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**THE CRAWFORD FUND**  
*For a Food Secure World*

# **THE BUSINESS OF FOOD SECURITY:**

**Profitability, sustainability and risk**

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# How can business reduce impacts on the world's biodiversity?

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National Manager, Corporate Partnerships, World Wildlife Fund: issues for the non-government sector

## *Abstract*



The majority of a company's environmental impacts exist outside its operational footprint—in its supply chain and typically in the production and harvesting of raw materials for food for human and animal consumption, fuel and materials. The impacts of commodities like palm oil, soy, timber, and pulp and paper on iconic places like the forests of the Amazon and Borneo are well known; a similar magnitude of impact is being felt globally with approximately 50% of the loss of biodiversity being due to primary production.

These impacts also pose some of the most significant threats to a company's security of supply of key inputs, brand reputation and bottom line. These risks are increasingly leading some companies, particularly multinational food, beverage and grocery companies and brands, to implement wide-ranging strategies for sourcing raw materials more sustainably. WWF's analysis shows that around 500 companies control or influence roughly 70 per cent of global markets for commodities.

Initial steps toward improved sourcing include using tools to better understand environmental and social risks in their supply chains and prioritising focus areas for risk mitigation. With this information companies are developing transition programs for key commodities, including publishing time-bound targets for the purchase of credibly certified commodities, engaging primary producers, and partnering with NGOs to improve their understanding of social and environmental issues. Others are going further by supporting collaborative action to shift their sectors and influence government, for example, through multi-stakeholder initiatives and roundtables or joint advocacy with NGOs and other private sector actors.

Thank you for inviting me here today. Being from WWF I will be presenting the non-government sector perspective and since we're an environmental NGO there will of course be an environmental focus in this presentation.

I'm pleased first of all that there seems to be a running theme of partnership and collaboration in the discussions that we've been having so far - it's my firm belief that that's where value can be generated, particularly where partnerships are created between unlike entities.



Partnerships between unlike entities can make engagement more challenging but ultimately I think we can magnify outcomes.

My presentation is designed to give you an insight into who WWF are, our general approach, what we do specifically in relation to agriculture and agribusiness, and why we're interested in supply chains. This presentation primarily focuses on the downstream supply chain aspects, not at the production level.

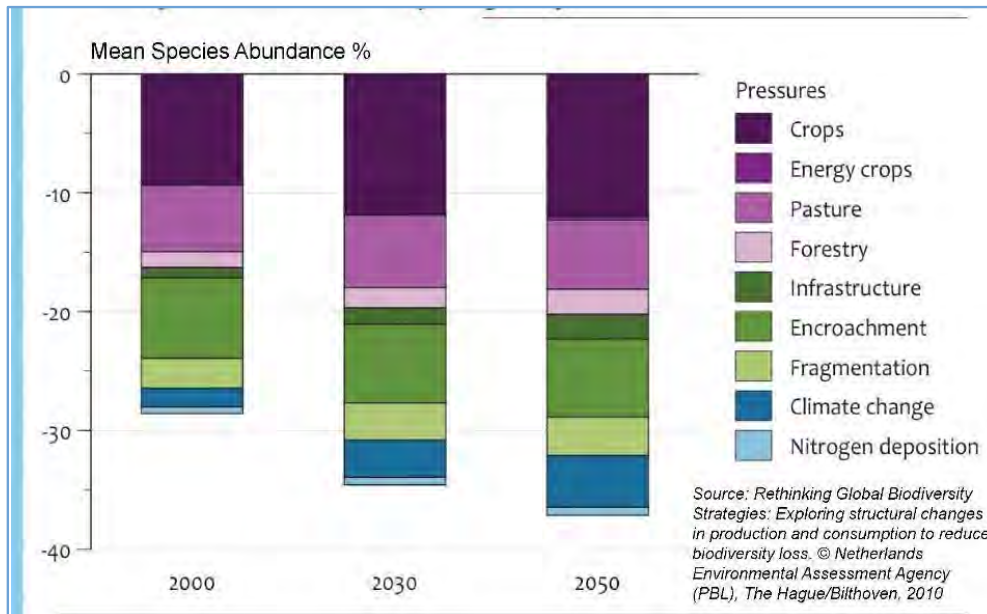
First of all, a real snapshot of what WWF are doing with business, what business is doing by itself and some of the trends we're starting to see – very much at a global level but also now starting to be seen here in Australia. First of all, some background.

