

Food and Fairness Inquiry

Dossier 2. Fair play

Inequalities of opportunity

23 October 2009

Contents

Summary	3
1. Introduction	4
2. Inequalities of opportunity – access issues.....	5
2.1 Access to the market – opportunity to sell	5
2.2 Access to employment – opportunity to work.....	7
2.3 Access to resources – opportunity to produce.....	9
3. Structural factors	12
3.1 Trade liberalisation	12
3.2 Corporate concentration	13
3.3 Regulation versus voluntary codes	14
3.4 Financialization and speculation on agricultural commodities	14
Bibliography.....	16

Summary

The purpose of this dossier is to inform the second Food and Fairness Inquiry hearing – which is about ‘fair play’ – by providing an overview of the statistics and research relating to inequalities in access to markets, employment and resources; and by outlining some of the main structural factors that underlie them. The dossier also suggests some of the questions that the committee might consider in the course of the hearing.

Access to markets, employment and resources

Supermarket concentration, and the power imbalance that goes with it, has had severe adverse consequences for farmers and other suppliers, including reduced margins, additional costs, unreliability of contracts, and the transfer of risk. The imposition of private standards has also increased the burdens placed upon suppliers, excluding many small farmers from markets.

Employment in the food sector – nationally and globally – is increasingly casualised, and characterised by low pay, long hours and poor health and safety. Vulnerable groups such as women and migrant workers are particularly likely to experience detrimental employment conditions.

Farmers experience a range of problems in accessing the resources they need in order to participate in markets, and provide employment – such as land, water, genetic resources, knowledge and technology, and inputs. Problems include the restrictions arising from the globalised property rights regime, and ‘land grabbing’ by corporations and other countries.

Structural factors

Developing countries’ liberalisation of their agricultural sectors has placed great strain on producers, who have found themselves unable to compete with (often subsidised) cheap imports. Views differ as to the overall costs and benefits of trade liberalisation, although there is consensus that the poorest countries will be the biggest losers.

In addition to the adverse implications for suppliers’ access to markets, corporate concentration is cited as a causal factor behind the demand for vulnerable workers, and behind breaches of international employment standards within western companies’ supply chains. Large corporations also exert substantial control over access to resources such as seeds, fertilizer, and water.

The Gangmasters Licensing Authority represents an exception to the UK’ s generally deregulated labour market, and is considered to have been an effective and efficient regulator; nevertheless, the incidence of unfair treatment of agricultural agency workers remains high. Internationally, legislation to protect workers is frequently breached. Voluntary approaches – in relation to employment and supermarkets’ treatment of suppliers – are widely regarded as having been ineffective.

Recent developments in financial markets have had significant effects on equalities of opportunity. ‘Financialization’ – where food companies are traded and run to maximise short-term stakeholder value – has resulted in extensive restructurings and lay-offs. And increased levels of speculation in agricultural commodity markets have caused massive price rises, with detrimental implications for suppliers’ access to markets.

1. Introduction

The purpose of this dossier is to provide the Food and Fairness Inquiry committee with background information relating to the second inquiry hearing, which is about 'fair play'. This hearing focuses on inequalities in the opportunities that people have to participate in the food sector – which is an important dimension of fairness in food and farming.

The dossier provides an overview of evidence relating to three areas of equality of opportunity: fair access to markets (the opportunity to sell), to employment (the opportunity to work) and to resources (the opportunity to produce). It also outlines some of the main structural factors that underlie the inequalities in these areas. Most of the evidence that we have received on these issues relates to supermarkets and their supply chains, and to the experiences of agricultural workers. The dossier therefore focuses on these areas, although does also make limited reference to employment in food services.

2. Inequalities of opportunity – access issues

2.1 Access to the market – opportunity to sell

Supermarket concentration – the effects on suppliers

The concentration of market power in the hands of a small number of major retailers has been a significant feature in re-structuring of the global agri-food system. In the UK, the ‘big four’ chains – Tesco, Asda, Sainsbury’s and Safeway (now owned by Morrisons) took less than 50% of British shoppers’ spending on food in supermarkets in the 1990s (Action Aid 2007), but this figure today stands at 76% (DEFRA 2009). Supermarkets have also become more prevalent globally, moving into middle- and low-income markets (Humphrey 2007, Reardon et al 2003).

Increased supermarket concentration has had adverse consequences for farmers and other suppliers. For suppliers who are able to establish and maintain a relationship with one of the major supermarket chains, the main effects of the imbalance of power include:

Reduced margins: The Federation of Wholesale Distributors found that, in 2006, suppliers were paid between 15% and 20% less by supermarkets than by wholesalers – up from 12% less in 2000 (Federation of Wholesale Distributors 2006). A common method by which buyers extract better terms from suppliers is by threatening to ‘delist’ their products at short notice. Evidence from ActionAid cites a South African fruit farmer: “A buyer from Tesco picks up the phone and says x is offering me apples for £1 a carton cheaper; meet him or I take you out of the programme” (ActionAid 2005). Suppliers are increasingly selected through ‘real time’ online reverse auctions, in which they bid against each other to offer the lowest price – in a Competition Commission survey, 79% of suppliers said supermarket reverse auctions resulted in lower margins (ActionAid 2007).

