



**TRAIDCRAFT**  
Fighting poverty through trade

# Moving to Fair Food Supply chains – learning from UK

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12 Feb 2014

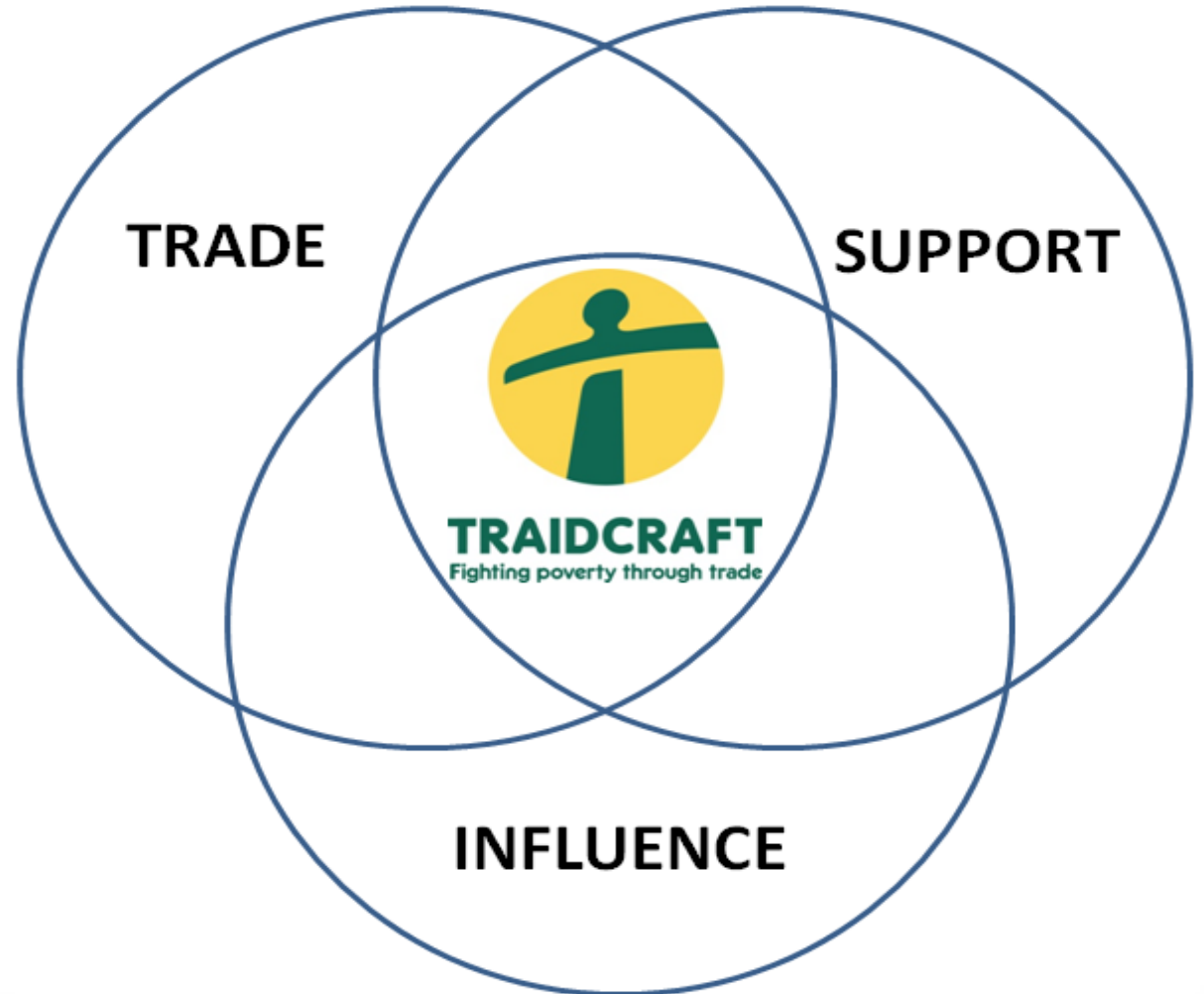
NAV annual meeting



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# Unique perspective

**A public limited  
company  
*AND*  
a development charity**





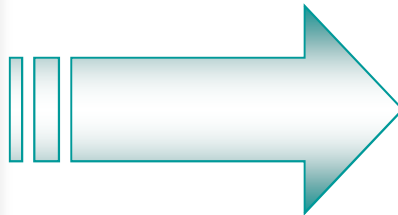


- Traidcraft Plc brings vulnerable groups' products to UK market





