

CHAIN MANAGEMENT

Track: Sustainable Open Soy

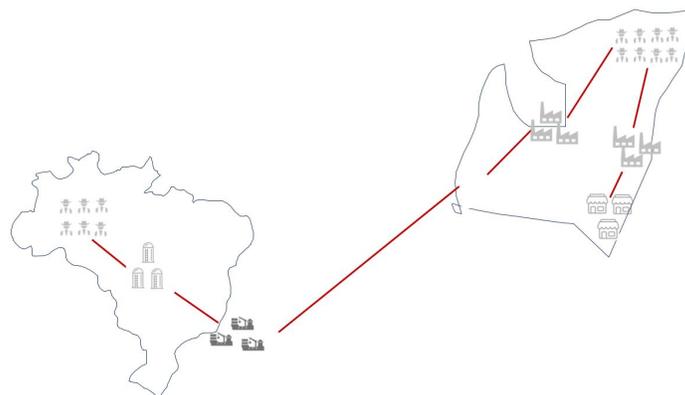
Owner: Ahold Delhaize

Facilitator: The New Fork

Goal 2022: Developing a successful blueprint for more sustainable commodity supply chains

Problem Statement: Soy is associated with deforestation in Brazil. Retailers are under pressure from NGO's, investors and consumers to make their soy supply chains more sustainable. Most of the soy footprint is 'embedded' soy, soy that ends up via feed in animal products. Embedded soy has a very long, complex and fragmented supply chain. Despite the desire of some retailers to sell sustainable soy, the complexity of the supply chain makes this difficult without the cooperation and commitment of all partners, from traders, to farmers, to retailers.

The two obvious alternatives may not be practical in the short term. One alternative is to buy soy from other countries where there is no deforestation, like the US. This would immediately increase the price. The second alternative is to set up a dedicated (separate) supply chain. The Netherlands imports just 2% of Brazilian soy, as most soy goes to China and other countries. The Dutch agrifood industry that uses soy therefore has limited influence on transforming the physical flow of soy into a sustainable one, other than through buying credits from farmers that produce sustainably. However, in that case there is no direct link with the soy imported as the current soy supply chain from Brazil is not traceable. There are no incentives between the many actors to track soy, and data about its origin is limited and very siloed.



High level summary: With many critical players in the room, from farmers to retailers, several scenarios were discussed. This included government-led scenarios such as amendment of EU legislation, or setting up a fund to address deforestation directly. The most promising scenario for both the short *and* long term was what was later labeled as **Sustainable Open Soy (SOS)**.

The long term ambition of SOS will take time to realise, but as a necessary starting point, the shared conclusion was that having a **good estimate of the current share of sustainable soy in The Netherlands is essential**. Ahold Delhaize refined its ambition for 2020 to knowing the current share of deforestation-free soy that enters The Netherlands. This document focuses on both the first step of estimating the current share of sustainable soy and on the activities and partnerships necessary to realise the goal of developing a successful blueprint for cleaning up global food supply chains.

Current state: The mapping of the current share of sustainable soy in the Netherlands would need to start with a clearly defined product: for example, fresh poultry products. To get the supply chain mapped, but more importantly, to be able to develop a blueprint for a sustainable supply chain that works in the long run, collaboration and a willingness-to-act is essential from all actors.

