

Creating Shared Value as a business concept - The milk case in Nestlé Mexico.



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With collaboration of Nestlé Mexico S.A

History

1930 Starts as food products distributor.

1935 First factory (milk) in Ocotlán, Jalisco.

1942 Initiates Nescafe manufacturing also in Ocotlán

1944 Factory Lagos de Moreno, Jalisco for milk powder and infant formulas.

1956 Factory Coatepec, Veracruz for dairy products.

1960 Factory Toluca for culinary products.

1961 Club acquisition (cheese factory and other dairy products) Tlaxcala, Mex.

1965 Nestlé Training Center inauguration in Toluca, Mexico.

1970 Factory Chiapa de Corzo, Chiapas for powder milk.

1985 Carnation business acquisition (evaporated milk)

1991 Ice Cream factory also in Lagos de Moreno

1992 Factory Toluca for Chocolates and confectionary

1993 Cereals factory in Lagos de Moreno, Jalisco (GM)

1995 La Azteca chocolates factory acquisition.

1999 Water factory (Manantiales La Asunción) acquisition

2002 Ralston Purina acquisition (pet food)

2008 Gerber business acquisition (baby food factory in Queretaro, Qro.)

Nestlé presence (facilities)

Nestlé

37
Distribution
Centres

42
Sale
Offices

- | | |
|--------------------|----------------------------------|
| ▲▲ Acapulco | ▲▲ Obregón |
| ▲▲ Aguascalientes | ▲▲ Pachuca |
| ▲▲ Aragón | ▲▲ Puebla (CCP) |
| ▲▲ Cancún | ▲▲ San Luis Potosí |
| ▲▲ Chihuahua | ▲▲ San Lorenzo, Estado de México |
| ▲▲ Coatzacoalcos | ▲▲ Segovia (antes CD Sur, DF) |
| ▲▲ Cuernavaca (OF) | ▲▲ Tapachula |
| ▲▲ Culiacán | ▲▲ Tequesquinhuauc |
| ▲▲ Gómez Palacio | ▲▲ Tijuana |
| ▲▲ Guadalajara | ▲▲ Tlahuac |
| ▲▲ Guasave | ▲▲ Toluca |
| ▲▲ Hermosillo | ▲▲ Tultitán |
| ▲▲ Huentitán | ▲▲ Tuxtla |
| ▲▲ Irapuato | ▲▲ Vallarta |
| ▲▲ Lagos de Moreno | ▲▲ Veracruz |
| ▲▲ León | ▲▲ Villahermosa |
| ▲▲ Los Mochis | ▲▲ Xalapa |
| ▲▲ Mazatlán | |
| ▲▲ Mérida | |
| ▲▲ Mixcoac | |
| ▲▲ Monterrey | |
| ▲▲ Morelia | |
| ▲▲ Oaxaca | |

14
Factories

- | | |
|--|---|
| | ● Coatepec, Ver. |
| | ● Cuautitlán, Edo. de Mex. |
| | ● Chiapa de Corzo, Chis. |
| | ● Lagos de Moreno, Jal. Cereales para el desayuno |
| | ● Lagos de Moreno, Jal. – Helados |
| | ● Lagos de Moreno, Jal. – Lácteos |
| | ● Ocotlán, Jal. |

- | | |
|--|--|
| | ● Querétaro I, Qro. |
| | ● Querétaro II, Qro. |
| | ● Querétaro II, Qro. (Licuidificación) |
| | ● Sta. María, Pue. |
| | ● Tlaxcala, Tlax. (Refrigerados) |
| | ● Toluca I, Edo. de Mex. |
| | ● Toluca II, Edo. de Mex. (Confitería) |



The Nestlé business in México



- 81 years in operations
- One of the top 5 Food and Beverages industries
- Leader in Nutrition, Health and Wellness
- 14 factories, 37 distribution centers
- 6,500 employees
- Biggest soluble coffee factory worldwide
- Diversified portfolio with 32 brands, 350 products and more than 1,800 sku's in 12 different categories.
- More than USD 3 bio in sales
- #1 buyer of green coffee directly from farmers (35,000 T / year)
- #3 buyer of fresh milk from 4,300 farmers (760,000 T / year)



