

Strategy of Response to Social Issues: Tools and Tactics

In different cities in different parts of the world, three executives could not understand how they were so caught off guard ... All were successful beyond the aspirations they had in college, but were stymied by how things had snowballed out of hand. The newspaper article ran yesterday and phones were ringing off the hook ...

“But, I thought we were doing the right things. This business itself is tough enough, the margins are slim, and getting slimmer, and now this. The media can change everything. It is scary.”



Full article available in Exhibit 1

This case study was prepared by Nicole Olynk, assistant professor of agricultural economics at Purdue University, and Larry Lad, associate professor at Butler University, as a basis for class discussion and represents the views of the authors, not the university. No part of this publication may be reproduced or transmitted in any form without written permission from Purdue University.

It is clear that just focusing on the business and ignoring outside factors, such as consumer sentiment, public opinion, science and technology, public policy and local community concerns, is not going to be sustainable. Strategy and management in the food business has changed. Whether managing an individual firm or providing leadership for an entire industry, today's managers must decide how to respond to critical issues, such as rapidly changing social perceptions of their business or industry. With continued media interest in all aspects of the food supply chain, they must be deliberate in their communication with stakeholders, business partners and the public.

Socially sensitive issues can elicit reactionary tendencies at times, and today's leaders must understand that while different strategies may be pursued in the future, it is extremely difficult, if not impossible, to "take something back" once it has been stated. Agribusinesses have choices in how social issues are handled with their various audiences, but it is critical to first acknowledge that these issues must be actively managed. Some have suggested three potential approaches: work individually to respond, collaborate with other firms across the value chain, or align with colleagues in trade associations or organizations that represent the industry.

"One newspaper article and we are toast. Even my closest friends from church and little league look at me differently," noted Jason Wright.

Jason Wright, a small dairy producer in Indiana, was angry. His 100-head dairy farm is productive but struggling with high feed prices and difficult-to-negotiate consumer sentiment surrounding livestock industries and their impact on the environment, economy and people's diets.

Steve Sargent is a marketing manager for an agribusiness manufacturer/distribution company in North Carolina. He does some international grain trade and brokering with Argentina, Brazil and China. Steve is struggling to understand when the average consumer became so interested in his business, and more importantly, how to communicate with the seemingly ever-increasing diversity of stakeholders that he has to deal with in operating his business.

Jesse Rollins, a former farm machinery sales representative, now a loan officer/risk management agent for a financial institution based in the Netherlands, is married to a large-animal veterinarian. The couple has been invested in supporting production agriculture since they met in college and both have witnessed changing environments in which agriculture must operate. "People seem to care more about how their food is being produced, although they seem to understand the process — and its degree of complexity — less. It's our job, as an agricultural lender, to understand industry trends and help our clients position themselves to be successful in the future," said Jesse.

Doing business in today's agricultural markets is becoming increasingly complicated, whether you run a row-crop operation, an elevator, a stockyard or an input-supply firm. Lad and Caldwell (2009) recently summarized this change:

Events over the last decade demonstrate the interconnectedness of the global economy. Consider the domino effect of the U.S. credit crisis on banks and financial institutions in Europe and Asia, and of the ethanol-spurred rise in commodity prices for corn and soy. Witness the impacts of protests during the last five World Trade Organization talks (labor

and environmental policy), controversies over immigration policies across Europe and North America, multiple food and product safety incidents, and growing challenges to intellectual property rights and rules. Executives and policymakers recognize we are in a more interdependent and complex world.

Jason, Steve and Jesse are battling with what these changes mean for their respective firms. There are some lingering questions in their minds.

1. Is modern agriculture effectively communicating with its consumers? Whose responsibility is it to communicate with end consumers? How do we help them understand the risks in the business?
2. Do agricultural firms, whether farms or processing/manufacturing operations, identify with their end consumers? Do they actively work to identify those consumers and their tastes/preferences — and update those tastes/preferences over time?
3. How do today's agribusinesses (i.e., Jesse and Steve) position themselves to be sustainable going forward given the external landscape they're facing?
4. How do today's commodity producers (i.e., Jason) position themselves to be sustainable going forward given the external landscape they're facing and the nature of producing commodity products?
5. Who are the stakeholders for agricultural firms? Are agricultural firms responsible to their shareholders, consumers, supply chain partners and the general public, who may be concerned about environmental implications of product production, but not purchase the product itself? How should agribusinesses effectively respond to issues as they arise in the media or in legislative proposals?

The Changing Global Agribusiness Landscape

Globalization has created challenges for farms and agribusiness firms large and small. At one point, strategy was straightforward. You held assets (land, livestock and equipment); you kept up with technology; you worked hard; and the market was there. Sure, there were cycles and bad weather, but the uncertainty and volatility was nothing compared to the current marketplace. Who would have predicted the surge (almost triple) in corn prices brought about by ethanol demand, among other factors? Who would have guessed that consumers in the supermarket would be considering the living conditions of pigs raised for pork or dairy cattle raised to produce milk, ice cream and yogurt? Who would have thought that acceptable antibiotic use in livestock would become a publicly discussed, socially sensitive topic? Who would have guessed that soybean buyers in Europe would demand that product sourced in Brazil is verified sustainable from the rainforest biome?

In response to changing market conditions, firm-level strategy has migrated beyond economic interests to include socio-political issues. Exhibit 2 illustrates how the business, government, society and the environment in which they operate are intertwined. Traditional civil society

institutions, such as trade associations and professional societies, are involved in representing the industry-wide interests of firms. In some cases, they help set standards. In others, they lobby on behalf of the group. Increasingly, we are seeing the emergence of watchdog and reporting entities (e.g., Global Reporting Initiative). Some are clearly advocacy and ideology driven. Others are more objective about their data gathering and seek to inform the system through balanced and objective policy analysis.

Consumer groups, rather than government initiatives or changing regulations, are increasingly driving changes in the marketplace. Unencumbered by the governed processes required to change regulations or alter statutes, changes initiated via market mechanisms can be swifter than those industries have responded to in the past.

