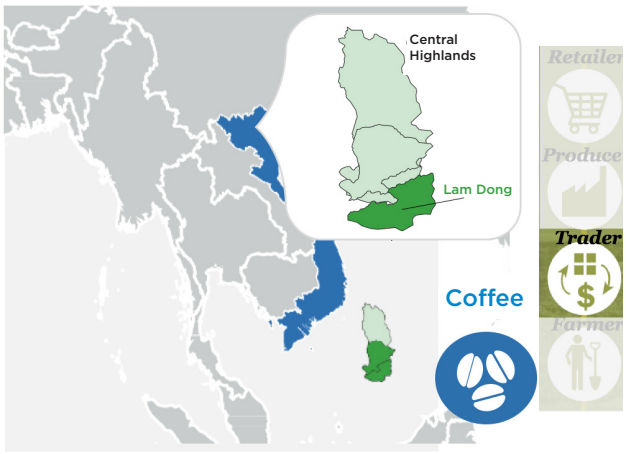
LOUIS DREYFUS COMPANY:

The business case for a landscape approach to sustainable coffee production in Vietnam

Landscape: Lam Dong, Central Highlands, Vietnam,
Company Sector: Coffee merchandizing
Net Revenue: USD 43 billion



Produce	Protect	Include
Sustainable coffee production	Preventing land degradation, water depletion and supporting climate resilience	Increasing yields and quality for farmers

> **"The multi-stakeholder approach really makes sense in the coffee sector. Climate change, soil erosion, water scarcity, etc. are big issues where the involvement of governmental and non-governmental organizations is required as well as all the players of the value chain, i.e our suppliers, our competitors, and our customers."**
>
> Duoc Nguyen, Sustainability Manager, Coffee Platform at Louis Dreyfus Company Vietnam

Key Business Motivations:
Mitigate operational risks of climate change, secure relationships with customers and suppliers

Landscape Maturity Level:
Effective implementation

Summary
Declining production and product quality due to the impact of climate change on natural resources has driven the Coffee Platform of Louis Dreyfus Company to join IDH's Initiative for Sustainable Landscape Approach (ISLA) in the Central Highlands of Vietnam. ISLA sees Louis Dreyfus Company join forces with its coffee-producing competitors on the Landscape Steering Committee in Lam Dong province. The initiative aims to mitigate risks regarding future supply and provides a platform to discuss with government about policy changes beneficial for the future of their business.

1 NO POVERTY · 2 NO HUNGER · 8 DECENT WORK & ECONOMIC GROWTH · 12 RESPONSIBLE CONSUMPTION · 13 PROTECT THE PLANET · 15 LIFE ABOVE WATER · 17 PARTNERSHIPS FOR THE GOALS

Glossary

Agroforestry - land-use systems where woody perennials (trees, shrubs, palms, bamboos, etc.) are deliberately used on the same land-management units as agricultural crops.

Coffee roasters – large buying companies who purchase green (raw) coffee beans and prepares them for use by roasting them.

Green Growth Action Plans (GGAP) – provincial level implementation frameworks for Vietnam's Green Growth Strategy. Frameworks for low emissions development, sustainable agriculture production and forest management at a provincial level over a 10-20 year period.

Intercropping - growing two or more crops simultaneously in the same row to maximize land use, increase yields, diversify offerings and offer competition to weeds that might otherwise usurp excess water and nutrients.

Land consolidation - the reallocation of parcels of land with the aim that landowners obtain larger parcels at one or more places in exchange of their former smaller and fragmented land plots.

Land-use planning – collaborative, participatory process to allocate areas of land to particular activities (e.g. conservation, agriculture etc.). Outcome is usually a land-use map.

License to operate - ongoing acceptance of a company's business practices and operating procedures by its stakeholders.

Perennial crops - crops which are alive year-round and are harvested multiple times before dying.

Pre-competitive – process by which competitors collaborate without commercial competition.

Red list pesticides – pesticides that are banned or restricted under WHO international agreements.