Our Creating Shared Value Concept

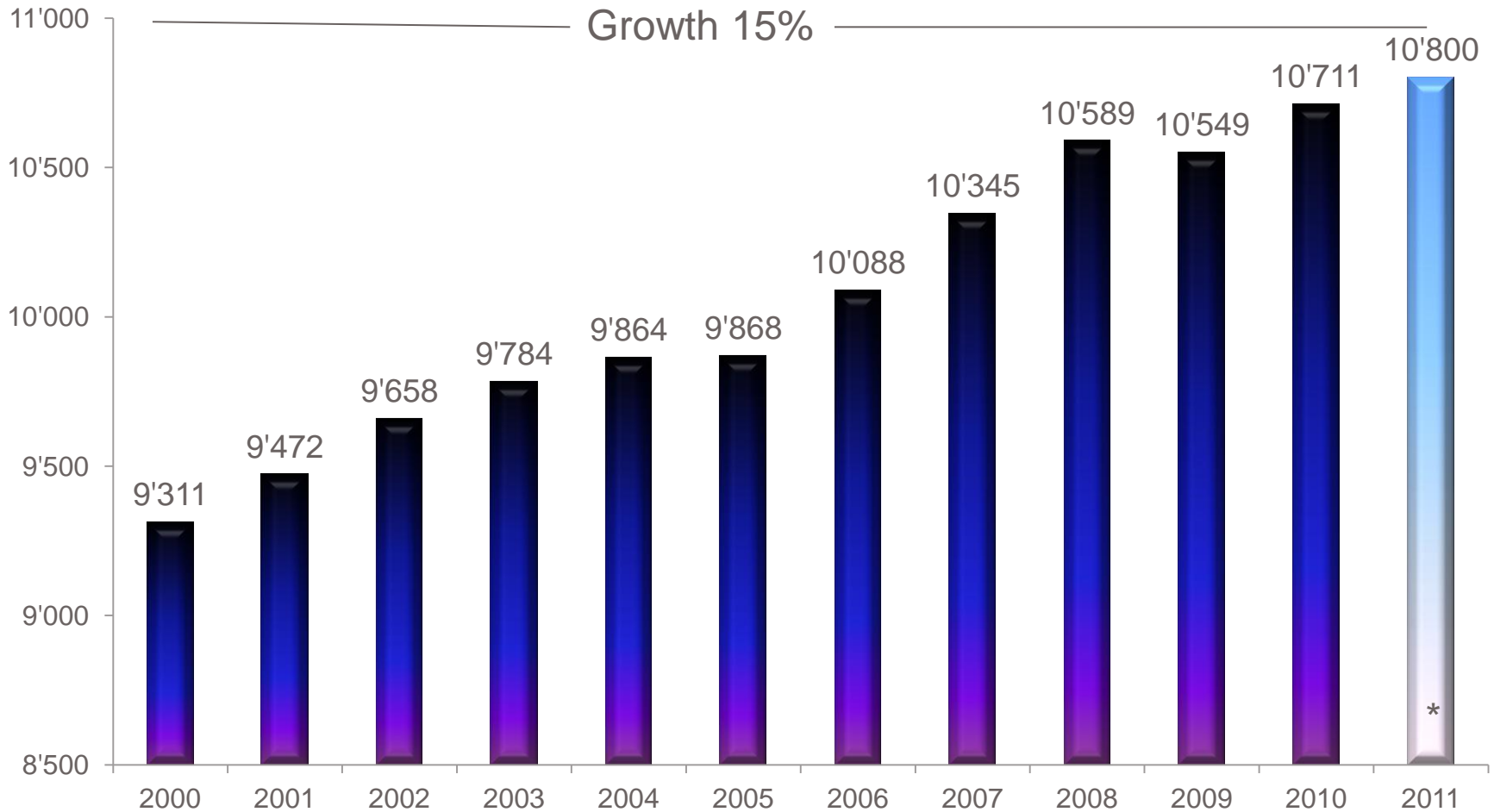
Creating Shared Value in Mexico



Creating Shared Value is the basic way we do business, which states that in order to create long-term value for shareholders, we have to create value for society (farmers, suppliers, employees, costumers, consumers, etc.)

