

# Cultivation & Raw Materials

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Migros is committed to the acquisition of raw materials in a way that conserves resources as well as to fair working conditions along the entire supply chain. In 2015, it introduced more fair trade products and implemented the Swiss animal welfare standard in further countries.

Migros aims to use raw materials that have been grown or extracted with **respect for people, animals and the environment** and are traded fairly. In addition to Cooperative Retailing, all companies of the Migros Group are gradually implementing the basic requirements for suppliers and product range. Migros' supply chains extend around the whole world. To ensure that producers of raw materials receive a fair price for their goods, Migros and its partners are committed to **fair production conditions**.

## Protection of the soil

Be it for the cultivation of potatoes in Switzerland, cotton in India, bananas in Columbia or rice in Thailand, the soil must be in good condition for plants to flourish. Organic agriculture uses **production methods that are as environmentally friendly as possible** and takes account of the findings of environmental research. This also helps to protect **biodiversity**. Organic farmers usually avoid the synthetic pesticides and mineral fertilisers sometimes used in conventional agriculture. Migros sells almost **3'000 products from organic cultivation**. These include products carrying the labels Migros Bio, Migros Bio Cotton and Migros Bio Garden, as well as third-party brands such as Alnatura, Hipp and Yogi Tea.

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### **TerraSuisse: committed to natural Swiss agriculture**

The Migros label TerraSuisse denotes products that originate exclusively from sustainable Swiss agriculture. With sales of CHF 713.6 million, TerraSuisse is Migros' biggest-selling sustainable label.

TerraSuisse was established in partnership with the **Swiss Ornithological Institute** in Sempach and the association of Swiss integrated production farmers (IP-Suisse). With the label, Migros makes an active commitment to near-nature and animal-friendly Swiss agriculture. In 2014, IP-Suisse decided to **stop using all bee-critical substances**. Since 2015, the farmers have not used any substances classed as bee-critical by Greenpeace. Many of the critical substances had already been banned for IP-Suisse farmers for several years.

**CHF 713.6 million**

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in sales is generated with  
TerraSuisse.

Agroscope, the Swiss Confederation's centre of excellence for agricultural research, looked into potential **climate protection measures** for IP-Suisse in the reporting year with the help of Migros. It also came up with various

measures to reduce greenhouse gas emissions on farms. These cover issues such as fertiliser type and usage, special crop rotations and the type of tillage. The goal is to establish an **IP-Suisse points system** for climate protection in Swiss agriculture, along the lines of the existing biodiversity criteria. The practical feasibility of the measures will be tested at pilot farms in 2016. The aim is to implement the points system on all IP-Suisse farms by 2018.

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### **Bananas from WWF model project**

In 2015, the Migros Cooperative Eastern Switzerland introduced bananas from a WWF model project aimed at ensuring more environmentally friendly and socially responsible production conditions in conventional banana cultivation in Columbia and Ecuador.

The standard stipulates **more than 300 measures**, which include using fewer pesticides, protecting the diversity of species, using water more sparingly and taking a responsible approach to waste water and waste. In addition, the farms in Columbia and Ecuador are improving working conditions and occupational health and safety for their workers. WWF experts advise the farms during implementation of the measures. These are then checked during unannounced inspections by independent **auditors**. Bananas are transported to Switzerland in **returnable containers** made of plastic, which generate three times less CO<sub>2</sub> than cardboard banana boxes.

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### **Lettuce grown with hydroponics**

In 2015, the foundations were laid for a greenhouse that offers a new way to grow lettuce. Together with Trachsel AG in Oftringen (AG), Migros will be able to grow lettuce all year round using sustainable production methods.

Across an area of one hectare, some two million heads of lettuce can be produced each year; around eight hectares would be needed to grow the same amount in open fields. In comparison with the lettuce cultivation methods that are usually seen in Switzerland, the farm offers **clear environmental advantages** throughout the year. Compared to cultivation in open fields, the hydroponics need 71% less water in summer and 62% less in winter. In addition, systematic irrigation reduces the need for nutrients considerably.

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### **Research projects**

In the reporting year, Migros launched various research projects aimed at making agriculture more sustainable. One focus was on researching alternative methods to protect against pollen beetles in organic agriculture.

