



A Future for Farmers?

Corporate Control in the Agrifood System

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actionaid

ActionAid's Starting Point

Rights to End Poverty

- *ActionAid focuses on poverty eradication by addressing unequal power relations and strengthening our rights-based approach and methods*

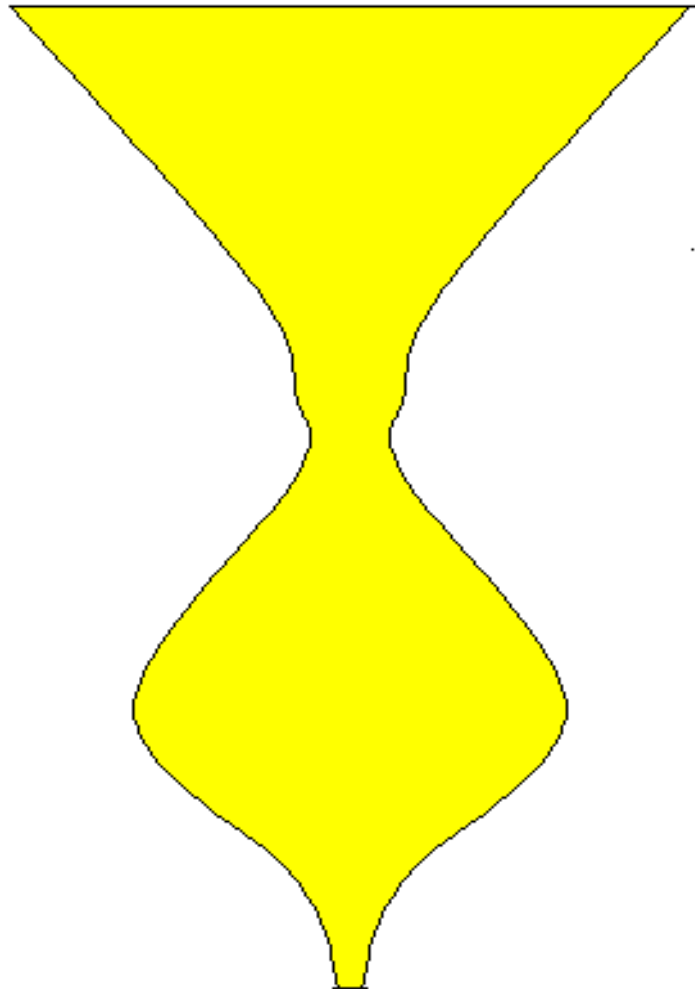
Why Focus on Farmers and Farm-workers?

- 1.3billion work in agriculture worldwide
- 2.5bn depend on the sector
- 70% of world's poor live and work in rural areas – will do so well into 21st century
- sector vital for poverty reduction and food security

National, Regional and Global Agribusiness Concentration

- 30 food retailers account for a third of global grocery sales
- 5 MNCs control 90% of world grain trade
- 3 MNCs control 85% of world tea market
- 1 MNC controls 80% of Peru's milk production

