



Tyson Foods* Needs to Grasp the Nettle on Plant-Based Protein

By Ben Cooper | September 1, 2016

The five shareholder resolutions filed by Tyson Foods investors last week seeking changes to environment, social and governance policies pertain to business risks for the US meat giant - and none more so than that on plant protein.

The resolution, sponsored by Green Century Capital Management, a group of "environmentally-responsible" mutual funds, questions whether Tyson is taking sufficient account of the growth in the market for plant-based protein. In spite of industry trends showing rising demand, Green Century says Tyson has disclosed "neither specific plans to meet the accelerating demand for plant proteins, nor how that demand could impact the company and investors".

The Green Century resolution "seeks disclosure" around the business's "analysis and response to this growing shift". The resolution reads: "Shareholders request that Tyson Foods, Inc. report – within six months of the 2017 annual meeting, prepared at reasonable cost and omitting proprietary information – on the possible risks and challenges to Tyson and its investors from the increased prevalence of plant-based eating, and any specific steps the company is taking to address those risks and challenges."

Shareholders in Tyson are urged to vote for the proposal, which like the four other resolutions, will be tabled at the company's 2017 meeting, set for early next year.

Tyson's reaction was not so much muted, as mute. It posted no official response on its website, while Green Century also says it has had heard nothing from the company. Yesterday (31 Aug), a spokesperson for Tyson responded to just-food's request for a response with a single sentence: "We intend to respond to the proposals when we issue our proxy statement later this year." This apparent reticence to engage is unfortunate, as the five



Tyson Foods, Inc.

resolutions are constructive in tone, suggesting positive ways for the company to avoid risk and grow sustainably, and this is particularly true of Green Century's observations regarding plant-based protein.

"Green Century believes that plant protein is an important part of a sustainable food system," Marissa LaFave, shareholder advocate at Green Century Capital Management, tells just-food. "If Tyson starts exploring this product line now it can avoid the risk of being left behind and will be positioned to take advantage of changing consumer preferences and expected growing demand from governments, restaurants and retail consumers."

A further comment suggests how some external stakeholders and Tyson investors may take the company's decision to delay responding. "Shareholders can benefit if Tyson starts sooner rather than later," LaFave adds. That the resolution highlights both the risk and opportunity in plant protein is interesting in light of the launch earlier this year of the Protein Challenge 2040 initiative by sustainability think tank Forum for the Future.

Forum for the Future describes the programme as "the first global coalition exploring how we feed nine billion people enough protein in a way which is affordable, healthy and good for the environment". The initiative attracted a varied group of founding partners including the World Wildlife Fund (WWF) and the Global Alliance for Improved Nutrition (GAIN), feed and ingredients specialist Volac,* food companies Hershey* and Quorn Foods,* and retailers Target* and Waitrose.* Most recently, General Mills* has become involved.

Each partner brings insights that could be telling in defining the development of a sustainable protein market in 2040 but what the initiative lacks is input from a major manufacturer specialising in meat protein. The journey to 2040 begins in 2016, and today it is the likes of Tyson that are conveying protein to the majority of consumers.

Some may characterise Tyson and its peers as the fossil fuel producers of the protein sector, but none would deny their extensive knowledge and understanding of protein marketing and protein consumption, and their product development expertise. Thankfully, the door is open to Tyson. The Protein Challenge 2040 naturally has a strong focus on plant protein, but the initiative is also prioritising areas such as sustainable animal feed, product development and consumer outreach, where companies like Tyson would have immediate value to bring.

Simon Billing, principal sustainability advisor and Protein Challenge 2040 lead at Forum for the Future, stresses the initiative "isn't a vegan/vegetarian movement" and is "not anti-animal production". Large meat processors would "very much be welcomed into this initiative", he says, adding: "Creating the right balance around the table, bringing in the right expertise, is critical to this."

One of the reasons Billing says Forum for the Future convened the project was because it had found "a very polarised debate between essentially the meat and vegan or vegetarian lobby". Like LaFave, Billing stresses the business benefits for meat companies engaging in plant-based alternatives, pointing to the moves dairy companies have made into plant-based variants as examples to emulate. Danone's* recent move for WhiteWave Foods,* a company that derives some 38% of its revenues from plant-based foods and beverages, epitomises that trend. "This is a great opportunity space for animal producers," says Billing. "Just look at how the dairy category has shifted over the last ten years to where people are now saying you'd be foolish to be a dairy company without a plant-based portfolio."

The pressing priorities, Billing says, are to "bust the myth" that protein has to be meat, gain more government support for plant-based protein production and recruit consumers with attractive products. "We're not going to

drive demand without a great portfolio of products," he says. The initiative seeks to create a market where plant-based options are "accessible and desirable", Billing adds.

New product development is therefore critical and companies like Tyson would have much to offer in terms of product development resources and experience. Billing calls out the work of German company, Rügenwalder Mühle,* a family-owned traditional sausage maker which added vegetarian sausage and meat alternatives to its range in 2014, as an example of a meat company taking a progressive approach towards plant proteins.

Meanwhile, in the proposal for its resolution, Green Century highlights the progress made by US foodservice operators such as Wendy's,* Denny's,* Subway,* Taco Bell,* Burger King* and TGI Friday's,* commends ConAgra Foods* and Kraft Heinz* for their development of plant-based meat alternatives, and Unilever* for its plant-based versions of Ben & Jerry's ice cream and Hellmann's mayonnaise.

The presence of Target and Waitrose as founding partners in the Protein Challenge 2040 is also significant. Billing highlights how improved retail merchandising would boost the market for plant-based variants. Target, for example, has launched a private-label plant-based range and has a "Plant-Based Protein" section in stores.

Both Billing and LaFave stress the first-mover advantage Tyson could derive from being more proactive on plant-based protein. "This agenda is very challenging for those that have their complete portfolio vested in animal protein", Billing concedes but he adds: "There's a leadership opportunity up for grabs".

Meanwhile, LaFave emphasises the wider benefits of Tyson adopting a more progressive approach. "Tyson has the opportunity to expand its product line and become an early mover, influencing other companies and the entire field. That's how change is made – one or two leaders can significantly turn a field to be more sustainable," she says, citing the growth in cage-free eggs and sustainable palm oil as examples.

There is a strong parallel here with the reformulation of processed foods to reduce levels of salt, fat and sugar being undertaken by food companies at large. In that endeavour, the emphasis can be firmly placed on what companies are doing to be part of the solution, rather than what they need to stop doing to cease being part of the problem. Tyson would be able to do precisely the same in following the path Green Century is advocating. In contrast, however, a prolonged silence on the issue would be taken as a lack of engagement.

If the experience in the dairy market is anything to go by, momentum in the plant-based "meat" sector is likely to build rapidly. Tyson – or a competitor – may have less time than it once thought to seize that first-mover advantage. The company may wish to have more time to formulate a response to Green Century's suggestions but these trends have been in evidence long enough for shareholders to be puzzled why Green Century's prompt was required in the first place. Perhaps to begin with, a call to Forum for the Future would be a potent symbol to Tyson's shareholders and to external stakeholders.

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As of June 30, 2016, General Mills comprised 0.01% and 0.56%, White Wave Foods comprised 1.23% and 0.11%, Kraft Heinz comprised 0.00% and 0.71% and Unilever comprised 1.00% and 0.00% of the Green Century Balanced Fund and the Green Century Equity Fund, respectively. Other securities mentioned were not held in the portfolios of the Green Century Funds as of June 30, 2016. References to specific securities, which will change due to ongoing management of the Funds, should not be construed as a recommendation by the Funds, their administrator, or their distributor.

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