

Unilever Novella Project

1. Introduction

Unilever, together with a large number of national and regional partners, started up a pilot project to promote biodiversity and poverty alleviation in Tanzania by use of Non Timber Forest Product (NTFP) known as *Allanblackia* (AB) nuts from *Allanblackia* tree. The project started with the first pilot phase from January 2004 – May 2004 harvesting season. Unilever, building on the success of the pilot phase, plans to scale up a project to cover most of the potential AB nuts producing areas in Tanzania.

2. Unilever

Unilever is a combination of several hundred companies, operating in about 150 countries. These companies produce and sell consumer goods: foods, detergents and personal care products. Unilever mission is to add vitality to life. We meet everyday needs for hygiene, nutrition, and personal care with brands that help people feel good, looking good and get more out of life. Our definition of vitality encompasses a range of needs from a health life style, to enjoying oneself, to having more time to spend with friends and family. Our vitality mission also connects us to consumers as citizens. We will work for sustainable development and play our part in society as a responsible business, engaging with the communities we serve.

Unilever also recognizes that our long-term success requires a total commitment to exceptional standards of performance. Thus, our Corporate Purpose states that "to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live. This is our road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees."

We believe the very business of 'doing business' in a responsible way has a positive social impact, by selling products that meet consumers' needs, helping to create and share wealth, investing in local economies, developing people's skills and sharing technical know-how and expertise across borders. Therefore, our approach to managing our social responsibilities is based on ensuring corporate social responsibility is part of our business operations and a willingness to learn from our actions and the experience of others.

In Tanzania, Unilever has joined forces with leading conservation and capacity development organizations to form a public-private partnership project to extract edible oil from the seeds of the *Allanblackia* tree. Partnership, which was formed with local NGOs Together with The World Conservation Union (IUCN), Netherlands Development Organization (SNV) and The World Agro forestry Center (ICRAF), will help and encourage local communities and small businesses to collect seeds and cultivate the AB trees for the manufacture of products such as soap and margarine. The project is in line with Unilever new Vitality strategy in which our mission is to help people feel good, look good and get more out of life. The project is also in line with the Tanzanian National Strategy for Growth and Reduction of Poverty (NSGRP).

The partners in the project will ensure that the greatest possible proportion of the proceeds from this new business benefits the local population. The project will also help to achieve greater sustainability in the region by using *Allanblackia* trees. Unilever and IUCN have drawn up joint guidelines for the sustainable harvesting of *Allanblackia* seeds.

The project is unique in that it is being set up with local communities and small-scale businesses, in co-operation with non-profit development partners and local governments. Apart from driving the original initiative to the project, Unilever is providing a market for the finished goods. The first products are planned to be introduced in Ghana in the second half of 2004. In addition to Tanzania and Ghana, similar activities, with the similar partners, are being set up in Nigeria.

3. Situation Analysis

The Allanblackia tree is rife in East Usambara Mountains and the Morogoro, Nguu, Nguru and Ukaguru mountains. The conservation of forest in these areas is under high pressure as farmers demand for agricultural land involves clearing of natural forests leading to a significant level of deforestation. Giving value to Allanblackia tree will encourage farmers to conserve this indigenous tree and assist in preserving the environment.

The seeds from these trees contain fat that is used occasionally by the rural population. At this moment Allanblackia (AB) oil has limited or no use on local markets in sub-Saharan countries. It is considered of low value because it is solid at ambient temperatures. Further, because of its limited availability it has no world market price. However, Unilever Research has recently demonstrated that AB oil could have a much wider application than for occasional frying of local African foods. It has a unique fatty acid composition, which gives the oil a melting behaviour that makes it excellently suited as hard stock in margarine and spreads.

The partnership aims at producing food grade oil giving it more options to be used for more final applications. As the production of food grade oil will not increase production cost significantly, AB oil will have to be priced similar to other edible oils such as palm oil, soybean, and palm kernel. This pricing is believed to be realistic and a catalyst to support the profit through out the supply chain, mostly important the rural community or farmers.

Unilever will use AB oil to produce spreads. AB can replace part of palm oil currently used in spreads. This has a current potential of more than 100,000 tonnes of AB oil per year. Other applications by other parties can increase this demand to ten times this figure. If used for soap the same potential for volume exists but the oil is normally given less value and this is a fall back position to absorb the risk and continue giving value to oil at acceptable value in rural settings.

