

Nestlé

CSV Forum New York 2009

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Transcript of Session 3

00.00.04

Maria Lavanos Cattai:

We're raising the temperature here slightly - you've taken some warm coffee with you, yes? One or two degrees, we've all woken up from this morning so now we can take one or two degrees.

Pause and Chat

Maria Lavanos Cattai:

There is not hot air whatsoever coming in, it's so cool because it was all cool thoughts that came through and no hot air, you noticed yes?

Next Speaker:

It's always nice to talk about global warming in a cold room.

00.00.35

Maria Livanos Cattai:

So our first session this afternoon is actually picking up on some of the themes that we started with this morning. On rural development and food production and we're going to look at solutions and policy, actions that can be taken. And really this is an area where the whole concept of creating shared value is more pertinent and also where we have I think some of the most examples of things that have worked.

00.01.08

So I'd like very much if all of you can start to gear your thoughts towards examples and bringing out from those examples the principles of what really works when you set up and you create shared value. Rural development is obviously an absolute key to - to adequate food production, which in turn clearly is needed - one of the ingredients, not all of them but one

of the ingredients is the elimination of hunger, obviously poverty is the other.

00.01.44

The problem is that we know a lot, we've done a lot - but we don't always have the development that we should have, why? What's holding this back? What needs to be done today? What kinds of progress do we need to build on in order to avoid any major food shortages in the coming years? Or I hope that maybe somebody will disagree with me and tell me that there is no coming food shortage there are other factors that we need to look at.

00.02.21

Now here are our agenda setters and our discussants and as before we will be having questions coming in from our webcast and this time, please from all of you, I would like you to be very, very active in the questions you want to ask and could you stand up. It's easier for the camera to catch you if you're standing up when you put a question.

00.02.49

Our agenda setters in alphabetical order and once again kindly raise your hands so that everyone can recognise, put a name to a face or a face to the name rather. Joachim Von Braun who is Secretary General of the International Food Policy Research Institute. Paul Bulcke who is CEO of Nestlé. Robert Thompson who holds the Gardener Endowed Chair in Agricultural Policy at the University of Illinois and is the former director of rural development at the World Bank. Ajay Vashee who is President of the International Federation of Agricultural Producers and is himself - is this true sir, a professional farmer in Zambia?

Ajay Vashee:

I believe so madam.

Maria Livanos Cattai:

You're going to have to tell us what you grow.

Ajay Vashee:

Yes, I have a dairy farm and I do maize and Soyas.

00.03.39

Maria Livanos Cattai:

Thank you. Then among our discussants again in alphabetical order, we have Sajeda Amin, who is Senior Associate at the Policy Research Division of the Population Council. Mark Cackler who is the Manager of the Agricultural and Rural Development Department of the World Bank. Professor Ray Goldberg who is well known, a George M Moffett Professor of Agriculture and Business Emeritus at the Harvard Business School. Carolyn Miles who is the Executive Vice President and Chief Operating Officer of Save the Children here in the US. Let me see now Djordija - have I pronounced that vaguely correctly?

00.04.33

Djordija Petkoski:

It's okay, but if you pronounce Djordija like the state of Georgia then you're okay.

Pause and Chat

00.04.47

Maria Livanos Cattai:

Petkoski, the Director of the Executive Development Programme at the World Bank Institute and Caspar Sonnesson Acting Director of UNDP's Private Sector Division, that's the United Nations Development Programme.

00.05.03

So, we're going to begin Joachim I would like to begin with you sir and set some parameters here, gender setting as it's called. Let's look at what are the problems first of all that we're not making agriculture yet - we've not solved some of the problems, that it's still unproductive. In many parts of the world it has very low productivity, there seems to be lack of infrastructure, there seems to be inadequate relevant and appropriate seeds available - a host of problems. Water we talked about in the last session, a lack of training, what's holding all of this back? Is it simply just not enough investment, not enough money or are there other things that are holding back rural development?

00.05.57

Joachim Von Braun:

Rural development is fundamentally about overcoming rural poverty. The rural areas of the world compared to the urban areas are just so much poorer. They have less voice in the political arenas, that's why public funds are not flowing there. The corporations are often overlooking the market potentials of the rural masses. These are market difficult to develop and for decades, for a couple of decades rural areas and agriculture have been out of fashion in development aid. And other things were more fashionable. Unfortunately development aid goes through fashion cycles just as much as in Paris.

Maria Livanos Cattai:

What was more fashionable?

00.06.50

Joachim Von Braun:

Environment, education - health, landscape, climate - and agriculture is seen as a sector, although agriculture is really the biggest part of the food chain, the food value chain. And - you mentioned infrastructure, rural development is fundamentally about getting the infrastructure in, the roads, the electricity, the telecommunication, the water. And rural areas need to be connected to the information flows. That's why I think the big hope for rural areas today is information and communications technologies.

00.07.39

The cell phone in the hand of young rural people and the elderly, connecting not just to market but also to information, to entertainment, education and fun and so on that will also create more voice in the rural areas, literally more political voice, not just phone voices.

00.08.05

But the most fundamental issue is raising agricultural productivity. The world is not producing enough food and other agricultural products. That has created the deficiencies which led into last year's world food crisis and to exploding prices and to increased violence and security problems and to probably more than 100 million people more going hungry. So that productivity issue is fundamental, it needs to be addressed through investment, private sector, public sector; public research investments and those I think are the core issues.

00.08.52

Maria Livanos Cattai:

I'd like to ask you a little bit more about productivity and then I'd like to go onto one or two other issues that

you have brought up. We talk about productivity; I think most of us understand productivity when we apply it to industry. We're not all of us maybe quite sure how you measure that kind of productivity when applied to rural. And complicating the picture is that in many of the poorest countries, unlike in many of the middle-income countries our rural population is not in as precipitous a decline or there's not such a quick urbanisation as there is in more middle-income countries.

00.09.34

So when we talk about productivity what are the kinds of patterns of productivity and are they really susceptible to technology changes or are there other factors that perhaps make it less easy to raise productivity?

00.09.52

Joachim Von Braun:

Actually fundamentally it is - it is pretty straightforward where productivity comes from. It comes from research and development investments. It doesn't fall from heavens; you need to do these investments in R&D. And that's where far too little has happened.

00.10.16

How do we measure productivity, not just in - tonnes of grains or kilos of grains per hectare, not just in crop per drop of water - but we need to have a comprehensive measure of total factor productivity, measure all inputs relative to all outputs or vice versa.

00.10.36

And that total factor productivity in developing country agriculture is only around 1.2 or 1.5 percentage growth

showing in the last few years. It needs to come up by at least one full percentage point.

To get there requires that we at least double R&D investment so that this productivity ...

00.11.02

Maria Livanos Cattai:

So you think that research and development, the technology side is perhaps the most important part of productivity. How about the traditional agricultural areas of the poorest parts of the world where agriculture is extremely fragmented?

00.11.18

Joachim Von Braun:

Actually if you look at China, average farm size half a hectare, India average farm size one hectare, Africa also roughly that size. Latin America average farm size 60 hectares. The total factor productivity, so the aggregate measure of factor productivity in agriculture in East Asia, half a hectare, same in the last ten years as in Latin America, size and fragmentation is not the issue.

00.11.51

Getting the right technological progress, the right investments, invested in and transmitted to farmers through good services, where by the way the private sector has increasingly a strong role in these extension services, rural business helps and connecting small farmers to supermarkets. There are wonderful things happening there where the shared value principles discussed earlier today really can come into full play.

Maria Livanos Cattai:

Can you tell us perhaps a little bit also about the relationship between food prices and agriculture - is there a relationship?

00.12.32

Joachim Von Braun:

Last year when food prices exploded the OECD countries, the rich world expanded agricultural output by 10%. The developing world expanded it by 2%. Take BRIC countries out, zero expansion. So the price response capability of the poor farm world is in the short run close to zero, because access to finance, access to technology, the extension system is not strong enough; the rural infrastructure is not there. That is where we need to get the investments in so that good market incentives can be reflected and responded to by the small farmers, who in principle have the capacities. But that's where the framework conditions are lacking.

00.13.29

Maria Livanos Cattai:

You have made some proposals about how to mitigate price volatility, would you like to perhaps throw out some ideas on whether it's worth pursuing that kind of response?

Joachim Von Braun:

Price volatility last year was at the extreme, not seen like that since the mid 1970s and before that you have to go to 1945 and from there into the early decades of the last century. So volatility was extreme. At a global level, it requires a global response and - we at IFP have figured out a set of responses.

