

Bitter Fruit

Socio-economic Issues in Fresh Fruit
and Vegetables Supply Chains of Dutch
Supermarkets – The Case of Ahold

**SOMO**

January 2011

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Poverty wages and excessive working days without a permanent contract and without a trade union that can support you... this is the harsh reality for many working in the fruit and vegetables supply chains of Dutch supermarket chains like Albert Heijn (Ahold). This study shows that although exports of fresh fruits and vegetables for developing countries provide jobs and are an important source of income for many producing countries, working conditions are precarious.

Imports of fresh fruit and vegetables from developing countries to the Netherlands are increasing. Throughout the year an abundance of import supplies is available on the shelves of supermarkets, who constitute their most important customers. However, this growth also entails higher risks of violations of labour rights. Whereas there is evidence that supermarkets such as Albert Heijn (Ahold) increasingly are adopting policies to address and contain the risk of these violations, this process has been excessively slow and has had little or no impact to date.

Based on field research and literature review, this study discusses and analyses socio-economic conditions in a number of supply chains such as mangos from Peru, pineapples from Costa Rica, bananas from Ecuador, grapes from South Africa, beans, potatoes and grapes from Egypt and tangerines from the Israeli settlements. The findings are discussed from the perspective of supply chain responsibility of retailers and have links to current debates on supermarket buyer power.



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Myriam Vander Stichele, Kristóf Rácz,
Albert ten Kate (SOMO)**

Amsterdam, January 2011

SOMO is an independent research organisation. In 1973, SOMO was founded to provide civil society organisations with knowledge on the structure and organisation of multinationals by conducting independent research. SOMO has built up considerable expertise in among others the following areas: corporate accountability, financial and trade regulation and the position of developing countries regarding the financial industry and trade agreements. Furthermore, SOMO has built up knowledge of many different business fields by conducting sector studies.

Colophon

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Executive summary

Imports of fresh fruit and vegetables from developing countries to the Netherlands are increasing. About 55% of all fruit and 2% of all vegetables consumed in the Netherlands are imported from developing countries. The lion share of these imports is handled by the Dutch supermarkets. Six supermarket formulas together control 71% of all Dutch supermarket sales. Although exports of fresh fruits and vegetables (FFV) provide jobs for developing countries and are an important source of income for many producing countries, this study found that working conditions are precarious.

Unsustainable practices in (tropical) food supply chains are not a new but a historically persistent issue. They relate to structural factors in the producing countries such as poverty, weak legislation and the weak implementation thereof. However, these factors, along with a suitable climate, also allow these countries to produce FFV competitively. Because of the increasing prevalence of tropical FFV supplies in Dutch supermarkets that entail higher risks of violations of labour rights, these problems are also becoming more pertinent. This raises the question of how supermarkets, as the gatekeepers of the FFV supplies to consumers, are dealing with this.

Based on field research and literature review, this study discusses and analyses socio-economic conditions in a number of FFV supply chains of Dutch retailers. Case studies of supply chains include mangos from Peru, pineapples from Costa Rica, bananas from Ecuador, grapes from South Africa, beans, potatoes and grapes from Egypt and tangerines from the Israeli settlements. It finds that working conditions in developing countries that are important suppliers of FFV to the Netherlands are often below par.

For example, in the Peruvian mango export, working days of more than 11 hours, 6 to 7 days a week, for workers during peak harvesting periods are common. Only with extreme overtime hours the labourers earn wages on national poverty line levels. Mango workers who do not accept working under such conditions are harassed and find themselves without a job the next season. Those that try to exercise their legal right to join or form a trade union to bargain collectively risk getting fired right away. In Egypt's export oriented FFV sector wages are just as bad, labourers have no trade unions, they need to rely on gang masters for work and women, the largest group of workers in this industry, have no chance of promotion. In Ecuador, Cost Rica and South Africa the situation for workers in the above mentioned sectors is possibly even worse.

The study discusses these findings from the perspective of the supply chain responsibility of retailers with a special focus on the leading Dutch retailer Albert Heijn, part of the Ahold holding. It finds that there is evidence that Dutch supermarkets are increasingly adopting policies to address and contain the risk of these violations; however this process has been excessively slow. Moreover the policies are not very ambitious and apparently have had little or no impact to date.

Current debates on supermarket buyer power and the role of Ahold and other Dutch retailers within these discussions are presented as well. It becomes clear that supermarkets are denying possible abuses of their buyer power and that they are lobbying against any new regulation or measure that would curtail or investigate such practices. This lobby is deplorable as it hinders achieving more clarity on this issue. Moreover, if such practices are indeed widespread and detrimental supermarkets not only hinder fair competition in the sector but also sustainable production, as working conditions might suffer under deteriorating terms of trade that result from buyer power abuses, such as late payments and paying low prices.

Introduction

The availability of fresh fruit and vegetables (FFV) from developing countries on the shelves of Dutch supermarkets is increasing. Two thirds of all fruit imports and one fifth of all vegetable imports to the Netherlands currently originate in developing countries and these shares continue to grow. From a number of perspectives this is a positive development. Consumers have a wide range of mostly affordable and healthy products available to them all year round, trade generates needed income for developing countries and as production of FFV is labour intensive it generates many jobs in these countries.

However, not everything about this development is positive. There is ample evidence in the literature that working conditions in the export oriented FFV sector of developing countries are generally problematic. This in turn raises questions about how supermarkets, who are effectively the gatekeepers of this FFV supply for consumers in the Netherlands and many other EU countries, are coping with this increase and whether they are a force for good or for bad in positively addressing conditions for FFV labourers, the largest group of people working in this sector.

This report aims to address these questions and to present an overview of the socio-economic issues that affect these supply chains. Its overall objective is to raise awareness among the general public and industry stakeholders of the harsh reality of FFV labourers in supermarket supply chains. We hope that an increased awareness will lead to the reassessment of private and public policies. The report focuses particularly on increased supply chain responsibility of retailers as one proposed solution.

For the study to have maximum relevance, care was taken to not only discuss socio-economic issues that relate to Dutch retail markets but also to link them with specific Dutch retailers. Establishing concrete client supplier relations is very difficult, however. Such information is seen as commercially sensitive and hence is normally not available publicly nor will it readily and unconditionally be provided upon request. To maintain feasibility the authors consequently restricted the focus to one retailer. Initial investigations¹ established connections between FFV suppliers that were sampled in the field research and the Dutch retailer Albert Heijn that is part of the Ahold holding. This company is by far the biggest retailer on the Dutch market. Ahold's high market share in turn means that it also has a high responsibility for socio-economic issues in Dutch FFV supply chains and can potentially apply high leverage in addressing these. As a result of these factors this company was selected to receive particular attention in this report (see for more methodological information further below).

The contents of the report are outlined here. The first three chapters present a general overview of the precarious labour conditions in various FFV supply chains of Dutch supermarkets, Corporate Social Responsibility (CSR) of Dutch retailers and national and international debates on abusive buyer power practices of supermarkets primarily based on a review of available literature. The next four chapters are specific case studies, all with direct links with Albert Heijn (Ahold). The first two of these chapters (Chapter 4 and 5) are based on new field research and go into details of socio-economic issues in the export oriented Peruvian mango sector and the Egyptian fresh fruit and vegetables sector. The last two case study chapters (Chapter 6 and 7) present the problems

¹ These commercial relations were confirmed by Albert Heijn (Ahold) the retailer on request by the authors.

incurred with supermarket sourcing of fruit and vegetables from settlements in the occupied Palestinian territories and discuss Corporate Social Responsibility at Albert Heijn (Ahold). Finally, the last chapter of this report discusses and analyses the different results of this study and makes recommendations.

In this report the focus is on Albert Heijn in particular and much less on other Ahold companies. However, Ahold as a company group is referred to as well in this report for two reasons in particular. Firstly Ahold is the company name that is more known internationally and there is a large overlap in policies. Secondly we wanted to discuss international dimensions of Albert Heijn policy as it pertains to EU regulation lobby. On this level Ahold is the lead company. Thirdly we wanted to illustrate how its supply chain responsibility policies are interpreted in other countries than the Netherlands as in the case of tomato sourcing in the USA by other Ahold group members for example.

All suppliers of Albert Heijn presented in the case studies were able to review the findings before publication. None of the companies in Peru responded. In Egypt the results were discussed by the companies sampled in a validating seminar. To allow for comments and correction of factual mistakes Albert Heijn was presented drafts of this research but the company chose not to comment on details of this study. Hereby SOMO has followed common journalistic principles of the right of reply. The company did provide some information to the researchers at an earlier stage. This study was edited and supervised by Sanne van der Wal. Several SOMO researchers have written or contributed to one or more of the chapters in this research: Roos van Os, Myriam Vander Stichele, Kristóf Rácz and Albert ten Kate.

1. Labour rights issues in fresh fruit and vegetables supply chains of Dutch supermarkets

This chapter provides a general overview of labour rights. It also zooms in on labour rights issues specific to the fresh fruits and vegetables sector. Finally, it focuses on the working conditions in countries from where Dutch supermarkets get their fresh fruits and vegetables.

1.1 Labour rights and fresh fruit and vegetables

The global trade of fresh fruit and vegetables (FFV) has been growing rapidly.² The Netherlands is globally a leading importer of a number of FFV, including mango, pineapple, citrus, bananas, avocado, beans and asparagus.³ The experiences with export markets are variable and contradictory for workers and smallholder families in producing countries. On the one hand, workers and smallholder families cite several positive benefits: incomes in the export market for fruits and vegetables are often higher than local alternatives and for some women carrying out waged work has had an empowering effect.⁴

On the other hand, key labour rights issues are at stake during the production of fruit and vegetables:

- In many countries fruits and vegetables are often only harvested, processed and exported during a few months of the year. This peak is often filled with migrant workers, both in developed and developing countries. The labour rights of migrants are often not respected by producing companies.⁵
- Seasonal wage work within agriculture generally pays very low wages. In Chile (a major producer of fruits for export to the Netherlands), non-permanent salaried agricultural workers have a higher incidence of poverty than all but the poorest of small farm households.⁶
- Other issues include: health risks caused by long working hours; strenuous physical work; exposure to toxic chemicals; the generally low levels of worker voice and bargaining power.⁷
- Child labour is prevalent in fruit and vegetable production in many countries, including those that export FFV to the Netherlands, such as Ecuador, Argentina, Turkey and Honduras.⁸

² European Commission, "Agricultural commodity markets, past developments, fruits and vegetables", 17 July 2007, <http://ec.europa.eu/agriculture/analysis/tradepol/worldmarkets/fruitveg/072007_en.pdf>

³ <http://www.dutchsustainabletrade.com/site/getfile.php?id=91>

⁴ International Labour Office, Sarah Best and Ivanka Mamic, report "Global agri-food chains: Employment and social issues in fresh fruit and vegetables", 2008, <http://www.ilo.org/employment/Whatwedo/Publications/lang--en/docName--WCMS_105107/index.htm>

⁵ International Labour Organization, report "International labour migration, a rights-based approach", 2010, <http://www.ilo.org/public/english/protection/migrant/download/rights_based_approach.pdf>

⁶ OECD, "OECD Review of Agricultural Policies – Chile", 2008, page 127, <http://www.oecd.org/document/25/0,3343,en_33873108_39418658_40171161_1_1_1_1,00.html>

⁷ International Labour Office, Sarah Best and Ivanka Mamic, report "Global agri-food chains: Employment and social issues in fresh fruit and vegetables", 2008, <http://www.ilo.org/employment/Whatwedo/Publications/lang--en/docName--WCMS_105107/index.htm>

⁸ U.S. Department of Labor, Bureau of International Labor Affairs, Office of Child Labor, Forced Labor and Human Trafficking, report "list of goods produced by child labour or forced labour", September 2009, <www.dol.gov/ilab/programs/ocft/pdf/2009tvpra.pdf> In September 2009, after extensive research, the U.S Department of Labor has published a list of goods produced by child labour or forced labour. The department has identified that child

Labour rights

The International Labour Organization (ILO), part of the United Nations, sets international labour standards in the form of conventions. Countries can sign and ratify these conventions, obliging themselves to comply with the content. Decision making within the ILO is tripartite: governments, employers and workers are represented.

The showpiece of the ILO is the set of eight fundamental human rights conventions. These are signed by at least 150 of the 183 signatory countries, including all 27 EU countries.⁹ The eight conventions state that child labour, forced labour and work-related discrimination should not occur. Furthermore, employees should have the freedom to associate in trade unions and enter into collective bargaining negotiations. The ILO stipulates that the eight fundamental human rights conventions should also be upheld by multinationals.

Over the years the ILO has adopted a total of 188 conventions. Other important conventions relate to safe and healthy working conditions, a minimum wage, a maximum amount of overtime, a working week of no more than 48 hours, with at least one day off and the right to an employment contract. These conventions are generally signed by less than half of the world's countries.

1.2 Imports of fresh fruit and vegetables to the Netherlands

The share of Dutch Supermarkets of all fresh fruit and vegetables retail sales in the Netherlands is 82% (1.35 million tonnes) in volume and more than 75% (3.5 billion EUR) in value in 2008. About 82% of all fruit and 11% of all vegetables consumed in the Netherlands are imported.¹⁰ Import statistics give insight into where to look for social issues that are connected to fruits and vegetables sold by Dutch supermarkets. The following table shows the main imports of the Netherlands, and the countries from around the world that export to the Netherlands.¹¹

labour is also occurring in the fruits and vegetables sectors of many countries. The list includes countries that export fruit and vegetables to the Netherlands, such as Ecuador, Argentina, Turkey and Honduras.

⁹ International Labour Organization, "Ratifications of the fundamental human rights conventions by country", <<http://www.ilo.org/ilolex/english/docs/declworld.htm>>

¹⁰ ING Economisch Bureau Groothandel AGF, <<http://preview.tinyurl.com/393vkoj>> (15 November 2010)

¹¹ It should be noted that the import figures only to some extent provide insight on what is sold in Dutch supermarkets. The import statistics do not include Dutch production which is considerable and the Netherlands also has a strong logistics function, selling much of the imported fruit and vegetables onto neighbouring markets.

