

Packer/retailer perspectives on North America's beef sustainability roundtables

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Abstract

Almost a decade ago, key stakeholders involved directly in, or associated with, the global beef industry, came together in Denver, Colo., for the first Global Conference on Sustainable Beef. The purpose was to discuss the value of creating a forum to define beef sustainability, identify opportunities to take action, engage other stakeholders, and generally advance beef sustainability globally. Cargill and McDonald's were both participants in the Denver conference and were both founding member of the Global Roundtable for Sustainable Beef (GRSB), as well as the two North American Roundtables, the United States Roundtable for Sustainable Beef (USRSB) and the Canadian Roundtable for Sustainable Beef (CRSB).

Key words: packer, retailer, sustainability, beef, certification, trust, perspective, value, goals, targets, value chain, demonstrate, supply chain, consumer, customer, opportunity, credit

Introduction

To discuss the perspectives of certain value chain segments on the Roundtables, we must start with a fundamental question: why Roundtables in the first place? The concept is not new and follows from the desire of responsible organizations to work together with other likeminded organizations to advance positive outcomes. Responsible organizations realize and respect that while each segment of the value chain is expert at what it does and what it knows, individual segments are not experts, or completely knowledgeable about all aspects of the other segments. Not only does each segment have different spheres of expertise and levels of awareness, but each segment also has very distinct spheres of influence, and very different means of exercising that influence. When you add the fact that the commercial value chain participants need the expertise and influence of groups like veterinarians and academics (who bring hard science and clinical experience) and other groups who represent environmental/wildlife and animal care segments (who bring a different expertise and have their own unique and specific spheres of influence) it becomes evident that all segments are needed to fully understand and appreciate the complete picture of the beef industry, its risks, and opportunities. The Roundtables provide a forum to bring these stakeholders together in a collaborative way to share their individual and varied perspectives and, where possible, to encourage alignment on opportunities to increase positive outcomes of the entire industry.

Value packers/retailers provide

What value does the packer/retailer segment provide to the Roundtables and other segment members? Packers and retailers are closer to the consumer and therefore invest more significantly in monitoring, measuring, and responding to consumer trends. Naturally, they also have very good trend data on what food is being purchased and consumed, and how those trends have shifted in the past, are shifting now, and perspectives on how they will shift in the future. Sharing these insights with

Roundtable partners helps to inform the overall dialogue and make for a richer, more strategic relationship. The Roundtables are very good avenues to share those learnings and work with other value chain and allied partners to engage and respond to the most critical component of the value chain – the consumer – the segment which provides the purpose for all the others.

The Roundtables are a venue where packers and retailers not only share consumers perspectives and insights, but importantly, they provide a collaborative venue to hear and learn from producers as well as allied groups (non-governmental organizations [NGOs], academics, and government policy makers) on their perspectives, challenges, and the opportunities they identify as most valuable to them. Active listening to those perspectives is one of the key values packers and retailers provide to the other member segments. The knowledge that they hear the producers and allied groups is critical to building the trust that enables all segments to collaborate efficiently and effectively. Packers and retailers will need to continue that direct communication and information sharing with all segments to maintain trust, efficiency, and progress on aligned actions. Particularly with producers, packers and retailers need to reinforce that they want producers to know that they are not in this alone. The they are needed, trusted, valued, and most importantly, respected.

The Roundtables develop tools and other opportunities to add value to membership and the industry overall. Packers and retailers, where possible, should use those tools and seize those opportunities. By continuing to conduct and share key insights and perspectives based on innovation, research and experience, packers and retailers will continue to provide immense value to other membership segments. Measuring, monitoring, and understanding consumer attitudes is more important than ever and drives decision making at the downstream end of the value chain. That has direct implications for the primary production end of the value chain, and for the allied membership. Consumer attitudes are also fragmenting and reforming in new and interesting ways. Consumer access to "information" is vast and rapid, and that is both an opportunity and a risk -- certainly more weighted on the risk side at this point. Given that a definitive mandate, and consequently part of the value, of the Roundtables is to steadily work to move from addressing risks to exploiting opportunities means that if the membership segments continue to work collaboratively, risk can be turned into opportunity.

Value packers/retailers receive

What value do the packers and retailers receive from their membership and participation in the Roundtables? Naturally, all Roundtable members need to see that they not only provide value to the Roundtables, but that they receive value from their participation. A key aspect that has brought value to both the packers and retailers has been the ability of the Roundtables, after much healthy dialogue and discussion, to align their memberships around defining what beef sustainability

is. USRSB has been especially helpful in this regard due to the unique challenges the U.S. industry with its inherent size and diversity. Another example is the goal-setting exercises in which both Roundtables have engaged. These are critical in that they allow the members segments closest to the consumer to demonstrate that the Roundtables are supporting actions that will drive tangible progress. Goals and targets provide the entire industry an opportunity to demonstrate the important improvements that have already been achieved and set out the ambition for what's possible in the future.

The Roundtables are essential. Packers and retailers do not want to be operating without direct input from ranchers, feedyards and allied groups because they know they wouldn't be nearly as effective if they created their own private forum. They require these multi-stakeholder, collaborative approaches which bring together the entire value chain, focused on moving the industry along together, not alone.

