Abstract

Sustainable Planning and Development LLC (SPD LLC)—a micro, small and medium enterprise (MSME) with operations in the Caribbean—is determining the right path forward to scale a pilot project: an essential oil processing facility in Dominica. SPD faces hurdles in securing a sufficient supply of bay leaves to process into bay oil, in meeting evolving consumer demands, and in maintaining facilities on an island often threatened by extreme weather. The case offers students an opportunity to apply stakeholder theory to strategic decision making for an MSME.

Case Learning Outcomes

By reading this case, students will be able to:

• Identify challenges in achieving scale in emerging markets and small island developing states (SIDS).
• Assess the role of governments and multilateral institutions in determining business success.
• Consider various sources of capital for micro, small, and medium enterprises (MSMEs) to leverage for growth.
• Evaluate demand levers (e.g., certified labeling) to pull to achieve commercial success.
• Determine appropriate initiatives to implement when engaging directly with smallholder farmers.

Introduction

In 2019, Bevin Etienne, CEO and founder of Sustainable Planning and Development LLC (SPD) negotiated a contract with LUSH, a major cosmetics retailer in the UK, to be their prime supplier of bay leaf essential oils. Despite recent disruptions in exports from Dominica due to the 2020 COVID-19 pandemic, SPD has enjoyed initial success with four shipments to LUSH. Now Bevin has received increased interest from other buyers; however, the existing facility does not have the capacity to meet this demand.

Bevin originally founded SPD as a company geared toward incorporating sustainability in agriculture; now he must determine the right path forward to scale the facility’s operations while achieving sustainability, resilience, and societal impact.

Connections to Bay Essential Oils

Bevin grew up on a farm in the rural community of Delices in Dominica, an island-nation in the Eastern Caribbean. As a child, his father mobilized the local community to create a farmers’ cooperative, enabling farmers to acquire land to collectively grow fresh produce for exports. During this period, money circulated within the community, young people were engaged with farming, and farmers were able to grow economically and improve their standard of living. Then in August 1979, Hurricane David—a Category 5 hurricane—struck Dominica and destroyed its infrastructure and productive sector. The agriculture sector was devastated and left the farmers’ cooperative with limited options.

Bay leaves were one of the few crops able to regenerate and regrow swiftly in the aftermath of Hurricane David. Bay essential oils became a lifeline to rural farmers in local communities in Dominica. Bevin’s father soon became the manager of the Dominica Essential Oils and Spices Cooperatives (the Cooperative). He guided the organization for five years, overseeing export expansion to the United States and Europe.

Bevin left Dominica in 1996 to pursue a degree in mechanical engineering at the University of Maryland, and after successful stints as an entrepreneur in renewable energy, he moved to State College, PA to teach at
Pennsylvania State University (PSU). In 2014, he recommended the redesign of the artisan bay oil distiller used in Dominica as part of an extensive academic project at PSU.

The Economy of Dominica

Dominica is a small island developing state (SIDS) in the Eastern Caribbean, with a population of over 70,000 people and a land area of roughly 300 square miles (approximately the area of New York City). The country's GDP stands at USD 600 million, with tourism contributing over one-third to the country’s GDP. Dominica suffers from one of the highest poverty rates in the Caribbean, last measured at 23% in 2016.

Dominica lies along the tropical Atlantic hurricane belt and has experienced 15 extreme weather events since 1979. As a result, extreme weather has damaged the country's economy and made it difficult for the nation to achieve sustainable economic growth. As shown in Figure 1, the country suffers from economic downturns in years of extreme weather events.

