



## Juice with a bitter aftertaste

### Behind the scenes in the orange juice industry and the role of Dutch supermarkets

SOMO Paper | Augustus 2017

One-third of orange juice in the Netherlands is sourced from Brazil, where major problems exist. Orange juice pickers and fruit growers are paid insufficient wages and are exposed to toxic pesticides. In this paper, SOMO stresses the role of Dutch supermarkets – Albert Heijn (part of Ahold Delhaize), Lidl, Aldi, Plus and Jumbo: are they acknowledging the problems and what is their approach to take responsibility for these adverse impacts?

#### The situation on Brazilian plantations

Packaged orange juice is made from frozen orange juice concentrate (see Box 3 on 'fresh' juice). 72% of this commodity comes from Brazil<sup>1</sup> and the process of growing, harvesting, extracting, concentrating and freezing takes place there. A total of 420,000 people work in the Brazilian orange juice industry. Nearly 80% of these are seasonal workers with no job security at all. Labour conditions are extremely poor and cases of modern slavery<sup>2</sup> and child labour<sup>3</sup> have been identified.

This is not the first time that poor labour conditions on Brazilian plantations have received attention in the Netherlands. In 2005, a Dutch TV show (*Keuringsdienst*

*van Waarde*) ended up at a Brazilian fruit plantation and painted a distressing picture: 23-kilo sacks of fruit carried down rickety ladders, the pickers work 10 hours per day, earning less than one euro per hour.<sup>4</sup>

Ten years later, in 2015, the pickers' situation has not improved. Research by the German NGO Christliche Initiative Romero (CIR) and the Austrian Global2000 showed that pickers are paid by the crate and only earn about 10 euros per day. This wage is under the local minimum subsistence level: workers cannot live on these wages. Workdays are 14 hours long, and farm workers who join a labour union risk losing their jobs, so they don't dare to speak publicly about their situation.<sup>5</sup> The research also showed that the plantation owners themselves had difficulty surviving: the price a crate sells for is always uncertain. The incomes of the fruit growers are structurally too low<sup>6</sup>, and this negatively impacts on wages and labour conditions for the pickers.

Repórter Brasil, a Brazilian research organisation, has seen no evidence that the precarious position of pickers has improved over the past two years.<sup>7</sup> In fact, Brazil's economic crisis and high unemployment levels<sup>8</sup> have only made (seasonal) workers more vulnerable. ◀

## About the research study

This paper is based on the report *'Squeeze Out: The truth behind the orange juice business'*, about the orange juice supply chain.<sup>9</sup> In this paper, SOMO adapted the data for the Dutch market, and more specifically to the role of Dutch supermarkets. SOMO thus wants to inform a wide range of experts about what Dutch supermarkets are and aren't doing to analyse their supply chain and to combat negative human rights impacts. SOMO also makes recommendations on how supermarkets can offer fair private label (a retailer's own brand) orange juice.

The research study by Christliche Initiative Romero (CIR) and Global2000 mentioned above mainly focused on farm workers and their representatives (such as labour unions) working on the plantations of Citrusuco, Cutrale and Louis Dreyfus Company (the three largest concentrated juice companies, both in Brazil and worldwide), and on the independent plantations in the state of São Paulo which supply them. The interviews on which the research study was based were carried out in July 2015. Currently, CIR and the *Réporter Brasil* are

conducting new research and a new report is expected in late 2017.

For this paper, SOMO has supplemented and updated the field research conducted by the two organisations with desk research and a literature review. SOMO also requested cooperation from the five largest Dutch supermarkets, through means of a survey (a follow-up survey to another one done in 2015) and a request that they review the draft text for factual inconsistencies.

The supermarkets responded collectively, via CBL, their trade association; Plus and Jumbo additionally sent short individual replies. A draft of (a part of) this paper was also submitted to all the businesses and organisations already mentioned. Louis Dreyfus Company, Friesland Campina Riedel, Solidaridad Nederland, Max Havelaar and Rainforest Alliance have responded to the sections in which they are named. *Refresco Gerber*, Citrusuco and Cutrale did not respond. All relevant responses have been incorporated into this paper.

