

# AGRO POLY

A handful of corporations control world food production

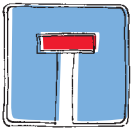


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# Battle of the giants

The world's human population and food consumption are growing – does this mean the number of companies involved in the food sector is growing as well? The opposite is true: big corporations buy smaller companies and thus increase their market share and power. Hence, companies can dictate prices, terms and conditions and, increasingly, the political framework. Much of what we consume in the North is being produced more cheaply in the Global South. The profits are made by only a few, predominantly Northern, companies. The big losers are the plantation workers and small farmers in the South, as they are the weakest links in the “value chain”. In no other section of the population is hunger so widespread. More and more ecosystems are being degraded and destroyed.



This document shows in brief how industrialisation and concentration in the global food sector undermine sustainable food systems and food sovereignty. Sustainable agriculture is based on small-scale, diverse farming and local and regional production.

**Major concentration in a few years:** In 1996, the ten biggest seed companies had a market share of less than 30%. Today, the three largest control more than 50% of the market. Often seeds become more expensive with fewer varieties available. The three market leaders in seeds are also major pesticide producers.

**The powerful control the chain:** Farmers are pressurised by corporations; they are paid low prices for their products such as soya, wheat, and maize, and they pay high prices for seeds, pesticides, energy, fertilisers and animal feed. The record food prices of 2008 resulted in higher profits for corporations, and not for farmers who have to bear all the risks.

**Who gains?** Vietnamese aquaculture farmers produce Pangasius fish, for which Northern consumers pay around US\$ 10 per kilo. The farmer gets US\$ 1. After deduction of production costs their income is 10 cents per kilo. And the farmers bear all the risks of aquaculture such as fish diseases and weather problems; many also have debts to the aquaculture companies.

**Controlling the chain:** In addition to horizontal integration, where one company controls a large share of the market, corporate strategies aim at vertical integration by processing the product

and producing inputs. This is not about distributing business risks across several sectors but about controlling the value chain and access to cheap raw materials.

**Value chains instead of nutrient and energy circulation:** What used to be produced on the farm as part of a circular economy – seeds, young animals, feed, fertiliser – is today a global industrial “value chain” for food and agrofuels, with negative consequences for soil, water, climate, animal protection, and health.

**Lobby instead of competition:** The influence of food corporations on politics and the public is growing. Thousands of lobbyists promote corporate interests. Corporate lobbyists often also work in government institutions. They often successfully lobby for corporate interests on food standards, approval of pesticides, GM seeds, trade agreements, or the public research agenda.

**World trade dominates prices:** 85% of all food is consumed close to where it is produced. Nevertheless, global trade has a disproportionate influence on prices. On the stock market, batches of the same soya and maize may be traded speculatively several times over, thus increasing price volatility.

# Who controls our food?

## Animal Feed (p. 6)

Turnover volume of the sector: **US\$ 350 billion**

Market share of the TOP 10 corporations: **15.5%**

## Livestock Breeding (p. 7)

Only **four companies worldwide** for breeding chickens.

