

SDM: OlamCam

Case owner: **Olam**

Location: **Cameroon**

Commodity: **Coffee**

Services:



GAP training



Fertilizer &
Cash Credit



Phyto & other
agro-inputs



Group
Organizational
Support



Nursery
Infrastructure



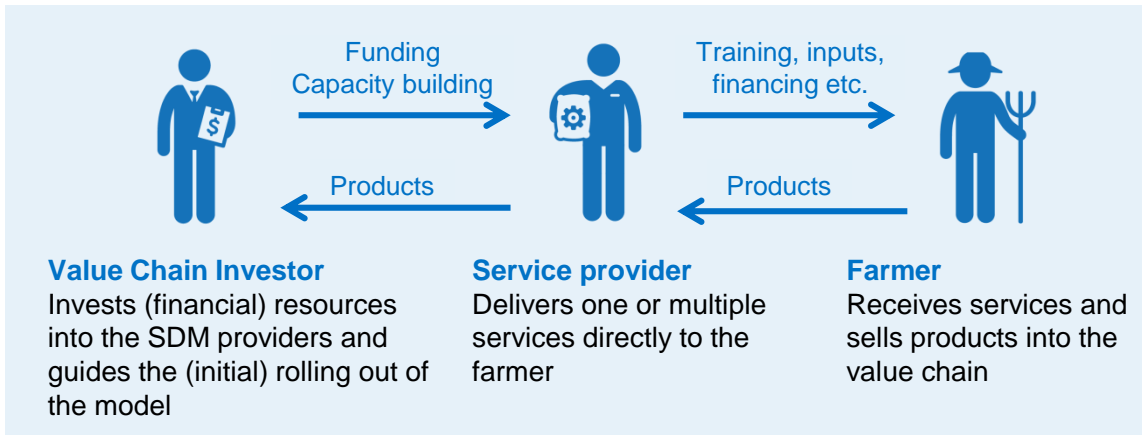
Market access
and information



Introducing Service Delivery Models

Service Delivery Models (SDMs) are supply chain structures which provide services such as training, access to inputs and information to farmers required to increase their performance and sustainability.

SDMs aim to achieve or further either economic, social or environmental sustainability in a supply chain.



Focus of this study

- 1 **Map variety of SDMs** by different companies in different sectors and geographies on their objectives, structure and organization, types of services, delivery approach etc.
- 2 **Aggregate data** from the individual case studies collected into the database
- 3 **Analyze the economic sustainability** of the SDMs at the level of the farmer, service provider and VCI
- 4 **Extract lessons learned** on key success factors, risks, scalability, cost-effectiveness etc.

Purpose of the study and benefits to supply chain



- Design more cost-effective SDMs, through better insights into what works in which cases



