



DEL MONTE FOODS

DEL MONTE BRANDS

A Food Company's Perspective on Retail Trends in Sustainability

Crossovers Workshop
January 17, 2007

Sustainability Defined

Definition (Brundtland 1987)

“Sustainable development is development that meets the needs of the present without compromising the needs of future generations . . .”

or as the Native American proverb states . . .

“We do not inherit the earth from our Ancestors, we borrow it from our Children.”

or as our grandfathers used to say...

“Don’t eat the seed corn.”



Context – Driver

Tragedy of the Commons (Hardin 1968)

- Unrestricted demand for a finite resource ultimately dooms the resource to overexploitation.
- The positives accrue to the abuser, the negatives accrue to all the users.
- Resources (commons) in agriculture
 - Water
 - Air
 - Soil
 - Ecosystems
 - Workforce
 - Good will

Context - Response

Corporate Social Responsibility (CSR)

- “Triple bottom line” or 3BL – financial, social, and environmental
- Managing according to the role of business in society
- Business seen as an integral part of society, not an isolated operation

Prevailing Justifications

- Moral obligation
- Sustainability
- License to operate
- Reputation

Context – Response *continued*

CSR - Criticism

- Milton Friedman (1970) – “The Social Responsibility of Business is to Increase its Profits”
- “Enlightened Pandering” – Companies aren’t true believers, they are still bottom-line driven and just protecting against poor publicity.

Solution? (Porter and Kramer 2006*) – Points of Intersection

- Interdependence between a company and society implies that business decisions and social policy must follow the principle of shared value.

* Porter, M.E. and M.R. Kramer. 2006. *Strategy & Society*. Harvard Business Review, Dec 2006



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Points of Intersection for Food Processors and Buyers

- Protected resources, e.g., soil, water, energy, ecosystem
- Supportive community
- Economically successful farmers

According to Porter and Kramer, a failure to sustain these social values leads to loss of competitiveness.

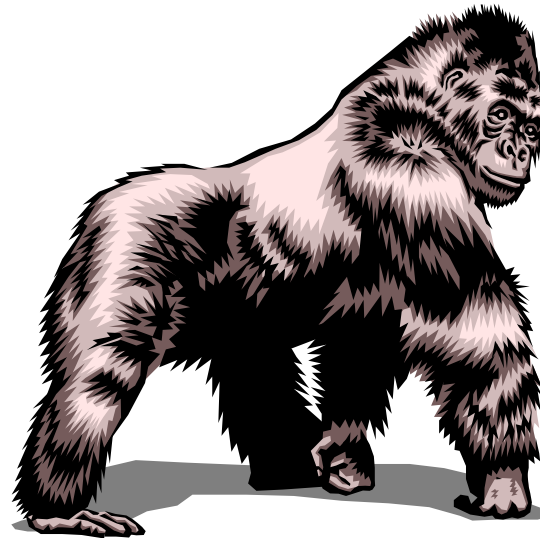


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Another solution (with a little mixing of metaphors)

When the 600 lb gorilla says “**Jump!**”, you say “How high?”

- SYSCO
- Wal*Mart
- Whole Foods
- Starbucks



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SYSCO – Farm standards (31 pp)

- Biosolids – do not use
- GMOs – do not use
- Pesticides – record use
- Nutrients – record use
- Sensitive areas – map and protect
- Soil – prevent erosion and protect quality
- Water – conserve and protect quality
- Energy – conserve
- Waste – reuse and recycle
- Employees – engage, reward and train
- IPM – implement strategies



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Wal*Mart – Farm Guidelines (8 pp)

- Maximize water use efficiency and prevent pollution
- Utilize practices that control or enhance soil structure and fertility
- Utilize production systems that maintain and enhance biological diversity, wildlife habitat, and ecosystem functions
- Maximize reliance on natural, renewable manufacturing inputs and responsibly use chemicals
- Develop and deliver responsible water and land use training
- Develop and deploy metrics and data collection tools to track performance
- Contribute to the conservation of prime agricultural lands



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Wal*Mart Sustainable Management Structure

