

2012 THE "BORLAUG DIALOGUE"

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Peter Brabeck-Letmathe

Introduction by:

Ambassador Kenneth M. Quinn

President - World Food Prize Foundation

So we knew that the symposium, which is on Partnerships & Priorities, was also going to be about water, with Dr. Hillel, Dr. Mukherji, their work in water. And so I tried to think who is the person I should find who would best be able to come up here and start this conference with an address that could focus on both aspects of that - partnerships and the water.

And it didn't take very long to determine that that person should be Peter Brabeck. Mr. Brabeck, who's chairman of the Board of Directors of Nestlé, has been a champion of water issues. Received the Stockholm Industry Water Award on behalf of Nestlé, chairman of the 2030 Water Resources Group, itself an innovative public-private partnership headquartered at the World Bank to ensure sustainable water resource management for the long term and it has recommended solutions to be done in South Africa, Mongolia and Mexico. He's received the Schumpeter Prize for outstanding contributions in innovation and the Austrian Cross of Honor.

And speaking with him, I told him I felt a special connection to him because he's from Austria. I lived for a couple of years in Austria, my daughter was born there, so we think of her as our Austrian connection. And I didn't mention to him, though, also that I almost died in the hospital in Austria but was saved by the Austrian doctors who were so good.

And not only to have him but Nestlé, which has been at the forefront of creating shared value efforts, nutrition and water and rural development and have been at the forefront of this. So it's my great honor and privilege to introduce to you Peter Brabeck.

PLENARY ADDRESS

Peter Brabeck-Letmathe

Chairman, Board of Directors – Nestlé

Ladies and gentlemen, first of all, Ambassador Quinn, thank you very much for your kind introduction. I'm very happy that the Austrian doctors did a good job; otherwise, I wouldn't have been invited to such an outstanding and prestigious event, the Borlaug Dialogue, which has developed since its start in 1986 into what I think is a foremost international meeting of all of us who try to advance human development by helping to improve the quality, the quantity and the availability for food, which is still the most important thing that we have on earth, to assure that we can all live.

As the title of my presentation (which I will try to get up), as the title of my presentation states, I would like to provide a broader view on food security and nutrition, a view that includes the need not only to produce more food in a more resource-efficient manner – and when I talk about resource efficiency, I think also about water – but also better food in order to provide a better nutrition for everybody in this world. And better nutrition, as we all know is a door-opener to wellness and to wellbeing.

Let me start with what I consider a turning point which happened just recently and I think has not been taken into consideration sufficiently. If you will look at this chart, you will see that basically, since 1830, life expectancy and calorie intake grew together. We had such a low life expectancy in 1830 because people didn't have enough to eat. But then something happened around 2000, 2005 that's just now, which has changed completely. And that is, for the first time the line of life expectancy and calorie intake falls apart. And if you take more calories in, you do not increase anymore your life expectancy – you diminish your life expectancy.

And I think this was a very, very crucial point. And today we have this triple challenge of malnutrition. And here are some orders of magnitude, these two major new questions added to the concern about sufficient calorie supply.

The first one is 1.6 billion of overweight and obese people, and the number is growing on a daily basis. But in counter position to that, we still have more than one billion of people who don't have enough calories who go to bed with hunger. And by the way, thanks for the book, which at least I found in my room and which I looked through yesterday night, which I think is another wakeup call for all of us. Since 2005, this number has increased and not decreased, and so the issue remains high on the agenda.

The second new question is about the quality of the food, largely the lack of micronutrients that we have. A group of more than two billion people in the world, which are partly overlapping with both nutrient excess and deficiency groups, are affected by this phenomenon. The impact of micronutrient deficiency can be as devastating as the one from lack of calories. According to UNICEF, between 1.9 and 2.7 million children die annually from the lack of vitamin A alone, and up to half a million of children a year turn blind. And the micronutrient malnutrition is a time bomb. According to Save the Children, 450 million children will fail to develop properly, both physically and mentally, due to the inadequate diet.