# Trade reduces poverty in 'right' circumstances

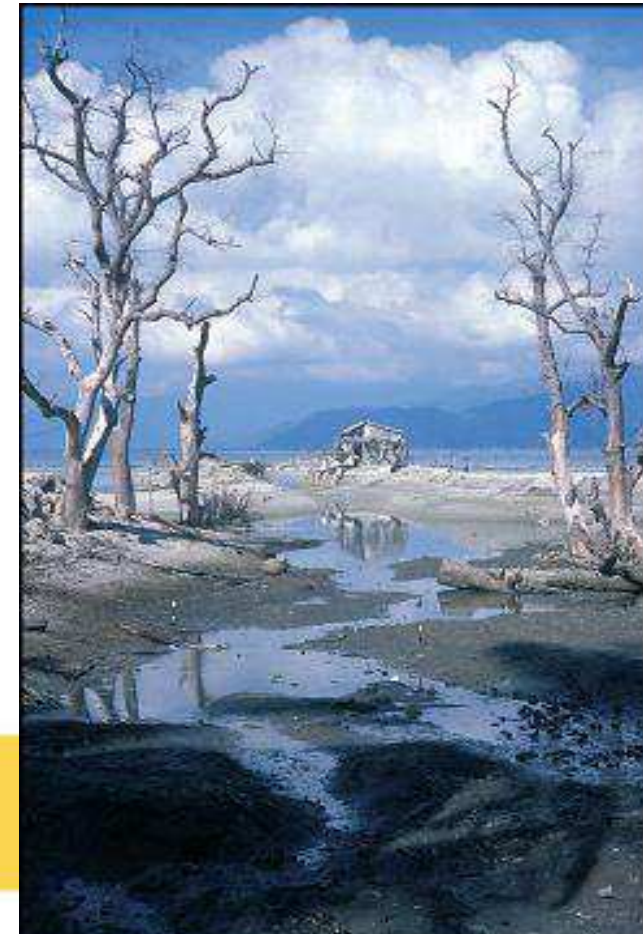


# Family impacts of forced overtime

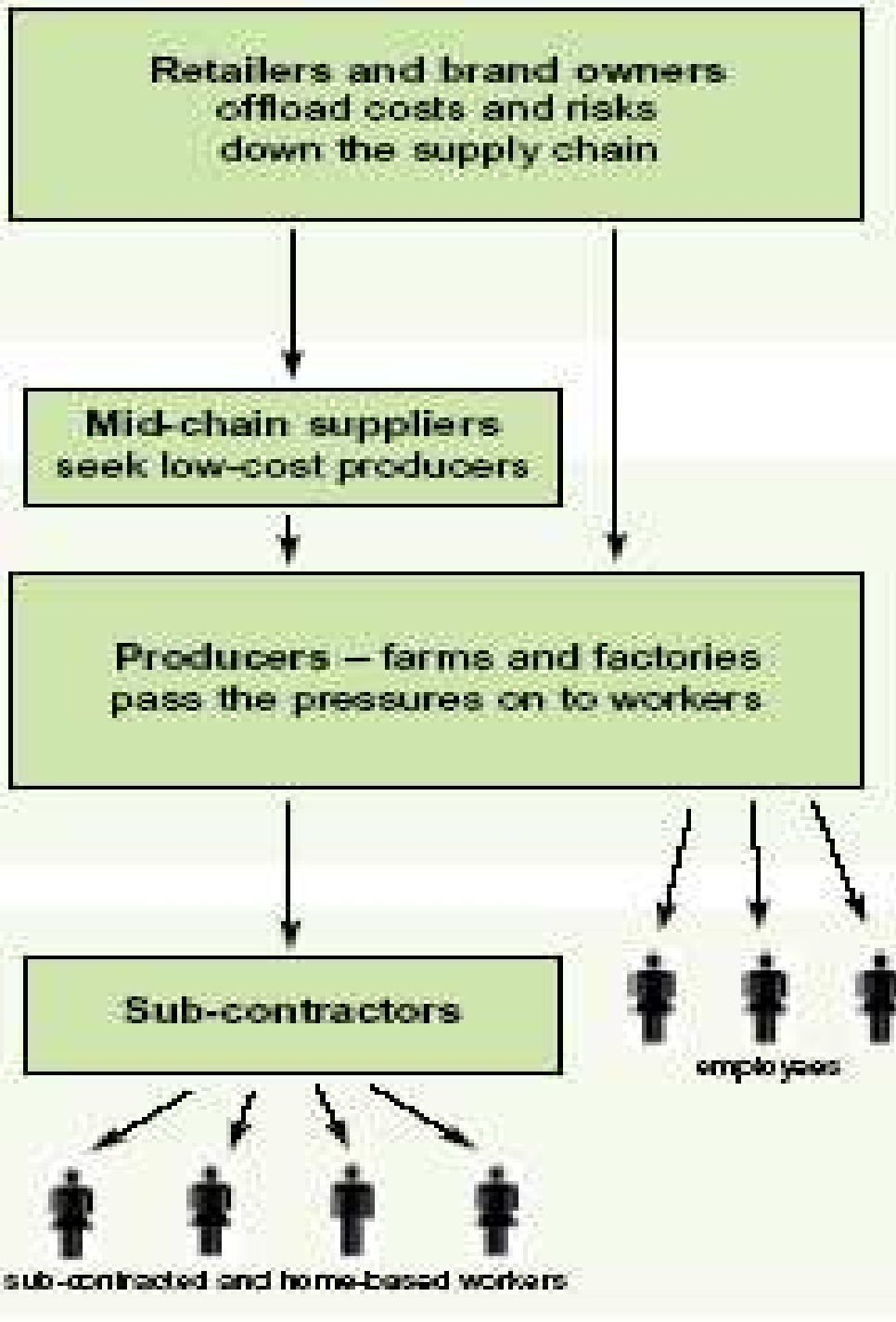


Six-year-old Kenyatta waits outside his home, not knowing when his mother will return from her job in one of Nairobi's garment factories. She is frequently made to work two extra hours of overtime, unpaid, in order to meet the day's production targets and finally gets home after dark.