Country Milk Production

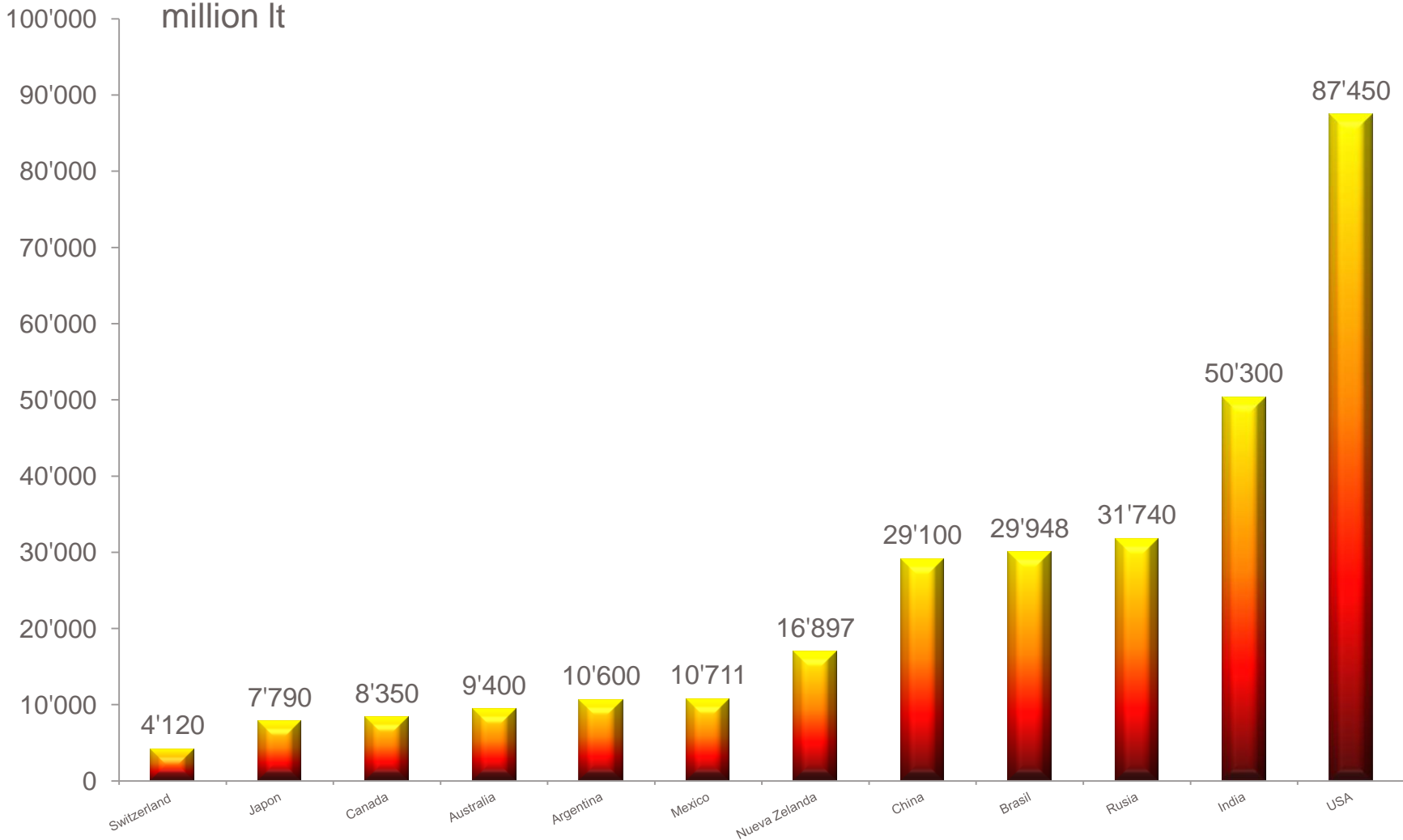
million It



Source: SAGARPA - SIAP

* Estimated