00.14.13

Number one, we need an emergency reserve system. So that the emergency aid the food aid type of aid type of aid is operating smoothly and fast under such stress situations and we need a co-ordinated and virtual reserve of the G8 plus 5, plus the main grain traders. That has been discussed a couple of weeks ago at the G8. Agricultural ministers again - they couldn't quite move forward, there is still a lot of ideology around - the market institutions.

00.14.51

Some countries don't want to touch the commodity exchanges, even though they have been deeply undermined by the financial crisis when speculative capital was moving in there, the bubbles were blown up bigger. They were not the causes of the bubble; those were the structural reasons which I mentioned. Too little investment in agriculture, the air blown into the bubble was partly because of speculation effects which came from the street close to the location where we are sitting.

00.15.22

But the small farmers should not be exposed to these uncertainties and risks to which they have no means to respond. That's why a virtual reserve requires an institutional arrangement and good investigative units and a practical short term emergency reserve.

00.15.44

Maria Livanos Cattai:

A quite question to everybody in the room, do you expect to have a food crisis? In other words very, very, very high prices in the next three years? Raise you hand if you think there is going to be another one

in the next three years, you think so. You think so also?

00.16.04

All right if you think that there is going to be one then when you're speaking or putting a question or making a comment perhaps you could say why and how you think we should face it already now, because three years is a very short period. I said within three years, not five nor ten, within three years and what we should be doing to prevent it, because it was rather nasty the last time. And what we should be doing.

00.16.26

Now thank you very much Joachim, I'd like to turn to - we call you a professional farmer, is there an unprofessional farmer, no you are a farmer. Ajay ...

Ajay Vashee:

It sounds better anyway than farmer.

00.16.38

Maria Livanos Cattai:

Exactly - you're a farmer, period as they say. You heard just now what Joachim had to say. Tell me in your opinion of all of those factors; what is the one that's really holding your work on the ground - what is holding back? What is the most difficult - the problem that you really cannot answer only by technology or maybe in conjunction with other things, what's holding things back?

00.17.10

Ajay Vashee:

In my opinion I think it is the public policy. I think clearly what we need to do is - develop newer longer term policies that are able to stimulate investment in agriculture. And then these should be accompanied

with strategies that are able to ensure increase sustainable agricultural production and competitiveness. I think it is the public policy response that's lacking.

Maria Livanos Cattai:

Could you give us an example of some of the public policies that you would advocate?

00.17.40

Ajay Vashee:

I think when I talk about strategies we need to ensure that the principal stakeholder here is the farmer and a lot of policy development is taking place outside - farmer centred approaches. We're talking more and more about farmers and the principal stakeholder is the commodity, we'll throw in the farmers, a bit of water, a bit of feed, the fertiliser and the seed and then I think we'll get over this food crisis. I think that needs to be addressed.

00.18.08

And also I think we need a - sort of an agricultural action plan. Not that it hasn't been done, but most importantly we need to do this where we're able to set clear time bound objectives, or performance, or benchmarks. That's what's been lacking, we have this space - a lot of people know what needs to be done, but we're not monitoring this kind of performance.

00.18.33

Maria Livanos Cattai:

What else would you do on the ground? Do they differ from one country to another? Give us an example in your country or in neighbouring ones some things that have worked?

00.18.42

Ajay Vashee:

A lot has been worked; we went through a complete deregularisation of the economy and the agriculture industry. We were able to build through other instruments that we used to our advantage, such as for price discovery or making sure the producers and the sellers got together through agricultural commodity exchanges that were not there. We were able to develop partnerships between agribusiness and the farmers which were not there before. Farmers used to keep away from agribusiness on the sense that they were inherently suspicious of the way they operated.

00.19.18

I think those sort of partnerships were coming to a fore. And the other important one was we were able to develop sort of a forum where we as principal stakeholders, together with governments and industry and business were able to come together and formulate some sort of a direction for the industry. And I think that was one of the biggest things that we were able to do to move the sector forward.

00.19.40

Maria Livanos Cattai:

Are there - in neighbouring countries, sorry to ask you about other countries other than your own - but in some of your other countries around have they copied your example or are you sort of an island if you can put it that way of good practice?

00.19.55

Ajay Vashee:

Well I think we've been borrowing from each other. It's not that we've been doing something exclusively to ourselves. I come from Southern Africa, we have a history of commercialisation of agriculture, so we have

a situation where a lot of our producers are linked to global markets, are linked to regional markets. So we have a slightly different dispensation we operate on. So we are actually borrowing and learning from each other.

00.20.21

Maria Livanos Cattai:

All right, so I still come back to the question, if you're borrowing and learning from each other why isn't the productivity better than it is and why are we lamenting that it's so bad?

Ajay Vashee:

Would you allow me to respond?

Maria Livanos Cattai:

Yes, please respond.

00.20.34

Ajay Vashee:

I think the key factor is the holistic approach to policy formulation is what's lacking. We seem to try and fix things in isolation; we need to look at land, rural financing and profitability, access to markets, water, knowledge and technology, everything that's been mentioned before. And when you're looking at land, I mean land in itself is a big topic, secure land rights. A lot of our farmers farm on customary land. So that's an issue.

00.21.05

Soil fertility, the capability of soils - the size of the land, the extension to services that go with land. If you're looking at rural financing it again lies on the public domain of macroeconomic stability, the rate of inflation, the rate of exchange, interest rates. Supportive policies which allow for investment,

incentives to farmers to produce, what are the signals, are they able to get a decent living for working in there. Cheap, affordable finance, this is another critical element.

00.21.40

If you look at access to market - and I'd like to take this forward when you say for markets I think we need to be more specific, trade related market infrastructure. 'Cos when you say infrastructure and you're not looking at it in a competitive or a business environment it is trade related marketing. Those little gaps or structures that you need to connect small producers with input markets, or with distribution markets, the bridge, the port, I mean that has to be clarified.

00.22.10

Functioning commodity markets - market information systems, there's a lot that sort of comes together. Trade policies, I know you mentioned something about subsidies and maybe we'll get into that, because we have strong views on it.

00.22.26

But these are some of the things that you need to do, technology transfer, research and development by the public sector, extension - and most importantly cost effective you can say food safety, talking about the shared value. Tracability systems, how are we going to ensure that these sorts of things happen?

00.22.47

Maria Livanos Cattai:

In other words it's rather a large panoply of things that one supports the other. Let's go right into the trade and subsidy distortions and some on. Robert Thompson, perhaps I can turn to you a little bit. You

know well some of the success stories also and some of the problems. So maybe you can tell us first of all are things as bad as we're told every now and then in rural development? Or are there excellent examples of successes that are being - such as you have just mentioned that are being duplicated around the world?

00.23.24

Robert Thompson:

No I'd say they are as bad as characterised. We know that 70% of the extreme poverty in developing countries is in rural areas and most of them are farmers and we're talking about well over a billion people in that situation of extreme poverty. The agricultural sectors in virtually every low income country is underperforming relative to what is its potential - that would be both economically efficient as well as environmentally sustainable.

00.23.51

There is no excuse for Sub Saharan Africa for example not to be self sufficient in food supply. And yet we've had declining per capita food production for four decades running. But agricultural as Joachim indicated has been off the international development agenda for at least two decades. And it went down at the World Bank, the Regional Development Banks, USA ID, other countries foreign aid and the development country governments themselves, because the political power is in the cities. Most development countries - have turned the terms of trade against their farmers.

00.24.26

We in the high income world have dumped food aid in or subsidised exports in, got the governments off the

hook from doing something about developing their agriculture. And even though farmers were of the lowest income members of society they were out there in rural areas forgotten by the government.

00.24.43

Maria Livanos Cattai:

Take up the trade and subsidy distortions and I'm only taking the part that's distorting for the moment. We haven't really done very well on the international side to get that under control, in fact every single failure on the international side has really come about because of agriculture. So what we can we do?

Robert Thompson:

Well - even though we made a little progress in the ordinary round of WTO negotiations -

Maria Livanos Cattai:

Well that was a long time ago.

00.25.11

Robert Thompson:

Yeah, but still 30% - up until last year around 30% of the gross receipts of farmers in the 30 high income countries were coming from all forms of government interventions. But that's not the biggest distortion. The biggest distortion is the fact that you've got such different levels of support going to different commodities. And three of the commodities in which developing countries have the greatest comparative advantage are the most highly subsidised and supported in high income countries, cotton, rice and sugar. Dairy is the fourth but in humid tropics dairy doesn't do as well as in cooler climates.