Figure 1. GDP Growth in Dominica Is Negatively Impacted Due to Extreme Weather Events

Source: World Bank

Dominica, like many other SIDS in the Caribbean, had an agriculture-focused economy immediately after independence from colonial rule. By the mid-1980s, the banana industry in the Eastern Caribbean had become the region’s biggest income generator, which led to the opening of land near to and in the rainforest and created environmental challenges: deforestation, soil erosion, and biodiversity loss. At the turn of the century, agriculture’s share of GDP declined significantly, as seen in Figure 2 specifically for Dominica, and was replaced by tourism as the primary sector contributing to economic output. However, due to the country’s rugged topography, lack of infrastructure, and lack of white sand beaches, it is difficult for Dominica to compete with other Caribbean islands.
Figure 2. In Dominica, Agriculture’s Share of GDP Has Declined Significantly and Has Been Replaced by Tourism Services as the Primary Sector of the Economy

![Graph showing the decline of agriculture and rise of tourism services in Dominica](image)

Source: Eastern Caribbean Central Bank

Given the challenges that Dominica and other SIDS face, the Caribbean region sees extensive activity by multilateral organizations and developed countries, specifically the United States and the European Union. Policy initiatives center on creating resilient and sustainable economic growth in the region despite its extreme weather events. As a result, micro, small and medium enterprises (MSMEs) can leverage several initiatives to achieve growth.

Initiatives by Multilateral Organizations

Dominica is a member state of multiple multilateral organizations. The Caribbean Community (CARICOM) is one such regional multilateral organization, which consists of 15 Caribbean nations. CARICOM proposes the creation of a single market and economy between its member nations, called the Caribbean Single Market and Economy (CSME). When created, CSME will ensure that MSMEs in the Caribbean gain open access to a significant regional market. CARICOM member nations are actively pushing for a swift implementation of CSME, after the COVID-19 crisis exposed the need for regional self-sufficiency due to disruptions in global supply chains.

Due to historical delays in CSME’s implementation, major trade agreements between the Caribbean and the United States and the European Union have provided MSMEs much-needed access to scale through export market opportunities. Dominica is a beneficiary of the United States’ Caribbean Basin Initiative, which grants duty-free imports into the United States for many goods—including agricultural goods—originating from the Caribbean. Dominica is also a beneficiary of the CARIFORUM-EU Economic Partnership Agreement (EPA), which offers duty-free and quota-free access for all goods originating from beneficiary countries to the European Union. The Agreement also allows businesses in beneficiary countries to establish a commercial presence in the European Union.

Bevin and the SPD team were advised that only companies registered in the Caribbean would be able to tap into such policy initiatives. SPD was registered in the U.S. state of Virginia in order to meet demand for bay oil from LUSH. Thus, the company’s current legal structure would not enable it to tap into initiatives targeted
at firms in the Caribbean. Registering a company in Dominica can involve a lot of red tape and might expose the facility’s earnings to a higher corporate income tax rate of 25%. Also, if the facility tapped into policy initiatives, smallholder farmers (SHFs) might perceive the SPD management team as engaging in cronyism, which would cause tensions between management and farmers.

SPD Operations

The SPD processing facility is located in Delices, a small village in the south-east of Dominica. Delices is one of the top bay oil producing villages and had at least six operational artisan distilleries. All of the distilleries were damaged by Hurricane Maria in 2017, effectively shutting down the supply of bay oil from Dominica until 2019. In addition, artisan distilleries in Delices rely on a continuous source of freshwater, which tends to dry up during the dry season. The artisan distilleries produce dark bay oil which requires an additional step for processing into clear bay oil, the type demanded by industry buyers. The distilleries also rely on wood fuel for distillation, which can lead to deforestation and exposes operators to air pollution.

In October 2019, SPD acquired a 35-gallon stainless steel distiller that uses propane as the source of fuel, which burns cleaner than wood. It uses small amounts of electricity to control distillation parameters, such as temperatures and water levels. Most importantly, the new distillery produces clear bay oil, and is currently used at capacity: a single harvest of bay leaves, weighing about 3,080 lb, takes about 87 hours to distill and yields 13 lb of bay essential oil. The family property has a year-round reliable supply of freshwater and has several acres of bay trees in cultivation.

