AFA Research Report

Critical Issues on the Growing Market Power of Transnational Agribusinesses

Paper Prepared by
Jayson Cainglet
Agribusiness Accountability Initiatives (AAI)
for the Asian Farmers Alliance (AFA)

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www.asianfarmers.org

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I. What is meant by agribusiness and agricultural private sector?

There is a need to distinguish between small-scale, subsistence family-based farming, small to medium scale businesses in the agriculture sector that is the predominant mode in the global south on one hand and; the operations of agribusiness (whether a large local corporation or transnational corporation) found in the agricultural sector of many countries that are typically large in size and capital on the other.

Agribusiness as used in this conference and as we know it in the general global agriculture and food systems discussions in the last 20-30 years, are synonymous to large corporations that are involved in the agri-food sector.

The only common denominator between small-scale, subsistence family-based farming and the agribusiness sector are their being clustered as agriculture private sector since they are neither public nor state enterprises. Everything else is a world of difference.

The world has witnessed a fundamental change in the role and market power of corporations, especially in the agri-food sector, in the past 20-30 years. These include corporations (or agribusiness) engaged in input production, such as seed and fertilizer, and supermarket production and retail chains. For example, 50 out of the largest 100 economic entities are corporations rather than countries. Today, just a handful of multinational agribusiness controls most of the trade in seeds, grains, retailing and processed foods, among others.

The globally integrated food system that has emerged in recent decades has many of the same characteristics as the industrialized food system of North America and Western Europe. A few firms dominate in certain agriculture and food sectors, from inputs for food production (e.g. seeds, fertilizers, pesticides) to where farmers sell their raw agricultural products, to where consumers shop for groceries. If competitive markets are defined as those where no one buyer or seller can influence the marketplace, we are rapidly moving to a global food system that is no longer predicated on competitive markets (indeed if it ever was). This is a food system where a Brazilian meatpacker is now the largest beef processor in the world, with an estimated third of the marketplace in the U.S. alone. It is a system where three large U.S-based traders/processors handle the majority of grain that moves between

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nations. It is a system of rapidly evolving global supermarkets that are penetrating many regions of the world. All of these will be discussed further in the succeeding sections.[1]

It is in this light that small women and men farmers, rural subsistence producers and independent producers are wary on the renewed interest of public-private partnerships for " (where producers, buyers and investors gather) investment opportunities and so-called strategies for organizing and professionalising agribusiness" given the negative impacts of these partnerships for small farmers in the past. For one, in the almost 40 years of the so-called green revolution, farmers and local communities were never involved in the research agenda. Small farmers scarcely benefitted from previous and present programs of the International Rice Research Institute (IRRI) and the various national research centers, it is the agro-seed and agro-chemical agribusiness that has immensely benefitted.

In the end, farmers are further chained in this kind of formal and top-down public-private partnerships that is designed primarily to increase farmers' dependency on the global seed and farm input market, and in recent times as hapless suppliers in the supply chain of the giant retailers. As if speaking in behalf of these agribusinesses, personnel of government line agencies compel farmers to adopt or use the so-called latest technology farm inputs or variety of seed claiming this much harvest or this much benefit and so on. In most cases, the adoption and use of farm inputs or seeds are tied to the farmers' accessing of public resources, bank collateral and financing schemes, and other government promotion or enticements.[2]

Currently, there are a number of private-led public-private partnerships in agricultural research and development involving foundations of these very same agribusinesses on one hand and governments of less developed countries in Asia, Latin America and Africa on the other. The Syngenta Foundation claims to benefit from this partnership by having access to emerging markets in developing countries, locally specific expertise and genetic materials. This partnership also ensure increased domestic and global market opportunities for Syngenta, progress in the development of advanced agricultural technology, and stronger regulatory regimes that favor private investments.[3]
Monsanto on the other is leading the efforts of public-private partnerships in addressing the challenges associated with accessing, developing, and deploying

[1]Hendrickson, Mary, Wilkinson, John, Heffernan, William D. and Gronski, Robert, The Global Food System and Nodes of Power(August 2, 2008). Available at SSRN: http://ssrn.com/abstract=1337273
[2]Cainglet, Jayson. "Agriculture Research in the Philippines: The Search for More Profits." April 2002. http://www.irdfphil.org/docs/05.pdf
[3]http://www.syngentafoundation.org/index.cfm?pageID=602

agricultural technologies to smallholder farmers in sub-Sahara Africa. This partnership runs along the agricultural technology value chain — from basic and applied research to field testing and commercialization, including facilitating market access for farmers who produce surplus.[4]

There are also a number of quite recent private-public partnerships in the Asia region between transnational agribusinesses in the processing and retailing sector, and sovereign states with responsibility for the infrastructure and governance arrangements which make such partnerships possible. In many cases, regional development banks, such as the Asian Development Bank, play a major role in facilitating such programs. Typical of such arrangements in the Asia-Pacific region are groupings such as the Greater Mekong Subregion (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 programs there are important initiatives in the agribusiness sector which will significantly impact on the food security of the peoples of the Asia-Pacific region. As an example, one of the central activities of the ACMECS is to encourage cross-border contract farming, with the Charoen Pokphand (CP) Group of Thailand, as a leader in the development and application of this policy. The CP Group has long adopted contract farming arrangements in the production of poultry for the Company's fast food outlets, as well as for the production of the seeds required for animal feed production, and the production of the grains which will be directly used as animal feed.[5]

II. General trend of agribusiness operations in recent years at the global and regional/national levels and the growing market power of agribusiness.

According to food and agriculture system experts, there are five major trends of agribusiness' global operations. There are: a) Continuing agribusiness concentration along the agri-food supply chain; 2) Changing power relationships along the supply chain; 3) Shift in production to the less developed countries; 4) Growth in consumer concerns/issues and; 5) The financialization of food and agriculture. This paper will not delve on the last two items; focus will be on the first three trends and the growing market power of agribusiness.

[4] http://www.monsanto.com/responsibility/our_pledge/stronger_society/publicpvt_partnerships.asp
[5] Dr. Burch, David and Cainglet, Jayson. "Concept Notes on the New Challenges and Issues for the Agri-food Sector of the Less Developed Countries in the Asia Region." Unpublished

Market power is the ability to affect price, to reduce competition and to set standards for a sector of economic activity. It is the ability to set customer price above competitive levels (seller power) and/or ability to set supplier prices below competitive levels (buyer power). Market power undermines competition. A firm with market power can increase its profit at the expense of its suppliers or customers or both. Market power is not the same as monopoly power. A monopoly exists when only one firm sells a particular good or service in a market. Monopolies (and monopsonies, when only one firm buys the good or service on offer) are easily identified; market power is more complex and not always so obvious.[6]

At present, power in the agribusiness chain is concentrated in two bottlenecks: few suppliers of inputs (seeds, agrochemicals and fertilisers) and few food retailers, meaning that both producers and consumers lose power in the business chain. The top ten multinational seed firms control half of the world's commercial seed sales, and the top ten food retailers accounted for 24 percent of the global market in 2004.[7] In this situation, suppliers of inputs can act as a monopoly to producers, and supermarkets can act as a monopsony ("the only buyer position") to producers. The few suppliers of inputs and the few supermarkets control all the power and capture most of the value in the supply chain. The absence of regulation and socially responsible behaviour allows this to happen, even if there were many more firms operating.[8]

Bottlenecks aptly describe the global agrifood system of numerous small farmers and small producers (body) as compared to a few processors/millers (bottleneck). The concept can also be applied to the situation of a few sellers/wholesalers and retailers (bottleneck) against the numerous consumers/customers (body). The current global agri-food system is slowly going from a "bottleneck situation" to one of "hourglass," wherein a few dominant agrifood retailers (very narrow tube) control both the supply side/numerous producers (top bulb) and the demand side/numerous consumers (bottom bulb). The situation has now become one, wherein the entity that controls the prices for suppliers (keeping prices below competitive levels) is the same entity that controls the prices for customers (keeping prices above competitive levels).[9]

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[6]Murphy, Sophia, "Concentrated Market Power and Agricultural Trade, 2006 August Eco Fair Trade Dialogue Discussion Papers No. 1.

