Direct sourcing and sustainability

WCF, Partnership meeting
October 2012
- Agricultural Development
- Support and training
- Cocoa plantation promotion
- Purchasing Model
- Traceability
- Social Commitment
- Scientific Approach
Better quality of life in the country side

- **Strategy:**
  Our purchasing strategy is based on the direct relationship with small growers and farmer cooperatives making the supply chain shorter. We want to guarantee quality, traceability and volumes.

**Agricultural purchasing distribution**

- Suppliers: 55%
- Farmers: 45%
Purchasing offices
What do the people need?

- Proximity
- Technical support
- Money
- Right price
- Reliability (right weight, humidity measure, etc)
- Additional services
What does the company need?

• Long term relationship - commitment
• Traceability
• Quality
• Volumes
• Give to the farmers the best price we can offer
• Deal directly with few people
• Efficiency
Our model

CasaLuker

3870 families,
5.100 has.
375 familias, 810 has.
## Cooperatives and alliances

<table>
<thead>
<tr>
<th>PROVEEDOR</th>
<th>LOCALIZACIÓN</th>
<th>HAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>APROCASUR, APROCAFUR, ASOPROLAN, ASOBOCABAN,</td>
<td>SUR DE BOLIVAR, SAN VICENTE DE CHUCURI,</td>
<td>5.300</td>
</tr>
<tr>
<td>1 CORTIPAZ</td>
<td>LANDAZURI, EL CARMEN, BOLIVAR</td>
<td></td>
</tr>
<tr>
<td>2 FUNRED AGRO</td>
<td>BOYACA</td>
<td>2.640</td>
</tr>
<tr>
<td>COOPERATIVA DE CAFICULTORES DE CATATUMBO LTD</td>
<td>SANTANDER, NORTE DE SANTANDER, CESAR</td>
<td>1.100</td>
</tr>
<tr>
<td>4 COOMPROCAR</td>
<td>ARAUCA - ARAUQUITA</td>
<td>600</td>
</tr>
<tr>
<td>5 ASOPA</td>
<td>PUTUMAYO</td>
<td>540</td>
</tr>
<tr>
<td>6 APROACA</td>
<td>CACERES - ANTIOQUIA</td>
<td>450</td>
</tr>
<tr>
<td>7 COORCAM</td>
<td>TURBO - ANTIOQUIA</td>
<td>400</td>
</tr>
<tr>
<td>8 COOP. CAIFICULTORES</td>
<td>ANSERMA - CALDAS</td>
<td>200</td>
</tr>
<tr>
<td>9 ASOVICA</td>
<td>VICTORIA - CALDAS</td>
<td>200</td>
</tr>
<tr>
<td>10 PROASPE</td>
<td>PENSIHANIA - CALDAS</td>
<td>200</td>
</tr>
<tr>
<td>11 APROCAR</td>
<td>EL CARMEN - SANTANDER</td>
<td>150</td>
</tr>
<tr>
<td>12 COOP. CAIFICULTORES</td>
<td>RIOSUCIO - CALDAS</td>
<td>150</td>
</tr>
<tr>
<td>13 ASAGRLOT</td>
<td>ORTEGA-TOLIMA</td>
<td>150</td>
</tr>
<tr>
<td>14 COOAAGRONILO</td>
<td>NILO - CUNDINAMARCA</td>
<td>60</td>
</tr>
<tr>
<td>15 ACEC</td>
<td>CAMPOALEGRE-HUILA</td>
<td>40</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td></td>
<td><strong>12.200</strong></td>
</tr>
</tbody>
</table>

