

Case Study

McDonald's: Designing Standards

As corporate supply chains grow ever more vast and global, smart business strategists must equip themselves to anticipate and manage an array of environmental and social impacts, dilemmas and trade-offs outside the company's direct footprint.

Unchaining Value, a report by SustainAbility, the UN Environment Programme, and the UN Global Compact, explores a variety of best practices, drawn from different sectors.

The report illustrates how multinationals like IKEA, Unilever and Hewlett-Packard are working with suppliers towards a shared understanding of the role of sustainability in supply chain management and the mutual value to be achieved.

Included in the report are several case studies that illustrate a range of benefits that companies – and their supply chain partners – can realise from a collaborative, proactive and sustainability-minded approach to management across the chain, such as improved engagement & communication, capacity building, efficiency improvement, resilience, and risk avoidance.



Case study McDonald's

Project The McDonald's Agricultural Assurance Program

Illustration How to help suppliers to meet standards

McDonald's buys most of its agricultural products on the spot market, other than potatoes and chicken, which it buys from contract processors. So to influence agricultural practices in its supply chain, McDonald's focuses on providing long-term technical assistance to its direct processors and convenes supplier working groups. In turn, these first-tier suppliers communicate good practices to growers further down the chain.

To demonstrate to its suppliers what it considers best practice in food safety and quality, traceability and ethically acceptable agricultural practices in its supply chain, McDonald's Europe has established a set of voluntary minimum agricultural standards known as the McDonald's Agricultural Assurance Program (MAAP). In order to allow suppliers to build on existing work, the MAAP standards are benchmarked against over 100 European farm assurance schemes.

The MAAP standards have two levels – 'best practice' and 'aspirational' – which are annually reviewed and updated, allowing McDonald's to set continually rising standards while giving its suppliers time to make improvements.

One of the more widely used European farm assurance schemes is EurepGAP (now GlobalGAP), developed in the late 1990s by a group of European food retailers. It is a relatively complicated scheme and can be difficult to achieve for small farmers, but achieving it has become a requirement for entry to European retail supermarket supply chains. Beginning in 2002, McDonald's worked with one of its European potato processors, Farm Frites Poland (FFP), to establish a simplified version of EurepGAP known as FARMAAP. FFP's four dozen small family farmers were required to comply with the requirements. In turn FFP made financing and consulting services available and conducted audits. As of 2007, all FFP growers had reached FARMAAP requirements, while 14 had achieved EurepGAP certification. FFP is seeking to achieve EurepGAP certification for all of its growers.

Insights:

- Clear standards enable continuous improvement.
- Technical and financial support is essential to support small scale suppliers to meet sustainability standards.
- There needs to be a trickle down effect of standards and support.
- Suppliers enjoy enhanced security of contract and a right to access to new markets.