



Committed to
more

The 2016/2017 Cargill Cocoa Promise global summary report

Committed to more

Cargill is committed to leading the industry towards a thriving cocoa sector. Our aim is to improve the lives of cocoa farmers and their communities across five origin countries and, in doing so, secure the future of cocoa and chocolate.

This report looks back at five years of the Cargill Cocoa Promise and provides an insight into the global trends and opportunities affecting the sustainability of the cocoa sector.



You can find full details of our approach, activities and progress in delivering the Cargill Cocoa Promise online www.cargill.com/cocoa-sustainability

Contents

Our world

A shared commitment to more
page 01

The global evolution of the Cargill Cocoa Promise
page 02

The changing world of cocoa
page 04

Our pathway towards 2030
page 06

Our stories

Committed to our planet
page 08

Committed to farmer aggregation
page 10

Committed to transparency
page 12

Committed to farmer socio-economic resilience
page 14

Our progress

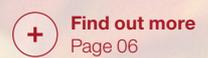
Performance at a glance
page 16

Improving farmer livelihoods
page 18

Improving community livelihoods
page 22

Our goals

Our new 2030 goals, represented by these icons, appear throughout this report:



Our world

A shared commitment to more

Our journey

Cargill has been working with farmers for over 150 years and, in that time, we have built a huge amount of knowledge, experience and relationships across commodities. We brought this experience to the cocoa sector over two decades ago. When we saw this business opportunity, we also recognized a need to support farmers, and the sector as a whole, to become stronger and more sustainable over time. This first mover experience put us in an ideal position to lead the move towards sustainability in the cocoa supply chain, as demand for sustainably sourced cocoa began to become mainstream.

From this position, five years ago, we launched the Cargill Cocoa Promise – to signal the integrity of our approach, to set a framework for cocoa sustainability in five origin countries, and to make it easy for our customers to see our commitment across the supply chain.

Aiming for more

We are very proud of the progress made by ourselves and our partners working to move the needle on sustainability in the sector, but we recognize there is a long way to go before we can say that the future of cocoa and chocolate, and that of cocoa farmers, is truly secure. There's much more that we need to do, especially when it comes to sharing knowledge and partnering to embed transparency and responsibility into a complex supply chain with many interdependencies.

As stakeholder expectations evolve, large industry players have a new mandate to operate sustainably. Working between farmers, customers and governments gives us opportunities to bring people together and create positive change. Specifically considering our own role at Cargill, we are able to use our global scale and knowledge to transfer cross-sector best practices into cocoa and chocolate – for instance, when it comes to applying new technologies.

We're committed to do more with our Cargill Cocoa Promise, so this year we have – in line with our business strategy, aligned our sustainability strategy and updated our goals. The strengthened approach and release of these ambitious goals does not fundamentally change the way we operate. However, it will give us more focus and energy to accelerate our efforts, in particular in supply chain transparency, and to understand and develop, together with partners, innovative solutions to address existing as well as emerging issues across the sector.

Our commitment for the long term

Working to build up the economic, environmental and social resilience of smallholder farmers and their families benefits the people and communities involved, something I care personally about. But, it is more than a feeling of responsibility, it is also an essential investment in the security of our supply chain and long-term success of our business, and those that depend on us. As the leader of Cargill Cocoa & Chocolate, it is my role to drive profitable growth of our business and to do this, sustainability is not optional. I must continue to improve and embed the sustainable practices of the Cargill Cocoa Promise into our business and supply chain.

Building a sustainable future for cocoa and chocolate means that we must stick to our convictions about the things that matter and set our aims high, as we have done with the development of our 2030 sustainability goals. But we must also be willing to listen and learn. Just as the sustainability context is different now from the context a decade ago, we must stay responsive to the needs and challenges ahead.

“I'm excited about the positive contribution I, together with my colleagues at Cargill and our valued partners, can make to a thriving sector. I invite you to join us at Cargill Cocoa & Chocolate to create this future, together.”

Harold Poelma
President
Cargill Cocoa & Chocolate



The global evolution of the Cargill Cocoa Promise

We launched the Cargill Cocoa Promise in 2012 as part of our long-term commitment to create a thriving cocoa sector, across the whole value chain. A thriving cocoa sector has a role to play not only in terms of business success, but in solving big challenges such as alleviating poverty, improving standards of education and ensuring valuable natural resources are treated with care.

In the five years since the Cargill Cocoa Promise began, our actions have built on our existing work, to make a significant difference to our business, our customers and the communities where we source our cocoa. But the world is changing and of course, we must be agile enough to adapt to trends such as climate change and resource scarcity. A global view is critical, and we continuously apply what we learn through our work in each country, adapting our approach and applying best practices that meet the specific needs and challenges of individual countries and communities.

Committed to more

This year, we report on our goals which we aim to achieve by 2030. Informed by Cargill's experience and knowledge, stakeholder concerns and the UN Sustainable Development Goals (SDGs), these goals will guide the future of the Cargill Cocoa Promise. They will inspire us to do even more to tackle the sustainability challenges facing our sector and wider society as we adopt an ever more global perspective.

* All sustainable sourced cocoa is third party certified

+ Discover our goals
Page 06

+ Read about our progress
Page 16

Proportion of cocoa sourced in origin country



Ghana

4%

sustainable sourced cocoa from Ghana in 2016/2017 (5% in 2012/2013)*



Launch of Cargill's Licensed Buying Company in 2016 will accelerate the current stance in sustainable volume growth.

Côte d'Ivoire

59%

sustainable sourced cocoa from Côte d'Ivoire in 2016/2017 (34% in 2012/2013)*



We see continued and consistent growth in sustainable volumes in Côte d'Ivoire, the world's largest cocoa producing country.