Additional costs: Squeezed margins are not the only costs incurred by suppliers. They are often required to foot the bill for promotions whereby buyers discount products to increase sales, and to provide discounts and upfront payments to remain on lists (Blythmann 2004). Suppliers bear the costs of rejected produce, even when this is not down to negligence on their part. Supermarkets sometimes stipulate third party suppliers of transport and packaging from whom they receive payments, so making money at the expense of the suppliers (Duffy et al 2003).

Unreliability of contracts: Farmers in the UK often do not have legally-enforceable written contracts with the supermarkets they supply, which makes it easier for supermarkets to change their requirements at short notice, leaving the supplier to carry the financial burden (Duffy et al 2003). When a new buyer arrives, the absence of a contract allows them to renege on promises or assurances given by predecessors (Church of England 2007).

Risk transfer: Technological change has enabled supermarkets to monitor consumer demand closely, and so manage much of the risk involved in ordering produce. What risk remains – due to the time taken to produce and ship the product – is sometimes then be transferred to the supplier because supermarkets only pay for the products that are actually sold

(ActionAid 2007). Alternatively, contracts will stipulate the volumes to be shipped, but not the price – allowing supermarkets to fix the margins they want and leave suppliers and farmers to bear any price fluctuations (Oxfam 2004).

Supermarket and brand buyers play a central role in accounts of these experiences. They operate in an environment of performance targets and incentives, and are often given only short periods in which to prove themselves. They sometimes receive training or awareness raising on ethical issues, but this is rarely integrated into the targets on which they are judged (Oxfam 2004).

These practices are not limited to the dominant supermarket chains. Evidence submitted by ActionAid explains how smaller UK supermarkets club together with retailers in other European countries to form joint buying groups. In addition to securing lower prices from suppliers, these buying groups obtain other trading ‘benefits’ from producers such as special rebates, discounts or financial support for in-store promotions (ActionAid 2007).

Suppliers have little option but to accept the conditions dictated by supermarkets, because most suppliers depend on one supermarket for the majority of their business (ActionAid 2007).

It should of course be recognised that retailers are not the only buyers in the food market. Taking Gross Value Added as a measure, the catering sector has the same share of the UK food chain as grocery retail (DEFRA 2009). There is, however, a relative paucity of evidence regarding market access to the catering sector (DEFRA 2007, IGD 2005), so this dossier focuses on issues relating to retailing.

The effect of standards

Retail and brand buyers require producers to comply with a wide range of quality, technical, traceability and safety standards. Regarding safety, evidence submitted by Joachim von Braun suggests that as the capacity of states to insure food safety has diminished, corporations have increasingly taken on this responsibility as a way of differentiating themselves from competitors and protecting their brands. The authors note that small farmers who do not have the resources to meet the necessary quality standard are left marginalised from the production chain (von Braun and Mengistu 2007).

More generally, compliance with private food standards requires sophisticated and expensive systems for implementation and control (Clapp and Fuchs 2009). Tesco has responded to supply chain concerns by creating voluntary codes of conduct for their fruit suppliers. One typical scheme focuses on technical issues such as keeping detailed pesticide spraying records and specifying the precise size, shape and colour of fruit for export (ActionAid 2007). In another example, a South African apple farmer explained the implications of very specific product standards (in this instance set by the European Union): “Now they are telling us that the size of a Fuji apple is ideally 65mm, not 63mm...so when you are thinning...there is more skill involved, but it also takes longer and there is more labour” (Oxfam 2004).

The high costs associated with documentation and certification are responsible for small farmers and enterprises being forced out of business (Clapp and Fuchs 2009). For example, thousands of dairy farmers went out of business over a five year period in the extended Mercosur area because they were unable to meet new quality and safety standards for milk production – which required large investments in equipment and buildings and a high level of coordination and management.

Increasing levels of ethical consumerism have led to the introduction of a plethora of standards relating to environmental, animal welfare, and employment considerations – again entailing significant costs for suppliers (Clapp and Fuchs 2009). Wider issues around organic and fairtrade standards will be considered in the third hearing of the Inquiry, in the context of ‘autonomy and voice’. Finally, it is important to recognise that some standards – in the form of food sector assurance schemes – have the function of promoting improved practice on the part of farmers; examples include Assured Food Standards and Freedom Food.

2.2 Access to employment – opportunity to work

Forty percent of the world population are involved, directly or indirectly, in agriculture (including dependents). The world agricultural population, as calculated by the FAO is 2.6 billion, 2.5 billion of whom live in developing countries (FAOSTAT 2009). 400 million are small scale farmers or smallholder peasants, half as many as there were twenty years ago, and much of the work carried in this sector is ‘informal’ or unwaged (NEF 2009).

Waged agricultural workers are a growing sub-group of the global agricultural population. An estimated 450 million of these workers account for over 40 percent of the total agricultural labour force. Many of these are migrant workers in seasonal or precarious employment; they - and often their families, who do not show on official statistics - face poor working conditions and poverty in horticulture, primary agricultural processing, fish-farming and on plantations (FAO, ILO and IUF, 2007).

The UK food sector employs 3.6 million people, or 13.7 per cent of the workforce (DEFRA 2008). Figure 1 provides a breakdown of employment in each area of the food supply chain in the UK.