Shade trees - any tree grown specifically for its shade. Most coffee varieties prefer to grow in shaded environments; coffee grown under shade often has a longer lifespan and benefits from agronomic functions such as soil enrichment and the retention of rain water.

Toxic loading – overuse of agrochemicals, in particular pesticides leading to high toxicity levels and soil depletion.

Vietnam Green Growth Strategy (VGGS) – Vietnam national strategy established in 2012 aims to accelerate the process of economic restructuring in order to use natural resources efficiently, reduce greenhouse gas emissions through research and application of modern technologies, develop infrastructure to improve the entire efficiency of the economy, cope with climate change, contribute to poverty reduction, and drive economic growth in a sustainable manner.

Verified Sourcing Area – defined areas or jurisdictions (e.g. municipalities, or regions with clear geographical boundaries) with a clear governance linked directly to market demand and sustainability criteria for relevant commodities. This makes it possible to verify, at landscape level rather than individual production unit level, sustainability targets related to good agricultural practices, forest and peat protection, and governance itself.

Background

Louis Dreyfus Company

Louis Dreyfus Company is a leading merchant and processor of agricultural goods, leveraging its global reach and extensive asset network to deliver for its customers around the world - safely, responsibly and reliably. Since 1851 our portfolio has grown to include Oilseeds, Grains, Freight, Global Markets, Coffee, Cotton, Sugar, Rice, Dairy and Juice. Louis Dreyfus Company makes up approximately 10% of the world's agricultural product trade flows with annual net sales of USD $43.0 billion in 2017[1]. In regards to coffee, the company is one of the three largest coffee merchants in the world, selling all major Arabica and Robusta quality coffees to a range of customers from specialty roasters to multinational food companies globally. Louis Dreyfus Company is a leading coffee exporter in Vietnam and Colombia and also export from Brazil, Indonesia, India and Honduras among other origins.

The company has operated in Vietnam for over 10 years and has around 100 employees in the country assigned to coffee trading, processing, stocking, execution, research and sustainability. Its operations are primarily located in the Central Highlands region. They own a wet processing plant in Dalat, a dry processing plant in Gia Lai province and three warehouses in Dak Nong, Lam Dong and Gia Lai provinces. They also own a large processing plant and warehouse in Binh Duong province. Louis Dreyfus Company is a merchant, buying green coffee beans from hundreds of agents in Vietnam, who collect coffee directly from farmers. Smallholders supply more than 95% of Vietnam's coffee, however, Vietnamese law states that foreign companies cannot buy directly from farmers or own coffee farms. While not having a direct commercial relationship with farmers Louis Dreyfus Company has strong agronomy expertise in Vietnam and has long prided itself on engaging directly with coffee farmers to improve practices and yields. The company's position as a merchant in the value chain creates both opportunities and challenges. On the one hand, they interact with and influence many stakeholders at origin and in the market, on the other, they do not control commodities at source nor do they have direct influence on consumer demand.

Coffee trade in Vietnam

Coffee was introduced to Vietnam by the French in 1857. Since then Vietnam has grown to be the second largest overall producer of coffee globally, second only to Brazil. For Robusta coffee (generally considered lower quality, with low-acidity with a higher caffeine content) Vietnam is the largest producer in the world; about 97% of Vietnam's coffee comes from Robusta. After the Vietnam War, it wasn't until 1986 that privately owned enterprises were permitted again to engage in coffee enterprise. Following that decision, coffee production has boomed in the country. Once harvested, coffee cherries are dried, hulled, cleaned, and sorted and sold to middle men and then onto local and international traders. Green coffee beans are subsequently sold via export to roasters for use in roast and ground blends or for the manufacture of instant coffee.

