

NFD Agro Ltd

**CAN SUSTAINABILITY, SOCIAL
RESPONSIBILITY AND PROFITABILITY
BE RECONCILED?**



Agricultural development in Paraguay

WORLD BANK LAND CONFERENCE

Washington, April 2010

Contents



- **DAP Triple Bottom Line Model**
- **Rationale for DAP in Paraguay**
- **Achievements, Challenges and Lessons learned**

Key elements of DAP's business model

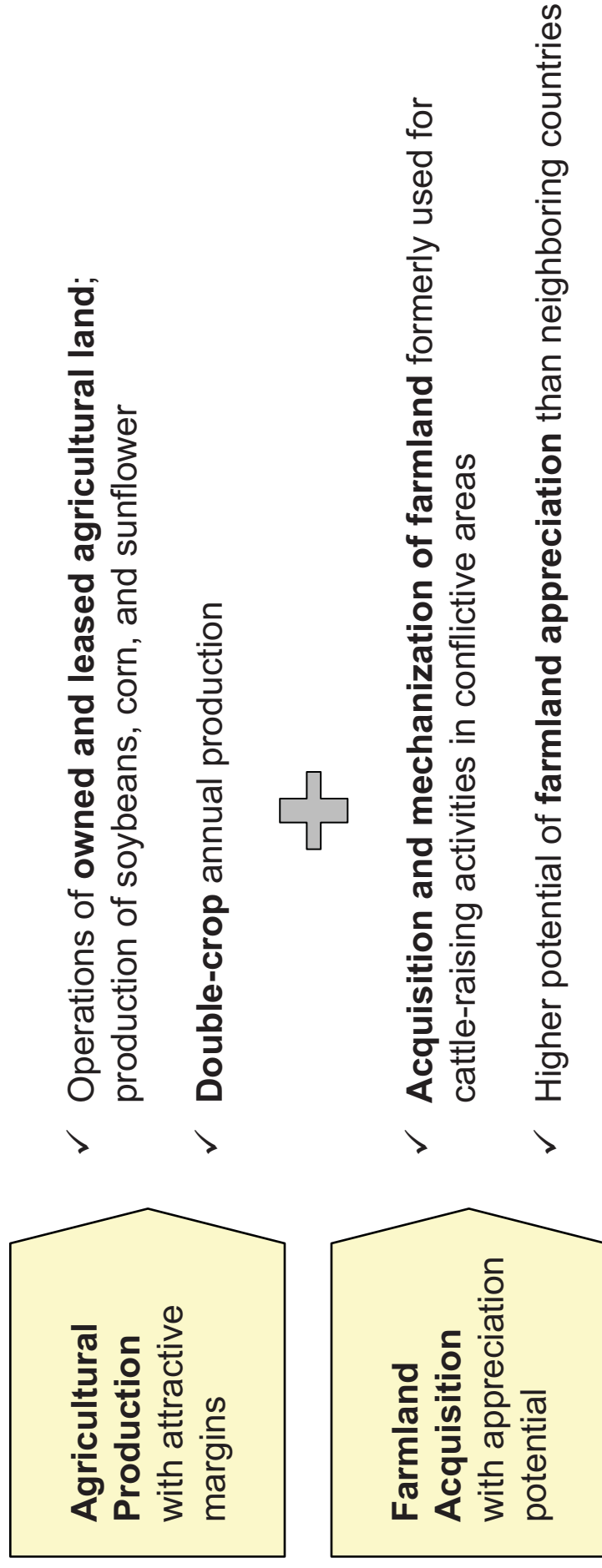


- The main activities are the production and commercialization of soybeans, corn, and sunflower, with the double intention of maximizing profitability as well as assuring the sustainability of production
- The production plan is based on a two-crop system annually
- From its beginnings, the company implemented a model based on strategic associations with non-government organizations, with the intention of effectively incorporating neighbor communities in the business model



- Based on the total implementation of environmental laws in Paraguay, including activities such as the creation of private reserves and forest conservation areas, protection of water courses with forests, reforestation and protection of neighbor communities

Regarding economic value, the business model has 2 main pillars



Social & Environmental management represents an essential element for the project

- Social & Environmental Management is based on strategic associations with non-profit organizations, educational institutions, farmers associations, and local government
- The target of social investment is to generate social capital – skills building – generating a proper environment for development
- S&E Management is intended to promote integral development around our farms, and it does not replace the government actions, but instead cooperates with them

Contents

- DAP Triple Bottom Line Model
- Rationale for DAP in Paraguay
- Achievements, Challenges and Lessons learned



WHY FARMING IN PARAGUAY? A HUGE Y DISARBITRAGED OPPORTUNITY

4th LARGEST EXPORTER OF SOYBEANS (South America is the main region)

OVER 2 MILLION Has. IN PRODUCTION

STRONG PRESENCE OF LARGE MULTINATIONALS IN TRADE

HOWEVER.....

