



# A QUESTION OF GOVERNANCE: To Protect Agribusiness Profits or the Right to Food?



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November 2009**

Written by Molly D. Anderson for the Agribusiness Action Initiatives (AAI).

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**About AAI**

The Agribusiness Action Initiatives (AAI) is a growing international network of NGOs, activists, academic researchers, and food system experts from farm, labor, environment, consumer, church and civil society organizations. AAI is concerned by the market concentration of a handful of transnational agro-food conglomerates and their inordinate power over our most basic life system: agriculture and food.

To learn more about how AAI is challenging corporate concentration and power, please visit [www.agribusinessaction.org](http://www.agribusinessaction.org)

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**About the Author**

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Dr. Anderson works on science and policy for more sustainable and democratic food systems with organizations working from the local to international scales. She was a Coordinating Lead Author on the International Assessment of Agricultural Knowledge, Science & Technology for Development (North America/Europe sub-Global Report).



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## INTRODUCTION

**In November 2009**, government delegates and representatives from multilateral organizations and civil society are meeting in Rome for the third international food summit to address rapidly rising numbers of hungry people (the “food crisis”) by coordinating and expanding efforts to eradicate hunger. More specifically, the aims of the summit include: establishing more coherent and effective systems of governance of food and agriculture at national and international levels, ensuring that developing countries can compete fairly in world commodity markets and that farmer incomes are comparable to incomes in other sectors, mobilizing substantial additional public and private investments in agriculture and rural infrastructure, agreeing on more effective ways to respond quickly to food crises, and preparing countries to adapt to climate change and prevent negative effects.<sup>1</sup>

The World Summit on Food Security is one more link in a long chain of international meetings and commitments that governments and multilateral organizations have made to end hunger. The Millennium Development Goals, which had broad global agreement in 2000, included halving the numbers of people suffering from hunger by 2015. Yet despite successes in a few countries, the world has not been on track to meet this goal since well before 2000. The numbers of people who are hungry have actually increased since 1995-1997 rather than decreased (Figure 1). The United Nations Food and Agriculture Organization (FAO) estimates that in 2009, 1.02 billion people are undernourished worldwide (Figure 2)—more hungry people than at any time since 1970 and a steep worsening of conditions that were present even before the global economic crisis that started at the end of 2007.<sup>2</sup> Hunger and high food prices have led to massive public protests and put 39 countries on FAO’s list of countries in crisis requiring external assistance or facing unfavorable prospects for current food crops.<sup>3</sup>

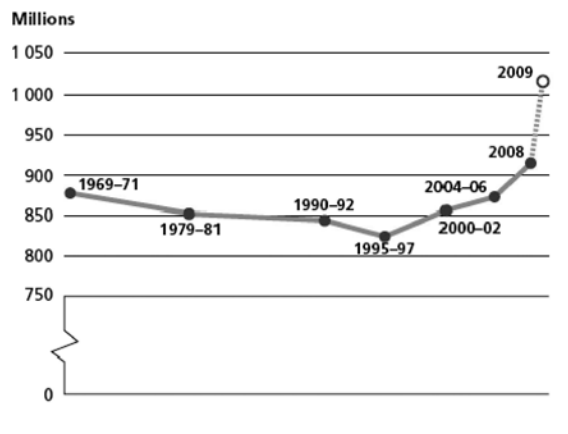


Figure 1. Total number of undernourished

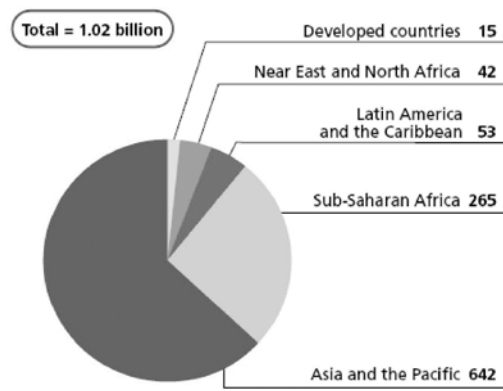


Figure 2. Undernourishment by region, 2009

Source: FAO. 2009. State of Food Insecurity in the World (numbers in millions)

Are leaders ready to make real progress toward eradicating hunger? At present, the prospects are grim because the solutions promoted in preparatory meetings are muddled and fail to deal with critical issues of unequal power and capacity throughout the global food system (the interlocking activities, institutions and actors involved in food from production and supply of inputs, such as seeds and water, to sales to the end customer). *Without clear changes in food system institutions and organizations to redistribute power from agribusinesses that currently hold disproportionate control over food availability, access and utilization, real solutions to hunger and food insecurity are not possible.*

## WHO WILL BENEFIT FROM PROPOSED SOLUTIONS TO THE FOOD CRISIS?

The “solution” to the food crisis first proposed by many policymakers is to increase global investment for production and productivity, using all means possible but emphasizing the kinds of technologies that increased production and productivity during the “Green Revolution” of the 20<sup>th</sup> century. The FAO recently claimed that food production must increase 70 percent by 2050 to feed the richer and more urban population of 9.1 billion people expected at that point.<sup>4</sup> But increasing production is hardly sufficient in itself because increased supplies of food will not necessarily go to people who need it most—those who cannot afford to buy it. During the last decade global food production grew, even on a per-capita basis. The sharp jump in food prices

and hunger during 2007-2008 occurred despite a record cereal harvest in 2008. Increasing production is likely to keep commodity prices low, hurting most those smallholders who are about half of the total number of hungry people. Immediate causes of the food crisis are not lack of food but higher food prices combined with lower incomes and increasing unemployment, which are reducing poor people’s access to food. Although world cereal prices have fallen since their peak in June 2008, benefits that poor people might have seen have been offset by the impacts of the global economic downturn.<sup>5</sup>



*Expansion of global supply chains through private investment and trade is being put forward as the key to solving the food crisis, when this approach has been central in creating that crisis.* While much of the rhetoric in global food security initiatives is about helping smallholders, the main strategy seems to be integrating farmers into global supply chains. Farmers raising export crops to feed wealthy consumers in industrialized countries are likely to get much more support than farmers raising staple food crops for home consumption and local or regional markets. The companies that control global supply chains—distributors, traders and, increasingly, retailers—will continue to benefit much more than the smallholders who most need assistance.

