BUILDING CONSUMER TRUST AND CONFIDENCE IN TODAY'S MODERN AUSTRALIAN FOOD SYSTEMS

Greg Mills and Charlie Arnot *Australia Centre for Food Integrity*

The Australian agricultural and food system is under increasing pressure. In addition to the traditional challenges of animal health, environmental sustainability, productivity and profitability there are growing questions about our production systems and practices. Activist groups opposed to contemporary production practices are pursuing prosecutions, pressuring customers and calling for new regulations to change the way agriculture operates. Customers and consumers are asking questions about animal welfare, sustainability, pre-harvest food safety, nutrition and other issues. We need to re-define today's food system to build consumer trust. The foundation for sustained trust and support will be built on our ability to demonstrate that today's practices are ethically grounded, scientifically verified and economically viable.

The changing structures of food supply, the increasing influence of global brands, the sophistication and influence of activist groups and the explosion of social networking and new media create a new environment that requires those involved in food production to explore new ways to build consumer trust and protect our freedom to operate. We need to demonstrate to the rational majority that even though the size and scale of modern farms has changed, the commitment across the food system to do what's right has never been stronger.

OUR CHANGING STRUCTURE

The changes in agriculture over the past 100 years have been remarkable. Today we employ technology our grandparents never dreamed of. Our adoption of technology and the related increase in efficiency and productivity has resulted in fewer people being involved in food production. In 1901, 518,000 people or 14% of the Australian population was involved in farming. This has reduced to 0.6% in 2011.

In 2011, there were 157,000 farmers in Australia. Around half of these were mixed crop and livestock farmers (22%), beef cattle farmers (20%) or dairy farmers (8%). There were 19,700 fewer farmers in Australia in 2011 than in 2006, a fall of 11% over five years. Over the 30 years to 2011, the number of farmers declined by 106,200 (40%), equating to an average of 294 fewer farmers every month over that period.[1]

Until the late 20th century, we produced food using the agrarian model. We had a large number of producers selling commodities to local buyers who would aggregate loads and take them to a processor or packer who would then sell to a regional or local brand. In this model it was very difficult to send an efficient market signal from the regional or local brand all the way back to the producer. In the agrarian model, if a non-governmental organization (NGO) or activist group wanted to change the behavior of a producer, the only way to do so was through legislation or regulation. NGOs could not apply pressure to the local or regional brand and expect change at the point of production.

But today, we no longer operate in the disintegrated agrarian model. Today we operate in an industrial model where the adoption of technology, consolidation and integration have dramatically changed how the food system operates and how it is perceived by consumers.

The transition to the industrial model brought with it improved food safety, increased product variety, improved consistency and a reliable and affordable source of nutritious food for consumers. Unfortunately, it also means fewer people being connected to the food system and reduced understanding and appreciation for how food is produced. The result has been diminished consumer trust and confidence in today's animal agriculture and a corresponding increase in consumer concern and activist pressure.

[1] 4102.0 - Australian Social Trends, Dec 2012

BRANDS AS AGENTS OF SOCIAL CHANGE

In the industrial model of food production, the link between NGOs, global brands and food production is short and direct. NGOs like Animals Australia and Voiceless are now embracing market based campaigns as well as legislation and litigation to achieve their objectives.

Kert Davies, director of research for Greenpeace, is quoted as saying that discovering brands was like discovering gunpowder, and that Greenpeace attacks the weakest link in a brand's supply chain. If specific practices in the foodsystem are perceived to be a threat to sustainability or environmental integrity, the industry should expect groups like Greenpeace to exert market pressure as well as legislation or litigation to change those practices believed to threaten environmental sustainability.

Animal rights activists are increasing their activity with a corresponding increase in interest in animal law. More than 90 colleges and universities in the U.S. now offer courses in animal law compared to only a handful a decade ago. USA Today compared the growing interest in animal law to the explosion in environmental law in the 1970s.

