

# 20<sup>th</sup> CEEMAN ANNUAL CONFERENCE

How can business support change in Africa and Beyond?  
*A food manufacturing company's perspective*

28<sup>th</sup> September 2012

# Agenda

- The Context
- Who is Nestlé?
- Creating Shared Value – How we believe this model helps develop and CHANGE Africa?
- How are we helping to positively change Africa?
- Conclusion and DVD of Jan Zim – a Successful African story



***The Context in which Life Happens***

# South Africa in Context



First World  
LSM 9-10

15% FIRST WORLD  
Europe, US, Singapore



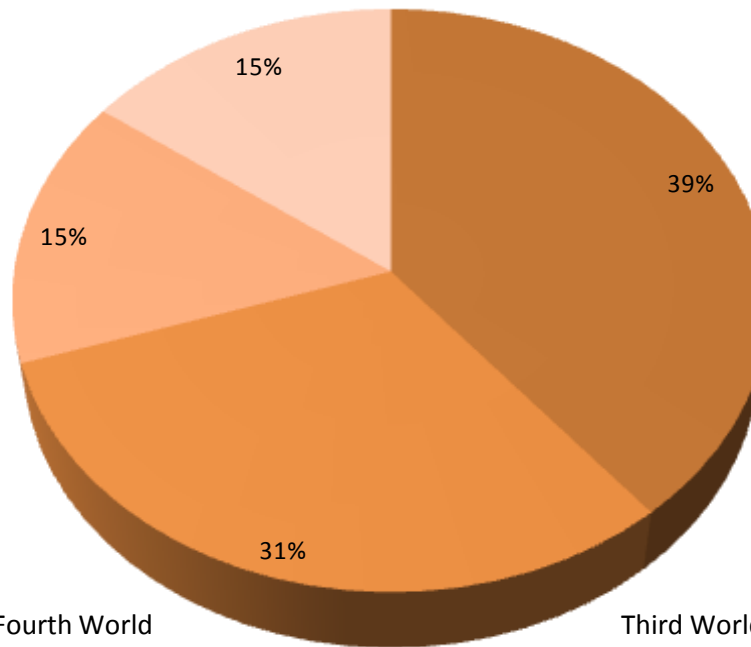
Second World  
LSM 6-8

39% SECOND WORLD  
Thailand, Turkey, Brazil



Fourth World  
LSM 1-3

15% FOURTH WORLD  
Mozambique, Angola, Malawi



Third World  
LSM 4-5

31% THIRD WORLD  
Vietnam, India, Kenya

*Comparisons made in respect of access to infrastructure, education, healthcare, communication services etc.*

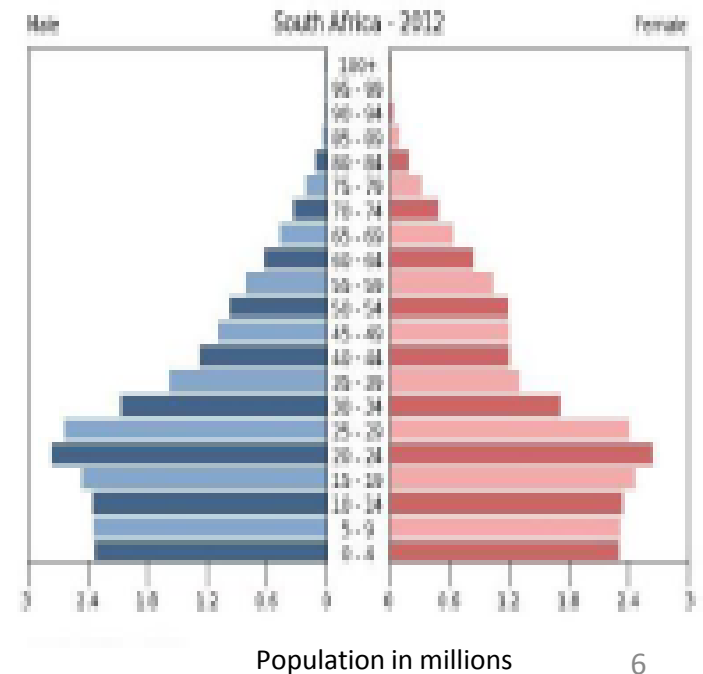
# Diverse / Complex Trading Environment



# The Young and Restless



Demographics: 31% 0-14 years old ; 51% under 24 years ; 5% over 65.  
Official unemployment 25% - Youth (15-29) make up the majority (*9 million*)  
Skills remain a challenging area— in every sector.  
Education spend is high at 20% of GDP  
65% are being raised by single parents  
Committed to South Africa – wanting to make a difference.





