



Cherry picking, Olam Coffee, Laos: Southeast Asia is poised to be the agricultural powerhouse for Asia.

In a sweet spot: Olam's winning Southeast Asian strategy

Asia, Australia and the Middle East have collectively been one of the largest regions responsible for both sourcing and revenue generation in Olam since its expansion into the region in the late 1990s. Today, it accounts for 26% and 37% of the Group's sourcing volumes and revenues respectively, and continues to be an engine for pursuing profitable growth in prioritised platforms, such as Edible Nuts, Spices & Vegetable Ingredients, Cocoa and Coffee.

In this issue of our refreshed Olam Insights in 2018, we focus on the burgeoning economies of Southeast Asia. Our colleagues based in Singapore, Vietnam and Indonesia discuss why Olam is in a sweet spot to thrive in this region, while making a difference locally.

The new megatrends: Why Southeast Asia is leading the way

By Prakash Jhanwer, Regional Head, Southeast Asia and China

Olam's Southeast Asian Presence: Where we stand out



Southeast Asia has emerged as a key region for the global agri-industry in the last decade. A leading producer of key agricultural products such as palm oil, rubber and rice, it also boasts of a large consumer base population of approximately 640 million. Although it occupies only 3% of the world's land area (4.5 million square kilometres), 8.5% of world's population lives in the region. Southeast Asia is clearly punching above its weight in terms of overall agricultural production.

In particular, in the last two decades, countries such as Thailand, Vietnam, Indonesia and Malaysia have been able to ramp up agricultural production and productivity. In the next two decades, we are hopeful that Myanmar, Philippines and Cambodia will also drive agricultural growth in the region.

Similarly, demand for imported food products witnessed a dramatic increase

especially for dairy, grains, corn, soybeans, etc. Southeast Asia is a key market for grains producing countries, such as Australia, USA and Brazil. There are five megatrends which we believe will shape the future of the agri-industry in Southeast Asia.

A low cost producer

Southeast Asia plays a pivotal role in global agriculture with leading positions in crops, such as palm oil, rubber, rice and Robusta coffee. In many of these products, Southeast Asia is not only the largest exporter but also the lowest cost producer underpinned by high yields. Another unique feature of Southeast Asia is the co-existence of smallholders and plantations, especially in Indonesia and Malaysia for palm and Vietnam for rubber.

Indonesia and Malaysia are the top two producers and exporters of palm oil.

The yields in both countries are the best globally and hence they have global cost leadership. Thailand and Indonesia are the top two producers and exporters of natural rubber. Cost of production of natural rubber in Thailand and Vietnam is among the lowest in the world and Indonesia's rubber yields still have a large scope for improvement. Thailand and Vietnam are also among the top three exporters of rice in the world while Myanmar and Cambodia have huge potential for ramping up rice exports. Vietnam and Indonesia are the top two exporters of Robusta coffee. The former is the largest exporter of cashew kernels and has overtaken India while Thailand is the second largest exporter of sugar.

There is further scope for yield improvement in Southeast Asia which should reduce the cost of production even further, although a larger issue behind this is the size of land holding by smallholders, which puts



Soluble coffee control room, Olam Vietnam: Southeast Asia has emerged as a large producer and exporter of food ingredients and fabric as a result of investments in midstream assets and installation of world-class plant and machinery.

“While the rest of the world seems to be fixated on trade barriers, this part of the world is looking the other way with increased frictionless trade.”

Prakash Jhanwer, Regional Head, Southeast Asia and China

them at the bottom of the pyramid in terms of income and impedes the mechanisation of farms. The issue of small land holding can be addressed by setting up co-operative structures and encouraging the use of low cost digital technologies to enhance productivity.

A large consumer of processed foods

Over the last decade, processed food consumption in Southeast Asia has increased at a rate of 8-10% a year. This is primarily driven by the increase in overall household income, urbanisation and the increased consumption of convenience foods. The growth has been stellar in countries, such as Indonesia, the Philippines, Thailand and Vietnam. The main product categories that have seen this increase are beverages, bakery, instant noodles, dairy products, instant coffee, chocolate products, nuts as a snack and ingredient, spices ingredients and seasonings.

This demand has been appropriated by national brands, the global food majors as well as the Asian MNCs, such as Universal Robina Corp, Jollibee and Indomie. National players like Indonesia’s Mayora, Wings, GarudaFood have also enjoyed huge growth. This growth trajectory is expected to continue in the near future, which augurs well for the food and agri-industry in Southeast Asia.

Outsourcing food ingredients and fabric

Southeast Asia has also emerged as a large producer and exporter of food ingredients. The perception of inferior product quality and the lack of processing knowhow and reliability coming out of Southeast Asia is now a thing of the past. This has been overcome through investments in midstream assets and installation of world-class plant and machinery. The seafood and the textile industries were the first to kickstart this trend in value-added processing, which then grew quite rapidly in food ingredient manufacturing, from cocoa grinding, instant coffee and cashew roasting to spices grinding, cassava starch and refined palm.

