

# CRITICAL ISSUES ON THE GROWING MARKET POWER OF TRANSNATIONAL AGRIBUSINESSES



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**ANALYZE. ADVOCATE. ACT!**



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## WHAT IS MEANT BY AGRIBUSINESS?

Agribusiness as used in this paper refers to very big corporations that produce, process, trade, and market agricultural food products and agricultural inputs. Examples are corporations that produce inputs, such as seeds and fertilizers, and those that produce for supermarkets and retail chains. Transnational agribusiness companies are those that operate in the agriculture sector of many countries, usually with a huge volume of business.

Small-scale or family-based subsistence farms that produce mainly for the needs of the household are not agribusinesses, but they are part of the agricultural private sector since they are not public or government enterprises.

## HOW ARE AGRIBUSINESSES USING MARKET POWER IN THE AGRI-FOOD SYSTEM?

Agribusinesses are very powerful actors in the agricultural sector. They can dictate prices, lessen competition and set standards for the agri-food sector. Because of this influence, agribusinesses can set a very high selling price for their products and at the same time buy from their suppliers at very low rates. This means that these companies can increase their profit, but their suppliers and customers do not gain much, with the very low price of supplies and the very high prices of the final products. This is what market power means.

Agribusiness corporations come to have market power because of **vertical and horizontal integration**.

**Vertical integration** is when one company controls several stages in the production and marketing process. For example, Dole owns pineapple plantations (production stage) as well as pineapple canning facilities (processing) in one part of the globe, and also sells and distributes its canned pineapple products

(marketing/distribution) to consumers all over the world.

Because of vertical integration, agribusinesses can control the quality of products, and also set the selling prices at different stages of the production and marketing process. Because of this, even competitive but powerless suppliers are forced to sell to a few large buyers. With vertical integration, suppliers of inputs, middle companies (trading and processing companies) and food retailers are becoming more tightly linked together from the input stage all along the agro-food chain up to the supermarket chains.

**Horizontal integration** is when a company and its sister companies get a bigger market share at a particular stage in the production process. For example, San Miguel Corporation has an estimated 95% share in the sale of beer in the Philippines.

Because of their influence, big agribusinesses set what is acceptable quality, volume, prices of inputs, raw materials and supplies, and selling prices in the agricultural sector.

## WHAT IS THE GENERAL TREND OF AGRIBUSINESS OPERATIONS AT THE GLOBAL, REGIONAL AND NATIONAL LEVELS?

Our current global food system is a system where a few agribusiness firms dominate in certain agriculture and food sectors -- from inputs for food production (such as seeds, fertilizers and pesticides), to where farmers sell their raw agricultural products, to where consumers shop for groceries. In this kind of system, the power of agribusinesses to influence prices, control competition and set acceptable standards for production and marketing is becoming stronger. This power (called "market power"), enjoyed by agribusinesses, lessens the ability of small-scale farmers to control and determine their own prices and economic activities. Recent

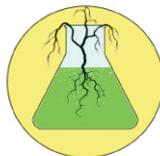
trends or patterns in agribusiness operations have also affected marginalized sectors in agriculture. The sections below discuss some of these major trends.

**Concentration of large companies along the global agri-food chain**

Agribusiness firms have become very powerful and influential because of their big market share, increase in capital and/or better access to markets. In the last few years, it is these transnational agribusinesses that are trading worldwide in the agri-food sector, not farmers or countries. This shows that the worldwide food system is mainly controlled by a few large companies.

For example, thirty years ago, there were thousands of seed companies. But now, only ten companies control more than two-thirds of the sales of proprietary seeds (seeds that are owned and can only be sold by these companies) worldwide. From dozens of pesticide companies, only ten companies now control almost 90% of sales of agricultural chemicals worldwide. From almost a thousand biotechnology companies, ten companies now have three-fourths of the income of the industry. And, six of the leaders in seeds are also six of the leaders in pesticides and biotechnology. These few companies together can influence what agriculture and food policies and programs will be implemented.

