

# *Sustainable Supply Chain Management*

## The Olam Experience

IDH Congress, Amsterdam  
15 December 2011



# Our History



Sales CAGR 69% and PAT CAGR 44% over the last 22 years  
Transitioned from a trader to an Integrated Supply Chain Manager



# Olam's Geographical Growth

1994

- 7 Products
- 4 Countries

2001

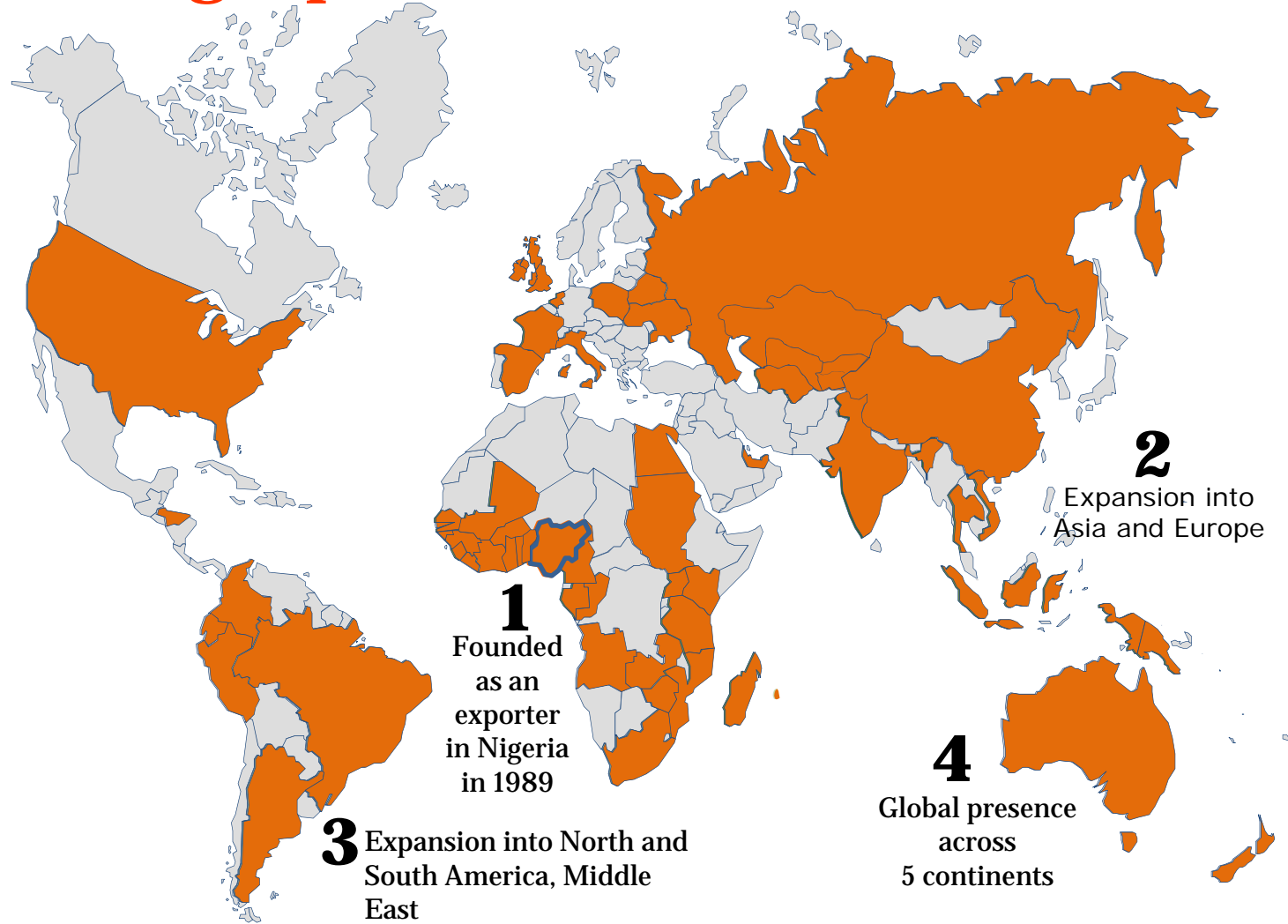
- 10 Products
- ~20 Countries

2005

- 14 Products
- ~40 Countries

Today

- 20 Products
- ~65 Countries



# Our Products



**Edible Nuts,  
Spices & Beans**

**Cashews, Peanuts, Almonds, Spices &  
Dehydrates, Sesame, Beans**

**Confectionery &  
Beverage Ingredients**

**Cocoa, Coffee, Shea-nuts**

**Food Staples &  
Packaged Foods**

**Rice, Sugar, Grains, Palm Products,  
Dairy Products, Tomato paste,  
Packaged Foods**

**Industrial Raw  
Materials**

**Cotton, Wool, Wood Products, Rubber**

**Commodity  
Financial Services**

**Market Making, Risk Management  
Solutions, Commodity Funds  
Management**



# Our Global Position

We are today a global leader in many of these businesses, including Cashew, Almond, Spices & Dehydrates, Sesame, Cocoa, Coffee, Rice, Cotton, Teak as well as Palm and Rubber in West Africa. We supply to many of the world's most prominent brands offering them reliability, consistency, trust, traceability, and other value added services. This has helped us earn a reputation as the "brand behind the brands".



# Supply Chain Model

**Integrated from farm to factory gate**

← **Managing Risk at Every Stage** →



