



Land being cleared and replanted with oil palms at the Butaw plantation in Sinoe County, Liberia (2014). Anna Fawcus/Oxfam America

# STANDING ON THE SIDELINES

Why food and beverage companies must do more to tackle climate change

**For the food and beverage industry, climate change is a major threat. For millions of people, it means more extreme weather and greater hunger. The Big 10 companies are significant contributors to this crisis, yet they are not doing nearly enough to help tackle it.**

**In this paper, Oxfam calls on the Big 10 to face up to the scale of greenhouse gas emissions produced through their supply chains, and address the deforestation and unsustainable land-use practices they allow to happen.**

**The Big 10 must set new targets to cut greenhouse gas emissions throughout their supply chains. But they cannot tackle climate risk by acting alone. They have a duty to step off the sidelines and use their influence to call for urgent climate action from other industries and governments.**

# SUMMARY

## The food and beverage sector: Accomplices to the climate crisis

Climate change threatens the world's food and beverage industry like few other sectors of business. It is a major risk to food supply chains, to consumer demand, and ultimately to companies' future profitability. The "Big 10" food and beverage companies — Associated British Foods (ABF), Coca-Cola, Danone, General Mills, Kellogg, Mars, Mondelez International, Nestlé, PepsiCo and Unilever — are significant emitters of greenhouse gases (GHGs) across their global operations. If together they were a single country, these 10 famous companies would be the 25<sup>th</sup> most polluting country in the world, emitting more GHGs (263.7 million tons per annum) than Finland, Sweden, Denmark, and Norway combined.<sup>1</sup> They are not doing nearly enough to cut their own carbon footprint.

But worse, they are failing to use their experience, leadership, and power to transform their own industry and push for the level of climate action the world needs. The Big 10 are being silent accomplices to this unfolding crisis. It is a serious charge because these companies should be fully aware of the impact that climate change is having on the planet's food system, given their dominance and reach into it. Two companies in particular, Kellogg and General Mills, are clear laggards among the Big 10. Both companies are highly vulnerable to climate impacts but also well positioned to lead the industry towards a more sustainable future.

Climate change is contributing to storms, floods, drought, and shifting weather patterns. These are causing crop failures, food price spikes, and supply disruptions. The end result will be more poverty and hunger. By 2050, there could be an extra 25 million malnourished children under the age of 5 because of climate change,<sup>2</sup> and 50 million more hungry people.<sup>3</sup> This is the human dimension of the climate change crisis that is already unfolding.

The poorest, most vulnerable people are being hit first and worst. But all of us will be affected. In major markets like the US and the UK, Oxfam calculates that climate change will drive up the retail price of products like General Mills' Kix cereal by up to 24 percent and Kellogg Corn Flakes by as much as 44 percent over the next 15 years. Such retail price hikes are the consequence of rising prices of commodities like corn and rice, projected to double by 2030, with half of the increase due to climate change.<sup>4</sup>

Some of the Big 10 companies are already being hit financially because of climate change. In March 2014, General Mills' CEO Ken Powell, said that in the previous fiscal quarter, extreme weather had dampened sales and cost his company 62 days of production, or the equivalent of 3–4 percent of production, "which hasn't happened in a long time to us, think decades".<sup>5</sup> Unilever says it now loses €300 million (\$415 million) a year due to extreme weather events such as flooding and extreme cold.<sup>6</sup>

The Big 10 are failing to do all they can to cut greenhouse gas emissions from their supply chain.

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The fossil fuel industries are the biggest “climate villains” but the agriculture sector is a massive problem too. The latest report from the Intergovernmental Panel on Climate Change (IPCC) shows that agriculture and deforestation (largely driven by expansion of agricultural land) are responsible for around 25 percent of global emissions.<sup>7</sup> But even more significantly, when experts calculate how far we need to cut emissions for the world to stay within a “safe” 2°C temperature rise, they assume that total emissions from these two sources will stop entirely by the middle of this century, and indeed become a net “carbon sink”, working to remove carbon dioxide from the atmosphere.<sup>8</sup> However, agricultural emissions are actually set to increase by 30 percent by 2050 as demand for food increases,<sup>9</sup> and the latest research suggests that deforestation rates are also still rising.<sup>10</sup> Turning global agriculture and forestry into a net carbon sink will not happen without huge new efforts by companies and governments.