In addition to harsh labour conditions and low incomes, pesticides are also a serious problem in Brazil. Greater quantities of pesticides are used in orange cultivation than in any other crop for export. Some of the pesticides used are banned in the EU, as they are carcinogenic. Many of the substances used are not only harmful to insects but also to plants, birds and aquatic life.<sup>10</sup>

## Large multinationals dominate the market

One of the reasons why conditions for pickers are so poor has to do with the fact that three large Brazilian multinationals – Citrusuco, Cutrale and Louis Dreyfus Company (LDC) – together control the global market for frozen concentrate. They process oranges for frozen concentrate on a large scale<sup>11</sup>; three quarters of the production is intended for the European market.<sup>12</sup>

### Labour rights violations

These three multinationals have been fined hundreds of times for labour rights violations since 2007, on their plantations as well as in their processing plants.<sup>13</sup> Brazilian public prosecutors have investigated Cutrale 286 times, Citrusuco 50 times and LDC 71 times, leading to several

lawsuits. In March 2014, Cutrale and two smaller companies were ordered to pay a fine of 40 million euros for unlawful hiring of pickers.<sup>14</sup> More recently (2015-2017), the Brazilian Ministry of Labour imposed dozens of fines on all three companies for violations on their own plantations, such as excessive overtime, safety issues and unlawful underpayment of wages.<sup>15</sup>

In a response, LDC stated that all their farm workers (seasonal and other) working in citrus production are hired directly, given a labour contract and trained in the field on the LDC code of conduct and safety policies.<sup>16</sup>

### Unfair trade practices and price-fixing

The three companies are regularly accused of unfair trading practices by their suppliers (fruit growers). The companies unilaterally set prices and delivery times, and attempt to reduce purchase prices by unjustly questioning the quality of the products. In 2012, LDC exploited more than 300 suppliers this way. The affected fruit growers filed a lawsuit, which they ultimately won.<sup>17</sup>

Various sources in the CIR study reported that Citrusuco, Cutrale and LDC keep their purchasing prices artificially low by determining among themselves how much they are willing to pay fruit growers at the start of the harvest.<sup>18</sup>

## Box 1 Company profiles: Citrosuco, Cutrale and LDC

Although the three large companies have experienced decreasing worldwide demand for concentrated juice over the last ten years,<sup>19</sup> this hasn't appeared to directly influence their position. The companies have responded for example by diversifying and expanding / acquisition:

- Citrosuco, owned by the German Fisher company, is the world's largest producer of concentrated orange juice. A merger of Citrosuco with Citrovita in 2012 gave them an unprecedented market share. The European Commission had no problems with this merger, since it did not find that this endangered consumer interests.<sup>20</sup>
- Cutrale is a Brazilian family-owned business. The company has ten subsidiaries, including in the Netherlands, and owns approximately 160,000 hectares of plantations. In recent years, Cutrale has expanded its activities to include production and trade in apples, peaches, soya and bananas, including the acquisition of Chiquita.<sup>21</sup>

- LDC is a French company. It is a globally operating food producer and trader in all types of agricultural products. It also owns and manages hedge funds and ships, and is involved in the development, management and ownership of real estate. In addition, it is the world's biggest cotton and rice trader<sup>22</sup> and the second-largest trader in the sugar market.<sup>23</sup> The company also deals in grain, dairy products, fertilizer and metals, and controls much of its supply chains from grower to consumer. LDC is headquartered in the Netherlands and operates in more than 100 countries.<sup>24</sup> In Brazil, LDC is active in more than 60 different goods.<sup>25</sup> LDC owns 39 plantations and farms for juice production (of which 11 are certified by the Rain-forest Alliance<sup>26</sup>), four plants in São Paulo and Paraná, 150 lorries, three ships and logistics centres in Santos and in Ghent. During the high season, 10,000 employees work for LDC, with juice transported to over 80 countries.<sup>27</sup>

For years, the Brazilian competition authority has carried out extensive investigation into this. Finally, after 17 years, in 2016 an 80-million-euro settlement was reached for mutual agreements to keep the prices low. But according to farmers, this amount is not in proportion to the losses they suffered in the past at the hands of this cartel.<sup>28</sup>

In addition to being able to set the price of oranges (unless the harvest is very poor), Citrosuco, Cutrale and LDC can determine to a large extent the price of concentrate. That price is generally stable.<sup>29</sup> As a rule, the companies tend to keep the price low to make it difficult for smaller competitors and to keep their indirect purchasers (such as supermarkets) happy.<sup>30</sup>

### Modern slavery

The Brazilian government enforces a strict policy on forced labour and modern forms of slavery. In 2013, cases of slave labour were identified at both Cutrale and Citrosuco, and 23 and 26 people respectively were freed from the plantations.