## Environmental degradation



# PROBLEM = Pushing Risks Down the Supply Chain



## Retailers & brands push for:

- lower prices from producers
- fast and flexible production
- high technical & quality standards
- better labour conditions but without a long-term commitment

## Producers, as employers:

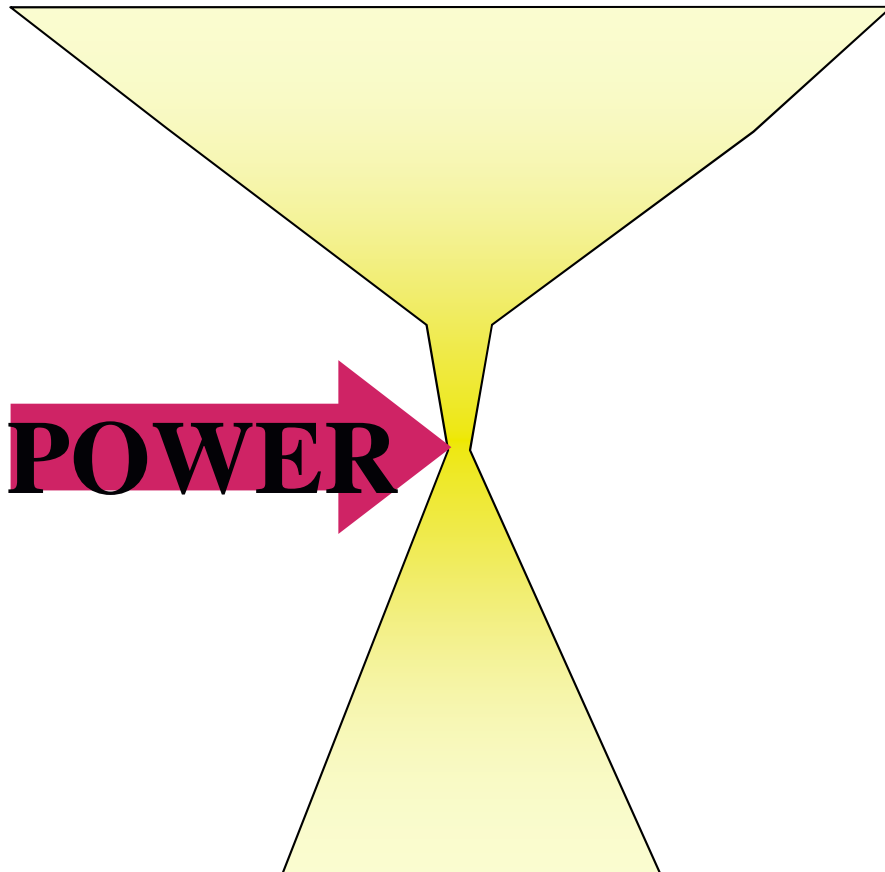
- hire women & migrants
- use short-term contracts & evade benefits
- put workers under excessive pressure
- undermine organising
- hide labour rights violations