The IPCC estimates that agriculture and deforestation account for 25 percent of global emissions. Yet emissions scenarios to keep global warming below 2°C assume these sources will become a net carbon sink by mid-century, despite rising emissions trends.

The agricultural industry faces a daunting double responsibility – to do its part to ensure “zero hunger” while undergoing a fundamental revolution in its production methods. This is something the Big 10 do not seem to have properly grasped. Between them, they generate \$1.1 billion a day in revenues, equivalent to the gross domestic product (GDP) of all the world’s low-income countries combined.<sup>11</sup> They have the economic power to drive the required transformation of the food system and to influence the direction of the wider global economy. Their vested interests coincide with the world’s need for a cleaner and more equitable global food system and a sustainable energy system. But they are not properly acting upon this coincidence.

## **Not acting on their own emissions footprint**

When it comes to getting their own house in order, Oxfam research into the policies of the Big 10 shows that the industry has a very patchy record, which for some companies verges on downright negligence. Kellogg and General Mills are among the worst performers in this regard.

All of the Big 10 have set targets to reduce emissions from their operations (so-called “Scope 1 and 2” emissions, which account for 29.8 million tons).<sup>12</sup> But in the main, these targets are not science-based — they are based on what the company says is feasible, rather than on what is really needed or justified. But even more significantly, they do not cover the major share of the emissions for which the company is responsible — the indirect emissions associated with the company, from their supply chains to the end use of their products (so-called “Scope 3” emissions, which account for 233.9 million tons).<sup>13</sup> The largest part of these unaddressed emissions across the Big 10 is from the production of their agricultural raw materials (approximately 114.1 million tons).<sup>14</sup> This includes both the direct emissions caused by agricultural production — like nitrous oxide released from fertilizer usage, and methane released from livestock — and the indirect carbon emissions caused by expansion of agricultural land into forests. The impact of these agricultural emissions alone is the same as the carbon emissions of around 40 coal-fired power stations each year<sup>15</sup> — too big for any responsible company to ignore.

The largest source of the Big 10’s emissions is agricultural production of their raw materials — comparable to the annual emissions from 40 coal-fired power stations — yet these are not covered by the companies’ emissions reductions targets.

All of the Big 10 companies recognize that they need to reduce their



agricultural emissions, and seven of them measure and report these Scope 3 agricultural emissions through the Carbon Disclosure Project (CDP) each year, though pointedly Kellogg, General Mills, and Associated British Foods fail to do even that. But from there, things slide downhill. Most companies do not disclose suppliers of commodities driving the most emissions (Unilever, PepsiCo, Nestlé, and Coca-Cola are honorable but partial exceptions here), and none of them have committed to a target to reduce their total agricultural emissions or require their suppliers to make reduction targets.

The Big 10, but especially Kellogg and General Mills, are not addressing the vast bulk of their emissions in the reduction targets they are setting — the huge “Scope 3” emissions, including those associated with the production of agricultural raw materials within their supply chains. Oxfam calculates that Scope 3 emissions from agriculture alone make up around 50–60 percent of the global emissions footprint of the Big 10 companies, with total Scope 3 emissions accounting for 80–90 percent of their total responsibility (see Figure 3).<sup>16</sup> As oversights go, this is a terribly big one to be making.

To their credit, and thanks to the great campaigning by people’s movements and NGOs in recent years, most of the Big 10 have now committed to ending deforestation in their supply chains for palm oil, the biggest single driver of deforestation. This is important, as Oxfam’s investigations have revealed that General Mills, Kellogg, and other companies remain the ultimate beneficiaries of supply chains, which continue to tolerate massive deforestation and land clearances that are causing high-levels of GHG emissions, not to mention human rights abuses and worsening poverty and hunger among local communities.