Despite these serious violations of human and labour rights, the companies are not on the Brazilian government's 'Dirty List' (see Box 2); there has not yet been a final verdict in the case against Cutrale, and Citrosuco avoided being placed on the list via a court order.<sup>31</sup>

## Box 2 Brazilian 'Dirty List'

In 2013, the Brazilian government published a 'Dirty List': a list with hundreds of businesses that knowingly make use of forced labour. Under increasing pressure from the corporate sector, the list was 'stopped' in December 2014, but was reinstated in 2017. The list is updated every six months and gives information on the owner of the company, where the violation took place and the number of employees that were involved in the forced labour. Government support to businesses on this 'Dirty List' is halted and they are boycotted by businesses that support the initiative.<sup>32</sup>

## To the Netherlands

Special tankers ship the frozen concentrate from the Brazilian port of Santos to the harbours of Rotterdam (33%), Antwerp and Ghent (32% combined)<sup>33</sup> in 11 to 12 days, 10 times per year.<sup>34</sup> There the concentrate is pumped into storage tanks and 150,000-litre tanker lorries distribute it throughout Europe.<sup>35</sup> The three Brazilian companies each have their own logistic network with ships and container storage in the three European harbours (Cutrale - Rotterdam, Citrosuco - Antwerp and Louis Dreyfus and Citrosuco - Ghent) to do business directly with their customers.

In Europe, the so-called bottlers water down the concentrate and package it for sale to consumers. Bottlers buy the concentrate with seasonal contracts. They choose the best offer from the three multinationals, and usually purchase from several at the same time, to ensure their continued access to concentrate.<sup>36</sup>

## Orange juice in Dutch supermarkets

The best-known brands in the Netherlands are Appelsientje, CoolBest and Taksi, all of which are part of FrieslandCampina. Together they make up 34.3% of the Dutch market.<sup>37</sup> Other well-known brands are Wicky<sup>38</sup> and Hero. However, nearly half of juice (from concentrate) consumption comes from the private labels of the various supermarket chains.<sup>39</sup> Albert Heijn has the largest market share.<sup>40</sup> Through their own private label products, supermarkets can precisely determine how the product tastes and looks. Supermarkets can also make demands concerning labour conditions and sustainability.

On their packaging and websites, supermarkets always present themselves as the producers of their private label products, but this is not the case. The main bottler of private label orange juice is Refresco Gerber, a Dutch company that dominates the European market in the production of private label juice.<sup>41</sup> Despite this position, Refresco's prices face pressure from two sides: the company is dependent on commodities provided by Brazil's juice plants, and also has to deal with supermarkets constantly trying to lower the price.<sup>42</sup>

### Pricing pressure and purchasing power

Refresco Gerber experiences downward pressure on prices as problematic. Refresco CEO Hans Roelofs describes supermarkets' efforts to lower prices as 'obsessive'.<sup>43</sup> Nor are supermarkets prepared to easily accept higher market prices for commodities such as sugar and packaging materials.

The fluctuation in commodity prices can sometimes exceed Refresco's margin on its products.<sup>44</sup> The risk of price fluctuations is borne by the producer.

Supermarkets generally work with annual contracts; thus bottlers must negotiate their prices each year. This is especially difficult for producers of private labels, as these are anonymous players which often have more competition and a weaker negotiating position than branded products.

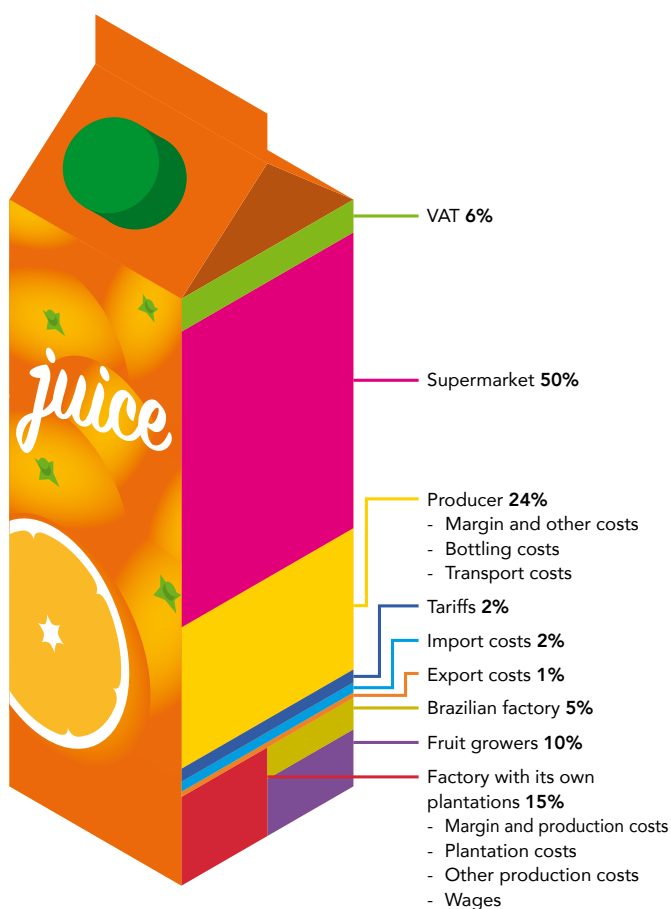
### Box 3 Juice from concentrate – Dutch consumption

