By the spring of 1993, Michael Quinlan, McDonald’s CEO, felt quite confident about his company’s environmental performance. A partnership with the Environmental Defense Fund (EDF) had won McDonald’s praise from its customers, and its efforts at waste reduction, combined with its well-publicized switch from polystyrene “clamshells” to paper-based sandwich wraps, had repositioned it as a leader in protecting the environment. However, in April 1993 another nonprofit environmental group, The Beyond Beef Coalition, targeted McDonald’s in a campaign to reduce beef consumption. This time the environmental complaints launched against McDonald’s did not criticize ancillary aspects of their business but, rather, focused on their primary products and growth markets. Quinlan did not want this campaign to diminish the reputation the company had solidified through the EDF partnership.

McDonald’s was the second-best-known global brand, maintaining this level of consumer awareness with a $1 billion marketing budget. McDonald’s launched a major new ad campaign in 1991, “Great Food at a Great Value,” which was successful in promoting profitable value-meal combinations. This was followed in 1992 with the largest outdoor advertising campaign ever undertaken by a single brand. Messages focused on value and customer satisfaction. High brand recognition was particularly important to McDonald’s as many customers are impulse purchasers, often selecting McDonald’s by the convenience of the location. Approximately 28% of company revenues were derived from franchisee fees, based on a percentage of sales collected to cover the costs of corporate services such as centralized marketing research and R&D.

Approximately 70% of McDonald’s restaurants were franchises. McDonald’s generally entered new countries with company-owned restaurants located in the center of major cities, franchising them after they were well established. Under the conventional franchise agreement, the franchisees supply capital, equipment, signs, seating, and decor with the company buying or leasing the land and building. The initial investment ranges from $430,000 to $560,000, 60% of which may be financed. Twenty-year franchises are awarded to applicants after extensive screening, and additional restaurants are allocated to franchisees with proven records of success.

New restaurant development was important to McDonald’s growth strategy. In 1991 it introduced the “Series 2000”-design restaurants, which were about
half the size of traditional restaurants but designed to accommodate nearly the same level of sales at a lower real-estate investment. This has resulted in an approximately $400,000 reduction in development costs, which lowers the facility’s breakeven point. Additional locations have been opened in small towns and “satellite sites,” such as outlets inside Wal-Mart stores.

A typical McDonald’s restaurant may serve as many as 2,000 people a day, 60-70% of whom take food outside the restaurant. McDonald’s depends on the ability of its crew to prepare hot, fresh food and to serve it to its customers within two minutes of the time they enter the restaurant. To do this, McDonald’s engineering department has carefully designed the layout and equipment for its restaurants. In 1993 it reported the development of an enhanced production system that improves McDonald’s ability to serve hot food quickly. This system is currently used in 80% of McDonald’s U.S. restaurants for breakfast; more than half are using a more extensive system for lunch and dinner. In accordance with Q.S.C.&V., specific operating practices and careful standardization help to assure uniformity among restaurants. For example, 10 hamburgers are to be made from each pound of beef, and they are to contain no more than 19% fat.4

An important component of McDonald’s operational strategy is to anticipate customer traffic patterns and food selection based on a detailed analysis of sales history and trends. Restaurants use this information to prepare menu items in the right quantities and at the right times to have the food ready for customers when they arrive. To ensure freshness, all food not served within 10 minutes must be discarded.

McDonald’s generally does not supply food, paper, or equipment to restaurants. Instead it refers franchisees to a network of more than 600 approved suppliers with whom long-term relationships have been developed. McDonald’s often holds seminars or conferences for suppliers to discuss their needs. This strategy is intended to improve McDonald’s ability to focus its efforts on its core business — restaurant operations.

Product Line

In 1993, McDonald’s marketing efforts focused on value meals, composed of its mainstay items: a burger, fries, and a beverage. Burgers are central to the menu; indeed, McDonald’s purchases more than 1% of all beef wholesaled in the U.S.5 Although McDonald’s stated goal is to provide a “limited menu of high-quality products consistent with customer tastes,” it continues to test a variety of new menu items. McDonald’s feels that it address public concern regarding nutrition through a

... combination of stringent product standards, strictly enforced restaurant operating procedures, and close working relationships with suppliers to assure that McDonald’s food is safe and of the highest quality.6

It also discloses nutritional and ingredient information regarding its menu items through in-store posters and brochures distributed upon request.