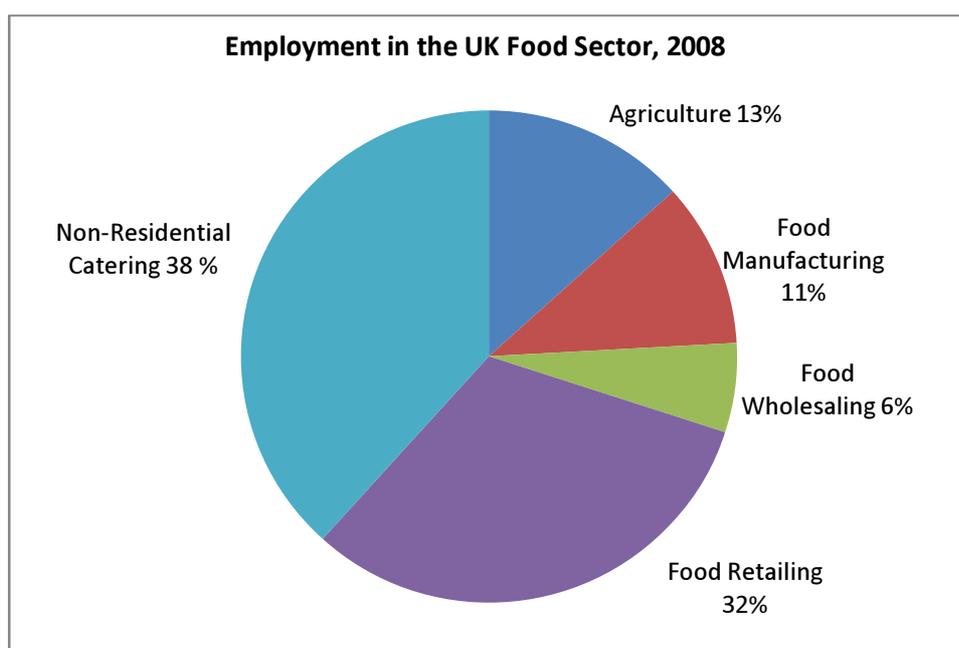


Figure 1 – Employment in the UK Food Sector, June 2008. (source: DEFRA 2009)

The nature of food sector employment

Agricultural work is inherently seasonal and weather dependent, and the product is perishable. This contributes to the 'access to market' issues considered above – in that the perishability of the product turns growers into “price takers” rather than price makers (Rogaly 2008) – and also has significant implications for agricultural employment. In food producing families and communities, and on small farms, many hands are needed at harvest time and during planting but fewer are necessary for maintenance and upkeep. On the most industrialised farms, much of the labour intensive work has been mechanised, the vagaries of weather and water can to some extent be controlled, and technology extends the shelf-life of produce; however, there is still a high – and variable – demand for pickers, packers and processors in the food industry (Vorley 2003; Collins & Krippner 1999).

These 'natural' factors are complemented by the requirements of the modern-day agri-food system. Retailers' adoption of just-in-time production methods passes the costs of demand instability and inventory control upstream to producers, which makes elasticity of labour a competitive asset (Barrientos & Dolan 2003). In the UK and globally, food sector workers are increasingly likely to be employed on a casual basis, as temporary labour, without contracts or the benefits or rights those entail (Campbell et al 2006). For example, available data on abattoir workers suggest that employment has become casualised, with increasing numbers of temporary, often migrant, agency workers employed. In the food service and catering industry, employers also shield themselves from risk by employing a low-cost, flexible workforce (Sharpe, 2009).

Subcontracting the provision of labour is another feature of the flexible labour market. The complexity of the supply chains that provide subcontracted labour to the agricultural, food processing and food packaging industries – in the UK and abroad – means that many companies are unaware of, or can deny, the conditions under which their goods are produced (Craig et al 2007).

The conditions experienced by food sector workers

Banana Link, who have long documented employment practices in the South American banana industry, have stressed that the Inquiry needs to address "abusive employer-employee relationships in all their dimensions, not just concerning violations of core international labour standards (or) unfair/unremunerative prices paid to primary producers" (Banana Link 2009). ActionAid, reporting on fruit growers supplying Tesco in South Africa, found workers living on a hunger wage, in dismal housing, exposed to pesticides, in precarious employment and denied benefits (ActionAid 2005). Looking at farm worker health in the United Kingdom, Spain, Kenya and Uganda, Cross et al (2009) found that self-reported health status of farmworkers on Kenyan export horticulture farms was significantly higher than on Kenyan non-export farm workers. They also found that mean health levels for farm workers in the United Kingdom were significantly lower than relevant population norms, indicating widespread levels of poor health amongst these workers.

In the retail sector, three UNI Global Union reports found Tesco's employment practices in its stores in Thailand, the USA and South Korea to be unfair in comparison with those in the UK in terms of pay, pensions, health insurance, working hours, job security, health and safety, union rights and anti union practises (UNI Global Union, 2009a,b&c).

Vulnerable groups – migrant workers and women

Migrant workers have become increasingly important in the agri-food labour force. Growers, pushed by declining margins and ‘quality’ standards, have sought workers who would be “reliable, flexible and compliant” – all of which are said to be qualities of migrant workers (Rogaly 2008). Craig et al (2007) states that migrant workers – whether illegal migrants or legal migrants working illegally – are most at risk of slavery or slavery-like working conditions.

