

Agricultural Outlook Forum
U.S. Department of Agriculture

Presented: February 18-19, 2010

The Supply Chain: Transporting Food, Sustainability

Richard Schneiders
Recently Retired CEO
Sysco Corporation

The Supply Chain: Transporting Food, Sustainability

Richard Schneiders
Recently Retired CEO
Sysco Corporation

MODERATOR: Thank you. We will move to our next speaker which is Richard Schneiders. Richard recently retired from being CEO of Sysco Corporation. I think he likes to be called Rick. He graduated in 1970 from the University of Iowa with a bachelors degree in mathematics. He joined Sysco in 1982 and in 2003 he became the fifth chairman and chief executive officer in Sysco's history. After a 27-year career at Sysco, Rick retired in 2009. While as Sysco, Rick served as trustee on several boards. Currently he holds community board positions at the Minuel Collection, Save the Children, and Share Our Strength, and serves on the board of a private company Revolution Foods. His presentation is:

MR. RICK SCHNEIDERS: Thank you, Marie. Well, I did grow up in rural Iowa, and after hearing Secretary Vilsack I was pretty proud that I came from a rural background. So that was a great message. And I think that what Fedele said was a great place to start, and that is that people are about their food—where it comes from, how it was treated. Two of my fellow speakers are in pretty sexy food businesses—Whole Foods and Bon Appetit. They both have a consumer presence. But Sysco works in the supply chain or the value chain, how to move goods from producer to retailers and food service operators. It's behind the scenes. We're the proverbial middle man—not only not sexy, not visible.

I'd like to make the pitch that supply chains must be an important component to the sustainable food system. The supply chain, an integral part of providing safe, healthy, affordable food to consumers, and surely the most overlooked piece of the food system today.

Now you'll see that my slides are kind of home-grown. When I was at Sysco, if I had an IT problem, I asked my assistant to contact the specialist, who walked down to my office and fixed it. If I needed a slideshow, a graphic artist was a call away. Now I'm my own IT department, my own travel agent, my own graphic artist. I should also say that I'm not representing Sysco today, so these are my opinions. But I'm proud of what Sysco has done and is doing.

I want to tell you a couple of stories. The first is an experience that I had back when I was a purchasing agent at the CIA. In this case I'm referring to the Culinary Institute of American in Hyde Park, New York, not the CIA down the street. The CIA is a premier training ground for fine chefs and food service operators. I had the opportunity to secure the food for the impressive kitchen where some of the finest meals on the planet have been prepared. On our rounds, the purchasing agent pointed out eight cases of beautiful mixed salad greens that had just been delivered by the farmer in his pickup from 40 miles

north of town. The purchasing agent was particularly proud of those greens because he thought they were the most sustainable product on the globe.

When I got back to my office I began thinking about Sysco's salad greens. You know, what was our carbon footprint? How unsustainable were our salad greens? For delivery into New York where CIA in Hyde Park is located, our salad greens were and are shipped out of Salinas, California, 2,500 miles away, in 1,700 case quantities. That's what a 53-foot trailer will hold, basically. So let's do the math. The local farmer drove his pickup 40 miles each way, 80 miles, and he delivered eight cases of product. That's 10 miles per case. If you divide the 1,700 cases into the 2,500 miles the Sysco product travels, you get 1.47 miles per case. So it's a significantly lower cost per case. The farmer takes into account all of his costs, and a significantly lower carbon footprint. My point is not to diminish the purchasing agent's decision-making. He was doing a great job with information available to him. I'm also not defending the shipping of salad greens 2,500 miles, but if you live in Minnesota for six months every year, you better have a lot of rutabaga recipes.

[Laughter]

It's also fair to say that the local farmer and Sysco's deliveries could be improved, which leads me to my second story. Craig Watson, Sysco's VP of Agricultural Sustainability, who's here with us today, has been collaborating with the Wallace Center to integrate midsized farm production into the big Sysco delivery system. Mid-sized farms in five Midwestern markets that grow people food—fruits, vegetables, and some of those leafy greens. If you asked Craig, the integration is hard work, but progress is being made.

One of the key learnings is that no farmer on his or her own produces enough product for an economically feasible pick-up. It's a scale issue. In a spirit of cooperation, however, all parties helped design an aggregation point where a local farmer can combine her 30 cases of apples with the neighbors' produce. The total quantity is now the scale that it makes economic sense for a Sysco tractor-trailer to stop and pick it up. I'm making this sound pretty simple, when in reality a lot of information has to flow between parties that must trust one another, relationships are so crucial and please ask Craig about that.

This system is working, and it can grow.

What can we learn about sustainability from these two stories? First, information is crucial to sustainability, clear, concise, accurate information. Sometimes we kid ourselves about what is sustainable. If a farmer cannot feed his family, buy insurance and put his children through school, that's not sustainable.

