

# ‘From Soil to Customer’

Corporate Social Responsibility, self-regulation and supply chain control in the agri-food industry

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# Introducing the study

To increase the sustainability of their supply chain as an important example of such CSR strategies, companies are increasingly turning to self-regulation initiatives, either individually or collectively as a sector or an industry as a whole. With this development, corporations and industries are entering the arena of food control systems and certification which had previously been dominated by governmental and non-governmental agencies. While there have been many publications on such non-profit based third party initiatives for the food industry, the inherently different nature of corporate self-regulation systems warrants a specialized analytical framework for qualitative study. This need is the research problem from which this study has been developed.

## Research question

Describing this research's aim as providing a comprehensive understanding of the use of corporate self-regulation systems as a CSR strategy in its role to increase the sustainability of the agri-food industry as a whole, its reach is purposefully limited. The term 'corporate' is used to distinguish such systems on being initiated and developed from within the agri-food industry itself, as opposed to governmental and civil society initiatives. Somewhat in correlation with this the emphasis is on self-regulation systems aimed at mainstream production and consumption, in contrast to systems which primarily create niche-markets, like the 'FairTrade' and 'Organic' certification and labeling systems. Subsequently, the research question for this thesis was formulated as follows: How do corporate self-regulation systems as a corporate social responsibility strategy stimulate improvement of the sustainability of the mainstream agri-food industry?

## Objectives and set-up

In order to answer the stated question the study has been divided into an analytical research phase as well as an empirical research phase. Firstly a theoretical background of CSR and self-regulation systems needs to be provided. The second research phase encompasses a case study analysis of different self-regulation systems at various levels of the supply chain of the European fruit juice sector.

This study sets out from a stakeholder theory approach to CSR. Such an approach emphasizes that today's large enterprises do not operate in the economical sphere of society as if it is a vacuum, but in a complex web-like environment which spans several continents and involves multiple, interrelated stakeholders. This approach is not particularly surprising, as stakeholder theory is often connected with CSR theories, for the latter by definition links the corporate (the 'Profit') with its social and natural environment ('People' and 'Planet'). While the theoretics of the approach shall be discussed more in depth in the first phase of the research, it is required to point out how this approach influenced the research design.

First of all, through emphasizing the stakeholders of a certain firm or industry in stead of its shareholders, one is required to approach sustainability in production processes through their supply chains as a whole. This leads to a more holistic understanding of sustainability in general but of CSR in particular. In addition to approaching agri-food supply chains, stakeholder theory led the researcher to deliberately include a significant number of non-academic sources in the analytical research, like documents from national and multinational agencies, companies and non-governmental organizations (NGO's).

## Regarding the case study

The European fruit juice sector was the first within the European food industry to commit itself voluntarily industry- and region-wide to the implementation of a self-regulation system, to which end the industry set up a supervising organization in 1994: EQCS (European Quality Control System). The EQCS is only responsible for the very last stages in the fruit juice production process, from the moment ingredients enter the bottling or packaging facility until the final products leave the shelves in the customer's shopping basket. To ensure that the ingredients that enter such facilities meet the EU safety regulations as well as the quality standards set by the industry itself, the EQCS has delegated responsibility for semifinished products to IRMA: International Raw Material Assurance. IRMA regularly samples and controls fresh fruits and semifinished fruit products from their appearance on the world market until they arrive at the bottling or packaging facility, entering the domain of EQCS. EQCS and IRMA have set up their codes of conduct in close collaboration in their aim to assure the quality and safety of their products throughout the industrial supply chain. Additionally, the EQCS has in recent years taken to actively present their own model as being suitable for application to other sectors of the food industry as well. It is on these grounds that the case of the European fruit juice sector was selected as a relevant case study for this research.

Using Flyvbjerg's recent framework of strategies in case study research<sup>1</sup>, its characteristics qualified the case as both an extreme and a critical case study. 'Extreme' in the sense of the sector being a front runner in implementing such a system voluntarily at such a scale, while it is 'critical' in illustrating both the potential and limits of such systems<sup>2</sup>. However, as it is the general objective of case study research to produce in depth knowledge where it is lacking or insufficient, Flyvbjerg points

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<sup>1</sup> B. Flyvbjerg, "Five Misunderstandings About Case-Study Research," *Qualitative Inquiry* 12, no. 2 (2006).

<sup>2</sup> Ibid.: p. 229.

out that a case study may turn out to have a different value than was expected at the time of choosing<sup>3</sup>. Indeed, in addition to the being an extreme and critical case, the European fruit juice sector has proven to be a paradigmatic case: not for its self-proclaimed function as a model for application in other sectors, but as we shall see in the phase two section of this study, for illustrating the current thinking about corporate self-regulation in corporate or industry environments. While the first two case study strategies have been most useful in analytical use, the paradigmatic element of the case has added significantly to the research objective of providing a comprehensive understanding of corporate self-regulation in the agri-food industry.

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<sup>3</sup> Ibid.: p. 233.

# Phase I: Theoretical Background

This chapter will provide definitions for the key concepts for this study being: Globalization, Sustainability, Supply Chains, and Corporate Social Responsibility. Secondly, it will illustrate the main debates surrounding these terms since these are vital to a complete understanding of this study. Although concepts like *globalization* and *corporate social responsibility (CSR)* are frequently used in both academic and popular writings, there is only superficial consensus on the definitions of the terms.

## **Globalization and sustainability as essentially contested concepts**

Former Prime Minister of the Netherlands Mr. Lubbers, once described globalization as “a process in which geographic distance becomes a factor of diminishing importance in the establishment and maintenance of cross-border economic, political and socio-cultural relations.”<sup>4</sup>. While it ‘paints the globalization picture’ it is a vague description, far from specific on how relations and dependencies are actually changing as a result of the process of globalization. On the other hand, it is probably as specific as we will get when demanding consensus on the subject by a variety of actors. This is in essence not a matter of a lack of analytical research but inherent to the nature of the concept. The term globalization intends to comprehend a set of specific characteristics of today’s world: who are the prime actors, what are the principle forces behind them and, most of all, is the current state of the world a ‘good’ state. If it is not ‘good’ how then, would we be better off and how are we to make that happen if such things even can be ‘made’. Any comprehensive understanding of globalization would thus include, or at least imply value-judgements on which the debate is potentially endless. After all, most of the different actors in the debate represent inherently different value-judgements in the first place<sup>5</sup>. While government officials may stress the importance of national legislation for example, multinational corporations may strongly object to such regulations. Despite the fact that the definition of globalization has been attempted by hundreds of authors and distinguished speakers on the topic, the word continues to mean very different things to different people.<sup>6</sup> Thus it seems reasonable at this point in the debate to perceive globalization as an essentially contested concept.

However, as a working definition of the subject and throughout this study I shall consider globalization to be: a trend of increasing economic interdependence of the majority of countries in the world, which has the potential to influence all aspects and levels of human society to some extent, both for better and for worse.

At first glance the term sustainability appears considerably less debated than the value-laden globalization. This is true to the extent that there is a widely accepted (though not unanimously) definition of sustainability since 1987. That year, the report titled ‘Our Common Future’ by the UN commission ‘Brundtland’ was published, which experts till this day regard as one of the most influential documents on sustainable development<sup>7</sup>. In the report, the commission refers to sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”<sup>8</sup>. Succeeding works, starting in 1994 with an article by John Elkington, further conceptualized this notion into the *triple bottom line* concept of sustainability comprising *People, Planet, Profit* (PPP)<sup>9</sup>, to which I referred in the introduction. As such, sustainability inherently requires a long-term, global perspective. If certain developments could be considered to be sustainable locally, in a short time-frame, but not with regards to their impact in the long run, and outside of those border those developments are simply not sustainable. This underlines the strong relation between both globalization and sustainability: in today’s world of significantly increased economic interdependence, noting in particular the actual and potential span and power of multinational enterprises, sustainable business practices become increasingly important.

