



the nature network®

Martin Bauer

Responsible Sourcing of Herbal Raw Materials

Marco Willius 9.3.2009

Activities



Fruit and Herbal Tea



Raw Materials



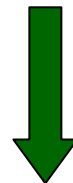
*Herbal Extracts
Food Industry*



*Herbal Extracts
Pharmaceutical Industry*



*Quality Control and
Regulatory Affairs*



Martin Bauer

Plantextrakt

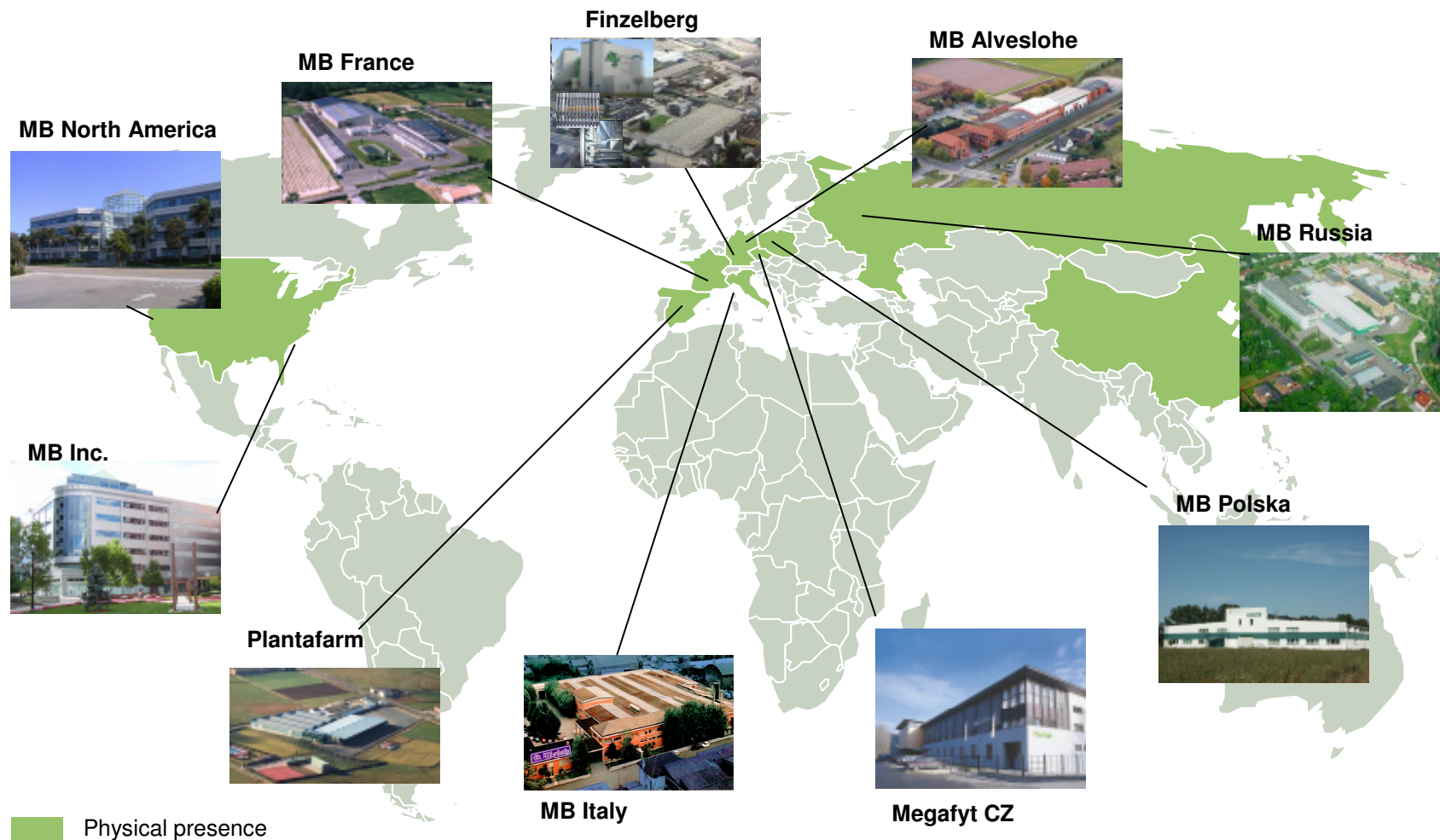
Finzelberg

PhytoLab

Headquarter - Germany



The nature network®



Key Facts

- More than 70 years in business – Martin Bauer is the most experienced group worldwide in botanicals
- Family owned business in the 3rd generation
- Experience and know-how of more than 2.200 skilled employees
- World market leader in industrial production of fruit and herbal tea



Corporate principles

- Respect for Nature
- Corporate culture: lasting responsibility, fairness and repute. Simplicity, sustainability, transparency and efficiency are our guiding principles.
- Our efforts are oriented towards lasting values rather than short-term profits. We primarily establish corporate values and invest in the substance of the healthy company.
- We stand by our ethical and social responsibilities within our spheres of direct influence.

➔ The main duties in this respect are primarily associated with the sourcing of herbal raw materials.