**NOURISHING  
SOUTHERN AFRICA**



# Nutrient security is key



- Food security is not only about providing sufficient energy
- It is also about delivering essential nutrients in adequate quantities
- This ensures a productive population and, in turn, a sustainable economy



# Energy vs nutrient quality

## Food security

### Macronutrients

- Protein
- Carbohydrate
- Fat

### Fuel for energy

- Carbohydrates 55%
- Fats 33%
- Protein 12%

## Nutrient Security

### Micronutrients

- Vitamins, Minerals
- Trace Elements
- Omega 3/6 Fatty Acids
- Phytochemicals

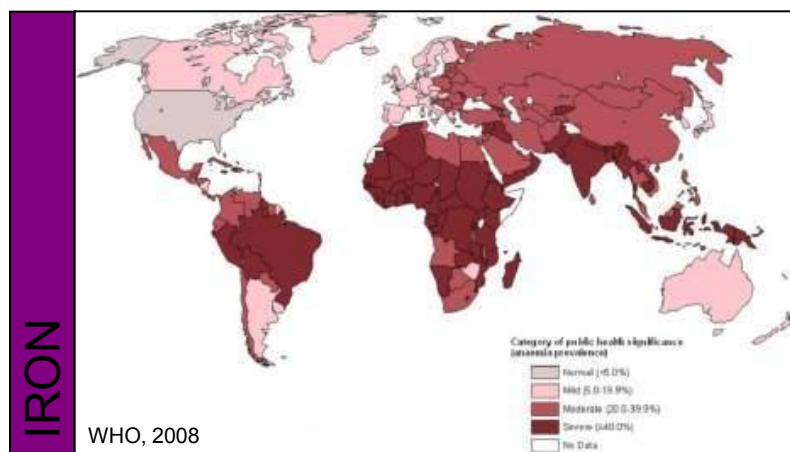
Water

### Metabolic control

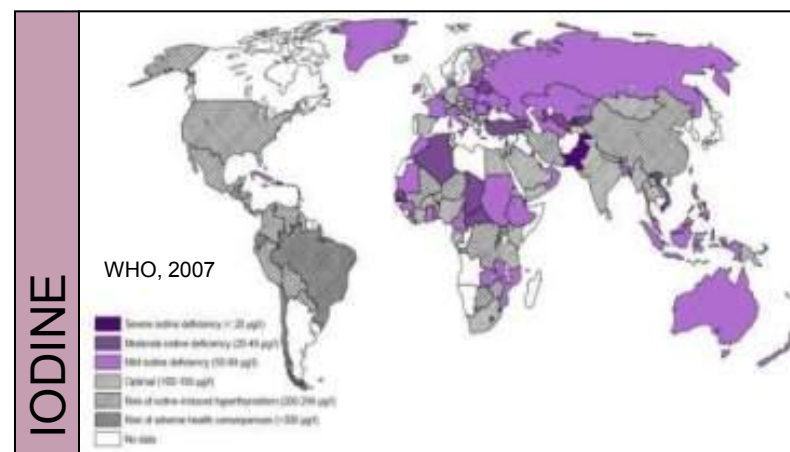
- Body growth
- Health maintenance



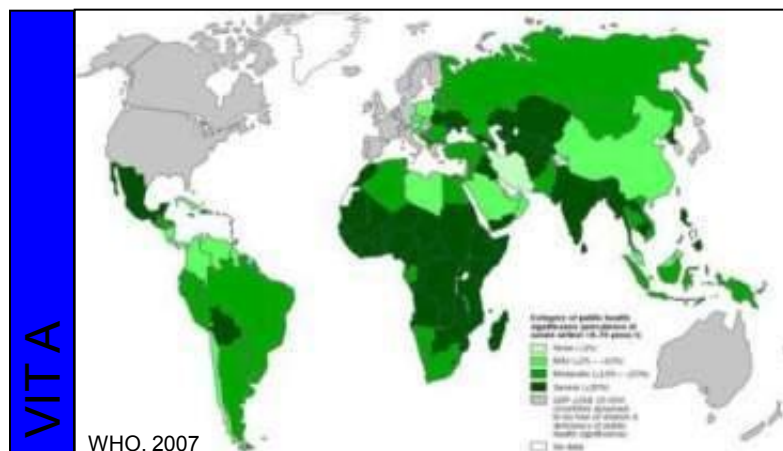
# The main world-wide deficiencies



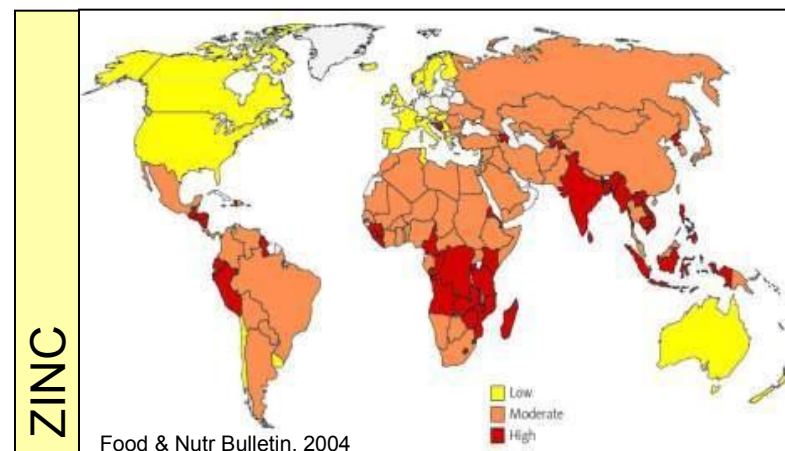
**Iron**-deficient anemia in pre-school children



**Iodine** deficiency in school children



**Vitamin A** deficiency in pre-school children



Risk of **zinc** deficiency in population

# The Context

- Food Security is fundamental to sustainable economic growth and Health of our Continent
- Africa has 60% of the Worlds arable and irrigable land
- The prevalent triple burden of disease – a place fortification?
- Growing urbanisation and a very young continent
- Revitalising agriculture and rebuilding rural economies
- Towards collective and shared action (Government, Private sector and Civil Society)