The only experience most Australians have with animals is with pets. Animals Australia and other groups are exploiting the anthropomorphism and agricultural alienation in our affluent society to promote their agenda. At times that includes pressuring branded food companies, and the companies are listening.

Global food companies have invested millions of dollars in building and defending their brand and they can ill afford to have the practices of their supply chain put the brand at risk. It is no more the job of McDonald's or Woolworths to defend agriculture than it is of agriculture to defend those who supply their industry inputs. However, agriculture can and should engage the entire supply chain in efforts to build consumer trust. That is a goal shared by everyone in the chain.

Companies who sell products derived from farming have a vested interest in a consistent, safe and affordable supply. Those in agriculture can help secure the support of customers by working to build consumer trust and understanding of contemporary production systems. Research indicates consumers want to continue to consume food such as meat, milk and eggs; they also want permission to believe the products are produced in a responsible, humane manner.

Market leaders like McDonald's and Walmart are fully aware of the relationship between NGOs, brands and the supply chain and they work to manage the risk to their brand and their customers.

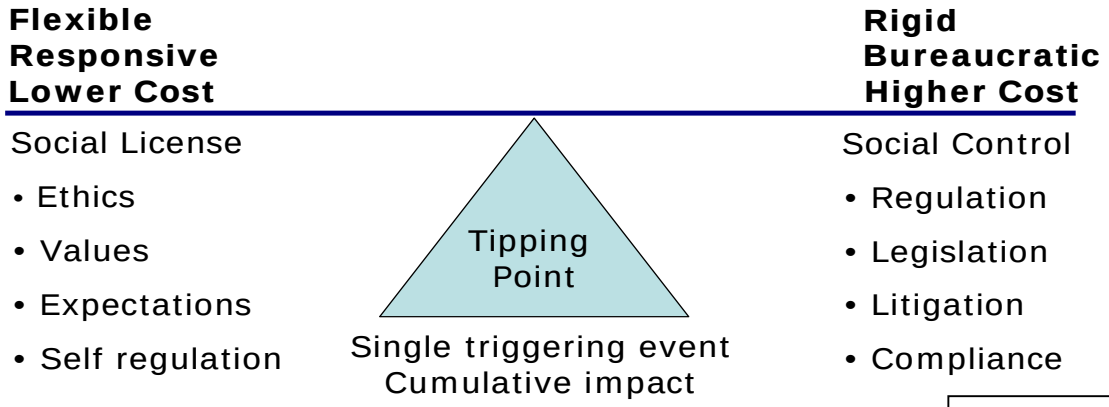
Agriculture can build customer support by increasing consumer trust and confidence and ensuring contemporary practices are consistent with the values and expectations of stakeholders.

THE SOCIAL LICENSE TO OPERATE

Every organization, no matter how large or small, operates with some level of social license. A social license (illustrated below) is the privilege of operating with minimal government regulation based on maintaining public trust by doing what's right. You are granted a social license when you operate in a way that is consistent with the ethics, values and expectations of your stakeholders. Your stakeholders include customers, employees, the local community, regulators, legislators and the media.

Once lost, either through a single event or a series of events that reduce or eliminate public trust, social license is replaced with social control. Social control is regulation, legislation or litigation designed to compel you to perform to the expectations of your stakeholders. Operating with a social license is flexible and low cost. Operating with a high degree of social control increases costs, reduces operational flexibility and increases bureaucratic compliance.

The Social License To Operate



Source: CMA Consulting, LLC

Stakeholders relied on the industry to operate in a way that maintained public trust and in return the public was willing to grant agriculture a broad social license. Events such as undercover video of live cattle exports was the tipping point that compelled the Australian Government to replace the social license of the live export industry with much greater compliance, extensive reporting and verification.

The same principles apply across agriculture and environmental management. The social license once enjoyed by livestock producers to manage manure has been replaced with a costly system of permitting and compliance. Once public trust is violated, the tipping point is crossed and high cost, bureaucratic regulation replaces flexible, lower cost social license. Once social control is in place it can be modified, but social license is never fully recovered.