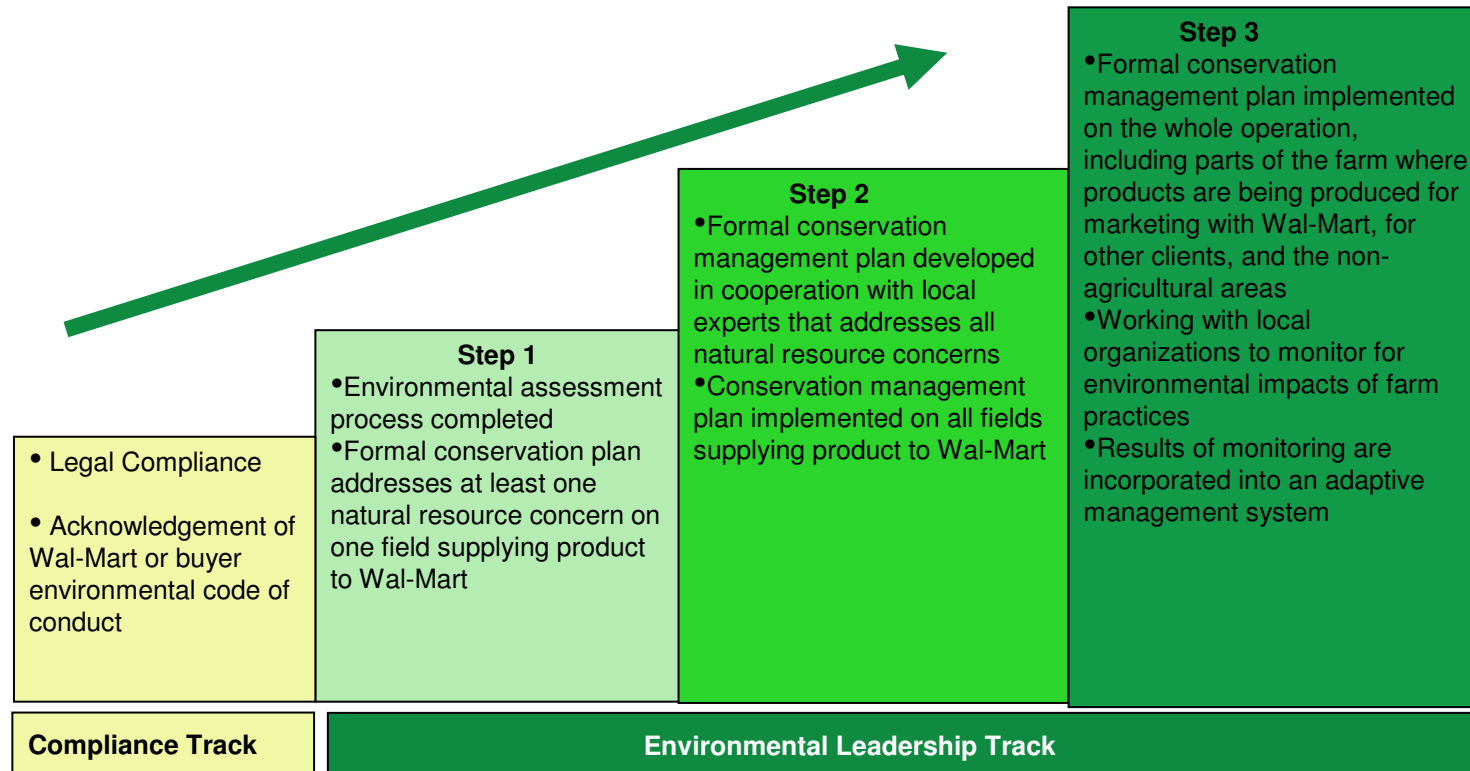
- 13 Sustainable Value Networks – e.g., food and water, forest and paper, apparel, food and agriculture, packaging, seafood, chemical intensive products.
- Packaging, food miles and water (conservation) chosen to be top areas of emphasis.
- Looking for “quick wins” initially, but realize that for this effort to be sustainable, they will need to build a long term, integrated strategy.
- Questionnaires are simple and designed only to differentiate among competitors.
- Food and Water SVN has developed draft questionnaires for manufacturers, agricultural supply chain, and on farm.



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Wal*Mart's Two Performance Tracks

- Compliance
- Environmental Leadership



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Questions for consideration:

1. Can a buyer reasonably ask a grower for proprietary business information and should the grower provide it? Does this fundamentally change our relationship?
2. What sort of infrastructure will we need to accomplish sustainability goals? What's the strategy for getting there?
3. If growers and buyers pursue sustainable management systems, what additional costs will we incur? What benefits will we reap?
4. Can we reasonably identify all the tradeoffs?
5. Ultimately, will we be more or less competitive on a global scale?

