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# Power to the people

### The rise of the citizen-consumer

Five years ago the Food Ethics Council asked whether supermarkets could become green, healthy and fair. We assessed the spate of environmental commitments from the likes of Tesco, Sainsbury and Asda-Walmart and asked whether this 'green tinge' signalled fresh growth for the sector, or if it was a sign that big retail had reached the end of its shelf life.

We looked at the issues of supermarkets' power along the supply chain and their influence with consumers, the efficiencies of scale they could achieve, and the choices they could make for consumers. We also looked at the power of investors.

Back then, the jury was out on whether what we were seeing was meaningful. Many in our magazine argued that changes needed to be bigger in scale and wider in scope – and that the real problem was that supermarkets didn't want to move to a different business model. We, on the other hand argued that they'll have to – after all, the planets liabilities aren't limited, as we wrote in our editorial.

So what has changed in the last half decade? Well, quite a lot, some might say. UK sales of Fairtrade products have grown by almost 170%, getting ever closer to the holy grail of sustainable food: the transition for niche to mainstream. As Harriet Lamb stresses (p16), this represents a shift in the balance of power in the food system, in favour of producers in poor countries. And – as Andrew George (p12) and Michael Hutchins (p6) discuss – we have, at last, legislation to create the Groceries Code Adjudicator whose job will be to remedy some of the grosser abuses of power in supply chains; although the 14-year gap between the first Competition Commission inquiry and the likely start date of the Adjudicator says much about the reluctance of the big players to relinquish any of their power.

We're also seeing important shifts in stakeholders' perceptions of their responsibilities for delivering fair, healthy and sustainable food. Dan Crossley (p4) sees progressive food retailers 'moving away from the "customer is king" mantra to recognising their own responsibility to lead and influence consumers'. Michelle Hanson (p22) talks of a 'critical mass of committed food buyers and producers, who are able and prepared to make choices on behalf of consumers'. But there's also room within choice editing for individual autonomy and responsibility – they'll make your fish and chips as sustainable as they can, but they'll also let you know how much of your daily calorie intake you're getting if you choose that option.

And through the Public Health Responsibility Deal – whose very title perhaps betokens a heightened concern with issues of responsibility – government, business and civil

society are grappling with the practicalities of key principles around accountability and transparency, which Vivica Kraak (p19) considers in terms of the 'power of institutionalising accountability structures'.

This is just one example of how stakeholders are engaging in difficult debates about some of the subtleties surrounding power and responsibility in the food system. Catherine Howarth (p14) pinpoints how the arcane-sounding question of pension fund trustees' fiduciary duties to act in the best interests of its members and beneficiaries actually raises crucial questions about the nature, or scope, of our responsibilities towards others. Jennifer Smith (p13) sees in the growth in the community food sector 'a shift in terms of personal responsibility; consumes no longer need or want to play a passive role in the production of their food'.

What's changed in five years? Well, not much, others might say. As the title of Andrew Opie's article (p11) indicates, the 'customer is king' mantra still has its advocates. Bob Kennard (p12) writes a dispiriting account of the unfettered exercise of market power. For Charlie Powell (p13), the Public Health Responsibility Deal is a smokescreen for 'business as usual' – a perception perhaps supported by the Government's decision to award exclusive sponsorship deals to PRHD Food Network partners, allowing them to promote unhealthy products at the 2012 Olympics, as highlighted by Vivica Kraak (p21).

In a sense, then, the jury is still out, five years on. But one thing that does emerge strongly from this collection of articles is a sense of the power of consumers as citizens to exert an influence – and their responsibility to do so. The transformation of people's relationship with food through community food enterprises, mentioned above, is one example. Reflecting on the recent UK diary crisis, Tom Hind (p8) identifies the crucial role played by the '#SOSdairy' social networking campaign in shaping perceptions about the issue, and contributing to the fairer deal achieved by dairy farmers.

Harriet Lamb (p16) and Catherine Howarth (p14) tell us how we can take our convictions beyond the realm of individual purchases and into the workplace – by encouraging workplaces to buy Fairtrade products, or by becoming Workplace Responsible Investment Champions. Civil society groups have a vital, and already effective, role in holding Public Health Responsibility Deal partners to account. So maybe it's not a question of whether or not the customer is still king, but whether the monarchy is gradually being replaced by an empowered and responsible citizenry.

Sean Roberts is policy director at the Food Ethics Council

# The sustainable food quest

### How it has moved from a trot to a canter



Back in 2007 we saw a few (now former) leaders of major food businesses like Sir Terry Leahy and Stuart Rose proclaim their green credentials through a series of bold sustainability plans. Five years on, **Dan Crossley** pauses to reflect how the food system has really changed in the past five years and where the responsibility for action now lies.

Let me start with a confession. My name is Dan and I'm an optimist. Hence, in assessing progress, I'll start with three bits of what I proffer to be good news.

Firstly, our appetite for fairly traded products has gone up and up, even through the recession. Sales of Fairtrade products in the UK grew by almost 170% from 2007 to 2012 (my former colleague Tom Berry wasn't far off in 2007 when he wrote in Food Ethics that "the market for Fairtrade products is expected to increase by 140% in the next five years").

Secondly, levels of food waste – such a critical sustainability issue – have gone down. Between 2006/07 and 2010, food waste in the UK reduced by around 13%, according to WRAP. Yes, we're still throwing away a lot of food, but it is on the decline. That's due at least in part to the recession. However it's also down to the good work by some of the supermarkets (think Sainsbury's 'Love your Leftovers' for example), by campaigns like Love Food Hate Waste, by organisations like Foodshare and Foodcycle redistributing surplus food and by others besides.

Thirdly and importantly – but more difficult to quantify – we've seen a growing recognition from most of the leading players that they do have a responsibility (and strong business cases) to try to shift the food system beyond the four walls of their own operations. That has meant that we've seen a greater emphasis on tackling issues along the whole value chain, from sustainable agriculture to consumer behaviour change (take Tesco's target to help its customers halve their own carbon footprints by 2020 for example). We've seen a shift from talking about collaboration to genuine collaboration on many issues – from shared logistics to developing common sustainability metrics to more effective partnerships with NGOs.

There has been a subtle but important shift in rhetoric from the more progressive food retailers, who are moving away from the customer is king' mantra to recognisinge their own responsibility to lead and influence consumers. In my eyes, most of these positive changes have been driven by the leading major food brands – the likes of Unilever, PepsiCo, Marks & Spencer, Tesco, Sainsbury's and Co-operative. These are some of the companies that recognised five years or more

ago that they have the power and influence to help us move towards a fairer, greener food system. And to give them credit, they've benefited from the support and challenge (perhaps not in equal measure) from the plethora of NGOs working on sustainable food. So, there have been signs of progress.

#### Progress versus scale of the challenge

In the grand scheme of things though, leading businesses have only moved from a trot to a canter in terms of their sustainability efforts over the past five years. The problem comes when you compare the rate of change of business (even of the most pioneering businesses) to the rate of change of the external context.

The impacts of climate change are being felt in many parts of the world; food poverty is becoming a major issue in the UK; food culture is being eroded; many in the food and farming industry are going out of business – the list goes on. You can legitimately point fingers at big business on lots of fronts, including failing to shift their business models towards more sustainable ones. The rapid change in the external environment also puts the lack of government leadership on the sustainable food agenda into even sharper focus.

For now, I'll stay on the business agenda. How and why have the leaders made progress? It has largely been a competition-fuelled 'race to the top', but that race is going down a different track now. There is a growing realisation that a number of areas that were thought to be anti-competitive a few years ago are actually pre-competitive. Many businesses are reaching the limits of what they can do on their own. That's why we at Forum for the Future are being asked more and more to help bring organisations together to solve tricky challenges they can't tackle on their own.

One can talk about the quest for common nutritional labels, the introduction of British Retail Consortium's on-pack recycled labelling scheme and work by organisations like the Consumer Goods Forum to develop common metrics. For me, that's quite simply a more common sense approach. There's still plenty of fertile ground for food businesses to compete on – like how you translate metrics into something that can drive what products you're selling.

It's important to stress that it's not just a big business story. Many smaller players have helped push the boundaries and have driven innovation faster than their larger cousins. The foodservice industry has been getting in on the act too (albeit often playing catch up). Then there's the huge groundswell of local 'foodies' working to create a grassroots revolution; we're seeing brilliant ideas emerging like the Incredible Edible movement and the Sustaination network. The best ideas need scaling up and fast.

#### Upping the ante

So a lot has changed. But much has also stayed the same. Food companies are still falling over themselves to offer convenience, health and taste – the three 'pillars of consumer needs', all at 'great value' prices. Green, ethical, sustainable food remains niche and expensive (relative to cheap processed food that doesn't reflect the true cost of its environmental and social impacts). The margins of suppliers and farmers have continued to be squeezed and many have gone out of business. So, it's definitely a mixed picture.



Looking ahead, what might we need? In our Consumer Futures 2020 work published last year, we argued that food brands need to create consumer demand on sustainability. Our rationale is quite simple. We can't afford to wait for consumers to demand more sustainable products or to develop more sustainable behaviours in isolation. That's why we encourage food companies to try and get into the mindset of their future consumers – what they might be buying and how they might behave in the future. That's undoubtedly a difficult task, but it's an important one. And surely it beats relying on yesterday's consumer insight data, which will only ever lead to incremental change?

Aiming to be 'half a step ahead of the consumer' is a positive step (or half step!). However, I'd argue that businesses need to be two steps ahead of their consumers in terms of anticipating upcoming issues, even if they then translate that to being half a step in terms of what they're offering them today. I'm not claiming that's easy, but I do think we're at risk of resting on our laurels, which is why it's time to up the ante.