## **Essentially entangled concepts: Unilever in Indonesia**

Besides being coined frequently in the field of international relations, domestic politics and civil society organizations we find much debate on globalization and sustainability in corporate environments as well. Leading companies in the agri-food industry now publish annual sustainability reports, purposefully separate from their general business reports, to shed light on their efforts to increase the sustainability of their supply chain and production processes. In addition, companies like Nestlé

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<sup>4</sup> As cited in: VNO-NCW, "Discussienota Duurzame Globalisering," *46e Bilderbergconferentie* (2008): p. 11.

<sup>5</sup> For a more extensive exploration of the differences in values and beliefs of proponents and critics of globalization, see: Emma Aisbett, "Why Are the Critics So Convinced That Globalization Is Bad for the Poor?," in *NBER Working Paper Series* (Cambridge: National Bureau of Economic Research, 2005).

<sup>6</sup> *Ibid.*, p. 5.

<sup>7</sup> GlobeScan, "Mandated Corporate Social Responsibility," *Corporate Social Responsibility Monitor 2007 Research findings* (2008).

<sup>8</sup> World Commission on Environment and Development, "Our Common Future," (1987): p. 24.

<sup>9</sup> J. Elkington, "Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development," *California Management Review* 36, no. 2 (1994).

and Unilever even collaborate with competing companies in industry-wide forums and round tables on sustainability issues like the *Sustainable Agriculture Initiative (SAI) Platform*. While these developments have not yet brought about a consensus on a comprehensive definition of sustainability within the corporate environment, let alone a consensus to which all stakeholders can subscribe, they signify the shift of thinking about sustainability in the context of the enterprise. While referring to social or environmental sustainability in a company's business strategy was once dreaded by stockholders for its associations with unwanted, non-businesslike practices of philanthropy, such strategies are now considered part of a company's *Corporate Social Responsibility (CSR)*; and as such a core element of the business strategy of large companies. The annually published corporate sustainability reports from multinationals in the food, clothing and consumer products industry are an illustration of how intertwined the concepts of globalization and sustainability are on the corporate side. Representing the other side of the debate, the NGO's working to advance the sustainability agenda today operate globally, making extensive use of all the modern communication tools that characterize the era of globalization to spread their message. Their strategies include both carrots and sticks to pressure companies, governments and the general public all over the globe, in some cases even working actively together with multinational corporations to research more sustainable production methods.

The Unilever Group provides a particularly striking illustration of this entanglement of the concepts of globalization and sustainability and the companies, NGO's, governments and general public that take part in this global debate. In 2005, the company had proudly published a joint research project with the NGO Oxfam Novib titled "Exploring the Links Between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia", exploring how the activities of a multinational company in a developing country are translated into poverty impacts in one particular country, in this case Indonesia. Both parties stated to be very content with the outcomes of the project, which was celebrated as a highly successful collaboration of two otherwise antagonistic parties. Almost all major products sourced by Unilever in Indonesia were included in the study, with the notable exceptions of tea and palm oil, which "were not studied in depth in this report, primarily because Unilever is exploring them through other initiatives"<sup>10</sup> as a founding-member of "the Roundtable on Sustainable Palm Oil, which is developing standards for plantation establishment as well as better practices to reduce the industry's negative social and environmental impacts."<sup>11</sup> Three years after Unilever took part in this 'carrot'-project with an NGO, they were publicly confronted with another NGO's 'stick' approach when Greenpeace published "How Unilever Palm Oil Suppliers are Burning up Borneo" a damning report on the activities of that same company, in the very same country. The accusation of driving the last Orangutans closer and closer to extinction was a striking visual one, something Greenpeace put to great use in the campaign that accompanied their report. Unilever decided against a deny-and-ignore strategy and, as described their 2009 *sustainable development overview* publication, issued another study in response:

*"In April 2008 Greenpeace issued a report accusing our suppliers of "fueling climate change" by clearing forests and draining peat lands. To check the validity of Greenpeace's claims, we commissioned an independent study to verify the allegations. The audit concluded that the Greenpeace report was broadly accurate. We shared the findings with our suppliers and urged them to address the shortcomings.*

*Following further allegations from Greenpeace in December 2009 in relation to one particular supplier, we decided to suspend future purchases of palm oil from that company until they can provide verifiable proof that none of their plantations is contributing to the destruction of high conservation value forests or expanding onto peat lands.*

*While we still believe that it is best to engage constructively with suppliers to help drive change in the industry, we are ready to take tough action when necessary."<sup>12</sup>*

By providing two separate definitions as we have done in the opening paragraphs of this chapter, the inherent, crucial relation between the concepts of globalization and sustainability as illustrated by the case of Unilever in Indonesia has not received sufficient attention. The globalization trend did not accidentally collide with the sustainability debate, globalization essentially drives the non-governmental push for the sustainability agenda. As nobel prize winning economist Joseph Stiglitz states in his book 'Making Globalization Work': while the theory of globalization promised us it would change the world for the best of all people, this promise has yet to be fulfilled: "The great hope of globalization is that it will raise living standards throughout the world: give poor countries access to overseas markets so that they can sell their goods, allow in foreign investment that will make new products at cheaper prices, and open borders so that people can travel abroad to be educated, work and to send home earnings to help their families and fund new businesses. ... But the evidence is overwhelming that it has failed to live up to this potential."<sup>13</sup> While some of the problems are inescapable and thus require us to find sustainable solutions to them, it is slowly starting to dawn on us that many of the problems of globalization are of our own making; generally connected to badly managing the globalization process. A striking example of this are so called negative 'external consequences' of multinational corporations operating in the global arena. In the free, global market, as envisioned by those who stress the benefits of globalization, it is assumed that the market dictates prices for goods and

<sup>10</sup> J. Clay, "Exploring the Links between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia," (2005): p. 26.

<sup>11</sup> Ibid.: p. 117 (note 6).

<sup>12</sup> Unilever, "Creating a Better Future Every Day," in *Sustainable Development Overview 2009* (2010), p. 19.

<sup>13</sup> Joseph E. Stiglitz, *Making Globalization Work* (London: Penguin Books, 2007), p. 4.



services to rise to at least the level where it covers the production costs. However, this only holds true for those costs which are actually and immediately experienced as a burden by the producer of the good, and the production process, whether the good is soy beans, tuna or diamonds, may result in a variety of negative external effects that are not as such regarded as a production cost. These effects are therefore not incorporated into the market price, and those bearing the burden are not compensated for their loss by the workings of the free market. Or, as Stiglitz summarizes: when an individual or a country does something that hurts someone else and for which they do not pay, there is a negative externality<sup>14</sup>. He illustrates this with the case of overfishing: every country has an incentive to increase their fishing fleet, for more and better equipped boats can catch more fish, and bring the country more profits. However, this brings the serious risk of overfishing a particular species of fish, if not the eventual depletion of the world's oceans, all the while actually causing everyone's costs to increase because yields go down and one has to go further and further out to get to the remaining schools of fish<sup>15</sup>.

