

Action Brief 1.1



A shared role in poverty alleviation and land stewardship

Exploring opportunities for closer collaboration between mining and agri-business companies

Content partner

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The Sustainable Development Goals (SDGs) have provided the private sector with a common narrative and framework for action. The Global Agri-business Alliance (GAA) is a CEO-led coalition of supply-side companies who have come together to build sustainable landscapes and livelihoods and make a measurable and additional contribution to the SDGs. The GAA does this by providing a platform for engagement and facilitates collaborative action that 1) scales best practice through peer learning 2) contributes to thought-leadership and 3) informs and influences emerging policies. Current membership includes 16 companies from growers to processors and traders. Whilst the impacts of both agri-business and mining cut across the suite of Goals, SDG 17 makes an explicit call for multi-stakeholder partnerships to ‘mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries’. This scoping study reflects interest from GAA in exploring new and innovative ‘uncommon collaboration’ between sectors operating in the same landscape, to fast-track and scale the development and delivery of sustainable solutions to shared challenges.

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Summary

GAA is committed to being part of private sector action to facilitate more widespread and effective cross-sector partnerships in the landscape. This Action Brief, the first in a series across the GAA workstreams, serves as a first step in that direction and intends to stimulate progressive dialogue and over time, collaborative action on the ground.

The Brief summarises the business case for joined up action for both mining and agri-business companies, with a focus on the role and relevance of building sustainable smallholder livelihoods to both sectors. A selection of 'critical success factors' for building partnerships is proposed and used to identify ten potential partnership sites. The Brief concludes with a number of possible next steps and an invitation for comment.

"Progress on sustainable development requires partnerships between governments, the private sector and civil society – no one party can achieve progress alone. This Brief usefully signposts how mining and agriculture companies could collaborate to reduce poverty through land stewardship initiatives".

Nicky Black

Director, Environmental Stewardship and Social Progress
International Council on Mining and Metals

Context

The impacts of agriculture are profound: the sector accounts for 70 per cent of freshwater withdrawals, 80 per cent global deforestation and is a key driver of land degradation and biodiversity loss. Whilst the footprint of mines is relatively small, many mining companies are large and influential land owners and/or managers, and the social environmental and economic impacts of mining can be significant and long-term.

Yet both sectors play an important role in generating sustainable rural livelihoods. Extractives represent more than 50 per cent of national exports in 16 developing and emerging countries and agriculture contributes around 30 per cent of the GDP in many low-income countries. The mining industry provides the raw materials society needs to transition to a low-carbon economy. As well as feeding a growing population, the agricultural sector employs more than 2 billion people globally, is a foundation for rural development, and underpins many economies in terms of share of GDP and employment. Around the world, over 75 per cent of people living in poverty depend on agriculture for their livelihoods. However, a changing environment, lack of access to finance and falling productivity mean that farming is no longer viewed as a viable livelihood by many in rural communities. Family farms need urgently to be transformed into thriving enterprises to alleviate extreme poverty and hunger (SDG 2) as well as secure agricultural supply-chains.

Despite the World Bank estimating that growth in agriculture is two to four times more powerful at reducing poverty than growth in other sectors (<http://www.csr-asia.com/report/Agribusiness-and-the-SDGs.pdf>) the Sustainable Development Goals Report 2017 that monitors progress towards the Goals, stated that both foreign and domestic official investment in agriculture has been declining. The share of aid to agriculture in sector-allocable aid from member countries of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) has fallen from nearly 20 per cent in the mid-1980s to only 7 per cent in 2015. It has remained at this level since the late 1990s. Government spending on agriculture has not been proportional to the sector's share of gross domestic product (GDP) either. The global agriculture orientation index—defined as agriculture's share of government expenditures divided by the sector's GDP—fell from 0.38 in 2001 to 0.24 in 2013 and to 0.21 in 2015 (<https://unstats.un.org/sdgs/files/report/2017/TheSustainableDevelopmentGoalsReport2017.pdf>).

This underscores the critical role of the private sector as a partner in poverty alleviation. By pooling resources and relationships and aligning priorities and approaches, cross-sector partnering between key actors in the landscape such as mining and agriculture has the potential to realise their transformational impact.