[7]ETC Group 2005

[8]Draft Oxfam International Preparation of Agribusiness Campaign Proposal. February 2007

[9]Cainglet, Jayson. "From Bottleneck to Hourglass: Issues and Concerns on the Market Concentration of Giant Agrifood Retailers in Commodity Chains and Competition Policies." Global Issue Papers No. 29. Heinrich Boell Foundation. December 2006.

In the past ten years, agribusiness corporations have increased their (market) power within food chains through achieving vertical and horizontal integration.
Vertical integration means that a single company, including its subsidiaries, is present in several levels of a production chain. Because they have such vertical integration, they can better control quality and sustainability, but also determine the prices for sale at various points along the chain. The result also is that competitive but powerless suppliers have to sell to a few large buyers. Increasingly, input suppliers, intermediaries (trading and processing companies) and food retailers are concentrating through vertical integration from the input stage all along the agro-food chain to the supermarket shelves.

On the other hand, horizontal integration occurs when a company and its subsidiaries gains greater market share within a particular part of the chain. The result is that small and medium enterprises (SMEs) are made relatively uncompetitive, and go out of business. Given that SMEs are the driving forces of substantial growth in jobs and in the local circulation of capital and expertise, both in developing and industrialised countries, this is worrisome. The result is that big agribusinesses set the terms of trade in a significant portion of the agricultural sector. Normal business practices, such as seeking to expand operations and to generate maximum profit against the costs of production and sales, are the drivers behind this change and have been important aspects of business behaviour for centuries.[10]

In short, vertical integration describes an industry where one company owns multiple stages in a production chain. For example, Dole owns plantations and canning facilities, and has the marketing power to bring pineapples from fields in the Philippines to consumers from India to Iceland. Horizontal integration refers to consolidation at a given point in the production process. For example, Kroger Co., a supermarket chain, is estimated to receive 10 cents of every dollar spent in a supermarket in the United States and three firms ship 81 percent of all corn that is exported from the United States.[11]

The poultry industry in the United States is an example of both these kinds of integration. Virtually all chicks raised for consumption as poultry are exchanged for money only when the meat processor sells them to the supermarket. All stages of production, from the hatching and rearing to the slaughter of the chicks, are internal

[10] Draft Oxfam International Preparation of Agribusiness Campaign Proposal. February 2007
[11] Murphy, Sophia. "Managing the Invisible Hand, Markets, Farmers and International Trade. April 2002

to the company. In this vertically integrated industry, there is no point at which prices for poultry can be discovered, because there is no independent check on the costs at different stages of production. The wages paid to labor may be disgracefully low and the price charged for the chicks might be unfairly high, but these have become an internal question for managers to decide rather than a point where open market forces can intervene.[12]

Agribusinesses are also setting the terms of trade between countries: They can do this because 40% of world trade is within and between these multinationals, a percentage that is much higher for some sectors. Due to intra-firm trade, what looks like buying and selling between countries is very often the redistribution of capital among subsidiaries of the same parent corporation. And, there is yet less power at the international level either to create incentives for positive action by companies or to regulate them so as to achieve growth and equity.[13]

However, this is not an exclusive classic north-south problem anymore. There are increasing cases recorded of exploitation by transnational agribusiness from southern countries such as the tiger economies in East and Southeast Asia (China, South Korea, Malaysia, Taiwan and Thailand) in the neighbouring countries (Cambodia, Laos, Myanmar), from South Africa in the Southern African region, and from Chile in South America. This will be discussed further in the succeeding sections.

III. Understanding the current global agri-food systems and the changing power relationships along the supply chain

Large agribusinesses, or any transnational corporation for that matter, operate in the absence of adequate regulation and positive incentives, with no accountability for social impact of their operations. The existing international and national legal regulatory system, whether through incentives or disincentives, is based on an old model of business behavior, not on one where TNCs (transnational corporations) are larger than the majority of countries in terms of GDP and is incapable to rendering poverty reduction through the action of large-scale private sector. See attached table on page 18.

According to the International Fund for Agricultural Development or IFAD, in the

[12] Ibid
[13] Ibid

absence of government intervention, private sector development occurs but is likely to be "unbalanced in geographical terms, inequitable in socio-economic terms, and could even further exacerbate poverty for some rural people".[14] The current national and international legal framework allows TNCs to operate with total immunity in countries outside of their own. There is no international legal framework at the moment regulating TNCs, or a rigorous set of national frameworks that can control or provide incentives for home corporations operating abroad. While in the past this might have been acceptable, we are now in a different era, one in which companies are larger and more powerful than nations.[15]

National legislation in many instances across the world is either absent or too weak in managing the integration of foreign direct investment into the economies and in managing to develop the small and medium enterprise sectors in their countries. Rather than supporting workers rights, for example, national policies offer cheap labour – labour without the requirement to pay reasonable benefits or fix secure contracts – in order to encourage investment from multinational corporations. Frequently, even when the nation has laws that reasonably protect workers, for example, they are not realistically enforceable. Competition laws and regulations that deal with retailers in rich countries (such as those in the European Union) are not enforceable in third countries, and are meant to protect consumers, not producers. This leaves farmers completely defenseless against buyer power abuses.

Current national legislative and juridical frameworks encourage agribusinesses to invest in and extract from countries outside of their own home base. This investment could have positive impact, but there are far too numerous examples of this foreign investment being misused. Taxes offer a special case for regulation and governments need to close the tax loopholes present in the corporate world. Presently, corporations are being provided with incentives to act corruptly or to avoid tax payments. These revenues are a large part of the funds government could be using to support people in poverty, whether in rich countries or overseas, and must be collected and used appropriately.[16]

The dominance of the private sector in the absence of adequate regulation reduces accountability for the realisation of public policy goals. Concomitantly, the dominance by a limited number of agribusinesses has led small producers in a

[14] IFAD (International Fund for Agricultural Development), Rural Poverty Report 2001, Chapter 5: Markets for the Rural Poor
[15] Draft Oxfam International Preparation of Agribusiness Campaign Proposal. February 2007
[15] Draft Oxfam International Preparation of Agribusiness Campaign Proposal. February 2007
[16] Ibid

situation where they have to sell for less than fair prices while having to comply with strict conditions on quantity, quality and time delivery. There are situations when products can be simply rejected by giant agribusiness retailers, without reason or compensation for the producers.

Contracts and "private standards" have taken over national laws and domestic regulations. Governments are equally culpable for allowing corporations to take over decisions in the agri-food system. In the case of giant agribusiness retail chains, they are able to reduce the layers of transaction, given their immense market power with suppliers, and at the same time, ensure that supplies meet their "private standards" and diversify their product lines to meet customer expectations and fend off competition from other giant grocers.[17]

Beyond the original design for quality control and regulatory compliance on health, environment, labor and safety issues, private standards has become a tool to extract more profits and leverage more concessions from small producers or contract growers, while at the same time deterring the market entry of independent producers and small-scale farmers. This may also mean the risk of substandard harvests, and that any unforeseen losses would be shouldered mainly by the growers. Private standards are becoming de facto requirements to participate in global agrifood system, and squeeze out those without capacity.