The TUC’s Commission on Vulnerable Employment found that some agencies employing migrant workers engage in illegal practices, and that when migrants are dependent on the agency for work, fear of dismissal makes them less able to challenge poor practice, exacerbating the power inequalities between workers and employers (TUC 2007). For example:

“[A migrant worker] explained that their agency (agricultural) keeps all of their paperwork, including registration with the Home Office, bank statements get sent directly to agency, pay slips etc...Some migrant workers, employed by an English agency, have told us that they are living on a farm in caravans (in the middle of nowhere), meet at 6am and are told whether or not they’ve got work that day. They are driven once a week in a coach to Asda to buy food for the whole week, they are given 30 minutes in the shop, then taken back to their caravan.”

Despite the declining levels of employment in agriculture, this sector still accounts for more than a third of female employment worldwide, and the large majority of female workers in sub-Saharan Africa and South Asia are in this sector (ILO 2009). Women’s dominance in horticulture is partially explained by the global expansion in informal work (Barrientos and Dolan 2003).

Evidence submitted by ActionAid shows that women are often denied access to more desirable work and forced into the lowest paid, most dangerous jobs – often as informal or temporary workers who are denied the same rights and benefits as permanent staff. For example, women have been largely squeezed out of direct full-time employment in banana plantations, and forced into lower paid, more dangerous, insecure, contracted work (ActionAid 2007).

2.3 Access to resources – opportunity to produce

In order to participate in food markets and to generate on-farm and food processing employment, people must have the opportunity to produce and to access the resources needed for production. These resources, among others, are land, water, seeds, knowledge and technology and agricultural inputs.

Greater **access to land** for the rural poor is a major instrument in agriculture for development. Ensuring equal access to land and securing tenure can ensure pro-poor growth, tackle inequalities and reduce poverty (DFID 2007, see figure 2). Unequal access to land – as found in the many parts of the global south, particularly in Latin America and some countries of Africa and South Asia – leaves many “ethnic minorities or indigenous people landless or with land plots too small to meet their needs. Most of the land is in large farms, while most farms are small” (World Bank 2008).

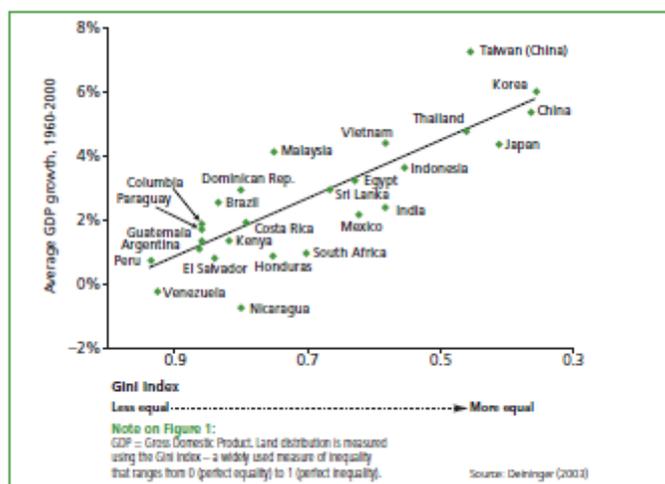


Figure 2. Land distribution and wealth (source: DFID 2007)

Evidence provided by Action Aid in South Africa shows that access to resources is also linked to worker exploitation, as mentioned in Section 2.2 – due to the absence of a real land reform, most black farmers are landless and are dependent on work on export plantations to make a living. Share the World's Resources also raise acute concern about countries and corporations recently buying huge areas of land in developing countries (dubbed 'land grabs'), exacerbating this inequality of access (STWR 2009).

Access to water is key to producing food. Geographical and climatic conditions are a key element of water scarcity: 1.2 billion people globally live in areas of *physical* scarcity, around one-fifth of the population. However, unequal socio-economic arrangements and inadequate investment can also lead to *economic* scarcity: 1.6 billion people – one quarter of the world's population – face economic water shortage (FAO 2007). Water scarcity has as much to do with how much water is physically available as with the mechanisms that decide 'who gets water and how much' (Mehta 2000). Poor and smaller-scale farmers very often have less physical and economic access to water, partly due to the degradation of the water ecosystems (Orr et al 2009).

Access to genetic resources: Farmers have traditionally saved seeds and reused them or traded with each other, experimenting with new hybrids, contributing to agro-biodiversity. With the rise of modern agriculture, private companies have developed hybrids that increase productivity. In order to protect venture capitalists in carrying out research and innovation, the first patenting laws were created - the Plant Breeders' Rights - which give control over the sale, reproduction and export of new varieties of plants. In 2007, 85% of the global seed market was 'proprietary', meaning that the breeders had this form of monopoly on seed use. Four companies (Monsanto, Dupont, Syngenta and Groupe Limagrain) account for half of the market share (ETC group 2008).

High yield varieties require the purchase of new hybrid seeds every planting season (if the farmer replanted the seeds he/she would infringe on the property rights of the private breeder), and require

increased use of inputs such as water, fertilisers and pesticides. This favours wealthier farmers who are capable of making those capital investments. The impact is a decrease in biodiversity and the vulnerability of food producers to input and seed prices (Baumuller and Tansey 2008). The choice of industrial seeds over local varieties is in part also a product of export-led development schemes: the farmer needs to cater for the needs of faraway markets (normally via supermarkets); he/she will produce the standardised product recommended by the seed corporation (THREAD 2009).