**World's Top 10 Pesticide Firms**



Company	Agrochemical Sales 2007 (US\$ millions)	% Market Share
1. Bayer (Germany)	\$7,458	19%
2. Syngenta (Switzerland)	\$7,285	19%
3. BASF (Germany)	\$4,297	11%
4. Dow AgroSciences (USA)	\$3,779	10%
5. Monsanto (USA)	\$3,599	9%
6. DuPont (USA)	\$2,389	6%
7. Makteshim Agan (Israel)	\$1,895	5%
8. Nufarm (Australia)	\$1,470	4%
9. Sumitomo Chemical (Japan)	\$1,209	3%
10. Arysta Lifescience (Japan)	\$1,035	3%
<b>Total</b>	<b>\$34,396</b>	<b>89%</b>

Source: Agrow World Crop Protection News, August 2008

Source: Source: Agrow World Crop Protection News, August 2008. In ETC Group, "Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life." Communique, Issue No. 100, November 2008, page 15.

**World's Biggest Fertilizer Companies**



Company	2007 Net Income (US\$ millions)
1. PotashCorp (Canada)	1,104
2. Yara (Norway)	1,027
3. Mosaic (USA)	944
(Cargill has 55% stake)	
4. Israel Chemicals Ltd. (Israel)	461
5. Agrium (Canada)	441
6. K+S Group (Germany)	303
7. Sociedad Quimica y Minera (Chile)	165

Source: PotashCorp, 2007.

Source: PotashCorp, 2007. In ETC Group, "Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life." Communique, Issue No. 100, November 2008, page 17.

**World's Top 10 Global Food Retailers**



Company	2007 Food Sales (US\$ millions)	2007 Total Sales (US\$ millions)	Grocery as % of Total Sales
1. Wal-Mart (US)	180,621	391,135	46
2. Carrefour (France)	104,151	141,087	74
3. Tesco (UK)	72,970	100,200	73
4. Schwarz Group (Germany)	58,753	70,943	83
5. Aldi (Germany)	55,966	65,251	86
6. Kroger (US)	52,082	73,053	71
7. Ahold (UK)	50,556	62,614	81
8. Rewe Group (Germany)	49,651	56,324	88
9. Metro Group (Germany)	49,483	73,538	71
10. Edeka (Germany)	45,397	51,272	89
<b>Total Top 10</b>	<b>719,630</b>	<b>1,085,417</b>	

Source: Planet Retail

Source: Planet Retail. In ETC Group, "Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life." Communique, Issue No. 100, November 2008, page 22.

Sometimes, these companies work together on very big projects to develop new agricultural or agrochemical products. One example of such a project is a very expensive research and development joint project between Monsanto, the world's largest seed company, and BASF, the world's third largest agrochemical company. Another example is a joint project between Monsanto and Dow Agrochemicals to develop the first genetically engineered corn.

This trend of corporate concentration can also be seen in rice production and even in

**World's Top 10 Seed Companies**



Company	2007 seed sales (US\$ millions)	% of global proprietary seed market
1. Monsanto (US)	\$4,964	23%
2. DuPont (US)	\$3,300	15%
3. Syngenta (Switzerland)	\$2,018	9%
4. Groupe Limagrain (France)	\$1,226	6%
5. Land O' Lakes (US)	\$917	4%
6. KWS AG (Germany)	\$702	3%
7. Bayer Crop Science (Germany)	\$524	2%
8. Sakata (Japan)	\$396	<2%
9. DLF-Trifolium (Denmark)	\$391	<2%
10. Takii (Japan)	\$347	<2%
<b>Top 10 Total</b>	<b>\$14,785</b>	<b>67%</b>

Source: ETC Group

Source: ETC Group. In ETC Group, "Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life." Communique, Issue No. 100, November 2008, pp. 11.

the retail industry. At present, only about 6% of rice produced is sold in the world market, but this situation is changing. In Thailand, for example, rice was being traded through government and/or through Chinese family exporters. Now, big corporations (such as Louis Dreyfuss, Rustal, Novel, and Nidera) are involved in rice trade. The share of private traders/exporters in the Thai rice trade has increased from 20% in 1992 to 80% in 2003.

Big companies do not only wield market power at the production level or at the farm-gate but also at the retail and consumer level. In the retail industry, a big chunk (35%) of all grocery sales worldwide is from large companies belonging to the top 100 international food retailers (such as Wal-Mart, Carrefour and Tesco). Giant grocery retailers have also become very powerful in the agro-industrial food chain. For example, Wal-Mart is not just the largest grocery retailer; in 2008, it was considered the biggest corporation in the world. It operates in 13 countries, earns US\$379 billion and has over two million employees. Wal-Mart is even bigger than such big companies as Shell, BP and Toyota.