We need to take sustainable food from niche to mainstream. According to Ogilvy Earth research "73% of Americans would rather purchase an environmentally responsible product line of a mainstream brand than purchase from a company who specialises in being green". We know that most consumers will happily go for the more sustainable option if it's affordable, accessible and available. So how can we help them make the more sustainable choice?

Given that the choice mantra is unlikely to go away, we think sustainable consumption needs to include major food brands providing a better choice of choice to consumers (which might be more palatable than the choice editing language that retailers dislike so much). But that's only part of the equation – consumers need incentives as well as support and advice on how they use, store and dispose of products. And the grassroots food movement (to clumsily lump it all together) has a huge role to play here too.

#### Breaking into a gallop

At Forum for the Future, there are three key areas we are working on to help shift the food system onto a sustainable footing. Firstly, we want to champion fair relations between farmers, manufacturers and retailers to create a stable and equitable food system, for everyone's benefit. Secondly we want to reconnect people with their food, so they recognise its environmental impact and social value, and are willing to pay a fair price. And thirdly, we want to restore the system's resilience by pioneering approaches which make more effective use of resources and eliminate unnecessary waste.

My hope is that the debate in the food system gets more sophisticated and less polarised. The quest for a sustainable food system goes on, but needs to gather pace. And it won't be a short ride – it's a marathon and a sprint. Loosen the reins; it's gallop time.

Dan Crossley leads work on sustainable food at Forum for the Future, a sustainability non-profit working globally with business and government to create a sustainable future.

# The groceries code adjudicator

### Worth the wait



A Groceries Code Adjudicator has been five years (and counting) in the making. **Michael Hutchings** explains the terms of reference and why it will make a difference to suppliers.

The Summer 2007 issue of Food Ethics magazine carried a number of articles about Big Retail. In one, Julian Oram of ActionAid reported that the Groceries Code of Practice was not adequately enforced but commented that the Competition Commission was taking another look at the issue.

This development resulted from a judicial review case in the High Court, which in turn led the Office of Fair Trading to refer the sector to the Competition Commission for the second time in seven years. Mr Oram said that ActionAid was calling for the introduction of 'a proactive regulator' with the power to monitor the relationships between supermarkets and their suppliers, ensuring that the big retailers do not abuse their dominant position.

He can take some satisfaction in reflecting on developments in the last five years. The good news is that a 'proactive regulator' is now on the cards; the bad news is that it has taken five years since he wrote his article for legislation to be tabled, and it will be another 18 months or two years before the regulator has power to intervene.

The Competition Commission examined the groceries market in great detail between 2006 and 2008. It concluded that a strengthened code of practice was needed, together with an enforcement mechanism, since the previous voluntary code had not worked. Each of the three major political parties committed in their election manifestoes to the appointment of a body to enforce the Groceries Supply Code of Practice, as recommended by the Competition Commission.

It still took sustained further lobbying by interested parties, many of them under the umbrella of the Groceries Market Action Group, chaired by Andrew George MP. Frustration at government inaction led to the tabling of a private members bill by Albert Owen MP in early 2011. This was eventually dropped in the light of assurances that the coalition government would promote the necessary legislation. Eventually the bill was published in May 2012 and has now finished its passage through the House of Lords. It will be debated in the House of Commons during this autumn's session.

The enforcement body will be known as the Groceries Code Adjudicator. The primary task will be to enforce the Groceries Supply Code of Practice which came into force on 4th February 2010. The code creates for the first time an overarching duty on each of the large retailers to 'deal with its suppliers fairly and lawfully'. This reflects the Competition Commission's desire to see a fundamental shift in the culture of dealings between supermarkets and their suppliers in the UK; a relationship that has been characterised more by fear and tension than by a sense of working together for the benefit of consumers and of other stakeholders.

The code applies to the big ten supermarkets, those with a food turnover in excess of £1 billion per annum. The major requirement is not to vary supply agreements retrospectively. This may seem an obvious obligation but, perhaps surprisingly, it is not a feature of English commercial law. Relationships in the grocery supply chain have been characterised for many years by the 'climate of fear' identified by the Competition Commission, which results in suppliers never quite knowing whether a deal they enter into with a big supermarket will or will not be implemented as agreed.

The code has also introduced an obligation to pay suppliers within a reasonable time (again, and equally surprisingly, not a feature of standard English commercial law).

The code stops retailers from:

- making suppliers change their supply chain procedures;
- making suppliers pay marketing costs or pay compensation for shrinkage or wastage;
- requiring suppliers to obtain goods or services from certain third parties;
- $\bullet$  making suppliers pay them for stocking their products ('listing fees');
- making suppliers pay for promotions; and, crucially;
- de-listing suppliers in other words, to stop dealing with a supplier or make significant reductions to the volume of purchases from a supplier.

The government has already anticipated the adoption of the legislation by advertising for a Groceries Code Adjudicator to take up office in early 2013. Given that the legislation will not be in place by then, the person concerned will act as a 'shadow' adjudicator pending announcement of the bill.

In practice, it is envisaged that the Adjudicator will have two distinct roles: first, resolving bilateral disputes between a retailer and a supplier; and secondly, investigating generic problems in the industry. Given the inevitable reluctance of suppliers to raise their heads above the parapet and make complaints, it is thought unlikely that the Adjudicator will be called upon frequently to resolve individual bilateral disputes. It is far more likely that complaints will be made indirectly and/or anonymously, for example via trade associations such as the NFU, British Brands Group and sector-specific groups. If the adjudicator has reasonable grounds, he or she will be entitled to carry out an investigation. This may lead to recommendations to retailers to change practices.

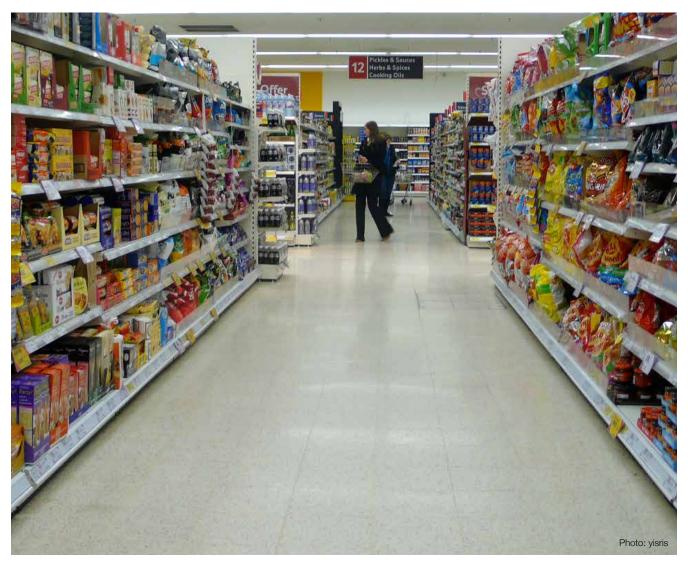
While there is no immediate sanction for persistent failure to comply with the code, the Competition Commission recommended that the adjudicator be given the power to impose fines. While the Groceries Code Adjudicator Bill does contain the power to impose financial penalties, this power will not come into force until the Secretary of State decides that this power is needed. It therefore appears there will be a

trial period of some months during which the Adjudicator will settle down, establish procedures and ascertain the extent to which more draconian powers to impose fines are necessary. If necessary, he or she can then apply to the Secretary of State for the fining power to be granted.

In the absence of financial penalties, the Adjudicator will rely on persuasion, naming and shaming non-complying retailers, requiring them to publish information about investigations and, ultimately, referring them to the OFT for enforcement action under the Competition Act. It is to be hoped that the combination of recommendations to individual retailers and guidelines to the industry as a whole, coupled with the 'threat' of financial penalty powers being introduced, will lead to an improved culture of compliance. The costs of the Adjudicator will be borne by the retailers concerned partly in proportion to the number of investigations in which they are implicated.

All in all, it is a triumph for the campaigners involved to have a Bill nearly on the statute book, albeit many years after the need was identified. The hope is that relationships within the grocery supply chain will substantially improve as a result of a more consistent and wide spread implementation and enforcement of the code.

Michael Hutchings is a solicitor who has acted as adviser to the Groceries Market Action Group during the Competition Commission inquiry and the passage of the Groceries Code Adjudicator Bill



# Power and responsibility in the UK's dairy industry

Six lessons from a summer of discontent



**Tom Hind** looks back on this summer's dairy 'crisis', which pushed the plight of dairy farmers up the political agenda.

Farming makes for headline news when there's a crisis. True to form, mainstream media was dominated during July 2012 by news of the outrage felt by dairy farmers at planned cuts to the price of their milk, with fingers pointed squarely at several major retailers and dairy companies for allowing this to come about. Many previous industry 'crises' may have been seen as little more than a flash in the pan, an opportunistic chance to grab some headlines with little if any discernible change in the fortunes of farmers or the industry after the event.

The 'SOSdairy' campaign was different: in the space of eight weeks price cuts had been rescinded, retailers had committed to change pricing mechanisms, dairy companies were introducing new, more favourable terms and a deal was reached to deliver fairer supply contracts to farmers. These were impressive results for campaigning by anyone's scale.

So what lessons can be taken from the 'crisis' in the dairy sector about power and responsibility in the supply chain?

