



*International Food and Agribusiness Management Review
Volume 17 Special Issue B*

Woolworths Farming for the Future

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Abstract

As part of Woolworths *Good Business Journey*, *Farming for the Future* was adopted as a holistic and scientific farming approach to produce quality food, improve soil quality, save water, and reduce dependence on synthetic fertilizers, herbicides and pesticides, whilst protecting natural resources and encouraging biodiversity to flourish, all without adding cost to the end product.

Today, 98% of Woolworths local primary produce suppliers have adopted these methods and assessments have shown remarkable results. The program is helping build a resilient supply chain within a water scarce country and helping farmers to adapt to climate change and extreme weather patterns. Key success factors include strong partnerships with suppliers and WWF-SA, annual farm assessments, and affordability of produce. There is opportunity to extend the program further within Woolworths own foods business as well as with the rest of the country and Africa.

Keywords: Farming for the Future, sustainable farming, environment, biodiversity

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Introduction

Founded in 1931, Woolworths is one of South Africa's leading retailers of quality food, clothing and general merchandise, with some 448 stores in South Africa, other African countries and the Middle East. As Woolworths has grown, evolved and adapted to the changing world, it has always remained true to its core values of quality, style, service, integrity, value, innovation and sustainability—and has continually endeavored to make a difference in the lives of its customers.

In 2007 Woolworths formalized the company's commitment to sustainability with the launch of the Good Business Journey, a comprehensive plan to make a difference in the key areas: sustainable farming and fishing, energy, water, waste, transformation and social development.

Woolworths overarching sustainability strategy and objectives are set by the Sustainability Committee, a formal sub-committee of the Woolworths Holdings Board, which is chaired by a non-executive director and meets quarterly to oversee the progress in achieving all aspects of the Good Business Journey program. Sustainability is therefore one of the strategic focus areas for the business and is integrated into the strategic planning cycle. Each business unit is measured against Good Business Journey objectives twice per annum.

Recognized three times as “International Responsible Retailer of the Year” at the World Retail Awards, and named one of the 16 sustainability champions in the developing world by the World Economic Forum, Woolworths has proven to be integrating sustainability into the way they do business, whilst addressing key social and environmental issues facing the country and the world at large.



The Development of Farming for the Future

As part of Woolworths Good Business Journey, Farming for the Future was adopted in 2009 to address the many agricultural challenges that face South Africa—water quality and scarcity, years of ecosystem degradation, poor quality soils in many areas, food security, climate change, and rising input costs. Accepting that the farming methods used at the time were not sustainable, Woolworths realized they needed to adopt a different approach— one that produces quality food whilst protecting the environment, preserving natural resources, and providing a livelihood for the agricultural community, all without adding cost to the end product. As it is not

feasible to source and sell only organic produce, this would require a new approach to farming, one that uses best practices of all available scientific farming techniques for a specific soil, climate and crop combination.

In essence, Farming for the Future is a holistic farming approach that starts with building and maintaining the soil, because healthy soil is better able to retain water, reducing irrigation and water usage, and soil erosion and loss of top soil are reduced. Healthy soil also requires, fewer chemical interventions, so there is less chemical run-off into water systems, which helps maintain water quality. Using fewer chemicals and pesticides also contributes to maintaining and encouraging biodiversity on farms.

Farming for the Future was developed with the guidance of a technical advisory committee, comprising Woolworths technologists, buyers, top produce suppliers, and Enviroscentific, the scientific experts who assess suppliers' progress against the Farming for the Future standards. The committee helped determine the key areas of priority for farming and packaging/processing:

- **Soil management** (soil chemical composition, soil nutrient status, fertilization practices, soil carbon content, soil cover)
- **Irrigation water management** (calculation of irrigation requirement, measurement of soil moisture, water use efficiency, water chemical composition, water health)
- **Environmental legal requirements** (environmental management, water management, agricultural management, heritage management, property zoning)
- **Biodiversity management** (conservation of endangered species, alien invasive plant management, fire management, game and problem animal management and erosion management)
- **Waste and wastewater management** (general farm waste, agri-industry waste, hazardous waste, process waste water, sewerage waste)
- **Cooling and energy** (measurement of energy use, program to ensure continual improvement, refrigerant used)
- **Pest and plant management** (legal agro- chemical usage, integrated pest and disease management, integrated weed management)
- **Substrate and run-off management** (substrate type, calculation of fertilization requirements, practical implementation of fertilizer program, run-off water management, structure)

Farming for the Future was first adopted by the top 14 suppliers and then extended to other primary produce suppliers over time. Each supplier begins with a baseline audit and in line with Woolworths strategy of continuous improvement, the supplier pass mark for the assessment increases every year. On the first audit, the supplier needs to achieve 50%, second audit 55% and third audit 60%. Effectively, this means that even if a supplier scores the same as he did last year, or even slightly more in a specific aspect, he may still be below the pass mark for the current year.

Unlike the usual tick-box auditing approach, the annual assessment led by Enviroscentific includes on-farm training and the opportunity for suppliers to identify issues and develop solutions. This not only enables continued learning and improvement for suppliers, but also allows for the Farming for the Future model to

adapt and develop to challenges over time. Suppliers are further supported with two formal training sessions each year and access to information on new farming methods.

Farming for the Future has become one of the key Good Business Journey objectives against which the Foods Group performance is measured. Whilst the Farming for the Future Manager directs and oversees the program as a whole, the responsibility for ensuring its adoption and success is shared by management, food technologists, buyers and suppliers. The technology and buying teams communicate directly with their suppliers and are continually working with them to ensure continuous improvement on the farms.

