State of Play Regarding Corporate Water Stewardship in Agricultural Supply Chains

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Materiality of Water Risk

• Many business risks and impacts associated with supply chain water challenges
• Companies with agricultural supply chains face elevated water risks
  – For such companies, ag component this is largest part of water footprint
• To fully manage the issues, companies need to evaluate and understand how water challenges affect suppliers
Ground Water Depletion

Note: 1000 on the legend is equal to one cubic kilometer of depletion per year.

Source: Wada et al. 2010
Corn

- Ceres report on water risk in corn supply chain
- 87% of irrigated U.S. corn and 27% of rainfed corn is grown in regions of high or extremely high water stress
- 60 corn ethanol refineries with $8.8 bn in annual ethanol production capacity source corn from watersheds with high local Nitrogen pollution due to agriculture

Source: Ceres Water & Climate Risks Facing U.S. Corn Production
Cotton

• Cotton growing regions hit by drought
• 2011 drought reduced Texas production by 60%
• Demand is rising and prices are increasing
• Cotton production in Australia at 50% due to ongoing drought
Company Survey on Water Stewardship in the Supply Chain

• 14 respondents, mostly CEO Water Mandate endorsers
• 6 (43%) of the respondents representing the food and beverage sector.
Engaging suppliers

• Over 70% of company respondents engaging suppliers on sustainability
• Water ranks second among areas companies consider when engaging suppliers. It ranks first among food and beverage companies.
Pressures motivating supplier engagement on water management

- Consumer pressure
- Investor pressure
- Global reputation / Branding
- Social licence to operate
- Potential regulatory...
- Operational efficiency
- Water supply and ability for...
- Water supply and ability for...

Chart showing the percentage of companies from Food and Beverage and All companies affected by these pressures.

Source: United Nations Global Compact
What measures does your company use to track and assess supplier performance/progress on water management issues?

- Number of suppliers reporting data
- Quantified goals to reduce use / recycle water within supply...
- Reduction targets that are differentiated by the level of...
- Wastewater treatment goals within supply chains
- Our company does not assess progress on water...
- Other

Food and Beverage
All companies
Techniques for engaging suppliers on water management

- Third-party audits or evaluations
- Collaboration with industry associations or peer consortia
- Capacity-building and training for suppliers
- Sustainability scorecards
- Supplier codes of conduct or accountability standards
- Water assessment methodologies

Food and Beverage
All Companies

United Nations Global Compact
PACIFIC INSTITUTE
Top factors impeding suppliers’ ability to improve water management

1. Lack technical capacity to understand how to address water challenges
2. Low cost of water does not deter inefficiencies
3. Lack of regulatory oversight on wastewater discharge / water pollution
4. Lack of leverage to motivate action - suppliers can source contracts from other companies
What would best facilitate improving water management in your supply chain?

- Operational guidance on how to meaningfully engage suppliers
- Collaborative supply chain engagement among industry sector partners
- A mechanism to better collect and store supplier water data
- Examples of good practice in supply chain management on water
- A clear articulation of the business case of improving water-related practices among suppliers

Food and Beverage

All companies
Case for Collective Action

• Growers often supply multiple companies
• Companies may need to draw on expertise of local partners
• Water Action Hub Sustainable Agriculture Portal being built to facilitate collective action in supply chains (more later...)