But these retail companies are not just the large transnational corporations. In the Philippines, for example, we also have local companies that dominate the retail and consumer industries. The biggest among these are the SM Supermarkets chain (of the SM Group of Companies owned by the Sy Family), Makro (a partnership between SM Prime Investments Corporation also of the Sy Group of Companies and Netherland's SHV Holdings NV) and the Robinsons Supermarket (of the Robinsons Retail Group of JG Summit).

### **EMERGENCE OF “HOME-GROWN” AGRIBUSINESS ENTITIES IN THE ASIAN REGION**

There are now “home-grown” or local firms in many countries in Asia that have become very big and powerful in Asia and are soon to

become real global corporations. Concentration in the agri-food business in Asia is happening through these local companies.

These companies have become very strong because they produce many different kinds of processed, value-added food items which are sold both inside the country and abroad. Their products include chicken, seafood, processed fruits and vegetables, noodles, dairy products, fast food products and prepared meals, beer and other beverages. Unlike companies in the developed countries, many of these companies are not only into agri-food production and processing. They are also into the marketing and retailing of value-added products. These big local firms are also usually part of a much bigger company that not only has investments in agriculture, but also in many other types of businesses that do not seem to be related to each other, such as property, communications, and so on.

Below are some examples of home-grown companies that have become powerful corporate groups with wide international markets.

**Charoen Pokphand (CP)** Group of Thailand. CP breeds chickens and also enters into contract agreements with poultry growers. Aside from this, it also produces animal feed, processes and manufactures poultry products, and sells these products in their own mini-marts, supermarkets and fast food chains.

CP is Thailand's largest corporation and Asia's largest agribusiness conglomerate (a big company that owns several other types of businesses). CP is now reported to be the largest producer of animal feed in the world and second largest poultry producer. They are also reported to be the largest shrimp producer and have 100,000 employees (and thousands of contract farmers) in over 250 companies in 20 countries. CP is also the first and largest foreign investor in China. It has the largest integrated poultry operations in China, with six joint venture processing

facilities. CP also has investment in land and real estate, shopping malls, fast food outlets, supermarkets, telecommunications, motorcycles and machinery, petroleum and seeds, and many others. At present, it has poultry operations in Thailand, Russia, Turkey, China, Vietnam, Indonesia, Cambodia, and the UK where it is the largest single supplier of poultry to Tesco, United Kingdom's (UK's) largest supermarket chain.

The **Salim Group** is Indonesia's largest conglomerate. The Group operates in almost every sector of the Indonesian economy. It is said that it contributes around 5% to Indonesia's national income. One of its subsidiaries or sister companies, the Bogasari Flour Mill (BFM), is the largest Indonesian wheat flour producer, the world's largest wheat-buying company and the world's largest producer and exporter of instant noodles with an output of 7.5 billion packets every year. The Salim Group is also into food processing, timber production and forestry products, milk and dairy products (Indomilk), edible oils and sugar production and refining. This made the Salim Group Indonesia's largest agri-food company.

**San Miguel Corporation (SMC)** is the Philippines' largest food and beverage group. It accounts for almost all (95%) beer sales in the Philippines, and sells 60% of the processed meat and 40% of the poultry. SMC also has licensing agreements for the production of its beers in Thailand and many other countries. SMC has also been expanding into other types of businesses. It bought a large share of Petron Corporation (a major oil company) and the Manila Electric Company (a power generation and distribution company). It also joined up with government-owned Qatar Telecoms, Inc. to venture into telecommunications. SMC is also interested in taking over the operations of global agro-industrial company, Dole Food Co., in the Philippines and in other Asian countries.

## PARTNERSHIPS IN AGRICULTURAL RESEARCH AND DEVELOPMENT BETWEEN GOVERNMENTS AND CORPORATIONS

Foundations attached to large agribusiness corporations have been going into partnerships with governments in less developed countries in Asia, Latin America and Africa. These partnerships involve agricultural research and development (R&D), or the conduct of research to get information that can be used to develop new products and technologies that will help speed up agricultural development. The biggest among these foundations are the Syngenta Foundation and Monsanto.