**End-to-end Supply Chain Capability**

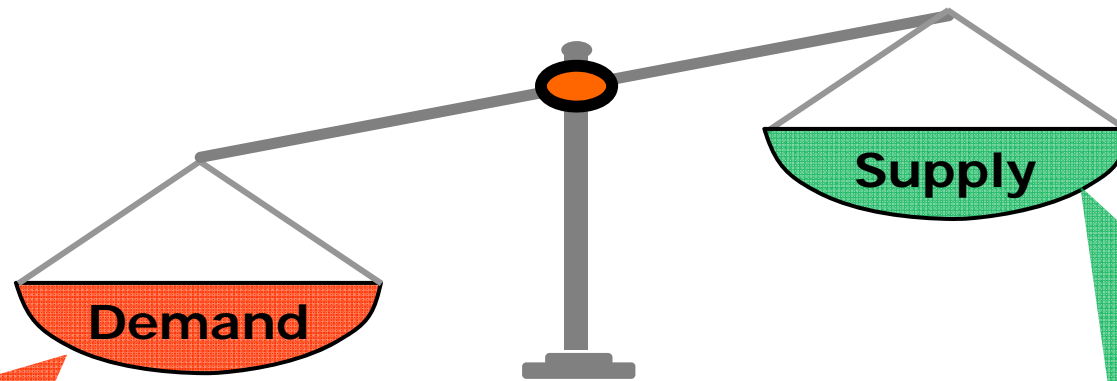
**Rule: Differential Value Chain Integration**



# **Global Commodities: Supply and Demand**



# Agri-commodity demand-supply imbalances expected to widen going forward



- Growing population
- Increasing food consumption per capita with rising income
- Dietary shift to protein and fat rich diets
- Rapid urbanization resulting in higher per capita consumption
- Growing use of biofuel

- Decline in agricultural productivity
- Declining arable land
- Urbanization impact
- Water constraints
- Carbon constraints
- Impact of climate change
- Environmental constraints
- Logistics and storage chokes

# Strategy going forward...

## **Agri-complex megatrends**

Growing structural supply-demand imbalances in key commodities

Higher consumption of value added processed / packaged food

Customer's growing emphasis on sustainability

Customer's growing concern about food safety & product hygiene

Industry consolidation

## **Olam's strategic Response**

Invest selectively in upstream plantations / farming

Invest in midstream value added ingredient processing

Develop an Olam standard & brand of sustainability & make this a core value proposition to our customers

Invest in traceability systems & exercise more control over the entire value chain

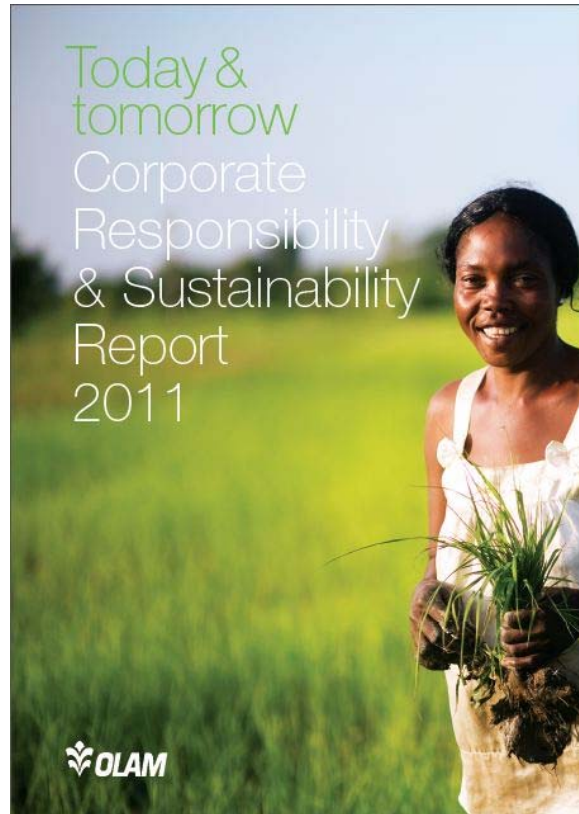
Bulk up both through M&A as well as organic growth initiatives



