

Thirteenth edition of Eurosif indicators for environmental and social performance of international companies, in partnership with five European newspapers

Obesity, a major road block for the food industry

A group of experts composed by the Ministry of Health met in Paris on March 25th to elaborate on proposals limiting televised commercials for certain products targeting children. On February 5th, Roselyne Bachelot, minister of health, youth and sports, announced that this would be put into place in order to fight obesity, as well as removing candy displays from supermarket check-out lines. Counting on the voluntary commitment of professionals, the minister however did warn that she would propose legislative measures if that did not work. One hundred or so deputies have already co-signed a bill relating to these measures. However, representatives from the National Food Industry Association (Association Nationale des Industries Alimentaires - ANIA) decided to boycott this group of experts' work, judging that the industry has become the "scapegoat" for a public health problem.

Nonetheless, according to a poll carried out for ANIA by IFOP on February 20th and 21st on a representative sample of 1,000 people, three-fourths of the French think that a diversified, healthy and balanced diet is the most important factor for a healthy lifestyle; 41% identify an unbalanced diet as being the main cause of obesity in children; and 47% estimate that the food industry must participate in helping to combat obesity.

Complications from being overweight do not only affect developed countries, since the enrichment of middle class populations in emerging countries has greatly modified diets: demand for meat is predicted to double by 2020. This is an opportunity for western food companies who see their sales hampered by tougher stances being taken on regulation regarding meat origins, and as an added risk since the alarm regarding these problems has already been sounded worldwide. The World Health Organisation (WHO) estimates that more than 1.6 billion adults were overweight in 2005 (of which 400 million are obese), and this figure will rise to 2.3 billion by 2015. Being overweight is said to be responsible for 68% of diabetes, which is predicted to increase by 50% over the next ten years, 21% of heart attacks, and 8% to 42% of different types of cancers in the world. A report from the European Union (EU) estimates that health costs related to obesity already represented 7% of total health costs in 2006.

Since 2003, developed countries as well as emerging markets (China, Singapore, Brazil) have been multiplying regulations requiring the food industry to better inform consumers about the ingredients in certain products, to limit advertisements for particular product categories, or even forbid specific elements. For example, the Disney amusement parks and New York City have banished (respectively in 2006 and 2008) products containing the very controversial trans fat acids (which improves the consistency of food).

The big players in the sector are forced to forge ahead as they are faced with less and less room for manoeuvre. First they played the "light" product card. According to a study by Goldman Sachs in February 2007, two thirds of new products launched by Kelloggs between 2002 and 2005, more than 40% of those from Danone and Coca-Cola, and close to 30% of those from Nestlé, Unilever and Kraft contained such "health claims". Today food industrials strive to extend this positioning to their entire range of products. Even if this means getting rid of the most penalising products, such as cookies for Danone, or reducing the need for certain ingredients: Nestlé aims to reduce salt levels in all of their products by 25% by 2010; and 16% of sugar by 2012.

Data for this thirteenth edition of *Le Monde/Eurosif* indicators, gathered by Ernst & Young for *La Stampa* (Turin), *El Pais* (Madrid), *Die Zeit Online* (Hamburg) and *Le Temps* (Geneva), shows that this transformation is much more advanced for large European companies than for their American competitors. However, notes Eric Mugnier, consultant in the environmental and sustainable development department at Ernst & Young, what is still missing is "precise information about the nature and volume of ingredients in the fabrication process for all products, which would facilitate comparisons and permit measurements of the real efforts that are being made to reduce dangerous ingredients."

This is the approach being taken by certain investors. In order to measure the exposure of different actors on the market to the "risk of obesity" – a capping of sales due to regulation, increase in research and development (R&D)

spending, reputational risk – financial analysts at Oddo Securities measure the weight of certain product lines (ice cream, mayonnaise, sweets) in the sales figures and the operational margin of each company (because these are the products that generate the biggest margins...). “Even if we don’t look at the labels product by product, it gives us a good estimate of the risk, estimates Jean-Philippe

Desmartin, head of socially responsible investment research at Oddo. *Especially since the food additives that are supposed to decrease the sugar, salt and fat content present just as much uncertainty with regards to their effects on human health.*

Antoine Reverchon

Health makes its entry into company strategy

Companies in descending order of sales figures for 2006	Enhancement of nutritional quality	Information on the product label	Communication with consumers	Reduction of certain ingredients	Research on nutritional quality
Nestlé (Switzerland)	2	2	3	2	2
Unilever (UK/NL)	1	2	3	2	1
Pepsico (United States)	1	2	3	1	1
Kraft Food (United States)	1	2	3	1	1
Tyson Food (United States)	1	0	1	1	0
Coca-Cola (United States)	1	2	3	0	1
Mars (United States)	1	2	2	2	0
Danone (France)	2	2	3	1	2
Cadbury Schweppes (UK)	1	1	3	3	1
General Mills (United States)	1	2	3	1	1
Sara Lee Corp. (United States)	0	0	0	0	0
Conagra Foods (United States)	1	0	2	3	1
Kellogg’s (United States)	2	2	3	2	1
Dean Foods Company (EU)	1	0	1	0	1
Heinz (United States)	1	0	2	2	1
Ferrero (Italy)	2	0	3	2	0
Barilla (Italy)	0	0	0	0	0
Ebro Puleva (Spain)	1	0	2	1	1