SPD incurred a capital investment of over USD 21,000 to transfer the distiller on-site in Dominica. Given the high upfront cost to get the system in place in Dominica, Bevin connected with an impact investor who agreed to invest USD 10,000 for one year towards purchasing the system for a return of 5% on the investment.

The distiller is housed in a reinforced cinder-block rectangular building that survived Hurricane Maria with minimal damage. It has ample space for housing the system and storing bay leaves, is tied to the freshwater supply, and has access to electricity, with a road leading up to its entrance. Wind and solar energy have both been used at this location, though harnessing wind energy may prove cumbersome due to the region’s high humidity and high saline environment.

Bevin and SPD management expect to establish a solar energy system to reduce energy costs to USD 0, despite an initial capital investment of USD 10,000. Further, SPD aims to secure a larger distiller with capacity to process 100 gallons of bay essential oil. This larger distiller will cost USD 35,450 to purchase in the United States and then ship to and install in Dominica; it will improve distilling efficiency by at least 20%. Thus, SPD’s target for additional funding needs is around USD 45,000.

To scale the facility’s operations, Bevin is exploring external sources to raise capital: a commercial loan, a concessional loan, an impact investment, and a direct equity investment. These options are presented in Table 1. Further, Table 2 details SPD’s income statement, with relevant details on revenue and expenses. Given the limited scale of the operation thus far, SPD is not in a position to inject profits in the form of capital to meet the company’s financing needs.

Table 1. SPD’s Sources of External Capital

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Commercial loan</th>
<th>Concessional loan</th>
<th>Impact equity investment</th>
<th>Direct equity investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding source</td>
<td>Commercial</td>
<td>Multilateral</td>
<td>institution/</td>
<td>Venture capitalist/</td>
</tr>
<tr>
<td></td>
<td>bank</td>
<td>development finance institution</td>
<td>Impact investor</td>
<td>growth equity</td>
</tr>
</tbody>
</table>

Given the limited scale of the operation thus far, SPD is not in a position to inject profits in the form of capital to meet the company’s financing needs.
Duration 5 years 5 years 5 years 5 years

Principal/capital contribution (USD) 50,000 50,000 50,000 50,000

Required rate of return (net) LIBOR + 9% LIBOR + 2.5% 5% 20%

Impact targets N/A Documented positive impact on the following: material income growth for SHFs, reduced use of environmentally hazardous materials (e.g., chemical fertilizers, plastics), energy mix to include renewable sources, improvement in lifestyle outcomes (e.g., health, education) for SHFs and their families

Notes: Required rate of return (net) refers to the rate of return for each financing alternative net (or excluding) fees/commissions. LIBOR refers to the London Inter-Bank Offered Rate (LIBOR) which is a benchmark interest rate at which banks set terms for loans. Assume LIBOR going forward will be 1%, in line with the historical 3-month LIBOR rate in low interest-rate environments.