So we have broadened the concept of food security. And you see here six parts that we consider. I will not be able to cover all the points. I will only selectively illustrate some aspects. But what I can say of the six aspects, all of six, they call for partnerships. Without partnerships not one of those can really be solved. And partnership is the theme of this year's global Borlaug symposium.

Let me start on the demand side. More food, more agricultural production that actually reaches the consumer will be needed, that have intercepted, that actually reaches the consumer. I mentioned before already the billion plus global population by 2100. And there is growth in income per capita, which is the second aspect, which we sometimes forget. People in the developing world, which have been entering lately over the last 10, 15 years into a lower middle-income class, are no longer satisfied with a bowl of rice per day, or perhaps two bowls of rice. No. They want to have a little bit of meat, whether it's beef, chicken or perhaps lamb on top of it.

The figures are quite stunning. Today the average meat consumption in developing countries is 69 grams, 69 grams per capita per day. OECD expects an increase of 9 grams per person per ten years per decade, that's all. But we made the calculation that if in the next 20 years we would have an increase of 18 grams, so 20 years 18 grams more consumption per capita in the world, of meat, this would correspond to 400 cubic kilometers of additional water that would be needed – just nine grams every ten years.

I think it would be unfair to complain about, or even to think about against this modest increase in meat consumption in the developing world. Whether we can do something and perhaps diminish something, our meat consumption is perhaps another question.

So far from the demand side. Let me come to the supply side. I'm sure that over the coming days other speakers will talk in depth about the accelerated land loss due to the degradation and expanding human settlements and the largely insecure outlook of fertilizer availability. I have always two figures in mind. Every second two people more to feed, every second 0.2 hectare of land less available. That's the base for what many people say today is speculation on the agricultural (7:53) prices. For somebody who is in the business, this is not speculation, this is almost mathematic.

Let me briefly address only the last two items, namely water and innovation. The drought in the U.S. in 2012 has brought the water issue to the forefront. But some misunderstandings have remained. Some think that this drought that you have been suffering this year has something special to one-time event. Others talk about the drought and climate change, saying this has never happened before. Well, I think most of you know that drought in the 1930s was much more severe than what we have experienced this year. But what is different now as compared to the 1930s is that droughts of 2012 happened after a systematic water overuse over the past decades. And you see on this chart that, the cloverleaf, we are destroying already now 10% more water than what is sustainable, what is renewable. And that's the reason why the lakes and the rivers are drying out. That's the reason why the Lake of Chad, which was 25,000 kilometers is 2,500 square kilometers. That's the reason why on the Lake of Aral, basically the fisher villages are 100 kilometers away from the water which is left. That's the reason why your rivers are coming dry to the sea where it's Colorado or the great river.

So in normal years we have been systematically using the natural buffers of fresh water so urgently needed in difficult years. And the scenario is dire, and you can read it yourself, because something which seems to be very local can become a very global issue when it starts to affect really the global food production. If the present trends continue, the livelihood of one third of the world's population will be affected.

So addressing the water issue is a very important one, and that was the reason why we created the 2030 Water Resources Group, a rather exceptional partnership I have the honor to chair. But we are providing tools for governments to develop fact-based, cost-effective and comprehensive solutions, watershed by watershed, because water is local.

Let me also mention, if anybody is interested – I don't have the time to go into the details – you can also find my thoughts on my own water blog, which is www.waterchallenge.com, where I talk about those subjects on a weekly basis and give an update on where my thinking stands in this case.

Now, let me come to another issue, which is innovation. The slowdown that we are experiencing today in agricultural productivity is one of the main reasons that we are seeing the increase of raw materials prices. And you see here the charts very clearly. From 1917 to 1919, which were the high times of Mr. Borlaug, we saw that the growth in agricultural yield per hector was substantially higher than the growth of the population.

