

# CJ CheilJedang: Sustainable Agricultural Development in Rural Vietnam

*Contributed by CJ Group*



## COMPANY DESCRIPTION

The CJ Group is a global multi-industry company based in South Korea with four main business areas: food and food services; biotechnology and pharmaceuticals; entertainment and media; and retail and logistics. Founded in 1953 as a small processed sugar company, CJ Group now operates in over 23 countries worldwide and employs 44,000 people with \$28 billion in total sales (2013). In 2013, acknowledging the need for a new paradigm in businesses that integrates business efforts with social and environmental values, CJ Group established its own unique Creating Shared Value (CSV) Management Department. The joint project by CJ Group's CheilJedang, the largest food firm in Korea, and the Korean International Cooperation Agency (KOICA) currently operating in Vietnam is one of many programs in progress being overseen by the CSV Management Department.



## THE OPPORTUNITY

As a major food processing company, securing a steady flow of high quality agricultural products is essential for the CJ CheilJedang's business. While assessing the range of its source and consumer markets, CJ CheilJedang identified Vietnam as an important strategic location. Although overall steady and strong growth supports Vietnam in its efforts to becoming a middle-income country, some rural populations still live in extreme poverty.

In partnership with KOICA and with input from the ongoing UN Sustainable Development Goals initiative, CJ CheilJedang identified a failing farming system as one of the factors contributing to this vicious cycle of poverty in agriculture-dependent rural areas, since the lack of a well-established agricultural framework in the Ninh Thuan province resulted in underproduction, a lack of sustainability, and economic depression. The company saw an opportunity to tackle this endemic poverty by better integrating rural Vietnamese farmers into CJ CheilJedang's resource supply chain mechanism.

## THE STRATEGY

Together, CJ CheilJedang and KOICA developed a shared value strategy to improve the company's food manufacturing and distribution activities by enhancing the capabilities of local Vietnamese farmers. By assisting the rural agricultural area of Ninh Thuan Province in Vietnam to become a successful and sustainable agricultural community—including developing infrastructure, sharing agricultural technologies and know-how, and creating living incomes for the community by buying the products—a positive social-business cycle would develop. CJ CheilJedang would benefit from a secure stock of high-quality raw food ingredients, guaranteeing product quality and safety through oversight, while local populations would develop sustainable business models and communities.

With KOICA's expertise in foreign aid in the region, CJ CheilJedang business and efforts would be strengthened by a unique public-private collaboration.

- **Redefining productivity in the value chain:** CJ CheilJedang works to improve the region's agricultural yield by sharing the latest advanced farming techniques and practices, such as sustainable seed selection, and establishing effective infrastructure, such as redesigning and recuperating the much-needed agricultural water system in the province. Through CJ CheilJedang's continuous technical assistance, model farms, and research facilities, local farmers receive timely information. As the company improves crop quality and yield, it also ensures a steady market for the produce, purchasing it from the farmers at a fair price. The improved productivity and steady contracting for source ingredients improve the company's value chain and the local operating environment.
- **Improving the local operating environment:** Using the "New Village Movement," a community action plan that reaped great success in rural South Korean agricultural areas in the 1970s, as inspiration, multiple tactics are used to reinforce the value chain of Vietnamese farms with priority given to increasing agricultural profits and strengthening each individual farmer's skills and potential. Key operations include reinforcing community capabilities through support of farmer unions and microcredit, and improving living standards by renovating educational facilities and remodeling town facilities.
- **Advancing partnerships and responsible business leadership:** Internationally, a global network of partnerships organized by CJ CheilJedang connects the company meaningfully with KOICA, the Vietnamese Central Government, the Ninh Thuan Provincial Government, and Syngenta (a Swiss global agribusiness). These relationships enhance CJ CheilJedang's business knowledge and insights, leading to valuable information that is integrated into the company's strategy.

## RESULTS – VALUE FOR BUSINESS AND SOCIETY

While the endeavor is still in an early phase, the CJ CheilJedang-KOICA partnership model is expected to lead to significant success both in business and social impact.

### Business results

- By contracting cultivation of key ingredients, CJ CheilJedang can secure a stable core production base and gain greater control of supply to reinforce quality and price competitiveness of its products
- Through its local activities, CJ CheilJedang gains brand awareness in Vietnam, and greater local presence opens connections and opportunities in a promising emerging market

### Social results

- The Ninh Thuan pilot program results will illuminate key areas of focus for future anti-poverty initiatives in agricultural areas of rural Vietnam
- The establishment of farming and educational infrastructures reducing rural poverty and increasing farm income in Ninh Thuan
- Technology and management knowledge sharing builds to the capacity of farmers
- Improved environment due to improved water way infrastructures. Established precedent where the public sector KOICA can promote new models for international development based on its previous successful partnership with CJ CheilJedang
- Village hall, kindergarten and primary school were refurbished. Starting from 2014, the Company plans to install water pipes for 80 households annually by 2016. 250 households will benefit from this

## LESSONS LEARNED, CHALLENGES AND OUTLOOK

Although CJ CheilJedang creates both business and social value with the fulfillment of this innovative business model, still some challenges remain ahead:

- **Shared value measurement:** CJ CheilJedang is still developing the qualitative and quantitative standards and criteria for the "New Village Movement" model, and its impact on the business
- **Identifying optimal shared value opportunities:** While social benefit for the region is clear, CJ CheilJedang is exploring the variety of crops that might be introduced through this program and the factors that would make them suitable to local farming conditions and environments. The company is working to assemble "big data" through its R&D facilities to support future efforts