Monsanto, for example, is taking the lead in partnerships with government that hope to provide access, develop and set up agricultural technologies for smallholder farmers in sub-Saharan Africa. This partnership covers basic and applied research to field testing and commercialization, including facilitating market access for farmers who produce surplus.

There are also the same kind of partnerships in the Asia region between transnational agribusinesses in the processing and retailing sector and Asian governments. In the Asia Pacific Region, there are area-based groupings where these partnerships are set up, such as the Greater Mekong Sub-region (GMS), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).

In these partnerships, the government is responsible for making sure that there are necessary infrastructure (such as transportation and communication systems, water and electricity) and governance systems (such as business and environmental policies and regulations, and tax systems) that will make these partnerships possible. In many cases,

regional development banks, such as the Asian Development Bank, play a big role in assisting the implementation of these programs.

These partnership programs also have a big impact on the food security of the peoples of the Asia-Pacific region. For example, ACMECS encourages cross-border contract farming, with CP Group of Thailand leading the development and application of this policy. For a long time, the CP Group has been doing contract farming in the production of poultry for its fast food outlets. It also does contract farming for the production of the seeds for animal feed production, and the production of the grains to be directly used as animal feed.

This government-private partnership may seem good for small-scale farmers. But in reality, this type of partnership makes farmers more dependent on the global seed and farm input market by serving as buyers to the giant retailers. Government agencies often try to convince farmers to use the so-called latest technology farm inputs or seed varieties, telling farmers that these will increase their harvest and give them other benefits. In most cases, farmers could not access government resources, bank collateral and financing schemes, and other government support services or incentives unless they adopt and use these farm inputs or seeds.

### **WEAK OR INADEQUATE INTERNATIONAL AND NATIONAL LEGAL FRAMEWORKS TO REGULATE LARGE MULTINATIONAL AGRIBUSINESSES**

Large agribusinesses and other transnational corporations (TNCs) operate freely in countries outside of their own. They do not take full responsibility for the impact of their operations on communities and on human development. Even if they do anything wrong or harmful, present laws cannot punish them. There is no international or national law or policy at the moment that can control their operations. The present laws are too weak to

respond to our situation now where companies are bigger and more powerful than nations.

For example, instead of supporting workers' rights, national policies encourage investment from multinational corporations by promoting cheap labor. They do not require companies to pay benefits or hire workers for regular employment. Even if a country has laws that protect workers, these usually cannot be enforced realistically. Existing national laws also encourage agribusinesses to invest in and extract natural resources from other countries. This investment could have a positive impact, but in many cases, these foreign investments are being misused.

Governments also exempt large investors from taxes to encourage them to invest in the country. These taxes could have been a source of funds that government could be using to support people in poverty, and must be collected and used in the right way.

Because there are now fewer agribusinesses who will buy agricultural products, small-scale producers have no choice but to sell their products at unfairly low prices. At the same time, they have to comply with strict conditions on quantity, quality and time delivery. Sometimes, their products are simply rejected by giant agribusiness retailers without reason and without any payment. These contracts and quality standards set by the corporations are not controlled by national laws and regulations.

### **WHAT ARE THE CRITICAL ISSUES ON CORPORATE CONCENTRATION AND PRIVATE GOVERNANCE?**

#### **The growth of the global supermarket chains**

The retailing sector (supermarket chains), not the manufacturing sector, now controls the supply chain. How are they able to do this? Supermarkets have been developing their own brand products, which compete

directly with the branded products of traditional food manufacturers such as Heinz, Nestle and Del Monte. Many supermarkets source out their own brand products mainly from companies in developing countries. For example, UK's Tesco chain gets its supply of poultry products from the CP Group of Thailand. Woolworths, a retailing chain in Australia, gets its frozen vegetables from Chinese companies

At first glance, this is good because there is increase in production and global sales in developed countries, which can benefit farmers in the less developed countries. But in this situation, the retail chains can dictate fully what quality and how much the producers in the developing countries will produce and the price of the products. Often, the prices are very low that producers could no longer get good profit. The retail sector would always try to get the cheapest sources of supply globally, so that small farmers and contract growers compete against agri-food retailers/trading companies that export the same crops to their countries.

