

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

## Executive Summary

This resolution asks McDonald's to set global sourcing targets with timelines for pork and beef raised without the non-therapeutic use of medically-important antibiotics. The overuse and misuse of antibiotics in the meat industry is contributing to the rise of antibiotic-resistance, a phenomenon that reduces or eliminates the effectiveness of antibiotics in human and veterinary medicine. This serious public health issue is projected to kill more people than cancer worldwide by 2050.

Antibiotics, even those important to human medicine, are frequently given to livestock and poultry in a routine manner to prevent illness 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.

A similar resolution was supported by 26.3% of McDonald's shares last year.

## Resolution

**Be It Resolved:** Shareholders request that the Board update the 2015 McDonald's Global Vision for Antimicrobial Stewardship in Food Animals by setting global sourcing targets with timelines for pork and beef raised without the non-therapeutic use<sup>1</sup> of medically-important antibiotics.

## 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>2</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 use of antibiotics on industrial farms to the crisis of antibiotic

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<sup>2</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>

<sup>2</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>

resistance in humans. This serious public health issue is estimated to *kill 10 million people a year worldwide by 2050* – more than cancer – and *cost the global economy \$100 trillion* over the next 35 years.<sup>3</sup> In the U.S., antibiotic-resistant infections cause over two million illnesses and 23,000 deaths each year.<sup>4</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>5</sup> and *more than half of those antibiotics are considered important for human medicine.*<sup>6</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 may compromise their health and immune responses, and encourage disease to develop and spread.<sup>7, 8</sup>

### **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>9</sup> and that the elimination of antibiotic use for growth

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<sup>3</sup> BBC News. "Superbugs to kill 'more than cancer' by 2050." Fergus Walsh. December 11, 2014.

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

<sup>4</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>5</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>6</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>7</sup> T Humphrey. 2006. "Are happy chickens safer chickens? Poultry welfare and disease susceptibility." British Poultry Science. 47(4):379–391

<sup>8</sup> M Greger. 2007. "The human/animal interface: emergence and resurgence of zoonotic infectious diseases." Critical Reviews in Microbiology. 33:243–299.

<sup>9</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>10</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>11</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>12</sup>

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

In 2015, McDonald's updated its policy requiring its U.S. restaurants to source only chickens that are not given medically important antibiotics by March 2017,<sup>13</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. and Canada.<sup>14</sup>

## McDonald's Policies Create Material Risk

Investors are increasingly concerned about the risk of inaction on antibiotics in farm animal production. In April 2016, investors worth \$1.4 trillion called on several companies to prohibit disease prevention use of medically important antibiotics<sup>15</sup> (FAIRR, the organization that organized the investor letters, reports that assets of investors supporting this number have grown to \$2.2 trillion.)<sup>16</sup> The same month, over 26% of McDonald's shares, representing \$17.7 billion in value, supported a proposal requesting the same policy.<sup>17</sup>

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<sup>10</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>11</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>12</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>13</sup> McDonald's. "Statement on Antibiotic Use." Accessed March 31, 2016. <http://news.mcdonalds.com/US/Media-Statements/Response-to-Antibiotics-in-Chicken>

<sup>14</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)

<sup>15</sup> Reuters. "Investor group launches campaign to curb antibiotic use in food." April 10, 2016.

<http://www.reuters.com/article/us-funds-engagement-antibiotics-idUSKCN0X70YN>

<sup>16</sup> <http://www.fairr.org/investor-engagements/>

<sup>17</sup> See SEC 8-k Filing: <https://www.sec.gov/Archives/edgar/data/63908/000006390816000127/form8kmainbody.htm>

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 incorporate farm-animal welfare into their investment processes.<sup>18</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.

- *Panera Bread*<sup>19</sup> and *Chipotle Mexican Grill*<sup>20</sup> prohibit routine antibiotic use in their livestock supply chains.
- 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>21</sup>
- By 2017, *Wendy's* aims to eliminate all antibiotics from poultry production and unveil specific timetables for the reduction of antibiotic use in pork and beef production.<sup>22</sup>
- *Subway* pledged to source only chicken to be raised without antibiotics by the end of 2016, all turkey without antibiotics by 2018 or 2019, and all beef and pork by 2025.<sup>23</sup>

Producers have pledged to make some changes in their supply:

- *Tyson*,<sup>24</sup> *Perdue Farms*,<sup>25</sup> *Foster Farms*,<sup>26</sup> *Applegate*,<sup>27</sup> and *Niman Ranch*<sup>28</sup> supply or are in the process of supplying poultry, beef, and/or pork raised without antibiotics.
- In February 2017, *Smithfield* announced a new antibiotic-free pork line.