Another significant development is the recent expansion of the globalised property rights regime (UPOV, WIPO, TRIPS¹) in parallel to the corporate concentration of the seed sector. Today, the top ten seed companies control 57 percent of the global seed market (Sell 2009). What is of major concern is the extension not only to particular traits in a single engineered plant species, but also to similar genetic sequences in virtually all transformed plants. Further expansion of these broad patents to all flowering plants would leave farmers unable to “breed, save and reuse their own seeds to feed themselves and their communities” (Rajotte 2008).

The nature of agriculture research and development has also created unequal **access to knowledge** and technology. As indicated by evidence from the UN Rapporteur on the Right to Food, referencing the International Assessment of Agricultural Knowledge, Science and Technology for Development, technological innovations have normally favoured large-scale producers and the “costs have been borne by small producers, their communities and the environment” (De Schutter 2008). Research and innovation has predominantly focused on industrial agriculture. It has sought increases of yield of irrigated monocrops and sidelined other forms of agriculture more relevant for poor farmers – such as intercropping and rain-fed agriculture – and crops that are of nutritional importance such as legumes (Woodhouse 2008). Further, since the 1980s, the vast majority of funding in agricultural innovation and technology is private, and, in the current intellectual property regime, most research is geared to those areas that generate more profits, not the best public outcomes such as health or food security (Buhler et al 2002).

Access to inputs. The lower purchasing power of poorer farmers has been exacerbated by the food price crisis (2007-08) and the current financial crisis (Clapp 2009). In the midst of an economic downturn where incomes are declining, food prices remain higher than before the food crisis hit and the price of agrochemicals remains high, despite the fall in oil prices (FAO 2009a). FAO (2009b) and the World Bank (2008) advocate subsidising these inputs for the poorest farmers. Other authors (Pimbert 2008, Holtz-Gimenez and Patel 2009) advocate for a move away from forms of agriculture that require high investment in inputs and seeds. We will explore these alternative forms of agriculture in the third hearing.

¹ For a detailed analysis of global rules and regulations in relation to food, including property regimes, please see Tansey and Rajotte 2008.

3. Structural factors

The phenomena described above are symptomatic of particular global trends that have occurred in the recent decades: (i) trade liberalisation, (ii) corporate concentration, (iii) reduced regulation, and (iv) liberalisation of financial markets and the rise of food sector-related speculative investments.

3.1 Trade liberalisation

Most developing countries have liberalised their agricultural sectors over the last two decades, often as a condition of receiving international aid (Allen 2009). This has placed great strain on producers, often due to unfair competition, and has created the incentives for a particular type of production: industrial, export-led and large scale. Evidence submitted by FIAN explained the impact of Ghana's 1997 agreement on reciprocal trade liberalization (Paasch 2008). Ghana imported 39,200 tons of chicken meat in 2003 compared to only 4,800 tonnes in 1998 – the imported meat being cheaper because it comprised the parts rejected by the European market. Imports of tomato puree increased by 650% between 1998 and 2004, with the national market share for domestic tomatoes declining from 92% to 57% – partly due to urban Ghanaian consumers being attracted by the convenience of the puree.

European Union subsidies also played an important part in the Ghanaian experience, and the issue of subsidies is central to the debate about trade liberalisation. Evidence presented by the UN Special Rapporteur on the Right to Food states that “[e]xport subsidies are the most harmful form of subsidies for the developing countries. They lead to subsidized products arriving on domestic markets and displacing local production...”. Government support to farmers in OECD countries amounted to US\$ 258 billion in 2007, representing 23% of total farm receipts (De Schutter 2008).

The World Bank presents a different view regarding subsidies. Although industrialised-country agricultural policies cost developing countries an average of US\$ 17 billion per year, over 90% of the global costs of agricultural trade distortion arise from tariffs and other market access barriers other than subsidies. The bank's economic modelling suggests that full liberalisation would result in substantial benefits for developing countries overall, although with large differences across commodities and countries. However, the bank recognises that large scale imports will out-compete small scale producers on domestic markets, and that “the poorest developing countries are net losers under most liberalization scenarios” (World Bank 2008).

The UN Special Rapporteur also suggested that the huge differences in agricultural labour productivity undermine arguments that trade liberalization establishes a ‘level playing field’. With productivity in the least-developed countries below one percent of that in developed countries, farmers in the global south will only be able to compete if wages and agricultural prices in their regions are kept at very low levels (De Schutter 2008).

Specific proposals for enabling poor countries to compete in international markets include strengthened multi-stakeholder market stabilisation mechanisms, such as the International Cocoa Agreements (Allen 2009), and deeper preferential access in rich-country markets for developing country agricultural exports (IAASTD 2009).

3.2 Corporate concentration

As Section 2 of this dossier suggests, developments in the agri-food system – particularly corporate concentration – have a close causal relationship with many of the inequalities of outcome we have identified. Several commentators argue that the concentration of the food market and the power of supermarkets lead to the cost of flexibility being borne by producers (Pollard 2006, for example). The growth in international competition associated with economic liberalisation is significant here, as transnational corporations seek to strip-out costs at the production end of the supply chain, leaving those with least bargaining power to bear the biggest risk (Dhanarajan 2005). In the UK, supermarkets' requirements for volume, quality and low margins for growers has created a demand for vulnerable workers such as migrants (Rogaly 2008).

