Lessons from experience:
unlocking farmers’ potential, enabling entrepreneurs

By

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Agenda

- A word about Cargill
- The role of the private sector
- Palm oil smallholders – Indonesia
- Cocoa smallholders – Cote d’Ivoire
- Cotton farmers – Zambia
- Grain production – Eastern Europe
- Conclusions: the critical role of the policy framework
Cargill our company

- Located in 65 countries
- 142,000 employees worldwide
- $134 billion in revenue 2011/12
- $1.1 billion in profit 2011/12
Cargill is composed of 70 businesses organised around four major segments

**Agricultural**
We buy, process and distribute grain, oilseeds and other commodities to makers of food and animal nutrition products. We also provide crop and livestock producers with products and services.

**Food**
We provide food and beverage manufacturers, foodservice companies and retailers with high-quality ingredients, meat and poultry products, and health-promoting ingredients and ingredient systems.

**Financial**
We provide our agricultural, food, financial and energy customers around the world with risk management and financial solutions.

**Industrial**
We serve industrial users of energy, salt, starch and steel products. We also develop and market sustainable products made from agricultural feedstocks.
The role of the private sector

• The private sector is the delivery mechanism to end hunger and poverty
• That private sector includes 450 million smallholder farmers and millions of entrepreneurs along the food chain
• The private sector can only do this with help: help from the right policy framework and the right incentives.
• The private sector isn’t perfect and will not deliver on every societal goal without help from other stakeholders – and there will be a need to fill in the gaps.
• Policy framework is critical
• And it is not simple: many different policy areas interact: markets and trade, investment policy, property rights, infrastructure – physical, educational - price risk management, safety nets…..
Palm oil
PT Hindoli – South Sumatra, Indonesia

- Transmigrants from Java Island moved to South Sumatra in late 1980s. Became Hindoli smallholders under PIR-Trans scheme. Oil palm planting occurred between 1991 and 2000.

- **8,800 smallholders** represented by **17 cooperatives** hold 18,000 ha.

- PT Hindoli Cargill-owned estate of 18,000 ha received Roundtable of Sustainable Palm Oil (RSPO) certification in 2009

- PT Hindoli smallholders 18,000 ha received RSPO certification in August 2010:
  - World’s first smallholder scheme certified under RSPO’s Smallholder Principles & Criteria
  - Joint effort and achievement of Cargill with smallholders
Sustainable palm oil means sustainable business

- A smallholder kavling (plot) is their family business.
- Yield intensification is a precursor to smallholder economic well-being.
- Sustainability represents longevity and ability to pass the business on to the next generation.
- Plantation companies and smallholders are both equally responsible for the success of the partnership.
PT Hindoli Smallholders

- Average income per farmer 2006: IDR 26,500,000 (about US$ 2,650)
- In 6 years, their income has gone up by 3 times – to over $9,000.

Aspects of the policy framework
- Government taxes palm oil – sales tax and export tax – a burden but not punitive – and it cannot become too uncompetitive vis a vis Malaysia. Exports – especially of refined products – are encouraged.
- There have been joint efforts - government/companies - at local level to put the physical (roads/bridges) and educational infrastructure in place
- We hold the plantation on a long lease – 30 years- and there are government requirements about allocation of land to smallholders. Smallholders each hold 2ha land outright.
- Industry/government discussions ensure smallholders are paid a fair price but it is linked to the world price.
- Government encourages sustainability certification
Cocoa....
Working globally to improve cocoa livelihoods

**Brazil**
Helping regenerate and develop cocoa growing regions in Brazil through farmer training and seed distribution.

**Cote d'Ivoire**
Over 1,100 farmer field schools teach 60,000 farmers and help cooperatives to achieve UTZ and Rainforest Alliance certification.

**Ghana**
Training 15,000 farmers to improve farming practices.
Support from Cargill provides 6,000 more farmers access to CocoaLink, a program which uses mobile phones to connect farmers with information.

**Indonesia**
Training 1,000 farmers to achieve UTZ or Rainforest Alliance certification.

**Vietnam**
Over 100 cocoa demonstration farms showcasing sustainable farming practices.

The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land use practices, business practices and consumer behavior.

UTZ Certified stands for sustainable farming and better opportunities for farmers, their families and our planet.