Agribusiness firms have been able to exercise the power they have gained from a dominant market share, capital accumulation or access to markets. Consolidation of this sort is continuing to happen across the globe. The authors of the "Global Food System and Nodes of Power" liken the situation to that of a treadmill on which the largest agribusiness firms are running at full-speed. One may gain a little and then fall back. There are others in the rear, but they are no threat. While firms in the rear occasionally fall off, sometimes one of the leaders stumbles a bit. The others just run over that firm, or knock it off the treadmill entirely. No one seems to enjoy the process as the machine (the capitalistic market system) just keeps speeding up, but they all have to stay on it and keep everyone else off it or they no longer can participate in the system. Those who aren't on the treadmill struggle to get on because they perceive no other options in the food system.[18]

[17] Cainglet, Jayson. "From Bottleneck to Hourglass: Issues and Concerns on the Market Concentration of Giant Agrifood Retailers in Commodity Chains and Competition Policies." Global Issue Papers No. 29. Heinrich Boell Foundation. December 2006.

[18] Hendrickson, Mary, Wilkinson, John, Heffernan, William D. and Gronski, Robert, The Global Food System and Nodes of Power (August 2, 2008). Available at SSRN: http://ssrn.com/abstract=1337273

In one study, there was a comparison of the poultry industry in the last 30 years. When the farmer had at least two or more options of where to sell his product, the farmer and the integrator negotiated a contract from relatively equal positions of power with satisfactory outcomes for the farmer. In this case, the contract can reduce uncertainty and perhaps transaction costs for both parties. However, when integrators consolidated and farmers had only one option of where to sell their broilers, then the power relationship became asymmetrical and farmers no longer entered the contract from a position of equal power.

Initially, the opportunity (with the proliferation of contract poultry and pork production across the globe) to engage in a contract relationship with an agribusiness integrator can be appealing, particularly when the integrator provides access (directly or indirectly) to inputs, technology, and capital. Early adopters (in the US) fare much better than later ones because over time, a few powerful integrators emerge as many vulnerable growers fall into debt in their efforts to stay on the treadmill of intensified production. Similarly in developing economies in the global South, when agribusiness integrators offer opportunities to resource-poor growers, the early results are greatly improved incomes for local growers. But again over time, these promises of foreign exchange earnings for national treasuries and income-generation for local producers turn into a capital accumulation strategy for transnational corporations. The weakening of the nation-state in the face of powerful corporations has caused shifts in who actually makes public good decisions – public versus private interests – and in the governance of the agri-food system.[19]

IV. Global corporate concentration

From thousands of seed companies and public breeding institutions three decades ago, ten companies now control more than two-thirds of global proprietary seed sales. From dozens of pesticide companies three decades ago, ten now control almost 90% of agrochemical sales worldwide. From almost a thousand biotech startups 15 years ago, ten companies now have three-quarters of industry revenue. And, six of the leaders in seeds are also six of the leaders in pesticides and biotech. Over the past three decades, a handful of companies has gained control of that one-quarter of the world's annual biomass (crops, livestock, fisheries, etc.) that has been integrated into the world market economy.[20]

[19] Hendrickson, Mary, Wilkinson, John, Heffernan, William D. and Gronski, Robert, The Global Food System and Nodes of Power (August 2, 2008). Available at SSRN: http://ssrn.com/abstract=1337273
[20] Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life. ETC Group November 2008

The top 10 seed companies control 67% of the global propriety seed market and 82% of the world's commercial seed sales are propriety. Eighty per cent of agribusiness research is devoted to shipping, storage and market maximization technologies. While the top 100 grocery retails enterprises account for 35% of global grocery retail sales and the top 10 pharmaceutical companies control 55% of global drug sales.[21]

The top 10 seed companies account for $14,785 million – or two-thirds (67%) of the global proprietary seed market. The world's largest seed company, Monsanto, accounts for almost one-quarter (23%) of the global proprietary seed market. The top three companies (Monsanto, DuPont, Syngenta) account for $10,282 million, or 47% of the worldwide proprietary seed market. ETC Group conservatively estimates that the top 3 seed companies control 65% of the proprietary maize (corn) seed market worldwide, and over half of the proprietary soybean seed market.[22]
Monsanto, the world's largest seed company, and BASF, the world's number three agrochemical firm, have forged a colossal $1.5 billion research and development collaboration involving 60/40 proft-sharing since March 2007. Monsanto and Dow Agrochemicals have also joined forces to develop the first-ever genetically engineered maize loaded with eight genetic traits for release in year 2010. Syngenta and Du Pont on the other hand have an agreement since June last year of broadening each company's pesticide product portfolios.[23]

On the other hand, the top ten agrochemical companies control 89% of the global agrochemical market. The worldwide market for agrochemicals was US$38.6 billion in 2007 – up 8.4% over the previous year. The top six companies accounted for $28.8 billion, or 75% of the total market. In 2007 the four largest pesticide companies (Bayer, Syngenta, BASF, Dow) reported double-digit sales jumps. These same agrochemical companies (Bayer, Syngenta, BASF, Dow, Monsanto and Dupont) are also the global seed giants.[24]

In the case of wheat, some 20% of global production enters the world market, with just two companies - Cargill and ADM - controlling some 75% of the global grain trade. Currently, only about 6 percent of rice production is traded globally, and while there is little evidence yet of high levels of concentration in global rice trading, this is changing. In the case of Thailand, for example, there is a shift from public

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[22] Ibid.
[21] Ibid.
[23] Ibid
[24] Ibid

contracts and/or private Chinese family exporters, to involvement of Louis Dreyfuss, Rustal, Novel, Nidera, ADM, etc. The private traders/exporters share in the Thai rice trade, has risen from 20 pecent in 1992 to 80 percent in 2003.[25]

The top ten food and beverage firms control 26% of the global market for packaged food products – a 14% increase since 2004. Estimates put the global sales of packaged foods at $1.3 trillion in 2007. The top 100 food and beverage companies accounted for three-quarters (74%) of all packaged food products sold worldwide in 2007 – a 17% increase in market share since 2004. Even in a sputtering economy, the appetite for food industry mergers and acquisitions continues. The U.S.-based Food Institute tracked 413 food processing industry mergers and acquisitions in 2007 – up from 392 deals in 2006.

The top 100 global food retailers tracked by Planet Retail had combined grocery retail sales of $1.8 trillion in 2007 – 35% of all grocery retail sales worldwide. Wal-Mart accounts for 10% of the grocery revenues earned by the top 100, and 25% of the revenues earned by the top 10. The top 3 mega-grocery retailers – Wal-Mart, Carrefour and Tesco – account for 50% of the Top 10's revenues. After decades of consolidation, giant grocery retailers occupy the most powerful position in the agro-industrial food chain.

Wal-Mart isn't simply the largest grocery retailer; it's the planet's largest corporation. Operating in 13 countries, with revenues of $379 billion and over 2 million employees, Wal-Mart clings to the top spot on the global Fortune 500 – surpassing oil and auto behemoths like ExxonMobil, Shell, BP and Toyota.[26] See table on page 18.

