

Inclusive Business

Strengthening Supply Chains



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Netherlands

Development

Organisation



Connecting People's Capacities

Overview of the presentation

- SNV Netherlands Development Organisation
- Our Inclusive Business Approach
- Examples / Short cases of supply chain management
- Lessons learned
- Some thoughts about Contract Farming potential in Cambodia

SNV Netherlands Development Organisation

- An International Development Organisation with presence in Latin America, Africa, Balkans and Asia for over 40 years
- Expertise in Agriculture, Renewable Energy and Water & Sanitation
- We believe four factors are essential to the success of development initiatives
 - inclusive development,
 - systemic change,
 - local ownership and
 - contextualised solutions
- Working in Cambodia since 2005
- See more of us on www.snvworld.org or www.inclusivebusiness.org

Our Inclusive Business Approach

- What is Inclusive Business?
 - The Inclusive Business is a business initiative that seeks to incorporate into the company's value chain to low-income population, generating a win-win relationship.
 - This initiative creates growth, productivity and new opportunities for the company, at the same time generating income and wealth for the poorest
- In the context of farming it looks at supply chain improvements
 - How can I lower raw material / supply costs?
 - How do I diversify my supplier portfolio?
 - How can I ensure a high quality supply?

- We strengthen capacities of both business and smallholder farmers to be capable to enter into long term business relationships
 - Improved service offer from companies to smallholders
 - Improved levels of organisation of smallholders
 - Increased transparency of market intelligence
 - Improved access of businesses and smallholders to essential production inputs and means
 - Improved business enabling environment for business transactions to happen

Some examples / Short Cases

Tea in Vietnam

- Goal: Connect Smallholder Tea Producers as regular suppliers to Tea Processing Companies in North West Vietnam
- Activities:
 - Develop Extension Services for VNGAP quality certification
 - Improve Access to Market Information
- Results:
 - Estimated amount of 15,000 tea producers reached
 - Farmers improve productivity of tea
 - Farmers feel more secure that they will get better price for tea
 - Farmers feel more secure that there will be a guaranteed buyer for the tea

Cassava in Vietnam

- Goal: Improve business performance and sustainable cultivation practises through company led extension services
- Activities:
 - Training of trainers for cassava processing factory staff
 - Linkages of R&D stations with cassava factories
 - Group organisation for better spreading of supply peaks
- Results:
 - 10,000 farmers can sustain harvest levels over long periods of time
 - 2 Target companies can extend processing season and thus profitabilaty

Rice in Lao

- Goal: Increase paddy productivity and food security for smallholder farmers by creating sustainable farm to business linkages with rice millers
- Activities:
 - Rice millers arrange access to quality inputs for paddy suppliers
 - Rice millers offer long term storage facilities to producer groups
 - Rice millers (staff) train farmers in better cultivation practises
- Results:
 - Over 20 rice millers have access to more and better quality paddy
 - 25,000 farmers have more rice surplus for sales and self-consumption

Vegetables in Cambodia

- Goal: Diversify farmers income through collective sales of surplus vegetable production
- Activities:
 - Strengthen management and entrepreneur skills of farmer groups
 - Connect farmer groups with input suppliers
 - Connect farmer groups with marketing cooperative and hotels
- Results:
 - Farmer Association staff skills improved
 - Increased outreach through farmer field schools to around 250 farmers
 - Increasing number of farmers is producing vegetables for market

Lessons Learned

- Contract farming can work both formal and informal, the market will decide on this
- A good supporting environment is essential for this
 - Secure access to good quality production means (land and water)
 - Access to correct production inputs (seeds, fertilisers etc.)
 - Provision of best possible production and market information
- Contract farming (or any supply arrangement) is built on:
 - Trust
 - Transparency
 - Accountability
 - Risk sharing

- Both parties need to be able to have access to neutral mediation in case of conflict
 - “Independent” third party
- Outside facilitation / mediation to establish the deals is often required, but the contract itself cannot be “forced”
- Fixing prices mostly does not work
 - Clear agreement on quality and quantity aspects is more important
- Undercutting of deals by short term opportunity takers are “killer blows”

Contract farming in Cambodia

- From the perspective of the enterprises
 - Strong desire to go for plantation systems (so called Economic Land Concessions), especially for commodity crops like rubber, cassava etc
 - Often think that smallholder farming is less productive or too complex to organise / arrange
- From the perspective of the smallholder
 - Often do not trust the enterprises as they feel cheated over price or non-transparent information on quality
 - Feel that they cannot comply with the conditions asked
- Problem / conflict: Who wants to invest.....