Submission No 22

FOOD PRODUCTION AND SUPPLY IN NSW

Organisation: Mars Australia

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The world we want tomorrow starts with how we do business today

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Mars Australia

Submission to the NSW Inquiry into food production and supply

28 February 2022

I. Introduction

Mars Australia welcomes the opportunity to contribute to the New South Wales Parliamentary Inquiry into food production, sustainable sourcing of food products, and food supply and scarcity.

As a national leader in both manufacturing and food production, Mars takes the responsibility of developing and enacting sustainable and ethical practice policies seriously. We continually strive to find new and innovative ways to practice water stewardship and land stewardship; adopt and practice climate change policies; establish essential waste and plastics packaging reform, and implement social-oriented policy, all of which we believe assist in maximising the capacity and delivery of food to all Australians.

We feel it is the responsibility of large manufacturers and companies with extensive supply chains to implement socially, environmentally and economically proactive policy to safeguard Australia's domestic food supply. This begins with the agricultural practices employed by our suppliers and extends to our freight and logistics teams who deliver our much-loved, everyday Mars goods to supermarket shelves.

By way of overview of our company, Mars established operations in Australia over 100 years ago. We are a proud and committed member of Australia's food manufacturing industry; we estimate that our well-loved brands can be found in nine out of ten Australian households. We operate across four key segments: Mars Pet Nutrition, Mars Wrigley, Mars Food and Royal Canin to produce iconic brands including DINE®, DOLMIO®, EXTRA®, ECLIPSE®, KAN TONG®, M&Ms®, MALTESERS®, MARS®, MASTERFOODS™, MY DOG®, PEDIGREE®, UNCLE BEN'S® and WHISKAS®.

Since establishing our first factory in Melbourne in 1915, we have expanded to six manufacturing sites and two offices across New South Wales, Victoria, and Queensland, and employ over 1,800 Associates. Our Mars Wrigley manufacturing site in Asquith, New South Wales produces EXTRA®, ECLIPSE® and SKITTLES®, employing 170 people at the site. At our Bathurst site we manufacture Mars Petcare products, producing dry food including DINE™ MY DOG®, PEDIGREE®, WHISKAS® - here, we employ 143 people. Further, our Wyong site manufactures Mars Food goods including DOLMIO® and MASTERFOODS™ products, employing 320 people (note: not all are employed in manufacturing).

We are proud to support the indirect employment of tens and thousands of Australians within our supply network. From delivering raw materials to our factories and distributing finished products to retailers for consumers across

Australia, our partners are an important strategic extension of our business. Our sites provide local communities with jobs, fostering regional economic growth in NSW and bolstering Mars' operations to continue to be one of our top 10 markets globally: delivering an annual turnover of over $1 billion. We export our Australian-made products to more than 30 markets around the world, including China, Singapore, Malaysia, Indonesia, and New Zealand.

Mars is guided by its Five Principles: mutuality, quality, responsibility, freedom, and efficiency, which ensures that, as a business, Mars puts consumers first in all that we do. We are committed to sourcing and manufacturing our products locally; for example, 95 per cent of products sold by Mars Food in Australia are made in Australia. Within the communities we operate in, we hire locally and prioritise sourcing ingredients from Australian farmers and suppliers to support a range of local community projects and local economies.

We are also proud to be a leader in adopting environmental policy in the manufacturing industry, from our 2025 Plastics Packaging and Sustainability goals, to our 2050 Net Zero targets. We constantly strive to find new ways to implement pragmatic environmental policy to protect Australian agricultural lands and water bodies from degradation and uphold the integrity of Australian forest lands by establishing and practising strong land and water stewardship internally and among our suppliers and supply chains.

II. Principal issues and concerns

A. Improving food security and equitable access to food.

As a leader in food manufacturing, Mars feels it has a social responsibility to provide Australians with equal access to essential and nutritious food to the extent possible. However, considering the unpredictability of the pandemic, like many food manufacturers, Mars has found challenges in ensuring all products reach all Australians, facing continued supply chain issues affected by previous border restrictions and current testing and isolation requirements. Border and testing related issues have also had an impact on Mars' workforce capabilities at its manufacturing sites, distribution centres and among its freight and logistics team. Mars acknowledges that there are many factors impacting equal supply to food resources at any given time (including natural disasters), notwithstanding the additional stress COVID-19 has placed on workforces, supply chains, manufacturing sites, and logistics teams.