Brazil

1%

sustainable sourced cocoa from Brazil in 2016/2017 (0% in 2012/2013)*



Our Brazilian sustainable volumes (which is a new territory) are predicted to grow in line with increased regional demand.

Indonesia

7%

sustainable sourced cocoa from Indonesia in 2016/2017 (0% in 2012/2013)*



Supported by regional demand, sustainable volumes are gaining momentum in the country, with a 7% increase over three years.

Cameroon

32%

sustainable sourced cocoa from Cameroon in 2016/2017 (0% in 2012/2013)*



Impressive growth in sustainable volumes due to Cargill's sourcing capabilities combined with farmer interest in sustainable practices.

Our Cargill Cocoa Promise approach



What do we hope to achieve?

We want to enable farmers and their communities to achieve better incomes and living standards in a way that will accelerate progress towards a sustainable and transparent global supply chain of cocoa and chocolate.

Our impact areas

We aim to achieve measurable, positive impacts for farmer and community livelihoods. To do this we focus our investment and efforts across four areas:

Farmer development

At the individual farm level, we develop plans to optimize cocoa production and ensure inputs, such as fertilizers, are accessible and used efficiently and responsibly.

Farmer training

To empower farmers to run their farms as successful businesses, we provide training, personal coaching and tools that promote good agricultural, social, business, environmental, and health and safety practices.

Community support

To help strengthen farming communities, we improve access to basic services such as education, health and nutrition and break down barriers to economic empowerment.

Cooperatives and farmer organizations

At the foundation of the Cargill Cocoa Promise are our long-standing partnerships with business-oriented farmer organizations. We empower them as the starting-point for reaching farmers and their communities through our three other action areas.

The changing world of cocoa

To do our part to safeguard the future of cocoa and cocoa farmers, we must understand the many complex and interconnected issues that impact on the world of cocoa.



Global commitment to sustainability

Today's sustainability challenges can only be addressed through a concerted global effort involving multiple stakeholders. The UN Sustainable Development Goals are uniting governments, business, NGOs and communities behind a shared ambition and common targets for global change.

Our new Cargill Cocoa Promise goals are closely informed by the UN Sustainable Development Goals



Find out more
Page 06



Read more about our work with industry initiative CocoaAction online
www.cargill.com/page/cocoaaction



The boom and bust of cocoa

The price of cocoa can be impacted by many factors – from fluctuating supply and demand to short-term weather events and long-term climate change. To safeguard its future, cocoa must provide an attractive and secure income for many more generations of cocoa farmers to come.

We believe farmer aggregation and diversification of income are crucial for securing a stable, long-term income for cocoa farmers.



Find out more
Page 14



Supply chain transparency

From cocoa farm to chocolate bar

Businesses and consumers care more than ever before about the standards behind the things they buy. For certified products, they want to know their investment is delivering the benefits they are promised.

Advances in technology are creating new opportunities for transparency and traceability in the cocoa supply chain.



Find out more
Page 12

+1m

metric tons of UTZ certified cocoa was exceeded for the first time in 2016, based on global estimated production





 **Climate change**

Climate change is one of the most critical issues facing society and the communities we work with across our origin countries. Land that is currently suitable for cocoa production, such as in Ghana and Côte d'Ivoire, could become unviable as a result of rain fluctuation and temperature change¹. What will this mean for the farmers we work with and the countries we source from?

As temperatures increase and rainfall patterns change, supporting cocoa farmers to become more economically resilient will be key.

 **Find out more**
Page 08

70%

of global cocoa is currently grown in four West African countries, 16% in Americas and 9% in Asia and Oceania

 **Competition for resources**

According to the World Wildlife Fund, people would need the equivalent capacity of 1.6 Earths to continue to provide the natural resources and ecological services we use today. With the global population set to reach nine billion by 2050, pressure on natural resources will only intensify.

By promoting good agricultural practices and access to technology, our farmers protect the environment and can deliver more output from fewer resources.

 **Find out more**
Page 18

9bn

projected population by 2050

 **Pressure from a growing population**

The land needed to feed a growing population will put even greater pressure on already threatened habitats. Forests are especially critical – both for mitigating climate change and sustaining natural ecosystems.

We have pledged to eliminate deforestation from our agricultural supply chains by 2030.

 **Find out more**
Page 14

 **Tackling poverty and inequality**

Despite global developments, many people around the world – including people in cocoa-growing communities – still lack access to the basic resources they need to meet their needs such as quality education for children, healthcare services and good nutrition.

We believe poverty reduction and women's empowerment are key to strengthening communities and eliminating child labor.

 **Find out more**
Page 22

75%

of women around the world cannot get bank loans²

¹ www.worldcocoaoundation.org/wcf-march-april-2015

² United Nations Development Programme

Our world

As we continue to learn and evolve our approach, the Cargill Cocoa Promise and the targets that underpin it must stay at the forefront of what is needed to improve the sustainability of our sector.

This year, we have launched five goals that cement our commitment to delivering the UN Sustainable Development Goals (SDGs) and further improving farmer and community livelihoods.

Our pathway towards

2030

In a world of finite resources, we must focus on the areas where we can deliver the greatest benefits. This year, to guide our strategy, we re-assessed the most pressing sustainability issues affecting the cocoa sector – and Cargill’s ability to influence them.

Armed with this insight, we have updated our goals that will help us drive progress through the Cargill Cocoa Promise up until 2030.

Each of the goals will be delivered and monitored through specific targets designed with the UN Sustainable Development Goals and tailored to meet local needs at country and community level. Our results-driven approach will ensure we identify new opportunities and areas for expansion or refinement along the way, while creating value for our customers by demonstrating the impact we are having.



