPIC-based land acquisition consultation process with communities, enabling greater community participation in decision-making.

- **Mekong Regional Land Governance (MRLG)** is deepening the understanding of CSR practices in land-based investment in Laos, identifying and documenting good practices that are replicable and can serve as a model for other companies.
- **The Centre for People and Forests (RECOFTC) and the Programme for the Endorsement of Forest Certification (PEFC)** is conducting training and study tours to improve the capacities of staff in terms of participatory communication, FPIC, resolving forest conflict, value chain development and forest certification.

## Gender perspective

The agroforestry programme targets both women and men but recognises that in this region women often do not have the same access to opportunities as men. The company has some programmes which try to begin to address this:

- A scholarship programme, to promote ability, achievement and gender equality by offering scholarships for secondary school in the Ta Oy District.
- Development of a sports, health and education programme to enrich children's sports activities by creating a sports environment treating boys and girls equally.
- In 2017, the company began to develop a team of women to reach out to other women in the communities. These women will play an important role during the consultation process, FPIC and during project implementation.

## Impacts and results

There are both benefits for the community and benefits for the business:

- Created job opportunities for local farmers that did not previously exist.
- Better agronomic practices and the subsequent increases in efficiency have ultimately achieved the goal of improving food security of the area. Farmers have produced more food from smaller plots and in less time compared to traditional shifting cultivation.
- The training and capacity building activities have allowed many farmers to become more efficient and to develop a market-oriented mind-set.
- The clearance of unexploded bombs has made more land available for agriculture and other economic activities. This along with improved productivity has decreased the pressure on existing forests and increased carbon stocks, assisting in climate change mitigation.<sup>46</sup>
- Improvement of the quality of life in the villages through the development fund.
- Created a new source of competitively priced fibre for Stora Enso.

## Success factors

- Over a ten year rollout period, the initiative placed the needs of farmers and villages at the centre of the operations in Laos, though extensive community consultation and participation. The understanding of the farmers' basic needs, such as food, cash income and infrastructure development has allowed Stora Enso to fine-tune its model and make it attractive to a large number of farmers.
- The model is rather complex and require a mix of human resources preparedness to understand and respect ethnic traditions and communicate with farmers from different ethnic backgrounds.



- Demonstrating the success of the model, convincing farmers to abandon inefficient and damaging slash-and-burn techniques.
- Constant engagement with its stakeholders, listening to concerns, has given Stora Enso the “social license” to operate and to successfully expand production in Laos.

### Challenges

- In order for the full seven-year rotation model to work, the company needs larger areas which can be divided into several compartments. Currently the company has smaller land areas, making it difficult to scale-up and demonstrate the full rotation model.
- Stora Enso has found it difficult to effectively communicate with farmers to ensure they fully understand the impact of the project.
- Bureaucracy from national and local authorities has slowed down some activities, with long waits to receive documents and approvals needed to deploy the project by local and national authorities.

### Future plans

- Improve upon the agroforestry model and continue to study suitable cash crops, creating more jobs and supporting the local economy.
- Stora Enso has plans to further develop their agroforestry model and establish a 35,000 hectare estate of fast growing hardwood plantations to produce different types of renewable bio-materials by 2030.
- This project will include the creation of smaller scale wood processing facilities to provide wood to the local, regional and international markets.

# Univanich: Sustainable and Inclusive Palm Oil

Thailand

## Context

Univanich is one of Thailand's leading palm oil producers and the largest exporter of crude palm oil.



2010

Univanich-Playpraya Community Enterprise Group became the world's first independent smallholder to be Roundtable on Sustainable Palm Oil (RSPO) certified as Sustainable Palm Oil Growers.

Smallholder farmers have been involved in Univanich's business model since the founding of the company in 1969.

## Programme Overview



For over 40 years, the company has organized capacity building activities and conducted research tailored to the needs of the local smallholders.

### Research and Development

The Oil Palm Research Centre (OPRC) conducts applied research on oil palm seeds and farming techniques in dry areas:

Drought tolerant planting materials.