Today, Vietnam exports approximately 1.4 million tons of coffee (worth approximately USD 3.2 billion) and coffee is among the highest value and volume agricultural products exported, together with seafood, fruits and vegetables, cashew nuts, rice and cassava.[2] It is estimated that there are 596,000 coffee farmers in Vietnam, of which 573,000 are smallholder Robusta farmers with an average farm size of 1.08 hectares (ha).[3] Based on research among 900 smallholders in Lam Dong and Dak Lak provinces, the average profit per coffee farm was VND 173,900,000 (USD 7,635) in the 2016/17 season.[4]

Challenges to production

Over the past quarter century Vietnam's agricultural sector has experienced significant growth. The increased productivity of the country's smallholders has brought numerous benefits, including poverty reduction, improvements in food security and social stability. The country has also achieved a proliferation of agricultural exports and now ranks among the top five global exporters for a range of diverse products include shrimp, coffee, cashews, rice, and pepper[5]. However, a part of

1. http://www.ldc.com/global/en/investors-media/news/pre/louis-dreyfus-company-reports-improved-2017-financial-results/
2. General Statistics Office of Viet Nam, Preliminary Export of Goods 2017.
3. Global Coffee Platform, Economic Viability of Coffee Farming: Vietnam, available at: http://www.globalcoffeeplatform.org/assets/files/Resources/Vietnam-Deliverable_vSent.pdf
4. Agri Lofic, Farmer Field Book Analysis for the ISLA Program, available at: https://www.idhsustainabletrade.com/uploaded/2017/11/170725_FFB-report-ISLA-program-updated.pdf
5. World Bank, Transforming Vietnamese Agriculture: Gaining More from Less, 2016, available at: http://documents.worldbank.org/curated/en/116761474894023632/pdf/108510-WP-PUBLIC.pdf

Vietnam's agricultural success has come at the expense of the environment, with large-scale deforestation, water pollution and land degradation taking place. These impacts now threaten the future growth of agricultural production due to the impacts of land degradation and the local climatic impacts of deforestation (e.g. removal of shade trees) on production. Toxic loading of the environment is increasingly becoming an issue as well, limiting companies' access to export markets because of high biocide residue levels in agricultural products. Coffee production and trade in Vietnam is subject to high market volatility, impacting margins for farmers and traders. Between 1990 and 2000 over a million acres of Robusta were planted in Vietnam. This has led to oversupply in recent years which has put downward pressure on prices in Vietnam and internationally. Vietnamese export prices have declined significantly; it is estimated that prices fell approximately USD 100/MT in a one week period during October 2013[6]. It is reported that Vietnam plans to offer tax incentives and guarantees to farmers for purchase of alternative agricultural crops to get farmers to diversify production. It is also reportedly encouraging coffee growers to shift production from lower-quality Robusta beans to higher quality Arabica beans.

Changing climatic conditions are also affecting coffee quality in the country. Optimal conditions to produce Robusta coffee involve temperatures between 22 and 26°C and annual rainfall around 1,500ml. Coffee plants are vulnerable to even small changes in climatic conditions. In the past 15 years, coffee farmers have been subject to increasing temperatures (increases of 0.4°C since the 1960s, most dramatically in the southern regions) fluctuating ground water levels, erratic rains, storms, floods, landslides, hail storms and tornadoes[7]. Soil erosion and degradation has been severe, with water shortages and droughts during the dry season (most severe in 2015/16) and increased pests and disease leading to an overall reduction in productivity and quality. Farmers often lack the resilience to deal with changes in climate, for example often lacking the knowledge to manage irrigation practices to mitigate impacts.

ISLA – a collaborative approach to tackling natural resource challenges

Through its coffee program, working at a company-by-company level to improve smallholder productivity and increase the share of sustainable certified coffee available on the market, IDH noted a number of these challenges to production being experienced by coffee producers on the ground. Many of these were in regard to a dependency on natural resources, were cross cutting commodity supply chains and were dependent on collaboration and active government support for resolution. One example includes managing water resources for irrigation across industry players working in the same watershed. In response to these challenges, in 2014 IDH launched its Initiative for Sustainable Landscapes (ISLA) in Vietnam to complement its commodity supply chain programs (the Tea, Spices, and Coffee programs) already in operation.