Corporate control over markets has been rising steadily during the past decade. North America, the EU and to some extent Latin America are the home bases of increasingly consolidated and centralized markets for inputs, raw agricultural products and food retailing. Without multiple buyers and sellers for crops in each sector of the food system, real competition is impossible and small-scale players cannot get fair prices. Cargill, Archer Daniels Midland and Bunge (all U.S.-based) control the vast majority of corn, soybeans and wheat moved around the world; DuPont, Monsanto, Syngenta and Limagrain control 29 percent of the world market in seeds, which has consolidated rapidly (with Monsanto controlling almost all of the genetically engineered seed); and only four firms control 60 percent of the world market in phosphate.<sup>6</sup>

Unequal power relationships between corporate actors and other stakeholders in the global food system—notably smallholding farmers, poor consumers without access to land, and women within these two groups—have been reinforced by recent world meetings and state or global initiatives to address hunger, food insecurity and the financial crisis (see Annex I). They promote more of the same failed neoliberal business model that emphasizes global markets and more trade rather than a clear assessment of past successes and failures in alleviating hunger and poverty. Recent proposals to address hunger are mostly top-down—developed by “experts” and supported by agribusiness lobbyists—and do not involve in a participatory way the (poor and hungry) people who are the ostensible beneficiaries.

*While hunger and food insecurity are striking more and more people, agribusinesses are using the global political will to find solutions to consolidate their own power.* The food system actors who stand to benefit most from global initiatives underway are the companies that control critical resources such as intellectual property rights on seeds; sales of fertilizer, chemical inputs and equipment needed to take advantage of high-yielding seed varieties; and retail to wealthy consumers. With corporate purchases of good farmland in many developing countries and the increasing prevalence of contract farming between corporations and producers in poor countries, corporations stand to profit doubly by controlling supply and distribution of food from poor countries in addition to the supply of inputs for producing that food. The myth of modern biotechnology as necessary to feed the world is repeated over and over, despite a growing body of evidence that long-term gains from modern biotechnology are illusory. Agroecological practices combined with traditional plant breeding are much more sustainable and cost effective to develop and implement.<sup>7</sup> But agroecological methods using local resources will not provide nearly the benefits to agribusiness that continued investment in modern biotechnology would, even though they are better for poor people and the planet.

## Corporate profiteering

Food production was the fastest growing global industry by revenue in 2008 (for the fiscal year ending January 31, 2009), with average increase in revenues of 48.8 percent over 2007 figures for companies listed in the top 500 (Global 500) companies worldwide. Revenue *per employee* in food production agribusinesses was \$1,268,695 (2008 U.S. dollars)—a stark contrast to incomes of farmers and fishers from developing countries whose products keep those companies in business. Beverage companies in the Global 500 increased their revenues by 19.3 percent compared with 2007; “food consumer products” (mainly processed food) manufacturers by 10.7 percent; and retailers by 9 percent.<sup>8</sup>



Corporations in developing regions, especially those involved in food production, are gaining power as resources for food production become scarcer. This does not mean that benefits from these corporations are shared across the populations of countries where they are based, however. Of the top 25 agricultural production corporations ranked by value of foreign assets, Malaysia, a developing country, has the largest number (6), followed by the U.S. (5) and the UK (3). By region, the industrialized-country corporations in this list are split between the EU (8) and North America (5), while all but two of the developing-country firms are headquartered in Asia. In contrast, the largest suppliers of inputs are *only* located in industrialized countries at present; and international food and beverage processors, food manufacturers, and retailers are mainly in industrialized countries.<sup>9</sup>

There was some jockeying for position last year at the very top of the revenue peak. For the first time in three years, Wal-Mart, the U.S.-based largest global trader, was not the wealthiest company in the world. It dropped down to number three; almost all of its expansion during the last year was international, with 28 stores added in China alone. In terms of revenue, a few new companies skyrocketed upward: Asia’s leading agribusiness group in 2008 was Wilmar International, founded as a palm oil trading company in 1991.

Companies that reported large increases in revenue for 2008, compared with 2007, include (Table 1):



Company	% change in revenue from 2007 to 2008
Wesfarmers (Australian supermarkets, chemicals, fertilizer)	292.3
LyondellBasell Industries (Dutch bottle and food packaging plastics)	198.7
CHS (wholesaler)	86.8
Wilmar International	77.0
Archer-Daniels Midland	58.6
Kirin Holdings (Japanese beer, soft drinks, bottled water, food products)	56.4
Bunge (grain and oilseed processing and trading, food products, fertilizer)	38.9
Migros (Swiss supermarkets)	25.8

**Table 1. Revenues of selected agricultural and food companies**

Source: Global Fortune 500. (See Annex 2 for full list of food companies by sector.)

In 2008, the most profitable food industries (highest profits as percentage of revenue) among the Global 500 were food consumer products with an 11.9 percent average return on revenues; beverages at 4.2 percent; and food production and food/drug stores, each with 2.3 percent returns on revenues. Within each of these industry categories, as well as fertilizer production and sales, some phenomenal profits were reported (Table 2):

Company	% change in profits from 2007 to 2008
Mosaic Fertilizer Corporation	430
Potash Corporation of Saskatchewan	164
Wilmar International	164
Charoen Pokphand Foods	145
Yara (Norwegian fertilizer company)	131
Nestlé	88
McDonald's	80
Cargill	70
Wesfarmers (Australian supermarkets, chemicals, fertilizer)	52
George Weston (Canadian owner of Loblaws and other supermarkets)	49
Unilever	38

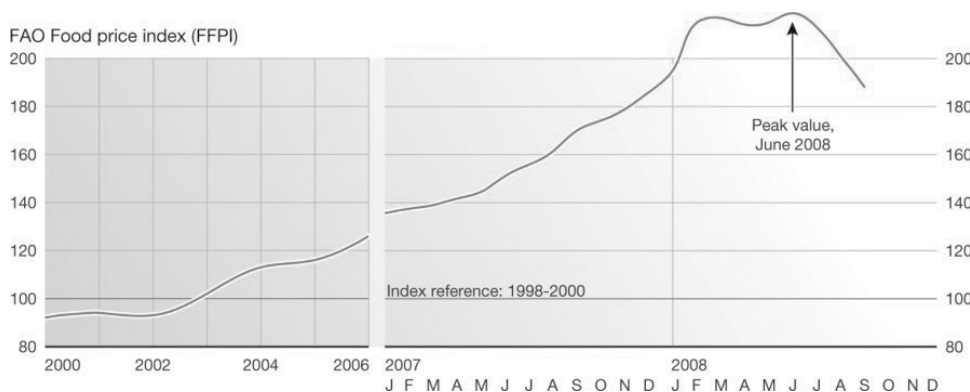
**Table 2. Change in profits 2007-2008 of selected agricultural and food companies**

Source: Global Fortune 500 except for Cargill and fertilizer profits.<sup>12</sup> (See Annex 2 for full list of food companies by sector.)

