

CHAPTER 4

CHAINS AND NETWORKS FOR DEVELOPMENT

Articulating stakeholders in international trade

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Abstract. As a major food-processing company, Unilever actively supports programmes aimed at sustainable management of its raw-material base. A large share of these materials, such as tea and palm oil, is sourced from smallholders in developing countries. Through its 'triple bottom-line approach', sourcing is linked to sustainable development. The programmes focus on the social progress of local people (people), environmental protection (planet), and economic growth in the countries that supply the materials (profit). For the sourcing of agricultural raw materials, Unilever and other food processors jointly developed a set of sustainable agricultural indicators.

The approach in reaching sustainable agricultural practices is through active stakeholder involvement. In this process, Unilever identifies innovators and agricultural organizations throughout the chain that are willing to invest in such initiatives. Knowledge gained from the initiatives is shared with these stakeholders, with the mainstream and with competitors. In discussions on how agro-food chains can work as instruments for development, Unilever feels that too often the focus is on niche markets. The real challenge is for the commodities and mainstream markets, where smallholders themselves have to organize with the support from private-sector programmes.

Keywords: sustainable development; stakeholders; supply chains; private sector

THE LINK BETWEEN BUSINESS AND SUSTAINABLE DEVELOPMENT

Unilever is a major food-processing company producing food and household products. Every day, 150 million consumers worldwide buy a Unilever product. We are present in 150 countries and have an annual turnover of 42 billion Euros. Because of this huge number of consumers world-wide, we feel that social development in the countries where we are active and where we would like to be active is an extremely important element of our business strategy. Also for our own sake: their development and their increase of income level are important to our company as well.

R. Ruben, M. Slingerland and H. Nijhoff (eds.), Agro-food chains and networks for development, 49-55.

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Need for sustainable economic growth

Our sustainable programmes are not about philanthropy of a company aiming at sustainable development; it is about the need to plan a business, innovate on a medium and long term, and deal with external factors that support our future. As such, environmental protection of our raw-material base is important for sustaining access to our key raw materials. Economic growth and a healthy economic development in countries where we operate create a basis for demand in these very markets; we support in developing a sustainable path to the future from which our company benefits as well.

TRIPLE BOTTOM LINE – WHAT DOES IT MEAN FOR BUSINESS

Risks and responsibilities

The future holds both risks and responsibilities for a company like Unilever. The agro-food systems are under a lot of pressure. There are economic pressures in which the chains operate, but there are also social issues. Just look at the future of the agricultural sector, both in Europe and in developing countries, and the pressures it puts on those that are active in that sector.

There are significant pressures on the natural resources too: on average 40% of agricultural land suffers from soil degradation; water supply becomes scarcer, with 70% of water supply going to agricultural use. Around 40% of the world population now faces a scarcity of water. To Unilever, water is an extremely important raw material, not only for growing agricultural products, but also for our consumers using water for our products. We are the biggest producer of tea, and our consumers cannot make a cup of tea without access to water.

There is a big challenge for scientists to make improvements that are beneficial to the crops, the environment and the people working in this environment. Take for example the genetic diversity of crops: there is a real danger that we are losing this, with the genetic base for plants becoming smaller, which in turn may have an impact on future pests that we are unable to fight.

Agriculture under pressure

For us as a company, it means that we have to look seriously at the long-term availability of some of our key raw materials, since 70% of Unilever's raw materials come out of the agro-food, fish or animal sector. We believe that we must recognize these issues. Therefore, our guiding principle is that we better become part of the solution than part of the problem.