Table 1: Most important fruits and vegetables imported to the Netherlands (NL) in 2009¹² by value and producing country of origin (risk countries in bold).¹³

Fruit/ Vegetable	Import NL (million \$)	List of origin countries (in order of value imports)
Grape	702	South Africa (30%), Chile (29%), Brazil, India, Egypt, Namibia, Greece, Italy, Peru, Argentina
Orange	375	South Africa (36%), Spain (25%), Egypt (10%), Morocco, Argentina, Uruguay, Zimbabwe, Swaziland, Brazil, Peru
Apple	338	Chile (30%), New Zealand (16%), France (12%), Brazil (11%), Belgium, Argentina, South Africa, Germany, Italy, China
Tomato	279	Spain (64%), Belgium, France, Germany, Israel, Italy, United Kingdom, Morocco, Egypt, Senegal
Mandarin	213	Spain (39%), Morocco (15%), Argentina (12%), South Africa, Peru, Uruguay, Israel, Turkey, Australia, Italy
Pear	188	South Africa (33%), Chile (22%), Argentina (20%), Belgium (11%), China, France, United Kingdom, Germany, USA, Portugal
Banana	165	Ecuador (30%), Colombia (30%), Costa Rica (14%), Dominican Republic, Cameroon, Peru, Côte d'Ivoire, Brazil, Ghana, Panama
Melon	164	Brazil (41%), Costa Rica (19%), Spain (16%), Honduras (11%), Panama, South Africa, Israel, Egypt, Italy, Slovenia
Potato	162	Germany (50%), Belgium (21%), France, Spain, Israel, Cyprus, Egypt, Portugal, Italy, Morocco
Pepper	161	Israel (39%), Spain (36%), Belgium, Italy, United Kingdom, Germany, Slovenia, Egypt, Morocco, Kenya
Grapefruit	154	South Africa (32%), China (26%), USA (16%), Israel (10%), Argentina, Swaziland, Honduras, Turkey, Zimbabwe, Mexico
Avocado	152	South Africa (23%), Chile (22%), Peru (17%), Israel, Spain, Kenya, Mexico, Italy, Dominican Republic, Argentina
Mango	135	Brazil (42%), Peru (25%), Côte d'Ivoire, USA, Israel, France, Costa Rica, Ghana, Mali, Mexico
Pineapple	126	Costa Rica (80%), Panama, Ecuador, Ghana, Côte d'Ivoire, South Africa, Spain, Honduras, Italy, Cameroon
Kiwi	98	Chile (42%), New Zealand (27%), Italy (17%), France, Greece, Portugal, Spain, New Zealand, China, USA

1.3 Risk countries

The risk countries marked bold in the table are derived from a list produced by the Business Social Compliance Initiative (BSCI) a global social standard system that a number of EU supermarkets, including Albert Heijn, subscribe to. Whereas in this table risk country is a synonym for developing country the classification as a risk country is based on the Human Development Index of the United Nations and the Corruption Perceptions Index of Transparency International, as well as the field

¹² UN Comtrade, United Nations Commodity Trade Statistics Database, as assessed on 17 November 2010.

Non-producing re-exporting countries to the Netherlands have been left out of the list of origin countries. For bananas, pineapples and kiwi's, some non-producing re-exporting countries comprised a considerable percentage of the imports. In these cases, the origin of the imports was tracked down and incorporated in the list of origin countries.

¹³ The Business Social Compliance Initiative (BSCI), "BSCI Risk countries list, applicable as of 1 January 2011", May 2010, <<http://www.bsci-eu.org/userfiles/file/Annex%204%20BSCI%20Risk%20countries%282%29.pdf>>

experience of sourcing companies.¹⁴ The table shows an abundance of risk countries that are connected to the exports of fruit and vegetables to the Netherlands, and subsequently to the supply chains of Dutch supermarkets. Indeed 67% of all Dutch fresh fruit imports and 18% of all fresh vegetable imports by value originated in developing countries in 2007.¹⁵ Moreover it is clear that the growth in imports from these countries is more pronounced. Whereas total fruit and vegetable imports to the Netherlands grew by 39% from 4.5 USD bn in 2005 to 6.2 USD bn in 2009 imports from the most important FFV exporting risk countries grew by 66%.¹⁶

1.4 Working conditions in some countries exporting to the Netherlands

In this section, some details are given about working conditions in countries that export a lot of fruit and vegetables to the Netherlands. It should be noted that this section does not provide a comprehensive overview of all labour right issues that are possibly connected to Dutch supermarkets, and also that it is not clear whether and to what extent Dutch supermarkets are connected to the issues mentioned. The information in this section merely provides further insights into which labour rights issues may be involved in the supply chains of supermarkets. Supermarkets have a responsibility to exercise due diligence and to be aware of adverse working conditions, and then prevent and mitigate these.¹⁷

1.5 Grapes from South Africa

South Africa is the number one exporter of grapes, oranges, pears and grapefruits to the Netherlands. The South African table grape industry provides 44,700 part-time jobs and 17,000 permanent jobs in South Africa, according to the employers association South African Table Grape Industry. Seasonal labour is employed for harvesting the crop and for fruit packing.¹⁸ Grapes are exported in the period November - April.¹⁹ There are some severe labour rights issues with regard to farm working in South Africa:

- Squatter communities have developed within the urban sprawl of the main fruit industry towns, such as De Doorns and Grabouw, and have given rise to widespread local social and economic problems that have further eroded the quality of the available labour. The incidence and prevalence of HIV/Aids is undoubtedly the most serious of these problems.²⁰ In November 2009, a mob chased approximately 3,000 Zimbabwean migrants out of the town of De Doorns by attacking and destroying the migrants' shacks. Police fired rubber bullets to disperse the mob and arrested 24 people for public violence. The attacks were

¹⁴ The Business Social Compliance Initiative (BSCI), "BSCI Risk countries list, applicable as of 1 January 2011", May 2010, <<http://www.bscl-eu.org/userfiles/file/Annex%204%20BSCI%20Risk%20countries%282%29.pdf>>

¹⁵ CBI, April 2009, The fresh fruit and vegetables market in the Netherlands, <http://www.cbi.eu/marketinfo/cbi/docs/the_fresh_fruit_and_vegetables_market_in_the_netherlands> (19 December 2010)

¹⁶ Comtrade 2010, Growth could be more pronounced as the world total also includes these same risk countries. The selection of risk countries is based on the countries shown in the table.

¹⁷ United Nations Secretary-General's Special Representative on business and human rights, "Mandate consultation outline", October 2010, <<http://www.reports-and-materials.org/Ruggie-consultations-outline-Oct-2010.pdf>>

¹⁸ South African Table Grape Industry, "South African table grapes 2007/2008", <http://www.satgi.co.za/admin/Upload/pdfs/SATI_A5_Book%5B1%5D.pdf>

¹⁹ South African Table Grape Industry, "South Africa calendar grape species", <http://www.satgi.co.za/calendar_south_africa.asp>

²⁰ National Agricultural Marketing Council, "Subsector study Deciduous fruit", January 2007, <<http://www.namc.co.za/dnn/LinkClick.aspx?fileticket=f5YrUJLogNuc%3D&tabid=72&mid=542>>

reportedly sparked by competition for seasonal farming jobs, with residents accusing the Zimbabweans of agreeing to work longer hours for less pay.²¹

- Allegations of rape, sexual assault, and sexual harassment of black and foreign female farm workers by farm owners, managers, and other farm workers were common in 2009.²²
- Minimum wages did not provide a decent standard of living for a worker and family. The legal minimum wage for farm workers was set at approximately 6.31 rand (USD 0.85) per hour in 2009. In 2007, depending on the province, compliance with the minimum wage rate occurred in 65-90% of the cases.²³
- In the agricultural sector, employers are frequently hostile towards trade unions. Where trade unionists try to recruit new members, for instance, some employers deny them access to the farms on the pretext that they are private property.²⁴
- President Jacob Zuma stated in July 2010: "It is a fact that working conditions for many farm workers still remain far from ideal. Reports state that long and unpaid working hours are still a norm. Most of the workers do not have any kind of insurance, including Unemployment Insurance Fund (UIF), which means their future is not secure."²⁵

1.6 Pineapples from Costa Rica

Around 80% of the pineapples imported into the Netherlands hail from Costa Rica.²⁶ In October 2010, Consumers International published a case study on Costa Rican pineapples ending up in European Supermarkets. For the case study, interviews were carried out with 87 workers, trade unionists, local residents, small producer representatives, plantation managers and academics. The research focused on the conditions in the non-certified pineapple supply chains of the supermarkets, as very few examples of certified pineapples (such as Fairtrade, Organic and Rainforest Alliance Certified) were found in the survey of brands found in European supermarkets. According to the report, there are several problems in terms of working conditions and workers' rights on many of the plantations.

The problems include:

- Wages are too low for a family to have a 'decent' standard of living. The typical wage for Costa Rican pineapple workers was estimated at €73 per week. This is above the national minimum wage of €62.46. The minimum wage is based on a working week of six days totalling 48 working hours. However, the pineapple worker may have to work for up to 80 hours a week to earn their typical wage.

²¹ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2009 Human Rights Report: South Africa", 11 March 2010, <<http://www.state.gov/g/drl/rls/hrrpt/2009/af/135977.htm>>

²² U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2009 Human Rights Report: South Africa", 11 March 2010, <<http://www.state.gov/g/drl/rls/hrrpt/2009/af/135977.htm>>

²³ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2009 Human Rights Report: South Africa", 11 March 2010, <<http://www.state.gov/g/drl/rls/hrrpt/2009/af/135977.htm>>

²⁴ International Trade Union Confederation (ITUC), Annual Survey of Trade Union Violations, 2009, <<http://survey09.ituc-csi.org/survey.php?IDContinent=0&Lang=EN>>

²⁵ His Excellency, President Jacob Zuma, "Speech at the National Farm Workers Summit", 30 July 2010, <<http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=11840&tid=13731>>

²⁶ United Nations Commodity Trade Statistics Database (UN Comtrade), "import Netherlands of pineapples (code 080430) in 2009", <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=080430&px=HS&r=528&y=2009&p=ALL&rg=1&so=9999>> Some non-producing re-exporting countries (Belgium, France, Germany and the United Kingdom) comprised a considerable percentage of the imports. In these cases, the origin of the imports was tracked down and incorporated into the percentage imported from Costa Rica.

- The work in both the field and the packing plant involves heavy and repetitive tasks that put a lot of strain on the body (e.g., constant bending over to plant seedlings and weed and harvest the pineapples).
- Working with high levels of agrochemicals also led to reports of problems of skin and eye irritation and damage, respiratory and bronchial disorders, problems associated with the nervous system, birth defects (in women workers and the partners of male workers), male sterility and psychological problems such as anxiety and depression.
- Approximately 70% of workers in the Costa Rican pineapple industry are Nicaraguan migrants who have left their country due to low wages and lack of job opportunities. Many have no official papers or visas which leaves them particularly vulnerable to the power of their employers, who can both sack them and deport them (i.e. if they complain about working conditions or join a trade union).²⁷

1.7 Bananas from Ecuador

Ecuador is the number one banana exporter to the Netherlands. Around 30% of banana imports stem from Ecuador.²⁸ Child labour in the banana sector of Ecuador is one of the most notorious cases with regard to child labour in the fruit and vegetables sector. It is estimated that in 2006 there were around 600,000 children aged 5 to 18 working in Ecuador, primarily in the banana, flowers and mining industries. Between 2001 and 2006, child labour decreased by about 8% and school attendance increased by 4%. According to a recent report by Gulnara Shahinian, the UN Special Rapporteur on contemporary forms of slavery, in the flowers, banana, and palm oil industry children often use chemicals and sharp tools, and lift heavy loads. This work is considered hazardous and therefore falls into the category of worst forms of child labour.²⁹ Moreover, most of the banana workers do not even earn the legal minimum wage as their wages are much lower than the officially recognized subsistence level. Banana plantation workers who are exposed to pesticides without protection suffer from symptoms of poisoning. Freedom of association is seriously repressed with large banana companies preventing workers from organising trade unions and refusing to allow trade unions to do their work.³⁰

1.8 Migrant workers in non-risk countries

It should be noted that in so-called non-risk countries there also are severe abuses of labour rights. Supermarkets therefore also have a task to assess, prevent and mitigate adverse working conditions in non-risk countries. Often, the labour right issues relate to the use of migrant labourers. These examples give an impression:

²⁷ Banana Link on behalf of Consumers International, summary of the report "The story behind the pineapples sold on our supermarket shelves: A case study of Costa Rica", October 2010, <<http://www.consumersinternational.org/media/485589/the%20story%20behind%20the%20pineapples%20sold%20on%20our%20supermarket%20shelves%20final.pdf>>

²⁸ United Nations Commodity Trade Statistics Database (UN Comtrade), "import Netherlands of bananas (code 080300) in 2009", <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=080300&px=HS&r=528&y=2009&p=ALL&rg=1&so=9999>> Some non-producing re-exporting countries (Belgium and Germany) comprised a considerable age of the imports. In these cases, the origin of the imports was tracked down and incorporated into the age imported from Ecuador and other countries.