The reality of globalization and more recent calls for sustainability and thinking “green” has spurred business to take a broader perspective. Executives now see strategy as incorporating a response to broader social issues that can affect the economic and political landscape — rising and volatile costs of production, seemingly ever-changing regulations, impacts on the environment, food safety concerns, time delays and uncertainty, in general, are all being actively considered and talked about.

Addressing these messy problems with strategic, operational and social implications is challenging. Further complicating initiatives to address these issues are the diverse set of stakeholders impacted by decisions: supply chain partners, competing businesses and the general public. Collaborating on public-private partnerships, being a better corporate citizen and participating in initiatives to improve the public perception of the industry are all part of this broadened perspective.

To shape strategy in this changing global environment, a new set of tools are being used. While firms are still utilizing traditional economic forecasts, managers are now looking to new markets and stakeholders for insight into future industry movements and market conditions. Since the 1970s, large firms have created public affairs offices in Washington, DC, and Brussels. These offices keep track of a range of issues and proposed legislation and standards from food safety to labeling rules and from intellectual property to trade policy. Where possible, firms work with each other to lobby and provide an industry-wide perspective on emerging issues.

Issues management is an increasingly important tool. Issue strategy can be a source of competitive advantage, if properly managed and communicated to key stakeholders and interested parties. But, if ignored, issue strategy and management can be a blow to reputation and consumer goodwill that can be hard, or impossible, to recover from. Many firms track pending issues and legislation not only at the federal level, but also in state legislatures. California, for example, is very protective of its agriculture industry and is very progressive on consumer safety legislation. Firms must pay attention to how different states set rules and enforce standards. Exhibit 3 shows how an issue moves from dormancy to public attention and how critical it is for a firm to respond when an issue generates attention. At least one major crop protection and seed supplier has an issue management staff of seven employees who actively track more than 90 issues.

Exhibit 4 shows the various operating postures that a firm can take with stakeholders, including reactive, proactive or interactive. A tool in social issues strategy is to take a proactive position on an issue or a cause. However, taking a position is never without challenges. How do you know if you are taking the “right” position? What if you take the “wrong” position? What if taking Position A upsets your input suppliers, while taking Position B upsets your buyers? Is it possible to take a position that pleases everyone? And, if not, do you take a position, or do nothing at all?

Specific Examples of Strategic Response to Issues

Many firms take on issues close to the industry interests. Eli Lilly, the pharmaceutical company, is active with the diabetes foundation. Monsanto, under former CEO Robert Shapiro, was active in undertaking sustainability initiatives related to agribusiness (i.e., water, full-cost accounting and land rights). Some firms act collectively. Silicon Valley executives collaborate with government and local non-government organizations (NGOs) to address water issues in the region.

In some cases, an issue hits a company when it introduces a new product. In the 1980s, P&G, in its paper division, invented the Rely tampon. Rely was comprised of a wood cellulose material (similar elements in paper diapers), as opposed to the cotton used by competing brands. After \$14 million in product development and marketing, the Rely product was linked to toxic shock syndrome very shortly after its introduction to the marketplace. Surprise and uncertainty led to a quick response by the company to recall the product completely. Despite limited information about the causes of toxic shock, the company acted quickly and responsibly.

After a number of toddler deaths caused by ingesting small parts and buttons on stuffed animals, the Toy Manufacturers Association, a third-party organization, created standards for safety on behalf of U.S. manufacturers. These standards apply to products made around the world that may become imports to the United States. Concern here is for small pieces, the strength of button stitching and any part or component that could be swallowed by a child. Imports are subject to inspection. Each year, the association puts out a list of the “10 most unsafe toys” to serve as a guide to anyone who buys toys.

For more than 25 years, the United States has had a rating system for movies. The familiar designations — G, PG, PG13, R and X — are now part of movie iconography, but this was not always the case. Jack Valenti, president of the motion picture association, realized the industry had to manage its reputation. Parents needed some guide to know appropriate content before letting their children watch a movie. The standards and rating guidelines are used by filmmakers and editors as they prepare a film for the market.

Of interest for agriculture is how the industrial chemical industry looked at issues and made changes. The evolution of the Responsible Care Initiative is worth some discussion. In the late 1970s, the chemical industry was hit hard by product safety and public relations challenges. For example, Dow Chemical, supplier of dioxin (a defoliant used in “Agent Orange” in Vietnam), faced frequent college protests when recruiters visited campuses. Plus, Love Canal in Niagara Falls, N.Y., was a former Hooker Chemical waste site that, by an unfortunate set of circumstances, was developed into a subdivision and an elementary school. More than 50 percent of the children

growing up in this locale developed cancer. Many deaths and severe acute illness well above national averages indicated something was wrong.

Adding more pressure was pending Superfund legislation designed to clean up toxic waste sites using industry funds (\$3 billion to \$6 billion) that was gaining momentum in Congress. Many insiders recognized that all the chemical industry needed was another incident, a chemical tanker spill or a workplace safety tragedy, to create more regulation and oversight by government. They felt a need to take control and be proactive. To be sure, they recognized that within an industry comprised of very large firms with ample resources and well-developed safety programs and smaller firms with fewer resources and safety buffers that the entire industry was at risk. Any mistake impacted all firms.

The Responsible Care Initiative, formed in 1985, is a global program for continuous improvement in health, safety and environmental performance. It promotes the development and application of sustainable chemistry along the entire supply chain. Participation is truly global, involving more than 50 national chemical manufacturing associations. The initiative's responsibility is to influence and certify a network of players, building a capacity to share health, safety and environmental information. It employs a detailed system of checklists, performance indicators and verification procedures. As a simple example, if a customer orders a known toxic or hazardous chemical, the seller verifies the buyer's ability to use the chemical appropriately. Training is provided to users. Disposal processes are checked. Even handling of waste and containers is monitored.

In each of the cases referenced above, either the firm or a third-party organization acting on behalf of the industry got involved and responded before the government needed to step in.