So we tend to be most protectionist in the very products that the low income countries have the greatest comparative advantage in.

00.25.52

Maria Livanos Cattai:

It's so interesting that you say that Robert. I don't know if anyone has ever looked at what we call bilateral investment treaties or bilateral trade treaties. In every one of them between a very developed country and a lesser developed country it is practically always what is off the table is the one commodity in which the developed country could be competitive. Every time you look at it - and you begin to laugh after a while because it's so obviously ...

Robert Thompson:

It's so sad.

Maria Livanos Cattai:

... exactly, which makes it even more tragic that we haven't been able to do this at an international level.

00.26.25

Robert Thompson:

We know that trade is a vastly more powerful engine of growth than aid but yet we kick them in the teeth in the very products in which they could be competitive. And foot ware and textiles in the low - in the low wage manufacturing area, just like these areas of agriculture.

00.26.41

But the - other thing though that we have to remember, the developing countries themselves have also been even more protectionist, vis-à-vis one another than we in the high income countries have been versus them. And to some extent there has been too much energy expended on trying to bash open markets of the past.

The population of Europe is expected to drop 8% in the next 40 years, Japan over 20%, Russia over 25% and the markets of the future are in the developing world. Their population is projected to grow by two China's between and 2050 - 2.6 billion people.

00.27.17

That is where the market of the future is. And to the extent that there is per capita income growth along with that population growth - those are the markets the developing countries ought to be worrying about opening up, but yet they've been very, very reticent to open - to drop their various - among one another.

Maria Livanos Cattai:

Yes I know it's extraordinary. It's harmful in fact.

00.27.35

Robert Thompson:

We in the high income world certainly have plenty of guilt to bear. But I think you have - to be honest you have to say the developing countries own policies maybe have - two thirds of their problem are their own making and third do have - what we do to them.

00.27.51

Maria Livanos Cattai:

That's an important proportion maybe we keep in mind and if anyone doesn't agree to argue with Robert on it.

Paul, Bulcke I want to turn to you because you've spent a very long time in Latin America, I think it was 16 years that you were working there. And so you much have gotten some very concrete examples of what you and your company Nestlé have managed to do with your partners from local governments, national governments, farmers themselves of things that worked and the principles that you drew from that and

perhaps how those examples have fed in to the concept of creating shared value. Perhaps you could give us some examples from your experience.

00.28.36

Paul Bulcke:

Look, Nestlé is a company that is linked with agriculture raw materials. And that is linked with rural communities. So a good example of how a company like ours can interconnect with these communities in a meaningful way and being a good example of what we really mean with creating shared value is I would say the milk districts that we have.

00.29.04

Fairly early one and actually in Brazil we started in the 1920s, we started a milk factory and there was not such a thing as a milk district. So we brought in from Switzerland the know how of how milk districts worked and with best practice. And we started to build a factory, that actually already creates value for the society the rural community - because you've built a factory, you need electricians and you need operators and you need to train these people.

00.29.35

But more importantly, what you do also is connect with the farmers; you give them a steady cash income daily, because you take the milk daily. You give them free technical assistance because you want to have quality milk and steady quality milk. That creates better yields for these farmers.

00.29.58

So you get as a company - and that is where the shared value is all about, you create for your company and for your factory a steady flow of quality fresh milk

in flow and by doing that you also assure to the farmers a steady income. That creates then also, I would say a better quality of life in the whole area that you are working in.

00.30.21

And we have many milk districts like that, now we are operating milk districts, very important ones in 30 countries. And example - another example totally at the other side of the world is in India where we in the Punjab have a factory, the Moga factory where we started with 4000 farmers, back in the '50s, '60s and they brought in - each of them a few litres of milk. Today we have 100,000 farmers bringing milk everyday, for close to 1.5 million litres each day.

00.30.53

So that's how we can impact, that's concrete and it is so intimately linked with that long term thinking, that agriculture is all about, agriculture is long term. And our commitments when we engage in a country we do it with long term vision. So there we have a commonality of interest that is working - as has been mentioned before here, in a win win situation.

00.31.17

Maria Livanos Cattai:

Now it's not popular for businesses to tell us where it hasn't worked. But I think it's also necessary. You've built up quite a large body of experience and knowledge and now you can put this in place in other countries. But what is some of the resistance that you've come across, what are some of the problems where you had to deal not just with the farmers and what is under your control, but perhaps things that were not under your control?

00.31.44

Paul Bulcke:

Oh as a company you're always part of society, so in other words - sometimes you have to work in environments where you didn't have the infrastructure, or you didn't have an environment that creates a certain stability. We have been in Latin America and you may remember in the '70s quite turbulent times. And actually I was also living in Peru at the time in - 1980 where we had quite a politically unstable situation. And yet I would say one of the strengths of our company is that we have local expertise to work in these environments too.

00.32.20

So in spite of some negatives you have to adapt and work in these environments too. I would actually say that could actually be - and again it has to be something that also brings something to the business - we see that as a competitive advantage. To be able to work even in these adverse ...

Maria Livanos Cattai:

Adverse.

00.32.40

Paul Bulcke:

Yes, but at the other side a company like ours, we have to be also a meaningful partner in the discussions and be to a certain extent also conditioning the environment, so that we can work efficiently. That means also working with local governments and local authorities to set the scene in a stable way so that we can do - go about our business.

Maria Livanos Cattai:

Would you go so far as to say there's nowhere in the world the Nestlé could not bring definitive improvement in agriculture?

00.33.13

Paul Bulcke:

That would be very pretentious - if I would say no - that would be very pretentious.

Maria Livanos Cattai:

Well do you steer away from those parts of the world or do you take them on?

00.33.24

Paul Bulcke:

Well what we - we are now - we are buying 20 billion CHF equivalent - we have 400 to 460, 470 factories in the world basically all linked with agriculture. So they are all in - rural in parts and more than half of them in the developing world. So we have in certain areas some more difficult environments.

00.33.48

I was a few weeks ago in Pakistan - and we have actually the biggest milk factory of Nestlé is in Pakistan. Now you could say is that a very stable environment, it is not. And yet if you see that we can do business there, that we do receive 1.5 to 2 million litres a day of milk there. I would say we have quite an ability of working in quite adverse conditions too.

00.34.18

Maria Livanos Cattai:

Wouldn't it be nice if that kind of experience in agriculture could somehow also - I know it would be against your competitive advantage, Mr Bulcke, I'm certainly not Paul suggesting that this be sort of - how can I say it - in the public domain exactly, they couldn't

necessarily replicate your management in this. But are there priorities, are there lessons, are their principles that you apply that could be spread very broadly to improve agricultural production? Would you be willing to share them?

00.34.55

Paul Bulcke:

Well certain things we do share - I mean if you go into a country and you do - you build up a milk district you don't link up these farmers specifically with you. You send them - we have 700 agronomists and veterinarians working for us in the fields. We have actually also 7000 people indirectly linked also with these farmers. We are linked up with 600,000 farmers. But these farmers they get better practice, they get more yields, they have better professional activities. And yet they are not linked firmly with our company, they are free to go, or they spread.

00.35.35

So in that sense you share - to a certain extent your technical transfer or knowledge transfer, you share it with the community at large. And that is something that we have been doing for many, many years. So that's in my eyes that best and most honest way of adding to the society you're working in.

00.35.55

Maria Livanos Cattai:

I want to turn now to our discussants, please I've asked you before when you see that there is something another person is saying and you want to jump in and comment on it, please do so. Ray?

Ray Goldberg: Well I think we've been very pessimistic - I think we've had ...

Pause and Chat

Ray Goldberg: Can you hear me now?

Maria Lavanos Cattai: Yes.

00.36.13

Ray Goldberg: I think we've been very pessimistic. The creating shared value that Nestlé has developed for this programme has been going on for a long, long time and it's shared by other firms in the food system, not just private firms but farm co-operative firms. Even in India, Amul dairy that was started by Dr Kurien with landless labour, small scale producers became one of the most prominent dairies in India. They created standards that never existed before; they always took a long look.

00.36.54

So the farmers themselves have been involved, it isn't just corporations. And as far as the volatility in the market places, again companies have actually helped farmers to overcome these problems. For example Cargill in China, worked with 15,000 farmers and provided risk management tools for them, foreign exchange tools for them, extension services as well.