I believe that Southeast Asia will continue to be an attractive base for exports of food ingredients and textiles due to the combination of labour availability and costs, adequate infrastructure (especially shipping), energy costs and raw material availability.

Frictionless trade

While the rest of the world seems to be fixated on trade barriers, this part of the world is looking the other way with increased frictionless trade, especially if we exclude sensitive staple commodities such as rice and sugar. We are experiencing huge volume expansion in intra-ASEAN trade flows for food products. This is driven by diligent

implementation of the ASEAN Free Trade Agreement regulations for tariff free trade among ASEAN countries.

We have seen a respectable volume expansion in food products, such as cocoa ingredients, instant coffee, nuts and spices ingredients. For example, cocoa grinding in Southeast Asia has expanded from a relatively low base to about 700,000 metric tonnes (MT) over the past two decades, accounting for 16% of global capacity. In fact, our [cocoa processing capacity in Singapore](#) is fully taken up and we are expanding capacity in 2019 to support the growth of our customers.

Most importantly, these countries have been able to attract companies to invest in manufacturing facilities in Southeast Asia with eyes set on the larger Asian market. This alone will have the biggest impact on the ASEAN food industry in the coming years and can dramatically increase its competitiveness within the larger, growing Asian market.

Rise of the modern trade

Modern trade in Southeast Asia is growing at a rapid clip, catalysed by the rise of retail giants, convenience stores, as well as traditional wet markets becoming more organised. As the organised retailers grow and their share of the wallet increases, we experience increased consumption of packaged foods and the growth of house brands or private labels. Retailers are increasingly focusing on house brands

for margin expansion. The priority for them is to develop their own brands for less complex food categories such as rice, wheat flour, sugar, nuts, etc.

As the trend of smartphone ownership and data availability picks up further pace, online channels will also become more prominent. This will also increase the share of organised retail in Southeast Asia.

Implications for Olam

We have invested significantly in Southeast Asia after we relocated Olam's corporate headquarters from London to Singapore in 1996. For Olam, the region has shifted from an origination base to a food processing hub as we expand organically and inorganically across multiple product, geographical and value chain adjacencies, from being a supply chain manager of agricultural products to a grower and processor also.

To give an example, we grew our cashew operations in Vietnam by adopting mechanised cashew shelling in 2012 (converting raw cashew nuts into kernels mechanically) when previously for many years we were manually processing these for export. A year later, we moved into value-added processing by slicing, dicing and roasting kernels into high quality food ingredients and recently expanded the facility to accommodate the same processing function for almonds - we bring the almonds from our orchards and factories in Australia and convert these into almond ingredients for export into the growing markets in Asia, ie Korea, Japan, China and India.

Coffee was another notable example. Initially we sourced and processed coffee beans into green coffee for export and later moved upstream into sustainable and traceable coffee plantations in Laos and also into value-added processing, ie



Olam Cocoa warehouse, Singapore: For Olam, Southeast Asia has shifted from an origination base to a food processing hub.

manufacturing instant, soluble coffee in Vietnam to cater to the growing appetite for coffee beverages in emerging Asia.

Indonesia, which is both a growing origin and market, is where we source coffee and cocoa beans, and process cocoa beans into cocoa powder - a product Southeast Asia is consuming faster than the developed world. Our partnership with BT Cocoa in Indonesia provides the platform for us to maximise this opportunity.

Indonesia is also the largest consumer of sugar in Southeast Asia and a growing consumer amid rising supply deficit within the country. This is why we have invested in the licenced sugar refining sector as early as 2007 and recently partnered Mit Phol of Thailand to integrate into sugar milling - an opportunity to address the growing supply deficit issue.

We are excited about the prospects of our investments portfolio across Southeast Asia - a balanced one between achieving short term and long term returns. Early this year we commissioned production at the expanded soluble coffee facility - the third time now - and the plant is already running at full capacity. Our coffee plantations, currently 3-4 years' old, will grow to full maturity in 2021-2022. Our recent joint venture with Long Son, Vietnam's second largest processor in cashew, is set to improve our share of the market faster than we would have done so on our own.

Our growing Southeast Asian presence is a testament to our long term belief that this region is going to be an agricultural powerhouse for Asia, and could potentially leapfrog other parts of the world. Southeast Asia is and will remain a bright spot for many years to come and Olam is in a sweet spot to ride on this growth.

