

# TENNESSEE FARM BUREAU FEDERATION

## 2018 Policy Development



### Sustainability Projects in the Supply Chain

#### Issue

The retail sector is becoming more involved in the production practices of farmers. This trend is taking place across all sectors of food and fiber production. While the farm community has been able to stall governmental regulatory actions through political engagement, it will be very difficult to influence the retail sector's demands on the supply chain. The retail sector believes they must implement sustainability projects to meet consumer demands regarding environmental effects of the products sold in their stores. This trend will only increase, and farming practices of the future could be dictated by the retail sector.

#### Background

Sustainability is an ambiguous word being used in a wide variety of ways relative to protection of the environment. In the highly competitive retail sector, businesses of all types have established sustainability goals in an effort to meet what they consider consumer demands. These businesses believe the consumer wants products on the shelves to be sourced, manufactured, packaged and sold sustainably.

This trend is not new. The grocery and restaurant sectors have implemented similar approaches regarding animal welfare. The multinational size of many retail establishments today allow this sector to exert a major influence over suppliers on a wide range of issues. Wal-Mart along with other multinational companies such as Amazon, Kroger, and Costco have implemented sustainability programs for their buildings, logistics, and other physical infrastructure under the companies' direct control. The focus is now shifting toward the supply sector that produces the products sold in stores. Along with an annual financial report, these companies now provide stockholders with an annual report on sustainability goals, humane treatment of animals, and labor conditions of workers in the supply chain. Companies in the wholesale sector have also developed their own sustainability programs to meet consumer demands and demands of the retail sector where their goods are sold. General Mills, Kellogg's, Kraft Foods, Mars, Nestlé, PepsiCo, and Unilever are just a few of the multinational processors with sustainability programs covering a wide range of activities.

The world population is expected to increase to approximately 9 billion people by 2050. This statistic is viewed by these companies as an economic opportunity but also as a challenge. The U.S. farm community also believes this statistic is an economic opportunity as well as a challenge. However, as the U.S. farm community is working toward this goal through the traditional means of research, development, and education, the retail and wholesale sector is working toward the same goal by requiring their sustainability standards be implemented by the supply sector. This has positives and negatives. For example, Wal-Mart employs over 2.3 million people around the world with revenues exceeding \$500 billion. More than half of Wal-Mart sales come from the U.S. grocery sector which has total sales of the \$700 billion. Wal-Mart has the ability to influence production standards in developing nations that do not have the same conservation, animal welfare, food safety and labor standards as the U.S. However, for products sourced in the U.S. these requirements can restrict and/or counter environmentally and economically sound production practices.

Non-governmental organizations such as environmental and animal rights groups have influence on the retail and wholesale sectors. There is a fine line between genuine consumer demand and the agendas of these groups. Many groups have shifted focus from the government regulatory route to the corporate stockholder route for their policy goals. This trend has established a niche consortium of global sustainability groups advising corporations how to: 1.) build

sustainability programs for their company, and 2.) implement those strategies throughout the supply chain. Many of these groups do not collaborate with stakeholders in the agriculture sector such as land grant universities.

The agricultural sector is becoming more engaged. In 2006, the Keystone Policy Center convened a group of interested stakeholders across the agriculture supply chain. This group became known today as Field to Market. Field to Market was established to bring together the various perspectives on sustainability and develop a science-based approach to sustainability. One of their areas of focus is building trendlines proving how the U.S. farm sector is naturally advancing sustainable practices through new technology and systems common on today's farms. In 2013 this group became an independent organization and soon after opened headquarters and hired staff. American Farm Bureau Federation along with most commodity organizations and numerous agriculture industries are members of Field to Market. More information on Field to Market can be found at [www.fieldtomarket.org](http://www.fieldtomarket.org).

Proving sustainable outcomes in the agriculture sector will not go away. The future of farming in the U.S. will include proving to consumers that food and fiber is grown sustainably. The uncertainty will be what standards farmers need to achieve in order to be classified sustainable. One example of this uncertainty reaching the farm level is Tyson's recent announcement that 2 million acres of corn purchased by the company for poultry feed will be certified sustainably produced by 2020. This process will involve a third-party organization certifying the farmer produces the corn according to their sustainability standards.

There are positives that could be achieved through this process. Tennessee producers can compete for quality and quantity with other farmers from around the world. If consumers want transparency and reassurance their food and fiber is produced sustainably then Tennessee farmers have a competitive advantage around the world. Also, with the world population requiring more food and fiber using more natural resources, these programs could force other nations to protect their production capacity which helps ensure global stability politically. It also will drive advancements in research and development which benefits all producers.

## Questions

1. Do you believe these programs will be positive or negative for Tennessee's farm community?
2. Are most farmers prepared for the supply sector becoming engaged in their farm operation and how they produce food and fiber?
3. Farm Bureau is influential on the governmental level regarding environmental restrictions. How and to what level should Farm Bureau become involved in these supply sector sustainability programs?

## Farm Bureau Policy

### Environmental Protection (partial)

Farmers have a deep and abiding interest in protection of the environment based upon philosophical beliefs, and also practical self-interest. Environmental regulations, whether by air, water, noise or visual standards, should recognize the essential nature of efficient and safe use of organic matter, pesticides and fertilizers as a basic and natural part of agricultural production.

Such groups are increasingly becoming a voice on policy matters regarding environmental and economic concerns. We express "caution" as others propose ways to "protect" the land and resources owned by farmers. We encourage all farmers within the region to listen, evaluate and communicate with such groups and their local Farm Bureaus and TFBF on issues related to policies and activities of such groups.