

Sustainability
in the food chain

DuVo-foundation

Sustainability in the Picture

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Introduction

Almost ten years ago, a group of Dutch companies involved in the production chain for the food and beverages industry decided to work together to find ways of making sustainable development more than just a slogan. In 1995 they formally established the Stichting Duurzame Voedingsmiddelenketen (the Sustainable Food Chain Foundation, referred to below as DuVo) initiated an extensive study to identify those elements in the production chain that should be given special attention because they make a significant contribution to the total environmental impact of the production chain for food and beverages. This study has revealed that the crucial areas were in the agricultural phase and in households. The results of this research were reported in DuVo's first publication issued in 1999, which also brought together, for the first time, a set of short reports concerning the sustainability initiatives taken by all participating companies.*

It soon became evident that sustainability involves more than just reducing environmental impacts. Social and economic aspects are also important. Not everyone understands the concept of sustainability in the same way, as it takes different forms over time and in different regions. DuVo has responded to this in two ways:

- first, a start has been made by organizing a dialogue on sustainability, so that our understanding can be shaped in consultation with stakeholders
- second, it has been decided to formulate sustainability not as a static goal but rather with an emphasis on the dynamic of sustainable development. What matters is achieving continuous improvements.

Three large annual dialogue meetings have been held so far, as well as a number of smaller gatherings. These meetings have seen an exchange of ideas concerning specific elements of sustainable development that relate to the food chain, such as the effects of by-products and the choice of indicators. Studies relating to

* DuVo-publications issued so far are summarized in the back of this booklet.

those topics were carried out before the meetings, by way of preparation, and the results have been made available to interested parties in the form of booklets and journal articles.

DuVo's particular strength has proven to be its unique capacity to bring together companies from the whole production chain for food and beverages, along with the fact that the policy is both formulated and implemented directly by those who bear the ultimate responsibility in the participating companies. These factors give DuVo the potential to be a very decisive and influential organization.

This fourth DuVo publication reports on the progress made by the participating companies over the past year, in their search for sustainable development in the food production chain. The program for the past year focused mainly on the relationship between scale and sustainability. That subject was in part inspired by the results of the second dialogue seminar in December 2000, which were outlined in the third DuVo publication, that was issued in 2001.

Knowledge development

COMMUNICATING ABOUT SUSTAINABILITY

A study has been conducted on how companies communicate with their consumers and with the general public, in order to obtain a better understanding of the underlying motives and processes. The study was based on an analysis of publications in newspapers and journals over the last five years, on the theme of socially responsible business activities in the production chain of the food and beverages industry. The study produced several interesting observations:

- A process of natural selection appears to operate in relation to the subjects that companies choose to communicate about, and the ways they go about doing so.
- All product-related issues are handled by companies themselves at a brand level, while issues regarding social responsibility are generally addressed at the corporate level or through umbrella organizations.
- Some companies have selected one or more social themes, on the basis of their own expertise or because of specific opportunities to exercise some influence in these areas. The public approves of companies that establish a particular profile in this way, but this does not give them carte blanche regarding other issues that may arise in society.
- Companies seldom use their communication about social themes to promote their own products.

THE RELATIONSHIP BETWEEN SCALE AND SUSTAINABILITY

The concept of sustainability has positive associations. But there are some deep-rooted ideas in relation to the scale of production that threaten to undermine these positive associations. For instance, it is thought that food grown in one's own area is better, or that industrially produced food is less sustainable. To obtain a clearer understanding of these issues, DuVo has worked with Wageningen University & Research Centre and others in a study of the influence of factors such as a larger scale of production and technology on improving the sustainability of production chains in the food and beverages industry. For example,

the study looked at the limits of humans' control of everything on this earth using technology, and at the influence of technology on food safety in recent decades. It also examined the significance of sustainability at the local level, in a world that is becoming increasingly interdependent, in more and more ways. On the basis of the findings, which have been described in an article (see Backus et al in the back of this booklet), we may conclude that there is no unambiguous positive or negative relationship between the scale of production and the sustainability of production chains in the food and beverages industry. Transparency and clarity concerning the measures taken, and their consequences, are essential to satisfy public opinion.

Exchange of experiences

STAKEHOLDER CONSULTATIONS

During the year various parties have been contacted, with the intention of making a combined inventory of problem areas with regard to sustainable development. One of the specific points to be considered is the role of the Netherlands Competition Authority (NMa) in making agreements within a chain.

In September some CEO's of the DuVo-companies spoke with the managers of several stakeholder groups including the Dutch organization of Agriculture and Horticulture (LTO-Nederland), the Consumers' Association and the Netherlands Society for Nature and the Environment. A number of possibilities for cooperating to improve sustainability of the food production chain were examined. In the course of this consultation it was concluded that:

- sustainable consumption should be brought more specifically to the attention of public, and that the Consumers' Association, environmental organizations and DuVo companies could all play a role in this, preferably in close co-operation
- it would be advisable to work together in analyzing what agreements concerning the production chain can be made, given the limits set by the NMa
- DuVo companies should focus their communication more on presenting successes in the field of sustainable business. Any difficulties that they face should also be mentioned. The DuVo booklets are especially suitable for communicating such information.

After the fourth booklet has been published it will be decided whether the dialogue in the present format will be continued.

