



„Food Security: The New Vision for Agriculture“

A paper by

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1. Acknowledgments

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2. Introduction

Demographic growth and climate change are posing major challenges to the international community: by 2050, the population of our planet will have increased to 9 billion people; the demand for agricultural is expected to have doubled; and effects of climate change such as rainfall volatility or the occurrence of droughts and flash floods will increasingly burden agricultural systems and thus further jeopardize food security.

At the same time, the international community shares the belief that in order to face these challenges, an extensive transformation of agricultural systems is needed. Agriculture is seen as having a huge potential as a driver for food security, environmental sustainability and economic growth. Despite this common agreement, controversial discussions about how such a transformation should happen continue.

The present paper aims at examining one of the recently launched initiatives that pursue a comprehensive transformation of agriculture: *The New Vision for Agriculture* (NVA) – a worldwide, private sector led initiative seeking the development of sustainable agricultural systems to ensure food security and spur economic growth. As a response to the suggestion of the Swiss Agency for Development and Cooperation (SDC), we intend to provide a better understanding of the motivation of project board members Nestlé, Syngenta and Swiss Re to be part of the NVA. The goal is to examine the reasons why these companies promote such an initiative and to assess how its findings are implemented in the companies' corporate strategies. Special attention will be given on how smallholder farmers are perceived and what role they are given in the strategies and supply chains of these companies. Finally, the paper provides space for critical voices that have been raised against the NVA.

3. Research problem and design

The present paper examines the New Vision for Agriculture Initiative, its implementation and the associated effects on the smallholders. Thereby, the focus is on the three project board members Nestlé, Syngenta and Swiss Re which share the common goals of the NVA but each operate in different sectors. In a first part, the focus is on the NVA itself. After briefly looking at the context in which the initiative was launched, we give a comprehensive overview of its basic messages and key findings, and discuss critical reactions. In a second part, we qualitatively assess the reasons for Nestlé, Syngenta and Swiss RE to promote such an initiative as well as their commitment with regards to its implementation. Special attention will be given to how smallholders are perceived and what role they are given in the strategies and supply chains of these companies.

This paper aims at gaining a better understanding of the corporate policies of the three companies as well as of their efforts to support a more sustainable agriculture and to incorporate smallholders' interests.

The following three questions, building on one another, will guide our analysis:

1. Why is the private sector interested in elaborating and promoting such an initiative?
2. How do Nestlé, Syngenta and Swiss Re incorporate the initiative in their corporate strategies and how do they implement it across their supply chains?
3. What role do the companies assign to the smallholder farmers in their corporate strategies?

The paper relies on data collected on the basis of personal interviews with representatives of both civil society and the private sector. We used the arguments and criticism brought forward by the two interlocutors from civil society, representatives of Alliance Sud and SwissAid, as starting point and stimuli for the respective conversations with the companies' agents.

The representatives of Nestlé, Swiss Re and Syngenta we interviewed have all dealt with their company's engagement in the initiative. At this point, it must be emphasized that all three firms are decentralized and often act on country specific strategies. Therefore, the data gathered through the interviews rather concerns the strategic alignment of the companies than the actual implementation of the initiative's guidelines. For each interview, we used a similar set of questions that were sent to the interview partners in advance (See Annexe 1). While they served as guidelines for the conversations, we did not closely stick to the order and choice of questions, ensuring structured but at the same time flexible conversations.

4. Food security – what is the issue?

4.1. Definition

Narrowly defined, food security is the availability of enough food, whether at the global, national, community or household level. It must be emphasized, however, that availability does not necessarily mean access to food, as the recent food crisis of 2008 has shown. Also, clarification is needed of what is meant by “enough”: does it mean that the economic demand is met – and if so, at what price – or is it about having enough food to meet energy and nutrient requirements?¹

Scholars and practitioners therefore generally agree upon the more comprehensive definition elaborated by United Nations Food and Agriculture Organization (FAO) during the World Food Summit in 1996. The FAO defines Food Security as a concept with four dimensions, which all must be fulfilled simultaneously for food security to be realised.

“Food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.”²

This definition not only focuses on the physical availability and the physical and economic access to food but also addresses the needs, preferences and nutritional status of people. In this sense, the availability of food does not imply food security.

Nowadays, food security is considered a complex issue of sustainable development that is related not only to health (through malnutrition), but also to sustainable economic development, environment and trade. There has been an ongoing debate about the major problems and issues regarding food security. While it has been argued that there is enough food available to feed everyone on the planet, but that it is the distribution that is the problem, others see the major issue in the possibility or impossibility of meeting future food needs by current levels of production. Further debates concern the importance of national food security in a globalised world. Finally, there is an argument on whether or not globalisation leads to the persistence of food insecurity and poverty in rural areas.³

These same arguments are also reflected in the debate around the appropriate way to adjust or transform the agricultural systems in order to better promote global food security. The discussion of the critical reactions to the NVA under chapter 4.3 will illustrate this debate. In general, however, there is an agreement that there is a large potential in agriculture and that

¹ Pinstrup-Andersen (2009), p.1

² FAO (2008), p.1

³ WHO (2012)

a reform of the agricultural systems is needed in order to adequately address the issue of food security.

4.2. The need of a transformation of agriculture

In recent years, especially in the light of the global food crisis in 2007 - 2008, the role of agriculture in ensuring food security for the growing population of the planet has become a major issue in multilateral forums. Following this trend, the World Economic Forum (WEF) launched in 2011 the New Vision for Agriculture as a worldwide, private-sector led initiative seeking the development of sustainable agricultural systems to ensure food security and spur economic growth. Three commonly known facts are at the heart of the initiators belief of the need of a systemic transformation of agriculture: almost one billion people – one out of six – are malnourished, and half of them are farmers.⁴ By 2050, our planet will have to feed more than 9 billion people; the demand for agricultural products is expected to have doubled. At the same time, increasing water shortages and climate change and volatility will put a strain on the agricultural systems, raising the risks of production losses. In addition, agriculture has a huge potential as a driver for food security, environmental sustainability and economic opportunities.

The same facts also constitute the grounds on which the World Bank and the United Nations launched the 2008 “International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD)” or “World Agrarian Report”, which similarly calls for a substantial reform of the farming system in order to reduce hunger and poverty. The extensive report finds that an agriculture based on smallholder farming structures can best guarantee global food security in a socially, economically and ecologically sustainable way.⁵ In contrast to the NVA, however, it is very critical towards certain prevailing systems and practices like genetic engineering, industrial agriculture and the nature of the international agriculture trade.⁶

A study of the International Fund for Agriculture (IFAD) equally emphasizes the need for reforms in the agricultural sector to promote food and nutrition security. It puts the smallholders at the centre of the agenda, highlighting their potential to substantially contribute to spurring economic growth, as well as to reducing poverty and ensuring food and

⁴ WEF Report (2011), p 8

⁵ IAASTD (2009)

⁶ Zukunftsstiftung Landwirtschaft, (2012)

nutrition security.⁷ A later IFAD study acknowledges the increasing role of the private sector in spurring growth in rural economies.⁸

5. The New Vision for Agriculture

5.1. “A Roadmap for Stakeholders”

The new vision for agriculture was launched to address the above-mentioned challenges. It was developed in an 18-month process involving representatives of the private sector, governments, international organisations, civil society and academia. The initiative is led by a number of major global companies which form the project board. While it was launched by 17 companies, the project board has continuously been expanded. By now, 28 companies⁹ have committed themselves to its implementation. McKinsey & Company served as project adviser and the International Food Policy Research Institute (IFPRI) as the knowledge partner.