When giant retail chains dictate lower prices, suppliers are forced to trim costs. That typically means lower wages and declining labor standards further down the food chain. Although farm commodities reached record-high prices in the first half of 2008, farmers also spent far more for seed, fertilizers and agrochemicals. Corporate concentration in farm inputs (seeds, pesticides, fertilizers, etc.) is far greater than in food processing and grocery retail markets, but the push for profits at the top drives down wages and working standards throughout the industrial food system – affecting farmers, farmworkers, processing plant workers as well as big-box retail employees.[27]

[25] Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International Conference of the Asian Rural Sociological Association. San He City, China, 8-10 August 2007
[26] Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life. ETC Group November 2008
[27] Ibid

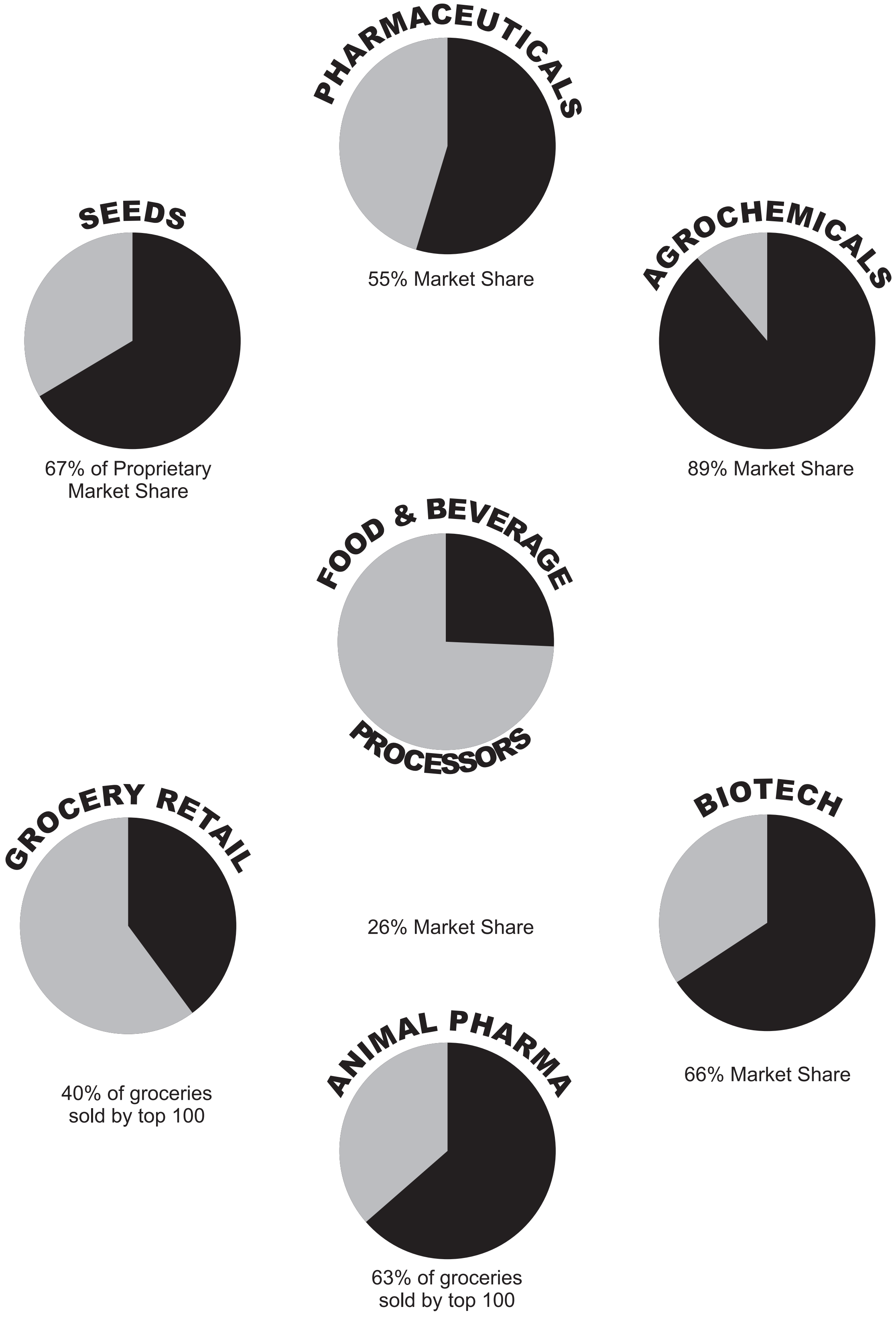
Despite the current global financial crisis, with over a billion people suffering from acute hunger, profits continue to soar from these same transnational agribusinesses. Cargill, the world's largest grain trader, reported an increase in profits of nearly 70 per cent over 2007 – a 157 per cent rise in profits since 2006. Profits for ADM, the world's second largest grain trader, declined slightly in 2008, partly because of its heavy investments in the sinking US ethanol market, but the company's profits were still 41 per cent higher than they were 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 – a greater than 6-fold increase in two years. Wilmar, in fact, made more profit in the fourth quarter of 2008, when commodity prices were supposed to have fallen, than it did in the whole of 2006.[28]

The suppliers of agricultural inputs may be the biggest winners from this crisis. With their quasi-monopoly control over seeds, pesticides, fertilisers and machinery, they were able to maximize the squeeze on farmers. The profits for these companies in 2008 were nothing short of obscene, especially for the fertilizer industry. Mosaic, partly owned by Cargill, saw its pre-tax profits shoot up 430 per cent in 2008. All of this profit-taking through selling inputs to farmers and moving harvests around the world did little damage further downstream to the food processors and the retailers, who run their own quasi-monopolies. As a result, Nestlé's profits for 2008 were up an impressive 59 per cent and Unilever's surged ahead by 38 per cent. On the retail side, Casino's profits for 2008 rose 7.3 per cent and Ahold's 12.2 per cent. Profits in the fourth quarter of 2008 for the world's largest retailer, Wal-Mart, dipped slightly, which is not surprising given the deep recession in the US. It still raked in US$3.8 billion during that period.[29]

Some reports are also emerging about the income of farmers in 2008, and these figures speak volumes about who currently holds power in the food system. The reports show large increases in prices at the farm gate and increases in overall farm revenue, but any potential income gains for farmers were gobbled up by higher prices for inputs and other costs of production.[30*]

[28] "Corporations are still making a killing from hunger." GRAIN, April 2009. www.grain.org/seedling
[29] Ibid
[30] Ibid
* The suceeding graphics and table were taken from the ETC Group's 100th Issue of its Communique "Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life" published last November 2008.

Top 10 Corporations Global Market Share by Sector



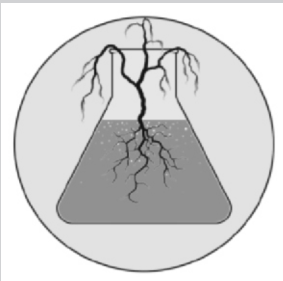
Source: ETC Group

World's Top 10 Seed Companies

Company	2007 seed sales (US$ milliions)	% 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)	$521	2%
8. Sakata (Japan)	$396	<2%
9. DLF-Trifolium (Denmark)	$391	<2%
10. Taii (Japan)	$347	<2%
Top 10 Toal	**$14,785**	**67%**

Source: ETC Group

World's Top 10 Pesticide Firms



Company	Agrochemical Sales 2007 (US$ millions)	% Market Share
1. Bayer (Germany)	$7,458	23%
2. Syngenta (Switzerland)	$7,285	15%
3. BASF (Germany)	$4,297	9%
4. Dow AgroSciences (USA)	$3,779	6%
5. Monsanle (USA)	$3,599	4%
6. Dupont (USA)	$2,369	3%
7. Makhleshim Agan (Israel)	$1,895	2%
8. Nutam (Australia)	$1,470	<2%
9. Sumitomo Chemical (Japan)	$1,209	<2%
10. Arysta Lifescience (Japan)	$1,035	<2%
Top 10 Toal	**$34,396**	**89%**