“By sharing these goals, we want to provide clarity and visibility both internally and externally on our journey, with the aim that, together with our partners, we can align to accelerate transformation towards a more sustainable Cocoa supply chain and better businesses for all involved.”

Taco Terheijden (Director Cocoa Sustainability)



Goal 1 Farmer livelihoods

We will champion professional cocoa farming practices, to strengthen the socio-economic resilience of cocoa farmers and their communities.

Our 2030 targets:

→ One million farmers benefiting from the services of the Cargill Cocoa Promise

This means we will:

- Enable the farmers we source from to maximize the profitability of their farms through better productivity per hectare and income diversification
- Enable farmers we source from to benefit from professional farmer organizations, as we see this as a key pathway to long-term cocoa sustainability in the regions we source from
- Deliver the above by offering products, services, training and coaching to all the farmers we source from

Aligned SDGs



Goal 2 Community wellbeing

We will enhance the safety and wellbeing of children and families in cocoa farming areas.

Our 2030 targets:

- Zero incidents of child labor in our supply chain by 2025
- One million families benefiting from the services of the Cargill Cocoa Promise

This means we will:

- Identify, prevent and end child labor in our supply chain
- Support the development of a Community Action Plan (CAP) in communities where we source cocoa. CAPs will act as a roadmap to accelerate community wellbeing with a focus on child protection, education, health/nutrition and women's empowerment
- Partner with community members, NGOs, governments and other stakeholders to provide sustainable development solutions that meet locally defined needs

Aligned SDGs



Goal 3 Protecting our planet

We will promote environmental best practices in our business and across our supply chain.

Our 2030 targets:

→ Zero deforestation in our supply chain

This means we will:

- Identify, prevent and eliminate deforestation in our supply chains, whilst seeking ways to contribute to reforestation and biodiversity
- Assess and set science-based carbon targets for our supply chain, aligned with the Paris Climate Agreement
- Increase farmer resilience to climate change impacts

Aligned SDGs



Goal 4 Consumer confidence

We will help consumers around the world choose sustainable cocoa and chocolate products with confidence.

Our 2030 targets:

- 100% farmer to plant traceability of our cocoa beans
- 100% chocolate ingredients sourced in line with our sustainability code of conduct

This means we will:

- Make traceability the standard in our direct sourced cocoa supply chain
- Work towards sourcing, manufacturing and marketing 100% sustainable cocoa and chocolate ingredients
- Share an honest and transparent story about our sustainability journey with customers and consumers

Aligned SDGs



Goal 5 Transformation, together

We will use the power of partnerships to accelerate and magnify our efforts to achieve a level of sector transformation that cannot be accomplished alone.

This means we will:

- Invest in partnerships that focus on driving transformational change in the areas of market demand, accountability, public sector governance and farmer organizations
- Be a data-driven thought leader in the industry, using our knowledge and scale, together with our peers, to help raise sustainability norms industry-wide

→ Contribute our expertise to science, policy and capacity development to support governments and civil society organizations to address significant sustainability issues in the sector, together

Aligned SDGs



Our stories

Ending deforestation in our supply chain

Committed to our planet

2.3m ha

land assessed for tree cover
loss using GPS technology across
our five origin countries

Commitment

We have joined global efforts to
eliminate deforestation across
agricultural supply chains by 2030

As a leader in agriculture, food and nutrition, we are keenly aware that the strength of the global food system depends on the health of the world's natural resources and farming communities. That is why we have committed to end deforestation in our cocoa supply chain to help mitigate climate change and reduce habitat loss.

Society today is at a critical crossroad as it considers the role of business in curbing climate change. We know that reducing and mitigating the impact is crucial to future global food security, and ending deforestation plays a central role.

Forests: vital to life on earth

The world's forests support plant and animal life and provide vital food, water, fuel, medicine and livelihoods for billions of people.

They are also intrinsically linked to climate change, with estimates suggesting around 12% of global greenhouse gas emissions result from tropical deforestation⁹. When it comes to mitigating climate change, forests provide crucial natural processes that reduce the impacts – from regulating water flow to absorbing carbon dioxide.



“Currently, 100 families are engaged in the Forest Cocoa project in Brazil and 500 hectares have been planted with agroforestry cocoa. This highlights the opportunity to expand our efforts to more than 2,500 families by 2020 if we can establish inter-institutional arrangements with the private sector, public agencies and cocoa producers. Cargill’s support has been instrumental to the success of the project.”

Rodrigo Mauro Freire (Forest Cocoa Project Manager) – Brazil



Read the full story

on the Cargill Report on Forests published in January 2017

Using our influence

There is no one-size-fits-all approach to eliminating deforestation and we cannot do it one company at a time, or one supply chain at a time. Through our relationships with both growers and consumers, we can use our position to help protect forests in the countries where we do business. In 2014, we joined global businesses, governments and civil society groups in endorsing the New York Declaration on Forests at the United Nations Climate Summit. We pledged to eliminate deforestation across our agricultural supply chains by 2030. In May 2017, Cargill was one of 30 companies whose CEOs wrote an open letter to the President of the United States expressing strong support for remaining in the Paris Climate Agreement. Also in 2017, we were among 12 of the world’s largest cocoa and chocolate companies to commit to the Cocoa & Forests Initiative to end cocoa supply chain deforestation.

Since signing the New York Declaration, we have been working to develop a clear roadmap, supported by clear policies and practices that will lead us to deliver our 2030 commitment. Our Global Policy on Forests is underpinned by a series of detailed action plans for higher-risk supply chains, including cocoa. Much of our approach and activity looks cross-commodity as we aim to draw upon the diverse knowledge and experience we have in different parts of the business.

