Sustainable food supply: the key to feeding the world
How well do you know the steak on your dinner plate this evening? Have you ever met before or is this a fleeting encounter? Do you know where it came from or what its favourite food once was, or if it took antibiotics and hormones regularly?

Ask the same questions of the green beans that accompany it. How much water did they drink in their lifetime? How far did they have to travel to get to your plate? Did they earn any carbon credits on that journey, or are they locals that left the soil they grew up in mere moments before serving?

Interrogating a meal in this manner might seem odd, but manufacturers, transporters and consumers at every level of the global food supply chain are finding that these and many more intimate questions must be answered of the foodstuffs, ingredients and agri-commodities they deal in if they are to compete effectively.

A recent study of the biggest consumer trends by Euromonitor concluded that sustainability in the food supply chain was one of the most important trends of the year and will likely remain the new normal for food and beverage manufacturers in the future.

But as the global population continues to increase, and emerging markets continue to improve economically, thereby empowering and improving the lives of hundreds of millions of new consumers every year, the world needs ever-greater supplies of food. And not just any food.

*Sustainability in the food supply chain is one of the most important trends for food and beverage manufacturers*
The new global middle classes do not want to eat the rice, beans and vegetables their grandparents ate. They want meat, animal fats and processed starches while at the same time demanding sustainability and transparency in the supply chain.

What is more, as these newly affluent, more demanding consumers enjoy greater prosperity, they are moving away from their traditional agricultural and rural roots, choosing instead to live urban lives in cities and towns.

This compounds the food supply problem, for as the countryside empties and urban populations swell, it remains to be seen who will work the larger areas of farmland that are needed to feed all these newly wealthy, switched on consumers.

Add to that the rigours of climate change, dwindling supplies of fresh water and a shortage of fertile agricultural land, and the challenges to the global food supply chain seem stark indeed.

But companies at every level of the global food supply chain are meeting them head on with innovation and ideas that are casting a new paradigm for the industry.

Unilever is a case in point, and an important pioneer in driving a commercially successful sustainability strategy at every stage in the supply chain.

The company has managed to integrate sustainability from farm to fork across many of its global brands while making them more profitable into the bargain. The company’s biggest move in this direction was to launch its Sustainable Living Plan, in 2010.

“In a volatile world of growing social inequality, rising population, development challenges and climate change, the need for businesses to adapt is clear, as are the benefits and opportunities,” CEO Paul Polman said as the company presented results of the sustainable living plan last year.

“This calls for a transformational approach across the whole value chain if we are to continue to grow. Consumers are recognising this, too, increasingly demanding responsible business and responsible brands. Our experience is that brands whose purpose and products respond to that demand — ‘sustainable living brands’ — are delivering stronger and faster growth. These brands accounted for half the company’s growth in 2014 and grew at twice the rate of the rest of the business.”

Unilever also reported substantial progress throughout its supply chains. More than 55% of its agricultural raw materials are now reportedly sustainably sourced, more than halfway to its 100% 2020 target.

The company says it is also nearly 40% of the way (397 million) to reaching its goal of improving the health and wellbeing of over one billion people by 2020. The company says it has enhanced the

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livelihoods of over one million people so far, through training 800,000 smallholder farmers since 2010 and providing 238,000 women with access to training, support and skills.

Fintan Ryan, consumer sector analyst at Berenberg Bank in London, says: “Unilever is making a big deal about sustainability and is trying to make sure that their suppliers are sustainable too. Through its Swiss supplier Givaudan Fragrances it has been strengthening its relationships with vanilla farmers and clove farmers in Madagascar, by funding schools for the community. They are thinking of the long-term sustainability of their supplies, but also of their investors. Many funds now have sustainability criteria and will only invest in companies that can demonstrate that they are taking action to become sustainable.”

Getting closer to growers by building relationships through the sustainability agenda can also be of benefit to food manufacturers as they deal in the food commodities markets.

“In terms of pricing of commodities in food production, we are coming off the bottom. Grain prices are still fairly low, dairy prices are low but picking up and sugar has come up significantly in the last year,” Ryan adds. “From the food manufacturers’ perspective they don’t want to be buying off the open market and facing big volatility in prices. That is also why they are trying to get closer to the growers, ultimately.”

Lisa Baitup, head of external affairs at HSBC Global Research, believes that the growing world population and the continuing reduction in water supplies are grave problems facing us all, not just the food supply industry.

“The projected increase in the world’s population from 7 billion to 9 billion by 2050 is going to place significant pressure on global food supply chain,” Baitup says.