In the Netherlands, nearly 170 million litres of juice are consumed annually (more than 10 litres per person)<sup>45</sup> and more than two-thirds of this juice is made from concentrate. This is clearly indicated on the packaging which states 'juice from concentrate'. Oranges are picked, pressed and water is then removed. A syrupy substance is left: orange juice concentrate. Later, the same amount of water that was removed is added. As long as the oranges are pressed within 24 hours of being picked, the juice can be labelled as 'fresh juice', even if the frozen concentrate produced is stored for up to three years. The rise of freshly-squeezed options has decreased consumption of juice from concentrate (by 7% in 2016).<sup>46</sup> Albert Heijn has recently observed a clear shift to increased consumption of freshly-squeezed juice (thus, not made from concentrate) and juice that consumers can press themselves in the store.<sup>47</sup>

### Box 4 International purchasing groups

Some supermarkets buy a portion of their private label orange juice collectively, via European purchasing groups. Through these groups, the product can be purchased in large quantities, through international partnerships. Many leading European supermarkets – such as Ahold Delhaize – are part of such an European buying group, thus increasing their influence on suppliers. Recent SOMO research into these international purchasing groups shows how this joint purchasing increases the chance that suppliers will encounter unfair trade practices.<sup>48</sup>

**Figure 1 Value distribution of orange juice in the Netherlands**



Source: BASIC (Bureau for the Appraisal of Social Impacts for Citizen information) 2015, commissioned by the Supply Change consortium, figures have been rounded off, gross margins are listed.

The constant price pressure exerted by supermarkets influences not only the direct suppliers but other suppliers further down the chain as well. If a supermarket has negotiated a sharp price, its supplier must in turn look for lower production and commodity costs. And that can lead to poor or worsened labour conditions in production countries such as Brazil.

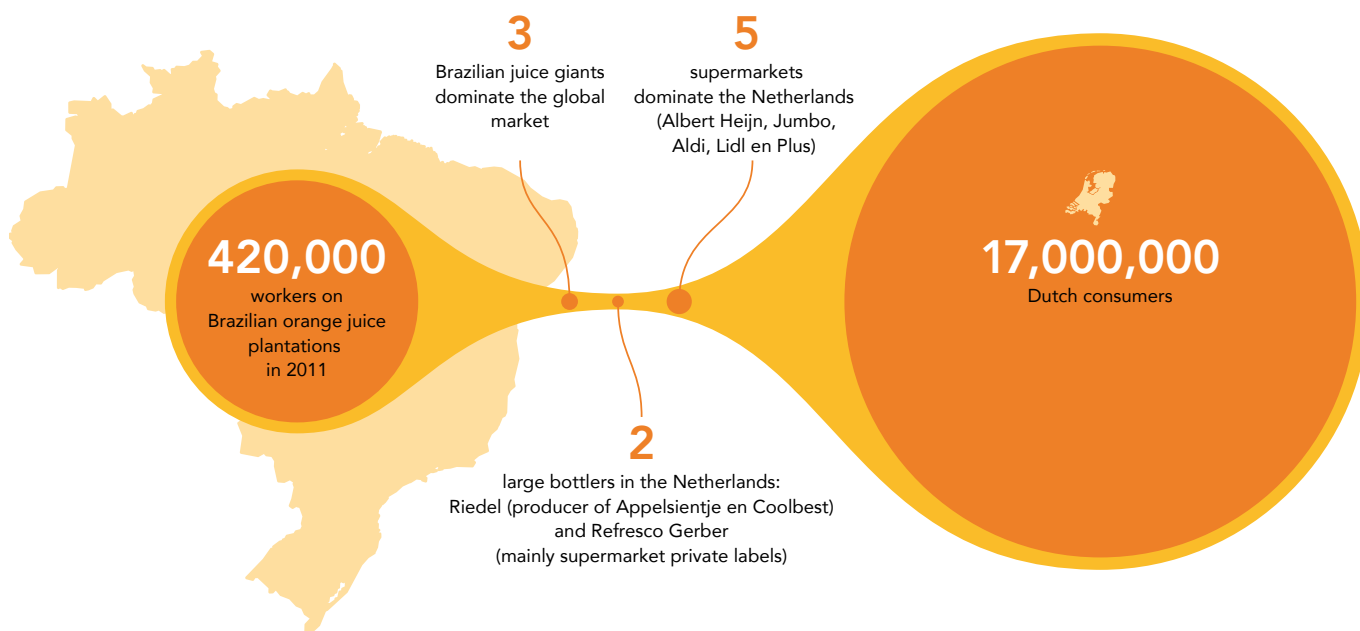
### Margin distribution of a carton of orange juice