Cow Milk Production Countries

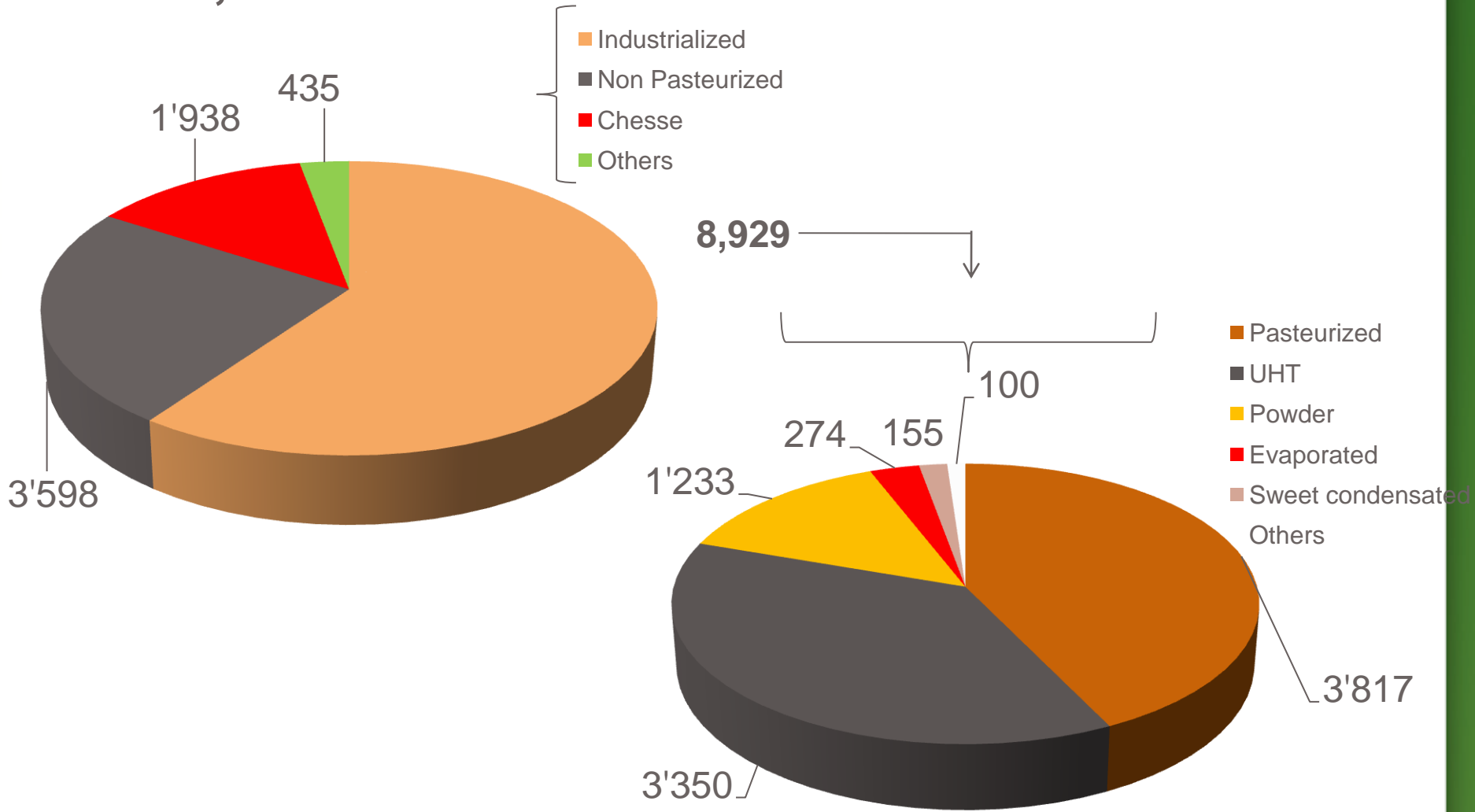


Source: SAGARPA - SIAP



Apparent Dairy Consumption (million lt)