In the early 1990’s, international expansion into new cultures and corresponding eating habits resulted in new product introductions in several locations. For example, fried egg sandwiches were available from McDonald’s in Malaysia, and spaghetti was sold as a low-price alternative in the Philippines; pizza was tested in the U.S.7 In India, where McDonald’s will spend over $20 million on a chain of restaurants over the next seven years, an important new item may be a “lamburger.”8

McDonald’s was also testing Vegetable McNuggets and Cauliflower and Cheese McNuggets in a few restaurants in the UK in 1993. Burger King has offered an increasingly popular spicy bean burger in Britain for three years. McDonald’s launched vegetarian burgers in Holland in 1992.9 The burger, consisting of potato, peas, carrots, corn, onion and spices, sold for about $2.70, slightly less than a Big Mac. McDonald’s new items generally receive no advertising and little sales promotion during the test period.

Fast-Food Industry

The total fast-food market in 1992 was estimated at $81.4 billion. Although the convenience offered by fast-food retailers was valued by growing numbers of families and travelers in the early 1990’s, the recession and intense competition produced slower growth and sagging profits for the industry. Particularly hard-hit were independent restaurants, which found it difficult to compete with the burger chains’ value-pricing strategies and large advertising budgets. As a result, independents comprised only 56% of all U.S. restaurants in 1993, down from 63% in 1986, according to Peter Oakes, a vice-president at Merrill-Lynch.10 In fact, restaurant
industry reports suggest that saturation in the “limited-menu” segment of the restaurant industry was forcing growth-oriented chains to expand overseas and explore alternate outlets domestically. According to the Restaurant Business Growth Index, real sales growth for this segment during 1990–91 was only 0.3% in the U.S.\(^\text{11}\)

Customer satisfaction, nutrition, and value seemed to form the basis for domestic competition, although the fastest-growing restaurant chains pursued varied strategies. For example, Rally’s advertised “We get it right or you get it free,” Boston Chicken emphasized nutrition by roasting, steaming, and baking its dishes, and Checkers, a double-drive-through burger chain, offered made-to-order burgers at lower prices. Drive-through window sales industry-wide reached $25 billion in 1992.\(^\text{12}\)

In contrast to the domestic scene, the international market for fast food was exploding. From the Pacific Rim to South America, foreign cultures were being introduced to American-style fast food. In 1993, Burger King had more than 900 restaurants in 45 countries, Kentucky Fried Chicken had 3,712 in 63 nations, and Domino’s had 566 in 30 countries.\(^\text{13}\) The Eastern European market offered relatively easy entrance, and the Brazilian fast-food market grew 40% in 1992, to more than $700 million with no signs of slowing down.\(^\text{14}\)

In Asia, Western-style quick-service restaurants were perceived by customers to be positive and trendy, according to a Hong Kong consulting food firm that said, “[They are] not perceived to be junk food.”\(^\text{15}\)

The Hamburger Segment

Domestic competition in the hamburger market continues to intensify. Consumer demand for lighter, more nutritious food has recently caused the major burger chains to expand their menu, yet a new type of double-drive-through restaurant has emerged to challenge the “traditional” burger chains. On one hand, major burger chains face tough competition from the casual dining restaurants such as Outback Steakhouse, Chili’s and Friday’s, in providing a range of reasonably priced menu items. On the other hand, they face the fast-growing double-drive-through restaurants that offer consumers a basic burger menu more quickly and at a lower cost. These franchises, such as Checkers and Rally’s, were expected to pursue aggressive domestic growth. For example, the Pepsi-owned chain of Hot’n’Now Hamburgers had plans to expand to 5,000 locations from the 700 it had in 1992. Hamburgers or cheeseburgers ranked as the most popular menu items and still accounted for 17% of all restaurant orders in the U.S. in 1992.\(^\text{16}\) 1992 revenue from the burger chains totaled $39.5 billion. See Exhibit 2 for a description of the top hamburger chains.

In addition to pressure from these new entrants, price wars served to dampen profit margins among the four major chains, which, by 1993, all offered value-priced items: Wendy’s offered seven 99¢ items, while Burger King introduced its combination meals in 1993, followed a month later by Hardee’s value-menu program.

Burger King, the world’s second-largest hamburger chain, continued to expand aggressively, adding one restaurant per day throughout 1992 while trying to increase sales in existing U.S. restaurants through dinnertime table service complimented by an expanded dinner menu. Burger King achieved a 6% increase in profitability in 1992, compared to Rally’s 41% increase in earnings during the same time period.

Wendy’s enjoyed a 26% increase in net income in 1992, even though 30% of its sales were derived from its Super Value Menu. Improved operational efficiency and higher-than-average new-restaurant sales produced these results. Wendy’s planned a minimum of 75 new international restaurants in 1993, with targets in Mexico, the Pacific Rim, and Saudi Arabia.