...LAND VALUE WAS 75% LOWER THAN IN NEIGHBOUR COUNTRIES

PARAGUAY, ¿WHAT TO DO?

Over 20 years: no growth.

20% population in extreme poverty and 50% in rural areas

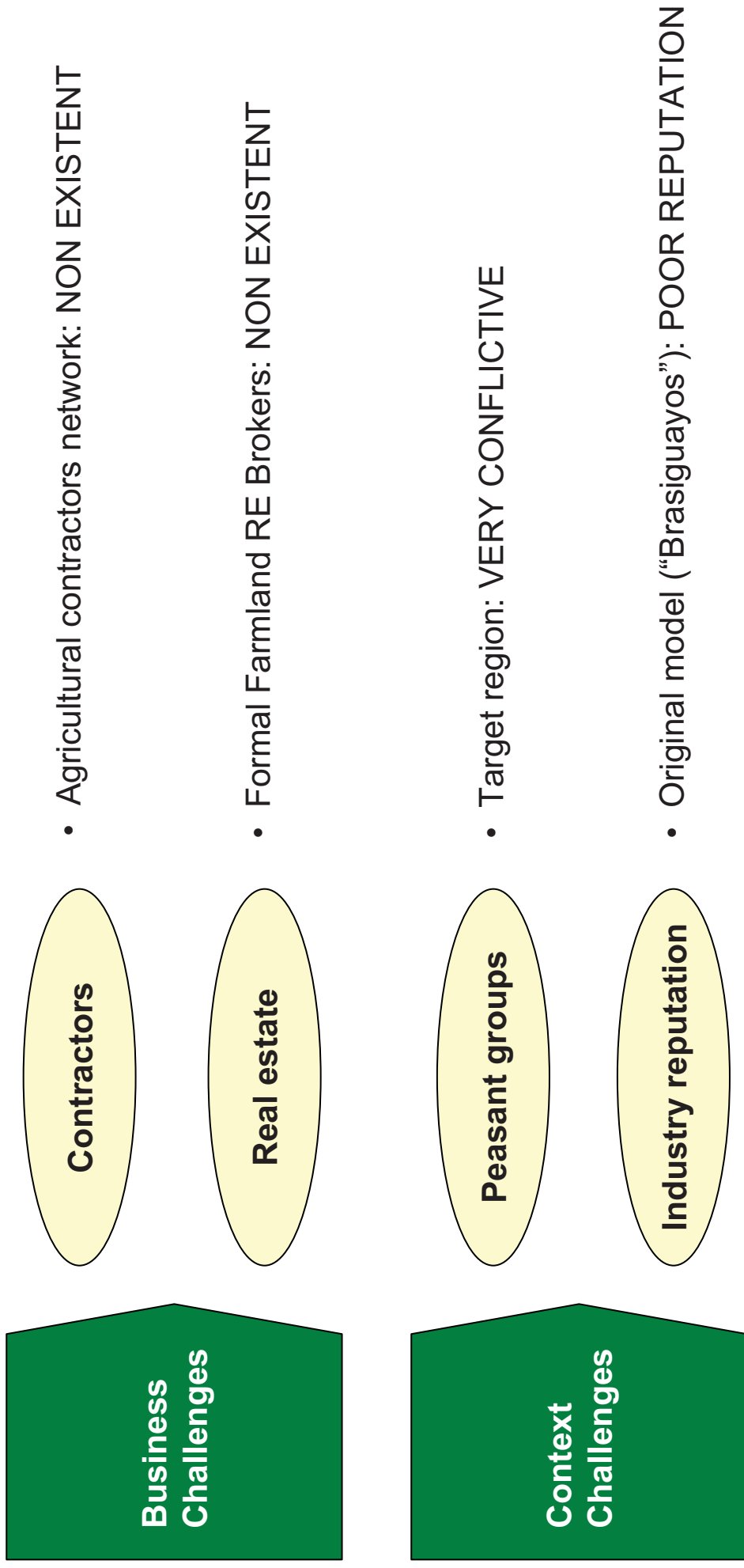
Agriculture: 22% of GNP, employs 45% of workforce and generates 2/3 of exports.