Profits during the first quarter of 2009 remained high<sup>12</sup> for most food companies, although fertilizer company profits dropped. Charoen Pokphand Foods in Asia (the world's top animal feed and shrimp producer and second largest poultry producer—at least before the acquisition of U.S. Pilgrim's Pride by Brazilian JBS in 2009) saw net profit growth of 225 percent in the second quarter<sup>13</sup> and anticipates strong revenues and profits in 2010.<sup>14</sup> Wilmar International showed more than a six-fold increase in profits over just two years, from 2006 to 2008. Its profits in the fourth quarter of 2008, when global commodity prices fell, were higher than in all of 2006. In the same quarter, Charoen Pokphand Foods doubled its net earnings.<sup>15</sup> Cargill's net earnings for the fourth fiscal quarter of 2009, which ended on May 31, were down to \$327 million, a 69 percent drop from \$1.05 billion during the same quarter in the previous year. Even though its earnings for the full fiscal year were “only” \$3.33 billion, down 16 percent from its record earnings of \$3.95 billion in 2008, this was Cargill's second best year in its entire history.<sup>16</sup>

### Farmers and consumers left in the lurch

While many agribusinesses were reporting record profits during 2008 and into 2009, food prices for consumers and the total numbers of people suffering from hunger were rising rapidly (Figure 3).



**Figure 3. FAO food price index 2000-2008**

Average numbers mask tremendous discrepancies between and within countries. For example, the British Broadcasting Company tracked what consumers in seven cities around the world paid for basic foods between July 2008 and July 2009, and found an overall rise of 5 percent, but major differences across cities. Nairobi food prices increased by 33 percent and Buenos Aires increased by 20 percent. However, prices in industrialized nation capitals in this survey *dropped* sharply over the same time period: -17 percent in Washington, D.C., and -10 percent in Brussels.<sup>17</sup> This suggests that some retailers responded to declines in commodity prices by reducing the prices that they charged to consumers in the Global North, although this was not the dominant trend. Despite a drop in international food prices and good cereal harvests since July 2008, prices in developing countries have remained high and generally above their five-year average, hurting poor people in both rural and urban areas who depend on market purchases to meet their food needs. In several countries, current prices in October 2009 exceed last year's highs.<sup>18</sup>

Worldwide, farmers received higher prices for their crops in 2008. However, potential income gains from the market were swallowed up by inflation and higher prices for inputs and other costs of production and transport. In Canada, the net operating income for the average farm was estimated to be down 5 percent in 2008 compared with 2007, despite higher commodity prices.<sup>19</sup> According to a report from Statistics Canada issued on September 23, 2009, prices that Canadian farmers received in July dropped 18.7 percent for crops and 3.3 percent for livestock and animal products compared with prices received one year earlier, with price decreases for all types of animal products except poultry and dairy.<sup>20</sup> In the U.S., estimated net farm income in 2008 including government payments was \$16.2 billion, 22.8 percent above 2007, placing 2008 net farm income 46 percent above the 10-year average of \$59.6 billion. In 2008, U.S. corn and soybean producers did especially well because of higher demand for production of agrofuels, pushed by government incentives.<sup>21</sup> However, a report of U.S. food prices by the General Accounting Office in August 2009 reported that supermarket prices climbed by 128 percent since 1982, four times the increase in crop prices by farmers over the same time-period; and overall prices in the general economy rose 102 percent.<sup>22</sup> And in the EU, a recent investigation concluded that supermarkets, rather than processors or farmers, took the benefits from the increasing prices between 1997 and 2009.<sup>23</sup>

## HOW CORPORATIONS EXERT CONTROL OVER THE FOOD SYSTEM

### Global policy trends

Over the last thirty years, the International Monetary Fund, World Bank, and regional banks imposed structural adjustment programs on developing countries to cut domestic spending in the agricultural sector and liberalize for trade. These policy shifts were further advanced through the General Agreement on Tariffs and Trade (GATT) Uruguay Round of trade negotiations and then locked in through the World Trade Organization (WTO) and regional free trade agreements. Overseas investment for rural development and domestic production also dropped significantly. In 2007, the share of the EU's Official Development Assistance (ODA) to agriculture was a little more than three percent of its total ODA spending. This was down from more than 13 percent in 1987. In the U.S. it was a little under five percent of its overall ODA spending in 2007. This was down from more than 20 percent in 1980.<sup>24</sup> All of these shifts negatively affected local food production and self-sufficiency.





In this same period, agribusinesses expanded aggressively through horizontal and vertical integration of food, feed and agrofuel companies, and were able to buy commodities at low prices from developing countries, add value through processing, and then sell to wealthier consumers. They could capture economies of scale because of the vast amounts of commodities traded, control prices paid at each stage of the food system through vertical integration, and take advantage of lack of competition (resulting from oligopolies in many sectors) to push low prices down the supply chain to farmers and workers. In addition, the text of specific agreements, such as the Central American Free Trade Agreement (CAFTA), included clauses with disproportionate benefits to agribusinesses. CAFTA required that countries signing trade agreements also agree to expand patent protections (benefiting investors in biotechnology), conceal environmental and health data, limit legal action against illicit practices, discriminate against certified Fair Trade goods, and prohibit safeguards for food security.<sup>25</sup>

The regulation of technology, specifically the implementation by States of the Agreement on Trade Related Intellectual Property Rights (TRIPS), has benefited agribusiness immensely. By granting temporary monopolies on genetic stock to patent holders (agribusinesses that conduct research and technology on seeds), ostensibly to encourage innovation and allow companies to recover their research and development costs, farmers' rights to save seed and to benefit from millennia of indigenous plant breeding are being violated. The seeds that are developed by agribusinesses are seldom appropriate for smallholder farmers: companies have much greater incentives to conduct research on commodity crops that are grown on vast acreages rather than the crops on which smallholders rely for subsistence and resilience. The privatization of plant breeding thus exacerbates the dual global farming system, with the poorest farmers and countries increasingly polarized from trade flows of commodity crops.<sup>26</sup>

