Perspectives on Production

Sustainability, Production, and Products

Ernie Meier
Director of Quality System
McDonalds US
Introduction
Ray Kroc

“Be a good citizen. Have a real sense of community. Be involved in the life and spirit of the community you serve.”
McDonald’s U.S.

- 14000 Restaurants
- 3,100 Owner-Operators
- Multi-Generational
- 80% Franchise Owned
Our Business

The 3-legged Stool

Suppliers

Owner/Operators

Employees
McDonald’s U.S. Supply Chain

Strategic Supply  Quality Systems  Field Supply Chain
McDonald’s U.S. Supply Chain

Farm ➔ Supplier ➔ Distributor ➔ Restaurant ➔ Customer
McDonald’s Supply Chain Model is One-of-a-Kind

Committed to partnering with suppliers and owner/operators to deliver the highest quality products at the best value.

- Food Safety & Quality
- Sustainability
- Animal Health & Welfare
- Strategic sourcing
- Supplier partnership & investment
- Distribution
- Risk management
How is McDonald’s Supply Chain Different?

- We cultivate strategic, long-term relationships giving our suppliers a heightened sense of belonging and commitment.
- We focus on strategic suppliers whose products or services significantly impact the consumer experience, food quality, cost of goods sold, and brand protection.
McDonald's U.S Restaurants Purchases...

- 780 MILLION pounds of beef
- 510 MILLION pounds of chicken
- 1.4 BILLION pounds of potatoes
- 235 MILLION pounds of cheese
- 160 MILLION dozen eggs
- 32 MILLION pounds of tomatoes
- 41 MILLION pounds of apples
- 52 MILLION pounds of coffee
Globally 5 - Billion Dollar Brands

2011 Annual Sales (Billions)
Source: McDonald’s Internal Sales 2011 extrapolated to estimate WW Sales; Note: total sales for these products from internal database were adjusted to remove Fry/Drink portion of EVM sales and assumes discount of 20% on EVMs
US Beef Supply Chain
McDonald’s Impact on Florida

$155,369,276.00
## McDonald’s Beef Impact

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Pounds</th>
<th>Percent of Supply</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>NEBRASKA</td>
<td>116,300,719</td>
<td>21.58%</td>
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<tr>
<td>2</td>
<td>TEXAS</td>
<td>110,274,920</td>
<td>20.46%</td>
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<td>3</td>
<td>KANSAS</td>
<td>94,320,465</td>
<td>17.50%</td>
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<td>4</td>
<td>COLORADO</td>
<td>79,459,216</td>
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<td>5</td>
<td>MINNESOTA</td>
<td>36,962,087</td>
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<td>6</td>
<td>CALIFORNIA</td>
<td>35,720,730</td>
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<td>FLORIDA</td>
<td>17,544,097</td>
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<td>8</td>
<td>ARIZONA</td>
<td>16,692,115</td>
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<td>9</td>
<td>WISCONSIN</td>
<td>12,962,924</td>
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<td>WASHINGTON</td>
<td>8,307,220</td>
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<td>MICHIGAN</td>
<td>4,486,444</td>
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<td>PENNSYLVANIA</td>
<td>2,359,982</td>
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<td>UTAH</td>
<td>2,125,975</td>
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<td>14</td>
<td>GEORGIA</td>
<td>1,503,512</td>
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<td>Item</td>
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<td>----------</td>
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<td></td>
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<tr>
<td>Bun</td>
<td>10%</td>
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<td>Pickles</td>
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<tr>
<td>Ketchup</td>
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<tr>
<td>Mustard</td>
<td>0%</td>
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<tr>
<td>Onions</td>
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<tr>
<td>Beef</td>
<td>69%</td>
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<tr>
<td>Cheese</td>
<td>11%</td>
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Agriculture Today
Percentage of Population Involved in Farming

- 1810: 90%
- 1910: 30%
- 2010: <2%
What does McDonald's do when the cows have wounds on them?

What do you mean by 100% beef?

What can you say about all the negative allegations about the meat at McDonald's? Is any of it true?

Does McDonald's allow hormones to be used in raising the cattle?

Does McDonald's view their cattle as dollar signs or actual animals?

What can you tell me about your corporate structure and who is responsible for observing the agricultural department of McDonald's?
Societal Concerns

- Protect Natural Resources
- Reduce Waste
- Quality & Safety
- Carbon Footprint
- Feed the Growing Population
OUR JOURNEY TOGETHER.
FOR GOOD.
WHAT WE'RE TALKING ABOUT IS SUSTAINABILITY
McDonald's commits to begin buying sustainable beef by 2016

McDonald's Promises Sustainable Beef—and No One Knows What That Is

McDonald's commits to "sustainable beef" – whatever that is

McDonald's Will Serve Up Sustainable Beef, Whatever That Is
LEVERAGE OUR UNIQUE STRENGTHS & EDUCATE

29M Customers Daily
700,000 Employees
14,000 Restaurants
$1.5B Beef Supply Chain

The Contiguous United States
Visualized by distance to the nearest McDonald's

by Stephen Vos Worry • September 2010
Data: Foursquare, data.io
Location data courtesy of AppData
https://www.appdata.com/

Touchpoints
Global Roundtable for Sustainable Beef
BEEF SUSTAINABILITY ASSESSMENT

Between 2005 and 2011, the beef industry reduced:

- Emissions to soil: 7%
- Greenhouse gas emissions: 2%
- Acidification potential emissions: 3%
- Emissions to water: 10%
- Water use: 3%
- Land use: 4%
- Resource consumption & Energy use: 2%
- Occupational accidents & Illnesses: 32%

The overall environmental and social fingerprint of the beef industry has been reduced by 7% in just 6 years!
US Sustainability Interviews

- **Sustainability**
  - 100% Vendors have sustainable practices.
  - 60% Pounds sourced from Vendors with documented sustainability plans and goals.

- **Animal Welfare**
  - 100% Vendors have annual 3rd party animal welfare audits.
  - 93% Pounds sourced from Vendors that have PAACO certified auditor resource.
OUR JOURNEY TOGETHER.
FOR GOOD.