At the WEF 2011, the final report of the elaboration process was presented. It outlines a roadmap for all the stakeholders towards a large-scale transformation of the agriculture. The aim of the process is to implement sustainable agricultural systems on the basis of Public-Private Partnerships and “business-led and market-based solutions that are explicitly linked to national development priorities”.¹⁰ As it is explicitly stated in the preface of the report, one key message of the initiative is that the private sector wants to actively participate, partnering with other stakeholders, in finding solutions for sustainable agriculture.¹¹

The initiative pursues three major goals that are intended to build on the Millennium Development Goals. In order to achieve these goals, it strives to use the huge potential of agriculture as a driver for food security, environmental sustainability and economic opportunity. When explaining what the initiative actually envisions, the perspective of the farmer is adopted to illustrate the objective: the NVA talks of a self-sustaining, well-informed, healthy farmer who is linked with the market, earns his living without spoiling the ecosystem, has access to clean water and relies on biodiversity. At least on paper, thus, the NVA puts

⁷ IFAD (2011)

⁸ IFAD (2012)

⁹ Agco Corporation, Archer Daniels Midland, BASF, Bayer AG, Bunge Limited, Cargill, The Coca-Cola Company, Diageo, DuPont, General Mills, Heineken NV, Kraft Foods, Louis Dreyfus Commodities, Maersk, Metro AG, Monsanto Company, Nestlé, PepsiCo, Rabobank, Royal DSM, SABMiller, Swiss Reinsurance Company Ltd., Syngenta, The Mosaic Company, Teck Resources Limited, Unilever, Vodafone Group, Wal-Mart Stores Inc., and Yara International

¹⁰ WEF Report (2011), p.3

¹¹ WEF Report (2011), p.3

the farmer in the centre of the “new vision”.¹² The three goals to realize these aspirations consist of the following:

First, it aims at increasing the agricultural production by 20% every decade and considerably reducing waste. To achieve this goal, yield gaps need to be closed, distribution must become more efficient, waste minimised and food access improved. This involves “focused efforts to engage the most vulnerable and bring them into the broader agricultural system”.¹³ The initiative thus explicitly includes the farmers at the bottom of the pyramid in its objectives. Second, emissions per tonne are to be reduced by 20% each decade and water use decreased. Overall, the environmental impact of agriculture must be minimised. This goal especially makes sense when looking at the following numbers: agriculture today accounts for 30% of greenhouse gas emissions¹⁴ and 70% of global water use. The third goal is to reduce rural poverty by promoting economic development of the agricultural sector. Specifically, the number of people living in rural areas on less than USD 1.25/day should be decreased by 20% each decade.¹⁵

The report also gives a broad outline of the necessary interventions and tools to achieve these goals. First and foremost, agriculture must stay innovation-driven: innovative tools must be developed and successfully implemented. For that reason, the government has to guarantee the existence of policy frameworks and create incentives that ensure protection, attract investors and facilitate development. Robust infrastructure as well as solid market structures are also mentioned as requirements for the creation of a vicious circle stimulating agricultural development. As continuously emphasized in the report, the most important element for a successful transformation is the commitment and collaboration of all the stakeholders across the whole value chain.¹⁶

5.2. First findings of the implementation of the NVA

A second WEF report “The New Vision for Agriculture: A Transformation is Happening” presents the first findings of the implementation of the initiative. These are based on experiences from the first few projects in the form of public-private partnerships that were launched in the framework of the NVA. While the transformation is more advanced in

¹² WEF Report (2011), p.12

¹³ WEF Report (2011), p.12

¹⁴ Of which 16% come from forestry.

¹⁵ WEF Report (2011), p.13

¹⁶ WEF Report (2011), p.17

Morocco and Brazil, where projects have been running for a longer time, it has only recently started in Tanzania, Mexico, Vietnam, Indonesia and in sub-Saharan Africa.¹⁷

According to the report, the most successful large-scale transformations are based on multi-stakeholder partnerships. Such partnerships usually operate from a jointly created platform that serves as a neutral space to discuss and endorse a common agenda and allows engaging leaders from a wide range of stakeholder networks. The creation of such a platform may require the help of a “neutral facilitator” who supports the multiple stakeholders in defining shared goals and setting the framework for collaboration. According to the report, the WEF “[...] has been invited to play such a role in a number of countries [...]”.¹⁸

It is further stated that high-level government representatives have the best chances to start dialogue and initiate a transformation process, as it is them who define the national agricultural agenda. In Mexico, for instance, the action was initiated by the Minister of Agriculture and also in Tanzania it was the government who made the first step.¹⁹

In addition to the importance of multi-stakeholder partnerships, the second report identifies six elements that are critical for the success of systemic transformations.²⁰

1. Encourage the commitment of leadership and the alignment of interests and goals of all stakeholders through a common plan of action.
2. Define a clear strategy and priorities for the implementation, with quantifiable and measurable goals, and priorities set where comparable advantages and accessible market opportunities exist.
3. Create an investment and entrepreneurship pipeline to encourage the investors and entrepreneurs to take the right set of initiatives and to kick-start investment.
4. Enable both hard and soft infrastructure policies and investments locally as well as across the whole value chain.
5. Develop mechanisms of catalytic financing and risk management to ensure sustained investment.
6. Institutionalize multi-stakeholder partnership to design, manage and supervise the implementation.

The implementation only just having started, however, the findings remain limited and generally quite vague. The report does not develop the details of the specific projects. Further experience and longer-term evaluations will be necessary in order to see if a

¹⁷ WEF Report (2012), p.9

¹⁸ WEF Report (2012), p.19

¹⁹ WEF Report (2012), p.19

²⁰ WEF Report (2012), p.9

transformation is actually taking place and if the changes are apt to reach the goals set by the NVA. Also, it remains to be seen if the way in which agricultural systems are to be transformed actually creates a sustainable agriculture and eventually ensures food security.

5.3. Critical reactions

Not surprisingly, the New Vision for Agriculture has been variously criticized. The critique, mainly coming from members of civil society, focuses on a few major issues which concern the elaboration-process as well as the approach and the implementation of the initiative. The following outline of the criticism is based on our interviews with Alliance Sud and SwissAid.

First, critics emphasize the lack of involvement of directly concerned stakeholders: smallholders, farmers' associations or consumer protection boards were not implicated in the formulation of the initiative's strategies, even though they belong to the key actors in the transformation process. The initiative is therefore said to lack legitimization and to one-sidedly reflect the interests of multinational companies. In other words, it is rather seen as a patchwork of the companies' priorities than a holistic and realizable approach with potential for a real change in agriculture. Disrespecting, therefore, many important issues, the initiative as a whole is considered an incomplete construct that tackles the real problems only superficially.

The companies' engagement in agriculture in the framework of the NVA has been seen as an involvement in development aid. This involvement, however, is not considered beneficial for the smallholder farmer. Rather, it is feared to result in a growing dependency of smallholders vis-à-vis the multinational companies. The argument is the following: leading to a stronger incorporation of the smallholder in the commodity chain of the firms, this kind of development aid is very likely to create a growing dependency on the involved companies'. Two examples illustrate this point. First, Syngenta can develop new markets for its products by encouraging the incorporation of poorer countries and its smallholders into the global economy. Farmers in developing countries often practice little or no business orientated farming, also known as subsistence agriculture. In such cases, larger outcome in production and the related financial gains can be achieved with relatively low investment. A smallholder farmer may be able to increase his production through more efficient crops and fertilizers offered by Syngenta. However, in the view of critics, he will consequently have to invest his financial gains in products of the same company again. The farmer therefore becomes more dependent on Syngenta and its products. The second example concerns Nestlé's engagement with smallholder farmers. Critical voices fear that due to its high product quality requirements and the associated increased remuneration, smallholders are incited to switch

to monoculture plantations. Consequently, smallholders become more dependent on both the world prices and the company and therefore get more vulnerable to unexpected external changes.²¹ As result of this dependency, the farmer becomes more of an employee of the company than a proper businessman. The initiative is therefore said to have an ambivalent impact on smallholders.