Bunge, the international grain trader, is active in Brazil and mindful of the rainforest biome. On their website (www.bunge.com), they outline their responsibility to help curb deforestation associated with farming in the Amazon biome. On July 24, 2006, ABIOVE and ANEC, trade associations representing Bunge and other companies, jointly announced that their members would cease trading soy that was produced in newly deforested areas in the Brazilian Amazon biome and would work in cooperation with farmers, governments and others who were interested and committed to promoting sustainable land-use policies and responsible agriculture. Here is how Bunge describes its involvement (taken directly from the company website):

Brazil is one of the world's most productive agricultural regions. The country plays an important role in feeding people worldwide, and agribusiness is a key driver of Brazil's economic development and national growth. Brazil is also home to valuable ecosystems, including the majority of the Amazon rainforest.

The challenge facing Brazil is to grow more food to meet increasing global demand and improve the livelihoods of its citizens while also preserving vital natural areas that provide important benefits to the world. Bunge is doing its part to improve the sustainability of agriculture in Brazil by helping growers adopt environmental best practices on their farms and by contributing to larger efforts to preserve the Amazon biome and other important ecosystems.

Improving sustainability on the farm

Bunge works with farmers throughout Brazil, providing training on agricultural best practices and helping them implement those practices through field events and individual consultations. Through an annual awards program, Bunge recognizes farmer-customers who demonstrate leadership in sustainability and other areas.

Addressing big issues

Amazon Soy Moratorium

The Amazon rainforest is emblematic of the challenges of our growing world. Over time, human settlement, industrial activities and agricultural expansion each have contributed to deforestation of the Amazon biome, which includes the Amazon rainforest and its related ecosystems. In recent years, soybean farming has gained public attention as a factor contributing to the cycle of deforestation.

In July 2006, Bunge and other agribusiness companies took action to curb Amazon deforestation from soybean farming. They enacted a voluntary moratorium on purchasing soy from newly deforested areas in the biome and, together with leading environmental organizations, formed a dedicated Soy Working Group to implement a system to track deforestation, address key underlying issues, and work on lasting solutions. The group is collaborating with the Brazilian government to develop systems to manage agricultural activity in the biome in order to balance economic development with the need for environmental conservation. [Click here to read the Soy Working Group's 2010 Mapping and Monitoring Report.](#)

Soja Plus

Supplier certification systems are a positive way to influence best practices among suppliers because they create a ready means to evaluate supplier performance. Soja Plus is a simple, verifiable certification system that measures how soybean farms perform according to key sustainability indices, including legal compliance, social responsibility, environmental sustainability and agricultural best practices.

Soja Plus is a voluntary program being developed by Bunge and other members of the Brazilian soybean industry that will be available to all soy producers in the country. It is organized by [ABIOVE \(the Brazilian Vegetable Oil Industries Association\)](#), [APROSOJA \(Mato Grosso State Soybean Producers Association\)](#), [ANEC \(the National Grain Exporters Association\)](#) and [ARES \(Responsible Agribusiness Institute\)](#). [Click here to learn more about Soja Plus.](#)

Sustainability in the Cerrado

The Cerrado, a woodland savanna, is one of Brazil's most vibrant ecosystems, as well as one of its most active agricultural areas. Bunge, in partnership with environmental organizations and growers, has helped farmers in the Cerrado adopt environmental best practices, set aside legal reserves, revitalize degraded areas and create special biodiversity corridors in which native species can grow and thrive

Today's Food Industry

As Jason, Steve and Jesse were considering how these issues impact their businesses, they reflected on the changes they have witnessed in the food industry over the last 15 years. Beyond a simple truism that food is essential to life, the industry provides a mosaic of business, government and NGO/third-sector organizations. The industry is a large ecosystem comprising 25 percent of the U.S. economy with unique technologies, regulation and safety concerns, trade issues and cultural identity.

Agriculture and agribusiness are the critical frontlines in economic development. Beyond farming, jobs are created in transportation and logistics, food processing and packaging, retail settings and restaurants. As development progresses, basic manufacturing jobs emerge in the food-processing and storage sectors, as well as farm equipment. Before major steps in industrialization and urban migration can occur, a country must be able to feed its population.

Production agriculture, with some degree of scale and efficiency, is needed to allow migration to the cities. Additionally, an export market for some agriculture products (commodities, specialty crops, cut flowers) needs to be identified if those industries have hopes of growing beyond meeting just domestic needs.

Food, always a popular topic, has become even more visible in the business press and in television shows. Exposés such as “Fast Food Nation”¹ and the movie “Super Size Me”² have been followed by Michael Pollan’s “The Omnivore’s Dilemma” (2006) and “In Defense of Food” (2008) and the 2009 movie “Food Inc.”³

The food business is rapidly changing. Walmart has become the largest grocery retailer. Whole Foods Market has revolutionized the food-sourcing supply chain and has changed the food shopping experience. Local farmers markets are expanding in many areas as the “slow food/ buy local” movement gains attention. Consumers get mixed signals on what constitutes “green,” “recyclable” or “organic;” yet, they are creating an unexpected interest in how their food is produced, even in major urban centers. Consumers are paying attention to food sources, food safety and animal issues more than ever. A complete view of sustainable production could easily include social sustainability, in addition to the more common environmental sustainability definitions. In a recent issue of *The Atlantic*, B. R. Myers posted a tongue-in-cheek exposé, “Fed Up,” on the “foodies” Anthony Bourdain and other authors, including Daniel Imhoff (“The CAFO Reader”), who pride themselves on exotic culinary escapades. The author’s tagline was “gluttony dressed up as foodie-ism is still gluttony.” Perhaps this is a perspective to consider before watching the popular television series “Man v. Food.”⁴

Knowing your consumers’ tastes and preferences is essential. A recent Purdue University survey, conducted by a research team led by Nicole Olynk in the Department of Agricultural Economics⁵, examined consumer purchasing behavior for a variety of food products and assessed consumer sentiments surrounding food labeling. The nationally representative survey of 1,000 U.S. consumers was conducted online and focused heavily on determining consumer tastes and preferences for cattle-handling practices of the dairy cattle used to produce yogurt and ice cream. Exhibit 5 displays summary statistics on the demographics and household characteristics of survey respondents. Exhibit 6 summarizes answers to key survey questions surrounding what factors consumers consider important when making food-purchasing decisions. Of particular interest is the finding that 31 percent of respondents had never visited a farm where livestock were raised for milk, meat or egg production; another 35 percent have visited such an operation, but more than 10 years ago. Consumers are further removed from agriculture today than they

1 “Fast Food Nation: The Dark Side of the All-American Meal” (2001) is a book by investigative journalist Eric Schlosser that examines the local and global influence of the U.S. fast food industry.