Rationale for and scope of this report

Mining and agri-business companies may share risks related to geographical hotspots and resource scarcity such as water availability in a catchment area. The potential impact of Rio Tinto's \$6.2bn Oyu Tolgoi copper-and-gold mine in the South Gobi on irrigated food crops as well as the livelihoods of nomadic herdsman is large: the mine is expected to use up one fifth of the 560 sq. km subterranean aquifer's 6.8bn cubic metres during its projected 27-year lifespan. Shared risks may also emerge over proximity to fragile ecosystems, cultural heritage and unique forest landscapes. In Spain, the Doñana National Park is facing the threat of becoming the first EU World Heritage Site to be placed on UNESCO's List in Danger as a result of small-scale farming and mining activities. Emerging policies with shared relevance and risk to asset valuation may also provide an entry point for collaboration, for example on landscape-level planning or finance requirements, where it makes good sense to come together to understand implementation challenges and opportunities. In addition, a number of GAA members have direct investments in both agri-business and mining and present a possible case-study for brokering a dialogue or partnership between subsidiaries of the same company.

However, the scope of this report is on the shared drivers and benefits of supporting smallholder farmers.

"In identifying opportunities for partnerships between agri-businesses and mining companies to promote sustainable livelihoods, this Brief promotes an innovative idea to help improve the role of the private sector in agricultural investments".

Carin Smaller

Advisor on Agriculture and Investment,
International Institute for Sustainable Development

Working in a shared landscape: analysis of the drivers for, and barriers to, collaborating around smallholder livelihoods

Mining companies have a clear mandate from shareholders and stakeholders to ensure a sustainable post-mine economy. Investing in small-scale farming has played an integral role for many mining operations for decades – through community development and poverty alleviation programmes as well as post-closure insurance and the development of self-sustaining livelihoods beyond the life-of-mine. Smallholders form a vital part of many agri-business supply-chains; so a thriving and self-sustaining rural community including smallholder farming is critical to business success in the long-term for both sectors.

Both mining and agri-business companies have long-term investments in the landscape: agricultural concessions last decades, as can the life of a mine. Understanding the host country's development plans and the roles and responsibilities of the different sectors is key to the success of long-term landscape-level projects that promote sustainable livelihoods. Dialogue between companies and governments at the local, sub-national and national levels, can be streamlined and strengthened if those companies are aligned around their social investment and community development approaches. Likewise, so too can a dialogue and partnership with potential donors committed to smallholder livelihoods, micro-finance, promoting inclusive business etc. Complementary assets, resources and other capabilities can be leveraged between extractive companies and agri-business: infrastructure, existing community relationships, government relationships, market connections, agricultural inputs, crop protection, seeding technologies, capacity building, food processing. And smallholder projects with a commitment from a buyer are especially attractive for mining companies concerned about viability and self-sustainability.

Collaboration takes time and can be resource intensive. Commitment from both actors at the operational as well as strategic levels is critical to partnering success. Specific barriers that exist between mining and agri-business companies include the relatively small footprint of a mine and its limited sphere of influence in and around the concessions. Finding locations that overlap with existing or potential small-holder farming can be limiting, as can access to knowledge and understating of the site-specific needs of small farmers in any one area. Locations can be remote, and so consideration needs to be given to the logistics of getting product to market and operating in these locations. The presence of multiple users of a shared resource, such as water, can exacerbate local concerns around the impacts on for example water availability and quality. There is always the risk that unequal employment terms will be offered between different operators, resulting in community tension.





'Investing in small-scale farming has played an integral role for many mining operations for decades – through community development and poverty alleviation programmes as well as post-closure insurance and the development of self-sustaining livelihoods beyond the life-of-mine.'

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Considerations for identifying new opportunities

When identifying site-level opportunities for GAA members to partner with extractive companies on building smallholder livelihoods, the following criteria were developed. The list is the result of preliminary assessment by Business for Development and further considerations for partnership assessment would be needed by companies in accordance with local conditions.

1. Strength of alignment of interests: strong geographic overlap between mining company operations and those of GAA members, a high priority for investment in agricultural programs by the mining company, the ability to leverage infrastructure investments and a high appetite to work with an agri-business partner on market linkages to target farmers. The alignment of interests also extends to local skills and education. Many of the skills and workplace requirements for farming and plantation management are similar to those in mining. Heavy machinery use for earthmoving, plumbing for pump and water storage, drainage management, health and safety and environmental compliance. Opportunities exist for shared training and development between the sectors that can benefit communities beyond the mine life.
2. Potential to scale: presence of a large mining company or cluster of mines, fertile project impact area and significant number of smallholders.
3. Commercial sustainability: inclusive business potential in the core business value chain of the relevant GAA member(s).
4. Development impact/potential: review in-country current crops being grown and compare likely projection in the location and potential impact on farmer livelihood.
5. Long-term horizon: a long-term market opportunity for the inclusive business project of at least 10 years. The long-term horizon will be determined by two primary factors: the mine life (ideally 20+ years) or a closure/post-closure plan that prioritises smallscale farming, and the long-term commitment to the market (crop/country) of the relevant GAA member(s).

