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Australian Beef & Deforestation Corporate Scorecard

Are companies doing enough to conserve Australia's forests and bushland?

Wilderness Society
Life. Support.

Photo: The Wilderness Society

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Executive summary

Consumer and other stakeholder demand has been driving the world's biggest companies to start addressing the environmental costs associated with beef, paper, palm oil and the other commodities they buy. Public concern about deforestation and habitat destruction has sparked a growing wave of initiatives from the private sector to eliminate deforestation and destruction of natural ecosystems from commodity supply chains.

In Australia, the environmental costs associated with the beef supply chain are significant. Beef production is a leading cause of deforestation and land clearing in Australia.[1] Due to high land clearing rates in the state of Queensland, Australia is now a designated global deforestation hotspot. This is driving significant biodiversity loss,[2] greenhouse gas emissions[3] and contributing to poor water quality running into the Great Barrier Reef.[4]

The close links between deforestation and beef production mean the Australian beef supply chain currently has significant exposure to deforestation risk. Deforestation risk—meaning the financial, reputation and brand damage that could flow from a company's activities being linked to deforestation—is increasingly being addressed at the global level by private sector and governmental deforestation-free sourcing policies.

Globally, many consumer goods companies, and their suppliers, have promised to eliminate deforestation from their supply chains by 2020. Endorsers of the New York Declaration on Forests, for example—which include some of the world's largest companies and governments—have committed to eliminate deforestation from agricultural supply chains by 2020.

The Wilderness Society sought to understand how key companies were addressing deforestation risk in their Australian beef supply chains. We assessed leading beef retailers, processors and producers on their policies and plans to address deforestation. The information was gathered via a formal survey and supplemented by publicly available information. The scoring criteria were based on existing company commitments in other parts of the world and on global initiatives and frameworks that provide guidelines for the establishment and fulfillment of no-deforestation policies. The assessment was divided into a policy stage and an implementation stage. The resulting scorecard ranks companies on how well they are addressing deforestation risk in their supply chains.

The analysis found that, presently, none of the companies have sufficient policies and procedures in place to rule out deforestation in their supply chains. None of the companies assessed are able to say with confidence that the Australian beef they produce or use is not driving the destruction of forests, threatening endangered species or contributing to carbon pollution or the contamination of water flowing into the Great Barrier Reef. This presents a serious challenge to companies that source beef from Australia, particularly those who have promised their customers and other stakeholders (including financial institutions) that they will ensure the commodities they buy are not linked to deforestation.

This performance will need to rapidly improve in order to meet the global deforestation-free cut-off date of 2020, as specified in the New York Declaration on Forests, the Sustainable Development Goals and multiple individual company commitments.

Acknowledging that implementation of forest protection commitments comes with many challenges, the Wilderness Society believes it would be most efficient for the entire Australian beef sector to move to deforestation-free practices. The best solution to the beef industry's deforestation risk would be an industry-wide commitment to deforestation-free practices, a time-bound implementation plan to get there and a transparent process for verifying progress. For that reason, we commend those companies that are actively working towards sector and legal reform and the scores reflect those efforts.

Key findings

- **Policies:** This 2019 assessment shows that there are very few leading companies with strong policies or commitments to eliminate deforestation from Australian supply chains. Only one company, McDonald's, was considered to have a strong deforestation policy (scoring 66% or more). Two companies, OBE Organic and Teys/Cargill, had a moderate policy (scoring between 33% and 66%). Far too many companies in this supply chain still have no policies or commitments at all, with most companies assessed scoring between 0%–33% for the policy stage.
- **Implementation:** None of the companies have adequate implementation of deforestation-free practices. Even the few companies with more ambitious commitments had no systems to put them into practice.
- **More action needed:** None of the companies assessed had sufficient policies and processes in place to rule out deforestation in their supply chains. This does not bode well for meeting 2020 deadlines for global forest protection commitments. Urgent action is required to meet global goals, transition to sustainable beef, and break the link between beef and deforestation in Australia.

Key asks

- **Policy:** Companies need to assess their exposure to deforestation risk for beef and any other forest risk commodities, commit to forest protection and set a strong formal policy to remove deforestation from their supply chain.
- **Implementation:** Companies need to implement their policies/commitments, with clear time-bound action plans, and ongoing verification of deforestation — and degradation — free supply chains.
- **Reform:** Companies need to actively work towards sector-wide reform and support government and civil society efforts to protect forests and bushland.

Table 1: Scorecard ranking companies on deforestation-free beef policies and implementation activities*

Key: Policy Stage, Implementation Stage; Good, Fair, Poor

	Company	Policy Stage (max 40 points)	Implementation Stage (max 60 points)	TOTAL points
Retailers	McDonald's	26.5	2.5	29
	Woolworths	11.5	0	11.5
	Costco	9	0	9
	Coles	2	0	2
	IGA/Metcash	0	0	0
	Aldi	0	0	0
	Hungry Jack's	0	0	0
	Subway	0	0	0
Processors	Teys/Cargill	18	0	18
	JBS	6	0	6
	NH Foods	1.5	0	1.5
	Keystone Foods	1.5	0	1.5
	Hilton Foods	0	0	0
Producers	OBE Organic	14.5	7.5	22
	Paraway Pastoral Co	11	0	11
	North Australian Pastoral Company (NAPCO)	2	0	2
	MDH/Superbutcher	2	0	2
	Australian Agricultural Company (AACo)	1	0	1
	Australian Country Choice (ACC)	0	0	0
	Consolidated Pastoral Company	0	0	0

*Assessed May 2019

1 The pathway to deforestation-free beef

Photo: Kerry Trapnell

The environmental impacts of beef production in Australia

Australia's forests and bushland are home to globally significant biodiversity. They form part of Australia's land carbon sink, and provide a range of other ecosystem services to Australian communities. Deforestation—the reduction or complete removal of native forest and bushland—has escalated in Australia over recent years to reach globally significant levels.[5] The state of Queensland has the highest rates of deforestation and land clearing in Australia, with over 1.6 million hectares of forest and bushland cleared in Queensland alone in the last 5 years.[6] Eastern Australia is now on a list of global deforestation fronts, alongside the Amazon, the Congo and Borneo.[7] At current clearing rates, a football field-sized area of forest and bushland is being bulldozed in Australia every two minutes.[8]