## Small Farmers & Precariously employed workers:

- insecure contracts
- exhausted by long hours & high targets
- undermined if they organise

# IMBALANCE OF POWER

## EU Food Supply Chain Bottleneck



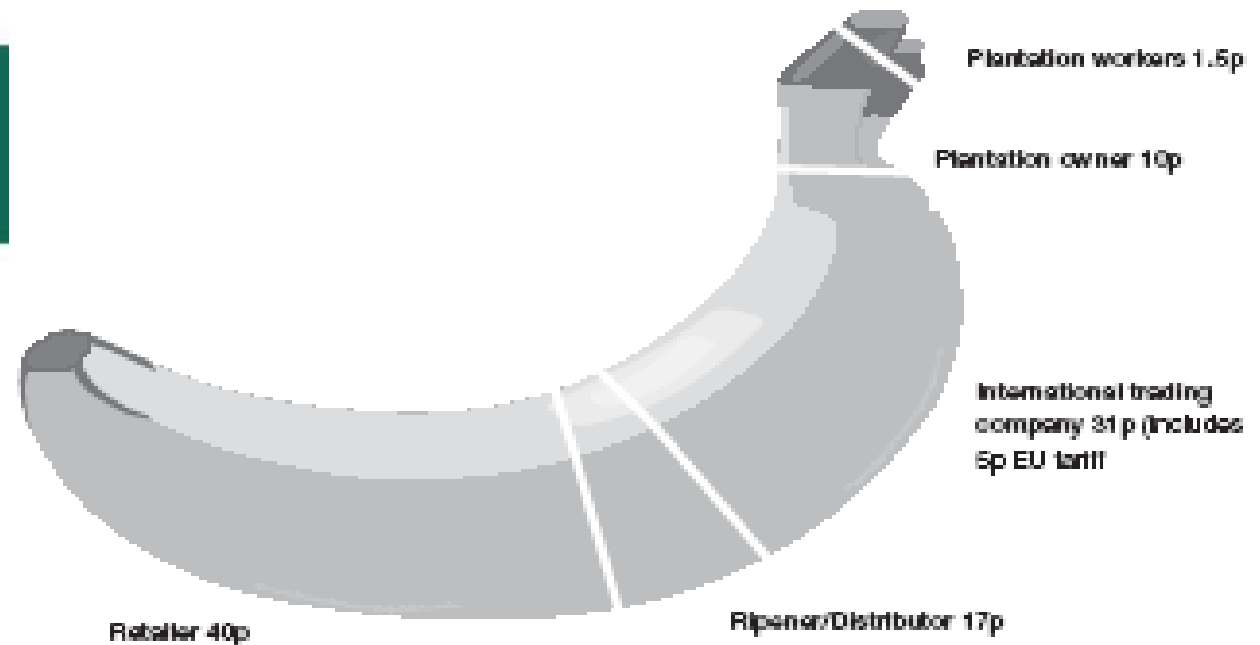
Consumers: 160,000,000  
Customers: 89,000,000  
Outlets: 170,000

