

# McDonald's Shareholder Proposal: Phase Out Antibiotic Use in Healthy Animals

## Executive Summary

This resolution asks McDonald's to prohibit the non-therapeutic use of medically important antibiotics in its global meat supply chain. The overuse and misuse of antibiotics in the meat industry is contributing to the rise of antibiotic-resistance in the U.S. and across the world. This serious public health issue is estimated to *kill 10 million people a year worldwide by 2050*.

Antibiotics, even those important to human medicine, are frequently used for rapid growth promotion in livestock and poultry and to prevent illness in animals living in cramped and unhealthy conditions. This unnecessary use of antibiotics in McDonald's meat supply chain creates material risk for the company, including reputational damage, loss of market share associated with changing consumer preference, and future regulation.

## Resolution

**Be It Resolved:** Shareholders request that the Board update the 2015 McDonald's Global Vision for Antimicrobial Stewardship in Food Animals by adopting the following policy regarding use of antibiotics for its meat suppliers:

- Prohibit the use of antibiotics important to human medicine globally in the meat supply chain (including for chicken, beef, and pork), for purposes other than disease treatment or non-routine control of veterinarian-diagnosed illness (e.g. prohibit use for growth promotion and routine disease prevention also known as prophylaxis).
- Identify timelines for global implementation of vision including for meats currently not supplied by dedicated suppliers.

## Background on Antibiotic Use in Livestock

*"A post-antibiotic era – in which common infections and minor injuries can kill – far from being an apocalyptic fantasy, is instead a very real possibility for the 21st Century."*

*- World Health Organization<sup>1</sup>*

The overuse and misuse of antibiotics in the meat industry is contributing to the rise of antibiotic-resistance in the U.S. and across the world. The Centers for Disease Control and Prevention, the Food and Drug Administration, and the Department of Agriculture, have all testified before Congress that scientific studies link the routine, non-therapeutic uses of antibiotics on industrial farms to the crisis of

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<sup>1</sup> Scientific American. "Antibiotic Resistance Is Now Rife across the Globe." Dana Fine Maron. April 30, 2014.  
<http://www.scientificamerican.com/article/antibiotic-resistance-is-now-rife-across-the-globe>

antibiotic resistance in humans. This serious public health issue is estimated to *kill 10 million people a year worldwide by 2050*.<sup>2</sup> In the U.S., antibiotic-resistant infections cause over two million illnesses and 23,000 deaths each year.<sup>3</sup>

Antibiotic resistance occurs when an antibiotic loses its ability to effectively control or kill bacterial growth; in other words, the bacteria become "resistant" and continue to multiply in the presence of therapeutic levels of an antibiotic. Resistant microbes may require other medications or higher doses – often with more side effects, some of which may be life threatening on their own. Some infections may become completely untreatable due to resistance in the future.

One of the main causes of antibiotic-resistant bacteria (superbugs) is the overuse and misuse of antibiotics in the meat industry. The majority of antibiotics in the U.S. are given to animals that are not sick; they are mixed into animals' food and water to make them grow bigger, or to prevent illness in cramped and unhealthy environments. In 2011, livestock consumed 80% of all antibiotics sold in the United States,<sup>4</sup> and *more than half of those antibiotics are considered important for human medicine*.<sup>5</sup>

The meat industry uses antibiotics in three ways:

- To make animals grow at faster than normal rates
- To prevent illness in cramped and unhealthy confined living conditions
- To treat or control the spread of disease

In concentrated animal feeding operations (CAFOs, also known as intensive production) animals are confined in overcrowded conditions, usually with no outdoor access, and are bred for maximum size. These conditions compromise their health and immune responses, and encourage disease to develop and spread.<sup>6,7</sup> Without dependence on routine antibiotic use, it would not be possible to keep animals in such intensive conditions.

### **Massive Use of Antibiotics is Not Necessary for Economic, Safe Meat Production**

The Department of Agriculture's Economic Research Service found that increased sanitation and vaccination could be substituted for antibiotic use,<sup>8</sup> and that the elimination of antibiotic use for growth

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<sup>2</sup> BBC News. "Superbugs to kill 'more than cancer' by 2050." Fergus Walsh. December 11, 2014.

<http://www.bbc.com/news/health-30416844>

<sup>3</sup> The New York Times. "Antibiotic-Resistant Infections Lead to 23,000 Deaths a Year, C.D.C. Finds." Sabrina Tavernise. September 16, 2013. [http://www.nytimes.com/2013/09/17/health/cdc-report-finds-23000-deaths-a-year-from-antibiotic-resistant-infections.html?\\_r=0](http://www.nytimes.com/2013/09/17/health/cdc-report-finds-23000-deaths-a-year-from-antibiotic-resistant-infections.html?_r=0)

<sup>4</sup> Food Safety News. "Most U.S. Antibiotics Go to Animal Agriculture." Helena Bottemiller. February 24, 2011.