“Agriculture accounts for 70% of global water consumption”

“The pressures centre around water scarcity - agriculture accounts for 70% of global water consumption - land availability and balancing developments in science with the safety and security of food supply chain: in other words the extent to which GMO crops are used; the use of antibiotics as growth promoters in farming pig and chickens; the use of pesticides.”

And while projects like Unilever’s Sustainable Living Plan are welcome, they can cause problems as well as provide solutions.

“Food manufacturers are trying to drive sustainability agendas by increasing the use of agricultural commodities from sustainable sources and getting their supply base to adopt practices which are a benefit to society as a whole. However this can result in conflicts as yields are lower, while costs are increased, resulting in lower farm profitability.”

The food industry, therefore, must continue to innovate, Baitup says.
“More scientific work needs to be done to develop new solutions across all aspects of the food supply chain; focus on sustainability and environmental stewardship needs to continue and be broadened out; this means companies, governments and NGOs all working together. Consumers need to get more education so that they can make better-informed decisions.”

Ryan counters, however, that many of these seemingly doom-laden predictions could actually present an opportunity for food companies.

“Food manufacturers tend not to think of population growth as a threat, but as an opportunity,” he says. “From the point of view of a company like Unilever, Asia is the biggest emerging market at the moment. But on a 10 to 20-year horizon, it will probably become Africa. Danone and Nestlé have made some acquisitions in Africa in the last five years, but they have not been easy going. Nigeria and South Africa are two of the most developed markets on the continent, but they can still be volatile.”

Lord Christopher Haskins knows more than most about the trials of operating in a global food supply industry. Haskins grew up in Ireland and joined the workforce of Northern Dairies in 1962 when he married the founder’s daughter. The company later become known as Northern Foods and became one of the world’s leading manufacturers of prepared meals.

By 1967 Haskins was a director and by 1980 he was chairman of the board, a position he held until 2002. These days he sits in the House of Lords, the UK Parliament’s second chamber, and was previously UK Prime Minister Tony Blair’s “Rural Tsar” advising the then government on agricultural affairs.

“Sustainability to me means the ability of the world to feed itself and to do so in a way that preserves the environment to allow you to continue to do so,” Haskins says. “On both these counts there have been tremendous improvements throughout my lifetime. For example, you can grow four tons of wheat an acre today, that’s pretty standard. Forty years ago it was only a ton.”

**ConAgra saved $22 million through its sustainability initiatives**

- **26,700 tons** Reduced carbon emissions
- **23,000 tons** Reduced landfill waste
- **646M gallons** of water conserved

*(Source: www.foodtechconnect.com/2015/06/26/)
Great advances have also been made in water efficiency and chemical usage that mean we are far closer to sustainability goals than we would have been if we had stuck to common practices used when Haskins started out in the industry.

But for all our collective success, Haskins warns, the global food industry is largely ignoring the biggest problem it faces in the next two to three decades.

As population growth of the future is expected to centre around Asia and Africa the simple fact, Haskins says, is that the food is being grown in the wrong places to feed the world.

“The vast majority of food today is being grown in the temperate Northern Hemisphere, whereas the vast majority of it will be consumed, and more so in the future, in Southern areas where the climate is less conducive to growing food.”

Africa is an important producer of food in today’s global market and it is a lot closer to being self-sufficient than it was 30 years ago, Haskins says, but still greater advances have to be made.

For example, large swaths of agricultural land in countries such as Kenya are given over to growing premium specialty vegetables for Western supermarkets rather than feeding domestic demand.

“Transfer of food from the areas that have it to the areas that do not is the biggest problem facing the food industry today and into the future,” Haskins says.

Singapore has become one of the most food secure countries in the world thanks to its diligence in building a modern technologically advanced food supply hub. The United Arab Emirates is in the process of doing the same but with much greater strategic advantage at stake.

It would seem that the UAE, in particular Dubai with its world-class seaports, airports and road infrastructure, is a perfect natural way station between those food-producing nations of the Northern Hemisphere and the expanding population centres of the Southern Hemisphere.

Companies like DMCC, the Dubai government free zone that focuses on the commodities trade, are fast responding to this global shift by increasing and improving the services they offer to food industry companies with platforms such as the recently launched DMCC Food Trade Group (www.dmcc.ae/ftg).

Dubai and the UAE are perfectly positioned at the centre of the world, acting as a bridge between North and South, East and West. Already around 90 per cent of the country’s food is imported so the basic foundations of a global food supply chain hub have been in place for decades with recent advances and innovation putting the Emirate in a strong position for the future.
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Hakan Agro specialises in the supply chain management of grains, pulses oil seeds, edible oils and a host of other food commodities and has been a DMCC member company for many years.

