The House of Commons Environmental Audit Committee

Inquiry into Biodiversity and Ecosystems

Evidence from Associated British Foods plc

December 2020

**Introduction and summary of key points**

**Associated British Foods Plc** was founded as a bakery business in 1935, and has since evolved into a diversified international food, ingredients and retail group. We have more than 133,000 employees and operations in 53 countries across Europe, southern Africa, the Americas, Asia and Australia.

Our decentralised businesses operate independently of each other across five separate divisions: Grocery, Retail, Sugar, Agriculture and Ingredients. In total we have around 60 trading companies. We are proud of our role in supplying affordable food and clothing to markets around the world.

As a diverse group of businesses, we buy a wide range of commodities and support farming and harvesting practices that protect and respect the environment. Where we identify potential risks to the world around us as a result of our business activities, we seek to mitigate or remediate them.

David Webster, Director of Sustainability and External Affairs within our UK Grocery Division, will address the Committee and answer questions. Our UK Grocery division produces a range of food staples, including breakfast cereals; bread; savoury biscuits; flour; bagged sugar; rice; noodles; cooking sauces and condiments, as well as a range of sports nutrition products. We purchase food ingredients from across the globe, the largest by volume being cereal grains, most of which are grown in the UK. The division does not produce meat-derived products.

Biodiversity loss is an issue of global significance and we recognise urgent intervention is required to protect some of the world's most endangered habitats. Business engagement in relation to biodiversity can focus either on action to mitigate harm resulting from habitat loss, or on activity to promote habitat creation within supply chains. Within ABF we have good examples of our businesses engaging in both.

Some consumer branded businesses, like Jordans, have the capacity to make significant interventions in supply chains to create biodiversity in order to promote differentiation and premiumisation. If they are successful, they can engage the public to promote change and choice, with competitive market forces serving to enable support for biodiversity.

Likewise, providing a growing population with safe, healthy and affordable food and clothing is important and we must ensure that we balance efficient production with sensible provision for wildlife. As such, we consider there is significant value in improving connectivity and productivity in agriculture, encompassing a focus on environmental sustainability.

At the other end of the spectrum, commodity traded businesses that compete globally on price are inherently bound by commercial forces of enormous scale. In this context, implementing sustainable and systemic change can only be achieved with the support of multiple actors in the supply chain and the financial backing of customers, as well as international agreement on regulatory controls.

For the reasons outlined above, we consider that multiple business-focussed policy interventions are needed in combination to address biodiversity loss. Within the following paper we give examples of where our businesses interface with biodiversity habitat creation or loss mitigation and provide some perspectives on potential policy options.

**1. Consumer brands and biodiversity**

There are a number of consumer brand standards in the UK that link products to supply chains that directly, or indirectly, benefit wildlife, including the Royal Society for the Protection of Birds (RSPB) 'Fair to Nature' mark and Organic certified foods:

- Consumer brands are a powerful force to stimulate public engagement and business investment.
- Sales of organic foods increased by 4.5% in 2019 to account for £2.5bn in sales in 2020[1] but organically produced foods are more expensive to produce. For example, in November 2020, organic oats traded at £300 per tonne, compared to conventionally farmed winter oats at £135 per tonne, due to reduced crop yield.
- Latest Mintel data indicates c. 25% of shoppers are positively engaged by ethical or environmental brand positioning.[2]


*Jordans Farm Partnership: click image link to view impact report.*

**Case Study: Jordans** started selling organic breakfast cereals in 1972 and launched its own wildlife farming programme in 1985 under the Conservation Grade mark, which appeared on its packaging.

- The principle behind the model was that farms used modern agricultural practice to ensure reliable yield but managed their land to protect wildlife.
- The scheme started by restricting the agrochemicals that could be used on the farm, but in the early 2000s developed into a habitat creation programme across 10% of the farmed area.
- A premium was paid to farmers per tonne of grain supplied to cover the cost of creating a specific range of habitats on the farm and this cost was passed on to shoppers in the price of the cereals.
- The Conservation Grade marque was used on packaging to help differentiate the Jordans brand as a premium product within the category.