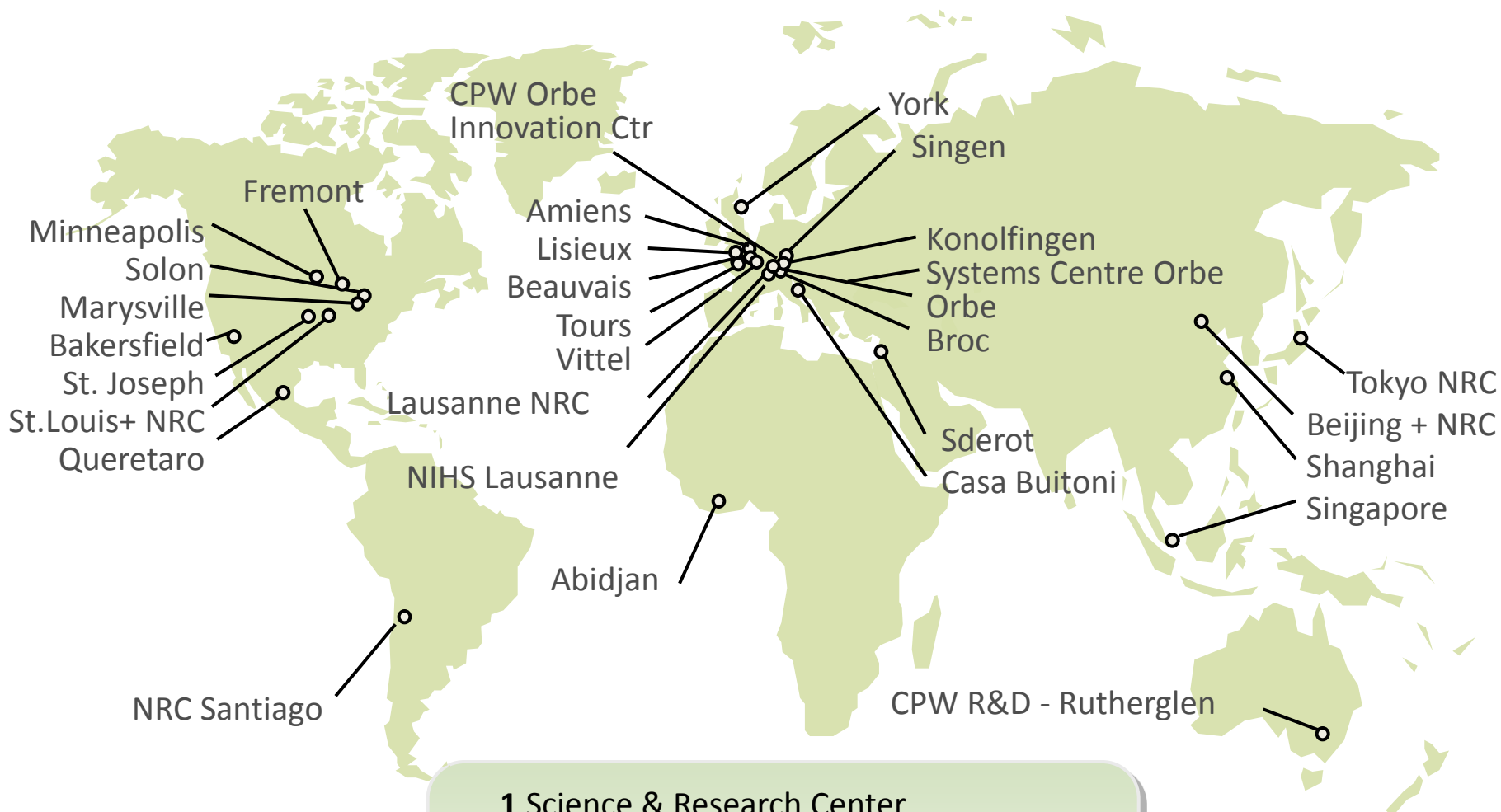
# Who is Nestlé?

# WHO WE ARE - Globally

- Established in 1867 Vevey, Switzerland
- Multinational
- 330 000 employees globally
- World's largest Food & Beverage and Nutrition, Health and Wellness company



# The Nestlé Research Network 2011



**1** Science & Research Center  
**1** Nestlé Institute of Health Sciences  
**28** PTC and R&D Centres  
**320** Application Groups

# 96 year history of Nestlé South Africa

- **1867: Incorporation as a company in Switzerland**
- **1872: First Nestlé products arrived in South Africa**
- 1916: Registration of Nestlé South Africa PTY (Ltd)
- 1927: Local production with the purchase of the South African Condensed Milk Company Ltd factory in Donnybrook and the Estcourt and Franklin factories of Joseph Baynes Limited.
- 1932: Chocolate Manufacture begins in Pietermaritzburg
- 1937: NESPRAY manufactured in Standerton
- 1938 – 1944: Nestle NESCAFE launched worldwide, becomes world's top selling coffee brand
- 1947: MAGGI acquired worldwide
- 1960: Crosse & Blackwell introduced in SA
- 1975: Nestlé Head Office moves to Randburg from Down Town Jhb
- 1985: Nestlé acquires U.S. food giant, Carnation
- 1993: Dairy Maid - Nestlé PTY (Ltd) forms 50% partnership between Nestlé SA and Imperial Cold Storage
- 1988: Nestlé launched FRISKIES Company
- 2000: Nestlé acquires Water business
- 2001 : Pet Food Consolidation with pet food acquisition from Tiger Brands and acquires 100% Dairy Maid Ice Cream
- 2005: Harrismith Plant upgraded to state of the art high tech facility
- **2006: Nestlé celebrates 90 years in SA**
- 2010: Nestlé relocates from Randburg to Bryanston
- 2011: Acquisition of SPP factory in Potchefstroom and commencement of building of two new factories in Babelegi (Breakfast Cereals and Noodles respectively)
- **2012: Minister Rob Davies and Global Ceo Paul Bulcke inaugurates the Cereals and Noodle factories in Babelegi**