State absent from rural areas, peasants movements.

Business development lacking strength

Several challenges had to be overcome in the first years

Situation

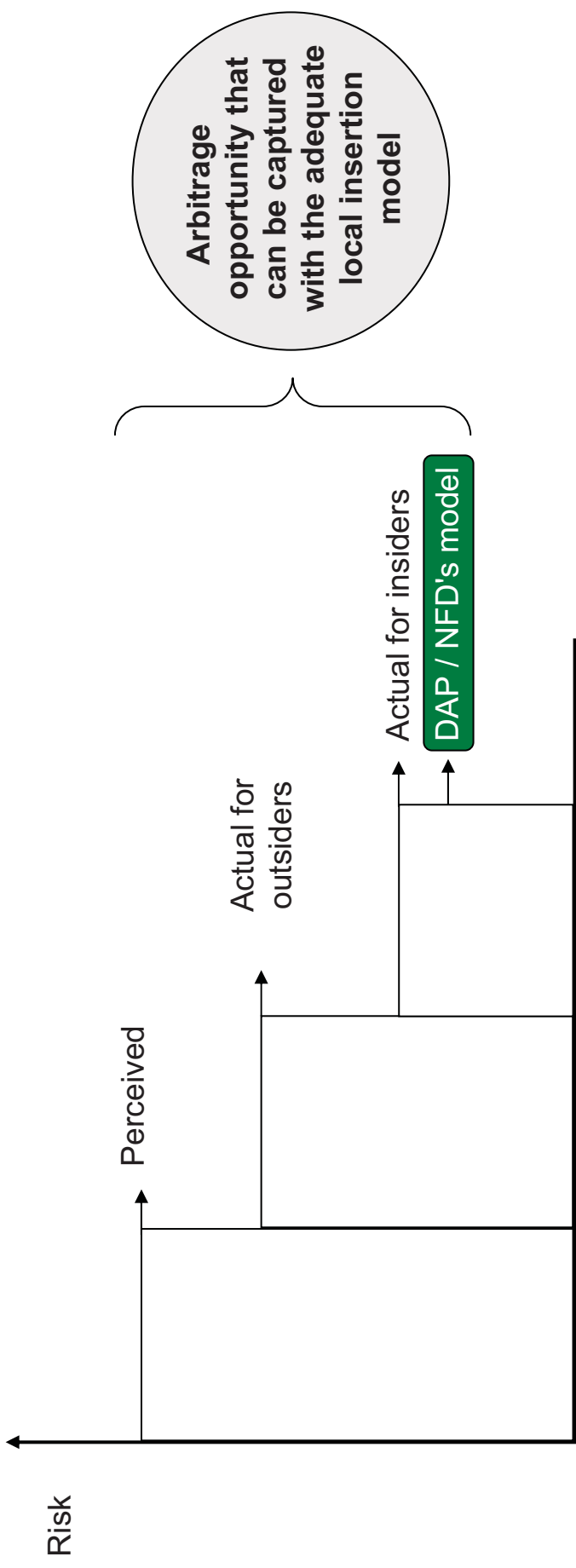


NFD Agro created DAP in Paraguay with a TRIPLE BOTTOM LINE Model to ensure long term success



