

Cultivating a sustainability culture in the South African dairy industry

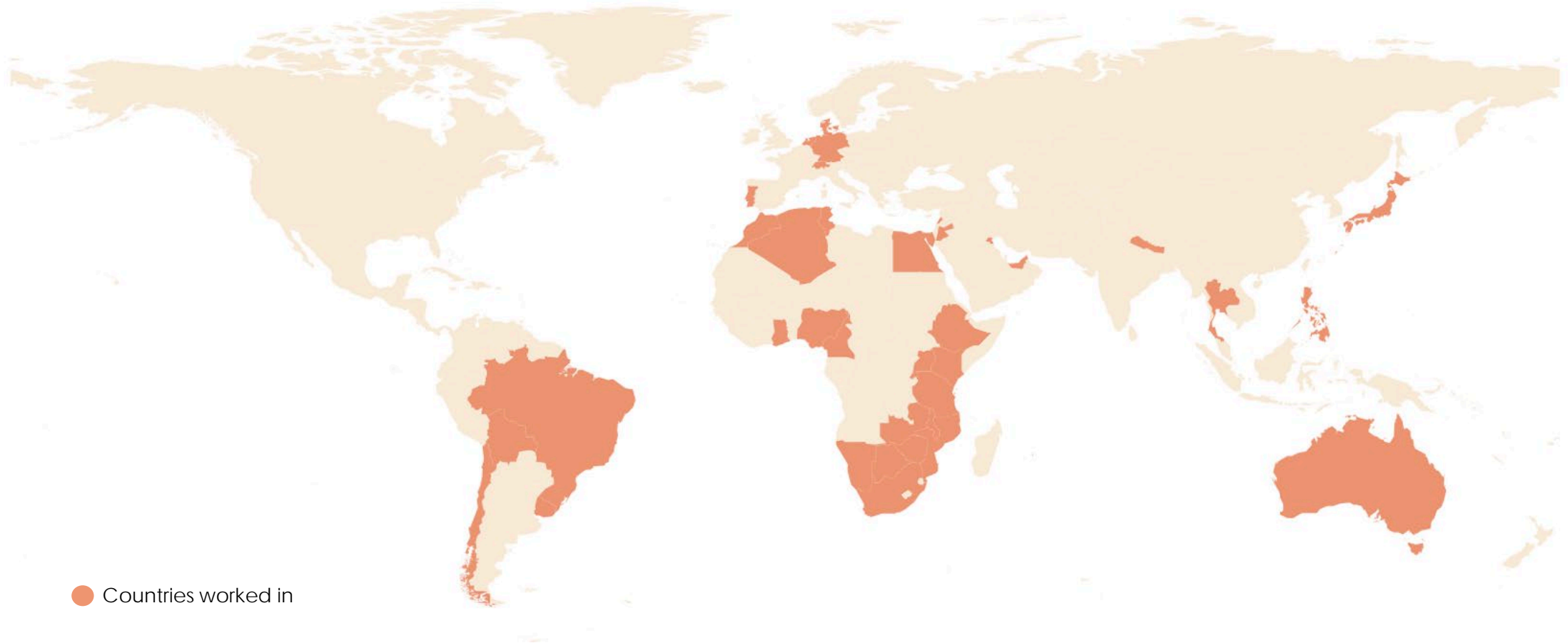
Some opening thoughts

Jonathon Hanks – Incite



Incite is an international advisory and advocacy network based in South Africa and operating in emerging markets globally.

We help our clients become more competitive by optimising societal value.



Our network of partners works out of Cape Town,
Beirut, Dar es Salaam, Geneva, Lagos and Melbourne

Cultivating a sustainability culture in the dairy industry

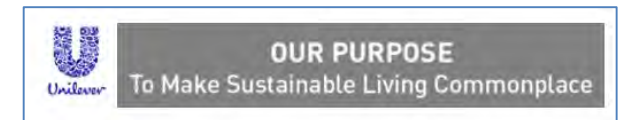
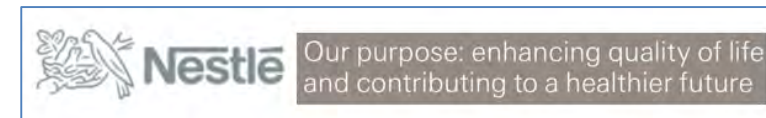
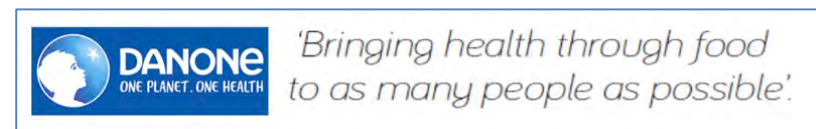
Two core assertions

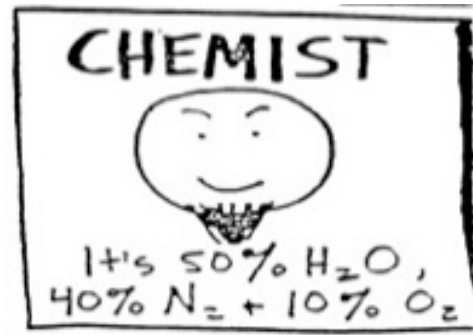
1. In most corporate boardrooms:
 - Sustainability is a misunderstood and largely marginalised concept
 - The nature and scale of the sustainability challenge has not been fully internalised
2. This is beginning to change - albeit slowly
 - We're seeing the rise of genuinely purpose-driven companies driving systemic change
 - These companies cultivate a culture that inspires radical social and environmental innovation



A closing reflection

- How does your organisation's sustainability culture stack up?





VALUES



VALUE





sustainability



environmental



business



social



green



economic



architecture



engineering



pillars



energy



building



global



workplace



Environmental Sustainability: Our ...
campbellsci.com



Sustainability and Why is it import...
www.environmentalactionnow.org



Sustainability | East...
eastman.com



Sustainability Committee
bpf.co.uk



Defining Sustainability in ...
csm.mcgill.ca/sustainability/define.htm



Omaha CSO :: Sustainability
omahacso.com



Sustainability | NAM
nam.org



Sust...
hays



approach to urban planning ...
renewbyrds.com



Sustainability - Youth ...