Experimental re-planting techniques.

Experimentation of harvesting and watering techniques to breed higher yield plants.

Trialing a range of fertilisers.

Integrated pest management system.

e.g., barn owls to control the rat population.

### Knowledge sharing

To cultivate trust and understanding farmers rely heavily on:

- Word of mouth.
- Interaction with neighbours.
- Community-based information.

1,500 Univanich's OPRC attracts over 1,500 visitors per year for

- Field days, seminars and guided tours.
- Speaking engagements, exhibitions and workshops.

### Knowledge transfer and certification



2015

170 members producing 17,000 tonnes of palm oil  
Another 80 smallholders are in the pipeline for 2015.

- Premium price in the short term to support independent smallholders in the transition towards more sustainable practices.
- Sustainability accreditation to maintain market share.
- To encourage smallholder suppliers to become RSPO certified, Univanich funded and constructed a Community Centre on their estate to support smallholders through the certification process.



### Membership and cost structure

Farmers commit to bookkeeping and attending compulsory training sessions quarterly.



US\$550  
Group fee to RSPO



US\$7,000  
Annual audit fee

## Partnerships

GIZ and Thai Office of Agricultural Economics (OAE)



Thai-German projects aimed to promote sustainable palm oil production by:

- Increasing productivity.
- Improving quality.
- Helping farmers achieve RSPO certification and internalize sustainability.

## Gender Perspective

Significant opportunities for women residing in the vicinity have been created indirectly (e.g., jobs in the processing, quality control laboratories, and breeding centres).



Attendance records confirm that women participated in trainings provided to farmers.

## Impacts

### Quality of life improvement for smallholders



Higher incomes.



Better living conditions

- Investment in children's education.

### Community transformation



Impoverished and unstable rural community is now a progressive agricultural entity.



300,000 people relying on this industry.

### Employment opportunities at a local level



Univanich actively works to employ locals in the mill's vicinity.

### Sustainability

Univanich has secured RSPO certification at their estates and mills. Over 170 smallholders are included, supplying sustainable palm oil to the company.



"At Univanich we have long recognised the mutual benefits of community participation. Investments in advanced research and farmer education have not only supported the growth of our business but have also brought very significant economic and social benefits to what had been a relatively impoverished rural communities. Spreading the knowledge and sharing the prosperity has proved to be a very successful strategy for both the company and for the rural communities in which we operate."

— John Clendon  
Managing Director at  
Univanich Palm Oil PCL

## Success Factors



Independence of smallholders.



Establishment of trust between smallholders and the mills.



Continued mutual interests between Univanich and its smallholders.



Thai government support of palm oil cultivation expansion.



Technical and financial support from the German development agency GIZ.

"With the support from Univanich and the RSPO, the livelihoods of my family have improved. Using new farming methods there is less soil erosion on my farm and I am less reliant on chemicals. I can now save more for my family."

— Univanich Farmer

## Challenges



Smallholders have shown themselves to be conservative by nature and reticent to change.



Maintaining farmers rights to independence for them to trade their certificates freely in the future.



Limited financial resources for farmers in the early stages of the programme.



Fierce mill competition with 20 other mills now in Krabi. 40 years ago Univanich was the only mill.



Limitations of RSPO certification.

## Future plans



Continuation of enhancement to palm breeding programmes for smallholders

- Access of high quality planting material.
- Technology transfers to smallholders.



Offer support for extension and advisory services to assist in 1,000 independent smallholders to become RSPO certified by 2019.



In 2014, Univanich began replicating the early stages of the Thailand program in Mindanao, The Philippines.



# Univanich: Sustainable and Inclusive Palm Oil in Thailand



## Key elements of this case

- Palm oil can provide smallholders with improved incomes and this can be spread to the whole community through inclusive business and employment practices (including the employment of spouses).
- Linking ongoing research with ongoing improvements in smallholder productivity is key to increasing incomes and livelihoods on an ongoing basis.
- Sustainability certification provide opportunities for increased incomes as well as improving good agricultural practices in parallel.