<http://www.foodsafetynews.com/2011/02/fda-confirms-80-percent-of-antibiotics-used-in-animal-ag/>

<sup>5</sup> U.S. Food and Drug Administration. "2012 Summary report on antimicrobials sold or distributed for use in food producing animals." September 2014. Page

15. <http://www.fda.gov/downloads/ForIndustry/UserFees/AnimalDrugUserFeeActADUFA/UCM416983.pdf>

<sup>6</sup> T Humphrey. .2006. "Are happy chickens safer chickens? Poultry welfare and disease susceptibility." *British Poultry Science*. 47(4):379–391

<sup>7</sup> M Greger. 2007. "The human/animal interface: emergence and resurgence of zoonotic infectious diseases." *Critical Reviews in Microbiology*. 33:243–299.

<sup>8</sup> U.S. Department of Agriculture Economic Research Service. *The Transformation of U.S. Livestock Agriculture: Scale Efficiency, and Risks*. James M. MacDonald and William D. McBride. January 2009. [PDF]

<http://www.ers.usda.gov/media/184977/eib43.pdf>

promotion will have little effect on wholesale prices of pork and poultry.<sup>9</sup> Nevertheless, the Food and Drug Administration currently permits extensive use of antibiotics in animals, including the same or similar antibiotics as those used for the treatment of humans.

In contrast, Denmark banned the administration of growth promoting antibiotics for broiler chickens and swine in 1998. Although U.S. industries often claim that the ban was costly and ineffective, the World Health Organization found that the Danish ban reduced human health risk without compromising animal health or farmer's incomes.<sup>10</sup> The change was made possible by *minor changes in animal husbandry*, such as more frequent cleaning of housing, improved ventilation, later weaning, additional space for animal movement, and improvements in animal feed. Currently, animals raised for food in Denmark and neighboring Norway are given about six times less antibiotics as are animals in the United States.<sup>11</sup>

### Regulatory action

As concern about overuse of antibiotics has grown over the past few years, the U.S. Food and Drug Administration has issued guidance documents that address labelling and usage of animal antibiotics. Additionally, the President has placed the issue of combatting antibiotic-resistance on his agenda, National Plans have been created, and legislation to curb the use of antibiotics in animal operations has been introduced.

- **04/13/2012: FDA Guidance for Industry (GFI) #209—The Judicious Use of Medically Important Antimicrobial Drugs in Food-Producing Animals.** This guidance is intended to limit medically important antimicrobial drugs to uses in animals that: (1) are considered necessary for assuring animal health, and (2) include veterinary oversight or consultation.<sup>12</sup>
- **12/12/2013: FDA Guidance for Industry (GFI) #213—New Animal Drugs and New Animal Drug Combination Products Administered in or on Medicated Feed or Drinking Water of Food-Producing Animals.**<sup>13</sup> This is an initiative for pharmaceutical companies to voluntarily end sales of medically important antibiotics for certain purposes in the meat and poultry industry.<sup>14</sup> Guidance 213 will prohibit the use of medically important antibiotics for “growth promotion”

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<sup>9</sup> U.S. Department of Agriculture Economic Research Service. *Restrictions on Antibiotic Use for Production Purposes in U.S. Livestock Industries Likely To Have Small Effects on Prices and Quantities*. Stacy Sneeringer. November 24, 2015. <http://www.ers.usda.gov/amber-waves/2015-november/restrictions-on-antibiotic-use-for-production-purposes-in-us-livestock-industries-likely-to-have-small-effects-on-prices-and-quantities.aspx>

<sup>10</sup> The PEW Charitable Trusts. *Avoiding Antibiotic Resistance: Denmark's Ban on Growth Promoting Antibiotics in Food Animals*. [PDF]

[http://www.pewtrusts.org/~media/legacy/uploadedfiles/phg/content\\_level\\_pages/issue\\_briefs/denmarkexperiencepdf.pdf](http://www.pewtrusts.org/~media/legacy/uploadedfiles/phg/content_level_pages/issue_briefs/denmarkexperiencepdf.pdf)

<sup>11</sup> The New York Times. “Antibiotics in Livestock: F.D.A. Finds Use Is Rising.” Sabrina Tavernise. October 2, 2014.

