Value Chains in a Changing World

Submitted by: Cargill
Cargill Philippines
Sharing: Value Chains in a Changing World

01 March 2022
Cargill At A Glance

Cargill is working to nourish the world. We're bringing together people, ideas and resources to deliver products, technology and ways of operating that build successful businesses and communities.
What We Do

AGRICULTURE
We buy, process and distribute grain, oilseeds and other animal nutrition products. We also provide crop and livestock producers with farm services and products.

FOOD
We provide food and beverage manufacturers, food service companies and retailers with high-quality ingredients, meat and poultry products and health promoting ingredients.

INDUSTRIAL
Cargill serves industrial users of energy, salt, starch and steel products. We also develop and market sustainable products made from agricultural livestock.

FINANCIAL
We provide our agricultural, food, financial and energy customers around the world with risk management and financial solutions.
Our Footprint in the Philippines

73 years

2,000+ employees

27 locations
## Cargill Businesses in the Philippines

<table>
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<tr>
<th>Coconut Oil Processing</th>
<th>Grains Distribution</th>
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| • Coconut Crush Plant, General Santos  
• 11 buying stations in the economy  
• Awarded as largest exporter of coconut products by DTI (2016, 2017 and 2019). | • Supplies soybean meal, protein meals, feed wheat to animal feed manufacturers & animal farmers  
• Supply high quality milling wheat to flour millers for baking & confectionery |

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<tr>
<th>Animal Nutrition and Health</th>
<th>Poultry Processing</th>
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| • Cargill, Provimi® and Purina® brands  
• Offers a broad portfolio of high-quality, cost-effective swine, poultry and aqua feed products and premixes | • JV with Jollibee Foods Corporation  
• One of the largest poultry processing plants in the Philippines  
• Provides JFC with dressed and marinated chicken |

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<th>Food &amp; Beverage Ingredients</th>
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<td>• Serves food &amp; beverage manufacturers with high quality food ingredients, solutions and services</td>
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A Long History of Nourishing Filipinos and the World

1948: Started the Copra Buying Office in Gensan

1979: Agrotex Commodities, Inc. research on the corn seeds market

1981: Cargill Seeds, Inc. started producing hybrid seeds

1989: Cargill Philippines was incorporated

1991: Copra processing plant began its operations

1993: Merger of Agrofinex and Cargill Seeds

1997: Cargill Animal Feed business began

2001: Acquired Agribrands, Inc. (Purina Animal Feed)

2006: Cargill Texturizing Solutions was formed

2017: C-Joy Poultry Meats Production began commercial operations

2019: Merger of Cargill feeds and premix businesses
Integrating Farmers into Our Supply Chains

**COCONUT FARMERS**
- Purchase copra from 80K farmers annually
- 250K tons of copra are purchased annually
- Half is sourced from Mindanao

**CORN FARMERS**
- Purchase an average of 800M worth of corn annually
- 60% are purchased from Luzon; 40% from Mindanao
- Piloting a project to integrate smallholders in Cagayan Province

**POULTRY GROWERS**
- Partners with local growers
- Currently processing 1.4M chickens monthly (pre-COVID)
- Target to process 45M chickens annually
Inclusive Business – The SCNO Example

Sustainable Certified Coconut Oil Production

SCNO is a joint project by Cargill, BASF, Procter & Gamble, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and German Federal Ministry for Economic Cooperation and Development (BMZ)

OBJECTIVE
The project aims to increase the income and economic self-sufficiency of smallholder coconut farmers in selected regions of the Philippines and Indonesia through supporting a sustainable certified coconut oil supply chain

IMPLEMENTING PARTNERS
Agricultural Training Institute
Philippine Coconut Authority
Rainforest Alliance

DURATION
November 2015 – October 2019
SCNO: Project Impacts

Demographics

- Coconut farmers increased income by 5%: Target 3,000, Actual 3,763
- Coconut farmers certified on internationally recognized standards: Target 1,250, Actual 1,531

Income and Productivity

Increase in Income
Agricultural income within a year (2018)

- Without SCNO: 13,599
- With farmer business training (SCNO): 22,414
- With farmer business training and certification (SCNO): 28,844

Increase in Productivity

- Without SCNO: 5,504
- With farmer business training (SCNO): 6,254
- With farmer business training and certification (SCNO): 7,312

Behavior and Farm Practices

- After SCNO
  - I fertilize my coconut farm properly and more than once a year to increase my productivity and income: +147%
  - I evaluate my farm performance so I would know what to adjust to: +87%
  - I save/set aside farm income for the next cropping: +161%
  - I am keeping records of my farm expenses, sales and profit: +168%

Locations:
- Mindanao, Philippines
- Southern Leyte, Philippines
Some Challenges and Barriers in our PH Experience

• Foreign Investment Restrictions – Rice and Corn Law example

• High Local Input Costs / Deficiency in Local Input Supplies
  – High logistics and energy prices – underinvestment in infrastructure, protected transport sectors, EODB concerns, policy stability
  – Inefficient production sector with systemic issues – vicious cycle of poor smallholders (avg. 1-hectare holdings) beholden to market operators for financing causing perpetual indebtedness without the ability to save and invest for productivity improvement
  – Leads to higher costs of living for the general population

• Protectionist tendencies
  – A bias for self-sufficiency, which does not necessarily equal domestic food security
  – Powerful small interest groups control the policy dialogue vs. the silent majority
  – Use of untraditional tools to block imports when political debates heat up

• A preference for government rowing rather than steering
  – Untapped potential of private initiative
  – Pechant for dole-outs (input subsidies, cash transfers, “free stuff”) rather than investments in long-term change
Some Insights on Value Chains in a Changing World

• COVID-19 Lessons
  – Fragmented governance at the local level creates bottlenecks nationwide, affecting supply chains
  – Reliability as a competitive edge during supply chain disruptions – diversity in sourcing options makes the difference
  – Health and nutrition has become an area of growing interest – a role for Food Systems Thinking to play

• Regional Integration Process
  – RCEP and CPTPP as recent examples in the region
  – Besides lowering costs to trade, provides harmonization of trade rules which raise the governance bar for economies like the Philippines (Side Note: proposed low-level presence policy)
  – Issue: Protectionism has risen lately – tendency for those earning less to turn inwards in the face of domestic hunger/poverty (partially blaming international trade for this) and global uncertainty/volatility – “At the end of the day, you can only rely on yourself to survive.”

• Green Economy Development
  – From a “nice-to-have” to “mandatory” → governments and customers now demand it
  – Climate change’s impact to food systems is direct and universal, while the world economies to grow and develop
  – “Agriculture is how” – GHG reduction, water security, land management, Zero Hunger, Inclusive Business Models (integrating smallholders into GVCs)