00.37.31

So I - hear these questions and as far as trade is concerned, Brazil did win the WTO contest against that United States on cotton. Brazil did win the WTO contest with the European Union. The European

Union has changed the whole sugar system of all of those countries which no one thought was ever possible.

00.37.59

So as I listen to the conversation, I guess we should start talking about the positive, rather than just the negative. And I think there's been a paradigm shift in how business looks at the food system. It isn't just something that has happened yesterday, it's been happening a long time and Nestlé has provided the most cogent example than any other firm. Paul didn't mention the fact that when they put a factory in they didn't plan to make a profit for over ten years.

00.38.38

Do you know of any government or any other firm that would build a factory and not expect to get a dime return for ten years? Talk about a long look, I mean that is a long look. And the private sector has much longer horizons than the public sector; the public sector goes from one election to the next election, to the next election. The private sector says we're here for the long haul and they think in decades and multi decades.

00.39.07

The other thing that I think we've forgotten is that the private, public and NGO system that's been developing in our country and overseas - our young generation is now willing and able to go from the private sector, to the public sector, to the NGO sector and they go back to the volunteers that we discussed earlier.

00.39.40

These young men and women are not encumbered with all the past history and all the false starts that we've had. So I for one am extremely optimistic about the future, not pessimistic at all. And as far as people changing government policies, China did change government policies; they did give their farmers more flexibility as far as ownership and land. They did give the farmers more money so that they could be competitive. These are positive things.

00.40.15

Maria Livanos Cattai:

They did it - that was the start, in fact we forget that the very start of China's growth was in the rural areas. Now they have to readdress that problem a little bit as the other areas have gotten ahead. One of the implications of what you're saying is that companies could contribute perhaps more effectively to the public debate about this - to even changing policies. I'd like to ask some of the other discussants about their views, who would like to chime in at this point. Yes, go ahead Djordija.

00.40.49

Djordija Petkoski:

The problem, we start with the Millennium Development Goals, usually companies get engaged first to get the governments and the international organisations figuring out what the problem is. Then they suggest solutions and then down the road, they think they don't work well and they say well, where is the private sector, let's bring in the private sector. So private sector are usually in a position of proactive - you know reaction of what should be done.

00.41.17

I don't - we miss opportunities - when we start understanding there is a problem, to get the private sector to be part of - first identifying the problem and then join in to look for solutions. And that is what we did in the World Bank several years ago when we started the Global Alliance for Improved Nutrition and I'm pleased that Nestlé was there.

00.41.36

We invited companies, not to tell them what problem we have or the World Bank has, but to have a discussion saying these are some of the issues we want to get your ideas on how to move forward. So it is a matter how you structure the dialogue. So I don't there is lack of dialogues, there is a lack of dialogues with content and dialogues with clear full up activities.

00.41.58

Just on the previous panel we were talking about every other week or month we have another conference and then what? There is not much going on. So I just want to encourage the private sector to really take a proactive role in trying to help defining the problems and then to look together for solutions.

Maria Livanos Cattai:

All right well can you tell us where that has worked with you and with the World Bank, give us some examples?

Djordija Petkoski:

Well I just gave that example ...

Maria Livanos Cattai:

Another one.

Djordija Petkoski:

... On the Global Alliance for Improved Nutrition.

Maria Livanos Cattai:

Yes, but where did it actually work out on the ground?

00.42.28

Djordija Petkoski:

Well the way that it worked was that immediately when you start that debate you understand that although this is a global problem you cannot solve by multinational companies. So we said well we can develop a business alliance in China, there will be a business alliance in India, the same in Africa. So you bring local companies together with multinational companies to have the dialogue.

00.42.49

Then we have an innovative market place, south to south the exchange of ideas. You know you can have a company from India, interacting with a company from China, this is where the ideas come and this is where I would say local companies put pressure on global companies to become even more creative and to have more of this creative shared value.

Maria Livanos Cattai:

Carolyn?

00.43.11

Carolyn Miles:

Yeah I just want to build a little bit on a lot of the things that have been said. But I think it's really important for people to have a better sense of what the face of food insecurity and malnutrition looks like. And you know that looks like a mother that I met in Guatemala a couple of weeks ago who is 17, who was very small, who had just given birth to a premature baby who was probably headed in the same direction. And we have to remember that at the end of all of this discussion there are real people whose lives are really impacted.

35 to 50% of the underlying - of the under five deaths have an underlying issue of malnutrition. So that's five million deaths a year and that's - a big, big factor is malnutrition.

00.44.04

So the things that have to be done have to be done at scale. And I think that's the big issue that we need to figure out how to do. 'Cos I can - you know when I was in Guatemala, I saw an example of a small hold farmer who was working in a programme that was really improving his productivity, he was helping his children, his wife was in a co-operative, it was great. But it's small scale. And so the partnerships have to come together to be able to take those things to scale. And it that that's where a lot of this shared value comes. It comes from bringing together; you know local governments, NGO's, but corporations have the ability to actually take those things to scale. And that's where a lot of this I think has to go.

00.44.50

You have to look at first of all what are the impacts that malnutrition and hunger and food insecurity are having on people in the developing world. And then how do we take what we know works, and there's a lot of examples of what works. But how do you get it to scale, how do you reach a lot more people? And I that's where I think this power ...

Maria Livanos Cattai:

And you that companies are good vector for getting to scale?

00.45.11

Carolyn Miles:

Absolutely, absolutely because the infrastructures that they have and the ability that they have of working at scale in a lot of countries is exactly what you need to be able to - to do this.

00.45.23

Maria Livanos Cattai:

That presupposes rather large companies like Nestlé to be able to bring this. Mark let me ask you that, you've been both in the private sector and at the World Bank. How do you see this sort of balance between policy that is needed, infrastructure including human infrastructure that needs to develop and the on the ground work of companies such as Paul just explained. Where do you see your priorities - what do you at the World Bank tell your clients, your countries that are your clients, what do you tell them?

00.45.59

Mark Cackler:

One of the first things we - the first thing we try to do is listen and try to be a bit humble - when we tell things. And following up on Carolyn's point about the young mother in Guatemala. One of the things I'd like to take issue with was your very first question. You asked people do you think there will be another food crisis in the next three years?

I really didn't like that question at all.

Maria Livanos Cattai:

Well tell me why you didn't like?

00.46.28

Mark Cackler:

The reason I didn't like that question is because four years ago, before food prices went up there are

already 850 million people going to be hungry every night. Last year after food prices went up there were 923 million people going to bed hungry every night, now it may be closer to a billion. Why is 923 million a crisis when 850 million was not a crisis ...?

Maria Livanos Cattai:

It was already a crisis yes.

00.46.53

Mark Cackler:

I mean for those 850 million people the crisis has been around for a long time. So one of the things we have to do is use these opportunities really to put in place what we should have been doing anyway. Now Professor Goldberg described how things can work, what Amul has done in India, what Nestlé has done in India and its milk districts in Latin America.

00.47.21

Carolyn is talking about how do we get these things to scale? Which actually brings us back to the session this morning with Jeff Sachs and you know we do have a financial problem. We know much more than we did 25 years ago about what works. Whether it's in terms of agricultural research, land tenure issues like Ajay brought; communications, we know so much more, now how do we scale it up?

00.47.49

Now on the private sector, there is a lot we don't know but one of the things we really do know in our bones is there is no magic bullet, it's not going to be just the World Bank, it's not just going to be the governments and it's not going to be just the private sector. But after all farmers are the largest group of private sector actors in the world. And large companies like Nestlé

their forward investment dwarfs unfortunately, but it does dwarf the kinds of foreign direct investment that an institution like mine can make.

00.48.22

So we learn from one another, when I worked on the dairy project in India, I can tell you that Amul Dairy and you were being so modest Paul when you were being asked you know what does Nestlé do - the example that Nestlé gives everyday of innovate, innovate, innovate I mean Amul has taken that to heart. So just the demonstration effect is a very powerful effect of how we can go forward.

00.48.48

But we do have to scale up these things. We know what works, we can be optimistic and we just have to do more of it. But we do have to scale up these things, we know what works, we can be optimistic and we just have to do more of it.

00.49.56

Maria Lavanos Cattai:

Right, you created Ray with giving us some positive ideas, a positive attitude, Paul with some of the things that can be done. You've talked about how companies can scale this up. And then you tell us the bad news of course is that we shouldn't be asking about the next food crisis because we've always had one. There has always been a problem in rural and agricultural development. Is your - is your thesis if you wish, is your proposals that we need to do simply more of the same or is there something else that you would suggest that we add in here. What's is it that's still lacking to change this rather nasty figure into something that diminishes, not increases?