2 “Super Size Me” is a 2004 American documentary film directed by and starring Morgan Spurlock, an American independent filmmaker. Spurlock’s film follows a 30-day period from February 1 to March 2, 2003, during which he eats only McDonald’s food.

3 “Food Inc.” is a 2008 American documentary film directed by Robert Kenner. The film examines corporate farming in the United States.

4 “Man v. Food” is an American food reality television series. It premiered on December 3, 2008, on the Travel Channel.

5 This activity was funded, in part, with a mission-oriented, internal competitive grant from the Purdue University Office of Agricultural Research Programs and Cooperative Extension Service.

have been in the past. However, the interest in food, both by mainstream media and consumers, continues to grow.

Food is essential to life, to economic development and to cultural identity. As consumers, we take pride in knowing about French wine, Wisconsin cheese, Chilean sea bass and Mexican habanero peppers. We expect our food to be safe and inexpensive. And, we have come to rely on seasonal fruits and vegetables being available year-round. In addition to discussion surrounding traditional commercial growers, smallholders of land assets in Southeast Asia and Africa are now being watched as important stakeholders. The consumer sentiments across the globe surrounding the treatment of such agricultural small holders, particularly in developing countries, are also being carefully considered as decisions are made — even continents away. As consumers think globally, today's agricultural operations must think globally, as well. At the same time, agribusinesses, and all of those in the food supply chain and distribution system, are aware that consumers are interested in local foods as well as the impacts of moving food great distances on the socioeconomic climates in importing and exporting countries, sustainability and the environment. Reconciling these seemingly competing interests by consumers for global and local initiatives can be daunting for managers.

Yet, the industry is paradoxical. Behind the scene, a different picture emerges. Food can be political. It is a tool of trade policy, government subsidies and protectionism. While food represents the best of our new technology — soil and crop chemistry, seed and animal genetics and biotechnology — modern farming techniques are blamed for soil erosion and pollution of groundwater supplies. Monoculture production is blamed for disease-resistant strains of weeds and pests. Yet, for all the global innovation, farmers, referred to as smallholders in developing countries, are wanting for simple irrigation technologies, viable seed and perhaps a bicycle to move their product to market. With all the technology and know-how available today, 20 percent of the world's population (more than 1.5 billion people) goes to sleep hungry.

It is easy to label your company as socially responsible, to talk about company values or discuss your corporate citizenship; yet, it is a bigger challenge to actually implement changes in operations to reflect these issues. Let's learn from examples in other industries.

U.S. Livestock Sector

Today, U.S. agriculture is facing a number of changes regarding policies, laws and regulations, which have the potential to greatly alter how business is conducted on U.S. farms. Animal agriculture today, in particular, is facing challenges ranging from volatile markets to increased pressures from the public surrounding ethical and social considerations of livestock rearing.

While food safety concerns regarding animal products are certainly attracting a fair amount of attention in the media, consumers and activist groups are increasingly focused on animal welfare, manure management concerns, emissions from livestock operations, and labor and worker safety concerns. According to Norwood and Lusk (2009), animal rights groups and the livestock industries have taken very different approaches in debating farm-animal welfare as increased public attention has been placed on the issue. They state that past research has highlighted preferences for allowing consumers the right to decide the level of animal welfare for the products

they choose to purchase, but that cruel practices should be banned.⁶ This situation — in which cruelty is prevented, but consumer choice is allowed beyond some “minimally accepted level” of treatment — creates potential for continued discussion about what practices or treatments are defined as cruel. Further, who gets to define cruelty in this context?

Increased public attention has been focused on food-animal welfare in the United States. However, animal agriculture (livestock industries) and groups advocating for animal rights for livestock animals are using very different approaches to accomplishing their goals and informing consumers of their interests.

Livestock industries have 1) attempted to dismiss animal rights arguments (from animal rights groups) on the basis that the ultimate goal of these groups is veganism, not animal welfare, and/or 2) focused on livestock rearing and animal agriculture being based on scientific practices.⁷ Animal rights groups, on the other hand, focus on the farm animals and how they live.⁸ “Their claims are carefully documented by scientific studies while also appealing to emotions with pictures and videos of miserable-looking animals in small cages.”⁹

Growing public interest in animal agriculture has resulted in increasing concern for livestock animals and movements toward utilizing more animal-friendly practice. This change in public sentiment is now being reflected by a movement of both corporations, taking a more proactive approach in response to consumer group pressure, and in some states, putting legislative standards in place. The politics of the food industry have been shaped over the years by a fragmentation of interest groups, the rising affluence of consumers and the concentration of consumer food markets.¹⁰

A segment of consumers is willing to pay a premium for “welfare-friendly” animal rearing attributes, whether or not science can prove any certain benefit to the animal from providing these attributes. States have taken varying approaches to dealing with livestock care in their jurisdiction.

1. California's Proposition 2

In November 2008, Proposition 2 passed on the voter ballot in California. The law prohibits the tethering or confining of any “covered animal, on a farm, for all of the majority of any day, in a manner that prevents such animals from (a) lying down, standing up and fully extending his or her limbs; and (b) turning around freely.”¹¹ Per the code, “covered animals” are pigs during pregnancy, calves raised for veal and egg-laying hens. Exceptions to the code exist for research, veterinary care, transportation, exhibitions, slaughter and the seven-day period prior to a pig’s expected date of birthing. Proposition 2 passed with 63.5 percent of voters approving.