## **Vertical and horizontal integration**

The most successful agribusinesses during the last several years, in terms of revenues and profits, are those that have consolidated through horizontal and vertical integration. Some of these companies have interests in multiple food system activities through mergers, acquisitions, alliances and partnerships. They produce and sell chemical inputs, food, feed and fuel, in addition to foodservices and financial services. For example, Wesfarmers in Australia has investments in fertilizer, chemicals and supermarkets. Seven & i in Japan bridges both foodservice and supermarket retail sectors. Archer Daniels Midland, the largest U.S. food production and trading company by revenue in 2008, has interests in ethanol, biodiesel, food and feed ingredients and grain trading markets. Cargill owns more than half of the shares of Mosaic Fertilizer Corporation, one of the largest fertilizer companies in the world, but also dominates grain and feedstuffs trading and processing worldwide.<sup>27</sup> Furthermore, it has interests in ethanol and biodiesel; salt; processed inputs to food and feed manufacturing; financial and risk management services for producers; and fresh and processed beef, turkey and pork.

In addition to rapid expansion into agrofuel markets, successful agribusinesses have moved into markets for consumer products such as bottled water. Nestlé's global share of bottled water was 28.3 percent in 2008 (including the brands Arrowhead, Deer Park, Perrier, Poland Springs, Pure Life, San Pellegrino and Vittel).<sup>28</sup> Coca-Cola's appropriation of water from Indian farmers to bottle soft drinks first elicited protests in 2003, and led to more political struggles in late 2008. Although Coca-Cola intends to implement a "water neutral" strategy of returning as much groundwater to India as it removes, returns will not necessarily be in the same places where extraction is lowering the water table.<sup>29</sup>

The retail sector has been the most recent segment of the global value chain to become highly concentrated, but its concentration has proceeded rapidly. Strategies used by successful grocery retailers include international expansion; new formats such as smaller hypermarkets, combination discounter/grocery formats and self-service wholesale; Internet retailing; price-cutting campaigns; use of private labels; and boosting brand image and customer loyalty, in part through building awareness of stores' corporate citizenship through Corporate Social Responsibility reports.<sup>30</sup> Private label sales (brands that are owned by the store) have been especially popular during the economic recession. In 2008, store brands comprised approximately 24 percent of U.S. food and beverages purchased for home consumption, up 18 percent from 1999.<sup>31</sup> However, increasing private label sales means that products not coming from such tightly vertically integrated supply chains are being squeezed out.

As retailers grow in size and control of the value chain, they directly and indirectly exert more power over farmers. The effects of retailer pressure on producers have been well documented in several recent reports from civil society organizations (CSOs), with specific examples based on interviews in developing countries.<sup>32</sup> Their role in the food chain—and particularly in setting food prices that farmers receive—has been debated hotly in the EU. Integration of smallholders into global value chains is a stated purpose of many of the recent proposals to improve rural livelihoods. However, this is not necessarily a good strategy from the perspective of the farmer. If no other markets exist, the ability to sell products to a global buyer can be a big boost in income. But contracts between farmers and retailers are between two food system actors with vastly disproportionate amounts of power: retailers can use that power to force lower prices, require growers to meet strict quality specifications that are expensive to achieve, or demand that farmers assume all of the risk. As retailer power increases, contract sales may become the only option for growers. And smaller-scale producers who cannot meet the volumes that global buyers need can be squeezed out of their markets.

Data on the impacts of integration into global supply chains are mixed. A review of the literature from the late 1980s to the present found evidence showing that small farmers succeeded in gaining income and assets in regions where small farmers dominated the agrarian structure, although global suppliers preferred to source from farmers who had more assets such as irrigation, farm equipment and access to paved roads. However, in regions where large and small farms are mixed, smaller-scale farmers tended to lose out.<sup>33</sup>

Contract farming by multinational corporations has spread through Africa, Asia, Oceania, Latin America and the Caribbean. In Brazil, for example, 75 percent of poultry production and 35 percent of soya bean production is sourced through contract farming, largely by transnational corporations; in Vietnam 90 percent of cotton and fresh milk, 50 percent of tea and 40 percent of rice is purchased through farming contracts; and in Kenya, approximately 60 percent of tea and sugar is produced through contracts.<sup>34</sup> For farmers to participate in global value chains, they often need technical assistance and business services, including assistance setting up value-adding enterprises. Working through farmers' organizations or producer alliances can help reach economies of scale in buying inputs and selling products.<sup>35</sup> However, these measures are seldom features of contract farming.

### **National policy trends**

At the national level, important changes in national policy environments—especially of industrialized countries but also some of the fast-growing countries in the Global South—have made the concentration of agricultural businesses into vertically integrated corporations simpler.

Corporate influence over policymakers at national levels and in international fora where country representatives negotiate has ensured that this happened.

## Tax evasion

One would expect that the public sees a hefty tax return from generous company revenues and profits. But in the U.S., which is home to more agribusinesses than any other single country, this is not the case. A report from the Government Accountability Office released in August 2008 found that about two-thirds of U.S. companies and foreign firms doing business in the U.S. paid no federal income taxes from 1998 to 2005. These were not simply companies that performed badly that year: about a quarter of large corporations with more than \$250 million in assets or \$50 million in gross receipts paid no taxes. In 2005 alone, 3,565 large U.S. companies and 998 large foreign-owned companies operating in the U.S. did not pay taxes.<sup>36</sup>

A common strategy for avoiding taxes is to set up a corporate subsidiary in a place with very low or no corporate taxes (e.g., Bermuda, the Cayman Islands, British Virgin Islands), then sell goods and services to the subsidiary at high prices, which allows the company to record a loss. The subsidiary then re-sells the goods or services at normal market prices without having to pay U.S. taxes. Or the offshore company will charge for things like the trademark or logo, which the U.S. company can deduct as a business expense.<sup>37</sup> U.S. corporate taxes—as a percentage of Gross Domestic Product (GDP)—are lower than in most other industrialized countries, averaging only 2.2 percent of GDP between 2000 and 2005. This compared with 3.4 percent as the average across 30 U.S. trading partners, according to the U.S. Treasury Department. Compared with all countries in the Organization for Economic Cooperation and Development, the U.S. was tied with Hungary in raising the fourth lowest amount of combined corporate income tax revenue relative to GDP in 2004.<sup>38</sup>

## Commodity speculation

Deregulation of commodity markets has greatly benefited agribusinesses and contributed heavily to the increase in food insecurity. Much of the speculation has been facilitated by U.S. legislation. In 2000, the U.S. created the Commodity Futures Modernization Act of 2000, which mandated that financial derivatives could be traded between financial institutions completely without government oversight. The impact was that financial corporations and investors dumped hundreds of billions of dollars (from \$13 billion in 2003 to \$317 billion in July 2008) into speculation on crop prices, throwing commodity markets into a tailspin and creating a food price bubble after the housing bubble burst in the U.S. and investors were looking for new markets.



