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as an engine of economic growth and poverty reduction

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**Lessons from experience:  
unlocking farmers' potential, enabling entrepreneurs**

By

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# Lessons from experience: unlocking farmers' potential, enabling entrepreneurs

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UNCTAD Global Commodities Forum 18 March 2013



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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.



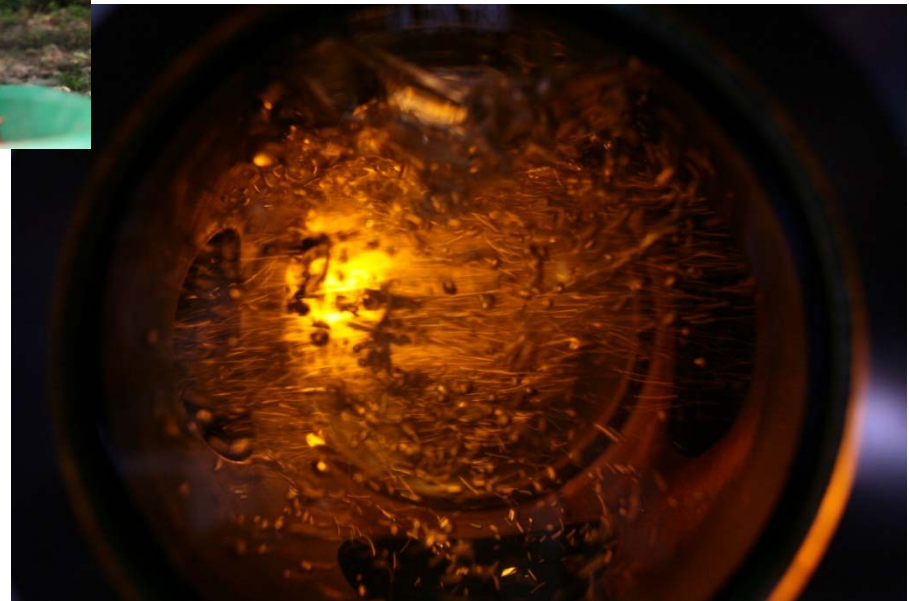
## **Industrial**

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



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# PT Hindoli – South Sumatra, Indonesia

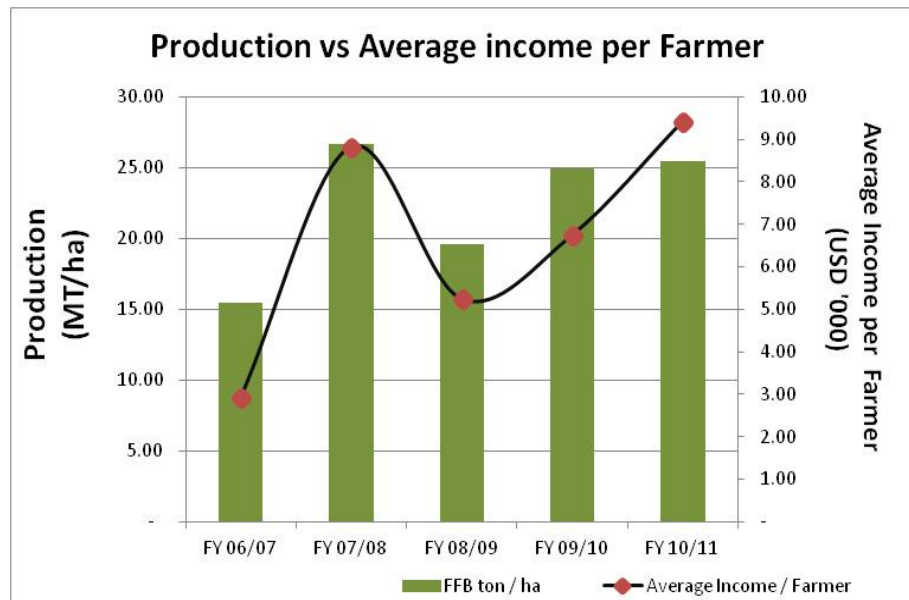


- Transmigrants from Java Island moved to South Sumatra in late 1980s. Became **Hindoli smallholders** under PIR-Trans scheme. **Oil palm planting occurred between 1991 and 2000.**
- **8,800 smallholders** represented by **17 cooperatives** hold 18,000 ha.
- PT Hindoli Cargill-owned estate of 18,000 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