The question then becomes, what can be done to maintain public trust that grants the social license and protects freedom to operate?

A NEW MODEL FOR BUILDING TRUST

In 2006, CMA commissioned a meta-analysis of all the available research on the question of trust in the food system. Through that analysis done in partnership with Dr. Stephen Sapp, Department of Sociology, Iowa State University, CMA was able to determine three primary elements that drive trust in the food system. Those three elements are confidence, competence and influential others (model shown below).

Confidence is related to perceived shared values and ethics and a belief that an individual or group will do the right thing. Competence is about skills, ability and technical capacity. Influential others includes family and friends as well as respected, credentialed individuals like doctors and veterinarians.

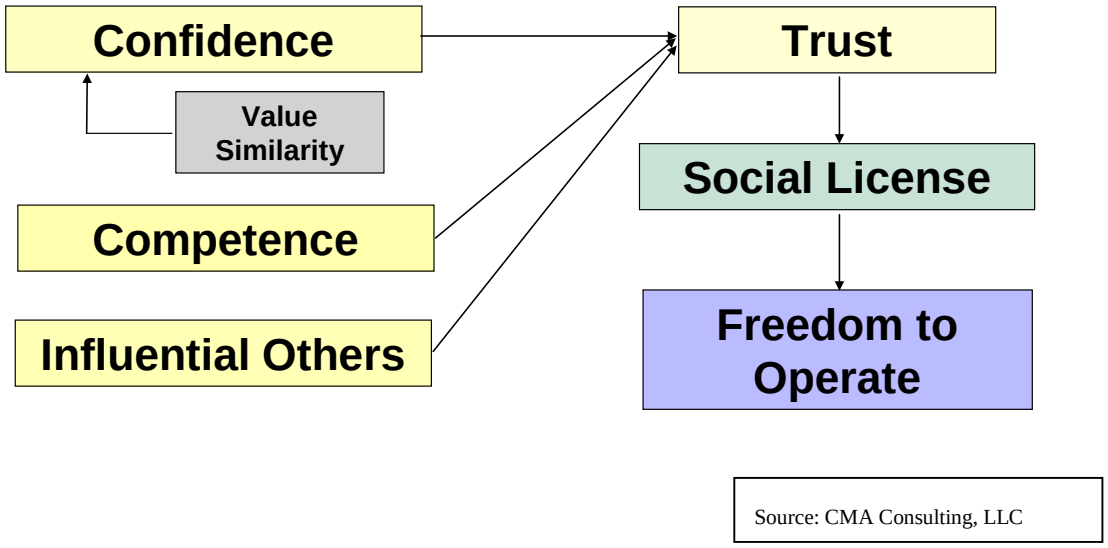
In late 2007, CMA launched an America wide consumer survey on behalf of The Center for Food Integrity to determine the role that confidence, competence and influential others play in creating and maintaining trust. We specifically asked consumers to rate their level of confidence, competence and trust in various groups of influential others in the food system. CMA asked questions related to food safety, environmental protection, nutrition, animal well-being and worker care.

The results of the survey were consistent and conclusive. On every single issue, confidence, or shared values, was three to five times more important than competence for consumers in determining who they will trust in the food system. That research has now been peer reviewed and was published in December, 2009 in *The Journal of Rural Sociology*[2].

These results should serve as a call to action for agriculture and the entire food supply system. No longer is it sufficient to rely solely on science or to attack our attackers as a means of protecting self-interest. This new environment requires new ways of engaging and new methods of communicating if we want to build trust, earn and maintain social license and protect our freedom to operate.

A Model to Build Trust, Earn Social License and Protect Freedom to Operate

(Sapp/CMA)



NEW MODELS FOR BUILDING TRUST

The food system has an incredible challenge and opportunity ahead. By mid-century we have to more than double food production to meet the needs of more than 9 billion people. We have to produce more food by the end of this century than we've produced in the last 10,000 years combined. To meet that challenge we have to embrace new models of public engagement that build and maintain public trust and our social license to operate.

