

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
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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

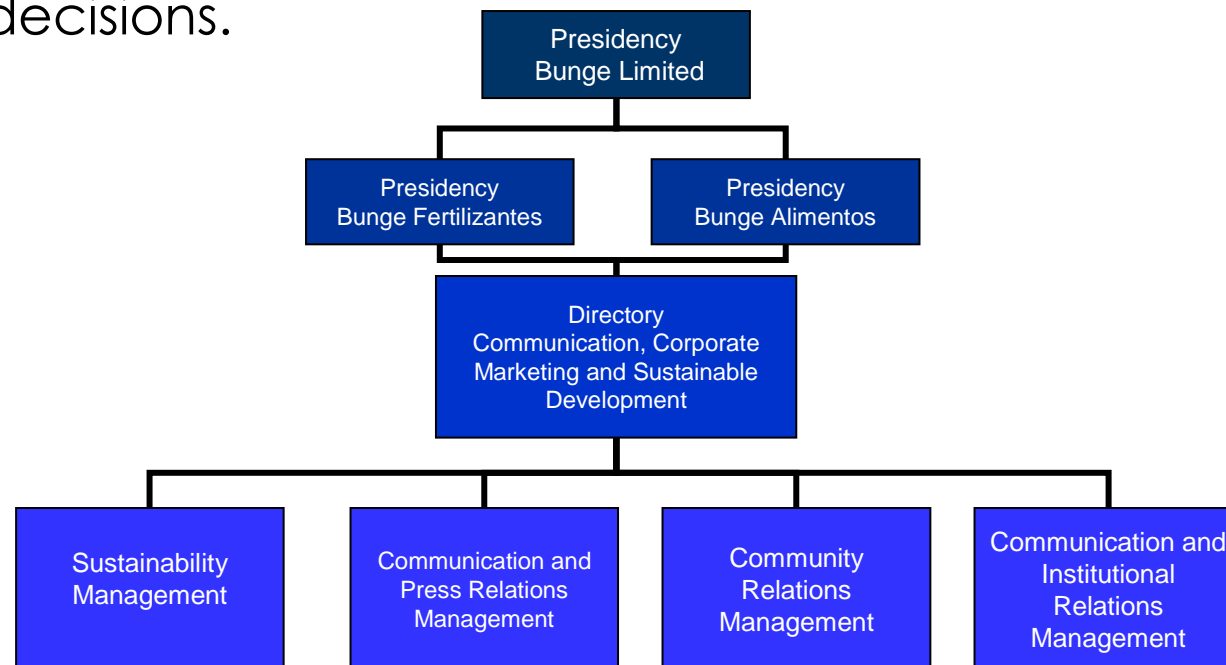
- Founded in 1818, in The Netherlands. In Brazil since 1905
- Bunge is a leader:
 - In origination (purchase) of grains and in processing soy and wheat
 - In the production of fertilizers and ingredients for animal nutrition
 - In the production of food products
 - In port services
- Bunge:
 - US\$ 9 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

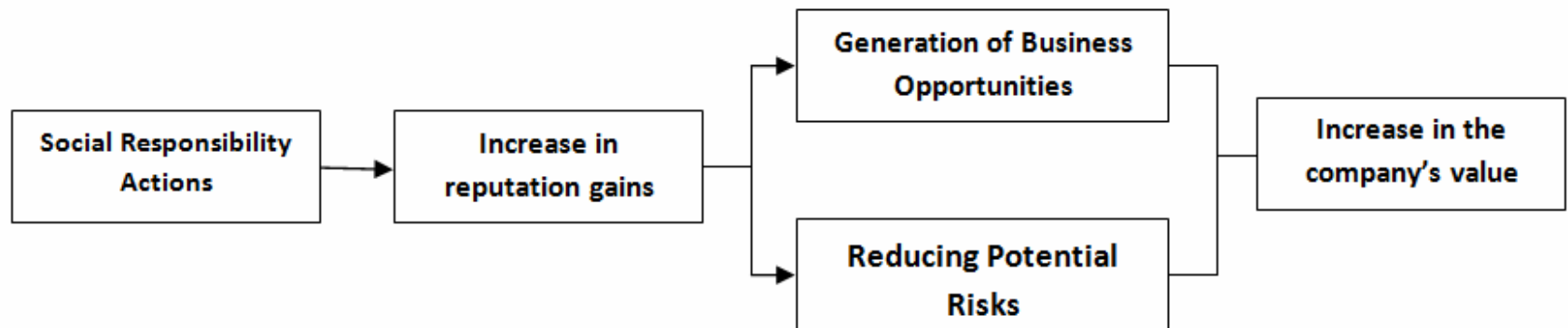
The Expansion of the Sustainability Strategy for the Value Chain

- 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.