But only very few of the companies have set concrete plans to implement and monitor these policies or to extend them to other key commodities that are driving deforestation, like soy, sugarcane and maize. Without these plans, the encouraging commitments that have been made may prove to be little more than warm words and paper promises, with little scope for local communities and others in civil society to hold them to account. And having made such commitments on palm oil, there is now no excuse for not replicating them across all commodities that have an impact on forests and the people whose livelihoods depend on them.<sup>17</sup>

## **Not vocal enough about the climate action needed from others**

Finally, the Big 10 have, for the most part, remained silent in public debates over climate action. With a few notable exceptions — Unilever, Nestlé, and, to some extent, Coca-Cola and Mars — most do not speak out about the need for governments and other businesses to act, despite spending millions of US dollars on political lobbying each year.<sup>18</sup> Most refrain from publicly challenging the backward stances of trade associations that represent them. Only two have signed the Trillion Tonne Communiqué (a recent business statement recognizing the limited global carbon budget).<sup>19</sup> Their silence leaves the field open for the dirty fossil fuel industries to dominate the debate with policy-makers.

Most of the Big 10 have now committed to zero deforestation in their palm oil supply chains, but many lack robust and transparent implementation plans, and few have extended these policies to other key commodities.

The Big 10 are largely silent witnesses in public debates on climate action, despite spending millions of US dollars on political lobbying each year.

In the intensive corporate lobbying on the 2009 US climate change legislation in Congress, the Big 10 were all but absent in a debate dominated by players from energy and biofuel industries — submitting just 19 lobby reports between them, compared with more than 200 by the biggest 10 energy companies, and more than 100 by biofuels companies. The Big 10 are being too coy. They have exercised their political clout before, by pushing the European Union (EU) and other decision-makers to improve their biofuels policies and numerous other policy issues. It is time they lent their weight to the broader fight over climate policy.

## **Time to act**

The food and beverage industry has both a moral imperative and a corporate responsibility to step up its efforts to tackle climate change. The Big 10 are uniquely placed to reveal the risks of climate change to their investors and to our global food chain. Kellogg and General Mills in particular must reverse their position as climate laggards. Companies must ensure that their supply chains are able to produce ingredients in more equitable and sustainable ways, including moving towards production and land-use methods that diminish GHG emissions and replenish carbon sinks. If each of the Big 10 companies made the same commitment to cut emissions from agriculture as PepsiCo UK, together they could save an extra 80 million tons of CO<sub>2</sub>e compared to business-as-usual by 2020.<sup>20</sup>

The Big 10 need to set new targets to cut GHG emissions throughout their supply chains and, where necessary, to support their suppliers in doing so. They need to transparently implement and extend their laudable new deforestation policies to all commodities. And critically, they need to step off the sidelines and lead the call on other industries and world leaders for more progressive, more equitable, and cleaner energy and food policies. In the fight for zero hunger in a safer climate, the silence of the food and beverage industry is not a virtue.

If the Big 10 food and beverage companies were a single country, it would be the 25th most polluting country in the world.

# NOTES

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- 4 Projected price increases were generated by translating the previously estimated impacts of climate change by the year 2030 on rice, corn and wheat prices into impacts on the prices of selected consumer food products that contain those grains. We used historical grain and consumer product prices, product ingredient lists and nutrition labels, and historical examples of how rising commodity prices affect retail prices to build a model that estimates the potential increases in retail prices that will result from climate change.
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- 14 *Ibid.* Emissions from agricultural production are estimated based on the "Scope 3" reporting category "Purchased goods and services", which for food and beverage companies are predominantly related to production of agricultural raw materials.
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- 19 The Corporate Climate Communiqués, 'What is The Trillion Tonne Communiqué?', <http://www.climatecommuniques.com/Trillion-Tonne-Communiqué.aspx>
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