

2012 THE "BORLAUG DIALOGUE"

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Pierre Ferrari

Introduction by:

Judith Pim

Director of Secretariat Operations, World Food Prize

Now we will turn to the final address of our conference, and it's going to be by Pierre Ferrari, who is president and CEO of Heifer International. He has more than 40 years of business experience ranging from consumer organizations such as Coca-Cola and socially oriented organizations such as CARE, which we just heard a wonderful from the current leader of.

Mr. Ferrari is a current director and a former chair of the Board of Ben & Jerry's Homemade Ice Cream, and he's a current member of the Small Enterprise Assistance Fund.

This is the first time that we have welcomed him to our stage as a speaker, and we're very honored to do so and looking forward to hearing your presentation.

PLENARY ADDRESS:

Pierre Ferrari

President & CEO, Heifer International

Thank you very much. I have a whole series of notes here, but over the past few days or the day and a half, I noticed that everything I wanted to say has been said before. So I'm going to ad lib a lot and I'm just going to freestyle, and hopefully I won't stumble too much.

But I do want to say I'm very delighted to be here at the 2012 Borlaug Dialogue and to represent the work of Heifer International and our thousand colleagues and the 10,000 project partners and the millions of participants in our projects. And very happy to be joining you all, just give voice to the millions of smallholder farmers. I have not been to a conference before where "the smallholder farmer" is said so often, and it's just delightful.

One word that isn't said very often, and I'm going to say it now, is livestock. Obviously, for Heifer livestock is an important component. I've been surprised, frankly, at how little livestock is mentioned in the lives of smallholder farmers, in spite of the importance of livestock in their livelihood and nutrition.

But it was only about two years ago. It was exactly two years ago that Heifer's then-president Jo Luck - and I think she's right there. Oh, you're right here. Heifer International, Jo Luck - and Bread for the World President David Beckmann accepted the World Food Prize. It was a milestone, the first time the Prize recognized the critical achievement NGOs such as Heifer and CARE and Bread are making empowering everyday people and women everywhere to help end hunger. So I'm very humbled to be standing in your shadow and carrying on your legacy of passing on the gift and the work that's been done.

I did scribble some notes here, and I wanted to sort of help frame some of the conversations from our perspective, from Heifer's perspective. And in many ways we reflect the donor intent. We have half a million donors or so who very generously buy, as you know and many of you probably do that, buy a goat or a cow or a flock of birds and chickens and all of those animals that then get deployed into the world to change poverty and hunger.

But there is, as I listened to all the conversation over the last two days, and this is slightly... I'm going to be a little provocative just to create some differences here. There seem to be two potential narratives of framing, and I think the overwhelming narrative here and in other places asks the question - How can large-scale land and other investments benefit smallholder farmers and the rural poor? So that's the first framing, that's kind of the first narrative - How can large-scale land or other investments benefit smallholder farmers and the rural poor?

We at Heifer think a more appropriate and perhaps more difficult question to ask is this: How can smallholder agriculture achieve the necessary scale so as to be able to feed the world and cool the planet? There simply are some substantive differences in the two narratives, and I'll try and explain a little bit about how we approach the work we do with smallholder farmers that certainly does include partnership; it actually admires and encourages partnership with all of the players that everyone's been talking about over the past few days. But there are some substantial kind of values differences that I want to highlight.

So we come at this work, and Jo Luck has done this work for a long time, based on the 12 cornerstones, which is what we call "values-based holistic community development." We have done this for seven decades, and the lessons out of the seven decades and the substantial amount of research, quantitative research... We haven't done randomized control testing; it's a bit too complicated, but we've done a substantial amount of other research to show that, unless there is community engagement, unless there is transformation that is very deep, that is both psychological and institutional... A lot of people talk about capacity building - we talk about emotional and psychological change, psychic change in the communities so that they're prepared to absorb a lot of the training that everybody's talked about.

It's not sufficient to just come with training. You actually have to prepare the ground. It's a little bit of an agricultural metaphor - you've got to prepare the ground, you've got to make it fertile, then you bring training, and things begin to happen.

This is the work that we've been doing for 70 years. And I came on board about two years ago, and this particular model of values-based holistic community development is so brilliant and so wonderfully preparatory for the work that we've been talking about here, which is to take these communities... or, "Take" is a wrong word - it's a valuation of our values. It's actually to "propose" to these communities that there are opportunities to link to markets, there are

opportunities to work with a whole set of different partners and eliminate the isolation, the invisibility, the suppression under which they've been living. So we do that. We now do that. When I started, we were operating probably around, close to 800 projects in 50 odd countries. And to enable and to focus our resources to make sure that these communities which had been prepared for a long time, and we will prepare more, are ready to take on the challenges of connecting to markets, such as the ones everyone's been talking about.

We have to understand that the value system that underlies social capital, as we call it – our theory of change calls for the development of social capital and women empowerment – are quite different than the values that are embedded in market development, which tend to rely primarily on financial incentives and some accompanying activities.