²⁹ UN Special Rapporteur on contemporary forms of slavery, including its causes and consequences, Gulnara Shahinian, "report on the situation of human rights in Ecuador with a focus on the persistence of contemporary forms of slavery.", 30 June 2010, <http://www2.ohchr.org/english/issues/slavery/rapporteur/docs/A.HRC.15.20.Add.3_en.pdf>

³⁰ Marita Wiggerthale 2008, 'Last Stop – Supermarket: The Scoop on Tropical Fruit' Oxfam Germany, <http://www.fairer-agrarhandel.de/mediapool/16/163463/data/Supermarktstudie_Zusammenfassung_ENG.pdf> (25 November 2010)

- Spain is the main exporter of strawberries to the Netherlands. In 2009, imports of strawberries from Spain to the Netherlands comprised a total value of 37 million dollar.³¹ The Spanish exports focus on the period February – June.³² Tens of thousands of workers from Romania, Morocco and Poland – predominantly women – work in the strawberry fields. Serious abuses, farmers that take advantage of the immigrants, are reported often. Workers may have not been paid, may be victims of sexual harassment, and may not get enough food or water.³³
- In May 2009, fifty Romanian seasonal workers were freed by the police and the labour inspection in the village of Someren in the south of the Netherlands. The asparagus cutters were detained under inhumane conditions by their boss. The mayor of Someren, mister Veltman, stated: "It seemed like a form of slavery. The people slept in dirty rooms without windows and the rooms were closed at night. During a fire outbreak, they would have been rats in a trap. Their passports and other papers were taken and they were not allowed to leave the property. They had to pay for room and board. The people received a weekly advance of fifty Euros on salaries that they never received. They earned five Euros per hour and had to work around the clock, while in Romania they were promised to be earning thirteen Euro per hour. There is violence used against them and so on."³⁴
- In October 2010, seven Romanian children between the ages of 9 and 16 were found picking spring onions in a field in Worcestershire (United Kingdom). Six of the children were taken into police protection. The children were among 50 Romanian workers. Some were working alongside parents, but others appeared to have been brought to the farm on their own.³⁵

³¹ United Nations Commodity Trade Statistics Database (UN Comtrade), "import Netherlands of Strawberries (code 081010) in 2008",

<<http://comtrade.un.org/db/dgBasicQueryResults.aspx?cc=081010&px=HS&r=528&y=2009&p=ALL&rg=1&so=9999>>

³² Productschap Tuinbouw, "Nieuwsbrief Aardbei nummer 4, 2010", 8 oktober 2010,

<<http://www.tuinbouw.nl/files/page/Nieuwsbrief%20Aardbei%202010%20nr.%204.pdf>>

³³ El País, Jerónimo Andreu and Lidia Jiménez, article "Víctimas del oro rojo", 13 June 2010,

<http://www.elpais.com/articulo/reportajes/Victimas/oro/rojo/elpepusocdmg/20100613elpdmngrep_4/Tes>

The New York Times, "Spain's Jobless Find It Hard to Go Back to Farm", 15 May 2010,

<<http://www.nytimes.com/2010/05/16/world/europe/16spain.html>>

³⁴ Daily newspaper Telegraaf, "Slaven bevrijd uit aspergeboerderij", 16 May 2009,

<http://www.telegraaf.nl/binnenland/3945477/_Slaven_bevrijd_uit_aspergeboerderij_.html>

³⁵ The Independent, Emily Dugan, "The new slaves: Children forced to work as farm labourers", 24 October 2010,

<<http://www.independent.co.uk/news/uk/home-news/the-new-slaves-children-forced-to-work-as-farm-labourers-2115115.html>>

BBC, "Romanian children found working in Worcestershire field", 24 October 2010, <<http://www.bbc.co.uk/news/uk-england-hereford-worcester-11615766>>

2. Corporate Social Responsibility standards and initiatives in the fresh fruit and vegetables sector

A considerable array of Corporate Social Responsibility (CSR) standards and initiatives has been developed over the last two decades, covering different aspects such as human rights and labour rights, working conditions, ecological standards and fair terms of trade. Because of the many areas where these standards now overlap in terms of content and verification, this proliferation has led to initiatives such as the Global Social Compliance Programme and Sedex, which aim to deal explicitly with the negative aspects of the overlaps such as high costs and audit fatigue. In this chapter the most important CSR initiatives and standards³⁶ relevant to fresh fruit and vegetables (FFV) production or to Dutch supermarket FFV sourcing are outlined and discussed.

GlobalGAP

GlobalGAP certification (formerly known as EurepGAP) is a must for suppliers of fresh fruit and vegetables to EU supermarkets. GlobalGAP is primarily a food safety and quality standard system for Good Agricultural Practice (GAP). In addition to aspects such as responsible use of resources and animal welfare the standard also includes provisions on labour rights such as wage levels, job security and freedom of association. However, while they are considered so called 'Minor Musts' upholding these rights is not absolutely necessary for successful certification.³⁷ Recently GlobalGAP has introduced an optional Risk Assessment on Social Practices (GRASP) module which is to support farmers to demonstrate their compliance with international as well as national labour legislation and is available for implementation in several countries.³⁸ Up till now, 100,000 farms have been certified in over 100 countries worldwide.³⁹

Fair trade

With Fairtrade certification, the Fairtrade Labelling Organisations International (FLO) tries to create an alternative scheme for the relations between producers, importers and retailers in favour of the (often disadvantaged) local producer. The first Fairtrade labelled product appeared on the shelves in the Netherlands in 1988 (Max Havelaar coffee). By buying Fairtrade labelled products consumers help achieve the core principles of the FLO. Next to social standards the system includes aspects such as guaranteed minimum prices for producers; price premiums on top of the market price for investment in social, environmental or economic development projects which are decided upon democratically by producers within the farmers' organisation or by workers on a plantation; pre-harvest and pre-production financing and capacity building and knowledge transfer

³⁶ In the literature there is a whole range of terms for this category of standards including global standards (systems), voluntary standards, voluntary sustainability initiatives (VSIs), certification systems, sustainability/ethical labeling initiatives, CSR initiatives and CSR standards. There can be big differences within this group. However as discussed here they all have in common that they are voluntary, apply globally and are set by groups.

³⁷ Checked out, p. 53

³⁸ GlobalGAP website, <www.globalgap.org> (21 October 2010)

³⁹ GlobalGAP website, Home, Welcome to GlobalGAP, http://www.globalgap.org/cms/front_content.php?idcat=9 (16/11/2010)

between producers.⁴⁰ In 2008 consumers in 23 countries spent around €2.9 bn on Fairtrade certified products worldwide.⁴¹

Rainforest Alliance

Rainforest Alliance Certified (RA) is a certification scheme working under the auspices of the Sustainable Agriculture Network (SAN), an international coalition of environmental groups based mainly in Latin America. Rainforest Alliance Certified products are compatible with SAN standards, which sets norms for the protection of wildlife, wild lands, workers' rights and local communities. Covering 15% of all banana exports, RA is the most important certification for sustainable banana production, which in turn is the most exported FFV product in terms of volume and value globally.⁴² Today, more than 80,000 farms are certified globally, with a total area exceeding 570,000 hectare.⁴³

Organic / IFOAM

Organic agriculture is an agricultural production system that sustains the health of soils and ecosystems. Production relies on ecological processes, biodiversity and cycles adapted to local conditions rather than on the use of non-renewable inputs with adverse effects.⁴⁴ There are various national voluntary standards for organic production under the umbrella organization of the International Federation of Organic Agriculture Movements (IFOAM) that has set the international standard for these national standards. Whereas there is a social justice section in the IFOAM standards referring to incompatibility of labour/human rights violation and organic production there are no such references in the EU regulation for organic production. In 2008, 67 million hectares of land were managed by 1.4 million certified producers, selling organic products with a total value of \$50.9 bn worldwide.⁴⁵

SA8000

SA8000 is a business-to-business social standard system based on the ILO standards and managed by Social Accountability International (SAI). Third-party audited certification covers issues of forced- and child labour, health and safety, unionisation, discrimination, working hours, compensation and adequately working management systems at employers.⁴⁶ The accreditation for SA8000 certifications bodies is done by the independent organisation Social Accountability Accreditation Services (SAAS). Whereas SA8000 was founded in 1997 there were only 17 certified agricultural production sites in 2010 (representing 0.75% of all SA8000 certified facilities) most of which are fruit (banana and pineapple) production companies that include Del Monte and Dole.⁴⁷

Ethical Trading Initiative

⁴⁰ For an overview of Fairtrade standards, see <http://www.fairtrade.net/standards.html>.

⁴¹ Fairtrade website, About Fairtrade, Fairtrade and you, Selling Fairtrade, http://www.fairtrade.net/selling_fairtrade.html (16/11/2010)

⁴² J. Potts, J. van der Meer and J. Daitchman, State of Sustainability Initiatives Review 2010, (published by the International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED), 2010), p. 108, http://www.iisd.org/pdf/2010/ssi_sustainability_review_2010.pdf

⁴³ Fairtrade website, About Fairtrade, Fairtrade and you, Selling Fairtrade, <http://www.rainforest-alliance.org/agriculture.cfm?id=main> (15/11/2010)

⁴⁴ IFOAM website, About IFOAM, The organic principles, Definition of organic agriculture, http://www.ifoam.org/growing_organic/definitions/doa/index.html (16/11/2010)

⁴⁵ IFOAM Annual Report 2009, p. 1, http://www.ifoam.org/sub/pdf/IFOAM_Annual_Report_2009_final_web.pdf (16/11/2010)

⁴⁶ SAI website, Resources, The SA8000 standard, <http://www.sai-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937> (16/11/2010)

⁴⁷ Social Accountability Accreditation Services (SAAS) website, Certification, Certified Facilities By Industry (30 June 2010), http://www.saasaccreditation.org/facilities_by_industry.htm (16/11/2010)

Ethical Trading Initiative (ETI) is an alliance of corporations, trade unions and NGOs sharing knowledge and best practices on responsible trade on a global scale. They do not issue certifications, but the ETI works out the most effective steps for companies to implement ETI's Base Code, which is based on the standards of the ILO, into their supply chains. ETI seeks to help 'create work cultures where workers can confidently negotiate with management about the issues that concern them [...] and broker resolutions where there are major breaches of trade union rights by companies that supply ETI's members'.⁴⁸ As for the FFV sector, ETI members mainly include UK supermarket chains and their suppliers.⁴⁹

Business Social Compliance Initiative

Business Social Compliance Initiative (BSCI) is a cooperation of companies and associations established to improve working conditions in global supply chains. BSCI aims to create a 'common platform for the various different European codes of conduct and monitoring systems and to lay the groundwork for a common international monitoring system for social compliance'.⁵⁰ As of 1 January 2010, BSCI members commit themselves to improve and audit 2/3 of their suppliers (or of their buying volume) in risk countries within three and half years of the commencement of their BSCI membership.⁵¹ BSCI has over 600 members, which are European retail, brand, trading and importing companies with an active role in the supply chain.⁵² To date 50 primary food producers have been involved in the BSCI program.⁵³ BSCI recognises SA8000 certification as best practice.

ISO26000

ISO26000 gives guidance on social responsibility to all types and sizes of organisations, it is, however, not conceived for certification purposes, as opposed to other standards issued by the International Organisation for Standardisation (ISO). ISO26000 seeks to unite all aspects of social responsibility: labour rights, human rights, environment, good governance, consumer issues and interaction with local communities. The final version of the standard was completed in October 2010, 99 of the 163 ISO countries have adopted the ISO26000 norms.⁵⁴

Global Compact

"The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption."⁵⁵ The ten principles refer to human and labour rights, environment and anti-corruption. Companies are required to issue an annual public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact and in supporting broad UN development goals. In November 2010 out of a total of 6249 business members there were 218 participants in the Food Producers sector and 16 in the Food & Drug Retailers sector.⁵⁶

⁴⁸ ETI website, About ETI, What we do, <http://www.ethicaltrade.org/about-eti/what-we-do> (16/11/2010)

⁴⁹ For a full list of ETI members, see <http://www.ethicaltrade.org/about-eti/our-members>.

⁵⁰ BSCI System: Rules and Functioning, Version 3, November 2009, p. 1.

⁵¹ BSCI website, <http://bsci-eu.org/index.php?id=2009> (16/11/2010). For a list of BSCI risk countries, see <http://bsci-eu.org/userfiles/file/Annex%204%20BSCI%20Risk%20countries%282%29.pdf>

⁵² BSCI website, <http://bsci-eu.org/index.php?id=2015> (16/11/2010)

⁵³ BSCI website, <http://www.bsci-intl.org/news-events/call-tender-impact-study-bsci-food-supply-chain> (16/11/2010)

⁵⁴ "Richtlijn voor 'groen' werken", De Telegraaf, 1 November 2010, http://www.telegraaf.nl/mijnbedrijf/8087194/Richtlijn_voor_groen_werken_.html?sn=mijnbedrijf (16/11/2010)

⁵⁵ Global compact website, <www.unglobalcompact.org> (21 November 2010)

⁵⁶ Global compact website, participants search, <<http://www.unglobalcompact.org/participants/search>> (21 November 2010)

Other CSR standards

Other standards and initiatives include Sedex, Initiative Clause Sociale, Global Social Compliance Programme (GSCP), Business Council for Sustainable Development (BSCD)/ World Business Council for Sustainable Development (WBCSD), Danish Ethical Trade Initiative (DIEH), Bio-equitable, IUF Charter on migrant workers in agriculture, ISEAL Alliance and the SASA project.

Convergences and divergences

Markets for products that adhere to global standard systems, eg., certification systems, have developed rapidly at rates far beyond the growth of markets for conventional products. Sustainable banana sales for example have grown by 63% from 2007 to 2009 accounting for approximately 20% of world exports by 2009.⁵⁷ A recent study⁵⁸ assessing the system characteristics and market trends regarding the most mature global standard systems⁵⁹ in forestry, coffee, tea, cocoa and banana finds that initiatives are still differentiated by the distinct criteria they monitor and enforce. However, they also find convergences. For instance, most initiatives tend to focus on social and environmental issues rather than on economic ones. Environmental requirements mostly include strict criteria for pesticides use but issues such as energy conservation, GMO prohibition, water and soil quality assurance are much less emphasised. In terms of social requirements, most of the initiatives cover core ILO labour conventions and health and safety measures but issues like living wage, gender and community involvement are often absent. The most common economic criteria are product quality and minimum wage requirements, whereas price premiums and written contract requirements tend to be particularly rare.

Dutch FFV retail market impact of CSR standards

In terms of visibility for consumers, (business to consumer) product standards are very different from business to business standards. Product standards like Fairtrade, Rainforest Alliance and Organic allow for sustainability-labelled consumer products. Initiatives such as BSCI or GlobalGAP on the other hand certify or monitor producers that supply their member organisations. Albert Heijn, Aldi and Lidl are the only Dutch supermarkets that have joined BSCI. All Dutch supermarkets however are directly or indirectly⁶⁰ GlobalGAP members. Ahold, Albert Heijn's holding company, joined the Global Compact in October 2010. Although often mostly with a limited selection, all leading Dutch supermarkets offer products with a sustainability label. Some of these products include private label products. In 2009 Albert Heijn created a new *superseding* private label category called '*puur & eerlijk*' (pure and honest)⁶¹ which incorporates all kinds of sustainability claims and labels including Fairtrade and Organic.

⁵⁷ State of Sustainability Initiatives Review 2010 (Consortium of organization among others IISD and IIED), Sustainability and Transparency, 2010, <http://www.iisd.org/pdf/2010/ssi_sustainability_review_2010.pdf> (21 November 2010)

⁵⁸ Ibid.

⁵⁹ The assessment includes market based standards only and (hence) excludes initiatives such as BSCI, ETI, GlobalCompact and ISO26000.

⁶⁰ Via the Dutch supermarket industry organisation Centraal Bureau Levensmiddelhandel (CBL)

⁶¹ Ahold website, CR report 2009, Our priorities, Sustainable trade, Social compliance, http://www.crreport2009.ahold.com/our_priorities/sustainable_trade/social_compliance.htm (17/11/2010)

3. Public and political debates on abusive buyer power practices

In the Netherlands and many other European countries there has been an increase of the market share held by a small number of supermarket chains, some of which operate in multiple EU countries. Concerns have been raised at a political and a public level about the increasing buyer power of such large retailers and their abusive practices towards their national, European and global suppliers. This chapter discusses public and political debates on abusive buyer power practices with a special focus on the Netherlands and the role of Ahold in these debates.