This chart (Fig. 1) is a useful summary of why WWF is interested in primary production. This is a graph on loss of biodiversity – or more specifically mean species abundance. The first tab is looking back to the year 2000 and the following ones are projecting forward to 2030. I'm not going into too much detail here, but the interesting observation is that approximately 50 per cent of the impacts on biodiversity are due to primary production – specifically food crops, energy crops, pasture and forestry.

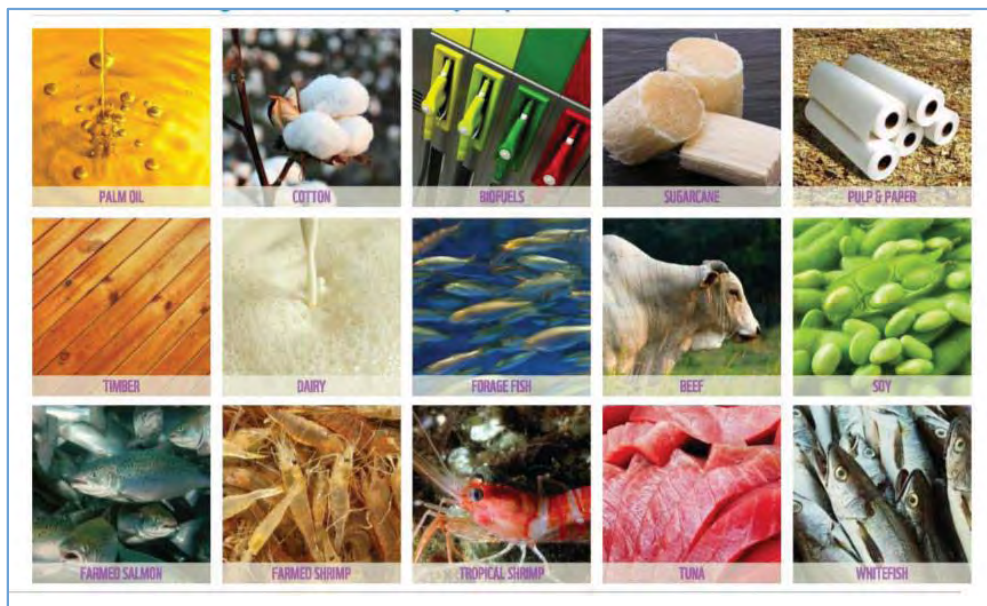
So narrowing down WWF has identified 15 commodities that are disproportionately responsible for that 50 per cent loss of biodiversity and the projected loss (Fig. 2). And they sit across three categories – food, fibre and biomaterials. In food it's predominately palm oil, beef, dairy, soy and sugarcane; fibre covers timber pulp, paper and cotton; biomaterials incorporate biofuels and bioplastics.

This diagram (Fig. 3) shows the interactions between what WWF calls priority places – like the Amazon, Great Barrier Reef, places that are really important from a biodiversity perspective – and the commodities which are primarily impacting those priority places. Then we add in the companies and brands that are responsible for the utilisation of those commodities, noting these are indicative. This is a snapshot of how WWF looks at the world in terms of supply chains.