Over 26,500 farmers across 43 UTZ and Rainforest Alliance certified cooperatives received sustainable cocoa premium payments in 2011-12 totaling U.S. $7.6 million.
The Cargill Cocoa Promise
Farmer Training Pillar

Educated farmers
1. Running programs to increase productivity and yield
2. Expanding capacity in farmer organizations
3. Raising standards through certification
Farmer Training Promise Delivery

- **Farmer Field Schools:**
  - Twice a month 20 to 30 farmers
  - Trained by Anader on GAP, post harvest practices, social and environmental issues
  - Better income through better yield & quality
  - **Unique platform for other projects.**

- **Certification scheme:**
  - Support cooperatives to reach certification (UTZ and RainForest),
  - More efficient and transparent organizations, access to premium.
Community Support Pillar

Strengthen communities
1. Working to promote and protect the rights of children
2. Providing good quality and relevant education
3. Increasing access to health, safety and well being services for families
Community Support Promise Delivery

• **Care project:**
  • Build one infrastructure to increase access to education in one community of each of our partner co-operatives
  • First wave of $725,000 ready to be launched (14 co-operatives.)

• **ICI project:**
  • Develop module and train Anader on child protection to deliver it to 60,000 farmers
  • Project approved.

• **Orphanage:**
  • Building of an orphanage in Soubre in partnership with Arla Foods.

• **Co-ops taking over:**
  • Co-operatives are using their certification premium to launch their own social projects.
Farm Development Pillar

**Enhanced farming**
1. Regenerating farmland through access to innovative technology
2. Enhancing biodiversity and conservation in local environments
3. Enabling improved infrastructure and financing
Farmer Development Promise Delivery

- Nurseries project:
  - 6,000 plants in 11/12, 1 million in 12/13
  - In process of defining a project to reach 20 million plants a year with GIZ and CNRA.

- Yiri+:
  - Partnership with Syngenta
  - Give access to quality insecticides and fungicides to farmers with training
  - Provide tools to help to manage phytosanitary products and certification.

- Grafting project -> CDC:
  - Using the model of Mars of CDC / CVC within one of our cooperatives,
  - In launching phase.
Foundation: Farmer Organizations

• Co-operatives Academy:
  • Project to launch a “MBA” for co-operative managers with Technoserve,
  • In thinking process.

Professional and profitable partners
1. Offer training and management support
2. Train farmers on the role as members
3. Provide equipment and financing

70% coop sourced beans by 2015
Results – Cote d’Ivoire

- Reaching **60,000 farmers** through **1,200 farmer field schools**, 
  - **87 partner co-operatives certified**, 23 in process of being so 
    - Training budget 12/13: $3.2 million 

- 45,000 tonnes certified bought in 11/12 
- **80,000 tonnes certified bought in 12/13 YTD.** 
  - Premium to co-operatives: $7 million 11/12, $15 million 12/13 

- Enabling framework: .............
Historic Look: Farm gate price in origin countries
(November 2006)
Historic Look: Beans from farmer to Terminal market
(November 2006)

Terminal market

Côte d’Ivoire | Cameroon | Ghana
---|---|---
€600 | €1,000 | €1,400

- Ocean freight and handling
- Taxes
- Usinage and FOB costs
- Costs from farm to exporter warehouse
- Farmer price
Cotton
Gender focused approach: Cargill Cotton Women’s Clubs

- Over 500 Cargill Cotton Women’s clubs are helping more women farmers access training and extension services

- Cargill works with 32,000 female farmers, which is 32% of total farmer numbers up from 25% in 2011
Grains
The “Ag-horizons” model for farmers in Eastern Europe and elsewhere

Our own success in sourcing grain for our customers depends on the ability of farmers to run a thriving and prosperous business and produce the grain.

We help farmers in several countries – US, South Africa, Romania, Hungary, Ukraine

• Provide agronomic advice
• Provide inputs such as seeds, fertilizers, crop protection chemicals to improve quality and yield of crops
• Offer pre-financing and prompt payment
• Provide customised marketing plans and financial risk management tools
• Provide information on the global market outlook
Conclusions: the right policy framework, implemented

• Holistic policy framework: transparent, ethical, gender-appropriate
• Needs to cover markets, trade, infrastructure, investment policy, property rights, safety nets, price risk management, education and training, farmer organisations.
• Hold back on taxes on farm prices – and use taxation funds to build capacity
• Price risk management and safety nets essential and hard to do
• The right framework helps achieve scale: taking farmers from $2 to $20 a day

• Economic impact assessments – farm income, community impact etc.
  – We would welcome help to do this – we don’t have the expertise to gather the data.