2015 and beyond
Future trends in the trade of CSPO

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Director of Sustainable Supply Chains
Who are Kraft Foods?

- Approximately $49 billion in revenue
- World’s #2 food company
- Approximately 127,000 employees
- #1 in global confectionery and biscuits
- Sales in 170 countries, Operations 75 + countries
- 12 brands with $1 billion+ in revenue
- 70+ brands with $100 million+ in revenue
- 40 brands over 100 years old
Global Palm Oil Production

2011 Forecast – 50 million tonnes (USDA)

Indonesia – 25.4 million tonnes (51%)
Malaysia – 18.4 million tonnes (37%)
Consumption of Palm Oil

<table>
<thead>
<tr>
<th>Region</th>
<th>Million te</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-27</td>
<td>5.78</td>
<td>13%</td>
</tr>
<tr>
<td>US</td>
<td>0.87</td>
<td>2%</td>
</tr>
<tr>
<td>Japan</td>
<td>0.56</td>
<td>1%</td>
</tr>
<tr>
<td>India</td>
<td>6.89</td>
<td>15%</td>
</tr>
<tr>
<td>China</td>
<td>6.60</td>
<td>15%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.10</td>
<td>11%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.34</td>
<td>5%</td>
</tr>
<tr>
<td>RoW</td>
<td>16.86</td>
<td>38%</td>
</tr>
</tbody>
</table>
Production of Sustainable Palm Oil

C4. CSPO Annual Production Capacity (Mt, %) by Country

- INDONESIA, 2,082,267, 40%
- MALAYSIA, 2,508,348, 48%
- BRAZIL, 125,793, 2%
- SOLOMON ISLANDS, 28,830, 1%
- COLOMBIA, 27,000, 0%
- PAPUA NEW GUINEA, 419,102, 8%
Demand for Sustainable Palm Oil is increasing +59% 2010 – 2011

Table 1: Key Statistics for Certification, Production, Capacity, Supply, Sales & Uptake

<table>
<thead>
<tr>
<th>Certification</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of SCC Companies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>120</td>
</tr>
<tr>
<td>No of SCC Facilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>236</td>
</tr>
<tr>
<td>No of Grower certified</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>No of Palm Mills Certified</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>132</td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Area (ha)</td>
<td>106,384</td>
<td>264,952</td>
<td>644,816</td>
<td>-</td>
<td>1,110,206</td>
</tr>
<tr>
<td>Certified Area (ha)</td>
<td>125,288</td>
<td>304,421</td>
<td>718,080</td>
<td>-</td>
<td>1,269,004</td>
</tr>
<tr>
<td>Annual Production Capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFB (mt)</td>
<td>2,151,916</td>
<td>5,709,784</td>
<td>16,066,742</td>
<td>-</td>
<td>26,349,786</td>
</tr>
<tr>
<td>CSPO (mt)</td>
<td>619,012</td>
<td>1,473,912</td>
<td>3,522,207</td>
<td>-</td>
<td>5,547,728</td>
</tr>
<tr>
<td>CSPK (mt)</td>
<td>154,335</td>
<td>338,740</td>
<td>803,999</td>
<td>-</td>
<td>1,296,511</td>
</tr>
<tr>
<td>Supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSPO (mt)</td>
<td>163,364</td>
<td>1,357,511</td>
<td>2,773,567</td>
<td>4,657,670</td>
<td>8,952,111</td>
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<tr>
<td>CSPK (mt)</td>
<td>41,811</td>
<td>321,322</td>
<td>640,316</td>
<td>1,079,470</td>
<td>2,082,919</td>
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<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSPO Sales through SG, MB</td>
<td>0</td>
<td>98,044</td>
<td>438,515</td>
<td>640,807</td>
<td>1,177,366</td>
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<tr>
<td>CSPO Sales Through B&amp;C</td>
<td>4,452</td>
<td>245,813</td>
<td>842,619</td>
<td>1,400,860</td>
<td>2,493,744</td>
</tr>
<tr>
<td>CSPK Sales through B&amp;C</td>
<td>3,520</td>
<td>6,636</td>
<td>82,464</td>
<td>173,913</td>
<td>266,533</td>
</tr>
<tr>
<td>Total CSPO Sales</td>
<td>4,452</td>
<td>343,857</td>
<td>1,281,134</td>
<td>2,041,667</td>
<td>3,671,110</td>
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<tr>
<td>Uptake</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSPO Uptake / CSPO (mt)</td>
<td>2.7%</td>
<td>25.3%</td>
<td>46.2%</td>
<td>43.8%</td>
<td>(&gt; to date)</td>
</tr>
</tbody>
</table>
And will continue to increase…

Increasing number of public commitments to CSPO by end users, many time-bound:

**FMCG**
- Kraft Foods
- Mars
- McDonalds
- Nestle
- Unilever

**Retailers**
- Ahold
- Carrefour
- Delhaize
- Migros
- Tesco
- Wal-Mart
Reasons for increase: Sustainable supply

• For a company that depends on farming for core ingredients on which we spend billions, sustainable agriculture is all about:

  – Securing and delivering a long term supply of the ingredients we need that guarantees quality and quantity, and delivers competitive value

  – Protecting and enhancing the reputation of our brands and business

  – Giving us a message for our stakeholders and consumers
Reasons for increase: Legislation

- EU will require identification of “vegetable oil” on pack as Palm, Soy etc. by end 2014
- Other markets (e.g. Australia) likely to follow
- EU Renewable Energy Directive – 10% of energy supply in the transport sector to come from renewable sources by 2020
Reasons for increase: Consumer concern
How demand will be supplied through all four supply chain mechanisms:

1) Identity Preserved – from only one RSPO certified source, traced through supply chain

2) Segregated – from mixed RSPO certified sources, traced through supply chain

3) Mass balance – mix of palm oil sourced from both RSPO certified and non-RSPO certified sources. Quantity of RSPO certified bought must equal volume of RSPO certified sold

4) Book & Claim – end user buys certificates for an equivalent volume of certified palm oil from a RSPO certified mill. Used when company mainly uses palm oil derivatives

End users will continue to use a range of mechanisms

As volumes increase segregated supply chains for crude palm oil will become more practical
Palm Oil Derivative Supply Chain

1. Oil palm plantations / smallholders
2. Crude palm oil millers
3. Refining / Fractionating
4. Port of shipment from origin
5. 30,000te tanker
6. Solvent / fractionating and blending in Europe
7. Additional processing as required by specification >100
Future uptake of CSPO

- Current demand for CSPO concentrated in Europe and USA (6.5 million tonnes, 15% of global consumption)
- To get an increase in uptake of CSPO must focus on other consuming markets, in particular India and China (11.7 million tonnes, 30% of global consumption)
- Currently 5 million tonnes CSPO available
- Uptake of c.50% comparable to other certification schemes in other commodities
- 12 million tonnes demand = 24 million tonnes available
Supply and Demand of Sustainable Palm Oil

Future needs:

• Industry must be positive about the benefits of sustainable palm oil in comparison to other vegetable oils

• Will become critical once labelling requirements introduced

• Need to quantify benefits of sustainable approach to producers

• As certified commodities become mainstream, premiums decline

• Develop effective ways to engage smallholders, increasing proportion of supply (70% in Indonesia within 5 years?)
Thank you!