

How Walmart's Sustainability Efforts Could Impact On-Farm Production

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It's been said that when Walmart takes a giant step, the rest of the food industry feels the earth move. The nation's largest grocer, based in Bentonville, Arkansas, has more than 8,600 stores under 55 different banners in 15 countries, 2.1 million employees and 2010 sales of \$408 billion.

If that's the case, the supply chain might have been shaking Oct. 14 when Walmart announced the company's new global sustainable agriculture goals. Company officials say their plan will help small and medium-sized farmers expand their businesses, get more income for their products, and reduce the environmental impact of farming, while strengthening local economies and providing customers around the world with long-term access to affordable, high-quality, fresh food.

The plan expands upon a broader initiative announced in 2005 that aimed to improve energy efficiency, cut waste, use more renewable energy and encourage suppliers to adopt sustainable practices.

Over time, this initiative could lead to the development of social and environmental benchmarks that producers would have to meet before selling products to Walmart. And eventually, these supply chain decisions could lead to industry-wide changes in U.S. food production.

"Through sustainable agriculture, Walmart is uniquely positioned to make a positive difference in food production – for farmers, communities and customers. Our efforts will help increase farmer incomes, lead to more efficient use of pesticides, fertilizer and water, and provide fresher produce for our customers," explained Mike Duke, Walmart President and CEO.

Wal-Mart is not alone in the rush to "go green" in the U.S. and around the globe. Other major farm and food players, like Cargill, Monsanto, Syngenta, General Mills, Kellogg's, PepsiCo, Mars, Dairy Management Inc., and Stonyfield Farms are also on the hunt for measurable sustainability goals.

They are all part of the Sustainability Consortium, which plans to develop "transparent methodologies, tools and strategies to drive a new generation of products and supply networks that address environmental, social and economic imperatives, according to their web site. The Consortium, which is jointly managed by the University of Arkansas and Arizona State University and includes research from universities around the globe, has been developing an index which can be used to evaluate and measure sustainable practices.

Eventually, this might lead to products in your local Walmart that are "scored" according to their level of sustainability, says Matt Kistler, the Senior Vice President of marketing for Walmart who was previously responsible for Wal-

mart's global sustainability strategy.

Already, Walmart surveyed 100,000 global suppliers to answer some basic questions around their business, explains Kistler. The questions focused on four areas: energy and climate; material efficiency; natural resources; and people and community.

For example, "Do they measure greenhouse gas emissions? Do they supply that information to the Carbon Discloser Project? What is your total water use from facilities that produce your product?"

As more research data becomes available through the Consortium, the company may ask farmers what inputs they can reduce or what the optimized level of pesticides and herbicides and water to use on a given crop, says Kistler. Once there is a baseline established, Walmart buyers can ask suppliers how they perform against the baseline.

Will that include looking at corn that's fed to hogs and cattle? Exactly how far will they go in trying to establish a baseline? Kistler says that some of those answers are yet to be determined.

"The deeper supply chains get and the more complex they are, it will take more time and we may get to a point of diminishing returns," he adds. "You can imagine in the scale we purchase in, that doing things better by just a small percentage can make tremendous differences. We want to make sure we do them the right way."

In the meantime, Walmart is focusing on acquiring more food from small and medium size farmers, sourcing more items locally, reducing food waste, providing training, and a number of other initiatives around the globe.

In emerging markets, Walmart will help many farmers gain access to markets by selling \$1 billion in food sourced from 1 million small and medium farmers and providing training to 1 million farmers and farm workers by 2015. The focus will be on crop selection and sustainable farming practices – with about half of those trained expected to be women.

The company will require sustainably sourced palm oil for all Walmart private brand products globally by the end of 2015. And it will expand the already existing practice for Walmart Brazil of only sourcing beef that does not contribute to the deforestation of the Amazon rainforest to all Walmart companies worldwide by the end of 2015.

In the U.S., Walmart's Heritage Agriculture program will help the company double the sale of locally grown food, defined as fruits and vegetables sold in the same state. The program focuses on sourcing produce from states and regions with long histories of agricultural production and reaching a level of 9 percent of the produce in U.S. stores. Three of Walmart's largest Heritage Agriculture programs are in the I-95 corridor along the East coast, the Delta region in the South and the Mid-America region of the Midwest. Δ

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