- Gain insights into how to design and implement more cost-effective SDMs

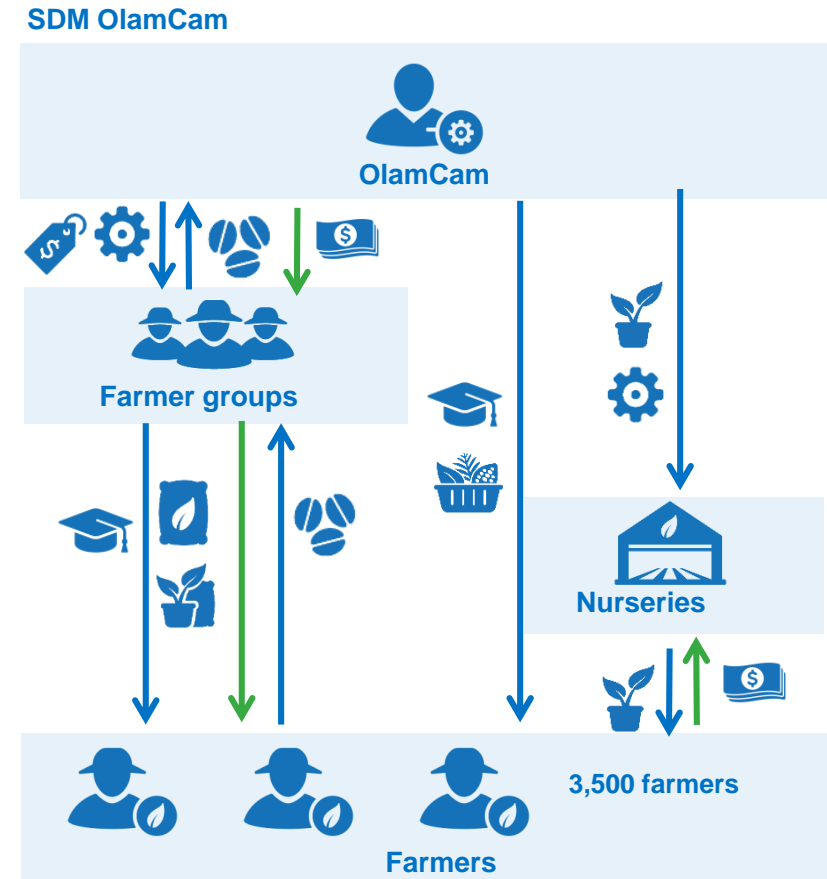


- More efficient services delivery and impact generation (better livelihoods, higher productivity, etc.)
- More transparency on whom to work with



- Benefit from strategic learning trajectory within and across sectors, based on a unifying methodology
- Opportunity to join learning platform

The OlamCam SDM objectives and structure



OlamCam is active in Cameroon since 1995 and is present all over the coffee production zones of Cameroon. It operates a wet mill in Kumbo.

Objectives of the Olam Cameroon SDM:

1. To make the trade in Arabica coffee economically feasible again in Cameroon, and thus to maintain economically feasible production of (sustainable) coffee that can be sourced
2. To increase coffee productivity and net income at the farm level, and to create commercially viable farmer groups

General SDM information:

Location: Cameroon

Start of the program: 2009-2016

Scale: ~3,500 farmers, ~90 farmer groups

Client/funder: Jacobs Douwe Egberts (JDE) through the DE Foundation, IDH

SDM operator: OlamCam









Services provided to farmer groups:

- Group Organizational support and income diversification
- Nursery infrastructure
- Market information and access

Services provided to the farmers:

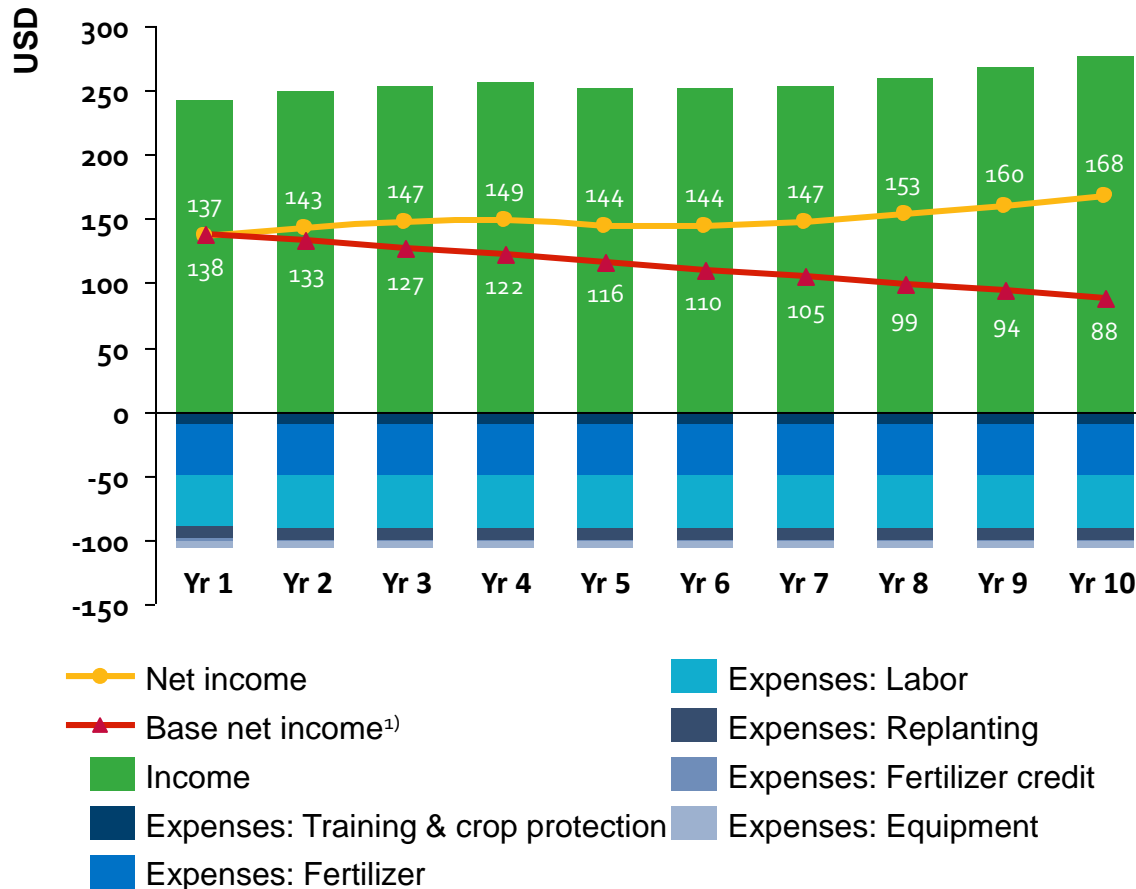
- GAP training
- Fertilizer
- Cash credit
- Phyto and other agro-inputs