Original smallholder house

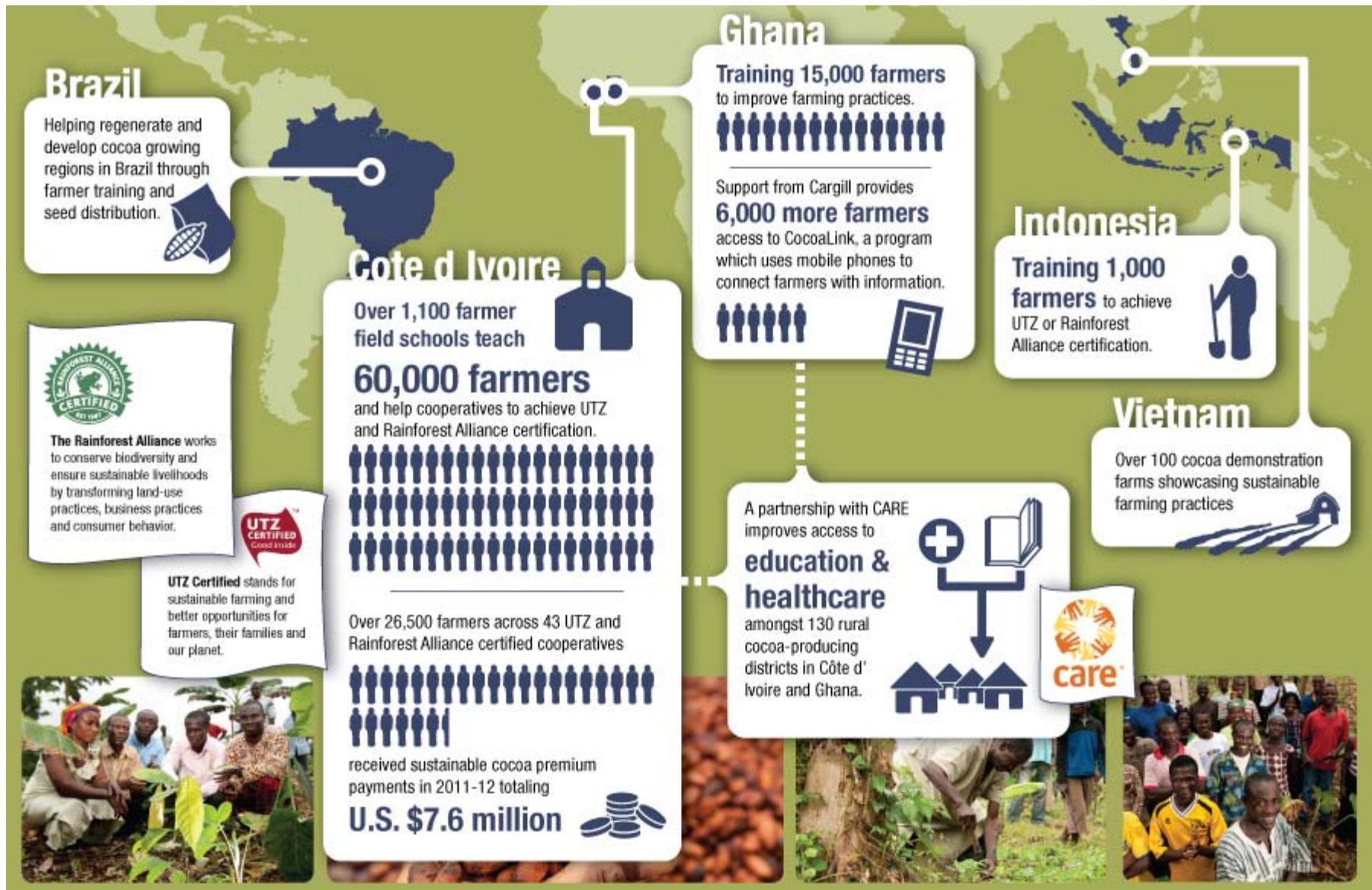


Smallholder house Today

# Cocoa....



# Working globally to improve cocoa livelihoods



# The Cargill Cocoa Promise



# Farmer Training Pillar



## *Farmer training*

### **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



## *Community support*

### **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



## *Farm development*

### **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.



## Règles à suivre avant l'application

Ne jamais manger, ni boire, ni fumer lorsqu'on manipule des produits phytosanitaires

Toujours évacuer les personnes et les animaux de la zone à traiter

- **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.