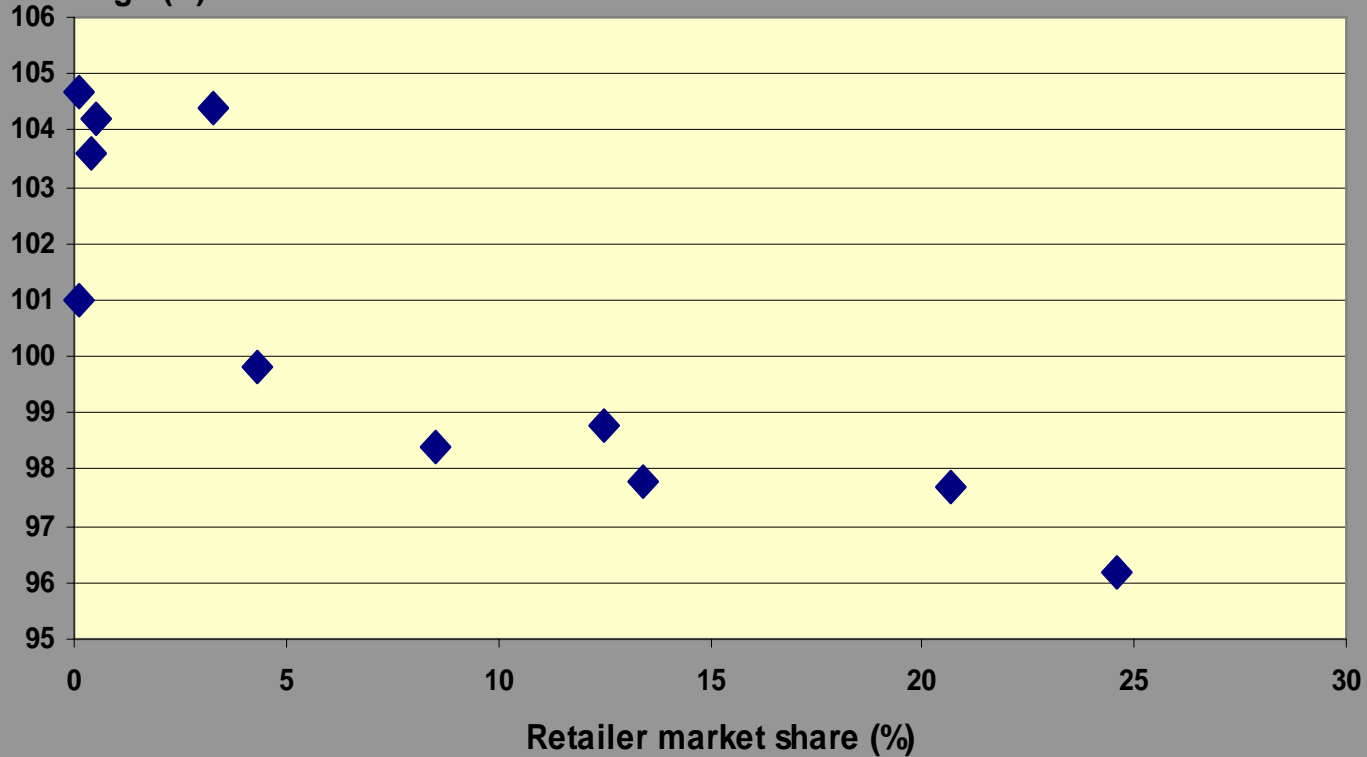
The Global Double Bottle-Neck



- Consumers (6.3bn)
- Retailers (*C4 projected for 2008=15.8%*)
- Processors & Manufacturers
Bulk Traders (*C4 depends on commodity*)
- Farmers (1.3 bn)
- Agri-Inputs (*eg. C6 for Agrochemicals = 77%*)

Buyer power in action

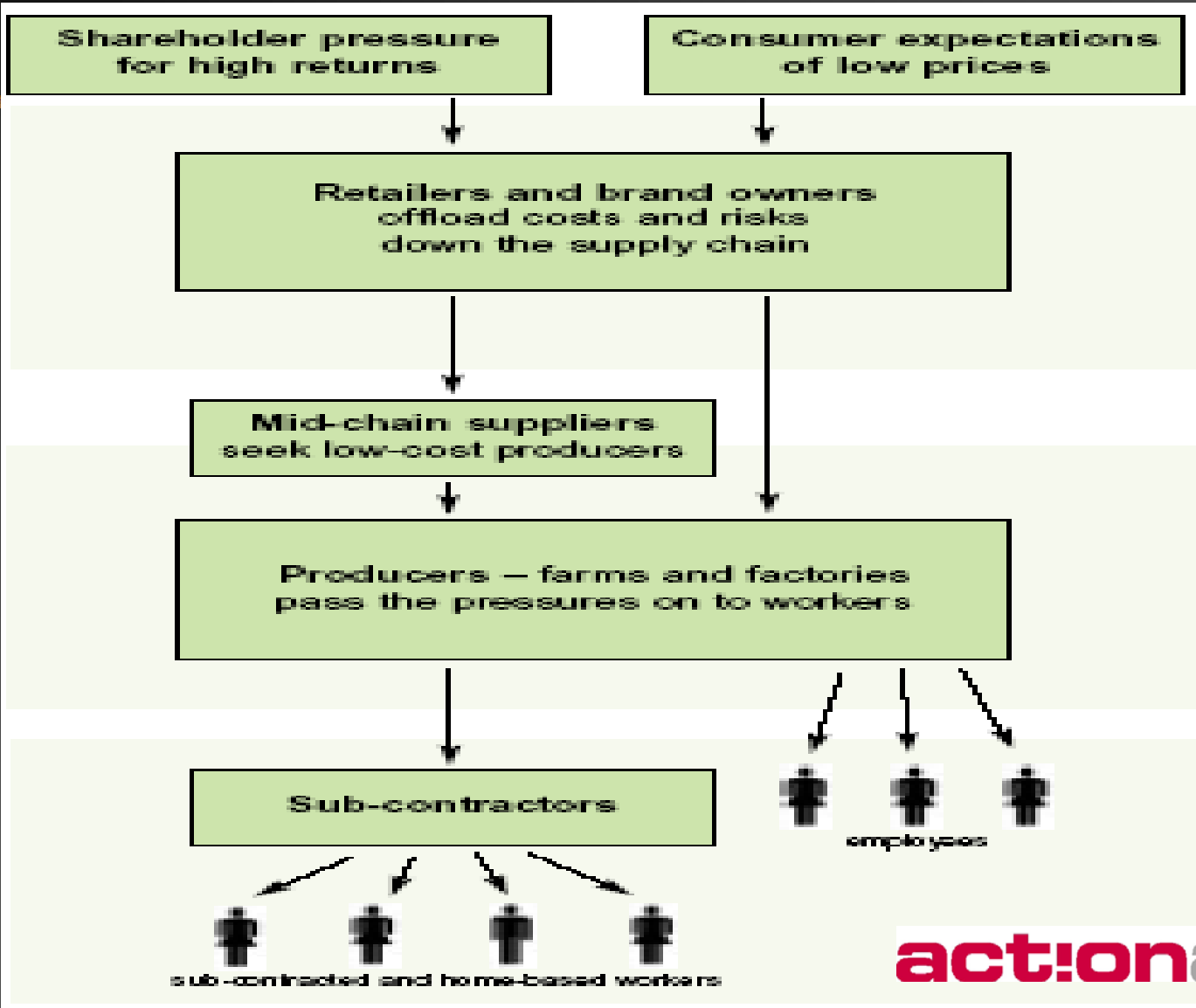
Price paid to suppliers relative to average (%)



