



Getting to Work on Supply-Chain Sustainability:

Stonyfield Farm's Efforts to Green Its Own Supply Chain and All of Corporate America, Too

By Mark Vasu

“We are all at the starting gate,” said Nancy Hirshberg, vice president of natural resources at Stonyfield Farm, commenting on the pace of progress toward being more sustainable businesses.

It is something one might not expect to hear from a company 25 years into it.

In the late 1990s, Hirshberg and others began asking a few questions about the environmental impact of their supply chain. “What impact do our factories have on the planet?” “What is our responsibility?” “What can we control?”

“In regard to climate change, what we found surprised us,” said Hirshberg. “We thought our plant emissions would be the highest, but our supply chain and distribution system came out even higher. Our plant emissions ranked fourth in terms of our total emissions. Milk production was first, then packaging, then distribution. So we went to work on those issues.”

These were normal questions for a pioneer of a food business that began in the 1980s as an organic farm school that initially sold yogurt only to fund its educational programs. It is the kind of query expected of a company whose mission statement includes the founding principles of “commitment to environmental stewardship and to the development of a sustainable agriculture system.”

According to Hirshberg, the questions arose, in part, because new voluntary protocols were being issued on greenhouse gas emissions (GHG) to help companies prepare a greenhouse gas inventory based on fair accounting, standardized approaches and principles. The new protocol, known as the GHG Protocol, was launched in 1998 by two leading global environmental organizations. It was based on the Kyoto Protocol, the first interna-

tional agreement (signed in 1997) to set binding targets for industrialized countries to reduce GHG emissions.

By 1999, Stonyfield Farm determined its first-ever companywide carbon footprint based on these protocols. Armed with baseline data, Stonyfield Farm reached out to its suppliers to figure out new ways to reduce the company's footprint. The effort was aided by strong, longstanding relationships across the supply chain.

The Stonyfield Farm approach mirrors that of other companies. Tim Greiner is the managing principal of Pure Strategies, a leading sustainability consultancy in New England. His company worked on Stonyfield Farm's first carbon footprinting effort and other sustainability issues with clients like Seventh Generation, Timberland and Oakhurst Dairy. “The issue of supply-chain sustainability involves alignment and communication,” says Greiner about his client work. “It requires a fair amount of coordination. Success starts with communicating the commitment and ideals of the business to suppliers, then moving into substantive issue areas.” Including a CEO or other senior official at the table is key, he said.

What Drives Supply Chain Sustainability?

Supply-chain sustainability is driven by many motivations including cost savings, brand perception benefits, alignment to corporate mission, product quality, and, of course, the reduction of environmental impact. Actions and tools to support these motivations vary by industry and from company to company. To get there, many companies have developed their own proprietary scorecards with Tier 1 suppliers. In retail, Wal-Mart and other major retailers are very focused on setting new sustainability standards, which is causing a big

ripple effect and a green competition throughout the supply chain.

In the food sector, drivers include traceability and risk management, factors that can impact long-term supply, safety and availability of food. In the seafood industry, for example, major retailers like Wegman's and Whole Foods have committed to sourcing fish through business practices that ensure environmentally sustainable seafood to manage risks of food safety and overfishing. "In the food and drink sector as a whole, the issues are really about 'readiness,' linked to disruption potential (crop loss and supply shortages), in-

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creased costs related to adaptation to a changing climate and future regulatory costs,” says Frances Way, who manages the Supply Chain Project for the U.K.-based Carbon Disclosure Project, which includes data from the world's major companies on greenhouse gas emissions and climate change-related strategies. “So many suppliers are so unprepared. For suppliers overall, the key is getting started, figuring out a starting point, being transparent, and taking action. Measurement doesn't need exactness to be actionable,” said Way.

That proved to be the case for Stonyfield Farm.