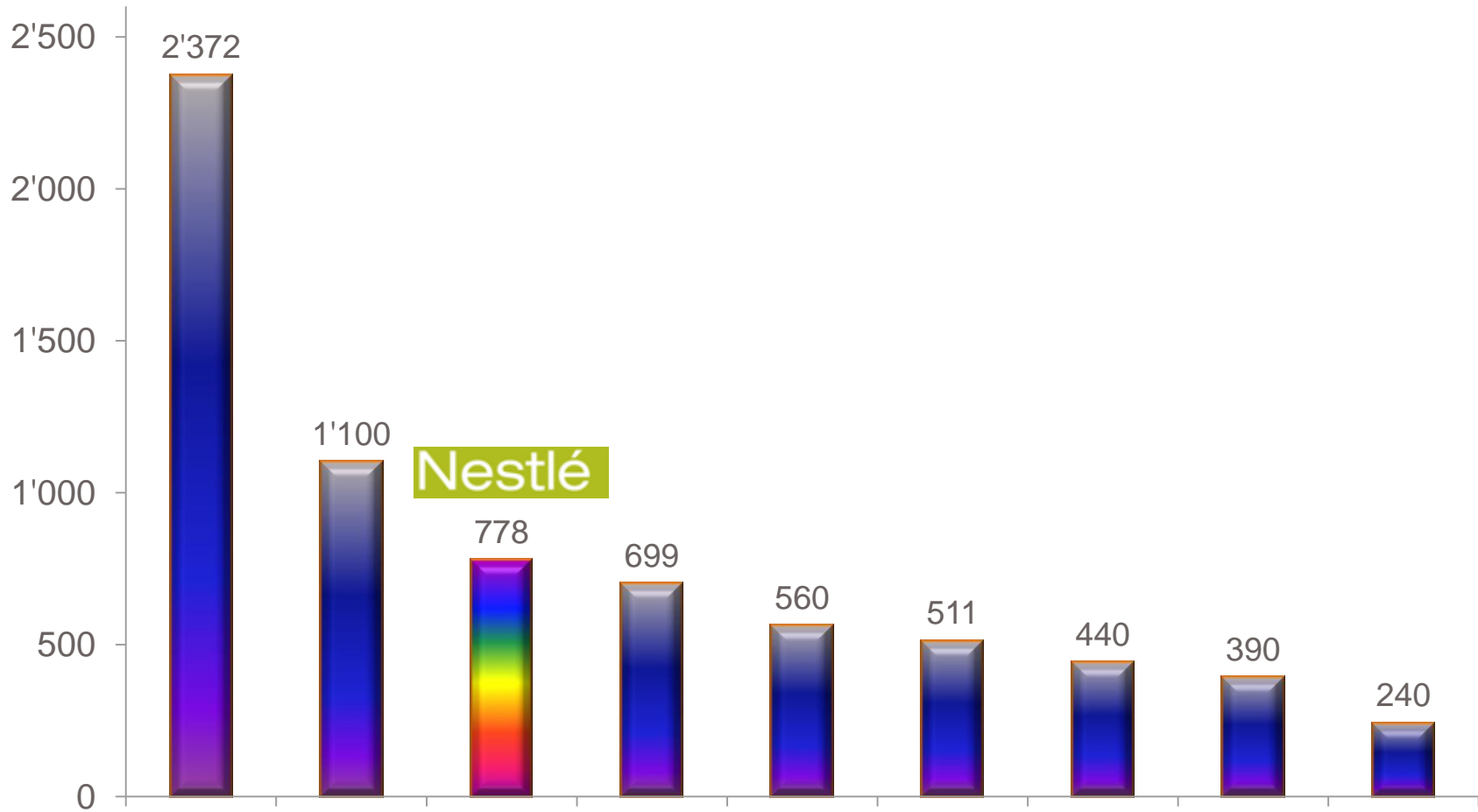
14,900 million lt



México Top Dairy Companies

Million kg

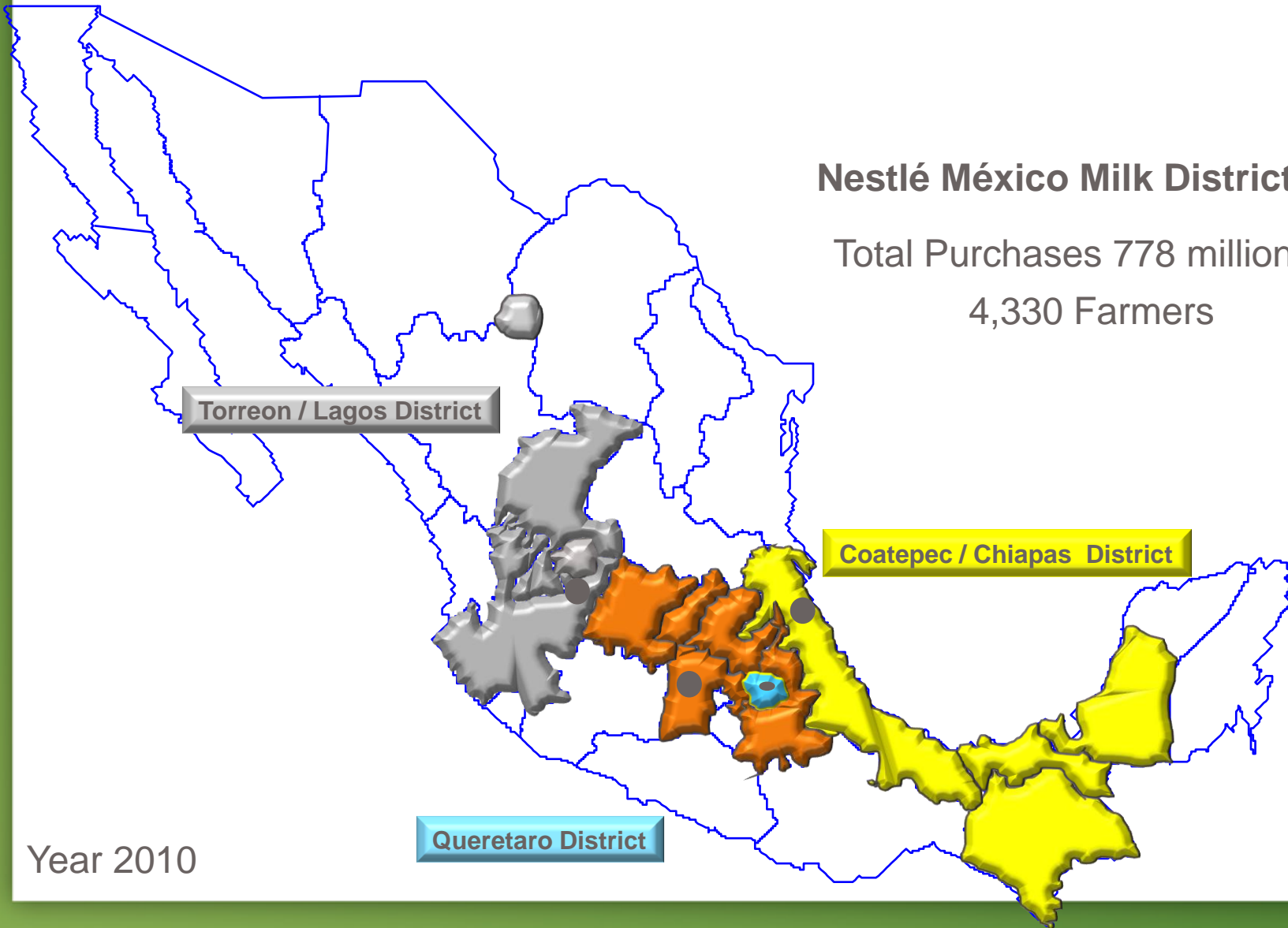
Y 2010



Nestle Fresh Milk Supply

Nestlé México Milk District

Total Purchases 778 million kg
4,330 Farmers



Year 2010

México Milk Production Systems

Zone	Cattle	Production per cow per year	Nestlé Purchase 000's ton	%	Number of Farmers
Lagos Torreón	Holstein & Jersey	8'235	278	36%	13
Lagos	Holstein	5'490	290	37%	685
Querétaro	Holstein	6'710	80	10%	367
Coatepec/Chiapas	Crossbreed Pardo Suizo & Holstein /Cebú	< 1,000	130	17%	3'265
Total			778	100%	4'330



Some examples of Nestlé Dairy Products:

Market Share



The Milk Case in Nestlé México

Creating Shared Value Projects in milk



WATER

- Water Management at Farm level by assessing Dairy Farms in Torreon together with CO-Agro.
- Alignment with Zer-Eau project for water management in factory Lagos



ENVIRONMENT Milk

- 80 ha Grazzin Bush land
- 50% of milk volume from farms with Biodigesters.



ATPL

- Focus in RISE tool recommendations:
- Biogas digesters
- Shadows
- Solar water heaters.
- Book Keeping
- Waste management
- Animal Health assessment