Competitive pressures have forced the chains to rethink their strategies. Many now consider themselves to be in competition with any business serving or selling food, such as quick-service eating establishments, mom-and-pop’s, take-outs, pizza parlors, coffee shops, street vendors, convenience food stores, delis, supermarket freezers, and microwave ovens.\(^\text{17}\) For example, McDonald’s U.S. President, Ed Rensi, said he had mapped out a program to penetrate innovative domestic venues including supermarkets, airports, hospitals, stadiums, kiosks, and carts.\(^\text{18}\)

Still, the most significant source of future growth was clearly abroad. Even with 3,355 units in 53 countries in 1991, McDonald’s had barely scratched the surface of the global market. So, to ensure that the company’s long-standing history of increased sales and earnings continued, Ed Rensi accelerated the international expansion in search of a greater share of the world market. Over the next several years, McDonald’s expects to add 450–600 restaurants annually overseas.\(^\text{19}\) See Exhibit 3 for a listing of McDonald’s international locations.
The Challenge of Sustainable Development

In June 1992, the United Nations Conference on Environment and Development (UNCED) held what has come to be known as the “Earth Summit” in Rio de Janeiro. While the meeting, which included representatives from nearly every nation in the world, focused on global environmental problems such as climate change and biodiversity, a central feature of the Summit was a proposed plan (Agenda 21) for industrial nations to help poor countries develop their economies without ruining the environment — to pursue “sustainable development” on a global scale.

The U.S., for example, had only 5% of the world’s population, but used 25% of the energy, emitted 22% of all carbon dioxide, and accounted for 25% of the world’s GNP. India, on the other hand, had 16% of the world’s population, but used only 3% of the energy, emitted 3% of the carbon dioxide, and accounted for only 1% of the world’s GNP. Thus, developed nations, having reaped the comforts — and environmental costs — of industrialization, wanted others to avoid their mistakes. Developing nations, on the other hand, were anxious to raise their burgeoning populations out of poverty, and did not want to pay for environmental sins they did not commit.

In 1987, the World Commission on Environment and Development defined sustainable development as economic progress that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” Although much attention had already been given to the environmental problems related to the industrialized nations, it was the first document to clearly link third-world development issues with environmental concerns: that is, population growth and poverty in the developing world were also identified as major causes of environmental degradation. Over the next 40 years, world population was expected to double to more than 10 billion, with nearly all of this growth (95%) coming in the developing world. With world GNP at about $20 trillion, economic activity would have to increase at least 5–10 fold to provide basic amenities for this population. The World Commission and the Earth Summit stressed that this level of economic production would be environmentally destructive with current technologies and business practices.

While Agenda 21 was primarily aimed at national and international governments, the Earth Summit also featured a high-profile business consortium — the Business Council for Sustainable Development — led by Swiss industrialist and multibillionaire Stephan Schmidheiny. This group of 48 CEOs of multinational corporations produced a book, Changing Course, that emphasized that “while industry may be a big part of the problem, it must also be a big part of the solution.” Since the late 1980’s, several other business groups aimed at altering corporate behavior consistent with the principles of sustainable development have formed, including the Global Environmental Management Initiative (GEMI), the Coalition for Environmentally Responsible Economies (CERES), and Businesses for Social Responsibility (BSR).

Beef and the Environment

In 1993, the beef industry was a $40-billion global business, comprising approximately 1.3 billion cattle occupying nearly one-quarter of the world’s landmass. According to U.S. Department of Agriculture data in 1990, nearly 40% of the world’s (70% of U.S.’s) grain was fed to livestock. Half of the continental United States was used by the livestock industry for crops, pasture, and range. Approximately 260 million acres of arid public range in 11 western states were leased by the government to ranchers for grazing. Federal grazing fees averaged about $2 per month per head, whereas private-market grazing fees were closer to $9. Over-grazing of public land had resulted in significant soil loss and desertification. In 1990, the U.S. Bureau of Land Management reported that 70% of its holdings were in unacceptable condition, with 10% having degraded to desert conditions. Overgrazing of the range forces cattle to feed on the remaining vegetation along stream-banks, resulting in floods that carry away soil and accelerate the decline of the land.