- 1. Connection to the consumer is vital. The biggest lesson of all is that whatever we think about the distribution of corporate power, within the grocery chain at least, ultimate power rests with the consumer. Were they not to build such an affinity to the cause of dairy farmers and be drawn into challenging the activities of certain retail chains, it is doubtful that the campaign would have been successful.
- 2. Iconography is key. There is something iconic about the dairy sector, perhaps born of a sentimental attachment to cattle as docile, friendly beasts. What's more, Britain was basking in a patriotic glow of the Olympic Games that created a more favourable 'environment' for support. Combined, this iconography can be used to shape a consumer message about supporting an industry. Over time, consumers have bought into a belief that dairy farmers are honest, hard-working people trying to do a good job in difficult circumstances. There are some challenges around this view, mostly associated with large scale farming, but generally it's a positive impression that sticks in the mind.
- 3. The power of the media. It may be taken for granted that public perception influences consumer behaviour, which in turn shapes ultimate power in the grocery market. Therefore

harnessing media support is vital. What particularly stands out from the 'SOSdairy' campaign was the role of social media (#SOSdairy) in conveying messages across consumers and directly to food retailers, in turn shaping perception and perhaps even accelerating the speed of some of the announcements made by retailers.

- 4. Never underestimate the risks of reputational damage. In any sector, maintaining a favourable reputation is often vital to success alongside competitiveness, innovation and so on. But this is even more the case in fast moving, fiercely competitive consumer goods sectors like grocery retailing. If anything, the consolidation of major businesses not only concentrates power but also public attention which in turn should lead to a keener focus on maintaining reputation, especially if a competitor stands to gain at your expense. It was telling that in singling out a select handful of companies, the initial phases of the campaign were able to concentrate the reputational focus.
- 5. Companies possess power to change ... if they want to. Classic liberal economists and free-marketeers will of course always say that supply and demand determine markets. Changes in raw milk prices paid to farmers have been blamed by dairy processors and their representatives on market forces, pointing to steep declines in the price of commodity products. If this argument is to be believed then the major businesses operating in that market, like retailers, are passive to rather than shapers of market forces. This argument may be valid when it concerns tradable commodities. But there is something unique in liquid milk being a perishable product that suggests there can be a different way of doing business. The lesson here is that if retailers or other major companies want to do business differently to the laws of global markets, they have the power to do so if they want to.

Earlier this year, the NFU conducted a comprehensive review of corporate social responsibility (CSR) policies of the 10 largest grocery retailers in the UK $^1$  and the impact these are having on UK farmers and growers. CSR programmes have become more comprehensive in their breadth and depth over recent years. Whilst there remains a perceived disconnect between corporate ethics (underpinned by CSR programmes) and commercial expediency, CSR programmes



are increasingly shaping the relationships between farmers, food manufacturers, caterers and retailers. Most major retailers adopt corporate policies in favour of UK sourcing, which impact on buying decisions. Many seek to espouse values linked to sustainability that compel farmers to adopt higher production standards than regulation. And some CSR programmes seek to strengthen direct relationships between farmers and retailers.

One of the major ironies in this summer's dairy sector crisis is that in spite of the substantial allegations of dysfunctional supply chains and power imbalance, the dairy sector exhibits some of the best examples of relationships between farmers and major supermarket chains. In fact, the dairy sector stands out for the scope and maturity of these relationships: Tesco, Sainsbury's Asda, Marks and Spencer and Waitrose all make a

virtue of their 'dedicated' groups of dairy farmers, who benefit from price premiums or event specific formulae that factor in production costs. In fact, in few other sectors are there so many examples of these so-called aligned supply chains.

Why have some retail chains sought to align themselves with specific groups of dairy farmers? Anecdotally, it appears that there are three key drivers. The first is to ensure the integrity of sourcing, ensuring that the product that reaches consumers is not only high quality, but also responds to various consumer concerns around environmental protection, animal welfare and, indeed, milk prices. The second is to manage risk: however small, there is/was a clear and present danger of milk production falling to perilously low levels which might just threaten future supply. The third is cost management: being able to quantify the cost of supply whilst reducing exposure to market volatility.

There are some unique features of the liquid milk market (for example that they are homogenous, perishable product and sold in large volumes) that lend itself to creating these long-term, dedicated supply chains. These cannot always be replicated for other sectors. What is more, even within the dairy sector, liquid milk sold through supermarket chains represents a fraction (less than 20%) of all milk sold by farmers. This tells us two things. The first is that 'joining the club' by being part of a dedicated supply chain with a supermarket can never be a panacea. What is more, whilst locking one's business into supplying one supermarket can help farmers by giving greater business certainty and market orientation, it can also expose a business to an unhealthy degree if risk.

But the fundamental point is that the dairy sector tells us there is a different way of doing business from the short-term, cutthroat approach to tendering and managing food procurement – if supermarkets and other major customers want this to be the case. The question is why would a business, operating in a fiercely competitive environment, driven by shareholder expectations and desire to outgrow its competitors, want to change the way it does business and develop more responsible supply chains?

As we highlight in our CSR review, a report from Business in the Community identifies seven benefits to being a responsible business ranging from the obvious maintenance of brand value and reputation through to an ability to unlock business opportunity. I would identify an eighth, which is addressing policy and regulatory challenges.

It's here where we learn lesson number six from this summer's dairy saga – that the scope for government intervention may be limited, but should not be discounted. It is patently clear that the current government is not keen (to put it mildly) to regulate, especially if it might be argued that this could impact adversely on business freedom or food prices.

Nevertheless, political pressure can 'nudge' business towards taking responsible choices. As a consequence of public and political pressure, combined with skilful brokering by the former Minister of State James Paice, the NFU and its sister organisation NFU Scotland were able to reach agreement with the dairy processors' organisation Dairy UK on a code of practice for raw milk contracts.

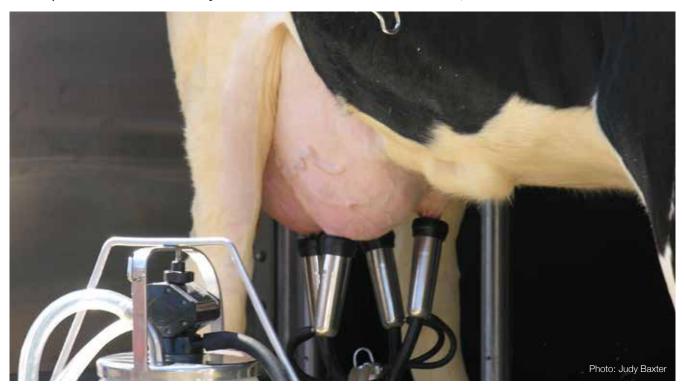
That said, it is important to recognise the political and practical constraints of government intervention and the circumstances in which government might be minded to legislate. In the case of dairy, as in the case of the retail market generally (the Groceries Supply Code of Practice), the intervention is designed to 'correct' distortions and abuse of market forces, not curb robust, commercial negotiations or deliver on wider sustainability objectives. The reality in future is that as major businesses consolidate and become more global in reach, the ability of individual governments to intervene will become more and more limited.

I believe we need to accept a certain inevitability that when it comes to issues of power and responsibility, we need to be mindful that the economic context in which the food industry operates is unlikely to change. It will still be driven by competition, desire for growth, keeping costs down and giving customers best value. In this context, the best way of all of harnessing the power of major supermarkets and food companies in order to drive more responsible business practices, will be to show clearly how changing the way the grocery supply chain works is likely to be in their long-term commercial best interests.

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Tom Hind is Director of Corporate Affairs at the National Farmers Union.



# The customer is king Milk in the spotlight



**Andrew Opie**, Director of Food and Sustainability at the British Retail Consortium, argues that, rather than revealing a power shift in the food system, the recent dairy discussions have reinforced two fundamental points.

Consumers drive the market and its developments. They are all-powerful, and never more so than in the current climate. Retailers, processors and farmers are all subservient to them. Our global food system means that UK prices are affected by the activities of consumers thousands of miles from our shores. An analysis of the UK dairy sector, woefully missing in many commentaries, shows how globally traded commodities such as skimmed milk and cheese affect the price thousands of farmers receive for their milk.

Consumers want value (of which price is only one component) and are prepared to use their power - choice, of retailer or brand - to get it. Of course, with staples such as milk, price will be a large part of that equation but value also has other components and they're not necessarily things consumers would see as extras, rather things they expect a retailer to deliver as a matter of course They want high quality fresh milk, so logistically there is only one choice: British. They have high regard for, even if they know little about, farming production and a significant number want to support British farmers. Some, but not all, want to buy British products, including cheese and yoghurt, but the truth is country of origin joins factors such as quality and price in that choice equation. Even so, price is very important and, on a staple such as milk, may be seen as an indicator of the overall value delivered by a given supermarket. With so much retail choice, and so little money in their pockets, customers will exercise their power by moving from store to store, driving competing businesses to deliver the value they demand.

What does this mean for retailers? They must secure the products consumers want at the quality and price they demand. Consistent, quality supplies are fundamental to the survival of a retailer. That is why they know there is no real alternative to fresh, British milk at the right price. That has meant investing at both ends of the supply chain. Setting up dedicated supply chains with groups of farmers to pay a long-term sustainable price but also investing in promotions in store – at the retailers' expense – to meet the demands of customers.

Investment in dairy farmers is not new to retailers, and for good reason. It secures a key supply chain, it allows a joined up approach to resource management and rewards farmers for improvements to welfare and environmental practices. It amazes me that the high price we pay gets so little recognition

and that other food companies have not adopted the same long-term approach.

