

# Sustainability management in the value chain: from farm to table

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# Agenda

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- The Coordinated and Sustainable Agribusiness Challenge
- Bunge's development in Brazil
- The Expansion of the Sustainability Strategy for the Value Chain
- Steps to approach the farmer and the Four Mini Cases
- Benefits
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- Conclusion

## Case Study and Objectives

- This case study presents the development of sustainability strategies for coordination of the agribusiness production chains.
- Case of Bunge in Brazil
- In four mini-cases produced, the case aims to show how Bunge acts together with producers along the production chain.

# The Coordinated and Sustainable Agribusiness Challenge

- Brazilian agribusiness
  - global food, fiber and clean energy provider
  - first in exporting and commercializing sugar, ethanol, coffee, orange juice, tobacco, livestock and poultry
  - Perspectives of growth
- Norman Borlaug: Brazilian Cerrado - one of the main granaries in the world
- Challenge for the sector: Sustainability

## Bunge's development in Brazil

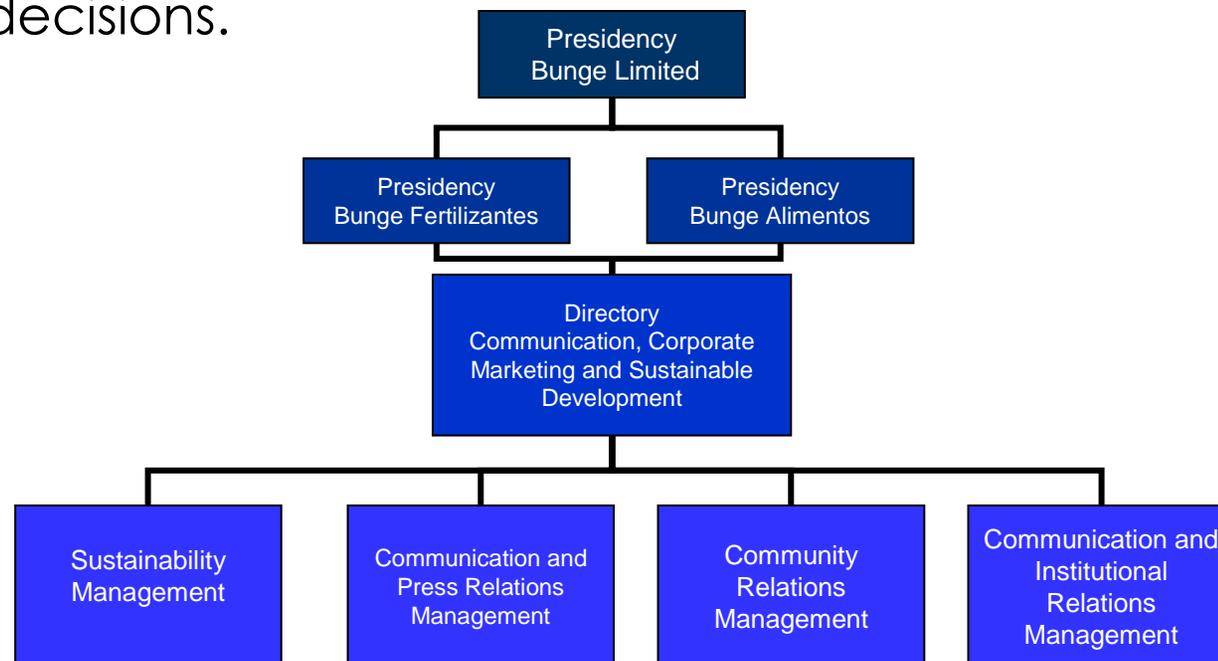
- Founded in 1818, in The Netherlands. In Brazil since 1905
- Bunge is a leader:
  - In origination (purchase) of grains and in processing soy and wheat
  - In the production of fertilizers and ingredients for animal nutrition
  - In the production of food products
  - In port services
- Bunge:
  - US\$ 9 billion worth of net Sales (end of 2007), a 32% increase when compared to end of 2006
  - Is the largest exporting company of the Brazilian agribusiness
  - 8.909 employees in Brazil