# Creating Shared Value

**How we believe this model helps develop and change Africa?**

# Creating Shared Value

Underpins our Corporate Ambition

## The Nestlé Strategic performance framework 4x4



Our vision is to become the **recognized leader** in Creating Shared Value at both brand and corporate level, **trusted** by all our stakeholders.

**Delivering Recognition, Leadership and Trust**

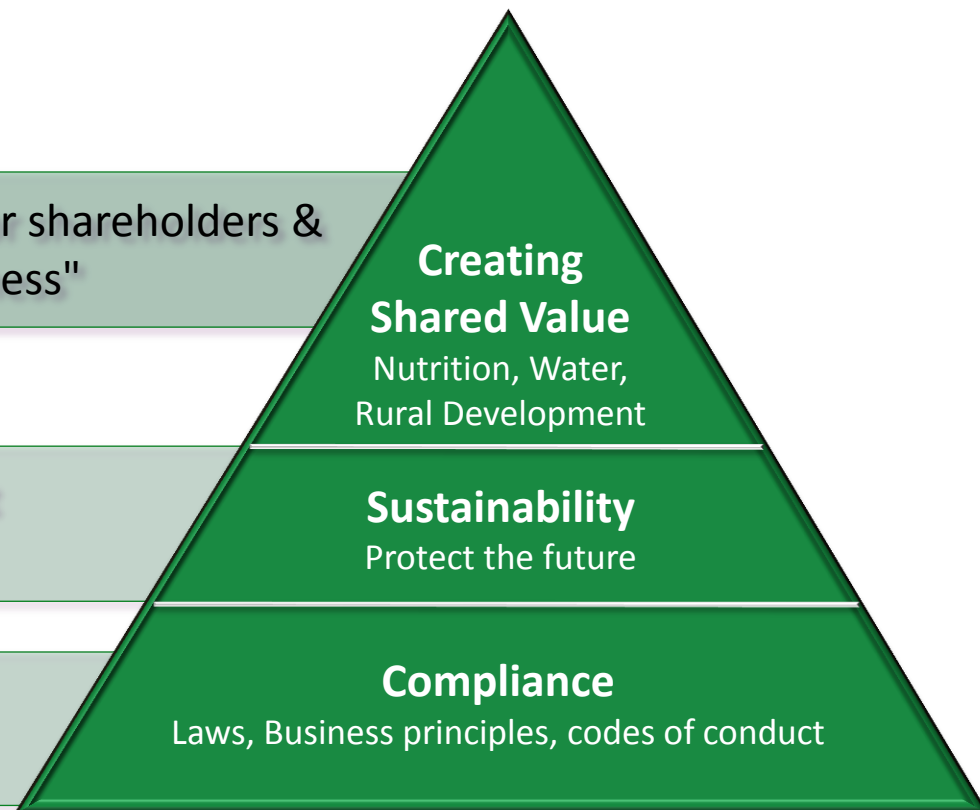
# Creating Shared Value

## A definition

"... beyond sustainability, to create value for shareholders & society - integrally linked to our core business"

"...meet the needs of the present without compromising future generations ..."

Comply with the highest standards



# Creating Shared Value:

3 focus areas

## Nutrition

IMPROVED NUTRITION FOR THE CONSUMER AND INCREASING SALES/PROFITABILITY FOR NESTLÉ

## Water

REDUCING OUR ENVIRONMENTAL FOOTPRINT AND REDUCING OPERATIONAL COSTS

## Rural Development

HELPING FARMERS IMPROVE EARNINGS AND ASSURING OUR SUPPLY OF QUALITY RAW MATERIALS

# **How are we helping to positively change Africa?**

# Threats and opportunities to feed 9-10bn people

NOURISHING  
SOUTHERN AFRICA



Soil fertility



Breeding



Energy pricing



Water Management



Technical Assistance



Policy interventions



# An African Agricultural story...

- We have built long term partnerships with local commercial farmers (e.g. Milk districts in Mossel Bay and Harrismith and agencies that provide other crops).
- Over and above sourcing from 200 commercial farmers, we also support 20 emerging farmers who are part of our supply chain
- In 2009 the new R&D centre for Africa was launched in Abidjan, Ivory Coast to support research into raw materials and improve the quality of locally-sourced raw materials, including cocoa, coffee and cassava, as well as adapting products for the nutritional needs and tastes of West African consumers.
- Better quality crops in West Africa will allow Nestlé to source more raw materials locally, which in turn will raise the income and the quality of life of local farmers.