The other factor emphasised by the dairy discussions is the influence of global trade. Only half the milk produced in Great Britain is used as liquid milk. The rest is processed into cheese, yoghurt and skimmed milk – all globally traded commodities. This influence is magnified in Northern Ireland where 85% of dairy production is exported. The fascination with liquid milk misses the point when so much of our dairy trade is dependent on global pricing. Even if supermarkets were to pay a £1/litre for the milk on their shelves it would make no difference to thousands of dairy farmers as supermarkets only need a proportion of the 50% of milk produced that ends up in bottles and cartons.

Those farmers not supplying UK retailers are more influenced by Chinese and Indian consumers. Recently, as those consumers grew richer and included more dairy products in their diet, global prices went up – good news for the UK dairy sector. Now, as demand has slowed and we have entered an over-supply situation, prices have fallen back with a direct impact on the price dairies pay their farmers. There is no getting away from the influence of the global market.

What does this mean for the supply chain? Two things. Firstly, there will be opportunities for dairy farmers. Our climate is ideal for dairy production and we have a highly skilled sector. We should be in a strong position as global food demand increases and changes. There is one caveat, we have been too insular and not invested in exports in the way that the Danes or New Zealand have and we will have to make sure we capture our share of the market. The second point is, that as farmers have more opportunities to sell their produce, we in the UK will need to secure our own supply chains. Which takes me back to those dedicated supply chains!

So I don't think the discussions tell us anything new but they do magnify the issues. The consumer remains king but his or her influence will increasingly be across a global market. The beneficiaries of that, with a rising population and finite resources, will be farmers.

Andrew Opie is Director of Food and Sustainability at the British Retail Consortium.

# The big question

### Where does power and responsibility lie in the food system?



lan Price heads Triodos Bank's food, farming and trade team and is responsible for lending to organic and sustainable agricultural and food business across the UK.

Arguably there are few better examples of the abuse of power and responsibility than those thrown up by the banking sector over the last five years. From fixing interbank lending rates to money laundering and mis-selling to breaking sanctions; the scandals have rightfully put banking in the spotlight for all the wrong reasons. But perhaps an even worse abuse of power is occurring, with a cost that can be counted in lives rather than hard cash.

The World Development Movement is campaigning against the huge profits banks reap from betting on food prices. Following the sub-prime mortgage crisis there was an immediate spike of investment into food commodities as banks looked to put their money elsewhere for a quick win. Speculators used to make up less than 15% of commodity markets - now it's over 60%. Trading is disconnected from what's really happening on the ground and no longer relates to supply and demand. The result is instability and inflated global food prices, making poor families around the world go hungry and forcing millions into deeper poverty.

But banks can also be a power of good. By injecting capital they can help develop markets and enable them to thrive. Triodos has ring-fenced funds at discounted rates to help to fund the development of the Soil Association's Food for Life Catering Mark and reverse woeful lack of organic cereals grown in the UK. As a bank it's one way to respond to imbalances within markets and help the sectors we believe are key to a thriving sustainable society.



Andrew George is MP for St Ives and Co-Chair of the Liberal Democrat Parliamentary Policy Committee on DECC and DEFRA.

The competition authorities noted in 2000 that supermarkets have been able to dictate market conditions and suppliers have been in a relatively weak negotiating position. Creating an Adjudicator to monitor and enforce the Grocery Supply Code of Practice (GSCOP) will be vital.

British supermarkets are phenomenally successful businesses. Their treatment of suppliers is an entirely rational approach to their market. If any of them relaxed the stranglehold they have on suppliers they would lose their edge and hence market share. However, the question that I as Chair of the Grocery Market Action Group (GMAG) have raised for a decade on behalf of suppliers is whether effective use of market muscle has unfortunately become abuse of power that damages the sustainability of the many suppliers. The GMAG presented evidence to the Competition Commission on these abusive practices.

The Commission's 2008 Inquiry found that supermarkets were using their market power to 'transfer excessive risk and unexpected costs' to suppliers and warned that without action these practices would 'have an adverse effect on investment and innovation in the supply chain and, ultimately, on consumers'. The Groceries Code Adjudicator Bill will mean the practices defining relationships between supermarkets and suppliers can be monitored and, where the GSCOP rules are found to have been broken, they can be enforced by the Adjudicator.

At present having the GSCOP alone is akin to a game of rugby that is being played with a rule book, but without a referee to ensure it is obeyed. The Adjudicator will be this referee.



**Bob Kennard** is managing director of Graig Producers, an independent Organic Livestock Marketing Group in mid-Wales.

The beginnings of a seismic shift in power in the red meat supply chain over the past few years could leave the beef and sheep farming sector in a helpless state similar to the dairy industry, whose numbers have halved over the past decade.

It seems that most supermarkets and abattoirs are intent on imposing a system of direct supply by individual farmers, leaving farmers' marketing groups to simply "fill in the gaps". Members of these groups are increasingly contacted by processors persuading them to supply direct, with various inducements. Recently some marketing groups were denied access to a major red meat processor, because it insisted on paying farmers direct; breaking the groups' financial relationships with their members. In part this is due to a shortage of supply of cattle and sheep, but it is also about control in the guise of improved efficiency.

There is precious little evidence of a joined-up supply chain. The system is driven by short-termism: innovation is virtually impossible, and there is no true organic meat market, with just three or four UK buyers for 80% of organic animals. Many farmers have been unwittingly complicit in this shift of power by following the pennies, with no long-term commitment to collaborative marketing.

The size, scale and power of supermarkets and processors increases, but it's unmatched by an increase in the scale of collaboration between farmers. And yet those small family farmers finding themselves enmeshed in price contracts and increasing costs will need increased strength in the marketplace to avoid a tragedy in the rural economy. This potential consolidation is happening in the name of efficiency. The alternative to consolidation is to make savings through farmers collaborating with neighbours, rather than amalgamating their farms. Genuine joint marketing by larger farmer groups can benefit farmers, consumers and retailers.



**Sarah Compson** is Ethical Trade project manager at the Soil Association.

Despite the recession, sales of Fairtrade food rose 36% in 2012, clearly showing an appetite for fairer trading. It's no surprise, then, to hear calls to create a 'fair trading' scheme for British farmers that could complement the existing Fairtrade scheme that works so well for trade with the developing world. Could such an initiative shift power in the food system? At the Soil Association we believe it could be a real force for change. In 2008 we launched our Ethical Trade standards, a scheme which applies across a product's whole supply chain, and covers three key areas: fair trading relationships, fair employment conditions and social and cultural contributions.

Some might ask why we need an ethical trading standard in the UK. Aren't our farmers and workers protected by law? The answer is yes...and no. While some standards related to employment conditions are already enshrined in UK law, those laws can sometimes be poorly enforced. In 2010, 42% of UK workers were not paid legal overtime pay on weekends, and 24% suffered abusive treatment and harassment.

Our Ethical Trade scheme makes sure a price is 'fair' too, helping protect the producer. We assess the way that a price has been agreed, make sure that all relevant parties have been involved in the negotiation process and require long term contracts to be put in place. This ensures as optimum a price as the wider market conditions will allow and avoids some of the short-termism in planning that can be tough for small businesses. There are some broader issues related to equity and fairness within supply chains beyond the scope of the Ethical Trade standards. But we are certain that it provides a good starting point.

Buying Ethical Trade products sends a clear message to retailers that consumers care that products have been produced fairly; that those involved in making it have received a fair price; and power is fairly distributed across the food system.



Jennifer Smith is Head of Operations at the Plunkett Foundation, a charity that provides support to community-owned enterprises in rural communities.

Most people would agree that the past five years have seen an increase in people's desire to have a relationship with their food's provenance, illustrated quite clearly by supermarkets' powerful advertising campaigns emphasising their links with British farmers and local produce. But there's also been a shift in terms of personal responsibility; consumers no longer need or want to play a passive role in the production of their food, and this is reflected in the surge of growth in the community food sector in recent years.

People across the country are changing how they, their neighbours, and communities interact with food and their food economy. They are supporting local by shopping at farmers' markets; organising distribution networks; growing food and setting up their own enterprises. The sector may be small, but it's quickly growing and the enthusiasm is addictive.

Since 2007, Making Local Food Work has worked with over 1,500 community food enterprises, mostly small, less than five years old, and primarily serving their local community. However, looking at the community food sector as a whole, their combined turnover is estimated at £77 million (SERIO:2012). People aren't waiting for change to happen to them, or for national policy to impact their communities. These individuals and groups are taking their life choices by the scruff of the neck and creating new local markets and new local ways of growing, purchasing and producing food.

The community food sector isn't antibig business. Instead, it is proving the need for diversity in the food sector. A one-size-fits-all-approach does not meet the needs of our changing world. Local 'human-scale' businesses are just as important to the resilience of the food sector; the community food sector is growing, and for a very good reason – it's driven by demand.



**Charlie Powell** is campaigns director at Sustain: the alliance for better food and farming.

The food industry is doubtless delighted that it sits cosily round the table where public health policy is set. It's a welcoming table, presided over by a minister who believes our health is a matter of personal responsibility and that we can be 'nudged' to healthier choices. The result of much plotting with big food companies, initiated by Andrew Lansley when he was still shadow health minister, is the Department of Health's so-called 'Responsibility Deal'. Using this guise to present themselves in a positive light, the food industry steers the agreement of vague, voluntary 'pledges' which allow business as usual. In this snug world, talk of government regulation is barely heard.

Meanwhile, government also endorses self-regulation of food marketing, which creates a further façade of industry responsibility. The industry-funded Advertising Standards Authority was challenged recently about how it would ensure that its rules "are effective and reduce the appeal to and the exposure of children to ads for less healthy foods". It promptly removed this self-styled "ongoing commitment" from its website.

