



“Collectively building on progress” beyond verification and certification

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The coffee reality

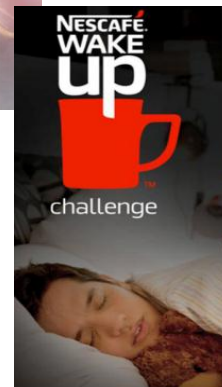


COFFEE IS NOT
JUST **BLACK**

Every flavour...

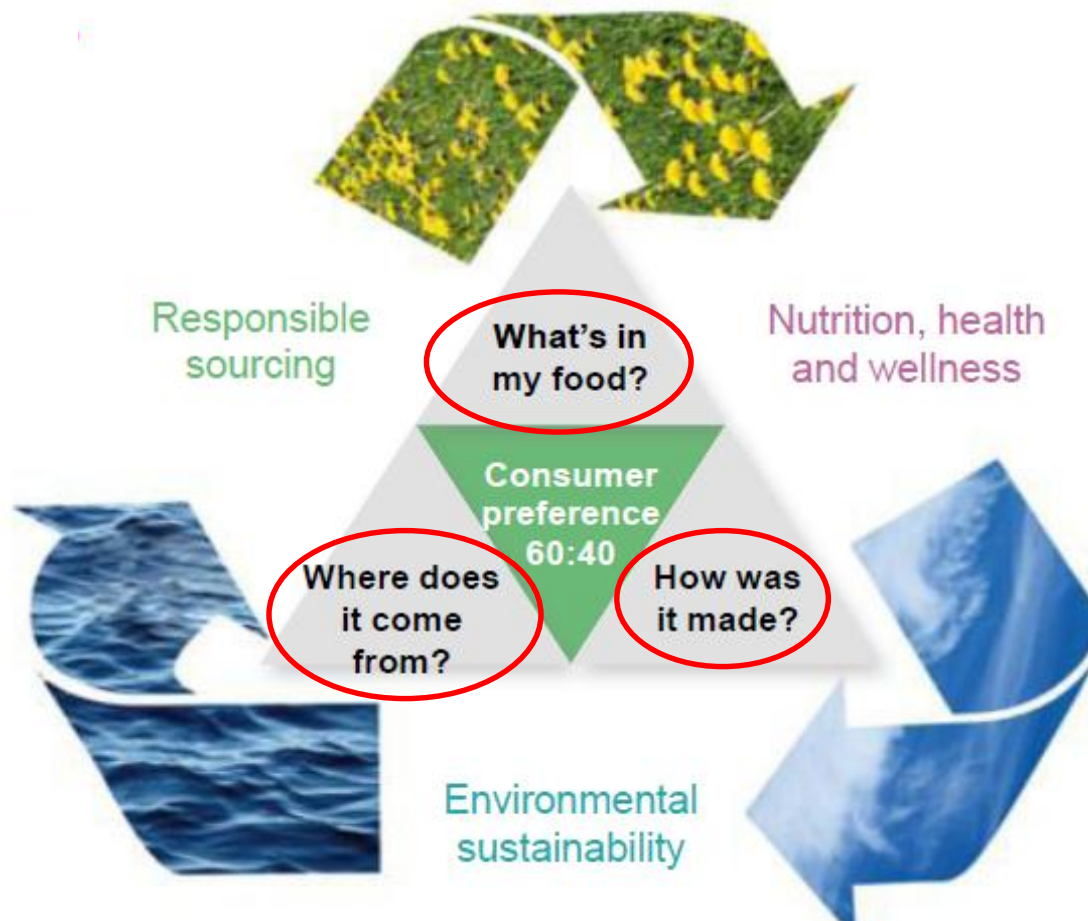


... at every occasion...



... and everywhere
around the world...

Western consumers are looking at brands more holistically...



Standards and farmers don't always share the same views on sustainability

What farmers want	High	<ul style="list-style-type: none">▪ Higher yields▪ New trees▪ Competitive options▪ Reduced production costs▪ Pest / disease control knowledge▪ Access to credit	
	Low		<ul style="list-style-type: none">▪ Protective equipment / safe agrochemical use▪ Farm waste management▪ Drinking water testing▪ Recordkeeping▪ Planting of indigenous trees
		Low	High
		What standards require	

Source:
Technoserve Study 2013,
commissioned by IDH



Coffee sustainability should not be an exercise driven by “western mindset”

Coffee is a truly global beverage



Coffee consumption in Bangkok / Thailand.