00.49.41

Mark Cracker:

Well I do think we have to do more, I do think we have to do better and I think that we know so much more than we did a generation ago on what works and what doesn't work. I mean one of the things, I mean going back to the fundamentals, agri research like Joachim was talking about - particularly agri research that is relevant to developing countries.

00.50.02

I mean one of the problems with a lot of agricultural research is it has not been appropriately geared to the crops that poor farmers grow in poor countries using their country systems. The CGIR that Joachim comes from is doing a lot to try to correct that. But we have success stories in the developing world itself, Embrapa is a great success story, the Brazilian National Agriculture Research System which has recently set up an office in Accra in Ghana, so getting south south agri research transferred from one country to another is very important.

00.50.39

But then coming back to land tenure which Ajay was speaking about we have very successful examples say from Central America where land tenure programmes were part of the peace process in El Salvador and Guatemala after the civil wars there. I mean land tenure was a war and peace issue and by tackling the problems of land tenure have put a more lasting basis for peace.

So there are things that work, we've seen them work, we do need to scale them up.

00.51.08

Maria Lavanos Cattai:

Sajeda, can I ask you - you're with the Population Council, when you look at these kinds of problems of poverty of agricultural development particularly as relevant to rural life, where do you - what do you see? What can you do - what are you interested in how do you make your communities if I can put it - your constituencies be a part of these solutions?

00.51.37

Sajeda Amin:

Well I have been thinking mostly about this question of productivity as one example, but I think there is more general applicability. One dynamic of rural power structures or social systems that we haven't talked about so much is aid structure and power as it is distributed in society and particularly, kind of who are the potential innovators? Who are the change makers - who are the potential change makers and what kind of power do they have?

00.52.07

And a lot of our work these days in terms of health innovation or reproductive health innovation has focussed on young people and yet in this forum we are not talking about the potential of the younger generations. There's - there is not a lot of very concrete evidence on this, but there is some subtle evidence for instance from micro finance institutions that younger borrowers are more innovative than older borrowers. Younger women are more innovative - turn a better more ready profit.

00.52.37

Maria Lavanos Cattai:

All of us with slightly white hair we should be aware of what Sajeda is telling us. Sajeda, quite seriously, when you work with local populations in rural and in poverty areas, when you talk about the young - do you mean that you are able better to mobilise today young people around the world to take a bit more risk, be a bit more innovative, get more training? What is it exactly that makes the difference?

00.53.07

Sajeda Amin:

One general point about young people and we know it from our own experience with our younger generation is that people are able to understand technology better, the kinds of technology that are going to be critical to innovation. But one characteristic that's particular to this generation of young people is their education relative to their older generations and therefore their ability to adapt - to go with the times.

00.53.38

We know historically from labour migration that that's when people in their lifecycle are most able to take risks. I know from my own work working with young women in Egypt and Vietnam and Bangladesh that's when they save the most. This is perhaps not our view of what adolescents do. But I think in the developing country there is a lot - and mounting evidence that that's where a lot of the investments in the future take place.

Maria Lavanos Cattai:

Caspar, how successful have you been?

00.54.13

Caspar Sonnesson:

Well I wanted to come back to this issue of the whole creating shared value that we're talking about here

today, because I think it really applies very well. But I mean I think bringing the different sectors, private sector, government, civil society and donor agencies together in this area is really something that is necessary. But I think we have to take it to the local level. It is good and well to discuss it at the global level and we do a lot of that. But it has to be really kind of locally specific. And I think even more so focussing specifically on - core issues, specific issues, specific sectors even on the economy, even sub sectors in the agricultural sector.

00.54.50

And what we've been doing a lot lately and also other donor agencies are doing more and more is trying to take kind of a value chain approach to looking at agricultural development. And I think it really allows you to look at the sort of - the origin of the product and moving up the whole chain. And it allows you also to bring together the different stakeholders that have a stake in making the value chain work, starting with the farmers and helping the farmers to kind of tap into these supply and value chains. Helping to organise the farmers so that they have more of a political voice, so they have more of a bargaining power with the other actors, they have better access to finance by organising themselves, etc. So I think that's one key step in sort of taking the whole value chain approach.

00.55.34

Another thing that I wanted to say also is of course the productivity issue of smallholder farmers and one issue that wasn't mentioned so much, research and development and science and technology is important. But the even more basic issues that can increase

productivity such as better access to energy, electricity that we often don't see in rural areas can help - bring some clear improvements here.

00.56.00

And in addition to that I think I also the private sector in other ways is helping to increase productivity, we see more and more innovative what we call inclusive business models of how the private sector is reaching out also to rural areas with telecom services, with financial services. Which also is benefiting agricultural productivity and rural development. Even health services are increasingly being provided by the private sector.

00.56.28

So I think there is a lot of hope there and I wanted to be optimistic like Mr Goldberg said before. And I see there's more investments come in in this sector now, there is more interests. We see the Gates Foundation investing heavily here; we see more and more large companies looking at the agricultural supply chains that reach all the way to the poorest countries. So.

00.56.47

Maria Lavanos Cattai:

Some of you answer each other now, I'll go to the open up and question in just a moment, but I think I see some raised hands. First I have - you start Carolyn and then - we'll go round, Robert then -

00.56.58

Carolyn Miles:

It's a brief point but I think this emphasis on small hold farmers, I mean one of the things that came out of the food crisis was that everybody recognised the issue that small hold farmers were such at the intersection of

that food crisis. We talked a lot about it; there was a lot of talk about how policies were going to change. I'm not sure that they really have. So I would argue that the focus on small hold farmers, you know during the crisis it was very focussed, there was all sorts of commitments and all sorts of discussions, but I'm not sure that really the inputs in terms of resources into the programmes for small hold farmers really happened.

So I think that's a key - issue and there may be others on the panel that are -

Maria Lavanos Cattai:

Robert?

00.57.45

Robert Thompson:

Yeah I wanted to pick up basically that point and carry it forward and that is we have not mentioned at all the creation of non-farm or off farm jobs within rural areas. And no country in the world has solved the problem of rural poverty in agriculture alone. There is no way that we can lift everybody who is a farmer in the low income world out of poverty without moving a significant number out so that both those who are left behind as well as those who leave have the chance to earn more.

00.58.12

We can raise productivity that will help; we can - if there is more land we redistribute, that can help. We can help people produce higher value breaker crops. But after the bulk of the people are going to have to either become part time farmers or leave agriculture completely if we're going to solve the poverty problem.

Maria Lavanos Cattai:

Is most of the trend leaving agriculture in our urbanisation or which way is it working out?

00.52.37

Robert Thompson:

Well what we really need is more non-farm jobs within commuting distance because we already are confronting diseconomies of scale in a lot of the big cities, we don't need Lagos and Mexico City and San Paolo and Calcutta to grow all the much more. But we need - but those places that have been most successful at reducing world poverty have made it possible to have jobs within community distance. So that at least one member of the family can supplement the income.

00.53.05

As I tell my students there is nothing that's legal that you can grow on one acre of land and lift a family out of poverty.

Laughter

Maria Lavanos Cattai:

Do you disagree with that?

00.59.16

Ajay Vashee:

Well I just wanted to bring another - just to revisit the food crisis I think - essentially it wasn't the price, it was also the scarcity of physical stocks available and I think that's the point we seem to be missing. And I think coming back to your question, that's what I said when I put up my hand and I said yes.

00.59.34

It was an issue two years ago, I think with this financial crisis and the others it is going away because I think

we think we've managed the effective demand of food. But in a few years to come I think it's going to go back again. And the agriculture models as we knew them will not work once again. And I think it is important that it remains on the international agenda. And it will be I think to our own peril if we decide to ignore this issue.

01:00:02

Maria Livanos Cattai:

I am going to read two webcast questions that have come to me on this issue and then ask those of you who would like to, if you wouldn't mind raising your hand already now so the people with microphones can already know where you are. All right? Let me read the - there is some more coming. Thank you very much.

Oh, my goodness - you want me to mention this already now?

01:00:31

I will do this one a little bit later. These are the nice things that you have when you leave. I will mention that. Look - here's some of the questions from Japan. They are not necessarily on everything we have talked about but they are interesting questions and I think we should respond to our public.

01:00:50

Installing new food culture often causes the collapse of a local culture and traditional cultivation as well as farmers' income creation. In other word if there is a totally new business - does it always bring a new chance - the person put - to a local farmer? This is from Tomei in Japan. How do you address this?