The Government's unquestioning faith in the usefulness of voluntary approaches flies in the face of evidence about the most cost-effective ways to promote public health, which include legislation and fiscal measures. As the House of Lords concluded last year, voluntary agreements with businesses are failing to improve public health. Other approaches, including regulation, are needed – not least to reduce the power of the food industry and force it to be more responsible.

# Food and finance

### A movement for change



This article takes the form of a plea and an offer, writes **Catherine Howarth**: a plea to the community of people with knowledge and compassion about food ethics to turn your attention to an embryonic but dynamic citizen-led movement for socially responsible investment; and an offer to make food justice the focus of ambitious future projects employing the tools and insights of capital markets campaigning.

The behaviour and decisions of major investors – amongst them the UK's pension funds – have enormous relevance to the ethics of food production, distribution and marketing. Indeed as our pension funds have sought to diversify from traditional asset classes (equities, bonds, property), an increasing number are now investing directly in farmland, forests, physical food commodities and their derivatives. This trend is raising the stakes considerably.

The field and practice of responsible investment has been evolving, and it is worth exploring the strengths and limitations of the approach that has become dominant. In 2006, with the blessing of the United Nations, a global network of major investment institutions developed a set of six principles that arise from the insight that environmental, social and corporate governance (ESG) issues can affect the performance of portfolios and should be given appropriate consideration by investors.

The voluntary Principles for Responsible Investment (PRI) have gone on to enjoy huge success, with over 1000 investment institutions worldwide signed up by mid 2012, representing over \$30trillion in assets. The Principles have undoubtedly moved the mainstream investment world in a positive direction, introducing a more intelligent, multi-faceted approach to investment decisions amongst a significant minority of the largest global investors.

PRI signatories are more likely than investors on average to think carefully about labour practices in the supply chains of companies in their portfolios, about climate change risks and opportunities, and the executive remuneration policies of major listed companies. In particular, Principle 2, "We will be active owners and incorporate ESG issues into our ownership policies and practices", has encouraged signatories to acknowledge the stewardship responsibilities of ownership and catalysed a shift away from the laissez-faire approach of many 'absentee landlord' institutional investors.

But responsible investment as defined by PRI is ultimately about increasing financial returns through an astute assessment of the monetary implications of social, environmental and governance factors as they affect investee companies. The principles do not demand that investors or companies do the right thing except in so far as it pays them to do so.

From a public interest point of view the limitations of this approach are illustrated by looking at a number of food-related concerns. Take obesity, which has emerged as one of the most significant health challenges of the 21st century. Smart investors, including many PRI signatories, are starting to focus on the long-term social trends, the financial risks, and the opportunities to make money from obesity.

To help them in this, Bank of America Merrill Lynch recently developed a Fighting Global Obesity Stocks list which focuses on four sectors set for long-term commercial benefit if current trends persist: pharmaceuticals and healthcare; food; commercial weight loss, diet management and nutrition; and sports apparel and equipment. Whilst there is nothing wrong with investors gaining from interventions that help people to manage or reduce obesity, it is unsettling that widespread addiction to heavily processed sugary foods, whose profit

margins are generous, combined with increasing dependence on drugs, services and other commercial activities to treat the public health fall-out of the epidemic, is effectively the most lucrative investment scenario. Profiting from this combination of outcomes is hardly what the man or woman in the street would understand by responsible investment.

The investment pros and cons and the attendant ethical dilemmas are still more acute with climate change. In the short term dividends from oil and energy companies are a pension fund's good friend: easy to quantify and helpful in plugging deficits. Conveniently ignored for now is the longer-term damage arising from a changing climate to global economic development as well as to the wellbeing and prosperity of pension savers. For the time being most pension funds are, in practice, climate deniers with the carbon intensity of their holdings rising year on year. Meanwhile, a growing number of these funds are signing up to the Principles of Responsible Investment. The contradiction is barely acknowledged, let alone challenged.

There are two key barriers to a more enlightened model of pension investment that, for example, would take a long hard look at obesity and climate change and aim for prevention rather than short-term profiteering. The first is the prevailing interpretation of investors' legal duties. The fiduciary obligation of a pension fund to act in the best interest of its members and beneficiaries is understood in practice as a duty to maximise financial returns in the short-term. This leads to a systematic neglect of investment factors that become financially material over a time frame of greater than a couple of years. In addition, the current orthodoxy on fiduciary duties gives unjustifiably short shrift to the ethical preferences of pension savers.

FairPensions has proposed clarification of investors' fiduciary duties to re-emphasise trustees' freedom to take an enlightened, rounded view of their beneficiaries' best interests. Advancing savers' financial interests would remain the overriding consideration for pension providers but the law would provide explicit permission to take a long-term perspective on financial success, taking account of beneficiaries' ethics and their non-financial interests, including their interest in retiring into a world which has not been destabilised by rapid climate change. Support for legal clarification along these lines is growing inside and outside Parliament as well as in the investment industry. Still, there is a real need to build public support for overturning the narrow definition of fiduciary duty that dominates today's pension industry.

The other barrier to change is that pension savers are overwhelmingly disillusioned, disconnected and disempowered in relation to the institutions that look after their investments. A series of industry scandals, a long period of disappointing returns, and the accelerating disappearance of final salary schemes have all contributed to the poor public image of pensions. This is compounded by a chronic lack of transparency. Pension providers are not required and overwhelmingly fail to explain what companies and sectors people's savings are invested into. Nor do they generally report on efforts made to monitor the strategies and operations of investee companies.

But even if pension providers were more transparent, which would certainly help, this would not guarantee greater public interest. The reality is that savers urgently need to be imaginatively engaged with what happens to their money for only they can drive the mainstream investment industry towards a more genuinely responsible stance. Financial selfinterest ought to be a powerful driver of curiosity about pension investments, and it is for some. But all the evidence points to most people being focused only on the immediate money pressures facing them today. What has more potential to engage and interest savers are the human challenges of hunger, health and climate change. Indeed, starting from a small base, the number of people waking up to the potential of their pension savings to make a positive difference is growing fast. This movement of activist savers is not focused on 'ethical screening'. Rather, the emphasis now is on realising the huge potential of shareholders to influence business practice around the world through focused dialogue with the boards and management of powerful companies. The mission of FairPensions is to help people make the connection between their ideals and their savings, and to give them the tools and resources to demand new thinking and a different approach in the mainstream pensions industry.

To achieve that shift FairPensions works in partnership with researchers and civil society organisations that have deep, specialist knowledge about topics where investor action (or inaction) is a relevant factor. Armed with their expertise and advice, we present clear, achievable demands to the professional investment community on issues as varied as arctic drilling for oil and gas, human trafficking, digital human rights, and widening earnings inequality. Our campaigns are already achieving substantive, positive changes in what companies do and how they operate. But much more is possible.

#### What You Can Do

Become a Workplace Responsible Investment Champion, advocating for change with your pension provider and building support amongst colleagues for shareholder activism campaigns

Attend the AGM of a publicly listed company to ask questions of the directors about their impacts on food and farming.

For more information about both visit: www.fairpensions.org.uk

If we want to maintain a convincing movement for change in the investment industry, it needs to be powered by the commitment of individuals who have a direct stake in the system through their pension funds. It is critically important to work on campaigns which resonate powerfully with the public. Food ethics issues – perhaps most urgently hunger – touch people at a deep level and have enormous potential to attract new energy and supporters to this fledgling movement. It is equally true that sustained pressure from savers on powerful investment institutions to influence animal welfare, land grabbing, agricultural labour standards, and many other vitally important concerns, could help accelerate the change towards a better, fairer food system we all want to see.

Catherine Howarth is CEO of FairPensions

# The Fairtrade movement

### Shifting power in the food system



Organised producers and standards that hold traders to account can shift the balance of power in the food system, writes **Harriet Lamb**.

Raul del Aguila is the softly-spoken manager of COCLA, a Peruvian coffee co-operative supplying Fairtrade hot drinks firm Cafedirect and other companies. He has represented Latin American producers on the Board of Fairtrade International for six years. He says: "For me, the crux of Fairtrade has always been that it is not just a certification system; certification is simply a tool. Fairtrade is an agent for change. It promotes a new way of being: producers farm more responsibly; companies do business more responsibly and consumers purchase more responsibly. It's much more than buying a coffee – it's a path to improving transport, education, governance. It works because it's about involving people throughout the whole system in deciding on and making this change."

Raul puts his finger on how Fairtrade has helped shift power – by involving everyone in the process of creating change. In the mainstream market, power is increasingly concentrated: the hourglass leaves a handful of companies buying goods from millions of farmers and selling to millions of consumers. To counter that concentration of power, the farmers and workers, and consumers have organised themselves. This organisation is the key to unlocking the power of the many.

Alone, a smallholder selling her coffee or tea is powerless. She has no choice but to do business with the first passing middleman who offers her the cash she so badly needs to feed her family. But organised into a group, that same woman can begin to trade, to negotiate prices – to change her position in the supply chain. Some years ago I visited a group of cotton growers in South India. Each had a tiny plot of land. Come harvest time, when they needed to hire equipment they

had no money left. Bank doors were slammed in their faces; smallholders are too big a risk. So they had to borrow from the local moneylender who charged 30% interest and also insisted they sell him their cotton. They knew he was cheating them with tampered scales but felt powerless.

Then they got organised, according to Fairtrade rules, into a group called Chetna Organics, with a contract to sell direct to the brilliantly named Pants to Poverty. Contract in hand they received a bank loan. In a powerful symbol of change, with their first premium payment they bought a set of scales. Now the farmers themselves knew how much cotton they had harvested, its worth and where it was going.