Specific consultation with representatives from agriculture and glasshouse horticulture showed that:

- the incentives for the many initiatives in the glasshouse sector come mainly from the government (via legislation) and the public (environmental organizations). The market provides little incentive for taking action;

- in the early 1990s the horticultural sector took a pro-active stance, but by 2001 many producers were finding it difficult enough simply to keep up with a rapid succession of increasingly stringent legal requirements. Attention is focused mainly on the use of crop protection aids, energy, fertilizers and water. With regard to the last two of these, a fully recirculating system now offers the best returns for glasshouse horticulture;
- it appears to be very difficult to recover additional costs involved in sustainable products from the market. There is a conflict between the wishes of the public and those of the consumer;
- most of the goods produced are exported, and Dutch producers are at a disadvantage because they must compete with producers from other countries that impose less strict environmental standards (Eurep-GAP);
- the Netherlands has very good ‘social capital’ in terms of knowledge built up over a long period, which can be of benefit to the horticultural sector;
- for some crops, there is a direct relationship between particular processes in the field and environmental impacts later in the chain. For example, power consumption in the sugar refinery is directly related to the use of fertilizer in growing sugar beet. Because of that relationship, the price paid for beets is related to the nitrogen level in the beets, which is in turn determined by the fertilization system;
- growers have a great need for such simply applicable indicators. They are increasingly being asked, especially by their customers, to provide information about their growing conditions;
- in the case of the sugar beet chain, it is not very important where in the production chain a financial advantage may be achieved, in part because of the economic integration in the chain. But in other production chains, in which the relationship between the links is not so close, the improvement process has been less smooth;
- participation in plans to improve sustainability works better where the advantage for each participant is evident. The best motivation for each participant comes from the next link in the production chain, that is, from the participant’s own customers;
- better management of the production chain as a whole usually results in more highly valued products, which are distinguished from bulk-quality products.

COMPANY INITIATIVES

DuVo companies have decided to conduct their own searches for suitable indicators of sustainability, because the pursuit of one common (or minimum) set

of indicators for all of agriculture and food processing does not seem to be a realistic goal. The indicators that companies select will depend in part on their position in the chain. Most companies use some environmental indicators, especially those for energy and water consumption. The next most widely used indicators are those for the use of fertilizers and agricultural chemicals.

In terms of social concerns, the focus of company initiatives has mainly been on staff safety and on working conditions, followed by development and education. The third important focus for attention is food safety, followed by the income earned by people working in the primary sector.

THIRD DIALOGUE MEETING

The third dialogue meeting clearly illustrated the complex struggle involved in the pursuit of sustainability. On the one hand, there is a need to take concrete initiatives, in accordance with a plan for improved sustainability using specific indicators. On the other hand, the concept of sustainability takes many forms, and is difficult to pin down to universal elements, so that it is not clear exactly where improvements should be sought.

The meeting was devoted to the relationship between scale and sustainability. It was found that increasing the scale of production generally works to the benefit of sustainability, although there appears to be an optimum point, above which sustainability may be expected to decline. Advantages of scale arise from more efficient production and less transport.

However, consumers’ perception is that increasing the scale of production can only result in less sustainability. The principal reason for this impression is that the consumer still has a romantic image of food production, an image that has in fact been fostered by the food and beverages industry. Care and attention are central themes in this image. It is hardly surprising, therefore, that the most important recommendation from the participants in the food and drink industry is to give more attention to communication and public information about the actual achievements of modern food production, so that consumers have a more realistic picture and their expectations do not diverge further from reality, with all the risks that this would entail.

Continuing the process

The process of developing an understanding of sustainability, which was described in the introduction, has passed through the stages of stocktaking and establishing a dialogue with the stakeholders, and appears to have entered a new phase. Contacts with stakeholders during the past year have shown how important it is to establish good communication with the public about what the concept of sustainable foods actually entails, and what companies are doing to improve sustainability. Many public actors are already involved in communicating about sustainable foods, including various government organs (the Ministry of Agriculture, Nature Management and Fisheries, and the Ministry of Housing, Spatial Planning and the Environment, as well as provincial governments such as Brabant), NGO's such as Friends of the Earth and the Consumers' Association, as well as various universities, such as the Free University of Amsterdam and Wageningen University. All together, millions of euros per year are spent on these programs, and this expenditure can be expected to increase in the years ahead.

In the past year, DuVo has begun to research how businesses communicate about social issues. It appears that umbrella organizations such as the Dutch Association of Retailers (CBL) or the Dutch Food Industry (VAI) often play a leading role. Individual companies also contribute in various ways to shaping public perceptions, although this is generally not done in a very conscious and structured way. Therefore part of DuVo's efforts in the coming year will be devoted to getting an overall view of currently active initiatives, in the participating companies and beyond. On the basis of this information, a plan of approach will be developed and put into action, focusing on contributing to shaping public perceptions about sustainable food.

No large dialogue seminar will be organized this year. Several smaller meetings for consultation between stakeholders will be organized instead. The mutual exchange of information, and consultations with other parties involved in the production chain, will be continued.

In addition to communication and information sharing, the DuVo companies will continue to research appropriate indicators. There will be an opportunity for stakeholders to share their experience and opinions concerning these indicators.

DUVO-PUBLICATIONS

Duurzaamheid in de Voedingsmiddelenketen (Sustainability in the foodchain) (64 pages), first booklet issued by DuVo, August 1999. English translation of summary section available.

Begin van een Dialoog (Beginning of a Dialogue) (80 pages), second booklet issued by DuVo, April 2000. English translation of summary section available.

Duurzaamheid in Perspectief (Sustainability in Perspective) (80 pages), third booklet issued by DuVo, April 2001. English translation of summary section available

Duurzaamheid in Beeld (Sustainability in the Picture) (80 pages), fourth booklet issued by DuVo, May 2002. English translation of summary section available

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G.B.C. Backus, Ch.E. Dutilh en K.J. Kramer (2002), *Duurzaamheidsdilemma's (Sustainability dilemmas)*, VMT 35 (10), pp 25-27

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