ENVIROMENT Why

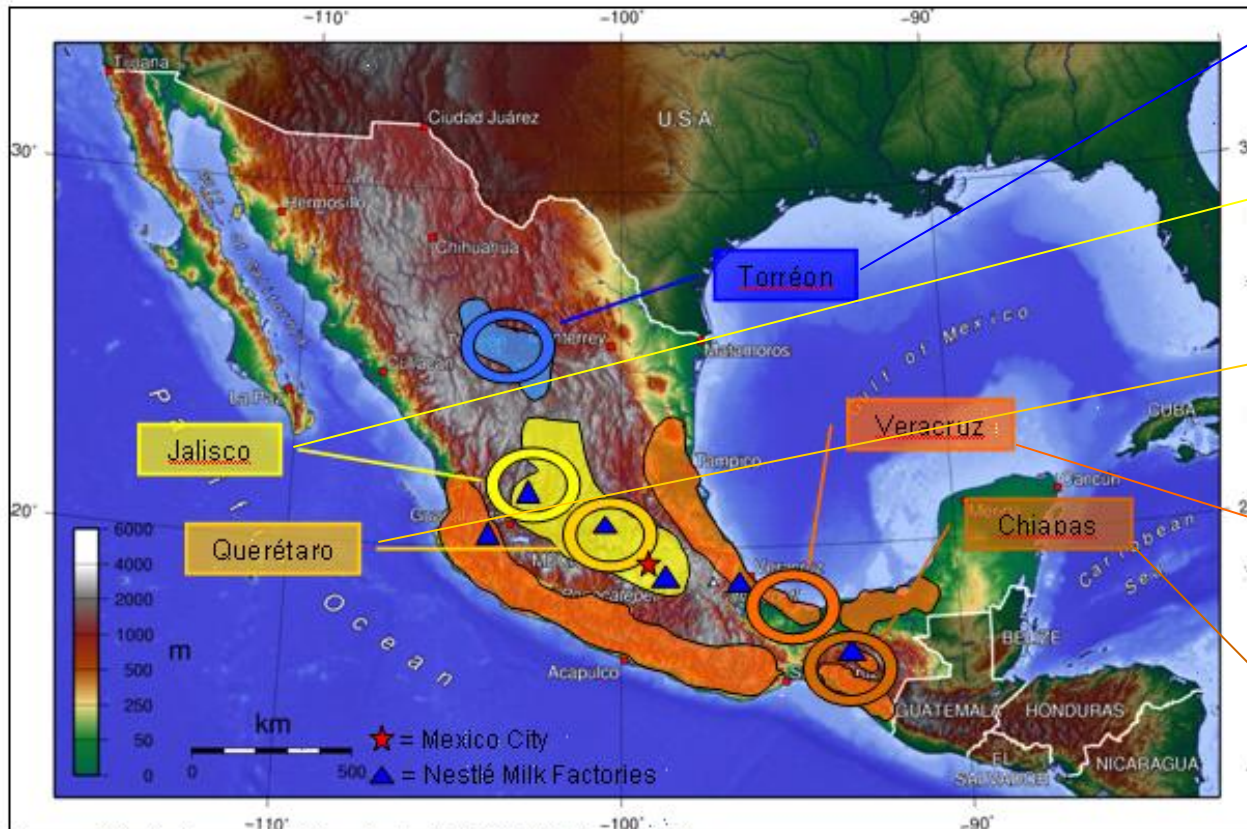
- 100% Nanofiltered whey.
- 20% Concentrated Milk.
- Energy Savings and less gas emissions