Defining True Sustainability
www.meritreview.mil.edu



Major hotel chain makes s...
traveltalk.com.au



Sustainability - Wikipedia
en.wikipedia.org



Good360's Sustainability School...
good360.org



Increasing sustainability
manohaminter.edu.au



approach to urban planning ...
renewbyrds.com



The McGrath Group is fully committed ...
mcgrathgroup.co.uk



Sustainability | Park City, UT
parkcity.org



A global shift to sustainability would ...
vix.com



Environmental sustainability
twinkl.co.uk



Sustainability Jobs 2017 ...
sustainabilitynews.com



What is sustainability ...
active.sustainability.com



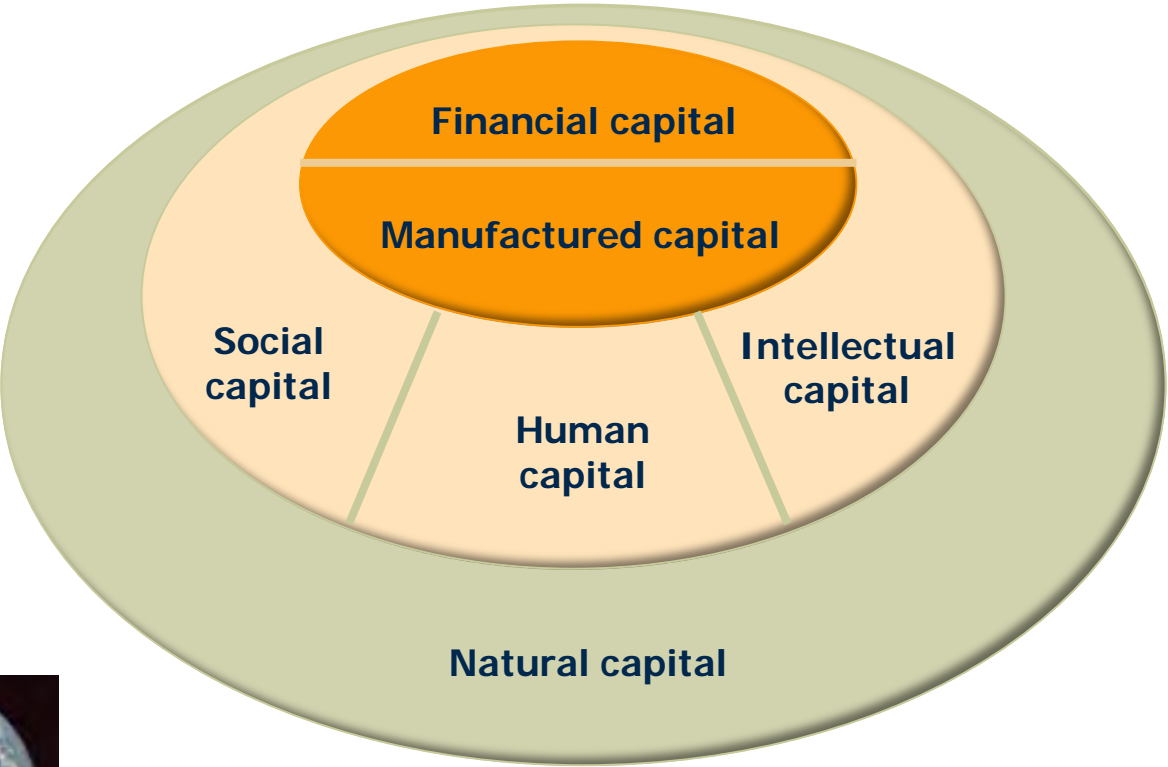
Reinart Foodservice - Sustainability
reinart.co.uk



Sustainability
getty.com

Sustainability: Rethinking value

All organizations depend on various **resources and relationships** to create value.
These resources and relationships can be conceived as different forms of “**capital**”.