Deforestation is a significant driver of biodiversity loss and greenhouse gas emissions in Australia. It is estimated that 50 million native animals, including the iconic koala, are being killed by land clearing in Queensland and NSW alone every year.[9] In 2017, the Australian Department of the Environment and Energy predicted that carbon pollution from deforestation would equal approximately 10% of Australia's overall domestic emissions.[10] In a survey of leading scientists conducted by the Ecological Society of Australia, clearing and land use change was ranked as the highest current threat to biodiversity in Australia.[11] A 2019 Scientists Declaration, signed by nearly 400 scientists, stated also that '*Large-scale clearing of woody native vegetation contributes to increased fire risk by exacerbating climate change through carbon emissions and increasing the severity and duration of droughts through changes in local and regional climates.*'[12]

Deforestation and land clearing in Great Barrier Reef catchments also leads to erosion and run-off of sediment into the Great Barrier Reef World Heritage Area.[13] This run-off reduces sunlight to seagrasses and smothers coral and other reef organisms. Agricultural activity often intensifies after land is cleared, driving additional chemical run-off into Reef waters on top of the existing chemical loads. The Great Barrier Reef Marine Park Authority has explained that '*The decline in coral cover and lack of recovery coincides with degraded water quality as a result of land clearing, land use changes and agricultural use of the catchment.*'[14] For this reason, the Australian and Queensland governments committed to a number of actions under the Reef 2050 Plan relevant to controlling deforestation and tree clearing in Reef catchments, including '*Strengthen(ing) the Queensland Government's vegetation management legislation to protect remnant and high value regrowth native vegetation, including in riparian zones.*'[15]

Beef production is the leading cause of deforestation and land clearing in Australia. A recent GIS analysis undertaken by the Wilderness Society found that 73% of all deforestation and land clearing in Queensland is linked to beef production.[16] This figure is likely to be an underestimate of the beef industry's contribution due to the conservative methods used throughout the study. That result is consistent with the Queensland Government's official tree-cover reports which regularly attribute over 90% of the state's forest and bushland destruction to replacement by 'pasture.'[17] Similarly, Australian government data ascribed 72% of national deforestation in 2016 to grazing.[18] There are numerous scientific articles that identify cattle grazing as a key driver of deforestation, particularly in Queensland which has the largest cattle numbers in Australia.[19] Given the impact of beef land use on deforestation, it is imperative that solutions to this deforestation crisis are supported by companies linked to, or within, the Australian beef industry.

The global trend towards deforestation-free beef

Globally, recognition of the importance of protecting forests for biodiversity, climate and people is manifesting in new multinational agreements and industry commitments to address deforestation. The New York Declaration on Forests, signed at the 2014 New York Climate Summit, expresses growing global consensus on the importance of forests and the risks of forest destruction: [20]

'*Forests are essential to our future. More than 1.6 billion people depend on them for food, water, fuel, medicines, traditional cultures and livelihoods. Forests also support up to 80% of terrestrial biodiversity and play a vital role in safeguarding the climate by naturally sequestering carbon. Yet, each year an average of 13 million hectares of forest disappear, often with devastating impacts on communities and indigenous peoples. The conversion of forests for the production of commodities—such as soy, palm oil, beef and paper—accounts for roughly half of global deforestation.*'[21]

The most recent IPCC report into global warming flagged '*reduced deforestation, afforestation & reforestation [and] responsible sourcing*' as key ways to keep global temperature rises to under 1.5 degrees Celsius.[22] Article 5 of the Paris Agreement, which has been signed by 195 countries, states that, '*Parties should take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases … including forests.*'[23] The Sustainable Development Goals (SDGs) adopted in 2015 include the target to: '*By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.*'[24]

Public concern about deforestation, forest degradation (logging) and habitat destruction has sparked a growing wave of initiatives from the private sector to seek to eliminate deforestation and destruction of other native ecosystems from supply chains. As of mid-2018, there were about 760 such public commitments by 469 producers, processors, traders, manufacturers and retailers.[25]

The New York Declaration on Forests has to date been signed by over 40 national-level governments including the United States of America, the United Kingdom and the European Union, and over 50 multinational corporations.[26] Endorsers of the Declaration have committed under Goal 2 to: '*support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper and beef products by no later than 2020, recognising that many companies have even more ambitious targets.*'[27]

Many of the companies who endorsed the New York Declaration on Forests are also part of the Consumer Goods Forum (CGF) that represents 400 companies across 70 countries and has pledged to '*mobilise resources within our respective businesses to help achieve zero net deforestation by 2020*'. The commodities specifically included in the commitment by the CGF are soy, palm oil, cattle and paper and pulp.'[28] In Australia, Woolworths has been a member of the CGF.

Photo: Zizhang Cheng

Some corporations who have signed such deforestation statements are purchasers of Australian agricultural commodities. For example:

- McDonald's has a policy of '*... eliminating deforestation from our global supply chains.*'[29] Their stated goal is to '*eliminate deforestation in our beef, chicken (including soy in feed), palm oil, coffee and the fiber used in customer packaging by 2020.*' Beef from Australia has been identified by McDonald's as a top priority in implementing its Forests Commitment due to the high levels of deforestation present.[30]
- The China Meat Association recently signed the Chinese Sustainable Meat Declaration that commits to '*... avoiding land degradation, deforestation and conversion of natural vegetation in the livestock production value feed chains.*'[31]

The goals contained in the New York Declaration on Forests, the Consumer Goods Forum, the Sustainable Development Goals and multiple individual company commitments suggest the need for urgent efforts to eliminate deforestation from supply chains by 2020 at least. International NGOs and technical organisations have developed a general framework to help companies develop and implement non-deforestation policies, called the Accountability Framework Initiative. This initiative has provided guidance stipulating that for new deforestation-free policies, '*a cut-off date no later than January 1 2020 would bring companies in line*' with the global goals specified in the New York Declaration on Forests and the UN Sustainable Development Goals.[32] Where individual companies or sectors have committed to deforestation-free with an earlier cut-off date, the guidance provides that the earlier cut-off date should be used.