Impacts of buyer power on producers and workers

1. Forces down producer prices
 2. Extracts value from producers in other ways
 - *Payments for access to shelf space*
 - *Imposing retrospective changes to contractual terms*
 - *Imposing charges and transferring costs to suppliers*
 3. Forces or keeps small producers out of markets
 4. Leads directly to poor labour conditions on farms
- *As a result, many farmers are being squeezed out of global supply chains and out of agriculture altogether*

Pushing Risks Down the Supply Chain



The Need for Reform of UK Laws

- Weak legal measures and enforcement mechanisms governing ethical corporate conduct in many poor countries
- Lack of transparency of business relations/impact – inconsistent reporting within UK plc (loss of OFR)
- Director's primary duty to shareholders often prevents implementation of policies that would prevent rights abuses/ environmental destruction
- Inability for impacted 3rd parties to hold companies to account or seek redress

The Need for Government Action to Tackle Abuse of Buyer Power

- Global investment & merger strategies of agribusiness MNCs have outpaced the evolution of competition policy
- Many agrifood companies now operate virtual monopolies in their sector
- No natural institution for addressing cross-border consolidation/ market abuse
- This has mirrored a long-term decline in tropical commodity prices; eg. Tea crisis in India

The Need for Tougher International Standards

- Existing norms and standards regarding business conduct are voluntary and low in ambition (Global Compact, OECD Guidelines)
- Those that are present in soft law are limited in scope (eg. ILO conventions apply only to labour)
- National regulations and standards can be traded off by agrifood MNCs (race to the bottom)
- UN has appointed a special representative on business and human rights, but international norms still a distant prospect

ActionAid's 'Stop Corporate Abuse' campaign: policy & campaign activities

■ POLICY FOCUS

- *Company Law Reform Bill and follow-up regulations*
- *EU policy frameworks on reporting and CSR*
- *UN Business and Human Rights Agenda*
- *UNCTAD work on commodities and competition*

■ CAMPAIGN ACTIVITIES

- *Assist AA partners in defending rights from corp abuse*
- *Research and media outreach to highlight egregious cases of corporate abuse*
- *Supporter-based advocacy work on Company Law Bill*
- *Work with coalitions (CORE, TJM, European NGO Platform) on company law and FDL*

Summary

- Currently witnessing unprecedented corporate consolidation of agrifood sector across the world
- This is creating a double bottle-neck, feeding into a crisis in tropical commodity values and forcing small producers out of agriculture
- Strategies to address the future sustainability of agriculture must address the problem of corporate abuse
- This will require new national and international laws and standards to protect workers and human rights and prevent abuse of buyer power.