the nature network®

Martin Bauer

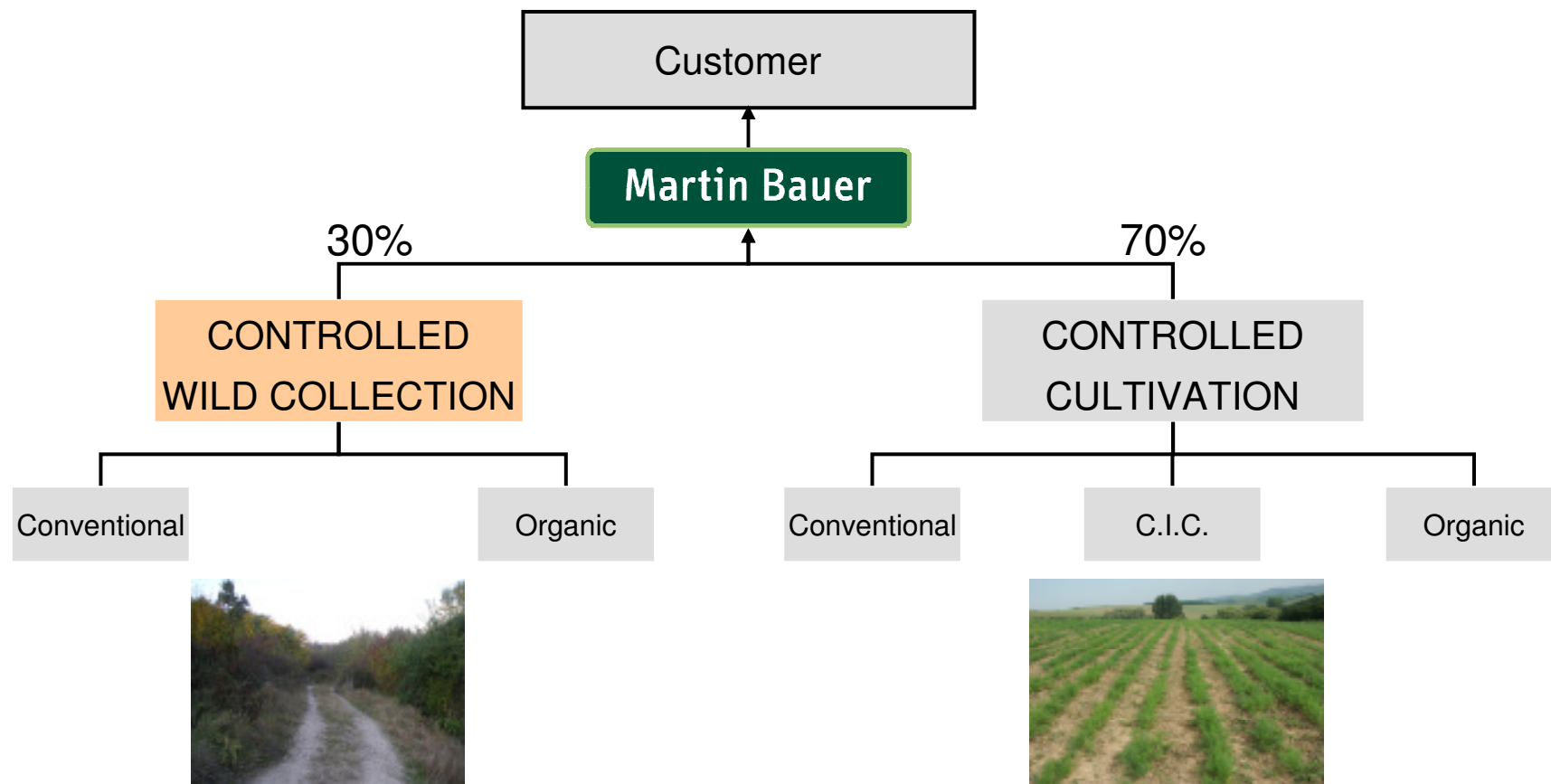
Sourcing Situation

- Appr. 400 article groups
- Worldwide sourcing from 77 countries
- Appr. 250 supply partners
- Complicated world, not comparable with e.g. black tea business



Sourcing Situation

➞ Normal way: sourcing from trade/spot market !



Raw material sourcing

- ⇒ Standard Sourcing: trade market (Cultivation and Wild Collection) decreasing fraction at Martin Bauer
- ⇒ Controlled Contract-Cultivation (also organic)
- ⇒ Controlled-Integrated Cultivation
- ⇒ Controlled Wild Collection (also organic)
- ⇒ New approaches to responsibility and sustainability: e.g. ISSC-MAP, FairWild, Fair Trade, Sustainable Agriculture, Bioland, Bio Equitable, British Soil Association, RA...