In the specific context of employment conditions, research by NGOs and unions has brought to light widespread violations of international employment standards in western companies' supply chains – including discrimination, verbal and physical abuse, excessive hours, inadequate wages, lack of access to trade unions, and high rates of injury and death. According to the International Confederation of Free Trade Unions, 213 trade union activists were assassinated or disappeared in 2002, and tens of thousands more were attacked, detained, fired or harassed (ACONA 2004).

Section 2.1 revealed the severe difficulties experienced by smallholders as a result of corporate concentration, with major retailers using their market power to leverage suppliers and obtain short term cost savings there are unsustainable (Duffy et al 2008). On the other hand, however, Duffy et al suggest that suppliers can have an advantage over their customers through their superior product and market knowledge, and that this intelligence can be translated into superior value creation and value appropriation. Buying practices also vary between supermarket chains (Church of England 2007). Some supermarkets keep their buyers in the same locality for long periods, allowing them to build mutually beneficial relationships – whereby, for example, promotions funded by farmers are sustainable in the knowledge that the supermarket remains committed to maintaining its relationship with the farmer, including through more difficult times.

Corporate concentration is an important problem in people's access to the resources necessary to make a living out of food production. Today, inputs and seed markets are controlled by large corporations. The world six largest agrochemical producers are also seed industry corporations. These corporations have been criticised for creating a dependence on their products, and for keeping fertilizer and pesticide prices artificially high (ETC group 2008).

Diminishing state involvement and the reliance of markets and corporate investment for 'economic development' in the fields of agriculture and food has created unequal access to resources and knowledge. Market-led land reform schemes have had disappointing results (Rosset 2006). Privatisation of water management has led to decreased access by lower-income farm households (Orr 2009). Innovation and research, and models of food production have tended to favour those farmers and food producers that were already ahead – those who had the size to access credit and make the necessary investments.

3.3 Regulation versus voluntary codes

How do we go about tackling the inequalities of opportunity experienced by producers and agricultural workers: is tougher legislation and regulation the answer; or will voluntary approaches be more fruitful? With regard to labour markets, the recent trend within the industrialised world has been in the direction of deregulation, and this is especially true of the UK. As the researchers who undertook the independent review of the Gangmasters Licensing Authority (GLA) noted, bodies including the OECD, Demos and the European Foundation for the Improvement of Living and Working regard the UK as having “one of the least regulated labour markets in the developed world” (GLA 2009).

Having said that, the GLA provides an interesting example of the regulatory approach. The review of the GLA found that “licensing has been an appropriate tool to regulate labour providers; that agency workers are now better placed because of government regulation; and that the GLA is an effective and efficient regulator” (GLA 2009). However, the researchers also undertook a survey of agency workers in the UK – a large proportion of whom work for gangmasters – and found that the great majority knew of agency workers who have been treated unfairly.

At the international level, the evidence presented by ActionAid notes that poorer countries do generally have legislation in place to protect workers from abuse, but that they are often unable to implement it. One reason is the pressures they face to “turn a blind eye” to breaches in labour laws, in order to remain competitive in the global market (ActionAid 2005).

ActionAid’s evidence to the Inquiry also provided their assessment of four attempted voluntary approaches to addressing the inequalities of opportunity associated with the international food sector: the Ethical Trading Initiative (ETI), 1998; the Supermarkets Code of Practice, 2002; the Race to the Top project, 2004; and the Buyer’s Charter, 2004. They concluded that only the ETI could lay claim to any kind of success; with the Race to the Top and Buyers’ Charter rejected by the major retailers before they got off the ground; and the Supermarkets Code widely recognised as not working effectively. The reasons cited for the failure of the Code are that it is vaguely worded and not enforced properly; that the onus is on suppliers to bring cases forward (and so run the risk of being punished by the supermarkets); and that the supermarkets have access to superior legal resources (ActionAid 2007).

3.4 Financialization and speculation on agricultural commodities

The past couple of decades have seen the emergence of the practice of ‘financialization’, where a firm is bought, run and traded for the sole purpose of maximising shareholder value in the short-term (Coelho 2007). Under financialization, firms in the manufacturing and service sector essentially become “a bundle of assets to be deployed or redeployed depending on the short-run rates of return that can be earned”. Productive and profitable food companies are being purchased by hedge funds and other high risk investors, with workers experiencing massive restructuring and lay-offs motivated by the drive to increase share value (Coelho 2007, Rossman and Greenfield 2006).

The same logic can be seen in the operation of major food companies. For example, in February 2006 Heineken announced that second-half profits had increased 56 per cent over the previous year while also announcing that 1,000 jobs would be cut over the following 12 months (Rossman and Greenfield 2006).

Another relevant shift in financial markets has been substantial flow of speculative capital into agricultural commodity markets (Robles et al 2009). The US Commodity Futures Trading Commission had until recently imposed firm limits on how much of certain agricultural commodities – including wheat, cotton, soybean and corns – could be traded by “non-commercial players” (investors who are not part of the food industry). These limits were relaxed in the 1990s, resulting in increased investor activity, and massive price rises: between 2000 and 2007 the price of wheat increased by 147% on the Chicago Board of Trade, corn by 79% and soybeans by 72% (IUF 2008). Such price volatility has severe consequences for producers – one cocoa buyer describing speculators as having “stolen” the cocoa market by driving cocoa prices up by 44% in 2008 (IATP 2009).