The issue of eliminating medically important antibiotics is on the radar of an increasing number of McDonald's peer companies; most recently the following announcements have been made:

- *Chick-fil-A* has committed to selling only chicken raised without any antibiotics by 2019.<sup>29</sup>

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<sup>18</sup> [www.fairr.org/](http://www.fairr.org/)

<sup>19</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>20</sup> Chipotle Mexican Grill. *Food with Integrity*. Accessed March 31, 2016. <http://chipotle.com/food-with-integrity>

<sup>21</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>22</sup> <https://www.wendys.com/en-us/about-wendys/antibiotic-use-policy-and-guidelines>

<sup>23</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>24</sup> Ibid.

<sup>25</sup> Wall Street Journal. "Perdue Farms Eliminated Antibiotics From Chicken Supply." Jacob Bunge. October 6, 2016.

<http://www.wsj.com/articles/perdue-farms-eliminated-all-antibiotics-from-its-chicken-supply-1475775456>

<sup>26</sup> Foster Farms. *Foster Farms Becomes West Coast Leader in Antibiotic-Free and Organic Chicken*. Accessed April 21 2017.

<https://www.fosterfarms.com/news/foster-farms-becomes-west-coast-leader-in-antibiotic-free-and-organic-chicken/>

<sup>27</sup> Applegate. *Applegate Humanely Raised vs Typical Industry Practices*. Accessed April 21, 2017. <http://applegate.com/animal-welfare>

<sup>28</sup> Niman Ranch: <https://www.nimanranch.com/about-us/faq/>

- *Jack in the Box*<sup>30</sup> plans to prohibit routine antibiotic use in poultry by 2020.
- *Restaurant Brands International* chains (*Burger King* and *Tim Hortons*) announced its plan to switch to chicken raised without antibiotics considered "critically important" to human medicine in the next year.
- *Starbucks* plans to serve only poultry raised without the routine use of medically important antibiotics in U.S. stores by 2020
- *Yum Brands' U.S. KFC chain* announced it is giving its U.S. poultry suppliers until the end of 2018 to stop using antibiotics important to human medicine.

Consumer advocacy groups are strongly engaged on this issue and aligned on what policies they are requesting from companies. 86 major organizations sent public letters to several companies in January 2016, requesting that companies phase out the preventative use of medically-important antibiotics.<sup>31</sup>

## 2. Potential Loss of Market Share

In its annual report, McDonald's acknowledges continued business success "depends on our System's ability to anticipate and respond effectively to continuously shifting consumer demographics, trends in food sourcing, food preparation and consumer preferences in the IEO segment." Indeed, 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>32</sup>
- Organic meat sales experienced compound sales growth of 44% from 2011 to 2015; "antibiotic-free" sales grew 28.7%; and conventional meat sales grew only 4.6%.<sup>33</sup>
  - USDA-certified organic meats were the fastest growing segment of the \$31 billion organic foods industry in 2011.<sup>34</sup> Organic-labeled meat must come from animals never treated with antibiotics.
- U.S. retail sales of chicken raised without antibiotics rose 34% by value in 2014, according to market-research firm IRI.<sup>35</sup>
- 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>36</sup>

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<sup>29</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>30</sup> Jack in the Box. *Animal Welfare at Jack in the Box Inc.* Accessed April 21, 2017. <http://www.jackintheboxinc.com/assets/AW-121616.pdf>

<sup>31</sup> US PRIG. *A Letter to Yum! Brands about the Overuse of Antibiotics in Livestock Production.* Accessed April 21, 2017.

<http://uspirg.org/page/uspl/letter-yum-brands-about-overuse-antibiotics-livestock-production>

<sup>32</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>33</sup> Nielsen. *Weighing Consumers' Growing Appetite for 'Clean' Meat Labeling.* Accessed April 21, 2017.