Taking Action. Stonyfield Farm and its suppliers chose a starting point and made the leap. The combined actions of the company and its suppliers have led to positive, measurable results. Working with Ryder truck company on distribution issues, Stonyfield Farm reduced absolute emissions by 40 percent in the first year—*without changing trucks*. The company achieved gains through energy efficiency involving truck route optimization, more efficient packing and giving feedback to drivers on speed limits and driving habits. Using these basic concepts, hundreds of thousands of dollars in savings went straight to the bottom line, according to Hirshberg. Stonyfield Farm also worked with the president of its packaging supplier to fund a life-cycle analysis by the Center for Sustainable Systems. Many of the study's recommendations were implemented, including the elimination of the traditional plastic yogurt lid, which yielded environmental and financial dividends. Dairy supplier issues were more complex, but the ongoing dialogue is resulting in out-of-pocket savings and leading to new, strategic discussions across the whole product line, says Hirshberg. The company is looking at other product ingredients like sugar and fruit and has started work on a “Grower Sustainability Toolkit,” which will be made available to the organic industry upon completion (watch for details on this in upcoming issues of *Organic Processing*). This scorecard encompasses such environmental and socioeconomic aspects as water and on-farm energy management, biodiversity, greenhouse gas emissions, carbon sequestration, labor rights, quality of life and community impact.

Getting Started. Organic producers have an advantage over other industries addressing supply-chain sustainability, as they are predisposed to consider the environment and think creatively. “With organics, you have a trail. You know where the product comes from. You can trace who the farmers are,” Greiner pointed out. “If an organic company is just starting out in supply-chain sustainability issues, the company may want to begin with packaging or transportation. Find areas of common business benefit and look for cost savings early.”

Greiner also suggested that companies pursuing a path of supply-chain sustainability think in terms of continuous improvement and collaboration. Applying a “what-gets-measured-gets-managed” approach allows a company to adjust its business practices and create a win-win situation for itself and its suppliers. “It is important to realize that it is a journey, a multi-year effort, that matures over time,” says Greiner.

Encouraging Sustainability in the Business World: The Creation of “Climate Counts”

Through its own sustainability journey, along with learning of the worsening climate science news from the United Nations' Intergovernmental Panel on Climate Change and other sources, Stonyfield Farm felt the need to spearhead the launch of a nonprofit initiative called Climate Counts.

Climate Counts.org was created to promote a business-friendly roadmap to what it refers to as “corporate climate responsibility” (CCR). The idea behind the initiative, the brainchild of Gary Hirshberg, chairman, president, and CEO, was to get business and consumers involved in collaborating on climate change, linking corporate and supply-chain sustainability to a broader set of stakeholders.

Climate Counts launched its Climate Counts Company Scorecard in June 2007 to major media attention and has since rated 93 companies in 12 consumer sectors (with more to be added later this spring) on their climate action and progress against a set of 22 criteria organized into four categories. They include:

1. Review: Has the company taken inventory of its emissions?
2. Reduce: Is the company setting emissions reduction goals and actually achieving reductions?
3. Report: Is the company reporting its progress openly and transparently?
4. Policy: Is the company lending its support to public policy that supports climate action?



transparency, the third major category of reporting progress with openness. To further drive consumer dialogue and increase business incentive to act and inform customers about their actions, Climate Counts started with large companies that have high visibility and high levels of daily consumer interaction. The goal, however, is to rate companies of all sizes and in a variety of sectors.

Other approaches to rating and certifying companies are available through organizations like Carbon Trust, a UK-based nonprofit that introduced The Carbon Trust Standard last year. It is also an enterprise-wide standard that builds on the GHG Protocol Corporate Standard (referred to above) and the ISO 14064-1:2006 protocol. Most ratings, however, tend to focus on products rather than enterprise-wide efforts.

Increasing Awareness.

The scorecard received a predictably high level of scrutiny, but it withstood the credibility test, was embraced widely, and is leading to more action, according to Wood Turner, executive director, Climate Counts. “Many corporate sustainability officers

thanked us for launching the scorecard and said our scores and ranks have helped to elevate the climate issue to the boardroom,” said Turner. Media of all kinds, from *People* to the *Harvard Business Review* and the *Wall Street Journal*, began reporting the scores. Consumers got involved, downloading and sharing scores, and using the internet and social networking to comment and reward action or inaction.