Fewer supermarkets dominating the retail market in the Netherlands and other EU countries, and subsequently fewer buying organisations or alliances, result in fewer channels through which suppliers have access to the majority of the consumers. Because suppliers have less options to sell elsewhere, retailers can more easily impose their conditions, such as 'just in time' delivery, and abuse their dominant position. Abusive practices that have been mentioned in several reports⁶² include late payments, contractual long payment periods, paying (contractual) low prices linked with threats not to buy the products any more, unilaterally changed conditions, requiring payments for products to be on selection lists, and forced discounts or rebates. So far, it is not known to what extent these practices are being applied in the Netherlands exactly, but different problems have been mentioned, as explained in this chapter.

Market shares of Dutch supermarkets

In 2009 Albert Heijn, C1000, Aldi, Super de Boer, Plus and Lidl were the supermarkets with the largest market share in terms of value of sales in the Netherlands. Together they controlled 70.7% of all Dutch supermarket sales. Albert Heijn was the biggest retailer by far, controlling 32.8% of the total market. C1000 captured 11.7%, Aldi 8.3%, Super de Boer 6.5%, Plus 6% and Lidl 5%.⁶³

Fierce competition among supermarkets for an ever larger market share through attracting consumers with cheap and promotional prices, has long been a practice among many Dutch retailers, including large supermarkets like Albert Heijn, in the Netherlands⁶⁴. Ever larger market shares provide retailers with more buyer power and more opportunities to make profits even if net margins are small. This has raised concerns about smaller retailers and suppliers going out of business and increasing market concentration featuring a few large supermarket chains, even in the market of convenience stores.

⁶² UK Competition Commission, The supply of groceries in the UK market investigation, Report, 30 April 2008, http://www.competition-commission.org.uk/rep_pub/reports/2008/fulltext/538.pdf ; M. Vander Stichele, B. Young, The Abuse of Supermarket Buyer Power in the EU Food Retail Sector - Preliminary Survey of Evidence on behalf of AAI-Agribusiness Accountability Initiative, Amsterdam, March 2009, http://somo.nl/publications-en/Publication_3279 ; European Commission, Commission Staff Working Document On Retail Services in the Internal Market - Accompanying document to the Report on Retail Market Monitoring: "Towards more efficient and fairer retail services in the Internal Market for 2020", 5 July 2010, http://ec.europa.eu/internal_market/retail/docs/working_document_en.pdf

⁶³ Distrifood website, Marktaandeelen, <<http://www.distrifood.nl/web/Onderzoek/Marktaandeelen.htm>> (17 November 2010)

⁶⁴ Ahold representative Sebastiaan de Jong, who is Ahold Director 'Vers', testimony at the hearing on price formation in the agro-nutrition chain at the Dutch Parliament on 17 February 2010.

In addition, the increased sales of private labels (*huismerken*) allows supermarkets to put more pressure on brand product producers and private label suppliers to follow the (unfair)⁶⁵ conditions of the retailers or otherwise be replaced by other (private) label products and producers. Retailers as providers of private labels now compete on their shopping shelves with suppliers of branded products. At the same time, retailers have a strong decision-making power to decide what is put on the shelves at what price in what context.

Private labels good for business but leading to concerns of uncompetitive practices

Ahold has been increasing the percentage of private labels products in its stores, in the Netherlands and abroad.⁶⁶ By March 2009, 60% of Albert Heijn's turnover was estimated to come from products sold under its own labels. The Ahold private label products have been found to be systematically lower priced than premium brand (*A-merken*) products⁶⁷ at the expense of suppliers⁶⁸ while the net margin of private labels of Albert Heijn is estimated at 15-25%.⁶⁹ Ahold has been a founding member of the European buying alliance AMS which sources private label products.⁷⁰ The European Commission (DG Competition) has raised concerns about competition, cartel and other problems with the private label products the AMS buying alliance sources.⁷¹

The discussion about whether or not dominant retailers use abusive purchasing practices has increased since 2009. In many European countries, suppliers have feared⁷² to testify about their problems for fear of losing their outlet – thus testimonies of abusive practices have been rare. Only the UK Competition Commission's own far reaching investigations have been able to discover a whole range of abusive practices.⁷³ The most outspoken suppliers have been some farmers protesting openly, also in the Netherlands,⁷⁴ against, amongst others, the gap between the prices they receive for their fresh produce and the prices paid by consumers in supermarkets, which is blamed on the total dominance of supermarkets. One example was the milk farmers protesting in the Dutch city of Geldermalsen at the distribution centre of Albert Heijn in 2009.⁷⁵ Supermarket organisations have denied the allegation that they are to be blamed or that they are engaging in

⁶⁵ J. Halliday, Art. "Competition causes concern in retailer-manufacturer dealings", Food navigator, 20 February 2009, <http://www.foodnavigator.com/content/view/print/237218> : large food companies are testifying about retailer buyer power practices such as "chronically late payments, 'forced' discounts and 'forced' contributions to finance mergers and acquisitions.

⁶⁶ Art. "Ahold boert goed", De Telegraaf – DFT.nl, 2 March 2009, http://www.telegraaf.nl/dft/bedrijven/ahold/3369393/_Ahold_boert_goed_.html

⁶⁷ Art. "Huismerken goedkoper geworden", NRC Handelsblad, 16 April 2009, http://www.nrc.nl/economie/article2214483.ece/Huismerken_goedkoper_geworden ;

⁶⁸ Ibidem.

⁶⁹ Art. "AH-erlebnis", Quote, 20 November 2008m p.104, [http://www.efmi.nl/Pdf/Interviews/AH-Erlebnis%20\(Quote%20-%20november%202008\).pdf](http://www.efmi.nl/Pdf/Interviews/AH-Erlebnis%20(Quote%20-%20november%202008).pdf)

⁷⁰ Inkooporganisatie AMS Sourcing telt 14 leden in 22 landen, based on Food magazine, January 2009, <http://www.profnews.nl/903856/inkooporganisatie-ams-sourcing-telt-14-leden-in-22-landen>; M. Vander Stichele, B. Young, Ibidem.

⁷¹ Commission of the European Communities, Commission Staff Working Document - Competition in the food supply chain - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 28 October 2009.

⁷² M. Vander Stichele, B. Young, ibidem.

⁷³ See for instance : UK Competition Commission, The supply of groceries in the UK market investigation, Report, 30 April 2008, http://www.competition-commission.org.uk/rep_pub/reports/2008/fulltext/538.pdf; http://www.competition-commission.org.uk/rep_pub/reports/2000/446super.htm

⁷⁴ See for instance: D. Veerman, Art. "Straks houdt de boer het nog voor gezien", De Volkskrant, 19 September 2009; H. van der Lugt, Art. "Boeren willen dat politie in de markt ingrijpt", NRC Dagblad, 16 April 2009; H. van der Lugt, Art. "Tuinders: machtmisbruik supermarkten", NRC Dagblad, 13 January 2009.

⁷⁵ M. Lijftogt, Art. "Boze boeren blokkeren dc Albert Heijn", 28 September 2009, <http://www.logistiek.nl/supply-chain/logistiek-vastgoed/nid8924-boze-boeren-blokkeren-dc-albert-heijn.html>

wrongdoing, as is explained below. Fuelling the discussions, various studies have been published and officially commissioned about the issues of buyer power and potentially abusive practices, followed by political debates. Below we refer to such studies and debates at Dutch and EU level, and the role of Ahold in these debates. It should be noted that there is also evidence of abusive buying practices by EU supermarkets in their dealings with suppliers from developing countries.⁷⁶

3.1 Debates in the Netherlands

In November 2009, a study commissioned by the Dutch Ministry of Economic Affairs⁷⁷ indicated that increasing concentration at the buyers side, i.e. the retailers, results in suppliers being more dependent on a small number of buyers than in other branches, weakening their bargaining power. Especially private and no-label products were facing buyer power practices and abuses, although the ever harsher negotiations generally managed to avoid exploitative conditions. A few weeks later, research commissioned by the Netherlands Competition Authority (NMA) on the margins of the different actors in the food supply chain indicated that in the period 2005-2008 there was no abuse of buyer power by supermarkets. However, supermarkets had the highest margins in the food chain for all of the researched products in absolute terms and for most of the products in relative terms as well.⁷⁸

In January and February 2010⁷⁹, the permanent Commission for Agriculture, Nature and Food Quality of the Dutch Parliament held hearings due to claimed problems and the lack of transparency in pricing and margins in the food chain which is claimed to be very concentrated in the Netherlands. It was estimated that by September 75,000 farmers, 6,000 processors and 1,500 trading organisations had to deal with six buying organisations in order to be able to sell their food to 16,5 million consumers in the Netherlands.⁸⁰ The market share of Albert Heijn has been estimated to be 32.8% (2009, also see boxed text above) of the Dutch retail market.⁸¹ The resulting high level of concentration is considered in many discussions, also at the Dutch Parliament, as causing unequal relationships and negotiations that result in unfair contracts or low prices for producers, especially agricultural producers.⁸²

⁷⁶ Examples include Traidcraft's reports, 'A Fresh Perspective: sourcing vegetables from developing countries' and 'A Fair Cup: towards better tea buying', both 2007; Banana Link's reports into banana production in Ecuador and international fruit production by Dole, 'Dole, behind the smokescreen' [undated], and 'Race To The Bottom: Banana Workers' Rights In Ecuador' [undated]; ActionAid's examination of the supply of apples from South Africa, 'Who Pays? How British supermarkets are keeping women workers in poverty', 2007; Oxfam International's research into the role of women in supply chains, 'Trading Away Our Rights: Women working in global supply chains', 2004; SOMO's research on the global supply of fruit and vegetables, 'Who Reaps the Fruit? Critical issues in the Fresh Fruit and Vegetable chain - Update', 2006.

⁷⁷ P.T. van der Zeijden, F. Pleijster, C. van Essen, J. Snoei, De aard en omvang van inkoopmacht – Onderzoek naar de perceptie van leveranciers, EIM, 25 November 2009.

⁷⁸ NMA, Prijsvorming in de agri-food sector, 2 December 2009: This NMA research, however, was not able to clarify all the costs in the chain which might influence the results, according to one of the researchers in Agrarisch Dagblad, quoted in Dutch Dairy Board, 24 February 2010,

http://www.ddb.nu/index.php?option=com_content&task=view&id=998&Itemid=66:

⁷⁹ See: http://www.tweedekamer.nl/kamerleden/commissies/LNV/hoorzitting_prijsvorming_agro_nutriketen.jsp (viewed January 2010)

⁸⁰ D.Veerman, Art. "Boer moet straks misschien stoppen", Volkskrant, 19 September 2009,

http://extra.volkskrant.nl/opinie/artikel/show/id/4142/Boer_houdt_het_voor_gezien

⁸¹ Art. "Marktaandeel Albert Heijn gestegen", De Telegraaf, 21 January 2010,

http://www.telegraaf.nl/dft/bedrijven/ahold/5841451/Marktaandeel_Albert_Heijn_gestegen_.html; see also :

<http://www.distrifood.nl/web/Onderzoek/Marktaandelen.htm>

⁸² See for instance: Gerrit-Jan KleinJan, Art. "Commissie: 'Verspreiden dupe mededingingswet' ", Levensmiddelenkrant, [nr 10], 26 February 2010, <http://www.levensmiddelenkrant.nl/1359/commissie-verspreiden-dupe-mededingingswet>.

Examples of buyer power practices of supermarkets in the Netherlands

Albert Heijn has been condemned for imposing a payment period of 60 days,⁸³ which is legal but below the norm⁸⁴ and considered by politicians to be damaging for small suppliers, the economy and jobs, certainly in times of crisis.⁸⁵ Albert Heijn was accused, along with supermarkets Superunie and C1000, with whom it shared three quarters of the sales of vegetables grown in glass (beginning of 2009), of dictating prices at lower than production cost. The growers involved in these claims stated that as a result they were not able to benefit from their investment in economies of scale.⁸⁶ Albert Heijn responded⁸⁷ directly and indirectly to such accusations by arguing that prices are being set at world level whereby overcapacity is playing a role, and that Albert Heijn maintains good relations with suppliers so that these can continue to invest and that it avoided intermediaries who were raising prices.⁸⁸ However, Albert Heijn's spokesperson could not offer a satisfactory explanation for the large gap between producer and retail prices.⁸⁹

3.2 Debates at European Union (EU) institutions

Among EU institutions, different studies and debates have respectively raised concerns and led to denials by supermarkets of supermarket abuse of buyer power. For instance, the European Parliament approved two reports⁹⁰ that were critical of the behaviour of European supermarkets regarding fair cost-covering prices to agricultural and small food suppliers, and raised the debate about the need for regulation against unfair commercial practices. In 2008, 2009 and the 2010, the European Commission (EC) has been publishing reports about problems in the efficiency of the food chain and raised concerns about some practices of large supermarkets. Especially, the EC's July 2010 document about the EU retail market refers to tensions for suppliers in their contractual relationships with supermarkets, problems with large brand suppliers' practices towards supermarkets conditions, and many concerns about private labels.⁹¹

⁸³ See for instance: G. Rutte, Art. "Schuitema verlengt eenzijdig betalingstermijn", Uwsupermarkt.nl, 28 January 2009, <http://www.uwsupermarkt.nl/?aid=15021>

⁸⁴ The EU directive on late payments and its implementation in Dutch legislation (Burgelijk wetboek Art 119 a) sets the end of the period for payment at 30 days, except if otherwise specified through contracts. After the end of the payment period, interest needs to be paid.

⁸⁵ See for instance: K. Plegt, Art. "Het mes op de keel", 9 February 2010, <http://www.inkopers-cafe.nl/artikelen/10385-het-mes-op-de-keel/>; Art. "Late payments 'costing EU companies billions' ", EurActiv, 12 May 2009 - updated: 29 January 2010, <http://www.euractiv.com/en/enterprise-jobs/late-payments-costing-eu-companies-billions/article-182195>

⁸⁶ H. van der Lugt, Art. "Supermarkten dicteren prijs van groente en fruit", NRC Handelsblad, 22 December 2008; H. van der Lugt, Art. "Tuinders: machtsmisbruik supermarkten", NRC Handelsblad, 13 januari 2009.