About the author: PRAKASH JHANWER



Prakash Jhanwer is President and Regional Head for Southeast Asia and China at Olam International based in Singapore. A graduate of Commerce and an MBA holder from the Indian Institute of Management, Ahmedabad, Prakash has 20 years of international experience in the agriculture sector. He joined Olam in Uganda in 1998 and was responsible for its coffee operations. In 2001 he was transferred to the Group's risk office in Singapore and then relocated to Vietnam as country head in 2007. In 2010 Prakash was appointed as regional head of Olam's Southeast Asian operations (except Singapore and Malaysia) and his scope grew to include China in 2014.

Vietnam rising – on a tide of a nation committed to success

By **Amit Verma**, Country Head, Olam Vietnam and Olam PNG



Cashew sorting, Olam Vietnam: We are amongst the top 100 largest Vietnamese enterprises according to the VNR500 index.

At a time when G7 countries are trading threats and tariffs, it's interesting to consider how a slew of free trade agreements (FTAs) are helping to shape the future for Vietnam. FTAs have helped bring Vietnam to a tipping point in its economic development. The country has begun or completed negotiations for agreements both collectively, as a member of ASEAN, and bilaterally with the EU, Japan, Chile and the Eurasian Economic Union.

And while the fate of the Trans Pacific Partnership (TPP) remains uncertain, Vietnam is ploughing ahead with initiatives to increasingly integrate itself into the global economy. The EU-Vietnam FTA is likely to come into effect within this year, liberalising 90% of imports in both directions over the next 10 to 15 years – a remarkable milestone for a country that adopted a market economy only some 20 years ago.

The consensus, therefore, is that the outlook for Vietnam is bright. Currently ranked 47th in the world in terms of GDP, according to PwC, Vietnam may be the fastest-growing of the world's

economies, with a potential annual GDP growth rate of about 5.1%, which would make it the 20th largest in the world by 2050. Vietnam now leads Southeast Asia – including surpassing high performers such as Malaysia and Thailand – in the Greenfield FDI Performance Index and saw US\$24.4 billion foreign capital investment in 2016.

Vietnam's growing global profile and contribution to the agri-business sector has been remarkable and Olam has contributed and participated in this growth:

- At around 26 million bags – increasing to 28 million by 2020 – Vietnam is the largest contributor to global trade of Robusta coffee. We are the largest exporter amongst all international trade houses as well as the largest producer and exporter of soluble coffee from this country.
- The country leads global exports of cashew kernels and processing of raw cashew, a trend expected to continue. We command a 21% market share in cashew kernels exports and also boast the largest cashew processing facility. Including our strategic investment in Long Son we currently have a share in excess of 25% in Vietnam.
- Since starting commercial pepper production in 1995, Vietnam has become the world's largest producer – contributing 45% of global pepper output – and close to 65% of international pepper trade, a trend which we expect will go on. We are the leading exporter of pepper from Vietnam.
- Vietnam is the third largest exporter of rubber and rice and expects to see increased productivity levels.

So from Olam's perspective, the positive trajectory remains clear and there are a number of factors underpinning Vietnam's growing global profile and contribution to the agri-business sector.

One major influence – unsurprising to anyone familiar with the country – is the work ethic and sense of community which define the nation's farmers. Productivity levels are extremely high and an entrepreneurial attitude creates

record yields. The close-knit nature of the farming communities also sees a commitment to sharing learning and best practices, supported by the government throughout the provincial system.

The government has focused on infrastructure development, including road connectivity, mobile and internet access, ensuring that supply chain losses are minimised and farmers are able to increase their returns by accessing distant markets. Government support, including low-cost, short term credit, also means farmers can generally manage their working capital needs.

Like all emerging markets, Vietnam must address the risks that come with such a high growth rate. The financial sector remains only partially opened and all key entities are state-owned. Foreign banks have not established a significant role in the domestic market because of capital limits. Inflation remains a threat because of limited financial risk management practices at state-owned banks.

While there are some challenges in pockets of a complex bureaucracy and legal system, low technology levels affecting certain industries and other market vulnerabilities, what is also manifest is an overall commitment to establishing strong international trading partnerships, a business environment gradually adjusting to the needs of well-intentioned foreign businesses, and a government highly supportive and responsive to the needs and potential of its agricultural sector.

Riding on a rising Vietnam

Since opening our representative office 21 years ago, our presence in Vietnam has grown exponentially. Today we employ 5,000 people at 14 locations in central and southern Vietnam and our employee base is expected to grow to 6,500 over the next three years. With revenue of close to a billion US dollars we have established market leadership in cashew, instant coffee and spices. Olam Vietnam is amongst the top 100 largest Vietnamese enterprises according to the VNR500 index.