Globally, extensive overgrazing is leading to a steady decline in per-capita beef production. If feedlots are used to supplement beef production, grain harvests will need to grow by seven million tons annually, roughly two-thirds of the historical annual increase in the world grain harvest. However, there is little new fertile land to be farmed, and many existing farmers are already using advanced yield-raising technologies, reducing the likelihood that the gain will be achieved through increased productivity. If population grows as projected at 90 million people annually, and grain output does not increase over current levels, per-capita supplies of grain will continue to diminish by two percent annually.
In 1993, the U.S. imported only five percent of its beef from Central America. However, since 1960 more than 25 percent of the forests in Central America have been cleared to create pastureland for cattle. It has been estimated that each rain-forest hamburger requires the clearing of six square yards for pasture. Such a swath would typically include one large tree, 50 saplings of 20–30 species, thousands of insects comprising hundreds of species, and an unknown diversity of mosses, fungi, and microorganisms. Clearing the same piece of rain forest would release 165 pounds of carbon dioxide into the atmosphere — the amount released by a typical American car in a 20-day period.

It is estimated that between 1966 and 1983, 15,000 square miles of Amazon rain forest were cleared for large-scale cattle production. A United Nations report predicted that if deforestation of the Amazon continued at its 1987 rate until the year 2000, more than 15% of the plant species and an unknown but significant percentage of insect species would be lost. The clearing of land for large-scale cattle production has also forced millions of rural peasants to the already overcrowded cities of Latin America. Worldwide, deforestation accounts for nearly one-third of all greenhouse-gas emissions, with the burning of fossil fuels accounting for the other two-thirds. See Exhibit 6 for more information on beef production in various countries.

The efficiency with which grain and feed is converted to meat varies greatly by animal. For example, in order to produce one pound of meat, chickens must consume 4.5 pounds of grain, pigs must consume 6.5 pounds, and cattle must consume 15.5 pounds.

Large quantities of energy and water are also used to grow the grain required to feed livestock. Almost half of the energy used in American agriculture goes into livestock production, the majority of it for meat production. In fact, according to Cornell University data, the amount of energy used to produce one pound of beef is equivalent to 25 gallons of gasoline. In addition, according to an animal science expert at the University of California-Davis, half of the grain and hay fed to U.S. livestock grows on irrigated land. Each pound of grain-fed beef requires about 2,500 gallons of water. For the typical American, this is about 190 gallons/persont/day — twice the amount used at home each day for all purposes. See Exhibit 4 for more information regarding water usage. In California, livestock production takes nearly one-third of all irrigation water used.

Pesticides and fertilizers used in grain production also place a burden on the environment, since much of the grain treated is fed to cattle. 1993 pesticide sales for corn, rice, cotton, soybeans, and wheat surpassed $21 billion globally. In 1993, 8.2 million tons of fertilizer were used in the production of corn, 1 million tons for soybeans, and 3 million tons for wheat. Pesticides and fertilizers used in grain production appeared to contaminate surface and ground water. Lumping together animal wastes and feed fertilizers, livestock production accounted for about 40% of the nitrogen and 35% percent of the phosphorus released into U.S. rivers, lakes, and streams. Cattle and other ruminants also emit methane, a potent greenhouse gas, as they digest grass and other fibrous plants. Indeed, each head of cattle belches out about a third of a pound of methane for every pound of beef it yields. See Exhibit 5 for information regarding sources of methane.

While per-capita beef consumption in the U.S. has declined since 1976, the average American still eats 65 pounds of beef per year — 23% of all the beef produced in the world. Only about 12.4 million Americans describe themselves as vegetarians, according to a 1992 survey by Vegetarian Times. For most of the world, however, a low-meat diet is the norm. Worldwide, only about one in four people eat a meat-centered diet. Historically, as income rises, so does meat consumption. For example, per-capita consumption of red meat in Japan has doubled since 1975. Koreans and Taiwanese appear to be following a similar pattern. See Exhibit 7 for information regarding per-capita beef consumption of several countries. To support the world’s current population of 5.3 billion on an American-style diet would require as much energy as the world now uses for all purposes, along with 2.5 times as much grain as the world’s farmers currently produce.

Where’s the Beef?

The Beyond Beef Coalition saw the spread of the “cattle culture” to the developing world as one of the greatest threats to the global environment. The Coalition was comprised of individuals and organizations interested in environmental protection, animal rights, public health, and world hunger (see Exhibit 8 for a list of members). Like the Environmental Defense Fund, this group targeted McDonald’s for its campaign because it was the industry leader, and one of the largest users of beef in the world.
The Coalition’s goals were: to reduce individual beef consumption in the U.S. by at least 50%; to replace beef in the diet with organically raised grains, legumes, vegetables and fruits; to reform current cattle-industry practices; and to promote humanely and organically raised beef as an alternative for those who continue to include some beef in their diet.  

Reactions to the campaign were varied. “There’s nothing wrong with eating beef—it’s American” said one customer regarding the campaign. However, another approached by a Beyond Beef campaigner said, “If McDonald’s had it [a meatless burger], I would try it in a second.” Dave Santoro, a franchise owner, said, “If enough customers wanted it, we’d have it . . . We have salads, cereals, hotcakes. We didn’t just dream those up. The consumers asked for them.”

