

# Sustainable Business Models for “Organic and Beyond”

BY KELLY SMITH

**W**hat if we could predict what the future would likely hold? What would we do today to manage potential risks to our businesses and prepare for change in a proactive way?

That was the premise explored when food co-ops, growers, wholesalers, distributors, and industry groups came together for the Sustainability in the Produce Supply Chain forum hosted by National Cooperative Grocers Association at this year’s Natural Products Expo West.

The forum was facilitated by Bob Doppelt of the University of Oregon Resource Innovations and used scenario-building to address how we can raise the bar in the natural foods industry by looking at sustainable business models that take us to “organic and beyond.”

Forum discussion focused on four “carbon and sustainability constraint” scenarios that are variations of the International Panel on Climate Change (IPCC) scenarios:

1. Globalization (“Wal-martization”)
2. Global Warming: Increased policy regulation and constraint
3. Rising Energy and Input Costs: Resource scarcity, division and breakdown
4. Push Toward Sustainability and Local Focus

Participants reviewed the key characteristics of each scenario and then identified potential impacts that each presented for the natural and organic foods trade. See the accompanying

table (on facing page).

What options exist to prepare for these scenarios? What approaches could we use to maintain production base, supply chains, profitability, market share, etc., if each scenario came true?

It may be surprising to discover that many of the same strategies were identified in all four scenarios. What’s not surprising is that these strategies focused on initiatives that are consonant with co-op values.

- Increase efficiency on all levels. Whether labor, fuel or energy, measure your resource consumption and then document your improvements. Focus on renewables, and push changes back up the supply chain. For example, work with suppliers to implement bio-diesel in delivery trucks.
- Educate customers. Information is power, and co-ops can help raise awareness on issues critical to our mission. Look for innovative ways to educate consumers and connect them to the supply chain (for example, through grower profiles). Involve your distributors in developing an information database.
- Develop a broader voice on public policy. Build political connections. Work locally, regionally, and nationally to lobby for higher standards, proper labeling, and incentives for sustainable practices (for example,

incentives for more domestic organic production or incentives for businesses to reduce waste or to become carbon neutral). Seek out and participate on industry boards.

- Develop local supply. Build relationships with suppliers and make sure to understand their practices. Make commitments to growers to buy products, start farmland trusts, etc. Push for diversification in local production. Promote your connection to and support of community.
- Support sustainability in global markets. Local is important, but so is supporting impoverished global communities. Support products created in a manner consistent with fair trade principles. What else can be done to develop fair labor practices in China, for example?
- Increase collaboration. Look for opportunities to collaborate on issues important to us. Identify projects (e.g., less product packaging, better fuels) and work with trade partners and other retailers to make a measurable difference in our industry.

Co-ops are already doing great work in these areas and we have much to be proud of. The challenge is to identify what more we can do to truly excel and to differentiate ourselves; to individually and collectively incorporate actions into our business plans and change our models to take us “organic and beyond.” ■

## About Scenario Building

Scenario building is based on the view that good strategies are those that play out well in several different futures. The purpose of scenario building is to identify large-scale factors that affect business, to develop strategies for responding effectively, and then to employ those strategies today. Scenario building not only provides insurance against potential risk, it results in business models that recognize and respond to change.

SCENARIO	KEY CHARACTERISTICS	POTENTIAL IMPACTS
<b>Globalization</b> (“Wal-martization”)	<ul style="list-style-type: none"> <li>• Buyouts and industry consolidation</li> <li>• Shifting production to low-cost labor countries</li> <li>• Downward pressure on margins</li> <li>• De-emphasis on government, reliance on market-based solutions</li> <li>• Increasing global inequality and poverty</li> <li>• Fewer water resources</li> <li>• Loss of farmland, fewer farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Fewer wholesalers</li> <li>• Co-ops compete for supply against larger retailers</li> <li>• More organic acreage in production</li> <li>• Less diversity in product offerings</li> <li>• Increased efficiency forced in entire supply chain</li> <li>• Loss of consumer confidence in organic standards, dilution of standards, loss of organic culture</li> <li>• Production vulnerability from genetically engineered (GE) crops, increasing proliferation of GE foods</li> <li>• Lower standard of living</li> <li>• Decimation of rural economies</li> <li>• New labels emerge—organic and beyond, domestic fair trade</li> <li>• Retailers seek ways to differentiate: niche marketing</li> <li>• Potential regulatory/anti-trust backlash</li> </ul>
<b>Global Warming: Increased Policy Regulation and Constraint</b>	<ul style="list-style-type: none"> <li>• Increased climatic variability—more surprise droughts, windstorms, heat waves, rain</li> <li>• Increased storm-related events</li> <li>• Fewer water resources</li> <li>• Increased regulation of greenhouse gas emissions</li> <li>• Increased migration</li> <li>• Supply chain disruption</li> <li>• Up to 20% reduction in Global GDP by 2050</li> </ul>	<ul style="list-style-type: none"> <li>• Higher overall costs, but costs for organic farmers rise at slower rate.</li> <li>• More conventional farmers transition to organic production</li> <li>• Level playing fields for conventional and organic growers/sellers</li> <li>• Natural/organic trade loses differentiation</li> <li>• Job loss</li> <li>• Increased focus on food safety issues by regulators</li> <li>• Diluted organic standard</li> <li>• More focus on local production</li> <li>• Increased crop diversification by region</li> </ul>
<b>Rising Energy and Input Costs: Resource Scarcity, Division and Breakdown</b>	<ul style="list-style-type: none"> <li>• Volatility and rising cost in fossil fuel energy</li> <li>• Transportation issues, possible disruptions in supply</li> <li>• Increased prices of inputs derived from oil (plastics, wax, etc)</li> <li>• Countries assume defensive posture, difficult to move people/products outside country/region</li> <li>• Peak oil: running out of cheap oil</li> </ul>	<ul style="list-style-type: none"> <li>• Hyper-local view</li> <li>• Shift in production and distribution to local</li> <li>• Focus on crop diversification by region</li> <li>• Water scarcity</li> <li>• Innovation increased, new technologies emerge</li> <li>• Increased family and community reliance, back to our beginnings</li> <li>• Risk from growing large volumes in central location is high</li> <li>• Migration of farmers</li> <li>• Meat production down</li> <li>• Competition for crops (food vs. fuel), especially corn</li> </ul>
<b>Push Toward Sustainability and Local Focus</b>	<ul style="list-style-type: none"> <li>• Problems of climate change, peak oil, globalization</li> <li>• Each region, state and community pursues diverse development strategies by building on unique cultural, ecological and institutional attributes</li> <li>• Green technologies deployed</li> <li>• Renewable energy, fuel produced regionally</li> <li>• Governments enact carbon taxes that severely limit the use of fossil fuels</li> <li>• Consumers demand goods and services produced regionally, with practices that are “organic and beyond”</li> <li>• Consumers shift towards more regional consumption and less material-intensive lifestyles</li> </ul>	<ul style="list-style-type: none"> <li>• Increased push toward local</li> <li>• Proactive transition, no crisis</li> <li>• Reduced poverty</li> <li>• Increase in labels of organic and beyond</li> <li>• Change in business model to focus on more diversification</li> <li>• Innovation increases (i.e. green houses)</li> <li>• Changes in distribution and packaging</li> <li>• Food costs go up to reflect true costs</li> <li>• Eco-companies become leaders</li> <li>• Balancing growth needs with simplification</li> <li>• Increase in policy/business involvement at local/regional level</li> </ul>