Market share of the TOP 4 corporations: **99%**

## Seeds (p. 9)

Turnover volume of the sector: **US\$ 34.5 billion**

Market share of the TOP 10 corporations: **75%**

## Fertiliser (p. 11)

Turnover volume of the sector: **US\$ 90.2 billion**

Market share of the TOP 10 corporations: **55%**

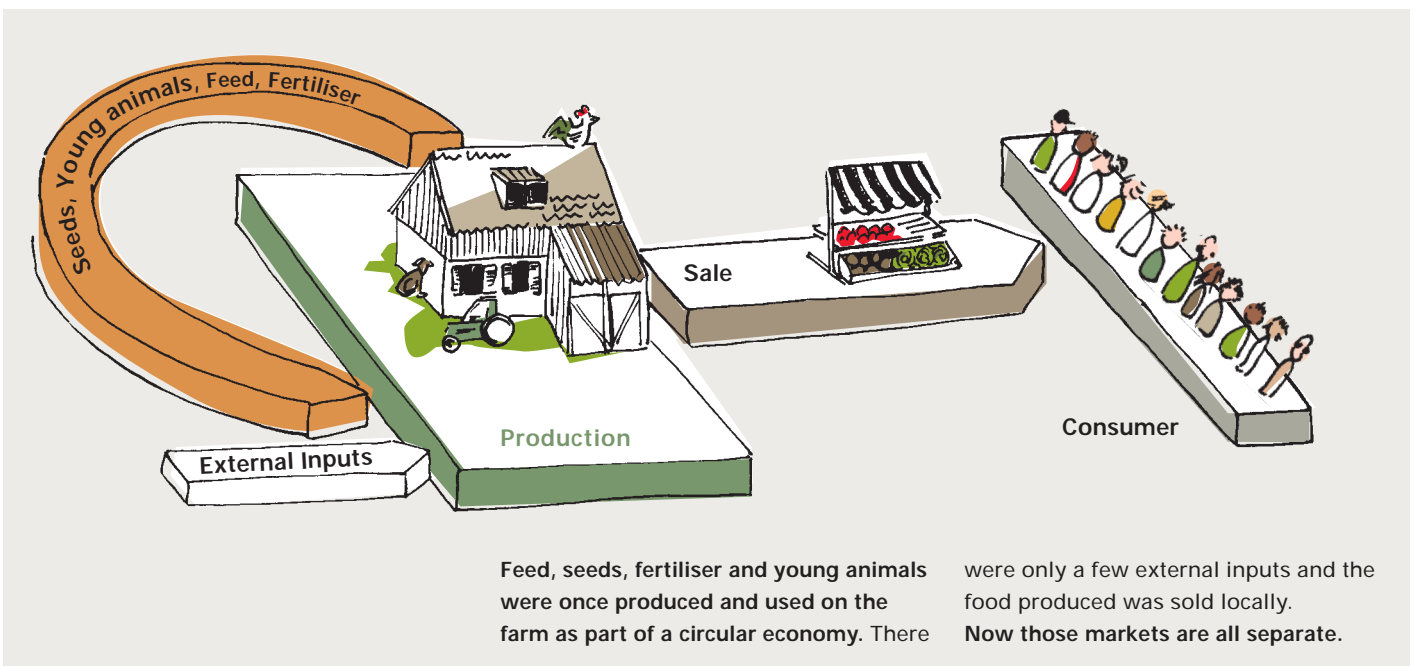
## Pesticides (p. 12)

Turnover volume of the sector: **US\$ 44 billion**

Market share of the TOP 11 corporations:

**Pesticide market leaders** also dominate the seed market.

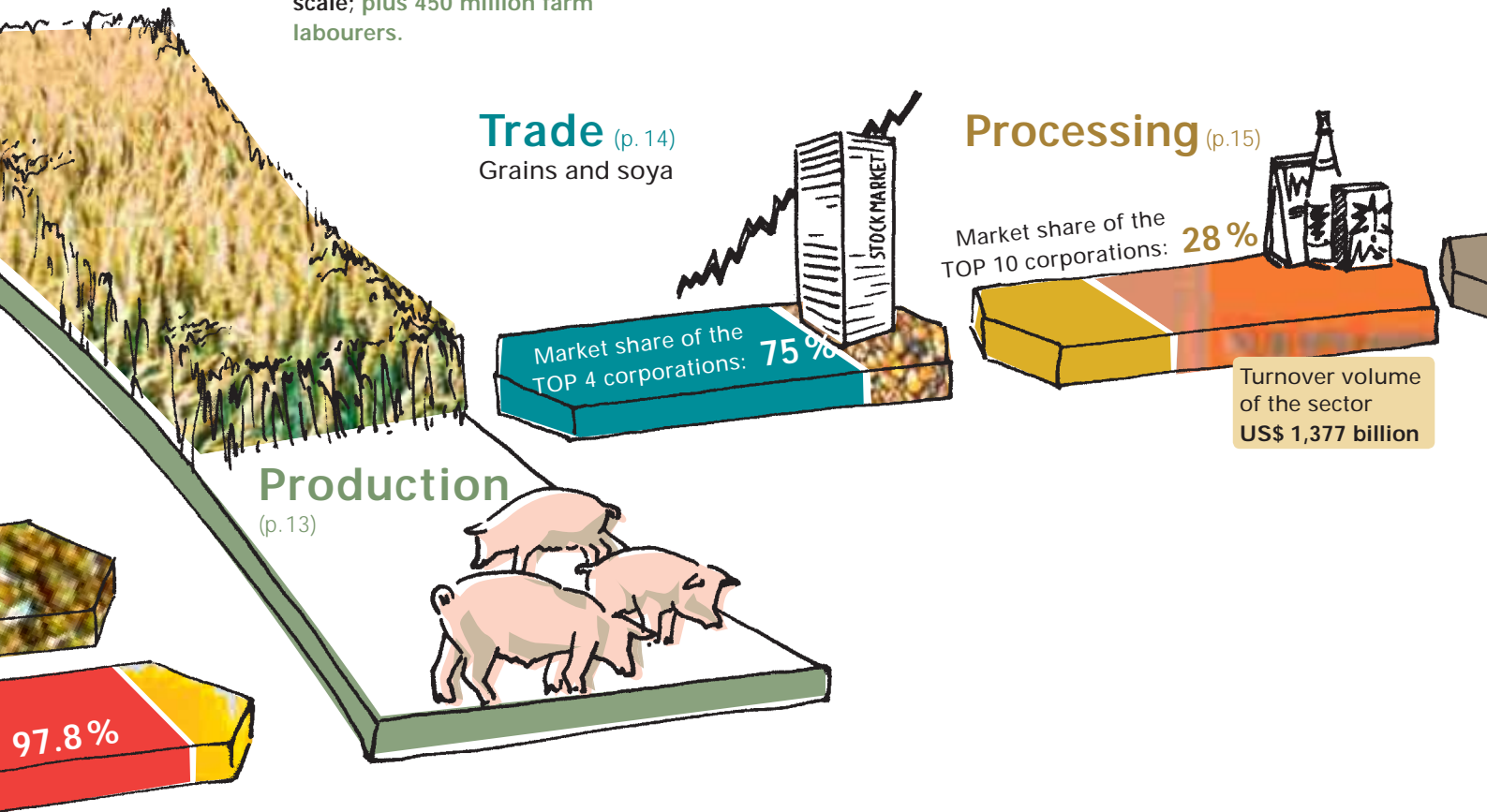
## "Traditional Farm"