Kim Poston, marketing manager for McDonald’s in San Jose, said that the Beyond Beef campaign was “an assault on small business” and that Beyond Beef is a “fringe activist group that doesn’t really reflect what our customers want.” McDonald’s spokesperson Ann Connolly added, “Ultimately, it’s our customers who decide what we serve, and our customers tell us they’re not interested in that kind of a product.”

Howard Lyman, former cattle rancher and current Executive Director of Beyond Beef, responded: “It’s the same mentality as General Motors that said there’s no market for small cars. Large corporations can’t see the future because the present is so good for them.”
END NOTES:

2 EDF Task Force Final Report, p. 22.
4 Rifkin, J. Beyond Beef, p. 269.
5 Ibid., p. 267.
6 McDonald’s 1993 Annual Report, p. 5.
17 McDonald’s 1993 Annual Report, p. 7.
19 McDonald’s 1993 Annual Report, p. 2.
20 “Summit to Save the Earth.” Time, June 1, 1992, p. 42-43.
21 Schmidheiny, Stephan. Changing Course, p. 6
27 Rifkin, p. 192.
28 Durning, p. 15.
29 Brown, Sandra, (University of Illinois forestry professor), cited in Durning, p. 15.
34 Water Education Foundation.
35 Durning, p. 16.
36 Ibid.
37 “Beyond Beef.” Utne Reader, March/April 1992
39 Durning, p. 17.
45 “Here’s His Beef.” Chicago Tribune, April 15, 1993.
46 Ibid.

Published by:
The National Pollution Prevention Center for Higher Education
University of Michigan, Dana Building
430 East University Ave.
Ann Arbor, MI 48109-1115
• Phone: 313-764-1412
• Fax: 313-936-2195
• E-mail: nppc@umich.edu

The mission of the NPPC is to promote sustainable development by educating students, faculty, and professionals about pollution prevention; create educational materials; provide tools and strategies for addressing relevant environmental problems; and establish a national network of pollution prevention educators. In addition to developing educational materials and conducting research, the NPPC also offers an internship program, professional education & training, and conferences.

Your Input is Welcome!
We are very interested in your feedback on these materials. Please take a moment to offer your comments and communicate them to us. Also contact us if you wish to receive a documents list, order any of our materials, collaborate on or reivew NPPC resources, or be listed in our Directory of Pollution Prevention in Higher Education.

We’re Going Online!
The NPPC provides information on its programs and educational materials through the Internet’s World Wide Web; our URL is: http://www.snre.umich.edu/nppc

We may also update the NPPC information available through gopher (gopher.snre.umich.edu) and anonymous FTP (ftp.snre.umich.edu). Please contact us if you have comments about our online resources or suggestions for publicizing our educational materials through the Internet. Thank you!
## EXHIBIT 1: 11-YEAR SUMMARY

(Dollars rounded to millions, except per common share data and average restaurant sales)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>System-wide sales</td>
<td>$19,928</td>
<td>$18,759</td>
<td>$17,333</td>
<td>$16,064</td>
<td>$14,330</td>
<td>$12,432</td>
<td>$11,001</td>
<td>$10,007</td>
<td>$8,687</td>
<td>$7,809</td>
<td>$7,129</td>
</tr>
<tr>
<td>U.S.</td>
<td>12,519</td>
<td>12,252</td>
<td>12,012</td>
<td>11,380</td>
<td>10,576</td>
<td>9,534</td>
<td>8,843</td>
<td>8,071</td>
<td>7,069</td>
<td>6,362</td>
<td>5,770</td>
</tr>
<tr>
<td>Outside U.S.</td>
<td>7,409</td>
<td>6,507</td>
<td>5,321</td>
<td>4,684</td>
<td>3,754</td>
<td>2,898</td>
<td>2,158</td>
<td>1,936</td>
<td>1,618</td>
<td>1,447</td>
<td>1,359</td>
</tr>
</tbody>
</table>