# Nestlé Agricultural Services

## Main Activities:

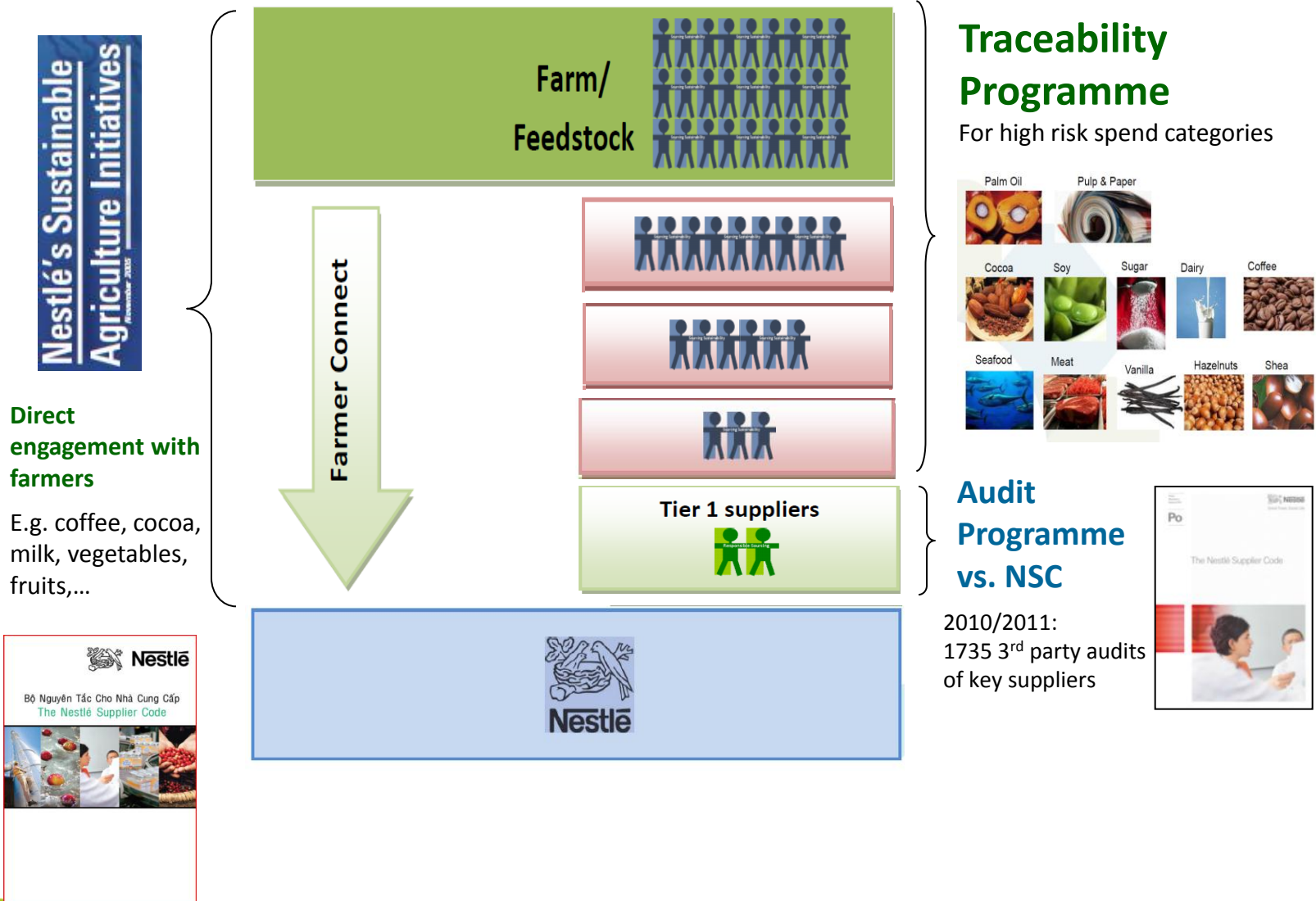
- Establishment and implementation of sourcing strategies including pricing and logistics. We also provide agricultural assistance to farmers especially to ensure efficient and economic production of high quality of raw material.

## General Policy:

- Agricultural raw materials are a vital factor affecting the quality and costs of Nestlé's manufactured food products. The quality of raw materials can have a significant impact on Nestlé's business performance.
- Therefore, sourcing agricultural raw material has to contribute to the sustainable and profitable development of the company.
- Nestlé sources its agricultural raw materials either through trade channels or directly from farmers, but does not engage in its own commercial farming activities.