- ⇒ Background: global changes in customer requirements and raw material markets



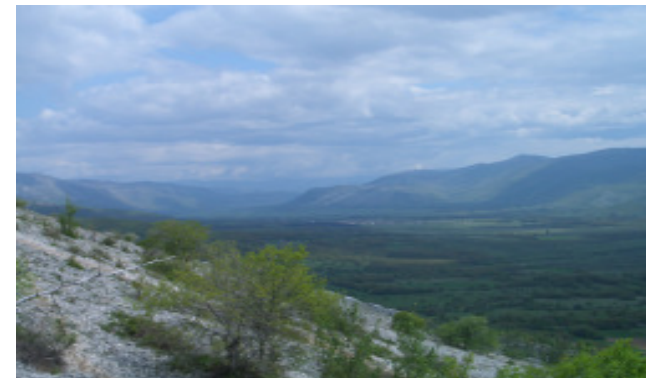
A new era in sourcing herbal raw materials

- ⇒ Today: appr. 70% volume from cultivation, but <50% of the plants
- ⇒ Cultivation is a suitable solution for many problems, for example contaminant management, red-line documentation (GACP/GMP), traceability, species protection, but is limited agro-technically, financially, botanically
- ⇒ Global changes for cultivated plants because of competitive „energy plants“ and demand mainly from China
- ⇒ Wild Collection will persist as an important pillar, but we are challenged: the classical structures for Wild Collection are fading