This desktop research offers examples of high level opportunities based on the available information for agri-business and mining companies using the above criteria which are identified as some of the key factors for success. Specific and detailed information on all of these criteria is not readily available and as such all opportunities require further exploration and qualification. Furthermore, they are subject to specific geographical, cultural, environmental and social dynamics.

Additional opportunities will no doubt exist, however these need to be identified through the provision of further information and dialogue with interested companies.

With respect to the above criteria, the mining operations selected are all large-scale and represent significant shared opportunities in the associated infrastructure that has the potential to be leveraged for additional purposes such as transporting agri-products to markets. Large-scale operations will command a commensurate spend on community development programs, enabling significant impact to be achieved for a number of communities including power generation, water supply and sanitation.

Information on whether a mining company has an appetite to work with an agri-business partner specifically on market linkages needs to be explored through dialogue as it is not typically evident from available public information. The company's interest in collaboration has been extrapolated from information available on the strength of their commitment to community development programs and corporate social responsibility.

The suggested interventions all represent opportunities in commodities that are core business for the agri-business in countries in which they already operate. Crops chosen are those already known to be successfully grown in the selected areas, which ensures the opportunities are profit driven. Choosing core crops is a key factor to success as the agri-business has commitment to these commodities and potentially expertise in the growing, trading, storage and handling, processing and/or markets for these crops. This can significantly affect smallholder impact and is a key component agri-business brings to a partnership.

Geographies with sizeable populations have been chosen to enable significant impact and interventions to be scalable and replicable across many communities. The mining operations identified are all sizeable with remaining production lives of no less than nine years. It is important that operations continue in these locations for at least this period of time, as the extractive company remains committed to supporting local communities and maintains their level of investment. When mines are approaching the end of production and investment begins to dwindle, investment in the surrounding communities tends to replicate this pattern.



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GAA match	Geographic overlap	Commodity	Agricultural program investment priority	Mine life
Anglo American Agrocorp	Anglo American operate the Barro Alto mine in Goias state, Brazil	Key commodities produced in Goias state are sugar, soybeans, corn, tomatoes, rice and cotton	Anglo American have a strong commitment to helping local communities increase incomes through sustainable entrepreneurial ventures	25
Anglo American UPL	Anglo American operate the Codemin mine in Goias state, Brazil	Key commodities produced in Goias state are sugar, soybeans, corn, tomatoes, rice and cotton	Anglo American have a strong commitment to helping local communities increase incomes through sustainable entrepreneurial ventures	25
Yamana Gold Olam	Yamana operate the Chapada gold mine in Goias state, Brazil	Key commodities produced in Goias state are sugar, soybeans, corn, tomatoes, rice and cotton	Yamana have a stated commitment to assisting local entrepreneurs	17
Vale Olam	Vale operate the Porto Trombetas mine in Para State, Brazil	Para state produces rubber and cattle	Vale Foundation has a commitment to developing local communities surrounding their operations	10
BP Yara	BP own the Tangguh LNG project in Birds Head Peninsula, West Papua	West Papua produce fruits, vegetables and subsistence crops	BP have a long history of investing in local community programs	15
Newcrest Markham Agro	Advanced exploration site owned by the Wafi-Golpu Joint Venture comprising of Newcrest Mining Ltd and Harmony Gold Mining Company Ltd in Morobe Province, Papua New Guinea	Morobe is known for cocoa, coffee and fresh fruits	Newcrest have an established commitment to agriculture programs, demonstrated across their existing mines	27
Syrah RCMA	Syrah operate the Balama mine in Mozambique	RCMA is the main cotton buyer in Mozambique	Syrah have stated strong interest in developing agricultural programs for their local communities	40
Anglogold Ashanti Agrocorp	AngloGold Ashanti own the Sadiola mine in Mali	Cotton is one of Mali's most successful crops	AngloGold have a commitment to local agronomic development, such as their Geita program in Tanzania	10
Anglo American Willowton	Anglo American own a range of mines across South Africa, such as Mogalakwena and Marula	Willowton source their sunflower from around South Africa	Anglo American have a strong commitment to helping local communities increase incomes through sustainable entrepreneurial ventures	18
Anglogold Ashanti Afgri	AngloGold Ashanti operate a range of mines across South Africa, including Mponeng and Moab Khotsoeng	South Africa is known for growing grains such as maize and wheat	AngloGold have a commitment to local agronomic development, such as their Geita program in Tanzania	23



Case study Kenya, Kwale Cotton

Base Titanium Ltd (Base) commenced production of their Kwale Mineral Sands operations in Kenya in late 2013. Base was aware of community concerns about their operations and knew that to achieve a social licence to operation (SLO) a strong agricultural community development program was required.