Olam's success has tracked the growth of Vietnam and our Vietnam strategy has

evolved in the past decade with the key pillars today, including:

- **Product synergy:** Many of Olam's focus products are aligned with Vietnam's leading exports and create efficient trading opportunities for us. Our green coffee presence is a good example of us creating and seizing market opportunity.
- **Low production costs:** The high productivity of Vietnamese farmers equates to a low cost of production. This productivity leads to increases in local production which minimises issues on raw material availability. This is critical to many of our local processing and exports operations.
- **Value-added processing:** As destination processors continue to face rising costs and labour shortages in Europe and the US – with costs also rising in China, Thailand and Indonesia – Vietnam has become an ideal manufacturing base for our key commodities. The government's focus on duty-free raw material imports for value-added processing, combined with labour efficiency, has created opportunities for us, especially in Edible Nuts, Spices and Coffee. We have increased our volumes for raw cashew processing, almond processing and regrading of hand cracked walnuts, as well as our capacity for soluble coffee and ground spices production.

Aside from this strategy that has seen us become the leading exporter for most of the products we handle, our levers for future growth will be based on:

- **Development of a manufacturing mindset:** Our world class facilities and processing factories – which focus not only on product quality and innovation but also employees'

health and safety – are crucial to buyers making us their supplier of choice. Our teams work with our central Manufacturing and Technical Services function to keep up our operating standards significantly higher than any of the other factories in Vietnam.

- **Embedding sustainability in every aspect of our business:** We continue to improve our sourcing of raw materials by working with farmers and supply chain partners. This includes offering more certified products, such as organic cashews, UTZ certified coffee, fair trade certification. We are also providing increased level of traceability to our buyers for all our products including cashews, spices and coffee and we will also be using the AtSource platform to showcase the same.
- **Continual improvement of standards on yields and costs:** Our manufacturing operations focus on investment in cost efficiencies – from improved raw material sourcing, mechanisation to deployment of new technologies. We will embrace more digital technology in our manufacturing locations, in order to improve our processes and ensure sustained cost advantage.
- **Focus on processing scale:** While investing in new products and growth initiatives, we focus on products which create benefits of scale. Our soluble coffee plant is the single largest processing plant for bulk supplier companies. Our pepper facility has the country's largest steam sterilisation capacity. Our almond processing facility is the biggest in Asia and will further scale up in 2019.

Looking ahead, our continued success will require that we do everything possible to remain as the supplier of choice for our buyers – by remaining cost competitive in Vietnam, we will continually invest in health and safety initiatives which are such a value and quality differentiator for products like edible nuts and pepper; and keep innovating in product development, quality and packaging.

Arguably, however, our guarantee of ongoing growth and success will come from creating a strong leadership pipeline which embraces Olam's values. In this respect, we are fortunate that Vietnam is home to a pool of young and ambitious talent determined to build the best possible future for themselves and their country. Indeed, Vietnam's economic growth in the last decade has been driven by the largely well-educated half of the population who are under the age of 30.

And, of course, some of the hardest working and most productive farmers on the planet.

“Olam's success has tracked the growth of Vietnam and our Vietnam strategy has evolved with the key pillars – product synergy, low production costs and value-added processing.”

Amit Verma, Country Head, Olam Vietnam and Olam PNG

About the author: **AMIT VERMA**



Amit Verma is Senior Vice President and Country Head of Olam's operations in Vietnam and Papua New Guinea. Amit joined Olam in 2005 and took on different roles in its Southeast Asian operations, including the expansion of the green coffee processing business in Vietnam and Indonesia. Prior to his current post, he was country head of Olam Indonesia from 2013 to 2017. Amit is a Mechanical Engineer by training and a post graduate in Business Management from the Management Development Institute (MDI) India.

A growth strategy in lock-step with Indonesia

By **Ramakrishna Prasad**, Senior Vice President, Olam Indonesia



Grafting to improve yields in cocoa, Olam Indonesia: We approach our growth in Indonesia in tandem with the nation's needs to be self-sufficient, and to improve farmer aid and support.

As Southeast Asia's largest economy, Indonesia's importance to Olam is self-evident. On the supply side, the country is the world's largest producer of palm oil, of cloves and cinnamon, as well as one of the top producers of a multitude of agricultural products – natural rubber (second only to Thailand), cocoa (third after Cote d'Ivoire and Ghana), coffee (fourth largest), cassava, coconut oil, nutmeg, rice, tobacco and tea. On the demand side, Indonesia is the largest consumer of sugar in Southeast Asia and amongst the top 10 markets in the world. It is also one of the top five rice consumers in the world.

The country has maintained steady growth – above 5% – even as it deals with the challenges of its massive, scattered geography. This trend looks likely to continue into next year and beyond with inflation remaining under 4%. With a large population, moderate inflation, rising wages and government spending, consumption will continue to rise.

The food and beverage (F&B) sector has been growing at 3% year-on-year which is significant given the size of the country and geographic spread. Indonesia already has a large downstream F&B industry, but still needs to add capacity to feed the growing population.