This is why Fairtrade standards for producers focus so strongly on democratic organisation. Farmers are offered support and training on how to organise, how to negotiate and do business. Critically, there are also standards for traders. Power in the food system cannot be shifted if all the demands are placed on the producers. Traders, brands and retailers also have to be held to standards that ensure a fair price is paid, with an additional premium for farmers and workers to invest in their future. The farmers' sense of pride and achievement which comes from knowing that premium projects from schools, to health insurance schemes, to warehousing which protects crop quality, were paid for by their hard work and skills can never be underestimated. They walk with their heads held high in their communities. And they have more confidence, as one flower worker in Kenya said to me, because they are not forgotten at the end of a long supply chain. All of this makes for a true shift in power.

Of course, it is a long process. The strongest groups now own their own coffee or cocoa brands; set up export platforms for many co-ops, have diversified or moved up the value chain into processing or even owning their own brands – such as Divine chocolate which is part owned by the Ghanaian producers' co-op, Kuapa Kokoo. Kuapa with 60,000 farmer members, now exports over half of its cocoa on Fairtrade terms, including to big boys such as Cadbury's, and has become a real player in its own country.

The standards – set through global multi-stakeholder dialogue – hold the traders to account and insist on transparency. They are far from perfect, but only such objective rules can protect disadvantaged producers who are otherwise always at the mercy of the powerful. So why would companies meet these voluntary standards? Because through Fairtrade the public are also organised. People have formed local Fairtrade groups in their towns, faith groups, schools and universities. Through these networks people talk to their friends and neighbours, raise awareness about Fairtrade, and encourage companies to

offer the products. And it is deeply democratic. You don't have to be a policy wonkor a hard-core banner waver to be part of this – you just have to buy Fairtrade tea in your corner shop.

In fact the very way that local people have organised to raise awareness of Fairtrade has helped strengthen their own communities. Last year Luton became a Fairtrade Town in an initiative that united people from all sections of society – school kids, the elderly, every religious community imaginable, businesses, the Council and retailers. An increased sense of community grows and this helps create a better society with different values. As Michael Sandel writes in 'What Money Can't Buy', 'We drifted from having a market economy, to being a market society'. That is what Fairtrade, through the way people have organised, is helping to challenge and change across the world.

Fairtrade has contributed to changing the climate within which businesses operate, helping put fairness on boardroom agendas. Fairtrade is so popular with the public and so well



known that companies want to engage. They know that the public doesn't only want the cheapest – that too is a shift in power. By 2012, sales of Fairtrade certified products in the UK had reached an estimated £1.32bn in retail value in the UK – more than the sales of Coca Cola – and globally, around €4.36 billion. Some one third of all bananas and 40% of retail sugar are now Fairtrade. Worldwide we are working with over one million farmers and workers in nearly 1,000 co-ops – from those with nine members to those with more than 60,000. In 2011, they earned €65 million in premium alone.

Of course it helps that farmers are walking away from the land, voting with their feet against the long term decline in prices for their crops. In Ghana, the average age of a cocoa farmer is 56, as young people drift to the cities. It's a wake-up call for companies. As Cadbury's says: "No beans, no bars". It needs to ensure farmers see a future in growing cocoa so that it can go on making chocolate! And as farmers are rational economic people, the best way to persuade them to stay on the land and invest in increasing productivity must surely be through paying fairer prices. Price is the best fertiliser. Which is another reason why today three of the nation's top favourite chocolate treats are Fairtrade – Cadbury's Dairy Milk, Maltesers and Kit Kat four finger.

So far, so impressive. However Fairtrade makes up less than 1% of global sales of most of the commodities it certifies. The Food Justice report from the Food Ethics Council shows that, broadly, industrialisation in agriculture has benefited larger scale producers, and undermined the livelihoods of small-scale subsistence farmers. Their livelihoods have also been constrained by restricted access to resources such as land and the capital needed to farm and restricted access to local and global markets.

At a recent conference in Malawi, Fairtrade farmers gave voice to solutions: farmers need pre-financing at the right time; they need extension services which support and build their organisations (rather than undermining them); they want to

#### Five big milestones over the last five years

- In 2007 Sainsbury's switched all of its bananas to Fairtrade in an iconic move that has benefited thousands of farmers and firmly placed Fairtrade bang slap in the mainstream. Other switches followed in 2008 Tate & Lyle announced it was going to convert to 100% Fairtrade for its retail sugar business and 40% of all Belize's exports are now Fairtrade.
- In 2009 Cadbury's Dairy Milk went Fairtrade in the biggest commitment to Fairtrade to date. The launch in the UK and Ireland was so successful that you can now buy Fairtrade Cadbury's Dairy Milk in Canada, Australia, New Zealand, Japan, South Africa and Kenya.
- In 2011, the movement reached 1,000 Fairtrade Towns globally. In the UK there are more than 550 Fairtrade towns, nearly 7000 Fairtrade faith groups and nearly 1,000 Fairtrade Schools, Universities and Colleges.
- $\bullet$  In 2012, all the bananas, tea, coffee, sugar sticks and some wines at the Olympics and Paralympics were Fairtrade which meant £100,000 generated in premium alone.
- Products have been launched which come from conflict zones – Palestinian Olive Oil, Afghan raisins and coffee from the Congo. We are seeing that Fairtrade can help communities in troubled regions begin to free themselves from poverty.

know where their products go (traceability in reverse) as well as better training and support to help producer organisations present themselves as a good risk. Fairtrade has helped to give them that voice. With Fairtrade we can work to help elevate today's farmers to new possibilities and release new potential. Or as Costa Rican banana farmer Arturo Gomez puts it: "Before I was someone who took a box and loaded it on to a train. That was my only responsibility. In this new Fairtrade system I have become an international businessman." The trick now is, using our successes to date as a springboard, to unlock the power of the many.

Fairtrade is performing well within the economic recession, but there is still so far to go. And it has got tougher as businesses look to price cutting and consumers' need to buy cheap. So now more than ever retailers and brands need persuading that the public's appetite for ethics remains undiminished. Companies need to take the big bold moves that will transform their engagement with the very producers on whom they depend – and so also their image with the public.

Everyone can help make this happen: by asking for Fairtrade in their local café, supermarket, corner store; writing to companies asking for Fairtrade and congratulating those who take a step; encouraging workplaces to buy Fairtrade refreshments..... We can all ask our school, church, health club, trade union or town hall to back Fairtrade.

Here the Government can lead by example. We urge the UK Government to set a more ambitious minimum requirement for its own buying, increasing the 50% goal for Fairtrade tea and coffee to 100% and expanding into other product areas. This fits with the Millennium Development Goals and other development and ecological priorities. There is no reason why this should not happen as more companies offer Fairtrade at competitive prices.

Governments can do even more than this. Our own Government is to be congratulated for its commitment to protect and increase the aid budget. Now more funds can be allocated to support agriculture and trade should ensure that the needs of smallholder farmers are prioritised. And developing country governments can increase investment in smallholder agriculture – farmers need that support. Studies show this can lead to substantial gains in terms of productivity per hectare, improving environmental sustainability and poverty reduction and improved equality of income. This is even more important because farmers in developing countries are likely to be further hit by climate change and governments can support adaptation initiatives being undertaken by smallholders.

To quote IFAD President Kanaya F Nwanze: "It is time to look at poor smallholder farmers and rural entrepreneurs in a completely new way – not as charity cases but as people whose innovation, dynamism and hard work will bring prosperity to their communities and greater food security to the world in the decades ahead."

Harriet Lamb is Executive Director of the Fairtrade Foundation.

# Improving England's food environment to rescue citizen health

## Reflections on power and the Public Health Responsibility Deal Food Network



Can the Coalition Government's Public Health Responsibility Deal Food Network improve England's food and eating environments, asks **Vivica Kraak**?

In 2009, the Corcoran Gallery in Washington, DC organised a 40-year retrospective exhibit of the American photographer, Richard Avedon, which captured images of elite government leaders, social justice activists and citizens over four decades of political debates in the United States. What was memorable about Avedon's posthumous photographs was his portrayal of a dialogue among those who use power to exercise control and those who seek power to affect change.

Inspired by that exhibit, I explore whether the UK Coalition Government's Public Health Responsibility Deal Food Network can improve England's food and eating environments by using a lens of power to examine five issues: using evidence-informed policymaking, creating trustworthy partnerships, institutionalizing accountability, using effective communication, and people petitioning government to act in their interests to protect public health.

#### Power of evidence-informed policymaking

In March 2011, Andrew Lansley, Secretary of State for Health, and the UK Coalition Government launched five Public Health Responsibility Deal Networks (Food, Alcohol, Physical Activity, Health at Work, and Behaviour Change) to engage industry stakeholders through voluntary partnerships to address urgent public health challenges facing 51 million people in England. <sup>2,3,4</sup> Before the launch, passionate debate ensued about whether the politically conservative Coalition Government's decision to use the US-inspired 'nudge approach' was appropriate and adequate to influence people's behaviours

and unhealthy environments to address the scale of England's obesity and non-communicable disease challenges.