6 F. Bailey Norwood and Jayson .L. Lusk., *The Farm Animal Welfare Debate*. *Choices* (New York, N.Y.) 24,3(2009):1–6.

7 F. Bailey Norwood and Jayson .L. Lusk., *The Farm Animal Welfare Debate*. *Choices* (New York, N.Y.) 24,3(2009):1–6.

8 F. Bailey Norwood and Jayson .L. Lusk., *The Farm Animal Welfare Debate*. *Choices* (New York, N.Y.) 24,3(2009):1–6.

9 F. Bailey Norwood and Jayson .L. Lusk., *The Farm Animal Welfare Debate*. *Choices* (New York, N.Y.) 24,3(2009):1–6.

10 David B. Schweikhardt and William P. Browne. (2001). *Politics by Other Means: The Emergence of a New Politics of Food in the United States*. *REV. OF AGRIC. ECON.* 23,2(2001):302-318.

2. Michigan Case

In 2009, Act 117 (effective March 31, 2010) was an amendment to the existing animal welfare legislation, the Animal Industry Act of 1988. The law reads that covered animals (gestating sows, calves raised for veal and egg-laying hens kept on a farm) shall not be tethered or confined for the majority of any day.¹² The tethering must not prevent the animal from lying down, standing up, fully extending its limbs or turning around freely. The provisions did not apply until 2010 for calves raised for veal, and farmers have until 2019 for egg-laying hens and gestating sows. Exemptions exist for research, veterinary care, rodeo and fair exhibition, slaughter and sows that are a week away from giving birth. For egg-laying production, the law states that “fully extending its limbs” means that egg-laying hens must have access to a minimum of 1.0 square feet of floor space. Attempts to establish an animal welfare board were axed from the legislation at the last minute.¹³ A press release from HSUS on October 1, 2009, reported that the legislation passed with a vote of 87-20 from the House and 36-0 in the Senate.¹⁴

3. Ohio¹⁵

Enacted in November 2009, the Ohio Livestock Care Standards Board (OLCSB) has the “authority to establish standards governing the care and well-being of livestock and poultry in [the] state, subject to the authority of the General Assembly” (Ohio Constitution, § 14.01(B)). The OLCSB resulted from passing State Issue 2 to amend the state constitution, which passed with 63.66 percent of voters approving.¹⁶ The 13-member board, according to the state constitution, is chaired by the director of the state’s department of agriculture. Ten of the board members are appointed by the governor, with approval from the state Senate, and are state residents who represent family farms, food safety, statewide farm organization, veterinarians, college administration, consumers and human societies. The state’s speaker of the House of Representatives and the president of the Senate each appoint one family farmer to the board.

According to the Humane Society of the United States (HSUS) CEO Wayne Pacelle’s blog post in June 2009, HSUS was openly discussing the possibility of pushing to “phase out the confinement of veal calves, breeding pigs and laying hens in small crates and cages on concentrated animal feeding operations (CAFOs), or as they’re more commonly called, ‘factory farms’” through a ballot initiative. In a blog post on November 4, 2009, Pacelle reported that talks with agricultural leaders in Ohio to reach reform similar to recently accepted animal welfare practices in Michigan led to HSUS being “stonewalled” by the Ohio Farm Bureau (OFB) and that the creation of the OLCSB was an attempt from the OFB, and other lobbying groups, to “block real reform.” Furthermore, it was reported that OFB, the National Pork Producers Council, the United Egg Producers and others raised

11 <http://law.justia.com/california/codes/2009/hsc/25990-25994.html>

12 [http://www.legislature.mi.gov/\(S\(bupqmqmjzbg0vbqkxmethmn0\)\)/mileg.aspx?page=GetMCLDocument&objectname=mcl-287-746](http://www.legislature.mi.gov/(S(bupqmqmjzbg0vbqkxmethmn0))/mileg.aspx?page=GetMCLDocument&objectname=mcl-287-746)

13 <http://veterinarynews.dvm360.com/dvm/Veterinary+news/Michigan-lawmakers-pass-farm-animal-welfare-bill/ArticleStandard/Article/detail/630457>

14 http://www.humanesociety.org/news/press_releases/2009/10/michigan_passes_farm_animal_bill_100109.html

15 <http://www.legislature.state.oh.us/constitution.cfm?Part=14&Section=01>

16 <http://www.farmanddairy.com/news/early-returns-indicate-ohio-voters-favor-issue-2/13458.html>

\$4 million to fund the campaign supporting the eventual passage of Issue 2 and creation of OLCSB. After passage of Issue 2, HSUS set its mission to challenging the newly formed OLCSB by collecting 400,000 signatures to put animal welfare issues on the ballot.¹⁷

Ohioans for Humane Farms submitted a petition to the Ohio attorney general in February 2010 to place “anti-cruelty measure on the statewide November ballot.” Their plan was to collect more than 600,000 signatures in support of proposed practices to end “extreme confinement” of veal calves, breeding pigs and egg-laying hens; prevent “downer cows” from becoming human food; and ending inhumane methods of euthanasia. The board would have six years to implement such regulation.¹⁸

June 30, 2010, the same day Ohioans for Humane Farms indicated that they would deliver signatures supporting their proposed ballot initiative, a deal was struck between Ohio and HSUS, with Governor Ted Strickland signing an executive order.¹⁹ The major terms of the agreement between Ohio and HSUS were phasing out the use of sow gestation crates for current hog producers (2025), “alternative housing (not gestation crates)” for any new facilities and prohibiting construction of new egg facilities using battery cages.²⁰ In return, HSUS would support the OLCSB and would back off their attempts for ballot initiatives.²¹

What’s next for livestock industries? According to Norwood and Lusk (2009), “Expect HSUS to introduce new referendums, target new food retailers, bring new lawsuits and appeal to public sympathy for animals. Expect animal agriculture to fight back, for example, by introducing legislation prohibiting the use of referendums for farm animal issues. Expect a patchy, incoherent set of laws and court rulings to emerge.”²²

If the expected outcome of current movements for livestock and farm-animal welfare is a set of patchy and incoherent laws, how can livestock producers plan to adopt sustainable practices? Jason, Steve and Jesse felt overwhelmed. There was more and more information to absorb. Yet many of the changes were exciting. Being a global player, even at the local level, was energizing, but they wanted to do it right and not get caught off guard. They wanted to know when to stand their ground and when to look for collaborative solutions. They recognize at least three views or perspectives (from outside the industry, the Bunge collaborative approach and the livestock industry approach) on how they might proceed.