<http://www.nytimes.com/2014/10/03/science/antibiotics-in-livestock-fda-finds-use-is-rising.html>

<sup>12</sup> U.S. Food and Drug Administration. *FDA Guidance for Industry (GFI) #209—The Judicious Use of Medically Important Antimicrobial Drugs in Food-Producing Animals*. April 13, 2012. [PDF]

[www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/UCM216936.pdf](http://www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/UCM216936.pdf)

<sup>13</sup> U.S. Food and Drug Administration. *FDA Guidance for Industry (GFI) #213—New Animal Drugs and New Animal Drug Combination Products Administered in or on Medicated Feed or Drinking Water of Food-Producing Animals*. December 12, 2013. [PDF]: [www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/UCM299624.pdf](http://www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/UCM299624.pdf)

purposes by 2017, and require veterinary oversight or consultation for all medically important antibiotics used in livestock feed or water.

- **09/18/2014: Executive Order 13676—Combating Antibiotic-Resistant Bacteria Presidential Advisory Council on Combating Antibiotic-Resistant Bacteria.**<sup>15</sup>
  - “The Secretary of HHS (Secretary), in consultation with the Secretaries of Defense and Agriculture, shall establish the Presidential Advisory Council on Combating Antibiotic-Resistant Bacteria (Advisory Council). The Food and Drug Administration (FDA) in HHS, in coordination with the Department of Agriculture (USDA), shall continue taking steps to eliminate the use of medically important classes of antibiotics for growth promotion purposes in food-producing animals.”
  - “USDA, the Environmental Protection Agency (EPA), and FDA shall strengthen coordination in common program areas, such as surveillance of antibiotic use and resistance patterns in food-producing animals, inter-species disease transmissibility, and research findings.”
- **03/2015: National Action Plan for Combating Antibiotic-Resistant Bacteria**<sup>16</sup> - This comprehensive plan identifies critical actions to be taken by key Federal departments and agencies to combat the rise of antibiotic-resistant bacteria.
- **03/25/2015: Representative Slaughter reintroduced the Preservation of Antibiotics for Medical Treatment Act (PAMTA):** This legislation would ban non-therapeutic uses of medically important antibiotics in food animal production. This legislation would save eight critical classes of antibiotics from being routinely fed to healthy animals and would reserve them only for sick humans and sick animals.

## McDonald’s Policies Are Insufficient and Lag Behind Peers

In 2015, McDonald’s updated its policy requiring its U.S restaurants, by March 2017, to source only chickens that are not raised with antibiotics important to human medicine,<sup>17</sup> demonstrating the growing value of meat raised with fewer antibiotics. However, McDonald’s has not made any similar commitment, beyond regulatory compliance, regarding antibiotics used in beef or pork, nor has the company extended its poultry policy to chicken purchased for restaurants outside the U.S.<sup>18</sup>

### McDonald’s Policies Create Material Risk

The Farm Animal Investment Risk and Return (FAIRR) initiative was launched in 2015 to ensure that investors understand the risks and opportunities associated with farm animal welfare, and how to

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<sup>15</sup> U.S. Federal Government, White House, Office of the Press Secretary. *Executive Order -- Combating Antibiotic-Resistant Bacteria*. September 18, 2014. <https://www.whitehouse.gov/the-press-office/2014/09/18/executive-order-combating-antibiotic-resistant-bacteria>

<sup>16</sup> U.S. Federal Government, White House, Office of the Press Secretary. *National Action Plan for Combating Antibiotic-Resistant Bacteria*. March 2015. [PDF] [https://www.whitehouse.gov/sites/default/files/docs/national\\_action\\_plan\\_for\\_combating\\_antibiotic-resistant\\_bacteria.pdf](https://www.whitehouse.gov/sites/default/files/docs/national_action_plan_for_combating_antibiotic-resistant_bacteria.pdf)

<sup>17</sup> McDonald’s. “Statement on Antibiotic Use.” Accessed March 31 2016. <http://news.mcdonalds.com/US/Media-Statements/Response-to-Antibiotics-in-Chicken>

<sup>18</sup> McDonald’s. “Antimicrobial Stewardship Vision.” Accessed March 31, 2016. [PDF]

[http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/Sustainability/Antimicrobial\\_Stewardship\\_Vision.pdf](http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/Sustainability/Antimicrobial_Stewardship_Vision.pdf)

incorporate farm-animal welfare into their investment processes.<sup>19</sup> FAIR finds that irresponsible antibiotic use in the supply chain exposes companies to three main types of risk:

### 1. Reputational Damage From Lagging Behind Peers

Companies whose policies lag behind their peers face civil society campaigns and media exposure, which can undermine brand value. McDonald's faces material risk from lagging behind its competitors, who have stronger policies on antibiotic use.