The case of overfishing illustrates how globalization and sustainability are essentially *connected* concepts through the notion of external negative consequences. Economics predicts that the resulting scarcity of fish will result in higher prices to cover the fisheries' higher costs but the damage to the environment resulting from their unsustainable fishing practices, the negative external consequences, are not part of the economical picture. The countries from which these companies are operating may be pressured in the international arena to ratify multilateral treaties installing fish quotas, but then face domestic concerns about potential unemployment caused by such regulation. A similar case can be made regarding regulation of child labour, tax evasion, pollution or minimum wage. Globalization in its current state inevitably results in a 'race to the bottom', the constant and continuous negative pressure on wages, especially those of unskilled workers<sup>16</sup>. It drives companies to unsustainable use of natural resources as in the example of overfishing, and rewards those who secure early access to newly discovered oil reserves, disregarding the bribes paid to local officials required for such agreements. Globalization has come to reward short term profit through long term unsustainable supply chains which then led to considerable pressure from non-governmental organizations demanding changes. This pressure has over the years most visually been brought about through international consumer campaigns. Besides the Unilever case described above, there are numerous other famous examples of such campaigns, including<sup>17</sup>:

- Shell Oil Company (1958-present), involving NGO's Amnesty International, Greenpeace and others, addressing the spilling of six million liters of oil into the Niger Delta in Nigeria, causing its levels of water pollution to rise to 360 times the level allowed in the European Union; and the planned sinking in 1994 of the Brent Spar buoy off the coast of the United Kingdom.
- Coca Cola Company (1970-present), involving NGO's International Union of Food and Allied Workers Association (IFU), United Students Against Sweatshops (USAS) and others, addressing pollution and waste caused by nonreturnable soda bottles; and the company's reluctance to take action against the beating and murder of their unionized bottling factory workers in Guatemala, Columbia and India.
- Nike (1990-present), involving NGO's Global Exchange, United Students Against Sweatshops (USAS) and others addressing dire worker conditions in so-called 'sweatshops', dropping factories after workers achieved better pay and illegal firing of organizing factory workers.
- Starbucks Coffee (1999-present), involving NGO's Global Trade Watch, Global Exchange and others, addressing low wages at coffee plantations, lack of fair trade conditions and lack of support for organic coffee growing.

The way globalization has developed over the past decennia has both resulted in local, national and global threats to all three elements of sustainability; people, planet and profit, as well as in the spread of local, national and global outcry through NGO's to raise the public's awareness about the unsustainability of most of today's global supply chains.

## Sustainability of global agri-food supply chains

Visualizing an average supermarket in an industrialized country offering a year-round increasingly exotic variety of groceries illustrates the particular significance of the subject of sustainability in this regard to the agri-food industry. Not only are such products plant or animal based, their supply chains are generally very complex and labor intensive<sup>18</sup>. Practices of child labor, inhumane working conditions, depletion of natural resources, destruction of tropical rainforest and the structural abuse of market power by large companies are amongst the numerous unsustainable practices that prevail in this industry. Its supply

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<sup>14</sup> Ibid., p. 162.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid., p. 24.

<sup>17</sup> Examples taken from: George Cheney Steve Kent May, Juliet Roper, *The Debate over Corporate Social Responsibility* (Oxford University Press US, 2007), p. 253-60.

<sup>18</sup> M. Maloni and M. Brown, "Corporate Social Responsibility in the Supply Chain: An Application in the Food Industry," *Journal of Business Ethics* 68(2006): p. 38.

chains, all the processes and transport involved in the production and distribution of a final product, often originate in developing countries whereas large multinational enterprises and finally the consumers in the industrialized world are at the top of the food chain. Unfortunately, there is no consensus what so ever on the question of how best to pursue sustainable development in such industries, let alone who is to be held accountable. However, since the 1990's multinational enterprises have increasingly been called upon to improve the sustainability of their production processes and those of their suppliers as to develop a strategy of *Corporate Social Responsibility*, or CSR.

### *Corporate Social Responsibility (CSR) into the 21st Century*

Although CSR is a popular concept today it is not new, nor is the debate over the relationship between business and society a recent one. Researchers have traced back various stages in that debate since the modern corporation established itself since the late nineteenth century<sup>19</sup>. Over the course of that debate, the term CSR was developed long before any agreement on the desirability of such a strategy was reached. In 1970, Milton Friedman famously rejected any social responsibility of business beyond "*the social responsibility to increase its profits*" as long as they would stay "*within the rules of the game, which is to say, engages in open and free competition without deception or fraud.*"<sup>20</sup> Such a radical view is hard to find nowadays, as firms have found that the process of globalization has not only strongly empowered them but, more recently, a countless number of civil society organizations as well. It can be argued that there are as many disagreements between those organizations as there are between them collectively and the enterprises who's activities they oppose. Nevertheless, from the 1990's onwards, they were able to utilize the increasingly faster, cheaper and more widely available tools of internet communication to draw attention to unsustainable business activities at the time of multinationals like Levi Strauss, Nike, Disney, and Shell. From a un-businesslike, unappreciated argument for corporate philanthropy CSR thus became strongly connected to marketing and brand associations.

Today, CSR is most often referred to as acts which seem to go beyond the interest of the firm and what is required by law and ethics<sup>21</sup>, though excluding acts of philanthropy that arise after the firm has secured its profits<sup>22</sup>. The list of activities of enterprises which have subsequently been incorporated into their CSR strategy includes anything from 'advancing the goals of community organizations' and 'promoting employee empowerment', to reducing the firms 'environmental foot print', and the company's communication about CSR with (potential) customers is an important part of the strategy<sup>23</sup>. However, such a notion of the concept has lead to overstating both the potential of CSR in general and the actual investments and achievements relating to sustainability. Several government development agencies have for example attributed to CSR the potential to play a *significant role* in poverty reduction in developing countries<sup>24</sup>, while critics on the other side of the spectrum have questioned whether a majority of companies with a CSR strategy actually goes beyond 'window dressing' and seriously improves the sustainability of their business activities<sup>25</sup>. What ought to be disputed most of all of the traditional description of CSR, is the extend to which such activities indeed 'voluntarily go beyond legal and ethical requirements'. Especially outside the industrialized world, most infamously in countries like India, multinational corporations have incorporated illegal tactics like bribery and tax evasion in their regular business dealings<sup>26</sup>. Even when a company's Code of Conduct explicitly states that all divisions of the firm are to respect local regulations at all times, few companies have extended them to their suppliers, let alone actively audit those suppliers on compliance. Thus, we are confronted yet again with the difficulties of frequently used but vaguely defined terminology. However, it would be naive and arguably damaging to strive for an extensive, fixed and rigid perception of CSR because doing so would inherently render the concept useless. As much as CSR has been influenced by changes in all dimensions of the international environment, the concept will keep adjusting to such ever ongoing changes: CSR has come to encompass a whole discourse of its own which is constantly being reinvented by the many different actors that call on the concept<sup>27</sup>. Stressing this fluidity, sixty-two percent of CSR

<sup>19</sup> R. Jenkins, "Globalization, Corporate Social Responsibility and Poverty," *International Affairs* 81, no. 3 (2005): p. 526.

<sup>20</sup> M. Friedman, "The Social Responsibility of Business Is to Increase Its Profits," *New York Times Magazine* (1970).

<sup>21</sup> A. McWilliams, D. Siegel, and P. Wright, "Guest Editor's Introduction - Corporate Social Responsibility: Strategic Implications," *Journal of Management Studies* 43, no. 1 (2006): p. 1.

<sup>22</sup> See note 1 in: Jenkins, "Globalization, Corporate Social Responsibility and Poverty," p. 525.

<sup>23</sup> J. J. de Vlieger and R. J. Bogers, "From Corporate Social Responsibility to Chain Social Responsibility: Consequences for Chain Organization," in *Quantifying the Agri-Food Supply Chain, Wageningen Ur Frontis Series* (Kluwer Academic Publishers, 2006), p. 192.

<sup>24</sup> Jenkins, "Globalization, Corporate Social Responsibility and Poverty," p. 525.