This all presents a serious challenge to companies that source beef from Australia, particularly those who have promised their customers and other stakeholders (including financial institutions) that they will ensure the commodities they buy are not linked to deforestation. In line with growing consumer and stakeholder demand, most companies would want to be able to say with confidence that the Australian beef they use is not driving the destruction of forests, threatening endangered species, contributing to carbon pollution or contaminating the water flowing into the Great Barrier Reef. The solution to this challenge will require a concerted effort to improve processes throughout the length of the beef supply chain.

The Australian beef supply chain

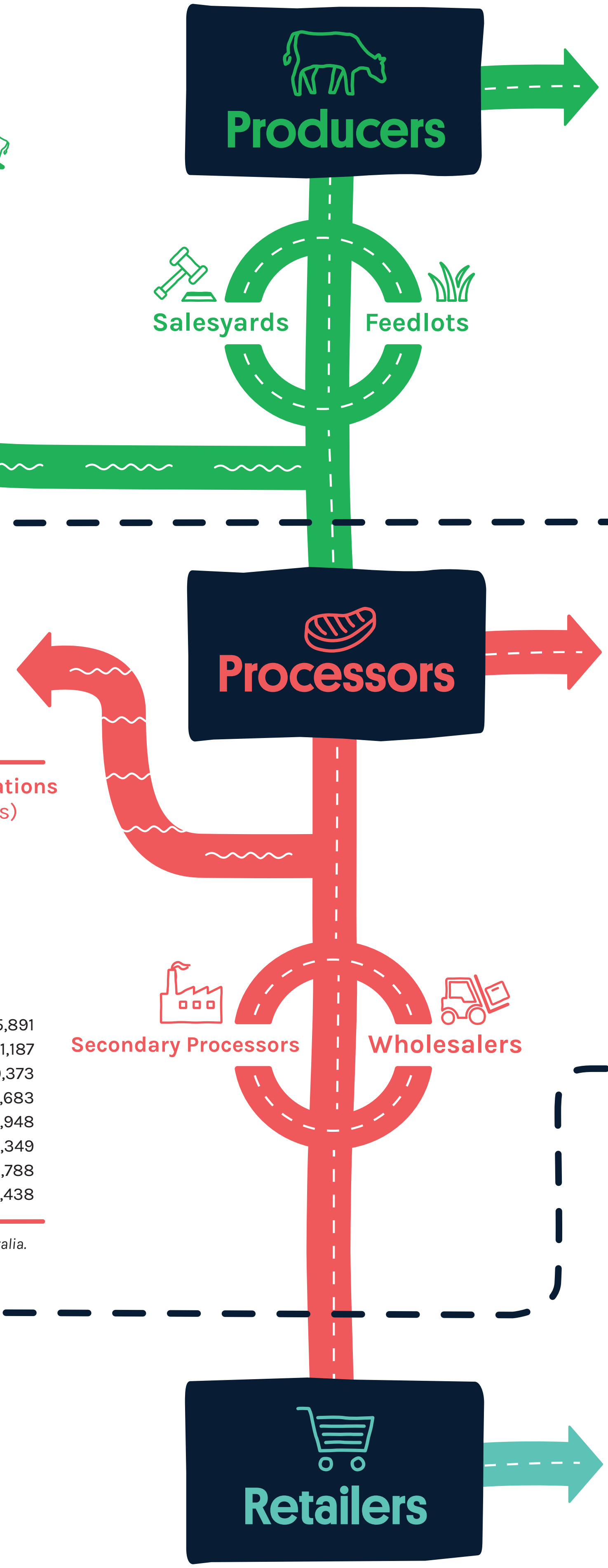
Industry snapshot

Australia is among the world's largest beef cattle producers. The national beef cattle herd in 2017 was around 26 million head — with 55% of all agricultural farms in Australia growing beef.[33] Australia ranked seventh for beef production globally in 2017 and had the world's 12th largest cattle herd.[34] Beef cattle farms account for more than 75% of the total area of agricultural land area in Australia.[35] In 2018, the majority of cattle were raised in Queensland and New South Wales — 46% and 18% respectively.[36] In the same year, Queensland also produced 48% of Australia's beef and veal, followed by New South Wales (23%) and Victoria (19%).[37] The gross value of Australian cattle and calf production (including live cattle exports) in 2017–18 was $11.4 billion.[38] In 2016–17, beef was Australia's eighth largest export industry, with an export value of $8.661 billion.[39]

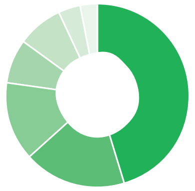
Australia plays a key role in the global beef supply chain. In 2017, Australia was the third largest beef exporter in the world[40] and the second largest exporter of live cattle globally.[41] The four biggest export destinations for Australian beef (by volume) in 2018 were Japan (28.1%), the United States of America (20.5%), Korea (15.1%) and China (14.5%).[42] However, the Australian domestic market is the largest single market for Australian beef consuming approximately 30% of the beef produced.[43]

The Australian beef supply chain is diverse and complex. It includes beef cattle stations, fattening and finishing properties, feedlots, restockers, live exporters, processors/abattoirs, wholesalers, retailers and restaurants. Some actors have partially integrated supply chains (for example, covering producers, feedlots and processors).

"Key supply chain actors"



Cattle Distribution by state % (2018)



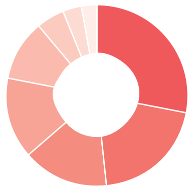
QLD	46	WA	8
NSW	18	SA	4
VIC	14	TAS	3
NT	8		

Source: Meat & Livestock Australia. 2019. Statistics Database.

Producers

Usually, calves are raised at the farm and then sold using auctions, farm yard sales, long standing contracts or other means. Sometimes, they are sold at a younger age to other cattle producers or feedlots for fattening and subsequent sale for slaughter.

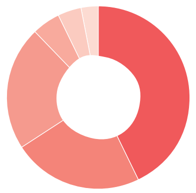
Beef export destinations 2018 volume (tonnes)



Japan	315,891
US	231,187
South Korea	170,373
China	162,683
Other	121,948
Indonesia	57,349
Philippines	36,788
Taiwan	29,438

Source: Meat & Livestock Australia. 2019. Statistics Database.