All organizations have stakeholders to answer to, and for food companies, those stakeholders need information about what actions/commitments/ambitions they have for their supply chains. While consumers are always in focus for food companies, for public companies, shareholders are a critical element and have an extremely powerful influence. The Roundtables allow these segments to provide clear proof points. The work of the Roundtables, from trust building, to measurement, reporting and verification, to goal setting and much more, are clear indicators the packers and retailers can point to as part of their commitment to beef sustainability, and that value should not be underestimated.

As the beef sustainability journey continues, the packers and retailers will want to see each Roundtable continue to pursue and exploit their unique opportunities. USRSB's approach has been more around voluntary outreach and education for producers. That works best for the complexity of the U.S. beef industry -- USRSB has been a good vehicle to get important information disseminated. Among other initiatives, CRSB has developed a unique opportunity which one packer, Cargill, has seen important value in, the Certified Sustainable Beef Framework. Both Roundtables should continue to evaluate their individual opportunities, but should also look for opportunities to align their efforts. The North American beef supply chain is very interconnected, and although consumers on both sides of the border have been increasingly interested in supporting domestic production, when asked to think about beef sustainability issues, they think about them in terms of production method (e.g., grass-finished vs. grain-finished, free from added hormones) rather than geography. This is an important opportunity to demonstrate support across North America by uniting to tell the positive story of beef production in both jurisdictions.

Executing program based on CRSB framework

The CRSB has a robust framework which includes four key elements, one of which is sustainability certification. The standards for production enable consumer-facing claims, based on credible verification, and backed up by robust chain of custody data management, which in the end also enables the packers and retailers to demonstrate direct support for producers and the important work they do in achieving positive outcomes across key indicators of beef production.

Cargill has taken the CRSB Framework and developed a program to deliver CRSB-certified sustainable beef to their customers. Part of the credibility built into the CRSB standards is that every link the supply chain, from cow-calf, to backgrounder, feedlot and processor, is audited and receives, if it passes, an individual certification. Once Cargill retires the individual animal RFID ear tags at their Canadian processing plants, through Canada's traceability system, they work with partners to determine which animals moved through a wholly certified-sustainable supply chain. That enables Cargill to offer certification credits, based on pounds of certified volume processed, to customers who want to make claims about supporting sustainable production in their supply chains. Additionally, and very importantly, this program enables Cargill's customers, through Cargill's program, to financially reward producers who have managed those animals throughout their lives. In this program, Cargill's customers pay a per pound premium for certification credit allocations provided, which enables them to make sourcing claims (including on package certification logos once certain thresholds are met), and those funds are distributed back up the certified supply chain via a financial credit, on a per head of qualifying cattle basis, to producers who managed those animals and achieved certified status.

A critical component of the CRSB's standard is that not only do ranches, feedlots and facilities need to be audited and certified, but processors must develop internal chain-of-custody processes and have those processes audited and certified. This is another layer of credibility that provides assurance to Cargill's customers, and consumers, that CRSB and Cargill's unique program are not a greenwashing exercise. The volumes of certified beef coming in and being allocated out through certifications is robust and third-party audited.

The per head financial credit paid to producers who manage the animals throughout their lives is one of the most important elements of the Cargill program because it is directly rewarding producers in a way that is usually difficult for downstream actors to do. The credit fluctuates on several factors but has averaged ~\$18 per head since the inception of the program. Cargill already has several customers utilizing their program which enables claims about their support for sustainable sourcing and engages their customers in the positive story of Canadian beef production. The value those customers see is not only helping build trust with their consumers through sourcing commitments and the ability to measure progress against those commitments, but it also enables them to provide a clear signal to producers that what they do is valued by packers and retailers. The majority of Cargill's customer-funded financial credit is directed at producers. On average, 48% is delivered to cow-calf producers, 38% to the feedlot sector, 10% to cover the third-party live cattle traceability partners, and the remaining 4% is retained by Cargill for program administration costs. The split between cow-calf and feedlot sectors is due to a portion of qualifying cattle coming from single-operation ownership. Live cattle traceability is currently based on Cargill's certified chain of custody procedures, which are administered by TrustBIX. Cargill's program administration costs include beef traceability, processor plant audits and producer engagement/ recruitment activities.

Conclusion

From the perspective of the packers and retailers, the Roundtables provide critical value across important areas. Providing a collaborative forum where likeminded, responsible, organizations from various segments of the beef value chain can come together is of immense value. Enhancing the beef industry's accountability by helping to set targets allows for improved communication and trust-building, which for consumer-facing companies and those who supply them, is critical. Rather than looking at goals and targets as burdens, the Roundtables provides an opportunity to motivate the industry around the positive outcomes achieving these goals will have.

The bottom line is, as always ... the bottom line. The aim of all the actions, interventions, and processes the Roundtables have developed is to support a more resilient North American beef industry. Resilient in all aspects - environmentally, socially and most importantly, economically. If producers are not able to make a good living, and if younger generations do not see an economically successful future for themselves in beef production, achieving the other aspects of resiliency will not be possible anyway.

Affiliation

The author is currently employed by Cargill and was employed with McDonald's for 16 years before joining Cargill.