Bibliography

ACONA. 2004. *Buying Your Way into Trouble? The challenge of responsible supply chain management*. London: Insight

ActionAid. 2005. Rotten fruit - Tesco profits as women workers pay a high price. London: ActionAid.

ActionAid. 2007. *Who Pays? How British supermarkets are keeping women workers in poverty*. London: ActionAid. http://www.actionaid.org.uk/100819/who_pays_report.html

Allen, T. 2009. *Projects & Policy Manager, Trading Visions*.

Banana Link. 2009. Evidence submitted to the Inquiry by Alistair Smith, International Coordinator Banana Link 16 June 2009

Barrientos, S. and Dolan, C. 2003. A Gendered Value Chain Approach to Codes of Conduct in African Horticulture" *World Development* 31(9): 1511-1526.

Baumuller, H. and Tansey, G. 2008. Responding to change. In: Tansey, G. and Rajotte, T. (eds) 2008. *The Future Control of Food. A guide to international negotiations and rules on intellectual property, biodiversity and food security*, pages 181- 196. London: Earthscan.

Blythmann, J. 2004. Shopped. The Shocking Power of British Supermarkets. London: Fourth Estate. London, Fourth Estate.

Buhler, W et al. 2002. *Science, Agriculture and Research. A compromised participation?* London: Earthscan.

Campbell, I., May, R., and Burgess, J. 2006. *Pathways from Casual Employment to Economic Security: the Australian Experience*. Evidence submitted to the Inquiry.

Church of England. 2007. *Fairtrade begins at home; Supermarkets and the effect on British farming livelihoods* <http://www.cofe.anglican.org/info/ethical>

Clapp, J. 2009. *The Global Food Crisis and International Agricultural Policy: Which Way Forward?* *Global Governance* 15: 299-312.

Clapp, J. & Fuchs, D. 2009. *Corporate Power in International Retail and Trade Governance*. Chapter 1 in J. Clapp and D. Fuchs. (eds). *Corporate Power in Global Agrifood Governance*, pages 29 - 59 Massachusetts: MIT Press.

Coelho, A. 2007. *Financialization*. In Allen, G. and Albala, K. *The business of food: encyclopaedia of the food and drink industries*. Westport, CA: Greenwood Press

Collins, J.L., and Krippner, G.R. 1999. *Permanent labour contracts in agriculture: flexibility and subordination in a new export crop*. *Comparative Studies in Society and History*. 41(3): 510-34.

Craig, G., Gaus, A., Wilkinson, M., Skrivankova, K. and Mcquade, A. 2007. *Contemporary slavery in the UK*. Joseph Rowntree Foundation.

Cross, P., Edwards, R.T., Opondo, M., Nyeko, P., and Edwards-Jones, G. 2009. Does farm worker health vary between localised and globalised food supply systems? *Environment International* 35: 1004-14. <http://www.ncbi.nlm.nih.gov/pubmed/19482357>

Dhanarajan, S. 2005. Managing ethical standards: when rhetoric meets reality. *Development in Practice*. 15: 529- 538.

DEFRA. 2007. Food Service and Eating Out: An Economic Survey

DEFRA. 2008. Agriculture in the United Kingdom 2008. Chapter Three
https://statistics.defra.gov.uk/esg/publications/aug/2008/AUK2008CHAPTER3_AUK.pdf

DEFRA. 2009. National Statistics: Food Statistics pocketbook 2009.

De Schutter, O. 2008. Report of the Special Rapporteur on the right to food, Olivier De Schutter. Building Resilience: a human rights framework for world food and nutrition security.

DFID. 2007. Land: Better access and secure rights for poor people.
www.dfid.gov.uk/Documents/publications/LandPaper2007.pdf (last checked 12/10/2009)

Duffy, R., Fearn, A., and Hornibrook, S. 2003. Measuring distributive and procedural justice: An exploratory investigation of the fairness of retailer-supplier relationships in the UK food industry. British Food.

ETC Group. 2008. Who Owns Nature? Corporate Power and the Final Frontier in the Commodification of Life. November 2008.

FAO, ILO and IUF. 2007. Agricultural workers and their contribution to sustainable agriculture and rural development. Geneva: ILO.

FAO 2007. Coping with water scarcity. Challenge of the 21st century.
<http://www.fao.org/nr/water/docs/escarcity.pdf> (last checked 12/10/2009)

FAO 2009a. Crop prospects and food situation, number 3.
<http://www.fao.org/docrep/012/ai484e/ai484e00.htm>

FAO 2009b. More people than ever are victims of hunger.
http://www.fao.org/fileadmin/user_upload/newsroom/docs/Press%20release%20june-en.pdf

FAOSTAT. 2009. FAO statistical year book 2007-2008, Statistics division FAO 2009.

Federation of Wholesale Distributors, summary of Competition Commission hearing, 8 September 2006.

Gangmasters Licensing Authority. 2009. Annual Review 2008.

Holt-Gimenez, E. and Patel, R. 2009. Food Rebellions! Crisis and the hunger for Justice. Oxford: Fahamu Books.

Humphrey, J. 2007. The Supermarket revolution in developing countries: tidal wave or tough competitive struggle? *Journal of Economic Geography* 7: 433 – 450.