The Research Institute of Organic Agriculture (FiBL) looked into the effectiveness of various **scents for pest control**. Agroscope researched **entomopathogenic fungi** to protect against pollen beetles. The Biofarm cooperative provided rapeseed producers with continuous information about better cultivation techniques and applied the results from the two research projects in practice.

Since 2014, Agroscope, with the assistance of Migros, has been researching which indicators are relevant for a comprehensive, **holistic sustainability assessment** of farms in Switzerland. Equal importance is attached to

environmental, social and economic factors. The relevant set of indicators was finalised in 2015. The evaluation system and recording methods will be tested in practice at pilot plants this year.

## Protection of forests

According to WWF, forests in many regions of the world are at risk due to overuse and destruction, such as the rainforests in Indonesia and other areas of south-east Asia. One of the reasons for this is the systematic deforestation associated with non-sustainable and non-certified cultivation of palm oil and soy. As a founding member of the Roundtable on Sustainable Palmoil (RSPO), Migros has been committed to the **sustainable production of palm oil** since 2004. It also supports the supply of soy from European production and actively searches for **alternative sources of protein** to supplement soy in animal feed.

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### **Palm oil and soy from sustainable sources**

In 2015, the M-Industry companies procured close to 98% of their total requirement in the food area as physically sustainable palm oil (supply chain type "segregated") from RSPO-certified plantations.

The remaining 2% is made up of very small quantities in purchased semi-finished products. Migros is checking whether these small quantities can also be converted in the future. Migros thereby kept its promise to use only **palm oil obtained from sustainable cultivation** in M-Industry by the end of 2015.

Third-party suppliers that deliver palm oil to Migros in processed products are also required to switch to physically sustainable palm oil. All suppliers must use **100% physically sustainable palm oil** by the end of 2017 (RSPO supply chain type "segregated"). With this support, Migros is sending out an important signal within the industry and demonstrating that it takes the issue of palm oil seriously.

At the same time, Migros is assessing whether palm oil can be replaced with other plant-based oils in the food area. Together with the M-Industry companies and third party suppliers, it is looking into **recipe changes** to replace palm oil with other plant-based oils such as rapeseed oil. In 2015, it reformulated almost 34 products, including soups, sauces and ready meals.

As a member of the Roundtable on Responsible Soy (RTRS) and a founding member and head of the Soy Network Switzerland, Migros makes a commitment to the **responsible production of soy**. In the reporting year, the network's objective was to maintain the 90% market coverage rate for imported animal feed that complies with standards recognised by the Soy Network Switzerland. With a coverage rate of 94%, this objective was exceeded. This year, the plan is to establish an association that helps to promote responsible production of soy and raises awareness of soy cultivation among the public.

All third party suppliers of food must use 100% physically sustainable palm oil by the end of 2017.

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Since 2015, Micarna AG has been using only **Donau soy from European production** to produce animal feed for the poultry brand Optigal. This gives it full transparency over the origin, quality and production methods. At the same time, the transport routes are shorter than for the soy that was previously used, most of which came from Brazil. The reduction in environmental emissions as a result of the switch was confirmed in a life cycle assessment performed by Agroscope. The chicken production under the Optigal brand uses the most **climate-friendly poultry fattening system**. It also performs better than other assessed systems in terms of resource efficiency and nutrient management.

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### Wood from responsible forestry

At the end of 2015, 79.4% of all wood and paper products in Cooperative Retailing originated from sustainable sources (recycled or FSC).

Migros thereby met its promise of ensuring that **three quarters of wood and paper products would comply with sustainability guidelines** by 2015.

At the retailers Gries Deco Company, Interio and Micasa, a total of 24% of products that contain wood originated from sustainable sources. 87.5% of the packaging material used by the industrial companies that contains paper or cardboard originated from sustainable sources.

## Protection of the seas

Fish consumption is increasing worldwide, with negative consequences for the planet's oceans: according to the Food and Agriculture Organization of the United Nations (FAO), almost a third of all fish stocks are overfished and a further 61% are at maximum capacity. As a member of the **WWF Seafood Group**, Migros takes ocean overfishing seriously and is constantly expanding its range of fish products from sustainable sources.