Mapping progress: the science

We understand that any meaningful progress we make towards delivering our goal must be evidenced by sound science that demonstrates positive change against a predefined baseline. In collaboration with the World Resources Institute (WRI), we carried out a risk assessment to develop a global baseline of tree cover for areas at risk of deforestation across four priority commodities, including cocoa.

For cocoa, we have assessed over 2.3 million hectares across our five origin countries using GPS technology to evaluate habitat type and tree cover loss. These assessments will lead to a baseline against which we will measure progress towards our 2030 no deforestation goals. We are now using the results to prioritize interventions and advance sustainable landscape approaches to mitigate further deforestation and protect biodiversity.

The future: why global standards are key

If the New York Declaration on Forests is to succeed, we must focus on approaches that prosper at scale and that tackle the highest risks areas. Addressing the gaps in forest conservation around the world will be crucial for any sort of meaningful progress. This means building consensus around definitions and standards of measurement to align stakeholders around a common global approach, and encouraging government action to advance and align institutional frameworks and jurisdictional approaches. Building collective action through sustainable landscape approaches will be key, both in strengthening governance and maximizing outcomes.

To achieve lasting change, we will need to engage all suppliers – from farmers and cooperatives to suppliers, customers and governments.

Reforestation: reversing the trend

Cocoa is an ideal crop to drive reforestation. Young cocoa trees perform optimally under shade cover, which provides habitat for birds and mammals and improves soil health. The UTZ certification code requires that at least 12 evenly-distributed shade trees are maintained per hectare on cocoa plots. We are working with farmers and other partners to explore opportunities to restore forest cover. For example, our one-to-one farmer coaching in Côte d’Ivoire includes training on the benefits of providing tree shade cover for increasing cocoa crop resilience to climate change. Tree planting will be also promoted through farm development plans. We will work with around 30 cooperatives that operate cocoa tree nurseries, with the aim of engaging 3,000 farmers and producing over 90,000 shade trees in the first year. Our hope is to build up a robust business case on the benefits of planting trees for increasing cocoa productivity and other income streams.

³ Intergovernmental Panel on Climate Change Report on Agriculture Forest and Other Land Use.

Our stories

Explaining the power of partnerships

Cargill sources its cocoa from more than 400,000 farmers across five origin countries, predominantly smallholder farmers⁴.

Two decades ago, well before the establishment of the Cargill Cocoa Promise or competitor programs, we made the deliberate decision to partner with these farmers by working with local cooperatives and farmer organizations to provide the training and resources they need to farm more profitably.

Unlocking potential through aggregation

There are a myriad of benefits available for farmers through aggregation – from improving access to markets and flexible finance, to promoting certification and providing training and tools to improve agricultural practices.

⁴ Generally defined as operating farms less than 10 hectares in size.

Today, the long-term relationships we have built with farmer organizations sets us apart in our ability to drive positive change and track the beans we buy at the farm level. We have focused our attention on strengthening the internal capabilities of farmer organizations so that they can become more professional, self-sustaining and capable of delivering progress in the communities they serve.

85% of our sustainable cocoa is sourced through our direct sourcing network, which means we know and work in partnership with the farmer and therefore, can trace it back to the farmer organization or certificate holder we bought it from.

In Côte d'Ivoire 99% of the cocoa we purchased in 2016 was directly sourced through cooperatives.

Replicating success, country by country

Farmer aggregation takes on many different forms and stages of maturity depending on the country of operation and the preference of the farmers. We are learning from our experience and best practices in different countries to scale up our impact. Our first aggregation-based sourcing model started in Côte d'Ivoire. Today, it includes more than 100 cocoa cooperatives which supply 99% of our directly sourced cocoa. As part of our approach, we launched the Cargill Coop Academy in 2013 to provide an industry-first mini-MBA program designed to help professionalize the way cooperatives are run. So far, 320 leaders from 80 cooperatives in Côte d'Ivoire have chosen to participate in the program, as well as 240 leaders from 60 cooperatives in Cameroon who took the course since its launch in March 2016.

560

leaders from 140 cooperatives have participated in the Coop Academy in Côte d'Ivoire and Cameroon

99%

of our cocoa purchased in Côte d'Ivoire was directly sourced through cooperatives

Committed to farmer
aggregation

Research undertaken by SCOPE Insight in Côte d'Ivoire in 2017 found that, of 78 cooperatives that have been assessed so far, 36% can now be considered professional compared to 6% before they took part in the program.

The success of the Coop Academy has paved the way for other practical solutions such as Doni Doni, a credit facility in Côte d'Ivoire which allows cooperatives to lease collection trucks. In its first two years, the scheme funded 139 trucks through 56 farmer organizations, representing more than 66,000 farmers. A second credit facility which provides cooperatives with approved, high-quality crop protection products is proving equally as successful and we are now looking to implement the scheme in Ghana, Cameroon and Indonesia. Without the aggregation, it would have been impossible to deliver improved outcomes to these farmers.

Next, we will be building on these successes, together with the farmers, to introduce a professional management system which will be fully owned and handled by the cooperatives.

In Ghana, the picture is different. Here, the preference of farmers was to develop informal groups. More recently however, we are seeing a shift in choice towards the aggregative model, including in government policy. Through our work in Ghana, we have learnt how digital trade could contribute to better farmer livelihoods (see page 13) and we are designing a small-scale cooperative scheme to support the foundation of our new 100% e-money led business model, which benefits farmers through improved financial inclusion and will significantly increase transparency in the supply chain.

