Roundtable for a Sustainable Cocoa Economy
Port of Spain, Trinidad and Tobago
24 to 27 March 2009

Mars, Incorporated

Jeff Morgan
Director / Global Programs
Question

• “How do Mars’ investments in the cocoa supply chain contribute towards the development of a sustainable cocoa economy?”
Mars’ Historical Investments

- Began cocoa bean processing in ‘60’s and ‘70’s
  - Efforts supported with Commercial Evaluation of crop

- Initiated quality evaluations / investigations in ‘70’s and ‘80’s
  - Concerns over cocoa butter hardness, bean and liquor quality
  - Research presence in West Africa, Latin America and Asia

- Development of Cocoa Research Center in 1983 in Bahia, Brazil
  - Quality and yield activities

- Focus changed in 1988/89: discovery of Witches Broom in Bahia
  - First hand observation of “lack of sustainability” in the cocoa sector of a major producer
  - Initiated major efforts in disease control and breeding
  - Realized the economic, social and environmental impact of a cocoa disease
Mars’ Historical Investments

• Since 1990 Mars has concentrated significant effort to create a holistic, global program that will assure supplies of cocoa for the future of its business
  – Noting that this must be anchored in actions that result in long-term success for cocoa farmers

• Initial evaluations of the situation in cocoa determined:
  – Issues exist in every cocoa producing country - different and varying
  – Cocoa truly an “orphan crop”
  – Issues are multi-disciplinary in nature
    • Fundamental science, economics, agriculture, social and environmental components
  – Issues require partnership approach to address
  – Success will require a long term commitment
### Complexity of Issues

<table>
<thead>
<tr>
<th>Soil Infertility</th>
<th>Need for Fertilization</th>
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<tr>
<td>Lack of modern / improved germplasm</td>
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<td>Use of Child Labor and related Labor issues</td>
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<td>Lack of schools / Education</td>
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Complexity of Issues

Soil Infertility
- Need for fertilization

Lack of modern/improved germplasm
- Low Yields / Incomes

Pest & Disease issues
- Regionally Variable

Lack of modern farmer training programs
- Improved Marketing

Need for more professional farmer organizations
- Improved Marketing

Lack of credit to small farmers

Future Farmers – Cocoa as an aspiration for children

Quality Issues
- Cocoa Butter, Flavor, Food Safety

Environmental Issues
- Biodiversity, Deforestation
- Water cleanliness

Infrastructure limitations
- Roads
- Storage

Social Concerns
- Use of child labor and related labor issues
- Lack of schools / Education
- Health provisions

Desire of customers to have certification of supply chain

REPORT CARD

Subject: Sustainability of Global Cocoa Sector

Grade: No Grade! Needs Improvement Now!
Seeking Long Term Improvement

• How should a business address a complex supply chain issue?

• Guidance via Sustainability approach
  – Economic, Social and Environmental inputs / development

• What is Mars’ approach to investment in Cocoa Sustainability?
  – Must be based on Scientific Knowledge
    • If knowledge doesn’t exist we will invest in fundamental science
  – Must build long term capacity at the farm / community level
    • Investments in training, education and product improvement
  – Will involve partnerships with groups having expertise and similar principles
    • Needs to involve National Governments
  – Will seek to catalyze efforts by other responsible parties
  – Will share results and knowledge as available
    • Catalyze, Convene and influence scaleup
Seeking Long Term Improvement

• Broad Categories of Mars’ investments:
  • Fundamental Research Programs
    – Breeding Programs and Genome Sequencing
      • USDA, IBM and partnerships with a range of cocoa breeding centers
      • Support via Mars Center for Cocoa Studies in Bahia, Brazil
    – Bio-chemical / medical aspects of cocoa components
  • Farmer Training Programs – for income improvement
    – Supportive of partnership programs where farmers receive valuable training to improve yield, quality and income
      • STCP and BMGF / WCF program, iMPACT
      • Supported by Mars Cocoa Demonstration Centers
  • Social / Community Development Programs
    – Leadership of the International Cocoa Initiative (ICI)
    – Partnerships to address child labor issues
    – Mars “iMPACT” Program addresses broader set of community needs
Seeking Long Term Improvement

- **Quality and Supply Chain Improvement programs**
  - Investigating the role that certification can play in developing long term capacity at the farm and community level.

- **Pest & Disease alleviation programs**
  - Addressing fungal disease issues in Latin America and Cocoa Moth in South Asian region

- **Environmental Programs**
  - With a focus on increased diversity at the farm level and improved protection of land and water resources.

- **Communication and Advocacy**
  - Sponsorship of key information sharing meetings
  - Sharing of information with donors and working to achieve support for cocoa sector development
# Mars in Partnership

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<td>ICCO</td>
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<td>Global Issues Group</td>
<td>ACDI/VOCA</td>
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<td>International Cocoa Initiative</td>
<td>UTZ (and partners)</td>
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<td>Sustainable Tree Crops Program (STCP)</td>
<td>Bill &amp; Melinda Gates Foundation (and partners)</td>
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<td>GTZ</td>
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<td>AusAID and ACIAR</td>
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<td>Dutch Government (LNV)</td>
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<td>CocoaPhil</td>
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<td>ADM – UPCOCOA</td>
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<td>University of Sydney, Australia</td>
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<td>Nong Lam University, Vietnam</td>
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<td>Imperial College – UK</td>
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Question

• “How do Mars’ investments in the cocoa supply chain contribute towards the development of a sustainable cocoa economy?”
Answer:

- **Economically** – Assist Farmers in achieving higher yields and greater income through training and sustainable practices.

- **Socially** – Assist Communities to recognize opportunities to help themselves address child labor issues and other related social needs.

- **Environmentally** – Urge farmers to farm cocoa in a manner that protects the environment – which serves to protect their family, their communities and their long term interests.

- **Broadly:**
  - Support fundamental research that brings long term change to the sector.
  - Advocate for support from Government, Civil Society and Donors to address the needs of the cocoa sector.
  - Support certification efforts that are based on complementary principles and drive long term sustainability in the cocoa sector.
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