By the end of 2020, Cooperative Retailing is aiming to sell only fish and seafood that either conforms to a **sustainable label** or which has been categorised as **recommended or acceptable** by WWF.

Migros is on course to achieve this target: in 2014, it became the first Swiss retailer to only sell fish at its fresh fish counters that has been categorised as recommended or acceptable by WWF. 99% of the overall range originated from sustainable sources in the reporting year. Migros also expanded its range of certified products. For example, various smoked salmon products were switched to ASC in 2015, and ASC-certified prawns were introduced in the fresh and frozen sections. At the serviced counters, Migros now offers MSC-quality redfish and lobster. In the area of convenience food, Anna's Best Pizza Tonno and Anna's Best tuna canapé were switched to MSC.

99%

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of fish in the overall range originates from sustainable sources.

The **Migros Group retailers and industrial companies** have also made a pledge to remove all fish species from their range that have been categorised by WWF as fish to avoid eating. Discontinuing endangered or overfished

species is part of the Migros basic requirements. By the end of 2015, 99.6% of these species had been removed from the range or replaced with alternatives.

In the Migros Group, the proportion of MSC-certified products in the range of wild-caught fish was 59%, and the proportion of ASC-certified products in the range of farmed fish was 18%. Developments in the Denner range were especially pleasing: 60% of the range of wild-caught fish was MSC-certified and 32% of the range of farmed fish carried the ASC label.

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### Close cooperation with suppliers

As part of the switch to sustainable sources, Migros works closely with its suppliers and supports projects for sustainable fishing and breeding.

For example, in 2014 Micarna AG established a partnership with an Irish company that breeds **perch** using **responsible methods**. This has made it possible for Migros to breed perch regardless of the season and sell it all year round. In 2015, Micarna shipped a large part of the fish that had been bred since the start of the partnership from Ireland to Germany. For logistical and cost-related reasons, the fish will be bred in Germany and farmed in Switzerland in future. In the reporting year, more than 14t of the fresh perch fillets sold by Migros originated from farmed fish.

In 2015, Migros became the world's first retailer to sell Cantabrian **anchovies** caught in accordance with the **Marine Stewardship Council (MSC)** standard. In close collaboration with MSC and the business partner in Switzerland, Migros spent more than two years actively helping the anchovy fishery in Spain to switch to sustainable fishing. **Protecting the fish stocks** is also in the interest of the fishing businesses, as it gives them long-term **income security** and they receive a **better price** for fish that is caught in accordance with the MSC standard.

In addition to its anchovies, Migros also **switched** its Actilife fish oil and krill oil capsules and its Alaska salmon **to MSC**. Mimare canned yellow-fin tuna is now also available in MSC quality.

## Socially sustainable cultivation

Migros imports a whole variety of commodities from countries in the southern hemisphere. These include coffee, tea and cocoa, as well as fruit and vegetables, nuts and rice. Many of the small-scale farmers in these countries have no way of selling their goods at fair prices on the global market. Migros applies the Fairtrade Max Havelaar and UTZ labels to ensure **socially responsible and fair working conditions** at local level, as well as sustainable cultivation.

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### Fairtrade Max Havelaar: physically traceable orange juice

In collaboration with Bischofszell Nahrungsmittel AG, Migros switched its fruit juices in the Gold and M-Classic ranges to

Fairtrade Max Havelaar in the reporting year. This involves working together closely with cooperatives in the producing countries.

In Brazil in particular, the world's largest producer and exporter of orange juice concentrate, production is spread across just a small number of multinational corporations. Small-scale producers are finding it increasingly difficult to play a part in the global market. Migros has therefore made a conscious decision to work with **Fairtrade-certified cooperatives of small-scale farmers**. This ensures that the local producers receive a fair price, while Migros can get to know the people who produce its products.

For orange juice from Brazil, Migros also attaches importance to **physical traceability**. This is a **pioneering approach** – conventional and fair-trade fruits can usually be mixed when processed into juice. A "mass balance" is initially performed if the volume of Fairtrade fruits is too low: separate processing and filling would involve too much work. Thanks to the direct collaboration with the plants in Brazil, Migros can now physically trace the orange juice back to its origins.