<sup>25</sup> Fiscal and Enterprise Affairs OECD Directorate for Financial, *Private Initiatives for Corporate Responsibility: An Analysis*, vol. 1, Working Papers on International Investment (2001), p. 16.

<sup>26</sup> M. Prieto-Carrón et al., "Critical Perspectives on Csr and Development: What We Know, What We Don't Know, and What We Need to Know," *International Affairs* 82, no. 5 (2006): p. 978.

<sup>27</sup> R. Steurer et al., "Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business,Äisociety Relations," *Journal of Business Ethics* 61(2005): p. 274.

experts for twenty-five countries said in the 2007 *GlobeScan Corporate Social Responsibility Monitor* to expect that "CSR will be increasingly adopted by companies, with new and innovative types of initiatives flourishing."<sup>28</sup>

While a significant amount of literature is available on the difficulty of defining or even coherently conceptualizing CSR<sup>29</sup>, I shall keep for now with a working definition of CSR as most of the nuances of the debate are beyond the scope of this study. When sketching the conceptual boundaries of a working definition, CSR practices can be characterized as the implementation and assurance of holistic, supply chain oriented strategies of a company aimed at structurally improving the sustainability of its business practices and the externalities these cause<sup>30</sup>.

As some researchers note, CSR originally emphasized the *People* dimension of sustainability, whereas other concepts like *Corporate sustainability* would stress the *Planet* side<sup>31</sup>. This distinction is of little use here. Sustainability is an inherently holistic concept to which the *PPP* approach is of illustrative value; conceptually unwinding those three dimensions further risks significantly weakening the sustainability concept in relation to business practices as a whole. Ad hoc initiatives, or what has been described as 'promotional CSR programs'<sup>32</sup>, would in this view be discarded as a marketing strategy instead of a CSR strategy. As has been noted before, since the rise to power of civil society initiatives companies are finding it increasingly difficult to 'get away' with refusing any accountability for dubious practices of their suppliers. The argument for 'structural' strategies also strengthens the emphasis on the *supply chain* as a whole instead of all processes or companies as unrelated, singular moments.

### CSR in the agri-food industry

As earlier discussed, pressures from stakeholders extended the reach of CSR to frequently include partner companies in the supply chain like suppliers and logistics providers<sup>33</sup>. In the 1990's, the apparel industry has been amongst the first to be targeted for its frequent use of child labor, leading to the adoption of Codes of Conduct (CoC) on child labor and related issues by many major apparel companies like Gap, Levi Strauss, Nike and WE<sup>34</sup>. Thus, following the increased focus of NGOs on the activities of multinational corporations CoC's have come to become one of the most commonly used CSR strategies. However, as such public attention is not evenly nor proportionally divided among different industry sectors, the agri-food industry has been rather reluctant to adopt any real structural CSR frameworks. With the notable exception of the chocolate industry which has been internationally targeted numerous times since 2000 for child slavery practices on cocoa farms in Côte d'Ivoire<sup>35</sup>, there have been only minor instances of public outcry relating to concerns about agri-food supply chains<sup>36</sup>. However, CSR appears to be gaining importance in the food supply chain due to not only the nature of the product as animal/plant based consumables that are required for existence but also the complex, labor intensive nature of food supply chains<sup>37</sup>, and the food industry has a high potential for damage resulting from such public pressures, due to its public visibility in the daily lives of people and the prominent role of food product multinationals like Cargill, Mars, Nestlé and Unilever<sup>38</sup>.

<sup>28</sup> GlobeScan, "Global Business Contribution to Millennium Development Goals," *Corporate Social Responsibility Monitor 2007 Research findings* (2008).

<sup>29</sup> See for example: M. van Marrewijk, "Concepts and Definitions of Csr and Corporate Sustainability: Between Agency and Communion," *Journal of Business Ethics* 44, no. 2 (2003). and Steurer et al., "Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business, Society Relations."

<sup>30</sup> The important addition of 'externalities', defined as "results of market transactions that are not themselves embodied in such transactions", was taken from: C. Crouch, "Modelling the Firm in Its Market and Organizational Environment: Methodologies for Studying Corporate Social Responsibility," *Organization Studies* 27, no. 10 (2006).

<sup>31</sup> Again, See for example: van Marrewijk, "Concepts and Definitions of Csr and Corporate Sustainability: Between Agency and Communion." and Steurer et al., "Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business, Society Relations."

<sup>32</sup> J. Pirsch, S. Gupta, and S. Grau, "A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study," *Journal of Business Ethics* 70(2007): 128.

<sup>33</sup> Maloni and Brown, "Corporate Social Responsibility in the Supply Chain: An Application in the Food Industry," p. 35.

<sup>34</sup> AvT Kolk, "The Effectiveness of Self-Regulation: Corporate Codes of Conduct and Child Labour," *European Management Journal* 20, no. 3 (2002): p. 261.

<sup>35</sup> G. B. K. Nkamleu, "Modeling Farmers' Decisions on Child Labor and Schooling in the Cacao Sector: A Multinomial Logit Analysis in Côte D'ivoire," *Agricultural Economics* 35(2006).

<sup>36</sup> Maloni and Brown, "Corporate Social Responsibility in the Supply Chain: An Application in the Food Industry," p. 35.

<sup>37</sup> *Ibid.*: p. 38.

<sup>38</sup> *Ibid.*: p. 35.

Looking through the following illustrative list of challenges in the agri-food supply chain, an adaptation of a similar overview by Maloni<sup>39</sup>, it becomes apparent that all three sustainability pillars; people, planet and profit, are relevant to the industry:

People	Planet	Profit
No illegal labour (captive/forced/child)	Humane treatment of animals	Procurement behavior
Safe and healthy working conditions	Sustainable use of biotechnology	Legal conduct
Reasonable compensation	Conservation of the environment	Fair trade
Respecting worker rights	Minimizing pollution	Food safety
Respectful treatment/No discrimination	Sustainable waste disposal	Healthy food
Advancement opportunities		Supplier diversity
Community support		

### *A short history of certification and labeling in the agro-food industry*

The practice of certification and labeling in the agro-food industry is not a modern phenomenon, in fact it is not even an old practice, it is an ancient one with the earliest known example being ancient Egyptian scrolls prescribing the labeling to be applied to certain foods<sup>40</sup>. The modern era of international regulation in the agro-food industry arrived with the establishment of the *Codex Alimentarius Commission* in 1961 as a joint effort of two specialized United Nations bodies: the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). The *Codex Alimentarius* (Latin for *Food Book*, or *Food Code*) that has subsequently been published and updated by this commission is not a single set of regulations, rather is a collection of standards, codes of practice, guidelines and other recommendations relating to many aspects of food production, processing, transportation, and consumption. Some of these texts are very general, and some are very specific; dealing with detailed requirements related to a food or group of foods. All elements of the Codex however are connected via their relevance to the commission's concern for international food safety and consumer protection<sup>41</sup>.

Non-governmental organizations, in particular in the industrialized world have developed various voluntary certification and labeling programs in order to address their specific concerns. For example, concerns about the damage done by conventional agriculture gave rise to organizations in many parts of Europe and North America pushing for organic farming programs. Some of these were eventually adopted by governments who institutionalized the organic produce certification and labeling programs. In the Netherlands concerns about unjust trading relations between the global north and the global south gave birth in 1988 to the Stichting Max Havelaar, the world's first fair trade initiative. The Fairtrade Labelling Organizations International (FLO), the umbrella organization in charge of the certification process for the various fairtrade certified product brands, has claimed growth figures of worldwide fairtrade sales in the first years of the new millennium of an astonishing average of 40 percent year-to-year<sup>42</sup>. Even in 2009, during the worst economic recession in seventy years The Fairtrade Foundation, the UK member of the FLO showed fairtrade sales figures continued to grow with 15 percent compared to the year before, to a total of 3.4 Billion Euro spent on fairtrade products<sup>43</sup>. Although this total may seem insignificant in the global market, it is people who are at the center of the fairtrade ideal instead of figures, as shown by FLO's own measure of success:

*There are now 746 Fairtrade certified producer organizations in 58 producing countries, representing over 1 million farmers and workers. With their families and dependents, FLO estimates that 5 million people directly benefit from Fairtrade<sup>44</sup>.*

<sup>39</sup> Ibid.: p. 46-47.