Certain groups remarked that using non-adversarial, voluntary, industry-engagement strategies and 'choice architecture' could create healthier default choices for England's citizens. <sup>6,7</sup> Sceptics scorned the Government's imprudence for using voluntary partnerships as the primary strategy to address England's enormously expensive and complex public health challenges. <sup>8,9,10,11</sup>

The Lancet accused Mr. Lansley of "...putting the interests of big business at the heart of public-health policy [ensuring that] the UK's big society will not be shedding the pounds any time soon." Mr. Lansley's response was that "Setting the agenda on public health is and will always remain the responsibility of government... I am challenging business to make a tangible contribution and create an environment that supports consumers to make informed, balanced choices that will enable them to live healthier lives... The Public Health Responsibility Deal is just one strand of our overall strategy..." <sup>13</sup>

A timely evidence review14 identified the need for strategic partnerships to translate proven, population-based strategies into action to produce broad sustained impact. The Food Network deserves recognition for tackling population-based food supply reformulation. Yet the Coalition Government has ignored other promising strategies, such as legislating mandatory nutrition labelling to accelerate reformulation and create a level playing field for all businesses, reducing

the promotion of unhealthy food and beverage products to children, and using bold fiscal policies to subsidise fresh fruits and vegetables and discourage energy-dense and nutrient-poor food and drink purchases.

Many UK advisory reports 15,16,17,18,19 were available to inform the Government's approach to engage all sectors and settings to improve England's food and eating environments. In October 2011, Healthy Lives, Healthy People<sup>20</sup> was released, offering two major strategies to reduce unhealthy weight by 2020: a five billion calorie/day 'cap and cut' reduction pledge implemented through partnerships that became the Food Network's fourth pledge<sup>21</sup> and a devolution of national government regulatory oversight to local governments with no clear budgetary support to help local officials achieve expected health outcomes. At the time of writing (September 2012), the Coalition Government had as yet failed to use the power of relevant evidence-informed policymaking to convincingly articulate the 'other strands of their overall strategy' and provide a vision and robust policy framework to create healthy and sustainable food environments for England's 51 million citizens.

#### Power of creating trustworthy partnerships

Partnerships can address unmet needs and create synergy to address specific goals.<sup>22</sup> Leadership, efficiency and trust are three important predictors of partnership synergy.<sup>23</sup>

Establishing trustworthy relationships has been a high priority for the Food Network. <sup>24</sup> Authentic trust must be carefully cultivated and nurtured to sustain partner engagement. The Food Network established core pledges and engagement principles and has been the most active and rigorous of the five Networks. Mr. Lansley demonstrated his commitment by attending and personally co-chairing the meetings with Dr. Susan Jebb. The Food Network convened a 10-member high-level steering group that represents diverse views from industry, professional societies and public-interest nongovernmental organisations (NGO) to streamline and facilitate decision-making processes. <sup>25</sup>

## Public Health Responsibility Deal Food Network Pledges (March 2011 – September 2012)

Pledge 1: Expand out-of-home calorie labelling starting September 2011

Pledge 2: Reach the 2010 salt-reduction targets by the end of 2012

Pledge 3: remove artificial trans-fats from the food supply by the end of 2011

Pledge 4: reduce calories by five billion/day

Box 1



Five voluntary pledges were launched between March 2011 and July 2012 that invited food, restaurant and catering, and food retail companies to collectively improve the food supply (Box 1).<sup>26</sup> Pledges 1, 2, 3 and 4 have continued the UK Food Standards Agency's important work between 2004 and 2010. Future pledges will encourage industry to reduce saturated fat, promote fruit and vegetable consumption, and to use promotion to encourage healthy products and discourage unhealthy products, especially to children. Partnerships involve continuous and intensive negotiations. Mutual agreements can focus on who to invite, how to phrase a pledge to maximize participation, and how to create incentives for non-participating companies. Dependency is a feature of power that can attenuate or amplify partnership negotiations.<sup>27</sup> The Government will have fewer alternatives if certain groups perceive it to be highly dependent on industry to achieve outcomes. Trust is an essential component of the negotiation context because it affects mutual dependency, which can expand alternatives and the willingness of all groups to collaborate effectively to reach common goals.

The Food Network is learning how to build transformative partnerships.<sup>28</sup> This involves sustaining a high-level of engagement with hundreds of different businesses, managing partnership complexity, making shared goals central to every partner's mission, convincing businesses to make substantial resource investments to change their products and marketing practices, and persuading non-participating businesses to join the Food Network. The Food Network is using the power of partnerships to build internal trust among participants. But further work is needed to establish external trust among disengaged groups including professional societies; expert advisory group members who were disbanded because they voiced dissenting opinions about the voluntary engagement approach;29 and public-interest NGO who have shared constructive yet unfavourable feedback that Government has largely ignored.

## Power of institutionalising accountability structures

Accountability structures used to create healthy and sustainable food environments involve four steps: taking account of collective actions and outcomes; holding specific groups to account for actions and outcomes; sharing results of the account; and learning from the account (Box 2). Strong accountability processes, which are trusted, credible, transparent and verifiable; and accountability mechanisms, representing the policies and programs used to hold groups accountable for performance, can create broad support for a chosen strategy.

## Institutionalised Accountability Structures to Create Healthy and Sustainable Food Environments

Step 1: Take account of collective actions and outcomes

• Monitor and evaluate against specific goals and objectives

Step 2: Hold specific groups to account for actions and outcomes

· Recognize progress and provide rewards or enforce penalties

Step 3: Share results of the account

 Communicate milestones and progress regularly to all vested groups In July 2011, the House of Lords' Science and Technology Select Committee<sup>30</sup> advised the Government that "Voluntary agreements should be rigorously and independently evaluated against measurable and time-limited outcomes...and provide details of what steps they will take if the agreements are not effective at the end of the stated period."

The Department of Health is monitoring 24 collective pledges of 390 partners through the five Responsibility Deal Networks. The first annual partners' update was published in June 2012. Public-interest NGO have monitored food company pledges including trans fat and salt reduction progress. These reports provide the best available independent evidence until the London School releases a Department of Health-commissioned 'evaluability assessment' in late 2012. Some have raised justifiable concerns about the food industry's behemoth power to influence policy development processes. Some have raised justifiable concerns about the food industry's behemoth power to influence policy development processes. Some have raised justifiable concerns about the food industry's behemoth power to influence policy development processes. Some have raised justifiable concerns about the food industry's behemoth power to influence policy development processes. Some have raised justifiable concerns about the food industry's behemoth power to influence policy development processes.

#### Power of effective communication

Several companies participating in the Food Network spend extensive resources to promote energy-dense and nutrient-poor, branded food and beverage products to UK children online. 40 Some suggest that there are unrealised opportunities to shift these resources to promote healthier products. 41 Food industry sectors, and their trade associations, could redirect considerable financial resources to persuade non-participating businesses to help the Food Network use the power of effective communication to engage all vested groups.

In 2009, the National Health Service invested £75 million of public money to promote healthy lifestyle behaviours through the Change4Life campaign<sup>42</sup> which currently partners with several food companies.<sup>43</sup> By 2012, sceptics ask why only one sub-brand (Breakfast4Life) is dedicated to improve people's diet when five sub-brands (Bike, Dance, Play, Swim and Walk4Life) focus on physical activity promotion.<sup>44</sup> They wonder why the Government has not yet publicly disclosed the amount of public money dedicated to improve Change4Life's reach and impact<sup>45</sup> and continue the successful salt awareness campaign to help meet the 6 grams/person/day target. 46 Why, they ask, has the Government missed the extraordinary opportunity to promote healthy eating and healthy sustainable foods during the 2012 Olympics in London and shamefully permitted exclusive sponsorship deals with current Food Network partners to promote unhealthy products?<sup>47</sup> Government must work much harder to convince these sceptics that it can use the power of effective communication to transform Change4Life from a limited impact effort<sup>48</sup> with unintended consequences<sup>49</sup> to a powerful integrated marketing campaign to influence social norms and behaviours within the context of healthy and sustainable food environments.

## Power to petition government to act in the public's interests

Frederick Douglass, the African-American abolitionist, once said, "Power concedes nothing without a demand. It never has and it never will." In a democratic society, UK citizens

have the right to organise and petition Government to either change legislation or elect legislators who will represent their interests to protect and promote health. Martin Luther King Jr. once remarked, "Nearly all men can stand adversity but if you want to test a man's character, give him power." In September 2012, Prime Minister David Cameron promoted Mr. Lansley to Leader of the House of Commons and Jeremy Hunt to the position of Secretary of State for Health. <sup>50</sup> Will the Honourable Mr. Lansley continue his commitment to the Food Network by remaining co-chair, or will the baton be taken up by Mr Hunt? Will these men use their power to support the status quo or to affect change? As the world watches, time and the electoral process will tell.

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# Choice editing Responsibility and influence

**Michelle Hanson** explains how Sodexo is using choice editing to avoid a 'race to the bottom' where quality and values are cast aside in favour of short-term considerations.

One could be forgiven for wondering how a country that is so advanced in promoting sustainable food and agriculture can achieve its ambitions when bacon butties and fish and chips are considered by consumers indispensable to a respectable menu and cause outbursts of outrage when absent. Indeed, the behaviour change challenge in nutrition is compounded by evidence that consumers have little awareness of either the absolute or relative impacts of their food and drink on their health, let alone on the planet, and even less motivation to change deeply ingrained eating habits that are so intimately related to identity and emotions. Further, healthier choice ranks fourth in the factors driving lunch purchases, far behind taste, value for money and quality. Sustainable sourcing touches the bottom of considerations with the rank 10 out of 13 in this same study. <sup>2</sup>

Is there really no hope of steering foodie Britain onto a more sustainable path? Or is it just about giving consumers a helping hand? Sodexo serves about a million customers a day across the UK and Ireland, so we have a million opportunities to help customers make more sustainable food choices. We do this through choice-editing. This means that customers are offered the same range of food options but we embed our sustainability commitments in the food we serve, as set out in our sustainability strategy to 2020, the Better Tomorrow Plan. In practice, we make sure that (a) we do not source ingredients that are recognised as particularly harmful to health or the environment, and (b) we offer information and guidance as to the health and environmental attributes of the food we serve.