# Agricultural Sourcing at Nestlé

## Corporate Agriculture / Procurement



**Nestlé Responsible Sourcing**

# Creating competitive gaps in the upstream supply chain

## Direct Milk Sourcing

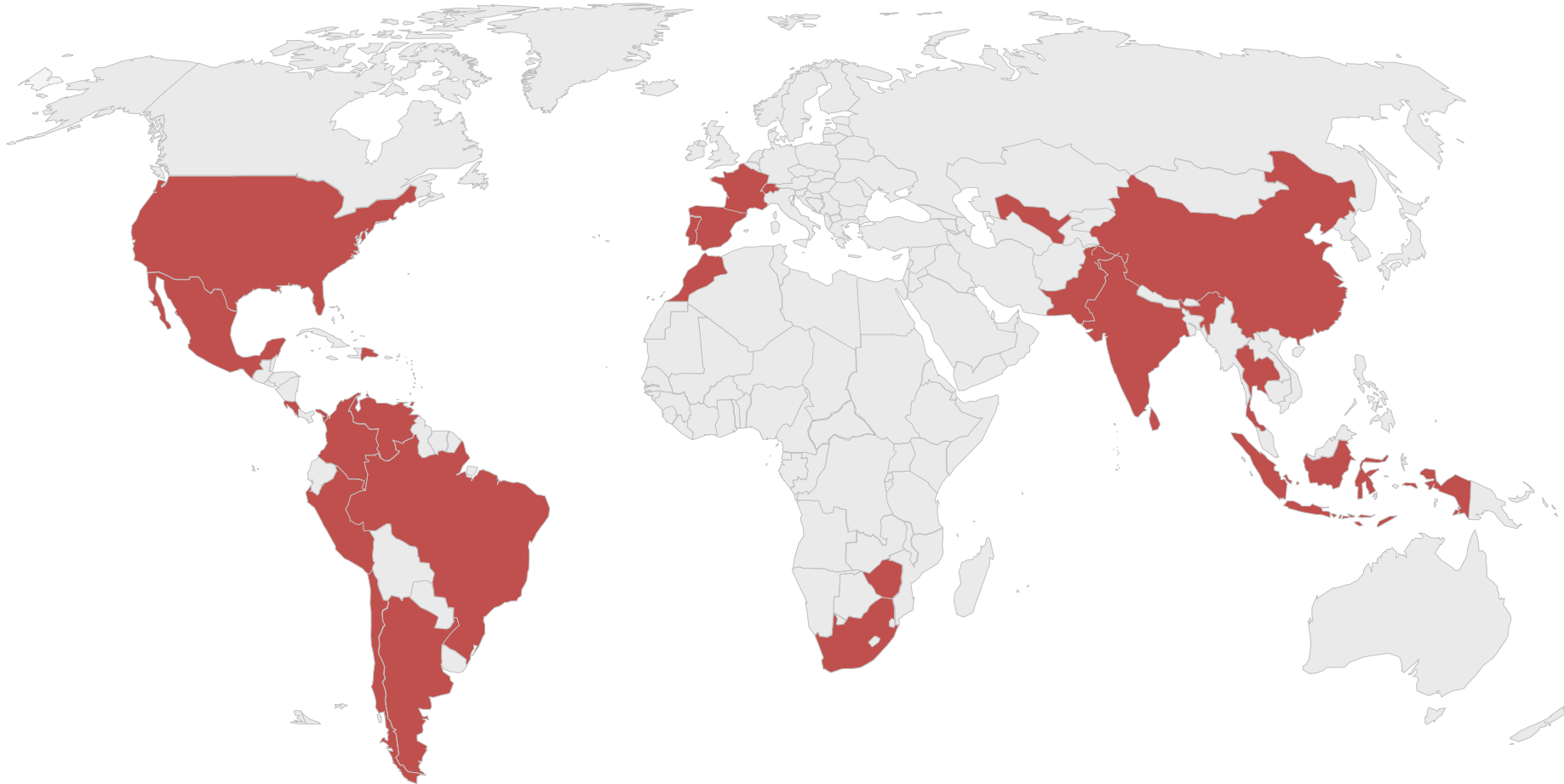
- Veterinary services,
- Breeding
- Animal feed
- Teaching silage methods
- Biogas generators
- Cooling tanks
- Water management & irrigation
- Sanitation & Clean Water
- Milk collection
- Farm income generation
- Crop and yield improvements
- Animal health issues
- Logistic support / Transport
- Farm management guidance
- Technical training

