

## **A sustainable food chain – from farmer to supermarket Companies bear crucial responsibility in solving the food crisis**

*More and more companies are choosing to adopt corporate social responsibility, which is a promising evolution. It also provides new opportunities for sustainable food and agricultural production because if companies such as Unilever and Carrefour today honestly decide to hold out a hand to the hundreds of millions of family farmers worldwide, they will together be able to find a way out of the food crisis.*

Our starting point is an important conclusion: family farmers worldwide are perfectly capable of providing sufficient food for the entire world. Even more so than the agricultural industry. Provided they get the opportunity to do so, of course. (1) They need access to sufficient good land and the necessary means to invest in productive agriculture. They need to be able to count on governments on a global, regional and national level, who fully support family farming. And they need to achieve good and fair cooperation with companies involved in agriculture, food processing and distribution.

### **Farmers trapped between suppliers and customers**

Food is not only grown or produced, it also needs to be processed and sold. That process is not limited to the farmers, but constitutes a long economic chain. And the position of farmers in that chain is far from ideal.

*'We help farmers be successful.'* (Monsanto website)

Multinationals like to advertise this kind of ambitions or principles. But the facts show that most of the one billion three hundred and fifty million farmers become trapped between their suppliers and their customers. This is the result of two important changes.

Firstly, the evolution towards industrialisation makes farmers increasingly dependent on the outside world. They are bound by it as they no longer grow their own seed or sell directly to consumers. Secondly, they are confronted with companies that continue to gain ever more economic power. These companies are focused on growth, buy other companies, conclude mergers and will do anything in order to gain a larger share of the market and obtain a dominant position.

The numbers speak for themselves:

- Ninety-one percent of genetically modified soy beans used by farmers, and even ninety-seven percent of genetically modified maize is supplied by one company: Monsanto.
- One quarter of all food and beverages sold throughout the world comes from just ten companies, Nestlé being the biggest one of them.
- Out of everything people buy worldwide, over eight percent is bought in an outlet of just one supermarket chain: Wal-Mart. This American company is therefore by far the biggest distribution giant.
- In many countries the five largest distribution companies account for sixty to even eighty percent of all distribution.
- Estimates show that in Europe only about 110 purchasing managers employed by supermarket chains act as intermediaries between the 3.2 million farmers and 160 million consumers.

It is those multinationals at the input and output end who are suffocating the farmers. They use their economic power to increase their margins, to the detriment of the farmers, who have been made dependent on them and who have no way out. The suppliers raise their prices. And the

customers lower their prices, thereby forcing down the farmers' selling prices. The sad result is that the farmers lose control over their own lives. Being a farmer in the 21st century is not an enviable position.

And yet there is another way...

## **A sustainable food chain – from farmer to supermarket**

It is crystal clear that also the companies bear a crucial responsibility in bringing about agriculture that generates a liveable income. This not only applies to the suppliers and the wholesalers, but also to the processing industry and the wholesale distributors who are becoming increasingly powerful these days.

If they really want to assume corporate social responsibility, these companies will of course have to make a profit. But they will also have to help see to it that agriculture is socially and environmentally sustainable. That is the best and in the long term even the only way to safeguard their own economic survival.

It is essential that the farmers producing the food at the very beginning of the food chain get the place they deserve. Companies have to help make sure that farmers receive a fair price and can grow their crops under good circumstances.

Needless to say this is a shared responsibility. Extensive research has shown that when family farmers have to compete with a strong agro-industry that does not take sustainability into account, their prospects are grim. On the other hand, when they dominate the market, which is still the case in many countries and regions, it is easier for them to carve out their place in the long food chain. Such inclusion is essentially the result of cooperation between four partners:

- The processing industry and even more so the distribution companies must be interested and choose to do business with family farmers.
- The farmers and their organisations must commit to comply with the reasonable needs of the modern food markets and the companies trading on those markets.
- Governments need to adopt policies that promote this.
- As consumers and citizens we can all openly support and actually opt for sustainable food chains.

There are two prerequisites that need to be fulfilled in order to close the gap between family farmers and the modern food market.

Companies, farmers and governments and where possible also citizens/consumers need to explore and adopt new ways of cooperating in mutual agreement.

In order to be able to close the gap between family farmers and companies, we need to combine a business-oriented approach with development policy. Apart from governments, there are other parties that can play a role in this process, such as universities and non-governmental organisations with extensive expertise in both areas and especially the combination of the two.

### **Forerunners lead the way**

Alpro, for example, a company of the Vandemoortele group, concludes long-term agreements with its soy farmers. Additionally, Alpro offers them support in the production process and provides compensation when their crops fail.

A number of years ago Chiquita decided that its bananas were to be produced in a sustainable way. The company chose to enter into a cooperation with Rainforest Alliance, which certifies the Chiquita bananas. This change of course has already had remarkable results. Gilbert Jiménez, leader of the union of banana growers in the Central American country of Costa Rica illustrates this: "Ten years ago we were fighting Chiquita with our unions in order to receive a decent wage. Today we join

Chiquita in their lobbying work outside European supermarkets to make them pay enough so Chiquita can pay us a decent wage.”

The NGO Vredeseilanden and supermarket chain Colruyt have been working together for quite a few years. At the very beginning this cooperation only involved (co)financing of development programmes in Indonesia and Benin. In 2006 it became more interesting for both parties, as they really started working together in supporting the production and sale of rice in Benin, mainly for the local market. This joint project is aimed at improving the income and wellbeing of male and female farmers. Colruyt offers its expertise in the fields of quality improvement and commercialisation. This way the cultivation of rice can become a driving force for development.

Both Vredeseilanden and Colruyt want to join each other in learning how we can create sustainable trade relations between family farmers on the one hand and supermarket chains on the other. They thus aim to gain knowledge and experience in creating sustainable food chains.

Unilever is paying a number of small farmers in Indonesia a price higher than the market price for their crops. Not without reason, as the company desperately needs more and better-quality black soy beans, an ingredient of its successful sweet Kecap Bango sauce. That is why Unilever is buying directly from the farmers in order to improve the quality, increase production and ensure their supply. The farmers also benefit: because the middlemen have been taken out of the equation, they receive a price that is ten to fifteen percent higher and thereby obtain a better place in the production chain.

We are not naive. It is obvious that these companies also just want to continue making a profit. And we need to stay watchful in order to check whether they do not overstep the mark. Just think of the criticism raised against Unilever and its palm oil suppliers in Indonesia, for example. Allegedly, the palm oil is not being produced in a sustainable way.

So we remain critical. But if these companies can combine making a profit and allowing the farmers their place in the sun, we have already made quite a bit of headway.

(1) See the article ‘A convenient truth: family farmers can feed the world’

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