## ALIANZAS PRODUCTIVAS MADR

<table>
<thead>
<tr>
<th>PROVEEDOR</th>
<th>LOCALIZACIÓN</th>
<th>HAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 UNION TEMPORAL CACAOETERS DEL BAJO ARIARI</td>
<td>META</td>
<td>200</td>
</tr>
<tr>
<td>2 ASPEMEAGRUPIC</td>
<td>VILLANUEVA - CASANARE</td>
<td>51</td>
</tr>
<tr>
<td>3 ASOPROBEL</td>
<td>BELALCAZAR, SAN JOSE - CALDAS</td>
<td>95</td>
</tr>
<tr>
<td>4 U.T LOS CACAO</td>
<td>EL PEÑON - CUNDINAMARCA</td>
<td>100</td>
</tr>
<tr>
<td>5 COOMPROCAR</td>
<td>ARAUQUITA - ARAUCA</td>
<td>200</td>
</tr>
<tr>
<td>6 AGROVILLA Y AGROCAIMITO</td>
<td>CUNDAY, VILLARRICA - TOLIMA</td>
<td>170</td>
</tr>
<tr>
<td>7 ASOCAMED</td>
<td>MEDINA - CUNDINAMARCA</td>
<td>120</td>
</tr>
<tr>
<td>8 ACAMAPRUT</td>
<td>EL DONCELLO - CAQUETA</td>
<td>200</td>
</tr>
<tr>
<td>9 ASOPALMAR</td>
<td>SAN JOSE DEL PALMAR - CHOCO</td>
<td>158</td>
</tr>
<tr>
<td>10 APROCAR</td>
<td>EL CARMEN - SANTANDER</td>
<td>304</td>
</tr>
<tr>
<td>11 COOMVESAP LTDA</td>
<td>CARMEN, SAN CALIXTO, TEGRAMA</td>
<td>272</td>
</tr>
<tr>
<td>12 ASAGRLOT</td>
<td>ORTEGA, TOLIMA</td>
<td>128</td>
</tr>
<tr>
<td>13 COOPRAMAR</td>
<td>MARSELLA, RISARALDA</td>
<td>72</td>
</tr>
<tr>
<td>14 ASCASC</td>
<td>PUEBLO RICO, RISARALDA</td>
<td>135</td>
</tr>
<tr>
<td>15 COPROCAVAL</td>
<td>VALPARAISO, CAQUETA</td>
<td>192</td>
</tr>
<tr>
<td>16 APROCAOT</td>
<td>CARMEN DE APICALA, TOLIMA</td>
<td>60</td>
</tr>
<tr>
<td>17 APROCESAR</td>
<td>LA GLORIA, CESAR</td>
<td>86</td>
</tr>
<tr>
<td>18 ASOCACAO</td>
<td>LA ESPERANZA, NORTE DE SANTANDER</td>
<td>112</td>
</tr>
<tr>
<td>19 ASOPA</td>
<td>VALLE DEL GUAMUZ, PUTUMAYO</td>
<td>90</td>
</tr>
<tr>
<td>20 ASOPA</td>
<td>SAN MIGUEL, PUTUMAYO</td>
<td>64</td>
</tr>
<tr>
<td>21 APRASEF</td>
<td>CONVENCION, NORTE DE SANTANDER</td>
<td>128</td>
</tr>
<tr>
<td>22 APRONHOR</td>
<td>TUMACO, NARIÑO</td>
<td>98</td>
</tr>
<tr>
<td>23 CORPOTEVA</td>
<td>TUMACO, NARIÑO</td>
<td>400</td>
</tr>
<tr>
<td>24 ASOCACAO</td>
<td>POLICARPA Y CUMBITARA, NARIÑO</td>
<td>100</td>
</tr>
<tr>
<td>25 PROASPE</td>
<td>PENSIHANIA, CALDAS</td>
<td>66</td>
</tr>
<tr>
<td>26 ASOVICA</td>
<td>VICTORIA, CALDAS</td>
<td>120</td>
</tr>
<tr>
<td>27 ASOCATEC</td>
<td>CURILO, CAQUETA</td>
<td>184</td>
</tr>
<tr>
<td>28 ASOCIACION DE CACAOETERS DISTRITO SAN JUAN</td>
<td>MISTRATO, RISARALDA</td>
<td>204</td>
</tr>
<tr>
<td>29 ASOCIACION DE PRODUCTORES CACAO CHINCHINHA</td>
<td>QUINCHA, RISARALDA</td>
<td>107</td>
</tr>
<tr>
<td>30 ASOCACAO LEIVA</td>
<td>LEIVA Y ROSARIO, NARIÑO</td>
<td>100</td>
</tr>
<tr>
<td>31 ASPROCACAO LEIVA</td>
<td>NEIVA, HUILA</td>
<td>52</td>
</tr>
<tr>
<td>32 COMCAFLO</td>
<td>FLORENCIA, CAQUETA</td>
<td>182</td>
</tr>
<tr>
<td>33 ASROPROCASTILLO</td>
<td>YACOP, CUNDINAMARCA</td>
<td>47</td>
</tr>
<tr>
<td>34 APROCA</td>
<td>CACERES, ANTIOQUIA</td>
<td>82</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td></td>
<td><strong>4.634</strong></td>
</tr>
</tbody>
</table>

**TOTAL HAS.** 16.834
As a conclusion

• We are trying to put the right money in the right hands looking for quality, volume, traceability and long term relationship
Passion for Chocolate. Pleasure for your Brand.
Key Facts Chocolats Halba 2011

- 100% Coop Switzerland owned
- Swiss Premium B2B Chocolate Manufacturer
- Starting in 2008: Export and Sustainability Strategy

- Employees 230
- Turnover 111,2 Mio CHF
- Total Sales 12,600 tons
Purchasing strategy Chocolats Halba

Direct Sourcing

100% Fairtrade cocoa beans

Reforestation projects with cooperatives
Direct sourcing

Honduras

Ecuador

Peru

Ghana
Direct sourcing from Honduras

Starting from scratch...
- germ plasm
- quality
- cooperatives
- ...