The Central Highlands in Vietnam is the country's strategic hub for the production of a variety of perennial crops, mostly for the export market. Almost all of Vietnam's coffee is produced in the region (95%)[8] and other key commodities include pepper, tea, fruits and vegetables, flowers, rubber, and cashew, making the Central Highlands a key driver of the Vietnamese economy. Agriculture accounts for the largest share of GDP, employment, and household income in the region. The agricultural success in these areas is dependent on a number of important natural resources. The highly fertile land, a quarter of which is basalt, is for example ideal for growing perennial crops.

The Central Highlands was therefore a natural choice for IDH to first implement its landscape approach. The approach convenes the public and private sector in a landscape and co-invests in the development, implementation, and scaling up of sustainable agriculture practices (Production), sustainable use and protection of natural resources (Protection), enhancement of farmers' livelihoods and supporting farmer cooperation and land consolidation (Inclusion). A major objective of introducing the ISLA approach is to harmonize interventions being carried out in key areas by different stakeholders (private sector, government, CSOs) at the farm level, and to be able to influence policy changes, as a group, for the region as a whole.

Lam Dong province: Strategic collaboration across the value chain

As the two largest producing coffee provinces, Lam Dong and Dak Lak were first selected for the implementation of the ISLA on the ground in the Central Highlands. Lam Dong province was also particularly suitable due to its the willingness of the government to cooperate with multiple stakeholders on sustainability matters and the limited barriers to investment in the province. Lam Dong has a cultivated area of 153,432 ha, yielding 382,966 tons of coffee per year[9].

Louis Dreyfus Company was, and remains, a key private sector player in Lam Dong. The province is the strategic focus of their operations in Vietnam. With one wet mill and a dried warehouse in the province, it is also home to their largest agronomy team in the country. The commercial importance of the area to Louis Dreyfus Com-

6. http://vietnamsupplychain.com/assets/files/54b5e5dc4878aVSC_Coffee_SC_Booklet_2015.pdf
7. https://utz.org/wp-content/uploads/2017/03/C3-manual.pdf
8. https://www.idhsustainabletrade.com/landscapes/central-highlands-vietnam/
9. http://en.vietnamexport.com/index.php/vietnam-sourcing/item/171-lam-dong.html?key=27

pany is evident in the long standing work of its coffee agronomists who have provided technical assistance on the ground to farmers in Lam Dong since 2012. Their work had traditionally been focused on improving coffee yields through agronomical improvements to practices at the farm level. The business case for them to go beyond the farm, and to become a part of the ISLA in May 2016 was founded in the increasing need to manage natural resource challenges around reduced ground water levels, soil depletion and deforestation which originate beyond the farm gate.

The provincial Landscape Steering Committee (LSC) was established by IDH in Lam Dong in 2016. Louis Dreyfus Company sits on the Steering Committee, alongside its competitor in the Central Highlands - Atlantic Commodities Vietnam (ACOM), one of its key customers - Jacobs Douwe Egberts, Simexco – a state-owned coffee exporter, IDH and a number of key government departments (Department of Agriculture, Department of Natural Resources and Environment and the Department of Crop Protection). The coalition aims to support the agricultural and forestry sectors in the Central Highlands region of Vietnam to become climate change resilient, cost efficient, and to reduce their carbon footprint.

The Steering Committee has defined long term targets for sustainable agriculture and natural resource management by 2025:

- 70% of agricultural areas are producing in accordance with sustainable and safe standards, taking into account other resource users.
- The use of highly toxic pesticides is eliminated and total volume of pesticide use has been reduced by 30%.
- 40% reduction of greenhouse gases, achieved through increased tree coverage on farms, reforestation of bare land, and a reduction of chemical fertilizer use.
- Agricultural value of USD 10,000/ha/year (without net loss for other users) via increased quality, productivity and efficiency.
- Landscape planning implemented that allows for social, environmental and economic balance.
- 25% of area applying high tech and large scale agricultural production, while taking into account the interest of other resource users.
- All water catchments in Lam Dong are managed considering risks and benefits for resource users.
- Increase forest coverage of Lam Dong to 60% resulting in Lam Dong has becoming a carbon sink.
- Landscape in Lam Dang certified as responsible sourcing area meeting global standards.

These targets are being achieved via changes in governance (policies and their effective enforcement), multi-stakeholder convening and action, and through the implementation of field-level pilot projects.