Optimistic plans is to develop the AB oil to 60,000, tone/year by 2015, a volume far below requirement and saturation level cannot be reached before 2030. This is a more than 40,000,000 Euro business. Unilever has invested heavily in developing food application for AB oil clearance in areas to be launched and this is necessary for creating valuable application for AB oil. The programme is to continue for another year.

Market potential for crude oil is currently estimated at more than 100 million US\$ and has a possibility to develop to ten times more in future. In all these predictions AB oil will never develop to a size comparable to palm oil which is at 30,000,000t/a that is still growing and hence will never impact on that market.

In order to assure optimum supply of Allanblackia, harvesting has started from the existing trees while effort being done to support domestication. Partnership has been formed with the World Agro forestry Centre (ICRAF) to establish AB nurseries.

Farmers have been sensitised not to cut AB trees any more and they are nursing the young self-regenerants.

Like most of rural communities, farmers living in AB growing areas are poor and could use Allanblackia as their additional new sustainable source of income. The baseline survey conducted by the Novella project in 2003 in Amani ward revealed the income of between 100,000 Tshs to 540,000 per annum with majority of farmers skewed towards the lower limit. These farmers are involved in subsistence farming where maize, banana, yams cassava are their main food crops. Land is scarce with largest farm of 5ha owned by few families. Some farmers grow spices such as cardamom, cinnamon and cloves and these have no reliable market. Tea companies surrounding these areas employ few farmers.

Allanblackia as a cash crop will contribute to family income by more than 40% of annual income within three months. This income will increase more than ten times by 2015 when the domesticated plant will start fruiting. Collection of AB seeds is normally done without disrupting daily farmers activities.

4.The AB supply chain:

As there was no any trade with AB seed, the Novella project is establishing a new sustainable supply chain targeting income generation to farmers. This pilot project will be tested for three years to make sure that problems associated with supply chain are addressed. There after the chain should be able to run itself efficiently with minimum support while the partnership will put more effort in to domestication of AB trees in farmland. Unilever will assure the market for the product.

After introducing the project at national to village authorities, the chain will start with farmers collecting AB seeds, drying and sending to the village warehouse. NGOs will mobilise farmers in to AB groups where their capacities will be built on a range of development areas including contract farming and business skills. Local transporters will be contracted to transport AB to regional ware houses where crushers will be given contract to produce oil. The local supply chain will end by transporting the crude oil to harbour and the oil will be transported outside the country for refinery.

The establishment of the supply chain is making use of the existing facilities, which are currently not fully developed and need support to improve and develop. There are few existing AB trees and hence low initial volume. The seeds collected by farmers from these trees will be store at village level. Here there are building owned by village governments or farmers but at standard that needs to be improved to better warehouses. At least there are entrepreneurs who own 10toner lorries in the AB growing villages, which will be suitable for transporting AB seeds to regional warehouses. Being a new supply chain, storage facilities will have to be established. There is a problem of accessibility to collection site due to poor road conditions and the oil crushing facilities are not developed. The available crushing potential will be supported to manage the current volume of AB seeds, but more support will be needed as volume increases.

The payment system to make sure that farmers are timely paid is to be established as the financial institutions are not developed in the AB areas. Last season farmers were being paid twice a month where the project team visited all collection centres with cash and payment made directly .The system has a risk in terms of security due to carrying hard cash and was much involving. With the increased areas and growing AB seed volume, a more efficient system needs to be established. Experience to be gathered on how other similar projects are managing payment and

these will be modified to adopt the Novella situations. The project will have to address these issues and investment is needed.

Due to the low initial volume expected from existing trees, the project will start a vigorous domestication plan, which will ensure that sustainable volume is achieved by the year 2015. A collaborative work has started with ICRAF to establish nurseries where AB trees will be raised and made available to farmers at an established procedure. More work is going on in shortening the fruiting time for AB trees.

The small scale at which AB oil is available today makes it an uninteresting commodity for the huge margarine and spreads market in Europe and the rest of the world. Therefore, it is crucial to scale up the production of AB oil to make large-scale application of AB oil in margarine and spreads possible. In order to scale up the production:

- A food grade supply chain should be organized with the involvement of many interested parties and the capacity of collecting enough seeds that will be available in the harvest season (first quarter) of the next three years.
- An AB tree nursery should be established for breeding AB trees that will ultimately be used for setting up smallholder plantations in the rural areas from which the supply of the much larger volumes of nuts can be secured.

5 Novella Project

5.1 The aims and objectives of Novella Project

The objective of the project is “to contribute to the long-term alleviation of poverty in poor rural communities by providing a new, additional and rewarding sustainable source of income through developing and organizing local communities and their businesses for a profitable and sustainable AB supply chain in Tanzania”.