# **Corporate Responsibility & Sustainability**



# CR&S: A core part of our beliefs & embedded in our business model



Improve rural livelihood of farmers/growers (launched the Olam Livelihood Charter)

Full compliance with Sustainable Forest Management standards, RSPO & other relevant industry standards

Set hard targets for environmental footprint going forward (Carbon, Water, Energy & Waste)

**100+**  
Initiatives

**30**  
Countries

**>1.5M**  
Farmers



## CR&S: 2011 highlights

- Economic impact – from the 6 Livelihood Charter initiatives alone; crop finance of \$21million, \$2.4 million in training to 58,000 farmers, with a farmer buy back of \$102 million
- Community welfare – primary and vocation education reaching 40,000; HIV/AIDS training to 70,000, rural infrastructure 300kms of roads, 10 warehouses, 5 boreholes and 3 clinics
- Environmental stewardship – working with academic institutions, industry experts and NGOs to bring international standards into emerging economies to take leadership in sustainable supply chains



# Olam Sustainability Standard



Building an end-to-end sustainable supply chain demands a full understanding of all our activities and those of our farmers, communities and suppliers from seed to shelf. Across our 20 products in 65 countries we have broken down our value chain into component parts for evaluation against sustainability criteria, with the end goal of developing the **Olam Sustainability Standard** which can be applied throughout our entire operation.



# Olam Livelihood Charter

**We are committed** to play an ongoing lead role in linking farmers to the global supply chain **We aim** to bring prosperity to our farming and rural communities **We build** long-term relationships based on fairness and trust **We seek** to transfer skills and knowledge through partnerships **We support** the UN Millennium Development Goals

**The Olam  
Livelihood  
Charter**



- Linking our growing small-scale farmer based suppliers to the global supply chain – through 8 defined and measurable principles

**Finance**

Improved yield

**Market access**

Quality

**Social investment**

Labour practices

**Environmental impact**

Traceability





Olam's heritage lies in small-scale agribusiness. This strength has influenced a global growth strategy that invests in local economies and **'unlocks mutual value.'**

We have pioneered a reciprocal approach for value creation – investing in assets, infrastructure, education, training, financing and developing business skills in the agricultural communities where we are active.



# Tomorrow's Aspirations



*“I believe that in the 21<sup>st</sup> Century, companies must serve two roles. We must deliver long-term and lasting value for our continuing shareholders, while at the same time being a positive force for sustainable change in the communities and context in which we operate” – Sunny Verghese, CEO*



