

Corporate Social Responsibility in the Agrifood Sector *Harnessing Innovation for Sustainable Development*

FSG – Social Impact Advisors

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The Intersection of Business and Society:

There is an inevitable link between a business and society in the agrifood sector

**Economic
Objectives**

**Social
Objectives**

The **competitiveness of companies** depends heavily on such things as:

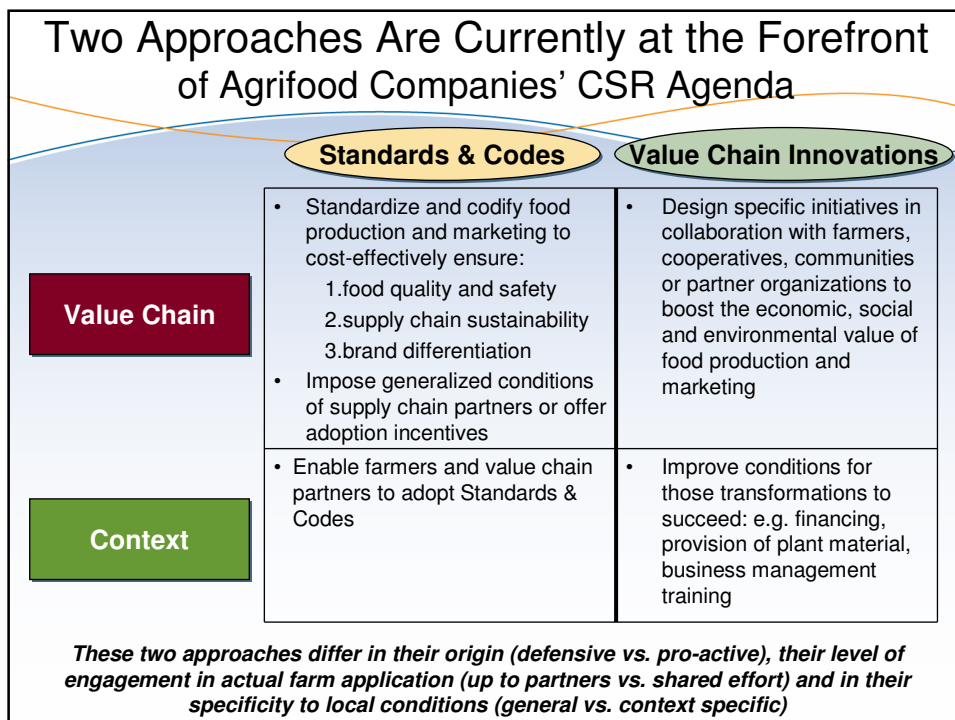
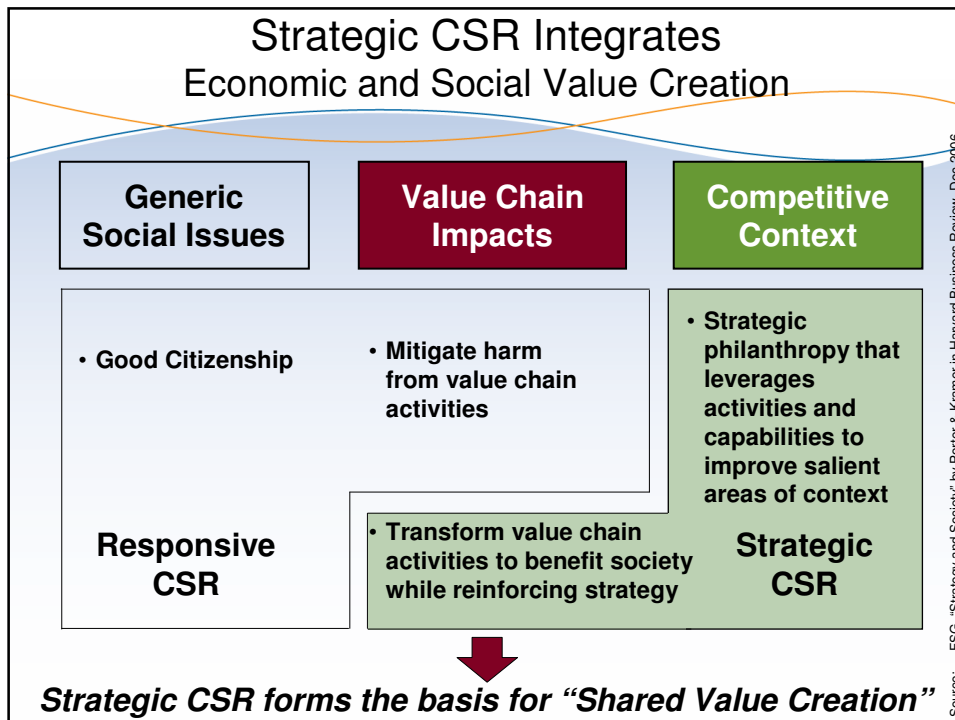
- Availability of productive land and natural resources
- Availability of high quality ingredients at foreseeable prices
- Local processing and manufacturing
- Favorable trade conditions