<http://www.nielsen.com/us/en/insights/news/2016/weighing-consumers-growing-appetite-for-clean-meat-labeling.html>

<sup>34</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>35</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>

- 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 5 cents per pound more for it. Nearly 40% said they would pay \$1 or more per pound.<sup>37</sup>

### 3. Regulatory Risk

Use of prophylactic antibiotics is coming under increased scrutiny by U.S. and European policymakers. The U.S. Food and Drug Administration has responded with guidance documents addressing labelling and usage of animal antibiotics. The issue of combatting antibiotic-resistance has been raised to the Executive level<sup>38</sup> and legislation to curb the use of antibiotics in animal operations has been introduced.

FDA Guidance 209 and 213, which were implemented in January 2017, essentially prohibit the use of medically important antibiotics for growth promotion, and require veterinary prescriptions for antibiotics in animal feed.<sup>39</sup> However, these guidance documents leave a large loophole: producers can still administer routine, low-dose antibiotics to entire herds with a veterinarian signature.<sup>40</sup> Last year, while producers were implementing FDA Guidance 209 and 213, the use of medically important antibiotics in animal production was still increasing.<sup>41</sup> This data supports the conclusion that current FDA regulation is not sufficient to address the crisis of antibiotic resistance. Even the pharmaceutical company trade association Animal Health Institute agrees that the new rules will have little impact: *“Growth uses of medically important antibiotics represent only a small percentage of overall use, so even if all other factors are static it’s unlikely overall use would be greatly affected.”*<sup>42</sup>

In 2015, California passed a bill to restrict routine antibiotic use in farm animals,<sup>43</sup> and similar bills have been proposed in other states such as Maryland.<sup>44</sup> Federally, Representative Louise Slaughter (the only

<sup>36</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>37</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>38</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>39</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>40</sup> For more information, see:

The PEW Charitable Trusts. *Gaps in FDA’s Antibiotics Policy.* November 30, 2014. [PDF]

<http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2014/11/gaps-in-fdas-antibiotics-policy>

<sup>41</sup> Guidance 209: [http://www.npr.org/sections/thesalt/2016/12/22/506599017/despite-pledges-to-cut-back-farms-are-still-using-antibiotics?sc=17&f=1001&utm\\_source=iosnewsapp&utm\\_medium=Email&utm\\_campaign=app](http://www.npr.org/sections/thesalt/2016/12/22/506599017/despite-pledges-to-cut-back-farms-are-still-using-antibiotics?sc=17&f=1001&utm_source=iosnewsapp&utm_medium=Email&utm_campaign=app)

Guidance 213:

<http://www.fda.gov/downloads/AnimalVeterinary/GuidanceComplianceEnforcement/GuidanceforIndustry/UCM299624.pdf>

<sup>42</sup> San Diego Tribune. Victor Nizet & Emily Rusch. August 27, 2014.

<http://www.sandiegouniontribune.com/opinion/commentary/sdut-california-resisting-superbugs-2014aug27-story.html>

<sup>43</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>44</sup> See: <http://mgaleg.maryland.gov/2016RS/bills/sb/sb0607f.pdf>

microbiologist in Congress) has introduced the Preservation of Antibiotics for Medical Treatment Act (PAMTA), which would ban disease prevention uses of medically important antibiotics in food animal production.<sup>45</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 President’s Council on Curbing Antibiotics Resistance Bacteria (PACCARB) is prioritizing research, investments in pharmaceutical innovation, and pilot projects for collecting data.<sup>46</sup> These programs have been vastly outpaced by market movements, as described above.

The European Parliament continues to debate a ban on routine mass-medication of healthy animals,<sup>47</sup> and several of its member states have already taken aggressive action. The United Nations recently held a meeting on antibiotic resistance – one of only four times the UN has elevated a health issue to crisis level – and all 193 member states signed a declaration to take action on the issue.