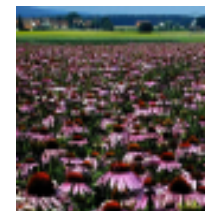
Wild Collection is in danger

- ⇒ Classical origins (Poland, Bulgaria, Romania, Albania, Turkey): under economic change (EC), migration, low motivation of young people
- ⇒ Within 5-10 years, a new approach is needed: a chance for sustainability on plants and people
- ⇒ You can not separate the implementation of ISSC-MAP or any other sustainability standard from socio-structural topics
- ⇒ Creation of a social perspective for the collectors: offer a real job, not only the possibility to get money because there is no other chance
- ⇒ The wild collection must be reinvented in form of a profession, if we want to claim and prove sustainability



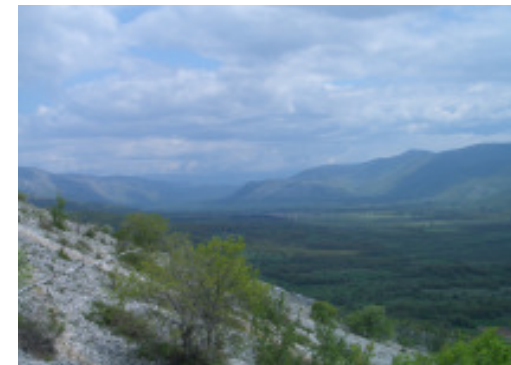
Sourcing policy Martin Bauer

- Safe, secure and sustainable raw materials from all kinds of sourcing
- Long-term, fair business relationships with partners (not just suppliers)
- Principles of sustainability and responsibility are part of the Supplier qualification system. So the Martin Bauer Audit Standards include the issues relating to corporate responsibility (e.g. environmental protection, workers safety, biodiversity, housing, living conditions, child labour, basic rights, compliance with local legislation, fighting corruption)
- Personal presence and leadership: direct sourcing of raw materials without intermediate stages wherever possible. Our specialists are on-site worldwide with more than 30 persons working personally with partner farmers / collectors



Martin Bauer Controlled Collection

- The Martin Bauer-standard of wild collection incorporates organic standards and new approaches like ISSC / FairWild: traceable and sustainable products are possible !
- Supporting local and traditional infrastructures for collection (e.g. prevention rural exodus, Sinti and Roma, San)
- Sustainability through professional collection, environmental and biodiversity protection (collaboration with WWF: FairWild/ISSC-MAP)
- Re-invention: controlled wild collection directly with professional people. Local collection centre as middle of a social network and hot spot of collection competence
- The only chance: integrating the whole supply chain, consumers !



One of our pilot projects: Ukraine

- Build a new collection structure in Ukraine
- Sustainability in terms of ethics, environment and supply-chain
- Synergy: combination of economic and socio-ecological interests
- Creating a social and professional perspective for collectors
- Supply-chain project: final customer joins the project; communication from origin to the consumer/patient
- Evaluation of marketing aspects and consumer awareness
- Support by German authorities: GTZ („PPP“)
- Consultation partner: WWF

Experiences / Lessons learned

- ⇒ Wild collection itself can only be sustainable, if that kind of sourcing survives (professional collection / socially embedded).
- ⇒ First of all: only controlled supply chains are manageable ! Creating direct access is the main effort: partners instead of suppliers.
- ⇒ Only supply chain projects make sense. No supply chain, no economic project. Receptivity of consumer will determine acceptance of higher prices, therefore: publicity.
- ⇒ Local obstacles can be: existing raw material market structures (Ukraine), corruption, mentality.
- ⇒ Integration is the challenge: hygiene, product safety, supply reliability, traceability, worker's safety, management of water/waste,.....

Summary

- Our herbal products are a special challenge, because of
 - ⇒ high complexity: worldwide sourcing, origins, composition of blends
 - ⇒ different sales markets
 - ⇒ high expectations from consumers (natural products)
 - We depend on biodiversity !
 - We are facing this challenge successful with a holistic concept in cooperation with the whole supply chain („vertical integration“)
- ➞ With controlled forms of sourcing, negative effects on biodiversity are avoided. Our controlled forms of sourcing in cultivation and wild collection assure the sustainable use of plants.



the nature network®

Martin Bauer

Thank you very much !