**Figure 1.** Major drivers of biodiversity loss globally.



**Figure 2.** Commodities with a high environmental impact/risk.

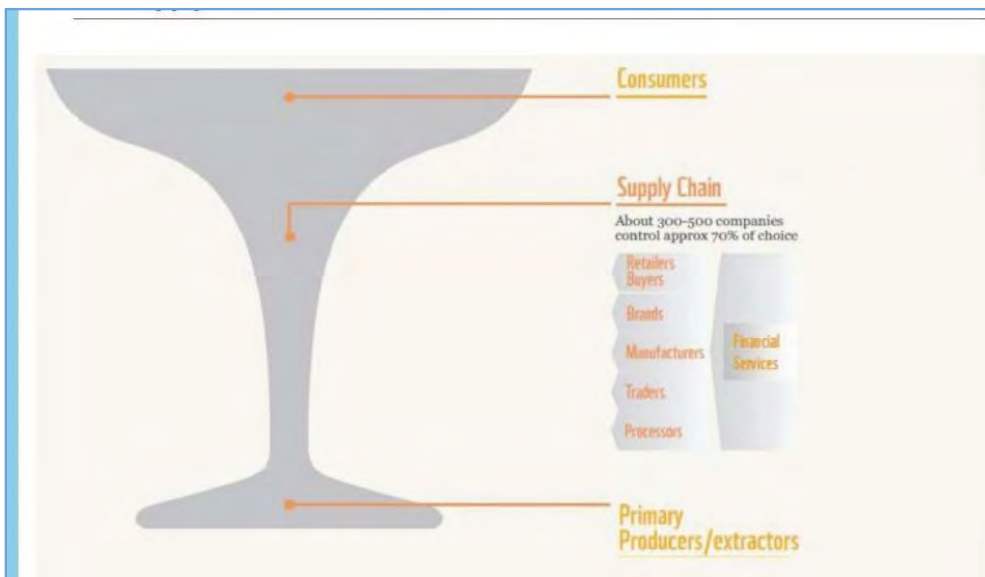


The rather simplified diagram of a supply chain in Fig. 4 shows consumers at one end and primary producers at the opposite end. The

**Figure 3.** Linking biodiversity with supply chains.



**Figure 4.** Supply chain concentration.



interesting point to note is that there are between 300 and 500 companies that control or heavily influence 50–70 per cent of the choice of those 15 commodities I mentioned. From that you can infer that these 300–500 companies are having a material impact on priority places and biodiversity.

## **Market transformation approach**

At WWF this is known as the market transformation approach: focus on the major companies, primarily retailers, brands, commodity traders, processors and manufacturers, who have disproportionate impact on the environment through their raw material sourcing, but also the finance industry comprising the lenders and financiers who provide capital to primary production projects.

We're starting to see a progression towards what we call responsible sourcing. The initial focus is on internal aspects, understanding where the risks are in a company supply chain, moving towards some internal action and then shifting towards external action and projects, and engaging key stakeholders. I'll now take you through what we're starting to see in the market and also what WWF is doing with the key actors in market.

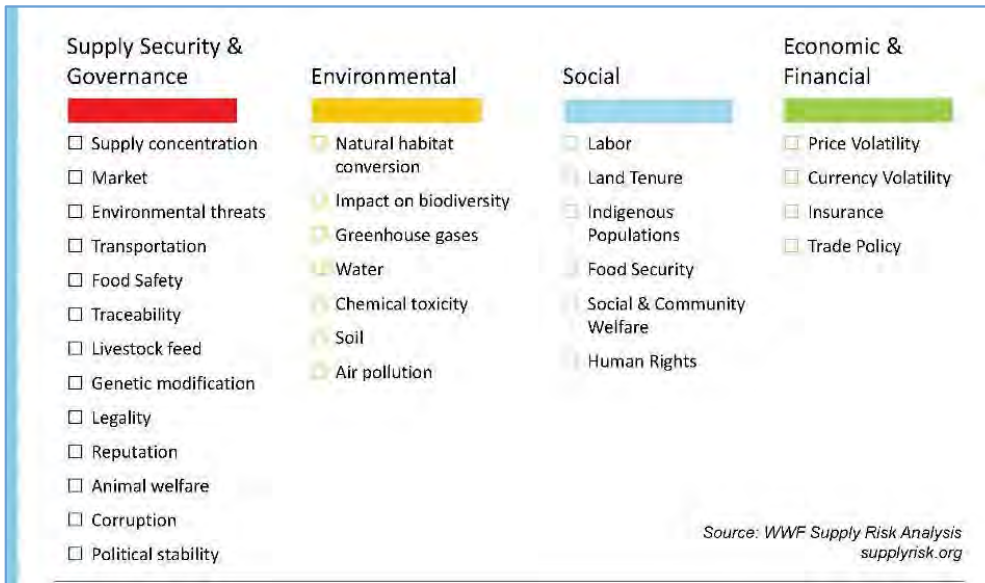
We've observed particularly here in Australia over the last five or six years a shift in focus on responsible sourcing issues and on companies responding to those issues. This has been significantly driven by NGO pressure through campaigning but also negative media together which have driven the focus areas for action from companies. But now we're starting to see a bit more of a holistic broadened approach to understanding supply risk and eventually mitigating and managing those risks (Fig. 5).