Finally in Indonesia, thanks to the support of Swisscontact, the direction we have taken is to establish small farmer organizations with the aim of enhancing the administration and certification of cocoa crops. There are now 525 farmer groups in Indonesia. Through this aggregation, farmers are able to share expertise and to sell their crop under optimum conditions.

Looking to the future, we believe that developing and working with farmers through aggregation is the route to building a more efficient and sustainable supply chain – for the benefit of all stakeholders, including the farmers and farmer organizations. We intend to leverage our experience in Côte d'Ivoire to build effective sourcing models in Ghana and Cameroon, and we will also replicate the success of the e-money-led business model in Ghana by accelerating our work in Côte d'Ivoire. (see page 13).



Over the past two decades, working with farmer cooperatives has enabled us to support thousands of farmers with training and resources, while significantly strengthening our direct sourcing networks. Today, when it comes to delivering a more transparent and traceable cocoa supply chain, we believe farmer aggregation is more relevant than ever.



Find out more

www.cargill.com/cocoa-sustainability

Cargill Cocoa & Chocolate

Committed to more – The 2016/2017 Cargill Cocoa Promise global summary report

Our stories

Tracing cocoa from bean to bar

Committed to transparency

50,000+

farms mapped using GPS technology, globally, since the Cargill Cocoa Promise started

31,598

farmers have opened bank accounts in 2016 (globally)

45%

of total global volume from sustainable certified sources, up from 32% in 2015/2016

As customers and consumers drive up demand for sustainably sourced cocoa, technological developments are creating new opportunities for supply chain transparency and cocoa traceability. From farmers and suppliers to manufacturers and retailers, demonstrating the origin of cocoa and how it has been produced requires openness and cooperation across the value chain.



Find out more

www.cargill.com/cocoa-sustainability

A transparent global supply of cocoa and chocolate is fundamental to the delivery and credibility of the Cargill Cocoa Promise. Only by providing clear and robust information on the participants, processes and outcomes involved across the value chain can we build trust in our claims and gain the insight we need for further improvement.

Developing a new global standard

Our new goal is to work towards sourcing, manufacturing and marketing 100% sustainable cocoa and chocolate ingredients and make traceability the standard in our direct sourced cocoa supply chain by 2030. To achieve it, we will need to be able to guarantee the credibility of our systems and the commitments we make.

Increasingly, our monitoring and evaluation systems mean we are able to track the progress of the Cargill Cocoa Promise and demonstrate value for our stakeholders across the entire supply chain.

Traceability: from cocoa farm to chocolate bar

In the context of supply chain transparency, traceability is a method of tracking products backwards and forwards through the supply chain. We need to be able to provide information for our customers and their consumers about beans of many different origins, taste and colour profiles. Successful traceability depends on the involvement and commitment of many participants in the supply chain, including over 400,000 smallholder farmers. Investment in technology is key, to manage a continuous flow of complex data, as well as developing systems that can track beans throughout the factory manufacturing process while creating products of consistent quality and flavour profiles.

Unlocking the potential of technology

The proliferation of innovative and cost-effective technological solutions is pushing the adoption and sophistication of traceability, enabling data to be collected in real time. Through the Cargill Cocoa Promise, we are realizing the opportunities offered by GPS mapping, digital data collection and mobile money, which allow for greater transparency on how cocoa is grown and sourced from farmers. Other opportunities such as geotagging, barcodes and radio-frequency identification (RFID) offer the potential promise of one day being able to create a fully digitalized traceability system that will enable stakeholders to discover everything they need to know about the provenance of cocoa and chocolate products.

GPS mapping: improving transparency on the ground

We are using GPS mapping of farms to provide detailed information about where and how a bean is grown. We have now mapped over 50,000 farms in Côte d'Ivoire, 6,000 in Indonesia, and hundreds in Cameroon, providing invaluable information on yields and farming methods. We use this insight to inform farm development plans and improve productivity. As part of our commitment to eliminate deforestation from our cocoa supply chain, we will begin using GPS mapping to demonstrate whether a farm location is linked to a deforestation hotspot (see page 08). Next, we will use GPS mapping to assess farm size across 36,000 more farms in Côte d'Ivoire, and we have plans to extend our mapping to farms in Ghana and Brazil in 2018.

Going for full traceability in Ghana

In Ghana, our innovative, high-tech purchasing model is based on the principles of full traceability. Farmers deliver their cocoa to community warehouses where beans are digitally weighed, assigned a fully traceable bar code and funds are then transferred straight to the farmer's phone or e-wallet using e-money. We can now trace each individual bag of Ghanaian cocoa beans to one of 25,000 individual farmers who have registered with the scheme – providing a level of traceability that is improving trust and credibility in the supply chain.

Championing financial transparency

When it comes to certified cocoa, more is paid for a sustainable product, which benefits farmers and farmer cooperatives, who receive a premium for the sustainable beans they grow. In 2016, via the Cargill Cocoa Promise, US\$35 million in premiums were paid to farmers and cooperatives across Ghana, Côte d'Ivoire, Indonesia, Cameroon and Brazil. In Côte d'Ivoire 50% of this total premium goes directly to farmers, and the remaining 50% is paid to farmer cooperatives. Of the 50% that was paid to the cooperatives in 2016, 22% has been distributed for farmer services, 51% was invested for strengthening cooperatives' infrastructure, 11% for community projects, and 12% for administration and governance. The remaining 4% has been distributed for other services such as bonuses and employee incentives and community gifts including calculators and chairs for schools.