However, low farm productivity and the lack of downstream capacity are keeping food imports bill high. Indonesia still remains a largely import dependent economy when it comes to feeding its population, including essential commodities like sugar, rice, beef, salt, etc.

Major investments are therefore required in the primary processing as well as secondary processing industries in the F&B sector. With credit to the current administration, investment has been a clear success story and a significant priority of President Jokowi who has personally supervised various projects across the archipelago since he came to office in 2014.

In order to attract more foreign capital, the government has launched a number of initiatives including its BKPM Online rapid licensing system, investment incentives and duty-free imports of capital goods for industries. Specifically to address yields in agricultural production, the government is initiating public private partnerships for state-owned enterprises. With the current price protection mechanisms in place, these initiatives will continue to attract large private investments in the coming years, particularly so for midstream and upstream investments.

In lock-step with Indonesia

Within this macro-economic framework, we have gradually built up our presence in this country from a simple trader to large scale midstream player. Today, Olam is the largest exporter of Robusta coffee and a leading exporter of Arabicas in Indonesia with a combined market share of approximately 15%. We are also the largest exporter of cocoa products with 26% market share.

Over time, our broader commitment to Indonesia is reflected in our growth strategy and our leadership in creating sustainable sourcing and value-adding, growth platforms as the country responds to its agricultural productivity shortfalls and food imports reliance.

As one of the largest certified cocoa and coffee suppliers in Indonesia, we run some of the best sustainable sourcing programmes that involve more than 40,000 certified cocoa farmers and more than 20,000 farmers who supply coffee directly to us. The Sulawesi Alliance of Farmers, Olam and Blommer Chocolate (SAFOB), our flagship initiative under the Olam Livelihood Charter, is one of the largest cocoa programmes in the world

that aims to improve the economic and social welfare of farming communities.

We create value through midstream participation in sugar refining; management of cocoa processing operations for BT Cocoa Indonesia; and most recently by joining hands with the world's fourth largest and Asia's largest sugar producer Mitr Phol for large scale sugar milling and refining.

We also improve farmer yields through our upstream investment in a 3,500-hectare model cocoa plantation in Seram Island, Ambon, which we are developing as a prototype for a long term joint partnership with the chocolate industry to expand across Indonesia. With the same principle, we have built Arabica coffee farm shelters in Bandung where we work closely with farmers to improve yields for specific coffee varieties as contracted by customers.

We approach our growth in Indonesia in tandem with the nation's needs to be self-sufficient, and to improve farmer aid and support. We have therefore undertaken

these investments selectively, cognisant of Indonesia's long term supply and demand deficit outlook and the regulatory regimes for the selected agri-commodities. For example, our Cocoa business has shifted from being a bean sourcing and export model to an integrated plantation-to-processing model as the government imposes bean export duties and incentivises local value-addition.

Another case in point is our Sugar business which started in 2007 with us acquiring PT DUS, then a sugar refinery running below capacity, and turning it into one of the most cost-efficient sugar refineries in Indonesia. PT DUS now runs at a capacity of 800 MT/day compared with 100-200 MT/day before takeover and our plan is to take it to 1,000 MT/day by 2019. Further, to address the continuing, growing sugar supply deficit while staying aligned with the government's objective in attracting major agri-players to invest in Indonesia, we entered into a 50/50 strategic partnership with Mitr Phol for an integrated greenfield milling opportunity that will not only drive

efficiency and secure steady margins, but also benefit multiple stakeholders – most of all, the farmers.

A strong relationship with the government and local authorities that has developed from our appreciation of the country's needs now backs our growth strategy and execution.

Olam today directly employs more than 800 people across our cocoa, coffee, sugar, spices, edible oil and rice operations, which stretch from North Sumatra through Java and east to Sulawesi. This is set to increase as we expand on product and value chain adjacencies, which play to our strengths as a leading, global agri-business, and concurrently feature prominently on the government's self-sufficiency agenda.

Indonesia is a vast country which, inevitably, throws up significant and diverse challenges. But it is also a vast opportunity for Olam – not only to build our businesses but also to make a fulfilling contribution to Indonesian society.



Olam Co-Founder & Group CEO Sunny Verghese (right) with Mitr Phol Chairman Krisda Monthienvichienchai: Both companies formed a joint venture to invest in sugar milling in Indonesia in 2017.

“Our broader commitment to Indonesia is reflected in our growth strategy and our leadership in creating sustainable sourcing and value-adding, growth platforms.”