Notably, China, the world’s largest consumer of human and animal antibiotics, unveiled a national action plan on antibiotics in August 2016. The Chinese central government said that it would mobilize the efforts of 14 ministries and departments including health, food and drugs, and agriculture.<sup>48</sup>

## 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 it is premature to set timelines for pork and beef:

“The beef and pork supply chains present unique challenges as we look to translate our Global Vision for Antibiotics into action for these food animals, especially given our size and geographic scope.”<sup>49</sup>

The justification is based on three factors:

- (1) *Limited Purchases of Pork and Beef Cuts*. Unlike chicken, McDonald’s does not purchase the entire food animal in the pork and beef supply chains, which limit our ability to directly influence change.
- (2) *Sourcing Complexity*. Within the pork and beef supply chains, animals may move from farm to farm, resulting in less visibility into their origin. Adding to the complexity, there is currently a lack of traceability from farm to farm in a number of key sourcing regions around the world,

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<sup>45</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>46</sup> <https://www.hhs.gov/ash/advisory-committees/paccarb/about-paccarb/index.html>

<sup>47</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)

<sup>48</sup> American Association for the Advancement of Science. “China tackles antimicrobial resistance.” Kathleen McLaughlin. Aug. 31, 2016. <http://www.sciencemag.org/news/2016/08/china-tackles-antimicrobial-resistance>

<sup>49</sup> McDonald’s Corporation. *Notice of 2017 Annual Meeting and Proxy Statement*. <http://bit.ly/2oxgOyP>

including the U.S. This is the opposite of poultry, where the Company has a clear line of sight from farm to table.

(3) *Guaranteed Supply*. As we implement the Global Vision on Antibiotics for other food animals, we need to ensure that any change is purposeful, acceptable to customer preferences, and is designed for a continuous and assured supply of products for McDonald's restaurants. The Company continues to work with farmers, producers and other purchasers of food animals to influence meaningful change across the agricultural sector.

However, McDonald's does have the opportunity and influence to make changes in their beef and pork supply as antibiotic resistance is a growing problem across the world. While McDonald's may not be buying the whole animal with pork and beef, they have substantial supply chain influence.

The shareholder proposal calls on the company to set sourcing targets and timelines for pork and beef raised without the non-therapeutic use of medically-important antibiotics. In October 2015, Subway, the third largest fast food chain in the country, committed to eliminate all antibiotic use in chicken, turkey, pork and beef they purchase by 2025. This commitment is being rolled out in phases, starting with its February 2016 introduction of a raised without antibiotics chicken sandwich.<sup>50</sup> Further, McDonald's commitments back in 2003 helped move the chicken industry to reduce antibiotic use, by making a commitment on beef and pork: McDonalds could do a lot to catalyze the same positive change in pork and beef supplies.

[A recent Chicago Tribune](#) article cites McDonald's as being the largest beef buyer in the United States, as well as a major pork purchaser.<sup>51</sup> McDonalds has made a [commitment to phase out use of gestation stalls by 2022](#)<sup>52</sup> and has also made a [commitment to sustainable beef](#).<sup>53</sup> Both of these actions indicate that McDonalds does have the ability to influence how pigs and cattle are produced. We fail to see why this influence cannot be applied against a goal of reducing antibiotic use, particularly given the proven public health risks.

In terms of sourcing complexity, according to the [USDA 74% of hogs](#) were raised under contract in 2013<sup>54</sup>. This means that processors would need to know (be able to trace) what hogs are covered by the contract, which creates ability to control antibiotic use.

Regarding supply, Smithfield, the world's largest producer of pork products, recently [announced](#) a new raised without antibiotics line for pork, further confirming that supply is growing and that this change is being driven by some of the largest players in the pork industry. McDonald's could begin to pilot a

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<sup>50</sup> NRDC. *Meat Raised Without the Routine Use of Antibiotics is Going Mainstream*. June 2016.

[https://www.nrdc.org/sites/default/files/antibiotic-free-meats-cs\\_0.pdf](https://www.nrdc.org/sites/default/files/antibiotic-free-meats-cs_0.pdf)

<sup>51</sup> Chicago Tribune. "McDonald's, fast-food chains find antibiotic-free beef, pork hard to deliver." Samantha Bomkamp. April 18, 2017. <http://www.chicagotribune.com/business/ct-mcdonalds-kfc-antibiotics-0418-biz-20170417-story.html>

<sup>52</sup> Reuters. "McDonald's to end pork gestation crate use by 2022." P.J. Huffstutter. May 31, 2012.

<http://www.reuters.com/article/us-mcdonalds-pig-crates-idUSBRE84U1FR20120531>

<sup>53</sup> McDonald's. *Beef Sustainability*. Accessed April 21, 2017.

[http://corporate.mcdonalds.com/mcd/sustainability/signature\\_programs/beef-sustainability.html](http://corporate.mcdonalds.com/mcd/sustainability/signature_programs/beef-sustainability.html)

<sup>54</sup> Choices. *Trends in Agricultural Contracts*. James M. MacDonald. Accessed April 21, 2017.