The unequal balance of power in the supply chain is reflected in the way the price of a carton of orange juice is determined and the margins for the parties involved. Figure 1 shows that the gross margins in the supply chain are unequally distributed. The supermarket takes more than half of the value share. The rest of the value is distributed over the entire supply chain: the bottler, the processing plants and the plantations in Brazil. However, these skewed relationships don't automatically mean that supermarkets also earn the highest profits in the chain. Net margins are not easy to determine due to non-transparent retail figures on costs and margins.

### Concentration of power in several places

The international supply chain for orange juice is extremely concentrated in several places: at the producers of concentrate in Brazil, the bottlers in Europe and in retail. In the Netherlands 97% of all orange juice is sold in supermarkets.<sup>49</sup> Albert Heijn, Jumbo, Lidl, Aldi and Plus together control 77% of the market and thereby dominate sales to consumers.<sup>50</sup> See Figure 2.

**Figure 2 Concentration of power in the orange juice supply chain**



## Will supermarkets combat the violations?

SOMO has twice asked the five largest Dutch supermarkets (Albert Heijn, Jumbo, Lidl, Aldi and Plus) about the source of their private label juices and about their efforts to prevent problems in the supply chain and improve conditions. The first time was in 2015, and the second time in June 2017. In 2015, most of the supermarkets cooperated.<sup>51</sup> In 2017, they decided not to reply individually<sup>52</sup>, but with a general statement from the Central Food Trade Office (Centraal Bureau Levensmiddelen: CBL supermarket trade association)<sup>53</sup>. This general statement, however, contains no concrete information on the policy, efforts, results or supply chains of individual supermarkets. Therefore, the information below is largely based on information from November 2015.

### Little supply chain transparency

Dutch consumers are provided with little information on the origin of orange juice.<sup>54</sup> The source of the juice is not stated on the packaging, nor can it be found on the websites. To tackle abuses in the food industry, it is of vital importance to know which companies should be addressed and which efforts they are making to improve poor situations.

SOMO's contact with Jumbo in 2015 made clear that it purchases from all three juice giants. Plus reported that its private label juice comes from LDC. Albert Heijn, Lidl and Aldi did not want to say whether they obtained their juice from Citrosuco, Cutrale and/or LDC. The CIR study however, did show that Lidl and Aldi were linked to Citrosuco, Cutrale and/or LDC. As mentioned previously, the supermarkets were unwilling to confirm or add to this information in 2017.

In effect, is it highly unlikely that Dutch supermarkets can avoid doing business with Citrosuco, Cutrale and LDC (for both branded and private label juices). They thus encounter significant risks of severe human rights violations and labour standard violations in their supply chains in Brazil. And they must take responsibility for this (see Box 5 on due diligence).

### Lack of ambition

In general, Dutch supermarkets consider it important that their products are produced with respect for people, animals and the environment. They sometimes impose purchasing conditions containing international labour standards, but usually do not enforce these.

The CBL reply does not indicate that the supermarkets carry out a social and environmental risk analysis (rather than risks for the company itself) and decide on the basis of that whether to implement any specific policies or approach to orange juice. However, international standards for responsible business conduct, like the OECD guidelines and the UN Guiding Principles stipulate such an analysis.

The general statement by the CBL does not demonstrate that supermarkets feel responsible for abuses on Brazilian plantations, nor have they taken any further steps since 2015 to better understand the problems or to address them. They have not shown a sector-wide ambition to take the dire situation in Brazil seriously, and mainly look to the Dutch government.<sup>55</sup> Only Jumbo stated in a reply to SOMO that it has carried out a risk analysis for oranges and has looked into the origin with its suppliers. They will soon start a project to try to get more control over the risks in a number of supply chains and oranges are very likely to be one of these chains.<sup>56</sup>

### Working with the Business Social Compliance Initiative

All the supermarkets in SOMO's investigation are members of the Business Social Compliance Initiative (BSCI). BSCI works for the implementation of a code of conduct based on ILO (the International Labour Organisation of the UN) international labour standards and the OECD guidelines.<sup>57</sup> BSCI works with an improvement programme in which suppliers are registered and their compliance with labour standards is evaluated by means of independent audits.