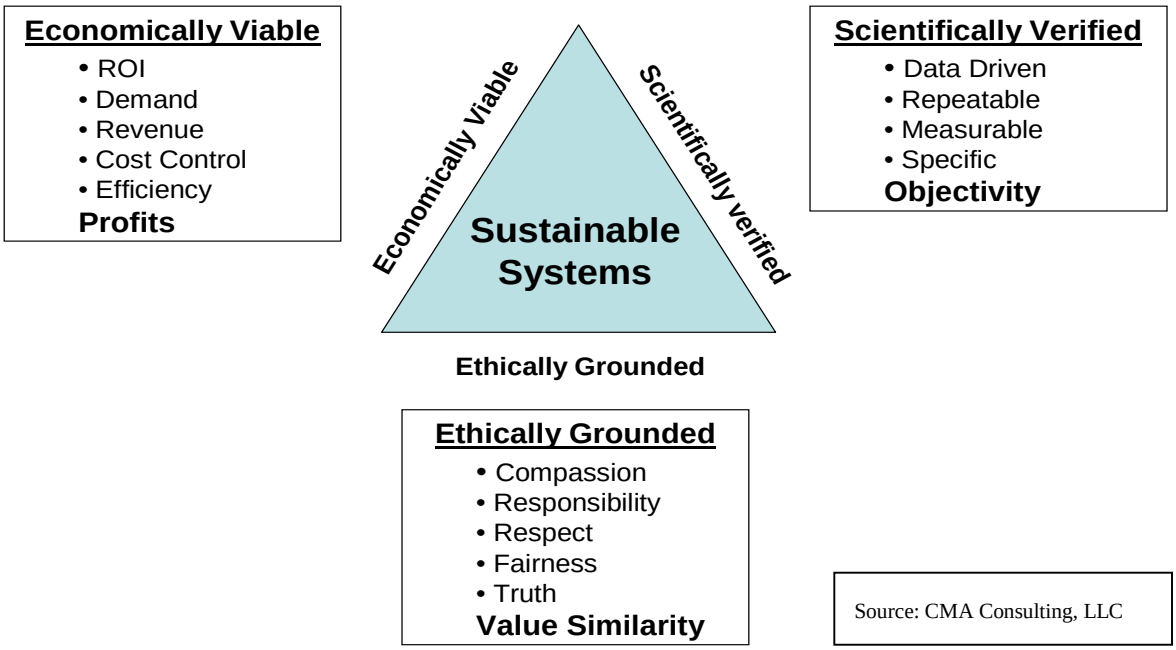
While many people look towards 2050, it is a generally accepted that the number of people needing food relief in Australia is already reaching 2 million. Foodbank NSW (End Hunger Report 2013) agencies report assisting more than 80,000 people with food relief each month of which 24% are children. Almost 11,000 people seeking food relief each month are unable to be assisted with 40% of these being children. This represents an 8% increase in the number of people seeking food relief from the previous year. Of those assisted, 73% do not receive all they require and 83% more food is needed

[2] Consumer Trust in the U.S. Food System: An Examination of the Recreancy Theorem. Stephen G. Sapp, Charlie Arnot, James Fallon, Terry Fleck, David Soorholtz, Matt Sutton-Vermeulen & Jannette J.H. Wilson. *Rural Sociology* Volume 74, Issue 4, Pages 525–545, December 2009

by agencies to meet demand. Nearly two-thirds of agencies faced an increase in demand and a fifth of agencies faced increases of over 15%.

We need consumers to understand that while our systems have changed and our use of technology has increased, our commitment to doing what's right has never been stronger. We need to be able to verify our claims with objective science and we have to be able to continue to operate profitably if we want to survive. We need to adopt systems and practices that are ethically grounded, scientifically verified and economically viable. (Model below)

Balancing for Success



It is only by achieving and maintaining this balance that we can create systems that are truly sustainable. Each side of the sustainability triangle has stakeholders focused on maintaining the strength of that side, even at the expense of maintaining balance. There may be times when stakeholders have to look beyond short term self-interest to foster sustainability.

