



Nestlé support to domestic biogas through dairy cooperatives in East Java, Indonesia

Manu Schärer
Milk Procurement & Dairy Development
Kejayan Factory



Creating Shared Value
Nutrition | Water | Rural Development





Kejayan Factory 2011 Powders dairy, Infant nutrition, Liquid dairy

- Fresh milk intake 240,000 MT (655,000 kg/day)
- >32,000 dairy farmers in 40 cooperatives and suppliers
- Overall regular income in excess of IDR 2.5 Bio/day, fostering rural sustainable development for the communities

Why is Nestlé involved in a biogas project?

“Creating Shared Value (CSV) is Nestlé’s fundamental business strategy which states that in order to create value for our shareholders and our Company, we need to create value for the people in countries where we are present”



“We believe that the true test of a business is whether it creates value for society over the long term”

**Peter Brabeck-Letmathe,
Chairman, Nestlé SA**

Long Term Commitment for Sustainable Dairy Development



- Nestlé long term objective for its dairy factory: raw material sourcing with a clear focus on **local fresh milk procurement**, rather than imported solids.

Achieving this objective will require:

- ✓ Additional fresh milk volumes
- ✓ From more dairy farmers
- ✓ Requiring a larger dairy cattle herd

Long Term Commitment for Sustainable Dairy Development

- Increased livestock population will
 - ✓ Improve income generation capacity in rural areas
 - However, it will also
 - ✗ Negatively affect the environment if not properly addressed
- ➔ Nestlé's responsibility is not only to ensure a viable outlet for dairy farmer's milk production. It should also address environmental concerns to ensure the dairy farming sector remains sustainable over the long term**

Nestlé partnership with Hivos

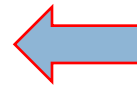
Hivos and SNV have the **right expertise** in Biogas technology, with proven success in other regions of the world, but are in need of credit support for the farmers



The **BIRU programme** forms a suitable platform where the competencies as well as the needs of both agencies complement each other completely in providing dairy farmers in East Java access to **affordable financial assistance and provision of biogas services**



Nestlé does not have the expertise in Biogas technology, but would like to disseminate the technology in its milk procurement area and the **capacity to finance** the project on a large scale



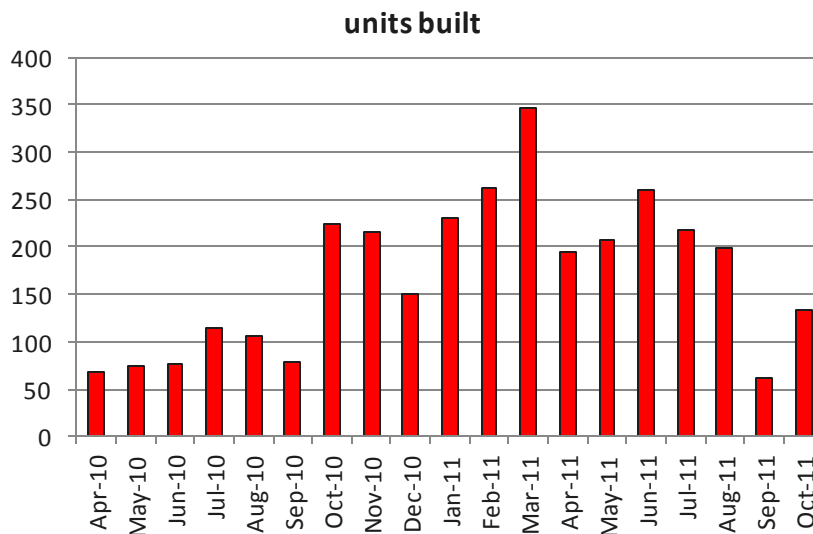
- December 2009: 1st contact Hivos Nestlé
- February/March 2010: 1st training
- April 2010: Construction of 1st digester with Nestlé credit

Hivos: Management

- ✓ Transfer of technology
- ✓ Training of masons
- ✓ Quality control & Certification
- ✓ Subsidy

Nestlé: Facilitation & promotion

- ✓ Selection of Cooperatives
- ✓ Motivation & awareness building
- ✓ Credits IDR 30 Bio envelope available (USD 3.3-3.4 Mio)
- ✓ 2 years loans, Nestlé shoulders capital cost



Status:

- >3,200 units built (end Oct. 2011)
- > IDR 10.5 Bio allocated in loans (end Oct. 2011)

Objective:

- 7'500-8'000 units built by end 2012
- To be continued beyond 2012

37 Dairy cooperatives in East Java supply milk to Nestlé. 10 of these cooperatives have become BIRU partner through a participation agreement with Hivos.