### System-wide sales by type

- Operated by franchisees: 12,959 12,017 11,219 10,424 9,452 8,422 7,612 6,914 5,929 5,239 4,788
- Operated by the Company: 4,908 5,019 4,601 4,196 3,667 3,106 2,770 2,538 2,297 2,095 1,916
- Operated by affiliates: 2,061 1,723 1,513 1,444 1,211 904 619 555 461 475 425

| Average sales, restaurants open at least 1 yr. (in 1,000s) | 1,658 | 1,649 | 1,621 | 1,596 | 1,502 | 1,369 | 1,296 | 1,264 | 1,169 | 1,132 | 1,113 |
| Revenues, frnchsd. rstrnts. | 1,787 | 1,621 | 1,465 | 1,325 | 1,186 | 1,037 | 924  | 828  | 704  | 620  | 561   |
| Total revenues | 6,695 | 6,640 | 6,066 | 5,521 | 4,853 | 4,143 | 3,694 | 3,366 | 3,001 | 2,715 | 2,477 |
| Operating income | 1,679 | 1,596 | 1,438 | 1,288 | 1,160 | 983   | 905  | 812  | 713  | 613  | 552   |
| Inc. before prov. for inc. taxes | 1,299 | 1,246 | 1,157 | 1,046 | 959   | 848   | 782  | 707  | 628  | 546  | 482   |
| Net income | 860 | 802 | 727 | 646 | 549* | 480 | 433 | 389 | 343 | 301 | 265 |
| Cash provided by operations | 1,423 | 1,301 | 1,246 | 1,177 | 1,051 | 852   | 813  | 701  | 618  | 505  | 434   |

### Financial position at year-end

| Net property and equipment | 9,559 | 9,047 | 7,758 | 6,800 | 5,820 | 4,878 | 4,164 | 3,521 | 3,183 | 2,765 | 2,497 |
| Total assets | 11,349 | 10,668 | 9,175 | 8,159 | 6,822 | 5,969 | 5,043 | 4,230 | 3,727 | 3,263 | 2,899 |
| Long-term debt | 4,267 | 4,429 | 3,902 | 3,111 | 2,685 | 2,131 | 1,638 | 1,268 | 1,171 | 1,056 | 926 |
| Total shareholder equity | 4,835 | 4,182 | 3,550 | 3,413 | 2,917 | 2,506 | 2,245 | 2,009 | 1,755 | 1,529 | 1,371 |

### Per common share

| Net income | $ 2.35 | $ 2.20 | $ 1.95 | $ 1.71 | $ 1.45* | $ 1.24 | $ 1.11 | $.97 | $.85 | $.74 | $.65 |
| Dividends declared | .36 | .33 | .30 | .27 | .24 | .21 | .20 | .17 | .14 | .12 | .09 |
| Year-end shareholder equity | 13.48 | 11.65 | 9.81 | 9.09 | 7.72 | 6.45 | 5.67 | 4.94 | 4.38 | 3.78 | 3.37 |
| Market price at year-end | 38 | 29 1/8 | 34 1/2 | 24 1/8 | 22 | 20 1/4 | 18 | 11 1/2 | 10 1/2 | 9 | 6 1/2 |

### System-wide restaurants at year-end

| $12,418 | $11,103 | $11,162 | $10,493 | $9,911 | $9,410 | $8,901 | $8,304 | $7,778 | $7,259 | $6,739 |
| Operated by franchisees | 8,735 | 8,131 | 7,573 | 7,110 | 6,760 | 6,406 | 6,150 | 5,724 | 5,371 | 4,911 | 4,580 |
| Operated by the Company | 2,547 | 2,643 | 2,691 | 2,600 | 2,399 | 2,301 | 2,165 | 2,053 | 1,949 | 1,846 | 1,746 |
| Operated by affiliates | 1,136 | 1,029 | 898 | 803 | 752 | 703 | 586 | 527 | 458 | 502 | 413 |

### Systemwide restaurants at year-end:

- U.S.  | 8,764 | 8,576 | 8,270 | 7,907 | 7,567 | 7,272 | 6,972 | 6,595 | 6,251 | 5,918 | 5,554 |
| Outside U.S. | 3,654 | 3,227 | 2,892 | 2,606 | 2,344 | 2,138 | 1,929 | 1,709 | 1,527 | 1,341 | 1,185 |