Types of services delivered within the SDM

	Value Chain Investors & Service Provider	Other
		
 GAP Training	<ul style="list-style-type: none"> GAP training provided to farmers on variety of training modules based on coffee calendar 	
 Fertilizer and Cash Credit	<ul style="list-style-type: none"> Procures fertilizer from fertilizer supplier(s) Supplies fertilizer to farmers on credit Supplies cash credit to farmers 	<ul style="list-style-type: none"> Farmer groups: collect and aggregate fertilizer and cash credit requests from farmers; collect collateral from farmers (for fertilizer credit only); cover default risk of farmers towards Olam
 Phyto and Other Agro-Inputs	<ul style="list-style-type: none"> Procures inputs from input suppliers Sells inputs to farmers at cost 	<ul style="list-style-type: none"> Farmer groups: collect and aggregate phyto and other agro-input requests from farmers
 Group Organizational Support	<ul style="list-style-type: none"> Organizes interested coffee farmers into groups and provides organizational support 	<ul style="list-style-type: none"> Farmer groups: collect aggregated farmer needs for various services
 Nursery Infrastructure	<ul style="list-style-type: none"> Provides training on how to set up and operate a nursery Provides seeds 	<ul style="list-style-type: none"> IRAD: provides seeds Farmers / farmer groups: set up and operate nurseries Nurseries: sell plantlets to farmers
 Market Access and Information	<ul style="list-style-type: none"> Provides various market access and information services, including a coffee newsletter 	

The SDM's economic sustainability at farmer level

Individual farmer (1.2 ha coffee field) entering the program in year 1



Economic sustainability at farm level

- Net incomes grow gradually due to the replanting of aging coffee trees (5%/year) and increasing impact from GAP and crop protection. Relative to the baseline, a clear improvement can be observed

Main revenue drivers

- In this SDM coffee prices are assumed to be stable. The main revenue driver is improved productivity. This is mainly impacted by implementing GAPs and crop protection (impact on productivity of 14% in year 1 to 56% in year 4 and onwards), replanting of old trees by more productive younger trees and consequently trees being less susceptible to CBD (10% productivity impact)