# The Expansion of the Sustainability Strategy for the Value Chain

- Sustainability:
  - Actions related to social, environmental and economic responsibility always existed in the company
  - **Fundação Bunge** – Since 1955
- Bunge works with a **global** strategy of sustainability, but developed **locally** by its companies, among different countries
- Bunge, in Brazil, leads global actions to promote sustainability
  - competitive advantage for promoting good projects that have good results and amplitude.
  - Regarding Sustainability, the external pressure is very strong in Brazil and is the center of attention for this issue for Bunge

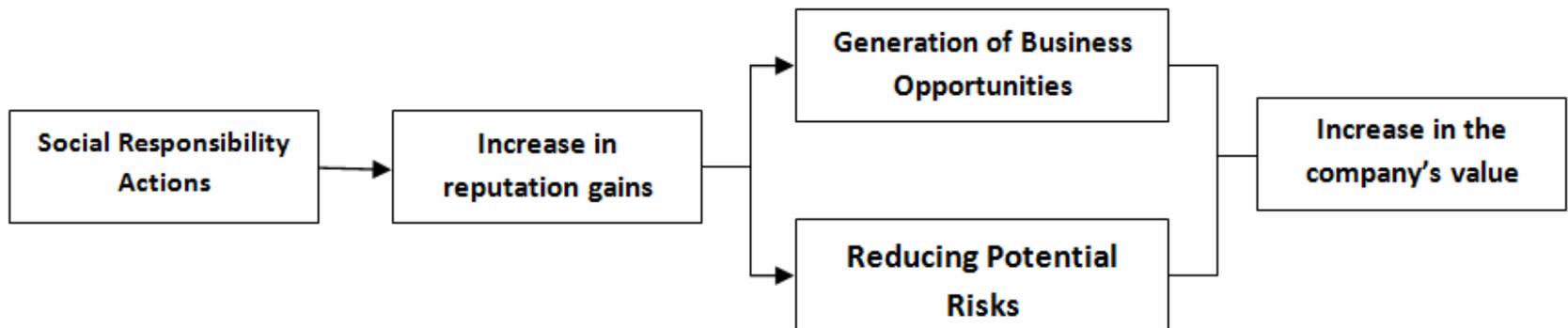
# The Expansion of the Sustainability Strategy for the Value Chain

- New area created in the company, responsible for:
  - investment decisions on sustainability programs,
  - for coordinating the activities of the three companies in Brazil, and
  - for aligning everything with Bunge's strategic decisions.



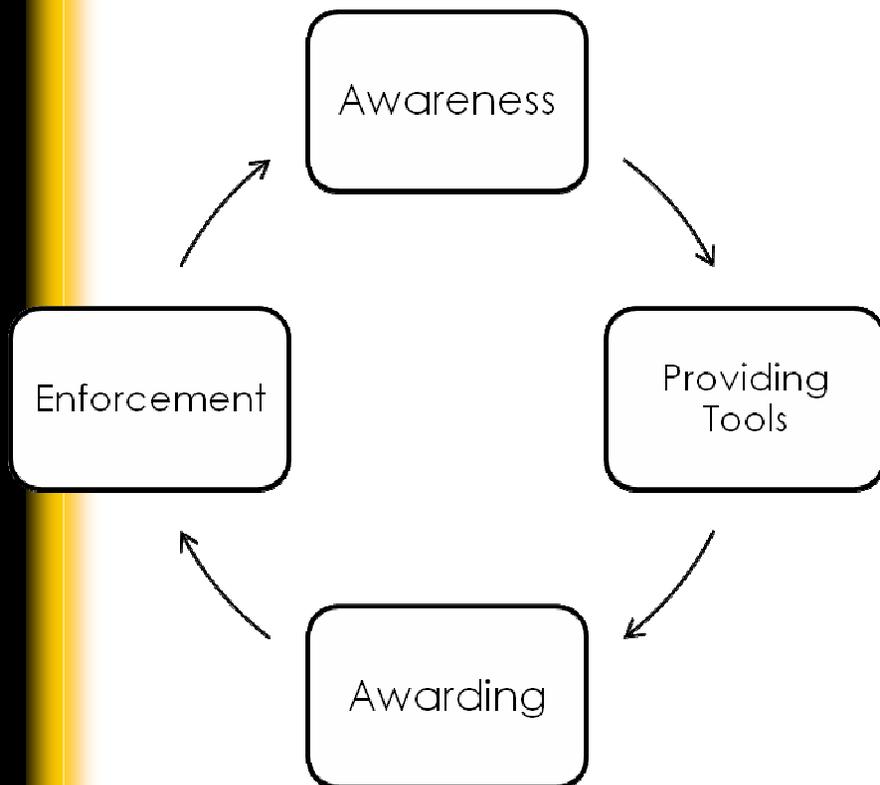
# The Expansion of the Sustainability Strategy for the Value Chain

- Choosing programs and projects:
  - Priority to social responsibility actions that result in reputation gains, leveraging business opportunities, reducing potential risks.
  - As a consequence: preservation or addition of value to the company.