Feed, seeds, fertiliser and young animals were once produced and used on the farm as part of a circular economy. There

were only a few external inputs and the food produced was sold locally. Now those markets are all separate.

There are about 1 billion farmers on around 450 million farms worldwide, of which 85% are small-scale; plus 450 million farm labourers.

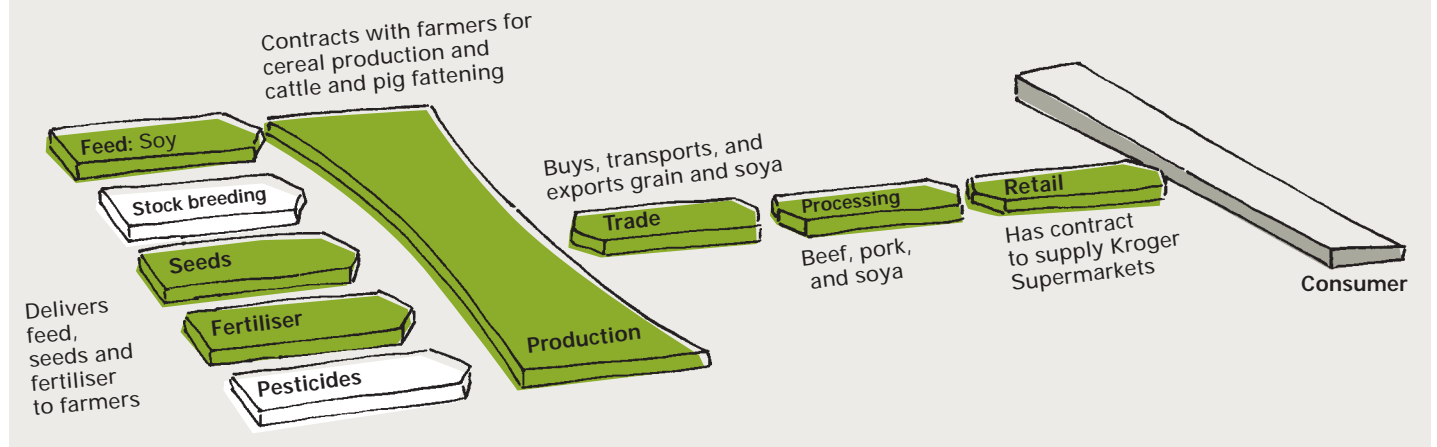


## Cargill: Example of vertical integration

### Market leaders enter other sectors.

Syngenta does not just produce pesticides and seeds, but also provides credit for vegetable production. The

biggest cereal trader Cargill extends credit to farmers, produces food and feed, trades in energy, stock exchange products, and much more.