Our stories

Empowering farmers to safeguard their future

Committed to farmer socio-economic resilience

49%

average yield increase
in the first year for farmers that
adopted the actions in their Farm
Development Plans in Côte d'Ivoire

62,000

farmers benefited from one-to-one
coaching in Côte d'Ivoire

For the cocoa sector to thrive in the long term, farmers must be able to secure a stable and profitable income. But smallholder farmers are particularly vulnerable to changes such as unfavorable weather or global cocoa price fluctuations. Building their economic resilience to withstand such challenges is crucial to securing a thriving cocoa supply chain.

According to the UN Food and Agriculture Organization (FAO), enhanced resilience of people, communities and ecosystems is key to sustainable agriculture.

Smallholder farmers account for more than 80% of the world's agricultural production, and their economic success is critical if we are to meet the food needs of a growing population.

However, many smallholder farmers are working to overcome the challenges of sub-standard infrastructure, limited technology and lack of access to training and finance. Without such resources to build their capacity, fluctuating conditions – such as increased climate variability or food price volatility – can have a far greater impact on their livelihoods.



Find out more

www.cargill.com/cocoa-sustainability

Socio-economic resilience: what does it mean for cocoa farmers and their communities?

We focus on providing the capabilities, tools, financing and resources that enable farmers to prosper during the good times and “weather the storm” during the bad. A farmer who is prepared and able to withstand unforeseen changes, whether it be financial or environmental, can begin to move away from short-term reactivity and instead focus on the long-term actions and investments needed to improve their livelihoods and productivity.

Price is an integral component of farm profitability. Recent drops in global cocoa and farm gate prices only serve to highlight smallholders’ continued vulnerability to such fluctuations. For the long-term sustainability of the sector, farmers must see growing cocoa, potentially along with other crops, as a positive and essential contributor to earning a living income and making socio-economic progress. And whilst we are not in a position to guarantee cocoa prices, our efforts do help to strengthen farmers’ ability to deal with market-influenced price fluctuations.

Community livelihoods also play a crucial role. As well as being directly linked to a more productive crop, empowering women delivers many benefits such as increased household income, better-educated children and enhanced health and nutrition. An increase to a woman’s salary achieves the same improvements in children’s nutrition and health as a tenfold increase to a man’s income. That is why, alongside farmer livelihoods, improving community livelihoods is a cornerstone of the Cargill Cocoa Promise.

Why a holistic view is key

The holistic approach of the Cargill Cocoa Promise has already done much to improve farmer economic resilience across our five origin countries. Since 2015, we have supported 477 farmer organizations across Ghana, Côte d’Ivoire, Cameroon, Indonesia and Brazil – providing access to markets, sustainability premiums and flexible credit, all of which enable farmers to smooth external shocks and invest in long-term farm development. 145,064 farmers have been trained in Good Agricultural Practices (GAP) globally, which has led to better access to tools and technology.

And what is more, our one-to-one coaching in Côte d’Ivoire, which has so far benefited 62,000 farmers, means farmers are developing more productive, professional farms. As a result, we have found that cocoa farmers who adopted the actions set out in farm development plans in 2016 have already achieved average yield increases of 49% in their first year. Now, we have begun to implement the same farmer coaching model in Cameroon and it is set to be launched in Ghana and Indonesia in 2017.

Looking beyond cocoa incomes

We are also looking beyond just cocoa to increase farmer economic resilience. Diversification of income enables farmers and their communities to better respond to short-term fluctuations in cocoa profitability. Cocoa is still the most significant income provider in cocoa-growing communities, accounting for more than 75% of the cash income for three quarters of the population⁵. But when the full range of food production by a household is accounted for, alongside revenue from other crops and income from other professional activities, the dependence on cocoa is reduced to below 60%.

By building up additional income streams, communities will be more resilient to fluctuations in cocoa, which will help to improve the supply for our industry.

This is one of the reasons we encourage farmers to diversify their crops, earn alternative sources of income and promote access to affordable financial services. For example, working with the international development organization, CARE, Cargill has introduced more than 175 community-based savings and loan schemes, known as Village Saving and Loan Associations (VSLAs) in Ghana and Côte d’Ivoire. More than 4,000 people – more than half of whom are women – have accessed small loans which they can use to start and grow businesses, as well as taking care of personal needs such as paying school fees.

“The 30,000 loan served as start-up capital for my doughnut business, since I had been without income for more than five years. Due to El Niño my husband’s cocoa farm was not yielding enough to meet our family’s financial need.”

Christine Sawadogo

Member of the Song-Taaba VSLA group in Côte d’Ivoire

Mobile banking: fostering financial inclusion and transparency

Mobile money is providing farmers with access to banking services and increasing their capacity to save money. As well as improving transparency by providing clear information on payments made, it also helps farmers to trade more effectively and eradicates risks associated with cash payments. Launched in 2015, our pilot involving five cooperatives in Côte d’Ivoire has seen 447 new bank accounts opened to date and resulted in US\$71,000 of savings and US\$53,000 paid to farmers in premiums. Five more cooperatives will join the initiatives over the coming year. In Indonesia, 6,607 of the farmers we source from have gained access to mobile banking, in addition to 24,507 farmers in Ghana.

As Cargill and our industry peers continue to develop our understanding and approach, we must keep the end goal in mind. Our actions need to help develop productive, adaptive, and professional farms that contribute to a living income, or better. But this will only come with diversification of risk, which is why we now need to look beyond cocoa to tackle the challenges in a holistic way that reflects the rapidly changing world we, and the farmers we source from, operate in.

⁵ Cocoa sector study, EMC, Côte d’Ivoire 2015

Our progress



Performance at a glance

Here we provide an overview of some of our achievements from the Cargill Cocoa Promise programs over the last five years.



49% increase in yields achieved by farmers in Côte d'Ivoire applying fertilizer and crop protection correctly. This translates into a 22% increase in cocoa farmers' net household income



56,000 farms mapped using GPS mapping, including 6,000 in Indonesia and the rest in Côte d'Ivoire.

