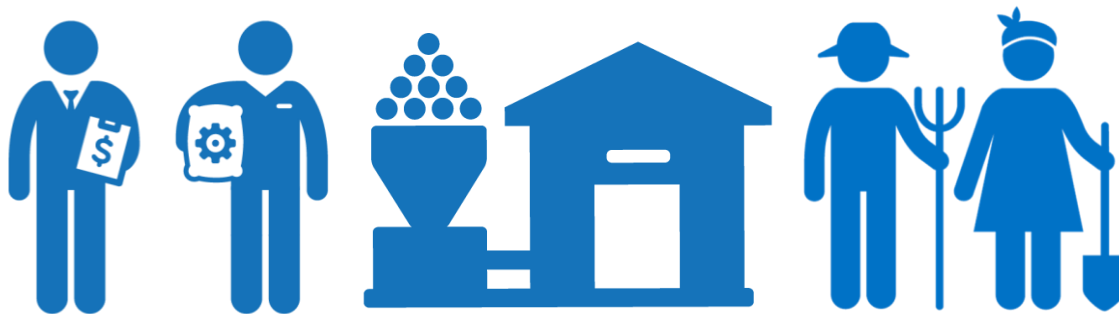


SDM: Olam & FairMatch Support

Service Delivery Model assessment: Short version
June 2017

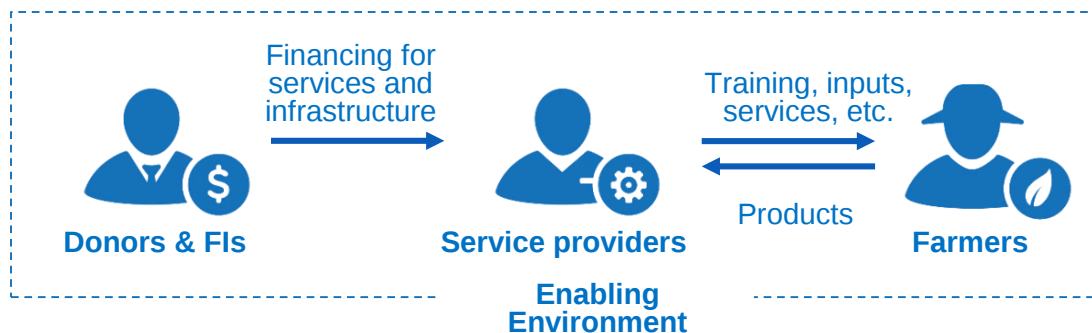
Location: Côte d'Ivoire
Commodity: Cashew nut
Services: Training, organizational support, commercial services, social services, financial services



What are SDMs and why are we interested in analyzing them?

Service Delivery Models (SDMs) are supply chain structures which provide services such as training, access to inputs and finance to farmers. The aim is to improve farmers' performance, and ultimately their profitability and livelihoods.

A SDM consists of service providers, often supported by donors and financial institutions (FIs), and farmers receiving the services. All are set within a specific enabling environment.



By analyzing SDMs, we aim to support **efficient, cost-effective and economically sustainable SDMs at scale** through:

Key drivers for success of SDMs benchmarking



Innovation opportunities to support



Cross-sector learning, learning community



Convening at sector and national level



Analyzing SDMs brings a range of benefits



Farmers and farmer organizations

- **Enhanced services**, which lead to improved farmer income and resilience, through higher productivity and product quality
- **Improved SDM outcomes**, which lead to an improved social and environmental environment



SDM operator

- Better understanding of your **business case**
- Insights to **improve service delivery**
- Insights to develop **a cost-effective SDM**
- Identification of opportunities for **innovation** and **access to finance**
- **Comparison** with other public and private SDM operators operating across sectors/geographies
- Ability to communicate **stories of impact and success** at farmer level



Investors/FIs

- **Common language** to make better informed investment decisions
- Insights to achieve optimal **impact, efficiency and sustainability** with investments and partnerships in SDMs

The Olam & FairMatch Support SDM and objectives

General SDM information:

Location: Côte d'Ivoire
Timing and analysis scope: 2016-2022
Scale (start of analysis): 13,500 farmers
Scale (end of analysis): 30,500 farmers
Funding: Olam
SDM Archetype*: Global Sourcing



Olam International is a leading agri-business operating from seed to shelf in 70 countries, supplying food and industrial raw materials to over 16,200 customers worldwide. OLAM is one of the global leaders in RCN trade, and the only fully-integrated player present in the cashew supply chain of most major producing and processing origins.