Although as BSCI members the supermarkets must involve two-thirds of their suppliers in high-risk countries, such as Brazil<sup>58</sup>, in an improvement programme,<sup>59</sup> it is unclear whether the supermarkets have programmes for their Brazilian suppliers. The BSCI guidelines in fact only apply to the first link (direct suppliers) to the supermarkets and in this case that is the bottler in the Netherlands. Although BSCI encourages the involvement of second and third links in the supply chain (such as the Brazilian juice producers or fruit growers) in the audits, most of the monitoring takes place at the direct suppliers.<sup>60</sup>

Supermarkets are allowed to communicate the improvements that they have achieved with the aid of BSCI, but they have not done so. The supermarkets provided no information on the product groups or suppliers that they included in the audits, and the audit reports are not publicly accessible. BSCI members should carry out due diligence (Box 5) in their supply chains, which includes determining the biggest risks, addressing negative impacts and establishing a complaint mechanism. However, nothing on this point was mentioned in the CBL collective statement.

Plus stated that they prefer the Fairtrade audit system for orange juice suppliers (above BSCI). Jumbo accepts audit reports from various other organisations in addition to BSCI<sup>61</sup> and stated that it has a risk classification for suppliers to evaluate whether additional measures are needed in addition to requesting proof of audit reports.<sup>62</sup>

### Box 5 Due diligence

Due diligence<sup>63</sup> relates to efforts requested of businesses to combat involvement in human rights violations, in that business' own operations as well as in their supply chain. OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights specify that businesses must use their leverage and where possible expand it to improve the situation with suppliers. They should know their supply chain and must constantly evaluate whether they are contributing to violations via their chain, as well as whether they adequately address these. Various guides exist to implement due diligence, including the OECD-FAO Guidance for Responsible Agricultural Supply Chains.<sup>64</sup>

The main difference between these two certification schemes is that Fairtrade guarantees a minimum price (also to orange juice growers in Brazil) and that Rainforest Alliance does not. Furthermore, the certifications use different standards and different monitoring systems. Rainforest Alliance scores higher than Fairtrade on environmental standards<sup>67</sup> but equally on labour standards, while research by SOMO shows that the labour standards of Rainforest Alliance are a bit less strict and less detailed.<sup>68</sup> Neither schemes could (consistently) produce and export without Citrusuco, Cutrale and LDC, and a number of challenges came up concerning the traceability of the juice. Boxes 6 and 7 provide more information on Fairtrade and Rainforest Alliance certification.

SOMO's research also shows that labour conditions on certified plantations are generally better than on non-certified plantations but that labour rights violations still occur regularly. Fairtrade scored better on this than Rainforest Alliance.<sup>69</sup> Orange juice plantations in Brazil were not included in the research, however. Supermarkets that choose to sell Fairtrade or Rainforest Alliance certified products are taking a step in the right direction, especially when their entire range of products is certified. But it still remains of key importance that supermarkets integrate this approach in the broader implementation of due diligence for the supply chain and that they also actively engage in efforts to improve the certification schemes.

### Working with certification: Fairtrade and Rainforest Alliance

Plus and Aldi sell private label orange juice with the Fairtrade label, in addition to their non-certified private label juice. Plus maintains the verification documentation in a supplier management system.<sup>65</sup> Besides Fairtrade, Rainforest Alliance also certifies orange juice from Brazil. Lidl announced in May 2016 that its Solevita juice (which it calls its largest brand) had acquired Rainforest Alliance certification<sup>66</sup>, and these products are indeed currently for sale in its shops. Other private labels, such as Vitafit, are not certified.

## Box 6 Fairtrade certification

Fairtrade is an international certification initiative that helps producers in developing countries achieve better trading conditions and that promotes sustainable farming. In Brazil eight orange cooperatives are Fairtrade certified; the majority of these are not located in the state of São Paulo. For concentrate, they receive the market price or the Fairtrade minimum price if the market price is under Fairtrade's minimum price. The cooperatives also are paid a set premium in addition to the market price or minimum price. The cooperatives decide for themselves how this premium is distributed.<sup>70</sup> An independent study<sup>71</sup> demonstrated the positive impacts of Fairtrade orange juice for small growers: their income increased and fewer pesticides were used.