Water

Rural Development

Society

Study Regions and Farms, RISE* Mexico 2009



**Torréon: 7 farms
(of 13 providers)**

**Jalisco: 6 farms
(of 825 providers)**

**Querétaro: 3 farms
(of 412 providers)**

**Veracruz: 5 farms
(of 2587 providers)**

**Chiapas: 9 farms
(of 745 providers)**

Source: http://commons.wikimedia.org/wiki/File:Mexico_topo.jpg

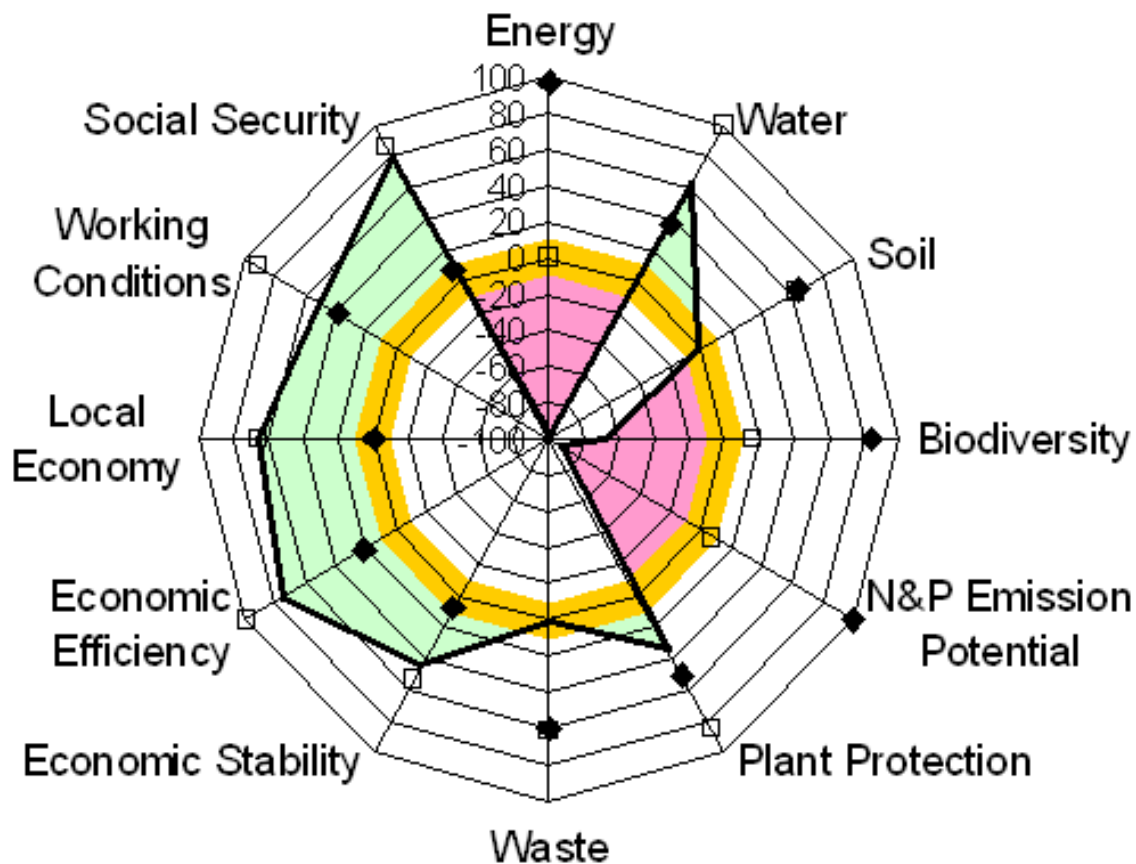
■ Altiplano: highly mechanised farms
 ■ Altiplano: family-run farms
 ■ Tropical: family-run farms



*Response Inducing Sustainability Evaluation

Overview of Results Torreón, Mexico (7 farms)

Sustainability Polygon: RISE



- **State**
0 pts.=high risks
100 pts.= low risks
- ◆ **Driving force**
0 pts.= low risks
100 pts.=high risks
- **Degree of sustainability**
 - positive
 - border area
 - negative

7 farms		
average	min.	max.
Size ha: 465	65	1'902
LAU: 2'763	1'000	7'100
LAU/ha: 10.3	3.7	22.2
Irrigation: 7 farms		
Pasture: 0 farms		
Milking by hand: 0 farms		

Biogas plants in Torreón, Coah. 2011 >35% of milk production for Nestlé linked to biogas plants





Biodigestor

Sustainability assessments outcome

RISE

2009

30 Dairy Farms Evaluated

RISE

2010

22 Dairy Farms Evaluated

RISE 2.0

2011

13 Dairy Farms Evaluated- First step

Some results:

16 - Biodigesters

18 - Farms with new shadow

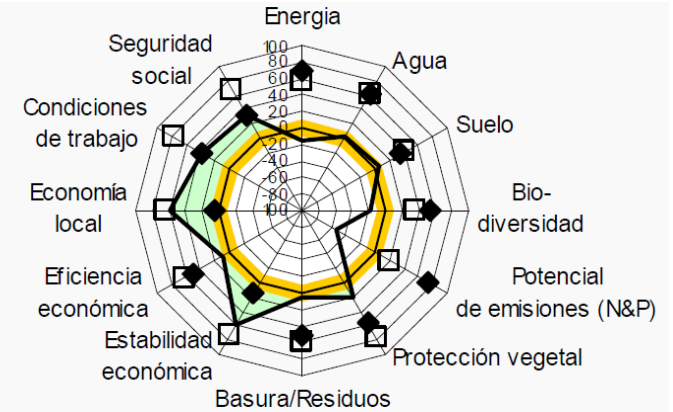
105 - Solar Heaters (water)

3 - Nanofiltered whey Plants

25 - Irrigation new systems installed

7 - Tropical Farms Grazing bush land

Training Courses for more than 1000 farmers yearly



Thanks.....



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