Source: Agrow World Crop Protection News, August 2008

World's Top 10 Fertilizer Companies

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

Source: Potash Corp, 2007

World's Top 10 Food & Beverage Corporations

Company	2007 Food & Beverage Sales (US$ millions)	Total Sales (US$ millions)	Food & Bev as % of Total Sales
1. Nestle (Switzerland)	83,600	89,700	93
2. PepsiCo, Inc. (USA)	39,474	39,474	100
3. Kraft Foods (USA)	37,241	37,241	100
4. The Coca-Cola Company (USA)	28,857	28,857	100
5. Unilever (The Netherlands)	26,985	50,235	54
6. Tyson Foods (USA)	26,900	26,900	100
7. Cargil (USA)	26,500	88,266	30
8. Mars (USA)	25,000	25,000	100
9. Archer Daniels Midland Company (USA)	24,219	44,018	55
10. Danone (France)	19,975	19,975	100
Top 10 Toal	**338,751**	**449,666**	

Source: Leatherhead Food International, 2008

World's Top 10 Global Food Retailers

Company	2007 Food Sales (US$ millions)	2007 Total Sales (US$ millions)	Grocery as % of Total Sales
1. Walmart (US)	81,621	391,135	46
2. Carrefour (France)	104,151	14,087	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
Top 10 Total	**719,630**	**1,085,417**	

Source: Planet Retail

The Economy: Who's Got the Power

Corporate Revenue vs. National Income

**GNI Gross National Income*

	Company or Country	GNI* 2007 (countries) or 2007 Revenue (Companies) US$millions
	United States	13,886,472
	Japan	4,813,341
Net Worth of the World's Wealthiest 1,125 people		*-4,400,000*
3	Germany	3,197,029
4	China	3,120,891
5	United Kingdom	2,608,513
6	France	2,447,090
7	Italy	1,991,284
8	Spain	1,321,756
9	Canada	1,300.025
10	Brazil	1,133.030
11	Russion Federation	1,070,999
12	India	1,069,429
13	Korea, Rep.	955,802
14	Mexico	878,020
15	Australia	755,795
16	Netherlands	750,526
17	Turkey	592,850
18	Switzerland	452,121
19	Belgium	432,540
20	Sweden	421,342
21	Poland	374,633
22	Saudi Arabia	373,490
23	Indonesia	373,125
24	Norway	360,036
25	Austria	355,088
26	Wal-Mart	351,139
27	ExxonMobil	347,254
28	Greece	331,658
29	Royal Dutch Shell	318,845
30	Denmark	299,804
31	BP	274,316
32	South Africa	274,009
33	Iran, Islamic Rep.	246,544

	Company or Country	GNI* 2007 (countries) or 2007 Revenue (Companies) US$millions
34	Argentina	238,853
35	Finland	234,833
36	Hong Kong, China	218,910
37	Thailand	217,348
38	Ireland	210,168
39	General Motors	207,349
40	Toyota Motors	204,746
41	Venuzuela, RB	201,146
42	Portugal	201,079
43	Chevron	200,567
44	Daimler Chrysler	190,191
45	Malaysia	173,705
46	ConocoPhillips	173,451
47	Total	168,357
48	General Electric	168,307
49	Food Motor	160,126
50	ING Group	158,274
51	Israel	157,065
52	Colombia	149,934
53	Czech Republic	149,378
54	Singapore	148,992
55	Citigroup	146,777
56	Philippines	142,623
57	Pakistan	141,009
58	AXA	141,738
59	Chile	138,630
60	Nigeria	137,091
61	Romania	132,502
62	Volkswagen	132,323
63	Sinopec	131,636
64	Algeria	122,465
65	Credit Agricole	128,481
66	Allianz	125,346
67	New Zealand	121,708

	Company or Country	GNI* 2007 (countries) or 2007 Revenue (Companies) US$millions
68	Fortis	121,202
69	Egytp, Arab Republic	119,405
70	Ukraine	118,445
71	Bank of America	117,017
72	Hungary	116,303
73	HSBC Holdings	115,361
74	American Int'l Group	113,194
75	China National Petroleum	110,520
76	BNP Paribas	109,214
77	ENI	109,014
78	UBS	107,834
79	Siemens	107,342
80	State Grid	107,186
81	Assicurazioni Generali	101,811
82	J.P. Morgan Chase & Co.	99,973
83	Carrefour	99,015
84	Berskhire Hathaway	98,539
85	Pemex	97,469
86	Peru	96,241
87	Deutsche Bank	96,152
88	Dexia Group	95,847
89	Honda Motor	94,791
90	Mckesson	93,574
91	Verizon	93,221
92	Nippon	91,998
93	Hewlett-Packard	91,658
94	IBM	91,424
95	Valero Energy	91,051
96	Home Depot	90,837
97	Nissan Motor	89,502
98	Samsung Electric	89,476
99	Credit Suisse	89,354
100	Hitachi	87,615

Source: World Bank (World Development Indicators database,1 July 2008), Fortune Global 500,2008

V. Emergence of 'home-grown' agribusiness entities in the Asia Region

While there is a continuing domination of western capital and high levels of corporate control and concentration in the agri-food industries, there is also the emergence of 'home-grown" corporate entities in many countries in the region, which express high levels of corporate control and concentration, and which - if not yet global agribusiness companies – are strong regional players and are well on their way to becoming truly global corporations. These companies are critically important to issues of corporate concentration, because they are currently the vehicles for much of what is occurring in Asia in terms of concentration in agri-food industries.[31]

These companies have risen to prominence not because of their involvement in 'traditional' cash crops and the bulk export of unprocessed, low-value commodities and raw materials, but as a result of a move into the production of a wide range of processed, value-added food lines which are sold to both their own domestic market and overseas. Products such as chicken, seafood, processed fruit and vegetables, noodles, dairy products, fast food products and prepared meals, beer and other beverages, and more. Importantly, and unlike their counterparts in the West, many of these companies are highly vertically integrated, which means that they are not only involved in agri-food production and processing, but may be involved in the marketing and retailing of a range of value-added products.[32]

A case in point is the Charoen Pokphand (CP) Group of Thailand, which not only breeds chickens and contracts with growers to raise them, but also undertakes the production of animal feed, the processing and manufacturing of poultry products, and the sale of such products in their own mini-marts, supermarkets and fast food chains. Again, unlike their Western counterparts, such companies are also often part of a larger conglomerate company which not only has investments in agriculture, but in a highly diverse range of sectors, such as property, communications, and so on. CP is Thailand's largest corporation and Asia's largest agribusiness conglomerate. 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 a workforce of 100,000 (excluding many tens of thousands of contract farmers) in over 250 companies in 20 countries. CP is also the first and largest foreign investor in China, having the largest integrated poultry operations in the country

[31]Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International Conference of the Asian Rural Sociological Association. San He City, China, 8-10 August 2007

[32] Ibid

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, seeds, etc. Currently, 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, UK's largest supermarket chain.[33]

Similar to CP in the East Asia region is the Salim Group, Indonesia's largest conglomerate. At the time of the Asian economic crisis of 1997, the Salim Group comprised about 500 companies, generated some $20 billion in annual sales and employed 200,000 workers. The Group operated in virtually every sector of the Indonesian economy and reportedly accounted for some 5 percent of Indonesia's GDP. A Group subsidiary, the Bogasari Flour Mill (BFM), was granted a monopoly by the Suharto regime on the import, milling and distribution of wheat. In this way, BFM became the largest domestic wheat flour producer, the world's largest wheat-buying company and the world's largest producers and exporters of instant noodles with an output of 7.5 billion packets annually.

The Salim Group also expanded into food processing, timber production and forestry products, milk and dairy products (Indomilk), edible oils and sugar production and refining. All of these activities were rationalised with the formation of PT Indofoods in 1990, which emerged as Indonesia's largest agri-food company.[34]

Among the other major emerging agribusinesses in the region include: 1) Uni-President Group in Taiwan; 2) CJ Group in South Korea; 3) San Miguel Group in the Philippines; 4) New Hope Agricultural Company of China and; 5) Shanghai Agriculture, Industry and Commerce General Group or SAICGC.