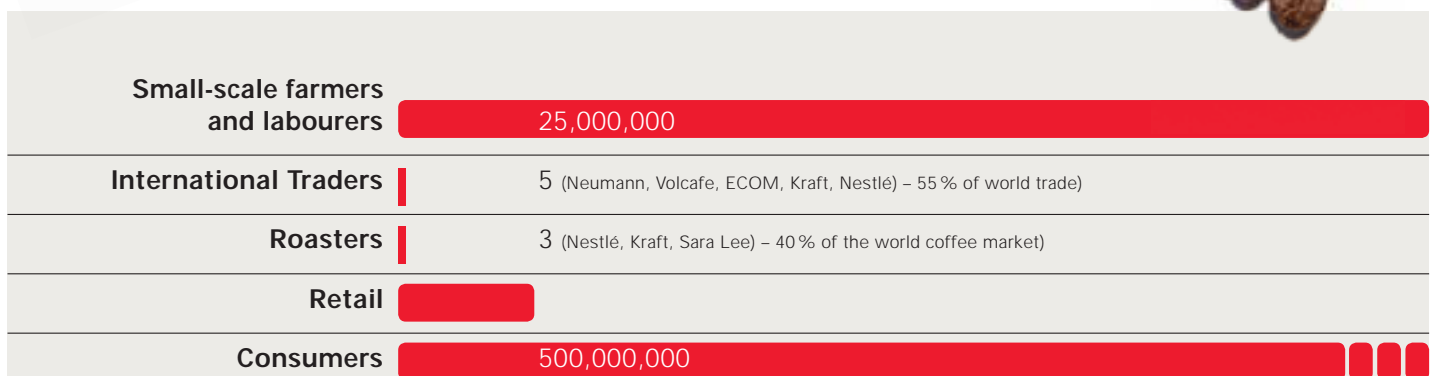




## Retail (p.16)

Despite having a small share of the global market **the biggest supermarket corporations are more powerful than many states.**

## The coffee value chain



**Around 25 million farmers produce coffee that is consumed by 500 million consumers. Just three companies roast 40% of the global coffee harvest and five companies trade in 55% of the coffee.**

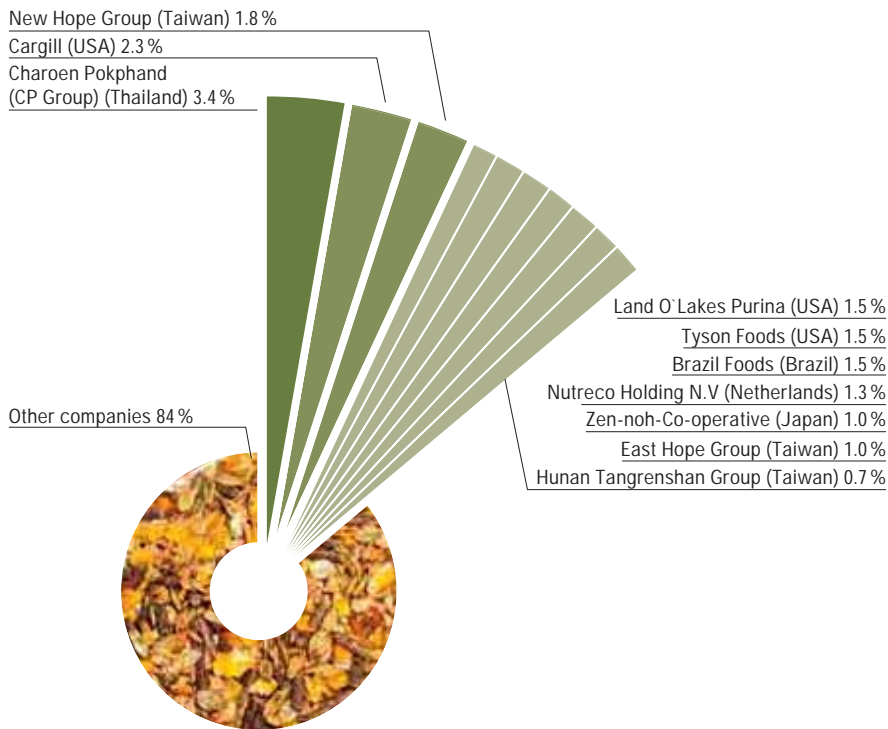
Nestlé already controls part of the coffee planting material. In Mexico, Thailand, in the Philippines, and in Indonesia, Nestlé has 16 million coffee bushes under contract farming. **By 2020, Nestlé wants to increase this to 220 million coffee bushes.**