Cattle Processing Capacity by state % (2015)



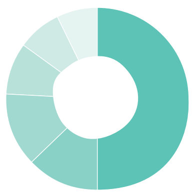
QLD	43	SA	5
VIC	23	WA	4
NSW	22	TAS	3

Source: Australian Competition & Consumer Commission. 2017 Cattle and beef market study – Final report.

Processors

Primary processors are usually the abattoirs that slaughter the animals received from producers, either via feedlots, saleyards or directly from cattle stations. Secondary processors may be companies that add value to the cuts by turning them into beef patties or other packaged products. Processors then sell beef either to wholesalers or retailers in domestic or export markets. Approximately 70% of total beef production in Australia is exported.

Domestic Beef Consumption %



Supermarkets	50
Butchers	13
Restaurants	13
Quick service/cafes	9
Club/hotel	8
Other food service	7

Source: Australian Competition & Consumer Commission. 2017 Cattle and beef market study – Final report.

Retailers

Retailers either buy beef directly from processors, or from wholesalers. Some of the big retailers purchase young cattle through direct supply agreements. Retailers includes supermarkets, fast-food outlets and other consumer-facing companies such as hotels and restaurants.

Could the Australian beef supply chain go deforestation-free?

Australian beef industry bodies appear to have recognised sustainability risk issues and taken steps towards sector-wide solutions. For example:

- The Australian Beef Sustainability Framework, which is an initiative of the Red Meat Advisory Council (RMAC), has developed a set of indicators that measure what they refer to as 'the balance of tree and grass cover' in Australia.[44]
- There are multiple voluntary initiatives that encourage landholders to protect and restore biodiversity at the producer level, such as Landcare.[45]
- In 2019, a pilot program for a certification scheme for agricultural produce that meets key biodiversity measures was announced by the Australian Government.[46]
- The producer industry peak body, AgForce Queensland, was running a voluntary program, the Grazing Best Management Practices, 'to allow the grazing industry to demonstrate sound environmental and ethical practices to consumers and the community.'[47]

While these sorts of initiatives are positive first steps, the size and scale of deforestation risk demonstrates that there is more to be done to meet corporate sustainability commitments.

The international experience suggests that a number of key technical, governance and policy preconditions have to be met in order to implement successful zero deforestation initiatives in relation to cattle supply chains.

1. Property data

In order to know exactly where cattle are produced, spatial property boundary data and land use data are required. In Australia, the boundaries of all rural properties are known and there is a federal land use dataset.

2. Deforestation and land use monitoring

Monitoring of land use change is required to detect where deforestation and land clearing has occurred. There is a federal deforestation dataset, but this only records conversion of forest with a minimum 20% canopy cover, a minimum height of 2 meters, covering a minimum area of 0.2 hectares. (This was the definition of 'forest' chosen by Australia for the purposes of reporting under international climate agreements.) Queensland has a good system for recording all woody vegetation clearing—both forest and more sparse bushland with sufficient accuracy and ground-truthing that can be replicated federally.

3. Cattle movement traceability

It is necessary to be able to track beef from where it is produced through to where it is ultimately consumed. Australia has the National Livestock Identification System (NLIS) — designed for biosecurity purposes — which tags each animal with an accredited tag or device, and it records all movements as animals are bought, sold and moved along the supply chain.[48] If this NLIS scheme was used in conjunction with accurate deforestation monitoring it could provide a robust deforestation-free verification system.

4. Corporate commitments or policies

As a first step, companies must have awareness of the issue and develop a strong policy or commitment to deforestation-free sourcing.

5. Verified implementation throughout whole supply chain

The final precondition is verified implementation of those commitments throughout the entire supply chain, including secondary suppliers.

In terms of technical preconditions, Australia is well-placed to shift to deforestation-free supply chains. The purpose of the scorecard is to assess where the various companies sit in relation to the last two essential criteria: deforestation-free policies or commitments and their implementation.

2 The 2019 deforestation & beef scorecard

Photo: The Wilderness Society

Scoring methodology

Given the global trend towards deforestation-free beef, the Wilderness Society sought to understand what steps retailers, processors, producers and other companies were taking to address deforestation risk in their Australian beef supply chains. We surveyed leading retailers, processors and producers involved in the Australian beef supply chain to understand what commitments and plans they had in place to address deforestation. We also analysed each company's publicly available information, such as any formal forest commitments or other statements available on official websites.

The 20 companies that were assessed are significant retailers, processors and producers in Australia. Together, these companies dominate and control most of the Australian beef supply chain. They consist of eight retailers and quick service restaurants, six processors (primary and secondary) and six producer companies. Some actors have fully or partially integrated supply chains (for example, MDH/Super Butcher has production, feedlot and retail interests). Where actors have integrated supply chains, they have been classified according to their dominant activity (for instance, in MDH/Super Butcher's case that is producer) but their other activities are noted.

A number of steps were taken to ensure the accuracy of the scorecard and to give companies the opportunity to reply to the findings. In February 2019, a questionnaire was sent to each surveyed company. The questionnaire requested information on their sustainability policies and awareness in relation to Australian beef production and the links between these policies and deforestation. None of the companies completed the survey despite multiple follow up requests via email and telephone calls.

Subsequently, a scorecard was developed that drew upon international best practices for deforestation-free sourcing in beef supply chains. The full list of criteria can be found in Appendix 1. The companies were assessed against indicators using publicly available information, including, but not limited to, the company websites. All companies were independently scored twice by separate assessors before the two assessments for each company were consolidated. The assessments were then shared with the companies to allow for their input.

The pathway for companies to shift to sourcing and selling deforestation-free beef has two components. As a first step, companies must have awareness of the issue and develop a strong **policy/commitment to deforestation-free sourcing**. The second step is **application of the policy** which includes developing implementation plans and methods, developing monitoring and verification systems as well as ensuring there are transparency and reporting mechanisms in place. Forty percent of the total points could be achieved with policies or commitments while 60% were available for implementing a policy.

The scorecard separates the policy/commitments phase from the application phase. All companies were assessed for both phases as well as for a combined score. In each case, a traffic light system was used. Companies that achieved more than 66% of the available scores are green and companies that achieved less than 33% of the maximum possible score are red. Achieving between 33% and 66% of the possible points resulted in an amber score.