They have established a special division functioning as Construction Partner:

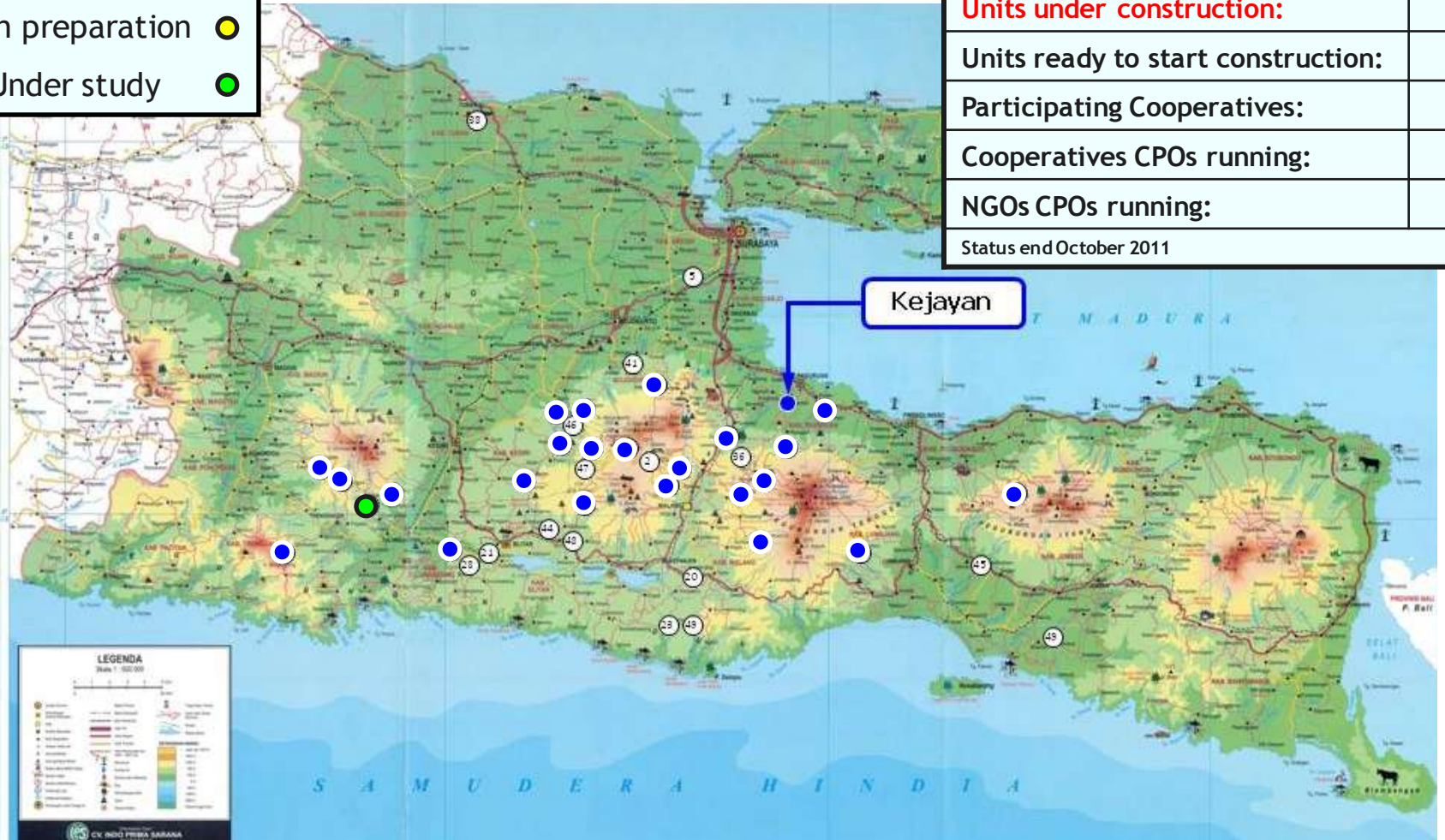
- ✓ Underwent selection
- ✓ Entered into an agreement with Hivos
- ✓ Obtained intensive training and refresher training
- ✓ Undergo quality control & certification
- ✓ Channel subsidy from Hivos to the farmer
- ✓ Undertake inspections and give quality guarantee
- ✓ Manage Nestlé loans providing credit to biogas users
- ✓ Set production targets and try to exceed these targets
- ✓ Receive incentives for reaching targets and quality levels
- ✓ Have built over 3,000 units in less than two years



Hivos/Nestlé Biogas Project

- Started ●
- Ready to start ●
- In preparation ●
- Under study ●

Total units approved:	3,686
Total units built:	3,217
Units under construction:	31
Units ready to start construction:	392
Participating Cooperatives:	23
Cooperatives CPOs running:	10
NGOs CPOs running:	2
Status end October 2011	



Thank You