



CASE STUDY: BRAZIL

SADIA PROGRAM FOR SUSTAINABLE SWINE PRODUCTION: BRINGING SUSTAINABILITY TO THE SUPPLY CHAIN

Summary

Sadia, one of the world's leading producers of chilled and frozen foods, is a market leader in Brazil, with more than 600 products in meat, pasta, margarine and dessert segments. It is also the country's main exporter of meat products. The Program for Sustainable Swine Production was designed to reduce greenhouse gas emissions from the more than 3,500 swine producers in Sadia's supply chain and to qualify the reductions as a Kyoto Protocol Clean Development Mechanism project in order to sell carbon credits. The programme seeks to bring sustainability to the company's supply chain by providing supplementary revenue from carbon credits and better working conditions for swine producers. The case details the innovative use of technology and forward-thinking project structure to capitalize on trading credits in new market exchanges.



Positive Outcomes for the Poor

Although the 3S Program does not have a direct impact on the poorest of the poor, it works preventively on reducing extreme poverty. It also contributes to the sustainable development of the swine production sector in Brazil and presents alternative business models that in the future can be replicated in poorer areas of the country. The 3S Program's positive outcomes for the poor include the following:

- The Program prevents extreme poverty in rural areas by increasing the income of swine producers with the use of biodigesters.
- With the 3S Program, swine producers could benefit from a better work and living environment, a new source of energy and organic biofertilizers produced in their own facilities.
- Prevent extreme poverty in big cities by improving the quality of life in rural areas, including the health and safety of the swine producers. Thereby, reducing the rural exodus to big cities of unskilled workers (outside agriculture) that could increase unemployment rates and poverty statistics in urban areas.
- There is a decreased impact on the natural environment, especially decreased contamination of water and soil, indirectly and positively affecting the livelihoods for the surrounding rural community.



Positive Outcomes for the Business

- Sadia has been able to generate income through the sale of 290,000 tons of carbon credits in 2006 at about €11 per ton.
- Producers have been able to reduce costs by using the energy, fish food and fertilizer they produce as by-products.
- Producers have been able to diversify their income by starting fish farms which use the fish food produced as a by-product of swine production.
- Because producer costs are reduced and income is increased, turnover is reduced and stability of suppliers to Sadia is improved.

Key Constraints

- *Market information:* Sadia lacked the knowledge of carbon credit regulation and applications for carbon credit in a market that is still being developed.
- *Knowledge and skills:* The small farmers themselves were not aware that swine production's pollution could be mitigated, and that carbon reductions could be monetized.

Key Strategies

- *Invest in removing constraints:*
 - Sadia created a nonprofit institute that was in charge of managing the 3S Program and negotiating the carbon credits.
 - Sadia raised awareness about improved farming methods, sent technicians to every farmer, with multiple follow up visits to ensure that the technology-intensive process was completed well.



Strategy Matrix

		Strategies					
		Sadia	Adapt Products and Processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with government
Constraints	Market information						
	Regulatory environment						
	Physical Infrastructure						
	Knowledge and skills						
	Access to financial services						

Opportunities and Challenges for Scaling Up

- The 3S Program tested the Clean Development Mechanism and built capacity for managing these projects: how to write a Project Design Document, how the carbon credit market operates, etc. Where there was no expertise previously, there is some available now.
- Sadia Institute plans to extend the Program within its supply chain, including those suppliers that are not swine producers (for example, poultry and beef). The Program will be adapted when necessary.
- Sadia Institute plans to develop a “Sustainable Site Platform” in which it will give training for new agricultural possibilities to be produced by its suppliers to diversify and increase their income. The platform aims to educate the producers on financial and management issues, creating entrepreneurs better prepared for the market.
- It is still a challenge to include the small producers. It becomes even more challenging because the market for carbon credits is still new and needs a well-structured financial strategy to fully allow producers of all sizes to participate in it.