## *Cooperatives and Farmer Organizations*

### 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

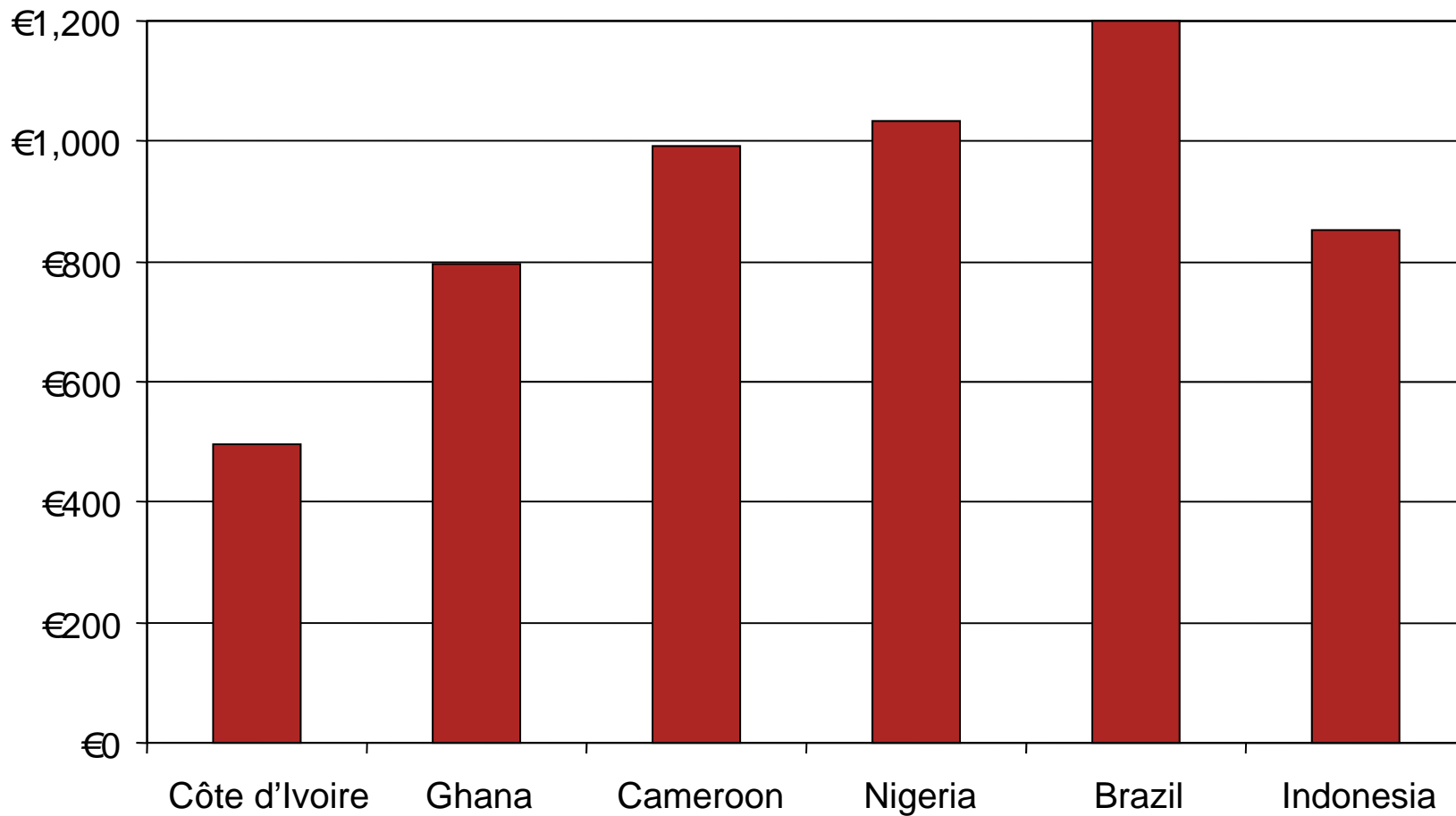
# Results – Cote d'Ivoire

- 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

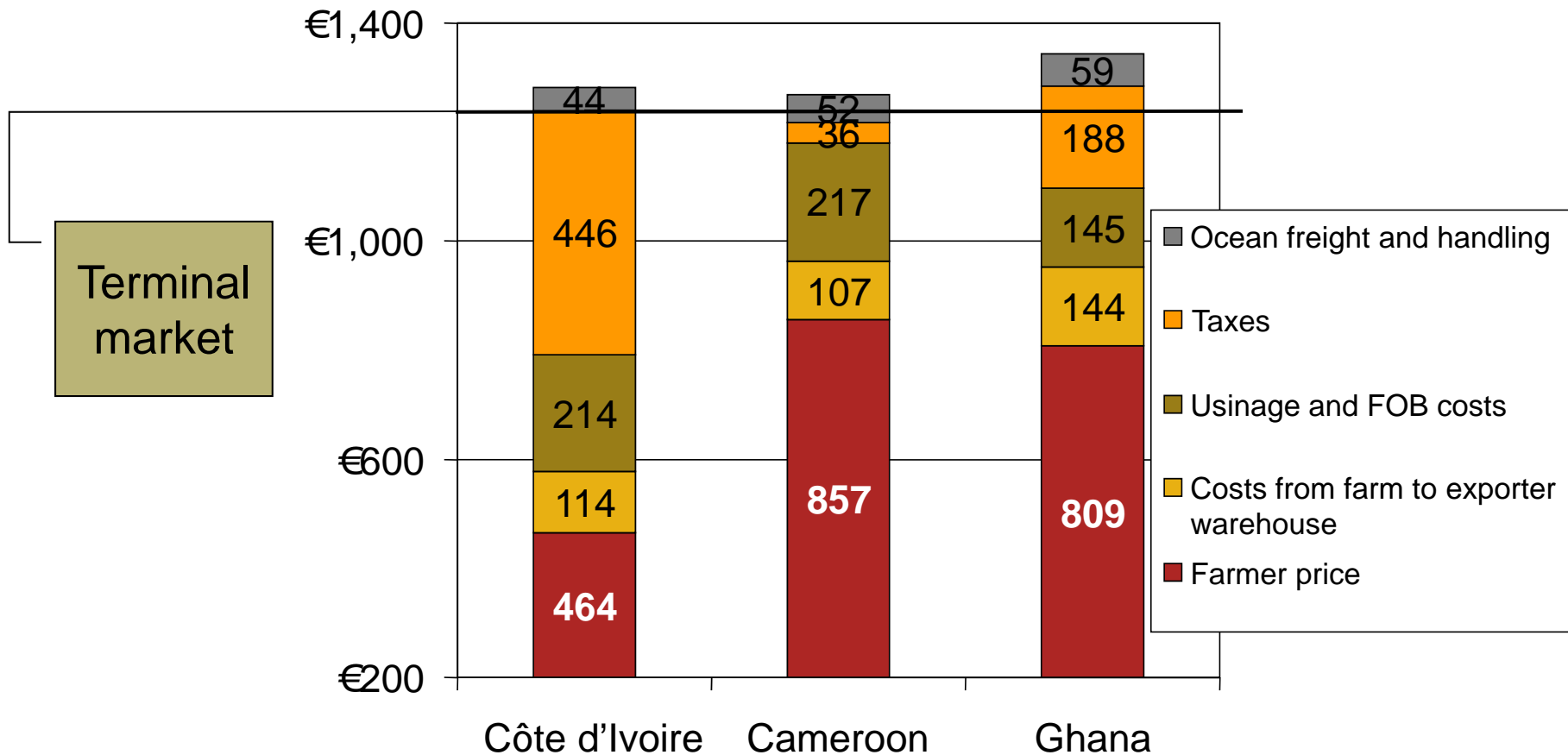
(November 2006)

EUR/Mt



# Historic Look: Beans from farmer to Terminal market

(November 2006)



# Cotton



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# 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



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# Grains



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# 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.