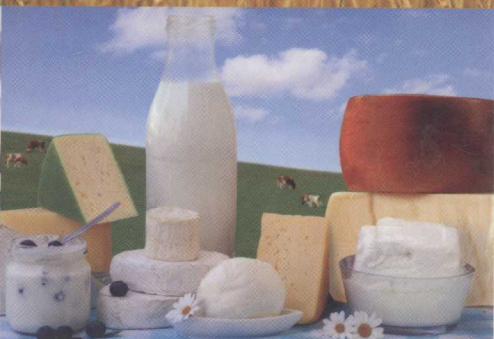


The **Future** of **Food Business**

The **FACTS** → The **IMPACTS** → The **ACTS**



Marcos Fava Neves

The Future of Food Business

The **FACTS** → The **IMPACTS** → The **ACTS**



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藏书章

Marcos Fava Neves

University of Sao Paulo, Brazil

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The Facts, The Impacts and The Acts

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FOREWORD

When we consider the future of food, there are certainly more questions than answers because the subject of food is both complex and controversial. Discussions about food — including the social, economic and environmental impacts — seem to be happening everywhere today, from the classrooms of the most elite academic institutions to developing countries where people are rioting due to a lack of food security.

Many pertinent questions, demanding responses, are weighing on the food industry and the world.

- How will we meet the food demand of our growing population?
- What are the "best practices" for agriculture and food production?
- How do we increase the nutritional value of calories consumed to achieve a higher quality of life for people belonging to different socioeconomic strata?

It is important to note that the answers to the questions that challenge the food industry — from the laboratory to the supermarket — cannot be viewed from a single perspective. Bearing this in mind, there are different platforms which can have a real and positive impact on the future of food. Some of these are:

- Creative partnerships through which organizations combine resources of infrastructure and human capital to make exponential impacts

- Innovation frameworks based on openness, transparency and viewed from a global perspective
- Global knowledge sharing models which transfer best practices in a locally-relevant manner

I commend Marcos for boldly addressing 'The Future of the Food Business' and for the spirit of collaboration with which he approached this project.

The future is hopeful. We are living in a time when the world is more connected as never before. Innovations and scientific discoveries around the world are continuously offering new solutions to "fill the gap" of the world's demand for food. As a society, we need to have a strong sense of clarity as to "what" we must accomplish in this regard. Our responsibility, as we move forward, is to work on "how" this needs to be done.

We at Novus, in pursuit of our Vision "to help feed the world wholesome and affordable food", commit ourselves to Marcos's challenge everyday and we hope that after reading this book you will join us in doing so.

Thad Simons
President and CEO
Novus International, Inc.

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Part 1

THE FOOD PRODUCTION CHAINS ENVIRONMENT

.....

Chapter 1

FROM FARMS TO ... EVERYTHING¹

This chapter provides insights into what is happening with our farms and farmers. From a traditional perspective, technology and other advancements made farms a multi-product and service supplier. I can immediately think of 13 industries whose products come from farms and we are not aware of it.

From Farm to Food and Beverages (1): this is a well known function of a farm — produce food, including grains, fruits, eggs, vegetables, juices, milk, beef, fibers and others for a growing and a richer population that demands quantity, quality, procedures, conservation, environment, animal welfare and others.

From Farm to Feed (2): a traditional industry benefiting from farms — supplies food for growth and development of animals, involving nutrition of large-sized animals, for pets etc. Part of the money spent in pet shops goes to farms.

From Farm to Fuel (3): several countries initiated biofuels blending programs, which means fuel coming from a farm using corn, wheat, sugar beet, grasses, residues and sources like sugar cane that have been used for a long time. When someone fills up the fuel tank in New York, part of the money (10%) spent on it is directed to farms, since 10% of the fuel is corn ethanol added to gasoline.

From Farm to Pharma-Medicine (4): a growing segment called "nutra-ceuticals" which means blending food together with medicine. Products with nutrients like juice with calcium,

¹ Published in *China Daily*, 13/01/2011, page 9.

lycopene, vitamins, proteins, omegas, and several other merged products are used to produce "nutra-ceuticals".

From Farm to Pharma-Cosmetics (5): a growing segment called "nutri-cosmetics" i.e. products that contain nutrients that enhance beauty, skin, tanning, and other characteristics desired by consumers are used to produce "nutri-cosmetics".

