

# Safeway Food Supply Chain

## Security and Sustainability

**WHEREAS:** Nearly two-thirds of corporate executives worldwide surveyed by McKinsey & Company said “their companies face a rising level of risk to their ability to supply customers with goods and services cost effectively.” Yet, the survey found

[f]ew executives are confident that their companies can manage these risks successfully and businesses are making surprisingly little use of some well-known analytical tools and simple best practices that could help. (*The McKinsey Quarterly* 2007 Number 1, pages 10-12.)

The global food production system faces numerous challenges:

- Severe droughts and increasing water scarcity in key agricultural regions linked to global warming;
- Commodity price volatility for crops and for agricultural inputs; and
- Competing use of food crops for bio-fuels.

Several dramatic events have undermined consumer confidence by highlighting weaknesses in the food safety system:

- Closure of Topps Meat Co., the largest U.S. manufacturer of frozen hamburger, following recall of 21.7 million pounds of hamburger contaminated with e-coli.
- Nationwide recall of spinach from California, which produces 74% of the U.S. spinach crop, due to e-coli contamination.
- Sale of poisoned pet food, tainted dairy, seafood and other products from China containing toxic ingredients.

Pesticide residues on imported fruits and vegetables, which account for about one-third of U.S. consumption of these products, are “major and growing” contributors to dietary risk. While U.S. farmers have adopted lower-risk use patterns, growers outside the U.S. continue using older, higher-risk pesticides. *Impacts of the Food Quality Protection Act on Children’s Exposures to Pesticides*, pages 10-11 (2006).

[http://www.organiccenter.org/reportfiles/7452\\_Landrigan\\_AAAS%20Paper.pdf](http://www.organiccenter.org/reportfiles/7452_Landrigan_AAAS%20Paper.pdf)

The UN Food and Agriculture Organization (FAO) warned that increasing industrialization of pig and poultry production “could lead to a higher risk of disease transmission from animals to humans.” The large quantities of animal waste contain many pathogens and the movement of the animals in international trade increases the likelihood pathogen transfers. The FAO cited the “recent emergence of contagious human diseases from animals” such as Nipah in 1999, SARS in 2002 and the current epidemic of Highly Pathogenic Avian Influenza (HPAI). *Industrial Livestock Production and Global Health Risks* (June 2007).

[http://www.fao.org/ag/againfo/projects/en/pplpi/docarc/rep-hpai\\_industrialisationrisks.pdf](http://www.fao.org/ag/againfo/projects/en/pplpi/docarc/rep-hpai_industrialisationrisks.pdf)

**RESOLVED:** Shareholders request that the Board of Directors report to shareholders by December 2009 on measures taken to ensure the long-term sustainability and security of our company’s product supply chain, including:

- Resource conservation programs and pollution prevention measures for the full product life-cycle; and
- Safety testing and systems to ensure identity preservation and traceability “from farm to fork.”