BUSINESS ACTION Pepsico

PepsiCo's Chief

Vice President JIM ANDREW talks

to Brunswick's

BRENDAN RILEY

about the com-

pany's actions

to regenerative

agriculture.

and LUCY PARKER

and commitments

Sustainability Offi-

cer and Executive

N 2021, PEPSICO ANNOUNCED A POSITIVE AGRIculture ambition: to bring regenerative farming practices to 7 million acres of land by 2030, an area roughly equal to the company's entire agricultural footprint. The move was a response to the climate and biodiversity pressures affecting the food industry—not just to eliminate the industry's contribution to those crises but to reverse direction, making agriculture a sustainable contributor toward a climate solution.

"As one of the world's leading food and beverage companies, a resilient food system is essential to our business, and with our scale we have an opportunity and responsibility to drive meaningful change," CEO Ramon Laguarta said in the announcement.



The commitment is part of the company's larger PepsiCo Positive or pep+ strategy, which intends to make all aspects of its business sustainable.

Brunswick's Lucy Parker and Brendan Riley spoke with PepsiCo Chief Sustainability Officer and Executive Vice President Jim Andrew, and he elaborated on the commitments to agriculture in the company's value chain and a path forward not just for his company, but for the entire industry.

Let's start at the beginning: Why have you made a commitment to regenerative agriculture at this scale and speed a central part of your pep+ strategy?

We're an organization that's rooted in the soil. We're about 55% food—which very few people know really. Even a lot of our beverages have agricultural roots, the coffee for our Starbucks products or tea for Lipton's beverages. Also, the sweeteners we use are based on corn, sugar cane or beets.

If we don't have farmers producing the products we need, at the volumes we need, in a way that works not just this year and next year—though, of course, that's important—but over decades, then we can't exist as a company. When you explain to people that this is existential for the company, they get it. We need a healthy agricultural system. We need crops that grow in regions that will increasingly come under stress. We need to help farmers build resilience, so when violent weather events—a flood or a drought—come they can still farm. They know their livelihoods are secure.

How do you communicate the change that's needed?

I've found there's nothing like showing them the problem in the fields: Take a senior leader to a field that's been struck by drought. You show them what the products that have been grown using regenerative practices with healthy soil look like—then you show them a neighboring field where yields might be literally 2 to 3% of the previous year. That's very persuasive.

We've taken Ramon, our CEO, out to the fields several times last year. We take senior leaders out to farms to talk with farmers. Farmers are very straightforward. They say, this works, this doesn't, these are my challenges. We have some multigenerational farmers who have been growing our potatoes since their grandfathers did, and their fathers, and now it's being passed on to the sons or daughters. We need these relationships—because we don't grow potatoes, but we sure use a lot of them.



Most people don't know what the term "regenerative farming" means; how do you describe it? It's a set of practices farmers employ to help build resilience and restore the health of their soil as they grow their crops. And that creates other benefits: increasing biodiversity, increasing water retention, reducing carbon emissions.

What's regenerative about your farming program—rather than just minimizing harm? Let's not minimize the importance of minimizing harm, but what are you committing to that's identifiably regenerative?

What we asked ourselves a few years ago was: How do we do more? How do we use our size to help farmers do more that's "good"—not just minimize harm. I loved what you said about not downplaying the reduction of harm—but now this is about how



you also rebuild resilience.

There are very clear practices that work to increase soil health: cover cropping, lower and no tilling, for example. We've got a playbook we've published of 25 practices that we encourage farmers to use. Farmers are business people, they're also stewards of the land: This is their way of life. You help farmers see why this is in their interest and then you make it easy and in some cases, you incentivize them. We're not in the business of telling farmers what to do. We're showing them practices that if they adopt will generate benefits and allow them to continue farming for generations to come.

How do you do that, in practice?

We have a network of demo farms around the world. Those are farmers talking to farmers, and demonstrating what works. Not too long ago a farmer said A farmer practicing regenerative techniques examines a sample of the potato harvest. Right, Jim Andrew, Chief Sustainability Officer for PepsiCo.



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to me, "The best advertisement I have for regenerative practices is the huge windstorm that came through last fall and it took out my neighbor's field and my field was still standing. Everybody around was coming to look at my field to ask why. The guy next door had very little of his crop still standing and 80% of mine was still up." The reason was, in that location typically the farms have very weak soil and shallow structures; he had much more robust, much more resilient crops. So that's a huge difference.

You have an enormous global footprint and yet this is a farm-by-farm challenge. How do you go about training farmers?

It's hyperlocal. Every farmer will tell you not only that their farm is different, but that different parts of their farms are different. So we work with trusted partners who are very deep in the local communities, who know the specifics of the environment, as well as the real local dynamics. Practical Farmers of Iowa, for example, know their parts of Iowa very well and they work with farmers as an educator or with an extension service. Or it might be a university or a not-for-profit. For us these are implementer partners. You have to have people who the farmers trust.

With our demo farmers, we're also working with them to try new things. We have a relationship with a company called N-Drip, for example, using a technique they've developed for gravity-powered, low-pressure drip irrigation. It's a brilliant system. Because you don't have to have an engine. This is all about how we test and learn, test and learn again.

How do your incentives for farmers work?

Cost sharing right now is the biggest mechanism for us because it's very tangible. It's very effective and it addresses the immediate need—which is the transition period. We know these practices are ultimately more profitable for farmers because they'll get the same or higher yields, and they use fewer resources.