The **health of a society** depends on:

- Sustainable use of natural resources
- Low levels of pollution
- Increasingly productive agriculture
- Employment outlets for exit from agriculture
- Strong agricultural extension services
- Access to affordable food and international markets



With global demand for food due to double in the next 25 years and stretched natural resources, companies competitiveness and CSR agenda and increasingly integrated



S&C Have Proliferated, 100 Were Identified and 14 Studied in Detail

Key Issues and Number of S&C Covering Them (out of 14)		
Environment	Ecosystems & Biodiversity	11
	Natural Resource Inputs	9
	Manmade Inputs	8
	Energy Use and GHG Emissions	7
	Waste Management	11
	Production Practices	11
Labour Conditions	Occupational Health & Safety	12
	Terms of Employment	11
	Human Rights in the Workplace	10
Local Economic/Community Benefits	General Employee/Family Welfare	9
	Producers' Economic Viability	4
	Flow of Economic Benefits	6
	Social/Economic Rights of Others	6
	Business Ethics	3
Food Safety and Quality	Education & Role-Modelling	3
	Traceability	7
	Hygienic Production & Handling	7
	Quality of Inputs	5
	Quality Management Systems	5

- GlobalGap
- Rainforest Alliance/SAN
- SCS-001
- Ethical Trading Initiative
- Common Code for the Coffee Community
- Marine Stewardship Council
- Basel Criteria for Responsible Soy Production
- Round-table on Sustainable Palm Oil
- SA8000
- Fairtrade Standards
- IDF/FAO Guide to Good Dairy Farming Practice
- SAI Principles & Practices for Sustainable Production (Cereals)
- EISA
- Utz Certified

Issues covered do not include food security, producers' economic viability or gender issues

Treatment differs:

- What compliance looks like
- Need to comply with local laws
- Need for a development plan
- Stipulating specific processes
- Setting quantitative performance criteria

Why Standards & Codes Make Sense from a Corporate Perspective

- | | |
|-------------------------------|---|
| Alignment | <ul style="list-style-type: none"> • S&C allow companies to bridge a gap between legal and social norms in consumer and producer countries and maintain internal coherence |
| Cost-effective Control | <ul style="list-style-type: none"> • S&C allow companies to manage food safety or reputational risks by "outsourcing" the cost of change to business partners |
| Marketing | <ul style="list-style-type: none"> • S&C help validate claims of sustainability for marketing purposes |
| Proven | <ul style="list-style-type: none"> • S&C represent a well understood and replicated approach: food safety guidelines have been in existence for decades |

Standards & Codes in their Current Form Face Significant Challenges

Lack of Impact Assessment

- While quality, safety and traceability for consumers has been achieved...
- There is little evidence of improved economic, social and environmental conditions
- S&C are therefore competing in a "vacuum:" it is not clear which ones to invest in

Lack of Mutual Recognition

- Despite overlap in issues addressed, producers and consumers are met with a barrage of different options
- This increases risk for producers who may invest heavily in meeting one set of requirements

Lack of Sensitivity to Local Conditions

- S&C set common rules irrespective of local contexts in which suppliers operate
- Sustainable development is about continuous improvement, not a pass/fail test

Cost of Implementation

- Application of S&C is costly and can amount to over a year of profits for small holders
- S&C accelerate consolidation of producers unless intensive support is provided by both private and public sectors, though such support can distort inspection and accreditation markets

Value Chain Innovation have both the Ambition to Improve Practices and the Support to Achieve Change

Rationale for Investing

- Secure specialty raw material while improving a community's ability to provide it
- Market quality, safety and traceability attributes to small scale farm operations
- Capture and share value through vertical integration