If food system practices are not ethically grounded they will not achieve broad-based societal acceptance and support. If they are not scientifically verified there is no way to evaluate and validate the claims of sustainability, and if they are not economically viable they cannot be commercially sustained. For a system to be truly sustainable, it has to be ethically grounded, scientifically verified and economically viable. This model encourages stakeholders to look for balance in an effort to find true sustainability.

There is likely to be some tension inherent among stakeholders who place greater value on a single side of the sustainability triangle.

ETHICALLY GROUNDED

Those who focus on ethics want food system practices that are consistent with the shared values of compassion, responsibility, respect, fairness and truth. They want to ensure that our increasingly sophisticated and technologically advanced food system doesn't put profits ahead of ethical principles and that science is not used as moral justification. When this side of the triangle is out of balance, critics claim there is no scientific basis for the claims being made and that the ethical demands will jeopardize the economic viability of the system.

SCIENTIFICALLY VERIFIED

Those with a primary interest in scientific verification are data driven. They want specific, measurable, and repeatable observations to provide the basis for their objective decisions. They believe science can provide the insight and guidance necessary to make reasonable determinations about how food systems should be managed. When this side of the triangle is out of balance, critics claim the organization is relying on science while ignoring ethical considerations and that research may be done and recommendations made without consideration of the economic impact.

ECONOMICALLY VIABLE

Those responsible for the "bottom line" are focused on profitability. They work every day to respond to demand, control costs and increase efficiency to maximize the return on investment. They have to manage the increasingly complex demands of competing in a global marketplace with volatile commodity markets and ruthless competition. When this side of the triangle is out of balance, critics claim profits outweigh ethical principles and that business decisions are made without the benefit of scientific verification, placing those decisions at risk when questioned by those who value validation.

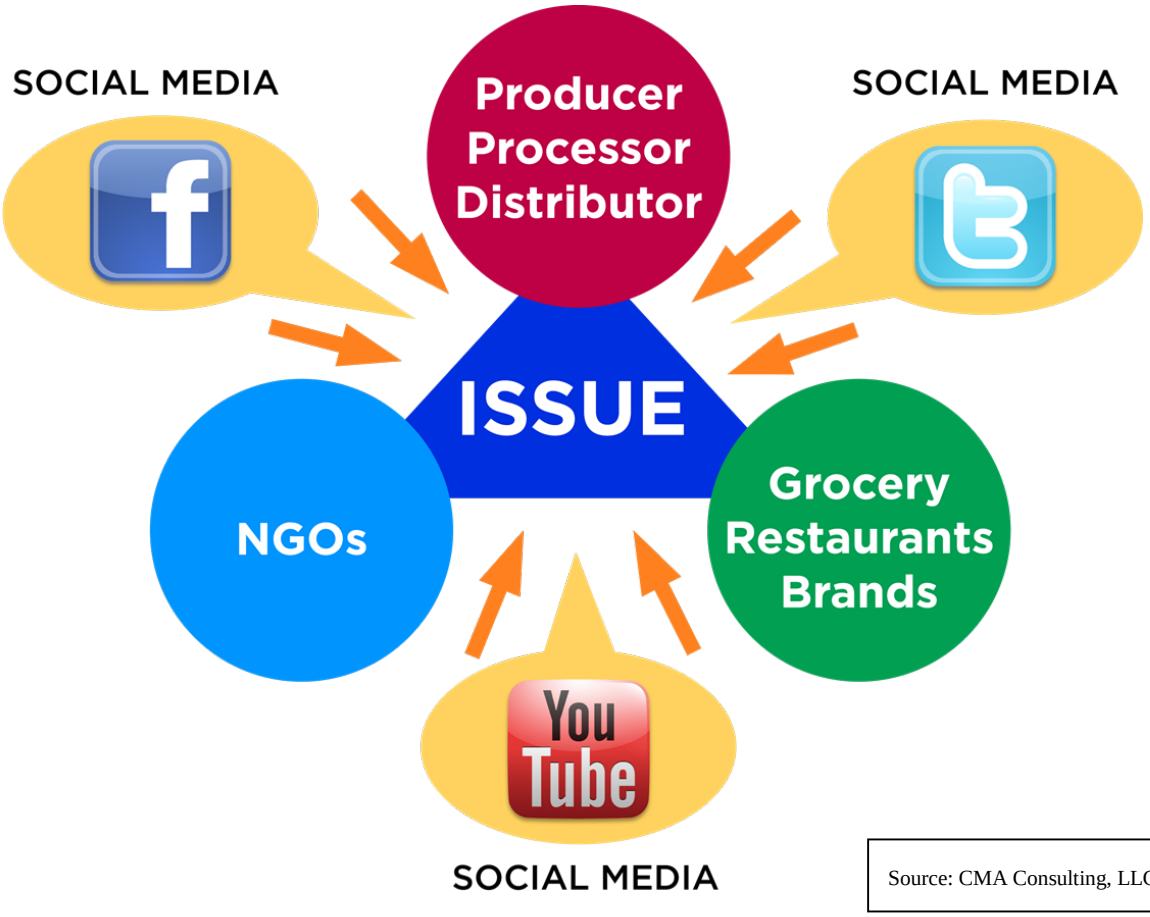
If we can't operate a system that maintains a balance of practices that are ethically grounded, scientifically verified and economically viable, it will collapse. That collapse may subject producers, processors, restaurants or retailers to undue pressure that includes consumer protests or boycotts, unfavorable shareholder resolutions, uninformed supply chain mandates, regulation, legislation, litigation or bankruptcy.