Main cost drivers

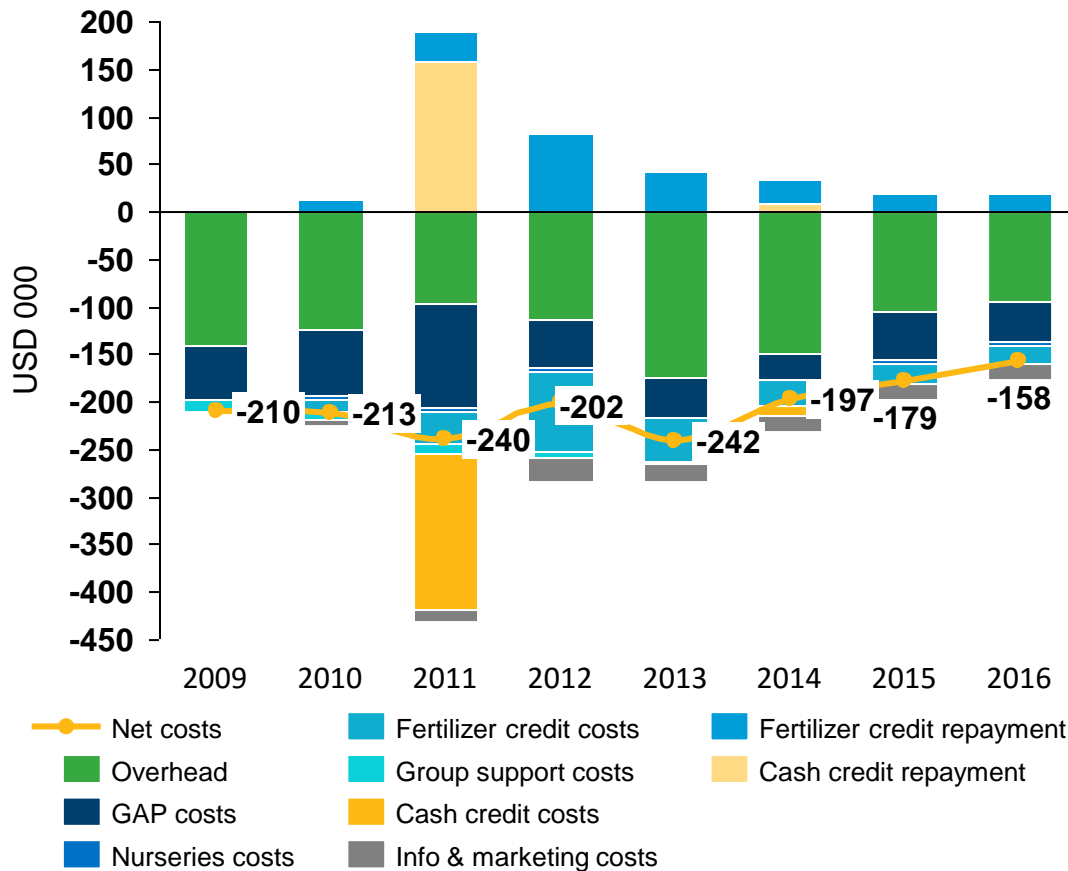
- Whereas the baseline farmer incurs large financing costs, these are greatly reduced by the OlamCam SDM due to lower financing needs and rates
- With higher yields harvesting labor costs (20% of labor assumed hired) slowly increase
- While fertilizer is the main cost driver of the SDM it has been found to have limited/no impact on productivity. Better understanding of fertilizer impacts (e.g., factors it is dependent on) is needed to improve fertilizer impact and make it worth the investment and improve the farmer P&L even further

1) Farmers not part of SDM Note: the P&L is for the farmers' main field of 1.2 ha only. Additional, farther located fields most farmers own are not included in these figures

Source: OlamCam and Kuit Consultancy data and assumptions

The SDM's economic sustainability at service operator level

Overall SDM costs by service ('000 \$)



Economic sustainability

As OlamCam does not consider commercial returns as part of the SDM (objectives are on improving productivity), the SDM includes mainly costs

Main revenue drivers

The project has two direct sources of positive cash flows: repayment of fertilizer and cash credit. Neither of these is a revenue in the strict sense of the word. The main driver for these items is the repayment rate of the farmers

As all farmers are required to pay a CFA 5,000 per bag security payment for fertilizer credit which covers default risk of all farmers in their farmer group, the project has minimal risk of not receiving repayment of fertilizer credit