So how do we bring those two worlds together – and they can be brought together. How do we bring values-based holistic development with market development mechanisms and make sure that the connecting tissue or the connecting exchanges, information, understanding... Lots of people have mentioned different vocabulary, you know, how different it is to work with the communities. It is, unless the values-based work has been done. So we use the 12 cornerstone techniques to prepare the work and get the communities ready, enthused, energetic and entrepreneurial in a way that is not possible, in our opinion, without this work.

And I want to give you some examples, and these are projects that are ongoing. They're not necessarily fully launched. I'm not going to talk about success stories. I'm simply going to describe what we are doing specifically in several countries.

Let me begin with Nepal. Many of you know about Nepal, one of the poorest countries in the world. They consume around two million goats a year, and they import about 500,000. Interesting fact number one – when we began to look at the goat market, we could not find anyone who had done an extensive and sufficiently deep analysis of the goat market and all of the actors in the value chain in Nepal. So we spent \$30,000 and got a couple of agricultural economists, and we did the research. Now this particular research has been shared with the government. We're engaging, we're integrating some of this work with IFAD and some other funders.

But the fundamental work of understanding how the value chains work had not been done, which is interesting to me. We have probably 30,000 families already mobilized through the 12 cornerstone, through our values-based holistic community development work, ready to receive training on how to improve the production of goat. They're all goat farmers now, and we've got a whole series of training on how to produce more goats at better prices, the right quality, the right time, given the value chain that's been constructed.

That's the work that's going on in Nepal right now. We think we can engage 140,000 farmers. We can probably have them produce something like two to three hundred thousand goats, quality goats that are Nepalese, to substitute some of the imports from India and China. And if you do the calculation, a goat is worth about \$120 at the current exchange rate, you do the calculation, that's the revenue that will end up in these farming communities all over Nepal.

Let me quickly swing you over to Haiti, the fish market in Haiti. If you tried to find an analysis of the market of the aquaculture fish market, you won't find anything. So if you are in the

business of trying to connect smallholder farmers, fish farmers, to the market and you have no data, you have no analysis of what the market is like and all of its structures, you're going to make some mistakes. And I'll tell you about a mistake that we made in Rwanda.

So we are now working with a feed company, which provides feed for fish – they have a self-interest, to extensively analyze how the fish market is structured. And we found out that Haitians are importing something like 12½ thousand tons of frozen tilapia products from Taiwan. Imagine that. Three months shipping of frozen tilapia coming in from Taiwan into Haiti. And there's lots of other details about the fish market in Haiti, and it's surrounded, of course, by the Caribbean Sea and its own bountiful harvest.

So now we are in the process of actually estimating and calculating how many fish farmers do we need to mobilize around Lake Peligre, associated with a fish hatchery, it's production has got to be lined up and then all the cold chain that will take these fish, once they're grown them by the fish farmers, into the marketplace in Port-au-Prince. So what we're looking for in terms of partnerships are people who are prepared to make the right kind of investments in the cold chain. That's not our expertise. Now, I worked for 20 years at Coca-Cola I know about value chains and cold chains, but that's not Heifer's expertise.

We can mobilize enough farmers, based on the hatcheries – literally we're talking about 40,000 fingerlings that will be prepared, sent to Lake Peligre, grown by the farmers and then sent out into the marketplace. Unless there's a cold chain, nothing will happen.

So this brings me to the point about the financing of projects, and how do we at Heifer find the right partners to have a total value chain conversation? The hatchery is built, all with philanthropic dollars, which is what we raise from our donors, the training of the farmers and some of the tools that they need to grow the fish is all done with philanthropic dollars. And as you move down the value chain, the type of financing that's required to move those fish that the farmers have grown into the marketplace, the type of financing that's required will shift from philanthropy and gradually to more market-driven and market-rate investment in capital.

So the partnership that we're looking for is groups that are prepared to come together and begin to look at that value chain and see where they can participate. Where can they make the contribution? We're talking about startups. This is high-risk work. We need cold chain, we need perhaps the freezing of the fish, we certainly need processing and perhaps retailing. That's one chain.

The goat chain in Haiti – for those of you who have been to Haiti, you know they enjoy goat, and the whole Caribbean eats a lot of capra. The biggest difficulty – and again no market research has been done on exactly where the goat meat is produced, exactly what the prices are, who all the actors are, and we're in the process of doing that. The biggest problem for the goat market in Haiti is – there are no abattoirs. There are no FDA-approved or even close to FDA quality abattoirs to take care of the thousands of goats that are processed every day or every month.

How do we find the right partners? We're certainly not people who know how to operate or even invest in an abattoir. But that's the reality of what we need to do. How do we get to that? And how do we link all of the work that we've done with all the communities in Haiti, prepare

them for the right kind of production of goat meat into a system that can take the meat and sell it to market? And I think the video that we just saw talked about, I think it was Vietnam, talked about the consumer driving value chain and driving the success of farmers.