60,760 farmers now employing pest and disease management in Côte d'Ivoire

145,064 cocoa farmers trained in Good Agricultural Practices, the majority in Côte d'Ivoire (71,673), Ghana (24,507) Cameroon (30,000), Indonesia (18,784) and Brazil (100)

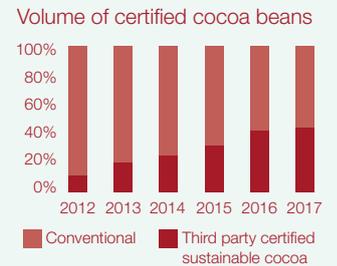
62,000 farmers in Côte d'Ivoire have benefited from one-to-one coaching through which they have developed farm development plans

Looking forward we will continue to monitor and evaluate our progress, with a focus on measuring outcomes rather than inputs. In line with this ongoing process we aim to strengthen our data collection systems to support our traceability ambitions and drive a consistent and effective approach to target setting, performance management and reporting across all of our origin countries.

145,064
farmers trained to understand the worst forms of child labor globally

89,687
beneficiaries, 20,000 of them children, provided with education and increased access to healthcare through our Cargill/CARE programs since 2013

24%
increase in cocoa bought by Cargill Cocoa & Chocolate that is certified



Community support

Goal alignment Community wellbeing



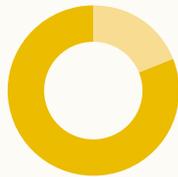
Cooperatives and farmer organizations

Goal alignment Consumer confidence Take action together

>14,400
households in Indonesian cocoa farming communities received training to improve their nutritional practices



98%
of children in Cargill/CARE programs in Ghana stayed in school for at least five years



4,211
people have benefited from access to VSLAs in Côte d'Ivoire (2,031, of which 81% were women) and Ghana (2,180, of which 58% were women)



560
farmers from 140 farmer organizations have participated in the Cargill Coop Academy in Côte d'Ivoire and Cameroon



36%
of cooperatives in Côte d'Ivoire are now rated as professional, compared with just 6% before they attended the Coop Academy

Our progress



Improving farmer livelihoods

We know one of the best ways to improve the livelihoods of farmers and their communities is by improving farm productivity. Here we highlight the progress we are making to enable the farmers we work with to become empowered entrepreneurs who manage professional and responsible farms.



Read more about our approach to improving farmer livelihoods at www.cargill.com/cocoa-sustainability

2016/2017 highlights



49%

yield improvement achieved by farmers who adopted the actions set out in their farm development plans in the first year of implementation in Côte d'Ivoire



99%

of our cocoa purchased in Côte d'Ivoire was directly sourced through cooperatives, up from 96% the previous year



US\$35m

from certification premiums paid to farmers and farmer organizations globally



Explore our performance in full at www.cargill.com/cocoa-sustainability



Cargill Coop Academy project

Over the past years, we have been working with SCOPEinsight to assess the progress and outcomes delivered across 79 cooperatives involved in the Cargill Coop Academy project. The results are encouraging. Of the 78 cooperatives assessed so far, 28 have been found to be operating at a professional level compared to just five before the project. Find out more about the results of our work with SCOPE online.



Looking ahead



Extend the provision of affordable credit to farmers and cooperatives, building on the success and lessons of the Doni Doni program in Côte d'Ivoire.

30,000

more farmers will receive training and support to achieve certification globally beyond 2018.



45% more farmers will be reached through our coaching program, including 4,500 farmers in Ghana and a new pilot in Cameroon and Indonesia by 2017/2018.



Around 200 more cooperatives will benefit from involvement in the Coop Academy across Côte d'Ivoire and Cameroon by 2018.



100,000

We will double the number of farms mapped using GPS technology to 100,000 globally by 2020.

9,000

more farmers across nine cooperatives will get access to mobile banking in Côte d'Ivoire by end 2018.



Our progress Improving farmer livelihoods

In focus

From farmer training to coaching

We know that farmer training improves knowledge on Good Agricultural Practices, but our detailed farm assessments have shown this has not always led to the effective adoption of practices beyond the classroom.

To ensure more farmers adopt best agricultural practices on their farms, we are transitioning from farmer training and towards individual farmer coaching. This takes place on the farm and is an ongoing process that spans training and guidance through to planning of activities and monitoring of adoption and outcomes.

We began piloting our new approach in Côte d'Ivoire in 2016. Together with the ICRAF, the World Agroforestry Centre, we have trained around 1,250 farmers to deliver farmer coaching. These coaches each train around 60 farmers per year. First, they visit the farmer and undertake a detailed farm assessment which they use to create a bespoke Farm Development Plan. The farmer is revisited annually to check progress on delivering their plan and any outcomes they are achieving.

Through coaching, we get detailed insight at farmer, coop and regional levels which helps us to direct input supply and subject-related training to where it is needed most. To date, around 62,000 farmers in Côte d'Ivoire have received coaching and the same number of farm development plans have been signed and registered. Around 44,000 farmers have been revisited to monitor first year adoption. You can read about the results of these assessments online.

In 2017, we launched a new project to pilot the farmer coaching model in Cameroon and we are exploring opportunities to introduce it in Ghana and Indonesia.



“Coaching has helped us improve our professionalism since it allows us to identify the problems of our plantations and put in place a development plan for coping with them. It increases our productivity as well as our profit. I manage my plantation as a business and I have a plan to follow to develop it.”