"Migros bridges the gap between producers and consumers. It enables farmers to participate in the global market and helps to give them confidence."

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Angélica Rotondaro, Latin America Hub, University of St. Gallen

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### Fairtrade baby corn

In 2015, Migros became the first retailer in the world to offer baby corn in jars carrying the Fairtrade Max Havelaar quality label. Together with the Max Havelaar Foundation (Switzerland), it spent two years supporting and developing a pioneering project in southern India.

Thanks to the project, close to hundred small-scale farmers can now sell a percentage of the baby corn they previously used as cattle feed. They receive a fair price for the corn, as well as a Fairtrade premium to invest in projects such as sanitary systems in the village school or a mobile hospital.

Although Migros has attached great importance to fair trade and conducted many different projects in recent years, it did not manage to keep its promise of expanding the Fairtrade Max Havelaar range by 75% before 2015. Encouragingly, however, sales of Fairtrade Max Havelaar products rose by around 40% to CHF 113.8 million between 2011 and 2015. This proves that Migros' commitment to more Fairtrade is paying off and that its customers value the selection of products that are made under fair conditions.

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### New UTZ standard for hazelnuts

The UTZ label was originally created for coffee, cocoa and tea. In collaboration with UTZ and other partners, Migros and Delica AG have developed a new standard for hazelnut cultivation. Migros is now one of the world's first retailers to sell UTZ-certified hazelnuts.

In 2015, the first hazelnut gardens were certified in Turkey. Around 2'140 farmers in nine farmer groups received training on **good agricultural practices** from agriculture consultants. They learned how to trim the hazel bushes and use pesticides correctly. In addition, the standard sets guidelines for the pay and accommodation of migrant workers and also requires a childcare policy to be in place for their children.

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## GlobalGAP GRASP - monitored working conditions in Europe

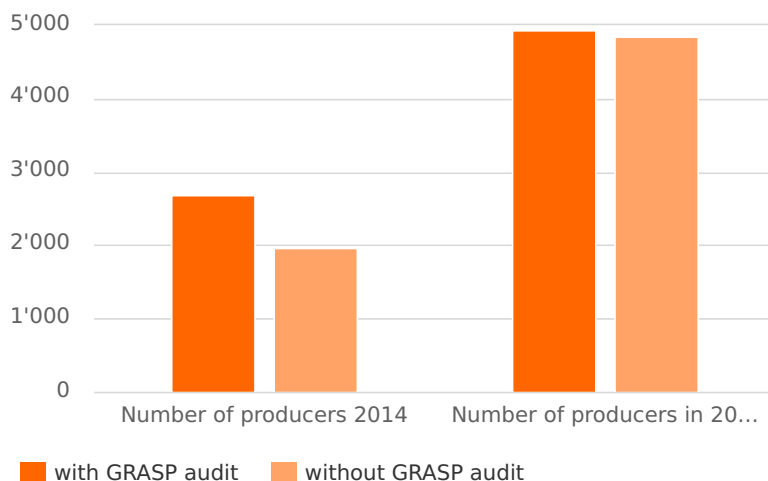
Along with the international standard for good agricultural practices (GlobalGAP), the supplementary module GRASP (GlobalGAP Risk Assessment on Social Practice) develops principles for occupational health and safety and the social needs of workers on fruit and vegetable plantations in southern European countries and Israel.

Until 2014, Migros required Cooperative Retailing producers in Italy and the three Spanish provinces of Almería, Murcia and Huelva to provide evidence of compliance with the GlobalGAP GRASP standard. In 2015, it extended this requirement to producers from the other Spanish provinces as well as those in Israel and Greece. Since 2015, the Migros Cooperatives have also been demanding proof of GlobalGAP GRASP compliance from their **regional suppliers** for agriculture products from Spain, Italy, Israel and Greece.

The implementation of the GRASP standard among producers that supply Cooperative Retailing looks as follows:

## Implementation of GRASP in Cooperative Retailing

GlobalGAP GRASP implementation all countries  
number of producers



For sustainability managers and quality managers at the Migros Group's retail and industrial companies, a practice-oriented **training course** was held in 2015 on the requirements of GlobalGAP GRASP and their implementation. GlobalGAP GRASP is included in the basic requirements for suppliers and product range, which apply throughout the Migros Group and are implemented gradually by the companies. 42.7% of the Migros Group's fruit and vegetable suppliers complied with the GlobalGAP GRASP standard in 2015.