⁸⁷ DCA, Art. "Prijsvorming blijft vooralsnog mistig", 17 February 2010, http://www.dca-markt.nl/nl/25254067-%5Blinkpage%5D.html?opage_id=25254676&location=4564798121837099.10374057; See for instance also: Art. "CBL: Supermarkten maken niet de hoge marges op vers, zoals vaak wordt beweerd" , AGF.nl, 9 February 2010, http://www.agf.nl/nieuwsbericht_detail.asp?id=55468

⁸⁸ See for instance: M. van Dinther, Art. "Albert Heijn: 'Onze leveranciers zijn blij met ons'", De volkskrant, 28 October 2009; DCA, Art. "Prijsvorming blijft vooralsnog mistig", 17 februari 2010, http://www.dca-markt.nl/nl/25254067-%5Blinkpage%5D.html?opage_id=25254676&location=4564798121837099.10374057

⁸⁹ Ibidem; Ahold representative Sebastiaan de Jong, who is Ahold Director 'Vers', testimony at the hearing on price formation in the agro-nutrition chain at the Dutch Parliament on 17 February 2010

⁹⁰ European Parliament Resolution, Food prices in Europe, 26 March 2009 (based on report by K. Batzeli), <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0191&language=EN&ring=A6-2009-0094>; European Parliament Resolution, Fair revenues for farmers - towards a better functioning food supply chain in Europe, 9 September 2010 (based on report by J. Bové), <http://www.europarl.europa.eu/oeil/FindByProcnum.do?lang=en&procnum=INI/2009/2237>

⁹¹ Communication of the European Commission, The functioning of the food supply chain and its effects on food prices, 9 December 2008; Communication of the European Commission, A better functioning food supply chain, 28 October 2009; High Level Group on Competitiveness of the Agri-Food Industry, created at the EC level in 2008, followed up by the High

Ahold counters supermarket buyer power abuses criticism

Ahold has been very active at the Dutch and the EU level to deny abusive buyer power practices and to refute the negative role of supermarkets in the supply chain. Ahold has often done so through active membership of Dutch and European lobby organisations of the supermarket branch.

In the Netherlands:

- Albert Heijn/Ahold is member of the board of the Raad Nederlandse Detailhandel (RND, Dutch Retail Council). The RND participates in a Steering Committee Europe (Stuurgroep Europa) which monitors and discusses EU retail debates and legislation. Ahold is member of stuurgroep Europa.
- Albert Heijn/Ahold is board member of Detailhandel Nederland (Dutch Retail). Detailhandel Nederland functions as a national and EU lobby organisation. It closely monitors debates and legislation at the EU level regarding retail through the Steering Committee Europe (Stuurgroep Europa) just referred to. Detailhandel Nederland has argued against complaints of suppliers regarding abuse of buyer power in different publications and lobby documents. It has for instance argued that tensions in negotiations with suppliers are inherent, sharp conditions “a necessity” and that “complaints from suppliers about alleged abusive practices should be taken with a pinch of salt.”
- Albert Heijn/Ahold has been member of the board Centraal Bureau Levensmiddelen (CBL) for many years. In January 2010 Dick Boer Chief Operating Officer (COO) of Ahold Netherlands, appointed to be the next CEO of Ahold in March 2011, was nominated as the CBL Chairman. In this position he has supported a document to convince national and EU policy makers of the benefits of supermarkets’ activities and to lobby against the report by European Parliamentarian José Bové, arguing against the accusations of abusive buyer power of supermarkets and against new EU measures that would prohibit selling below cost price and set up a price monitoring system throughout the food supply chain. CBL has also been active to defend the retailers at the Dutch level.

At a European level:

- Ahold is an affiliate and founding member of Eurocommerce, and member of its board; Ahold is also an indirect member, since RND and CBL are also members of Eurocommerce. Eurocommerce has lobbied heavily against mechanisms or legislation proposed at the EU level to deal with unfair commercial practices and abusive buyer power practices in the retail sector, and against price monitoring tools at national levels. Eurocommerce Committee on Food Supply Chain has published a series of lobby documents that include rebuttals addressing “misconceptions” about buyer power while arguing that retailers overall act in the interest of consumers and provide them with lowest possible prices. These lobby documents also mention that innovations through the development of private labels bring benefits to consumers. Ahold has participated in Eurocommerce lobby activities at the European Parliament, such as a lunch with Ministers of the European Parliament on 11 May 2010.
- Ahold’s CEO is chairperson of the European Retail Round Table (ERRT): the ERRT has been reacting openly to some of the European Commission’s reports and defending the retail industry and the benefits of private labels. The ERRT is well known to have contacts at the highest level of the EU institutions which are not always being made public.
- Ahold has been selected to participate (as ERRT representative) in the High Level Forum for a Better Functioning Food Supply Chain – an European Commission advisory group on making the EU food chain competitive - in which Eurocommerce is also separately represented.

SOMO’s discussions with European Commission officials and members of European Parliament have revealed that the lobby of the retailers’ branch organisations is pressing hard against any new regulation or measure that would apply to retailers’ buying practices. The question is in how far this

Level Forum for a Better Functioning Food Supply Chain, http://ec.europa.eu/enterprise/sectors/food/competitiveness/index_en.htm ; European Commission, Staff Working Document on retail services in the Internal Market – Accompanying document to the Report on Retail Market Monitoring: “Towards more efficient and fairer retail services in the Internal Market for 2020”, 5 July 2010, http://ec.europa.eu/internal_market/retail/docs/working_document_en.pdf

is in line with the responsibility retailers have for the whole food chain and their CSR policies towards suppliers. Even if Dutch retailers are not involved in all the abusive practices mentioned, this should not justify lobbying against measures and investigations that would curtail such practices if applied by other retailers. By being an active member in decision-making bodies of these lobby organisations in Brussels, Ahold is preventing regulation and initiatives to improve buyer practices, that need to be decided on democratically.

4. Mangos from Peru

Mangos sold in Dutch supermarkets such as Albert Heijn, the biggest consumer retail channel for fresh fruits in the Netherlands, come from all over the world. Depending on the season, Albert Heijn imports its mangos from different continents. In the months January and February, the mangos on the shelves come from Peru and South Africa.⁹² In 2010 SOMO carried out a study of the conditions of the workers working in the mango supply chain from Peru and the procurement policies of EU retailers that might influence these conditions.⁹³ In order to do this, three leading Peruvian agro-exporting companies were surveyed which operate in Piura, Peru's most important mango producing region.⁹⁴ One of these companies was Camposol AS, which besides mangos also supplies Albert Heijn with asparagus.

4.1 Mango export in Peru

Peru is an important mango producer, in the past ten years export values have more than tripled and the country currently exports around 300,000 tonnes of mangos annually. Mangos are exported as fresh fruit, frozen, as a canned product or as juice. Fresh mangos represent the biggest share of Peru's mango exports by far, with 80-90% of all export values. The two most important destinations for Peruvian mangos are the United States and the Netherlands. The export market for mangos is extremely fragmented, Camposol, the second largest mango exporter, has a 7% share of the Peruvian fresh mango export market. Almost 60% of all the exporting companies have a smaller share than 0.1% of the total market. The simplified export supply chain in Peru consists of production, collection, packing and export.

Most of the work in this industry involves farm work: harvesting and the maintenance of the crop and factory work: packing activities. As mango is a seasonal product, the majority of the workers are only hired for 3-5 months per year, between November and March.

4.2 Camposol AS

Camposol is Peru's leading agri-business exporter. It is Peru's largest exporter of asparagus and pepper and the second largest exporter of mangos and avocados. It also produces artichokes, citrus fruits and grapes.⁹⁵ Camposol is listed at the Oslo Stock Exchange (OSE) in Norway and the holding (Camposol Holding PLC) is incorporated in Cyprus. The company employs 8,497 workers (all employees not only mango workers) of whom 70% is female.⁹⁶ In its mango harvesting activities, the majority of the workers are male. For all its production it possesses 25,000 ha of land, for its mango production it has 499 ha available. Total sales in 2009 amounted to 122.8 USD million of which 5.6 USD million consisted of fresh mango sales only.⁹⁷ The company is involved in

⁹² In other months of the year, Albert Heijn imports its mangoes from Costa Rica, Puerto Rico, Israel and Brazil. AH website, Webwinkel, http://webwinkel.ah.nl/index.jsp?menu_option=home (26/11/2010)

⁹³ Agribusiness Action Initiatives, December 2010, 'Socio-economic issues in the Peruvian mango supply chain of EU supermarkets'.

⁹⁴ Other companies were Sunshine Export SAC and Sociedad Agricola Saturno for which the findings were more or less the same as presented here for Camposol.

⁹⁵ Camposol Holding Plc, "Annual report 2009", <<http://hugin.info/138464/R/1410920/363256.pdf>> (4 May 2010)

⁹⁶ Ibid.

⁹⁷ Ibid.

the whole export supply chain, from production until the export. Besides Albert Heijn, Camposol's other main clients include multiple retailers Tesco, Asda and Sainsbury.

4.3 Socio-economic issues

Research done at Camposol has yielded the following results.

- **Wages** at Camposol are poverty wages based on the daily minimum wage determined by Peruvian law. To reach a monthly income at the national poverty line level, which represents about 60% of an income that would provide for the basic needs of a family (living wage), two parents would have to work 8 hours per day, 6 days a week or one parent would have to work 12 hours a day 7 days a week (including the better paid overtime hours).
- **Working hours** are long and excessive during peak harvest time. Workers on the fields of Camposol officially have 8-hour working days, but this working day only ends after a specific production target is met. Even if it takes more than 8 hours of work to reach this target, which is pretty standard, only 8 hours of wage are paid for. Only the work done on top of the production target is considered as overtime, with higher pay. Another problem is that the hours worked in overtime are often not registered properly, which leads to even less pay for the workers. The production target at Camposol is twice as high as other leading mango exporters in the country.⁹⁸
- Agro-industrial workers are legally allowed to work **overtime** as long as the average working hours during the whole contract period do not exceed 48 hours per week. In practice working hours are excessive in January and February with workers working more than 11 hours per day, 6 to 7 days a week. With the contracts covering 3 to 5 months these legal conditions of overtime work are very likely to be violated.
- At Camposol **overtime work** is voluntary, but if workers refuse to work overtime, they will be known as 'problematic workers', which results in an increase in workload and the risk of not being contracted again for the next season. There are practically no cases known of refusal of overtime work, as there is little other work available, the agro-industrial sector being the main employer in the region of Piura.
- Reports have been made that Camposol only lets its workers sign **contracts** for a part of the actual working period, which means that for certain periods workers are employed without a contract. Contrary to national law, none of the interviewees had received a copy of their signed contracts.
- The **freedom of association** is clearly hampered at Camposol. The company does not have a trade union in Piura, the most important mango producing region, and it is reported that it prevents their formation. However, since 2007 it does have a union in its other mango producing region, La Libertad, but the company is still actively opposing its operations: unionised workers are dismissed on the grounds of false allegations, are threatened with non-renewal of their contracts and new workers are not hired at all when it is known that they are union members. In 2002 a company worker tried to form a trade union, but was fired and denounced by the company. Only after eight years of legal procedures could the worker be reinstated at his job. In August 2007, Camposol's trade union in La Libertad was created. However, in December of that same year 385 people were unjustly fired by the company, and of these workers 80% were union members.⁹⁹ By actively discouraging and opposing

⁹⁸ Other companies investigated in the 2010 SOMO report are Sunshine Export SAC and Sociedad Agrícola Saturno.

⁹⁹ Bi-regional network Europe, Latin America and Caribbean 'Enlazando Alternativas' Working Group on transnational corporations - "Permanent Peoples' Tribunal", Tribunal on European transnational corporations, 2008, <http://www.foeeurope.org/corporates/Lima/EAdossier_EN_May08.pdf> (14 November 2010) in Latin America and on neoliberal policies

trade union activity, Camposol clearly breaches its own code of conduct, which states that the company ‘recognizes in theory and practice the right of all employees to establish working organizations under their own criteria and to collectively negotiate their conditions of work’.¹⁰⁰

- ❑ **Health and safety conditions** on the plantations are far from being satisfactory, food serving areas are rudimentary and the sanitary services often lack drinking water. The lack of appropriate equipment creates insufficiently safe working conditions for the mango workers.
- ❑ Pregnant women are **discriminated** against because they are dismissed or not even contracted when pregnant and women are often subjected to a pregnancy test when hired.
- ❑ When looking at the cost of a mango on the shelves of Albert Heijn calculations lead to the rough estimation that the exporter, e.g. Camposol has the highest share of the total costs (profit margin included) of a mango, approximately 55% of the retail price. The supermarket captures around 13% of the costs, while the wage share for the mango collector on the fields represents a mere 0.13%.
- ❑ The only initiative dealing with social responsibility Camposol has signed up for is the Global Compact of which Ahold now is also a member. In addition to supplying mangos to Albert Heijn the company also has to comply with the code of BSCI (Business Social Compliance Initiative). Both BSCI and Global Compact seek to uphold and refer to fundamental ILO workers rights. As some of these rights such as the freedom of association and non-discrimination, as well as overtime regulations are violated this means that these (retailer) standards are violated as well and that their implementation systems have so far not resulted in good working conditions for mango workers.

Camposol controversies

In addition to the issues in its mango operations, Camposol has a bad track record when it comes to labour and community rights in its other operations such as capsicum pepper and asparagus, the latter also sourced by Albert Heijn. Since 2006 Camposol has been in a land property conflict with two villages in northern Peru, where, according to villagers, Camposol confiscated and burned down their lands to set up big-scale plantations.¹⁰¹ Another issue is that of the asparagus pickers who have to stay 12 hours at their workplace but only get paid for 8 hour of work. This is due to the long and mandatory lunch break, which enables the company to have the workers harvest multiple times a day on the same field.¹⁰² In October 2010 asparagus workers also were protesting against the fact that Camposol weighs the asparagus crates outside the fields where they are picked, hereby often reporting lighter weights than the crates filled with the vegetables actually are.¹⁰³

¹⁰⁰ Camposol Code of Conduct, point 5, “Horizontality”, Camposol website, The company, Code of Conduct, “ Camposol Code of Conduct”, <http://www.camposol.com.pe/en_the_company_code_of_conduct.html> (24/10/2010)

¹⁰¹ Norwatch website, The sweet pepper war <<http://www.norwatch.no/200904221293/english/other/the-sweet-pepper-war.html>> (08/11/2010)

¹⁰² Norwatch website, Forced to watch asparagus grow, <<http://www.norwatch.no/200903061268/english/other/forced-to-watch-asparagus-grow.html>> (08/11/2010)

¹⁰³ R. Gómez Sánchez, “Violencia en segundo día de paro”, La Industria, 17 October 2010

5. Fresh fruit and vegetables from Egypt

The fresh fruit and vegetables (FFV) industry exports from Egypt have grown considerably in the last decades. Europe is the main destination of these exports and in 2009, the Netherlands was the third largest net importer in the EU. In the Netherlands about two thirds of the Egyptian FFV is sold by supermarkets.¹⁰⁴ SOMO research¹⁰⁵ reveals that continuing attention for social and economic issues in the FFV sector in Egypt is needed as, for example, wages are low (often below living wage), unionisation is virtually absent, casual labour widespread, and gender discrimination extensive. Dutch supermarket Albert Heijn, sources grapes from MAFA, the country's leading FFV supplier that was one of the companies covered in the field research.