CHOCOLATS HALEA
Reforestation projects with cooperatives

Timber trees increase farmers' incomes by

400%
In Ghana we have planted **65’000** timber trees since 2011.
Every timber tree is

GPS tracked
One timber tree absorbs as much CO₂ as 1000 chocolate bars cause
Sustainable product marketing

Labels

Products

Carbon Footprint

QR-Codes

Cocoa plantation in Dos de Maio
Advantages Direct Sourcing

- Access to high quality raw material
- Trust – efficient supply chain
- Joint quality improvements
- ...

Max Mustermann
Challenges Direct Sourcing

- Internal know how
- Quality improvement process
- "weak" structures within cooperatives
- Pre-financement
- ...
Christoph Inauen
Head of Sustainability and Cocoa Purchasing
Alte Winterthurerstrasse 1
8304 Wallisellen
+41 44 877 16 07
christoph.inauen@halba.ch
Direct sourcing & sustainability
Cargill’s experience in Vietnam

Taco Terheijden

Zurich, October 25th 2012
Locations: Cargill cocoa beans sourcing operations

To achieve the best product quality, consistency and sustainability we are present in every step of the chain.
Vietnam

• A relative newcomer to the cocoa arena is Vietnam.

• This Southeast Asian nation has all the shade, warmth and humidity and deep, rich soil that a thriving cocoa crop needs.

• In 2004, through joint effort from Dutch & Vietnamese government, Cargill & Mars. The Dutch government provided financial support whilst Cargill set up the supply-chain infrastructure and Mars Incorporated contributed technical consultancy.

• And with the Vietnamese farmers in place, ready and willing to diversify their crops, all wheels were set in motion to develop a cocoa sector in Vietnam.

• Optimistic demand forecasts for Asian cocoa and chocolate consumption
Asian Pacific Chocolate Consumption

World chocolate consumption is projected to grow by 11% by 2017 compared to 2012 (from 7.3 to 8.2 million tones).

In Asia Pacific chocolate consumption is projected to grow by 25% by 2017 (from 0.8 to 1 million tones).

Share of Asia Pacific in the world chocolate consumption is forecasted to grow from 11% in 2012 up to 13% in 2017.
Potential provinces for cocoa development

**HIGHLAND:**
- Gialai 4,000 ha
- Phuyen 2,000 ha
- Daklak 58,000 ha
- Daknong 15,000 ha
- Lamdong 10,000 ha

**Total:** 89,000 ha

**SOUTH-WEST:**
- Bentre 15,000 ha
- Tiengiang 2,000 ha
- Vinhlong 1,000 ha
- Travinh 1,000 ha
- Tayninh 2,000 ha

**Total:** 21,000 ha

**SOUTH-EAST:**
- Binhphuoc 24,000 ha
- Dongnai 10,000 ha
- BRVT 5,000 ha
- Binhthuan 3,000 ha

**Total:** 42,000 ha

**Total upto:** 152,000 ha
Dynamic crop model based on diversification

Highland
Cocoa is the suitable choice for replacing old coffees!

South-east
Cocoa is the suitable choice for intercrop with cashews

South-west
Cocoa is the suitable choice for intercrop with coconuts, fruits...
Vietnam Crop and trends – to date

Source: Vietnam Ministry of agriculture and rural development’s
Direct sourcing in Vietnam – Why?

> Close to farmer
  - Traceability
  - Quality
  - Increase yields

> Efficient supply chains
  - Increase farm income
  - Income diversification

> Knowledge & information transfer
  - Technical support
  - Consumer information

→ Direct sourcing facilitates sustainable development of cocoa supply chain
Key market players

Key players in Viet Nam market

- Local company: Nonglam 3%
- Local company: Phamminh 9%
- Local company: Namsan 1%
- Armajaro 19%
- Cargill 65%

Export destination

- Indonesia
- Japan
- Korea
- Malaysia
- Singapore
- Belgium
- France
- Netherlands
- Russia
- UAS
Viet Nam cocoa supply chain visibility

- Multiple farmers
- Bean collectors
- Cargill Buying Station
- Consolidation and loading to container
- Ship to oversea customers

Supply Chain Visibility
Created and applied origin tracing system

VA0506-TG : Vietnam, Main crop Year 0506 – Tien Giang province
001-NT-CG : Collector 001 – Local trader NT – Exporter Cargill
Knowledge and information transfer
Quality overview 2011/2012

Vietnam quality beans overview (crop year 2011/12)
Fertilizer distribution
Viet Nam cocoa supply chain

Deliver -> Buying station -> Inland shipping -> Loading at port -> Ship to overseas customers
The future?