• Enhancement of nutritional quality (score): 0 No information; 1 Initiative to improve nutritional quality of certain products; 2 Initiative to improve nutritional quality of entire range of products
 • Nutritional information on the product label (score): 0 Simple nutritional information; 1 Data concerning GDA (Guideline daily amounts); 2 Innovative and complete information system to quickly identify and understand the nutritional contents of uncertified products (colour code, scale system, etc.)
 • Communication with consumers (points): 1 point for restricting advertising; 1 point for encouraging physical activity; 1 point for nutritional education
 • Reduction of certain ingredients (points): 1 point for detailed data (with figures) on ingredient reductions; 1 point for committing to the principle of reducing certain ingredients; 2 points for detailed data (with figures) on commitment to reduce certain ingredients
 • Research programmes on nutritional quality (score): 0 No information; 1 Support and/or development of a nutritional research programme; 2 Communication of budget and/or personnel allocated to nutritional research
 Source : Ernst & Young, based on information published by companies

Béatrice de Reynal: “It is also up to consumers to open their eyes before opening their mouths.”

Why has the food industry been gradually changing their recipes for food products?



In the last forty years, companies have naturally reduced the number of calories in their products simply because our nutritional needs have changed: we have less of an appetite, and physical beauty has become more and more important. In order to look good, you have to be thin.

Today, a slice of Parisian ham contains 5% of fat, versus 17% in the 1960’s, and if partially skimmed milk, when it appeared on the shelves, presented a problem in terms of taste, it has now become the reference for the market.

Two thirds of the products we find in stores today didn’t exist forty years ago. Are they healthy?

Their sanitary quality is indeed better, and this is a huge advantage. But their nutritional quality remains variable. Consumers wanted “service” products, meals that can be micro waved, cookies that stay fresh even if the package has been opened. However, even if they are not dangerous, these products have their inconveniences. Instead of butter for example, producers use saturated fats, which are easier to work with and cheaper. All that isn’t necessarily good for your health, and I even think that certain compositions should have been banned in products for children.

Another example: forty years ago, yogurt was made up of milk and ferments. Today, for economic reasons, we sell products with only a little “real” yogurt in them – even if this means we have to call them something else. They have a lot less milk, and thus less nutritional quality.

You can also see this type of spin-off with iron: in the meat department you see steaks that are no longer called that because they are 51% soy!

Has the food industry made any progress?

A lot of food companies, not all of them, have faith and their efforts have resulted in accomplishments, as reducing fat levels is technically very difficult. For example, nuggets and cordons bleus contain more saturated fat than meat, and less nutrients. In general, I would like to see people buy simpler and more basic food.

Brands communicate a lot on the benefits of their products ...

Most groups have strong ethics, but there is still a group of crooks who falsify health allegations [*guaranteed vitamin content, no sugar added, etc.*] to make money, even among the multinationals.

The allegation should concern what is written, but also what is shown – it must respect the distribution of ingredients in the composition of a product. But, on fruit flavoured yogurts, you don’t see milk! So we shouldn’t be surprised that the consumer believes they will be eating fruit when they buy a yogurt. When you would in fact have to eat between 10 and 20 to have one portion of fruit!

What do you think about the fact that brands have been turning more and more towards “health” one after another?

Economically it makes sense. A man consumes 2,500 calories per day, which is 1,000 less than in the 1960’s. What the food company is losing in volume, they have to find in value. The promises for health benefits must be strong in order to justify a product’s price gap when comparing with others. Without forgetting that the more expensive it is, the more people believe in the health effects. Now the strategy is to copy the promises made by food supplements, as Danone does with their Essensis yogurt.

There are breaches, and I think this is only the beginning. The problem is that simple food (an egg, a filet of fish) isn’t “sexy”. Since the buyer wants to dream, food companies take advantage of that. But it is up to consumers to open their eyes before opening their mouths.

Interview conducted by Laetitia Clavreul

CV
2008 Béatrice de Reynal, nutritionist, publishes *Les vérités qui dé-mangent*, with Vuibert.
2006 She launches the blog <http://miammiam.mabulle.com>
1997 She creates Nutrimarketing, a firm specialised in nutritional innovation and communications.
1989 She works for the PMI (Maternal protection and infantile protection) in Central Africa