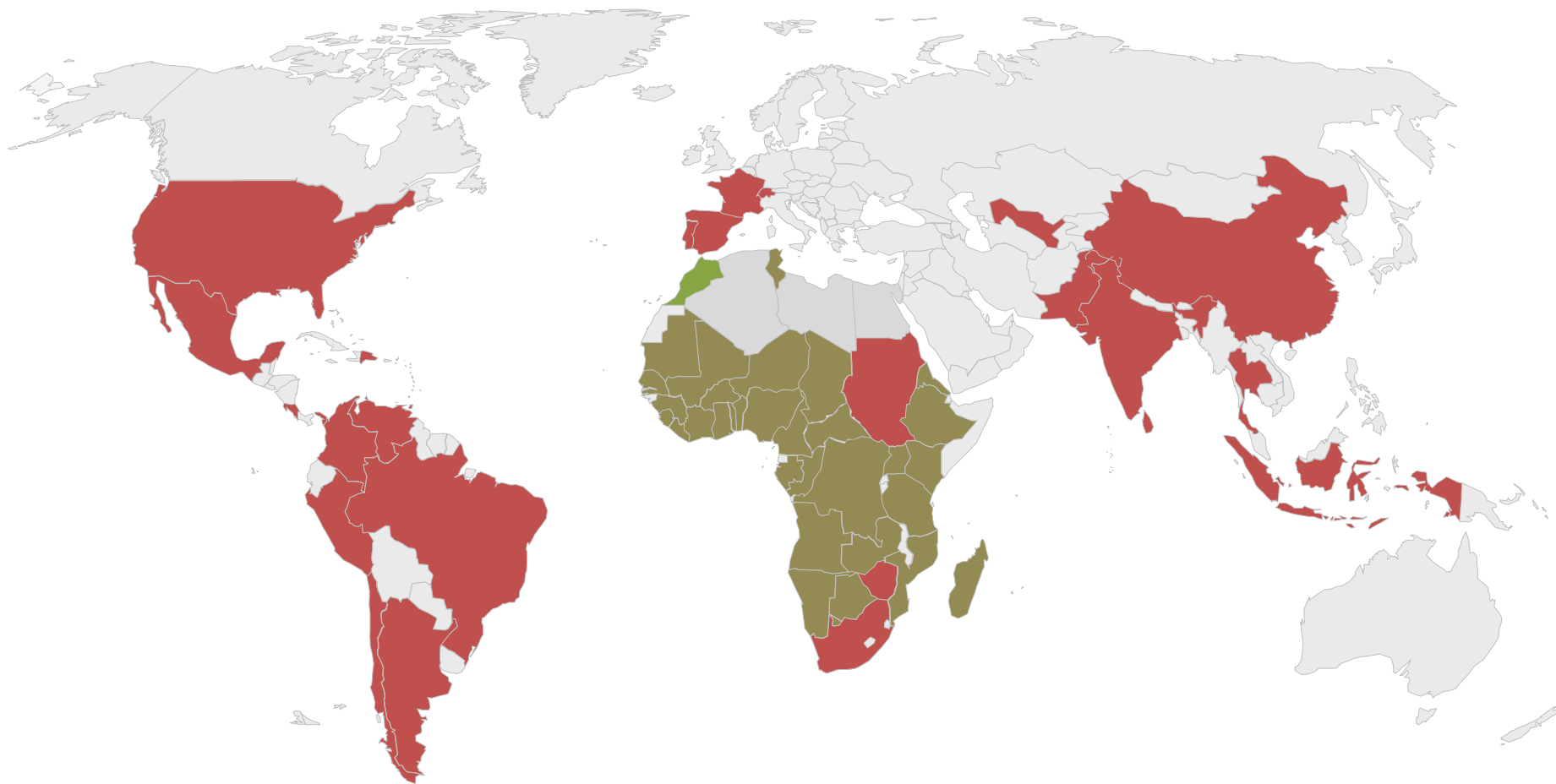


# Creating competitive gaps in the upstream supply chain

## Direct Milk Sourcing

- 30 direct Procurement Markets
- Head counts: 964 Sourcing specialists, 16'800 support staff
- 10'000 collection centers





# Case Studies: Grains Sourcing in West Africa

- Farmer Connect: More than 10'000 farmers trained in Western Africa on “Good Agricultural Practices & Good Storage Practices”
- Farmers produce now grains with mycotoxins levels within Nestlé norms (4ppb)
- Farmers achieve a price premium
- Market access created for locally produced grains in West Africa with a farm base value of > US\$ 20 mio.