A great deal of change has gone on, and will continue, in the global food system. Standards, inspections, self-monitoring, self-regulation, third-party monitoring and verification systems, traceability (or lack thereof), labeling, branding and marketing will all be necessary to ensure a safe product that meets the needs and evolving preferences of today’s consumers. Jesse, Jason and Steve are considering where to go from here. The marketplace is changing and it seems that in the food business there are more stakeholders, each with a longer list of concerns, than ever before.

17 <http://hsus.typepad.com/wayne/2009/11/prop2-anniversary.html>

18 http://ohiohumane.com/p/salsa/web/news/public/?news_item_KEY=17

19 http://ohiohumane.com/p/salsa/web/news/public/?news_item_KEY=52

20 <http://ofbf.org/uploads/Agreement.pdf>

21 <http://ofbf.org/uploads/Agreement.pdf>

22 F. Bailey Norwood and Jayson .L. Lusk., *The Farm Animal Welfare Debate*. Choices (New York, N.Y.) 24,3(2009):1–6.

Discussion Questions

1. What are the choices that a firm or an industry has when facing rapidly changing social sentiment toward their product or industry segment?
 - a. What are the pros of each choice?
 - b. What are the cons of each choice?
 - c. Are these choices the same for all agribusinesses or industries?
2. How will the agribusinesses and farms of today move forward together as a sustainable food system? What are the biggest socio-political challenges facing today's agribusiness sector?
3. How should the various firms of today's complex food systems communicate to consumers who are increasingly interested, and perhaps skeptical, of today's food production systems?
4. Should firms at different points in the supply chain take different approaches to communicating with consumers and stakeholders on social issues?
5. In an industry known for strong individualism and independent action, how can we encourage collaboration on issues that impact a variety of players?
6. What factors should a firm consider when determining whether to take a proactive stance on a social issue or to be reactive to movements in the industry?
7. Should U.S. livestock producers pursue legislation proactively to attempt to shield themselves from potential changes in legislation initiated by animal welfare or consumer activist groups?

NICHOLAS D. KRISTOF

When Food Kills

The deaths of 31 people in Europe from a little-known strain of *E. coli* have raised alarms worldwide, but we shouldn't be surprised. Our food often betrays us.

Just a few days ago, a 2-year-old girl in Dryden, Va., died in a hospital after suffering bloody diarrhea linked to another strain of *E. coli*. Her brother was also hospitalized but survived.

Every year in the United States, 325,000 people are hospitalized because of food-borne illnesses and 5,000 die, according to the Centers for Disease Control and Prevention. That's right: food kills one person every two hours.

Yet while the terrorist attacks of 2001 led us to transform the way we approach national security, the deaths of almost twice as many people annually have still not generated basic food-safety initiatives. We have an industrial farming system that is a marvel for producing cheap food, but its lobbyists block initiatives to make food safer.

Perhaps the most disgraceful aspect of our agricultural system — I say this as an Oregon farmboy who once raised sheep, cattle and hogs — is the way antibiotics are recklessly stuffed into healthy animals to make them grow faster.

The Food and Drug Administration reported recently that 80 percent of antibiotics in the United States go to livestock, not humans. And 90 percent of the livestock antibiotics are administered in their food or water, typically to healthy animals to keep them from getting sick when they are confined in squalid and crowded conditions.

The single state of North Carolina uses more antibiotics for livestock than the entire United States uses for humans.

This cavalier use of low-level antibiotics creates a perfect breeding ground for antibiotic-resistant pathogens. The upshot is that ailments can become pretty much untreatable.

The Infectious Diseases Society of America, a professional organization of doctors, cites the case of Josh Nahum, a 27-year-old skydiving instructor in Colorado. He developed a fever from bacteria that would not respond to medication. The infection spread and caused tremendous pressure in his skull.

Some of his brain was pushed into his spinal column, paralyzing him. He became a quadriplegic depending on a ventilator to breathe. Then, a couple of weeks later, he died.

There's no reason to link Nahum's case specifically to agricultural overuse, for antibiotic resistance has multiple causes that are difficult to unravel. Doctors overprescribe them. Patients misuse them.

Big Ag cultivates a breeding ground for bacteria like *E. coli*.

But looking at numbers, by far the biggest element of overuse is agriculture.

We would never think of trying to keep our children healthy by adding antibiotics to school water fountains, because we know this would breed antibiotic-resistant bacteria. It's unconscionable that Big Ag does something similar for livestock.

Louise Slaughter, the only microbiologist in the United States House of Representatives, has been fighting a lonely battle to curb this practice — but industrial agricultural interests have always blocked her legislation.

"These statistics tell the tale of an industry that is rampantly misusing antibiotics in an attempt to cover up filthy, unsanitary living conditions among animals," Slaughter said. "As they feed antibiotics to animals to keep them healthy, they are making our families sicker by spreading these deadly strains of bacteria."

Vegetarians may think that they're immune, but they're not. *E. coli* originates in animals but can spill into water used to irrigate vegetables, contaminating them. The European *E. coli* outbreak apparently arose from bean sprouts grown on an organic farm in Germany.

One of the most common antibiotic-resistant pathogens is MRSA, which now kills more Americans annually than AIDS and adds hugely to America's medical costs. MRSA has many variants, and one of the more benign forms now is widespread in hog barns and among people who deal with hogs. An article this year in a journal called *Applied and Environmental Microbiology* reported that MRSA was found in 70 percent of hogs on one farm.

