

From cocoa bean to chocolate bar

Accelerating progress towards a transparent supply chain

Agrifood businesses increasingly care about the provenance of the things they buy. The more they know about their products, materials and ingredients, at various stages in the food value chain, the better they can take steps to secure and manage their continuous supply, calculate return on investment, and make accurate claims to consumers.



From cocoa bean to chocolate bar continued



Transparency and Traceability – what is the difference?

There are no universally agreed definitions for these two terms and different industries use them both in subtly different ways. However, it is useful to think of them in this way:

Transparency – the extent to which information about participants and processes involved in a supply chain is available to its participants and other stakeholders.

Traceability – the ability to trace products backward and forward through the supply chain, or as the World Cocoa Foundation defines it: “A methodology that provides the ability to identify the path and the history of a cocoa product and monitor the processes it is subjected to throughout the supply chain.”

Traceability in cocoa value chains requires overcoming obstacles including complex chains with multiple participants, costs and heavy administration needs.

Consumers are becoming more interested in supply chains. For instance, social media has become a powerful tool through which consumers debate single issues related to supply chains.

One thing is for sure, at a time when sustainably sourced products are becoming commonplace and brands and businesses can be readily held to account by consumers through social media or by other means, transparency is an issue that no supplier, manufacturer or retailer can ignore.

Sharing valuable insights

Through our close ties with farmers, our robust Monitoring and Evaluation system, and our use of third-party verification and certification systems, we can share valuable insights from within our supply chain.

What is traceability?

In our industry, there are many versions and interpretations of what effective traceability means in practice. We can provide information to cater to different needs, as the following examples demonstrate.

From cocoa bean to chocolate bar continued



96%
of the cocoa we source
in Côte d'Ivoire is directly
through farmer organizations

Supplier consistency – we know the farmers we work with

By engaging more farmers in the Cargill Cocoa Promise, we are building a more consistent supply base. In some countries, for example Côte d'Ivoire, farmers have sold their cocoa to us through the same farmer organizations for many years – and in 2015 we sourced 96% of our cocoa from them. We know these suppliers well and trust them. They, in turn, know and trust us. This gives us confidence that they bring us the best quality cocoa they have. We can also gather useful information about farm performance from them.

We are working with cooperatives, our local partners and our customers, to find ways of cascading accurate, relevant information up the supply chain. We think this goes to the heart of what we need to drive transformation in the sector.

Certification – a powerful tool and information source

Certification schemes are integral to our approach. They provide internationally recognized and independent standards for sustainable production – in effect, a clear and credible framework for sourcing cocoa more sustainably. These schemes, including those run by UTZ Certified, Rainforest Alliance and Fairtrade, set out economic, environmental and social standards, which help farmers to improve their farming practices. They make sure farmers are achieving these standards through regular audits of farmer organizations. And, via their labels, they offer a signal to the consumer that a product has been responsibly produced.

Independent auditors verify the certification schemes we use, providing transparency in our supply chain. Their audits also provide information that enables us to measure the effectiveness of some of our programs.

How certification adds value for farmers, customers and consumers



For farmers

- Certification encourages **professional farm management** and good agricultural practices
- Farmers **benefit financially** from certification when they receive premiums on certified crops
- Premiums received by farmer organizations from certification are **reinvested** to support farmer members and the local community
- Certification schemes and standards encourage **long-term improvements in productivity, quality and cost efficiency** enabling farmers to form strong and long-term relationships with buyers



For customers

- Certification improves **transparency and traceability** in their supply chains
- Independent assurance **adds credibility** to sustainability claims
- **Added brand value** from connecting the benefits of the label to what they stand for
- The certification label helps them to **promote their sustainability commitments**



For consumers

- Certification labels can be used on packaging, online and marketing promotion to help them **choose sustainable products**
- A certification label on product packaging provides **independent assurance** that their favourite brands source their ingredients responsibly
- A certification scheme shows that the product **contributes to improved livelihoods for farmers**

From cocoa bean to chocolate bar continued

Financial transparency – explaining where the money goes

Because of the strength of our relationships with farmer organizations, we can give customers accurate information about where and how their premiums are spent. We can also target their investments more precisely, showcasing how their investments make a difference.

Social return on investment – how we really make a difference

Ultimately, we – and our wider stakeholders – want to know that our programs make a difference in the field. To do this, we are continuously improving our ability to measure the performance of our programs and the positive results that they deliver. You can read more about our robust Monitoring and Evaluation system on page B20.

Where next for traceability?

Last year, we launched an assessment to determine the logical next steps to improve traceability in our sector. We invited a number of specialists to share their views and ideas, including our customers, suppliers, NGOs and academics. This assessment has already improved our understanding of the many different angles that need to be considered when addressing traceability solutions.

Based on our experience and our research into the expectations of players in our sector, we are certain that demand for traceability solutions is here to stay. Our view is that these solutions should be mutually beneficial to all those involved. We need to work together to create traceability solutions that support better ways of working through the supply chain, otherwise we run the risk of taking actions that have a negative impact on cocoa farmers.

Openness and mutual cooperation between farmer organizations, suppliers, consumers, customers, NGOs and other players are required. This partnership approach will improve our knowledge about the provenance of cocoa and the conditions in which it is produced.



“To ensure traceability supports farmer livelihoods, we have to keep the existing cost efficiencies in the chain in mind, while thinking openly about ways to innovate to meet a growing demand for traceable solutions from the market.”

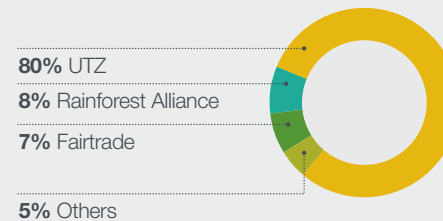
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Cocoa bean volumes

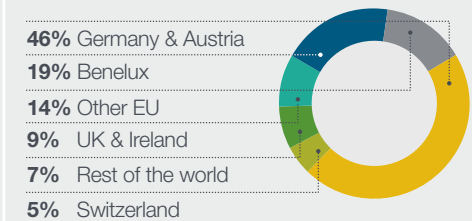


Certification by type (FY 2014/2015)



This diagram shows what percentage of our certified farmer partners work with each of the four independent certification standards we use.

Sum of certified sustainable sales per region calculated in bean equivalents



This diagram shows the percentage use of the four independent certification standards across different regions.

How do cooperatives invest their certification premiums?