Awareness Leads to Action. Scores also began to improve year after year, even as new industry sectors and companies were added. In the first comparison year, 84 percent of the companies were rated in 2007 improved their scores in 2008. Google, for example, improved from 17 to 55, Sara Lee increased from 2 to 13, and Samsung was up 18 points to 51. A subsidiary of one electronics company strategically engaged its suppliers to use the Climate Counts scorecard to rate their own businesses. Stonyfield Farm received a 63 in year one, not the highest score in its category, but was highly motivated to improve its score in year two and did top its category with a 78.

Overall Trends in Corporate Sustainability. Turner says the benchmarking collection from the first set of scored companies uncovered a few major themes. Companies are doing best on reviewing and measuring where they are, and worst on reduc-

Climate Counts Benchmarking Trends

(based on all the companies rated so far)

Corporate Sustainability Strengths (areas where the majority of companies scored high):

- Creating standard protocols for inventories
- Measuring all Kyoto-specified gases
- Doing ongoing inventory measurement

Corporate Sustainability Weaknesses (areas where most companies scored low):

- 77 percent of companies had zero reductions either accounted for or achieved
- 82 percent of companies said they have done nothing to require or give preference to a supplier who takes climate action.
- 82 percent measured “intensity per dollar” rather than absolute reductions, which spreads the carbon footprint over a per-unit-sold basis instead of reducing overall emissions.

ing their impact and making real reductions. (See “Climate Counts Benchmarking Trends” for actual data.)

These results mirror the larger trends and the fact that business is doing more measuring than reducing. According to a 2008 report by the Carbon Disclosure Project, 81 percent of responding companies perceive climate change as a risk, but only 33 percent have GHG

Stonyfield Farm’s Supply-Chain Sustainability Lessons Learned

Partnership—approach suppliers as partners, engage but don’t mandate

Educate—appeal to common sense, everyone wants to be a good environmental steward

Economics—being environmentally friendly has a positive economic return

Focus on the data—collect lots of data and base decisions on facts

Do your homework—leverage supplier resources and knowledge

‘Just ask’—Our suppliers told us “No one ever asked us before”

emission reduction targets in place. Overall, many U.S. companies are still lagging behind their global counterparts according to the study. Consumers are acting similarly. A recent study by McKinsey & Co. found that 87 percent of consumers are concerned about the environmental and social impacts of the products they buy, but only 33 percent of consumers say they are ready to buy green products or have already done so.

What Would Your Company Score? What About Your Suppliers?

To get an idea of what your company would score, download the Climate Counts Scorecard (<http://climatecounts.org/scorecardoverview.php>). Scorecards such as this can also be given to your suppliers to gauge possible issues and engage them in a dialogue on sustainability issues.

Recently, Climate Counts also launched a pilot program called “First Movers” to allow any company to receive a Climate Counts-endorsed score. Companies with a Climate Counts-endorsed score can share the score publicly and use the Climate Counts logo. To manage the increased volume in rating companies, Climate Counts is developing a software platform and a referral network of leading sustainability experts to offer evolving solutions so that companies and suppliers of all sizes can benefit.

What Does the Future Hold? It’s hard to predict the pace of progress as the planet transitions to a lower-carbon global economy. As Hirshberg sees it, “We have barely scratched the surface of the changes we need to make. We know the science tells us we need to reduce our emissions 80 percent by 2050. How the heck do we do that? That is our challenge.”

It’s clearly possible to make progress and realize bottom-line gains in working with suppliers, but it does require commitment, partnership and focus. It’s a journey that Stonyfield Farm and other companies consider an urgent business imperative. These companies feel a greater collective responsibility to act. As for where it all ends up? Over the long run, time will tell. □

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