FairMatch Support (FMS), established in 2007, is an organisation specialized in developing sustainable supply chains. FMS supports companies in finding new sustainable sources, and producers in emerging countries in finding new markets and professionalising their business. FMS has engaged with OLAM since 2012.

SDM objectives:

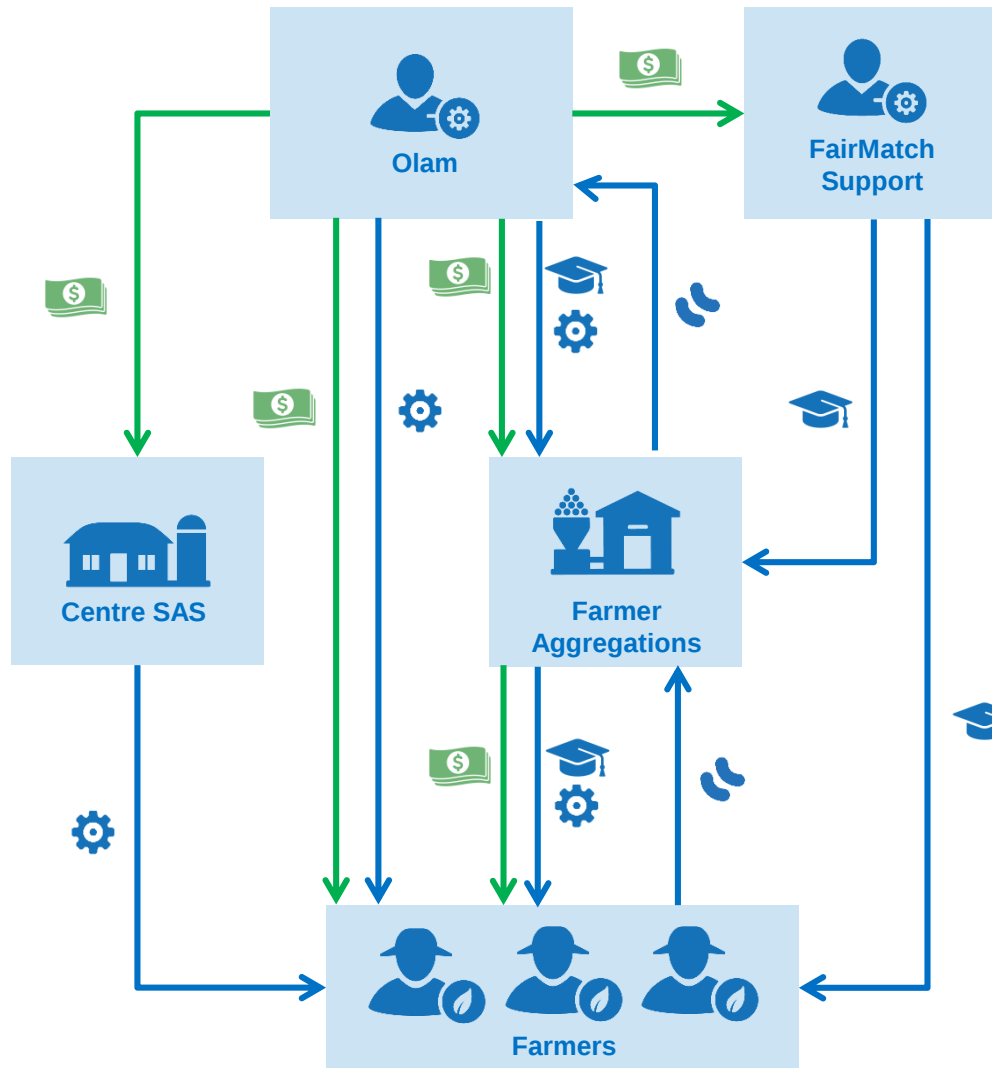
- 1 Improve cashew yield and quality
- 2 Establish a network of strong cooperatives
- 3 Increase transparency and traceability in the value chain
- 4 Improve procurement from cooperatives
- 5 Segment farmers based on performance and provide tailor-made trainings