Perceived risk can represent an opportunity

CONCEPTUAL



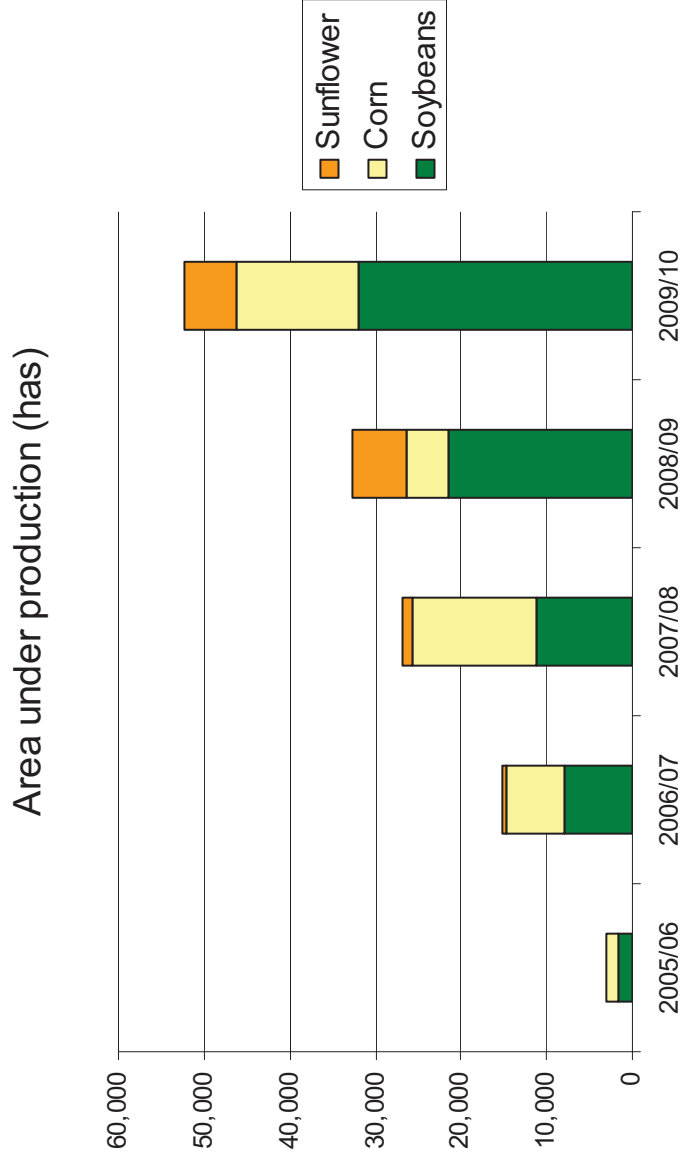
The actual risk of business depends not only on the intrinsic risk of the country but also on the business / investment vehicle and the local insertion model

Contents

- DAP Triple Bottom Line Model
- Rationale for DAP in Paraguay
- Achievements, Challenges and Lessons learned



Accelerated growth of production scale



	2005/06	2006/07	2007/08	2008/09	2009/10
Sunflower	0	441	1,245	6,099	5,979
Corn	1,432	6,727	14,391	5,005	14,266
Soybeans	1,629	7,989	11,189	21,476	32,000

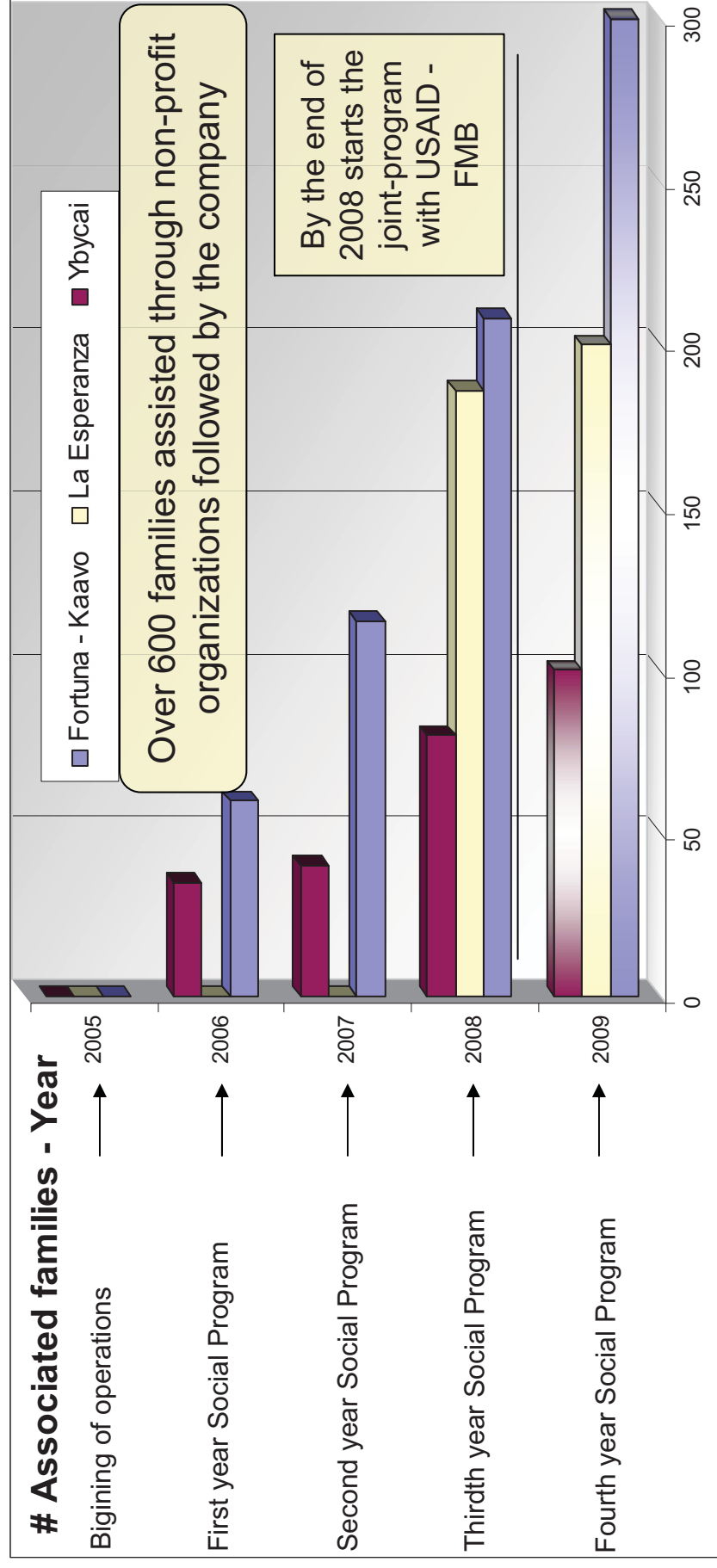
DAP`s concept of relationship with local small landholders