## Context

Univanich Palm Oil PCL is one of Thailand's leading palm oil producers and the largest exporter of crude palm oil. A key feature of the Univanich business is that their own plantations (approximately 6,000 hectares) produce only 15 percent of the fresh fruit bunches (FFB) processed by Univanich's three crushing mills. More than 85 percent of the FFB is purchased from approximately 4,000 independent smallholder farmers, most of whom own less than eight hectares of planted area.

The renowned Univanich Oil Palm Research Centre (OPRC), in Krabi Province, is Thailand's main centre for oil palm agronomic research, advanced palm breeding and oil palm tissue culture, producing high yielding hybrid seeds for their own replanting program and sale for oil palm farmers both locally and overseas.

Univanich's parent company was founded in 1969. At this time, research showed that oil palms harvest optimally 10 degrees either side of the equator and have better yields in South East Asia than, for example, coffee. It is an easy crop for a household to cultivate, with regular harvests twice a month. The Ministry of Agriculture Department of Agricultural Economics identifies that there are over 200,000 small farmer families dependent on oil palm.

In the past, the Thai government promoted the production of palm oil in the South of Thailand and offered land leases of up to 3,000 hectares to investors who were prepared to make the

first oil palm plantings and build the first processing factories.<sup>47</sup> With two plots of land, Univanich also made an investment in the first processing factory in the region. However, with limited opportunity to obtain more large plots of land, engaging smallholder farmers was the best way to continue to expand Univanich's business.

Smallholders have been an essential part of Univanich's business model since its founding. Over more than 40 years, Univanich has organized capacity-building activities and conducted research tailored to the needs of the local smallholders.

Sensitive to the criticism towards the palm oil industry, in 2008 Univanich management identified the Roundtable on Sustainable Palm Oil (RSPO) certification as a mechanism to obtain:

- A premium price to support independent smallholders in the transition towards more sustainable agricultural practices, and
- Sustainability accreditation to maintain market share.

In 2010, they encouraged their smallholders to align with their sustainable palm oil vision and supported the Univanich-Plaipraya Community Enterprise Group in becoming certified as Sustainable Palm Oil Growers. The Group became the vehicle to enhance further knowledge sharing and implementation of the new techniques pioneered at their research centre, including replanting techniques, fertilizer application, crop and irrigation management, health and safety and waste management.

## Program overview

Univanich supports smallholders through a combination of different activities, focusing on innovation and knowledge transfer to smallholders

### Research and development

The OPRC has been crucial to Univanich and its smallholders because there is no other applied research on oil palm seeds and farming techniques in dry areas being conducted. Given their scale, farmers would not be able to advance research on crop optimization on their own nor would the government invest in supporting such research. While the OPRC benefits many parties, the smallholders reap direct benefits from the research through:

- *Development of drought tolerant planting materials and experimentation of techniques to breed higher yield plants, including harvesting and watering.*
- *Fertiliser trials, so that farmers know what fertilisers work on their farms and how much to use.*
- *Re-planting techniques to maintain cash flow and protect farmers' livelihoods during the transition periods. Enhanced techniques also protect the environment against nutrient loss.*
- *An integrated pest management system that includes Barn Owls to control the rat population and plants to attract beneficial insects.*

### Knowledge sharing

- *After seeds and techniques have been tested, there is a need to encourage and teach small holders how to grow oil palm in the most efficient and cost effective way. Farmers rely heavily on word of mouth, interaction with neighbours and community-based information to facilitate trust and understanding.*
- *Field days, seminars, and guided visits to Univanich's Oil Palm Research Centre attracting over 1,500 visitors per year. Univanich is often invited by local authorities to share their knowledge in different areas as well as outside speaking engagements, exhibitions and workshops*

### Knowledge transfer and certification

All of Univanich's own estates and Thailand crushing mills have been RSPO certified. They have also constructed a meeting facility on their estate to host the Univanich Plaipraya Community Enterprise Group to support smallholders through the certification process. In 2015, the group had 170 members producing 17,000 tonnes of palm oil. Another 80 smallholders are expected to join.