Source: Adapted from Fombrun (2000), *apud* Machado Filho (2006)

# Steps to approach the farmer and the Four Mini Cases



## Steps and corresponding cases

<b>Awareness</b>
(1) Model for Environmental Responsibility in Agricultural Production.
<b>Tools</b>
(2) Rescue of the Cerrado Ecosystem and (3) Conservationist Practices in Agriculture.
<b>Awards</b>
(4) Brazilian Farmer Bunge Award

# Environmental Responsibility in Agricultural Production

- Environment Ministry of Brazil and Bunge – public-private partnership
- Brochure with the goal of warning the farmers about the environmental laws
- Existing environmental legislation is rigorous and usually represents a barrier to farmer's understanding
- The brochure facilitates it so that the farmer understands and manages to regularize his properties regarding the environmental issues
- Challenge: Measure the impact and reach a larger number of proprietors



# Conservationist Practices in Agriculture

- Set of agricultural techniques and tools that help the farmers to adequately use the fertilizers in the precision agriculture
- Objective: Bunge's interest is to make the farmers use correctly the fertilizers
- Mutual gains relation: the farmer uses the fertilizers rationally, increases his productivity and profitability and invests more. He continues to be a Bunge customer, and a strong relationship is developed
- 750 networking and new technology events with the farmers (2007)
- Challenge: different ways to approach the farmers