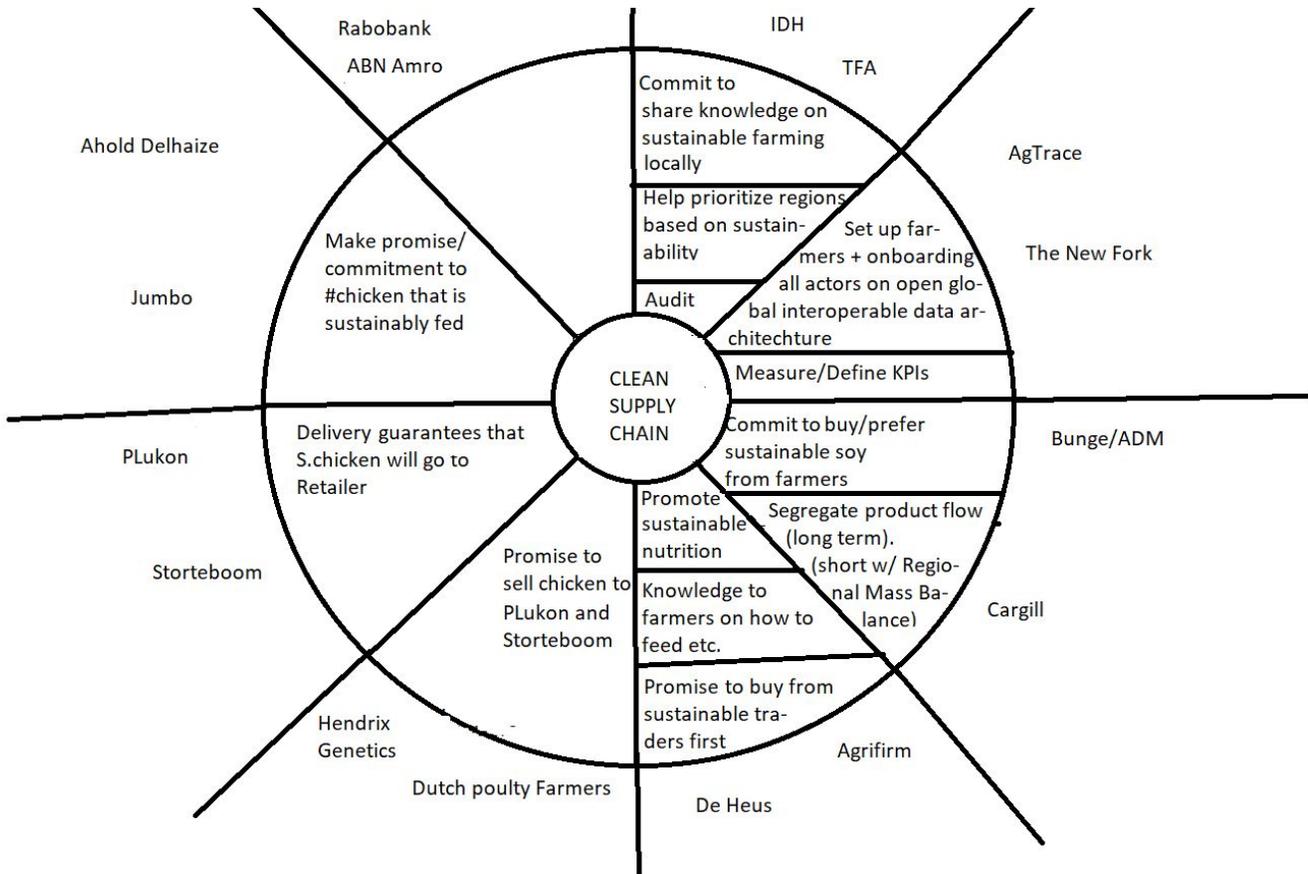
For the mapping of the existing sustainable soy supply chain, the critical actors identified were Brazilian soy farmers, commodity traders, feed companies, Dutch poultry farmers, poultry manufacturers, retailers, new tech companies and NGO's working in the soy area.

It would be remiss to not acknowledge the complications and uncharted waters of breaking down the walls of the supply chain, which typically operates in silos. What is being proposed has not been done before and requires commitment from all parties involved. It is accepted that there will be some internal and external politics to navigate. Incentives for all parties will be clear and agreed upon and credit for executing the first project of its kind will be shared.

“The great breakthrough for me is for the first time, as companies, we sat together and said ‘What if we created this?’ We haven’t done it yet, not in an afternoon. But at least we said this is the plan for how we can get to that fully integrated supply chain.”