Coffee farmers supply all consumers...



12 mio people live in Bangkok*
and discover their thirst for coffee

* this is 1.5 times the entire
population of Switzerland
or the same size as the greater
London area.

Mainstream coffee sustainability needs to address all coffee with or without labels.

NESCAFÉ in the coffee reality



NESCAFÉ was born in **1938** from a collaboration with the government of Brazil to create value from surplus coffee harvests



5th most valuable food & beverages brand in the world



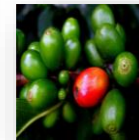
32 mio fans on facebook



5500 cups per seconds drunk



27 factories, 55% in emerging markets, 3 Coffee R&D centers



- **12 % of global green coffee** purchase
- **17% directly** from farmers



Pure
soluble



Mixes



Ready to
drink

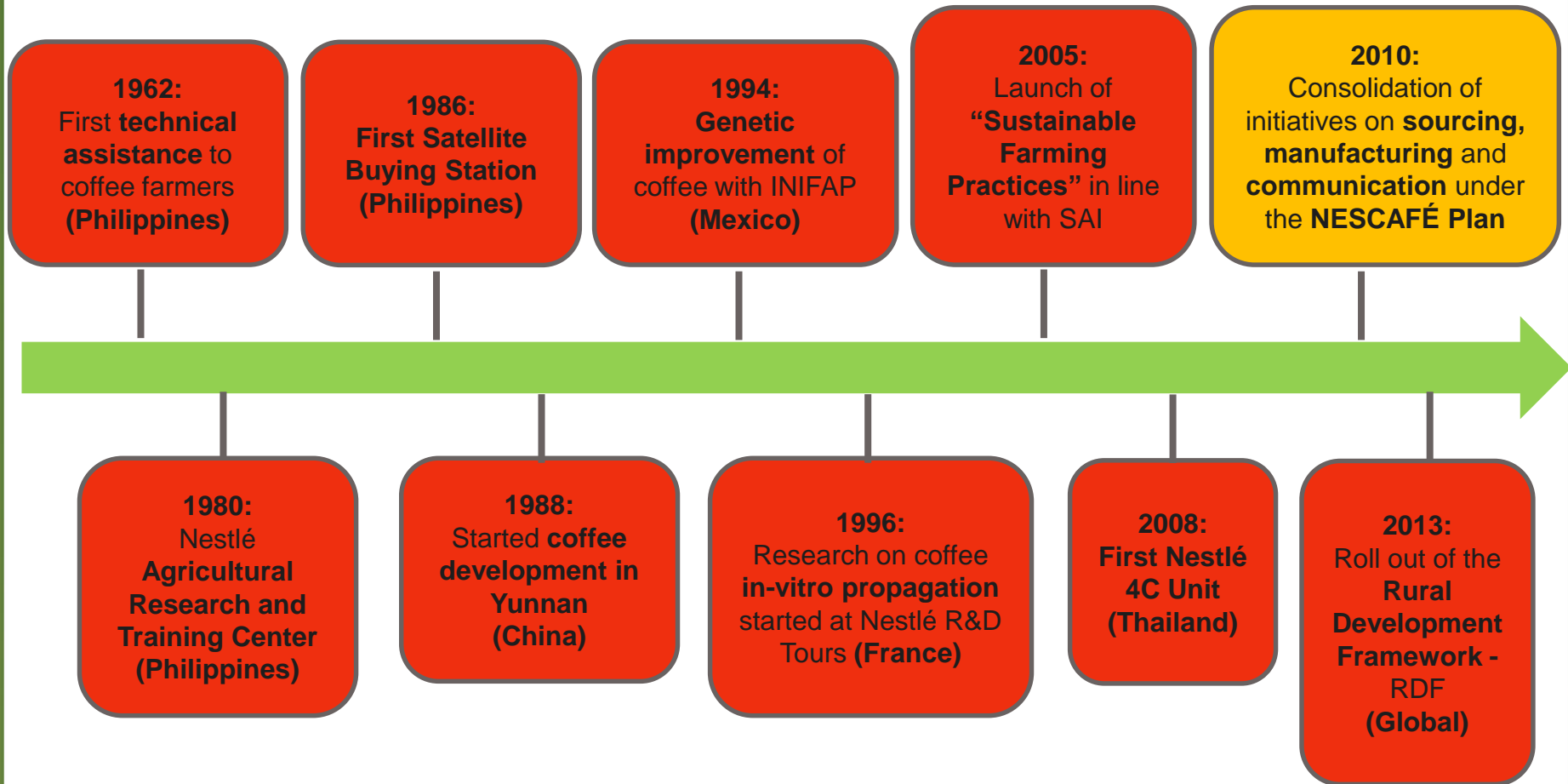


Systems



Out of home

The NESCAFÉ Plan is based on a long-term evolution...