Critics agree that in order to attain a more sustainable agriculture, the efficiency in agricultural production has to be optimized by reducing the use of water and at the same time minimizing environmental pollution. Yet, it is argued that the NVA at least partly neglects some important social, cultural and structural consequences of such an increase in efficiency. First, one way of attaining efficiency gains in agriculture is to promote large plantations. In the view of critics, such a strategy would very probably be at the detriment of smallholders, as it would lead to a concentration of production in the hands of a few and therefore create a large number of land- or jobless farmers. As a result, it is likely that a rural exodus would set in. Another way to produce more efficiently is by using fertilizers or genetically modified crops. Both practices are controversial. According to civil society representatives, attention must therefore be given to what methods and products the leaders of the initiative intend to employ to increase production efficiency. Health-damaging and genetically modified products are generally not considered environmentally sustainable in the long run. In this regard, Syngenta came under criticism for the ongoing selling of Paraquat, a pesticide that can cause health damages. Given this ambivalent policy, civil society has been very sceptical about the company's involvement in agricultural development. In their view, the sustainability the NVA talks about is rather a short-term sustainability: first and foremost focussing on increasing productivity, it disregards long-term environmental and social consequences of the strategy.

In sum, the NVA is considered part of the multinationals' Corporate Social Responsibility strategies and therefore mainly seen as a publicity instrument. Also, the alleged involvement of the private-sector actors in agricultural development is treated with a certain degree of suspicion. Their goals supposedly focus on a short-term increase of production, the development of new markets and increased benefits for the companies. Finally, it is argued that the smallholder did not receive the adequate attention in the elaboration-process of the strategy for a large-scale transformation of the agricultural system – of which he is an integral part. The NVA is therefore neither considered an acceptable nor a viable option.

²¹ Todaro & Smith (2011), p. 588

6. The NVA and its implementation – a qualitative assessment

The following assessment of Nestlé, Swiss Re and Syngenta with regards to their efforts in the framework of the NVA is mainly based on personal interviews. Internet research served to complete the analysis. In this part of the paper, we first examine the three companies separately, with the three research questions of our paper structuring the evaluations. To conclude, we compare the approaches and engagement of the three companies.

6.1. Nestlé

6.1.1. Overview

With sales amounting to 83.7 billion CHF, Nestlé is a global leading company in nutrition, health and wellness. As any company of the food industry, farmers and rural communities lie at the first level of Nestlé's supply chain.

From a pure business point of view, the goal of Nestlé when it comes to deal with farmers, is thus to ensure the acquisition of competitive raw materials according to its own quality standards. Along with this primary goal, the company is committed to promote sustainable agriculture. In Nestlé's corporate principles, the improvement of farmers' economic status is directly mentioned, as the company directly aims at contributing to "improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable."²². Concretely, Nestlé's approach towards rural and agricultural development mostly relies on the development of sustainable agricultural systems and practices. The company also aligns its commitments through its CSR strategy, referred to as the "Creating Shared Value Initiative" (CSV). As part of the CSV Initiative, rural development is one of the main areas of focus. Through the term "Rural Development"²³, Nestlé particularly insists on the role of the farmers and their community. Sustainable agriculture and rural development seems to take an integrative part in Nestlé's corporate strategy. For this paper it is of interest to understand how Nestlé adapted its programs in agriculture and rural development after the publishing of the NVA in 2011.

²² Official Webpage Nestlé

²³ Ibid.

6.1.2. Analysis

Why is the private sector interested in elaborating and promoting such an initiative?

The promotion of an initiative such as the NVA comprehends both business reasons as well as economical, environmental and social necessity. For Nestlé, the participation in the initiative is mostly due to the fact that agriculture consists of Nestlé's core business. This is however not the case of all the companies involved. As an illustration of this direct involvement, when Nestlé first started to improve fresh milk quality in 1870, the aim was both to improve farmer's revenue and consumer's health through the promotion of better and sustainable means of production. Without being called a CSR strategy, this approach was simply part of Nestlé's business. As a company working in the nutrition sector, being committed to promoting ways of producing high quality raw materials, thus seems to be a logical consequence.

In addition, the NVA has to be considered more globally as one initiative amongst a broader range of commitments in which Nestlé is involved in. The company participates in various forums and conferences in different sectors such as the Water Forum or the Food Safety Forum. The commitment to all sorts of different initiatives in their field of interests is therefore part of Nestlé's business strategy. It is actually important in terms of corporate reputation for Nestlé to participate in each and every one of these groups, institutions and forums. While talking about the necessity for firms to embed environmental issues in their business strategy, Andrew Hoffman accordingly mentioned that "[i]f you are not on the table, you are on the menu".²⁴ In order to enhance its corporate reputation and increase awareness about their engagement, any firm working in the private sector thus needs to show strong commitments in any of the areas they are involved in. Therefore it is not surprising, that Nestlé takes part of the NVA. However, it must be emphasized that this initiative is one amongst many others, which complements the company's corporate strategy.

Nestlé considers that only few elements of the NVA are new. According to the company, the initiative's added value is its integrative approach, linking all the stakeholders, including the public sector, civil society and smallholder farmers. Aside from this, the NVA does not really offer a new approach. In view of the company, the significance of such an initiative actually tends to be overestimated and is not going to change the world.

²⁴ Hoffmann (2007)

How does Nestlé incorporate the initiative in its corporate strategy and how does the company implement it across its supply chain?

Even though the NVA is just one initiative amongst others, Nestlé has shown strong willingness to include its principles in its corporate strategy. However, it is important to mention that most of the projects implemented by Nestlé are not closely linked to the NVA itself. They are indeed part of Nestlé's long-term global CSR strategy related to rural development.

For Nestlé, the implementation of such an initiative does not follow a "one size fit all" strategy. The different projects are in turn developed according to business objectives in the respective country. As a consequence, Nestlé does not pursue a global approach, but tackles the issue through specific projects at the local level. Through the implementation of these projects, Nestlé attempts to do "as little as possible and as much as required". In Pakistan, for example, Nestlé provides veterinarian services to farmers since the government fails to do so. Similarly, when financial services are not developed locally, Nestlé is granting loans and financial assistance to farmers. The main challenges faced by the producers are, according to Nestlé, of entrepreneurial nature. In the agribusiness, entrepreneurial skills are indeed of extreme importance, as the farmer has to manage his properties, employees, natural resources and customers. Therefore, one objective of Nestlé's is to assist farmers in facing these entrepreneurial challenges.

The projects are implemented locally and customized to the stakeholders' needs. This local dimension is made possible through Nestlé's Raw Material Sourcing team, which is largely decentralised. The head office of raw material sourcing based in Vevey shares the information with sourcing specialists who implement the projects together with local staff and rural population on the field. As Nestlé emphasizes, food has mainly a local dimension, which means that in a lot of its countries of operations, Nestlé's raw materials and production are actually bound to address the local demand and consumption. Nestlé's general strategy is to buy and sell food locally. As a matter of fact, 95% of the raw materials bought by Nestlé never cross a national border. This inherent decentralised characteristic of the food industry constitutes an advantage for Nestlé, as the group is present as a seller at the national level, it is not considered as an outsider, when it comes to outsourcing Nestlé's raw materials.