Supermarket formats: 600  
Buying desks: 110

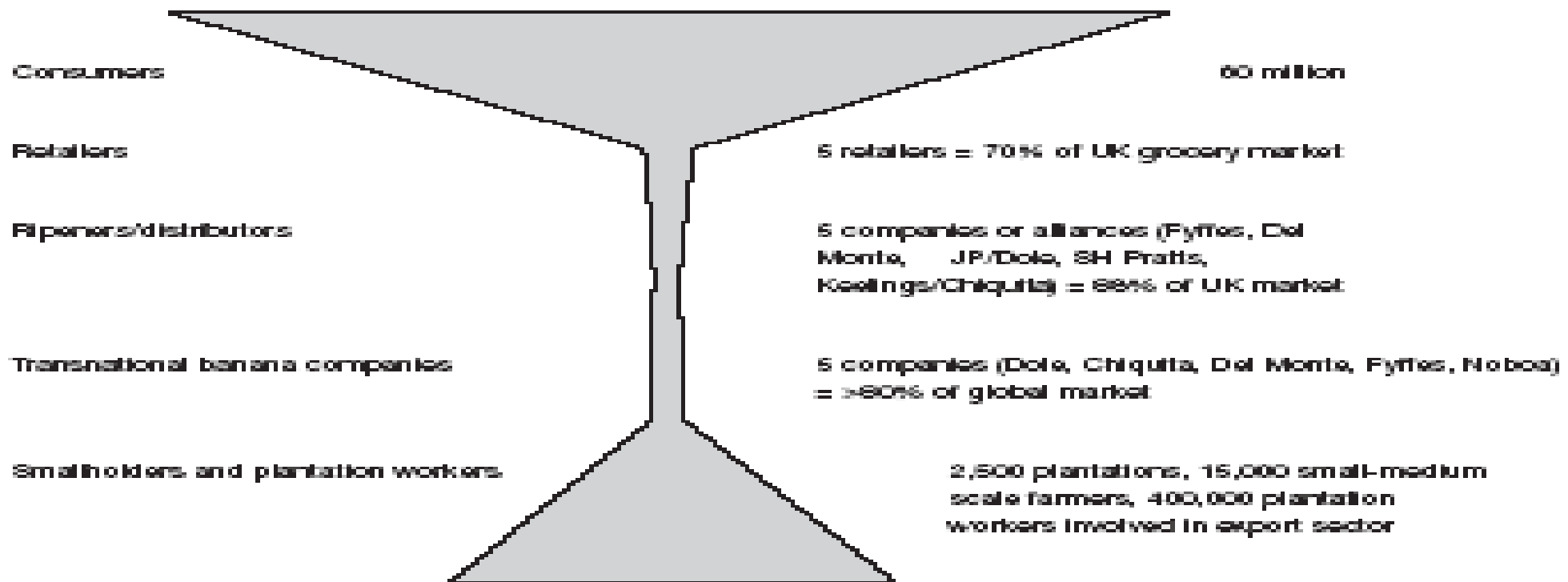
Manufacturers: 8,600  
Semi-manufacturers: 80,000  
Suppliers: 160,000