### **CONCENTRATION IN THE GRAINS PRODUCTION AND MARKET**

In the global grains market, it is not national governments but a few large grain companies (Cargill, Continental, Louis Dreyfus, ADM and Bunge) that play a central role in the food system. It was estimated that a very big portion (85% to 90%) of global trade was controlled by these five companies. These five companies are all privately owned; seven families are involved in all five firms. Each of the companies is present in many countries across the world; Cargill says that it operates in over 160 countries.

These large grains companies also earn very big profits despite the global financial crisis. Cargill, the world's largest grains trader, had an increase in profits of almost 70% in 2007. It more than doubled its profits in 2006. Profits for ADM, the world's second largest grain trader, decreased a little in 2008, but

the company's profits were still 41% higher than in 2006. Wilmar International, one of the largest palm oil producers and traders in the world, saw its profits jump from US\$288 million in 2006 to US\$829 million in 2007, to US\$1,789 million in 2008 – an increase of more than six times in two years. Actually, Wilmar made more profit in the fourth quarter of 2008, when commodity prices were supposed to have dropped, than it did in the whole of 2006. The suppliers of agricultural inputs may be the biggest winners from this crisis. The profits of Mosaic, a company partly owned by Cargill, increased more than four times in 2008.

Prices at the farm gate and overall sales from the farm were also reported to have increased a lot, but any potential income gains for farmers were gobbled up by higher prices for inputs and other costs of production.

It is clear that the small-scale rice farmers in Indonesia and the Philippines, who depend only on rice production for their livelihoods, are competing not with farmers from rice-exporting countries like Thailand or Vietnam but from trading companies that export rice to countries like Indonesia and the Philippines. It is the same for the corn farmers in Mexico and the Philippines; they compete not with US corn growers but with US-based transnational agribusinesses that export corn all over the globe.

### **NEGATIVE IMPACT ON SMALL-SCALE FARMERS, FARM WORKERS AND SMALL AND MEDIUM ENTERPRISES**

Corporate concentration especially at the input stages of production has a negative impact on the income and working conditions of farmers, farm workers, processing plant workers and even supermarket employees.

Although agribusinesses contribute to the development of sophisticated technologies (such as high-yielding seeds, fertilizers and pesticides) that will help increase output in agriculture, these technologies are very

expensive. Because of this, farmers always need additional capital as the income from their products is also not enough to pay for the inputs. This situation makes the rural sector even more economically weak.

Agribusinesses, especially at the input stage, are trying very hard to increase their profits by pushing their prices up. Because of this, corporations at the next stages such as the food processing firms and supermarkets are forced to lower their costs so that consumers will buy their products. This results in lower wages and poor working conditions for the workers.

#### Impact on small-scale farmers:

Sure buyers but not sure high profits for farmers. More and more small-scale farmers are now getting into contract farming. Farmers are more open to these “contracts” because they are sure that there will be a definite buyer for their products. But in these contracts, the farmers have to commit to the price that is in the contract. This means that they may have to give up the possibility of high profits if prices rise during harvest or slaughter time as prices for their products are locked to the contract.

Contract agriculture does not work out well especially in developing countries. In these contracts, farmers always face the risk of low prices for their products, while buyers can choose to pay less if market prices are down when the time comes to sell. Farmers always face the risk of having poor quality or not enough produce because of neglect, bad weather or other causes.

Unfair contracts because farmers take all the risks. Transnational and giant local retail chains (like the SM Group in the Philippines, the Uni-President in Taiwan and the Salim Group in Indonesia) have also helped worsen the situation of small-scale producers and also made the farmers even more excluded from the system. Many farmers are forced to depend on unfair contracts to sell their products. These

contracts are unfair because the farmer takes on all the risks and may not get much out of the final sale price. Small-scale producers are also often excluded because they are seen as too small or too far from the center of distribution to be included in the system.

In developing countries, agribusiness firms usually dictate what is in the contracts. These contracts are usually verbal, which is how farmers traditionally do business with one another. This makes it harder for the farmers (as contract growers) to convince agribusiness firms to share in the risks. Because these contracts are between private individuals and private companies, governments often say that they are helpless and cannot intervene in these contracts.