# **Africa: A Case Study**



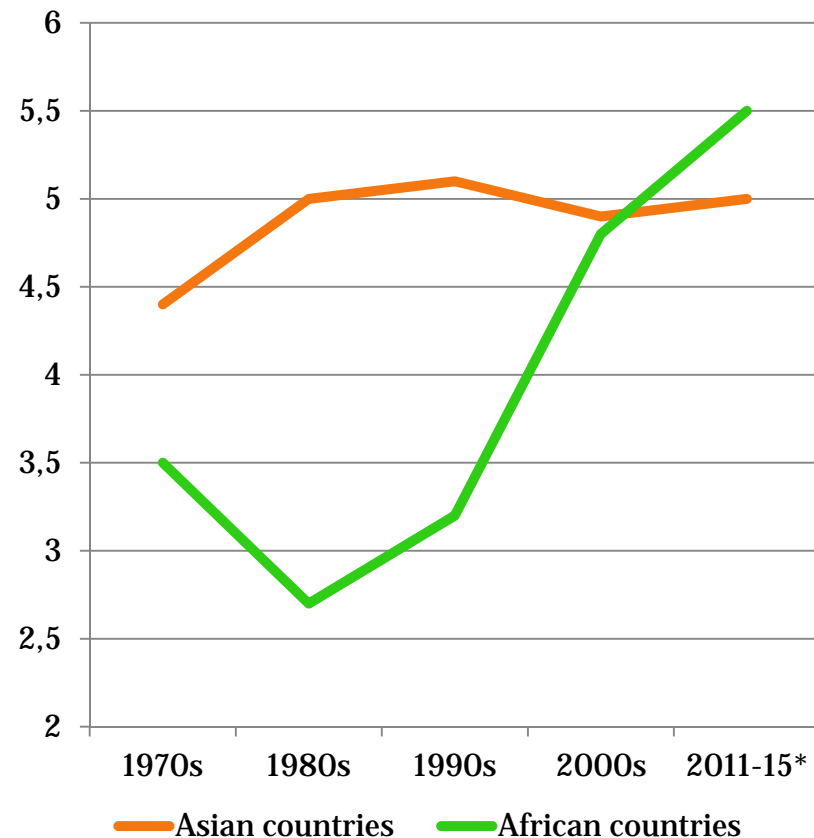
# Africa has outperformed Asia in GDP growth...