Source: SPD and Author

Table 2. SPD Income Statement, November 2019 to February 2020

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>November</td>
<td>December</td>
<td>January</td>
</tr>
<tr>
<td>Revenue (USD)</td>
<td>3,000.00</td>
<td>2,120.00</td>
</tr>
<tr>
<td>Units sold (kg)</td>
<td>15</td>
<td>10.6</td>
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<tr>
<td>COGS (USD)</td>
<td>166.04</td>
<td>283.58</td>
</tr>
<tr>
<td></td>
<td>Nov 22</td>
<td>Dec 22</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Petrol (USD)</td>
<td>55.97</td>
<td>37.31</td>
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<tr>
<td>Propane (USD)</td>
<td>61.57</td>
<td>246.27</td>
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<tr>
<td>Shipping containers (USD)</td>
<td>48.51</td>
<td>0.00</td>
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<tr>
<td>Gross profit (USD)</td>
<td>2,833.96</td>
<td>1,836.42</td>
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<tr>
<td>OPEX/SG&amp;A expenses (USD)</td>
<td>510.45</td>
<td>970.15</td>
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<tr>
<td>Labor (USD)</td>
<td>205.22</td>
<td>634.33</td>
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<tr>
<td>Shipping (USD)</td>
<td>305.22</td>
<td>335.82</td>
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<tr>
<td>Interest expenses (USD)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Profit before tax (USD)</td>
<td>2,323.51</td>
<td>866.27</td>
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<tr>
<td>Tax (USD) @ 21%</td>
<td>487.94</td>
<td>181.92</td>
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<tr>
<td>Profit after tax (USD)</td>
<td>1,835.57</td>
<td>684.35</td>
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<tr>
<td>CAPEX (USD)</td>
<td>21,681.46</td>
<td></td>
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<tr>
<td>Essential oil distiller (USD)</td>
<td>16,434.00</td>
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</tr>
<tr>
<td>Shipping (USD)</td>
<td>1,218.35</td>
<td></td>
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<tr>
<td>Port and customs duties (USD)</td>
<td>3,969.56</td>
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<tr>
<td>Gas line installation (USD)</td>
<td>59.55</td>
<td></td>
</tr>
</tbody>
</table>

Notes: COGS refers to cost of goods sold; OPEX refers to operating expenses; SG&A refers to selling, general and administrative; CAPEX refers to capital expenditure. COGS, OPEX/SG&A expenses for November represents trial production of bay oil. Petrol and propane costs will be USD 0 once new solar panel is installed. Labor expenses include pay for distillery operators and workers only; management currently receives no compensation but receives profit, that is, management is treated as shareholders. SPD pays a corporate income tax rate of 21% due to being registered in Virginia. CAPEX can be treated as shareholders'
investment in facility. 1 kg = 2.2 lb

Source: SPD

**Attractive Growth in Global Bay Oil Demand**

Essential oils are forecast to grow at 9% compound annual growth rate (CAGR) globally and reach USD 15 billion in 2026. This has driven the increased use of essential oils as raw material ingredients around the world, forecasted to grow by 1.1% CAGR globally by 2023. Global demand for essential oils is centered in Europe (50%), North America excluding Mexico (25%), and Asia Pacific (25%). Within Europe, demand is concentrated in the UK, France, and Germany due to the strong presence of cosmetics and perfumery companies.

Consumer demand for natural and organic products, particularly for those that incorporate sustainable practices, has demonstrated strong growth in recent years. A total of 26.4% of consumers state that they will boycott brands that do not align with their social and political beliefs. As of 2020, over 15% of consumers in France, China, the UK, the United States, and Canada—the highest proportion of key essential oil markets—are most likely to alter their everyday actions to have a positive impact on the environment.

In light of the above, consumer-oriented companies and brands have increasingly sought to leverage label certifications for their operations and product packaging. Companies such as Patagonia, Starbucks, Ben & Jerry’s, Nestlé, and Unilever have actively shifted their focus to incorporate sustainable and social impact practices into their operations. Labels such as the Natural Products Association (NPA) Certification, Rainforest Alliance, and Fairtrade can indicate a company’s commitment to these values.

Products with such labels enable sellers to realize higher premiums compared to non-labeled products; however, these labels are also associated with costs that may be prohibitive for certain MSMEs. For example, the NPA label achieves a 3–4% premium above average market price, but costs USD 500–2,600 per year to receive. The Rainforest Alliance achieves a 2–6% premium above average market price, but costs USD 0.02 per lb to receive. A Fairtrade certification receives a 5–8% premium above average market price; however, firms are required to pay farmers roughly USD 67.2 per lb. Finally, a self-generated, universal “natural” certification will achieve a 1% premium above average market prices and faces negligible or zero costs.

The FDA organic certification may not be feasible for SPD management to obtain under its current operations. Bay leaves are currently sourced from land areas where other crops are grown, and these crops make use of inorganic—that is, chemical-based—fertilizers and other agricultural inputs.