As a member of the GRASP working group at GlobalGAP, Migros made a considerable contribution to **developing** and introducing **new GRASP key documents** in the reporting year. These include a revised GRASP audit checklist, a simplified system manual and various national implementation guidelines.

# Animal welfare

Demand for meat, dairy products and eggs is rising. At the same time, **animal-friendly husbandry** is becoming increasingly important to consumers. Migros has been committed to animal welfare for many years: it is included in the basic requirements for suppliers and product range, which have to be met by all Migros Group companies.

Among other things, the basic requirements relate to importing rabbits in accordance with the Swiss animal welfare standards as well as not selling eggs from battery hens. With regard to the latter, the Migros Group was presented with the **Good Egg Award** by the animal protection organisation Compassion in World Farming in 2015.

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## Focus on foreign products

Migros is aiming to introduce Switzerland's strict animal protection standards in Cooperative Retailing for all products from abroad by the end of 2020. In 2015, it took a step closer to achieving this objective.

Together with its supplier in France and the organisation Swiss Animal Protection (SAP), Migros brought its **turkey raising** practices in line with the requirements of the Swiss animal welfare regulations, even exceeding some of them. The animals' perches have been adjusted to the correct height, for example, and the turkeys are regularly let out to graze.

In the reporting year, Migros and SAP also worked closely with a supplier of **broiler chickens** to adapt the husbandry practices to the Swiss animal protection standards. Because the anaesthesia at the slaughterhouse does not yet meet all of the requirements, Migros is not currently procuring any meat from this supplier. SAP will provide the personnel with relevant training. An unannounced inspection this year will decide whether the company will be allowed to supply Migros with products in future or whether SAP will have to provide additional support.

Since 2015, the long-established Italian company Beretta has been supplying Migros with **pork sausage products** produced in accordance with **Swiss animal welfare provisions**. Two years were spent preparing the pig fattening practices in northern Italy for the partnership with Migros. The animals now have more space, longer feeding troughs, and resting areas with no gaps in the floor. Migros is the **first Swiss retailer** to produce imported pork in accordance with the Swiss animal welfare provisions.

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Migros will continue to extend the application of Swiss animal welfare standards to other species of animal raised abroad, such as dairy cows, water buffalo, laying hens and other fatlings. Some preliminary projects are already underway.

Its **firm stance** towards animal welfare and its efforts to introduce the strict animal welfare standards for all products from abroad have paid off. In this year's **Business Benchmark on Animal Welfare (BBFAW)** rating, Migros moved up from 3rd to 2nd place. The British organisation BBFAW rates



companies around the world on the basis of their commitment to animal welfare.

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### **Projects in Switzerland**

Together with IP-Suisse and the Swiss Sheep Breeders' Association, Migros promotes the practice of keeping lambs on pastures. This highly sustainable method of production not only includes animal-friendly husbandry and sustainable feeding on open Alpine pastures – it also helps to preserve the sensitive Alpine vegetation and fragile structures in the mountain regions.

Alongside lambs, **free-range geese** are also allowed to roam outdoors all day. According to the husbandry requirements of the Weidegans.ch association, at least one hectare of pastureland must be available for every hundred animals. The animals also have daily access to washing facilities. Migros sells the sustainably produced goose meat in the run-up to Christmas each year.

## Pilot projects

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### **Research project for animal welfare**

Migros works closely with research institutions and supports various pilot projects in the area of animal welfare, such as a hybrid hen experiment at Aviforum.

Hybrid hens are a dual-purpose breed: the females lay eggs, while the males provide meat for fattening. Aviforum is the centre of excellence of the Swiss poultry industry and has its own testing and production facilities.

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### **Sunflower meal for hens instead of soy**

In 2015, the Migros Cooperative Eastern Switzerland supplemented its range with organic eggs from hens that are not fed with soy.

Sunflower meal, a by-product from the production of sunflower oil, is used to replace soy as the protein component of the feed.