This perspective, however, has been denied by the civil society in different aspects. Nestlé has recently been criticized for its operations in the Columbian milk industry. According to the National Trade Union of Dairy Industry Workers (Sinaltrainal Union)²⁵, Nestlé is, despite a sufficient domestic production in Columbia, importing a significant quantity of powdered milk

²⁵ CETIM (2003)

from Venezuela. This has led to a drop in the share of Columbian milk used in production from 70% to 50% in 2001. Social organizations, milk producers and politicians have thus denounced such imports from Nestlé's foreign subsidiaries, occurring at the expense of Columbian development of local markets. Such an approach does not seem to fit with the promotion of a decentralised structure and the development of local markets emphasized by Nestlé's teams.

In addition, Nestlé points out that the implementation of the initiative requires the involvement of all stakeholders. According to local needs and the global context, Nestlé either leads the projects on its own, works with NGOs or develops Public-Private Partnerships. In Nestlé's view, the solutions adopted have both to be sized to the farmers' needs as well as adapted to the local legal and political environment. In the dairy industry for example, Nestlé has been cooperating with the SDC in Pakistan for 20 years. This cooperation benefits Nestlé, since they can gain from SDC's expertise in working with the Pakistani government. The extent to which the firm works together with public institutions or NGOs depends on the complexity of the issue faced. In Turkey, Ivory Coast, Ghana, Mali, Burkina Faso, and Togo, NGOs' investigations have shed light on cases of child labor in Nestlé's suppliers' plantations of cocoa beans and hazelnut. To tackle this issue, the company consequently created a partnership with the Fair Labour Association (FLA). As a non-profit multi-stakeholder association, the FLA works with major companies to improve working conditions in their supply chain. In 2011, the FLA assessed the case of Nestlé's hazelnut supply chain in Turkey. While most of their recommendations concerned Nestlé, also the regulatory environment in Turkey itself was improved. This example shows how important involvement of all stakeholders is.

As a conclusion, the implementation of the NVA in Nestlé's corporate strategy tends to focus and promote shared value starting at the local level and going upward along the entire supply chain. In practice, such objectives tend not to be fully respected, which is in part due to the company's high degree of decentralisation. It must also be emphasized that in recent years, the company has generally improved its social responsibility.

What role do the companies assign to the smallholder farmers in their corporate strategies?

Nestlé has no definition of the "smallholder farmer". The size of the farm has no effect on the company's outsourcing strategy. Nestlé deals with both small-scale and large-scale farmers in order to maximize its receipts. Therefore, in Nestlé's view, the NVA does not only focus on small-scale farmers

As part of its program called “Farmer’s Connect”, the company aims at increasing the direct procurement of raw materials by working more directly with small-scale suppliers and individual farmers. This program aims also at providing technical assistance and training to Nestlé’s farmers and suppliers. In 2011, 200’751 farmers around the world were trained through Nestlé capacity-building programs.

There are two ways the company purchases raw materials. The first option consists in buying them directly from the farmers, whereas the second way is getting them from traditional suppliers such as cooperatives, factory, or even traders like Glencore, or Cargill. The way of purchasing largely depends on the raw materials needed. In milk production, for example, 50% of Nestlé supply directly comes from farmers. Overall, the company buys 30 to 35% of its total supply directly from the farmers. Those figures have encountered an upward trend in the recent years and thus illustrate the company’s stated goal to directly access the farmers.

In Nestlé’s value chain, the farmer consequently plays a significant role. The main reason why the company has such a particular approach to the farmer is mostly due to the fact that it is rather seeking to buy than to sell products to the farmer. Nestlé emphasizes that they depend on the farmer as much as the farmers depend on them. As the company requires high quality standards, it consequently pays a quality premium to the farmers amounting to 5 to 10% of the standard price.

At the farmer level, Nestlé speaks directly to the farmers through its 1’140 sourcing specialists who are above all agricultural experts. Those specialists cover Nestlé’s 500 factories in 80 countries. Most of them are local people who can rely on the support staff consisting in 10’000 additional workers. The support staff, which is not part of the firm’s own employees, is working in rural areas and villages on behalf on Nestlé. As part of the external staff, they are getting paid a commission for the job they provide.

According to Nestlé, there is no trade off between sustainable development and the smallholder’s well-being and economic benefits. The company highlights, that agriculture can only be sustainable working in balance with nature. Nestlé’s corporate strategy is based on a long-term perspective looking at 20 to 30 years ahead. Therefore, the practices promoted by the firm tend to be sustainable and the farmer should be benefitting from it. In agriculture, what is at stake really consists of soil quality and fertility. Such an increase in soil quality, fertility and productivity involves the implementation of sustainable practices. At the same time, a rise of productivity and a rise in quality would undoubtedly have a positive impact on farmers’ incomes as well. For these reasons, it is not in the economic interest of the farmer to adopt short-term unsustainable practices. As a consequence, Nestlé argues that no trade off between economic benefits and sustainability exists as in the field of agriculture, both things are actually going together. However, through the higher gains associated with producing for

Nestlé, the farmers have an incentive to switch to a monoculture mode of farming, which entails higher risks and makes them more vulnerable as well.

6.1.3. Synthesis

In sum, Nestlé's involvement in the NVA is conspicuously tied with its business interests and its long-term corporate strategy. The initiative does not seem to bring operational added value to Nestlé's strategy. The company has a long track record of working towards more sustainable agriculture. The projects implemented in this area are therefore not particularly tied to the NVA itself. As a food company considerably dependant on a sustainable supply of raw materials, Nestlé cannot remain indifferent to the food security issue. In such a scheme, Nestlé has an interest to strengthen its farmers' basis. Working together with different types of farmers, the company does not make any distinction between small or large-scale farmers.

Aside from this business objective, the presence of Nestlé in such an initiative is driven by the company's motivation to promote its corporate responsibility in public. Through its involvement in many different visible working groups and initiatives, Nestlé without doubts pursues a reputational objective as well. However, it is important to keep in mind that beyond these corporate reputational goals, Nestlé's programs in general seem to have positive impact on rural development.

6.2. Syngenta

6.2.1. General Information

Syngenta is a Swiss based worldwide operating company and a key player in the modern agribusiness. It provides work for over 26'000 employees in some 90 countries and focuses on crop solutions for agricultural purposes. It emerged in 2000 when Novartis and AstraZeneca merged their agribusinesses to form Syngenta. The company has used its expertise to combine genetic and chemical solutions into offers on a global crop basis. The aim is to increase crop productivity and enhance means for cultivation. To this effect, Syngenta's main intention is to develop more productive seeds and to elaborate solutions to crop protection such as herbicides, insecticides and fungicides.²⁶

²⁶ Official Webpage Syngenta

6.2.2. Analysis

Why is the private sector interested in elaborating and promoting such an initiative?

According to Syngenta, the New Vision for Agriculture (NVA) is a platform for companies that commit themselves to foster development in developing countries. In this context, while they share the same values and ideology, all the actors bring along specific know-how in different domains. The NVA could ensure sustainable growth, if the companies manage to open up markets in cooperation with public authorities.

In order to succeed, concomitant improvements in every domain have to be envisioned and coordinated mutually. These procedures must furthermore focus on a comprehensive approach that takes into account risk mitigation and complementarity of development procedures for all stakeholders in a supply chain. Therefore, Syngenta believes that not only the private sector should make contributions to this project but also public institutions must confirm their assistance. By attributing a very important role to public actors the NVA intends to enforce cooperation in a unique way. Syngenta emphasizes that it is this kind of complementary cooperation among all stakeholders that best represents the innovative approach of the NVA platform. Accordingly, the great interest and very positive momentum proceeding from the initiative has further fostered pilot projects in countries such as Tanzania and Vietnam. These programs are not only designed to improve agricultural production but will enhance rural development in general.

