

# Relations between the Food Industry and its Suppliers

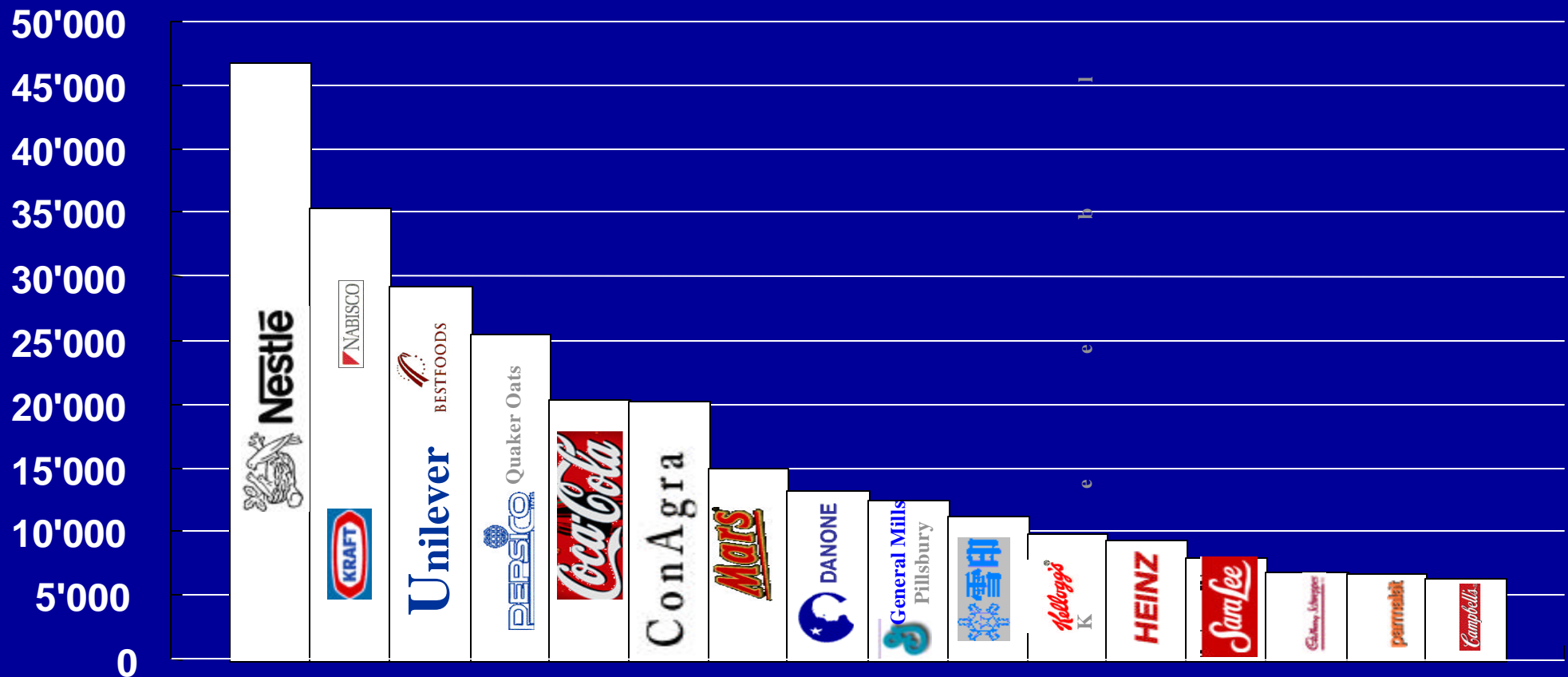
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**Nestlé Ltd**

# Who is Nestlé

- Swiss based Food Company
- Sales 2000: US \$: 49.6 bio
- Raw Materials exp. US \$: 12.0 bio
  - largest proportion for agricultural raw materials
  - key raw materials:
    - milk, coffee, cocoa, sugar, fruit, vegetables ...
- No. 1 in Food Industry
- 479 factories in 81 countries

# Nestlé is the leading processed food Group

2000 food & beverage sales  
(alcoholic beverages excluded)  
(\$ in millions)



Source: Annual reports/  
estimates

# Selection of brands



# Food Industry & Food Chain

## *Ancient times*

Hunter / Farmer

Family / Consumer

## *Today*



- ➔ Trade and food industry elongated food chain
- consumers ask for specific food attitudes
  - Communication between the two ends partly missing
  - Food industry to become an interface

# Basic principles

- Consumers quality expectations
  - Safety: mandatory
  - Compliance: legislation
  - Satisfaction: consumers' expectations
- Quality & product characteristics define relation with suppliers
- Sourcing methods from trade to contract growing

*Treat the suppliers as we like our customers to treat us*



# Sourcing through trade

- Aim for long term business relations
  - that supplier understands our needs
  - that we understand their capabilities
- Key criteria
  - suppliers' audits
  - transparency, traceability
- Objective
  - obtain goods and services most appropriate for the purpose intended and at the lowest system costs

# Milk sourcing

- Close relationship with suppliers
- Farm Quality Assurance Schemes (FQAS)
  - country specific guidelines
  - 1<sup>st</sup> objective: ensure quality
  - encourage sustainable production
    - with full implementation far reaching recommendations and control systems - to achieve **traceability**





# Coffee sourcing

- Source through trade
- and directly from planters e.g.
  - Mexico, Ivory Coast, Philippines, Thailand, Indonesia and China
  - relationship country specific
    - via local R&D, e.g. "inifap" in Mexico
    - own E&D farms in China, Philippines, Thailand and Malaysia
- Wide variation in relationship with suppliers



# Sourcing for Baby Food

- Close relation with suppliers
- Safety & compliance requirements
  - EU: limits for pesticides - 10-ppb
  - Raw materials not on market
  - EU: 36% fruit and vegetables contaminated ( $\geq 10$  ppb)
- Contract growing the solution
  - precise instructions
  - intensive control from soil to factory entrance



# Conclusions

- Relationship of Food Industry with suppliers very manifold
  - buy through trade and contract farmers
- Quality of food products of primary importance
  - define sourcing strategies accordingly
    - aim for long term relationship - traceability
- Gap opening between consumers and primary producers
  - Food industry together with stakeholders to bridge
  - Increased efforts to encourage sustainable production