### Number of countries at year-end

| 59 | 53 | 51 | 50 | 47 | 46 | 42 | 36 | 32 | 31 | 30 |

*Before the cumulative prior years’ benefit from the change in accounting for income taxes.
**EXHIBIT 2: TOP 10 HAMBURGER CHAINS**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Chain</th>
<th>U.S. Sales ($000)</th>
<th>U.S. Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>McDonald’s</td>
<td>12,519,400</td>
<td>8,764</td>
</tr>
<tr>
<td>2</td>
<td>Burger King</td>
<td>5,330,000</td>
<td>5,557</td>
</tr>
<tr>
<td>3</td>
<td>Hardee’s/Roy Rodgers</td>
<td>3,580,000</td>
<td>3,954</td>
</tr>
<tr>
<td>4</td>
<td>Wendy’s</td>
<td>2,940,000</td>
<td>3,414</td>
</tr>
<tr>
<td>5</td>
<td>Jack-in-the-Box</td>
<td>977,000</td>
<td>1,094</td>
</tr>
<tr>
<td>6</td>
<td>Carl’s Jr.</td>
<td>629,000</td>
<td>210</td>
</tr>
<tr>
<td>7</td>
<td>Sonic Drive-Ins</td>
<td>518,765</td>
<td>1,112</td>
</tr>
<tr>
<td>8</td>
<td>Whataburger</td>
<td>338,000</td>
<td>446</td>
</tr>
<tr>
<td>9</td>
<td>White Castle</td>
<td>302,549</td>
<td>257</td>
</tr>
<tr>
<td>10</td>
<td>Rally’s</td>
<td>221,100</td>
<td>333</td>
</tr>
</tbody>
</table>

*Source: 1992 Technomic Top 100*
### EXHIBIT 3: SYSTEM RESTAURANTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>8,959</td>
<td>7,567</td>
<td>Canada</td>
<td>658</td>
<td>539</td>
</tr>
<tr>
<td>Australia</td>
<td>338</td>
<td>204</td>
<td>Argentina</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Brunei</td>
<td>1</td>
<td>0</td>
<td>Aruba</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>4</td>
<td>3</td>
<td>Bahamas</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Guam</td>
<td>4</td>
<td>3</td>
<td>Bermuda</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>62</td>
<td>36</td>
<td>Brazil</td>
<td>107</td>
<td>37</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5</td>
<td>0</td>
<td>Chile</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>956</td>
<td>604</td>
<td>Costa Rica</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Macao</td>
<td>3</td>
<td>1</td>
<td>Cuba</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>31</td>
<td>15</td>
<td>El Salvador</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>61</td>
<td>28</td>
<td>Guadeloupe</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Philippines</td>
<td>47</td>
<td>13</td>
<td>Guatemala</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Singapore</td>
<td>44</td>
<td>23</td>
<td>Martinique</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>South Korea</td>
<td>15</td>
<td>0</td>
<td>Mexico</td>
<td>56</td>
<td>5</td>
</tr>
<tr>
<td>Taiwan</td>
<td>67</td>
<td>22</td>
<td>Netherlands Antilles</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Thailand</td>
<td>16</td>
<td>2</td>
<td>Panama</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total Pacific</strong></td>
<td>1,653</td>
<td>951</td>
<td>Puerto Rico</td>
<td>40</td>
<td>22</td>
</tr>
<tr>
<td>Andorra</td>
<td>1</td>
<td>1</td>
<td>Uruguay</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Austria</td>
<td>35</td>
<td>20</td>
<td>Venezuela</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Belgium</td>
<td>16</td>
<td>9</td>
<td>Virgin Islands</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3</td>
<td>0</td>
<td><strong>Total Latin America</strong></td>
<td>274</td>
<td>99</td>
</tr>
<tr>
<td>Denmark</td>
<td>21</td>
<td>7</td>
<td><strong>Outside of the U.S.</strong></td>
<td>4,134</td>
<td>2,344</td>
</tr>
<tr>
<td>England</td>
<td>429</td>
<td>255</td>
<td><strong>Systemwide Restaurants</strong></td>
<td>13,093</td>
<td>9,911</td>
</tr>
<tr>
<td>Finland</td>
<td>14</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>239</td>
<td>61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>438</td>
<td>262</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>10</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>16</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>16</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monaco</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>83</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>10</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>4</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland</td>
<td>24</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>50</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>59</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>32</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>14</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wales</td>
<td>15</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>6</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Europe/Africa</strong></td>
<td>1,549</td>
<td>755</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EXHIBIT 4: WATER USED IN PRODUCTION

Gallons of Water Used per Pound of Food

Source: Water Education Foundation
EXHIBIT 5: SOURCES OF METHANE

Wetlands
Rice Paddies
Cattle
Burning of Vegetation
Gas Drilling
Termites
Landfills
Coal Mining
Other Animals
Oceans
Fresh Water

Source: Cicerone Oremland, Biogeochemical Aspects of Atmospheric Methane
EXHIBIT 6: BEEF PRODUCTION

EXHIBIT 7: PER-CAPITA BEEF CONSUMPTION

kilograms/person

United States
Mexico
Canada
Argentina
Brazil
Uruguay
United Kingdom
Germany
Saudi Arabia
India
China
Japan
Korea
Australia