How does Syngenta incorporate the initiative in their corporate strategies and how do they implement it across their supply chains?

Syngenta has identified many core problems that inhibit efficient, sustainable and profitable means of production for smallholder farmers. The firm implies that the biggest challenge lies within the proper identification of these obstacles. Smallholder farmers need appropriate inputs that allow enhancing productivity in the first line. Once they have produced a surplus of output that can be sold, the products also need to find a way to the markets. This issue has to be addressed very meticulously, since many steps are needed to market products without suffering significant losses in value. A reliable infrastructure is of great importance in order to minimize increasing costs for smallholder farmers. Severe delays due to a deficient transportation network or quality damages as a result of insufficient means of storage are just two of the examples that prevent successful, and therefore lucrative product allocation on the markets. Additionally there has to exist a continuous line of market information for all the stakeholders. A smallholder farmer must know what the consumers demand. Hence, know-

how about comparative advantages of products and production surpluses mean a significant advantage to producers in the supply chain and may further trigger appropriate investments.

Syngenta correspondingly identifies one of the major challenges of the NVA in its implementation: it is not yet defined how to accomplish the stated goals of the initiative. Due to the short timeframe that has passed since the presentation of the NVA at the World Economic Forum the participants have not yet been able to label all the additional characteristics that are needed for the execution of the principles. Nor has Syngenta itself yet detected all the tangible gaps between theory and practice either. To address this question adequately, the projects will need a certain level of maturity. Evidently, there is a need to find further procedures that enforce self-sustaining processes in agricultural production. Thus, a general framework has to be established that requires support from other institutions and actors in order to guarantee a successful implementation. Syngenta may be able to increase productivity of farms, but cannot guarantee profitable commercialization and sales if the supply chain is interrupted. Moreover, it is not possible and not in the interest of the firm to provide market access for smallholders by all means. Nevertheless, there is a strong believe that cooperation within the private sector can provide sustainable access to markets and therefore enable a stable economic situation in any country. The company is very optimistic that positive answers will be presented within a few years. Needless to repeat that governmental cooperation will be indispensable in this process.

For the moment being, further steps to enhance cooperation depend on mutual interests of stakeholders. The participating enterprises base their focus on certain countries by taking into account different market evaluations and calculating growth potential. If other NVA actors have similar ambitions and the local government acts supportively, a firm has good chances to become active in a certain region of the world. An important condition for such an engagement, though, is governmental support which must in most cases include readiness to invest into local infrastructure. Such propositions may even have spillover effects that possibly foster cooperation with development agencies as well. Actors from the development sector who are willing to adopt parts of the project would add to the overall benefit. Naturally, cooperation contracts with any counterpart also depend on criteria such as the political stability within a country. To this effect, Syngenta's due diligence requires certain basic political prerequisites and safety conditions in order to initiate a project. This would be not least because of a responsibility vis-a-vis the company's shareholders.

Once certain prerequisites are given, the firm will attempt to build an efficient distribution network, which has a crucial role in the supply chain. Not only does it enable efficient means of trading, it also provides important market information for farmers and input providers such as Syngenta itself. In this respect, knowledge management has become very important.

Experts working closely together with farmers within the distribution network have to pursue this kind of knowledge management, because in developing countries the government will most likely not provide this kind of service.

As a matter of fact, technical know-how constitutes one of the major assets for any player in the agribusiness, which is why Syngenta strongly supports intellectual property rights. According to the company, there is a need for patents because they create a supportive environment for innovations. A world without patents would not automatically be a freer world, where all information was available at once. On the contrary, such a world would be affected by business secrets that inhibit any return on investment. Patents implicitly mean a disclosure of information and enable, therefore, a cyclical movement for investments and innovations. Nevertheless, fundamental questions remain: for instance a company has to ask itself whether such an investment is useful and whether the effort is justified compared to the added value that can be extracted from the fields. Furthermore, it is important to know what kind of utility a technology has on the markets and what procedures can offer the greatest advantages to as many customers as possible. Especially the costs of such a technology can be one of the major factors that enter the farmers' utility calculations. Furthermore the farmers need to assess whether the company can offer a product that provides the ground for increased efficiency and profitability. Unless these requirements are met, it is not an appropriate technology and Syngenta has to reconsider its palette of offers.

Irrespective of individual microeconomic considerations, Syngenta's seeds are carriers of sophisticated technology and need to be sold first-hand, instead of being copied. Otherwise they will lose their added value according to the firm. For this reason, all smallholder farmers should take note of the added value that better seeds inherit. Eventually, the farmers determine how valuable this kind of investment can be. Very likely they will benefit from higher productivity by investing into these kinds of services and products according to the firm.

Another actor that has been active numerous times in developing countries has close links to this corporation, but has been given plenty of rope to pursue its own research: the Syngenta Foundation. It is a completely independent organization according to Swiss law. It invests in small-scale farmers in order to enhance productivity and stability. Typically it experiments for the purpose of finding new methods of resolution in the agribusiness. For instance, weather insurances for small-scale farmers have been a big success. Although these insurance services have existed for a long time, it used to be difficult to implement them on a smallholder level, because of high accompanying costs. The Syngenta Foundation not only succeeded in implementing these products but also searched for further improvements in risk calculation.

As already mentioned, the foundation's aims for experiments: its field of work is usually unknown and risky. It is therefore important to collaborate with many different partners. Naturally, there may be cooperation between the foundation and Syngenta itself, but it is by no means a requirement. For instance the foundation can acquire seeds from other companies depending on the purpose of the projects. There are no guidelines to prohibit such acts. As a result, there have been various projects in the segment of plant breeding bringing to life new specimen with distinguished characteristics.

On the bottom line, however, the common goal of these two actors is to enhance profitability of small-scale farmers. Synergies and coordination have evolved in order to serve this common purpose of promoting profitability and food security in developing agriculture. Furthermore, cooperation with other key players of the initiative such as Swiss Re has been very fruitful. In a complementary operation, for instance, Syngenta will provide the products and realize the implementation while Swiss Re will work out a proper insurance plan.

What role do the companies assign to the smallholder farmers in their corporate strategies?

There is no explicit definition of a smallholder farmer, but implicitly all farmers that have a small size plot, counting only few hectares, will be put into this group. Note that according to Syngenta, there are not many subsistence farmers, because almost every member of this profession is a businessperson ("Landwirt"). Meaning that when these agricultural management experts have met the primary need to feed themselves, they will try to sell what they have produced in surplus. Syngenta's goal is to boost a farmer's productivity and quality by providing adequate equipment and instruments. The company wants them to become better farmers, so they will be able to reinvest and increase profitability of their enterprises.

In this context, emphasis has been put on the importance of biodiversity as well. The farmers themselves must guarantee biodiversity in agriculture. What kinds of crops are cultivated and whether the farmers leave space for natural habitats are major concerns in this respect. The variation of the plant genomes is also very important in agriculture. Correspondingly, the genetic diversity has to be protected, because nature must be able to advance further. In Syngenta's opinion, genetically modified seeds can only serve as additional components to traditional means of farming. Accordingly, it is not the genetically modified seeds themselves that cause monocultures. Rather, it is how farmers utilize them that is determinant and may eventually lead to a problem of non-sustainable farming. Note that according to the firm's representatives, the word "sustainability" should be used more cautiously, as there has been an exponential exploitation of this terminology in agriculture.