Think of agriculture, food, nutrition and, yes, health care as a bit system, an interconnected food web. Right now that food system has some real problems. And we can't fix the food web by working on one part of it. That's reductionism. We must think holistically. When it takes more energy to produce a unit of ethanol than that unit in turn produces, then we haven't looked across the system to understand the occasions of our decisions. We haven't taken into account the unintended consequences.

Who would invest in a business project who would generate a negative ROI forever? We must use tools like life cycle assessment or whole systems analysis to understand the net benefits of our actions. The purchasing agent at the Culinary Institute was buying some beautiful greens for the chef. Salad greens he thought were having a low environmental

impact, no fault of the purchasing agent. All of the facts, the system-wide facts were not available to him. Interestingly Wal-Mart, and you've probably heard about this, is currently working on a sustainable index label for their products. And I think there should be more of that. It would make it easier for all of us to understand the implications of what we're buying.

The second issue, scale is important, appropriate scale prudent to agricultural sustainability. But again we must (unclear) small farms (unclear) have fueled 100 plus percent increase in farmers markets in the last 10 years. Farmers markets are fun. We go regularly. But not everyone can afford to pay \$4.50 a pound for Santa Fe Farmers Market tomatoes. And conservatively it would take three to five million of those small farmers to feed the U.S.

On the other end of the spectrum, and Fidel alluded to this, we know that many large farms over 500 acres or 5,000 hogs have caused severe environmental degradation. We all know that's not sustainable. Is there a middle way, an ag of the middle if you will?

Let's not ignore the possibility of integrating the large and the small, the large and small just as Sysco, a big system, is doing with the midsized farmers in the upper Midwest for the benefit of the farmers, Sysco, and the customers.

And subsidies, if there must be subsidies should not go just to the big entities. The USDA should provide more assistance to smaller farmers. The USDA should be the corporate office for smaller farmers helping them with additional training, marketing and financial needs, really going back to what I understand the extension used to mean.

I now would like to share a few of my fancy slides to underscore some of these practical ideas and talk a little bit about the supply chain, and I'm going to go pretty quickly, but I did these slides, and you're going to see them, okay? So this is really, I'm going back to the kind of conceptual beginnings of what the supply chain was. It's a very simplistic overview. You've got a producer, a middleman and a retailer, and everyone knows that the reality doesn't look like this.

So the next evolution of the supply chain we added the grower on the front end, and an important add was the consumer. And I think that Fidel again did a good job of expressing this. But the supply chain looks like it ends with the consumer. It really needs to be begin with the consumer. We need to start there and understand better what the consumer and what the customers are looking for.

Next evolution. This is really what I would call rather than a supply chain, a relatively simplistic look at a value network. And so you see the same components around the circle. But you see a lot more going on. We take that to really look at where Sysco is—I've highlighted that in the blue cloud there. That's our business. But as I said earlier, if we just look at that piece of it, if Sysco just assumes responsibility for that piece, we don't really get there in terms of sustainability.

So for years Craig and his team and others in Houston at the Corporate Office have worked with farmers for instance on seeds. So that's not what a distributor is typical thought to do. But we worked with farmers to make sure we had the right seed stalks for the strawberries for instance, so they didn't have white tips and didn't have white shoulders. They were a fully red, flavorful strawberry. We've thought about issues related to water. Fidel said it might make some people angry, but if you see an IBP

Tyson truck going down the road and it's loaded with 40,000 pounds of beef, there's roughly 80 million gallons of embedded water in that 40,000 pound load of beef in the truck.

So what can we do working with our suppliers to address the issues we all know everywhere – I come from the desert Southwest and we have water issues out there. We're going to have water issues as Nina was suggesting all over the world. What can we do to help drive the water usage down? You've probably heard that Coke went a couple years ago and said, "Let's look at how much water it takes to produce a liter of Coke." They thought, "Maybe three liters." When they got started on this project, it took them 23 gallons of water to produce one liter of Coke. And they went through the packaging and all the other attendant necessities. They have since made dramatic improvements in that 23 gallon number, and I'm sure they will continue to make more.

So anyhow, in order to think about the supply chain, I think it's important that we each of us on the supply chain, our business again at Sysco, think about total responsibility and how we can work (we're all in this together) how we can work together to improve the sustainability of the agricultural system.

Again, rather than supply chain thinking in terms of value networks, and I mentioned life cycle assessment, the importance if you will of looking across the entire system to make sure that we're getting a good answer, and we're not kidding ourselves about the number and data we're coming up with.

Supply chain optimization is crucial to making the food system more sustainable. New supply chain thinking implies that we are all connected, we are all in this together. The solutions are not about pitting big against small, imported against local. What is the best scale for a particular product, best in terms of all the social, environmental, and economic variables? Where is the best place to grow that product with the same considerations, the social, environmental and economic? And then how do we optimally move it from grower to market?

In my mind there's only one strategy that makes sense. We all have to sit down together, big and small, local and foreign, grower and distributor and customer, in a spirit of cooperation. Only dialog will save us.