5.1 Egyptian agriculture and its production of fresh fruit and vegetables¹⁰⁶

Egypt is located in the Middle East and North African region and like the other countries in the area is characterised by low agricultural productivity; higher food imports than exports; concentration of poverty in rural areas; high unemployment rates; and agriculture accounting for a large share of total employment. Trade with Europe is of great importance, it absorbs over half the region's agricultural exports. The contribution of the agricultural sector to the GDP has declined in recent decades, yet the sector still plays an important role in the economy.¹⁰⁷ Around 90% of the agricultural area is concentrated in the Nile Delta and almost all of its crop production undergoes irrigation. Consequently, crop yields are relatively stable and are not subject to weather-related shocks as in most countries in the region.

Egypt produces large quantities of fresh fruits and vegetables for both the domestic and export market. Figures from the Food and Agriculture Organization (FAO, 2009) indicate that the combined area harvested as well as the total production of fruit and vegetables has increased considerably (tripled) over the last three decades. Vegetables are grown mainly by smallholder farmers in the Nile Delta and in the Valley, who account for 80% of production. The top five vegetables produced in 2009 were tomatoes, onions, watermelons, eggplants, chillies and peppers (capsicum) and pumpkins.

In 2009, Egypt was the 6th largest global producer of tomatoes, it ranked 5th in onion production and 6th in the production of watermelons. With regard to several other vegetables, Egypt ranks fairly high as well. The top five produced fruits, according to 2009 figures, were oranges, grapes, dates, bananas, tangerines, mandarins and clementines. In 2009, Egypt ranked 7th in worldwide oranges production, 12th in grape production and was by far the largest producer of dates (Algeria ranked second). In the Nile Valley and Delta, fruit is mostly grown in small-irrigated lots of 2-3 feddans (about 0.42 hectares). In the new lands¹⁰⁸ fruit is grown on large farms which rely more on modern irrigation systems and are more export oriented.

¹⁰⁴ ING Economisch Bureau Groothandel AGF, <<http://preview.tinyurl.com/393vkoj>> (15 November 2010)

¹⁰⁵ Conducted in 2009, together with NSCE and focused on leading FFV exporters such as MAFA, Pico, Al-Hoda and Agrofood

¹⁰⁶ All data on FFV in this section is derived from FAO stat <<http://faostat.fao.org/>>

¹⁰⁷ WTO, statistical database, trade country profiles of Egypt, October 2008, <<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=EG>> (March 2009)

¹⁰⁸ There is no precise definition for this term that is used widely. It is loosely refers to areas claimed after 1952 in and outside of cultivated areas in the Nile valley and the Delta.

5.2 Export industry and supply chain to the Netherlands

Prior to 1987, the export of fresh fruit and vegetables was state led and exports were primarily handled by state trading companies with barter or counter trade arrangements with Eastern Europe or the Soviet Union.¹⁰⁹ Since then, the private sector has gradually taken over the main exporting function. Egypt's current competitive advantage is provision of fresh fruit and vegetable products in the winter months to Europe. In the last thirty years the export value of FFV increased from US\$159 million to US\$602 million in 2007.¹¹⁰

While an increasing number of smallholders are participating in the horticulture export market through contract farming, the bulk of horticultural food produce for export is still produced by around 150 large-scale production farms, of whom many are also exporters.¹¹¹ For the export market, around 26 different types of vegetables and 24 different types of fruits are grown (for the top five FFV see Table 2).¹¹² The value chain structure is similar for all these different types of produce exports. Only a few exporters are engaged in supplying for export. The phases involved in the value chains include input supply, contractual production, exports and imports and, in some instances, domestic retailers.

Table 2: Top 5 exported fruit and vegetables in 2007

	2007 Export Value (1000 US\$)
Potatoes	108,092
Oranges	99,143
Grapes	59,688
Vegetables dehydrated	40,469
Onions, dry	36,086

The most important client of Egyptian horticultural produce is the EU, where the UK, Italy and the Netherlands are the top 3 importers in 2009 (see table 3).

Table 3: Top 5 importing countries of fruit and vegetables in 2007

Fruit and vegetables ¹¹³ (million US dollar)	2005	2006	2007	2008	2009
EU27	395	423	555	529	621
United Kingdom	82	101	136	118	154
Italy	85	100	106	116	121
Netherlands	68	67	90	81	118
Germany	45	43	63	49	64
Belgium	32	25	33	39	49

The Netherlands imported USD 118 million worth of fruit and vegetables from Egypt in 2009 making it the third largest importer in the EU27.¹¹⁴ In terms of both volume and value, fresh fruits are more important than fresh vegetables (see table 4).

¹⁰⁹ K.B. Allouch, "From farm to customer" Dutch corporate social responsibility initiatives in the Egyptian fresh fruit and vegetables sector, Unpublished Thesis, September 2007

¹¹⁰ FAO stat <http://faostat.fao.org/>

¹¹¹ IFAD, Egypt: Smallholder contract farming for high-value and organic agricultural exports, 2008

¹¹² IFAD, Egypt: Smallholder contract farming for high-value and organic agricultural exports, 2008

¹¹³ 05 SITC Eurostat http://epp.eurostat.ec.europa.eu/portal/page/portal/external_trade/data/database

¹¹⁴ 05 SITC Eurostat http://epp.eurostat.ec.europa.eu/portal/page/portal/external_trade/data/database

Table 4: FFV exported to the Netherlands

Fruit and vegetables exported to the Netherlands ¹¹⁵ (million Dollars)	2005	2006	2007	2008	2009
Total	68	67	90	81	118
Vegetables	25	28	40	37	33
Fruits	43	39	51	44	85

The main exported types of fresh fruit and vegetables to the Netherlands in descending order are: oranges, grapes, strawberries, green beans and French beans, onions and peppers. Albert Heijn sources strawberries, green beans, spring onion, grapes and sugar snaps from Egypt of which grapes from MAFA, a supplier sampled for this research.¹¹⁶

Company information MAFA¹¹⁷

MAFA farms were established in 1989 in Nobarria a desert reclaimed area. The privately owned company's farms cover 12,500 acres and employ 1500 people. MAFA exports to around 40 countries including Australia, Canada, European countries, Central Europe, Gulf countries, South East Asia and the UK. It's most important products are citrus, grapes, strawberries, herbs and baby leaves, leaf salads, capsicum and flowers. It works with various certification and quality control mechanisms, including Fair-trade, Global Gap and Sedex. Its mission statement declares that "Magrabi Agriculture is committed to meet statutory, legal, customer, and any other requirements that might be needed to establish and maintain a brand name of excellence for any and all of its Egyptian fresh produce worldwide"

5.3 Socio-economic issues in the chain

There is scant information on the conditions of workers and smallholders in export-oriented FFV production in Egypt. Desk research has yielded a limited amount of information. Field research for SOMO, conducted in 2009, filled some of the existing gaps in the literature. The findings, with a focus on socio-economic problems and large-scale farming, are summarised in the table below.

- **Wages:** There is no official minimum wage in the agricultural sector. Workers in both the informal and formal sector generally find that their incomes do not cover living expenses. Fieldwork observations in large-scale companies over the course of this study indicated wages of 20-23 Egyptian pound (USD 3.45 to 3.96) per day, which is far below the living wage, according to the OECD.¹¹⁸
- **Collective bargaining and the right to organise:** Although legislation largely grants the right to organise, the practical application of this right is practically non-existent. Formally, Egyptian law does not allow union organisation in firms with fewer than 50 employees. Most of the companies working in Egypt's agricultural sector would fall into that category. Information collected in in-depth interviews as well as in focus group discussions confirmed the fact that there are no labour unions for FFV workers. However, there are some informal groups, who developed collective support or insurance funds. Through these groups some non-wage issue bargaining takes place between employers and workers in large farms in the export-oriented FFV sector.

¹¹⁵ SITC Eurostat http://epp.eurostat.ec.europa.eu/portal/page/portal/external_trade/data/database

¹¹⁶ <http://www.icco.nl/nl/doelgroepen/bedrijven/samenwerken-met-bedrijven/albert-heijn/aha-de-smaak-van-verantwoord-fruut> and email from AH 24-11-2010

¹¹⁷ MAFA, corporate website, <<http://www.magrabi-agriculture.com/corp.htm>> (December 2010)

¹¹⁸ OECD data report, Egypt, 2008 <<http://www.oecd.org/dataoecd/13/36/40577424.pdf>> (March 2008)

- **Casual labour:** The majority of workers are casual labour. Large FFV exporting companies hire non-permanent workers, who are mostly women, through gang masters that hire and collect workers in nearby villages. These workers do not enjoy the advantages of permanent workers, lacking job security and benefits such as sick leave, holidays, maternity leave and pensions.
- **Contracts:** Large-scale, export-oriented, companies employ both casual (no contract, limited benefits) and permanent workers (contract and benefits). Smallholders (majority of the farms) employ labourers without using contracts.
- **Forced labour:** Field research found no evidence of forced labour in any form in the Egyptian FFV sector. Unpaid labour as reported in Egyptian censuses¹¹⁹ may be misinterpreted giving an impression that it is bonded labour. In actuality, this unpaid labour refers to family work, which is a normal practice on family farms, whether it is done by adults or by children.
- **Child labour:** There are no official statistics regarding child labour, but according to one study the number of working children in Egypt is estimated to be between 1.3 and 3 million, divided among different sectors, with the agricultural sector representing the highest percentage at 77.7%.¹²⁰ The literature and the field research for this research indicated that child labour in Egypt is not an issue at the large export-oriented farms but at the small family farms.¹²¹
- **Work hazards and healthcare:** Work hazards in agriculture include exposure to chemicals, transportation accidents and on-the-farm accidents. Field observations and interviews confirmed the use of hygienic procedures like providing toilets and clean water for washing in the large farms of the FFV sector. When it comes to the formal rights concerning sick leave, this is reserved only for permanent workers. In large farms social solidarity funds¹²² support the sick, but this is again a right that is only extended to the permanent workers.
- **Gender discrimination:** Women constitute a large proportion of agricultural workers in Egypt, and this was confirmed in field observations. Almost all harvesting work on large FFV export farms is done by women. In effect, women are more prone to accept irregular employment because they culturally have other domestic and family responsibilities which they must fulfil in addition to working. Women may also accept badly paid work because of the very large supply of female workers in rural areas and because of work irregularity. Field observations during the current study confirmed that work on family farms is remunerated neither for men nor for women. It was also confirmed that women may accept/receive lower wages than men even if they are doing the same work. Normally, hard physical work such as hoeing is reserved for men. On export-oriented FFV farms men and women receive equal pay, even for different types of work. In fact, women may even be paid more than men in some cases. However, neither domestic-oriented farms nor export-oriented farms gave supervisory jobs to female workers. Equal opportunity for both men and women depends on the job and nature of the task. On the managerial level, however, men dominate and equal opportunity is not enacted.
- **Environmental concerns:** Egypt uses more fertilizer and pesticides per hectare of cropland than any other African country.¹²³ Fertilizer consumption is particularly elevated.¹²⁴ There are issues concerning the unsafe use of pesticides and inappropriate methods of disposal of

¹¹⁹ Thousands of employees are reported to be unpaid workers, both in the 1986 and 1996 census. Results of the 2006 census are not yet analyzed.

¹²⁰ LCHR, Working children and pesticides, 2006 <<http://www.lchr-eg.org/114/eco5-06.zip>> (February 2009)

¹²¹ "Working flat out - the child labour behind your Egyptian cotton sheets", The Guardian, 23 May 2010 <<http://www.guardian.co.uk/society/2008/jun/08/childprotection.humanrights>> (June 2010)

¹²² So-called fellowship funds.

¹²³ Arab Republic of Egypt, (2008) <<http://na.unep.net/atlas/profiles/english/Egypt.pdf>>

¹²⁴ I. Bashour, Chapter 10. Pesticides, fertilizers and food safety <<http://www.afedonline.org/afedreport/english/book10.pdf>>

empty pesticide containers.¹²⁵ The research for this study only covered environmental concerns from secondary and not primary sources.

- **Food security and food sovereignty:** Food security in Egypt currently is a limited problem but it is becoming more pressing as the population is growing fast and the amount of arable land is shrinking. Egypt, however, already has a food sovereignty problem. Egypt is a net agricultural importer because it is dependent for an important part of its food supply on imports.¹²⁶

5.4 Certification and CSR standards

The adoption of CSR practices in the export-oriented FFV sector in Egypt, in the form of certification or global standard systems, seems to have been rather limited so far. Nevertheless, it is likely that at least a few of the large FFV exporters do already comply with the more serious CSR sustainability standards, such as the Ethical Trade Initiative. Also there are currently five fruit operators and one vegetable operator that supply Fair Trade certified produce (including MAFA)¹²⁷ and at least four certified organic FFV operators.¹²⁸ IFOAM even claims there is a substantial domestic market for organic FFV.¹²⁹ There are no SA8000 certified FFV operators, however.¹³⁰ The number of BSCI compliant FFV producers could not be determined (at least BSCI has become active by organising training courses in Egypt¹³¹ recently). According to SEDEX, Supplier Ethical Data Exchange, 139 production sites in Egypt are, or are trading with, members that operate in various sectors including the food sector. So far 109 of these sites have been audited and/or have provided CSR compliance information.¹³²

¹²⁵ I. Ibitayo, Egyptian Farmers' Attitudes and Behaviors Regarding Agricultural Pesticides: Implications for Pesticide Risk Communication (August 2006) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=943279>

¹²⁶ IFAD, 2007, Impact of Trade Liberalization on Agriculture in the Near East and North Africa, p.146-160, <<http://www.ifpri.org/sites/default/files/publications/nenatrade.pdf>> (22-12-2010)

¹²⁷ Flo-Cert website, 'List of certified operators', <<http://www.flo-cert.net/flo-cert/operators2.php?id=10>> (June 2010)

¹²⁸ Ifoam website, List of Members <http://www.ifoam.org/organic_world/directory/index.html> (June 2010)

¹²⁹ A growing global market; The future of the global organic food and beverage industry, <[just-food.com](http://www.just-food.com)> (December 2004)

¹³⁰ Social Accountability Accreditation Services (SAAS) website, Certified Facilities By Country (31 December 2009) <http://www.saasaccreditation.org/facilities_by_country.htm>

¹³¹ Fair Match support website, All certification systems, <<http://www.fairmatchsupport.nl/documents-certification-details.php?id=1>> (31 December 2009)