<sup>40</sup> Cora Dankers, "Environmental and Social Standards, Certification and Labelling for Cash Crops," (Rome: FAO, 2003), p. 3.

<sup>41</sup> Ibid., p. 10.

<sup>42</sup> FLO, "Facts and Figures," [http://www.fairtrade.net/facts\\_and\\_figures.html](http://www.fairtrade.net/facts_and_figures.html).

<sup>43</sup> Fairtrade Foundation, "Consumers Purchase More Fairtrade Products Than Ever Before," [http://www.fairtrade.org.uk/press\\_office/press\\_releases\\_and\\_statements/may\\_2010/consumers\\_purchase\\_more\\_fairtrade\\_products\\_than\\_ever\\_before.aspx](http://www.fairtrade.org.uk/press_office/press_releases_and_statements/may_2010/consumers_purchase_more_fairtrade_products_than_ever_before.aspx).

<sup>44</sup> FLO, "Facts and Figures."

Originally the vast majority of certification and labeling programs and initiatives were developed and promoted by either civil society organizations or political agencies. Recently however, there have been two new actors driving the development and promotion of such programs: the large, internationally operating food retailers whose bargaining power has been growing exponentially in the last twenty years, nowadays impose higher requirements onto their suppliers<sup>45</sup>; as do as the large brand owners like Del Monte, Nestlé and Mars inc. Such a system, generally referred to as self-regulation, will often include both quality management as well as food safety regulations. Integration of quality management in agri-food supply chains is very advantageous for self regulation, because the government could align their information needs on existing information and communication streams that firms use for their own purposes<sup>46</sup>.

Requirements can include logistical and technical standards, like barcoding and traceability systems in reaction to the increased levels of liability for food companies regarding food safety issues<sup>47</sup>, while competition on quality provides another incentive to adopt "high" standards. Many retailers have their own specifications that are communicated solely to their suppliers and of which the outer world has little knowledge<sup>48</sup>. As van Amstel van Saane (2007) points out, self-regulation is far from a uniform approach:

*Although philologically the concept of self-regulation is derived from the two Greek words auto (self) and nomos (law), self-regulation is not necessarily an exclusively autonomous process. There is a range of government involvement in self-regulation extending from:*

- *Voluntary self-regulation: An industry chooses for self-regulation on the grounds of internal motivation. Standard-setting is based on industry priorities, perceptions and values.*
- *Enforced self-regulation: The government imposes self-regulation on an industry and demands a minimum of substantive requirements. Non-compliance with these requirements constitutes a legal offence (e.g. Ayres and Braitwaite, 1992; Gunningham and Grabosky 1998; Sinclair, 1997).*<sup>49</sup>

When it comes to sustainability issues regarding people and planet, a 2007 report by the FAO found that: Voluntary environmental and social standards are mostly advocated by non-governmental organizations (NGOs) and implemented by the private sector<sup>50</sup>. There is now a growing number of case studies available regarding this private sector self-regulation available, which has brought about the notion that it is in principle possible for food producers to regulate a public good, specifically agrobiodiversity, through industry self-regulation and to integrate that good in the food supply chain<sup>51</sup>. Now answer the question: what makes for successful and sustainable self-regulation?

### *Prerequisites for successful self-regulation in the agro-food industry.*

One can not simply assume the effectiveness of self-regulation in light of the obvious risks of the proverbial fox guarding the henhouse. As van Amstel van Saane states: *industry self-regulation ... can be a strong, successful and even relatively reliable instrument, but there is a major risk of unverifiable misuse by the industry*<sup>52</sup>. Through the case studies available in the literature, several crucial elements to a successful self-regulation system have been identified:

- Integration of information through ICT tools in order to ensure traceability and facilitate inspections<sup>53</sup>

<sup>45</sup> "Private Standards in the United States and European Union Markets for Fruit and Vegetables: Implications for Developing Countries," in *FAO Commodity Studies* (FAO, 2007), p. xvi.

<sup>46</sup> "Toezicht Op Toezicht," in *Beleidskader: Toezicht op Controle*, ed. Natuur en Voedselkwaliteit Ministerie van Landbouw (The Hague 2005), p. 11.

<sup>47</sup> "Private Standards in the United States and European Union Markets for Fruit and Vegetables: Implications for Developing Countries," p. xvi.

<sup>48</sup> *Ibid.*, p. xvii.

<sup>49</sup> Mhijw van Amstel-van Saane, "Twilight on Self-Regulation - a Socio-Legal Evaluation of Conservation and Sustainable Use of Agrobiodiversity by Industry Self-Regulation," (2007): p. 22-23.

<sup>50</sup> "Private Standards in the United States and European Union Markets for Fruit and Vegetables: Implications for Developing Countries," p. xvii.

<sup>51</sup> M. van Amstel et al., "The Reliability of Product-Specific Eco-Labels as an Agrobiodiversity Management Instrument," *Biodiversity and Conservation* 16(2007): p. 4126.

<sup>52</sup> van Amstel-van Saane, "Twilight on Self-Regulation - a Socio-Legal Evaluation of Conservation and Sustainable Use of Agrobiodiversity by Industry Self-Regulation," p. 134.

<sup>53</sup> W. van Plaggenhoef, "Quality Management and Self Regulation in Dutch Agri-Food Supply Chains," (2007): p. 3.

- Affective commitment between buyers and suppliers to ensure continuation of the relationship between firms in the chain. This will result in long-term relationships in which firms believe the relationship is worth working on<sup>54</sup>.
- Enforcement thru-out all relevant production stages<sup>55</sup>
- Systematic measuring and monitoring of the impact of the regulatory system<sup>56</sup>

In the third phase of the research I shall return to these prerequisites and asses to what extend the European fruit juice sector can be falsifiable demonstrated to fulfill these prerequisites.

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<sup>54</sup> Morgan and Hunt (1994); as quoted in: Ibid.

<sup>55</sup> M. Weismann, "The Foreign Corrupt Practices Act: The Failure of the Self-Regulatory Model of Corporate Governance in the Global Business Environment," *Journal of Business Ethics* 88(2009): p. 628.

<sup>56</sup> van Amstel-van Saane, "Twilight on Self-Regulation - a Socio-Legal Evaluation of Conservation and Sustainable Use of Agrobiodiversity by Industry Self-Regulation," p. 124.

# Phase II: Case Study Analysis

This chapter shall give a short overview of the world trade in fresh and processed fruits and follow-up with a review of the various elements of the European fruit juice sector in specific.

## World trade in fresh and processed fruits and the European fruit juice sector

The total world export value of non-processed fruits in 2001 was \$21.7 billion, of which the overall developing countries' share was 49.7%<sup>57</sup>. The average shares of developing countries in world exports of non-processed fruits, as illustrated in figure I, hide the heavy domination of trade by just a handful of middle-income countries. Between 1997 and 2001, just four Latin American countries -Chile, Costa Rica, Ecuador, and Mexico- accounted for 43 percent of developing-country exports of fresh fruit<sup>58</sup>.