WWF clearly has a strong interest in environmental risks, but we're well aware of the social impacts and risks in the supply chain and we're also conscious of other commercial risks such as security of supply issues and economic and financial risks such as price volatility and supplier concentration. WWF's been working with the likes of McDonald's, Johnson & Johnson and Edeka (a major German supermarket retailer) to identify where the risks lie in each company's supply chain.

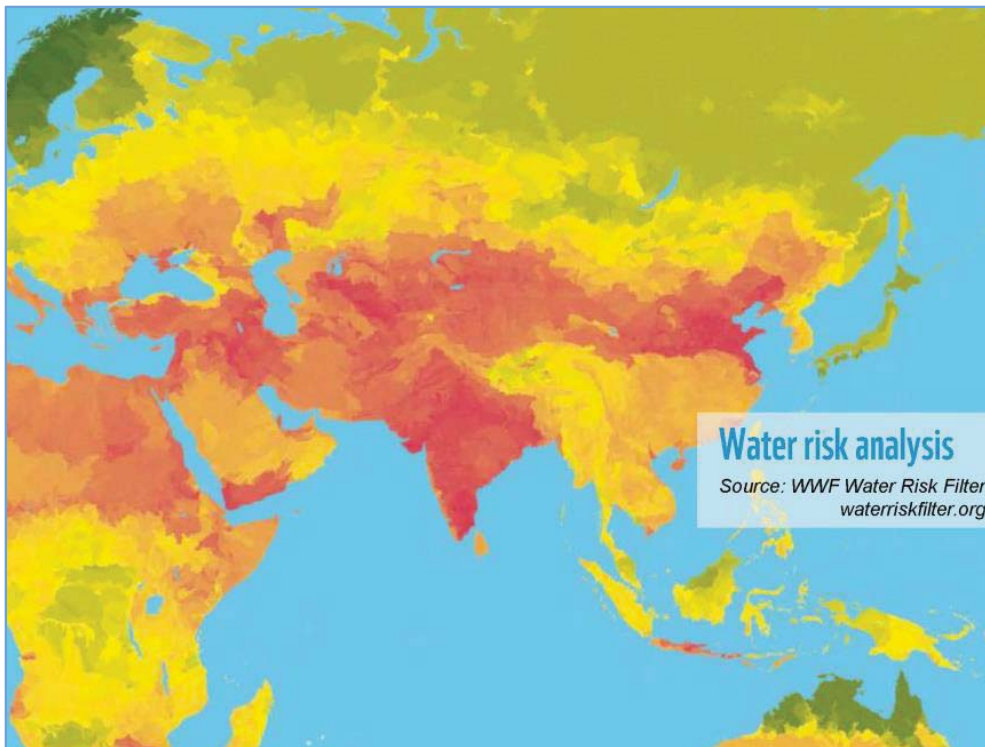
We're also starting to see interest, largely at a global level but gradually here in Australia also, around water risk in supply chains. This is a water risk heat map (Fig. 6). This map incorporates not only water scarcity and water quality, but also regulatory regimes and their ability to resolve