Key Success Factors

Today, 98% of Woolworths local primary produce suppliers (excluding those who exclusively grow organic produce) have adopted Farming for the Future methods and are independently assessed on a regular basis. In 2011, Farming for the Future was extended to horticulture and wine. The program is currently being rolled out to Woolworths Ayrshire dairy suppliers.

The first three years' audits from Woolworths 15 largest fruit and vegetable growers, supplying some 37% of Woolworths fresh produce and using a total area of about 45 000 hectares, showed remarkable results. There was an average 20% reduction in the use of synthetic fertilizers; an average increase of 34% in compost use per kg produce produced; a 3% increase in soil carbon; and water was reduced by 720.9 million m³. Although the country had optimal rains, some of this reduction – which represents a 16% drop in water usage – was a result of optimizing irrigation, cultivating practices, introducing compost and upgrading old systems. Sustainable pest management techniques, such as integrated pest management, has resulted in a substantial initial decrease – in the region of 50% – in the usage of pesticides and herbicides, as well as an increase in biodiversity. There was also an 18% reduction in fossil fuel use; a 32% increase in recycling and a 13% decrease in solid waste material going to landfills. This steered to healthier soil and resulted to less chemical run-off into the freshwater systems.



Farming for the Future was awarded the sustainability business award at the Nedbank Capital Sustainable Business Awards in 2013, and customer research has shown that 54% of Woolworths customers understand Farming for the Future.

The success of Farming for the Future can be attributed to a number of factors. Firstly, the annual assessment is very important to its success, teaching farmers to monitor and measure, and identify where improvement is needed. For example, the audit process can help farmers identify simple water treatment principles such as using environmentally friendly cleaning agents and treating wastewater, which can in turn, lead them to becoming legally compliant and scoring higher in their assessment.

The success is also grounded in the strong partnership based relationship that the retailer has built with their food suppliers over the years, and as farmers have adopted the principles and seen the environmental, social and economic benefits, so they have further driven and supported Farming for the Future.

Woolworths partnership with leading conservation organization, the World Wide Fund for Nature South Africa (WWF-SA) has played an important role. WWF-SA has provided scientific expertise since the development of the program as well as guidance on adapting and up-scaling the program to other food categories.

Key to Farming for the Future's success is that the customer does not pay a premium. The costs of the assessments are absorbed by Woolworths who believe in the value that Farming for the Future provides - ensuring better quality produce, healthier soil and ecosystems upon which Woolworths are dependent to grow and sell food into the future, and differentiating Woolworths as a brand. Whilst there are initial costs for suppliers, their costs have decreased over time, proving that it is economically viable, and a good business opportunity for both suppliers and Woolworths.

Strategic Issues

Farming for the Future addresses a number of strategic issues for a retailer operating in South Africa. Firstly, the program responds to the environmental consequences of irresponsible farming practices used over the past decade. Whilst these methods strip minerals and nutrients from the soil, resulting in more and more fertilizers needed over time, higher input costs for farmers, and lower yields; Farming for the Future has provided a way to produce more, while being less dependent on inputs and preserving quality. In some cases, cutting down on inputs has also led to job creation. For example, after cutting down on herbicides, suppliers have needed to employ workers to help them remove weeds.

Farming for the Future helps build resilient businesses within a water scarce country. By scientifically measuring the water required for the plant and irrigating only if and when required, farmers are seeing a significant water saving. One of Woolworths carrot supplier's assessments show substantial water savings at the same time as increasing tons of carrots delivered to Woolworths. The conservative use of chemicals also reduces possible fresh water contamination.

Farming for the Future helps farmers and communities adapt to climate change and become more resilient to extreme weather patterns. Working closely with soil scientists, the program also helps increase soil carbon absorption abilities.

Through improving soil and ecosystem health, the program is helping to address the issue of food insecurity in the context of a growing population. Farming for the Future helps farmers ensure that they can grow enough food in the future.

Lastly, Farming for the Future enables Woolworths to offer their customers quality produce that has been grown sustainably, at an affordable price. This is strategically important in that it differentiates Woolworths as a brand at a time when consumers are looking for responsibly and ethically sourced products and greater transparency from retailers.



Looking Ahead

Due to the success of Farming for the Future to date, Woolworths is working closely with WWF-SA and Enviroscientific to better understand how to adapt the existing standards to Ayrshire dairy and cattle farms. Woolworths is also in the process of adapting the Farming for the Future standards and assessment process to reduce costs, and thereby be more accommodating and inclusive of secondary produce farmers. This will help further the inclusion and development of emerging small scale farmers through the program.

In conclusion, Farming for the Future is helping to transform the agricultural sector in South Africa by supporting suppliers to grow quality produce using fewer resources, whilst adapting and becoming more resilient to issues like soil depletion, water scarcity, climate change and rising input costs. With increased soil health and biodiversity flourishing on farms again, so Farming for the Future is helping to restore once broken ecosystems, and ensuring food security for generations to come. Farming for the Future is also providing a best case example of retail's role in driving change in the supply chain and providing customers with more responsible and sustainable choices.

Whilst Woolworths has plans in place to further extend Farming for the Future within their own foods business, the most significant opportunity and challenge will be to share this best practice case study with the rest of the country as well as other African countries who face the same agricultural challenges. A first step would be to extend the program to Woolworths Kenyan suppliers.