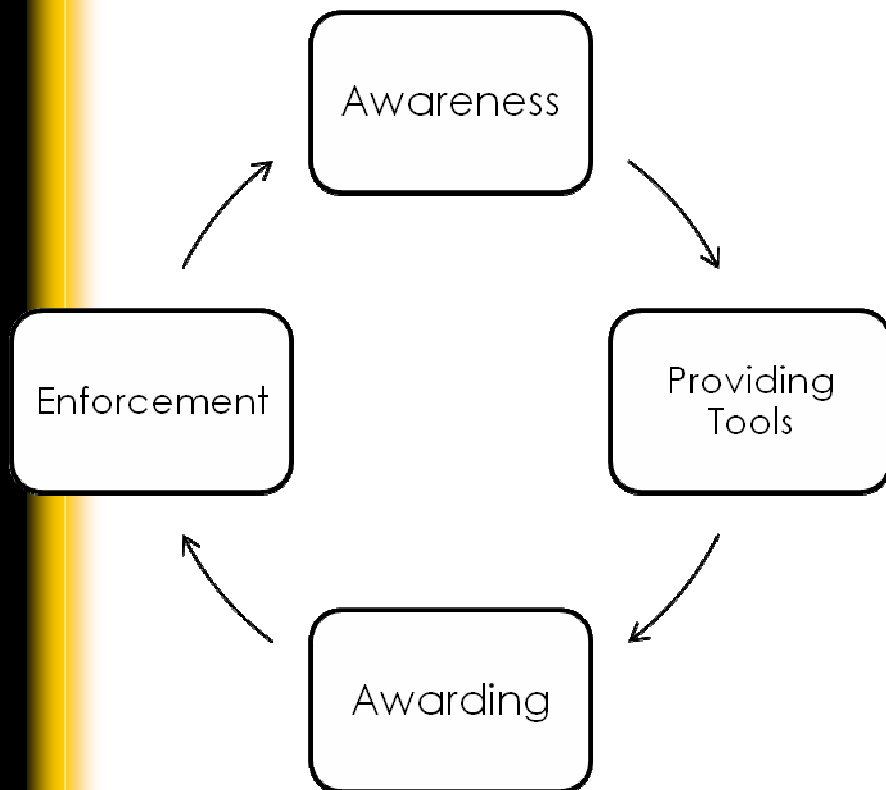
The Expansion of the Sustainability Strategy for the Value Chain

- 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

Awareness
(1) Model for Environmental Responsibility in Agricultural Production.
Tools
(2) Rescue of the Cerrado Ecosystem and (3) Conservationist Practices in Agriculture.
Awards
(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 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

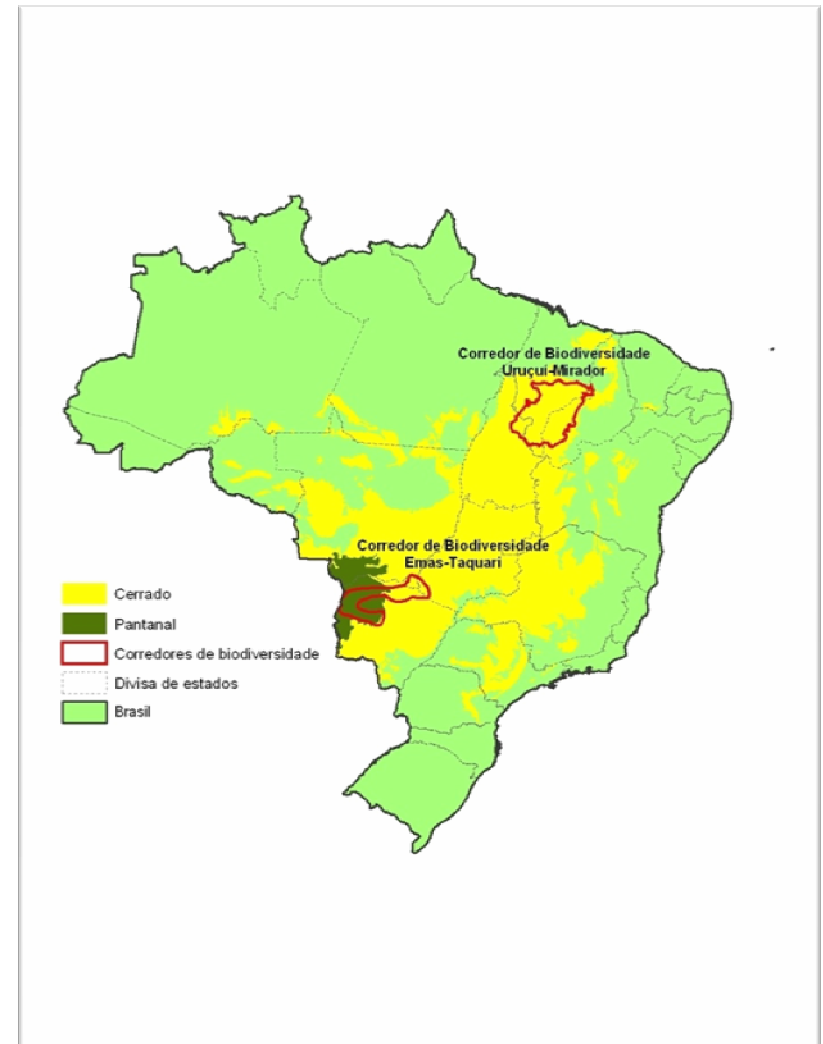
- Cerrado's Fauna and flora have been seriously devastated by deforestation due to agricultural activities
- Partnership: Bunge and the NGOs *Conservation International* and *Óreades*
- Brazilian legislation: rural proprietors have to maintain a minimum of 20% of his property as a natural reserve
- Objective: 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: Environmental Responsibility in Agricultural Production</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: Conservationist Practices in Agriculture</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: Rescue of Cerrado Reserves</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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