Source: [www.nestle.com](http://www.nestle.com)

# Animal feed

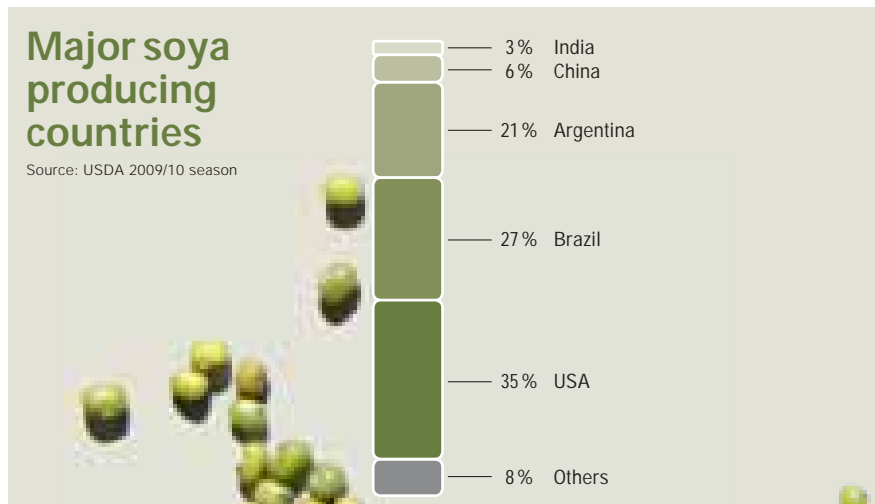
The ten largest feed manufacturers control by volume 16% of the world market. The feed giants are vertically integrated. Cargill, for example, is the world's largest buyer of agricultural commodities and Charoen Pokphand is the largest producer of meat and shrimp. Thus, they control large parts of the value chain. Furthermore, they develop and control markets for specialty feeds. For example, 90% of salmon feed is produced by only three companies: Skretting (belongs to Europe's largest feed manufacturer Nutreco); EWOS (owned by Cermaq), and BioMar. The feed manufacturers pass on price increases to the salmon producers via contracts.

## TOP 10 feed corporations



The feed market amounted to 870 million tonnes in 2011, worth US\$ 350 billion. The Top 10 had a share of around 16% in 2009.

Source: Feed International, Alltech Global Feed Survey, own calculations



Market leader *Charoen Pokphand* (CP Group) was founded in Bangkok in 1921 as a vegetable seed shop. In 1956, a feed mill was added, and in 1970, farmers were contracted for chicken fattening and export to Japan.

Pig fattening and shrimp production, supermarkets, fast-food chains and petrol stations followed. Today, CP Group is the largest food company in Asia and the world's largest feed manufacturer. The total turnover of CP Group amounts to US\$ 5 billion (2009). 30 years ago, the company was the first foreign investor in China and today owns 130 feed mills, representing a market share of 20%; and large facilities for chicken fattening and processing, fast-food restaurants, shopping malls, and motorcycle factories. In the value chains for shrimp, chicken and pork meat, CP Group leads the market in most Asian countries.

### Problems

Producing one kilogram of meat requires on average three kilos of grain and soya. These resources could feed an extra 3,5 billion people, according to the UN.

But growing consumption of industrial animal products requires ever more industrially produced feed. More than 90% of global soya-bean production goes into feed; with maize it is two thirds. Now soya is increasingly used in aquaculture. Feed production occupies one third of the earth's agricultural land and uses agrochemicals. Soyabean cultivation is linked to forest destruction, especially in South America.

Two thirds of nitrous oxide emissions, which remain more than 100 years in the atmosphere, and are particularly damaging to the climate, originate from concentrate feed-based industrialised livestock farming, while the less damaging methane is broken down after eight years. In contrast, with climate-friendly grazing, CO<sub>2</sub> is kept in the soil and hardly any nitrous oxide is produced.