- In 2014, CKE Restaurants (Carl's Jr., Hardee's) said it would become the first major fast-food company to offer a burger free of hormones, antibiotics, and steroids, from grass-fed cattle.<sup>20</sup>
- Panera Bread<sup>21</sup> and Chipotle Mexican Grill<sup>22</sup> prohibit non-therapeutic antibiotic use in their livestock supply chains.
- Chick-fil-A has committed to selling only chicken raised without any antibiotics by 2019.<sup>23</sup>
- Subway will require all chicken to be raised without antibiotics by the end of 2017, all turkey without antibiotics by 2018 or 2019, and all beef and pork by 2025.<sup>24</sup>

Wendy's<sup>25</sup> and Restaurant Brands International<sup>26</sup> (Burger King, Tim Hortons) will unveil new antibiotics goals and timetables in 2016.

### 2. Potential Loss of Market Share

Consumer preferences are rapidly changing to prefer sustainable and safe food choices, even among unlikely demographics.

- In a 2015 survey from Crain's Chicago Business, 34% of fast-food restaurant customers said they would visit McDonald's more often if it served meat raised without hormones or antibiotics.<sup>27</sup>
- U.S. retail sales of chicken raised without antibiotics rose 34% by value last year, according to market-research firm IRI.<sup>28</sup>

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<sup>19</sup> [www.fairr.org/](http://www.fairr.org/)

<sup>20</sup> TakePart. "In a Surprising Move, This Major Fast-Food Chain Will Start Selling Grass-Fed Burgers." Kristina Bravo. Dec 10, 2014. <http://www.takepart.com/article/2014/12/10/carls-jr-grass-fed-hamburgers>

<sup>21</sup> Panera Bread Company. *Panera Bread's Food Policy Statement*. June 3, 2014. [PDF]

<https://www.panerabread.com/content/dam/panerabread/documents/nutrition/panera-bread-food-policy.pdf>

<sup>22</sup> Chipotle Mexican Grill. *Food with Integrity*. Accessed March 31, 2016. <http://chipotle.com/food-with-integrity>

<sup>23</sup> CNN.com. "Chick-fil-A to serve antibiotic-free chicken." Elizabeth Landau. Updated February 2, 2014.

<http://www.cnn.com/2014/02/11/health/chick-fil-a-chicken-antibiotics/index.html>

<sup>24</sup> CNN.com. "Subway pledges to nix antibiotics in all its meat by 2025." Jackie Wattles. October 21, 2015.

<http://money.cnn.com/2015/10/20/news/companies/subway-antibiotic-free-meat/index.html?iid=EL>

<sup>25</sup> As You Sow. "Wendy's As You Sow Withdrawal Agreement." March 2016. [PDF] <http://www.asyousow.org/wp-content/uploads/2016/03/Wendys-Withdrawal-PUBLIC1.pdf>

<sup>26</sup> As You Sow. "Restaurant Brands As You Sow Withdrawal Agreement." March 10, 2016. [PDF] <http://www.asyousow.org/wp-content/uploads/2016/03/Restaurant-Brands-As-You-Sow-Withdrawal-Agreement-Signed-20160309.pdf>

<sup>27</sup> Advertising Age. "Love on the Rocks: Survey Reveals Problems, Opportunities for McD's." Peter Frost. August 30, 2016.

<http://adage.com/article/cmo-strategy/love-rocks-survey-reveals-problems-opportunities-mcd/300146/>

<sup>28</sup> Wall Street Journal. "Meat Companies Go Antibiotics-Free as More Consumers Demand It." David Kesmodel. November 3, 2014. <http://www.wsj.com/articles/meat-companies-go-antibiotics-free-as-more-consumers-demand-it-1415071802>

- The market for meat produced without the routine use of antibiotics is also booming; sales in 2012 were up 25% over the prior three years, despite a decline in U.S. per capita meat consumption across the four major categories (beef, pork, chicken, turkey).<sup>29</sup>
- USDA certified organic meats — a segment of the meat market raised without routine use of antibiotics — was the fastest growing segment of the \$31 billion organic foods industry in 2011.<sup>30</sup>
- Eighty six percent of consumers polled said that meat and poultry raised without routine use of antibiotics should be available in their local supermarket and more than 60% of respondents said they would be willing to pay at least \$0.05 cents per pound more for it. Nearly 40% said they would pay \$1 or more per pound.<sup>31</sup>

### 3. Regulatory Risk

Use of prophylactic antibiotics is coming under increased scrutiny by U.S. and European policymakers. In 2015, California passed a bill to restrict routine antibiotic use in farm animals,<sup>32</sup> and similar bills have been proposed in other states, such as Maryland.<sup>33</sup> Federally, Representative Louise Slaughter (the only microbiologist in Congress) has introduced the Preservation of Antibiotics for Medical Treatment Act (PAMTA), which would ban non-therapeutic uses of medically important antibiotics in food animal production.<sup>34</sup> In addition to PAMTA, Slaughter has introduced the Delivering Antimicrobial Transparency Act (DATA), which would provide better information on the amount and use of antibiotics and other antimicrobials given to animals raised for human consumption.