## World's ten fastest growing economies

2001 – 2010		2011 – 2015	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8

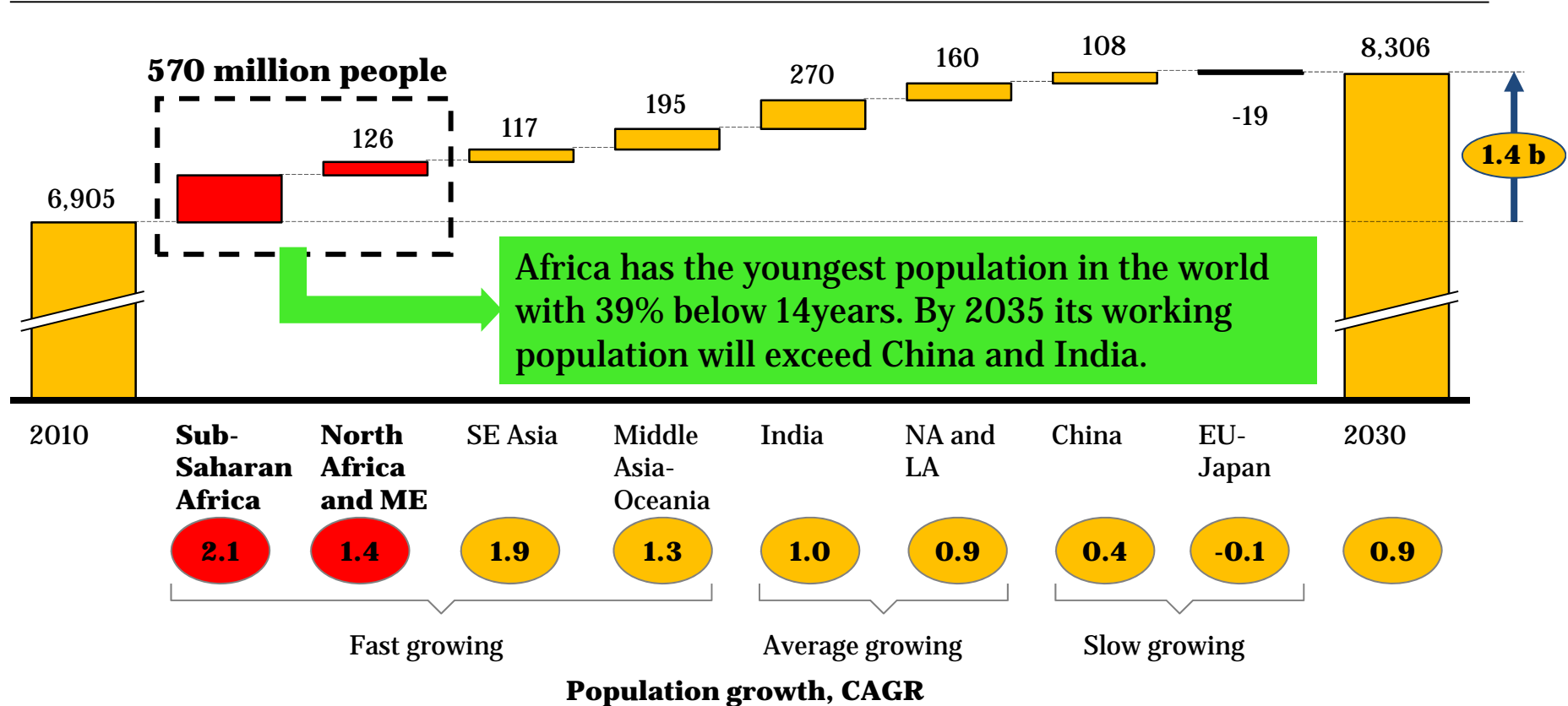
Source: The Economist, IMF

GDP growth, un weighted annual average %



# ...which has been driven by the world's fastest growing population...

**2009-2030 population growth by geography**  
Millions of people



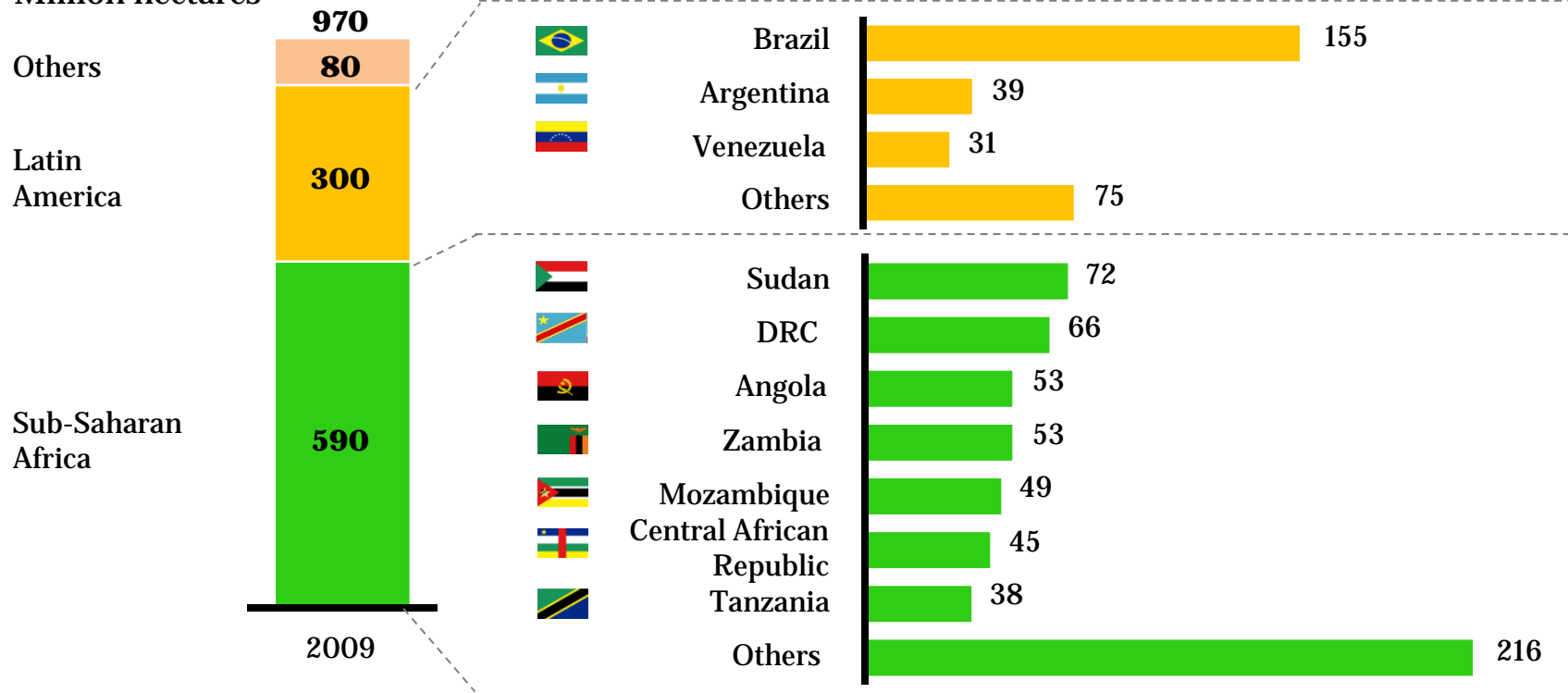
Source: McKinsey Global Institute