Let me just quickly swing you over to Vietnam. There we have a corporate partner who has an interest there, basically an input organization that would provide the right kind of feed and supplements for animal feeding or fish farming. What we're looking for – and we're going to do it – we're going to analyze five or six value chains to see which of these value chains in Vietnam are actually suitable for smallholder farmers. Some commodities simply will not work for smallholder farmers. It requires scale and requires systems and processes that smallholder farmers simply can't handle or are subject to global food flows and food pricing that simply makes them too vulnerable. So we very carefully make sure that our farmers don't get involved in food chains or supply chains or value chains that can actually bankrupt them and make their lives worse.

So a couple of points I want to emphasize. Understanding the value chain, understanding the market systems is key. I talked about a mistake we made in Rwanda. We participated with the government, and they very generously decided to distribute a large number of dairy cows as part of, as actually a supplement to another program that we have, which I'll mention in a minute.

So the market, or the farmers were flooded with high-quality dairy cows, production of milk went through the roof, and there was no one to buy it. Meanwhile, the farmers had made substantial investment in pens and food and forage and everything else, and this milk went to waste. They simply could not sell it because we had not done the right kind of market research, and we now know that 93% of the milk in Rwanda is actually consumed at the very local level. It's a very informal market, and meanwhile for some reason there was a belief that the formal market would absorb a large quantity of milk. It didn't, and very substantial pain and suffering flowed from that.

A positive side of the dairy business in East Africa is our partnership with the Bill and Melinda Gates Foundation where a \$42 million grant was given to a consortium, which included Heifer as the lead agent. There the market research had been done, the value chain was understood, the various actors were known, and we were able to mobilize close to 180,000 dairy farmers in Kenya, Uganda and Rwanda. We built chilling plants essentially to receive the milk on a daily basis from these 178,000 farmers, the value was captured, the demand for milk existed, the milk was shipped to the two key processors in Kenya and the one key processor in Uganda, and import substitution occurred. The amount and all sorts of other economic benefits accrued to the various dairy hops.

The interesting thing about capacity building – and we had done all of the value-based holistic community development work with the dairy farmers – and one of the amazing experiences I had, I want to the Kavya dairy hop, which is a 7,000-farmer cooperative – actually it's not a cooperative, it's a stock corporation; they don't like cooperatives in Kenya – 7,000-member stock corporation and I met with the board of directors. All of the directors were farmers, and they were all dressed in suit – I was not – and we stepped into the room, and we started having a discussion about the balance sheet. The balance sheet as it stood then had about 95% ownership by Heifer, and the 5% had been the farmers' contribution, and they were now ready with the

cash flows that were coming into Kavva Dairy to convert, or they asked us to convert the equity into debt. And so we had a long conversation. We've agreed to that, and after the papers were signed and had been somewhat prepared, I got a \$35,000 check as repayment of part of the debt.

The sophistication between the chairman of the board there, had been a two-cow farmer four years ago and now was in discussion on balance sheet construction and repayment of debt. Extraordinary changes with not only the training we had provided but an understanding of the marketplace, which we had done.

Now their interest, what they want to do is to move down the valley chain and do substantially more processing. They want to do yogurts, they want to do cheeses, and I cautioned in that because they're basically going to be in competition with their key buyers. And in my experience that's always a problem to start competing with your own buyers.

So finally I want to talk about the United States. We have two projects, seeds of change in the United States, and there the social problem - we're working in the Delta Region in Arkansas and in Appalachia up in the northwestern corner of North Carolina. We're trying to apply the values-based community development model there. The social disintegration of those areas is so deep that we have come to the realization it's going to take two or three years of essentially building social capital.

A lot of the efforts, a lot of the money that's been poured into these areas is simply not working because there is no engagement, there is no participation, there's no real belief that the program that's going to get off it is going to work. Until that is ready, until the community adopts the program and commits to the program, we are simply not going to extend any more than just the training.

And I just want to repeat some things that have been said several times, that this takes an enormous amount of time, and we're learning that in the Delta and Appalachia. So there the basic program is going to be about local foods, actually asking, mobilizing farmers who have committed themselves to this to actually produce local foods. We're in conversation with Walmart. I think you heard that today, this morning, that the Walmart buyers are interested in local foods, and so we're looking at both the retail market and the wholesale market. But until the community is ready to have made the commitments to change so that their heart and their minds have changed, nothing will happen.

The level of partnership that we're using and the changes that are happening with climate change and all of those things require us to move very rapidly. What we're finding in the world of investment, in the partnerships that we have with corporations or government, whether it be local government or USAID or IFAD, United Nations or World Bank, is that the speed of decision-making is not as rapid as it needs to be. People are dying. When you have a climate change or climate event, we can move quite quickly from a humanitarian point of view. But the business structures, the value chains that need to be constructed to take people out of hunger, out of poverty and provide them with the resources so they can successfully escape the plagues of hunger and poverty require more speed.

And that's my last message. And thank you for your attention.