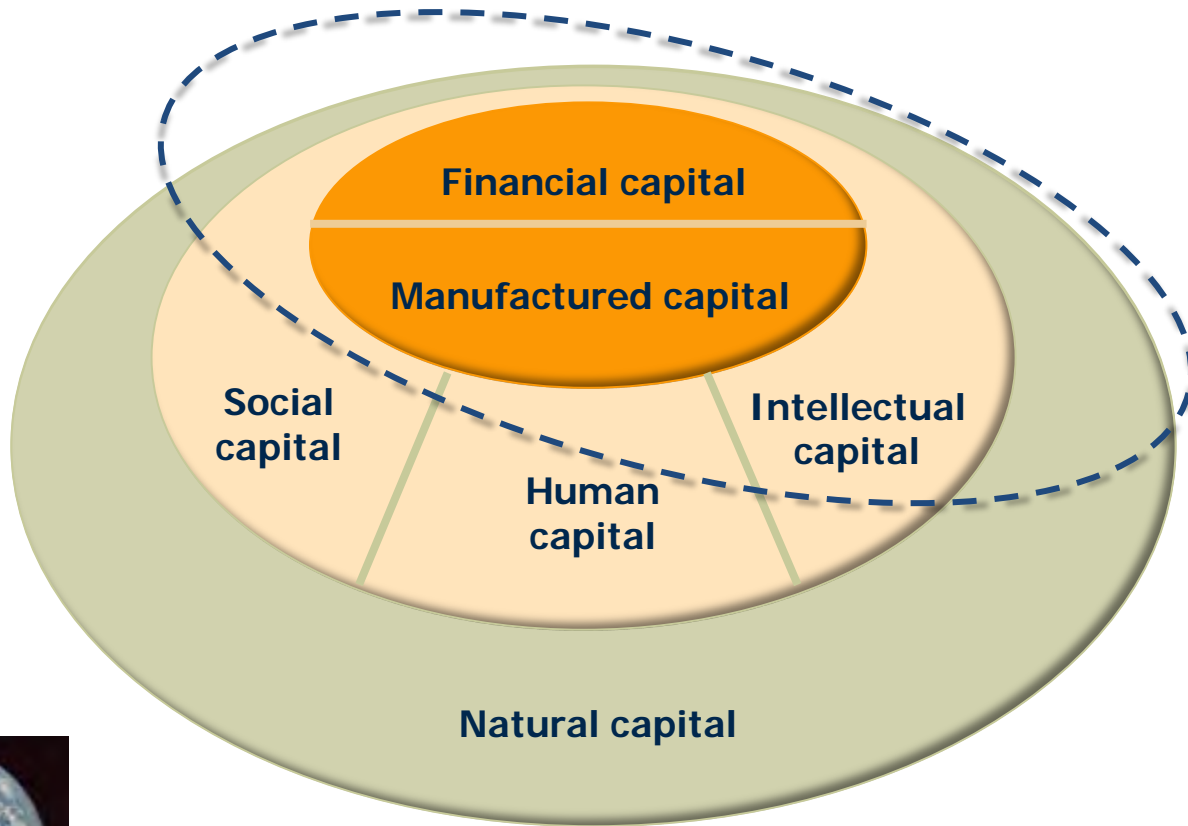


Ecosystem services		
Provisioning services	Regulating services	Cultural services
Food Freshwater Wood and fibre Fuel Medicines and new chemical compounds	Climate regulation Flood regulation Disease regulation Water regulation Pollination services Erosion prevention Air quality regulation	Aesthetic Cultural Recreational Spritual
Supporting services or habitat services		
Habitat maintenance Genetic diversity Soil formation Photosynthesis or primary productivity		



Sustainability: Rethinking value

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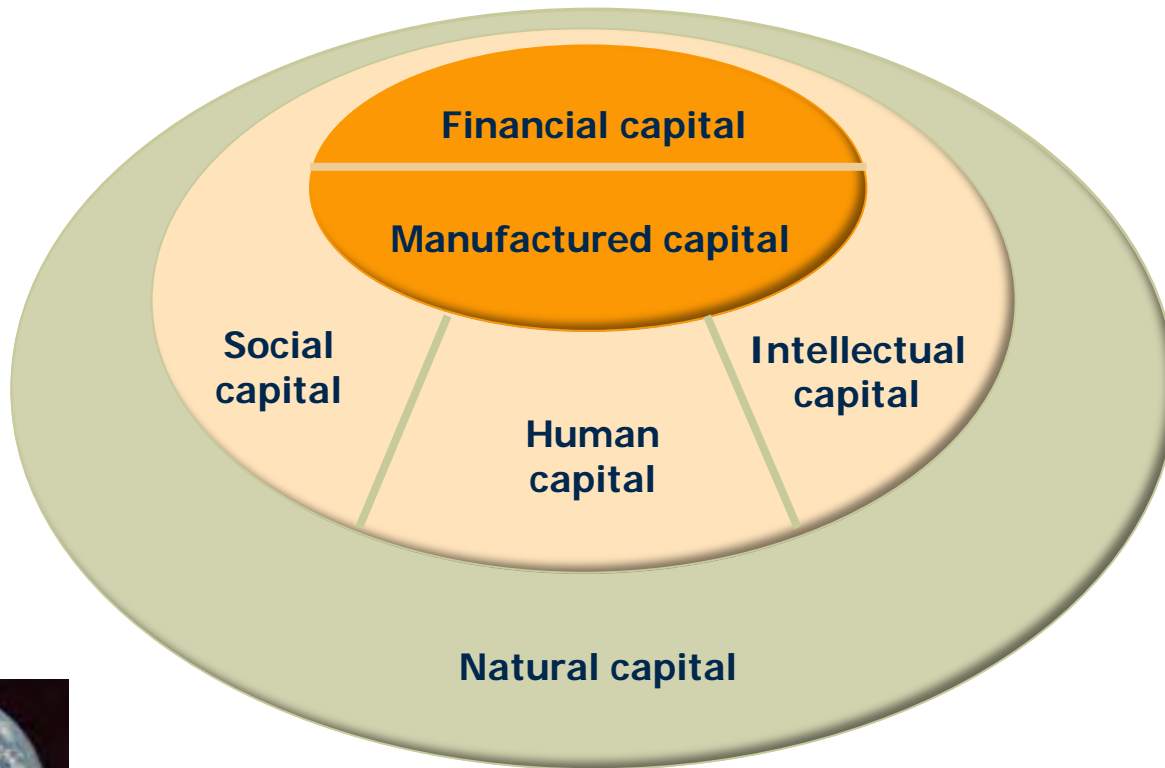


Our business systems and **valuation models** are better tuned to **tracking financial and manufactured capital** than social, human, intellectual and natural capital.



Sustainability: Rethinking value

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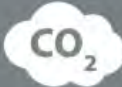