The global bay oil market is currently valued at USD 6 million, and is expected to register between 9% and 12% CAGR over the next five years, which values the market between USD 9 million and 10 million by 2025. Dominica produces 85% of bay oil globally; thus, a successful bay oil processing facility in Dominica stands to capture a majority of the global market.

Given the business-to-business (B2B) nature of bay oil processing facilities, existing customers are industry buyers who largely operate in the beauty and personal care industry. These buyers currently use bay oil as an ingredient for skincare, perfumes, and personal hygiene products. The consumer demographic for bay oil is mostly skewed towards men, given the oil’s dominant masculine scent.

Bevin’s conversations with LUSH executives revealed two opportunities for growth in end-industry usage of bay oil. First, LUSH believes that the beauty and personal care industry would incorporate more amounts of bay oil into their products if they are able to obtain a sustainable and guaranteed source of bay oil supply. LUSH currently uses roughly 700 lb of bay oil annually, but this amount could double with improvements in bay oil supply. Second, bay oil producers might diversify their customer base, by targeting firms in the home care and pharmaceuticals industries; however, given the strict supplier requirements of pharmaceutical companies, targeting the hand sanitizer market (especially in light of COVID-19) and the home care industry may prove more feasible in the near term.
The hand sanitizer market is forecasted to grow at -0.6% CAGR over the five-year period from 2020 to 2024; this is largely driven by a sharp contraction in demand as the COVID-19 pandemic comes to an end. The home care industry consists of three target sub-industries: air care (e.g., air fresheners, plug-in fragrances, candles, etc.), home insecticides, and surface care. These sub-industries are forecasted to grow at a CAGR of 2.6%, 1%, and 3.4% respectively. Bevin and SPD management believe that the cumulative increased demand from the hand sanitizer market and the home care industry stands at between 1,000 and 1,500 lb annually.

Dominican Bay Oil Supply Has Systemic Issues

Dominica produces 85% of the world’s bay oil, or roughly 60,000 lb per year. Extreme weather in Dominica, however, often disrupts supply. Now, driven by disruption in global supply chains due to COVID-19, bay oil was selling for over USD 270/lb, about 300% higher than usual.

Sixty-five percent of Dominica’s bay oil is produced by the Dominica Essential Oils and Spices Cooperative, or the Cooperative, set up in the late 1960s to generate sustainable livelihoods for rural communities. The Cooperative engaged smallholder farmers in rural communities by bringing them together to pool their harvest for higher, collective production levels. The Cooperative emerged as a major supplier of bay oil to the world, fulfilling demand from the U.S. and European markets via a broker in New Jersey. With initial support from the government of Dominica, the Cooperative also secured bank guarantees along with technical assistance from the London School of Hygiene and Tropical Medicine.

However, the Cooperative has recently faced operational issues such as repeated government interference, and has become less self-sustaining. As a result, the Cooperative often finds itself prioritizing short-term needs and goals. It has failed to incorporate resiliency into its operations. For instance, the Cooperative has not maintaining a “guarantee fund,” financed by excess profits during normal economic conditions to weather disruptions brought on by economic downturns. This kept the Cooperative from investing to replace Dominica’s only industrial bay oil distillery that was washed away with Tropical Storm Erika in 2015.

SPD purchased a modern distillation machine to increase efficiency so that smallholder farmers could focus on appropriately harvesting bay leaves. This new machine offers more attractive margins for bay oil producers compared to the traditional artisan distillation process, as highlighted in Figure 3. SPD has now seen higher margins on bay oil operations compared to the Cooperative, as highlighted in Figure 4.