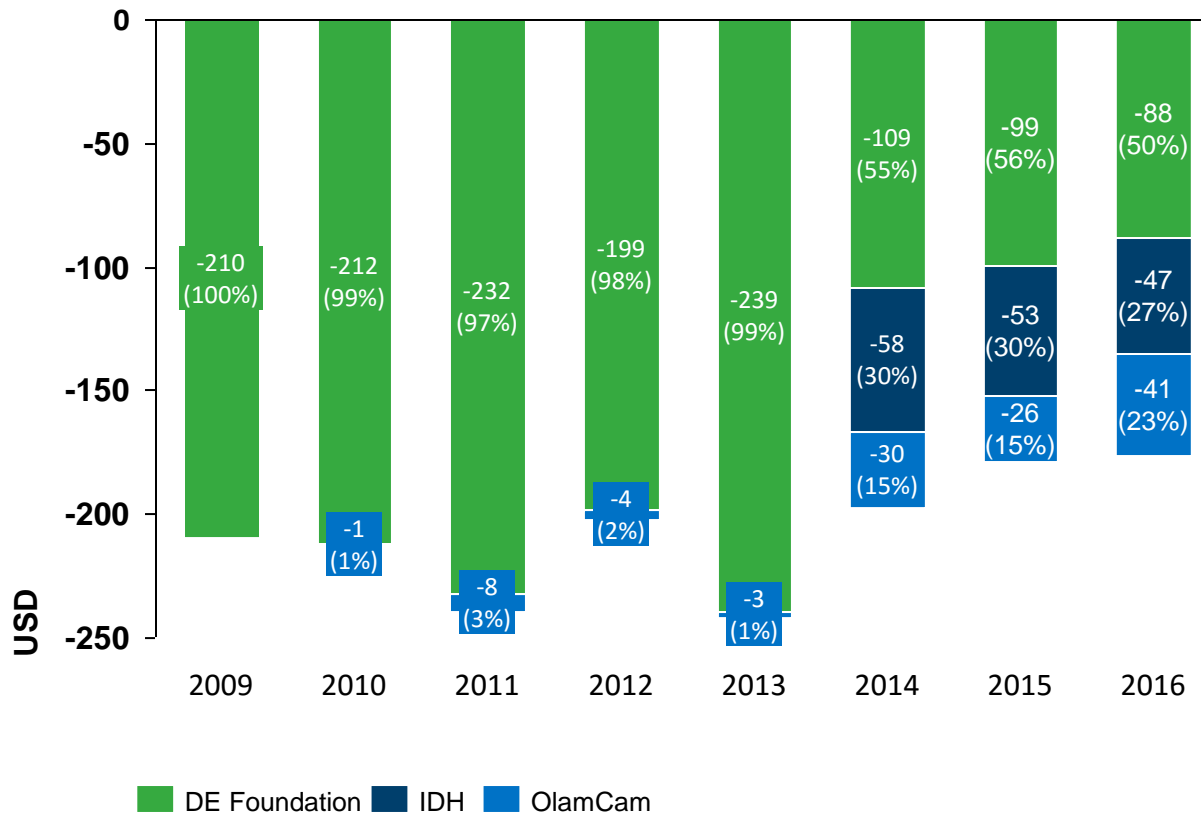
Main cost drivers

Main costs are overhead (admin and salary), GAP trainings, and info & marketing, all of which are fully paid by the project. Most other services have either limited costs (e.g., nursery support, group support) or are repaid by farmers (e.g., fertilizer and cash credit)

Source: OlamCam cash book, OlamCam staff

The SDM's economic sustainability: annual investment in the SDM by source

Overall SDM costs by funding source ('000 \$)



Funding sources

In the initial years of the project, almost all of the funding came from the DE Foundation, which funded the SDM with the aim of increasing productivity and livelihoods of farmers, and reviving the Cameroon Arabica sector. As JDE initially did not source from the project farmers, commercial interests were no motivation in this SDM.

OlamCam has since the beginning of the project shouldered 100% of the fertilizer credit and cash credit services, and since 2014 has taken on approximately 15% of the funding for the SDM.

External funding from IDH started in 2014 and will continue until 2016. As part of this funding, the SDM must generate certain impacts. KPIs have been defined in the areas of farmer training, adoption of GAPs, volumes produced, productivity, production cost, farmer income, food security, access to finance, market access, and farmer organization.

Source: OlamCam cash book, OlamCam staff

Conclusions and lessons learned

Key drivers of success



- Majority of farmers and groups spoken to were well aware of the high quality of the new planting material,
- OlamCam conducted a number of field trials to find (economically viable) solutions to address CBD issues faced by farmers
- OlamCam has been successful in empowering women; in 2015, 13 (out of 34) farmer trainers and 3 (out of 90) farmer group leaders were women.
- Farmers can (and do) use the support received through this SDM for crops other than coffee.

Key risks



- Price volatility of coffee and weather variability can impact farmers' ability to repay cash and fertilizer credit. Many farmers do not have adequate financing to apply the fully-recommended amount of fertilizer
- Corruption or mismanagement by group leaders can negatively impact the SDM's functioning
- OlamCam does not place any restrictions on where farmers and farmer groups source their inputs from and to whom they sell their coffee. This is a limited risk as OlamCam is currently the major buyer in this market.

Key factors in replication of the model



- The OlamCam SDM has very rigorous data collection and analysis, e.g., through extensive FFB data. This makes it possible to track changes, impact, degree of adoption, and extract lessons and improve the program. This is a major differentiator of the OlamCam SDM and an element that adds significant value both to the operations and continuous improvement potential of the SDM

Impact on objectives



Well-functioning farmer groups

- Since 2009 a total of 94 farmer groups have been set up, of which 90 remain active.
- Increasingly, farmer groups benefit from non-coffee income-generating activities (IGAs)
- Therefore, the OlamCam SDM appears successful at this objective.



Improved farm yield and net income

- Compared to the baseline, the combined services of the OlamCam SDM enable the farmer to realize significant improvements in terms of long-term productivity and net income.
- However, improvement is possible on certain services.
- There is thus room for further improvement.



Iris van der Velden

Manager Innovation Finance

+31 (0)30 230 7854

vanderVelden@idhsustainabletrade.com



William Saab

Consultant

+31 (0)30 234 8218

William.saab@newforesight.com