The EU is the largest importer of fresh fruits, importing \$7.3 billion (8.4 million metric tons) in 2003, making it a logical choice as a case study. The largest suppliers to the EU market are South Africa, Costa Rica, and several South American countries<sup>59</sup>. However, the FAO has concluded that tariff escalation is taking place with processed produce, such as fruit juice and that there is a demand for harmonization of technical standards and treatments of exports which affect production processes and agrochemical practices<sup>60</sup>. As a result, the existing trade by developing countries in processed fruits is highly concentrated in 'specialized' countries, like Brazil with 91% share in world exports of orange juice concentrate and Indonesia, Philippines, Thailand's combined 74% share in world exports of canned pineapples. All EU processed fruit tariffs are above 20 percent, and the majority of processed fruit products entering the European Union face a tariff of greater than 50 percent (significantly higher than tariffs of USA, Canada and Japan)<sup>61</sup>. Of the before mentioned orange juice concentrate from Brazil, 70% was exported to the EU, illustrating the importance of the European fruit juice sector to developing countries so heavily invested in this industry<sup>62</sup>. This, combined with the demand for technical standards and treatments of exports stated by the FAO, adds weight to the selection of the case of the European fruit juice sector.

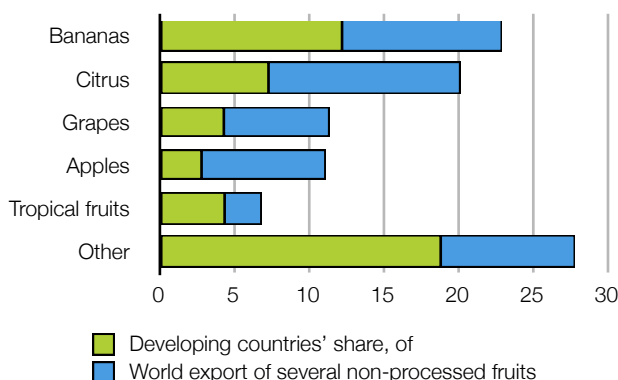
The European fruit juice sector was the first within the European food industry to commit itself voluntarily and industry- and region-wide to a self-regulation system for their supply chain. Initiated by AIJN, the collective of all the national associations representing fruit juice manufacturers within the EU save Greece and Luxembourg, the VCS is said to cover about 85 to 90 percent of the European fruit juice market of about 8 Billion Euros<sup>63</sup>. There are no binding regulations within the VCS that cover fruit production or farm level in the supply chain. However SGF, a major player in the VCS and responsible for the majority of audits and sampling of the system has collaborated with two other organizations to try to address this. Together with the SAI Platform SGF drew up non-binding guidelines on sustainable fruit production and processing, which has been given a dashed border in Figure I.

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## Understanding the Voluntary Control System (VCS)

During the 1970's the German fruit juice industry developed a quality and safety monitoring system for their products, as a reaction to adulterated products damaging the industry's image. During the following decade the industry, led by SGF

Fig I: 2001 world export of non-processed fruits



<sup>57</sup> United Nations, "Un Comtrade," New York : United Nations, <http://comtrade.un.org/db/>.

<sup>58</sup> FAO, "13. Important Commodities in Agricultural Trade: Fruits and Vegetables," *FAO Fact Sheets: Input for the WTO Ministerial Meeting in Cancún*(2003), <http://www.fao.org/docrep/005/y4852e/y4852e13.htm>.

<sup>59</sup> USA Foreign Agricultural Service, "World Fresh Fruit Market,"(2004), [http://www.fas.usda.gov/hp/Presentations/2004/World%20Fresh%20Fruit%20Market%20\(08-04\).pdf](http://www.fas.usda.gov/hp/Presentations/2004/World%20Fresh%20Fruit%20Market%20(08-04).pdf).

<sup>60</sup> FAO, "13. Important Commodities in Agricultural Trade: Fruits and Vegetables."

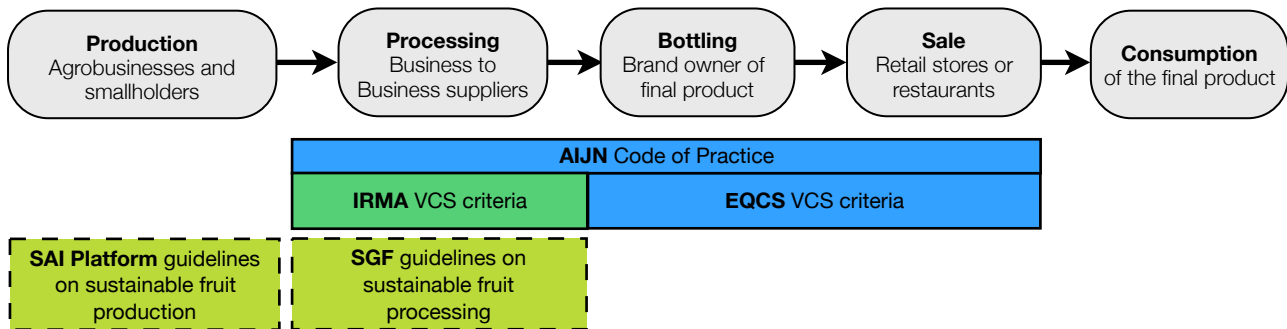
<sup>61</sup> United Nations, "Un Comtrade."

<sup>62</sup> Ibid.

<sup>63</sup> Compare: FreshPlaza, "Farm Assurance for Fruit and Vegetables: International Fruit Juice Industry Teams up with Globalgap," [http://www.freshplaza.com/news\\_detail.asp?id=19992](http://www.freshplaza.com/news_detail.asp?id=19992). and M. Greven, "The Fruit Juice Model as a Model for the Food Industry" (2004).

develops the foundations for the VCS, including the Raw Material Assurance (IRMA) for suppliers to fruit juice producers. The EU collective of national fruit juice associations 'AIJN' publishes its 'Code of Practice' (CoP) in 1990, defining a uniform practice built on the German format. Thus, the VCS is expanded beyond the German border and in 1994 the various existing monitoring and controlling organizations for the fruit juice sector in Europe join together to establish the European Quality Control System (EQCS)<sup>64</sup>. The now EU-wide VCS remains divided in two phases: International Raw Material Assurance (IRMA) covering raw material and semi-finished goods for fruit processors, and the European Quality Control System (EQCS) covers the bottling and packaging, distribution and sale of the final product. Any company applying for IRMA or EQCS certification is required to subscribe to the AIJN Code of Practice as well.

Fig II: 'Overview of the fruit juice industry: one supply chain, multiple control systems'



Legend:

- Supply chain: Different phases of the production process and their most common associated kind of business
- System status: Compliance with the criteria of these control systems is mandatory for VCS certification
- Compliance with these frameworks and sourcing from companies who do, is recommended to VCS members
- System focus: Limited to product quality and safety standards, including extensive traceability of all supplies and ingredients
- Covers in addition to the above, all major social issues
- Covers social issues extensively, as well as some environmental topics

### EQCS: self-regulation for bottlers and packagers

Companies active in the final stages of the European fruit juice supply chain take part in the control system through membership of their national fruit juice manufacturers' association, which are in turn members to the EQCS. The companies at this point in the supply chain are responsible for bottling and packaging; generally the brand owner of the final product. For France, the Netherlands, the United Kingdom, Denmark and Spain, the actual audits are conducted by national controlling agencies. For all other EU countries, except Greece and Luxembourg as they are currently not participating in the VCS, SGF is responsible for auditing process. For these audits, the AIJN Code of Conduct mentioned earlier serves as the primary set of regulations. In addition, the traceability documentation for their supplies are checked and samples are taken at the plant. EQCS certification is not a sustainability instrument but rather assures compliance with the industrial standards set out in the AIJN CoP, such as the allowed percentage of sugars, acids and mineral contents as well as additives, and relative density specified per fruit juice variety. Unfortunately, the text of the AIJN CoP is not freely available and could therefore not be sufficiently scrutinized. Publicly available documents mention requirements on full traceability, hygiene, quality and safety standards, and regulations regarding accurate labeling of products. Also, the Code has been acknowledged by the EU Commission as a basis for common standards for the European fruit juice industry.