Ramakrishna Prasad, Senior Vice President, Olam Indonesia

About the author: RAMAKRISHNA PRASAD



Ramakrishna (Ramki) Prasad is Senior Vice President of Sugar at Olam Indonesia. Ramki first joined Olam in Nigeria in 2004 and then rejoined the Company from Bharti Airtel to head the Edible Nuts and Wood Products businesses based in China. As President-Director of PT DUS, he is the de facto Country Head in Olam Indonesia. Ramki holds a Bachelor of Engineering (Electrical & Electronics) and has an MBA from the Yale School of Management.

Getting the best from the best

By **Naveen Chhabra**, Vice President, Human Resources, Southeast Asia

On any given workday at some 30 locations across Southeast Asia, more than 6,000 people follow “The Olam Way”. Over the next three years, that number will swell to 7,500 as we continue to build our businesses in Vietnam, Indonesia, Thailand, Laos, Cambodia, Myanmar, PNG and Timor-Leste.

Olam’s stellar growth in the region is the product of many strategic initiatives and much accumulated experience but few would argue with the fact that our Olam Way, HR practices and the culture of nurturing a workforce that embraces our unique values have been a significant influence wherever we operate.

Still, we are fortunate that not only does raw talent exist in abundance in these markets but that so many people here embrace our Olam values; they reflect an ambition and a work ethic driving the people of Southeast Asia forward.

Attracting top talent, strengthening the Olam “employer brand”

In each Southeast Asian market – and on a regional basis – we entrench the concept of developing “future-ready talent”. Our future-proofing of the business in Southeast Asia demands that not only do we seek out the best talent in the region but that we are recognised by its most ambitious young people as a highly desirable “employer brand”.

Our Southeast Asian leadership team’s commitment to deepening and strengthening the talent pool includes identifying high potential leaders and individualised development plans that combine training and critical experience. We seek out and recruit proven top-tier talent, injecting the team with the energy and enthusiasm of the best-of-the-best from the region’s most respected universities. Our structured campus engagement programme at top-tier universities includes guest lecture series, student visits to our plants/sites and summer internships.

This grooming of internal talent and injecting top-tier external talent is consistent with our long term localisation strategy. For this, we have achieved high visibility in the external Human Capital awards, including most recently being named one of 2018’s “Best Companies To Work For In Indonesia” and “Best Companies To Work For In Vietnam” by the prestigious *HR Asia* magazine.

Integrated talent management

It is our integrated approach to talent management that ensures the ongoing tailoring of our managers’ personal growth and development goals while assessing their progress and enabling them to perform better by supporting them on their development goals instead of treating performance reviews as standalone discussions.

The broader learning and development framework has been designed to ensure that supervisor career band employees receive at least six man days of training per year which include both domain and soft skills. For the managerial talent pool, this internal commitment is enhanced by e-learning programmes offered by leading business schools and online learning academies.

Our career grades are well defined to ensure all employees understand what is required if they are to move to the next level. The annual selection process assesses the readiness of all high potential national career band managers in Southeast Asia for promotion to the Olam global career bands.

Innovation in hiring processes

What also sets us apart from other employers is innovation to achieve greater productivity and fit. The HR team has implemented innovative processes which can effectively and efficiently identify candidates with the required skills for their roles, thus reducing time and costs in recruitment and training significantly.

For example, segregation of raw materials is a key process in nuts and pepper processing. So in Dong Nai Province of South Vietnam, our almonds and cashew processing factories in Tien Nga and Bien Hoa as well as the pepper processing plant in Loteco have adopted a unique recruitment process which tests a worker’s ability to perform under a



The “Bead Segregation” test, Olam Vietnam: Olam is probably the first in Asia to adopt this test in the edible nuts and pepper industries.

“What also sets us apart from other employers is innovation to achieve greater productivity and fit.”

Naveen Chhabra, Vice President, Human Resources, Southeast Asia

simulation environment – we call it the “Bead Segregation” test. In this test, candidates are given seven kinds of coloured beads (primary and secondary colours) to sort out within a stipulated time. As workers are required to segregate cashew into seven different grades for packing, it tests their hand-eye coordination, colour blindness and ability to focus on separating the coloured beads in the shortest possible time with a high degree of accuracy. This is a highly effective method in selecting workers who will be spending most of time in the nut segregation section.

Olam is probably the first in Asia to adopt this test for the selection of workers in the edible nuts and pepper industries. This test is also used by our outsourced manpower suppliers to recruit suitable workers for our factories. The results have been very encouraging – labour productivity has gone up by 22% in the handpicking sections in pepper processing.

For the managerial level, the hiring process now includes cognitive and verbal ability online tests. These online tests work well as an effective filtering and reference tool. This assessment process was first implemented for Olam Indonesia’s management trainee programme. As a result, we are able to fast-track the hiring of management trainees as well as increase the intake size within a given time frame.

