

# World Bank Land and Poverty Conference 2017

## Submission for Master Class Session

### Promoting Smart Land and Water Use for Climate Smart Sugarcane: Focus on Smallholder Behaviour Change with a Robust Business Case

#### Case Study: IFC Investment and Advisory Support to DCM Shriram and Olam Agro in India

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##### IFC Team:

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- I. **Topic of the Master Class:** Promoting Smart Land and Water Use for Climate Smart Sugarcane: Focus on Smallholder Behaviour Change with a Robust Business Case
- II. **Goals of the Master Class:** To highlight the work done with two Indian Sugar companies and draw lessons on how to engage with the private sector with a business case to support smallholders for smart land and water-use and climate smart practices

Sugarcane is one of India's prime commodities as the second largest producer of sugarcane in the world after Brazil. ~ 50 million farmers cultivate under rain-fed conditions and face acute vulnerability in the light of climate change due to droughts and floods.

Olam India and DCM Shriram face business challenges due to stagnating sugarcane farm yields in their catchment area, coupled with increased supply-chain risks due to climate shocks (recurrent droughts and flash floods). For instance, the average sugarcane farm yield in Central Uttar Pradesh (DCM Shriram operations) is 45 MT/Ha, which is much lower than the state average (58 MT/Ha) and national average (70 MT/Ha). This low yield has increased the opportunity cost for sugarcane cultivation for farmers. Also, the pressure to grow food crops to meet growing demand has led to reduction in acreage. For water stress, Olam's operation areas get highlighted by: groundwater table in Madhya Pradesh (as low as 450 feet) and Maharashtra experiencing high water run-off accentuating water availability and accessibility challenges.

Together these two firms provide market access and livelihood to 100,000 smallholder families in some of India's most remote and poor areas.

IFC supported these companies through investment and advisory services to improve their business performance by reducing supply-chain risks through improved extension and capacity building for smallholders for yield and income improvement, and goodwill creation. The project followed the 3S principle – suitability (developed a farmer support program that was suitable for the socio-economic context of these companies), sustainable (robust business case that allows for financial support from firms to strengthen extension support), and scalable (projects to be done at commercial scale, and not just as CSR initiatives).

There are several lessons from this engagement that can serve to inform the larger private-sector stakeholder group, and promote business leadership that can contribute to SDGs:

- Demand side water management techniques offer solutions to minimize water risks in smallholder sugar value chains (through behaviour change) and become climate resilient.
- “Monetizing (or business case)” the benefits of various climate smart interventions have led to faster adoption among the farming community.
- Scalability for impact could be achieved by IFC, together with thought leadership from WBG, by designing the program in a manner which secures the client’s business by addressing water stress and stagnant yields.
- Third-party impact assessment on yield improvements and water-use avoided provided scientific, and not anecdotal, evidence of impact on the ground adding credibility with senior management.
- The project undertook developing “knowledge pieces / smartlessons” on climate smart practices in sugarcane. Based on the project’s knowledge dissemination, companies like Unilever, Pepsico and Coca Cola have reached out with resources and sourcing commitment to these sugar companies further strengthening business case.

### **Pedagogy for the Master Class (90 minutes)**

- Presentation (project overview, methodology, results by Project Leader): 20 minutes
- Screening of 2 short films on project impact: 10 minutes
- Talk from the client senior management (e.g. Olam) on their business case and future action: 30 minutes
- Panel discussion (IFC and WB teams, client representatives) and Q&A: 30 minutes