The EQCS uses an extensive assurance process where every facility is audited at least once a year, while additional planned or unannounced inspections may occur at any time. In addition, frequent audits are conducted throughout the distribution and sale of the product. If the results of the inspections are found to conform the EQCS regulations and AIJN CoD by the controlling agency, the company receives EQCS certification for the duration of one year. Certification thus needs to be re-evaluated by the organization conducting audits on behalf of EQCS. Failure to comply can, and as the organization states in their public documents, has so in the past, result in expulsion of the company from the program. In theory this has serious implications for the company in question, since it would block them from selling their products in Europe, and thus gives the organization considerable leverage to be able to enforce the EQCS regulations and AIJN CoD. However, during this study it has not been possible to verify the organization's claim that this sanction has indeed been put into effect in the past, nor is there any publicly available documentation of product being barred from entering the European market on the basis of the lack of EQCS certification. For these reasons EQCS certification can not currently be regarded as a direct CSR instrument to realizing a more sustainable fruit juice supply chain, even though it remains an example of extensive industrial self-regulation. Without access to the CoP it can not be confirmed that the regulations cover any of the Fairfood PFQ questions explicitly,

<sup>64</sup> SGF International E.V., "History," <http://www.sgf.org/unternehmen/history.html?L=1>.



nor does the available information suggest that they might. EQCS certification does require companies to comply with all applicable regional, national and international laws and regulations. This would effectively mean coverage of all major sustainability issues through operating within EU member states though it is not suggested that compliance in this regard is actively audited, as this would be the responsibility of the relevant authorities, nor that a company would lose its certification after being found guilty of breaking such laws.

However, it needs to be remembered that it is expected that the most pressing sustainability problems are located earlier in the supply chain, most notably at farm level. In this regard the strong emphasis on traceability of supplies the EQCS control scheme does represent a significant step towards documenting the produce, materials and companies involved in the fruit juice supply chain on a product specific basis. Such information would be a solid basis for any sustainability research into suspect fruit juice products.

### **IRMA: self-regulation for raw materials and semi-finished processed fruits**

- **Members:** Fruit processing industry (semi-finished goods)
- **Region:** European Union (Australia and New Zealand joined the IRMA program recently)
- **Monitors:** Raw material / Semi-finished product markets and facilities
- **Tasks:** Global raw material assurance and control scheme for ingredients for the EU industry
- **Themes:** Product quality, safety, authenticity, traceability and full supply chain sustainability
- **Obligations:** Provide full traceability (-> keep records of all purchased goods)  
Fully adopt the AIJN Code of Practice and supplements  
Accept all terms and conditions according to the national and regional statutes.
- **Scope:** Monitors **90%** of fruit juice industry raw materials processed in Europe (2006 data)

The EQCS is only responsible for the very last stages in the fruit juice production process, from the moment ingredients enter the bottling or packaging facility until the final products leave the shelves in the customer's shopping basket. To ensure that the ingredients that enter such facilities meet the EU safety regulations as well as the quality standards set by the industry itself, the EQCS has delegated responsibility for semifinished products to IRMA: International Raw Material Assurance. IRMA regularly samples and controls fresh fruits and semifinished fruit products from their appearance on the world market until they arrive at the bottling or packaging facility, entering the domain of EQCS. EQCS and IRMA have set up their codes of conduct in close collaboration in their aim to assure the quality and safety of their products throughout the industrial supply chain. Additionally, the EQCS has in recent years taken to actively present the fruit juice model as being suitable for application to other sectors of the food industry as well. It is on these grounds that the case of the European fruit juice sector was selected as a relevant case study for this research.

### **IRMA REGULATIONS**

Compliance with the AIJN Code of Practice, IRMA VCS implementing provisions and SGF/IRMA Code of Conduct, as established by a SGF controller during the annual audit, acquires the member processing facility a 1 year IRMA certification. Additional, unannounced audits take place as well. SGF controllers are allowed access to all facilities of the plant during production (on announced as well as unannounced inspection visits). During the annual audit, all AIJN CoP and IRMA VCS provisions are checked, other inspections can include one to all of the criteria from all three sets of regulations.

If a member fails to comply "a program of improvement shall be put in place to assure they can be met in the future." As the IRMA certification is awarded only for 1 year; a member needs to comply consistently to stay a member.

Their criteria include some social and labour standards and refers to ILO conventions, UDHR declarations and other international agreements. It remains however primarily a quality regulation system, as community standards, fair trade and market power use as well as environmental sustainability are insufficiently, if at all, covered. As SGF states on their website:

*"The only objective of the SGF is to get the problems off the market, to reinstall fair competition, and to protect the consumer."*

There is insufficient data available of cases in which certification/membership has been revoked on grounds of noncompliance with the SGF/IRMA CoC (which contains those social and labour standards). Though, it could be questioned if these criteria are that important at the processing level.

### **SGF GUIDELINES**

The SGF guiding document on fruit processing corresponds heavily with the SAI Platform document on fruit producing, as they are the result of a collaboration effort between both. While the SGF guidelines can not be enforced, they may be checked during regular SGF/IRMA audits, and at least one principle from the guidelines will be checked yearly. Extensive and explicit (more so than IRMA) standards on social and labour issues are included. Minimal environmental standards (on waste, water, air, soil use and pollution) are included, as well as minimal community standards. Fair trade agreements and market

power are not covered. As this is a guidance document, compliance can not be enforced. It is relevant though, as an industry initiative to directly approach and criticize European fruit processors on sustainability issues.

SGF (Sure, Global, Fair) is in charge of the International Raw Material Assurance (IRMA) program, controlling the juice industry's supplies from (world) market level and fruit processing facilities. While the IRMA rules and regulations are hardly different from the EQCS, they simply operate at different levels of the supply chain (revisit the schematic supply chain overview on page 1). Notable difference is the extent to which SGF promotes and supports the implementation of social, environmental and economical sustainability through its non-binding 'Guidelines on sustainable fruit processing'. However, the SGF/IRMA regulations are applicable only from the moment raw materials are selected for use in fruit processing by an IRMA participating company. Thus, neither the IRMA criteria nor the SGF guidelines does are applicable to production at farm level, with the exception of regulations on used chemicals and pesticides, as traces of these can easily affect the safety and quality of the final product.

SGF also cooperates with the SAI Platform on developing sustainability standards for the fruit processing industry. E.g.: the SGF principles and practices document on sustainable fruit *processing* was elaborated together with SAI, they assent to the corresponding SAI document on sustainable fruit *production* and actively stimulate their members to buy from farmers who grow according to those guidelines.