The project also aims to promote sustainable natural resource management and conservation through promoting and educating a potential commercial and profitable use of *Allanblackia* nuts that is Non Timber Forest Product (NTFP) from *Allanblackia* tree.

5.2 The envisaged approach and strategy

This project is implemented using the market linkages facilitation approach and strategy. Having identified market prospect for AB nuts, farmers have been organised in to groups in which training is being conducted on various issues ranging from economy, biodiversity to AB nuts supply chain efficiency. The experience gained from the 13 groups formed in Muheza district has formed a base of expansion to new AB potential areas with a target of reaching 45 villages and a total of 2000 farmers by 2006.

The project also works with small local businesses, giving them the opportunity to participate and develop their businesses. Currently they are involved in transporting nuts, however, the project will involve them in extraction of oil from the nuts. Packaging materials are bought locally. The main goal here is to maximize the value of nuts before export. This has involved training of business, and investment has been done to support them. Training offered includes transfer of technical knowledge as well as business practice and planning. Unilever and partners' available skills are being equally used and shared. The project works together with well-organized AB groups in the villages that have been formed through the market linkages facilitation work. This will let villagers develop a new outlook on NTFP and hence build up their passion for forests (at least AB trees) with the aim of promoting a habit to take care

of forest and contributing to conservation of natural forests. It is evident that complete clearing of forest was a practice during land preparation for farming. Moving around pilot villages in parts of East Usambara, it is now common to find AB trees left untouched while other natural trees have been cleared, and this is sign of emerging sign of AB conservation. Individual farmers have started to raise AB tree seedlings where as regenerates are left untouched in the farms.

Unilever has guaranteed to buy all quantities of AB nuts collected by farmers at an optimum and fair pre-set price, while also reflecting the value this new raw material has in the product where these nuts will be used. As it is expected that AB oil will replace the use of Palm oil, the price of AB nuts will be related to the price of Palm oil. This guarantee will enable the whole supply chain to work with confidence towards growing this business and ensure that the benefit of this project will be available to all participants. During the pilot phase Unilever bought all nuts collected by farmers in the project covered villages.

The project also ensures that there is a fair and ethical relationship in the supply chain. The other issues of emphasis are the sustainable use of natural resources, non-use of child labour, no corruption, and gender equity. In the initial pilot, expert NGOs such as FAIDA MaLi and TFCG facilitated the process while others partners such as ICRAF is assisting on AB tree domestication and indigenous knowledge establishment. More NGO has joined the team for pilot expansion and these are Institute of Cultural Affairs Tanzania and INADES Formation Tanzania playing the similar role The Government stakeholders is providing the enabling environment for the project objectives to be met and expected to play more active role r with time. Activity reports for all NGOS contribution were presented by individual NGOs during the first evaluation meeting.

5.3 Project Activities

In order to establish a profitable AB oil supply chain in Tanzania, the Novella Project undertakes the following activities:

- Introducing the project to at various government levels. (Ministry to villages). The project recognizes the buy-in from both central and local governments as well as community is crucial in ensuring the success of the project and the sustainability of the supply chain. The project team, therefore, makes extra efforts to ensure the project is well understood and endorsed by the government officials as well as communities.
- Farmer's mobilization in to groups. The project team mobilizes farmers to form groups. The Groups are formed with democratically elected leadership and within the groups, the following activities are undertaken.
 - ❖ Training is conducted on various issues including business skills, contract farming, group dynamics and Environment conservation. Training is conducted and supported by partners NGOs.
 - ❖ Agreements between groups and buying company (unilever) are discussed and endorsed under facilitation by NGOs.
 - ❖ Collection procedure is agreed especially on quality, drying method, storage, payment logistics, market days and collection centres.
 - ❖ Various training materials is developed on various issues such as environmental care and AB tree itself
- Social baseline survey to be followed by Impact assessment in order to ensure that the anticipated social and economic impacts are created by the project.
- Environmental impact assessment .

- Establishment of AB tree nursery and support self-started farmers nurseries provided.
- Technical and investment support to crushers and transporters provided, including the following investment so far: Unilever support to the supply chain has so far covered the following areas
 - ❖ -Partner NGOs budget has been supported by 21,000USD in 2003
 - ❖ -Technical and equipment support to the crusher-coasted 5,000USD
 - ❖ -Nursery supported by 30,000US
- AB domestication: A domestication team lead by ICRAF formed with detailed action plan to enable the establishment of tree nurseries in AB growing areas.
- Research on vegetative propagation of AB nuts and seedling establishment is currently going on at ICRAF centre in Nairobi, Cameroon and Ghana.