Rural Development Framework

Farmers



Farmers are business orientated and farming by choice

- 1. Farmer Net Income
- 2. Farmer Knowledge & Skills

Farm workers



Rural based employment is attractive for workers

- 3. Labour / working conditions

Communities



Communities are progressing economically, environmentally & socially

- 4. Women's Empowerment
- 5. Clean Water & Sanitation
- 6. Nutrition & Health
- 7. Property Rights
- 8. Natural Resource Stewardship

+ Optional Topics

Our markets have made big investments to ensure future supply

250 agronomists in the field,

36,000 farm visits a year.

340,000 farmers trained over 5 years

73 mio coffee plantlets distributed since 2010

186,000 tonnes of coffee procured through farmer connect

from **175,000 farmers** in 2014

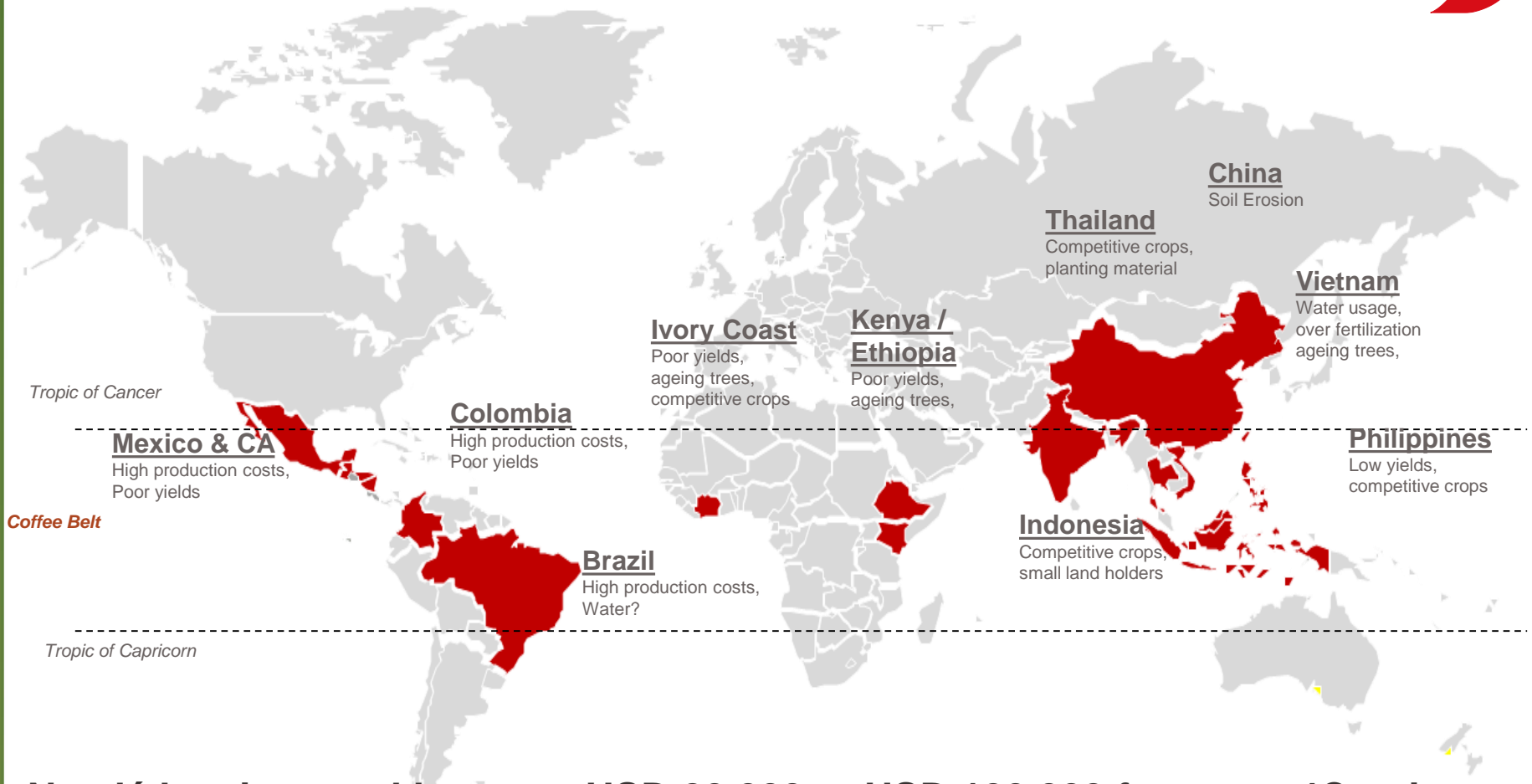
130.000 MT of the volume sourced through farmer connect