Due to a lack of and fluctuating supply and delivery of goods, workforce shortages, and agricultural production issues, food security continues to be an issue in many pockets of the country. The Foodbank Partnership, with which Mars partners, seeks to implement Mars' commitment to prevent environmental degradation as well as to reduce food waste by promoting food security and enhancing Mars' commitment to providing Australians with access to food resources. As outlined above, Mars has experienced challenges in its logistics, manufacturing, and distribution centre teams in moving products to where they need to go, particularly considering border restrictions and testing requirements due to the pandemic. Farm production has also been jeopardised subsequent to bottlenecks for inputs and a reduced workforce due to the pandemic.

Farming sectors which are dependent on seasonal work have suffered as a result of an absent workforce; this has particularly impacted many of Mars' agricultural suppliers. This workforce has continued to experience decline due to the ongoing effects of the pandemic on a fatigued workforce and bottlenecked supply. Fruit and vegetable production – and other labour-intensive farming – has also suffered due to the same reduced mobility of workers and a reduced availability of seasonal workers.

B. Reducing food waste and destruction.

Mars' capacity to reduce food and manufacturing waste, and to mitigate land degradation emanates from our Sustainable in a Generation Plan. As a founding signatory to the Australian Food Pact to stop food waste in Australia, we are actively engaged in making our food system more sustainable, resilient, and circular. Launched in October 2021, sector action plans are currently under development to tackle these pressing issues, including prevention of food waste, donation, and transformation of food supply chains. We support further government action in this area.

C. Preserving productive land and water resources.

Mars seeks to be water efficient throughout its production, manufacturing, and agricultural processes, ensuring its suppliers also adopt sustainable farming practices which reflect Mars' wide-reaching environmental commitments. Mars Australia adopts plastics and waste protocols and policies throughout its manufacturing and food production sites and continues to pioneer sustainable practices across its agriculture production lines. For example, Mars leads global sustainable rice practices through its industry-first commitment to source 100 per cent of rice from farmers working towards the Sustainable Rice Platform Standard. At its domestic manufacturing sites, Mars collects 3.6 million litres of rainwater, providing 24 per cent water usage with 50 plus per cent used in cooling towers. Our Asquith site is 5-star energy rated and six-star water rated, further bolstering our commitment to having the least impact possible across all our, and our suppliers' manufacturing and agriculture practices.

Mars' water stewardship ambitions are intrinsically linked to its sustainability priorities and practices around land use, deforestation, climate change, and ethical sourcing of materials. Mars' water stewardship goal and water action strategy is to halve the gap to sustainable water usage levels by 2025 and to ensure water use in each watershed in Mars' value chain is within annually renewable levels in the long term. Mars has also adopted the Alliance for Water Stewardship's definition for water stewardship, striving to "use water that is socially and culturally equitable, environmentally sustainable and economically beneficial", which is "achieved through a stakeholder-inclusive process that involves site- and catchment-based actions". Over 99 per cent of Mars' water use is associated with crops or livestock for raw materials supplied to Mars. As such, we map total supply chain water use to assess whether it comes from natural rainfall or irrigation. Where direct and indirect suppliers do rely on irrigation, Mars assesses whether the watersheds involved are experiencing stress. Subsequently, we seek to prioritise crops and suppliers which source at large volume from unstressed watersheds.

Mars also believes that contributing to research and development is an essential way the company can actively preserve and protect its productive land and water resources from degradation. Mars has collaborated with Star Scientific, an Australian hydrogen R&D company since December 2021, with the focus of fostering the development of carbon-free heat for industrial-scale sanitation at its NSW Central Coast production lines. HERO®, a non-polluting catalyst, uses hydrogen to generate limitless heat with no combustion, thereby zero emissions. This is the first full-scale industrial pilot of this new hydrogen technology, which is expected to become a game-changer for food manufacturing. Such an industry-first collaboration provided Mars the opportunity to further demonstrate its commitment to decarbonising its production processes across many of its Australia-based sites and supply chains. Mars Australia consistently strives to be 'Sustainable in a Generation'; this includes taking action to invest in the 18-month trial of a new renewable energy heat process.

D. Managing the impact of climate change.

Freezing our land footprint is a critical first step in Mars' ambition to reduce its land and GHG emissions impacts. As part of Mars' climate action position, Mars is also considering further steps to limit habitat and biodiversity loss caused by land conversion for agriculture in our value chain, and to improve soil health to unlock crop yield potential and provide other environmental and climate change benefits.