Approaches

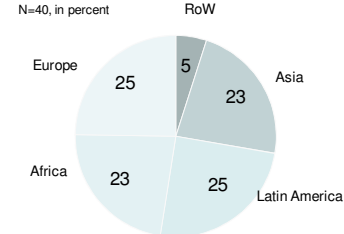
- Pilot projects typically focus on one crop, production system or supply chain and strive for a combination of technical, financial and educational transfer
- They rely on solid business cases which have potential for growth
- Most projects involve multi-stakeholder partnerships (incl. farmers' organizations, industry associations, SMEs, public sector and civil society)

Limitations

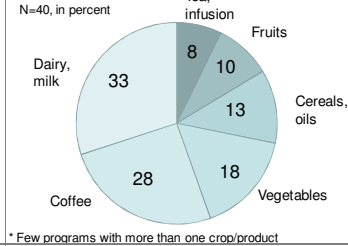
- Pilot are "pockets of progress," replication necessitates resources and time that go beyond the interests of initiating companies

The Profile of 40 Value Chain Innovations Demonstrate “Shared Value” Objectives and Multi-Stakeholder Participation

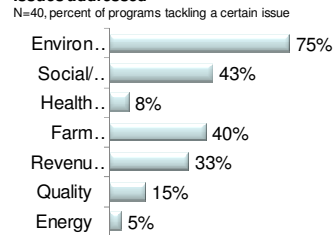
Geographic distribution of programs



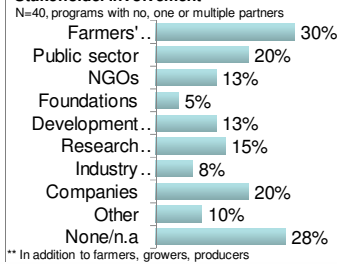
Crops or products*



Issues addressed



Stakeholder involvement**



In-Depth Case Studies Show the Variety of Tailored Action and Public Sector Involvement

Country/ Company	Product & Purpose	Value Chain Coverage	Public Sector Involvement
Brazil: Syngenta	Water recovery	Pre-production	Medium (promotion, scale-up)
China: Nestlé	Dairy: biogas from manure	Production	Strong (driving funding, scale-up)
India: Reliance Retail	Fresh fruit & vegetable: direct sourcing	Distribution, trading, retail	Light (legislative framework, licenses)
India: SABMiller & Cargill	Barley: secure local quality	Production, trading, processor/manufacturer driven	Strong (facilitation, agri-research, seeds, licenses)
Tanzania: Unilever	Allan-Blackia: set-up commercial supply chain	Production, processing, sales	Medium (agri-research, tree nurseries, endorsement)
Kenya: Unilever	Tea: certification of sustainable production	Production, trading, manufacturing, marketing, retail (demand driven)	Light (small-holder support, accompanying measures)
Bangladesh: Grameen Danone	Dairy: new low cost (yoghurt) supply chain	Production, transport, manufacturing, distribution	Light (licenses)

Governments and Civil Society Can Help Create Conditions for Growth of Value Chain Innovation

Industry Initiatives

- The emergence of industry platforms and multi-stakeholder platforms such as SAI-Sustainable Agriculture Initiative presents a potential new force in the facilitation and documentation of CSR practices

Mutual Recognition

- All sectors needs to work together to harmonize Standards & Codes and make their implementation more effective
- This should be done through impact assessment and endorsing schemes which are most effective

Extension Services

- The public sector with support from civil society and industry should strengthen agricultural extension services to allow for local certification and value chain innovations

Innovation Scale-up

- Governments, local authorities and civil society can smooth the progress of value chain innovation by creating an enabling environment (e.g. legislation, market infrastructure), by participating in pilots and driving scale-up

Transition out of Agriculture

- Governments, local authorities and civil society can help farmers diversify their sources of income, creating rural off-farm jobs, increasing access to education and training, providing safety nets

Conclusions and Recommendations

Standards & Codes

Value Chain Innovations

Companies in the lead

Value Chain

- National governments, multilaterals and donors should **facilitate the adoption** of Standards and Codes by specific producer groups where this could allow **market access**

- National governments, multilaterals and donors should **pro-actively identify and support the scale-up of high potential innovations**

Context

- Make Standards & Codes **more effective, efficient and accessible** through an agenda of impact assessment, mutual recognition, and knowledge transfer.
 - Embed such a process amongst its champions (e.g. SAI /SFL)

- **Multiple-stakeholder agro-industry platforms and sector councils at the national level** are required to co-ordinate and monitor implementation of standards, codes and value chain innovations, for mutual support and the sharing of good practices