Economic

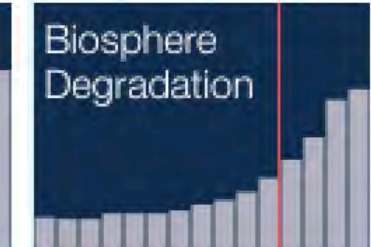
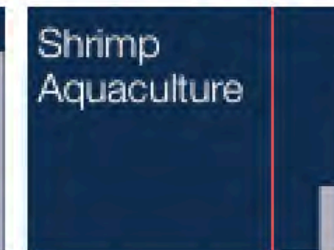
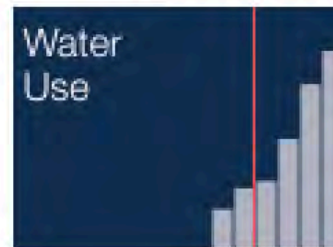
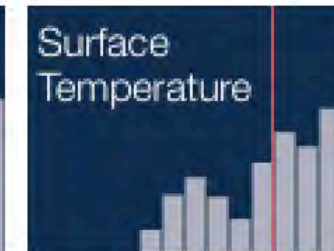
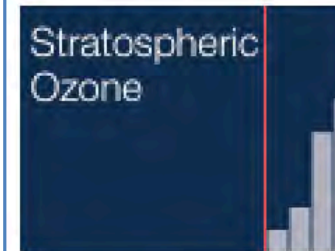
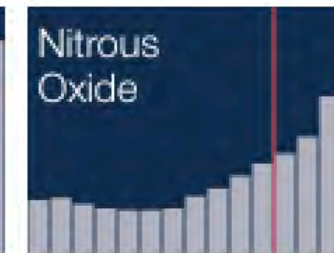
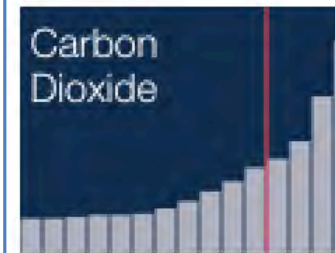
-  Rural economies
-  Market development

Social

-  Working conditions
-  Product safety and quality
-  Animal care

Environmental

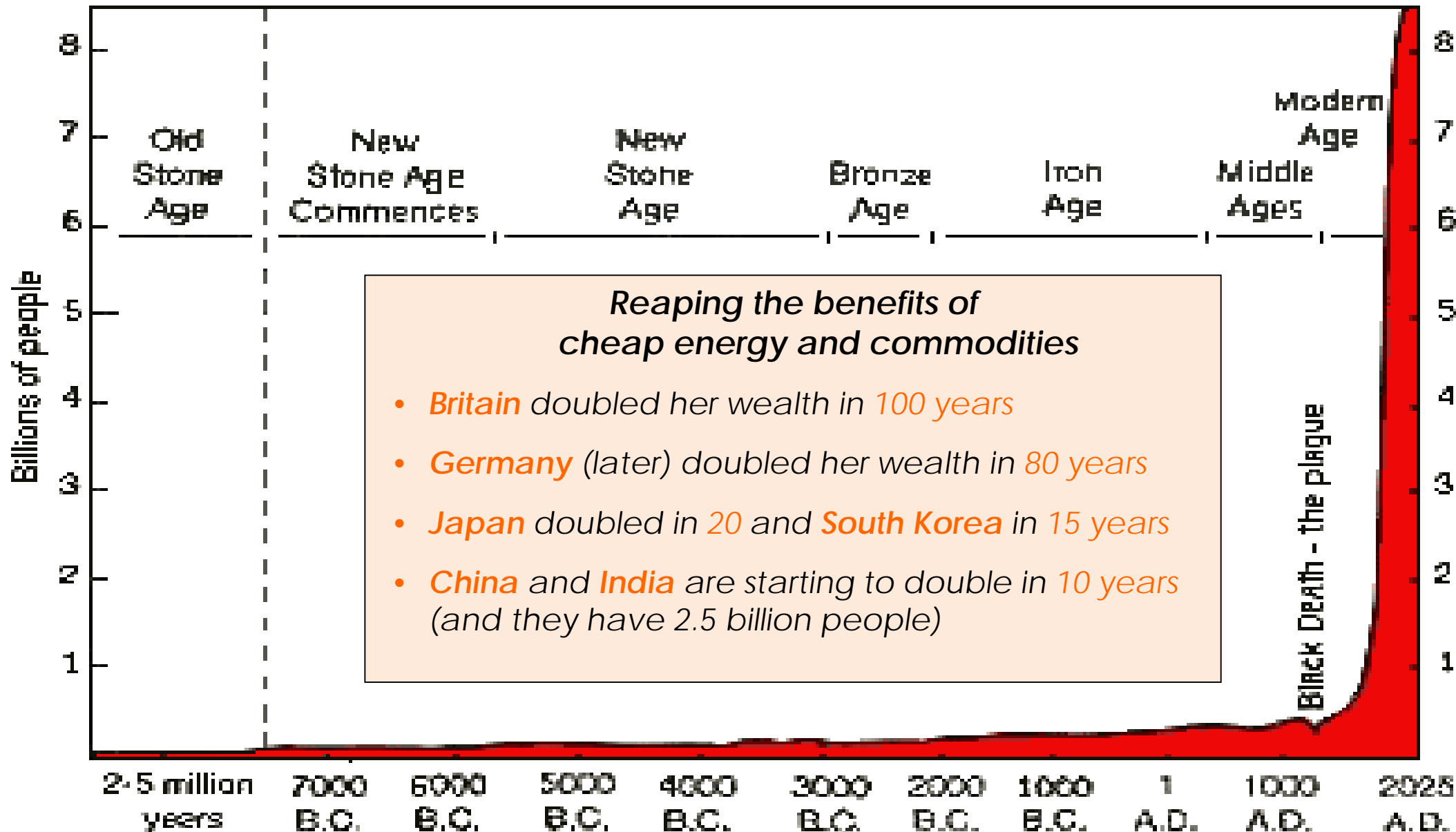
-  Biodiversity
-  Waste
-  Water
-  Greenhouse gas emissions
-  Soil
-  Soil nutrients