There are currently over 100 enterprises associated with the President Food Group, which is part of the Uni-President Group, a conglomerate company which also has widespread holdings in telecommunications, property and real estate, shopping and recreation facilities, computers and electronic components, biotechnology, insurance and financial services, courier services, and much more. Currently, the Group agri-food operations within Taiwan mainly focus on the production of noodles, beverages, dairy products, frozen foods, pet food, bakery products, aquatic feed,

[33]Dr. Burch, David. “Overview of agribusiness trends,” Presentation at the AAI Second Global Forum: Market Power and the World Food Crisis. Sao Paulo, Brazil, 22-24 January 2009
[34]Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International Conference of the Asian Rural Sociological Association. San He City, China, 8-10 August 2007

health foods, ice cream, chicken and chicken products, pigs, cattle, oils, sauces, and more. The Group produces over 1000 food lines in Taiwan, and it has further expanded its range with its recent move into the production of organic foods.[35]
CJ stands for Cheil-Jedang, which means 'first sugar refinery.' CJ had originated its business from the sugar refining and importing raw sugar cane in Korea as the first manufacturing affiliate of Samsung Group. The company then moved into flour, cooking oil, seasonings (including MSG and organic seasoning), meat processing and frozen food, which turned CJ into the leading food company in Korea. Then CJ actively entered lysine, animal feed and pharmaceutical market. It is now the No.1 food company in Korea. The CJ Group made itself independent from Samsung group in 1993; and diversified into new areas including food services, biochemical products, pharmaceuticals, entertainment and media, and logistics[36]

San Miguel Corporation (SMC) is the Philippines' largest food and beverage group. It accounts for 95 percent of beer sales in the Philippines, and sells 60 percent of the processed meat and 40 percent of the poultry. But beer is clearly a key commodity and the Corporation also has licensing agreements for the production of its beers in Thailand and numerous other countries. The company also created a joint venture with NutriAsia and now, the joint venture owned Del Monte Pacific, licensed by trademark owner Del Monte Corp. to produce and market the Del Monte trademark in the Philippines, India, Bangladesh, Nepal, Bhutan, Maldives, Sri Lanka and Pakistan. It also owns juice brands in China.

SMC began a major diversification strategy since last year, acquiring stakes in heavy industries like Petron Corporation (a major oil company) and the Manila Electric Company (power generation and distribution). It has partnered with state-owned Qatar Telecoms Inc. to venture into telecommunications. It has also submitted a proposal to develop the Laiban Dam in the Philippines, aside from eyeing stakes in mining and coal industry, toll ways and banks. SMC has also expressed interest in taking over operations of global agro-industrial company Dole Food Co. in the Philippines and in other Asian countries as part of its core business expansion.[37]

New Hope is China's largest animal feed producer and a major producer of poultry and dairy products. With total assets of 1.2 billion RMB and an annual output of 350,000 MT liquid milk, New Hope Dairy has become the 2nd largest dairy

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[35] Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International
[36] Ibid
[37] Author's news files on the recent diversification ventures of San Miguel Corporation

cooperative in the South China. In pig production, New Hope is in a joint venture in Zhejiang province to establish China's biggest pork production facility, capable of accommodating 200,000 animals.

Recently, New Hope invested 570 million RMB to establish specialized investment corporation, and also became big shareholders of Fujian Lianhua Trust Investment Co., Ltd. and Jinying Fund. Altogether the houses built by New Hope Real Estate amounted above 1 million square meters. A joint venture with International Finance Corporation under World Bank and Chengdu Chemical, Chengdu Huarong Chemical Co., Ltd. is the largest manufacturer of high-purity potassium hydride in China. The subsidiaries of New Hope rank at the 2nd in producing calcium phosphate. The Group also has investments in municipal gas, electronic information, trade and logistics.

The SAICGC was established in 1995, and grew out of the changes to the state farm system, through the creation of 'agriculture, industry and commerce corporations' (AICC), which are equity holding companies for state farm operation. SAICGC has 40 AICC subsidiaries, 230 joint ventures, and 52,000 hectares of land, and is involved in the production of beef, pork, aquaculture products, milk and dairy goods, fruit and vegetables, grain, flowers and turf, and supermarkets and wet markets. One of the largest subsidiaries is the Shanghai Dairy Group (SDG), which is one of the largest integrated dairy companies in China. SDG has annual sales of US$1.7 billion and employs 5,600 people. It supplies 95% of Shanghai's dairy needs, and also has a national sales network as well as operation in North China.[38]

VI. Critical issues on corporate concentration and private governance

As earlier mentioned, one of the most significant developments in recent years has been the growth of the global supermarket chains and the shift in power along the supply chain which this represents. It is now the retailing sector, rather than the manufacturing sector, that controls the organization and management of the supply chain.

[38]Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International Conference of the Asian Rural Sociological Association. San He City, China, 8-10 August 2007

There are a number of reasons why this is the case and while this may not yet be very widespread in the less developed countries, it is a phenomenon which impacts on them in a variety of ways. The factors behind this shift in power are several, but one of the most important issues is the development of supermarket own brand products which directly challenge the branded products of traditional food manufacturers such as Heinz, Nestle and Del Monte.

Many supermarkets source their own brand products – e.g. poultry products supplied by the CP Group to the Tesco chain in the UK, frozen vegetables supplied by Chinese companies to Woolworths in Australia, canned fruits supplied to Coles in Australia by companies in South Africa and Swaziland. And while this may involve some increased production and global sales to wealthy developed countries, which can benefit farmers in the less developed countries, nevertheless the retail chains exert a great deal of control over the terms and conditions of production of their own brand products which may involve developing country producers in a 'race to the bottom'.[39]

The relationship between food manufacturers and the globalised retail sector is a monopsony-relation, a situation in which many sellers are confronted by few buyers. As a result, the manufacturing sector – and by extension, the small producers and contract growers who supply the raw materials to that sector – are in a very disadvantaged position. This situation is further exacerbated by the flexible sourcing policies adopted by the retail sector in finding the cheapest sources of supply globally, pitting small farmers and contract growers against agri-food retailers/trading companies that export the same crops to their countries.

Hence, the small rice farmers in Indonesia and the Philippines, who depend solely 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 same for the corn farmers in Mexico and the Philippines; they compete not with US corn growers but with US-based transnational agribusiness that export corn across the globe.

In the global grains market, it is not national governments but a handful of large grain companies (Cargill, Continental, Louis Dreyfus, André and Bunge) that play a

[39]Dr. Burch, David. Paper Presentation on the AAI Network in Asia Region Presented during the 3rd International Conference of the Asian Rural Sociological Association. San He City, China, 8-10 August 2007

[40] Murphy, Sophia. “Managing the Invisible Hand, Markets, Farmers and International Trade. April 2002

central role in the food system. Cargill is also one of several enormous firms in the commodity trading and processing sectors, alongside other giants such as Archer Daniels Midland (ADM), Bunge and Louis Dreyfus.

A 1986 estimate suggested that 85-90 percent of global trade was controlled by these five companies. These five companies are all privately owned; seven families are involved among the five firms. Each of the companies is present in dozens of countries, across all continents: Cargill boasts of doing business in over 160 countries. And, as the reach of these companies (agribusiness) grows ever greater, the grain market grows ever more concentrated.[40]

In the last few years, it is these transnational agribusinesses that are engaged in global agricultural trade, not farmers or countries. The globalized food system, that part of the food system that international trade is about, is largely managed by a few enormous private firms.