Figure 3. Comparisons of Margins on Distillation by SPD and Artisan Distillers

Comparison of distillation margin realization

Source: SPD and Author
Figure 4. Comparison of Margins Realized by the Cooperative (DEOSC) and SPD
Margin realization comparisons

DEOSC margin realization

SPD LLC margin realization
Note: SPD costs include payment to SHFs to harvest bay leaves on property; SPD distillation yields 13.2 lb of bay oil per harvest, with DEOSC net yield at 9.06 lb per harvest

Source: SPD and Author

Despite the best intentions of the government and of multilateral institutions, initiatives aimed at improving the economic output of agriculture in Dominica often fail because smallholder farmers cannot “stand on their own feet” once funding dries up, according to former Minister of Agriculture Athie Martin. In Athie’s view, smallholder farmers can only enjoy sustainable, resilient, and impactful economic success if their unique circumstances are paid attention to and their needs are regularly met.

Focusing on Smallholder Farmers

Growing Prosperity (Tam et al., 2014) is a publication that offers recommendations to agriculture firms on engaging with smallholder farmers. It proposes two frameworks: the Four A’s of Adoption, and Developing and Executing Repeatable Models. The Four A’s of Adoption—awareness, advantage, affordability, and access—seek to ensure that smallholder farmers adopt initiatives led by agriculture firms.

- “Awareness” refers to the knowledge farmers possess about specific interventions; this may include knowledge of microfinancing, irrigation facilities, or good agricultural practices (GAP) available in the area.
- “Advantage” refers to a situation where farmers believe a product or service will provide better outcomes than current practices. For instance, higher yields may be achieved through GAP and better inputs, or costs may be reduced by leveraging targeted irrigation methods (e.g., drip irrigation). Wealth increase is the most frequently cited reason for adoption of interventions by SHFs (Tam et al., 2014). Making farmers aware of the advantage of wealth increase can be primarily achieved by communicating the potential benefit of yield or income increase, or cost savings that can be realized by adopting a particular intervention.
- “Affordability” refers to the extent to which farmers are financially able to participate in the intervention. Firms need to ensure an intervention is timed to match farmers’ cash-flow cycles.
- Finally, “access” refers to the ease, distance, and timing of procurement and sale of agricultural innovation. Good access is achieved when an intervention is available to farmers when they need it at a location they can easily get to.

In SPD’s view, the real challenge at hand lies in providing affordability and access to initiatives for smallholder farmers, by ensuring incentives are structured and timed appropriately throughout each step of the farming life cycle. The typical farming life cycle for bay leaves in Dominica lasts six months, beginning with the growth of fresh bay leaf buds and culminating in the distillation of bay leaves into bay oil. More details on each stage of the farming life cycle as well as associated cash flows are highlighted in Figure 5.

Figure 5. Cash Flows, From the Point of View of SHFs, for Each Stage of the Farming Life-Cycle for Bay Leaves/Bay Oil When Selling Bay Oil to the Cooperative
Notes: There is $0 cash flow with the procurement of inputs, as the analysis assumes that SHFs have access to healthy bay trees, which are easy to maintain; SHFs are required to only keep vines and other weeds away from trees. There is $0 cash flow with sowing, as this is not a recurring activity in the traditional sense, given SHFs’ access to mature and healthy bay trees. Sowing only involves SHFs breaking a ripe branch from an existing bay tree and does not involve the hiring of any temporary labor. There is $0 cash flow from irrigation, as 100% of irrigation in Dominica is rain-fed. The $10 cash outflow with organic/inorganic fertilizer application reflects the payment made to hire temporary labor who assist with the fertilizer application process. The $110 cash outflow with harvesting reflects payments made to temporary labor who assist SHFs with the harvesting process. The $100 cash outflow involved with distilling bay leaves into dark bay oil reflects the payment made by SHFs to the artisan distillers as compensation for using their artisan distillery. The $37 cash outflow involved with transportation reflects the costs incurred by SHFs to transport distilled, dark bay oil to the Cooperative. The $472 cash inflow during the sale to bay oil aggregators (e.g. the Cooperative) reflects the revenue earned by SHFs by selling distilled, dark bay oil to the Cooperative. SHFs do not store bay oil due to its highly corrosive nature which presents a serious health hazard if bay oil is stored in their homes. The above analysis assumes that SHFs have access to mature and healthy bay trees. SHFs without access to such bay trees will need to plant a new tree and wait for three years before the tree starts producing desirable bay leaves.