Key socio-economic trends

Key earth system trends

World Population Growth Through History

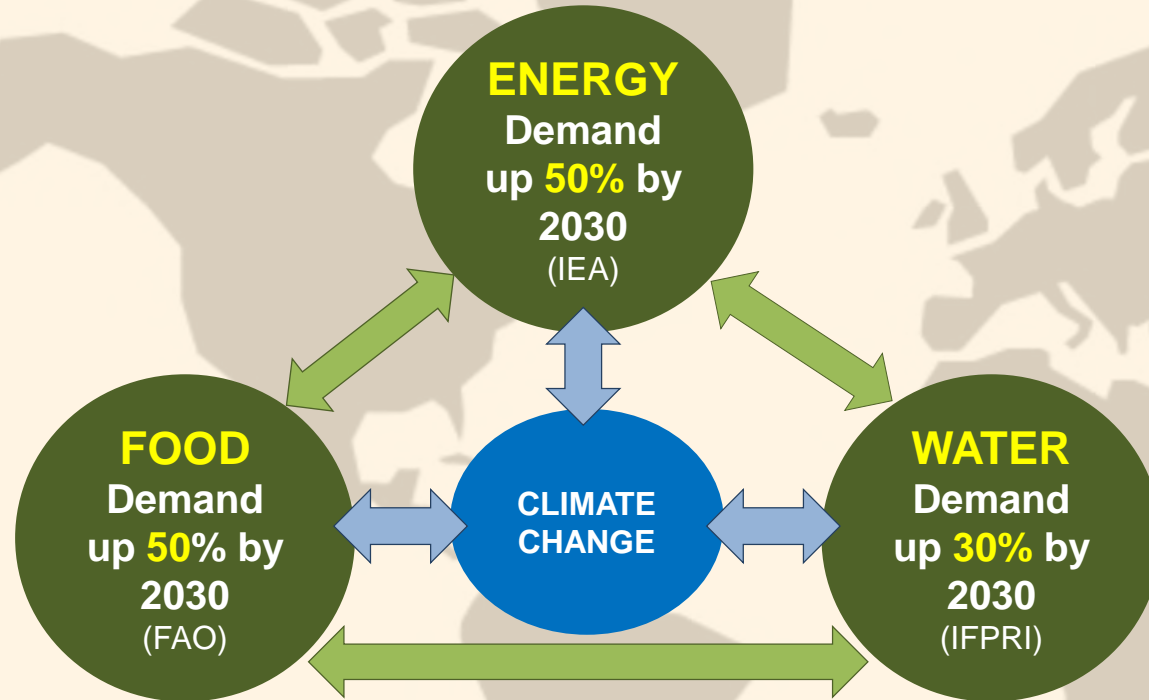


A perfect storm: The food, energy, water nexus

The New York Times India's Terrifying Water Crisis

To survive the climate emergency, India needs the collective power of small-scale, nature-based efforts.

July 15, 2019



There are more people in this circle than outside of it

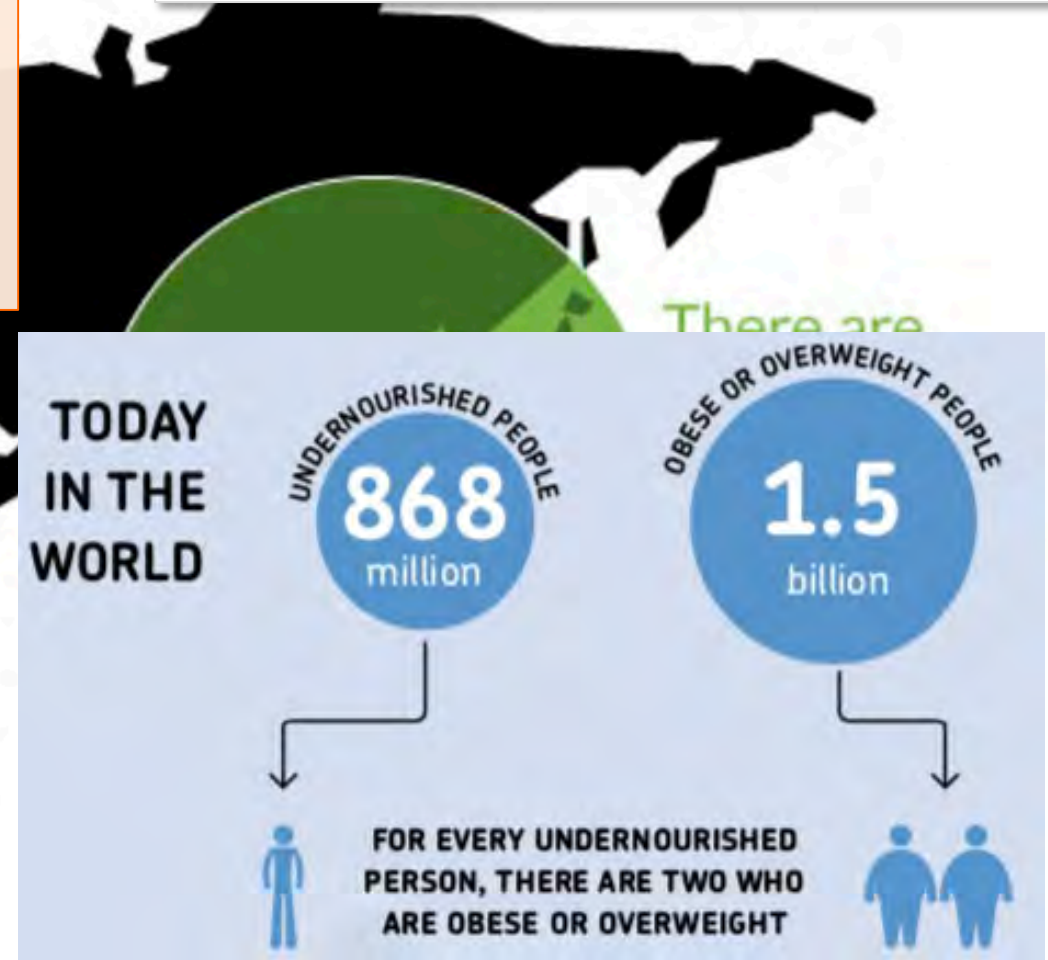
A perfect storm: The food, energy, water nexus

- Agriculture occupies nearly **40% of global land**
- Food production responsible for up to **30% of global GHG emissions** and **70% of freshwater use**
- Land conversion for food the **main driver of biodiversity loss**

The New York Times India's Terrifying Water Crisis

To survive the climate emergency, India needs the collective power of small-scale, nature-based efforts.