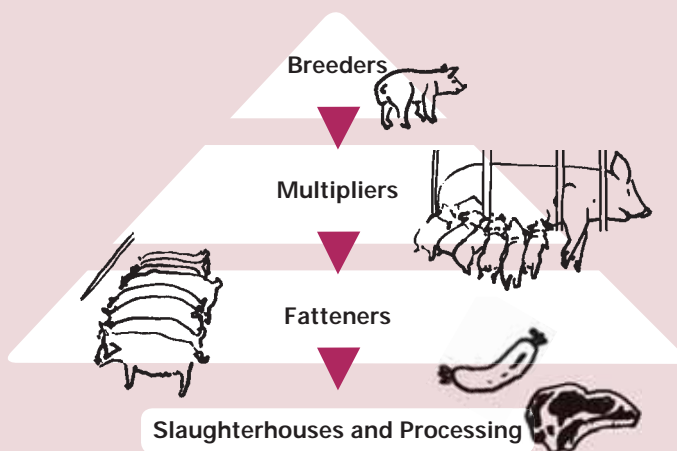
# Livestock breeding

With the development of biotechnology and the privatisation of public breeding institutions, a new industry has emerged, which does not describe its work as “cattle breeding” or “pig breeding” any longer, but as “livestock genetics”.

After the US seed corporation Pioneer developed hybrid maize, it also developed the hybrid chicken that grows bigger and faster. Thus, normal breeding could not compete any longer and chicken breeding, already highly concentrated, became more so.

Between 1989 and 2006, the world’s number of suppliers of poultry genetics in the broiler sector was reduced from eleven to four companies; in the laying hen sector from ten to three companies. Just three companies supply the world market for turkey genetics, and worldwide only two companies breed the ducklings and day-old chicks that are flown around the world packed in cartons for fattening and egg production factories.

## The pig fattening industry pyramid



Industrial pork production is divided into various stages. The breeders deliver young sows and the semen of hybrid (“terminal”) boars to the multiplier farm. These “closed systems” prevent further breeding by the multiplier farm and include eartags, which store the animal’s performance data and remain the property of the breeder. The multiplier farm sells the piglets to the fattening farm. Fattening is often contract-based production for processing companies. Increasingly, in-house veterinarians replace independent veterinarians.



**Market leader** The few remaining poultry genetics companies are run by families and do not publish business figures. In 2005, the world’s largest pig breeder and the world’s largest cattle breeder merged to form Genus plc (UK). In 2010, the company achieved a turnover of almost half a billion US\$. Genus has substantial market shares in almost all industrial countries and increases its profits through a licensing model. Thus, Genus generated 13% growth in profits while many of its customers made losses during the crisis in 2008/2009. The basis of the profit is the hybrid breeding of pigs. The multiplier farmers have to buy animals from the breeder continually. The corporation does not sell animals from the pure breeding strains which are crossed to produce the hybrids.