**The Jordans Farm Partnership** was launched in 2012 as an extension of this model, working with the Wildlife Trusts, a federation of independent charities, as a key partner to promote farm biodiversity across 15,000 ha of UK farmland:

[1] Organic Market Report, 2020
[2] Mintel - BRAND OVERVIEW: FOOD: INC IMPACT OF COVID-19 UK, MAY 202

- The farms are all LEAF Marque certified and adhere to a unique biodiversity plan covering at least 10% of the area of their total farm.
- At least half of the 10% allocation must be to create pollen, nectar and wild bird food habitats, under the Countryside Stewardship Scheme Higher Tier protocol.
- The remaining land is managed by the farmer and their local Wildlife Trust Farm Advisor, tailored to the needs of the local environment.
- Overall, nearly 4,200ha is managed for wildlife under the scheme and an impact assessment is undertaken annually by The Wildlife Trusts.
- As well as supplying Jordans, these farms also grow other crops including rape seed, milling wheat and sugar beet.
- Jordans has surrendered its legal rights to exclusivity on the scheme for all products other than breakfast cereals, with the objective of expanding the model into other food categories.
- Jordans pays a contractual premium to its growers per tonne of grain of c.25% more than standard oats and the farms benefit from access to additional subsidies and grants for ecosystem services.

**This central brand link to biodiversity creates a commercial incentive for further investment in a range of other programmes in the UK and Internationally. For example, Jordans has invested in:**

- A Sustainable Farming Practice bursary for students at the Royal Agricultural College and Reading University. Eleven students are currently enrolled and 18 have graduated to date.
- Partnership with *Project Apis* in the US, to plant pollen and nectar habitat on almond farms.
  - In 2019, 512 acres of wildflower mix was planted alongside almond trees, providing a biodiversity offset for the volume of crop that Jordans Dorset Ryvita typically purchases in a year. Next year, with further investment, we will expand this to 716 acres,
- In Bolivia, the business helps finance a partnership with local NGO (CIPCA-N.A) to support the Brazil Nut supply chain in the area around Riberalta.
  - Brazil Nuts can only be wild harvested from the Amazon rainforest, as Brazil trees are entirely dependent upon forest pollinators to fruit.
  - The crop provides a valuable income to the local community and plays an important role in conserving the Amazon rainforest in Bolivia.
  - Through the programme, essential forest conservation was undertaken including the planting of 35,000 Brazil Nut saplings across an area of 121,000 hectares of forest.
  - A health and safety training programme was developed for the community members who enter the forest for weeks at a time to gather the nuts during the harvesting season.

**Policy perspectives:**

- Consumer brands are a powerful force to engage the public and create an incentive for business investment to support biodiversity to drive competitive differentiation.
- Providing incentives to support food businesses that integrate a range of specialist farm management schemes (that promote biodiversity) into food production would help create a market for more crops grown on wildlife friendly farms.
- Though individually these brands typically operate at a relatively small scale, collectively they have impact, and they also serve as important 'change agents' within the broader food system.
- Organic production also motivates a significant number of consumers and benefits parts of the rural economy, but its potential to be scaled is somewhat restricted by cost and availability.

## 2. Promoting supply chain interaction and biodiversity

Most food and clothing businesses operating in the UK today procure materials from the open market to an agreed quality and safety specification. Some, however, develop links with primary growers to promote supply chain efficiency, or to mitigate risk.

Businesses that create a direct link to the farms have improved capacity to implement specific measures to improve efficiency and address biodiversity loss as well as other externalities.

### Case Study 1: British Sugar

- British Sugar is supplied by over 3,000 growers in East Anglia and the East Midlands. All sugar beet supplied to our factories is grown to the Red Tractor Sugar Beet and Combinable Crops standard.
- As a 'break crop' in the farm rotation, sugar beet reduces pesticide use, and returns organic material to the soil from the tops of the sugar beet plants after harvesting, which help build up soil carbon and organic matter reserves.
- In addition, after harvesting, many birds are attracted to the beet tops for food. The RSPB emphases that UK sugar beet production supports *"internationally important populations of pink-footed geese and nationally important populations of stone curlews."* It is often "*associated with a uniquely high wildlife conservation benefit."*
- Through the British Beet Research Organisation (BBRO), British Sugar has been working to improve the efficiency and yield of the crop. Over the past 30 years, sugar yields per hectare have grown at an average of 2% per year, freeing land for alternative uses. Yield increases have also been achieved with fewer inputs per hectare of fertiliser and pesticides.
- The BBRO is a co-funder of the Soil Biology and Soil Health Partnership, a five-year project to deliver improved understanding among farmers of best practice on soil biology and soil health. Soil health is important in terms of plant establishment and growth as well as ensuring resilience to extreme weather events.
- Across our sites and alongside a network of nearby farmers, we support many species which are suffering decline in the UK. This includes the Small Heath Butterfly, the Sand Martin, Lapwing and Water Vole. In addition, our factories and many of the farms that supply them are involved in projects to protect specific biodiversity habitats:

    - **Cantley Wetland Marshes:** Within the boundaries of our Cantley factory, in Norfolk, there are 45 hectares of Broadland marsh that are routinely grazed by cattle between April and October to create a habitat for ground-nesting birds. Working with the RSPB, 2.4km of footdrains on the site were re-created in August 2020 as an overwintering ground for migrating wading birds and habitat for insect species.
    - **Ely – Nature Friendly Farming Zone:** 22 farmers who grow sugar beet for British Sugar created a zone in 2018. To join, each farm must pledge at least 3% of their land to create habitat for wildlife friendly farming practices, such as sowing nectar and pollen strips and Winter wild birdseed plots. There are around 15,000 Hectares (or rugby pitches) currently within the Zone.
    - **Wetland habitats:** At all our factories, ponds offer a unique setting for hundreds of migratory and non-migratory birds including Egyptian Goose, Little Grebe, Mallard, Grey Heron, Oystercatcher and Kingfisher. Our Wissington site, in Norfolk, one of Europe's largest sugar beet factories, provides a valuable habitat for many species including the Reed Warbler, Speckled Wood Butterfly and Muntjac.

### Case Study 2: Primark Sustainable Cotton Programme

- Cotton represents 46% of Primark's total fibre mix. Within this, 10.2% of cotton currently used in Primark products comes from farms within our Primark Sustainable Cotton Programme (PSCP) and this will rise to 50% by the end of 2021. Our stated long-term ambition is for all the cotton in our supply chain to be sourced sustainably.

- Beginning in 2013, Primark brought together agricultural experts CottonConnect and SEWA (the Self-Employed Women's Association) to create the programme. We have full visibility of our PSCP cotton, from farm to product manufacturer. We also conduct due diligence to verify the origin of the cotton through isotope testing in collaboration with Oritain, a science-based traceability company.
- We have since seen transformative results in water usage, agrochemical use, yield and average profit for the farmers. As of 2020, the programme is established in three regions in India and has trained 103,222 farmers in sustainable farming practices. Farmers are trained by CottonConnect in the most appropriate farming techniques for their land, from seed selection to harvest. This includes seed growing, soil type, water and pesticide use, cotton picking, fibre quality, grading and storage.
- Over a six-year period from 2013 to 2019, cotton farmers in India saw results including:
    - An average reduction in water usage of almost 10%
    - An average reduction in chemical fertiliser use of almost 26%
    - An average reduction in chemical pesticide usage of almost 42%
    - An average increase in profits for the farmers of over 200%
- The model used by the PSCP means that this more sustainable cotton trades at the same price as conventional cotton.
- Since 2018 the PSCP has been rolled out to Pakistan and further expanded within India; we have committed to training a total of 160,000 farmers by 2022. This programme is important to Primark because it provides traceability for us and our customers. It reduces cotton's impact on the environment and provides financial benefit to farmers to reinvest in their farms, their homes and their families.
- Earlier this year, we initiated a project in association with The University of Cambridge Institute for Sustainability Leadership and CottonConnect (our PSCP implementing partner) to develop key indicators to measure and track the impact of farming practices under PSCP on biodiversity, soil and water. Overall, it was found that farmers in the PSCP programme adopted agricultural management practices that positively benefited biodiversity, soil and water when compared to control farmers who were not in the programme.
- Next steps for this work include strengthening/modifying current data collection methods and creating new indicators through field visits and rolling out the methodology more widely.

**Case Study 3: Allied Mills - UK Wheat**

- Our UK milling business, Allied Mills purchases c. 12% of the UK's milling wheat from 1,850 farms, most of which is used to create flour for Allied Bakeries.
- Currently c.2m hectares of land in the UK are managed for wheat, therefore it would be impossible to mandate a central biodiversity framework for all the farms potentially in the businesses' supply chain.
- However, many of these farm businesses will receive funding under the Entry Level Scheme and Higher-Level Schemes for management intervention to promote biodiversity. We are therefore encouraged by the steps being taken by the government to introduce the ELMS as part of the replacement for the EU Common Agriculture Policy.
- All farms that supply Allied Mills from the UK must meet the Red Tractor Farm Assurance standard for Sugar Beet and Combinable Crops. This protocol requires farms to have mapped high value biodiversity habitat on their land and take action to prevent it from being damaged.
- Allied Mills are currently running a pilot project with Frontier Agriculture to trial a number of interventions to reduce nitrogen fertiliser usage and promote soil quality in particular.
- The business also works closely with the Agriculture and Horticulture Development Board, which this year is undertaking a major study to assess carbon emissions and sequestration on arable land from different farm management techniques.

**Policy perspectives:**

- Policies that incentivise food producers to engage directly with farmers and growers offer opportunities for alignment on biodiversity intervention at greater scale and create supply chain efficiencies that improve productivity.
- Current UK Government funding for research is typically focussed on either the farm gate, or the manufacturing environment.
- Expanding funding for farm trials that explore the connection between specific manufacturing processes and efficient agricultural practice could help promote greater co-operation between growers and UK based food manufacturers.
- In markets where state provision exists to address biodiversity loss, the extent to which food businesses should mandate specific intervention for biodiversity has to be assessed alongside other priorities, for example to reduce greenhouse gas emissions.
- In markets where there is limited state support for farmers and growers, intervention to address biodiversity needs to be considered alongside overlapping social and economic considerations.