Steve Suppan, Senior Policy Analyst from the Institute for Agriculture and Trade Policy, writes that “weak regulation of [commodity] markets and extreme price volatility...has had devastating effects on food and energy security around the world. For firms that can induce and profit from price volatility, commodities speculation instruments are enormously profitable, and hence the incentive for traders to circumvent regulation is very high. An estimated third of all net income for Goldman Sachs in 2008, some \$1.5 billion, came from commodities trades.”<sup>39</sup> Unregulated commodity trading has allowed corporate profiteering over food prices and signals an immediate need for regulatory reform of financial markets.

## Lobbying

Perhaps the most insidious aspect of corporate power is its distortion of democratic, representative political decisions. Corporate power is expressed not only through direct investment but also through the political power gained by lobbying and campaign finance contributions. More subtly, people who have been successful at amassing wealth also gain access to political leaders in fora such as the World Economic Forum at Davos, Switzerland, and the annual World Food Prize conference in Des Moines, Iowa. Private foundations including the Bill & Melinda Gates Foundation, formed with money gained from corporate profits, initiated the Alliance for a Green Revolution in Africa (AGRA).

In the U.S., corporations have pursued an aggressive agenda of influencing public and policymakers' opinions through lobbying, advertisements and media influence. Many of the largest



U.S.-based companies by revenues or profits (and some non-U.S.-based companies) used lobbyists to push their interests in Congress and through international agreements at the WTO and other multilateral organizations. The Anheuser-Busch Company reported an amazing \$4,860,000 in lobbying costs in 2007 from 11 different lobbyists and \$4,700,000 in 2008; Archer-Daniels Midland reported \$1,927,300 in 2007 and \$2,270,000 in 2008; Unilever reported \$760,000 in 2007 and \$800,000 in 2008; McDonald's Corporation reported \$307,320 in 2007 and \$690,384 in 2008. Companies that produce genetically engineered seed join together in the Biotechnology Industry Organization (BIO) to influence public opinion about biotechnology,

and increase their political power. BIO reported \$2,960,000 in lobbying expenses in 2007, with a year-end amendment of \$3,560,000. Agribusiness interests are also promoted in the U.S. by the American Farm Bureau Federation, which reported \$1,840,000 in 2007 lobbying expenses.<sup>40</sup>

Corporate lobbying of Congress is a concern because so many agricultural corporations are based in the United States: 153 of the 500 corporations in the world with the highest 2009 revenues were U.S.-based; 20 of these gain a significant proportion of their revenue in food or agriculture (Wal-Mart stores, Kroger, Costco Wholesale, Archer Daniels Midland, Target, Dow Chemical, Bunge, Supervalu, Safeway, PepsiCo, Kraft Foods, Sysco, CHS, Coca-Cola, DuPont, Deere, Tyson Foods, Publix Supermarkets, McDonald's, Coca-Cola Enterprises). Together, these companies had revenues of \$1,233,205 million in 2008—enough to sway a few members of Congress to favor their interests.

Corporations are active in lobbying policymakers in the EU as well. A report from the Seattle to Brussels Network documented the influence of large corporations on the EU's international agenda vis-à-vis the Doha Development Round. Demands from corporations that tariffs in developing countries be removed to open markets and ensure the competitiveness of EU-based industries superseded concerns about protection of social welfare, food sovereignty and the environment in developing countries.<sup>41</sup>

## NEEDED SOLUTIONS

### Corporate social responsibility?

Practices such as poor labor or environmental track records have tarnished public relations for many corporations. Partly in response, almost every agribusiness now features its commitments

to Corporate Social Responsibility and environmental sustainability prominently on its Web site and in its annual report, and international organizations such as the UN's Global Compact have been established to promote such commitments. If carried out fully, these promises could make a big impact on environmental quality and social conditions. For example, Kraft Foods announced in April 2009 that it had increased its supply of sustainable coffee beans certified by the Rainforest Alliance by 50 percent last year, and plans to invest \$90 million during the next five years to advance sustainable cocoa and cashew production in Africa.<sup>42</sup> Mars, Incorporated (one of the largest producers of chocolate, pet food, and chewing gum in the world) intends to certify its entire cocoa supply by 2020 through the Rainforest Alliance.<sup>43</sup>

However, given the lack of transparency in much corporate accounting and labeling, and inconsistent definitions of sustainability within and across industries, determining whether companies are actually meeting their commitments and whether the statements go beyond greenwashing is difficult. A 2006 study on health commitments of the 25 largest global food companies concluded that the lack of key performance indicators used by industry suggest that



*“And, lastly, you are reminded to loot, pillage, and burn responsibly.”*

Source: Tom Cheney - © The New Yorker

companies are making general statements without much commitment.<sup>44</sup> A recent report by TerraChoice of 4,000 products for sale in U.S. supermarkets found that more than 98 percent of the natural and environmentally friendly products were making potentially false or misleading claims, and 22 percent of products making green claims had environmental labels with no inherent meaning.<sup>45</sup> It is tempting to conclude that voluntary Corporate Social Responsibility reporting and labeling are not having as much impact as the publicity about them seems to suggest. Additionally, many controversial issues are still not covered by Corporate Social Responsibility commitments, such as tax evasion, advertisements to children, and lobbying in domestic and international fora.