6.2.3. Synthesis

It has to be clear that neither Syngenta nor the Foundation will enter a completely philanthropic area. A field where a prospect of self-sustaining agricultural management by farmers is not given should preferably be occupied by development agencies, not by the private sector. The latter can only deploy its strength and know-how when certain criteria are fulfilled. For instance, even with mutual cooperation of all NVA members it would be almost impossible to implement any strategy if public support were not given. There has to exist a mutual understanding on common goals to be reached, because without official willingness to assist in infrastructure projects, there will not be any access to markets for smallholder farmers either. Nor could information be efficiently transmitted if no communication devices were at hand. It is moreover somewhat questionable whether the majority of smallholder farmers have acquired capabilities to assess market and product information in an efficient and effective manner. If untrained subsistence farmers at the bottom of the pyramid exist, they would hardly ever benefit from promises made by the NVA given that the public sector and civil society were not involved in project elaboration. However, as mentioned before, it is exactly this distinct approach to cooperation, where complementary actions of all stakeholders are required, that makes the initiative innovative and, therefore, effective in Syngenta's view.

6.3. Swiss Re

6.3.1. General Information

Swiss Reinsurance Company is a Swiss based worldwide operating company in the wholesale re/insurance industry. Swiss Re engages some 11'000 employees in 25 countries and focuses on large and complex re/insurance transactions with insurance clients, corporate clients and public sector clients – as well as with pension funds. The company uses its expertise to anticipate extreme scenarios and intends to enable risk taking that is essential to the development of enterprise and progress in society. In 2011 Swiss Re generated a net income of 2'626 million USD.²⁷

6.3.2. Analysis

Why is the private sector interested in elaborating and promoting such an initiative?

The background leading to the NVA is the world's upcoming challenge to facing a total population of 9 billion people by 2050. The initiative estimates that this scenario will require

²⁷ Official Webpage Swiss Re

an increase in food production up to 50 per cent. In this context, agriculture has become a major issue for the international community in general and a top-priority issue for Swiss Re specifically.

Swiss Re strongly believes that major investment in agri-business is needed to properly address this challenge. According to the company, two approaches for such an investment exist. One is to foster access to arable land in order to increase the total surface area of land used for agricultural production. Africa, for example, is far from extracting its full potential as there is a total of 128 million hectares of productive land, but only 30-38 Million hectares are being cultivated. Besides extending the surface of cultivated land, a second approach envisions investment in technology in order to foster productivity. The latter approach has been moved into the focus of Swiss Re. The company primarily supports investments by offering innovative re/insurance products to stakeholders working along the agri-business supply-chain. These sophisticated means of risk control may provide a basis for securing a smallholder farmers business in a sustainable and continuous manner.

Swiss Re perceives the NVA as a platform that serves to improve collaboration among companies, committed to advancing agricultural development on a market-based approach. Correspondingly, the involved companies are all contributors along the big agri-business supply-chain. According to Swiss Re, collaboration among these companies is not an innovation per se. Thus, the goal of the NVA was not primarily to establish new cooperation but to boost it among companies with similar interests.

Swiss Re's main objective in collaborating within the framework of the NVA is to gain access to markets that are difficult to enter without synergies. To establish an insurance-market in a developing country is difficult, as often neither the necessary procedures nor structures are established. An additional factor why Swiss Re is interested in such partnership is that the company does not have business networks in developing countries. Thus, Swiss Re seeks collaboration with companies such as Nestlé and Syngenta that provide direct access to smallholder farmers through their businesses. As follows, Swiss Re is able to circumvent the establishment of an extra and costly insurance supply-chain. This approach eventually enables the firm to gain access to smallholder farmers and to offer them insurances cost efficiently.

According to Swiss Re, the NVA's main potential is that of involving the private sector in the development of such markets. The main advantage of working with big corporations is that one can build and scale up programs on well established and stable supply-chains. These synergies make programs especially promising in terms of their sustainability.

How does Swiss Re incorporate the initiative in its corporate strategy and how does Swiss Re implement it across its supply chain?

Swiss Re implements the NVA initiative on a project basis. Generally, Swiss Re offers innovative insurance-based products via partners to smallholder farmers. These insurance products are either indemnity-based or index-based. Indemnity-based products include pay-outs on the basis of the assessment of crop shortfalls. This procedure is very costly hence rendering the product unsuitable for programs in developing countries. In contrast, index-based products are built on transparent systems like weather-, green- or yield-indexes and are less complex to evaluate. Weather-index insurances are for example based on the amount of average rainfall in a specific region. To gather and process this kind of information, Swiss Re is actively working together with official sources such as national meteorological stations. Consequently, in a smallholder farmer's insurance terms, a minimum level of rainfall is determined. If this minimum of rainfall were not be attained during a crop-cycle, Swiss Re would pay out and therewith mitigate the financial losses caused by the drought. The insurance normally covers one crop-cycle and the smallholder farmer can specify term details such as the amount of crop to be insured. Depending on the index chosen, more or less risks can be covered. A weather-index for example does not compensate pest infestations whereas a more holistic insurance product such as a yield-index will provide indemnities in this case.

As already elaborated above, Swiss Re is not directly involved in the retail business. The firm perceives its function to be an insurance-provider to companies that already work along the agri-business supply-chain. As a result, Swiss Re sells its products to companies like Nestlé, which will further transmit the pay-outs to smallholder farmers in case of crop failures. In this sense Swiss Re offers its range of products to farmers indirectly. Thereby, the company evades the need to establish an additional supply chain for retail insurances. Eventually, all stakeholders involved benefit from greater sustainability due to guarantees that allow them to continue their businesses despite poor harvests.

Swiss Re elaborates its tailor-made program approaches with respect to local conditions. An example of such a program is the collaboration with the Vietnam Agribank Insurance Joint Stock Company (ABIC). Swiss Re has introduced an index-based insurance program to cover the loans given to rice farmers. More specifically, ABIC transfers the risk of non-repaid loans to Swiss Re. Circumstances that require indemnities are defined by an independent "area-yield index" that is based on data from the Vietnam's Bureau of Statistics.

With this insurance scheme, ABIC is able to offer rice loans hence transferring potential pay-outs from Swiss Re to smallholder farmers in order to mitigate the impact of individual credit defaults resulting from poor harvests. Finally, this ensures that ABIC can continue to issue

loans to 5 million rice-farming household, thus helping to sustain the important rice-market of Vietnam that contributes 20% to the global tradable rice surplus.²⁸

Another form of approach is Swiss Re's participation in the R4 Rural Resilience Initiative. Oxfam America, the World Food Program and Ethiopia's national meteorological agency along with other partners launched this initiative in Ethiopia in 2008. Around 13'000 smallholder farmers are participating in this new index-based weather insurance initiative, designed to cover a variety of crops. Farmers can pay their insurance by working on environmental improvement projects that benefit the whole community. This innovative risk management approach has allowed a growing number of rural households to benefit from insurance.²⁹

According to Swiss Re, the advantage of insurances is that they provide security to farmers and enable them to continue their business even in case of bad harvests. Furthermore Swiss Re is convinced that insurances will enable smallholder farmers to take more risks respectively to invest more in fertilisers and seeds and thus to substantially increase their yields in a mid- and long-term perspective.

Swiss Re stressed that agriculture has become one of seven top-priorities within their company and that they will continue to boost agri-business insurances. Similarly, Swiss Re is confident that companies will implement the guidelines declared by the NVA within their respective corporate strategies and that substantial progress in food security will evolve.

What role does Swiss Re assign to the smallholder farmers in its corporate strategy?

According to Swiss Re there are three categories of farmers: the first category includes smallholder farmers that are defined as being self-sufficient and owning less than one hectare of land. The second category comprises middle-scale farmers that produce small surpluses for the market. The third and last category represents the big agri-business companies. Despite this categorization, Swiss Re believes that every smallholder farmer is a businessperson.

