Living Income Summit 14.06.22

RISK DISTRIBUTION

Symrise Health insurance OLAM Post production Losses Nespresso Pension schemes & co Farmerline Data for financing



The Living Income Community of Practice









GIVING "LIFE" TO LIVING INCOMES

PRACTITIONER CASE STUDY

HAMISH TAYLOR, Advisor on Sustainability, Symrise AG



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MARS NESPRESSO.









CONTEXT OF THE INTERVENTION

Vanilla Farming Communities in the SAVA, Madagascar

- Healthcare is a significant expenditure item for <u>all</u> smallholder farmers.
- Access to affordable healthcare can make the difference between a happy healthy family, and a family forever trapped in poverty.
- Historically when partner farmers faced a health crisis, they would have to pre-sell their crop ("vanilla flower contracts").
- A sudden bill for healthcare can deprive farmers of their income, reduce their resilience, frequently turning a temporary health emergency into a permanent Living Income crisis.





OBJECTIVES OF THE INTERVENTION & RESULTS

- Mahavelona as a free annual health insurance service for partner farmers and their families.
- The programme was designed as a result of the following "LIVING CASH FLOW" INSIGHTS
 - ightarrow Health Crises triggered a demand for <u>urgent</u> access to finance
 - ightarrow Access to affordable finance is limited and farmers borrowed via "vanilla flower contracts"
 - → <u>Such contracts deprived farmers of their annual income</u>, locking them in poverty for far longer than the cost of their healthcare would have negatively impacted them
 - \rightarrow Farmers and their families could not access the healthcare promptly enough
 - → leading to worsening health circumstances
 - → reducing their capacity to work on their own farms
 - → leading to a **downwards spiral** locking them into poverty.



OBJECTIVES OF THE INTERVENTION & RESULTS

- Critical Living Income Drivers
 - ightarrow Breaking free of the health-driven debt crisis
 - ightarrow Protecting the full value of their primary cash crop
 - ightarrow Preventing need for high-cost finance
 - ightarrow Enabling less lost labour time
 - ightarrow Improving well-being and household economic resilience
 - ightarrow Driving farmer loyalty
 - ightarrow Creating security of supply
 - ightarrow Delivering meaningful impact throughout the value system
 - ightarrow Fuelling Brand Purpose.



REFLECTION : SUCCESS FACTORS & CHALLENGES

Mahavelona Healthcare System – Vanilla Madagascar

SUCCESS FACTORS

- Direct to farmer engagement
- Multi-year vision
- Time
- **Partners:** Unilever, GIZ, Kellogg's, Friesland Campina, Danone, Save the Children, the doctors, nurses, clinics and government representatives, the farmers & their families
- Local management of high calibre and passionate determination
- A holistic approach

CHALLENGES

- Evolution
- Side-Selling by farmers; occasional Fraudulent claims; Expansion to most vulnerable
- Remote rural communities with limited infrastructure
- Strengthening Healthcare management governance
- Long-term Sustainability in case private sector steps out
- Answering the question "Why?" Defending the answer, "Why not?"

REFLECTION : "WHAT DO YOU THINK?"

Mahavelona Healthcare System – Vanilla Madagascar

LIVING INCOMES: HEALTHCARE, ETHICAL CHALLENGES & DIFFERENT PERSPECTIVES

- Is this a responsibility for the private sector? Or should it be the function of an NGO?
- Is this providing an excuse for government inaction?
- Is this a fair way to encourage farmer loyalty? What if it creates over-dependency?
- Who pays when it stretches beyond the supply chain and the business interface?
- Is this a job for vanilla, cocoa, coffee, <INSERT CROP NAME HERE>?
- Is this just Greenwashing or is it impact-driven sustainable development?
- How do you communicate the lessons learnt, the benefits, the success factors?
- How to maximise the impacts of this and similar initiatives as part of a holistic approach to Living Incomes?





MECHANIZATION IN NIGERIA RICE A CASE STUDY

Sander Clevers, CRS Project Manager, Olam Agri



THE CONTEXT: RICE LOSSES IN NIGERIA

- Nigeria produces over **8 million tonnes** of rice annually
- Most of the produced volumes are destined for the **internal market**
- Nigerian rice production could potentially increase by 2.7 million tonnes¹ if there were zero product losses. This would result in a total additional farmer income of roughly US\$
 1.23 billion across Nigeria ²
- 2.7 million tonnes of losses roughly translates to almost 10 billion tonnes of water wasted, and over 1.5 million tonnes of methane produced without purpose ³
- Without losses, Nigeria would be able to feed an additional 69 million Nigerians, making the country self-sufficient in rice ⁴

- ³ Based on measurements from GHG calculator
- ⁴ Based on FAOSTAT Nigeria 2018 = Nigerian rice consumption is 39kg's per year

¹ Based on USDA estimates for production, and the FAO food loss index in 2021/22

² Based on the average paddy price and NGN/USD exchange rate in 2021/22

ESTIMATING LOSSES IN OUR SUPPLY CHAINS

- In Nigeria we work with around **38,000 rice producing smallholders**
- In 2018/19, together with Wageningen University & Research (WUR) we conducted a study on 30 plots of land across 5 selected farms to estimate how much of their production they were losing during the post-harvest stage (i.e. between harvest and the point of sale)
- We found total losses were ~35%, mostly attributed to the harvesting and threshing processes
- Through mechanization of these 2 steps, we were able to increase yields by 14%