### Membership and cost structure

All farmers commit to set book keeping procedures and to attending compulsory training sessions quarterly. The group pays a US\$550 fee to RSPO and a US\$7,000 USD audit fee annually. These costs are borne by the farmers themselves in order to encourage accountability, ownership and commitment.

Key benefits of the membership for smallholders:

- **Cost reduction:** *Members can access fertilizer at better prices since Univanich buys in bulk. They can also buy high yield seedlings at a 20 percent discount.*
- **Price premium:** *For all certified members, Univanich pay an extra US\$1.50 per metric ton for the fruit and the farmers receive an additional dividend from their own Group's profit from their Greenpalm 'Book and Claim' system of selling their certificates of RSPO certified oil.*
- **Independence:** *Smallholders are completely independent with no obligation to sell to Univanich after harvest, and they make their own marketing decisions for sale of their sustainable palm oil certificates.*

## Partnerships

Univanich has had help from the German Development Agency, GIZ and the Thai Office of Agricultural Economics. These Thai-German projects aimed to promote sustainable palm oil production by increasing productivity, improving quality and helping farmers to internalize sustainability through achieving RSPO certification

### Gender perspective

- There are no programs targeted specifically at women, however Univanich has an anti-discriminatory policy covering smallholders, right up to board level.<sup>48</sup> Jobs in processing, quality control laboratories, field operations, marketing, accounting, and at the breeding centre have created significant opportunities for women.
- At the farmer level, most of the land entitlement is in the men's name, however when interviewed, women said they felt adequately involved in the decision making and Univanich confirmed through attendance records that women also participated in trainings provided to farmers.

### Impacts and results

- **Income improvements:** Smallholder households report higher incomes, improved living conditions and increased investment in the education of their children.
- **Community transformation:** Univanich pioneered the introduction of oil palm in Krabi. This industry has transformed a poor and unstable rural community into a progressive agricultural entity with over 300,000 people relying on palm oil for their livelihoods and providing for improved healthcare and education.
- **Employment opportunities for men and women:** Univanich actively recruits spouses of the smallholders and other local people to work in the vicinity of the mill.
- **Sustainability:** Univanich estate and mills along with 170 farmers have received the RSPO certification, meaning that they are now able to supply certified sustainable palm oil and have adopted better agricultural practices associated with that.

### Success factors

- **Independence of smallholders:** Farmers are not tied to Univanich, allowing them to build capacity and transfer knowledge through farmer groups.
- **Mutual interest:** There is a mutual recognition that Univanich needs a high quality fruit supply that provides high oil extraction and that the farmers need someone who will buy from them, pay them fairly and support them with technical and knowledge transfer.
- **Technical and financial support:** GIZ has invested in the technical development of the smallholders.
- **Trust:** High levels of trust between smallholders and the mills are a precondition for continuing and maintaining the RSPO certification.
- **Support from the government:** Over the years, the Thai government has promoted the expansion of oil palm cultivation, and more recently, a shift away from rubber production by making funds available to the industry through loan offerings.



## Challenges

- Maintaining farmers' rights to independence so that they may trade their certificates freely, while at the same time being able to supply the physical fruit to any processor and not be locked into Univanich.
- In the early stages of the programme, many farmers had limited opportunity to implement change due to limited financial resources
- 40 years ago, Univanich was the only mill in Krabi. Today, Krabi has 20 mills and competition is fierce. All small farmers are fully independent with the opportunity to sell their fruit to the mill or broker of their choice.
- Last year 17 members of the Univanich Plaipraya Community Enterprise Group decided to leave but 32 new members have joined this year.
- Limitations of RSPO certification and irrelevance to some standards: The market does pay a premium for palm oil certificates produced by independent smallholders. RSPO promotes the essential importance of complete traceability through its Identified Preserved (IP) supply chain system. The IP supply chain system requires that the grower, refiner and all supply chain actors maintain full separation and full traceability to the point of delivery. Single smallholders are not able to reach the quantity needed to fill up a 10,000-ton shipment, nor could they do it as a group.