The current global agri-food system is one where it is not anymore nation-states that decide what agriculture and food policies and programs are to be implemented. How and where the products are produced or procured, and at what cost will this be on a country's food security and on the livelihoods of small producers.
The market power of transnational agribusiness in the supply side is reflected with the increasing number of small farmers or independent producers now engaged with contract farming. Ironically, farmers are more open to these “contracts” because their biggest risk is an uncertain price, so locking in a price and a market in advance is a huge asset, even if it means forgoing the chance of a windfall should prices be high at harvest or slaughter time.

Yet contract agriculture has a poor record even in the US (and more so in developing countries). Hog and chicken production in the U.S. is dominated by contracts that do not serve producers (nor the wider public) well: the farmers raising the animals barely earn enough to make ends meet, animals are kept in appalling conditions, and concentrated production leads to human and environmental health problems, as well as problems for the animals themselves. Often contracts are written such that farmers continue to bear the risk of low prices, with options for the buyers to pay

[41] Ibid

less if market prices are down when it comes time to sell. Farmers typically also run all the risk of poor quality produce or insufficient production, whether due to neglect or weather or other causes.[41]

The arrival of transnational and the giant local retail chain (like the SM Group in the Philippines, the Uni-President in Taiwan and the Salim Group in Indonesia) in the local food market have contributed to the further marginalization of small producers in the food system. As mentioned, there are numerous accounts of farmers being left dependent on unfair contracts to sell their products (unfair because the producer assumes all the risk, and may not get much of the final sale price), or excluded altogether as too small or too far from the centre of distribution to be included in the system

In most cases in the developing countries, the conditions and content of the contracts are dictated by agribusiness firms. In many instances, such contracts are verbal in nature which is the traditional way of how farmers conduct business with one another, thereby making it more difficult for them (as contract growers) to compel agribusiness firms to share in the risks.[42]

Since these are private contracts, governments often say they are helpless which is not totally true, in reshaping the contracts between the producer and buyer.

On the other hand, global commodity chains are increasingly common in all aspects of economic life. Agriculture is no exception. Much as clothing might be made from U.S. cotton, sewed into garments in China or Central America and then sold anywhere in the world, so food has become increasingly globalized as well. Supermarkets for well-to-do consumers increasingly offer out of season foods, for example, by sourcing from around the globe. Traditional commodities, too, are going global. For example, soy grown in Brazil might be milled into cake in the E.U. and then re-exported to a country in Asia as animal feed, while the soy oil is sold to a European food processor.[43]

The global commodity chains as we know it, is buyer-driven (global or giant local retail chain) where the focus on trade: the buyer looks where in the world it can source the products it needs, at the right price, of the right quality and close enough

[42] Author's interview with Thai rice farmers and Filipino contract growers, 2006.
[43] Murphy, Sophia. “Concentrated Market Power and Agricultural Trade,”EcoFair Trade Dialogue Discussion Paper No. 1, August 2006

to the processing facility or final market to make financial sense. The buyer sources products wherever the price and quality are right and ships them to where there is a market to buy the final good.[44]

Concentrated market power is an important reason for the erosion of farm income. Agribusiness is able to pull profits “downstream,” away from the farmer and towards the highly processed foods tailored to facilitate middle-class consumers' lives, and “upstream” towards ever more elaborate technologies to maximize on-farm production, including hybrid and genetically engineered seeds; expensive herbicides, pesticides and fertilizers; global positioning systems to determine how much of which input goes where on the farm; computer chips that control how much feed each cow can get from the trough; and, so much more.

Although these technologies often increase output, they also increase farmers' need for capital, and increase their dependence on a wider economic system in which their main source of revenue—the sale of agricultural commodities—is not worth enough to pay for the inputs. From a public policy perspective, the wider implications of this are significant because the result is to drain money out of the wider rural economy, not just to reduce on-farm profitability. Concentrated market power undermines the viability of the local economy.[45]

One of the effects of increased power of agribusinesses, concomitant with reducing the number of farmers around the world, has been to increase the numbers of farm workers. As production trends have shifted away from direct corporate ownership of plantations to arrangements with sub-contractors, and sometimes direct contracts with producers or producer organizations, farm workers find themselves working in increasingly informal conditions where organizing to improve conditions is harder than ever. The pressure on food processors and retailers to keep costs down—the competition they face among themselves—translates into strong downward pressure on wages for workers.[46]

Agricultural workers are among the poorest in their societies, earning sometimes less than half the wages prevailing in industry. Over 70 percent of the children who work worldwide are employed in agriculture. Increasingly, agricultural workers are

[44] Ibid
[45] Ibid
[46] Ibid

women and they are almost always paid less than men for the same work. The newer sectors in agriculture in the South, such as cut flower and horticultural exports, employ large numbers of women. Agricultural workers, who are among the least organized, least educated and otherwise least advantaged workers in the world, bear the brunt of this pressure. These differences are only intensified when the diversity of agricultural workers are taken into account—those with some land, but who need to hire out their labor to make ends meet; those who are landless; women workers, who often face discriminatory legal and social conventions that make their working situation more precarious, whether as farmers or laborers; and, children (more children work in agriculture than any other sector worldwide).[47]

VII. Possible advocacy issues with governments and the private sector

Agribusiness exists to make profits and extract more profits. Very few corporations, if any, do business with a mission to respect human right; respect public interests over private gains and; respecting the rights of their own producers, contractors and workers, customers and clients, employees and small shareholders.

An increasing number of agribusinesses businesses do public reporting of environmental, labor, and development standards but these are more intended as window dressing, building a good public image and countering the negative impressions of the said corporation.

Though there is recognition that some agribusiness have gone beyond the so-called "corporate social responsibility" stunt by participating in ethical purchasing schemes that ensure their producers and suppliers get a fair price for their goods at the supply-side. But these are more of the exception than the general rule.

Those in the extractive sector like the mining and energy corporations have been tasked by corporate watch groups to earn a "social license" to operate, adopting practices in excess of legal requirements in countries where there may be little government capacity to regulate or enforce standards.

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[47] Murphy, Sophia. "Concentrated Market Power and Agricultural Trade,"EcoFair Trade Dialogue Discussion Paper No. 1, August 2006

There are risks in engagement as NGOs feel there is much yet they do not know or understand sufficiently (on TNCs, on business, on markets, on trade) to engage with a hope of doing something effectively (missing effectiveness may end up legitimising or strengthening current practices)

Actual effectiveness of approaches is not always that evident, e.g. are there more inclusive business models out there that have (sustainably) worked? Are there attempts at corporate social responsibility or corporate accountability that have delivered sustained alleviation of poverty?

A briefing paper in the UK reported of a consortium of corporations, NGOs and trade unions that developed an Ethical Trading Initiative's Base Code, which is aimed at improving working conditions and human rights in the work place. This set of minimum standards (hence, the term "base code") is applied by member companies in a wide range of retail and wholesaling sectors, including supermarkets.[48]

This and other so-called Corporate Social Responsibility (CSR) type initiatives can raise awareness among companies, especially high visibility companies like the giant retailers and supermarket chains. However, these standards are at the minimum being set by corporations. There is also no mechanism to monitor, for example, the kinds of contracts being entered into by these giant retailers with their suppliers, who have their own set of rules and contracts with the actual producers (the small contract growers and other small producers). In the case of standards, it is a problem from the onset for small producers to "meet" the high cost of investments in, and compliance to, such standards.
At the multilateral level, the United Nation initiated a "Global Compact" that encourages companies to support universal environmental and social principles.[49] The Global Compact seeks to promote responsible corporate citizenship and mainstream the ten principles in business activities globally.[i]

However, just like other noteworthy projects of the United Nations, the Global Compact is a purely voluntary initiative. It is also not an institutional entity with police and enforcement powers to make companies recognize, much less comply

[48] Anne Tallontire and Bill Vorley, UK Food Group Briefing. "Achieving Fairness in Trading Between Supermarkets and their Agrifood Supply Chains". September 2005
[49] www.unglobalcompact.org

with, the 10 principles. The UN hopes that the enlightened self interest of companies can compensate for its lack of enforcement mechanisms.