5.4 Market development

A range of activities has been carried out to develop the market for AB oil. The Novel food clearance for application of AB oil is at its final phase. This work has created the market demand far below than the supply side ie 100,000tones of oil. With more volume of AB oil East Africa Unilever factories will be used to develop local market for AB products.

The aim of these project activities is to achieve the following:

- Ensuring correct handling of the AB Nuts and oil at all stages, by including quality assurance (QA) as well as Safety, Health, and Environmental (SHE) standards.
- Organising the business part of the supply chain and make it efficient and transparent.
- Organising AB groups (women and men) and creating awareness on the project and the best ways of using the forest to their advantage in a sustainable way.
- Developing the supply chain to be stable and transparent (ensure effective and transparent project organisation).
- Ensuring that wild picking of AB nut will not harm the biosphere and improve local awareness of the importance of the environment
- Developing and executing programs that will use AB to enhance the biodiversity and reduce the loss of forest in the Eastern Arc Mountains, such as forest restoration program, leading CEPF grant application, identification of fire management plans etc.

6 Novella project after pilot phase

The supply chain will start making profit slowly after 2007 at least to enable its growth. Therefore, strong support to the pilot is required. The growth of profit is expected to be slow as it will take time before more natural and planted trees will start production. However, it is expected a faster growth of profit after year 2010.

The plantation scheme is being set up for planting more AB trees. Currently the technology on germination and vegetative propagation is being developed. First seedlings will be raised from this year (2004) on wards and planting should start from 2006 on wards up to a level of 1,000,000 plants per year. This planting scheme will be done to increase and diversify the income of rural partners.

The project will have to stimulate the formation of National Allanblackia Board to take over the responsibility of developing the supply chain and R&D part.

7 The project partners and implementation framework

The project is being implemented through a tripartite framework agreed upon between FAIDA Mali Co Ltd, Tanzania Forestry Conservation Group, Unilever, ICA tz, INADES Tz, Tanzania Forestry Research Institute (TAFORI), Ministry of Natural Resources and Tourism (Forestry & Bee Keeping Division). Separate agreement also exists between Unilever and ICRAF as well as Unilever and IUCN.

The implementation plan was developed together and is forming the basis of the collaboration. In the plan it has been earmarked, and efforts have been done to consult, inform and involve a number of other key stakeholders as follows:

- East Usambara Forestry Reserve
- District Councils)
- Village environmental committees
- Crushers
- Local transporters.

8. Planned results and desired impact

Successful completion of the project should result in proven economic feasibility of the set up of a large scale AB supply chain and therefore lead to significant additional investments. Further the project will result in:

- Expansion of economic activities such as exploitation of a so far hardly known non-timber forest product, transport and oil milling.
- Alleviation of poverty of the rural population by establishing a profitable and sustainable supply chain of AB oil. An average addition income of 55Euro per farmer per annum is to be achieved in three years from three months harvesting season per year. A total of 2000 farmers will be involved in the project.
- Transfer of knowledge on oil processing, AB nursery management and planting technique, safety and health standards, supply chain management, waste management, and basic bookkeeping, social and organisational development of local communities.
- Create opportunity for AB related businesses to develop i.e. crushers, transporters, supplier of packaging material and warehouses.
- Contribution to government involvement of community participation in forest management.
- Conservation of the tropical forests by creating an economic interest for the rural population in preservation of the forest, thus creating ownership of the forest and preventing illegal logging.

9. AB volume requirement

Currently the available AB volume is far below from the requirement. The current volume potential will be utilised to the best to stimulate increase in future. For the first three years of the project the supply chain will develop volume to a level where profitability will start, most certainly for the farmers involved. Tree will be raised in the nurseries and planted in to farmlands. These trees will contribute to total volume 20.000tones (Tanzania) from 2015 onwards, hence effort in domestication and mobilization. The estimated volume is as following for coming three years:

Years	2005	2006	2007
East Usambara	4000	6,000	6,000
West Usambara	1000	2,000	4,000
Nguu/Nguru reserve		5,000	10,000
Nguu/Nguru off reserve	1000	2,000	4,000
Total number of trees	6000	15000	24000
Tones of Nuts at 50kg/tree	300	750	1200