## Future plans

- Continue to enhance palm-breeding programs to ensure access of high quality, planting material to smallholders, in conjunction with the technology transfers to ensure that OPRC research is implemented.
- Support the extension and advisory services provided to assist 1,000 independent smallholders to become RSPO certified by 2019.
- As of 2014, Univanich started replicating the early stages of the Thailand program in Mindanao, The Philippines. The Philippines currently has very low levels of palm planting and imports huge amounts from other Asian countries. The traditional crop of coconut palm is currently in decline because farmer income is very low from aging palms. There therefore exists a huge opportunity to develop an oil palm industry to supply domestically and export when surpluses occur.

# KEY LEARNINGS



Agribusinesses operate in a rapidly changing world. Demand for agricultural crops is expected to double as the world's population reaches 9.1 billion by 2050. Food production will need to provide sufficient carbohydrates, proteins, and fats for the estimated 870 million people who currently lack food security. Concurrently, rising incomes and urbanization will drive increased consumption of meat, dairy, and bio-fuels. In the face of these challenges, businesses recognise that the world's 500 million smallholder farmers represent an opportunity to expand market share, secure a sustainable supply of key agricultural commodities and in the long term support the transition of the agricultural sector into a more sustainable one – environmentally, socially and economically.<sup>49</sup>

Each case within the report demonstrates how agribusiness has the ability to develop new methods to improve engagement with smallholders. That inclusion of smallholders directly contributes to growth, profitability and long-term sustainability while minimising negative impacts on the environment and local communities. We have seen that it is possible to create new products, improve resource efficiency and secure supply. For all companies, to achieve this required careful market analyses and engagement with local partners and communities in order to achieve sustainable and scalable impact.

Channelling development benefits to local communities through community investment can generate a wide range of direct and indirect business benefits. The pursuit of these benefits, in turn creates 'business drivers' that support community investment projects in the long-term. Once a company identifies the key business

drivers to which community investment can most readily contribute (such as gaining a "social license" to operate) this can then be used to drive the strategy. It can be argued that many of the business drivers for community investment are the same as those for "sustainability" or "social performance" programs more broadly. This is true, because in most cases community investment will not be the only, or even the primary, vehicle a company should use to address community issues; rather, community investment will be a supplementary, strategic tool for further enhancing local benefits and productivity.<sup>50</sup>

Investing in the community is not limited to the broader population, rather to specific groups. For instance, the effect of gender dynamics can be impactful for a company both in a positive and a negative sense. For most of the cases in the report, the companies are unaware of their impact on women smallholders. This overlooks both an opportunity and increases operational and reputational risks. To change this, companies should actively reach out to female farmers and educate local producers and processors on gender values and priorities. As traditional values or historical economic structures may create unequal barriers to women's participation in producer groups, companies can advocate for their partners to address underrepresentation of women in their membership or production.

The success behind the engagement of smallholders offers unique insights for agribusiness in ASEAN as well as to other regions that if smallholders are strategically engaged, they can help to unleash productivity gains. The 'inclusive business approach' will help agribusiness make informed decisions into realising the value of smallholders, women and

local communities in major agricultural value chains. That smallholder inclusion creates growth, productivity and profits at the same time generates jobs, income, wealth and new business opportunities. Fundamental to this success, there is a recognition that policy makers and regulators that govern dynamics of relationship between smallholders and businesses in the agricultural sector can support in levelling the playing field.

The bottom line is that there are competitive opportunities from inclusivity. Rural economies where companies operate are vulnerable to

operational stagnation because of socio-economic hindrances and environmental exploitation or degradation. That is why the business approaches displayed from Double A, FrieslandCampina, Stora Enso and Univanich for example promote the potential that companies benefit from local training, socio-economic development, empowerment and careful ecological consideration.

All companies involved in agricultural procurement, processing or production have the ability to empower, educate and engage locally, the outcome will only benefit their business.





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