¹³² Sedex website, Sedex membership worldwide, <<http://sedexmap.maplecroft.com/loadmap?template=min&issueID=120>> (June 2010)

6. Fruit and vegetables from settlements in the occupied Palestinian territories

Fruit and vegetables produced in the Israeli settlements in the occupied Palestinian territories (oPt) are sold in the Netherlands, among others by the leading Dutch multiple-retailer Albert Heijn. By sourcing and selling Israeli goods from the illegal settlements, retailers are accused of supporting companies that directly benefit from the occupation and so making their uninformed clients an unwitting accomplice.¹³³ It is stated that companies located in these settlements base their operations on confiscated Palestinian land in defiance of international law and in contravention of Article 49 of the Fourth Geneva Convention.¹³⁴

6.1 Background information

- Israel and the European Union have a history of close foreign and trade relations, which today take place within the European neighbourhood policy.¹³⁵ In 2000, the EU Association Agreement with Israel entered into force.¹³⁶ Being one of the biggest trading partners of the EU, Israel exports products ranging from fruit to cosmetics to the European Union. Israel exports products originating from Israeli settlements in the occupied Palestinian territories (often labelled 'Made in Israel').¹³⁷
- The internationally recognised, illegal status of the Israeli settlements and the severe human rights violations of Israel in the occupied Palestine territories are regarded as the basis for an assessment of the export of settlement products by Israel.¹³⁸ International humanitarian and

¹³³ See for example: War on Want, 'Profiting from the Occupation, July 2006, <<http://www.waronwant.org/campaigns/winning-justice-for-palestine/hide/inform/12573-report-profiting-from-the-occupation>>, (November 2010)

¹³⁴ For an elaboration of this argument see: Al-Marsad, From Settlement to Shelf: The Economic Occupation of the Syrian Golan, December 2009, <[http://www.internal-displacement.org/8025708F004CE90B/%28httpDocuments%29/D4F7F1E46A0DBAA8C1257727004F6D83/\\$file/almarsad_final_english_book.pdf](http://www.internal-displacement.org/8025708F004CE90B/%28httpDocuments%29/D4F7F1E46A0DBAA8C1257727004F6D83/$file/almarsad_final_english_book.pdf)> and War on Want, 'Profiting from the Occupation, July 2006

¹³⁵ European Commission, European Neighbourhood Policy, Country Report Israel, COMMISSION STAFF WORKING PAPER, COM(2004)373 final 12/05/2004, <http://ec.europa.eu/world/enp/pdf/country/israel_enp_country_report_2004_en.pdf>.

¹³⁶ Israel breaches clauses of the Israel EU Association Agreement. This agreement entered force on 1 June 2000. In essence, the violations of Israel centre around two principles: the human rights clause and the application of preferential treatment to product exported by Israel to the European Union. See: EC, Euro-Mediterranean Agreement establishing an association between the EC and their Member States and the State of Israel, OJ L 147 21.6.2000, <http://www.delisr.ec.europa.eu/english/content/eu_and_country/asso_agree_en.pdf> (November 2010)

¹³⁷ Hereby it violates legal and ethical (i.e. human, consumer and environmental) standards. See, amongst others, the Fourth Geneva Convention (with effect from 6 July 1951 ratified by Israel). According to Article 49 of the Convention it is prohibited for the occupying power to transfer its own population into the occupied territory. The *de jure* applicability of the Geneva Convention to Occupied Palestine Territories has been confirmed by the High Contracting Parties to the Convention. The United Nations Security Council and General Assembly have repetitively affirmed this together with the International Court of Justice in (non binding) advice on the Legal Consequences of the Construction of a wall in the Occupied Palestinian Territories. International Court of Justice. (July 9, 2004) *Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory*, <www.icjij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6&case=131&k=5a>, (December 2010)

¹³⁸ UN General Assembly, Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem, and the occupied Syrian Golan, Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories, 6 November 2009, <<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/598/11/PDF/N0959811.pdf?OpenElement>>, (November 2010) and International Court of Justice. (July 9, 2004) *Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory*, <www.icjij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6&case=131&k=5a>, (December 2010)

human rights law do not only apply to states; other actors, including companies, can be parties as well.¹³⁹

- According to the Protect, Respect and Remedy framework, prepared by the Special Representative of the Secretary-General (SRSG) of the United Nations John Ruggie, corporations owe due diligence with regard to human rights.¹⁴⁰ In addition, companies may need to consider additional standards: in conflict-affected areas, for instance, they also should take into account international humanitarian law; and in projects affecting “at-risk” or vulnerable groups—for example, indigenous peoples or children—standards specific to them.
- Because of the confiscation of land, many Palestinians are no longer able to support themselves and are forced to work in the Israeli factories and industrial zones in the settlements.¹⁴¹ Besides humanitarian and labour concerns, Israeli companies located in Israeli settlements in the occupied Palestine territories are causing significant environmental damage.¹⁴²
- Settlement products are mostly labelled ‘Made in Israel’, thereby misinforming consumers.¹⁴³ EU regulation requires that consumers are informed on the country of origin of (among other products) fresh fruit and vegetables.¹⁴⁴ In the UK, the Department for Food, Environment and Rural Affairs issued a technical advice for traders and retailers about labelling produce grown in the oPt.¹⁴⁵ In this context, retailers in the UK have taken various steps to prevent providing ambiguous information to consumers. In addition, two major Italian supermarket chains, COOP and Nordiconad, announced the suspension of sales of products from Agrexco, the principal exporter of produce from Israel and the illegal Israeli settlements in the occupied Palestinian territories because consumers are unable to verify whether or not the product in question comes from the occupied territories.¹⁴⁶

¹³⁹ See, e.g. ICRC, Business & International Humanitarian Law: An introduction to the rights and obligations of business enterprises under International Humanitarian Law, Nov 2006, <http://www.icrc.org/eng/assets/files/other/icrc_002_0882.pdf>, (November 2010) However, the application of international criminal law to corporate actors is still largely untested. Therefore, its effectiveness as a mechanism to advance corporate accountability remains largely unexplored.

¹⁴⁰ J. Ruggie, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, A/HRC/8/5, April 2008, <www.unglobalcompact.org/docs/issues_doc/human_rights/Human_Rights_Working_Group/29Apr08_7_Report_of_SR_SG_to_HRC.pdf>, (November 2010)

¹⁴¹ See: The situation of workers of the occupied Arab territories, Appendix to the Report of the Director-General to the International Labour Conference, 97th Session, International Labour Office, Geneva, 2008 and EMHRN, Third Annual Review on Human Rights in EU-Israel Relations 2005-2006, 2007, <<http://www.euromedrights.net/usr/00000026/00000027/00000028/00001339.pdf>>, (November, 2010).

¹⁴² In 2004, the second committee of the UN General Assembly has adopted resolution 59/251 in which it calls upon Israel not to exploit natural resources in oPt. In 2010, this resolution was reinstated again in resolution 64/185. Unispal website, Permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources, <http://www.un.org/french/documents/view_doc.asp?symbol=A/RES/59/251&Lang=F> (November 2010), Unispal website, Permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources, <http://www.un.org/french/documents/view_doc.asp?symbol=A/RES/59/251&Lang=F> (November 2010)

¹⁴³ See AL-Karameh National Empowerment Fund, Guide to Combating Settlements Products, May 2010, <<http://karama.ps/Edalel.pdf>>, (December 2010)

¹⁴⁴ Commission Regulation (EC) No 1580/2007 (as amended) in relation to fruit and vegetables, See DEFRA, Defra, Technical advice: labelling of produce grown in the Occupied Palestinian Territories, 2009, <<http://www.defra.gov.uk/foodfarm/food/pdf/labelling-palestine.pdf>> (November 2010)

¹⁴⁵ See also “A good argument can be made for suggesting that the marketing of certain settlement produce marked “Israeli produce” or “made in Israel” is unlawful under Article 2(1) of Regulation No. 1182/2007. This requires the country of origin to be stipulated. But the country of origin is falsely stated to be Israel for certain products. Pursuant to Chapter II of Commission Regulation (EC) No 1580/2007, each Member State is obliged to designate an enforcement body responsible for monitoring compliance with marketing standards. Under Article 146, national sanctions must also be established for noncompliance.” In LPHR, Labeling Advice, 2009, <http://www.lphr.org.uk/publications/advice/Labeling_Advice_Beal.pdf> (November 2010)

¹⁴⁶ USACBI, Coop and Nordiconad supermarket chains suspend sales of products from the oPt, May 2010, <<http://usacbi.wordpress.com/2010/05/22/coop-and-nordiconad-supermarket-chains-suspend-sales-of-products-from-the-occupied-palestinian-territories/>>, (November 2010)

6.2 Agrexco

Agrexco, which exports flowers, fruit and vegetables from Israel to, among others, the Netherlands under the “Carmel” and “Jaffa” brand, is Israel’s largest exporter of fresh agricultural produce. Next to sourcing and producing in its home state Israel, which owns half of the company shares,¹⁴⁷ Agrexco also sources products from the Israeli settlements in the occupied Palestinian territories. Agrexco’s products that are being sold in the Netherlands are likely to be produced (to some extent) in Israeli settlements in the oPt because:¹⁴⁸

- Agrexco exports products from these settlements to Europe.¹⁴⁹ The company has admitted that it procures a large part of the products it exports to the UK from the settlements in the occupied Palestinian territories.
- Agrexco exports around 85% of its total production to Europe.¹⁵⁰
- Agrexco exports around 60-70% of the agricultural produce grown in the settlements in the occupied Palestinian territories.¹⁵¹

Agrexco owns two subsidiaries in the Netherlands, Agrexco Agricultural Export Company Ltd¹⁵² and Carmexco B.V.¹⁵³ Branch offices in the Netherlands are responsible for the administrative handling of fruit and vegetable exports of Agrexco to the Benelux and Scandinavian countries.¹⁵⁴ In the Netherlands, Agrexco works with several importers, which distribute fruit and vegetables to wholesalers, groceries and supermarkets, one of them being Aartsenfruit B.V.¹⁵⁵ Apart from the fact that the Netherlands is an important export country for Israeli FFV supply,¹⁵⁶ various press releases of Agrexco reveal that Dutch retailers sell as a minimum a selection of its fruits and vegetables.¹⁵⁷ To add further, in January 2010 Agrexco’s mineolias (a kind of tangerin) were available on Albert Heijn’s shelves under the brand Carmel.¹⁵⁸

¹⁴⁷ D&B, Dun’s 100 Israel’s Largest Enterprises, <http://duns100.dunb.co.il/ts.cgi?tsscript=comp_eng&duns=600000764>, (November 2010)

¹⁴⁸ See for a more extensive report: Profundo, Update of “Dutch economic links in support of the Israeli occupation of Palestinian and/or Syrian territories”, February 2010 Profundo, <http://www.unitedcivilians.nl/documents/docs/2010_Report_Update_Dutch_economic_links_with_the_israeli_occupatio_n.pdf>, (November 2010)

¹⁴⁹ War on Want, ‘Profiting from the Occupation, July 2006, p.8; Stop the Wall website, ‘Agrexco: harvesting the fruits of the occupation’; Corporate Watch, ‘Profiting from Occupation, ‘UK and international companies complicit in Israeli war crimes against Palestinians’, 2009, p.15 (CW: ‘in October 2007, a group of campaigners from the Brighton Tubas Friendship and Solidarity Group entered Tomer settlement in the occupied Jordan Valley and photographed medjoul dates, packaged by Carmel Agrexco, labelled ‘Made in Israel’ and marked as bound for Tesco stores)

¹⁵⁰ Profundo, ‘UK Economic link with Israeli settlements in occupied Palestinian territory’, 10 February 2009, p.16.

¹⁵¹ Profundo, ‘Agrexco’s export of vegetables and fruit to Denmark via the Netherlands’, 30 March 2006, p.2.; Press release, Corporate Watch website, ‘Resisting the Corporations’, 27 February 2009, <http://www.corporatewatch.org/?lid=3209>

¹⁵² Registered with the Dutch Chamber of Commerce since 1976, main office in Schiedam, Brauwweg 62, 3125 AE. Company description: promotion and administration office for Israeli agriculture, horticulture and floriculture products

¹⁵³ Registered with the Chamber of Commerce in 1992, holding office in Rotterdam, address: Brauwweg 62, 3125 AE, Schiedam

¹⁵⁴ Profundo, Dutch economic links in support of the Israeli occupation of Palestinian and/or Syrian territories, February 2010, <http://www.unitedcivilians.nl/documents/docs/2010_Report_Update_Dutch_economic_links_with_the_israeli_occupatio_n.pdf>, (December 2010).

¹⁵⁵ Idem, p.8

¹⁵⁶ FOA stat, <<http://faostat.fao.org/>> (November 2010)

¹⁵⁷ See among others, Groenten Nieuws, press releases Agrexco, 2008, 2009 and 2010 <http://www.groentennieuws.nl/nieuwsbericht_detail.asp?id=64402>, <http://www.groentennieuws.nl/nieuwsbericht_detail.asp?id=39027>, <http://www.uiennieuws.nl/nieuwsbericht_detail.asp?id=60385> (November 2010)

¹⁵⁸ Levensmiddelenkrant website, Anti-Israël-actie in AH Hoog Catharijne, <<http://www.levensmiddelenkrant.nl/1139/anti-isral-actie-in-ah-hoog-catharijne>> (November 2010)

6.3 Corporate Social Responsibility of retailers such as Albert Heijn

According to general CSR definitions and standards and the Ruggie framework for 'Business and Human Rights,' retailers have a firm responsibility with regard to social and ecological standards in their total business operations including their supply chains.¹⁵⁹ By selling supply from the oPt, supermarkets do not uphold these and other CSR standards such as those of the Global Compact with which Albert Heijn recently aligned and do not operate in the spirit of international law.¹⁶⁰ In this particular case, because of possible human rights violations, retailers have the responsibility to know whether their supply chains include products or components produced in the illegal Israeli settlements ('duty of care'). In general, companies should be aware (due diligence) and take responsibility for the social, ecological and economic impacts in their supply chains, be transparent about these consequences and constructively engage with stakeholders to improve their own and suppliers' practices.

In particular, supply chain responsibility is a crucial aspect of the corporate responsibility policies of Ahold, Albert Heijn's parent company. Ahold maintains a sustainable trade policy that sets out its supply chain commitments and responsibilities,¹⁶¹ and responsible sourcing is one of the key elements of that policy. By selling products from the oPt, Albert Heijn violates the spirit of their own responsible sourcing standards and the 'transparency throughout the supply chain' element of it as it is not clear for consumers that at least some Agrexco products originate from the settlements in the oPt. Responsible sourcing for Ahold also entails: 'helping suppliers grow their businesses in a responsible and sustainable way and requesting third party audits of our suppliers corporate brand on compliance with local, national and international standards.' These principles might not be violated as such but at least the outcome of their implementation is not in line with their desired result.