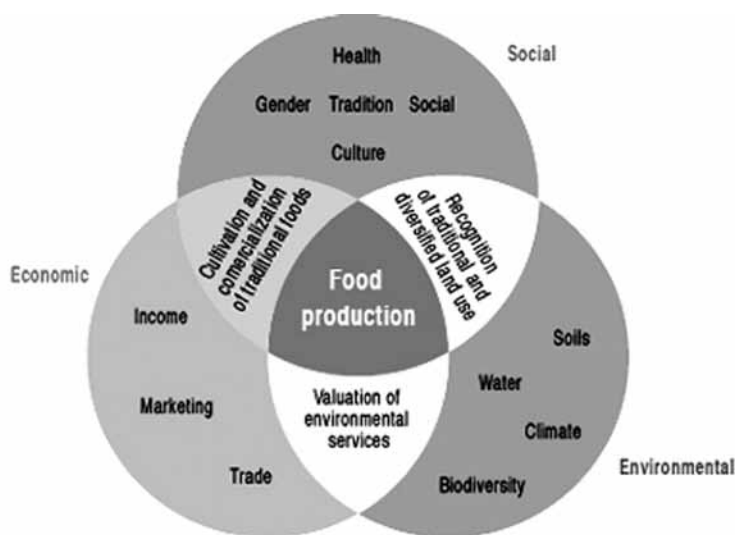
### **The scientific consensus**

A very encouraging element of the recent international meetings is the recognition by wealthier countries that they must invest more money into international agricultural development. Yet

the critical questions of *how* that money is invested and *whom it benefits* are not getting nearly enough attention.

At the last World Food Prize Conference, Bill Gates decried the “ideological wedge” between a “technological approach geared to boosting productivity and an environmental one geared to sustainability.... Some people insist on an ideal vision of the environment which is divorced from people and their circumstances. They have tried to restrict the spread of biotechnology into sub-Saharan Africa without regard to how much hunger and poverty might be reduced by it.”<sup>46</sup> Ultimately, Gates, along with AGRA and agribusiness, are driving an ideological wedge into a scientific consensus that modern biotechnology shows relatively little promise to reduce global hunger and poverty. Monsanto and other agribusinesses stand to reap considerable profits and expand control over agriculture and agricultural development spending if the current push on technology in food strategies is implemented.

The International Assessment of Agricultural Knowledge, Science and Technology (IAASTD)<sup>47</sup> was initiated by FAO and the World Bank in 2002 to review the full consequences on hunger, poverty and sustainable development of the last 50 years of investment in agricultural science and technology, and to explore options for the future, based on lessons learned. The 400+ authors of this assessment, from more than 80 countries and representing civil society organizations in addition to academic and multilateral organizations, considered the entire food system and not just agricultural production. Agricultural production, in contrast, has been the focus of most global initiatives to eliminate hunger. The IAASTD recognized that agriculture is inherently multifunctional, serving many environmental and social needs beyond providing goods such as food, feed, fiber and fuel (Figure 4). This means that investments in agriculture will affect environmental and social goals as well as economic goals, and environmental and social goals must be considered in addition to economic impacts as investments are planned.



**Figure 4. The inherent multifunctionality of agriculture**  
Source: IAASTD (2009).

The IAASTD authors concluded that staying on the course that agricultural investment has taken during the past several decades will lead to disaster. The reports state clearly that “business as usual” cannot reduce hunger; ensure rural livelihoods; and promote economically, socially and

environmentally sustainable development. The IAASTD echoed and reinforced messages that CSOs have been saying for decades: to overcome debilitating hunger and food insecurity, poor people need control over resources necessary for food production; access to fair markets, knowledge and opportunities for sustainable livelihoods in agriculture; and improved food system governance at the local, national and international levels. These needs are counter to the strategic interests of agribusiness to control food systems and the resources and institutions on which they depend as seamlessly as possible, and to dominate global governance of food and agriculture.<sup>48</sup> The IAASTD documented patterns of increasing agribusiness dominance of food networks and the consequent impacts on rural livelihoods of these trends. Additionally, IAASTD provided options for institutions that would better balance economic, social and environmental goals to meet the goals of reducing hunger and creating opportunities for sustainable livelihoods.

### **Rights-based approaches**

A rights-based approach to agricultural development complements many of the options presented by IAASTD. Rights-based approaches are grounded in international human rights standards and directed to respecting, protecting and fulfilling human rights. They incorporate principles referring first to rights themselves: human rights are universal, inalienable, indivisible, interdependent and interrelated. Second, rights-based principles guide how programs should be implemented: they must respect equality and non-discrimination, be participatory and inclusive, and be accountable and compliant with the rule of law. These principles lead to concrete steps that set them apart from other approaches to development:

- 1) Finding out, first of all, why the right to food is being violated for some people and whose actions would need to change in order to achieve that right.
- 2) Assessing the capacity of people whose right to food is not being met to fight for their rights, and the capacity of states or organizations that are not meeting their obligations to do so, then developing strategies to build up those capacities.
- 3) Monitoring and evaluating both outcomes and processes.
- 4) Informing programming with the recommendations of international human rights bodies and mechanisms.

In addition, rights-based approaches entail the following practices and perspectives:

- People as key actors in their own development.
- Participation in programs and policymaking as both a means and a goal.
- Strategies that empower the people they are meant to serve.
- Programs that focus on marginalized, disadvantaged and excluded groups, and that aim to reduce disparities between these groups and others.
- Both top-down and bottom-up approaches.
- Measurable goals and targets.
- Accountability to all stakeholders.<sup>49</sup>

Rights-based approaches explicitly recognize the power dynamics involved in hunger and poverty and allow people whose human rights are being violated to gain control of their lives and destinies. This requires a strong role for the government and regulations on investment.

### **Agribusiness Action Initiative (AAI) policy recommendations**

AAI recognizes the need for a mix of policy reforms that are not addressed in this briefing paper. In the context of increasing investment and tackling corporate power in the food system,

this paper proposes that IAASTD and international human rights and environmental covenants and treaties should be used as an overarching framework for all policy reforms. AAI lists some recommended solutions:

### **Global governance**

- Support a stronger role for the Committee on World Food Security (CFS), UN Special Rapporteur on the Right to Food, and the High-Level Task Force (HLTF) or other UN fora in compliance with rights-based principles that stress broad participation. The UN is the most responsive to participation of CSOs and needs of vulnerable populations and poor nations of various organizations proposed to play governing roles.
- Create a UN Commission to examine and reverse excessive horizontal and vertical concentration in different sectors of the food system when these have resulted in undermining the right to food or abuse of buyer power.
- Reject private-sector-led investment that does not support the legal framework provided by human rights treaties and the scientific framework provided by the IAASTD recommendations. Re-regulate financial speculation in commodity markets and make international arrangements that stabilize commodity prices and prevent agribusinesses from exploiting low prices and unequal competition.
- Establish trade rules that allow countries to protect their domestic markets from import surges and unfair dumping practices; remove investor-to-state provisions that allow corporations to sue governments in trade and investment agreements.