Managing Director Sudhakar Tomar agrees that the UAE, Dubai and DMCC have a major role to play in the future of the global food supply chain.

“Frankly speaking Dubai & DMCC have an historic opportunity to attract investments in the food industry,” Tomar says. “To me other than the increasing costs and permanency issues of manpower there are no major barriers or hindrances to any agro businesses big or small. Dubai & DMCC, as a quintessential trading hub, offers some fantastic benefits.”

Propositions such as stable government, freely convertible currency, a strategic location with convenient time zone, great infrastructure, no taxation on profits or personal or company income, no foreign exchange controls, no restrictions on capital movement and freehold ownership of property, all put Dubai and DMCC at a distinct advantage in the evolving global food supply chain, Tomar says.

As 2017 unfolds with trade and climate agreements, once thought to have been signed and sealed, seemingly opened up once more, the issue of food supply chain sustainability grows ever more important.

One thing is certain for all operators in the market, however – active engagement in those supply chains is the only way to succeed in the transparent food supply industry of the future.

Many economists agree that, over the next decade, the consumer classes of Africa’s ever growing cities will come into their own just as they have over the past two decades in China and South East Asia.

For example, McKinsey & Company, the management consultancy, recently forecast that Africa’s consumer facing industries are expected to grow by as much as $400 billion by 2020, representing a huge opportunity for any company in position to service such a market – a market that includes the fastest growing and youngest consumers on earth.

These young, largely urban, consumers have increasingly Western tastes in everything from apparel, technology and the food that they eat.

Dubai and the companies that operate in the Emirate are at the perfect nexus between Africa, Asia and the rest of the world, and this is just one of the reasons why free zones like DMCC have attracted so many companies that either operate in Africa and Asia or serve the African and Asian markets.
Top 5 considerations when operating in the food supply chain

If your company operates in the food trade supply chain and you are looking to expand internationally here are five key points to consider:

01 **Location** - Is your current location taking full advantage of the most attractive global networks in the food supply chain? If not consider a globally central location where freight moves seamlessly in and out by air, sea and road. Dubai in the United Arab Emirates is one such location and DMCC, the Dubai government commodities free zone, is perfectly positioned at the heart of Dubai. DMCC is the largest and fastest growing free zone in the GCC region and recognised as a major player in the global commodities markets. With a prime location, the best legal and regulatory frameworks, industry clusters, flexible office solutions, freehold property and dependable customer support, DMCC provides the right tools and innovative platforms to expand your food trade business and succeed in the world’s most exciting growth markets.

02 **Expertise** - Do you have adequate expertise within your organisation to tackle international expansion? More than likely you will need to hire new talent to take your business to the next level. The best way to find the best talent is to ensure your operations are surrounded by like-minded companies with like-minded professionals. Again, Dubai’s DMCC is a hothouse of commodities and food supply chain companies with some of the best talent on earth.
**Partners** - Along with hiring the right expertise, finding the right partners to do business with is crucial to a successful international expansion strategy. One of DMCC’s greatest strengths is that it is a global hub for the commodities trade DMCC attracts a diversity of companies, and continually looks for ways to promote synergies between members and encourage inter-business relationships. Whether it’s through face-to-face business networking events or digital tools, DMCC can help to maximise opportunities for your expanding business.

**Resources** - Tapping into the right knowledge base is crucial to staying ahead of the curve in the food supply industry. DMCC recently launched the Food Trade Group to unite food companies from around the world under one resourceful umbrella. The food Trade Group provides current market insight at events held at DMCC and other key locations, and through useful publications. One of the group’s most important facets is to allow members to create better contracts and invoices that include unique dispute resolution clauses to quickly and economically solve issues through DMCC’s Food Trade Mediation Service. All of this, plus additional benefits provides greater credibility and stronger connections to others in the food trade and related industries around the world.

**Know your Supply chains** - As an international organisation it is incumbent upon you to get to know the legal and regulatory requirements across all borders and boundaries in your supply chain. Familiarise yourself with the latest requirements from leading international treaties and laws that dictate commercial activity across larger countries and trade areas. Consumers are demanding ever-greater levels of transparency and accountability from legislators regulators and commercial operators alike. A few good starting points include the Dodd Frank Act, the California Supply Chain Transparency Act, the UK Bribery Act, and the UN Guiding Principles for Business and Human Rights. Again, DMCC and its Food Trade Group members regularly hold events to discuss these and other cutting edge supply chain developments.
About DMCC

Dubai is perfectly positioned at the centre of the world of trade, connecting East with West and North to South. DMCC is at the heart of Dubai with a mandate to develop a world class commodities hub through continued innovation. DMCC is Made for Trade.