Promoting Good Agricultural Practices world-wide

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The Nestlé Company

• The Leading Food Company
  – 107'552 mio CHF in 2007

• Swiss based, active worldwide
  – 480 factories in 86 countries
  – about 275'000 employees

• Global sourcing strategy
  – local adaptation
  – source about 2/3 of our agricultural materials in emerging markets
Sourcing Objectives & Challenges

- Sourcing must contribute to:
  - sustainable & profitable business
  - competitive pricing
  - lowest system costs (zero-loss, zero-waste)
  - shared values throughout supply chain

- Sourcing must be the base for safety and quality
Quality is our priority

The 3 Dimensions of Food Quality
Why Promoting GAP

GAP – Good Agricultural Practices have to cope with:

- **Increasing food needs**
  - increasing world-population
  - changing eating habits (increasing demand for meat)
  - competition with industrial usage (e.g. bio-energy)

- **Climate changes**

- **Land losses** (top soil, constructions, etc.)

- **Environmental regulations compliance**
  - Weather variability, water scarcity, etc.

- **Social aspects**

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The big challenge today is breaking the link between economic growth and negative environmental impact.

There are clear limits to the earth's natural resources capacity.
Key Objectives in GAP

- Lowering production costs (p/unit)
- Increasing productivity
- Maintain / increase food quality by
  - Eradicating worst practices
  - Supporting long term thinking / strategies
  - Optimized use of natural resources
    - land, water, human capital
Example Nestlé Indonesia

- Objective: Raw Milk Quality Improvement through Cooperatives Operations Upgrade
  - the role of the Nestle Agricultural Service Department at the KEJAYAN FACTORY
Nestlé Presence in Indonesia

National production: 1,500 - 1,600 t/d
Java Island: 97%
To Dairy Industry: 80%
Through Coops network (GKSI): ~70%
P.T. Nestlé Indonesia: 350-450 t/d
Raw Milk Supply Chain

110,000 dairy animals
70,000 cows
<10 liters/cow/day
29-30,000 dairy farmers

45 Fresh Milk Cooperatives

28 Primary Cooperatives
>265 Collection Points
>120 Cooling / Chilling stations

P.T. Nestlé Kejayan Factory
Agri Service Department

- Small holders
- Limited resources
- Low yielding dairy animals
- Dairy farming as additional income source

- Variable size (1-100 t/d)
- Heavy operational costs
- Limited financial resources
- Dependent in 1/3 party financial support to manage improvement
Field Improvements - Results

From plastic pales to food grade containers...
Field Improvements - Results

From long plastic loading hoses to stainless steel piping...
Field Improvements - Results

From open collection centers to proper milk rooms...
Field Improvements - Results

From petrol engine water pumps to food grade pumps...
Field Improvements - Results

From plastic to stainless steel...
Indonesia Dairy Development Activities

- **Fodder** 18 Cooperatives
  - Legume, Centrosema P.
  - Legume, Caliandra (fodder tree)
Indonesia
Dairy Development Activities

- **Silage** 11 Cooperatives
  - Silage training at Brawijaya University
  - MP&DD organized sessions at different Cooperatives

- **Fodder choppers** 3 Cooperatives
  - Demonstration programs
  - Cooperatives buying choppers for use at farmers group level
Creating Shared Value in practice

For society, results in:

- improved earnings of suppliers
- increase skills, job stability
- higher quality of life
- greater stability, economic and social development

Linking farmers to markets to generate regular cash flow
• Interactions with more than **610 000 farmers** directly supported by 750 sourcing agronomists and over 5200 technical staff working in up-stream supply chain

• **115000 farmers trained** (field/farmer schools) in 2007

• Running > **150 Sustainable Agriculture projects** worldwide with many different stakeholders
Building Value in the Community: Helping over 610'000 farmers

Milk districts in India, Pakistan, China, Morocco, Brazil, Chile, Colombia, Mexico, Indonesia.....

- Improved livestock through genetics, feeding, management skills, etc.
- 30 million CHF in microcredit
- Improved milk quality and quantity
- Bringing whole regions out of poverty (rural development)
- Widely known and highly recognized
Consumer expectations and concerns

- Access / Affordability
- Safety
- Convenient
- Conscience
- Function

Social Responsibility & Personal Values

- environment, technologies (GMOs), animal health & welfare...
- ethics, fair trade, labor issues, rural life, politics...

emotional quality

functional quality
Many Challenges in upstream supply chain – pre-competitive and common for Food Industry – and they may affect:

- ethics, fair trade
- labor issues, rural life, politics ...
- environment, technologies (GMOs), animal health & welfare, ...

- quality & safety
- efficiency & productivity
- consumer perception

SAI - Platform
Collaborate on industry level

Food Industry Initiative

support of sustainable agriculture in general

mainstream agriculture pre-competitive

- Key raw materials
- Direct sourcing
- Preferred suppliers

60+ Countries
Agricultural raw materials supply chain
Member companies (April 2008)

In cooperation with
SAI Platform DVD on rolling out Good Agricultural Practices (GAP)

look at

www.saiplatform.org
Final Remarks

• **Agricultural practices need to change / to improve** – to match with today's and future food needs

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• **Efforts of all stakeholders needed**
  – research and development
  – political institutions
  – input suppliers
  – Extension / advisory services

• **Together we CAN make a difference!!!!!**
Thank you for your interest and attention
"Sustainable Agriculture is productive, competitive and efficient while at the same time protecting and improving the natural environment and conditions of the local community"

*(definition mutually agreed by SAI founding members; Group Danone, Nestlé and Unilever)*