A thorough market scan was conducted where cotton was recognised as a viable commodity. With Business for Development acting as a program broker, Australian fashion retailer the Cotton On Group (COG) was approached to partner in the program. As a business that uses thousands of tonnes of cotton each year, COG was passionate about using the size and scale of its global operations to make a positive impact through the sourcing of its raw materials. Further to this, the direct sourcing of sustainable cotton gave COG increased visibility into its supply chain together with confidence in the environments in which its raw materials were being sourced.



COG and Base contracted Business for Development to provide project design and management services associated with the development of Inclusive Business agricultural outcomes in Kwale County. The aims were to establish sustainable production of a range of crops, aggregate outputs for processing, form and mentor a farmer co-operative including its governance, develop extension support capability and link farmers to market ensuring demand for the crops grown.

Both COG and Base benefit from the project with Base achieving SLO and further licences to explore other titanium deposits in Kenya and Tanzania. COG have a guaranteed supply chain which is transparent and sustainable. The project currently supports 1,500 smallholder farmers, with a view to scaling up to 10,000 farmers by 2025. From a community perspective, the program has acted as a catalyst for economic activity and has provided employment opportunities for local people where very little previously existed.

At COG's request, Kwale production adheres to Cotton Made In Africa standards. COG is a key member of the Project Steering Group and actively involved in the project. The project is jointly funded by Base and COG together with the Australian Department of Foreign Affairs and Trade. In addition to its investment, COG has committed to purchasing 100 per cent of the cotton lint at market value.

Funds are allocated to developing community capability, agronomic advice, equipment and inputs to produce quality commercial volumes of cotton lint. Smallholder farmers are supported to organise themselves into a functioning, democratic, cooperative structure that aggregate and sell their cotton which is shipped to Bangladesh for garment production for COG. The project oversees and facilitates the production, commercialisation, access to market, processing and sale of this cotton into COG's supply chain, with the first Kwale Cotton range due to land in stores in early-2018.



Case study Papua New Guinea, rubber and rice

Ok Tedi Development Foundation (OTDF) is the legal entity that manages community development benefits from Ok Tedi mine operations on behalf of the 147,000 Lake Murray and Fly River residents in 158 villages throughout the Community Mine Continuation Agreement (CMCA) corridor in Papua New Guinea (PNG).

A key part of the OTDF strategy is to develop economic opportunities independent of the mine which are sustainable and improve the livelihoods of the local population. Currently, the foundation is piloting rubber, eaglewood and rice.



OTDF have partnered with Olam with respect to rubber production. Olam has agreed to apply its Livelihood Charter to the project. Olam works in collaboration and provides assistance and guidance to OTDF to promote and develop the rubber production in Western Province. They have also committed to purchase the rubber produced by the inclusive agri-business created by Business for Development for OTDF.

When seeking an export licence for cup lump rubber, the PNG government advised they would support this initiative if the rubber was processed further to a ribbed smoked sheet (RSS), which would add further value to the community. Olam advised they would take the RSS and OTDF would fund the RSS factory.

For the rice pilot, OTDF is working with Trukai Industries, a subsidiary of SunRice. Trukai is the leading supplier of rice in PNG. The PNG government is currently engaging food industries to develop strategies to improve domestic food production in order to improve food security for PNG and reduce imports. Trukai has worked with OTDF in 2017 to develop commercial rice trials in four villages in the North, Middle, and South Fly CMCA regions.

The rice trials have been made possible through a partnership between OTDF, Business for Development and Trukai Industries, trialling four varieties of rice to determine the most commercially viable alternatives in each of the three regions of Western Province. A commercial rice operation of 40ha at Kaviananga in the Middle Fly will now be developed.

Trukai's Rice Project Manager, Humphrey Saese, understands the importance of building PNG's capacity to produce rice, and looks to encourage the people to take on the challenge and work hard to make it a successful rice project. At a public ceremony, Mr Saese said "You own the land. You have the labour. This is your place. We will only teach you how to grow rice but you will need to make it a successful project. Trukai's role is to teach you and give you advice to sustain the project because the people need to be trained with the tools to use skilfully."

The project is a historic shift from the normal sago making culture into the culture of rice, rubber and eaglewood farming for the Fly River communities, and is looking to double farmer income.