1. Retailers

Approximately 30% of total Australian beef production is consumed domestically, making the Australian domestic market the largest single market for Australian beef.[49] Of beef consumed domestically, it is estimated that approximately 60% is sold through direct retail channels—including supermarkets and butchers.[50] The remaining approximately 40% is sold through food service outlets (quick service restaurants, cafes, and casual dining restaurants.)[51]

Key supply chain actors:

Woolworths

Woolworths is Australia's largest supermarket chain with around 32% of the grocery retail market share through its Woolworths and Countdown banners.[52] The company has more than 1,000 stores in Australia.[53] It has been estimated that Woolworths has a market share of 42% of supermarket beef sales.[54] The company has a close relationship with Teys/Cargill which supply in excess of 230,000 head of cattle equivalent per year to the retailer costing Woolworths more than $380 million annually.[55]

Coles

43% of beef sales in supermarkets occur at Coles.[56] In March 2018, Wesfarmers, the owner of Coles, announced its plan to demerge the food retailer and establish it as an independent company again.[57] Wesfarmers will only retain a minor stake of 15% in the newly listed company.[58] Through its supermarkets and convenience stores (Coles Express), Coles has a share of around 29% of the overall grocery retail market in Australia.[59] In 2011, Coles said it used around 500,000 head of cattle annually for its beef production.[60]

Aldi

This German-based international discount food retailer began trading in Australia in 2001, and now holds about 12% of the Australian grocery sales market[61] and 10% of the beef sales at supermarkets.[62] Aldi has a strong focus on private labels and globally has more than 10,000 stores in 20 countries[63] with over 500 stores in Australia.[64]

Independent Grocers of Australia (IGA)/Metcash

Metcash is a major wholesale distribution and marketing company which owns a number of well-known brands in Australia. This includes the IGA and Foodland supermarket chains and hardware chains such as Mitre 10 Home Timber & Hardware along with Hardings, Thrifty-Link Hardware and True Value Hardware.[65] IGA's share of supermarket beef sales is small compared to the other main players. It has been estimated that only 2% of all beef sold in supermarkets in Australia is purchased at IGA outlets.[66]

Costco

Costco is the second largest retail chain globally behind Walmart and operates in numerous countries including the USA, UK, Canada, Mexico, Japan and others. In Australia, the company has eleven locations in New South Wales, Queensland, Australian Capital Territory, Victoria and South Australia.[67] Data on Costco's market share of Australian beef sales in not currently publicly available, but it is likely to be below 2%.

McDonald's

This fast food chain plays a critical role in the beef supply chain taking in a large percentage of the less valuable beef cuts from a significant list of slaughterhouses across Australia. Its influence on the industry is disproportionate to the value of the products it purchases for its outlets in Australia. Importantly, McDonald's also uses Australian beef in countries such the USA,[68] Korea,[69] Japan,[70] Singapore[71] and Hong Kong.[72] In 2014, the company said it exported 41 million kilograms of beef from Australia per year.[73]

Hungry Jack's

Hungry Jack's is the master Australian franchise of the Burger King Corporation but acts as an independent Australian company and is not a subsidiary of Burger King. There are more than 420 Hungry Jack's restaurants and the company has 19,000 employees.[74] Hungry Jack's says they sell around 125 million Australian beef patties every year.[75]

Subway

Doctor's Associates Inc., the owner of the Subway franchise brand, was founded in 1965 in the USA and now has around 44,000 outlets. It had about 1,400 stores in Australia in 2017. However, as of 2017, it only controlled 7.4% of the Australian fast food market compared to McDonald's 20%.[76] Subway is likely to use much less beef product than either McDonald's or Hungry Jack's, but it still has exposure to the issue of land clearing from beef production. Moreover, it has used Australian beef in other countries, such as Singapore.[77]

Results:

McDonald's achieved the highest score of any company assessed. In the policy section of the scorecard, McDonald's was the only actor that was able to reach 66% of the available score or more. However, the company was let down by its lack of implementation that specifically addresses Australian supply chains. The only other retailer achieving more than ten points was Woolworths while a number of companies such as Hungry Jack's, Aldi, IGA and Subway received no points. Due to the lack of implementation and mostly weak policies, no company earned more than 33% of the achievable points and all were graded red.

Table 2: Detailed scorecard of retailers

		McDonald's	Woolworths	Costco	Coles	ALDI	Hungry Jack's	IGA	Subway
Policies & Commitments	Global forest policy	Yes	Partial	Partial	No	No	No	No	No
	Global ecosystem policy	Partial	No	Partial	No	No	No	No	No
	Member of key global initiatives	Partial	No	Partial	No	No	No	No	No
	Australian forest policy	Yes	Partial	No	No	No	No	No	No
	Australian ecosystem policy	Partial	No	No	No	No	No	No	No
	All suppliers included in policy	Partial	No	Partial	No	No	No	No	No
	Engagement with ABSF	Yes	Yes	No	Yes	No	No	No	No
	Policy covers non-beef commodities in Australia	Partial	Partial	No	No	No	No	No	No
	Supports government action	No	No	No	No	No	No	No	No
	Recognises beef – deforestation link	Yes	Yes	No	No	No	No	No	No
	Points	26.5	11.5	9	2	0	0	0	0
	Percent	66%	29%	23%	5%	0%	0%	0%	0%
Implementation	Australian implementation plan	No	No	No	No	No	No	No	No
	2020 no-deforestation goal	Partial	No	No	No	No	No	No	No
	Supplier support programs	No	No	No	No	No	No	No	No
	Markets deforestation-free products	No	No	No	No	No	No	No	No
	Has deforestation traceability system in place	No	No	No	No	No	No	No	No
	Commits to monitoring & verification plans	No	No	No	No	No	No	No	No
	Publishes monitoring & verification plans	No	No	No	No	No	No	No	No
	Details of non-compliance procedures	No	No	No	No	No	No	No	No
	Publishes non-compliant supplier list	No	No	No	No	No	No	No	No
	Publishes progress reports	No	No	No	No	No	No	No	No
	Discloses list of suppliers	No	No	No	No	No	No	No	No
	Publishes audit/verification reports	No	No	No	No	No	No	No	No
	Communicates deforestation risks to suppliers	No	No	No	No	No	No	No	No
	Points	2.5	0	0	0	0	0	0	0
	Percent	4%	0%	0%	0%	0%	0%	0%	0%
	TOTAL POINTS	29	11.5	9	2	0	0	0	0