Women empowerment

Vietnam is amongst the most gender diverse countries in the world with women constituting 55% of its productive workforce. This is a growing force across the rest of Southeast Asia as the region progresses in labour productivity by harnessing its women population. We have therefore implemented specific policies in Vietnam to promote and nurture the women workforce. For example,

our post-maternity policies are probably one of the most attractive in our industry:

- Dietary support during pregnancy
- Additional one hour of rest time every day during pregnancy
- No night shift or overtime work during pregnancy or fostering a child under 12 months of age
- Female employees who return to work after taking four months of leave are paid full maternity allowance for their absence
- Child care support at kindergartens for children up to the age of six

We are pleased to see that these policies are paying off as 90% of our women employees returned to work after the maternity leave period. We are now looking to replicate these in other locations.

About the author: **NAVEEN CHHABRA**



Naveen Chhabra is Vice President and Regional Head of Human Resources, Southeast Asia at Olam International based in Vietnam. Naveen joined Olam in 2010 and has worked extensively across Asian geographies. Prior to his current post, between 2010 and 2013, he worked closely with the global IT leadership team to scale up the global captive technology centre of Olam located in India. Naveen is an Electrical Engineer and a post graduate in Human Resource Management from Xavier School of Management (XLRI) India.

Sustainability in action: Living examples of a policy vital to our planet’s future

By **Moray McLeish**, Vice President, Corporate Responsibility & Sustainability (CRS), Asia

As a Group, we are committed to our purpose of “Re-imagining Global Agriculture: Growing Responsibly” and it is the job of the CRS function to help interpret and implement this for each of our businesses, in each of their landscapes.

“Earth Overshoot Day” – the point in the year, researched and assessed by the Global Footprint Network, at which our consumption exceeds nature’s annual capacity to regenerate carbon, food, water, fibre, land and timber, was August 1 this year. A report in the Guardian pointed out “while

ever greater food production, mineral extraction, forest clearance and fossil-fuel burning bring short-term (and unequally distributed) lifestyle gains, the long-term consequences are increasingly apparent in terms of soil erosion, water shortages and climate disruption.”

As a big user of land and water, agribusiness is firmly in the spotlight. We need to produce more food for more people, with less impact. This underscores the urgency of the Olam Living Landscapes Policy which aims to create a “positive impact in the

places where we source and grow our products, working across our businesses and with our partners to create and sustain Living Landscapes, where prosperous farmers, thriving rural communities, and healthy ecosystems coexist.”

Three recent examples from Southeast Asia show how the Living Landscapes Policy is guiding us towards a net positive impact on farmers, their communities and the environment – differentiating Olam and attracting partners and customers alike.



BRIA farmers giving thumbs-up after a sustainable rice cultivation training: BRIA has graduated to a Market-Oriented Smallholder Value Chain (MSVC) programme to further improve the environmental footprint of rice.

Timor-Leste: Cooperation to restore coffee industry's former glory

In Pahata, Liquica District, an hour's drive from the capital Dili, coffee is an integral part of Timor-Leste's culture and economy. It is the country's largest non-oil commodity and a quarter of the population depends on coffee for a living.

But coffee production is also fragmented, and plantations need rehabilitation after decades of neglect. Farmers need support to help them harvest more, improve quality and regenerate their farms.

Environmentally sustainable production is the only way to improve the livelihood of the local farmers in the long term so we plant and harvest the crop with farmers, training them in Good Agricultural Practices and providing financial support to acquire appropriate technology, fertiliser and seedlings as a means to renewing their farms. The farmers who choose to participate in our programmes will sell their produce to Olam and are paid fairly, often receiving premium prices for the quality they are able to produce.

However, a sustainable end-to-end supply chain requires partnership, support from host governments, finance from development institutions and expertise from NGOs.

Development of the coffee sector is now a priority for the government of Timor-Leste and as Minister of Agriculture and Fisheries Estanislau Aleixo Da Silva says, Timor-Leste's coffee is regarded as one of the best in Asia, if not the world, so

the government has developed a clear route to restore its former glory on the world coffee map.

The Asian Development Bank (ADB) is helping to catalyse the government and private sectors to increase coffee productivity, quality and partnerships. Together with Japan International Cooperation Agency (JICA), ADB has provided Olam with a long term funding facility to support our capital expenditures and permanent working capital requirements in Timor-Leste, which go towards the programmes we implement on the ground for the farmers. Building on their partnership with us, ADB is also looking to provide grants to the government to implement training and other support programmes.

Arabica farmers blend ecological and economic priorities

The role of Olam Specialty Coffee's Indonesian conservation expert, Dadang Hendarsyah, began when, as a search and rescue volunteer, he was responding to a deadly landslide that hit his home region of Bandung Sunda Hejo in 2009 – a tragedy caused by illegal deforestation by farmers growing vegetables to sell and to feed their families. With no deep root structures to hold it back, the earth slid down the hillside taking everything in its path.

