

VVF Proposal on Sustainable / Traceable Mustard with L'Oreal

Following initiatives we have taken so far for bringing a workable proposal with L'Oreal:

- Alignment with the farmers and compiling of data and dividing in clusters
- Alignment with the NGO's
- Alignment with the Agriculture University
- Alignment with the Certification Agency

Below are the initiatives we wish to propose thereon:

- ✓ Agricultural support to farmers by giving Inputs on better Farming practices, Training and capability development
- ✓ Economic benefit to farmers via Seed buying at Market plus (nominal premium) for farmers Social causes support – 'Solidarity' with the community by addressing some social causes like Sanitation , Clean water, Children education, Women's empowerment etc.
- ✓ Traceable Seeds
 - Seeds 'traceability' supported by Loreal / VVF
 - Certified seeds – 'Rainforest Alliance '

Going forward we would like to go phase wise to make a practically possible growth in volumes sourced by L'Oreal in a sustainable and traceable process.

COST ESTIMATES

FIXED PROGRAM COSTS

Year	Behnly Alcohol (BA) Vol in a year	No. Of Farmers	No. of Villages	Farmer Education Cost	CSR Activity Cost	Mgmt. Cost 30%	Total cost	Certification Cost (Optional)	100% Program cost per Mt Excluding Certification
2017-18	300	1,228	6	6,880	8,820	1,500	17,500	24,600	57
2018-19	700	2,866	14	16,053	20,580	5,500	42,500	57,400	59
2019-20	1,200	4,094	20	36,169	29,400	5,500	71,000	82,000	59
2020-21	1,800	7,369	35	41,280	51,450	5,500	99,000	1,47,600	55
2021-22	2,500	10,234	49	57,334	72,030	5,500	135,000	2,05,000	54

Please note: All costs are in USD

VARIABLE PROGRAM COSTS LINKED TO THE VOLUME OF SOURCING OF TRACEABLE SEEDS

Besides the above costs, table below states the cost involved in sourcing 'traceable seed'. Traceable seeds is the seeds produced by the farmers who are a part of the Loreal / VVF program and our purchase of the same from the farmers directly. By buying directly from the farmers, the cause of enhancing 'economic livelihood of the farmers' is being supported.

Year	BA Volumes	Seed supported	No. Of	No. of	% of Traceable Seed Qty plan to procure - \$ / T of BA					Total cost at 100% traceable seeds
	in a year	Claimable Vol.	Farmers	Villages	20%	30%	40%	50%	100%	\$
2017-18	300	2,364	1,228	6	87	130	174	217	434	130,348
2018-19	700	5,515	2,866	14	87	130	174	217	434	304,144
2019-20	1,200	9,455	4,094	20	87	130	174	217	434	521,390
2020-21	1,800	14,182	7,369	35	87	130	174	217	434	782,086
2021-22	2,500	19,697	10,234	49	87	130	174	217	434	1,086,230

Var program cost Nominal Premium to farmers + Working capital cost + storage

Fixed Program cost Farmer education + CSR + Mgt cost

Assumptions

- We continue the program for a period of 5 years and both Loreal and VVF are committed to executing this program for this period. The actual cost elements will be agreed at the start of every season between Loreal and VVF depending on the actual activities planned.
- The 'fixed program cost' component which is the farmer education and CSR activity will have to committed upfront at the start of the season notwithstanding the outcome of our actual sourcing. The model already assumes some costs being borne by VVF. The costs given above are only Loreal's share. Depending on the actual activities, we can cost the fixed cost component for the program.
- As a partner in this program, some of the costs which VVF would incur while working on this program are not loaded onto Loreal eg. 50% of the cost of the person who will be implementing the program will be borne by VVF, management costs of the buyer and other senior management personnel etc.
- Once we agree the BA sourcing per year, the program will be drawn up, to support the equivalent seeds and farmers involved.
- The program cost is made up of 3 main components
 - The farmer training + CSR part
 - The additional premium paid to farmers who are a part of our program for ensuring that they deliver the supported seeds to us rather than go and sell to the market.
 - A working capital cost for the holding period of the oil from the time of harvest to the time of actual offtake by Loreal less the normal inventory holding .

- As can be clearly seen, with higher % of procurement of actual traceable seeds, the cost structure goes up. At 20% level of procurement of traceable seed, the addl cost / T (of BA) is say \$ 87 / T while at 100% traceable seeds sourcing, it will work out to abt \$ 434 / T.
- The % of traceable seeds sourcing will be agreed at the start of the year and the team will work towards making this happen. In Indian context, contract farming, which are generally unwritten commitments with farmers, are not regulated by a strict regulatory framework since the law favors the grower / farmer vs the company.
- The variable program cost / T component however is a function of how much traceable seeds we source directly from the farmers who have been supported through the program.
- Rainforest Certification cost is optional and hence we have not included it in the total cost but have shown it in a separate column.
- Detailed records of farmers who have benefitted from the program will be maintained.