SDM rationale:



* For more info on SDM archetypes, see the [IDH Smallholder Engagement Report](#)

SDM and structure and enabling environment



Legend → Flow of goods and services → Cash flow

- Olam sources and sells Raw Cashew Nut (RCN), processes RCN and sells white kernels, and provides services to farmers and farmer aggregations (FAs).
- FAs are either formal (cooperatives) or informal, and provide services to smallholder farmers.
- FairMatch Support provides farmer services, advisory services. They also support the implementation of 3S, a Management Information System tool that stimulates quality and traceability of the supply chain (partially set up by IDH).
- Centre SAS provides health services to the local communities.

Enabling environment

Farmers and Olam are impacted by several factors within their enabling environment. Important are:

Infrastructure

- There is a lack of transport options for farmers/ farmer organizations to bring their produce to markets.
- There is poor storage and road infrastructure.

Cashew tree age

- Average age of plantations is young (recent planting), resulting in healthy farms with high productivity. However, not all trees are yet at peak production.

Services delivered and farmer segmentation



Farmer training

- Farmers are offered a technical assistance package depending on their needs, containing:
 - GAP
 - Organic farming
 - Stock management



Financial services

- Farmers are given trainings on how to access financial services.
- FAs receive working capital loans for logistics, to extend pre-financing to farmers and to buy farmers' harvests.
- FAs receive premiums after buying season.



Commercial services

- Farmers receive market information to sell their product at the right price and time.
- Farmer aggregations are provided with equipment (scales and bags) for weighing and packaging.



Organizational support

- FAs are coached to improve organizational management and efficiency. This includes trainings on management, traceability, quality control, M&E and logistics.



Social services

- Communities receive health services .
- Awareness is raised on social issues (e.g. child labor).
- Infrastructure is provided (warehouses, drying yards, school items, solar kits) and agricultural material (boots, machetes, wheelbarrows, etc.) given based on FA performance.

Farmers are segmented in this SDM:

FAs (either villages or cooperatives) are segmented from 1* to 3* levels, based on their performance. As FAs progress from 1* to 3* they receive more extensive services, and over time can take on a more commercial role delivering services to farmers. Eventually, FAs can become financially viable strong business partners for OLAM.

SDM projected outcomes

These results do not represent an official assessment of SDM success or failure by IDH or NewForesight. An indication is given based on the analysis done in this forward-looking study and assumptions provided by the SDM operator(s). Actual assessment should be done during and after the SDM, using measured data

SDM objectives	Projected outcomes
1 Improve quantity & quality of RCN produced at farm level	• Cashew yield is expected to increase by 35% between 1* and 3* star farmers • It is unclear whether quality increases.
2 Establish a network of strong cooperatives	• The number of 3* cooperatives is expected to more than triple by 2022 (from 5 to 18), while the overall number of FAs decreases by 28%. This is the result of more aggregation and overall increased professionalism, which make FAs stronger business partners for OLAM over time.
3 Increase transparency and traceability in the value chain	• <i>Not assessed as part of this SDM case study.</i>
4 Improve procurement from cooperatives	• OLAM projects to attain significantly higher capture rates as the SDM progresses, especially from 3* FAs versus the baseline (50% vs 11%).
5 Segment farmers based on performance and provide tailor-made trainings	• There is a clear trajectory for FAs to move from 1* to 3* levels • Segmentation to allow for tailoring of services based on individual farmer needs is limited.