EXHIBIT 8: BEYOND BEEF COALITION

United States Membership

Animal Welfare Institute
Earth Island Action Group
EarthKind
EarthSave
Food First/The Institute for Food and Development Policy
Farm Sanctuary
Free Our Public Lands
The Fund for Animals
Greenhouse Crisis Foundation
Greenpeace
International Rivers Network
The National Coalition Against the Misuse of Pesticides
Peoples Medical Society
Physicians for Responsible Medicine
Public Citizen
Public Lands Action Network
Rest the West
United Poultry Concerns

International Membership

Africa Rainforest Network/Kenya
Alternative Konsumenten Bond/Netherlands
Beyond Beef/Australia
Compassion in World Farming/England
De Kleine Aarde/Netherlands
Die Verbraucher/Germany
Earthwatch/Ireland
Erklarung Von Bern/Switzerland
Green Power/Hong Kong
Jungle Source/Mexico
KAG/Switzerland
Lega Per L’Ambiente/Italy
Milieudefensie/Netherlands
Network for Safe and Secure Food and Environment/Japan
NOAH/Denmark
Parents for Safe Food/England
Platform Biologische Landbouw & Veeing/Netherlands
Rainforest Information Centre/Australia
Research Foundation for Science, Technology, and Natural Resource Policy/India
Sahabat Alam Malaysia/Malaysia
Solidaridad/Netherlands
Tanzania Environmental Society/Tanzania
Uniao Protetora do Ambiente/Brazil
The Vegetarian Society/England
Vereniging Milieudefensie/Netherlands
Vereniging Voor Ekologische/Belgium
Walhi/Indonesia
THE REAL COST OF A HAMBURGER

Whether they’re from McDonald’s, Wendy’s, Burger King, or any other fast-food restaurant, hamburgers are no bargain. The next time you think about eating a hamburger, think about the real cost of eating beef.

World Hunger—At a time when nearly a billion people suffer from chronic hunger, more than one-third of all the grain grown in the world is fed to cattle and other livestock. That’s enough to give every child, woman, and man a meal a day.

Polluting and Depleting our Water—Cattle produce a billion tons of organic waste each year. Waste from livestock, and the pesticides and fertilizers used to grow feed, are the number one non-point source of water pollution in the U.S. Almost half the water used in the U.S. each year goes to grow feed and provide drinking water for cattle and other livestock. It takes 29 gallons of water to produce a pound of tomatoes, 139 gallons to produce a pound of bread, but 2,464 gallons to produce a pound of beef.

Animal Suffering—Each and every day, 100,000 cattle are slaughtered in the U.S. Their deaths are cruel and horrible — shocked with electric prods, beaten and kicked, shot with a stun-gun, hung by their feet, their throats cut.

Global Warming—Cattle are a major source of greenhouse gases. Tens of millions of tons of methane are released into the atmosphere by the world’s 1.3 billion cattle. In addition, hundreds of millions of tons of CO2 are released by burning forests to create cow pastures.

How does this all add up when you buy a hamburger at your local fast-food restaurant?... read on ...

THE McDonald’s IMPACT

No single commercial entity has been more responsible for encouraging beef consumption in America than McDonald’s.

More than 8,500 McDonald’s restaurants in America—and thousands more around the world—prominently advertise more than 85 billion hamburgers sold. What’s the real cost of these? For starters:

• tens of millions of cows slaughtered;
• trillions of gallons of water used to grow their feed;
• millions of tons of methane, a greenhouse gas, released;
• millions of acres of public land eroded and destroyed;
• enough grain fed to cows to provide millions of hungry families with a daily meal.

Most McDonald’s patrons are unaware of how their individual decisions as consumers add up to create such a devastating global impact.

But this April and May, through the Adopt-A-McDonald’s Campaign—at more than 1,000 McDonald’s across the nation—more than 1,000,000 customers will get the facts about the real cost of buying a fast-food burger.

HOW YOU CAN ADOPT A McDONALD’s

BEYOND BEEF is helping to organize more than 1,000 Adopt-A-McDonald’s teams. Each team of four or more people will be responsible for adopting at least one McDonald’s restaurant in their community, and speaking with at least 1,000 McDonald’s patrons as they enter or leave the restaurant. Beginning April 17, each team will provide customers with leaflets, educational materials, and a children’s coloring book. They’ll hold press conferences and carry placards. They’ll focus the attention of the country on the real environmental, health, and animal suffering costs of eating hamburgers. If you want to join the BEYOND BEEF team and Adopt-A-McDonald’s this spring, fill out the coupon below.

Name (please print) ________________________________
Street ____________________________
City _______________________ State ______ Zip ______
Phone __________________________________________

Return coupon to: Beyond Beef, 1130 Seventeenth St. NW, Suite 300, Washington DC 20036. Phone: (202) 775-1132 Fax: (202) 775-0074

March 1995