July 15, 2019



The South African context: a perfect storm?

Prevalence of obesity in adult females, 2014

The share of adult women defined as obese, measured as the percentage of women with a body mass index (BMI) value >30.0 . Body mass index is a person's weight in kilograms (kg) divided by his or her height in metres squared.

Our World
in Data

“The Western Cape stands to lose R357 billion in household spending from stunting and up to R590 billion from obesity to 2040; this accounts for over 5% of GDP.”

FUTURESCAPE POLICY BRIEF: DOUBLE BURDEN OF MALNUTRITION FEBRUARY 2018



1975



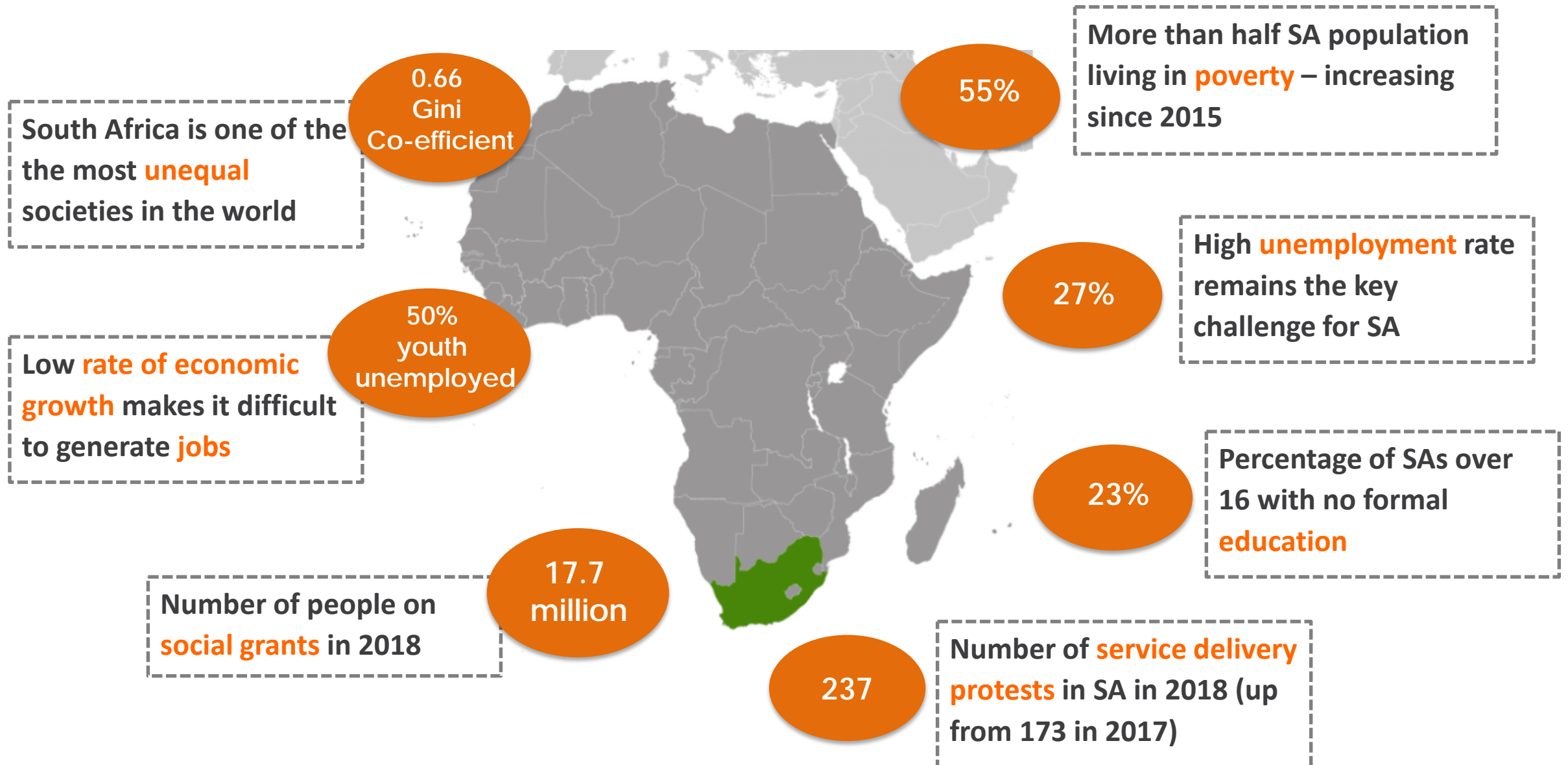
2014

Source: Prevalence of weight categories in females - NCDRisk

OurWorldInData.org/obesity/ • CC BY-SA



The South African context: a perfect storm?