Promote systemic and a paradigm change

Initial situation	Characteristics	Results
1 family crop Temporal non legalized job	Subsidized by the public sector Financed by middlemen “No room for negotiation”	Isolated individuals Farms/plots with low productivity Poverty
<p>The company acts as a catalyst in the process of transformation – paradigm shift</p>		
<p>No cost financial assistance</p>		
<p>Technical and financial assistance for production and commercialization</p>		
<p>Build a long term relationship with neighborhood</p>		
<p>Data base to measure indicators</p>		
Expected situation	2 to 3 income crops Own consumption crops Community work	Appropriated technology for production system Better economic results thru direct commercialization/export Private, State, Cooperative financial assistance (freedom of chose)
		Community assurance Increase in productivity Better quality life Better performance in basics needs indicators

Example of DAP S&E Programs: Alimentary security and production

Productive assistance to neighboring associated families



* USAID approved a proposal to increase DAP & FMB's social and environmental work, committing US\$ 200,000 annually during the next three years

KEY MILESTONES

- 2007: MEMBER OF ROUNDTABLE OF RESPONSIBLE SOYBEAN PRODUCERS
- FUNDING:
 - 2005: FRIENDS & FAMILY
 - 2008: INSTITUTIONAL INVESTORS
 - 2010: IFC

Summary of NFD / DAP's business model as perceived in Paraguay

- Today, agricultural businessmen consider that “DAP’s model works” and that it succeeds in solving conflicts, although they still don’t take clear initiatives to implement it by themselves (with some exceptions)
- Entities that promote sustainable development invite us to present the model, we represent the vice-presidency of the main network of producers, non-government organizations and traders, the Roundtable for Responsible Soy
- Neighboring communities are our strategic allies, and overall, our neighbors associated in solidarity
- DAP is the only large-scale company that has no camps from neighbors intending to occupy own farms, but has programs of cooperation with them
- Today the model is growing and multiplying with the support of international organizations such as USAID and Solidaridad (Netherlands)
- For each US\$ invested by DAP in the social program other national and international stakeholders invest 1.2 US\$

NFD Agro Ltd aspires to become a world leading player in agribusiness applying a unique sustainable model

NFD Vision

To be one of the most innovative agribusinesses in the world with a sustainable approach, to fully capture its enormous upside potential

NFD Mission

To develop a **new model** of agribusinesses ...

- ✓ **economic results** commensurate with level of innovation and inherent risk
- ✓ developing both local and international **social and environmental** conditions,
- ✓ and generating **trust-based relationships** among the parties involved.

NFD's Strategic Development Path