### **National governance**

- Dismantle national monopolies and oligopolies that wield excessive power over farmers and consumers, and introduce laws and implementation mechanisms that tackle abusive buying, trading and advertising practices.
- Close existing loopholes in corporate taxation and sign international cooperation agreements to tackle tax evasion through subsidiaries in other countries.
- Establish farmer-owned or publicly managed food reserves.
- Remove subsidies for cheap grains as well as other subsidies that primarily benefit the largest agribusinesses and allow social and environmental costs to be externalized.
- Close the revolving door between corporations and positions of government control over research, distribution of agricultural support, trade and policy.
- Promote and protect decentralized sustainable supply chains that provide multifunctional benefits.
- Establish democratic decision-making institutions governing food and agricultural policy, with full accountability to the public.

### **Corporate governance**

- Provide transparent information about price transfers and the distribution of profits along the value chain, and proportion of net revenue earned at the production stage versus other stages in the value chain.
- Take action to equitably distribute profits along the value chain and provide products to consumers at fair prices that reflect the full costs of production. Meet international standards on labor and environmental protection.
- Meet extraterritorial obligations to respect the right to food wherever a corporation conducts business of any kind.



- Adhere to expectations on business practices to protect, respect and remedy human rights, advanced by the Special Representative of the Secretary-General on human rights and transnational corporations and other business enterprises.<sup>50</sup>

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# ANNEX 1:

## MAJOR MULTILATERAL INITIATIVES AND DECISIONS LEADING TO THE WORLD FOOD SUMMIT'

- Spring 2007** World Bank proposes a New Deal on Global Food Policy, calling for a safety net and loans in low-income countries for agricultural production and trade liberalization. The investment agenda highlights partnerships with international corporations to expand trade flows, rather than supporting farmers and promoting food sovereignty.
- October 2007** World Bank publishes the World Development Report 2008: Agriculture for Development, the first WDR on agriculture in a quarter of a century. The report extols the 'new agriculture', "led by private entrepreneurs in extensive value chains linking producers to consumers and including many entrepreneurial smallholders supported by their organizations".<sup>2</sup> The report is criticized by civil society organizations and academicians for its "inability to focus on agriculture as an arena of (sustainable) development in its own right" and for promoting agriculture that feeds "the rich, not the world, and [whose] profits sustain agribusiness rather than the (potential) ecological and cultural integrity of smallholding agriculture".<sup>3</sup>
- April 2008** The UN Secretary-General establishes a High-Level Taskforce on Food Security (HLTF) composed of UN and Bretton Woods institutions (International Monetary Fund and World Bank).
- April 2008** 58 countries accept and approve the summary reports of the International Assessment of Agricultural Knowledge, Science & Technology for Development (IAASTD) in a plenary meeting in Johannesburg. The only countries failing to accept and approve the documents are the U.S., Canada and Australia, which object in particular to sections that promote fair trade rather than free trade and that do not endorse modern biotechnology as part of the array of promising technologies for reducing hunger and promoting sustainable development.
- May 2008** World Bank establishes a Global Food Crisis Response Facility to fast-track up to \$1.2 billion of the Bank's resources within the next 3 years "to address immediate needs arising from the food crisis".
- May 2008** The Human Rights Council of the UN (HRC) organizes a special session on The Right to Food and the World Food Crisis, strongly emphasizing that international and national policies are root causes of the systematic violations of right to food and the food crisis. Criticism for failure to observe human rights processes and principles has been lodged against the HLTF and FAO reform by the Special Rapporteur on Right to Food, HRC, the UN Office of the High Commission on Human Rights, social movements and CSOs.
- June 2008** FAO High Level Conference on World Food Security: The Challenges of Climate Changes and Bioenergy is held in Istanbul, Turkey.
- July 2008** The HLTF produces a Comprehensive Framework for Action, criticized by Foodfirst International Action Network (FIAN) and other CSOs for its failure to take a rights-based approach.

- July 2008** The G8 creates the Global Platform on Agriculture, Food Security and Nutrition (GPAFS) with strong engagement of the private sector, with the rationale that “urgent measures are needed to increase food production in most affected countries and the UN, especially FAO, will not be an efficient channel for the needed assistance”. The underlying motive is the desire of G8 countries to strengthen their hold on the food system, bypass the multilateral system and bring smallholder agriculture under the control of the private sector. Many CSOs, as well as several Southern governments, strongly oppose the GPAFS because it bypasses the one-country, one-vote system guaranteed by FAO. FAO, with some support from the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP), also reacts negatively.
- September 2008** UN Global Compact releases Food Sustainability: A Guide to Private Sector Action.
- October 2008** Members of the FAO Committee on World Food Security (CFS) embark on reforms to redefine CFS’s vision and role to focus on the key challenges of eradicating hunger; expand participation to ensure that all relevant stakeholders are heard; adapt rules and procedures with the aim of becoming the central UN political platform dealing with food security and nutrition; strengthen linkages with regional, national and local levels; and support CFS discussions with a High-Level Panel of Experts so that decisions are based on evidence and state-of-the-art knowledge.
- December 2008** The Cordoba Declaration on the Right to Food and the Governance of the Global Food & Agricultural Systems is launched in Madrid, on the 60<sup>th</sup> anniversary of the Universal Declaration of Human Rights. It was prepared by a group of experts including the UN Special Rapporteur on Right to Food, the Secretary General of FIAN, and staff from FAO’s Right to Food Unit.
- January 2009** The Madrid High-Level Meeting on Food Security for All is convened by the government of Spain with the support of the HLTF and the G8. Consensus on the GPAFS is not achieved due to opposition of many CSOs, Rome-based food agencies and Latin American countries. UN Secretary-General Ban Ki-Moon proposes the institution of a third track based on the right to food to supplement the twin-track approach of Rome-based agencies (food assistance coordinated with support for rural development).
- February 2009** Several large U.S.-based domestic and international non-governmental organizations (NGOs) release a Roadmap to End Global Hunger.
- February 2009** The UN Environment Programme publishes The Environmental Food Crisis: The Environment’s Role in Averting Future Food Crises, linking multiple environmental crises (climate change, water shortages, land degradation, etc.) with food insecurity and stressing the need to protect environmental resources in order to prevent catastrophic food shortages.
- July 2009** G8 Summit at L’Aquila produces the L’Aquila Food Security Initiative, also endorsed by 19 other countries and multiple multilateral institutions. Donors commit more than \$20 billion to support a renewed global effort to fight hunger, while calling for “open trade flows” and no barriers on exports.