From Farm to Electricity (6): several farm products are used as renewable sources of electricity, for e.g., burning the farm products, e.g. sugarcane, in boilers and generating heat that is transformed into electricity, and sold.

From Farm to Plastics (7): several companies are now planning to substitute plastic originating from oil with renewable plastic coming from green and farm materials. Coca Cola recently launched its plant-based bottle that is manufactured from cane.

From Farm to Environment (8): farms play an important role in global warming, afforestation, reviving creeks surroundings, rivers, and carbon credit markets.

From Farm to Entertainment/tourism (9): for the past few years, farms have been extensively promoted as places to spend weekends, celebrate festivals and family events, and for educational purposes where in kids from schools visit farms and learn new things.

From Farm to Textiles and Clothing Industry (10): natural fibers used to produce textiles and clothes originate from cotton farms. Natural fibers are also used to produce hats.

From Farm to Shoe and Leather Industry (11): leather comes from cattle and other animals, which are raised and taken care of in farms.

From Farm to Construction and Furniture (12): majority of wood used to build walls, roofs and to make furniture comes from pinus, eucalyptus, compensated woods and other sources.

From Farm to Paper (13): paper is manufactured from processed farmed wood pulp. We should be thankful to farmers as we use papers and pencils in our everyday life.



Figure 1: 13 Points — From Farms To ... Everything

Source: Author.

I have summarized at least 13 industries whose products comes from farmers and consequently benefit from existence of farmers. Surprising!!!!

So let us respect our farmers. Their presence can be felt in our day-to-day lives more than what we can imagine.

Chapter 2

NAVIGATING THE GLOBAL
FOOD SYSTEM²

In June 2010, the 20th Conference of the International Food and Agribusiness Management Association (IFAMA, www.ifama.org) was held in the beautiful city of Boston. Around 300 food and agribusiness experts and managers came together to discuss about the global food system in the new era. Established in 1990, IFAMA serves as a forum for discussion of the future of food and agribusiness and hosts an annual event in this regard. Companies like Sysco, Coca-Cola, Los Grobo, Novus, British Foods, Fonterra, Alltech, Cofco, Rabobank and GlobalGap participated in the 2010 Conference.

One of the most important topics discussed was the macro-environmental trend of increase in food consumption. Asia is creating a huge middle-class income population, with the possibility of almost one billion people moving towards the middle class. All the forecasts made ten years ago in terms of production, exports and imports for China/Asia were incomplete, and some of these were very inaccurate. Soybean imports today are much more than what was projected for 2030. When asked, a COFCO/China executive and presenter did not wish to give projection even for 2020. Rabobank predicts a 109% growth in food consumption ten years from now. Today, if China intends to be self sufficient in producing soybeans, over 35 million new

² Published in *China Daily*, 25/06/2010, page 9.

hectares should be dedicated to raise the crop. But the country does face shortage of land in this regard. Importing soybeans into China also requires importing fresh water. Overexploitation of water resources is already creating problems in China and India. Half of the world's population is located in less than a third of the arable land, and this means an increased trading of food in the future. We will need bigger ships, bigger ports and more efficient logistics and transport systems.

The dilemma of having to use the same land to produce food, fiber, feed and fuel was also discussed. In a global perspective, about 10% of grains in the world is used to produce fuel (biodiesel), 35% of the USA's corn to produce ethanol and 50% of Brazilian sugarcane to produce fuel.

The good news is that agriculture is capable of coping with different trends in food consumption and biofuels. In the past 40 years, food production has doubled and may continue to increase, since farming is going global with faster land deals in countries that are cost-efficient. For a Singapore-based company like Olam and for other similar sourcing and trading companies based elsewhere in the world, supply chain arbitrage to produce cheaper and better products is the way forward. Therefore, they make huge investments on the supply side in several countries. The case of CHS (a large cooperative in the US), which serves as a lesson to other cooperatives, was also discussed. CHS does not produce in US anymore and produces in Brazil instead. It is looking at expanding its production in the next 10 years and looking for land in different parts of the world. Farmers and cooperatives will go global and South America (well ahead of Africa) will be next food frontier to be conquered, although it lacks investment in logistics.

The definition of agribusiness in 1955 was quite simple, since in the past, most societies were mostly dedicated to agriculture.