Settlement products are generally not identifiable for consumers as such, making it very hard, if not impossible, for consumers to distinguish between settlement produce and Israeli produce. Apart from provisions in EU regulations that stipulate an obligation with regard to food labelling, the basic soft law principles in this respect are expressed in the 1999 UN Guidelines for Consumer Protection, which cite eight basic principles: the right to access to necessary goods and services; to safety; information; choice; the right to be heard; to appeal and lodge a complaint; the right to consumer education; and sustainability.¹⁶² By selling products from Israeli settlements in the occupied Palestinian territories as 'Made in Israel,' retailers are providing ambiguous information to consumers and neglecting their responsibility towards consumers to enable them to make informed choices about the products they purchase.

¹⁵⁹ EU, definition of CSR, <http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm>, MVO platform, Dutch CSR frame of reference, 2007, <http://www.corporate-accountability.org/eng/documents/2007/csr_frame_of_reference_2007.pdf> and UN Global Compact, <http://www.unglobalcompact.org/docs/issues_doc/human_rights/Human_Rights_Working_Group/29Apr08_7_Report_of_SRSG_to_HRC.pdf>, Business Social Compliance Initiative, <<http://www.bsci-eu.org/index.php?id=2045>> (November 2010)

¹⁶⁰ See for example: War on Want, 'Profiting from the Occupation, July 2006, <<http://www.waronwant.org/campaigns/winning-justice-for-palestine/hidden/inform/12573-report-profiting-from-the-occupation>>, (November 2010)

¹⁶¹ Ahold, Corporate Website Sustainable Trade, 2009, <<http://www.Ahold.com/en/responsible/sustainable-trade>>, (March 2010)

¹⁶² United Nations, Department of Economic and Social Affairs, 1999, "Guidelines for Consumer Protection (as expanded in 1999)",

7. Corporate Social Responsibility at Ahold

Widely accepted definitions of Corporate Social Responsibility (CSR)¹⁶³ include notions such as transparency (e.g. reporting), stakeholder dialogues, ethical (social, environmental, economic) standards, monitoring and verification, and supply chain responsibility. In this section we will look more closely at those notions of CSR at Ahold that relate to supply chain responsibility and fresh fruit and vegetables (FFV) sourcing in particular.

Ahold and its subsidiaries

Headquartered in Amsterdam, the Netherlands, Ahold is an international group of branded supermarkets based in the United States and Europe. With revenues of EUR 27.9 billion, at the end of 2009 Ahold operated 2,902 retail locations in the United States and Europe and employed over 200,000 people (118,121 FTEs). Albert Heijn, Ahold's founding supermarket, is the leading food retailer in the Netherlands and one of the country's best-known brands. In 2009 this supermarket operated 835 stores and employed 76,000 people with sales of EUR 9,843 million.¹⁶⁴

7.1 Supply chain policy¹⁶⁵

Based on an inventory of social trends, Ahold has organised its CSR activities around four main themes: healthy living, sustainable trade, climate action and community engagement. Regarding sustainable trade, Ahold is committed to creating transparency throughout its supply chain and increasing its influence over the way in which its products are produced and sourced. This policy centres on supply chain standards (child labour and human rights) and animal welfare (animal testing and seafood). The company states: 'Ahold is committed to developing and maintaining a strong relationship with suppliers of corporate brand (private label) products in order to ensure their compliance with legal requirements and beyond this, compliance with Ahold standards regarding food safety, non-food safety and social accountability. This includes transparency throughout the supply chain and influence over the ways that our products are produced and sourced.'

¹⁶³ Eg ISO 26000 & Dutch CSR platform Frame of reference

¹⁶⁴ Includes sales of Etos and Gall & Gall brands, Ahold website, Brands, <<http://www.ahold.com/en/brands>> (December 2010)

¹⁶⁵ This section builds extensively on the FNV Company Monitor profile of Ahold produced by SOMO: FNV company monitor website, Ahold, <http://www.fnvcompanymonitor.nl/index.php?option=com_content&task=view&id=61&Itemid=27> (December 2010)

Policy versus reality

That reality and the theory of CSR policies can sometimes diverge is clearly illustrated in this study, which focuses on FFV supply chains mostly in developing countries. However, as becomes apparent from the following case, this divergence is not restricted to these regions. Within the last decade, the Coalition of Immokalee Workers (CIW) in the USA has campaigned against the exploitative labour conditions in the tomato farm industry in Florida. Several companies in the food and fast food industry have reached an agreement with CIW to improve farm workers' wages and labour conditions. In 2009, CIW started a campaign to urge Ahold USA to follow the example of its competitors. Until now, Ahold has refused to do so and, instead, it relies on a controversial auditing programme, thereby violating its own supply chain policy for which core ILO conventions served as key building blocks.

7.2 Supplier relationships

Contracts with all suppliers contain the 'Ahold Standards of Engagement'. These standards for suppliers, which are not publicly available but are claimed to be an extract of the BSCI basic requirements¹⁶⁶, establish minimum standards regarding issues such as working conditions on the basis of the International Labour Organization (ILO) guidelines. Ahold will continue its trading relationships with suppliers as long as they can demonstrate that there are no unacceptable non-compliances (such as child labour) and that there is continuous improvement.

7.3 BSCI

Furthermore, Ahold is in the process of implementing a programme developed by the Business Social Compliance Initiative (BSCI) with all of its private label suppliers in high-risk countries. BSCI is a popular business-driven social standard initiative that since 2007 broadened its scope from textile and garment sectors to include the food sector, a development which Albert Heijn (Ahold) also contributed towards.¹⁶⁷ The programme is aimed at monitoring and improving working conditions in the global value chain including those of FFV originating in developing countries. BSCI considers SA8000 (certification) as best practice and as such BSCI could be seen as a kind of SA8000 *light*. Albert Heijn has also publicly committed itself to SA8000 by striving to have all its suppliers from risk countries SA8000 certified in the long term.¹⁶⁸

7.4 Other labels and initiatives

Other FFV-relevant initiatives that the company is member of, or has endorsed, include GlobalGAP, Global Compact (see Chapter 2) and the Dutch Sustainable Trade Initiative. The latter is working together with Ahold to develop a programme that focuses on FFV.¹⁶⁹ Of course Albert Heijn also has a number of sustainability labelled FFV on the shelves including Rainforest Alliance, Fairtrade and Organic. Compared to its Dutch retail competitors Albert Heijn ranks fourth in terms of number of Organic products (156 on average per store), and third in terms of Fairtrade products

¹⁶⁶ Ahold, Social Accountability, 2007, <www.agrifoodstandards.net/es/filemanager/active?fid=92> (December 2010)

¹⁶⁷ C. Anstey/IDH, Retailers and sustainability: The drive for sustainable food production, supply and consumption <<http://www.duurzamehandel.com/cms/getfile.php?id=16>> (December 2010)

¹⁶⁸ Albert Heijn website, Albert Heijn en verantwoord inkopen, <<http://www.ah.nl/artikel?trg=albertheijn/artikel.waarden.verantwoord.inkopen>> (December 2010)

¹⁶⁹ IDH website, Portfolio Action Plan Sustainable Trade June, <<http://www.dutchsustainabletrade.com/site/getfile.php?id=91>> (December 2010)

(32 on average per store).¹⁷⁰ On a comparative note, the average Albert Heijn store offers some 8,000 to 22,000 products.¹⁷¹

7.5 Albert Heijn Foundation

Albert Heijn estimates that 10% of its FFV has been produced in Africa. This share is growing and production of vegetables is increasingly shifting to North African countries. Albert Heijn wants to increase the sustainability of this supply and raise the standard of living. To this end Albert Heijn has set up the Albert Heijn Foundation, a charity which currently has a portfolio of four FFV supplier community projects in countries where Albert Heijn sources FFV in Africa: Zimbabwe, Kenya, Ghana and South Africa. Both the African FFV suppliers and Albert Heijn are providing the funds for this foundation from a share of their profits. For the implementation of the projects Albert Heijn works together closely with Dutch development organisation ICCO and FairMatch support, who also decide which of the projects recommended by the African FFV suppliers of Albert Heijn receive funding from the Albert Heijn foundation.

¹⁷⁰ Figures pertain to all food products not just to FFV: Milieudefensie website, Milieudefensie EKO-tellingen in supermarkten, <http://www2.milieudefensie.nl/voedsel/ekotellingen/data/php/?method=resultaten&presets_eko=2> (December 2010)

¹⁷¹ Albert Heijn website, Feiten en cijfers, <<http://www.ah.nl/artikel?trg=albertheijn/article.feiten>> (December 2010)

Conclusion

This study has clearly demonstrated that FFV production in developing countries is affected by many sustainability issues such as precarious working conditions. This raises concerns because these countries are increasingly supplying Dutch supermarkets. In the literature many examples of unsustainable practices can be found and this study has discussed a number of recent cases. In addition, this study has also produced a number of new cases. All cases were related to Dutch supermarkets and for the new case studies SOMO was able to find direct commercial relations to Albert Heijn in particular.

Unsustainable practices in (tropical) food supply chains are not a new but a historically persistent issue. They relate to structural factors in the producing countries such as poverty, weak legislation and the weak implementation thereof. However, these factors, along with a suitable climate, also allow these countries to produce FFV competitively. Because of the increasing prevalence of tropical FFV supplies in Dutch supermarkets, the problems are also becoming more pertinent.

Supermarkets, such as Albert Heijn, are aware of these problems in (tropical) food chains and have been dealing with it mostly through further developing their CSR policies (and charity activities). A number of years ago, Dutch supermarkets claimed food safety and quality standard GlobalGAP sufficed for dealing with sustainability issues in FFV supply chains.¹⁷² At least at Albert Heijn they clearly are not of this opinion anymore. On a generic level, voluntary social modules have been developed in GlobalGAP which now are available in some FFV producing countries in an attempt to fill the sustainability gap in this standard. In the meantime Albert Heijn is in the process of implementing BSCI as the standard of choice for FFV (and food) and ultimately wants all its risk country¹⁷³ suppliers to be SA8000 certified.

Such developments are laudable and will affect the whole range of FFV offered by these supermarkets. This in contrast to the fraction of the products, albeit rapidly growing, they store that are sustainability (ethically) labelled, such as organic and fair trade. However, the question remains whether the adoption of BSCI and GlobalGAP with the social module will truly result in better working conditions for FFV workers in developing countries when fully implemented (see boxed text for general impact discussion). It is difficult to answer this question at this point because these approaches are relatively new and will still need to demonstrate positive impacts when adopted. Nevertheless, one could assess the expected impacts of standards by looking at their design, i.e. their norms and implementation systems. This study did not aim to do this in detail and comprehensively but in general it can be said that GlobalGAP's social module and BSCI are less ambitious in improving working conditions than SA8000, Fairtrade and Rainforest Alliance. This is because the latter standard systems have more elaborate and stricter norms. In turn there are also differences between these better standards. Fairtrade is for instance the only initiative that pays a guaranteed minimum price in addition to price premiums.

¹⁷² See also http://www.consumentenbond.nl/morello-bestanden/93079/mvo_mango.pdf

¹⁷³ Loosely equal to developing countries (see Chapter 2)

Research on the impact of global sustainability standard systems

Approaches such as SA8000, Fairtrade and Rainforest Alliance have a longer history than BSCI and GlobalGAP's social module. However, also for these older systems there is still little empirical evidence of actual positive impacts and studies have indicated inherent shortcomings of sustainability standards in general (see boxed text).

A recent meta-analysis of publicly available scientifically credible research on impacts of global standard systems (sustainable certification) in the food and agricultural sector finds only 14 relevant studies of which only 3 that are relevant to the FFV sector (Fairtrade certified bananas). It concludes that empirical evidence that sustainable certification has significant benefits is limited.¹⁷⁴

Older impact research¹⁷⁵ - that does not apply to FFV sector specifically and does not necessarily meet the rigorous standards of the previous study - indicates that the system of norms set in global standard systems and verified through social auditing can positively impact workplace health and safety, wages, overwork, child labour and bonded labour. On the other hand it generally fails to address more complex rights such as freedom of association, collective bargaining and non-discrimination.

The evidence presented in this study clearly illustrates violations of worker rights in FFV supply chains of Dutch supermarkets despite current supermarket CSR policies. This presents a clear disconnect between CSR policies and practice on the ground. While there are indications that supermarkets are working on improving their policies in this area, progress is slow and the kind of policies they are adopting are not very ambitious. What is worrying as well is that the magnitude of workplace related problems in the FFV sector is not known as the evidence presented is likely to be just the tip of the iceberg as this and other critical and independent studies of this sector cannot even begin to be comprehensive.¹⁷⁶

Because supermarkets are effectively the gateway for FFV to consumers, they have an important responsibility for facilitating decent working conditions in the supply chain. Their firm commercial grip on food production and distribution markets has raised discussion at a national and international level. The nature of abuses of supermarket buyer power that may have resulted from this concentration needs to be further investigated and addressed. Not only to allow fair competition in the sector but also from the perspective of sustainable production, as working conditions might suffer under deteriorating terms of trade that result from buyer power abuses such as late payments and paying low prices.

The authors propose the following recommendations.

Supermarkets should:

- ❑ Exercise more due diligence by investigating the workplace related problems in FFV supply chains rigorously and independently.
- ❑ Make sure that their buying practices are not preventing improvements to working conditions in their supply chains.
- ❑ Stop lobbying against legislation or measures aimed at investigating or dealing with possible abuse of supermarket buyer power.

¹⁷⁴ A. Blackman and J. Rivera, March 2010, The Evidence Base for Environmental and Socioeconomic Impacts of "Sustainable" Certification, <<http://www.rff.org/documents/RFF-DP-10-17.pdf>> (December 2010)

¹⁷⁵ See for instance: Clean Clothes Campaign, Looking for a quick fix (2005) <<http://www.cleanclothes.org/component/content/article/1166>> (June 2010) & Ethical Trading Initiative, Impact Assessment 2006, <<http://www.ethicaltrade.org/sites/default/files/resources/Impact%20assessment%20summary.pdf>> (June 2010)

¹⁷⁶ Factors that would complicate such an endeavor are commercial sensitivities that make it is very difficult to establish connections between buyers and suppliers, the vast scale of FFV supplies and the resources needed.

- Adopt the most ambitious CSR/global standard systems (certification) for all their FFV from developing countries and not just for niche products.
- Lobby for better regulation and enforcement thereof in FFV exporting developing countries.