#### The impact on farm workers:

Less opportunities for union organizing. Corporations are now getting more into contract growing arrangements with sub-contractors, and sometimes with producers or producer organizations (such as farmers' cooperatives or poultry growers associations) than managing plantations. Because of this, many farm workers find themselves working in informal conditions where it is hard for them to organize themselves to improve their work conditions.

Agricultural workers include those with some land but who also work in other people's farms or do other labor work to make ends meet, those who are landless, women workers, and children (more children work in agriculture than any other sector worldwide). Agricultural workers are among the poorest in society, earning sometimes even less than half of the usual wages in agriculture. They are among the least organized and the least educated in the world.

More women and children workers being paid less. Majority of children who work (more than 70% worldwide) are in agriculture. More and more women are also becoming agricultural workers and they are almost always paid less than men for the same work. The newer sectors in agriculture

in developing countries, such as cut flower and horticultural/plant exports, employ large numbers of women.

#### Impact on small and medium enterprises or businesses (SMEs)

Inability to compete. SMEs are also affected by agribusiness. With horizontal integration, SMEs become less competitive and soon go out of business. This is not good because SMEs play an important role in creating jobs and in making local capital and skills move around both in developing and developed countries.

### **WHAT IS CORPORATE SOCIAL RESPONSIBILITY?**

Earlier, we have learned of the negative impact of large agribusinesses on the small agricultural workers, on the rural women, on the rural economy, and on poor households. Realizing this, some corporations adopt what is called Corporate Social Responsibility (CSR). CSR is a policy, way or process used by corporations to discipline themselves to make sure that they are following the law, international standards and ethical norms. CSR is the business sector's way of showing concern and taking responsibility for the impact of their activities on people, communities and the environment.

A group of corporations, NGOs and trade unions in the UK developed an Ethical Trading Initiative's Base Code. This is a set of standards that should be followed by member companies of this group to improve the working conditions and human rights in the work place. This "base code" is being followed by member companies in the retail and wholesale sectors, including supermarkets.

This and other examples of CSR can help make giant companies aware of their responsibility and impact. However, these minimum standards are set by corporations and, often, small-scale producers have to

spend more to comply with these standards. There is also no clear way to monitor, for example, the kinds of contracts that are being entered into by these giant retailers with their suppliers. These retailers and suppliers have their own set of rules and contracts with the small contract growers and other small-scale producers.

### **ARE THERE INTERNATIONAL BODIES, LAWS OR STANDARDS THAT TRY TO LIMIT THE POWERS OF THE LARGE CORPORATIONS, INCLUDING AGRIBUSINESSES?**

United Nations (UN) bodies and other international agencies have also been taking steps to establish and promote international standards and norms in business practices, and influence companies to regulate their own behavior and apply these standards.

One example is the "Global Compact" initiated by the UN. The Global Compact encourages companies to adopt business practices that promote international standards including respect for human rights and cultural differences, protection of the environment, safety and health in the workplace, and contribution to the social and economic development of communities. However, the Global Compact is voluntary, so companies are not required to comply with it.

The UN Sub-Commission on the Promotion and Protection of Human Rights adopted the "Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights." These "Norms" mentions the different UN treaties and universal declarations that corporations are required to respect and take responsibility for. These treaties and declarations are related to the: (1) right to equal opportunity and non-discriminatory treatment; (2) right to security of persons; 3) rights of workers; 4) respect for national sovereignty and human rights; 5) obligations regarding consumer protection; and 6) obligations regarding environmental protection.

## WHAT ARE POSSIBLE ADVOCACY ISSUES THAT AFA / CIVIL SOCIETY CAN RAISE WITH GOVERNMENTS AND THE PRIVATE SECTOR?

There are international standards that promote fair trade and ethical business practices, but we learned that it is difficult to enforce these in countries. The best way to make sure that these standards can be implemented is for governments to make national laws and policies that will reinforce and support these standards. One thing that we can do is to propose national laws and policies that will:

### 1. Provide for the development of guidelines and standards that include the basic principles of fair trade and that will regulate corporate social responsibility (CSR)

There should be a national policy that will regulate CSR and make way for the development of a set of guidelines to make sure that agribusinesses operating in or wish to operate in a particular country are socially responsible and fair in their dealings. Instead of using standards set by agri-food corporations, governments can make guidelines for retail chains, for example, to meet certain labor or environmental standards. The interests of both the producers and consumers are given more priority over the interests of corporations. Corporations will then have to comply with this basic obligation.