Farmers/producers: 3,200,000

# Poverty incomes earnt by weakest

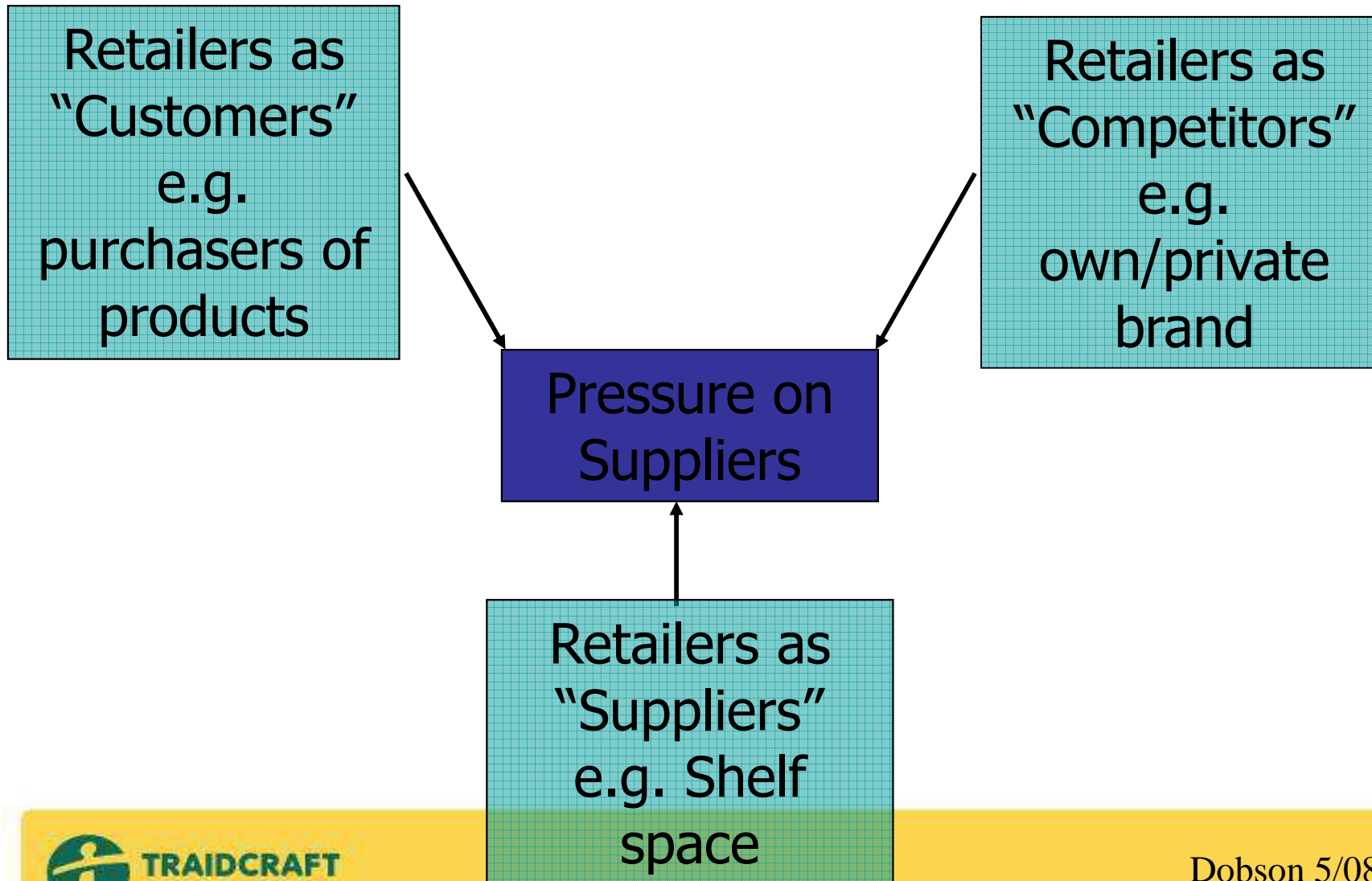


The global banana bottleneck – from Latin America/Caribbean to the UK  
 Data: UNCTAD, Banana Link





# Supermarkets source of buyer power



# UK experience – moving to fairness in supply chains

# UK Competition Commission (CC) investigates Supermarkets

## • 2000 CC – investigate 4 supermarkets - Result:

- “Climate of fear amongst suppliers”
- 52 kinds of Restrictive practices
- Supermarkets with >8% has buyer power

## Recommend

- Office of Fair Trading’s (OFT) Supermarket Code of Conduct (*legal*)
- Public authority (OFT) will investigate breach of code *AFTER* supplier is unable to resolve problem with supermarket



# UK journey to Adjudicator

- **2005 OFT Review Supermarket Code “All OK”**
  - **2005 legal challenge**
- **CC 2006 - 2008 investigation of food retailers**

# 2008 UK Competition Commission Grocery Market Report

## • Found

- “Supermarkets **transfer excessive risks and unexpected costs** onto their suppliers ... damaging investment and innovation in the supply chain and not in the long term interests of consumers”
- >50% of 52 types of abusive practices identified in 2000 continue, despite 4 retailers required to abide by legal code
- Just “5 weeks of Asda & Tesco correspondence identified >20/52 practices” occurred
- .....Credible **enforcement** is needed