**Figure 5.** Supply risk analysis.



**Figure 6.** Water risk analysis.

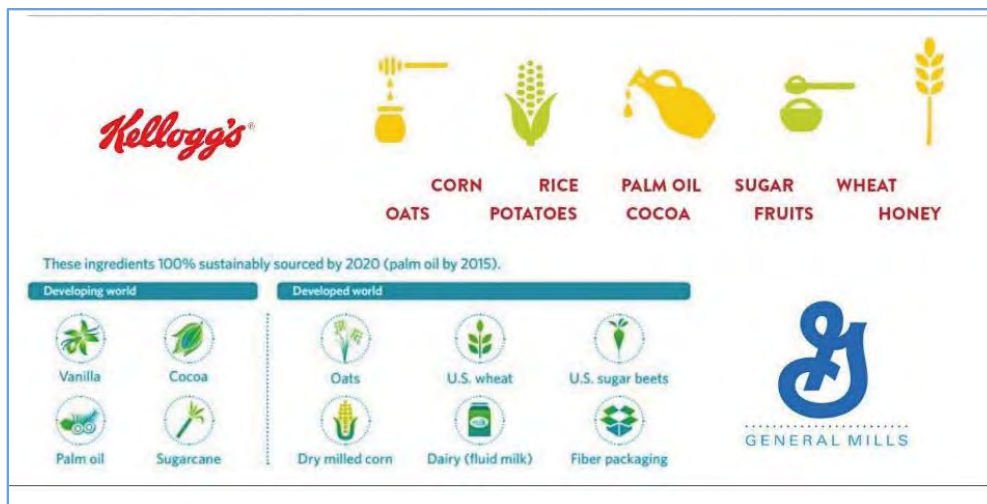


water-related issues and to deal with impacts on ecosystems. We now have 13,000 organisations and companies starting to use this tool to understand their exposure to water risk.



Another approach we've promoted is prioritisation of risks by companies. It's about accepting the fact that the major food buyers and brands, have huge scale and diversity of risk across their supply chains. So we've encouraged a process of prioritising commodities which are strategically important but also have a disproportionate impact due to their effects on the environment and in a social context. From this diagram (Fig. 7) you will see the commodities Kellogg's and General Mills have prioritised for action. You will see some common ground there with WWF's 15 commodities; sugar and palm oil are incorporated in both priority lists; but they've also prioritised other commodities which are strategically important to them.

**Figure 7.** Companies use commodity prioritisation.



### Standards and certifications

We're also seeing companies we work with and others we engage with utilising standards and certification systems. From a consumer perspective we typically see these as eco labels, however this isn't necessarily about eco labels, it's about having standards that can verify the chain of custody of a product or raw material from production through to manufacture or retail. Although there's a proliferation of certification systems in the marketplace, and this is often held up as a criticism due to consumer confusion, we're seeing a concentration of activities around a small number of certification schemes and standards that meet certain criteria.

One of those criteria is that the certification system or standard has to be available on a global basis, so it has to mean something in multiple markets. From a corporate perspective sourcing different standards in different geographies adds complexity, so ultimately certification systems and standards fulfil that function. But also the certification system and standards have specific criteria, including strong governance and dispute mechanisms, and are often developed through a multi-stakeholder process – some of the features that you don't often see with other competing standards and certification schemes. They also generally incorporate considerations of both social and environmental impacts.

I will give you an example, I'm not sure how many in the audience have heard of Bonsucro. Bonsucro is a certification standard that has been operating since 2008 (Fig. 8). The brands on the right are the ones that have made commitments to Bonsucro and you see some of the major sugar users including Coca-Cola, the world's biggest buyer of sugar. Four per cent of the world's sugarcane is now grown to the Bonsucro standard, primarily in Brazil but also some now coming out of Australia, and that's significant growth over a seven-year period.

**Figure 8.** Many significant companies (listed at right) have made the commitment to the Bonsucro standard for sugar production.



## Setting targets

Moving on from prioritisation we're now seeing major corporations setting targets and public targets. The examples here are McDonald's and Unilever. This is important as it sends a message to suppliers, customers and other stakeholders about their company's intentions on future sourcing. Unilever is stating its intention to source 100 per cent of their agriculture commodities sustainably by 2020.