# Africa represents about 60% of the potentially available cropland in the world...

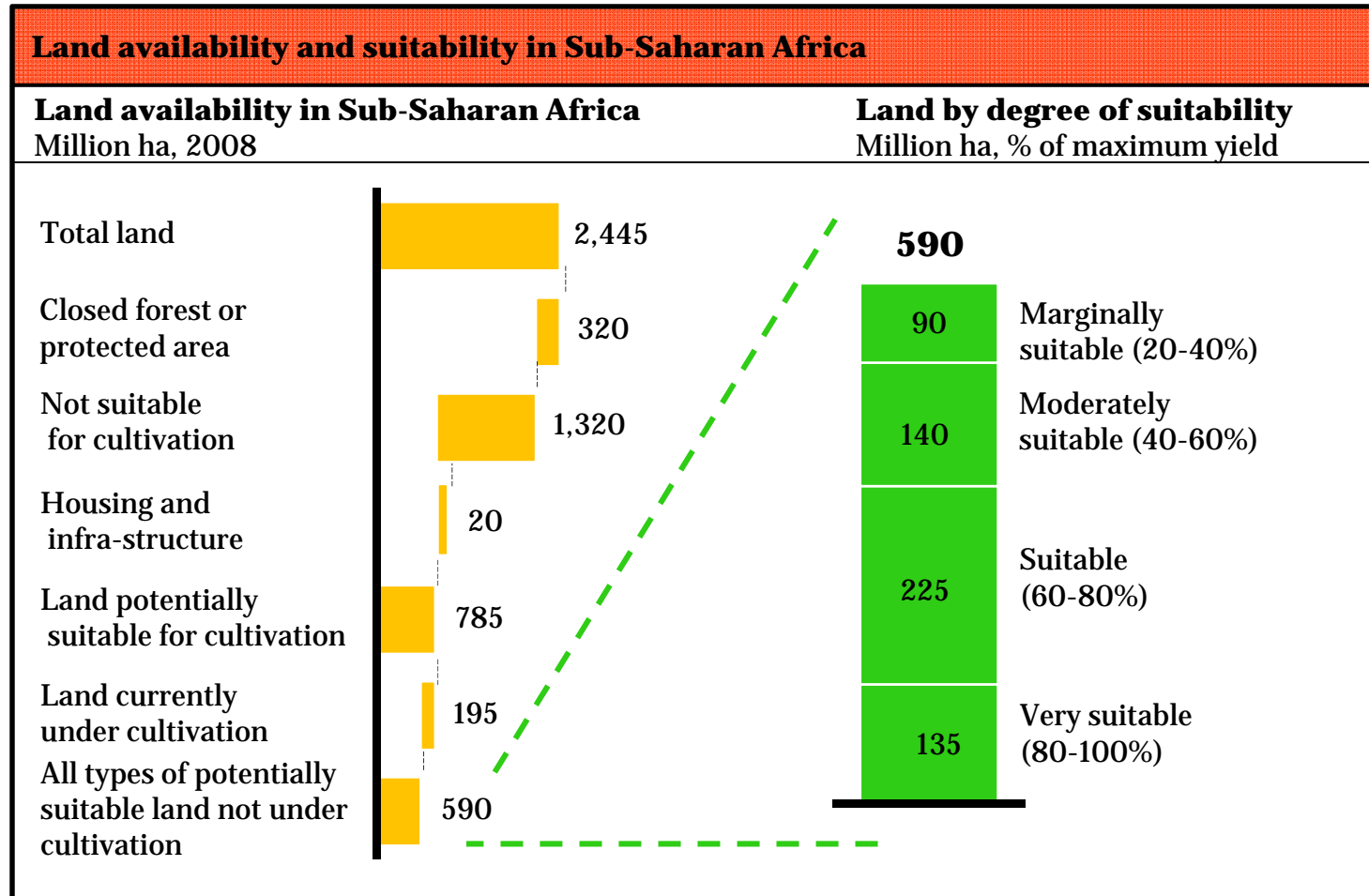
## Additional available cropland, 2009<sup>1</sup>

Million hectares



<sup>1</sup> Cropland defined as land producing output greater than 40% of maximum yield under rain-fed conditions, excluding forest areas.  
Source: McKinsey Global Institute

...unlocking this potential could make it a worldwide player in agriculture.