We've got programs where we pay farmers to implement certain practices on a per acre basis, and we do it on some portion of their acres for several years, so that they see the results on their farm. A farmer told me: "I did it on 40 acres in the first year because that's what you all paid for—and I saw the results. Then you only paid for 40 acres but I did it on 400 acres." That's the kind of thing you'd like to see! So we don't pay for every acre. We pay for it enough that they can see the benefits—and, alongside that, we're also providing agronomic and technical advice through our implementer partners.



"Every farmer will tell you not only that their farm is different, but that different parts of their farms are different," says Jim Andrew.

This represents significant investment: How do you demonstrate the benefits to the business as well?

First, it's really hard to separate yourself from the existential piece. People really do understand that: We won't be able to grow potatoes without doing this—that's a very real thing. And when you talk to farmers, they tell you this makes sense for them. Then it's just a question of how we get from here to there.

But you're right, we've got to show how it's going to benefit the business along the way. That might be in the long term, it might be tomorrow—but if you can't tie it to the business benefit, you're not going to get anywhere. That's why I'm always thinking about how I make the business case, in one way or another. I'm not an environmental engineer. I'm a business guy in this role. I've run some of our billion-dollar businesses. I headed up strategy for the company and now I'm in charge of sustainability. So my question is always, how do I translate deep environmental knowledge and jargon into something a business leader can understand?

It's about harnessing the machinery of the company. I sit on what we call the CapEx [capital expenditures] committee, for example, because there's a whole process that already exists around that and I feed into it; then I can let them take the work forward. If a new plant has to meet certain sustainability requirements, I don't have to create a whole new process; I just connect into the existing capital appropriations process to ensure the new plant meets those requirements. Getting into those core processes is how I harness the machinery of the company; it makes it easier and more effective.

This is a relatively new issue for most companies and it's hard to even know what to measure. What we hear a lot is there is a lack of data. How do you look at that?

It's a great question—and a work in progress. We know that if certain practices are implemented, they have a positive impact. So that's one way we can measure: the implementation of practices.

Believe me, I've spent a lot of time on this topic and I think there are two levels: a macro level and a micro level. At the macro level, it's about no deforestation goals and so on. The micro level is about how much carbon has been sequestered in the soil, for example.

We're working on a number of pilots with technology companies on everything from using satellites and drones to measuring soil health. But there are no clear standards on any of these things yet and so we're also working with all the standardssetting bodies.

The media and NGOs often think businesses don't want to have metrics and be held accountable. But we would love a standardized approach to measuring some of these things; it would eliminate a lot of cost and complexity that we have today. What we're looking for are metrics that are practical, that can actually be measured at scale and acceptable costs, and that are highly related to outcomes. "If it's only a few companies out there trying to do some of these things, we can't move nearly as fast as we can if we get the whole system going."

How does all this create competitive edge for PepsiCo?

These topics are far too important and they're far too complex; this is not generally where we should compete. We need the scale of our biggest competitors and they need ours to be able to do this stuff effectively. In these areas where we share common goals, I always say I'll partner with anybody, including my fiercest competitors. And then in the marketplace, we compete—but on these kinds of things, we don't.

Even for a company as big as PepsiCo, we can't do it by ourselves—because farmers don't grow just our crops. They produce for other brands too. They use equipment, they have fertilizer suppliers ... there's a whole set of people who've got to be a part of this equation.

These are ecosystems problems that require systems solutions—so the more companies and the more NGOs and the more governments that we can have pulling in the same direction, the faster we're going to move and the more effectively we're going to be able to marshal support. If it's only a few companies out there trying to do some of these things, we can't move nearly as fast as we can if we get the whole system going.

And, going back to your last question, a good set of standard metrics would help to enable that.

All this takes a while—but in your view speed is essential. How do you accelerate?

We find it takes two to four years for farmers to see practical results. So you've got to start now. You can't wake up in 2029 and think it's magically all going to happen. That's why we're out there working really hard to get that fly wheel going—because we know that farmers, when they see it, they want to put those practices into action.

In 2021, we had 345,000 acres of that 7 million goal that were regenerative. This year, we haven't reported the number yet but it's going to be significantly higher. And it needs to be.

Lots of companies are just now beginning to focus on regenerative farming, what would you say to them?

Call me. We'd love to work with you. Come along on the journey because we need everybody. ◆

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LUCY PARKER is a Brunswick Partner and Business & Society Global Lead, based in London. BRENDAN RILEY is a Partner, based in New York, who specializes in working with companies in the consumer goods and retail sectors.





pep+ puts sustainability at the center of our strategy and all our decision making. So that as we look to grow, we do it with sustainability at the core. That amounts to being a transformation of what we do and how we do it. Our CEO is very clear; this is the future of our company.

When you think about how companies and how society have been built over the last 150 years,

you can see that a lot of the basic assumptions we've had are having to change quite quickly. The hydrocarbon-based economy has improved living standards for billions of people. Yet now the science is very clear, there's challenges caused by the release of all that carbon. Now, we have to consider those things: We have to make them part of our decision making.

When we look to reduce our footprint, carbon emissions are just one element—the same is true for packaging, water, biodiversity and soil. We have to change dramatically in the next 20, 30, 40 years. Moving at scale—and quickly—I think is imperative.

-Jim Andrew, Chief Sustainability Officer & Executive Vice President