And that is the main reason why agricultural raw materials prices have declined over a period of 30 years by about 25% up to 2005, '06 when then the big turnaround came. And you can see the turnaround came because in these years the productivity increase was lower than the population increase. And if you look at the forecast that we have now for 2009 to 2017, once more productivity increase for agriculture is forecasted only to increase by 0.8%, whereas the growth in the world population will go down to 1.1. These are clear figures, which show us what is in front of us regarding prices for raw materials.

And one has to ask the question why this is happening. One of the reasons it is happening is that some of the population of this part that I'm talking here, is the European, mainly about the Europeans, are not willing to use newly available technologies. So one can ask whether GMO are justified or not justified. I just have one chart here just to show you what happened to productivity, agricultural productivity. One side you see the European one. You see this on the left-hand side. This is France and Italy where we do not use GMOs, and you see how the productivity has been falling down. And then you see Iowa, the state we are in here, and you see how GMO has been helping. They yield grows by more than 2%. I think these charts talk for themselves. And one way or the other I think we will have to embrace new, innovative technologies much more openly than what we have been doing in the past.

Because another very important fact when we're talking about agricultural issues is that, contrary to the belief of many, when agricultural prices are going up, the ones who are suffering (13;38) is the rural population, not the people in the slums. And I think this is something which I can read over and over again - ... fantastic raw material prices are going up, this will help the farmers. No, ladies and gentlemen. It makes the life of the smallholder farmers, which are the big part of the population... You see the extreme poverty is concentrated very strongly in the rural population, and this is one of the big challenges that we have.

We must find ways to improve the rural incomes for those smallholder farmers, not necessarily through higher prices and protection as we have it in many developed countries but rather through helping them to achieve higher productivity and value added for those farmers. This is how Nestlé in partnership with many NGOs and governments cooperates directly with more than 650,000 small farmers all over the world, mostly in developing countries.

Food must remain affordable. Higher prices of staple food have a devastating impact on the poorest. And the decreases in food prices convert to incomes in the case of the 1950 was a trial in reducing global hunger. But this trend has changed. Fluctuating food prices are ratcheting up to very high levels, pushing hundreds of millions of people back before the line where they go hungry to bed.

So much about the quantity. What about the quality? Again in cooperation with local governments and with civil society and different from country to country, we defined the most important micronutrients that need to be added to products, also to our so-called “popularly positioned products”. And you can see those are large numbers. Those are the amounts of servings that we are selling, not giving but selling, all over the world.

Partnerships also in this area are extremely important, as is the spirit of openness. Golden rice is an example. It would bring at no additional cost the necessary amounts of vitamin A to all people in countries with the rice culture where the big part of the those 500 million children who go blind every year are living. The introduction of GMO rice, however, seems to fail mainly due to opposition from what I call well-fed people in some industrialist countries. And I just wonder whether these people and groups will ever be held accountable for the damage they are causing to the most vulnerable.

A further aspect in my list of six dimensions of food security and nutrition is information and dedication. Understanding nutrition has to start in the childhood. My nutrition and bad dietary habit, as I mentioned a moment ago, have a longtime impact and are very difficult to correct later on. This is the starting point of our Healthy Kids initiative. At the end of 2011 there were 65 programs operating in 60 countries and another 21 in the back plans for 2012 and 2014. More than 50 Healthy Kids programs around the world are endorsed by the national ministers of health or of education. And here, too, we could not be able to do this if we had not partnerships. Only in this one program Nestlé is working together with over 250 other organizations including NGOs, nutrition institutes, national sport federations and local governments.

Let me come to this availability – bringing the food to the consumers and reducing the loss in volume and value. We all know that more than 30%, between 30 and 40% of all the food produced is being lost between the farm to the fork. In the developing countries it is because of the lack of infrastructure. In the rich countries it's because about 40% of all the food that we are acquiring, we throw it away afterwards. This accounts for 1,500 cubic kilometers of water. Only by eliminating this waste, we would have solved our water issue.