2. Processors

Primary processors are usually the abattoirs that slaughter the animals received from producers, either via feedlots or directly from beef stations. Secondary processors may be companies that add value to the cuts by turning them into beef patties or other packaged products. In Australia, the processing sector is highly concentrated, with two companies — JBS and Teys/Cargill — accounting for approximately 40% of all beef processing.[78] Queensland dominates the processing sector, with 43% of all processing occurring in that state.[79]

Key supply chain actors:

JBS Australia

Founded in 1985 in Brazil, today JBS is the world's largest beef producer, chicken producer and leather processor. It is also the second largest producer of pork and lamb globally. The company services 350,000 customers in 150 countries with over 400 production facilities and offices around the world.[80] JBS is the largest meatpacker in Australia. The southern division of the Australian arm includes five processing facilities in South Australia, Victoria and Tasmania. The northern division encompassing Queensland and New South Wales also has five processing facilities. The company owns abattoirs which process cattle, sheep, goats and pigs, and also operates five feedlots with a capacity of 150,000 head of cattle.[81] JBS is the second largest food and drink company in Australia behind New Zealand based dairy company Fonterra.[82]

Teys Australia/Cargill

Teys Australia is a 50/50 partnership between the Teys family and the Cargill Company. While Teys Australia has been involved in Australian beef operations since 1946, Cargill is one of the world's largest traders of agricultural commodities with an annual revenue of more than AUD$150 billion. Cargill is the largest privately held company in the United States. Teys Australia has multiple subsidiaries including Teys USA Inc. headquartered in Chicago and with sales offices in Miami and Los Angeles.[83] The American subsidiary mostly focuses on importing beef products from Australia. Teys/Cargill is widely considered to be the second largest operator of beef abattoirs in Australia. The company operates six beef processing facilities across the Eastern seaboard. Three of them are in Queensland (Rockhampton, Biloela and Beenleigh), two in New South Wales (Wagga Wagga and Tamworth) and one in Victoria (Charlton). In addition, there are three feedlots located at Jindalee (NSW), Condamine (Queensland) and Charlton (Victoria). Through Teys Australia Murgon Pty Ltd, the company is also involved in the processing of high quality hides. Additionally, Teys Australia Food Solutions produces value added products.[84]

NH Foods Australia

NH Foods Australia Pty Ltd is a wholly owned subsidiary of the wider NH Foods Group (formerly Nippon Meats), a publicly listed company and Japan's leading company in the fresh meat, ham and sausage industry. There are four main subsidiaries, including Whyalla Beef in southern Queensland which operates a feedlot but also includes breeding operations. Thomas Borthwick & Sons is a Queensland based processing facility exporting to Japan, the European Union, Asia, Middle East, China and the Americas. Oakey Beef Exports is another NH Foods owned processing facility located in the Darling Downs region of Queensland, and Winghams (another processor in NSW) exports 70% of its production. The domestic supply is marketed by subsidiary company, Beef Producers Australia.[85]

Keystone Foods

Keystone is a supplier of meat protein to fast food restaurants and retail stores across the world, including serving as a major supplier of chicken nuggets to McDonald's. Other products include beef patties, ready-to-cook chicken wings and fish fillets. Keystone is currently owned by the world's second largest beef processor, Marfrig, but in August 2018, it was announced that Tyson Foods was to buy Keystone including its Australian operation in Brisbane.[86]

Hilton Foods Australia

Hilton's business was established in 1994 to set up and operate a beef and lamb central meat packing facility in England before it expanded to a number of locations throughout Europe. In 2018, it was announced that Hilton would take full operational control of the Bunbury and Melbourne facilities which were previously operated in a joint venture with Woolworths.[87,88]

Results:

Teys Australia/Cargill was the highest scoring processor reaching 40% of the available score in the policy section. This is mostly due to the company benefiting from the global policies of international agribusiness giant Cargill, rather than strong commitments by its Australian-based joint venture partner Teys. No other processor managed to achieve a significant number of points in either the policy or the implementation section.

Table 3: Detailed scorecard of processors

		Teys/Cargill	JBS	Keystone	NH Foods	Hilton Foods
Policies & Commitments	Global forest policy	Yes	Partial	No	No	No
	Global ecosystem policy	Partial	No	No	No	No
	Member of key global initiatives	Yes	Partial	Partial	Partial	No
	Australian forest policy	Partial	No	No	No	No
	Australian ecosystem policy	No	No	No	No	No
	All suppliers included in policy	Partial	No	No	No	No
	Engagement with ABSF	Yes	Yes	No	No	No
	Policy covers non-beef commodities in Australia	No	No	No	No	No
	Supports government action	No	No	No	No	No
	Recognises beef — deforestation link	No	No	No	No	No
	Points	18	6	1.5	1.5	0
	Percent	45%	15%	4%	4%	0%
Implementation	Australian implementation plan	No	No	No	No	No
	2020 no-deforestation goal	No	No	No	No	No
	Supplier support programs	No	No	No	No	No
	Markets deforestation-free products	No	No	No	No	No
	Has deforestation traceability system in place	No	No	No	No	No
	Commits to monitoring & verification plans	No	No	No	No	No
	Publishes monitoring & verification plans	No	No	No	No	No
	Details of non-compliance procedures	No	No	No	No	No
	Publishes non-compliant supplier list	No	No	No	No	No
	Publishes progress reports	No	No	No	No	No
	Discloses list of suppliers	No	No	No	No	No
	Publishes audit/verification reports	No	No	No	No	No
	Communicates deforestation risks to suppliers	No	No	No	No	No
	Points	0	0	0	0	0
	Percent	0%	0%	0%	0%	0%
	TOTAL POINTS	18	6	1.5	1.5	0

3. Producers

Usually, calves are raised at the farm and then sold using auctions, farm yard sales, long standing contracts or other means. Sometimes, they are sold at a younger age to other cattle producers or feedlots for fattening and subsequent sale for slaughter.

