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Value Chains in a Changing World

Submitted by: Cargill

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THAILAND

Workshop on Effective Domestic Policymaking for Stimulating Economic Upgrading Through Global Value Chains
1-2 March 2022

Cargill Philippines Sharing: Value Chains in a Changing World

01 March 2022

Cargill Helping the world thrive

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.

Helping the world *thrive*

155,000 employees

Working in 70 countries

More than 155 years of experience

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.

INDUSTRIAL

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

FOOD

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

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

Coconut Oil Processing

- Coconut Crush Plant, General Santos
- 11 buying stations in the economy
- Awarded as largest exporter of coconut products by DTI (2016, 2017 and 2019).

Grains Distribution

- Supplies soybean meal, protein meals, feed wheat to animal feed manufacturers & animal farmers
- Supply high quality milling wheat to flour millers for baking & confectionery

Animal Nutrition and Health

- Cargill, Provimi® and Purina® brands
- Offers a broad portfolio of high-quality, cost-effective swine, poultry and aqua feed products and premixes

Poultry Processing

- JV with Jollibee Foods Corporation
- One of the largest poultry processing plants in the Philippines
- Provides JFC with dressed and marinated chicken

Food & Beverage Ingredients

- Serves food & beverage manufacturers with high quality food ingredients, solutions and services

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 Agrotex 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

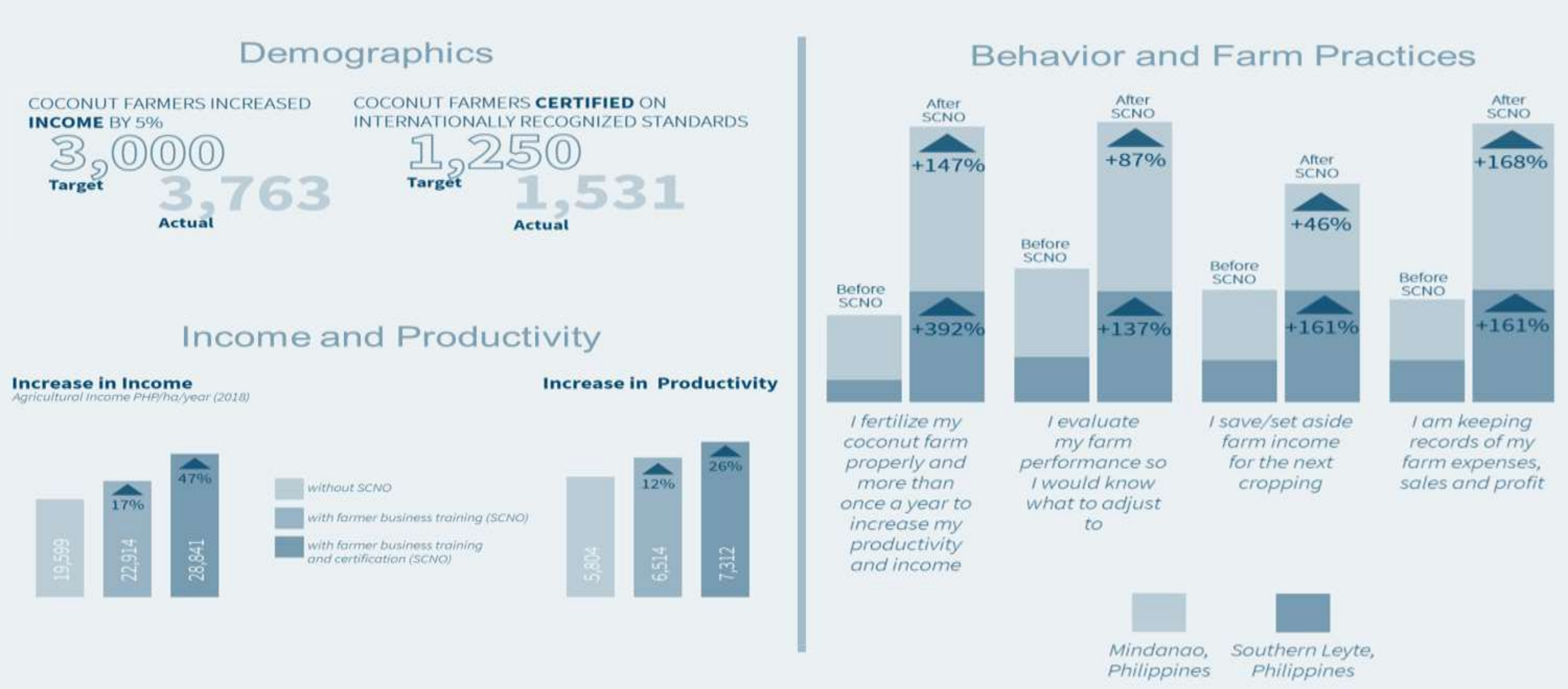
IMPLEMENTING PARTNERS

Agricultural Training Institute
Philippine Coconut Authority
Rainforest Alliance

DURATION

November 2015 – October 2019

SCNO: Project Impacts



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
  - Penchant 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)

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