On August 13, 2003, the UN Sub-Commission (Commission on Human Rights) 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" enumerate a number of UN treaties and universal declarations that corporations are obligated to respect and recognize their responsibilities with regard to: 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 with regard to consumer protection; and 6) obligations with regard to environmental protection.

However, a UN Resolution (outside of the Security Council) is only binding if national governments shall establish and reinforce the necessary legal and administrative framework for ensuring that the Norms and other relevant national and international laws are implemented by transnational corporations and other business enterprises.

Voluntary efforts and self regulation of corporations are the working principles for both the UN Norms and the Global Compact. So far, this approach has been ineffective, as shown in this paper. For some development organizations, the thrust is to make corporations accountable, and not merely "socially responsible."[50]

The following are proposals for engaging national governments and the agribusiness conglomerates:

A. Redefined CSR Approach

A coalition of Dutch civil society organizations (Dutch CSR Platform), in its CSR Frame of Reference, defined CSR as "a process in which corporations take responsibility for the social, ecological and economic consequences of their actions – throughout their product and service delivery chains – making themselves accountable, and engaging in a dialogue with all those involved."[51]

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[50] Cainglet, Jayson. "From Bottleneck to Hourglass: Issues and Concerns on the Market Concentration of Giant Agrifood Retailers in Commodity Chains and Competition Policies." Global Issue Papers No. 29 Heinrich Boell Foundation. December 2006
[51] Stichele, Myriam Vander, et al "Who reaps the fruit, SOMO. June 2006
[52] Cainglet, Jayson. "From Bottleneck to Hourglass: Issues and Concerns on the Market Concentration of Giant Agrifood Retailers in Commodity Chains and Competition Policies." Global Issue Papers No. 29. Heinrich Boell Foundation. December 2006
[53]Ibid

One possible approach is a redefined CSR that has at its core the elements of equity, social obligation and fairness at its core is a welcome approach. We are all witness to the limits of a self-regulated system of the corporations. A redefinition of the CSR approach is one where there is an enabling national policy to regulate "corporate social responsibility."

Such enabling law (an anti-trust or national competition law for example) would develop a set of guidelines to ensure equity, social obligation and fairness of agribusiness firms that are engaged or wish to engage in doing business in a particular country. Instead of agri-food corporations setting their standards, governments can draft guidelines for retail chains, for example, to meet certain labor or environmental standards. The interests of both the producers and consumers take precedence over the private interests of corporations. As such, corporations are bound to fulfill such a basic obligation [52].

Incorporating the ingredients of fair trade, as proposed by the UK Food Group, on a bigger platform may be part of the standards to be developed by national competition authorities. Such standards would, therefore, include the same fair trade principles of: 1) direct purchase; 2) long term relationships; 3) guaranteed minimum price and price premiums and; 4) payments in advance.

There is no single formula for such guidelines. Each country will almost certainly have different sets of guidelines based on their development objective, social and cultural priorities, environmental goals and economic capacities.

Governments can also be tasked to adopt, through national legislation, both the: 1) Global Compact and; 2) Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights.

B. Performance Requirements

During the Multilateral Agreement on Investments (MAI) debates in the late 90s, a number of citizens' groups came up with a proposed alternative approach to MAI. Taking off from this, new laws can be enacted that will impose a set of performance

[52] Cainglet, Jayson. "From Bottleneck to Hourglass: Issues and Concerns on the Market Concentration of Giant Agrifood Retailers in Commodity Chains and Competition Policies." Global Issue Papers No. 29. Heinrich Boell Foundation. December 2006

requirements (aside from the fair trade ingredients discussed earlier) for corporations to fulfill their social obligations. In most developing countries, jobs are scarce and retailers tend to take advantage of this situation. Hence, authorities should impose a set of performance requirements that would compel retailers to respect the national labor code, minimum wage, workers' benefits and privileges, and other similar legislations that protect job applicants and workers especially the rights of its employees and workers the freedom to form unions and collectively bargain.

This labor standard would also apply in the production/buying side of the agrifood retailers, i.e. with agricultural workers and contract growers. Such standard must be applied to all the suppliers and subsidiaries of the retail chains who procure the produce from plantations and commercial farms.

Performance requirements should also include agribusinesses adhering to national legislations, regulations, restrictions and local council resolutions/ordinances relating to environmental and ecological concerns, food safety, and food labeling.[53] For other NGOs, performance requirement would mean the creation of a permanent agribusiness watchdogs. Agribusinesses, especially those with immense market power, would only be forced to "re-examine" corporate social responsibility and adhere to "performance requirements" if these approaches are operationalized.

C. Information and Transparency

Current WTO rules insist that governments complete questionnaires about any state trading enterprises (STEs) operating in their country. This approach should be expanded to include any company—private or public—with more than a given percentage of the import or export market. The questionnaire would apply to local companies in joint ventures with transnationals or operating as subsidiaries of a transnational, if the larger entity's size met the threshold requirement. This information could be gathered under the auspices of the UN Conference on Trade and Development (UNCTAD), which has a longstanding mandate to monitor restrictive business practices. A multilateral institution—perhaps FAO or UNCTAD or a collaboration between the two— could be charged to maintain a databank with comprehensive information on the dominant actors in the global food system. The data should be accessible to the public on-line, and the findings published periodically.[54]

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[53]Ibid

[54]Murphy, Sophia. "Concentrated Market Power and Agricultural Trade,"EcoFair Trade Dialogue Discussion Paper No. 1, August 2006

Publicly provided support to agriculture should extend to include access to information for producers and consumers. For instance, governments should make available information on prevailing market prices, so farmers know what price to ask for from the middlemen and women who buy their goods at the farmgate. Consumers need to know where their food comes from and what it contains. Pesticide levels or the presence of toxic chemicals should be monitored and controlled. Public authorities also need to subject mergers, acquisitions and inter-firm contracts in agriculture to tighter review. The first requirement is access to information.

There is a dearth of information about the size and scope of large agribusinesses, the market share they control, and the terms of their contracts. Contracts are treated as proprietary information, making it very difficult to determine whether contracts are fair and whether larger companies give each other disproportionately favorable terms.[55]

D. Promotion of food sovereignty principles and sustainable development practices

Another approach to curb the growing power of agribusiness is to promote the principles of food sovereignty and sustainable development. Food sovereignty is a political platform that puts premium on the rights of nations, peoples and communities to define and implement their own food and agriculture policies and programs based on their development needs and objectives, priorities, and unique circumstances.

Promoting the food sovereignty concept also means the development and improvement of local food economies to ensure availability and access to foods that are locally produced and processed for local markets. Again, this would be an exact opposite of the current model of producing and processing 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 exports. Thus, food sovereignty ultimately promotes the development of local food economies based on local production, processing and distribution through the reintroduction of local food outlets, farmers' markets or small cooperative stalls.

[55]Ibid

On the other hand, promoting sustainable development would mean the promotion of an ecologically sustainable agri-food system that will protect and safeguard the environment for the present and future generations. Such a system would mean the sustainable utilization and renewal of productive resources and means of production (land, water, seeds, appropriate technologies and farming techniques). Such a system would protect the rights of small producers, indigenous peoples and local communities over genetic resources and associated knowledge (including the exchange, reproduction and conservation of seeds). Again, retailers must ensure that their operations, especially on the buying/production side, must adhere to these principles.

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[i] The ten principles are: Human Rights - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses; Labor Standards - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation; Environment - Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies; Anti-Corruption - Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

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