- Hugo Byrnes, Ahold Delhaize

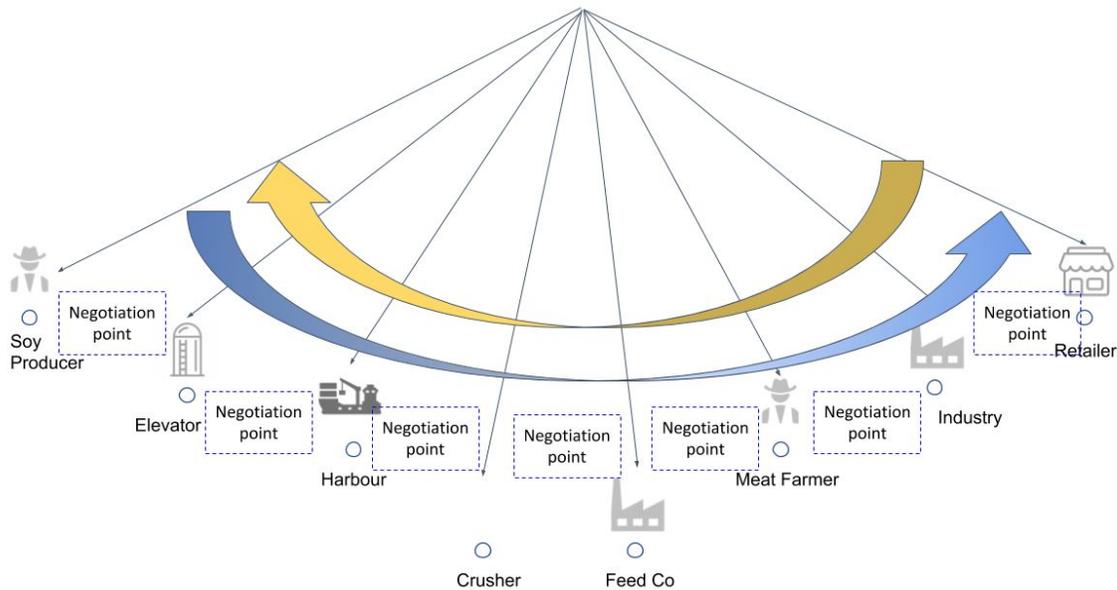
Key stakeholders & partners: Eight potential actors were identified and for each actor, two companies were identified to maintain an open playing field and enable the development of a solution that has scope for wider rollout beyond the 2022 ambition: within soy, to other retailers and countries, to other product groups. To establish an agile (productive) development team, the SOS scrum team will have one player of each actor in 2020. The number of actors will be scaled up only after the first signs of success are visible, likely beginning 2021.



Immediate & long term change methodology: Solution development needed to be agile, first addressing easy-to-manage issues between two adjacent actors. This begins by defining the feasible 'As Is' and 'To Be' situations in the short term by asking questions like:

- What do you know about the origin of your soy and where it goes to
- How can you know more
- What data can you share with whom, under what conditions
- What are the possibilities to reward sustainable soy over other soy

Communication both up and downstream will be executed to collate inputs and facilitate negotiations between the actors in the supply chain. It works best in a pendulum fashion, identifying scope for improvement at each level, negotiating the options business to business, one by one, and simultaneously working on supply chain alignment from farmers > traders > feed companies > farmers > retailers and back again.



It was strongly felt that soy needs an interoperable global data infrastructure that proves the provenance and chain of custody of zero-deforestation soy. Key is that this system is **owned by no one and is accessible to everyone**. This reflects in the project name, Sustainable **Open** Soy. Accessible here means that everybody can participate, actors decide if they want to join and shield their data when they want. Scope and details of the technical (open permissionless blockchain) solution for the long-term SOS plan are dependent on the (future) approved business cases.

Committed partners

- Ahold Delhaize
- De Heus
- Cargill
- IDH
- Rabobank
- AgTrace
- The New Fork

Other mentioned actors

- Jumbo
- Plukon
- Agrifirm
- Storteboom
- ABN Amro
- Hendrix Genetics

Milestones for 2020

1. Have conference call with committed partners before March 13
2. Set more detailed scope in a business case document per actor so that each participant can get full C-level commitment by March 31, to be done by each committed participant, coordinated and supported by StrikeTwo
3. Get (start) budget allocated in March for Sprint 0 project design, including:
 - a. Set soy vision for next 3 years
 - b. Start project in one product group, likely fresh poultry NL
 - c. Identify right partners and get consortium committed
 - d. Get signed commitment to doing business differently
 - e. Define the scrum team and clear team roles
 - f. Define key epics (building blocks or the larger bodies of work)
4. Start sprinting the SOS project from april to december 2020 with only high-over defined deliverables (epics) so that the SOS scrum team has agility to deliver on these results and can adapt to emerging learning and new conditions like eg corona virus.

Expected Impact on the Supply Chain:

- SOS will improve SGD 12, 13 and 17. SOS will collect data proofs of sustainable soy and improve the performance (and its incentives) per actor along the supply chain. In doing so, SOS aims to protect farmers both in Brazil and The Netherlands.
- As SOS works with current core players that will have to give commitment to SOS prior to starting, it will work with current business logic, and improving that logic along the way.
- There are two strong aspects of SOS. One is that soy is one of the most difficult, fragmented supply chains in agrifood. If SOS works in soy, it's likely to prove value to other supply chains. Secondly, as the core of the solution is an open digital data infrastructure (blockchain), it can easily scale up in terms of volumes as well as to other users and product groups.