As a large buyer and food service provider, we have a responsibility for the ingredients and produce that we offer and have a degree of influence over their sustainability attributes. Across all our operations we support sustainable food and farming practices by guaranteeing that all our fresh pork, chicken, fresh milk and cream are UK sourced and Red Tractor certified, as well as 50% of our fresh produce. We do not serve fish from any 'at risk' species and, where possible, we ensure that fish comes from a sustainable source such as Marine Stewardship Council certified. All our loose and cube sugar is Fairtrade certified.

Similarly, we develop recipes with the collaboration of our chefs, menu developers, buyers and nutritionists to embed the principles of a healthy and balanced diet into all our dishes. This includes removing trans fats, reducing levels of salt, fat and sugar, and increasing fruit and vegetable content while satisfying consumers' expectations of their favourite dishes. This reflects Healthwise, our nutrition, well-being and lifestyle philosophy, and our commitment to the Department of Health's Public Health Responsibility Deal.

We have run a large campaign at our restaurants to explain the different certification labels we use and their meanings as we recognise that greater benefits can be gained by explaining to consumers the choices that we have made in procurement and menu development. Further, we have rolled out calorie-labelling and other nutritional information to help consumers make informed choices. We have not taken fish and chips off the Friday menu, but customers are likely to have it served as an 'MSC-certified haddock and chips (940 kcals)'. We hope customers take this information home and feed it into their grocery shopping and other out-of-home eating.

Choice-editing fits into companies' long-term business plans. Investing in sustainable food products and healthy food recipes guarantees sustainable profits through resilient and sufficient environmental resources, and a healthy, educated population. However, such investments - like all investments - deliver returns over time. In the food industry, the return on commitment to sustainability tends to succeed only in the still too-crucial relatively short-term and then only with likeminded clients. We work with clients for whom sustainability is high on the agenda and have offers with significant sustainability attributes such as higher certification standards and local sourcing. This is based on a growing community of interest between suppliers, customers, clients and us. Together, we promote sustainable food and avoid the pitfalls of food commoditisation, where neither the real value (including externalised costs) nor values (sustainability) of food are taken into account. Here, procurement teams have a crucial role to play. By committing themselves to buying products and services weighted on sustainability criteria, they can help to avoid a 'race to the bottom' where quality and values are cast aside in favour of short-term considerations.

Ultimately, choice-editing is not about imposing. So long as information, education and understanding lag behind the immediacy of the sustainability challenges we face, cheaper, less healthy and environmentally damaging options will persist. A critical mass of committed food buyers and producers, who are able and prepared to make choices on behalf of consumers, preferably with their demand driven consent, will help to convert favourite foodie cravings into commitments and actions that support a more sustainable future.

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#### Organic Production and Food Quality

Robert Blair | Wiley-Blackwell | 2012 | ISBN 978-0813812175

This is a remarkable book that uniquely provides an objective, thorough and comprehensible view of an issue of first-rank importance in health, nutrition, food quality, the environment and food production systems. Today the topic of organic food is confused by prejudice, opinion and ignorance that are fed by the hitherto lack of such a book as this in which the author examines all the published evidence with a dispassionate thoroughness that has no flavour of a preformed opinion. Everyone with a serious interest in the differences between organic and conventional food should have this book on their coffee table or bookshelf because it is the most comprehensive and objective library of present evidence. The rhetoric should be quieted by this book, but the meta-narrative is far from complete and more research is urgently required. JH

#### Sustainable Food Planning

André Villon & Johannes S.C.Wiskerte (eds.) | Wageningen Academic Publishers | 2012 | ISBN 978-9086861873 Half the world population are now urban dwellers and, in Western cities, are not connected to the countryside. They take food supply for granted – food is not an urban issue. This book's authors provide perspectives from architecture, city planning, policy-making, design, sociology, transport, health, environmental pollution, water supply, waste disposal, fuel supply and city governance - all of which they argue are major issues in ensuring food for millions of people in modern cities. What they find is an almost total absence of food planning on the part of the professionals in these areas of urban development. Focusing on Western cities, the authors urge that this must change and provide much information and examples of a better way forward. JH

#### Food Media

Signe Rousseau | 2012 | Berg | ISBN 978-0857850539 Rousseau charts the rise of the celebrity chef, from the mid 20th century to now. Taking in Jamie Oliver, Heston Blumenthal and Nigella Lawson, she asks whether they are a force for good or bad, particularly in the fight against obesity. Since when did it become normal to listen to messages about public health from a celebrity chef rather than our government? Rousseau argues that the real danger of this celebrity trend is that they can offer us different messages according to our choosing. Do we want to hear from the social activist Oliver or the sexual fantasy Lawson? Do we want the truth or distraction? But whatever we chose, the fact is that the breadth of choice dilutes the fundamental public health messages about tackling obesity. EB

#### The Carbon Cycle

Kate Rawles | 2012 | Two Ravens Press | ISBN 978-1906130634

Cycling across America from Texas to Alaska, and following the spine of the Rocky Mountains, Kate Rawles set off on a mission to find out what climate change means to the American people. From truck drivers to ecologists, the author probed deep into the American psyche, and concluded that our ordinary lifestyles are under threat, and threatening the planet. What we need, says Kate, is a 'new normal', where we can live low impact, high quality lives that are accessible to everyone. EB

#### Bet the Farm

Frederick Kaufman | Wiley | 2012 | ISBN 978-0470631928 "Why", asks Kaufman, "can't we all have healthy, delicious, affordable food?" Searching for the answer takes him on an investigation into the modern American food system, from farm to the trading floor. The brutal reality of the food chain – who makes the profits, who suffers, and why – is laid bare. Taking the blame to the door of the money markets, Kaufman argues that only when food and money are decoupled, where it's not seen as a commodity to be gambled, traded and wasted, will we be able to combat the vicious hunger that stalks the world. EB

#### Seedswap

Josie Jeffery | 2012 | The Ivy Press | ISBN 978-1908005564 Farmers and allotmenteers have been swapping seeds for millennia. This little gem of a book traces that history, explains why seed swapping is so important for the ecological health of our planet, and gets down and dirty with a how-to guide to saving and growing your own seeds. As Jeffery says, seed swapping is part of a new way of living, where small really is beautiful. EB

#### High Steaks: Why and how to eat less meat

Eleanor Boyle | 2012 | New Society Publishers | ISBN 978-0865717138

The arguments, particularly against meat from 'factory farms' in the US and Canada where the author resides, are increasingly familiar. Added to animal welfare concerns are those of climate change, pollution, public health and the staggering amounts of water and land needed to produce the corn, soy and other feedcrops on which large scale intensive production relies. The first half of this book sets out the case for reducing our meat consumption for the good of the planet as well as our personal and community wellbeing. The second half focuses on the food policy shifts needed as well as tips and recipes for eating less meat in this practical, and fully referenced, book. SD

# **Forthcoming events**

16th Oct '12 World Food Day | FAO | http://www.fao.org/index\_en.htm | Worldwide

16th Oct '12 Agricultural Co-operatives | APPG on agroecology

http://agroecologygroup.org.uk/ | London, UK

29th Oct - 1st Nov '12 Global Conference on Agricultural Research for Development 2012 | GCARD

http://www.egfar.org/gcard-2012 | Punta del Este, Uruguay

30th Oct '13 Eblex annual conference | EBLEX

http://www.eblex.org.uk/events/news-annual-conf12.aspx | Kenilworth, UK

7th Nov '12 Next steps for food labelling policy | Westminster Forum Projects

http://www.westminsterforumprojects.co.uk/forums/event.php?eid=456

London, UK

9th Nov - 10th Nov '12 Biodiversity in the balance: Causes and consequences | EMBL

http://www.embl.de/training/events/2012/SNS12-01/index.html

Heidelberg, Germany

15th Nov - 16th Nov '12 National Soil Symposium | Soil Association | http://www.soilassociation.org

Coventry, UK

23rd - 28th Nov '12 The Bon sustainability days: Addressing our future today | IFOAM

http://www.ifoam.org/events/ifoam\_conferences/Sustainability\_Days.html

27th Nov - 28th Nov '12 Green economy - from intention to action | SusCon 2012

http://www.suscon.net | Bonn, Germany

6th Dec '12 The state of UK soil | APPG agroecology

http://agroecologygroup.org.uk/

10th Dec - 11th Dec '12 Sustainable intensification: Miracle or mirage? | Chatham House

http://www.chathamhouse.org/Foodsecurity2012 | London, UK

18th Dec - 20th Dec '12 Annual Meeting of the British Ecological Society | BES

http://www.britishecologicalsociety.org/meetings/current\_future\_meetings/

2012\_annual\_meeting/index.php | Birmingham, UK

2nd Jan - 4th Jan '13 Confident farmers: Deliviering for Society | Oxford Farming Conference

http://www.ofc.org.uk | Oxford, UK

3rd Jan - 4th Jan '13 New Generation, New Ideas / Perspectives on 2013

Oxford Real Farming Conference

http://www.oxfordrealfarmingconference.org | Oxford, UK



The Food Ethics Council works towards a food system that is fair and healthy for people and the environment.

Our independent research, and advice to business, government and civil society helps find a way through controverisal issues and supports better choices in food and farming.

To keep up to date with our work, register at www.foodethicscouncil.org to receive our free monthly e-newsletter.