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Green to Gold: Business and Industry Moving Onto the Eco-Path

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Market Report	Yr Ago	4 Wks Ago	1/25/08
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$85.52	$91.65	$89.20
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	113.72	113.75	118.30
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	*	*	97.75
Choice Boxed Beef, 600-750 lb. Carcass	149.37	147.69	144.00
Western Corn Belt Base Hog Price Carcass, Negotiated	60.43	47.70	52.95
Feeder Pigs, National Direct 50 lbs, FOB	*	45.51	56.46
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	64.37	58.30	55.80
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	*	*	84.63
National Carcass Lamb Cutout, FOB	241.52	263.45	259.27
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.36	8.43	9.00
Corn, No. 2, Yellow Omaha, bu.	3.80	4.38	4.71
Soybeans, No. 1, Yellow Omaha, bu.	6.63	11.30	11.34
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	6.25	7.70	8.41
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.77	3.10	3.22
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	135.00	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	92.50	87.50	85.00
Grass Hay, Large Rounds, Good Northeast Nebraska, ton.	82.50	*	*

* No market.

The question of "How Smart Companies Use Environmental Strategy to Innovate, Create Value and Build Competitive Advantage" is the subtitle to a new book titled *Green to Gold*, by Esty and Winston (E&W, 2006). They point to how companies are finding ways to make money on the "green" path… more accurately, on the eco-path, the sustainable path for their business and industry. We might liken the shift in thinking and business trends documented in this book to a kind of tsunami; as E&W refer to it, a huge Green Wave on which the leading companies are the WaveRiders. These companies see the eco-advantage (another term they coin) in taking the eco-path to sustainability. Companies (and communities within which these entities are embedded), who ignore the possibilities on the eco-path risk being washed away.

So, what is this all about anyway? What does it mean to be "green?" Even more importantly, what does it mean to "go beyond green" in order to be "eco," "sustainable?" Is there any money in it, and is this only about the money?

Esty (a Professor of Environmental Law and Policy) and Winston (Director of the Corporate Environmental Strategy Project, who also consults directly with companies in helping them build an environmental strategy), both at Yale University, set out to find out how the WaveRiders, the leading environmental, eco-companies around the world, are answering these questions. They interviewed dozens of CEOs and middle managers of these companies. The book reflects their findings, with several major themes emerging. But first, who are these companies and industries?

Esty and Winston compiled the "Top-25" lists for both the United States and, more generally, the world. For the U.S., we find the WaveRiders include Johnson & Johnson; Baxter; DuPont; 3M; Hewlett-Packard; Interface; Nike; Dow; Procter & Gamble; SC Johnson; Kodak; Ford; IBM; Starbucks; Intel; Xerox; McDonald's; GM; Ben & Jerry's;

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Patagonia; International Paper; Alcoa; Bristol-Myers Squibb; Dell; and United Technologies. For the world more generally, we find: BP; Shell; Toyota; Lafarge; Sony; Unilever; BASF; ABB; Novo Nordisk; Stora Enso; Philips; Bayer; Holcim; STMicroelectronics; Alcan; Electrolux; Suncor; Norsk Hydro; Henkel; Siemens; Swiss Re; AstraZeneca; Novozymes; IKEA; and Ricoh. We might add Walmart, which recently announced it is going to inquire about the carbon footprint from all their product suppliers, while encouraging sustainable, eco-production techniques. We might also add Nestle, one of the world's largest agri-business firms, who has been moving along the eco-path. We also see some exploration of these kinds of ideas in production and supply here in Nebraska, as in the closed-loop livestock-feeding, ethanol-production facility at Mead, Nebraska.

Second, we might inquire about the "earthquake that started the tsunami" represented in the Green Wave, as a kind of backdrop to the Esty and Winston book. A new course available now by distance education here at UNL http://agecon.unl.edu/lynne/ecolecon/ecoleconsyllabus.htm covers two substantive events in science along with real experiences which caused the tsunami, starting in the late-1960s. On the scientific side, we started to appreciate what first law thermodynamics (can't get rid of anything; we just change its form) and second law thermodynamics (the ability for our machines to do work depends on the heat differential as it goes from high quality fuel to exhaust, and we can't burn the exhaust!), was teaching us about resource capacities and limits. Ecological science was simultaneously teaching us that viable ecological economic systems are resilient systems, which can withstand shocks and recoup easily. As a result, we have started to realize that there is really not much reason to focus on equilibrium and stable systems, but rather to focus on the ongoing change. We sometimes hear "the only constant is change!"… new ecological economics confirms it. On the real world side we had realized by the late 1960s that we had, in several cases, exceeded the capacity of the natural system to absorb the wastes from our business and industry (as demonstrated by the Cuyahoga River fire of 1969 in Cleveland, OH). Also, we were starting to see the real limits on fossil-sourced bio-energy, on the old-carbon stored by the sun over billions of years. We not only are seeing capacity limits, we also continue on a path on which it is ever more difficult to extract useful work from the system. Ultimately, the machines stop unless we can become more in sync with the sun using renewable energies.

So, what are the WaveRiders doing about this? Esty and Winston point to three general kinds of actions they are taking: ***Managing the Downside, Building the Upside*** and, perhaps most importantly for long-term success, ***Inspiring an Eco-Advantage Culture*** within their business and industry. Let's look at the last one first.

Eco-Advantage is values based, reflecting a shift toward a joint and simultaneous concern with both making money and doing the right thing. We are traveling on this spaceship-Earth together, the latter making sense in the context of the new ecological and thermodynamic understanding. These quotes from E&W help us understand this aspect of the WaveRiders: "The gold they've discovered by going green is not only about money (p. 304)… Financial and environmental success can be achieved together (p. 305)…(this is about building companies and industries) that are not just innovative, powerful and great… but good, too (p. 305)." So there may be a bit of give and take in both domains, a bit of sacrifice in not always doing exactly the right thing, but also a bit of sacrifice in profits to do so, the latter essential for longer term sustainability. There is also the potential, however, for synergy… accomplishing more on both fronts, making more money and achieving long-term sustainability in the "we," in both our economy and our ecosystem.

This leads to ***Building the Upside***. WaveRiders 1) meet customer environmental needs, 2) build product position and customer loyalty on green attributes (build unity with the new way of thinking "eco"), 3) promote value innovation and develop breakthrough products, and 4) build corporate reputation and trusted (eco) brands (pp. 123-139). Is it all worth it? The WaveRiders believe it is, with demonstrated increases in their bottomline, at least most of the time, while always feeling better about it. WaveRiders realize that "feelings are facts" (p. 160) which is a key understanding in the practice of eco-advantage.

This leaves ***Managing the Downside.*** It is prudent to not take unnecessary risks by producing too much pollution. Also, rather than doing battle with regulators over toxic releases, it is better to put time, money and energy into building closed-loop production systems that not only hold the potential to be more profitable, but give one the sense of having done the right thing. Overall, we seek a good balance and integration of profitability and sustainability on the eco-path. Our future in business, industry and community depends on it.

Esty, D.C. and Winston, A.S. *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value and Build Competitive Advantage.* New Haven: Yale University Press, 2006.

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