But the study also showed challenges in cooperation with the processing industry. Cooperatives sometimes have to work with the processing plants of the three juice giants; thus, those become part of the Fairtrade

chain.<sup>72</sup> However, Max Havelaar (the Netherlands' Fairtrade label) stated that this is only true for two of the eight Fairtrade cooperatives in Brazil: one cooperative that supplies oranges to Citrusuco and one that supplies oranges to LDC (to the LDC Paranavai factory). Furthermore, two cooperatives produce and export orange juice concentrate themselves and four cooperatives deliver their oranges to other processing companies. The Citrusuco and LDC plants which process the Fairtrade juice are audited and are part of the certified supply chain; they must comply with requirements on labour conditions and the environment.<sup>73</sup> Considering the many abuses that take place at these companies' other business units, this compliance could be called dubious, as well as the question of traceability. Some Fairtrade-certified cooperatives are able to deliver physically traceable Fairtrade orange juice, but that is not yet the case for Citrusuco and LDC.

## Box 7 Rainforest Alliance certification

The aim of Rainforest Alliance certification (RA) is that no forests are cleared for agriculture and that flora and fauna are protected. Rainforest Alliance also applies social criteria and works with the most recent standards of the Sustainable Agriculture Network (SAN), a global network of sustainable agriculture organisations. The new SAN standard contains an innovation requiring continuous improvement for businesses. Rainforest Alliance trains farmers to maintain the ongoing quality of their land for the future. Agrarian businesses work with management systems to guarantee decent labour conditions and to stimulate sparse pesticide use. The SAN currently has certified 19 orange growers in Brazil. Although Rainforest Alliance announced its results achieved in 2015, no specific information on Brazilian orange cultivation was provided. RA has recently started publishing summaries of audit reports. Of the 19 orange plantations, 17 are available.<sup>74</sup> Together Citrusuco, Cutrale and LDC own 16 Rainforest

Alliance-certified plantations (LDC 11, Citrusuco 3, Cutrale 2). If Rainforest Alliance hears of violations of their standards at certified companies, following its own investigation, it can order the company to implement improvements without delay or rescind certification. It is unclear whether Rainforest Alliance is fully aware of the violations described in this paper, and which steps they have taken so far. The juice processing plants of the three companies are in any case not part of their monitoring system. Rainforest Alliance works with 'Chain of Custody' certification for parties in the chain, which is mainly aimed at traceability and segregation, and not on the usual standards and monitoring. Rainforest Alliance states that the concentrate certified by them is kept physically separated from regular juice. However, another model was recently introduced for cacao which no longer involves physical separation throughout the entire chain. Rainforest Alliance is also considering doing this for juices.<sup>75</sup>



## Box 8 Business initiatives for responsible juice

Friesland Campina Riedel, producer of Appelsientje, CoolBest and Taksi controls 25% of the Dutch market<sup>76</sup> and is thus market leader in fruit juices in the Netherlands. Since 2012, the company has been working with the civil society organisation Solidaridad to jointly promote sustainable production in the fruit juice sector. This collaboration has led to projects in several countries. In Brazil, work is being done with Citri, a cooperative of 57 medium-sized growers<sup>77</sup> that have their own processing plant in the state of Parana. The aim of this project is to improve the situation of Brazilian citrus growers and to help them to make their production more sustainable. An information system called 'Rural Horizons' is being used for this, jointly developed by Riedel and Solidaridad in collaboration with the growers. The system helps growers to gain more insight into their sustainability performance. Thirteen growers first started using criteria from the Sustainable Agricultural Initiative (a business platform). Following that, the system was fine-tuned and is now employed by all the Citri growers.<sup>78</sup> No information has as yet been released on results of the initiative, such as increased wages for pickers or decreased use of pesticides. An independent audit still must take place. As soon as this has been completed, Riedel and Solidaridad will publish the results widely.<sup>79</sup>

Nothing is listed about the source of the juice or oranges on a carton of Appelsientje, and it is not clear what percentage of their juice comes from the collective. Appelsientje states that the majority of its orange juice is sourced from Brazil and that it purchases directly from several concentrate companies. Appelsientje and Solidaridad have invited other companies to work with them for a more sustainable fruit sector.

Recently, a covenant for sustainable juice was signed with several major players in the global juice industry: Refresco, Döhler, Friesland-Campina and Verbruggen Juice Trading. The Rainforest Alliance also signed this covenant. The parties have declared their intention to produce juice that is certified and verified by 2030, and which has reduced negative impacts (the present impacts will first be identified through a risk analysis). A living wage is one of the issues that the consortium plans to investigate.<sup>80</sup> However, the covenant is not binding, and is not based on the due diligence principle of the OECD Guidelines. Neither is it clear on how concrete results will be achieved and on which issues. The Dutch supermarkets have not yet signed the covenant.