Source: Author

Bevin was struggling to determine what interventions SPD should offer to bay leaf SHFs to ensure a regular supply to the facility. They could buy bay leaves from smallholders at prices to ensure they realize similar net earnings as other bay oil aggregators, such as the Cooperative.

Another option was to provide improved agricultural inputs and good agricultural practices (GAP) to farmers in exchange for a guaranteed proportion of their bay leaf harvest. SPD could offer education and training opportunities to the families of the farmers, or SPD could offer loans at favorable terms—that is, better than those offered by the market. Moreover, at what stage of the farming life cycle should these interventions be offered? Timing would be crucial for sustaining initiatives without eroding the commercial viability of SPD’s operations. Irrespective of the intervention, SPD had to ensure that bay leaf SHFs would sell their harvest to the SPD facility, and not to the Cooperative. Figure 6 compares the two options that SHFs would face when deciding on which production option to choose from, by comparing SPD’s facility with that of the artisan distillers and the Cooperative.

Figure 6. Two Options Exist for the Typical Bay Oil SHF to Sell Their Harvest of Bay Leaves
Note: When engaging with SPD, SHFs will earn positive cash flows at the distillation stage, immediately after harvest, as SPD’s operations involve bay leaf distillation and bay oil aggregation.

Source: SPD and Author

Farmers also face different supply chain scenarios when they engage with the Cooperative and SPD. When engaging with the Cooperative, farmers first grow and harvest bay leaves, then distill these leaves into dark bay oil with the support of artisan distillers who are compensated accordingly. Finally, the smallholder farmers sell their distilled dark bay oil to the Cooperative. When engaging with SPD, the farmers once again grow and harvest bay leaves but sell the leaves directly to SPD. In this scenario, SPD is responsible for the distillation process.

SPD had the capacity and ability to finance interventions targeted at smallholder farmers, given the higher margins that the facility enjoyed when compared to the artisan distillers and the Cooperative. Bevin also needed to ensure that any initiative undertaken by SPD to successfully engage with farmers would be sustainable and scalable. Growing Prosperity’s framework on Repeatable Models seeks to accomplish just that, by highlighting four key pillars for agriculture firms to prioritize: focus, embed, adapt, and invest. First, the “focus” pillar requires firms to define their core focus and capabilities, prioritize penetrating a core market, and evaluate options for growing in areas adjacent to the core. Second, the “embed” pillar seeks to internalize the business model within the firm’s management team and employees by clearly defining the roles and responsibilities of each individual, in order to ensure that these are mutually exclusive and collectively exhaustive. Third, the “adapt” pillar advocates for a constant adaptation of the business model, according to the needs of the target customer demographic, by establishing a clear and comprehensive mechanism for constant feedback and evaluation by customers. Finally, the “invest” pillar requires the firm’s management to secure optimal types of capital to fund growth priorities. With this framework on Repeatable Models in mind, Bevin began deliberating on optimal opportunities to pursue to achieve commercial success for SPD.

Discussion Questions

1. What are the benefits and disadvantages for SPD to be restructured with an established legal presence in the Caribbean?

2. Which export markets/countries should SPD prioritize to identify potential customers? Which product label certifications could SPD seek to incorporate for its bay essential oils? What are the benefits if SPD considers producing value-added products?

3.
What potential initiatives should SPD explore to successfully engage with SHFs? How should these initiatives be structured against the farming life cycle of the typical bay oil SHF in Dominica? How will these affect the profitability of SPD going forward?

4. What options are available to SPD for raising additional capital? Should SPD management aim to secure the solar panel alone, the larger distiller alone, or both at the same time? What financing alternative would be most ideal for SDP to pursue?

References
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