## 3. Mitigating deforestation risks in commodity sourcing

There is no question that effective business engagement with the issue of commodity-linked deforestation and biodiversity loss is challenging, especially in developing economies. The sheer scale of some supply chains, and the multiplicity of actors within them, makes addressing deforestation risks difficult.

ABF owned businesses specify requirements of all their suppliers with respect to the environment as part of its Supplier Code of Conduct. In relation to commodities that are produced and traded at scale, such as palm oil and soya, we believe the most effective solutions to address biodiversity loss are offered by multi-stakeholder programmes that bring together a broad range of actors in the supply chain to address the underlying causes.

### Palm oil

Palm oil-based ingredients are utilised in several of our businesses, including some consumer brands and in feeds manufactured for livestock. We are a smaller consumer of palm oil than some other global food and beverage businesses (2019 consumption: 57,112 tonnes), but we still purchase a material volume. ABF has been a member of the Roundtable on Sustainable Palm Oil (RSPO) for a decade and Jordans cereals first joined in 2006. Our UK Grocery businesses have all used 100% physically certified sustainable palm inputs since 2017.

Palm oil, palm kernel oil and its derivatives are versatile vegetable oils, used in food and household products, and palm needs less than half the land required by other crops to produce the equivalent yield. Since oil palms need high humidity and temperatures, the growth of plantations is the main cause of rainforest destruction in countries such as Malaysia and Indonesia, fuelling a rise in CO2 emissions from the cutting and burning of trees. The removal of species-rich habitats is also responsible for a significant loss of biodiversity, threatening the existence of many endangered plants and animals.

**ABF's palm consumption:**

- As stated above, ABF purchases 57,112 tonnes of palm oil per annum, equivalent to around 0.1% of the global palm oil crop.
- Around 66% of the palm ABF businesses purchase comes from palm-based derivatives and products containing palm input. These often have a more complex supply chain than palm oil and are more challenging to source as physically certified.
- We have sourced 100% of our palm oil-related consumption through supply models recognised by the RSPO (including Book and Claim, Mass Balance and Segregated) since 2015, of which 28% comes from more stringent physically certified sources.
- 28 of our manufacturing sites in ten countries have been RSPO Supply Chain Certified (SCC). We will continue working to increase our use of physically certified sources and the number of RSPO SSC sites.

**Soya**

- Around three-quarters of the world's soya – a concentrated source of protein – is used to feed animals, and the rise in global demand is putting pressure on land, communities and ecosystems.
- 2.4 million tonnes per annum of soya are imported into the UK for use in animal feed. This compares to approximately 100 million tonnes of soya supplied to China, and total global exports of 168 million tonnes. Globally, 370m tonnes are consumed each year.
- Any UK soya originating from the Amazon region of Brazil is currently sourced within the terms of the Soya Moratorium, which protects the Amazon Rainforest specifically.
- Most of the soya purchased by ABF businesses is bought by AB Agri. As part of the UK Roundtable on Sustainable Soya, AB Agri is purchasing responsibly sourced soya and encouraging others to do likewise.
- Currently, 80% of the soya AB Agri buys in the UK for its ABN feed mills meets the European Feed Manufacturers' Federation sustainability benchmark and this volume will also be certified zero-deforestation from January 2021.
- AB Agri is committed to eliminating deforestation from all its palm oil and soya supply chains by 2025.

- As an active member of the UK Roundtable on Sustainable Soya, a partnership that is facilitated by a Government funded consultancy and spans the entire feed and food supply chains including retailers, processors, industry bodies, and importers, AB Agri is collaborating to support the building of cost effective and efficient supply chains for deforestation free ingredients.

**Policy perspectives:**

- Addressing biodiversity loss within commodity markets represents a significant global challenge.
- In developing countries, biodiversity loss is often linked to complex underlying social and economic issues and the two cannot be addressed in isolation of one another.
- It is critical that intervention is undertaken collaboratively, in partnership with local NGOs and key actors in the supply chain on the ground.
- The UK Government can play an important role in convening dialogue between all participants in the value chain including overseas governments, commodity traders, producers and retailers.
- Given the global scale of this problem, a range of supply chain models can promote sustainable production as we transition towards segregated deforestation-free supply chains.
- Where traceability of raw material origin cannot be established (for example, composite products containing palm oil derivatives); properly vetted 'book and claim' and 'mass balance' supply chain solutions remain an important means of incentivising sustainable production standards at source.

*December 2020*