### The Sustainable Agriculture Initiative Platform (SAI Platform)

- **Members:** Food industry brand owners (Fruit: Friesland Foods, Unilever, Campina, Dole, Danone)
- **Region:** Worldwide
- **Goal:** Recognition and implementation of sustainable practices for mainstream agriculture
- **Themes:** 'Holistic sustainability': Social, environmental and economical producing
- **Tasks:** Increasing knowledge, awareness and involvement of stakeholders  
Stimulating the implementation of sustainable agricultural practices worldwide

Broad, food industry initiative, set up in 2002 by Unilever, Nestlé and Danone, to actively support the development of sustainable agriculture and to communicate it worldwide. Includes a 'working group' on Fruit, chaired by Mr. Bouman (Friesland Foods). The SAI Platform works through so called 'Pilot Programs' and 'Public-Private Partnerships'; by inviting stakeholders on all levels to pilot a sustainability program on a particular crop (e.g. bananas, cacao, coffee, etc.). No certification or labeling system associated with the SAI Platform. Implementation of 'Principles and Practices' (finalized by the Working Group on Fruit in 2005) is the responsibility of the individual member companies. No sanctions are in place for not actively pursuing those P&P. As a result there is no regulation/assurance system either.

Unilever and Nestlé are said to be pioneers (amongst the multinationals in the food industry), and have published several reports on their (SAI) strategy in trade and specialist journals. The initiative is frequently named in literature as an example (e.g. by the FAO) for its broad basis in the industry itself. The SAI Platform aims to develop sustainable agriculture for mainstream agriculture. These methods explicitly exclude an audit system, and mainly exist of providing a sustainability framework for different crop categories. Members are invited to take part in pilots to explore SA possibilities. The guidelines cover the main sustainability themes (Social, Labour, Environmental issues) extensively and explicitly, especially compared to the other system. Community and trade issues are mentioned, though minimal and in vague terms. The SAI Platform guidelines are just as non-enforced as the SGF guidelines, but can not profit from an existing routine of audits and inspections like the SGF guidelines do, either. Pilot programs are provided and recommended, but no audit-like system exist.

# Phase III: Discussion & Conclusion

## Discussion: A transparency problem?

The research question for this thesis, as formulated in the introductory chapter, was as follows: How do corporate self-regulation systems as a corporate social responsibility strategy stimulate improvement of the sustainability of the mainstream agri-food industry? Before answering this question in the subsequent heading, I shall discuss the problems that arose during the research while trying to determine to what extent the conglomerate of self-regulation systems in the European fruit juice sector fulfills the requirements for successful self-regulation as presented in the theoretical background.

The aforementioned four criteria for successful self-regulation were as follows: (1) integration of information through ICT tools, (2) affective commitment between buyers and suppliers, (3) enforcement thru-out all relevant production stages, and (4) systematic measuring and monitoring of the impact of the regulatory system. After digging as deep as possible with the means available for this research, I can only present here the fact that I am unable to make any conclusive statement on the question whether or not the self-regulation systems in the European fruit juice industry fulfills these criteria, because the data required is not falsifiable, where it is even available at all. In fact, in all the case study literature I eventually was left with, the strongest agreement was found in pinpointing this lack of transparency as the major complicating factor thru-out all the studies. Van Amstel-van Saane (2007) brilliantly illustrates the extend of this information gap in relation to a case study involving various organic farming labeling programs in the Dutch agro-food industry:

*[T]he fact that transparency was lacking proved to be a major bottleneck for the research. We have looked at the information available on self-regulation schemes, the aspect of compliance and the monitoring of the ecological impact. Information about the implementation and outcome stage was scarce. Moreover, the existing information seemed inconsistent, especially in terms of compliance. Neither labeling nor contract farming is organized or structured in such a way that it discloses information about compliance to the non-participants in industry self-regulation.<sup>65</sup>*

It is here important to take into account the fact that organic farming labeling programs are amongst the oldest and most thoroughly developed and studied certification and labeling programs in the agro-food industry<sup>66</sup>. For other standards and certification programs, especially the ones that do not provide product labeling and are thus not recognizable as a final product on the shelves, there is hardly any data available at all. Not only are the rules and regulations not freely available or, as the quote above indicated can no falsifiable date be found on issues of compliance, it is also very hard to grasp the scope of different initiatives. As stated in the report of implications of private standards in the US and EU markets for fruit and vegetables by the Food and Agriculture Organization of the United Nations (FAO):

*Due to the absence of label on the products, the market that is targeted consists of corporate customers (in particular retailers) rather than final consumers. The volume and value of certified produce purchased by retailers are not published. Furthermore, this information may be considered to be commercially sensitive. Retailers may publicly claim that they require a certain certification while they continue to buy uncertified produce. They may not demand certificates from trusted suppliers, but it is not in their interest to disclose this information.<sup>67</sup>*

Since most private standards have only been developed recently and their adoption is still ongoing, it may be too early for such an analysis<sup>68</sup>, but as long as this lack of data and transparency remains it will remain very difficult to do comprehensive research on private self-regulation initiatives.

## Conclusion: A Commitment Problem

Once one goes beyond the impressive mission statements of the organizations involved, and their proudly proclaimed partnership with sustainable agriculture initiatives and roundtables, there is little that illustrates the state of realization and implementation. What is presented as a certification system on food safety and quality standards, in the process of partnering with initiatives for environmental and social standards, may turn out to be more like a conglomerate of what has

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<sup>65</sup> van Amstel-van Saane, "Twilight on Self-Regulation - a Socio-Legal Evaluation of Conservation and Sustainable Use of Agrobiodiversity by Industry Self-Regulation," p. 122.

<sup>66</sup> "Private Standards in the United States and European Union Markets for Fruit and Vegetables: Implications for Developing Countries," p. 144.

<sup>67</sup> Ibid., p. 148.

<sup>68</sup> Ibid., p. 149.

been previously described in this thesis as 'promotional CSR programs'<sup>69</sup> of which there have been many in the past and the present. In the light of the apparent non-compulsory nature of any of the rules beyond food safety and quality, and the lack of transparency, there is little to disprove any claims that the discussed system of certification and labeling programs in the fruit juice industry is just another example of 'greenwashing' by the member companies.

As Weismann (2009) warns:

*The corporate compliance plan, showcased in domestic operations, becomes little more than a "nod and a wink" in the context of distant global operations, if the plan is communicated at all. The self-regulatory model of corporate governance diminishes in effectiveness as global markets increase organizational distances and decrease external and internal regulatory presence.*<sup>70</sup>

As recently as May 2009, the Dutch supermarket giant Albert Heijn introduced their new 'Puur&Eerlijk' (Pure & Honest) brand, with which the company claimed that:

*Products that fall under AH Puur&Eerlijk are produced, grown or sourced with extra care for people, animals, nature or the environment. With the new brand Albert Heijn is making it easier for customers to choose a responsible shopping alternative.*<sup>71</sup>

Opinion pieces in the national newspapers however quickly showed the brand to be an exemplar case of greenwashing with the competition stocking and selling many more fairtrade and organic products than Albert Heijn, pointing out that it was time for the company to take to their competitors. These supermarkets had shown long ago that it is not just possible, but also necessary to *want* to increase sustainability in their industry, instead of just *acting* as though you cared.<sup>72</sup> In the end slogans and press statements say little about the sustainability of a company's products, as long as the company at its core does not value the concept. The different values the proponents and opponents in the debate about globalization have been shown to hold are truly the heart of the question<sup>73</sup>.

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<sup>69</sup> Pirsch, Gupta, and Grau, "A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study," p. 128.

<sup>70</sup> Weismann, "The Foreign Corrupt Practices Act: The Failure of the Self-Regulatory Model of Corporate Governance in the Global Business Environment," p. 627.

<sup>71</sup> Albert Heijn, "Ah Puur&Eerlijk," <http://www.ah.nl/puureenerlijk/>.

<sup>72</sup> Nicole Besselink, "Albert Heijn Is Niet Puur En Niet Eerlijk," *Trouw*, 14 november 2009 2009.

<sup>73</sup> Aisbett, "Why Are the Critics So Convinced That Globalization Is Bad for the Poor?," p. 22.

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