Land use and land-use change are complex issues with many forces affecting the outcomes. Governments have a critical role to play in protecting natural ecosystems, through regulation and enforcement. Market forces can still influence farmers' decision to expand into the remaining natural ecosystems, especially in areas where there may be weaker governance in place. Mars aims to ensure that our activities do not increase direct or indirect pressures on land areas that are or should be protected.

As part of Mars' sustainable packaging targets, the business remains committed to reduce the impact of packaging waste on land and the ocean. By 2025, Mars aims to produce 100 per cent reusable, recyclable, or compostable plastic packaging. Mars also intends to meet goals around reducing virgin plastic use by 25 per cent, implementing ten reuse programs that test business models and meet a target of 30 per cent recycled content in plastic packaging on average by 2025.

Mars' partnership with the Ellen MacArthur Foundation New Plastic Economy initiative bolsters its commitment and vision to eliminate plastic waste and pollution at its source. Mars supports a circular economy where packaging never becomes waste, and where the integrity of the packaging means it can be recycled and given new life.

Further to our plastic packaging commitments, Mars also committed to switching to renewable energy by 2021 – which we achieved through a Power Purchase Agreement with Toral Eren. These are initiatives that both smaller and larger manufacturing companies – or companies with freight, logistics, agriculture, production, manufacturing, and development infrastructure capabilities – can also work towards achieving.

Climate change is also intrinsically linked with Mars' other sustainability priorities, impacting water scarcity and climate and land degradation. Mars' strategic climate change targets are to reduce our total GHG emissions from our full value chain by 27 per cent by 2025 and by 67 per cent by 2050, from 2015 levels, as per our recent Net Zero commitment. Included within our full value chain emissions targets, we have set a goal to reduce emissions from our operations by 42 per cent by 2025 and 100% (net zero) by 2040.

Overall, Mars has been working to improve sustainability, reduce greenhouse gas (GHG) emissions and to assist in building resilience in key supply chains. With that goal in mind, in 2017, Mars designed a program called the Cool Soils Initiative, in partnership with the Sustainable Food Lab to provide agronomic support to grain farmers in Australia to improve farm sustainability while evaluating the potential to reduce and sequester greenhouse gas (GHG) emissions through different management strategies.

Major Australian manufacturers Kellogg and Manildra, as well as leading researchers at Charles Sturt University and digital innovation hub Food Agility Cooperative Research Centre (CRC), have joined Mars' Cool Soil Initiative with a $2m+ commitment to help scale the program over the next three years. For the calendar year 2021, the Cool Soil Initiative has onboarded 85 farmers meaning we are well ahead of our goal of reaching 200 farmers by 2023.

Mars, Kellogg's and Manildra have identified that over 50 per cent of their emissions occur upstream from their manufacturing sites, from production and processing - including growing, and milling - as well as transport of materials used in their products. Improving soil health is rated by farmers in the Riverine Plains region as one of the top three production issues that will affect their farm enterprises over the next five years. If the Cool Soil Initiative can achieve a 0.1 per cent increase in soil carbon across 700,000 hectares, this will have an estimated impact of the equivalent of close to 1.2 million cars being removed from roads. Mars would support further government action on this front.

E. Addressing complex challenges to food production.

Mars recognises its global responsibility to implement sustainable manufacturing and production practices which protect and uphold the integrity of the natural environment. Mars prioritises sustainable and suitable land use practices – through both direct supply and indirectly through its suppliers – to prevent land overuse and further degradation.

Mars seeks to source its products through the Mars Next Generation Supplier program, which seeks to foster productive and sustainable networks between Mars and its key suppliers, and with those who work in every part of its supply chain. Mars continues to align its suppliers with its social, environmental, and ethical expectations under its Supplier Code of Conduct, as well as moving through the sustainability performance and social compliance audit results of its suppliers to evaluate visibility and insights. Additionally, all Mars factories and manufacturing sites strive to exceed energy targets, waste reduction targets and zero waste to landfill targets.

Coupled with an increase in demand, farmers may be placed under undue pressure and financial burdens to adjust their farming practices to become more sustainable. Equally, with an increase in demand for essential fresh produce, improvement in global yields has slowed for some staple Australian food crops. Biodiversity loss and the loss of ecosystem services such as pollination, water regulation and soil stability can also damage food production, which require action to enhance and sustain the productivity of existing agricultural land, particularly in more dry and arid climates.