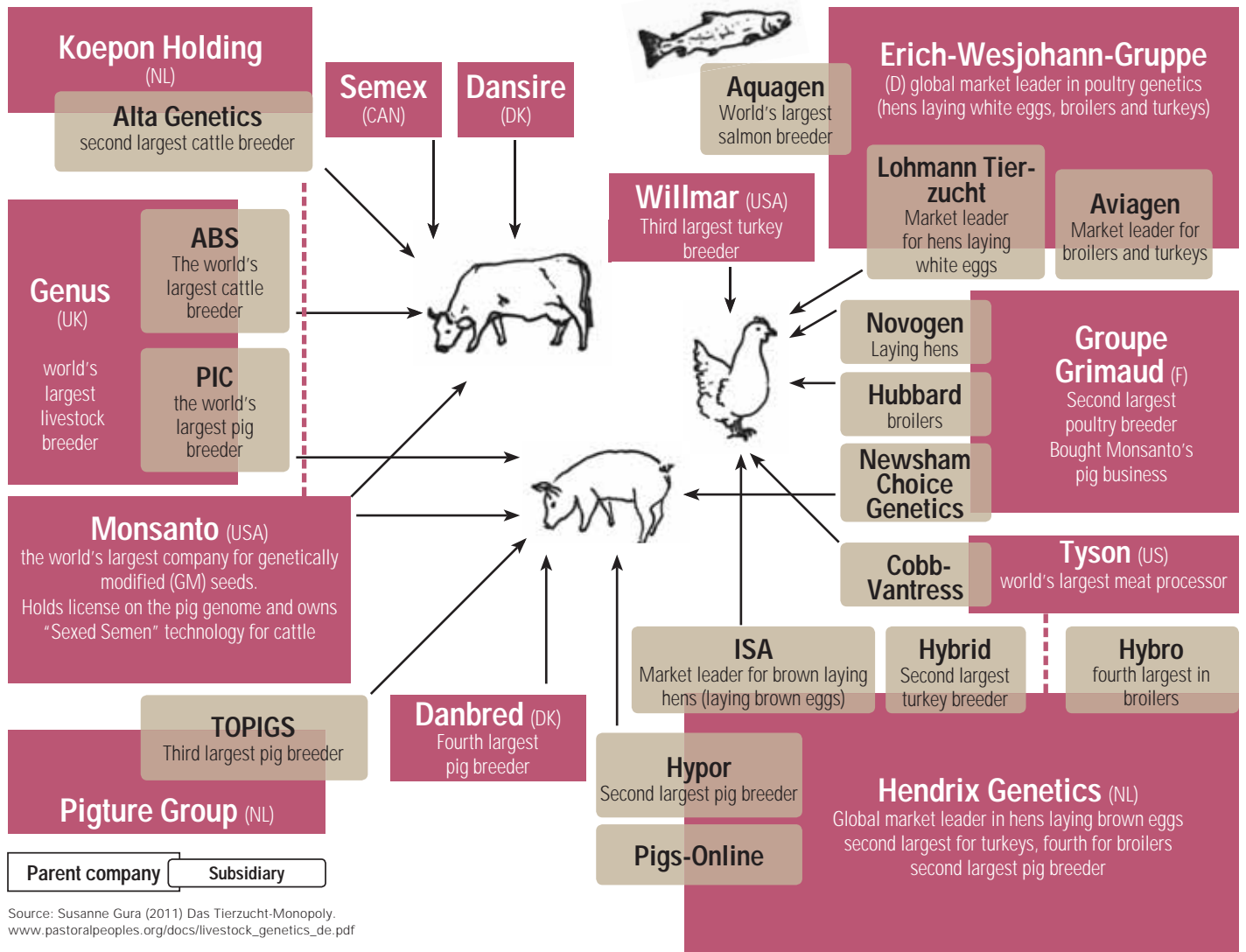
## Problems

Industrial lines of cattle, pigs and poultry are specially bred for concentrate feed and factory farming. Without concentrate feed and drugs they cannot reach the expected weight gain, milk or egg yield. This breeding for high yield frequently involves animal cruelty as the legs of the animals are often deformed due to insufficient exercise; bone growth cannot keep up with muscle growth, and the udder is chronically inflamed. A large proportion of poultry and pigs die before slaughter day. Cows have to be “replaced” after just two or three calvings.

The industrialisation and globalisation of animal production has drastically increased animal diseases: epidemics among animals cost around 17% of the animal industry’s turnover, while the costs in developing countries are estimated to be 35 to 50% of turnover. The World Bank estimated the costs of bird flu at US\$ 1.25 trillion worldwide, which corresponds to 3.1% of glob-

al GNP. The outbreak of SARS (Severe Acute Respiratory Syndrome) in 2002/03 in China, Hong Kong, Singapore and Canada cost between US\$ 30–50 billion. For fear of infection, factory farms are high-security installations. But “Biosecurity” is not secure. In Germany, one third of antibiotics sold are used in animal production, in China it is one half. In the US, where antibiotics are permitted to accelerate growth, eight times more antibiotics are used in factory farms than in hospitals. The consequences are ever more antibiotic resistant bacteria and increasing numbers of people whose infections cannot be cured with antibiotics any more. The World Health Organisation (WHO) says this is one of the most serious threats for human health. Fluoroquinolones, among the most frequently used antibiotics, have therefore been banned from poultry production in the US. However its producer Bayer increased global sales of “Baytril” by 11% in 2010.

# Livestock genetics



Almost unnoticed by the public, animal breeding has been converted into a highly concentrated biotech-based industry. The biggest corporations control the genetics

of several livestock species. The chemical corporation Monsanto, already the world's largest seed producer, has entered the lucrative business of animal genetics.

### Lost diversity

With the concentration of breeding companies, the number of breeding lines on the market is drastically

reduced and the animals are more and more similar genetically. A single breeding cock may have up to 28 million descendants, a breeding bull up to 1 million. With regard to cat-

tle and pigs, the genes of many millions of animals have an "effective population size", as geneticists say, of fewer than 100 animals. The corresponding figure for poultry is

confidential business information held by the four remaining chicken breeders. Just two dozen breeding lines are available. Most of the genetic diversity has been irretrievably lost.

