

Sustainable Procurement in the Food Industry: An Introduction

The importance of sustainable procurement is growing and evolving into an integral business function within the food industry.

“Think about sustainability as the common ground shared by your business interests (those of your financial stakeholders) and the interests of the public (your non-financial stakeholders). This common ground is what we call the sustainability sweet spot: the place where the pursuit of profit blends seamlessly with the pursuit of the common good.”

Andrew Savitz, author, *The Triple Bottom Line*

What is sustainable procurement?

Sustainable procurement can be defined as follows:

The processes that businesses employ to purchase or receive goods that generate benefits to not only their bottom line, but also to society and the environment.

These business processes consider economic, environmental and social effects. Eliminating waste is a common focus for sustainable practice as waste in the supply chain directly affects costs. A business looks at where waste is occurring, such as overproducing products, time wasted in waiting for supplies, waste from carrying too much inventory, etc.

Businesses look at purchasing decisions that consider the people, planet and profit as well as their ability to do the following:

- meet current purchasing needs without affecting future generations
- maximize the benefit beyond price, quality and service to the company
- meet the overall sustainability priorities and goals of the business

Figure 1 below shows the continuum of the sustainable procurement process.



Figure 1. Sustainable procurement process

Why do it?

The simple reason for using sustainable procurement would be to increase productivity, efficiency and use of resources to improve the business bottom line. However, the main factors that drive the practice of sustainable procurement globally are brand reputation, risk mitigation and compliance.

For example on a global scale, a large transnational consumer goods company has a sustainable living plan. Sustainable sourcing is part of their overall goal to reduce the environmental impact by half.

Locally, an Alberta grocery retailer looks at food security and food safety factors as part of their sustainable sourcing plans.

Companies also implement sustainable procurement for other factors:

- cost savings, for company growth
- corporate social responsibility objectives
- improvement to resource efficiency and minimizing environmental effects along the supply chain
- rising expectations of customers and stakeholders
- the company feels that this is the right thing to do for the future

A large American grocery manufacturing and processing conglomerate cut 45,000 pounds of packaging from their supply chain between 2010 and 2012. In addition, the company plans to cut energy use, CO₂ emissions and water use by 15 per cent.

Challenges and benefits

What might be the challenges or benefits associated with implementing sustainable procurement practices?

Challenges

lack of support or commitment from senior management
lack of a sustainable procurement champion
lack of internal resources
difficulty tracking supplier performances
concerns around cost
lack of staff training in sustainable procurement practices
missing the link between performance objectives and sustainable procurement
perception that sustainable products are higher priced
lack of consistent processes or policies
resistance from key suppliers
lack of knowledge on specifications
not understanding the full costs of a product lifecycle
lack of knowledge on the budget implications
lack of data for sourcing decisions

Benefits

improved brand reputation
stronger, lasting supplier relationships
decrease in supply chain disruptions
triple bottom line – more innovative, sustainable products and services – increased sales
cost savings on procured goods
environmental impact reduction – decreased waste and disposal
resource efficiencies – improved inventory management, on-time delivery and savings
improved business resilience
engaged employees = improved productivity
improved talent retention and acquisition
competitive edge – “you care”
market share, buying stimulates innovations
perceived as industry leader

Making it work

So how do companies make sustainable procurement work?

To achieve the best outcome, companies collaborate and engage all the parties involved in their supply chain. Companies need to create a common language and align objectives and incentives related to sustainable procurement because procurement touches all facets of the supply chain.

Here are two recent examples of collaboration in the beef supply chain:

- A large fast food chain engaged the beef supply chain in their verified sustainable beef pilot to begin purchasing a portion of their global beef supply from verified sustainable sources in 2016.
- A Canadian subsidiary of a multinational agri-business giant is looking to establish verified sustainable supply chains with a new pilot project.

Some **best practices** or steps that companies have developed:

1. Developed sustainable procurement strategy, codes of conduct for suppliers and an action plan.
2. Developed sustainable procurement policy and principles.
3. Business leaders committed to sustainable procurement practices.
4. Secured adequate internal resources to develop and implement sustainable procurement programs and provide best practice training for the business's internal team members.
5. Developed supplier evaluation, audit and score card tools and product life cycle analyses to verify supplier performance (see Appendix I for a sample worksheet).
6. Engaged with suppliers to communicate both the business's and suppliers' needs and to stimulate product innovation.
7. Collaborated with the leaders and others within their company to ensure alignment of goals and actions, etc.

Figure 2 shows one example of the flow of consumption and production that occurs in food manufacturing. The diagram might help your company identify areas that you wish to consider when developing your company sustainable procurement strategy.



Figure 2. Example of sustainability in process

(Source LeanCor Canada Inc.)

If you have recently considered any of the questions below:

- Are you concerned with your company's brand value?
- Do your suppliers meet your corporate social responsibility objectives?
- Could you improve your resource efficiency in your supply chain?
- Would you like to save costs and secure supplies?

Then, you might want to learn more about sustainable procurement and how to implement the concept into your business strategies.

Conclusion

Sustainable procurement is being integrated into more and more food businesses' purchasing practices. This procurement method involves a higher degree of collaboration and engagement among all the parties in the supply chain.

As companies develop sustainable procurement plans, they will want to align them to the overall sustainability goals and objectives of the business. Companies need to clearly define what the sustainable procurement strategy involves and then develop policy and actions to achieve the outcomes desired.

There are many interpretations of sustainable procurement, but globally, those companies leading the way have developed tools and techniques to support these practices.

Sustainability resource links

www.leancor.com

<http://greenenterprise.ca/GEM/>

<https://www.provisioncoalition.com>

<http://sustainabilityadvantage.com>

<http://www.naturalstep.ca>

Prepared by

Alberta Agriculture and Forestry

Acknowledgement

Chris D. Luery, P. Log, Laura P. Rees
LeanCor Canada Inc.

More information

Alberta Ag Info Centre
Call toll free 310-FARM (3276)

Website: <http://agriculture.alberta.ca>

The development of this factsheet was supported in part by *Growing Forward 2, a federal-provincial-territorial initiative*.

Appendix I: Sustainable Procurement Worksheet

This table shows one example of a tool used to plan out sustainable procurement needs along the supply chain.

Sustainable Procurement in Your Supply Chain									
Process Streams	Mission, Vision, Value \$	Sustainable Procurement	Energy	Water	Transportation	Packaging	Team Member Engagement	Metrics	Cost Savings
Subcategories									
Current Condition									
Future Condition									
Problems/ challenges									

Source: LeanCor Canada Inc.