- September 2009** The G20 meets in Pittsburgh. While most of the resulting declaration deals with the financial crisis, one paragraph addresses food insecurity and hunger. It proposes a multilateral Trust Fund to be managed by the World Bank, as recommended in the U.S. preparatory document, to scale up agricultural assistance to low-income countries. It is criticized by CSOs for explicitly calling out private foundations, businesses and NGOs to participate actively, but not mentioning farmers, peasant associations, fishermen, pastoralists and consumers.
- September 2009** U.S. releases a Global Hunger and Food Security Initiative Consultation Document, which stresses improving productivity, expanding markets and trade through—among other recommendations—creation of an “enabling policy environment for agribusiness growth”. This section goes on to explain that “frequent and unpredictable public intervention in the agricultural sector deters private investment and limits the ability of farmers and businesses to access capital... The U.S. will contribute to strengthening enabling policy environments for growth by improving the ability of governments to collect and analyze market information, training private sector trade associations in how to engage local and national governments, pressing for reductions in government controls on commodity prices, and supporting reform and implementation of policy and regulations that promote investment in the agricultural sector”.
- October 2009** FAO holds a High-Level Expert Forum on How to Feed the World in 2050, and continues to refer to a ‘twin-track approach’ to global food security in associated documents. The High-Level Expert Forum addresses virtually the same topics that the International Assessment of Agricultural Knowledge, Science & Technology for Development (IAASTD) assessed in great detail, yet none of the plenaries include presentations by IAASTD participants about its findings.

## Endnotes

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## ANNEX 2:

### FOOD COMPANIES IN GLOBAL FORTUNE 500 (based on year ending January 31, 2009)<sup>1</sup>

	Company	Corporate HQ	Examples of products or services in food systems	Revenue (2008, \$ million)	% change in revenue 2007-08	Profits (2008, \$ million)	% change in profits 2007-08
<b>Food production</b>	Archer-Daniels Midland	U.S.	Ethanol, biodiesel, food and feed ingredients, grain trading	69,816	58.6	1,802	-16.7
	Bunge	U.S.	Food products, fertilizer, grain and oilseed processing and trading	52,574	38.9	1,064	36.8
	Wilmar International	Singapore	Palm and lauric oil processing, trading; oil palm plantation owner	29,145	77.0	1,531	163.8
	Tyson Foods	U.S.	Poultry production and processing; beef and pork processing, distribution	28,130	4.6	86	-67.9
<b>Food Service</b>	McDonalds	U.S.	Fast food	23,522	1.3	4,313	80.1
	Compass Group	Britain	Food distribution and preparation for company clients	22,522	7.5	872	-14.0
	Sodexo	France	Food distribution and preparation for company clients	20,377	15.3	563	22.9
<b>Wholesalers (food &amp; grocery)</b>	Sysco	U.S.		37,522	7.1	1,106	10.5
	CHS	U.S.		32,168	86.8	803	7.0
	Edeke Centrale	Germany		23,349	1.8	385	37.6
<b>Beverages</b>	Coca-Cola	U.S.	Producing, bottling and packaging Coca-Cola, Dr. Pepper, water and other drinks	31,944	10.7	5,807	-2.9
	Anheuser-Busch InBev	Belgium	Beer	23,568	19.3	1,885	-37.3
	Coca-Cola Enterprises	U.S.	Marketing and distributing products of Coca-Cola	21,807	4.2	-4,294	-718.0
	Heineken Holding	Netherlands	Beer	21,005	22.1	154	-72.2
	Kirin Holdings	Japan	Beer, soft drinks, bottled water, food products	18,604	56.4	776	36.9
<b>"Food Consumer Products"</b>	Nestlé	Switzerland		101,565	13.3	16,670	87.8
	Unilever	Netherlands		59,313	7.8	7,358	38.3
	PepsiCo	U.S.	Pepsi and Gatorade, Quaker and Frito-Lay brands	43,251	9.6	5,142	-9.1
	Kraft Foods	U.S.		42,867	15.1	2,901	12.0
	Groupe Danone	France		22,277	10.7	1,922	-66.4
<b>Food &amp; Drug Stores</b>	Wal-Mart	U.S.		405,607	7.1	13,400	5.3
	Carrefour	France		129,134	11.7	1,862	-40.9
	Metro	Germany	Self-service wholesale	101,217	12.1	590	-47.8
	Tesco	Britain		94,300	-0.4	3751	-11.8
	Kroger	U.S.		76,000	8.2	1249	5.8
	CostCo	U.S.	Self-service wholesale	72,483	12.6	1,282	18.5
	Groupe Auchan	France		57,792	14.5	1,064	-19.2
	Seven & I Holdings	Japan	Supermarkets and foodservice	56,107	12.7	917	-18.9
	AEON	Japan	Supermarkets etc.	51,945	16.2	-27	-107.2
	Safeway	U.S.		44,104	4.3	965	8.7
	Royal Ahold	Netherlands		40,116	-20.9	1,572	-60.8
	George Weston	Canada		32,360	5.9	780	48.8
	J. Sainsbury	Britain		31,876	-11.0	487	-26.2
	Wesfarmers	Australia	Supermarkets, chemicals and fertilizers	30,050	292.3	940	52.2
	Delhaize Group	Belgium		27,874	6.7	684	21.8
	Wm Morrison Supermarkets	Britain		25,908	-0.2	820	-26.0
	Public Super Markets	U.S.		24,110	3.9	1090	-8.0
	Migros	Switzerland		23,795	25.8	648	-2.7

Source: All figures are from Global Fortune 500. Available at [http://money.cnn.com/magazines/fortune/global500/2009/full\\_list/](http://money.cnn.com/magazines/fortune/global500/2009/full_list/)



## AAI Agribusiness Action Initiatives

AAI is an international network of NGOs, activists, academic researchers, and food system experts from farm, labor, environment, consumer, church and civil society organizations challenging corporate control of the food system

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