Key supply chain actors:

Australian Country Choice (ACC)

ACC says that it is one of the largest vertically integrated supply chain organisations in the world with more than $800 million invested.[89] The company manages 2.42 million hectares of pastoral, grazing and farming land.[90] It also owns and operates feedlots and the Cannon Hill slaughterhouse in the outskirts of Brisbane.[91] ACC has been a key supplier to Coles for many years.[92]

North Australian Pastoral Company (NAPCO)

NAPCO was founded in 1877 and has since become one of Australia's largest privately owned cattle companies managing more than 6.1 million hectares of land.[93] NAPCO has stations in Queensland and the Northern Territory with a total cattle herd of around 200,000 animals.[94] The company also operates a large feedlot in Queensland.[95] In July 2016, the Queensland Investment Corporation (which is owned by the Queensland government) acquired a controlling stake in NAPCO.[96]

Paraway Pastoral

Paraway manages around 4.4 million hectares of land on stations across Queensland and New South Wales. These stations carry over 200,000 cattle that produce more than 20 million kilograms of beef annually. There is also a herd of around 250,000 sheep.[97] The ultimate owner of Paraway Pastoral is the Macquarie Group,[98] an Australian multinational investment bank.

Australian Agricultural Company (AACo)

With more than 7 million hectares, AACo manages around 1% of the Australian land mass on properties in Queensland and the Northern Territory that also include feedlots.[99] The company's total cattle herd consists of around 400,000 animals.[100] AACo also operated a processing facility south of Darwin to process and export beef, hides and rendered products,[101] but this facility was mothballed in August 2018 due to underperformance.[102] AACo is a public company that is traded on the Australian Stock Exchange. The largest shareholders are JP Morgan and Citibank.[103]

Consolidated Pastoral Company (CPC)

CPC's properties are located in Queensland, Northern Territory and Western Australia and cover an area of 4.7 million hectares.[104] In addition, there are two feedlots in Sumatra, Indonesia in which CPC has an 80% stake.[105] CPC is engaged in significant live exports of cattle to Indonesia.[106] CPC is owned by Terra Firma, a UK-based private equity firm that also invests in residential properties, garden centres and health care provision in the UK as well as hotels in Germany.[107]

Super Butcher/MDH Pty Ltd

MDH is a private company and has 13 beef stations in Queensland covering an area of around 3.3 million hectares. The company also owns a feedlot near Brisbane.[108] Cattle are processed in Dinmore (Queensland)[109] and the company has a number of retail stores under the Super Butcher brand, which it took over in 2012. Super Butcher outlets can be found in and around Brisbane and the Gold Coast.[110]

OBE Organic Australia

OBE focuses on producing and exporting organic beef from Australia. The company was founded by a number of families operating cattle stations in Australia. These families own over 7 million hectares of grazing land, about the area of Tasmania.[111] Products are available throughout Australia but also in the Middle East, Asia and North America.[112]

Results:

The highest scoring producer was OBE Organics which was formed by a number of pastoral companies to market organic beef. Due to the built-in monitoring and verification system contained within the relevant organics standard, OBE scored highest overall in the implementation section of the scorecard. In the policy section, Paraway Pastoral was the only other producer company that achieved more than 10% of the available points.

Table 4: Detailed scorecard of producers

		OBE	Paraway	MDH	NAPCO	AACo	ACC	Consolidated Pastoral
Policies & Commitments	Global forest policy	Partial	Partial	No	No	No	No	No
	Global ecosystem policy	No	Partial	No	No	No	No	No
	Member of key global initiatives	No	No	No	No	No	No	No
	Australian forest policy	Partial	Partial	No	No	No	No	No
	Australian ecosystem policy	No	Partial	No	No	No	No	No
	All suppliers included in policy	Yes	No	No	No	No	No	No
	Engagement with ABSF	Partial	No	Yes	Yes	Partial	No	No
	Policy covers non-beef commodities in Australia	No	No	No	No	No	No	No
	Supports government action	No	No	No	No	No	No	No
	Recognises beef – deforestation link	Yes	No	No	No	No	No	No
	Points	14.5	11	2	2	1	0	0
	Percent	36%	28%	5%	5%	3%	0%	0%
Implementation	Australian implementation plan	Partial	No	No	No	No	No	No
	2020 no-deforestation goal	Partial	No	No	No	No	No	No
	Supplier support programs	Partial	No	No	No	No	No	No
	Markets deforestation-free products	No	No	No	No	No	No	No
	Has deforestation traceability system in place	No	No	No	No	No	No	No
	Commits to monitoring & verification plans	No	No	No	No	No	No	No
	Publishes monitoring & verification plans	No	No	No	No	No	No	No
	Details of non-compliance procedures	No	No	No	No	No	No	No
	Publishes non-compliant supplier list	No	No	No	No	No	No	No
	Publishes progress reports	No	No	No	No	No	No	No
	Discloses list of suppliers	No	No	No	No	No	No	No
	Publishes audit/verification reports	No	No	No	No	No	No	No
	Communicates deforestation risks to suppliers	No	No	No	No	No	No	No
	Points	7.5	0	0	0	0	0	0
	Percent	13%	0%	0%	0%	0%	0%	0%
	TOTAL POINTS	22	11	2	2	1	0	0

Conclusion:

The close links between deforestation and beef production in Queensland means the Australian beef supply chain currently has significant exposure to deforestation risk. Globally, many consumer goods companies, and their suppliers, have committed to remove deforestation from their supply chains by 2020. The Wilderness Society assessed 20 key retailers, wholesalers, processors and producers involved in the Australian beef supply chain for what commitments and plans they had in place to address deforestation. The analysis found that, presently, none of the key companies buying or selling Australian beef have adequate policies or procedures in place to rule out deforestation in their supply chains. None of the companies scored green (more than 66% of available points) overall. Only three companies received a green (McDonald's) or orange (OBE Organic and Teys-Cargill) score (between 33% and 66% of the maximum score) in the policy stage. All companies were scored red (below 33%) in the implementation stage.

The analysis shows that none of the companies assessed are able to say with confidence that the Australian beef they use is not driving the destruction of forests, threatening endangered species or contributing to carbon pollution or contaminating thef water flowing into the Great Barrier Reef. This all presents a serious challenge to companies that source beef from Australia, particularly those who have promised their customers and other stakeholders (including relevant financial institutions) that they will ensure the commodities they buy are not linked to deforestation.