Swiss Re mainly affects smallholder farmers through its innovative insurance projects that seek to tackle environmental and social challenges within developing countries. The company's goal is to provide products cost efficiently and thus enabling farmers to transfer risks and to ensure the continuity of their businesses. It has to be clear that smallholder farmers are rarely direct consumers of Swiss Re's products as the firm is not directly involved in the retail business. In most cases the farmers benefit from firm's insurance through

²⁸ Official Webpage Swiss Re

²⁹ Satterthwaite (2012)

partners such as ABIC, Nestlé or Oxfam America that have already established direct relationships with producers. Naturally, these programs constitute a small fraction of Swiss Re's overall global business.

6.3.3. Synthesis

In conclusion, Swiss Re conceives the NVA as a platform that fosters collaboration among companies committed to contribute to the issue of food security on a market-based approach. Swiss Re's engagement in such an initiative primarily evolves from the interest to exploit new markets and is additionally motivated by a reputational objective.

Swiss Re implements the suggested approach by the initiative on a project-basis. There are some projects in Vietnam, Ethiopia and India involving innovative insurance products offering smallholder-farmers a mean to mitigate the financial implications of crop failures. The programs involve partnerships with other companies, the public sector and NGOs. To what extent such programs meet the needs of smallholder farmers and are thus suitable to tackle the issue of food-security, has to be evaluated by further qualitative and quantitative examination.

Compared to Nestlé and Syngenta, smallholder farmer do neither constitute a crucial role in Swiss Re's supply-chain, nor do they constitute the primary target group in the whole re/insurance business. Smallholder farmers are not of primary interest for Swiss Re and thus no they do not embody a specific role in Swiss Re's corporate strategy.

Nonetheless, the market-based approach to development, in partnership with different stakeholders, is a promising and interesting approach. The expertise of various stakeholders and the complementary of their actions constitute the added value.

6.4. Conclusion: A comparison of the three companies' involvement

The NVA is perceived by all three firms as a platform to improve collaboration among different stakeholders. There is a common agreement that the most important added value of the NVA is bringing together like-minded companies that share the same overall goals but operate in different sectors and can thus contribute specific knowledge in distinct domains. The resulting complementary cooperation is seen as the critical factor to achieve progress in agricultural development and reach the initiative's objectives. While Swiss Re puts the major focus on the collaboration and complementarity between the companies themselves, Syngenta especially highlights the importance of the cooperation with the public sector. Nestlé similarly places emphasis on public-private partnerships, also adding cooperation with civil society and the inclusion of farmers. In sum, the approach is commonly perceived as

one of partnership, among multinational companies and with governmental- and non-governmental actors.

The motivation for supporting the initiative is, in the case of all three companies, not a philanthropic one. Rather, the NVA supports the penetration and development of new markets. Whether it is assuring the supply chain of the company – as in the case of Nestlé – or gaining access to new markets for the firms' products, like for Syngenta and Swiss Re, all the companies involved expect somehow a return on their engagement. In addition, Nestlé explicitly emphasizes the fact that the NVA is only one of many initiatives of this kind to which the company commits itself and thus does not imply operational changes in corporate strategies.

All three firms consider the farmer first and foremost as a businessman. While Syngenta emphasizes that it does not intend to reach the few real subsistence farmers but farmers that can produce at least a small surplus, Nestlé claims that it works with all the farmers, irrespective of their "size". Also Swiss Re considers all farmers to be businesspersons and thus potential clients. Their shared market-based approach to farming is reflected by their respective goals with regards to the improvement of farmers' conditions. While Syngenta intends to boost the farmers' productivity, quality and profitability by providing adequate products and technology, Swiss Re indirectly seeks to enable farmers to transfer risk and to ensure the continuity of their businesses with re-/insurance products. Finally, Nestlé's goal, operating along the whole supply chain, is to improve the agricultural production as well as the social and economic status of farmers to ensure its acquisition of competitive raw materials that satisfy high quality standards. These goals illustrate the fact that the companies operate in quite different domains. This also means that the market relations between the companies and the smallholder farmers are different. In the case of Syngenta, the farmer is a direct client, who has taken the decision to buy Syngenta's products. Swiss Re offers its products indirectly to the farmers, via partners like other multinationals, international organizations or public institutions. For Nestlé, the farmer is the provider of its raw materials. The company buys the products either directly from the farmer or through cooperatives or other retailer networks.

To sum up, the comparison shows the shared goals and common approach with regards to smallholder farmers and the transformation of agriculture that are reflected in the NVA. It also illustrates the fact that the initiative is a platform to bring together global players with different knowledge and strengths. Correspondingly, complementary partnerships for projects can be formed.

7. Conclusion

In this paper, we sought to provide a better understanding of the reasons that motivate NVA members to promote and implement such an initiative. Based on SDC's suggestions, we focused our research on NVA project board members Nestlé, Swiss Re and Syngenta. In the qualitative assessment, special attention was given to the integration of smallholder farmers in their respective corporate strategies.

The NVA is one initiative among others tackling the problem of food security and rural development. Its primary added value is its intention to drive change through cooperation among private sector actors on the basis of an integrative and market-based approach, thereby also focusing on the potential of public-private partnerships. It represents a roadmap for all stakeholders along the agricultural supply chain and provides a broad outline of necessary principles and tools for its aspired transformation.

As a result, a number of concrete projects have been implemented according to the principles stated by the NVA. To assess their impact adequately, these projects will first need to attain a certain level of maturity. Given the short timeframe, the major challenges for companies have been to identify the gaps between theory and practice of the implementation and consequently to define specific strategies how to accomplish the stated goals of the initiative.

The interviews conducted with the three companies further illustrated that they will not enter engagements in a completely philanthropic area. These firms implement their projects only in countries with a certain level of socio-economic development where the public sector is willing to provide soft and hard infrastructure. We can therefore conclude that the NVA does not primarily target smallholder farmers at the bottom of the pyramid who lack the ability to produce an agricultural surplus for markets.

Civil society criticism has put emphasis on the fact that smallholder farmers have not been fully integrated in the elaboration process of the initiative. It is indeed permissible to question whether the proposed approach is in accordance with the interests of smallholder farmers, thus, improving their standard of living effectively. Personal and economical independence of farmers as well as the environmental stability may be endangered through processes that are subject to rigorous quality directives. Such constraints may imply specialization on distinct production procedures. Issues such as monoculture plantations and economic dependency have to be taken into consideration and should always constitute subjects for discussion. Eventually, it is very desirable that long-term project evaluations will expose possible misalignments and result in customized implementation practices where needed.

Despite all the valuable criticism, it should be emphasized that the initiative's intention to include all relevant stakeholders is honorable and very likely a step towards enhanced rural development. The inclusion of distinct expertise in complementary actions of the private sector inheres a great potential.

Nevertheless, we think that it is adequate to further scrutinize whether the proposed approach is an adequate mean to fight poverty and to render agriculture more environmentally sustainable. Further issues like an equitable distribution or a sustainable consumption behavior also need to be addressed in context with these challenges.

8. Recommendations to SDC

Having outlined how the companies understand their commitment to the NVA, we will in this last section look at the role of SDC as an official agency for development cooperation. As emphasized in the NVA report, every stakeholder has a critical role – the private sector cannot do it alone and needs the support of public and non-governmental institutions. How and in what areas can the food security division of SDC intervene and offer its support?

