

JOURNAL REPORTS: LEADERSHIP

Food Companies Put Supply Chains Under a Microscope

Consumers want to know where their food comes from. Companies are starting to respond



Members of an agricultural cocoa cooperative put cocoa beans to dry at a farm in southern Ivory Coast. PHOTO: ISSOUF SANOGO/GETTY IMAGES

By Micah Maidenberg

Oct. 9, 2019 7:03 pm ET

The cocoa that Mondelez International Inc. MDLZ -0.11% ▼ used to make the last Oreo you ate might have come from a farm about the size of a football field about 5 miles southwest of a wildlife sanctuary in Ghana.

It is possible to know this because Mondelez publishes online relatively granular data about its cocoa supply chain. On a company website, a map with satellite views pinpoints the locations of more than 93,000 farms in Ghana, Ivory Coast and Indonesia that it tapped last year, through suppliers, to get some of the raw material it needs to make chocolate products.

“What the consumer really wants to understand is that we have provenance of our supply,” says Jonathan Horrell, global director of sustainability at Mondelez.

Big food companies, from Mondelez and General Mills Inc. [GIS 0.18% ▲](#) to Unilever PLC and Nestlé SA, face rising pressure to address problems across agricultural regions as shoppers pay more attention to where their food comes from and how it is produced. As huge buyers of ingredients like cocoa, palm oil and coffee, food companies must do more, for example, to stop deforestation carried out by suppliers and encourage farmers to stop using child labor, regulators, advocacy groups and consumers say.

Companies are responding in part by serving up new information online about the commodities they buy around the world. The data, once the domain of purchasing specialists and transportation planners, is starting to give investors and the public a glimpse into the sprawling supply chains the companies have spent years developing.

For advocacy groups, the information is welcome, even if they lament that it took this long and that it isn't enough.

"It's a first step that should have been taken a long time ago," says Diana Ruiz, senior campaigner focused on palm oil at Greenpeace USA.

The most information being made available covers palm oil, an ingredient companies use in everything from frozen pizza to soap. For years, environmental organizations have implicated palm oil in the clearing of tropical forests and demanded buyers do more to halt that. Now, they are using company disclosures in their campaigns. Rainforest Action Network used palm-oil-mill lists published by major U.S. and European consumer-product companies in a September report that said those firms may be using palm oil produced in an ecologically sensitive wildlife preserve in Indonesia. Slash-and-burn farming practices are a major problem in the country.

Mondelez, General Mills and Kellogg Co. are among the food manufacturers now posting lists online of companies that mill the palm oil they buy from traders. Unilever discloses on its website the location of its palm-oil mills and refineries. Nestlé makes available online lists of slaughterhouses it has tapped to get beef, pork and lamb, palm-oil mills and other suppliers.

“We wanted to stop this kind of negative perception of the food industry, Nestlé, everybody, that this is a black box that nobody understands,” says Benjamin Ware, global head of responsible sourcing at Nestlé.

By their nature, commodities are undifferentiated products that are meant to be easily aggregated, traded and shipped. For decades, finding detailed information about supply chains was challenging. Sourcing and transactions were often considered trade secrets, and problems were largely kept out of public view.

That it is now possible to know where food makers bought some of their ingredients represents a degree of progress, environmental and human-rights groups say, allowing them to more easily look into commercial relationships and whether suppliers are meeting company goals and industry standards. Computing power, including satellite mapping, has made it easier to collate information and track conditions in farming areas.

“We’re living in an age of data and information in every aspect of our lives,” says Luiz Amaral, a director focused on commodities and finance for the World Resources Institute, a Washington, D.C.-based research organization focused on the environment. “It isn’t going to be any different in commodity supply chains,” Mr. Amaral says.

The shift toward more disclosure in supply chains has its roots in the 1990s, when consumers in wealthier countries started to become more aware of labor conditions in developing-world factories producing shoes and apparel.

Legislators have since pressed to boost laws governing supply chains. The U.K., California and other places have passed laws requiring companies to disclose information about what they are doing to eradicate slavery from supply chains. Sens. Sherrod Brown (D., Ohio) and Ron Wyden (D., Ore.) in July called on Department of Homeland Security officials to use an existing law to stop companies from importing cocoa produced with forced child labor.

At the same time, more consumers say they care about where their food comes from and how it is made, a trend connected to heightened expectations from shoppers about the healthfulness and environmental impact of what they eat. The ubiquity of digital devices and spread of social media, meanwhile, allows consumers to quickly learn more about conditions in agricultural regions, such as earlier this year when forest fires in the Amazon region of Brazil drew global attention.

“When empowered individuals have the ability to search and learn more information, we were forced to up our game and to understand the complexity and intricacies of supply chain in a way we hadn’t before,” says John Church, chief supply-chain officer at General Mills.

About 60% of shoppers in the U.S., China and three major European markets said they place a strong emphasis on the source of ingredients when purchasing healthier products, according to a survey conducted last year by the consulting firm AlixPartners.

Starbucks Corp. SBUX -0.86% ▼, which buys coffee from more than 400,000 mostly small farmers who sell to nearby mills, plans to offer information about the country of origin for its bagged coffees via its mobile app. It’s still deciding how detailed to make that information.

Both coffee farmers and consumers are interested in knowing more about how coffee makes it from farm to store, says Kelly Goodejohn, director of ethical sourcing and traceability at the company. Farmers could potentially use that information for commercial purposes, according to Starbucks.

Still, more disclosure doesn’t necessarily mean deeper insight into business practices. For most shoppers, sorting through suppliers of agricultural commodities offers little in the way of

context or ideas for taking any action.

“It’s extraordinarily difficult to know, if you’re not in the industry, which processes are more likely to produce good results,” says Adam Chilton, a University of Chicago law professor who has written about supply-chain transparency. And while consumers say they want information about ingredients, only 14% selected supply-chain transparency as an important factor when looking at food-product labels, according to a survey that consumer-research firm Euromonitor conducted earlier this year of shoppers in major countries around the world.

Publishing lists of suppliers doesn’t necessarily change conditions on the ground either.

Social and environmental advocates say companies must do more than release data about suppliers. Such groups want makers of well-known consumer products to use their economic clout as purchasers of vast quantities of agricultural products to force change by cutting off farmers and producers who break commitments on issues like deforestation and human rights.

“We can tell them they shouldn’t be buying from supplier X, because they’re in violation,” says Marcus Colchester, senior policy adviser at British group Forest Peoples Program, which works with indigenous people. “And we can hope they’ll tell supplier X, unless they quickly change, they’ll stop buying from them. It’s that last part that’s not so clear yet.”

Mr. Maidenberg is a reporter for The Wall Street Journal in New York. He can be reached at micah.maidenberg@wsj.com.

SHARE YOUR THOUGHTS

How much do you care about where your food comes from? Join the conversation below.

JOURNAL REPORT

- Insights from The Experts
- Read more at [WSJ.com/FutureofFoodReport](https://www.wsj.com/FutureofFoodReport)

MORE IN THE FUTURE OF FOOD

- Food Companies Add AI to Their Recipes
- What Rising Temperatures Mean for Coffee Farming
- The Food Industry Looks to Turn Garbage to Gold
- A New Source for Meat Substitutes: Fungi
- Farmers Start to Get High on Hemp

-
- **College Rankings**
 - **College Rankings Highlights**
 - **Energy**
 - **Funds/ETFs**
 - **Health Care**
 - **Leadership**
 - **Retirement**
 - **Small Business**
 - **Technology**
 - **Wealth Management**

Copyright © 2019 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.