01:01:15

One for you, Paul. How are Nestle shareholders informed about the social impact of the decisions that you take, as we have said long term ones very often in your supply chain, and that affect farmers in developing countries? Are they fully aware of this? Another one is are migration actions taken - in other words actions concerning migration?

01:01:41

We have one here from the US from Rada, sustainable rural development and food security rests on farmers having secure rights to land and I'd like to hear a little bit more about where it isn't yet clear on secure rights. We mentioned it but we didn't mention where in the world this is still a major problem. If you wouldn't mind taking a few notes on these things.

01:02:11

Let me take a question from the audience first - a couple of questions in the audience and I will come back to these web questions. Again, please stand up with the microphone and state your name, thank you.

01:02:23

Noel Solomons:

Yes, I am Noel Solomons from Guatemala. There has been a lot of talk about Guatemala but I will have my chance in the next session. But specifically with regard to your opening question Maria which was - do you expect food prices to be higher in three years? There is one scenario under which I wouldn't mind that happening and if that meant that it was being translated to higher incomes for the producers of those foods in rural areas.

01:02:46

Robert just began to get into it - raising incomes is sort of the only way that I can think of of eliminating poverty and we need to have strategies to raise incomes. So that would be one way in which it would legitimately feel good to have food prices higher - if indeed those who consume food had incomes that were higher to consume them.

01:03:08

And I think that the Chinese are among the nations that are focusing on that kind of policy - raising the price of foods so that farmers can make a better income and raising the purchasing price of those working in urban areas or in off farm areas where they can afford the food.

Maria Livanos Cattai:

And another question is at the back - and then we will come to you Sir.

01:03:34

Female:

Mel Neopold (?) with the Labour Rights NGO - Verité. My question is for Caspar. You mentioned something I had not heard of or at least I did not know what you meant exactly by it - was the inclusive business approach, or something - and I work very much in partnership with Nestlé and other cocoa companies in West Africa and we see a great deal of tension amongst the provision of services - you mentioned telecom, health and so on. I was wondering if you could talk about the balancing between what's the service delivered by a government - and what is the service delivered by an NGO - you mentioned the Gates Foundation. And then also - what are the

services you were specifically referring to that businesses provide? Thanks.

01:04:16

Maria Livanos Cattai:

Will you take some notes on these questions and answer the ones that you would like. Any other question here? Where is the microphone? All right and I am going to bring in one or two questions still from the webcast from Abdul Aziz in Morocco. Again for you probably, Paul. You are present in the entire Maghreb, is that correct - are you certain that your efforts in the region are sufficient for the local population - especially with regard to your suppliers? So that one is for you.

01:04:56

And then somebody who is troubled he said by the church of technology - that is the dependence that technology is a major contributor to all of this and will save us - and asks about GMOs particularly and the acceptance or non acceptance of GMOs and are there alternatives - are there any? What would happen if we lived in a state of - I suggest we will be in a state of crisis even more if we do not choose to live within natural capacities? I suppose this person feels that GMO is not a natural capacity. So anyone who would like to mention this.

01:05:39

Male:

Which country?

Maria Livanos Cattai:

That's from the United States. No, funnily enough from the United States - I would have understood it

better if it had come from Germany. The non acceptance of GMOs in Europe is quite high.

01:05:53

And a final one from Catherine in the United States is the following: what would happen if suddenly the packaged food industry disappeared? Would it reawaken in individuals to what it really takes to be self sufficient? Would that increase the awareness of the threat to developing countries? Interesting. What would we do if we didn't have packaged foods in the developed world?

So, here are some of the questions that have come to us from the web cast. Who would like to start? Ray?

01:06:24

Ray Goldberg:

On the GMO and technology - many of the companies like Monsanto and Syngenta and DuPont are working on both GMOs and - are working on both GMOs and non GMOs. For example Syngenta just came out with a tropical sugar beet which can now actually produce more sugar, more cheaply, in two crops with less energy and less water.

01:06:56

So, I look at technology coming along and providing the kinds of response that people want. They want the food system to be - food, feed, energy, pharmaceuticals, health, nutrition. And technology will enable that to take place.

01:07:16

Secondly, the whole issue of GMOs really goes down to people being concerned more about the environment than anything else. They are worried

about pollen drift; they are worried about contaminating the local species and so forth.

01:07:37

Contrary to expectations the leaders of the genetic revolution want more government authority; want more government regulation not less. They want to make sure that they respond to what consumers want; they want to give consumers a choice; they want to give nations a choice. So, I think it is high time that we stop looking at them as the enemy but rather as a partner that works with Siga (?) and with the Gates Foundation and with other institutions that are truly worried about the food system.

Maria Livanos Cattai:

You all want to answer it - so I will start with you, and then you will come in yourself, Robert.

01:08:27

Male:

Yeah I just want a quick comment on land tenure and GMO. I mean when you are looking at GMO - we have a situation called - where there is this new technology called WEMA - Water Efficient Maize for Africa. This is going to increase yields by as much as 25% - so I think the issue on GMO - especially when you are looking at developing countries is the farmer's right of choice - what do they want to do.

01:08:53

But essentially the situation is we are going to need to increase or double food production very, very shortly - using the same piece of land, the same water availability. And if you take this further by factoring in the demand for livestock - and the bio energy or renewables - that means your food production has to

maybe go up threefold using the same resources you have.

01:09:17

So you are going to look at some sort of additional technology but again there are concerns of safety - but I think it is the farmer who is ultimately going to make that choice obviously - and if the consumer feels safe enough they will then respond by buying his product.

01:09:32

But I don't think you need legislation to curtail this. Land - basically I think it is a bigger problem in Africa. Especially where a lot of the land is customary land - it is not tenured. And a lot of farmers find it difficult - again it brings me to the question - what you don't own, you abuse. If you have a piece of customary land, you don't own it; you are bound not to look after it. So there is a lot of issues to it.

01:09:59

But the other important question was - even if you have land titles in many developing countries, the respect for private property rights is often eroded by political considerations. So that is another question that brings to place - is how secure is your title? That is a big question.

01:10:19

And also we need to develop more functioning land markets in developing countries which is basically a reason why it is adding to land pressure - because you don't have the means to transfer land between yourselves.

Maria Livanos Cattai:

Paul and then - Joachim. Go ahead.

01:10:36

Paul Bulcke:

There was a specific question on the social impact and if our shareholders know about that. We have quite extensively been reporting through our annual report - also our website - about what we are doing. So we try always to have our shareholders and actually the public at large - because that counts - to be at the forefront of what we are doing.

01:10:58

The other question was of these higher prices that I want to respond on. It is true that we went through a crisis - a food crisis - high prices. But there was a lot of speculation, a lot of very timely dimensions there - that actually the money or the prices didn't go to the farmers as per se.

01:11:19

And actually if you think, it was also a reflection of totally failed agricultural policies worldwide per se - which was first of all quite individual country based and there is no such solution as country by country to this global problem. But also if you see post war - second world war - the raw material prices were kept relatively low so no real motivation for farmers to be farmers and actually part of the affluency of the western world was financed by low food prices.

01:11:50

So to a certain extent, these are the first signs that also there we have to have an honest price so that there we can have sustainable solutions to this thing.

01:11:59

Now, there is a huge opportunity actually. Everybody knows that by 2050 we are going to have to double the food production because food demand is going to

double. Everybody knows also that there is only one environmental, sustainable way of doing that and that is to use the same amount of fertile, non-erodible soils that we use today. We cannot go for more soil. So we are going to have to increase or do at least double the productivity per square surface. The productivity of food production.

01:12:33

And there there is many - we as a company then can engage again in meaningful discussions - be it GMO - what we can do to help to increase productivity of farming - be it by what we are doing and what I explained already in the milk farms, cocoa farms and also the coffee and other raw materials where we use our knowledge, our research, and our people that are working daily in the fields and increase the yields.

01:13:01

And that is actually what we are all about - it is really doing something in the fields and it is indeed - we are one company but there are many, many other companies doing the same thing and give that possibility to really be efficient.

Maria Livanos Cattai:

Joachim.

01:13:19

Joachim Von Braun:

Maybe we also need to be a bit more vegetarian in the next generation. But I would like to respond to the question from Noel also regarding - what do you expect with prices? And what to do about prices.