Companies involved in the beef supply chain need to rapidly improve their policies and processes to tackle deforestation in order to meet the global deforestation-free cut-off date of 2020. Ultimately, the best solution to the beef industry's deforestation problem in Australia would be an industry-wide commitment to deforestation-free practices, a time-bound implementation plan to get there, and a transparent process for verifying progress. A robust system of cattle tracking and verification is an essential pre-condition for this. In addition, strong deforestation and land clearing laws, as well as data and monitoring at the national and state level are critical complementary components of industry-led initiatives. For that reason, we commend those companies that are actively working towards sector and legal reform. The Australian beef industry has the opportunity to provide clean, green product to the world and being able to promise and verify deforestation-free beef is a critical part of realising that opportunity.

Appendix 1: Full assessment indicators and methodology

The table below includes the detailed indicators against which the companies were assessed and the maximum score available for each indicator. Each company was assessed against all criteria. There was a maximum of 40 points achievable under the commitment stage and 60 points available in the implementation stage, totalling a maximum of 100 points. The points for each stage and the total were then converted to percentages. A score of 0-33% in any of the stages resulted in a red grading. A score of 33%-66% led to an orange grading and any score more than 66% was graded green. The preliminary scores were sent to companies in April 2019 and all scores were finalised in May 2019. Companies were given the opportunity to request changes to their scores.

Table 5: Full scoring methodology

	No	Indicator	Guidance Notes	Max Score
Policies & Commitments	A1	The company commits for its entire operations (including any operations overseas, if applicable) to protect all forests including High Conservation Value forests and natural forests AND this commitment focuses on or includes the company's beef operations.	Half points are given if the commitment only applies to a smaller set of forest landscapes.	5
	A2	The company commits for its entire operations (including any operations overseas, if applicable) to protect non-forest natural ecosystems such as grasslands AND this commitment focuses on or includes the company's beef operations.	Half points are given if this commitment is regional only or lacks clear definitions of what is included.	5
	A3	The company is a member of key global initiatives that work on reducing the impact beef supply chains have on forests, including the New York Declaration on Forests, the Consumer Goods Forum and the Roundtable on Sustainable Beef or other industry groups with similar strong no deforestation commitments.	One or two memberships warrants half points. Producers are not expected to be part of the CGF and can achieve full points with other memberships.	3
	A4	The company has a specific commitment for Australia, including its beef supply chain, that ensures no conversion of natural forests and High Conservation Value forests.	Half points are given if the company is headquartered outside of Australia and has achieved full points for its global policy but it is unclear if the policy applies to Australia or lacks clear definitions of what is included.	6
	A5	The company has a specific commitment for Australia, including its beef supply chain, that ensures no conversion of non-forested natural ecosystems such as grasslands.	Half points are given if the company is headquartered outside of Australia and has achieved full points for its global policy but it is unclear if the policy applies to Australia or lacks clear definitions of what is included.	6
	A6	The company commitment applies to its direct and indirect suppliers.	Half points are given if the commitment does not specifically mention indirect suppliers.	5

Table 5: Continued

	No	Indicator	Guidance Notes	Max Score
Policies & Commitments	A7	The company is a member of the Australian Beef Sustainability Framework (ABSF) Consultative Committee or Sustainability Steering Group.	Half points are given if the company is not listed as a member but there is evidence of engagement in ABSF updates.	2
	A8	The company's specific Australian no deforestation commitments explicitly extend to other Australian forest risk commodities such as agricultural crops for feed, timber, paper, packaging, leather, grains, etc.	This applies to all companies due to the use of feed, packaging, etc. Half points are given if this does not clearly extend to Australia.	2
	A9	There is evidence that the company publicly supports Government regulation to stop deforestation in Australia.	This could include statements on the company website, within company policy documents or in submissions to regulators.	3
	A10	The company or its management have committed or made statements about the importance to protect forests in Australia in relation to beef production or publicly recognised the link between deforestation and beef production in Australia or the importance of forests in regards to biodiversity, ecosystem services or erosion prevention.		3
			Subtotal	40
Implementation	B1	The company has published a time-bound implementation plan of its beef policy for Australia.	Half points are given if the plan is not time-bound.	5
	B2	The company's implementation plan includes a time-bound goal to be deforestation-free for beef in Australia by 1 January, 2020.	Half points are given if the date is later than 1 January, 2020 and no points are given if the date is later than 2022. Half points are also given if this is covered through a global policy and the date for Australia is implied through that rather than specifically mentioned.	5
	B3	The company has programs in Australia that help its direct and/or indirect suppliers implementing the beef related company commitment.		5
	B4	The company markets, sells or distributes deforestation-free beef products in Australia.		5
	C1	The company has published details about its traceability systems in Australia in relation to deforestation that ensures it can trace all beef back to the origin (including movement to feedlots and other supply chain steps).	Half points are given if a traceability system exists but cannot trace back to the production unit. Half points are given if the system development is in progress but has not been completed.	5
	C2	The company has committed to implementing a monitoring and verification system that ensures its Australian beef supply does not originate from properties and stations where deforestation, land clearing or conversion of non-forested natural ecosystems has occurred.		5
Implementation	C3	The company has developed a monitoring and verification system or uses an independent third party to monitor and verify that its beef supply in Australia does not originate from lots and stations where deforestation, land clearing or conversion of non-forested natural ecosystems has occurred.		5
	C4	The company has clear public guidelines and procedures that address non-compliance events by its Australian suppliers, including contract cancellation pathways.		5
	D1	The company has published a list of non-compliant suppliers, including or limited to Australian suppliers.		4
	D2	The company publishes progress reports (at least bi-annually) towards its zero deforestation goals and includes its Australian supply chain in these reports.		4
	D3	The company discloses suppliers within its Australian supply chain.	For retailers, this refers to slaughterhouses. For slaughterhouses, this refers to stations and feedlots. For producer companies, this refers to their own stations and any stations from which they have bought animals (including stations that supply the feedlots of the company should it have any).	4
	D4	The company publishes its own or its commissioned third party audit and verification reports in relation to its zero deforestation commitment in its Australian beef supply chain.		4
	D5	There is public evidence that the company has communicated the deforestation risks within its beef supply chain to its suppliers.	Half points are given if this only applies to direct suppliers.	4
			Subtotal	60
			GRAND TOTAL	100

Endnotes

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