The European Parliament continues to debate a ban on non-therapeutic mass-medication of healthy animals,<sup>35</sup> and several of its member states have already taken aggressive action.

## Proponent's Response to McDonald's Proxy Statement in Opposition

McDonald's Board of Directors, in its statement in opposition to the shareholder resolution, claims that:

<sup>29</sup> Perrone, M. "Does Giving Antibiotics to Animals Hurt Humans." USA Today. April 20, 2012.

<http://usatoday30.usatoday.com/news/health/story/2012-04-20/antibiotics-animals-human-meat/54434860/1>

<sup>30</sup> Organic Trade Association. "Consumer-driven U.S. Organic market Surpasses \$31 billion in 2011." Organic Trade Association. April 23, 2012. [www.organicnewsroom.com/2012/04/us\\_consumerdriven\\_organic\\_mark.html](http://www.organicnewsroom.com/2012/04/us_consumerdriven_organic_mark.html).

<sup>31</sup> Consumer's Union. *Meat on Drugs: The overuse of*

*antibiotics in food animals & what supermarkets and consumers can do to stop it.* Consumer's Union. June 2012.

[http://www.consumerreports.org/content/dam/cro/news\\_articles/health/CR%20Meat%20On%20Drugs%20Report%2006-12.pdf](http://www.consumerreports.org/content/dam/cro/news_articles/health/CR%20Meat%20On%20Drugs%20Report%2006-12.pdf)

<sup>32</sup> Bloomberg. "California Enacts Strictest Animal Antibiotic Law in the U.S." John Tozzi. October 11, 2015.

<http://www.bloomberg.com/news/articles/2015-10-11/california-enacts-strictest-animal-antibiotic-law-in-the-u-s>

<sup>33</sup> See: <http://mgaleg.maryland.gov/2016RS/bills/sb/sb0607f.pdf>

<sup>34</sup> Food Safety News. "Rep. Slaughter Reintroduces Preservation of Antibiotics Legislation." Lydia Zuraw. March 25, 2016.

<http://www.foodsafetynews.com/2015/03/rep-slaughter-reintroduces-preservation-of-antibiotics-legislation/>

<sup>35</sup> European Parliament, Committee on the Environment, Public Health and Food Safety. *Draft Opinion on the proposal for a regulation of the European Parliament and of the Council on the manufacture, placing on the market and use of medicated feed and repealing Council Directive 90/167/EEC (COM(2014)0556 – C8-0143/2014 – 2014/0255(COD))*. Accessed March 31, 2016.

[PDF] [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/envi/pa/1045/1045258/1045258en.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/envi/pa/1045/1045258/1045258en.pdf)

“...at this time it is premature to set a timeline for implementation of antibiotics goals with respect to proteins other than chicken. Agriculture practices and local regulations vary by market and by species around the world. We continue to regularly review this issue to determine the appropriate course of action going forward.”<sup>36</sup>

In the page-long response, McDonald’s provides no justification to investors for why it believes the timelines for other protein sources are premature or why other companies are able to achieve earlier deadlines for action. The company has no response for why it has not taken action to restrain the irresponsible use of antibiotics in its beef and pork supply chain, despite the alarming evidence presented by the Proponent.

McDonald’s also references its “Global Vision for Antimicrobial Stewardship in Food Animals,” however, in this Vision statement, there is no prohibition on the use of medically important antibiotics for disease prevention; the Vision only includes a prohibition on the use of antibiotics for growth promotion (which means that the company is in compliance with FDA Guidance 213).

## **Conclusion**

*Support of this resolution* will encourage McDonald’s to review the important evidence cited in the Proposal and strengthen its antibiotic use policies to address: international sourcing of chicken raised without medically important antibiotics and sourcing of beef and pork produced without reckless antibiotic use in the United States. Stronger policies will protect the company from the growing risks associated with reputational damage, changing consumer preference, and future regulation.

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<sup>36</sup> TB RELEASED