-
- 01:13:36 We have fed our forward looking model at my institute at IFPRI with the current recession and depression situation. And we are running a depression scenario.
- 01:13:50 And a somewhat surprising out of that come very soon increase in prices - decreased incomes - because the needed capital investment is not forthcoming. And the lack of investment effect which would bring prices down under this situation - the lack of investment effect is stronger than the lack of demand effect.
- 01:14:17 And if you - even put in there realistic public sector compensation investment such as in China - the Chinese stimulus package has 109 billion in it - 20% of their 580 billion stimulus package. That is still an exception. India has also a significant one but not so big.
- 01:14:46 So, I think we are on a very dangerous pathway of a world economy growing much more slowly; creating more poverty currently because of the depression; lacking the incentive and strength to overcome the credit crunch - capital investment - especially in agriculture which is considered risky - and out of that come these somewhat counter intuitive expected price developments.
- 01:15:21 The second round effect of that relates very closely to that land question. There is currently negotiation going on over at least probably 15 million hectares of land - that is roughly a mid sized European country - agricultural land resource. Government to government and corporate sector to government in order to

facilitate access to supplies - and that is often - the so called land grabbing - which I think is the wrong term.

01:15:58

I think something good can be made out of that - if that investment is done well, with small farmers, respecting customary land rights - we need a code of conduct and that is where industry needs to play a role. I think where Nestlé can play a role. So that this foreign direct investment which we currently observe for the wrong reasons because people don't trust trade anymore given last year's experience - are turned into win-win situations.

Maria Livanos Cattai:

Thank you Joachim. Robert?

01:16:32

Robert Thompson:

Several of the questions have been responded to but I wanted to add a couple of things. One on the technology issue. Malthus has been wrong for more than two centuries because he underestimated the power of investments in agricultural research to raise productivity faster than..... So we had a 150 year slight negative trend to the real price of grain after taking out the effect of inflation up until about two years ago.

01:16:58

And I am a technology optimist and believe that there is no more reason for Malthus to be right in the 21st century than in the last two - but you have to make the investments in agriculture research and we've been cutting them in the public sector. And the private sector has picked up a lot of the research in the high income countries but in the low income countries

where farmers may not have the credit, or the country may be foreign exchange constrained, there is going to have to be a public private partnership or more public support for ag research - or we will see an upward trend in real prices of food as a result of not keeping supply growing as fast.

01:17:37

But I wanted to respond to the gentleman from Guatemala on the price question because I felt that implicit in the statement was an assumption that price support is a good way to help solve the problem of borrowing.

Maria Livanos Cattai:

No, he is shaking his head.

01:17:53

Robert Thompson:

Okay. Because - but this is - a lot of the debate in the WTO negotiations over policy space though argues that developing countries want to defend the right to do this and of course it helps neither the farmer nor the consumer. You artificially raise the price of food; you raise the cost of food to the lowest income members of society - who spend the largest fraction of their income on it. And because if you distort the price, you distribute the benefits of proportion to sales and therefore the largest farmers, who are rarely the lowest income farmers, get the bulk of the benefits - the lowest income farmers don't sell much - so you don't benefit them much either.

01:18:31

Maria Livanos Cattai:

Not a good idea.

Robert Thompson:

If you are going to invest, invest in rural roads and schools, and health care and so on - not in price supports.

Maria Livanos Cattai:

Sajeda, you wanted to come in, and then Mark.

01:18:42

Sajeda Amin:

I wanted to come in on the question of migration to make two points. One is that of course it reminds us that rural is connected to a much bigger world - rural people. And specifically on the question of remittances there is now increasing evidence that that is the bulk of resource coming into poor countries, and coming into rural areas in poor countries.

01:19:07

And yet there is very poor infrastructure in terms of making - in terms of financial infrastructure. And particularly to ensure that these remittances are used productively and a lot of the evidence suggests that remittance is actually put to very non productive use.

01:19:25

So, kind of reminding us that that is one of the ways in which our partners will come in with some clout and power into the shared value system and actually there is need for investment and finance to...

01:19:43

Maria Livanos Cattai:

Mark - and then afterwards we are going to be coming to a close of this session slowly - so I am going to be asking you to think, all of you, of something you would like to leave us with and I will ask you afterwards. Go ahead, Mark.

01:19:57

Mark Cackler:

On the land question - there was a question about what still needs to be done in addition to the community land rights that Ajay mentioned.

01:20:06

It is worth mentioning that when it comes to women, there still are land laws in many countries - inheritance laws, marriage laws, that actively discriminate against women. And even when the laws and the regulatory system do not explicitly discriminate against women, it has the practical effect. And since women are the majority of farmers in many countries - it has a very relevant impact on agriculture.

01:20:31

On the question of migration, it may be worth highlighting a few overall demographic trends. Although the world is increasingly becoming more urban, the overall rural population is expected to stay more or less the same for at least the next thirty or forty years and 75% of all the poor people currently in the world are in rural areas, and that percentage is likely to increase, not go down.

Maria Livanos Cattai:

The percentage of ...

01:21:02

Mark Cackler:

Poor people in the world today is about 75% and that's likely to go up. And one of the things that we know from really a rather robust set of study is that agricultural growth has a much higher poverty reducing impact than non agricultural growth, two to four times the poverty reducing impact in the lowest deciles of

society. So if we want to reduce poverty we have to stimulate agricultural growth.

01:21:32

And finally coming back to Bob's point about non farm rural growth - he's absolutely right we don't want these people moving to the big cities, we want them to stay in the small and medium sized towns in off farm rural employment but agriculture is precisely the agenda of that off farm rural employment.

01:21:50

Maria Livanos Cattai:

Well thank you for clarifying that because it comes into what I would like to finish this panel with, after which we'll go right into the next session, for everyone just to keep in mind. Now we'll go around quickly.

01:22:05

Given what you have just said and what I found to be - I don't know how all of you feel, but what I found to be sort of a mixed message. One that we are improving the situation, that there are very positive things out there, that we know what we're supposed to do, that the public sector, governments, the inter governmental - yes two degrees warmer please in here ...

01:22:29

... the government, the inter governmental and the private sector were on the right kind of, don't want to call formula's, but mixtures of policy and private and local and government initiatives.

01:22:46

Balancing that out is what you have just said, that the rural population is bound to become even a higher percentage of the poverty amount within a country. And balancing that out with we have a general

population increase probably until mid century are some of the projections on this.

01:23:11

On the other side we have a diminishing percentage in most countries of rural population as opposed to conglomerate, city, urban or suburban populations. Does this mean that there's going to be in the end a smaller number of people who are in the rural areas but more of them are going to be in the poverty area, in the poverty group?

01:23:39

Is this going to be a very disturbing disequilibrium within our countries? Or is Ray right and the rest of you that what we're doing now if we do more of it we'll be all right, we'll be diminishing the poverty not increasing it as Mark suggested.

01:23:56

So I'd very much like to go around and as your closing ideas, please tell us, I know that crystal balls are very expensive these days I'm not asking you that - but do you think that we're moving in the right direction and if not is there one thing that you would like us to concentrate on.

So go ahead. Djordija why don't you start.

01:24:19

Djordija Petkoski:

Well we can claim we are on the right direction if you know where we are going all together. I don't think we know. There will be crises coming, not necessarily food crisis, I'm saying we are living in a very, very complex world so claiming that we have a right

direction for the next fifty years I think that would be too of an ambitious approach.

01:24:37

But to the extent we can keep the flexibility to address whatever new challenges we are facing that will make the difference. And in meeting these new challenges I think several issues are very important - one is capacity, knowledge to deal with these issues.

01:24:51

We didn't speak much about that, only in the previous session about business schools, what they are doing. But I think a critical issue is really knowledge and knowledge not only in this setting but knowledge on the local level.

01:25:03

So to create opportunities for these people to learn more about their own issues, to clearly define their own values so that we can work together.

The other issue is ...

Maria Livanos Cattai:

You get one. You get one issue. I'll let you go very short, very short on the other one.

01:25:19

Djordija Petkoski:

The point of knowledge is also related to that question of how we communicate that to others. I think we have a very narrow matrix capturing the positive impact of this kind of engagement.

01:25:33

When Nestlé is telling their story, I found big holes in your story, in a sense that I don't see much emphasis the fact that you are providing my micro credit, you are

not waiting for Western China to develop a banking system so you get engaged. You are doing that yourself. Have you make any analysis of how all farm jobs have been created after your work in that area for the next years and so on.

01:25:56

So my point is basically saying that unless we develop a proper matrix system and that's to move us forward to better understanding what kind of impact we have and how we can create shared value.

