



Grupo Herdez

Business Context

Grupo Herdez is a leading producer of shelf-stable foods and one of the main players in the ice cream category in Mexico, as well as one of the leaders in the Mexican food category in the United States. Grupo Herdez wants to continue to grow, consolidate, and position itself as a leading organization in the food, beverage and wellness products sector, recognized for their quality and for the effectiveness of its efforts aimed at ensuring the satisfaction of the needs and expectations of its clients and consumers, within a framework of competitive care and service, under strict criteria of quality, safety, profitability, strategic potential and sustainability.

Assessment

WHY? What was the objective of the assessment?

Grupo Herdez wanted to gain a better insight into the risks and opportunities related to water use in the context of water scarcity, and apply a capitals assessment to compare options and use the results to promote sustainable interventions internally and with business partners.

The objective of this assessment is to compare different irrigation systems (sustainable agriculture versus traditional agriculture) for the adequate management of the water resources, seeking to reduce the risk of scarcity or low availability. With this objective in mind, Grupo Herdez hopes to improve their water resource management and the management of irrigation systems and to gain insight in comparative advantages between traditional and sustainable agriculture.

WHAT? What was the scope of the assessment?

This assessment has an organizational focus and focuses on upstream operations. The specific focus of this assessment is on tomatillo and tomato suppliers who, with the support and collaboration of Grupo Herdez, develop actions for efficient water consumption, migrate from traditional agriculture to sustainable agriculture. This study covers the obtaining, transport and storage of tomato and tomatillo.

The assessment will focus on the dependency on water mostly, through both quantitative and qualitative valuation. The value perspective focuses on both society and business, as with the assessment Grupo Herdez wants to ensure that the availability of water resources favours the continuity of the production process in the field and supports the rural society at the same time.

The assessment focuses on natural, human and social capital. Looking into the availability of water, development of environmental training, and shortage in labour availability.

HOW? What was measured and valued?

Grupo Herdez chose several relevant material issues to further measure and value. Initially, they intended to measure and value the following impact drivers:

Regarding natural capital:

- Scarcity of water resources / Availability of water
- Decrease in arable area
- Decrease in productivity and yield linked to the variation in rainfall due to climate change

Regarding social capital:

- Rotation of field workers, labor shortage / Maintenance of arable land
- Generation of source of work / Establishment of double crops

Regarding human capital:

- Training for compliance with environmental sustainability programs in the field of water / Knowledge and skills for the adoption of new technologies

In the end, the assessment mainly focused on the scarcity of water resources and the availability of water by using quantitative valuation techniques. The availability of water was measured through the indicator of annual rainfall in mm/in². The indicator for change is in the use and exploitation of water impacting on water resource shortage. The impact on the business is that it leads to the reduction of the area and the production of tomatillo and tomato crops. The water resource shortage leads to higher prices of production and acquisition of raw materials to the business due to lower supply. The society is affected as it will lead to a price increase in the final products of the consumer and an increase in the price of water (\$/m³).