Maintaining balance is never easy. Success demands an increased level of communication and engagement and willingness to look for solutions that are ethically grounded, scientifically verified and economically viable for each segment of the food system. Only by working with stakeholders across the food chain can we maintain the integrity of the sustainable system.

TRANSPARENCY IS NO LONGER OPTIONAL

Today, anyone with a cell phone is a cinematographer. Research in the United States over the past four years clearly indicates that consumers increasingly go online to look for information to answer their questions about food. The power of social media to change the food system became clear in 2012 when concern over Lean Finely Textured Beef (LFTB) by a mommy blogger in Houston created an online firestorm that drove leading branded food companies, restaurants and grocery chains to eliminate a product that was supported by science.

In today's age of unbridled social media food system stakeholders have to develop new models for authentic engagement. Growing skepticism about food safety and the use of technology fuel online communities that are raising issues and making their voices heard with increasing volume and frequency. In this dynamic new environment (illustrated below) producers, processors and distributors are inextricably linked to their customers and NGOs interested in food issues. The question for food companies is no longer "*will you be transparent,"* but rather, *"how will you protect your social license in an age of radical transparency?"*



Source: CMA Consulting, LLC

CONCLUSION – IT'S ABOUT TRUST

As we increase both the distance most consumers have from the farm and the level of technology we implement in food production we have to dramatically improve our ability and commitment to build trust with our customers and consumers. This will require a new way of thinking, a new way of operating and a new way of communicating. Albert Einstein is quoted as saying, "We cannot solve problems using the same thinking we used when we created them." The old model of relying solely on science and attacking our critics is not sufficient to protect our freedom to operate in today's environment.

Building trust requires an increase in early stakeholder engagement, transparency, professionalism, assessment and verification at all levels of the production and processing system. We have to give customers, policy makers, community leaders and consumers permission to believe that our contemporary food system is consistent with their values and expectations. If we fail we will continue to see pressure to revoke our social license to operate and replace it with greater social control of our production practices, our environmental practices, and our use of technology.

To be successful we have to build and communicate an ethical foundation for our activity and engage in value based communication if we want to build the trust that protects our freedom to operate. We need to demonstrate our commitment to practices that are ethically grounded, scientifically verified and economically viable.