With all its land use and land care practices and policies, Mars' primary goal is to reduce its carbon footprint and support its full value chain to reduce pressure on natural ecosystems and agricultural lands which may have been overused and overburdened. Mars has set a land budget parallel with the carbon budget used to indicate and reduce its greenhouse gas emissions, ensuring it collaborates with its suppliers and farmers to design products and build practices that operate within this budget. Mars land use policies further reinforce its commitment to preventing deforestation and loss of biodiversity by reducing the expansion of agriculture lands into forests and other natural ecosystems, particularly in the face of rising demand for agricultural raw materials.

With respect to the regional production of food, Mars has observed that bottlenecks in logistics and transport has generally disrupted supply chains and the movement of pre-packaged products and fresh produce, whether items are transported via road transport or via air transport. The government could seek to identify and invest in pathways to ensure the uninterrupted movement of good through the supply chain. This would require a careful examination of where the bottlenecks are occurring. Mars Is supportive of the Government implementing further actions and initiatives in this space.

F. Developing internal environmental and social policy to combat climate and environmental issues threatening food supply.

Mars takes a pragmatic, 'people-first' approach to mitigating the risk of food supply issues. Mars' Purpose in Action Report shares how the company has further developed its socially pragmatic orientation to food scarcity and sustainable farming and manufacturing practices. It also extends Mars Food's purpose commitments to 2025, following its 2016 ambition to deliver one billion more healthy meals to be enjoyed on dinner tables around the world by 2021, which the company has since achieved. As previously mentioned, Mars Food has also pioneered sustainable rice practices and has made an industry first commitment to source 100 per cent of its rice from farmers working towards the Sustainable Rice Platform standard, and importantly contributed to a 21.3 per cent average sodium reduction on Mars Food's global portfolio (surpassing the 20 per cent target).

Mars Food's new 2025 Purpose Commitments take these goals a step further by ensuring more people across the world, particularly those in need, have access to healthy and sustainable food. As part of the $20 million commitment made by Mars Incorporated to support continued community giving programs, in 2020 Mars Food donated more than ten million meals to vulnerable people in need. Mars' social initiatives centre around providing better and more open access to sustainable and higher quality foods, championing shared meals through in personal and digital platforms and driving brand purpose with consumers, customers, and partners to support those in need.

Mars also reflects these commitments internally through supporting its Associates with healthy and sustainable food options and making 80 per cent of the Mars Food Volunteering Program activities dedicated to enabling more meaningful meals.

To mitigate the threat of food supply restrictions and issues, Mars has also joined the Australian Food Pact, part of the Federal Government initiative 'Stop Food Waste Australia', with the ambition to tackle the $36.6 billion food waste challenge and halve food waste by 2030. Mars is also working on sector-wide action plans with other industry leaders to tackle food poverty and scarcity, which will commence this year.

G. Workforce constraints and challenges.

All segments of food supply chains have been placed under pressure over the course of the pandemic, evidenced with a reduction of output in farming and production lines and a higher absentee rate in food processing, transport and logistics. Bottlenecks in farm labour, processing and logistics have caused significant disruption, demonstrating the importance of a transparent and stable international trade environments to ensure food and food products can fulfil demand and move to where they are needed. In essence, safety nets are essential to decrease food scarcity risks and increase food availability.

Though a substantial risk to food security is consumers' access to food, Mars has also found significant challenges in attracting talent in the face of the pandemic. Populations generally have become less mobile, and people are less willing to relocate or travel for work. In some circumstances, essential work-related travel is untenable, and jobs become compromised. On the other hand, attracting new talent has become even more challenging as shortages in i.e., logistics and transport workforces compromise the delivery and supply of essential food products. There is a need and demand to upskill workers and incentivise employment in regional areas and in logistics sectors in order to ensure essential products reach supermarket shelves.

Overall, COVID-19 has led to disruptions in food processing industries. Due to the pandemic, Mars has faced additional challenges in keeping its warehouses and production sites fully operational considering close contact

isolation and testing requirements imposed on warehouses and distribution centres in NSW. This has impacted different food products and manufacturing processes unequally; however, there has been a decline in productivity overall.

III. Conclusion

Mars thanks the NSW Parliamentary Environment and Planning Committee for the opportunity to provide feedback and insight into Mars' food production processes, manufacturing capabilities and supply across NSW and in Australia. Mars appreciates the opportunity to provide an overlay of our environmental practices and policies around net zero, carbon neutrality, ethically sourcing materials used in our products and in seeking sustainable packaging alternatives, among other policies. Mars supports a stronger focus on mitigating the risk around continued bottlenecks in the areas of freight and logistics, frameworks to support farmers and manufacturers producing regionally, and measures to prevent land and water resource degradation in order to ensure a sustainable and productive food supply into the future.

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