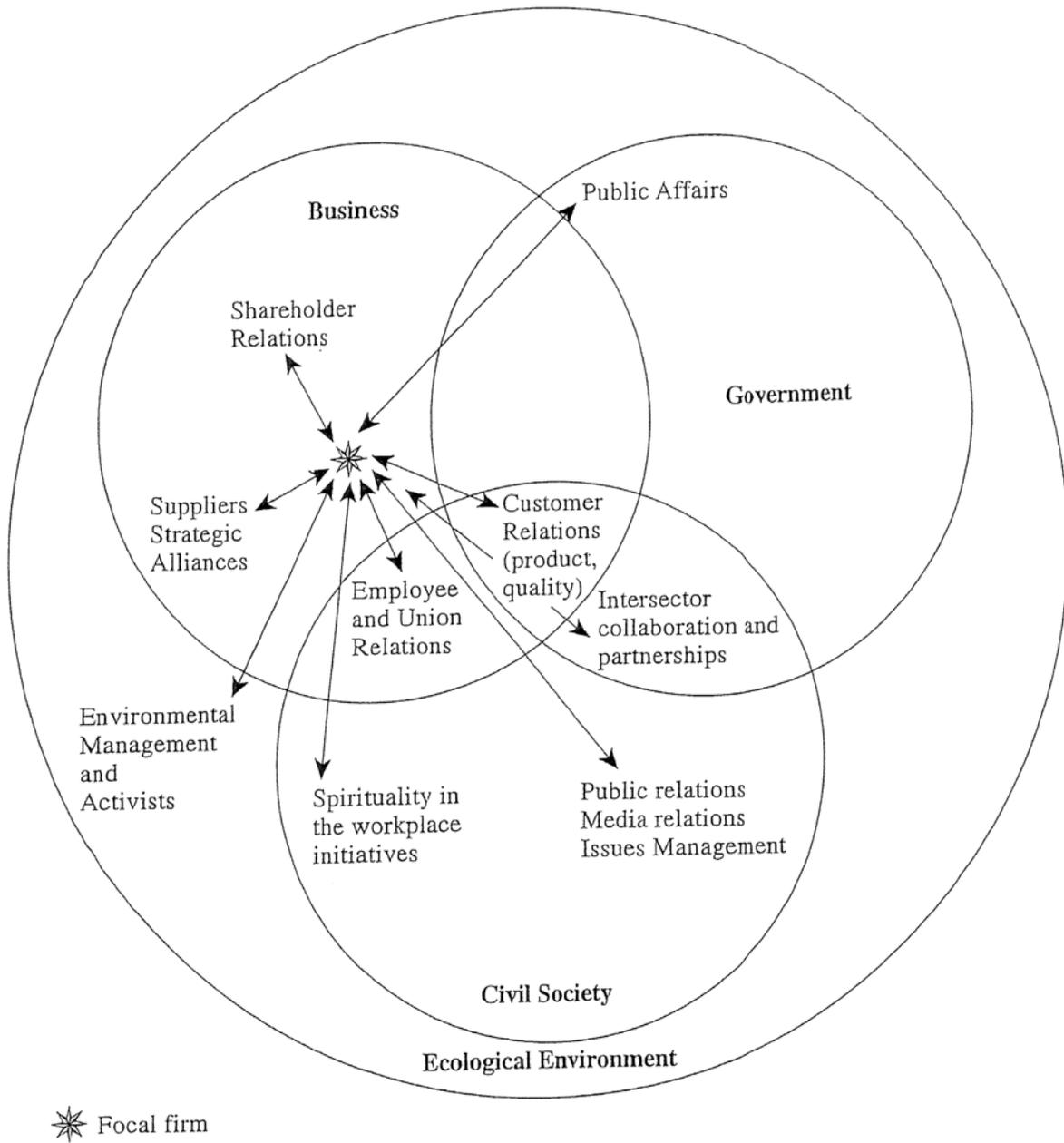
Another scholarly journal reported that MRSA was found in 45 percent of employees working at hog farms. And the Centers for Disease Control reported this April that this strain of bacteria has now been found in a worker at a day care center in Iowa.

Other countries are moving to ban the feeding of antibiotics to livestock. But in the United States, the agribusiness lobby still has a hold on Congress.

The European outbreak should shake people up. "It points to the whole broken system," notes Robert Martin of the Pew Environment Group.

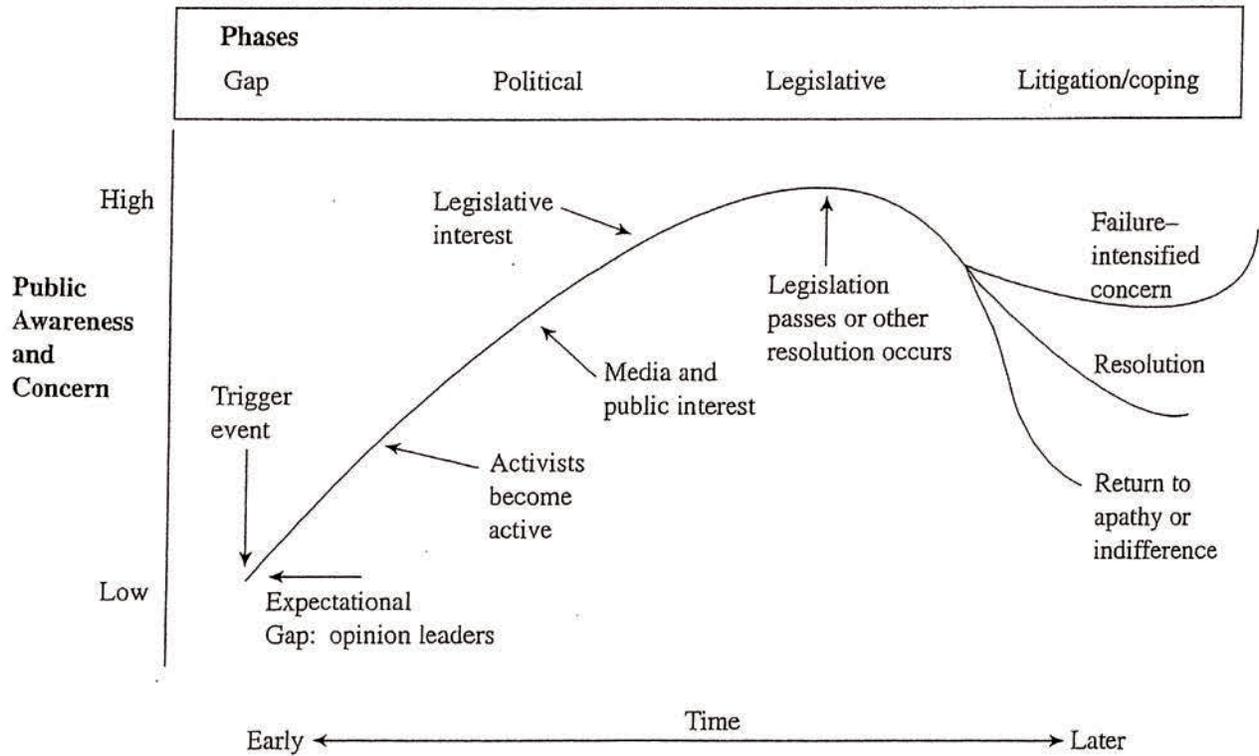
We need more comprehensive inspections in the food system, more testing for additional strains of *E. coli*, and more public education (always wash your hands after touching raw meat, and don't use the same cutting board for meat and vegetables). A great place to start reforms would be by banning the feeding of antibiotics to healthy livestock. □