Gaining national recognition

In 2012 the Vietnam Green Growth Strategy was established, setting targets for the country to transition to a low carbon economy and to enrich its natural capital. In order to operationalize this strategy, the provinces of Vietnam have been encouraged to establish their own regional Green Growth Action Plans (GGAPs). GGAPs are intended to provide an implementation framework for low emissions development, sustainable agriculture production and forest management at a provincial level over a 10-20 year period. In light of its work convening the Landscape Steering Committee in the province, IDH has agreed with the provincial government in Lam Dong to support them in the creation of an officially recognized Green Growth Action Plan for the province. Other donors will join in developing the plan, including UNDP through its UN-REDD program in Vietnam. One of the primary building blocks of the GGAP is a land use plan detailing the preferred land uses and related investment priorities in a green growth scenario. The GGAP will focus specifically on Di Linh district, where there is concentration of coffee farms, and Bao Loc district, well known for tea production.

Gaining access to international markets

In the future it is intended that Dak Lak and Lam Dong provinces can become a Verified Sourcing Area (VSA). VSAs are defined areas with a clear governance linked directly to market demands and sustainability criteria. If a particular province such as Lam Dong can guarantee low-risk sourcing, or can demonstrate progress in the way it addresses certain risks (such droughts, biocide residue in products, or deforestation) this will attract buyers who are increasingly demanding sustainable products. The provincial government in Lam Dong is keen that its multi commodity offering can in the future all be sold under a VSA as safe, sustainable produce.

Convening and Governance

Pre-competitive collaboration: key motivators

IDH brought together the four biggest buyers and merchants of coffee in the Central Highlands, including Louis Dreyfus Company, ACOM, SIMEXCO, and Olam. By uniting all four companies they could scale their individual farmer-level assistance efforts and enable the development of collaborative solutions to landscape wide natural resource challenges. On the market-end Jacob Douwe Egberts who buys a large share of all exported coffee in Vietnam and buys directly from Louis Dreyfus Company in Vietnam, have committed to co-fund three of ISLA's field-level coffee projects. Syngenta is also a partner in the Louis Dreyfus Company-led project and European coffee buyer Lavazza supports the Olam led project.

The Landscape Steering Committee is strategic and high level, chaired by the Vice-chairman of the People's Committee of Lam Dong province. Its responsibilities include: providing advice related to relevant policies, strategies, plans, programs; linking and coordinating supportive resources of public, private investment programs that invest in sustainable landscape development in the province; provide linkages with the Central Highlands Steering Committee and other provinces in the Central Highlands; supporting up-scaling of models. The group provides the platform for Louis Dreyfus Company, ACOM, Olam and SIMEXCO to meet together twice a year pre-competitively to share lessons learnt on the ground, to discuss with local authorities the issues they face in their business operations in the region and in the markets in which they operate, and to discuss policy in the region, which is one of the primary benefits to Louis Dreyfus Company of the ISLA. All overseas backed projects in Vietnam need government approval and local authorities must approve all activities with farmers at the plot level. The decision made by the Provincial People's Committee of Lam Dong to approve the company to implement the project greatly reduced administrative procedures of project implementation.

Roles and responsibilities to date

At the field level, Louis Dreyfus Company and three other coffee roasters are implementing projects aimed at improving the coffee farms' resilience to climate change. Several changes at farm- and landscape level contribute to this goal:

1. The first is agroforestry and intercropping, in order to increase biodiversity, provide organic matter, provide shade, and improve the water retention capacity of the farms.
2. The second is piloting water-efficient irrigation techniques, in order to reduce the amount of water used for irrigation and reduce labour costs for the farmer. This is complemented with water harvesting measures, in order to improve water retention on the farm where possible.
3. A third group of measures relates to the efficient and correct use of fertilizer and biocides, in order to reduce input costs, reduce the carbon footprint of coffee production (mainly through reduced use of fertilizer), and improve soil quality.