<http://www.choicesmagazine.org/choices-magazine/theme-articles/current-issues-in-agricultural-contracts/trends-in-agricultural-contracts>



responsible use standard for pork that is currently available and that offers an intermediary stewardship program. This is an approach that is now tried and true in both Denmark and Netherlands.<sup>55</sup>

Lastly, the Global Roundtable for Sustainable Beef, in which McDonald's is a very active participant, does not address routine antibiotic use in industrial beef production in its Principles and Criteria document. The document simply states, "All veterinary pharmaceuticals and vaccines are used responsibly and in accordance with labeling." It did not require that producers reduce or stop using these drugs. While a technical group was organized to discuss the issue of antibiotics, McDonald's could use its position within this group to push for inclusion of basic criteria prohibiting routine use of antibiotics for beef labeled "sustainable."

## Conclusion

There are growing public health concerns regarding the use of medically-important antibiotics in the animal farming industry, as this practice has been found, by regulatory and research bodies, to facilitate the development and dispersion of drug-resistant pathogens. In addition, consumer interest in the conditions in which food is grown, produced, and processed appears to be increasing. Given this, a number of McDonald's peers have adopted policies eliminating or phasing out the use of medically important antibiotics for growth promotion and disease prevention purposes in their supply chains.

In McDonald's "Global Vision for Antimicrobial Stewardship in Food Animals," McDonald's outlines guiding principles of antibiotic use in its supply chain. Although the company draws from the World Veterinary Association's *Prudent Use of Antibiotics Global Basic Principles* (WVA) and the American Veterinary Medical Association's *Judicious Therapeutic Use of Antimicrobials General Principles* (AVM),<sup>56</sup> McDonald's vision is ambiguous with regards to the judicious use of antimicrobial drugs and considers such use as involving both the treatment and "appropriate" prevention of disease. In fact, the WVA clearly states that, "The routine prophylactic [preventative] use of antimicrobials should never be a substitute for good animal health management,"<sup>57</sup> and the AVM advises that prophylactic use be limited to "ill or at-risk animals, treating the fewest animals" where necessary. Without clearer language as to what constitutes "appropriate" or "preventative", McDonald's vision statement fails to offer judicious guidance on antibiotic use.

While the use of antibiotics for disease preventions is still a legal, industry practice, there are apparent industry and legislative/regulatory trends to move away from this practice. Additionally, a shift of consumer preferences towards antibiotic-free meat could be damaging to the company's brand image. In its 10-K filing, McDonald's recognizes that risks from changing consumer preferences and trends

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<sup>55</sup> Environmental Health Perspectives. *Reduced Antibiotic Use in Livestock: How Denmark Tackled Resistance*. Sharon Levy. June 2014. <https://ehp.niehs.nih.gov/122-a160/>

<sup>56</sup> The AVM defines "therapeutic" to mean the treatment, control, and prevention of disease while the WVA considers "therapeutic" to be the curative use of antibiotics in combating an established infection. Similar to the WVA, this memo excludes routine disease prevention from what is deemed "therapeutic-use".

<sup>57</sup> World Health Organization. "WHO global principles for the containment of antimicrobial resistance in animals intended for food: report of a WHO consultation with the participation of the Food and Agriculture Organization of the United Nations and the Office International des Epizooties, Geneva, Switzerland 5-9 June 2000." (2000).

amidst a highly competitive operating environment may damage brand value and adversely impact financial results.

McDonald's is lagging its peers, who have stronger policies on antibiotic use, and McDonald's faces reputational and regulatory risks as a result. Shareholders would benefit from more detailed and comprehensive disclosure on how McDonald's is addressing these materials risks. Stronger policies on antibiotics use would address risks related to changing consumer preferences, reputational damage, and potential future regulation. Although the size of McDonald's supply chain may produce obstacles to the implementation of the requested policy, the proposal provides McDonald's with the autonomy to determine targets and implementation timelines that are best suited to the company's business and sourcing needs. As such, support for the resolution is warranted.

*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 sourcing of beef and pork produced without reckless antibiotic use. Stronger policies will protect the company from the growing risks associated with reputational damage, changing consumer preference, and future regulation.