First, SDC can use its network of both civil society and private sector partners to promote the dialogue between NGOs and NVA companies. In the frame of our research, these stakeholders have defined their standpoints mostly in a unidirectional manner. As a result, their communication may be ineffective. SDC could foster the readiness to enter into constructive dialogue. Mutual advantages must be highlighted and forms of commitment should be adjusted bilaterally. Once readiness to enter into dialogue has been established, SDC may promote transparent methods of communication in order to prevent misunderstandings or even distrust. We are very confident that SDC possesses the required credibility and technical know-how to dismantle prejudices and boost cooperation among all stakeholders.

Second, SDC can support specific projects that target smallholder farmers on a subsistence level. This research has identified a gap between smallholder farmers at the very bottom of the socio-economic pyramid and farmers that already possess a certain level agricultural production potential. SDC must try to enhance the opportunities of subsistence farmers that lack means to prosper economically. In order to do that, it could – in line with the companies – elaborate a differentiated and intelligible definition of smallholder farmers in order to tag the working poor that would benefit most of a connection to NVA members. Accordingly, SDC should endorse means that allow them to participate in the value chains and increase their income and security, because the private sector will not become active in this area.

Establishing cooperatives among farmers who cannot enter markets by themselves seems to be a very promising device. SDC should be interested in organizing such networks that pool and coordinate administrative, legal and technical issues in developing areas. Farmers could benefit from better access to markets and more sophisticated production assistance. As a result of long standing experience in poverty alleviation, SDC can contribute a considerable benefit to economically isolated smallholder farmers by helping them organize themselves. The goal must be to prepare a sustainable business plan for cooperatives that eventually allows SDC to hand over responsibility and withdraw from such projects.

In this context it would be very interesting to elaborate a basic framework, possibly in collaboration with the NVA, that could be implemented similarly in different regions without compromising local conditions. The idea is to facilitate farmers in various regions sharing their knowledge and comparing implementation of instruments and institutions. If the initial production and administration prerequisites were similar within all SDC project plans, information sharing and pooling could be managed very effectively. Again, the longer-term target would be to establish a self-sustaining network.

A considerable strength of the NVA is that its members can help overcoming different constraints that prevent smallholder farmers from escaping poverty and vulnerability. As our research has shown, the companies can, for instance, provide inputs to increase production and productivity, generate new markets and market accessibilities and offer instruments to mitigate risks. Given the companies' decentralized structures, however, a complete and sincere implementation of the principles set in the initiatives is very difficult to achieve, regardless of their actual commitment. In helping to foster dialogue between different stakeholders and to close participation gaps, SDC may contribute to disposing inefficient and incomplete implementation of the NVA standards. While many aspects of the NVA are desirable, the SDC effort must not necessarily take place within this framework. The collaboration with the private sector may be more effective when occurring in the scope of specific projects which create additional benefit for smallholder farmers regardless of NVA standards.

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Annexe: Interview Questions

1. Common questions to Nestlé, Swiss Re and Syngenta

Introductory remarks

The following three questions will guide the analysis of our research paper on “Food Security: The New Vision for Agriculture (NVA)”:

Why is the private sector interested in elaborating and promoting such an initiative?

How do Nestlé, Syngenta and Swiss RE incorporate the guidelines of the initiative in their corporate strategies and how do they implement them across their supply chains?

What role do the companies assign to the smallholder farmers in their corporate strategies and respective country business plans?

Overall approach towards Sustainable Agriculture

1. What is a smallholder farmer?
2. How does the company concretely define sustainability?
3. There is a large consensus in the international community that a transformation of agricultural is needed. What are the problems in agriculture that the smallholder farmer cannot produce productively, sustainably and profitably?

The company and the NVA Initiative

4. Compared to previous and other recent initiatives, what is “new” in the NVA?
5. The NVA is now led by 28 global companies. What are the advantages of a process driven by big players of the private sector?
6. The company belongs to the original members of the project board of the NVA. What are its motives to initiate and champion such a process?

2. Specific questions to Nestlé

Nestlé's implementation of the NVA

1. For Nestlé, what does the NVA imply in reality? What can be realistically be implemented and what are the challenges in the implementation of the NVA?
2. How do you make sure that the guidelines of the report are implemented along the whole value chain and in all the national branch offices? (Implementation of the Nestlé Supplier Code, Sourcing Traceability Program, or SAI Platform Guidelines)
3. How does Nestlé define the principal countries of raw material sourcing? What are criteria and prerequisites a country has to fulfill?
4. Sustainable Agriculture "Pilot Projects": How does Nestlé decide which sustainable agriculture pilot projects to implement in which country in which raw material?

Nestlé and the small-scale farmers

5. The initiative envisions smallholder farmers as businessmen. Are there any risks, when a small-scale farmers shift from a subsistence-economy to a new business model?
6. Does Nestlé have a criteria for the small-scale farmer they choose to work with? In which segment can this stakeholder play an important part, and where not? What is concretely Nestlé doing in order to increase direct access to small-scale farmers?
7. Who do you speak with at the farmers level and how do you create mutual understanding and confidence?
8. How does the company determine the trade-offs between sustainable rural development and the smallholder's well-being versus a raise in productivity and affordability?
9. Nestlé's support to the small-scale farmers (training, financial assistance). What are the characteristics of these capacity building programs? Is it the role of private companies to implement them?
10. Public Private Partnerships. Is Nestlé working together with the public sector in order to foster rural development and sustainable agriculture?
11. Nestlé's proactive action against child labor. How is Nestlé's working with the Fair Labor Association to tackle the child labor issue?

12. Gene technology practices. How are these practices part of Nestlé's strategy at the small-scale farming level?

3. Specific questions to Nestlé

Syngenta's implementation of the NVA

1. For Syngenta, what does the NVA imply in reality? What can be realistically be implemented and what are the challenges in the implementation of the NVA?
2. How do you make sure that the guidelines of the report are implemented along the whole value chain and in all the national branch offices?
3. How does Syngenta define the principal countries of actuation? What are criteria and prerequisites a country has to fulfill?
4. Syngenta Foundation is financed exclusively by Syngenta. Does the Foundation enjoy autonomy in decision making and policy matters?

Syngenta and the small-scale farmers

5. The initiative envisions smallholder farmers as businessmen. Are there any risks, when a small-scale farmers shift from a subsistence-economy to a new business model?
6. What does a "small-scale farmer with potential" mean to Syngenta? In which segment can this stakeholder play an important part, and where not?
7. Genetically modified seeds are mostly sold to large-scale farmers in better financial conditions. How are these practices part of Syngenta's strategy at the small-scale farming level?
8. Who do you speak with at the farmers level and how do you create mutual understanding and confidence?
9. The selling of Syngentas product Paraquat is controversial. How does the company determine the trade-offs between sustainable rural development and the smallholder's well-being versus a raise in productivity and financial gains?

4. Specific questions to Swiss Re

Swiss Re's implementation of the NVA

1. For Swiss Re, what does the NVA imply in reality? What can be realistically be implemented and what are the challenges in the implementation of the NVA?
2. How do you make sure that the guidelines of the report are implemented along the whole value chain and in all the national branch offices?
3. How does Swiss Re define the principal countries of actuation? What are criteria and prerequisites a country has to fulfill?

Swiss Re and the small-scale farmers

4. The initiative envisions small-scale farmers as businessmen. Are there any risks, when a small-scale farmers shift from a subsistence-economy to a new business model?
5. What kind of potential do small-scale farmers offer in the view of Swiss Re? In which segment can this stakeholder play an important part, and where not?
6. Who does Swiss Re speak with at the farmers level and how does the company create mutual understanding and confidence?
7. What kind of insurance contracts does Swiss Re offer? What is the usual maturity of these contracts?
8. What was Swiss Re's role in the establishment of the R4 Rural Resilience Initiative in cooperation with OXFAM America and the World Food Program?