# 2008 UK Competition Commission Grocery Market recommends

- Grocery Supply Code of Practice (since 2 Feb 2010)
  - Include **Principle of Fair Dealing**
- Enforced by Grocery Code Adjudicator from 2013
  - Hear anonymous complaints
  - Initiate proactive investigations
  - Apply financial sanctions & Name & Shame
- Apply to
  - Aldi,
  - Asda,
  - Coop,
  - Iceland,
  - Lidl,
  - Marks & Spencer,
  - Morrison,
  - Sainsbury,
  - Tesco,
  - Waitrose



# Grocery Code Adjudicator – since 2013

- **Consultation Autumn 2013**
  - level of max “fines” ~ 1% turnover
  - how operate
- Waiting for UK parliament to approve max fine level
- **Approach**
  - Working with retailers’ Code Compliance staff
  - Publicity about issues – in trade press
  - GCA vocal ..... threatening investigations

# How we got GCA .... Grocery Market Action Group

- **Independent chair - Andrew George MP**
  - Raise awareness of problem and solution
  - Suppliers' organisations, trade associations, NGOs, and academic experts

# Summary UK process – co-operation vital

2000 Competition Commission (CC)  
2001 SCOP code for 4 supermarkets >8%  
market share

OK

2005 UK government SCOP code is

2006 CC starts Market investigation

2008 CC

Long term => Consumer harm  
Update Code + Adjudicator to be  
set up by UK Government

2010 Government consultation

2012-13 Parliamentary bill

- **Coalition** (environment & international development groups, suppliers, farmers, trade unions, small shops)

NO

- **'small shops association'**

This is what good enforcement  
/Adjudicator looks like?

- Develop ideas on **solution** & strategy
- **Consumer welfare**/detriment paper
- Political party manifestos
- MP lobbying/campaigning



Groceries Code Adjudicator = Supermarket Watchdog



# Multi-country retailers have more Buyer Power

- Multi country buying => increases buyer power => abusive practices to suppliers

