

Sustainability & Food Security – Sustaining the smallholder

Good morning. Mr. Ambassador, it's good to see you again.

First, I would like to thank Bill (Guyton) and the World Cocoa Foundation for inviting me to speak this morning. Cargill has been a member of WCF since it was founded and it is a pleasure to have the opportunity to participate in your meeting. It's great to see so many people and organizations from across the private and public sectors represented here today – the benefit of bringing stakeholders from these sectors together is something we, at Cargill, see as hugely valuable and is a point I will return to later.

Basis the number of emails I receive from “interested” parties, cocoa and palm are by far the most scrutinized foods in the world. This scrutiny highlights the importance of work The World Cocoa Foundation and all of us have to do.

When I was approached to speak, I was asked to share my thoughts about cocoa's place within the challenges of sustainability and global food security, and specifically the role companies have to play.

This prompted me to think about some of the language and definitions that surround sustainability. Sustainability is a phrase that has become embedded in our everyday vocabulary.

It's a phrase that has become pervasive in discussions about food security, responsible supply chains and agricultural development.

However, it's a phrase that has numerous definitions. Each definition has been developed to support varying visions of sustainability. And each can differ according to the emphasis placed on environmental, social or economic priorities. For some, what land, how, where--near or far? These diverse definitions risk hindering progress. Among the many ways it has been defined, one of the simplest and the one that we focus on at Cargill is “to meet today's needs without impairing the world's capacity to serve future generations.”

I am very proud that almost 150 years after William Wallace Cargill founded our company, our culture of trust and respect still underpins our commitment to operate responsibly across the

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agricultural, food, industrial and financial markets we serve. We are passionate about our vision “to be the global leader in nourishing people” while protecting and preserving the world’s natural resources.

In recent years, sustainability has underpinned the demand for greater responsibility and transparency throughout supply chains.

In response certifications, labels and standards have led the charge in advancing more sustainable and responsible business practices. They have enabled businesses to demonstrate commitment; consumers to be reassured about where their products come from and how they are produced; civil society to hold participants across the supply chain accountable; farmers and communities to benefit from tangible improvements to their livelihoods – all while helping preserve and regenerate our planet’s natural resources.

While labels and certification will continue to play an important role in helping scale sustainable practices, we must ensure the drive for sustainability – and in particular greater transparency – does not result in unintended consequences. The desire to provide reassurances about where a product originates from, and the standards under which it was produced, should not overburden smallholders and their coops or overlook the value they bring to our global agricultural system.

There has been a clear recognition of the ways food, nutrition and hunger intersect, and importantly, clear acknowledgement of the critical role agriculture has to play – not only to enable us to feed our growing global population but the positive role it has to play in lifting families out of poverty.

That is because agriculture is a business. Farmers are entrepreneurs. And smallholders – such as cocoa farmers – are growing crops to sell to markets, they are not subsistence farmers.

The value and importance of smallholders in cocoa is clear to see. As we know cocoa remains a smallholder crop with more than five million family farms in countries including Côte d'Ivoire, Ghana, Cameroon, Brazil, Indonesia and Vietnam producing around four million tonnes of cocoa beans every year.

It is clear that with the right support and the right incentives, smallholder farmers can increase their productivity to meet the demands of our growing global population. But equally important is

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that with the right support they can improve their own livelihoods, strengthen their own communities, stimulate their own economies and reinvest in their own futures.

The G8 Summit in Northern Ireland next week will explore how governments, industry and the public sector can work together more effectively to help agricultural development. Putting in place the right approach, the right levels of investment and especially a strong framework of policies can enable farmers to thrive sustainably.

This is important because there are about 870 million undernourished people in the world today, but not because we didn't grow enough. There will likely be two billion more people on the planet by mid-century. Most believe feeding this more urban and more affluent population will require increasing food production by an estimated 70 percent.

There is no doubt the world's farmers can harness the power of photosynthesis to produce all the nutrition a world of 9 billion people will require. Farmers are smart and determined people – they have roughly doubled the amount of grains, rice and oilseeds they produce since 1975.

We believe this production increase is absolutely achievable. But what is needed if we are to have a resilient, sustainable system providing sufficient food for all?

What must agriculture look like in the future?

And beyond price what do commercial smallholders need if they are to be successful year after year?

We believe the objective of developing a global food system that is resilient, sustainable and provides sufficient safe, affordable food for all will be built on four cornerstones: comparative advantage; markets that work for both producers and consumers; open trade; and an African continent that contributes positively to food production.

First, producing enough food to feed the world starts with honoring the principle of comparative advantage. That is producing the most food in the most economical and environmentally sustainable way by ensuring farmers plant the crops best suited for their growing conditions.