PNG Rubber farmer tapping a tree



Case study Papua New Guinea, Watut Cocoa

The Wafi-Golpu Project is an advanced exploration site owned by the Wafi-Golpu Joint Venture comprising of Australian mining company Newcrest Mining Limited and Harmony Gold Mining Company Limited of South Africa. Located in the Morobe Province of Papua New Guinea (PNG), its operations are surrounded by isolated smallholder cocoa farmers disconnected from international and national markets. Of the 150,000 cocoa growing families in PNG, most earn under \$2 a day.

PNG is recognised for producing cocoa which maintains a distinctive flavour profile and has the potential to increase supply to international markets to meet the global demand for cocoa.



Cocoa farmer in the Watut Valley



Recognising the opportunity to support agri-business development as a means to drive increased incomes for local farmers, Wafi-Golpu engaged NGO Business for Development to undertake early stage project design and development of the cocoa value chain in the Watut Valley to create a sustainable business opportunity for local communities. Key investment partners in the program during the inception phase included Mondelez International under its Cocoa Life Program with some technical capabilities provided by Mars Chocolate Australia.

Today the program 'Watut Cocoa' has advanced significantly with over 1,000 families through the Lower Watut Farmers' Cooperative supplying cocoa to Queen Emma Chocolates, a subsidiary of PNG's oldest and largest food manufacturer, Paradise Foods. This initiative provides Queen Emma Chocolates an opportunity to procure locally while also supporting local farmers. The company is prepared to pay farmers a premium price for the best quality beans. Watut Cocoa also supplies cocoa beans to Olam (trading as Outspan in PNG).

Ensuring farmers are best positioned to benefit from the opportunity and to meaningfully engage with the market, Wafi-Golpu has supported the development of nurseries for high yielding cocoa seedlings, crop husbandry training, the provision of fermenting, drying and quality assurance training and provided marketing assistance. Utilising its community investment funds, Wafi-Golpu has also supplied eight dryers to produce quality beans and is developing a budwood garden to supply 100,000 seedlings per quarter.

The Watut Cocoa program has been an important part of Wafi-Golpu's community development strategy as it demonstrates to the PNG Government the economic benefit the company is delivering to mine impacted communities during its current exploration phase and potential future production phases of the project.

Having produced 1,000 tons of cocoa in the past 12 months and benefiting over 5,000 people, Watut Cocoa is set to expand its production to 1,500 tons in the year ahead.



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Possible next steps

The purpose of this report is to stimulate progressive dialogue and over time more collaborative action on the ground. There are a number of possible follow-up activities for GAA:

1

Share with mining and other sectors to initiate dialogue and strengthen influence/impact

It is important that this paper reflects the needs and priorities for the mining sector, as well as other sectors operating in shared landscape such as oil and gas, paper and pulp, forestry. This will strengthen its ability to convene the necessary players and inform progressive dialogue as well as ensure credibility and widespread ownership of the how to scale cross-sector action. The country-level opportunities need to be tested too with country-level operators.

2

Provide a summary of key messages and build a portfolio of evidence for the business-case

The most compelling and credible messengers or 'ambassadors' for cross-sector collaboration are the companies themselves. The business case, key messages, a call to action as well as additional case-studies that bring to life the developmental potential, may assist companies in their own internal and external outreach.

3

Identify opportunities for promoting cross-sector dialogue

A number of key conferences may provide opportunities to continue sharing on the need for 'uncommon collaborations' – such as Mining Indaba: world's largest mining investment conference, Prospectors and Developers Association of Canada and Mines and Money Asia, the Intergovernmental Forum on Mining and Metals. These events could kick-start the connection between companies that demonstrate interest in exploratory conversations around geographical overlap, commodities, intended impact and common goals.

4

Identify and build strategic partners to facilitate action on the ground

A number of expert groups are actively exploring this agenda including the International Council on Mining and Metals, a proven pioneer in planning and delivering cross-sector collaboration through the Cross-Sector Biodiversity Initiative (see <http://www.csbi.org.uk/>). The Development Partner Institute which seeks to drive the mining industry to become an integrated and proactive development partner, delivering on economic, environmental and social shared purpose is also a candidate facilitating dialogue and action.

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Beyond smallholders: mapping shared hotspots on priority issues

In moving beyond the scope of this initial paper that focuses on smallholders, there may be other areas of joint priority and collaborative action within a landscape approach and on water stewardship.

Comments are invited and welcome on this scoping piece, please email info@globalagribusinessalliance.com



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