10. Environment

Prior to initiating this pilot project, the Forestry and Bee Keeping Division assisted Unilever to carry out a forestry inventory in potential areas with AB species in East Usambara Forest Reserve. The research findings proved that there is abundance of AB trees in surveyed villages and off reserve forests. Potential will be explored in other areas such as Nguu, Nguru, and Ukaguru mountains. Tanzania Forestry Research Institute (TAFORI) has been requested to undertake a baseline survey. Tanzania Forestry Conservation Group (TFCG) has been communicating with TAFORI and the draft of Terms of Reference was developed with input from National Environmental Management Commission (NEMC), Representative from Forestry and Bee keeping Department, University of Dar es salaam and Unilever. Its implementation is still under discussion due to the resources and time involved. During the pilot operations, there been good cooperation with the mentioned partners and more with Amani Natural Reserve Conservator, to ensure that activities carried out are mutually beneficial to the communities and environment. Domestication trials started by ICRAF at Nairobi Laboratory and this will stimulate domestication work to start next season where a central tree nursery will be established in Amani

Allanblackia trees are no longer cut down during clearing for new farmland. It is evident that farmers are respecting the tree due to economic value and this will assist in conserving this natural tree. Some farmers have started self-AB nurseries

11 Project key partner's benefits

The partners in this project i.e. Unilever, FAIDA and TFCG have benefited by fulfilling their vision of contributing to promotion of a fair business opportunities for the local communities and natural resources conservation. The achievement has been a base for more partners joining the team for expanding the project to new areas. Unilever on the other hand intends to develop a long-term business relationship with farmers. But also Unilever code of Business principal requires doing so in an ethical way. The modest financial gain in the supply chain and the financial assistance realised in the supply chain is a positive direction towards project success. All partners contribute resources towards project implementation and Unilever supplements budget deficits.

12 Benefits to other key facilitators and stakeholders

The government has an obligation to regulate and promote sustainable uses of natural resources by involving the community. This project is making a contribution to it. Furthermore, the promotion of public-private partnerships is currently high on the government agenda and this project is providing opportunities for promoting such a partnership.

13 Challenges and learning

The project experiences the following challenges and learning in initial pilot phase.

- Original calculations indicated that over the pilot period of 6 months, around 3,000 tons of AB nuts could be bought. This was a very ambitious target as some of assumption had to change prior to the launching of the project .It was decided not to do collection in protected forests and this affected the volume of nuts collected. An Environmental impact study is needed to facilitate access in to forest reserve permit for sustainable collection. The baseline survey is being done to establish the number of trees their accessibility and production potential.

- Due to previous non reliable AB markets, farmers take more time to believe and develop trust as previously some businessmen used to promise them for AB markets but never turned up for buying resulting into throwing tonnage of collected nuts. We expect a good start in next season, as the initial pilot phase has built confidence and trust with farmers.
- Accessibility to some villages is very difficult especially in March/April due poor road conditions accelerated by rainy season. This affected nuts collection. It is planned to start nuts collection much earlier before the rains and also have good storage facilities, which can hold on seeds safely up the end of rain season. How ever some roads will need to be repaired, as they are not accessible even in dry weather. SDC is looking on how could support project areas in Morogoro
- Drying of AB nuts. Due to rainy season it is difficult to dry nuts. As the AB fall during the rainy season, training of farmers on best drying techniques will be done using the experience gained from Novella project in Ghana.

14 Estimated costs

The estimated cost for the pilot phase is summarised on the budget attached to this document.

16 Conclusion

This project as the name suggest is a noble opportunity for Tanzania. The fact that different stakeholders are being involved from inception stage is a symbol of integrity and commitment by project partners. We expect maximum cooperation from stakeholders in order to make it a success. The project is taking place in the rural areas and targeting to contribute in generating income to poor while involving them more actively in environmental conservation.

During the evaluation meeting a complete re-aligned work plan was established using learned lessons from last season for implementing a second season in East Usambara and strategies for expanding to Turiani, Handeni and West Usambara. In the course of implementation, the work plan will include clear active roles for Amani Nature reserve Tafari, Catchments forest, and district councils in ensuring that the project is guided to reach its objectives for mutual benefit.

After the establishment of the market for AB oil we would like to continue the project with stimulating the set up of rural smallholder plantations. These plantations too should fulfil the sustainability criteria. For this development too, Unilever will guarantee the demand side (price of the AB oil) of the market.

In course of this project only the oil will be exported and no nuts or any genetic material will be exported. The oil is expected to substitute Palm oil as raw materials. AB will not be used for medicinal purpose or any other purpose apart from its intended main use.

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Dar es salaam