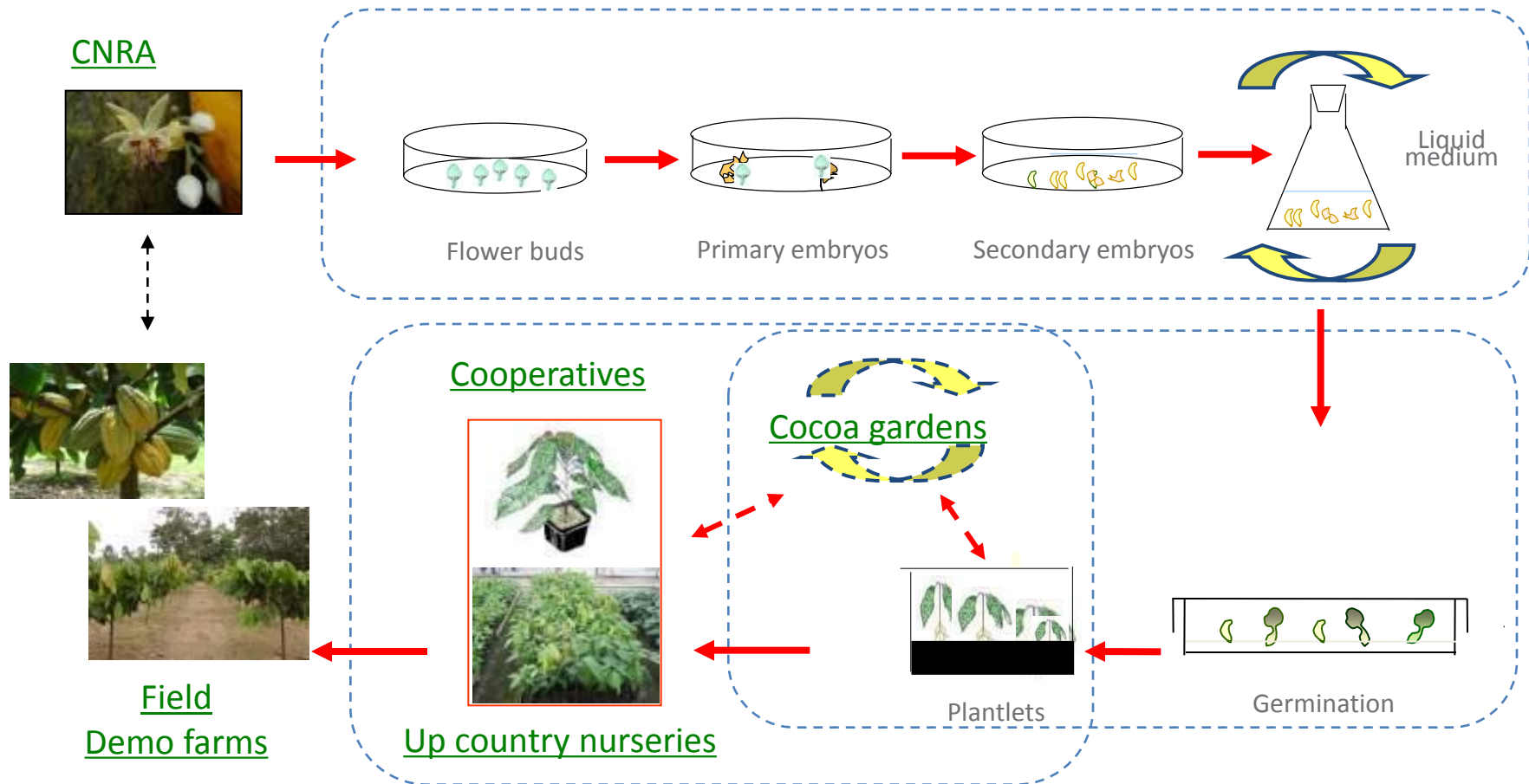


# Case Studies: Nestlé Cocoa Plan in West Africa

- The Nestlé R&D centre in Abidjan is developing a new facility that will supply over 10 million high-quality plantlets to cocoa farmers in 10 years.
- The plantlets are produced from high-yield and disease-tolerant varieties through an accelerated propagation method.
- Together with farmer training and premiums for better quality cocoa, the potential will be to increase yields four-fold and to increase farmer income
- This will mean higher incomes for rural communities and a more reliable, higher quality supply to Nestlé, particularly important as 40% of the world's cocoa comes from Côte d'Ivoire.

# Case Studies: Cacao Propagation: Accelerated Technology

## SOMATIC EMBRYOGENESIS OF COCOA FOR MASS PROPAGATION



# Sustainability

Holistically Reducing the Environmental Impact of Nestlé Products



Sourcing  
Raw Materials

Product  
Development



New Processes



Nestlé

Good Food, Good Life

Environmental  
Sustainability

Packaging



Manufacturing

New Systems  
& Devices



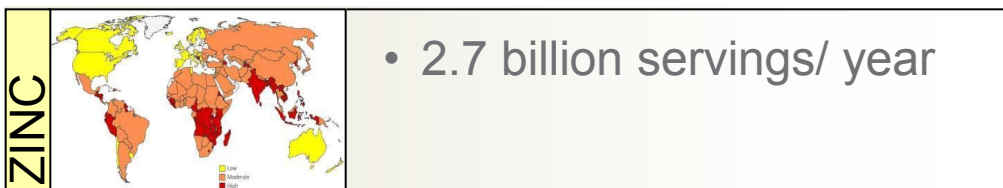
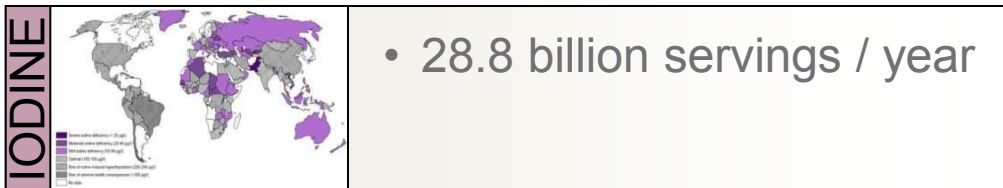
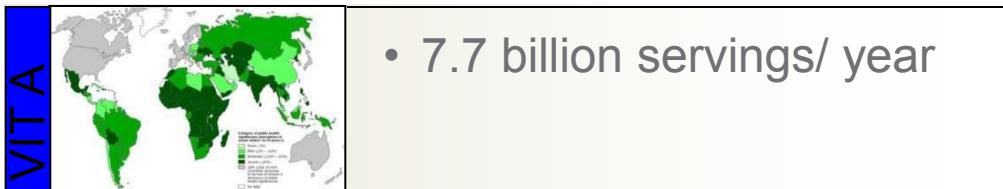
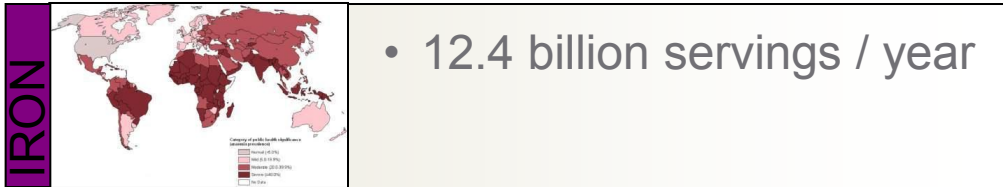
# To conclude

Local sourcing coupled with Farmer Connect model contribute to...

- Replicable and consistent quality and food safety
  - Predictable timing and volume
  - Increased price stability
  - Sustainable production
  - Farmer loyalty
- => **Long-term access to raw materials at competitive prices and specific quality**



# We have started but we all still have a long way to go



# Nutrition and Education: Adopt a School

Indwe High – Mossel Bay



Mpumelelo High - KZN



# Lets us Lead a Charge...

There's a direct correlation between Government Support and Agri- business success

- Policy interventions (NEPAD)
- Need for Smarter Public- Private Partnerships (CSIR)
- Continued Skills Development and capacity building of farmers
- Access to finance (high risk appetite & different funding criteria)
- Consistent and sustained farmer support
- Training of extension officers – development of experiential farms
- Processing and beneficiation
- Encouraging young people to go into farming/ agriculture as a career

# Jan Zim – A Successful change agent