Louis Dreyfus Company aims to spread good practice among 4,000 farmers with around 16,000 total beneficiaries. To date they have established 30 demonstration plots in the area on agroforestry, water saving irrigation systems and water source conservation and agrochemical management and have worked directly with 2,500 farmers. Syngenta supports the initiative by supporting the project of Louis Dreyfus Company and by working with the Department of Plant Protection to identify conflicts between current list of pesticides allowed by Vietnamese law against market requirements, such as voluntary standards 4C Common Code, UTZ, and Rainforest Alliance.

Protocols based on the National Sustainability Curriculum (a set of training materials on the sustainable cultivation methods for coffee crops[10]) and UTZ's Coffee Climate Care (C3) climate change adaptation techniques training materials[11] are also being developed. In all field-level projects, the Farmer Field Book (FFB) data collection and analysis tool (funded by JDE) has been employed to gather data on the farms' economic and environmental performance, for at least 150 farmers per project. The data are used to monitor and inform the effectiveness of the project interventions, as well as to develop strong business cases for investment in sustainable farming measures. All of the above is combined with efforts to strengthen public-private governance and policies, primarily via the Landscape Steering Committee.

10. https://www.idhsustainabletrade.com/news/coffee-national-sustainability-curriculum-approved-use-world-banks-300-million-usd-vietnam-sustainable-agriculture-transformation-project-2/

11. https://utz.org/what-we-offer/sector-change/climate-change/coffee-climate-care-c3/

The Business Case: Taking a strategic approach to sustainability risks

Louis Dreyfus Company faces a challenging position in the coffee supply chain. Similar to its peers, as an intermediary the company takes care of both suppliers and customers relationships. To answer customers' needs, a prerequisite is to engage with the suppliers/farmers and vice versa. The company was strategic in its choice to engage in the landscape work in Lam Dong, Vietnam, deciding to mitigate key sustainability risks posed to its business. These are described below.

> **"In these evolving and unpredictable conditions, we continue to focus on consolidating long-term relationships with both farmers and customers. This enables us to work towards steadier business flows."**
>
> ROZENN KERVIEL, GLOBAL SUSTAINABILITY MANAGER, COFFEE PLATFORM AT LOUIS DREYFUS COMPANY

Mitigating climate change risk to ensure quality, and stability of supply and prices

Mono-crop cultivation of coffee in Vietnam has been impacted in recent years by changes in climate and environmental degradation. In the past two decades, coffee farms have been subject to increasing temperatures, fluctuating ground water levels and erratic weather events. Soil degradation and recurrent droughts have become serious issues affecting output and crop quality in Lam Dong province and the Central Highlands more widely. Deforestation in the past decades has led to a low biodiversity landscape. Mono-crop coffee farms in general do not provide a lot of shade, while most coffee varieties prefer to grow in shaded environments. Coffee grown under shade often has a longer lifespan and benefits from agronomic functions such as soil enrichment and the retention of rain water. Farmers are not always aware of the detrimental impacts on quality of growing coffee without shade and so do not generally implement agroforestry or intercropping techniques.

Louis Dreyfus Company, concerned about the disruption climate change causes to supply volumes and quality, carries out high level scenario planning or crop forecasting for supply stability three years into the future. If the company is to help suppliers build their resilience to climate change and improve agroforestry practices in order to maintain coffee production yields and quality, the company must address key climate change risks at the farm and at the landscape level. Water management, agroforestry, and also the farmers' access to certain pesticides, are best addressed at a landscape level, coordinating between several lead farmers and by working with the government in who lead on policy-making, monitoring, and enforcement. In addition, by working pre-competitively with other companies in the coffee sector, the resource demands of providing assistance to farmers in Lam Dong can be shared, and the benefits received by all.

> **"The multi-stakeholders approach really makes sense in the coffee sector. Climate change, soil erosion, water scarcity, etc. are big issues where the involvement of governmental and non-governmental organizations is required as well as all the players of the value chain, i.e. our suppliers, our competitors, and our customers."**
>
> DUOC NGUYEN, SUSTAINABILITY MANAGER VIETNAM, COFFEE PLATFORM AT LOUIS DREYFUS COMPANY

The company's agronomists are working with farmers on crop diversification, intercropping and other climate resilience techniques. By increasing farmer resilience at scale across the landscape, buyers can maintain a stable supply base and a more stable price of coffee.