These standards will also include fair trade principles, namely:

- **Direct purchase** – This means making sure that buyers buy directly from the producers, as much as possible, doing away with middle persons who usually take a big part of the money. Doing direct purchase lowers farmers' cost of production, making them more competitive.
- **Long-term trading relationships** – This means keeping long-term relationships between the producers and the buyers, and not just relationships based on a single transaction.

- **Guaranteed minimum price and price premiums** – This means that the producers are sure to get a fair price for their products. Producers are also assured that the price of their goods will not go below a minimum or lowest possible level.

- **Payments in advance** – This means that producers are paid in advance, for example, 50% of the product price. This is to provide producers the needed capital to buy the raw materials or inputs needed for the production. This will also help farmers solve the problem of having no access to credit or loans for production.

Each country will have different guidelines depending on their goals for development, main concerns, environmental goals and economic capacities.

Governments can also adopt, through national laws, both the Global Compact and the Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights.

### 2. Impose a set of performance requirements for corporations to fulfill their social obligations

It is important that government laws or policies set “performance requirements” that will require retailers to respect the national labor code, minimum wage, workers' benefits and privileges, and other similar laws that protect job applicants and workers. These include policies that promote the rights of employees and workers to form unions and collectively bargain. Similar laws and policies should also cover the agricultural production and processing sectors, and protect agricultural workers and contract growers as well. This standard must also cover all the suppliers and subsidiaries of the retail chains who buy the produce from plantations and commercial farms.

Performance requirements should also require agribusinesses to follow national laws, regulations, restrictions and local council resolutions/ordinances on

environmental and ecological concerns, food safety and food labeling.

Farmers' groups and NGOs should also serve as "watchdogs," and monitor how agribusinesses are following these performance requirements.

### **3. Strengthen transparency and access to information on major players in the global food system**

As part of the support services that it gives to the agricultural sector, governments should make sure that information on the present market prices is available so that farmers know what price to ask the middlemen and women who buy their goods at the farm gate. Consumers need to know where their food comes from and what it contains. Government should also monitor and control the amount of pesticide or toxic chemicals found in food.

It is very hard to get information about the size and scope of large agribusinesses, the market share they control, and the terms of their contracts. Contracts are not public documents, so it is very difficult to know whether contracts are fair and whether the terms that large companies give each other are too friendly. This means that governments should also require companies to provide information. This can be part of government's review of mergers, acquisitions and inter-firm contracts in agriculture.

Present rules of the World Trade Organization (WTO) insist that governments answer questionnaires about any state trading enterprises (STEs) operating in their country. This questionnaire can also be used to get information on any company—government or private—that has more than a particular percentage share of the import or export market. This information could be gathered with the support of the UN Conference on Trade and Development (UNCTAD). UNCTAD is a UN agency that is responsible for monitoring things that businesses do that limit fair trade. The Food and Agriculture Organization (FAO) or

UNCTAD or both— could keep a databank with comprehensive information on the dominant actors in the global food system. The data should be accessible to the public on the internet, and the findings published regularly.

### **4. Institute agricultural policies and programs that will promote food sovereignty principles**

Food sovereignty means the rights of nations, peoples and communities to set and implement their own food and agriculture systems, policies and programs based on what they really need, what is important to them and what their specific situation is.

Food sovereignty can be promoted by making sure that foods that are locally produced and processed are readily available and accessible to local buyers and consumers. This can be done by setting up local food outlets, farmers' markets or small cooperative stalls.

This would be an exact opposite of the current global system where food products are produced and processed not for the needs of the local communities, but for the needs and demands of giant retail chains – whether for local distribution, processing and selling, or for export.

### **5. Promote sustainable development practices**

An agri-food system that will protect the environment for the present and future generations should be promoted. The system should use resources and means of production (land, water, seeds, appropriate technologies and farming techniques) in ways that will not harm the environment and help in recycling or reusing these resources. The system should also protect the rights of small-scale producers, indigenous peoples and local communities to local resources and knowledge (including the exchange, reproduction and conservation of seeds). Retailers must also make sure that they follow these principles especially on the buying/production aspect of their operations.

CREDITS

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