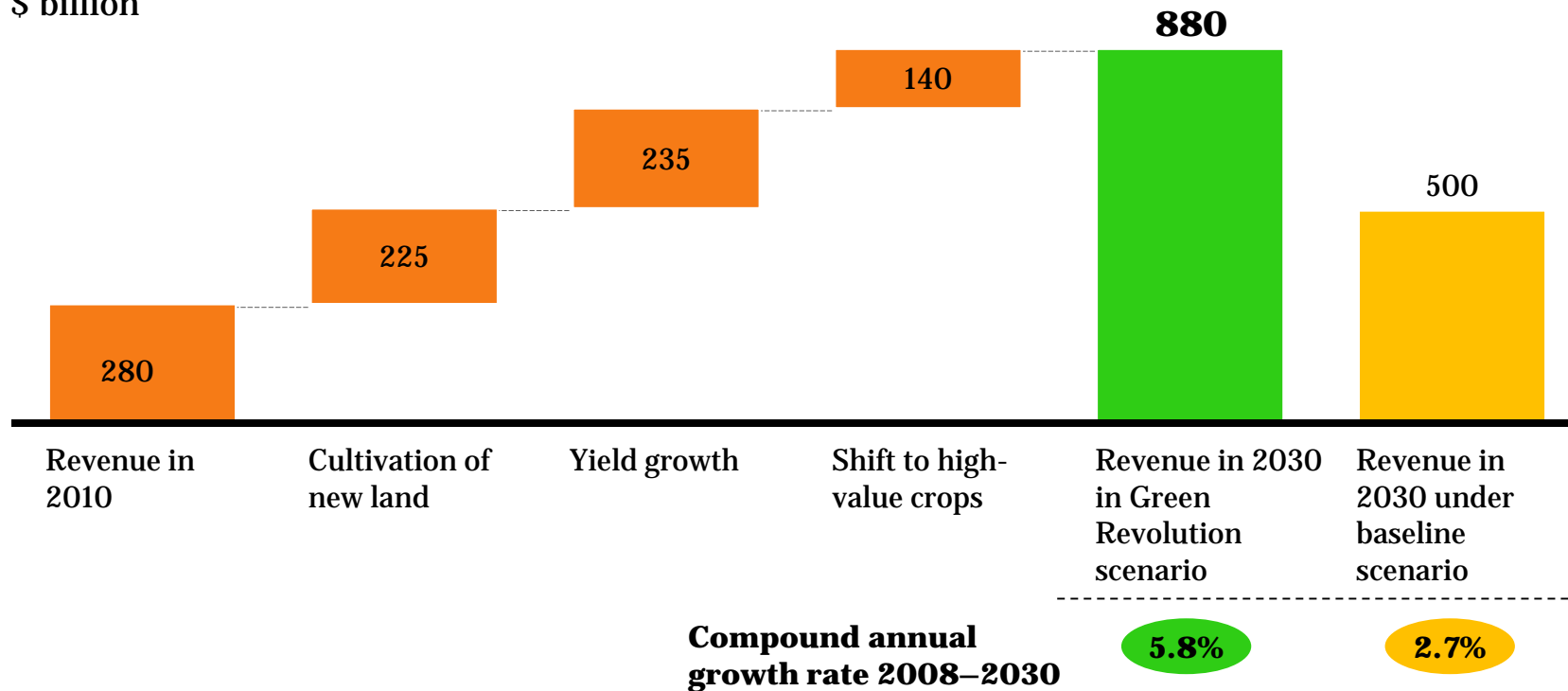


Source: McKinsey Global Institute



...resulting in an increase of USD880 billion revenues by 2030 for Africa.

**Africa agricultural production revenue**  
\$ billion



Source: McKinsey Global Institute



# Africa today...

# Africa tomorrow

**\$1.6 trillion** is Africa's collective GDP in 2010, roughly equal to Brazil or Russia

+ \$ 1 tr

GDP will grow to **\$2.6 trillion** by 2020

**\$860 billion** is Africa's combined consumer spending in 2008

+ 4%  
CAGR

Consumer spending will increase to **\$1.4 trillion** by 2020

**85 million households with discretionary income**

> 50%  
rise

**128 million households with discretionary income** by 2020

**40% urbanisation rate**

Tip the  
scales

**A 50% urbanisation rate** by 2030. 18 cities will have spending power of **\$1.3 trillion**

Africa's current working population is **582 million**

~ 2 x

**1.1 billion** is the number of Africans of working age in 2040, more than any other region globally

Source: McKinsey Global Institute





THANK YOU