Managing supply shortage: ensuring supplier loyalty and quality

Louis Dreyfus Company explains that one of its key motivations for working with farmers is to secure the supply of good quality coffee for the next 30 years. In order to continue serving its customers with supplying good quality coffee, it needs to help the coffee farmers to improve the quality of coffee trees to produce the required quantity and quality, and to support farmers to get a decent revenue for their coffee, also to promote farmers and future generations to continue farming coffee. Production support to farmers, and farmer loyalty in selling the coffee to Louis Dreyfus Company in return, are important parts of this strategy. With multiple buyers of coffee in Vietnam, farmers have many options for selling their produce. As a result of years of oversupply (primarily 2013-14) prices became depressed in Vietnam in the past couple of years, and in response farmers have been known to hoard beans rather than selling them to buyers at a low price, in the hope of stimulating higher prices. In its 2016 Annual Report, Louis Dreyfus Company notes farmers holding stocks due to low prices as a reason for limited flows of coffee in the first half of 2016 and subsequent low sales.

> **"In order to ensure that the world can continue to enjoy good quality in the future, we need to act today by supporting coffee farmers to earn a decent revenue and by preserving coffee trees through adopting the best agricultural practices and ensuring a sound growing environment. Obviously, this will contribute to securing our business on a long term basis and allow us to serve our customers."**
>
> ROZENN KERVIEL

While Vietnamese law prevents the foreign company from having a direct commercial relationship with the farmers, the company's presence on the ground via the work in the landscape means it is able to facilitate the connection of farmer group leaders it works with, with the agents it buys from. This is also helped by the fact that it is also in the interest of agents to buy coffee from farmers who are part of a trader network working to increase yields and improve quality. The company is also given the opportunity to discuss these challenges and come to resolutions with farmers groups and the local government via the Landscape Steering Committee.

Improving customer loyalty: consolidating relationships and meeting new demands

Louis Dreyfus Company explains in its Annual Report that it seeks to address ongoing issues of customer loyalty by "becoming indispensable by deepening relationships". The company receives requests from customers for 'compliant, traceable coffee' but, in its experience, customers have not always been willing to pay the premium for certified coffee to obtain this (Louis Dreyfus Company fell short of its target for 17% of its coffee sales to be in certified, sustainable products in 2016[12]). The company presents its ISLA work as an alternative approach to certification. By ensuring the commercial buy in of roasters, (private sector funding for the work in Lam Dong is shared between Louis Dreyfus Company, Syngenta, Jacob Douwe Egberts–roaster, and Louis Dreyfus Company's customer), the company is able to leverage its position to connect supply with demand. This approach allows the company to mitigate against brand risk for itself and its customers in a more cost-effective way.

The pre-competitive collaboration at the landscape level also means that any brand reputational risks (e.g. use of banned pesticides, carbon emissions from coffee production) are being mitigated by the combined efforts of the four companies (Louis Dreyfus Company, ACOM, SIMEXCO and Olam) simultaneously for their shared benefit and the benefit of their customers.

> **"We all have the same interests. Imagine that there is an issue: everyone suffers. We share many of the same risks, we share the same networks of suppliers. This is why multi-stakeholder platforms and organizations like IDH are very important, they are intermediaries, convening all of us, there is a need for that."**
>
> HIDDE EIKELBOOM, LDC VIETNAM CEO AND COUNTRY HEAD OF COFFEE AT LOUIS DREYFUS COMPANY

Maintaining a license to operate

Like all foreign companies, Louis Dreyfus Company is subject to particular restrictions under the regulations of the government in the countries where it operates. The Landscape Steering Committee gives the company the opportunity to engage with the government directly on the business challenges it faces, which may not be possible otherwise. For example, the company has discussed the pressure it receives from customers with regard to the gaps between pesticide health and safety policy in Vietnam with some global, voluntary standards (e.g. Rainforest Alliance, UTZ, 4C). It is also able to explain from a commercial perspective that the overuse of such pesticides can lead to losses in income by creating land and water pollution which can affect the quality of coffee. LDC works to mitigate hazardous chemicals used via engagement with the government's Crop Protection Department, and proposes safer alternatives.