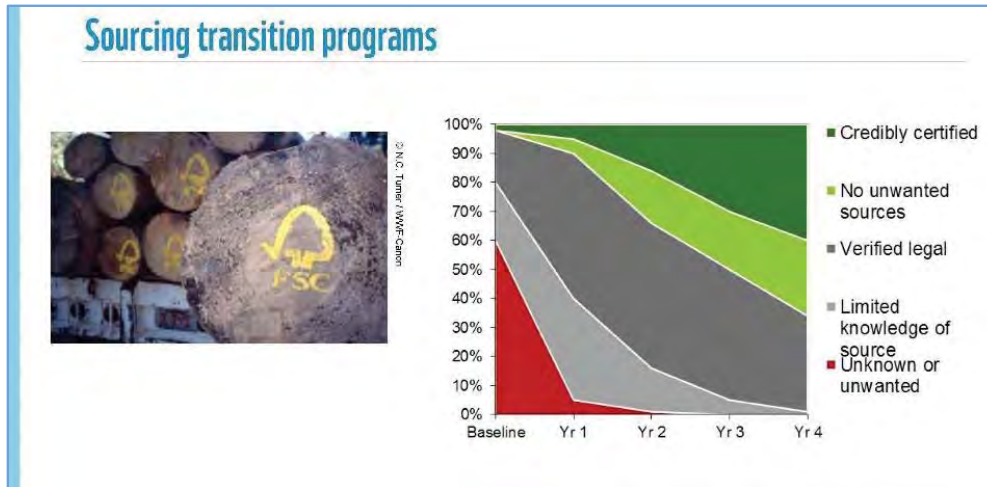
Associated with targets are transition programs (Fig. 9). This diagram shows the transition program relating to a major company's sourcing of pulp and paper. The graphic shows a decrease in the volume and proportion of unwanted materials in supply chains – such as those that are illegal or unsustainable – and increasing the amount of credibly certified material such as that certified by the FSC, Forest Stewardship Council.

In the last four years in Australia we've had partnerships with Coles, Simplot (owner of the John West, Birds Eye and I&J brands) and Blackmores. As part of their commitment to shift towards sustainable supply chains they're required to invest into their supply chains. The example here (Fig. 10) is of Simplot and John West investing in maintaining the MSC (Marine Stewardship Council) certification for a skipjack tuna fishery in the Maldives. In our view it is important that companies invest at the production level to improve environmental and social outcomes particularly where those commodities are strategically important to them.

My next topic is about shaping new standards. I don't know if anyone's heard of the Global Roundtable for Sustainable Beef, it's a multi-stakeholder initiative that started three years ago and has focused on developing a verifiable standard for sustainable beef – clearly a challenge. WWF is involved, and so is McDonald's, which is significant as the world's biggest buyer of beef and a major consumer-facing brand.

Again it's really important that companies we are working with are also not just buying commodities which are verified or certified by third parties as being sustainable but also helping shape new standards where there are gaps.

**Figure 9.** Transitioning to more responsible sourcing of supply for pulp and paper.



**Figure 10.** John West and its parent company Simplot have invested in maintaining the MSC (Marine Stewardship Council) certification for a skipjack tuna fishery in the Maldives.



In conclusion I will just mention industry-driven commitments. It is encouraging that 18 aquaculture salmon producers, essentially all competitors, have got together and agreed that as an industry they will work towards having 100% of their operations certified by the ASC (Aquaculture Stewardship Council) standard by 2020. This group of 18 companies represents 70 per cent of volume of farmed salmon, so that's quite a significant commitment. From our perspective it's great to see that level of collaboration by competitors – perhaps unprecedented on a global basis – and something WWF strongly encourages.



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Matt Willson leads on private sector partnerships, business engagement, and corporate philanthropy for WWF (the World Wildlife Fund) in Australia. Matt's role is to engage and broker partnerships with major retailers, manufacturers and brands, traders and investors focused on reducing biodiversity, water and climate impacts from agriculture, forestry, fisheries, and aquaculture. This has included responsible sourcing partnerships with the likes of Blackmores, Bunnings, Coles, Kimberly-Clark, Officeworks, Simplot, Tassal and Unilever. This work forms part of WWF's global market transformation initiative which seeks to change the way key commodities are sourced, produced, processed, consumed and financed. Matt also provides an advisory and capacity-building role to WWF business & industry teams across Asia-Pacific. Matt joined WWF in the UK in 2007 and moved to the Australia office in 2008.

Matt previously worked at the Zoological Society of London, UK in business development and project management roles. He has also co-led sourcing of bilateral and multilateral government funding for a humanitarian landmine clearance organisation, and developed and provided operational oversight for environmental conservation and biodiversity research projects across East Africa, Central America and South-East Asia. He holds an MBA from Imperial College Business School, UK and BA Economics & International Studies from the University of Warwick, UK.