This recognizes a simple fact: fertile soil, abundant rain and plentiful sunshine are not equally available across the planet. Rather, nature has endowed certain geographies with the natural

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resources necessary to produce a surplus of calories in the form of, for example, wheat from the plains of North America, rice from paddies in Southeast Asia, soybeans from Brazil or cocoa from West Africa.

We must continue to improve productivity and importantly bring best practices and technologies to those areas of the world that currently are not fulfilling their agricultural potential.

Encouraging smallholders to develop more sustainable farming practices is an important goal – a goal farmers are more likely to share when they clearly own their own property and its output.

Clarity about property rights is particularly crucial. Farmers must have clear rights over the land they cultivate before they can be expected to reinvest in their operations and improve their productivity and access to sufficient acres to create wealth for their family and to reinvest.

While responsibility for clarifying property rights lies with governments, the private sector can provide knowledge and support to help improve farmers' productivity.

For example, in Côte d'Ivoire, our farmer field schools are teaching good agricultural practices and business skills to help cocoa farmers improve productivity and increase their earnings. We are currently training 60,000 Ivorian farmers and enabling their farmer organizations to achieve independent certification. To date we have helped 87 cooperatives gain independent UTZ and Rainforest Alliance certification, our premium payments to Ivorian farmers total more than U.S. \$12.2 million and we are on target to source over 100,000 tonnes of certified cocoa beans from Côte d'Ivoire by 2015.

Combine the right behaviors, increased productivity, and decent financial rewards and you can see the power of property rights and good prices in action. They are a very energized group of people – they are now not only able to invest in their own farming futures but also in improving their own local communities by building schools, medical dispensaries and freshwater wells.

Second, if smallholders are to succeed then as well as providing them with the support they need to produce, we also need to give them confidence in the markets into which they are going to sell. The reality is that today smallholders in many developing countries lack sufficient revenue certainty and visibility; as a result they have less confidence to invest over the immediate and longer term.

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Connecting more smallholders with regional markets so they can experience a more reliable price will have positive effects. Once smallholder farmers are more of a competitive force in food production in their own economies, they will be better positioned to tap into global food trade.

Efficient, transparent and well-regulated markets will help support – and stimulate progress. A price that adequately rewards farmers for their efforts and provides enough money to motivate them to produce again next year is the fundamental ingredient of sustainable agriculture – more important than any other crop input. By contrast, interfering with the behavior-changing power of price results in unintended consequences.

When governments impose price controls on commodities, ostensibly to protect the urban poor, they inadvertently send a signal to their farmers to produce less. Other means to protect consumers from food price increases would be less damaging to agricultural interests. While acknowledging the burden of rising food prices on the world's poor, we must also recognize the energizing power of price to motivate the world's producers to plant more crops.

Starling fact. Poorest 70% of world population saw their real per capita GDP double in last decade, a period often lamented for its high food prices. This reflects the fact that many of the poorest countries are involved in agriculture.

Thirdly, a resilient, sustainable midcentury agricultural system will also require an open, trust-based trading system to move surpluses to places of food deficits. (USA > China)

Today, only about 15 percent of all the food produced in the world crosses international borders. That percentage will likely increase modestly. Global population growth is centering on areas that are not blessed with the natural resources required to produce food. Growing the right crops where the soils and climate are best suited and allowing open trade will provide the food that is needed, while minimizing the overall environmental impacts by reducing the resources and inputs required.

Consider what has occurred to food flows in roughly the last fifty years. Increased food production in North and South America and lately Eastern Europe is providing the food required to feed the growing populations in Asia, the Middle East and Africa. To feed 9 billion people by 2050, we will need to continue to increase agricultural productivity, as well as support and facilitate open trade so the surpluses flow readily to areas of food deficit. Open and trust-based

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trade is also a primary means to help offset inevitable but unpredictable weather-related crop failures.

The fourth area is an African continent that contributes positively to food production.

Nowhere is the need to enable commercial smallholder farmers to fulfill their potential and to support agricultural development greater than in Africa. Africa represents about 60 percent of the potentially available cropland in the world. Yet Africa is a net importer of food and has experienced very low agricultural productivity gains over the last forty years.

It has land well suited for agriculture, with fertile soil, adequate rains and plentiful sun. But Africa does not yet have the infrastructure, policy or non-farm income required to energize investment.

We believe this can, and must, change. And we are not alone. Last year, we were among 30 multinational companies that announced support for the G8's New Alliance for Food and Nutrition Security and the Grow Africa partnership. These initiatives we believe will foster policy discussions and commitments to accelerate investment and transformative change in African agriculture. It will see the private and public sectors, governments and non-governmental organizations working to develop sustainable markets for food grown on the continent. But all these efforts must see farmers as business people, not as aid recipients if we are to be successful.