IAASTD 2009. International Assessment of Agricultural Knowledge, Science and Technology for Development Report: Agriculture at a Crossroads. <http://www.agassessment.org/>

IGD. 2005. Understanding Foodservice Opportunities for Farmers and Small Food Producers ILO. 2009. Key Indicators of the Labour Market (KILM) 6th Ed - Employment by Sector. Geneva: ILO. <http://www.ilo.org/public/english/employment/strat/kilm/download/kilm04.pdf>

Institute for Agriculture and Trade Policy. 2009. Commodities Market Speculation: The Risk to Food Security and Agriculture. <http://www.iatp.org/iatp/publications.cfm?refid=104414>

IUF. 2008. Financializing Food: Deregulation, Commodity Markets and the Rising Cost of Food. http://www.iufdocuments.org/buyoutwatch/2008/06/financializing_food_deregulati.html

Mehta, L. 2000. Water for the 21st century: challenges and misconceptions. IDS working paper 111. https://www.uni-hohenheim.de/i490a/lectures/M4901-430/ws_03_04/reading_materials/Tenure/Water%20for%20the%20Twenty-First%20Century-ids-workingpaper%20111.pdf

NEF. 2009. Nine Meals from Anarchy. Based on a lecture delivered by Simms, A. in October 2008, Leeds.

Orr, S., Cartwright, A. and Tickner, D. 2009. Understanding water risks. A primer on the consequences of water scarcity for government and business.

Oxfam International. 2004. Trading Away Our Rights. Women working in global supply chains. Oxford: Oxfam International.

Paasch, A. 2008. Devastating floods – man made; European Trade Policy Violates Right to Food in Ghana – Chicken and Tomatoes. Berlin: Germanwatch e.V.

Pimbert, M. 2008. Towards Food Sovereignty. Reclaiming autonomous food systems. Multimedia publication. <http://www.iiied.org/pubs/pdfs/G02268.pdf>

Pollard, D. 2006. The Gangmaster system in the UK: Perspective of a Trade Unionist. In Barrientos, S. & Dolan, C. (eds) 2006. Ethical Sourcing in the Global Food System, pages 115 – 127. London: Earthscan.

Rajotte, T. 2008. The negotiations web: complex connections. In: Tansey, G. and Rojette, T. (eds) 2008. The future control of food, 141-167. London: Earthscan.

Reardon, T., Berdegue, J.A., Timmer, C.P., Cabot, T., Mainville, D., Flores, L., Hernandez, R., Neven, D. and Balsevich, F. 2003. Links among Supermarkets, Wholesalers, and Small Farmers in Developing Countries: Conceptualization and Emerging Evidence http://siteresources.worldbank.org/INTAFRUSUMESSD/Resources/1729402-1150389437293/Reardon_et_al_Supermarkets_august_2005.doc

Robles, M., Torero, M., and von Braun, J. 2009. When Speculation Matters, International Food Policy Research Institute 57.

Rogaly, B. 2008. Intensification of Workplace Regimes in British Horticulture: The Role of Migrant Workers. *Population, Space and Place*. 510: 497-510.

- Rosset, P. 2006. Agrarian Reform and Food Sovereignty: Inseparable Parts of an Alternative Framework. Paper to the Institute of Social Studies Land, Poverty, Social Justice and Development conference, 9-14 January 2006.
- Rossman, P. and Greenfield, G. 2006 Financialization: New routes to profit, new challenges for trade unions. *Labour Education the quarterly review of the ILO bureau for Workers' Activities* 142.
- Sell, S. 2009. Corporations, seeds and the Intellectual Property Rights governance. In: Clapp, J. and Fuchs, D. (eds) 2009. *Corporate Power in Global Agrifood Governance*, 187-223. London: MIT Press.
- Share The World's Resources. 2009. Land Grabbing: The end of sustainable agriculture. <http://www.stwr.org/food-security-agriculture/land-grabbing-the-end-of-sustainable-agriculture.html>
- Sharpe, L. 2009. Food as if Fairness Mattered. Social justice and the UK food system: an investigation of institutions, risks, winners and losers (unpublished paper, NEF).
- THREAD 2009. Seeds of Hunger: intellectual property rights on seeds and the human rights response. Backgrounder 2 in the THREAD series. May 2009. http://www.3dthree.org/pdf_3D/3D_THREAD2seeds.pdf
- Trades Union Congress (TUC). 2007. Hard Work: Hidden Lives. Commission on Vulnerable Employment (COVE). http://www.vulnerableworkers.org.uk/files/CoVE_full_report.pdf
- UNI Global Union. 2009a. Tesco's employment practices in Thailand.
- UNI Global Union. 2009b. Tesco's employment practices in the USA.
- UNI Global Union. 2009c. Tesco's employment practices in South Korea.
- Vorley, B. 2003. Food, Inc. Corporate concentration from farm to consumer. London: UK Food Group,.
- Von Braun, J. and Mengistu, T. 2007. On the ethics and economics of changing behavior. Chapter 12 in *Ethics, Hunger and Globalisation*. pages 181 – 200.
- Woodhouse, P. 2008. Technology, environment and the productivity problem in African Agriculture. Comment on the World Development Report 2008, Forthcoming . *Journal of Agrarian Change* 9 (2).
- World Bank 2008. World Development Report 2008. Agriculture for Development. www.worldbank.org/wdr2008