Maria Livanos Cattai:

Sajeda.

01:26:12

Sajeda Amin:

Well my one point is that rural societies are dynamic. But perhaps they are dynamic in the sense of a spinning wheel stuck in a rut and you need to get it to the right plane in order for it to move forward.

01:26:27

The right plane involves recognising that they're not monolithic societies there is power structures, fragmentation within societies, there are certain segments of that society that can move it forward. And young people are that segment and migrants are that.

Maria Livanos Cattai:

Caspar.

01:26:44

Caspar Sonnesson:

Well I mean working in development you have to be an optimist so I guess I'm an optimist - I think things are going to improve, I think there's a lot of momentum it seems like now with the large actors focussing more

on agricultural and rural development and that's positive.

01:26:58

I think the key issue really is with productivity and how to address productivity issues ...

Maria Livanos Cattai:

That's what you would concentrate on?

Caspar Sonnesson:

Yes exactly. Produce more with less basically.

Maria Livanos Cattai:

Carolyn.

01:27:09

Carolyn Miles:

Well I would add another segment to young people and that would be women. Because I think in rural communities there's a lot of evidence that getting women involved is a real catalyst. So I would say - I think we're making progress but we're not making it fast enough, we're not going to get on track just by doing the same things that we're doing now.

01:27:29

So I think we need to look at this idea of additional segments that we need to really empower and I would say that women in rural communities is really important.

Maria Livanos Cattai:

Ray.

01:27:40

Ray Goldberg:

I think that the institutions we've talked about have been great but I think what we haven't mentioned are the people themselves. What these companies and

governments and NGO's have been able to do has been to create leadership at the rural level.

01:27:58

What I would like to ask for this group and others - how do we get these rural leaders to talk to each other, exchange ideas, be in this sort of room rather than not be in this room. We know how to communicate very well among ourselves; we have not been able to get them to communicate with each other or with us. I think that's a huge challenge and a great opportunity.

01:28:26

Maria Livanos Cattai:

Mark.

Mark Cackler:

If I'm only entitled to one I think it would be volatility.

Maria Livanos Cattai:

Oh you can take more than one - go ahead ...

We're talking about being on the right path so ...

01:28:38

Mark Cackler:

Well the path that we're on is an increasingly volatile one, whether it's food prices or financial crises or climate change and water stress, the world is going to be a more volatile place.

What we saw with swine flu over the weekend is just one more example of the interconnected, interdependent, globalised volatile world we live in.

01:29:02

So I guess the take away that I would suggest is that we need to be more, if you'll forgive me, like Nestlé that for 140 years has been thinking in the long term.

Because the way we get through the short term crises is indeed to think in a long term way.

Maria Livanos Cattai:

Robert.

01:29:24

Robert Thompson:

Yes I think and a great opportunity for Nestlé and like minded firms to create shared value is to be actively lobbying the world bank, governments of developing countries, foreign aid programmes to make the complementary investments of rural roads, telecoms, schools, healthcare that are necessary to create the enabling environment. So that it becomes profitable for them and other firms to make the investments in rural areas that ultimately are going to be necessary to solve the problem of world poverty.

01:29:54

The public sector cannot create the jobs and solve the problem of world poverty. Only the private sector can. But these public goods investment vastly increase the likelihood that the private sector will make those investments.

01:30:07

Maria Livanos Cattai:

Yes it's important that we do remember that usually infrastructure is something that needs public willingness and funds.

Robert Thompson:

Particularly world...

Maria Livanos Cattai:

Indeed. Ajay.

01:30:18

Ajay Vashee: Yes I think we are in the right direction, perhaps we're not moving as quickly as we ought to be moving. And we have to ensure that we are inclusive enough to include all the rural poor.

01:30:30 What we also need to do is I think we have to develop this new agricultural model which is the partnership between all stakeholders including international bodies, which is facilitated by government policy.

01:30:42 And lastly, I know you just said one - but we are all in it for the long haul and I think we cannot afford to ignore the problems of rural development.

01:30:52

Maria Livanos Cattai: We've said we can't afford it. Are you more on the positive side that you think things are in the right direction strongly and it's a matter only of bringing that, as many have said, in a larger and more sustained way? Or do you think that we're really headed for some disagreeable ...

01:31:07

Ajay Vashee: No I think we are moving in the positive direction, we just need to make sure that we upscale it and move it quickly along as we go.

Maria Livanos Cattai: Would you agree Joachim - or would you have some caveats there?

01:31:20

Joachim Von Braun: Well if you look at the numbers of ultra poor people - people with less than 50 cents a day, that number has

declined quite rapidly in Asia. Makes me optimistic but it has increased the last 15 years in sub-Saharan Africa, increased.

01:31:44

These very poor people are together forming the seventh biggest nation on earth and the numbers which we have pre-date the current world food crisis so that population has probably significantly increased.

01:32:00

I cannot be happy or optimistic about rising ultra poverty numbers in the world which at a time when it was seeing it's fastest overall economic growth. But the take away point which I wanted to share Maria was not this one.

01:32:21

I think shared value has lots of opportunity and needs a legal framework - and I think Nestlé and its partners should focus on, especially two issues. One, get decent cooperative laws implemented in the many countries which don't have them. And get decent and transparent contract farming and contract laws along the food chain implemented.

01:33:00

I think that will open up the space and then get legal aids programmes. Lots of lawyers which don't help you but who help your suppliers and your supply chain, into the rural areas. And all of that would improve the whole governance aspects of a pro poor shared value approach.

01:33:24

Maria Livanos Cattai:

Is there any other - would you like to add anything, I'll leave you - and if there's another aspect in addition to

the ones that you have, the cooperative laws, the contract, financing, the legal aid and so on. Is there something from the governance that you would add into that from local government?

01:33:43

Male:

There were very quickly serious decentralisation taking off. One country after the other changed their constitutions, establishing districts and counties with fiscal, political and administrative authorities. And I think that matters enormously for a food and wellness oriented company because your investment is all local.

01:34:08

So strong local government is good for business, for you and vice versa, so I think to be on the side of support of good decentralisation which requires a lot of capacity strengthening, I think serves everyone at the rural community level.

01:34:31

Maria Livanos Cattai:

Paul I'll leave to you to perhaps answer some of the questions been put to you and to conclude our session.

01:34:37

Paul Bulcke:

Well I want to also finish on a positive note. Actually as I mentioned before we have to double the agriculture produced over the next 40 years and that's actually a huge opportunity. Because it is linked with rural development it's agriculture, we can and we have to create more output in the same environment. So that is and should be additional income.

01:35:01

Now how we go about this and if you hear, this is very complex, we have been speaking about agriculture modelling and the partners involved in all that. This is very complex and actually just like in water you listen about all the problems and we have a mind frame and mindset that goes from problem, solution and the problem sometimes is there is no one solution.

01:35:26

And then we - and everybody sees a little bit from his own angle and actually you have to see it from all angles at the same time and that's very complex.

01:35:34

But there is one thing that we have to create and actually creating shared value is all about this - it is creating positive momentum. There's no solution per se, you have to create dynamics behind these things so that you walk into the direction of being part of the solution. And in that sense I would say a company like Nestlé we don't want to be disillusioned we want to be part of the solution and that is what creating shared value is all about.

01:36:02

And we are linking up and a little bit responding to your question of - we are linking up directly with 600,000 farmers already, that's one company. There are many other companies; many other farmers are linked up with them. And do that in a meaningful long term projecting way. It's one of the big things that we can add to create more fluency also for these farmers.

01:36:25

But indirectly there is in the developing world alone, 2.5 million people, families linked with our activity,

Nestlé alone so that has a, I would say a snowballing effect indirectly too.

01:36:39

Now very concrete as I said that is creating a positive momentum in that framework of creating shared value and actually I'm flying off tonight to Abidjan where we're going to open as I mentioned and I announced already this R&D centre which is actually going in that direction what we discussed today.

01:36:57

This whole - can we bring as a company our knowledge, our research and development into a western African region and has been mentioned that is one of the regions that is most suffering where we do not have the positive effects that we see in other regions.

01:37:12

Africa is a continent where we have been linked up as a company for many, many years and again we are going to invest there because we do believe that we can create shared value also with that part of the world.

01:37:25

Maria Livanos Cattai:

So you're leaving us with a positive, even in the most difficult of the areas that we are moving in the right direction.

Ladies and gentlemen I'm going to ask you first of all to give a big hand to this panel and then to stay in your seats.

Applause

END