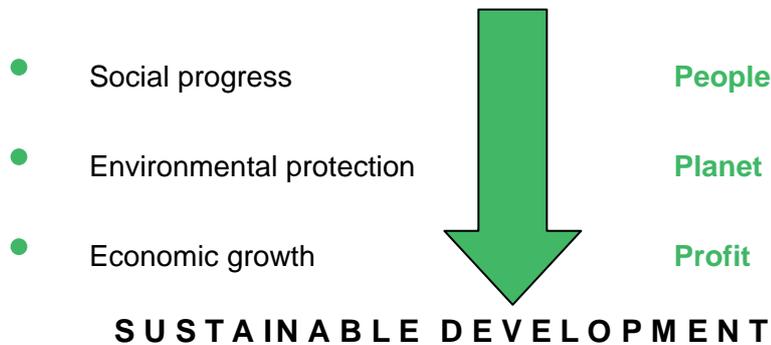


Figure 1. 'Triple bottom-line approach'

Source: *Development of international agro-food chains (Unilever 2004)*

Through the 'triple bottom-line approach' (Figure 1), sourcing of required natural resources follows the Triple-P approach: work towards social progress of people, environmental protection of the planet, and economic growth or profit in the (developing) countries that supply us with the key raw materials.

Use of three key raw materials: agriculture, fish and water

Because we are the biggest users of a number of raw materials, Unilever has started specific sustainability initiatives in each of these areas. In our programmes, we focus on tackling improvements in agriculture at the location where we get the raw materials from. For the most important raw materials we started to introduce programmes in a number of countries around the world, with farmers, with local institutes and with local environmental organizations. The aim was to develop practices which will have a positive effect on soil health, on an efficient use of fertilizers and on a reduction in the use of pesticides. We also focused on improving the capacity of local people to learn and apply knowledge to the own farm, but also on becoming a better partner in the supply chain and supporting them in looking at environmental impacts, in using less water, in not polluting the water, and in ensuring that biodiversity in the areas is not negatively affected.

KEY OBJECTIVES OF SUSTAINABILITY INITIATIVES

Our consumers trust us to supply them with high-quality products that are produced in an environmentally and socially responsible way. For this reason, we act as agents to ensure that these expectations are understood along the supply chain. We must therefore align our economic goals with the social and environmental consequences of our work.

Since the mid-1990s, we have worked with stakeholders in the area of sustainability. We worked closely with environmental organizations, farmers and

suppliers in our three sustainable initiatives: fish, water and agriculture. The key objectives of these initiatives are:

- Agriculture: establish sustainability indicators, appropriate measures and standards for key raw-material crops: tea, palm oil, tomatoes, peas and spinach.
- Water: support efforts to improve the conservation of clean water, and understand the water imprint of our activities. The goal is to achieve a sustainable balance between human needs and those of the ecosystem.
- Fish: encourage more sustainable fishing practices and meet our commitment to buy all our fish from sustainable sources by 2005.

Sustainable agricultural indicators

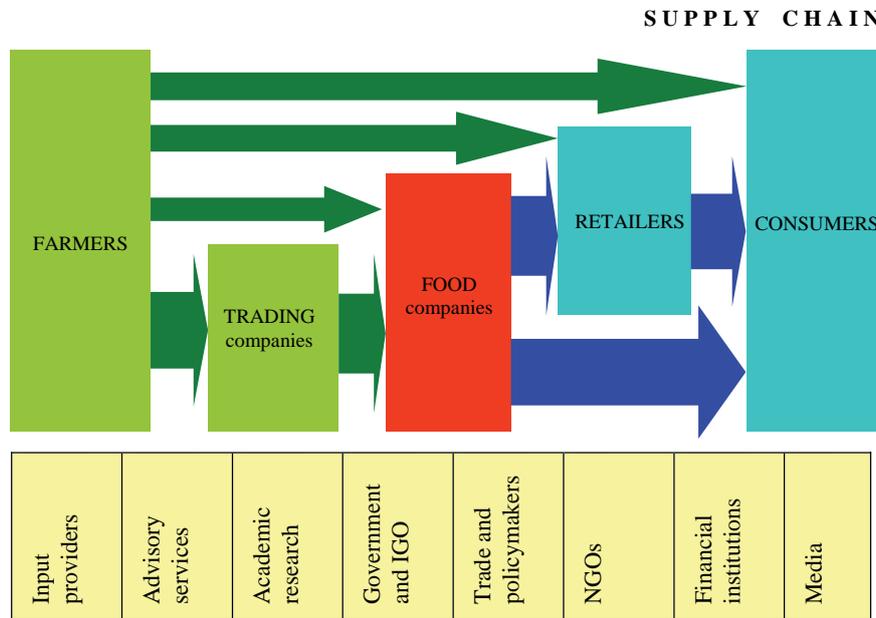
For sustainable agricultural practices, we aim at developing tailored solutions for different environments, countries and farmers. A wide range of factors can contribute to sustainable production of, for example, tea. Using a flexible framework, we strive for a balanced trade-off between agriculture, social development and conservation.