is **4C compliant**

Nestlé has sourced a considerable amount of **4C coffee**

through the trade channels

The NESCAFÉ Plan is addressing the local realities



Nestlé has invested between USD 20.000 to USD 100.000 for every 4C unit
(excl. premiums, verification costs, membership costs)

Did our investments in 4C units pay off?

- Hundreds of millions washed through the mills of the standards and still not fixed the problem(s)
- Excessive reliance on outsiders and not local capacity
- Certification became a money making racket, that in the pursuit of corporate income and brand domination compromises values

Sustainability myths

- Certification equals sustainability
- Being certified means a company / brand is sustainable
- Certifications means continuous sustainability and improvement

Moving beyond sustainability & certification

- Redefining values
- Transform
- Traceability / transparency and yes,
- Check – verification!
- Urgent need for local verification capacity with independent expertise

There needs to be a transition from “*command and control*” to “*coach and empower*”!

Will yesterday's innovative models persist the next 10 years?

- Yes, good agricultural practices brought many improvements and was a good start.
- But, very restricted access of smallholders to new technologies, credit, knowledge and equity to grow are limited.
- Even with *iseal alliance* help – “what makes a standard credible and what is a sustainable standard” - Today's coffee standard systems are not designed to counter the **challenges, e.g. aging farmers, rural food scarcity and malnutrition, necessary rural infrastructure, income resilience and climate change.**

Will yesterday's innovative models persist the next 10 years?

- No real progress to reduce the cost of certification and verification for producers and other supply chain actors
- With all efforts to optimize through GAPs on sub-optimally sized farms, will definitely not create the absolutely more robust productive infrastructure **we need to retain young talented coffee farmers to serve an ever growing consumer base worldwide.**

The NESCAFÉ Agronomist embraced the 4C concept...



Ngoc
Vietnam



Tatrit
Thailand



Gonzalo
Mexico / China



Yapo
Cote D'Ivoire

... and have a positive feedback of 4C.

- The code itself is good and works and is applicable for different farming realities.
- 4C provides opportunities of sharing knowledge and getting new insights through feedback from farmers.
- It is a good way for agronomists to learn beyond their core competencies.
- It is good channel to develop farmers organizations and **empower local farmers** / help them to become local facilitators/ teachers in their own coffee community

These are great achievements but now we have to build on the progress of achievements.

Conclusions (1)

Innovation and renovation of the 4C association is essential to keep pace with the coffee reality.

The split between verification operations and the platform is not only logic, it is also essential for maintaining its “*raison d’être*”.

There is an urgent need to have a LEAN, efficient standard operation function in place:

- the financial model / sensitivity of volume scenarios needs to be framed urgently
- business-driven mindset is key to deliver best value for money and maintaining consistency, credibility and service delivery.
- challenge every day the verification model in the spirit of continuous improvement

Conclusions (2)

The platform function has to step up and provide more leadership as an enabler to the entire sector.

A neutral home for a dynamic strategy requires not only changes on the paper, but also in the mindset.

To change the model from a demand-driven system to a sector-wide engagement, a business development mindset is required.

Standards will remain as a tool in “a toolbox” as part of a competitive interpretation of sustainability. Standards are not the end game and need to be developed continuously.

The scope of the Governance of the 4C platform needs to be readjusted:

From operational (inward oriented) problem solving to providing strategic guidance and acting as ambassadors for the common cause (serving coffee producers and 4C members).

Good Food

Good Life