As part of our support to food security and agricultural development in Africa, one of the initiatives that we are backing is the expansion of the Cocoa Livelihoods Program in West Africa – led by the WCF – to expand farmer training for cocoa farmers and to increase farmers' access to financial services.

At Cargill our approach is to look at how to support long-term sustainability in our supply chains. We view certification and labels not as an end but as an enabler. We are helping to raise standards and to provide support to farmers so they continue to be incentivized through decent financial rewards – the tangible benefits of which can be recognized by those throughout the supply chain.

As many of you may know, we have operations in 65 countries and two-thirds of our 140,000 employees live and work outside the United States. Our people are on the ground at many points within the supply chains in which we operate – from working alongside farmers, right

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through the supply chain, to supporting manufacturers and retailers to deliver their products to market.

Many people when they think about Cargill assume that because of our size and scale that our focus is on working with large, commercial farmers. In some markets and supply chains the value of our relationships with those producers are undeniably important.

But our business cannot succeed without successful farmers at every level of production. Just as successful commercial smallholder and family farmers are critical for global agricultural production, so are they essential to the future of Cargill.

Across our various businesses – we trade with more than two million smallholders around the world, giving access to markets, paying them promptly in cash so they can invest in planting, can support their families, can improve their livelihoods and can invest in their futures.

For example, that is providing training, support and finance to over 150,000 cotton farmers in Zambia and Zimbabwe.

That is helping 8,800 smallholders at our Hindoli palm plantation in Indonesia to adopt more sustainable practices and become RSPO certified; that's enabling over two million Chinese farmers to benefit from advice on animal nutrition and farm management; and of course, that's training over 80,000 cocoa farmers in Côte d'Ivoire, Ghana and Cameroon.

Our commitment to supporting sustainable agriculture and global food security is underlined by our announcement of the Cargill Cocoa Promise. It builds on our work in cocoa over the past 10 years and reconfirms our efforts to grow and sustain cocoa farming communities. While at the same time meeting the growing global demand for sustainable cocoa beans by focusing on three key areas where we can make the biggest difference: farmer training, community support and farm development.

At its heart our Promise recognizes the role and the value of the farmer. It is not always possible to reach smallholders on a one on one basis. That is why farmer organizations and cooperatives are the foundation for our approach. They are central to making real and lasting differences to improving farmers' livelihoods, to raising living standards in communities and to investing in the long-term future of cocoa production.

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Our support for farmer organizations means they are able to grow and attract new members and we have seen first-hand the positive effects when they are strong and successful. In Côte d'Ivoire, we source more than 80 percent of our cocoa beans from cooperatives and we have seen examples of their memberships tripling in number within a few years. We have also seen how it is empowering them to take a more active role and to invest in their local communities, providing roads, education and local infrastructure.

Under our Promise we are encouraging and rewarding cocoa farmers for adopting more sustainable agricultural practices. It is enabling them to improve standards, increase yields and to get paid premiums for more sustainable and higher quality beans, while helping to meet the growing demand for sustainable cocoa.

Certification is an important tool as part of our commitment. It is playing a role in helping us to continue to make progress. Already nearly 20 percent of our annual cocoa supply globally is certified sustainable cocoa and we are on target to source over 100,000 MT of certified sustainable cocoa beans from Côte d'Ivoire by 2015. And the latest progress we have announced today which is increasing the range and availability of certified sustainable cocoa and chocolate products for our customers in North America.

The Cargill Cocoa Promise is a clear demonstration of our overall commitment to supporting responsible supply chains. We are committed to working closely with our customers, governments, development organizations and NGOs who share our goal of a more sustainable cocoa supply chain. And I am pleased that many of those we are working with are here today.

I posed the question – what would a resilient, sustainable agricultural system look like and I've shared my views about what change, progress and cooperation I believe is needed.

The next question is, do I think it is achievable?

Absolutely. But it will be more crucial than ever for us all to adopt a more resilient, responsible and sustainable approach. One that enables access to safe, affordable food for all. One that supports farmers – especially commercial, business-minded smallholders – to maximize their potential. One that enables communities to grow stronger and healthier. And one that helps secure the environment for future generations.

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It will also require greater cooperation and partnership. None of us can achieve this alone. No one government, corporation or development organization can deliver the change required. Only by combining our knowledge, skills and resources can we hope to deliver the progress we all desire.

How will we know if we have been successful?

It's simple – a strong, resilient future for agriculture relies on successful farmers. If we can enable farmers to thrive, we can deliver a sustainable future for food and agriculture that can support our world for generations to come.