

Chris Brett



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Chris was appointed as the Senior Vice President Global Head of Corporate Responsibility and Sustainability for Olam International in 2007. He has a Master's Degree in Management for Agricultural Development from Cranfield University in the United Kingdom. He has more than thirty years' experience of working within the private, public and voluntary sectors in Africa, Asia and Latin America.

Uniting David & Goliath to accelerate agri-development

Quote:

“A nucleus model with an outgrower programme incorporates the quality control of large-scale commercial operations with the cost and scalability benefits of smallholder networks.”

Having worked across public, private and non-profit sectors in agricultural development for over 25 years, I have seen first-hand the benefits of successfully engaging with small-scale farmers in emerging economies. There is a clear link between the development of a viable agricultural sector, inclusive economic growth and food security in emerging markets. [Research by Imperial College London](#) found that for every percentage increase in GDP driven by agriculture, the poorest 10% of the population's spending power increases by 6%, while other drivers of economic growth have no recorded short-term impact on poverty levels. However, experience has taught me that unlocking mutual value for businesses, national economies and small-scale farmers is often easier said than done.

Three models could hold the key to emerging markets' agricultural development: plantations and large-scale commercial farms, networks of smallholders that sell to an open market, and a newer, nucleus model which combines the previous two - a central commercial farm, which is supplemented by a network of smallholders growing the same crop, known in the industry as 'outgrowers'. It is no easy feat to establish a nucleus model, but after years on the ground, I have learnt a lot as we continue to refine our approach.

Nucleus model: Best of both

A nucleus model with an outgrower programme incorporates the quality control of large-scale commercial operations, with the cost and scalability benefits of smallholder networks. For example, a commercial rice farm would typically have an on-site processing mill with manufacturing technology



and operational expertise that may not be present in small-scale local mills, and this premium quality yields higher prices for farmers. However, to maximise the return on investment from a commercial

rice mill, a productive area of 5-10,000ha is desirable but it takes many years and a large amount of capital to develop viable land at this scale and for crops to reach maturity. Additionally, this amount of land is, in some cases, simply not available.

Local farmers, who are usually operating at subsistence levels, are approached by companies to supply the mill through an outgrower programme – providing a ready market at prevailing prices. These farmers are offered training in Good Agricultural Practices and access to the seeds and fertilisers required in order to grow good quality, high-yielding crops that supplement the central farm. Olam is currently developing a 6,000ha nucleus rice farm in Nigeria for domestic consumption which will be supported by a central mill that will be fully operational by mid-2014. This will be supplemented initially by approximately 3000 local outgrowers, and gradually scaled-up to include 16,000 farmers in Nasarawa State. By that stage, the outgrowers will be providing 30-40% of the operation's rice.

Additionally, the farm itself provides opportunity as it needs to employ people from the surrounding communities. In Olam's case it's more than 600. Not only does this provide regular income and skills development for the community (such as tractor-driving) it also means that they are taking the agri learnings back to their family farms, which might be managed by their wife, cousin or other family member. So when you think about it, run well, the farm is as much a learning hub as it is a commercial venture. The learning ripples across the surrounding smallholdings as yields gradually increase.

Building relationships matters

But first you have to reach out to the communities – no easy task when you need 16,000 farmers! Secondly you need to gain their trust, confidence and loyalty. To achieve this, you need experienced decision-makers on the ground, who in understanding the culture and mind-set of local farmers are able to forge respectful relationships. This also means that we can quickly (and sometimes laterally) respond to any issues that arise. In our network of smallholder cotton growers in Côte d'Ivoire, it became apparent that of the four bags of fertiliser provided by Olam for cotton plants, one was being diverted to the other crops on the farm. We concluded that it made business sense to provide five bags as standard, allowing farmers to improve yields of other crops (and therefore diets and supplementary incomes) while maintaining the necessary quality of cotton to meet Olam's standards at negligible cost to us.

The same principles apply when it comes to building sustainable relationships in a nucleus model. From day one, this is how we establish the network; leveraging peer-to-peer outreach, starting with our employees and their families and usually stretching to about 100km radius of the central farm. This is supported by adverts on local radio, and meetings with village leaders and the community to explain the opportunities and expectations.



Each context is unique

Every new nucleus programme presents its own set of challenges, be they physical, social or political: collecting crops from 16,000 smallholders with barely any roads being a case in point. In the area around our Nigerian rice nucleus, over 40km of roads have been constructed to connect us with remote communities.

There are also variations in social structures that must be taken in to consideration. Co-operatives are a great asset in organising and communicating with large groups of farmers, but they are not prevalent in all regions. Where there aren't such structures, time must be invested in working with communities and partners to establish farmer groups to enable organisation of training and crop collection.

Community and legal engagement around land acquisition for the commercial farm is imperative but can also be an incredibly complex and time consuming. Experience has shown the importance of collaboration at all levels, from individuals in the community to NGO partners, government and other private sector players, and success often hinges on the engagement and support of all these stakeholders from the outset.

The bottom line

It's not rocket science, but for long-term success the model must be mutually profitable – outgrowers must see the commercial benefit of selling their produce to the company, rather than a competitor, and the company has to see a return on investment in the long-term. But get this right and the impact can spread far wider. Boosted infrastructure and higher incomes act as catalysts for rural development, spurring peripheral enterprises to mushroom around the nucleus, while the ripple effect of agricultural productivity can over time, make a notable contribution to improving food security.

Nucleus models are still evolving and are by no means a 'one size fits all' route to agricultural prosperity. However, with sufficient investment and genuine commitment to long-term viability, outgrower programmes can help realise latent agricultural value and enable a new wave of rural entrepreneurs to escape poverty, and therefore make a real impact on the global development agenda.

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