IMPACT AND SCALING

- A one-time investment of US\$ 1 in mechanization results in a farmer income increase of ~US\$ 5.92 per season for at least 5 seasons
- 1 farmer applying mechanized harvesting and threshing results in the avoidance of ~3,800
 kg of CO2-equivalent GHG emissions
- This is equivalent to 1,620 liters of gasoline not consumed
- Through external funding and partnering with local farmer cooperatives we were able to scale our mechanization efforts, and we are currently reaching **700 farmers**
- We are still exploring potential partners and donors to scale up our efforts further





NEXT STEPS: GLOBAL MEASUREMENT AND ACTION



- We are currently assessing the post-harvest losses in all our direct supply chains
- Basis the results we will plan and implement interventions to increase yields and raise farmer incomes

INITIATIVES TOWARDS ADDRESSING AND SHARING RISK WITHIN COFFEE SUPPLY CHAIN PRACTITIONER CASE STUDY

Manu Jindal – Sustainability Program Manager, Nespresso



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NESPRESSO LIVING INCOME STRATEGY



VALUE CREATION

- ➢ AAA − COFFEE SOURCING MODEL
- ➢ TRACEABILITY
- > CAPACITY DEVELOPMENT
- CERTIFIED GREEN COFFEE



VALUE DISTRIBUTION

- > AAA SUSTAINABILITY PREMIUMS
- ➢ RA/FT PREMIUMS
- PREMIUMIZATION
- > INFRASTRUCRAL INVESTMENTS



RISK SHARING

\triangleright	CROP INSURANCE
	SAVINGS/PENSION FUND
	AGROFORESTRY/REGEN. TRANSITION
\succ	STABLE PROCUREMENT

ZOOMING IN ON THE KEY INITIATIVES



Retirement savings plan

- To support coffee farmers plan for their retirement
- Nespresso + Fairtrade + Agudas Cooperative + Cafexport + Colpensiones
- Financed via Fairtrade premiums + Farmers personal contribution + Colombia govt. matching (20%) + NN markets
- >3000 farmers enrolled, >400 already claimed retirement

Crop Insurance

- To protect farmer's income because of loss of coffee yield due to the adverse weather patterns
- No formalities or notice required by farmers Satellite monitoring to evaluate Ha(s) impacted
- Nespresso + Blue Marble + Seguros Bolivar + local coops + Cafexport
- Financed via FT premiums and NN markets
- >5000 farmers enrolled covering more than 10k Ha, 100% farmers received pay-outs recently

Agroforestry Program

- To drive Regenerative transition & Carbon Sequestration by integrating Tree planting
- Nespresso + Pure Project + local partners (e.g: FNC, Ecom, Volcafe)
- Financed 100% by Nespresso
- 4.2 M trees planted, >15k AAA farmers involved





REFLECTION : SUCCESS FACTORS & CHALLENGES

KEY SUCCESS FACTORS

- Integrated within the core strategy
- Innovative approach
- Partnerships
- Operational execution

STEPS/CHALLENGES TO SCALE

- Origin specific priorities
- Operational capabilities
- Resource mobilization
- Standardization

Building Climate Resilient Smallholder Farmers in Ghana

PRACTITIONER CASE STUDY Worlali Senyo - Head of Corporate Services, Farmerline



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Who we are

- Farmerline is a fast growing Agtech company in Africa with a recent pre-Series A funding of **\$14.5 million**
- **Our Mission**: Creating lasting profits for farmers everywhere
- Our marketplace combines digital tools, logistics, field agents, farm resources and agribusiness partnerships to support African farmers.
- Our technology platform Mergdata is licensed to development partners, global food traders and manufacturers who use its customisable tools to improve the lives of farmers around the world



FARMERS DIGITISED





Climate Resilience Dimensions

Ability to Adapt

Farmers' knowledge and application of sustainable farming and natural resources management methods e.g: crop rotation, intercropping, conversion of land

Resilience Spectrum:

- Resilient
- Emerging
- Vulnerable
- Risky

Access to Enablers

Farmers' access to agricultural products that can enable them to better absorb and adapt to a climate shock e.g: credit, market, advice for farm, improved seeds

Ability to Absorb

 Farmer's experience of coping with shocks and reservoir of resources available to them to financially withstand them
 e.g: poverty profile, reliance on farm income, crop insurance

Source: 60 Decibels, 2022

Needs of Smallholders

- Access to high quality inputs (improved seeds, fertilizers, etc.)
- Access to tailored financial instruments
- Education on sustainable and climate smart agricultural practices and business management
- Access to market and market information
- Data driven business operations



Supporting the Farmer's journey

We reach farmers through FBO/COOPs/ Agribusinesses



1. Farmer requests input credit through an FBO/ COOPs/ OB



2. Farmer receives inputs for the season and is registered



3. Farmer is profiled and identity verified by a Call Center Executive





5. Receives weather and reinforcement agro-advisory messages



8. Farmers can sell their crops with ease through Farmerline's network



7. Farmer receives support on farm or and on phone



6. Grows crops, applies inputs and acquired knowledge

Reflections

Results	 56% report crop production increased 6 in 10 farmers have access to necessary climate information 55% of farmers experienced increase in revenue from crops due to the training 3 in 5 farmers report improvement in their overall quality of life
Success factors	 Impact of training is deepest when administered at the beginning of planting cycle Access to basic enablers Degree of reaching low-income farmers
Challenges	 Majority of farmers live on less than \$3.2 and have low financial resilience 3 in 4 farmers rely on their farms as primary source of income Supporting farmers with managing risk through credit, insurance and income diversification



Source: 60 Decibels, 2022



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