SUMMARY TABLE OF FSI 2018 RESULTS FOR MIDDLE-INCOME COUNTRIES



OVERALL		FOOD LOSS AND WASTE		SUSTAINABLE AGRICULTURE		NUTRITIONAL CHALLENGES	
1. Colombia	71.2	1. China	82.4	1. Colombia	76.5	1. China	67.5
2. China	70.2	2. India	81.1	2. Cote d'Ivoire	73.9	2. Colombia	64.0
3. Zambia	67.2	3. Zambia	77.9	3. Zambia	72.7	3. Turkey	63.7
4. India	66.4	4. Kenya	76.3	4. Cameroon	72.2	4. Brazil	63.2
5. Cote d'Ivoire	65.9	5. Nigeria	74.1	5. Tunisia	70.1	=5. Mexico	61.3
6. Mexico	65.6	6. Colombia	73.0	=6. Mexico	69.4	=5. Tunisia	61.3
7. Brazil	65.5	7. Cote d'Ivoire	70.3	=6. Morocco	69.4	7. Morocco	58.9
=8. Kenya	64.4	8. Brazil	69.1	8. Turkey	68.3	8. Jordan	58.8
=8. Romania	64.4	9. Sudan	68.7	9. Romania	68.0	9. Lebanon	57.6
10. Nigeria	63.7	=10. Egypt	67.7	=10. Egypt	66.6	10. Romania	57.4
11. Morocco	63.5	=10. Romania	67.7	=10. Kenya	66.6	11. Bulgaria	57.3
12. Egypt	63.0	12. Mexico	66.3	=10. Nigeria	66.6	AVERAGE	57.1
13. Jordan	62.8	AVERAGE	66.0	13. India	65.5	12. Cameroon	57.0
AVERAGE	62.7	13. Jordan	65.4	14. Lebanon	65.1	13. Russia	56.5
14. Lebanon	62.4	14. Ghana	65.2	AVERAGE	65.1	14. South Africa	56.3
15. Tunisia	62.3	15. Lebanon	64.5	15. Brazil	64.2	15. Indonesia	54.9
16. Sudan	60.9	16. Morocco	62.1	16. Jordan	64.0	16. Egypt	54.8
17. Turkey	60.1	17. Indonesia	61.4	17. Indonesia	61.1	17. Sudan	54.2
18. Cameroon	59.7	18. South Africa	60.5	18. China	60.7	18. Cote d'Ivoire	53.5
19. Indonesia	59.1	19. Russia	58.0	19. Sudan	59.7	19. India	52.5
20. Ghana	57.6	20. Tunisia	55.7	20. Ghana	57.4	20. Zambia	51.1
21. South Africa	56.4	21. Bulgaria	52.4	21. Russia	53.9	21. Nigeria	50.4
22. Russia	56.1	22. Cameroon	49.8	22. Bulgaria	53.7	=22. Ghana	50.2
23. Bulgaria	54.5	23. Turkey	48.2	23. South Africa	52.4	=22. Kenya	50.2

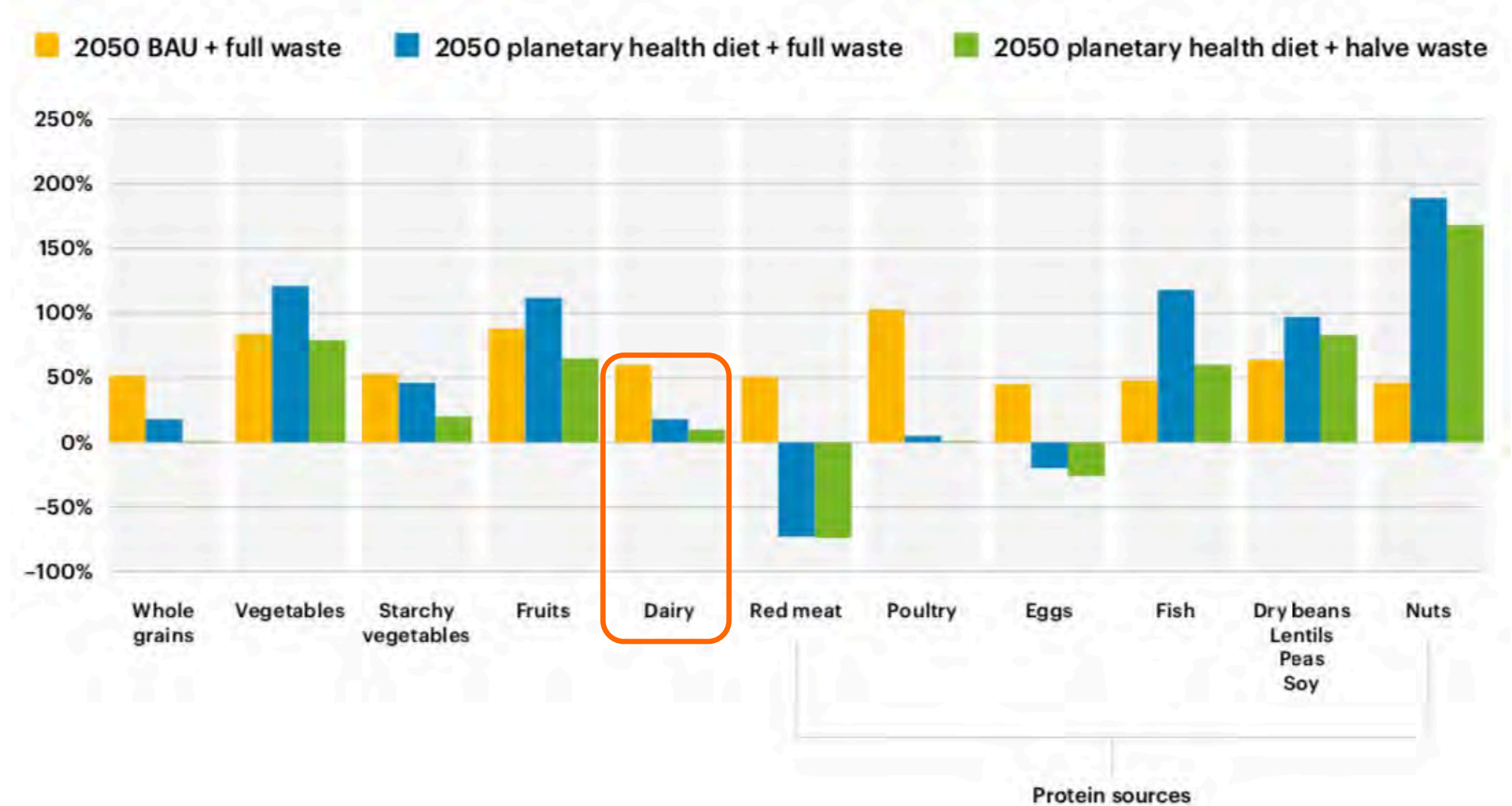
EAT-Lancet Commission: Healthy Diets From Sustainable Food Systems



Food is the single strongest lever to optimize human health and environmental sustainability on Earth.