Exhibit 2



Source: Sandra Waddock, *Leading Corporate Citizens: Vision, Values, Value Added* (New York: McGraw-Hill/Irwin, 2009)

Exhibit 3



Source: Adapted by Sandra Waddock, *Leading Corporate Citizens: Vision, Values, Value Added* (New York: McGraw-Hill/Irwin, 2009) from *Preston and Post, 1975; and Mahon and Waddock, 1992.*

Exhibit 4

Organizational Cultural Frames

Development State Kohlberg	Rationale and Motivation Applied	Operating Posture with Stakeholders
<i>Preconventional</i>		
1. Obedience and punishment	Act to avoid painful organizational consequences.	Reactive
2. Instrumental purpose and exchange	Act to further one's interests.	Reactive
<i>Conventional</i>		
3. Interpersonal accord, conformity to group norms	Act to meet expectations of peer companies, industry, or local business community norms.	Proactive
4. Social accord and system maintenance and regulations	Act to comply with current laws and regulations.	Proactive
<i>Postconventional</i>		
5. Social contract	Act to achieve social consensus on issues not fully addressed by legal standards.	Interactive
6. Universal ethics principles	Act to identify, communicate, and apply universal moral principles in organizational decision making.	Interactive

Source: Adapted by Sandra Waddock, *Leading Corporate Citizens: Vision, Values, Value Added* (New York: McGraw-Hill/Irwin, 2009) from Jeanne M. Logsdon and Kristi Yuthas, "Corporate Social Performance, Stakeholder Orientation, and Organizational Moral Development," *Journal of Business Ethics* 16(1997), pp. 1213-26; operating modes are based on Lee E. Preston and James E. Post, *Private Management and Public Policy* (New York: Prentice Hall, 1975).

Exhibit 5

Male	49%
Female	51%

Average Age of Respondents	45
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Annual pre-tax, household income:

Less than \$20,000	24%
\$20,000 - \$39,999	29%
\$40,000 - \$59,999	19%
\$60,000 - \$79,999	13%
\$80,000 - \$99,999	7%
\$100,000 - \$119,999	4%
\$120,000 - \$139,999	2%
\$140,000 - \$159,999	2%
\$160,000 - \$179,999	1%
\$180,000 or more	1%

Educational background:

Did not graduate from high school	3%
Graduated from high school, Did not attend college	21%
Attended College, No Degree earned	30%
Attended College, Associates or Trade Degree earned	13%
Attended College, Bachelor's (B.S. or B.A.) Degree earned	22%
Graduate or Advanced Degree (M.S., Ph.D., Law School)	9%
Other (please explain):	2%

There are ____ adults (over 18yrs) and ____ children (under 18yrs) living in the household:

Average number of adults	1.97
Average number of children	0.56

Exhibit 6

Question: Please rank the level of importance (on a scale of 1 to 7, with 1 being “Very Important” and 7 being “Not Important At All”) of the following list of attributes which you consider when purchasing dairy products at the grocery store.

Summary of Response:

	Mean
Produced on farms with animal welfare & handling standards in place	3.13
Flavors available	3.31
Fat content	3.00
Protein content	3.06
Produced using environmentally sustainable practices	3.32
Locally produced	3.56
From milk produced on a ‘family farm’	3.71
Organic	4.31
All natural	3.50
Packaging (single serve, package size, reclosable)	3.28
Health claims properties (i.e. digestive health and yogurt)	3.54
Other nutritional information (aside from fat and protein content)	3.28

Exhibit 6, cont.

Question: Over time U.S. consumers have consumed an increasing portion of food away from the home (e.g., eating out at restaurants rather than preparing food to consume at home). What portion of your household's total food expenditures would you estimate to occur away from the home?

Summary of Response:

Portion of Household Expenditures	Percent of Respondents
0%-10%	40%
11%-20%	23%
21%-30%	16%
31%-40%	8%
41%-50%	5%
51%-60%	3%
61%-70%	2%
71%-80%	2%
81%-90%	1%
91%-100%	1%

Question: When was the last time you visited a farm with animals/livestock being raised for milk, meat, or egg production?

Summary of Response:

	Percent of Respondents
I have never visited such a farm	31%
Over 10 years ago	35%
6-10 years ago	9%
1-5 years ago	12%
Within the last year	13%

Exhibit 6, cont.

Question: Please rank the following societal issues in order of importance to you (1 being most important and 7 being the least important):

Summary of Response:

	Mean
Human Poverty	3.10
U.S. Health Care System	3.30
Food Safety	3.16
The Environment	4.27
Financial Well-Being of U.S. Farmers	5.20
Food Prices	3.46
Well-Being of Farm Animals	5.51

Question: How often do you read the information on meat, egg, or milk product packaging in making your purchasing decisions?

Summary of Response:

	Percent of Respondents
Always	21%
Usually	27%
Sometimes	26%
Rarely	19%
Never	7%

Exhibit 6, cont.

Question: Please indicate all of the following pieces of information that you assess in reviewing meat, egg, or milk product packaging:

Summary of Response:

	Percent of Respondents
Nutritional information	66%
Price	89%
Food Safety information	43%
Animal welfare information	19%
Other production practice information (besides animal welfare)	16%
Product expiration or “sell-by” date	82%
Other (please describe)	2%