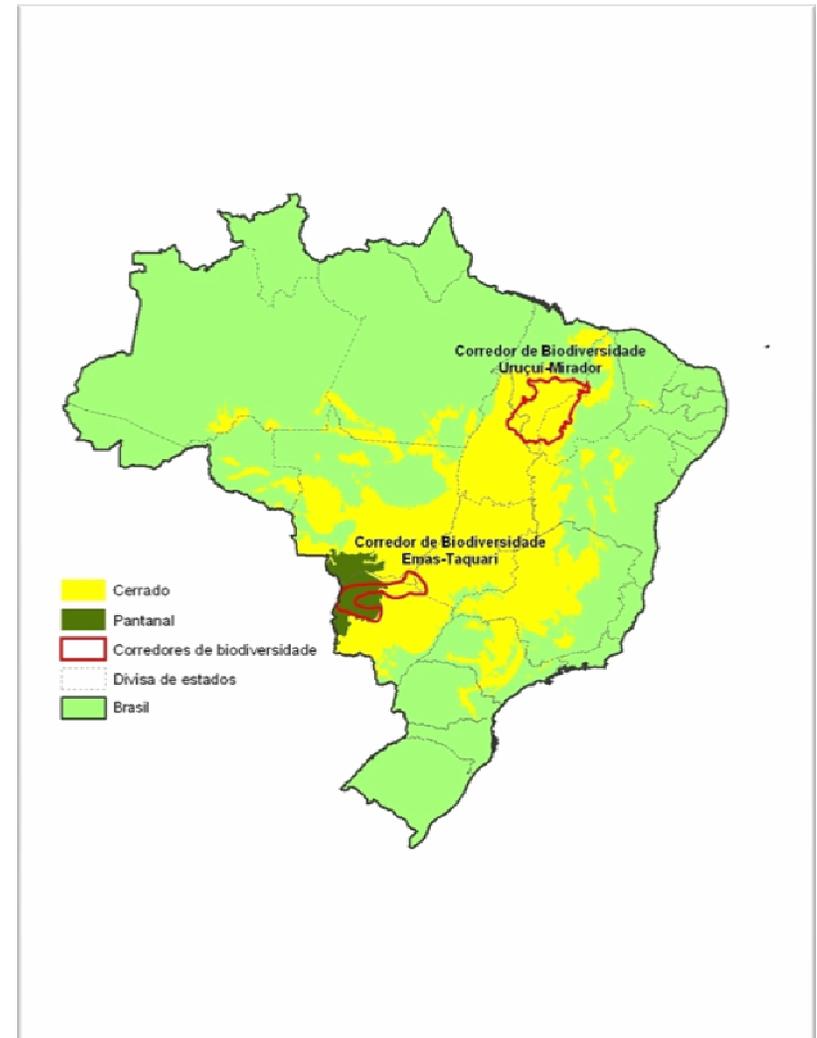
## Rescue of Cerrado Reserves

- Cerrado's Fauna and flora have been seriously devastated by deforestation due to agricultural activities
- Partnership: Bunge and the NGOs *Conservation International* and *Óreades*
- Brazilian legislation: rural proprietors have to maintain a minimum of 20% of his property as a natural reserve
- Objective: Protect the native areas in the private properties; Protect and rescue of Cerrado's biodiversity



## Rescue of Cerrado Reserves (cont.)

- Pillars of the project:  
Creation of a private network of reserves;  
Incentive to preserve the company's supply chain, encouraging the use of the Best environmental practices by the farmers
- Challenges: expansion of its area of activity and hiring specialized technicians



# Special Award Bunge Brazilian Farmers

## *Bunge Brazilian Farmer Award*

- Objective: Promote and encourage the best agricultural, environmental and social practices of the Brazilian agribusiness
- Contemplates small, medium and large agricultural producers
- Bunge's Sales representatives indicate, based on pre-established criteria of sustainable development, a set of candidates who are their clients
- Agronomic advisors evaluate each one of them and decide who are the best producers of that year
- Challenge: Higher detail level of the evaluation process of the properties and establishment of criterias to select the properties
- Benefits: Divulgation of farmer's work; the awarded feel motivated

BENEFITS	RURAL PRODUCER	ENVIRONMENT	BUNGE
<p>CASE 1: <b>Environmental Responsibility in Agricultural Production</b></p>	<p>Better understanding of the environmental legislation</p>	<p>Higher environmental protection; Protection of slopes, springs and water courses.</p>	<p>Dissemination of environmental “responsibility” among its suppliers and clients; Strengthening of supplier/customer relationship encouraging sustainability.</p>
<p>CASE 2: <b>Conservationist Practices in Agriculture</b></p>	<p>Awareness of the best practices; Use of the right amount of fertilizers</p>	<p>Lower variability of nutrients in the soil; Pollution reduction; Environmental contamination reduction</p>	<p>Contribution to the sustainability mindset in Brazil; To keep good clients; Growth together with the farmers</p>
<p>CASE 3: <b>Rescue of Cerrado Reserves</b></p>	<p>Map with the property’s planning and precision mapping of it; Adequacy to the Forestry Code;</p>	<p>Increased coverage of native plants; Increase in environmental protection (creation of reserves); friendly environment.</p>	<p>Creation of certification mechanism for products; Combine high productivity agriculture with the conservation of natural resources contributing to the sustainability of production</p>

# General Challenges of the Case

- **Challenge for the Coordination of Bunge Initiatives**
  - Intern (centralization vs. decentralization)
  - Extern (partners' profiles)
- **Challenge of the Program's Growth**
  - Continuity (reduction of investments in the area)
  - Costs (Bunge and producers)
  - Controls (GRI Objectives x Producers' control of investments)
- **Challenge of Information and Communication**
  - Extern (producers, partners)
  - Intern (areas, field teams)
- **Challenge of Implementing the Program before the Turn-Over of the Field Team**

## Conclusions: Issues for Discussion

- There are many diverse sustainability initiatives focusing on the Brazilian farmers
  - Should Bunge focus its efforts on specific initiatives to spread among the producers (who are customers and suppliers) the effort of sustainability or should they diversify its investments?
- Some actions are performed together with NGOs and with governmental entities.
  - Different objectives for the farmers
  - How to guarantee the continuity of the programs, raising the participation of those involved, respecting the different objectives and attracting new farmers?

## Conclusions: Issues for Discussion

- How to guarantee the continuity and the size of the investments in the programs?
- Whom Bunge should join forces with?
  - companies that have a sustainable philosophy?
  - companies in the agribusiness and food sector?
  - companies that deal directly with the rural producers?
- Bunge's sustainability strategy: Relevant to add value to the company.
  - How to use this tool to attract new farmers? And how to make the farmers aware and engage them with the sustainability issues?

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