In countries like in Pakistan, to give you an example, the loss in the milk which is about 30%, 30 to 40%, when a company, like in the case of Nestlé, when we started to work, we have reduced the loss to 0.6%.

And lastly I come to a point which of course is more controversial, and that's a point of distorting policies. Many initiatives can achieve little if they are policies that go in the wrong direction. And I know it is a little bit somewhat delicate to speak about biofuels here in Iowa, but as my model shows, biofuel is not anymore an exclusive problem of the United States. Unfortunately, by imitating what the U.S. does and what Europe is doing, many, many other countries who still have hundreds of millions of people going hungry to bed have been jumping on the bandwagon of biofuels.

I must say that, after having spoken and spoken about biofuels, there are some better developments. Europe, who started with 20% target to replace fuel with biofuel has now gone back to 5%, and I think we can take some merit, having talked and talked about this absolute absurdity. My view is radical and clear about this – no food for fuel. Food is meant for people. Waste can go for fuel. And I think this is something that can easily be achieved.

It might also be of more general interest to look into the various forms of subsidies and energy markets. And I assure you, I will not go into that, but I wanted to share this picture with you. And you will see the amount of subsidies which are being put into, for example, biofuels but not only – solar energy or other renewable energy. And if I look at the importance it has with the size, you can imagine if we only had a little as more part of this money available in order to make investments into sustainable agriculture, I think this money would be better spent.

Let me come to my conclusions. I mentioned in the beginning questions related to a broader understanding of food security and nutrition, of over-nutrition and malnutrition at the same time. It is also clear that the broader the view, the complexer the situation becomes and the complexers are the challenges. And complex challenges require a discussion that clarifies conflicting targets and interest. They require leadership. And I want to say once more that I consider the prime responsibility for this leadership is governments. Private sector cannot and should not substitute the responsibility that governments have in this area.

They require collective shared action in partnerships with others. With the Water Resource Group, for instance, we have learned that in many instances we need government leadership in the setup of stakeholders of the watershed. In most countries if you're talking about water the first time with government, you have 24 to 30 different government agencies, ministers and things like this, all of them on their own. Nobody has a common view, nobody is coming together.

Where this leadership and water governance are weak, we have to assure that the governments appointment somebody who has the leadership, and only then are we working with different governments. We need the right conversation of horizontal and vertical partnerships. For water, for which I consider by the far our biggest challenge for food production in coming years, the partnership has to be above all horizontal. Among other things, other based on the understanding of the nexus. We cannot look at water in silo. We have to understand the close nexus that there exists between on the one hand the food production, the water and the energy and the health perception. When you look only at one of them, you make wrong decisions.

At the same time partnerships need to be strengthened along the whole supply chain, down to consumers, for instance, in order to reduce the losses in volume, as I have mentioned before, or also in the nutritional value of the food on the way from the farm to the fork.

We need to ensure that the goals and actions, as well as the membership of these partnerships, are sure enough so that truly comprehensive solutions become possible. In other words, we need to avoid piecemeal solutions just to show that something is happening. I see this with my colleagues many, many times. At least today I must say most of those want to do something. But I challenge them to say, you know, just to do something alone will make your conscience better, but it's not going to help really to overcome the problems that we have. We have to work together.

And any solution that is not comprehensive enough to convince, for example, in the case of agriculture the smallholder farmers is not an efficient one and not an effective one.

So I'm confident that some of my points will be discussed much more in detail during the 2012 Borlaug Dialogue here in Des Moines. They will be substantiated better by experts able to hopefully reset priorities and ultimately to transform the global food security agenda.

This is in my way one of the biggest challenges of this century. And we have to set and to transform the agenda now - now, ladies and gentlemen, in order to avoid some of the worst-case scenarios for food security and nutrition - worst-case scenario, such as massive cereal production shortfalls due to water shortage that in my view are still highly probable as an outcome if we continue to do what we are doing today.

So thank you very much, and have fruitful days in this city, which has established itself as a hub for forward-looking agricultural policy these days.