- => need for EU action

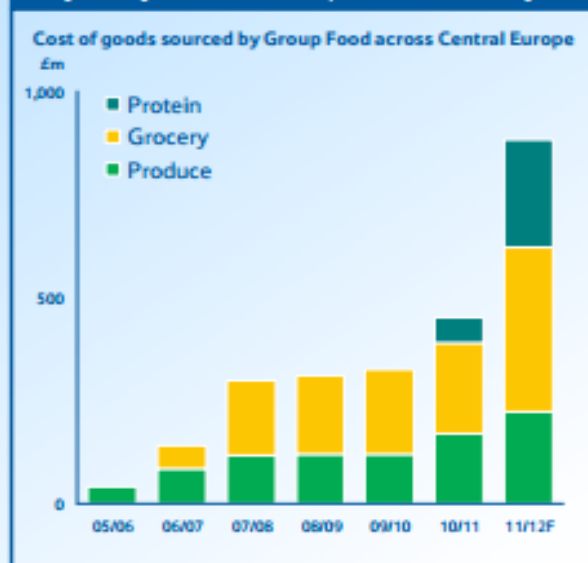
## Group Food Sourcing

Matt Simister

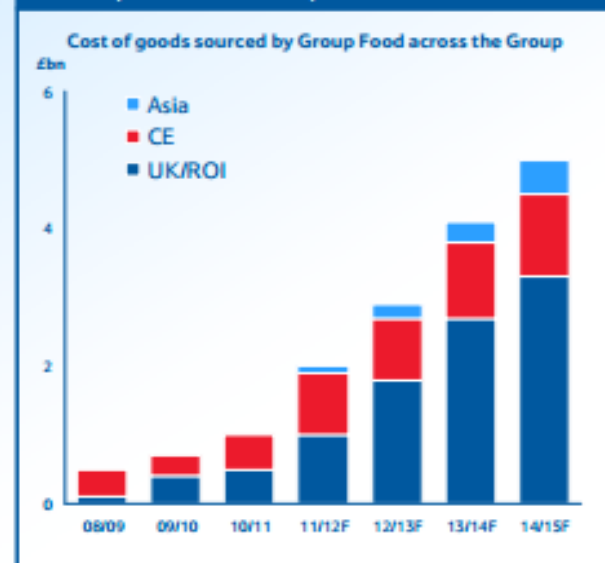


### Buying more together

The journey in Central Europe over the last 5 years



Growth plan for the Group



# Addressing EU 'Buyer Power' problem

- 5 retailers have >70% national grocery market in:
  - Belgium, Slovakia, Hungary, Spain, Portugal, Ireland +++ want EU action
  - Farmers (Copa Cogeca) [& suppliers] survey:
    - 96% suppliers experience unfair commercial practices – practiced by > 1 retailer
    - In 2009 suppliers on average experience 6 unfair commercial practices which costs approx. 0.5% turnover
    - Suppliers afraid of commercial sanction; consider that current possible remedies of public authorities ineffective
- Finland,
- Sweden,
- Ireland,
- Slovenia,
- Estonia,
- Austria,
- Germany,
- France

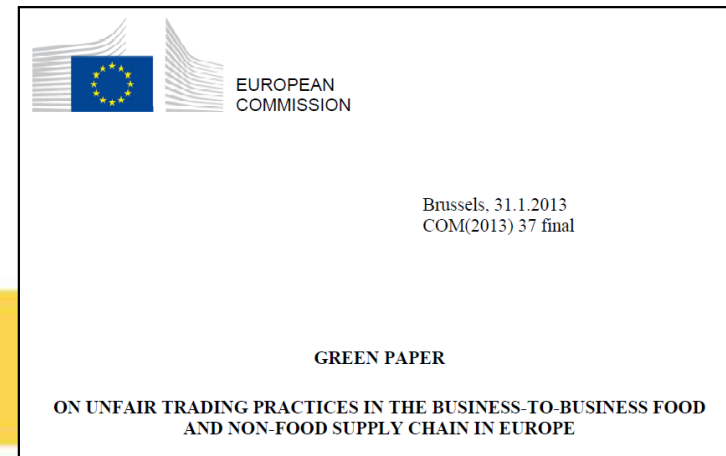
# EU activities to improve fair “b2b” practices

- DG Competition commissioning consultancy to look at consumer detriment
- DG Enterprise & DG Internal Market coordinate Food supply chain “High Level Forum”
- DG Internal Market’s Green Paper on Unfair Trade practices in Retail supply chains
  
- European Parliament pressure
- – Dennis DeJong MEP own initiative report



# DG Internal Market

- **DG internal Market Green Paper on Unfair Trading Practices (UTP) in Retail**
  - Yes UTPs occurring
  - Member States not always able to address UTPs
  - Recognise need to act
- BUT voluntary EU “Supply Chain Initiative” – developed by trade ass close to Retail.
- EP elections & New Commissioner Jobs



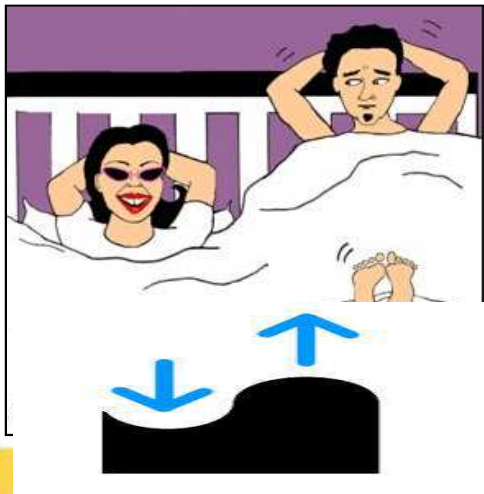
# EU needs 'credible enforcement'

- Strong Enforcement powers
- Consistent & coordinated EU action
- Available irrespective of geographic location
- Proactively make itself accessible to 'weaker' companies. By:
  - keep information confidential
  - receive anonymous complaints
  - gather relevant information that may indicate a breach
  - independently initiate an investigation



# Coalition essential - to have fair Business practices by supermarkets?

- Consumers (innovation)
- Suppliers
- Small/med shops – bc suppliers waterbed price



- **Farmers**
- Workers
- Environment
- International development

- Investors
- Land owners
- Credit rating agencies
- Insolvency consultancies

# Business to Business Regulation needed



Millions of workers, farmers and producers have been left with little choice but to work long hours for low pay in unsafe conditions to meet the demands placed on them by supermarkets.