The challenge therefore, was to find a solution that would prevent smallholder farmers from cutting down more forest by creating a positive incentive – carrot rather than stick. In addition to the native trees, various tree crops have root systems deep enough to help bind the

soil but it was too cool in the highlands for cocoa, and oil palm is best planted in large plantations. There was, however, some history of growing Arabica coffee in the region during the 1800s when it had been planted by the Dutch.

In 2009, Dadang and a colleague convinced a group of eight farmers in this community to start planting Arabica on the steep hillsides – and the more they learned about the opportunity, the more farmers wanted to get involved. When they started out, it was conservation first, business second. So, instead of starting with the coffee plantation, they made a home for the coffee to live in, planting the bushes in the shade of the bigger native forest trees.

The team also contacted Perhutani, a sub-division of the Forestry Department of Indonesia, which was also trying to address landslide and flooding issues. Perhutani had developed a scheme to lease up to 2.5 hectares to farmers to plant crops with strong root structures that could grow in the shady understory of existing trees.

What Perhutani could not provide, however, was expertise in achieving optimum yield and quality, nor bring reliable buyers who would pay a good price beyond the traditional domestic market.

The farmers formed a co-operative Sunda Hejo Klasik Beans, which joined Olam Specialty Coffee in 2011 to further develop the cultivation of premium coffee in West Java with Olam linking them to the international export market. In 2014 Olam was approached by a customer to develop their sustainable quality programme with the Sunda Hejo farmers.

Today, with ongoing support and training from Olam and our customer to produce high quality Arabica, farmers are getting an almost threefold income from a crop that can live in harmony with the forest – a clear example of how agriculture can be re-imagined to enable farmers to prosper, communities to thrive and landscapes to flourish.

Transforming rice value chains

Unlike specialty coffee, rice is a staple crop for roughly half the world. As the largest GHG emitting crop in the world, accounting for 10% of man-made methane, and correlating heavily

with poverty in both producing and consuming regions, improved rice production is key to helping agricultural communities prosper and reducing environmental impact in Asia.

These overlapping issues of water efficiency, agricultural productivity, food health and safety are critical to ensuring global food security, and to delivering on the Sustainable Development Goals (SDGs). Finding and testing solutions has therefore become a new purpose of the Rice business.

Olam is a founding member of the Sustainable Rice Platform (SRP), a multi-stakeholder group convened by UN Environment and the International Rice Research Institute (IRRI) to define and pursue sustainability in the rice sector.

In 2015, under SRP, we partnered with GIZ, a German development agency, and the Thai Rice Department in a pilot project called the Better Rice Initiative Asia (BRIA). In 2016, this yielded the world’s first rice meeting SRP standards – Thai Hommati, fully verified by UTZ and OneCert. Olam pioneered as the exclusive corporate buyer.

In 2017 the pilot was expanded to 1,500 farmers all enrolled in OFIS – the Olam Farmer Information System, a farmer management and traceability tool originally developed for cocoa. We are now on the cusp of expanding the project to Vietnam and Indonesia. In four years, this would translate to total volumes of nearly 190,000 MT, representing more than 10% of our current annual volumes globally.

“The long-term consequences... in terms of soil erosion, water shortages and climate disruption underscore the vigilance required of us in order to deliver on the Olam Living Landscapes Policy.”

Moray McLeish, Vice President, Corporate Responsibility & Sustainability, Asia

About the author: **MORAY MCLEISH**



Moray McLeish is Vice President of Corporate Responsibility & Sustainability at Olam International based in Indonesia. His primary role is to implement the Group’s corporate sustainability strategy in Asia, which involves managing local stakeholder relations, meeting specific customer demands for sustainability, improving codes of practice and building partnerships with development financial institutions, governments and NGOs. With a background in land Economics and a Master’s degree in Environment and Development, Moray is a sustainable land use, climate change and supply chain specialist with 20 years’ experience in private, public and NGO sectors across Latin America, Africa and Southeast Asia. Prior to joining Olam, he worked for the Department for International Development in the UK, the World Resources Institute and PwC.

Fact file: Olam Southeast Asian activities

Country/ value chain activities	Vietnam	Indonesia	Timor-Leste	Papua New Guinea	Malaysia	Singapore	Thailand	Laos	Cambodia	Myanmar
Farming and plantations	●	●						●		
Sourcing, import, primary processing, trading, export and distribution activities	● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●		● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●
Secondary, midstream processing activities, involving shelling, dicing, slicing into ingredient quality products	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●			● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●		● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●			

Products ● ALMOND ● CASHEW ● COCOA ● COFFEE ● DAIRY ● PALM ● RICE ● SPICES ● SUGAR ● WOOD PRODUCTS