Key insights



Key drivers of success

- The focus on FAs incentivizes them to take on a bigger commercial role as well as a bigger role in service provision to members.
- Costs per farmer are limited compared to other SDMs.
- At a certain size (400+ members), there is a clear business case for FAs to reach the 3* level. This creates incentives for FAs to move into the 2* and eventually 3* levels.
- Many SDMs work with farmer organizations instead of directly with farmers to increase efficiency. This SDM is different; it brings OLAM closer to farmers by omitting sourcing through middle men. This makes the model more efficient and allows for better relations with farmers and FAs.



Key factors in replication

- This SDM focuses explicitly on building the capabilities of FAs, both as commercial partners for OLAM (allowing them to bypass middle men when sourcing, without having to have relatively high transaction costs when sourcing from individual farmers) and as SDM partners. This has the potential to create sustainable SDMs while less investments are needed from OLAM over time. As such, it could prove a good model for replication and upscaling.



Key risks

- Promotion of FAs to the 2* and 3* segments appears mainly based on commercial criteria, so moving up this rank might occur even if service provision is not up to certain standards.
- The actual impacts of this SDM design will need to be evaluated once actual data can be measured.
- This SDM analysis assumes farms do not need rejuvenation for the coming 10 years. For farms with old trees, this SDM does not provide a means for rejuvenation.
- Cooperatives require a certain minimum scale before this SDM provides them with an economically sustainable business case.



Opportunities for improvement

- There are no incentives yet for farmers to produce higher quality, since neither farmers nor FAs quality premiums. Offering quality incentives can motivate farmers to invest more effort in producing higher quality.
- Segmentation at only the FA level does not allow for services to be tailored to the needs of individual farmers. However, by working with lead farmers this SDM does try to identify and work with high performers.
- Cashew farms are in general young, often planted in only one or two phases, and rejuvenation is used little. For long-term sustainable production, farmers should start practicing continuous rejuvenation. This can avoid the need to do large-scale rejuvenation all at once when the entire farm has passed peak production, which would have a significant impact on net income.

Iris van der Velden
Director Learning and Innovation
 vandervelden@idhtrade.org

Bernd Isenberg
Program Officer IDH
 isenberg@idhtrade.org



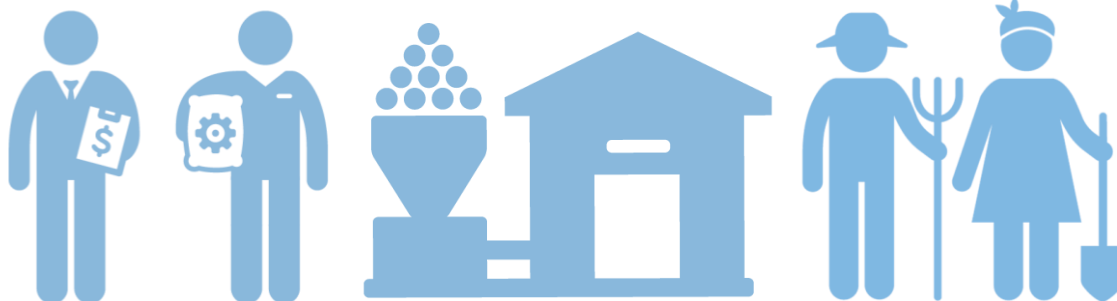
Marieke Wit
Senior Business Developer
 marieke@fairmatchsupport.nl

Hyacinthe Ouattara
Supply Chain Developer
 hyacinthe@fairmatchsupport.nl



William Saab
Senior Consultant
 william.saab@newforesight.com

Niko Wojtynia
Analyst



For more information, see the [IDH Smallholder Engagement Report](#). This report, gathered by analyzing over 30 individual SDMs in 16 countries, provides insights into IDH's data-driven business analytics. The findings identify drivers of farmer resilience, cost reduction and financial sustainability in service models and the conditions needed for a supporting enabling environment.