> **"When we carry out landscape processes, we have the opportunity to speak to the government. In all regions we operate it is important to have the government involved now. In order to replicate a successful business case, it will be through the government, otherwise it remains at the stage of the project."**
>
> DUOC NGUYEN

Some of these discussions are difficult to raise as a single company, however the LSC platform allows for dialogue between the private sector, government, civil society and research experts to work towards solutions and, in some cases, legislative change. Respectful, open dialogue with a state that has traditionally been wary of private sector investment is key for any foreign company in ensuring its continued licence to operate.

12. http://www.ldcom.com/global/en/investors-media/reports-and-publications/annual-report-2016-interactive-pdf/

Figure 1: Louis Dreyfus Company's business risks, mitigated by engaging at the landscape level

This table summarizes the key business motivations for Louis Dreyfus Company to engage in the landscape approach in Lam Dong province. It is built around the main commercial risks that could be mitigated by the company by engaging with the program and why a landscape approach in particular was necessary to achieve its objectives.

Type of business risk	Specific risk driver	Impact	Business/ financial implications	Why can these risks not be addressed within company boundaries?
Type of business risk	**What specific risk driver poses a threat to the business?**	**What is the potential impact of this risk on business inputs/operations/products etc.?**	**What could this impact mean financially for the business?**	**Reason why the mitigation of the risk requires a landscape approach**
Risk: Operational risks	Climate change risks threatens quality and quantity of supply, and causes price volatility.	Increasing temperatures, reduced water availability and soil degradation reduce quality and quantity of coffee produced by farmers.	Reduced financial returns as coffee quality reduces and prices fluctuate.	Louis Dreyfus Company lacks visibility over the farmers it is indirectly sourcing from via agents. To help suppliers build resilience and improve practices the company must work at a landscape level, combining efforts with competitors for greatest coverage.
Risk: Supply shortage	Farmers have multiple options for selling their coffee, and since 2013/14 when oversupply caused coffee prices to fall, farmers have been known to hoard beans rather than selling them to buyers at a low price, in the hope of stimulating higher prices.	Hoarding has led to supply shortages for Louis Dreyfus Company in recent years.	Limitation in coffee flows in the first half of 2016 caused low sales for Louis Dreyfus Company.	The company does not have a commercial relationship with farmers but the company's presence on the ground in the landscape enables it to connect farmer group leaders with the agents it buys from. It is also given a platform to discuss supply challenges with local government and farmer groups via the Landscape Steering Committee.
Risk: Lack of customer loyalty and fall in demand for certified product	Buyers are prone to switching supplies as they choose and lack loyalty to merchants. Buyers are also asking for compliant, 'issue free', traceable coffee but are increasingly less willing to pay the premium for certified product.	Louis Dreyfus Company did not meet its target for certified coffee sales (17% in 2016). They are not able to meet buyer traceability requirements with conventional products.	Potential for reduced revenues as buyers look to other suppliers to fulfil their traceability and sustainability needs.	Having roasters bought into the landscape approach financially provides an increased level of loyalty. It also meets their demands for reputational risk mitigation in a more cost effective way than certification.
Risk: License to operate	Louis Dreyfus Company needs to maintain positive dialogue with the government in order to maintain its license to operate in the country while also raising issues that are challenging to its business e.g. pesticide policy and use in the country.	If Louis Dreyfus Company is not able to discuss its business needs with the government in a trusting space and do business with ease in the country, it may lose out on supply volumes and meet customer demands.	Potentials for lost revenue due to policies that challenge the company's business needs. Potentials for lost revenues at scale if Louis Dreyfus Company's license to operate in Vietnam ever came under threat.	The Landscape Steering Committee gives the company the opportunity to engage with the government directly on the business challenges it faces.

Authorship and acknowledgements

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