## Conclusions and recommendations

Dutch supermarkets are linked to human rights violations in the supply chain of orange juice produced in Brazil: they (have to) do business with the three large multinationals located in Brazil, where violations are known to take place on their plantations and on those of their suppliers. International normative frameworks require businesses to take responsibility for human rights violations if they take place anywhere along international supply chains.<sup>81</sup> All companies – also Dutch supermarkets – have a responsibility to know their supply chain, to identify risks and to take action if labour rights are violated (see Box 5 on due diligence).

Supermarkets are the principal purchasers in the orange juice supply chain and they carefully control their private label products. A responsible purchasing policy should prevent and address negative impacts. For this, supermarkets must be aware of the power structures operating in their supply chains. They should use their leverage to motivate the three large Brazilian players to do business responsibly (collaboration and increase of leverage is necessary for

this). Alternatively, supermarkets could purchase orange juice concentrate from other (smaller) producers and use their leverage there.

Supermarkets must work to achieve fair prices for growers and a living wage for pickers. They can accomplish this by researching what prices are needed to attain a living wage for growers and field workers and to formulate and carry out policies that will ensure those prices. Along with that, they must also see to it that these prices actually lead to sufficient wages being paid to workers.

Actions needed to get fair private label products on supermarket shelves:

- Systematically analyse the human rights risks in the orange supply chain and develop and implement policy that adequately addresses these risks. Monitor the effectiveness of the actions taken. Stakeholder involvement is essential in each of these steps.

- Involve local stakeholders, thus also pickers, their representatives and growers in researching the situation and in implementing improvements. They should also have access to a reliable complaint mechanism.
- Make use of and expand leverage (possibly through collaboration with other retailers and supply chain parties such as Refresco Gerber) to motivate the three juice multinationals in Brazil to improve labour conditions on their plantations and at their suppliers, as well as to mitigate and compensate the damage done by violations.
- Ensure supply chain transparency that is publically accessible for all parties. Communications about business operations and the results of these is part of a due diligence approach. Transparency of the company to the public is essential to maintain credibility. Moreover, this is important to consumers: they have a right to clear information so that they can make conscious choices.
- Stop putting pressure on prices and agree fair trading practices with suppliers. To bring about structural improvements, supermarkets must adopt purchasing policies that incorporate adequate purchase prices. They need to make sure that pricing policies result in a fair price for growers (so that workers are paid a living wage).
- Make more extensive efforts to work with orange juice from certified collectives, but carefully examine the benefits of involvement with certification schemes and multistakeholder initiatives, such as Fairtrade or Rainforest Alliance, and make sure to improve these systems. Remain transparent concerning the results, even if they are disappointing.

#### Endnotes

- 1 The Observatory of Economic Complexity website <<http://atlas.media.mit.edu/en/>> (9 December 2016)
- 2 There were 13 cases of modern slavery discovered between 2007 and 2014. Réporter Brasil, 'Grievances and challenges in the production of food, feed, fuel and fiber in Brazil – Selected examples', October 2015
- 3 S. Schanberg, 'Six Cents an Hour', Life Magazine, 1996 K. Butler et al, 'Children as young as five suffer in picking fruit for our orange juice', Independent, September 1998
- 4 Keuringsdienst van Waarde, 'Sinaasappelsap deel 1' [Orange juice, part 1] KRO NCRV TV broadcast, October 2005 <<http://keuringsdienst-vanwaarde.kro.nl/seizoenen/2005/30-97150-11-10-2005>> (11 April 2017)
- 5 Christian Initiative Romero, 2015, p. 36; Ausgespresst, Portrait einer Orangenpflückerin, Youtube short film, October 2013 <<https://www.youtube.com/watch?v=QEBGFHEN000>>
- 6 Idem ibid, p. 13
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## Colophon

### Juice with a bitter aftertaste

Behind the scenes in the orange juice industry  
and the role of Dutch supermarkets

August 2017

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**ISBN:** 978-94-6207-121-6



This publication has been produced with financing from the Ministry of Foreign Affairs and the European Union. The content of this publication is the full responsibility of SOMO and does not necessarily represent the position of the Ministry of Foreign Affairs and/or the European Union.



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SOMO is an independent, not-for-profit research and networking organisation that works for sustainable social, ecological and economic development. Since 1973, the organisation has been investigating multinational corporations and the consequences of their activities for people and the environment around the world.

SOMO is part of the consortium Supply Cha!nge, a collaboration of 29 CSOs throughout Europe which aim to make supermarket private labels fairer and more sustainable.

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