To do this we make use of ten sustainable indicators. The assessment enables tea estate companies to prioritise Sustainable Agricultural Practises (SAP) activities for their specific individual environments. These indicators are:

1. Soil fertility / Health: SAP to achieve a rich soil ecosystem.
2. Soil loss: reducing soil erosion through SAP measures.
3. Nutrients: Enhance locally produced nutrients and reduce losses using SAP.
4. Pest management: using SAP can substitute natural controls for pesticides.
5. Biodiversity: improve the diversity of biological systems through SAP.
6. Product value: SAP to improve the product value and reduce chain wastages.
7. Energy: improving the balance of energy inputs and outputs through SAP.
8. Water: using SAP to ensure water is conserved and pollutants are controlled.
9. Social / human capital: SAP to improve social (networks) and human capitals.
10. Local economy: SAP for best use of local resources (goods, labour, services).

Engaging stakeholders at every project phase

Unilever's approach in its programmes is first to engage stakeholders in every phase of these SAP projects. We look for organizations, persons and businesses that are really active and also really want to change something. We look for innovators and for organizations that are willing to take some risk. We feel that participative learning programmes are important; not telling how it should be done, but trying to jointly develop the better way, making use of innovations and use lessons-learned in pilot projects. Figure 2 shows the types of stakeholders we aim at including in our programmes.



being produced by smallholders, the main challenge is to share with them the lessons learned and facilitate the adaptation process.

Another programme started in 2001 in Tanzania. Part of these tea estates need irrigation, and the programme therefore focuses on sustainable ways of irrigation as well as on the issue of soil compaction. Another important focus of the programme goes to the biodiversity conservation in the adjacent forest, which belongs to the estate but is part of a national park.

Example: palm-oil programmes in Ghana and Malaysia

Another example is related to our activities in palm oil. West Africa's lead plantation is situated in Ghana. It has a size of 4,500 ha and is managed as a smallholder operation. A set of good agricultural practice guidelines for palm oil was developed, with the challenge now being to stimulate smallholders to implement them.

In Malaysia, we have set up a round-table initiative together with the WWF, the Malaysian Palm Oil Association and a number of big plantations. We aim at sharing and building best practices, not only on how to manage plantations but also to define criteria that will be used in the process of converting rainforest into palm plantations, focusing on how to better protect the sensitive rainforest areas. Secondly, the initiative tries to define how we can create demand for sustainably grown palm oil in the chain.

Sharing knowledge with stakeholders

The knowledge we gain in these programmes is shared with stakeholders. It is also shared with competitors in the SAI Platform, a pre-competitive initiative in which food companies share sustainable agricultural practices and try to come to common approaches. It would not be good for farmers around the world when different food companies use different approaches and practices. In the SAI Platform we try to share experiences, and for a number of commodities we now have developed common programmes.

CONCLUSION

For agro-food chains to work, the power and expertise of small farmers is what we need to work on in the years to come. We need to develop know-how and provide access to expertise on the costs and the benefits of sustainable agricultural practices. Another issue can be found closer at home: sustainable initiatives need to be effectively communicated to consumers. Another challenge is how to deal with transition processes; changing the usual practice to sustainable agriculture practices involves risks. Governments and institutions can help the actors of such transition processes in minimizing or covering the involved risks.

Too often the focus of discussions on food chains as instruments for development is on niche markets. We believe that niche markets will organize

themselves, and that the real challenge is in the commodities and mainstream markets. Important is to have a better forecast of supply and demand in these markets, a shift from subsidy-driven to demand-driven markets, bringing farmers closer to the market and supporting participatory learning programmes. Farmers themselves have to organize themselves; we should support them with such programmes.

For sustainable initiatives really to work, we must join forces and not have different approaches from different companies. This is a big challenge for the food industry, but also for farmers' organizations and the retail sector.