Sissoko Souleymane (farmer) – Côte d'Ivoire





1,250
farmers trained to
deliver farmer coaching
since 2016 in Côte d'Ivoire

62,000
farmers in Côte d'Ivoire have
received coaching since 2016

Our progress



Improving community livelihoods

Our community livelihood programs serve as a catalyst to help farmers and their families become more resilient to the challenges that many cocoa-growing communities face. We hope to see farming communities in which children are in school rather than labor, women have access to income generating activities, and all members' basic health and nutrition needs are met.



Read more about our approach to improving community livelihoods at www.cargill.com/cocoa-sustainability

2016/2017 highlights



5,000

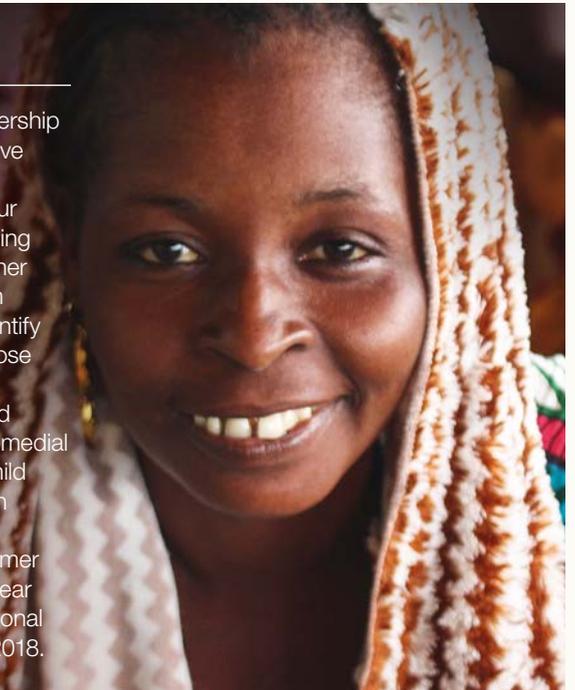
farmers in 20 communities were reached through our first wave of Child Labor Monitoring and Remediation System (CLMRS) in Côte d'Ivoire, in partnership with our customers.



Explore our performance in full at www.cargill.com/cocoa-sustainability

Tackling child labor in Côte d'Ivoire

In 2016, we launched a new partnership with the International Cocoa Initiative (ICI), a leader in child protection in cocoa growing regions, to scale our relationship, which has been ongoing since 2002. We are working together to establish a monitoring system in Cargill's cocoa supply chain to identify and protect children, especially those involved in child labor. The system will help us identify and understand incidences of child labor so that remedial action can be taken. Called the Child Labor Monitoring and Remediation System (CLMRS), we have piloted our innovative model with eight farmer cooperatives in Côte d'Ivoire this year with plans to expand it to an additional nine farmer cooperatives in 2017/2018.



"We have developed a system that goes wide and deep in tackling child labor in cocoa. The more companies that adopt the principle of CLMRS into their supply chains, the better our chances to achieve a step change in child protection and cocoa sustainability."

Nick Weatherill is ICI's Executive Director



Looking ahead



We will intensify our efforts to tackle child labor in our supply chain through the extension of the CLMRS to include a further nine new cooperatives in 2017/2018, reaching 8,000 more farmers.

We will continue our collaboration with CARE in Côte d'Ivoire and Ghana. In Côte d'Ivoire, we will work with 10 more communities to address critical needs including access to economic opportunities for women and enabling children to attend schools.



16,000

In Indonesia, we will continue to improve farmers' general health through better nutrition by reaching 16,000 direct beneficiaries by the end of 2017.



200,000

In Cameroon, the potable drinking water program will reach an additional 200,000 people in eight new communities by 2018.



250

In Ghana, we will work with around 250 communities to improve access to education; enhance women's participation in decision-making; improve food security and nutrition; and improve child protection.

Our progress Improving community livelihoods

In focus

Improving nutrition through education in Indonesia

Despite economic growth in recent years, 9.5 million children under age five in Indonesia are malnourished – the fifth highest rate in the world.

Malnutrition costs Indonesia more than US\$5 billion annually due to lost productivity, which is caused by low levels of education and diminished physical capability⁶. We began working with Swisscontact in 2014 to improve the health outcomes of cocoa farming communities in Sulawesi, Indonesia, by providing nutrition and health training. Community members learn how to grow vegetable gardens and maintain fishponds to ensure that they have access to diverse sources of nutrients. In addition to improving community health, the training helps women to develop new means of generating an income and farmers are encouraged to diversify their crops to improve their economic resilience.

⁶ <https://www.wfp.org/stories/10-facts-about-malnutrition-Indonesia>





“Critical to our cocoa sector development approach is our partnerships with supply chain partners such as Cargill. Farmers respond much better to our training on good agricultural and good environmental practices when they expect that there will be a supply chain partner there at the end of the day to offer a price that is indicative of the quality of their cocoa, and the manner in which they produced it.”

Ross Jaax, Director, Sustainable Cocoa Production Program
Swisscontact | Swiss Foundation for Technical Cooperation

14,400
More than 14,400 households trained since 2014

Discover more

In this report, we have given a brief insight into the current trends and opportunities affecting the sustainability of the cocoa sector.

Visit our website for full details of the actions and progress we are making through the Cargill Cocoa Promise.

www.cargill.com/cocoa-sustainability

Work with us

Cargill is uniquely positioned to collaborate with farmers and their communities, as well as other like-minded industry, government, and institutional partners, to achieve our shared vision of a more equitable, sustainable and productive future for the cocoa industry.

We are already delivering many positive outcomes, but we can achieve so much more by working openly and transparently together to improve the traceability of global agricultural supply chains.

If you would like to explore the opportunities to work together, please get in touch by contacting cargill_chocolate@cargill.com.



thrive