- Our food system is threatening both people and planet
 - **Planet:** Global food production **threatens climate stability** and ecosystem resilience and is the **largest driver of environmental degradation** and transgression of planetary boundaries
 - **People:** **Unhealthy diets pose a greater risk to health** than unsafe sex, and alcohol, drug and tobacco use combined
- **A radical transformation of the global food system** is needed.
 - Substantial shifts toward mostly plant-based dietary patterns
 - Dramatic reductions in food losses and waste
 - Major improvements in food production practices

EAT-Lancet Commission: Healthy Diets From Sustainable Food Systems



Are we seeing the beginning of shifting dietary patterns?

The Economist's "The World in 2019" predicts that veganism will be the most popular topic of the new year, declaring 2019 "**the year veganism goes mainstream.**" On the heels of this declaration, *Forbes* published an article predicting that 2019 will be the year more people "**embrace a plant-based lifestyle.**"

Beyond Meat is going public. Investors are betting on a new future for food.

Plant-based meat products might fix our food system.

By Kelsey Piper | Apr 25, 2019, 3:20pm EDT

Beyond Meat Just Had the Best IPO of 2019 as Value Soars to \$3.8 Billion



Danone's 2017 acquisition of WhiteWave, a company specialised in "better-for-you" food and drinks (including plant-based and organic products)



The dairy industry response

The DSF reports on the dairy industry's performance using the following 11 criteria:



Environmental

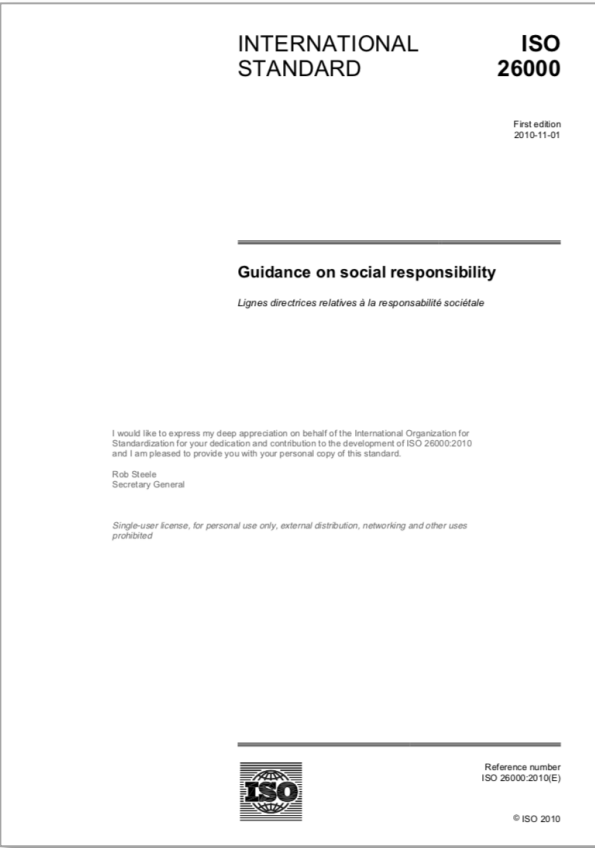
- Biodiversity
- Waste
- Water
- Greenhouse gas emissions
- Soil
- Soil nutrients

Social

- Working conditions
- Product safety and quality
- Animal care

Economic

- Rural economies
- Market development



The dairy industry response

2030 Goals and Targets



Australian Dairy's sustainability goals and targets



Commitment 1

Enhancing economic viability and livelihoods

84% of dairy farmers made capital investments over the past 2 years (see pg 17)

57% of dairy farmers underwent training in 2017, up from 39% in 2014 (see pg 29)

85% of consumers agree that industry provides products to meet a range of needs (see pg 17)

35% of dairy farmers who participated in Taking Stock support sessions increased their profits by an average of \$16k between July 2016 and June 2018 (see pg 18)

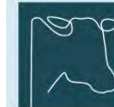


Commitment 2

Improving wellbeing of people

78% of consumers agree dairy foods are essential for good health and wellbeing (up 7%) (see pg 41)

8 product recalls; majority due to labelling errors (see pg 37)



Commitment 3

Providing best care for all our animals

8% National target for percentage of cows able to be induced within a herd reduced from 10% in 2018 to 8% in 2019 (see pg 50)

✓ New industry policy - all calves to be disbudded prior to 8 weeks of age **with pain relief** (see pg 51)

95% of farmers do not use routine calving induction (see pg 51)



Commitment 4

Reducing environmental impact

81% of farmers are managing some land for conservation and biodiversity (see pg 58)

38% of dairy farmers have a documented biodiversity plan (down 7%) (see pg 58)

51% reduction in dairy companies waste to landfill on 2010/11 baseline (see pg 70)

5.7% increase in the consumptive water use by dairy companies since 2010/11 (see pg 62)

The dairy industry response



*'Bringing health through food
to as many people as possible.'*

OUR 2030 GOALS TO EMBRACE THE FOOD REVOLUTION

At Danone, we believe that the health of people and that of the planet are interdependent and we want to nourish and protect both.

OUR BRAND MODEL



OUR BUSINESS MODEL

OUR TRUST MODEL

Leading purpose-driven companies cultivating a sustainability culture



*'Bringing health through food
to as many people as possible.'*



Our purpose: enhancing quality of life
and contributing to a healthier future



OUR PURPOSE
To Make Sustainable Living Commonplace



To accelerate the world's transition
to sustainable energy



To create a better everyday
life for the many people

Common characteristics

1. The purpose is **authentic**, and in each instance is **driven from the top, with conviction**
2. The purpose is supported by **long-term science-based and context-based targets**, aligned with the **UN SDGs**
3. Purpose-led companies recognise the **competitive advantage in addressing societal challenges**
4. Purpose-led companies cultivate a **culture that inspires business innovation**, that allows for **experimentation**, and that **fosters shared learning and system thinking**.
5. Purpose-led companies **speak out on system weaknesses**

How does your organisation's sustainability culture stack up?