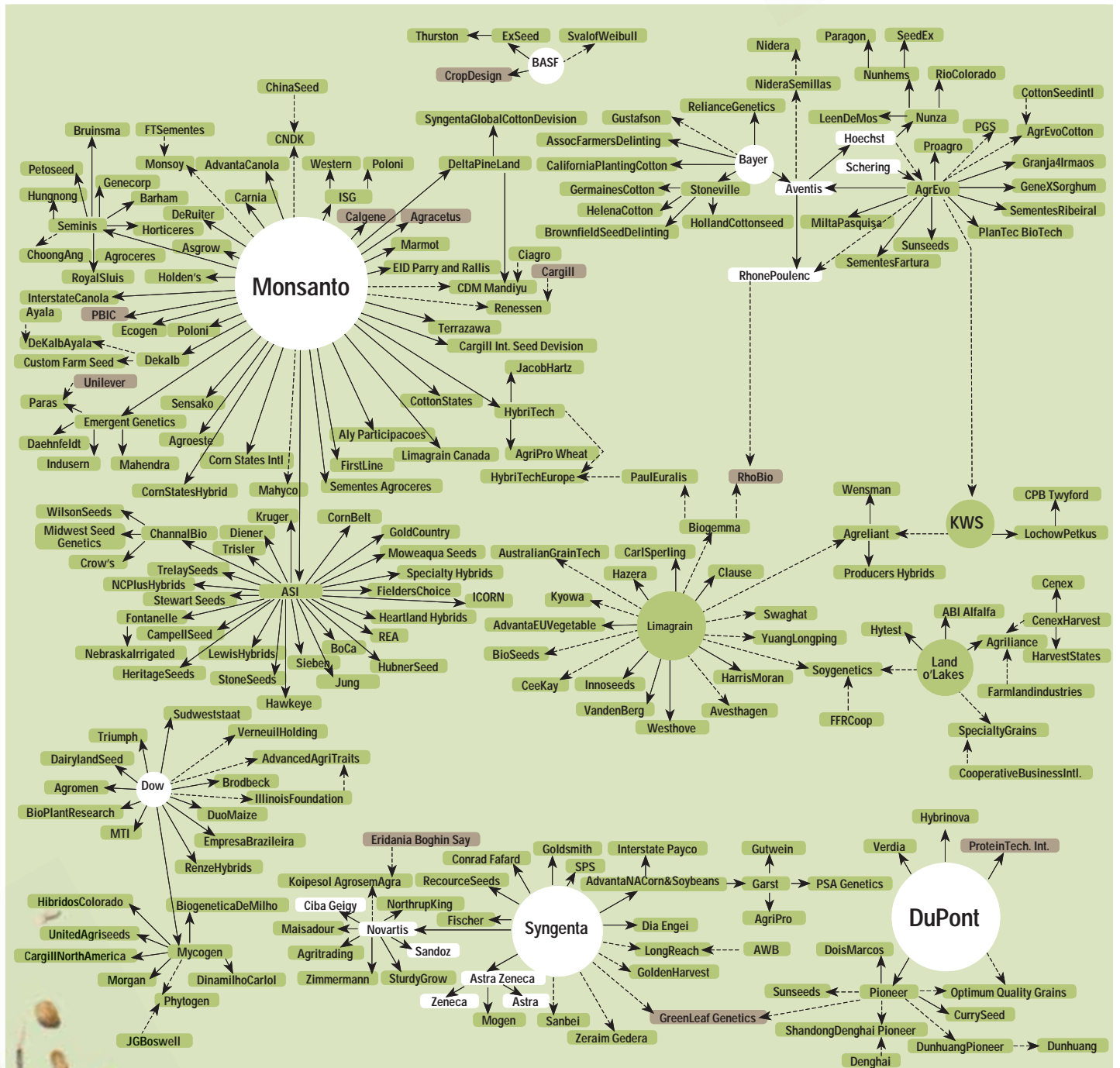


Seeds

# Who owns whom in the seed market?

The following diagram documents the strong consolidation of the seed market between 1996 and 2008 as well as the numerous links between the dominant companies. The most successful companies have either acquired or invested in more than 200 other companies during this period.

Source: Philip H. Howard, www.mdpi.com/journal/sustainability, 2009



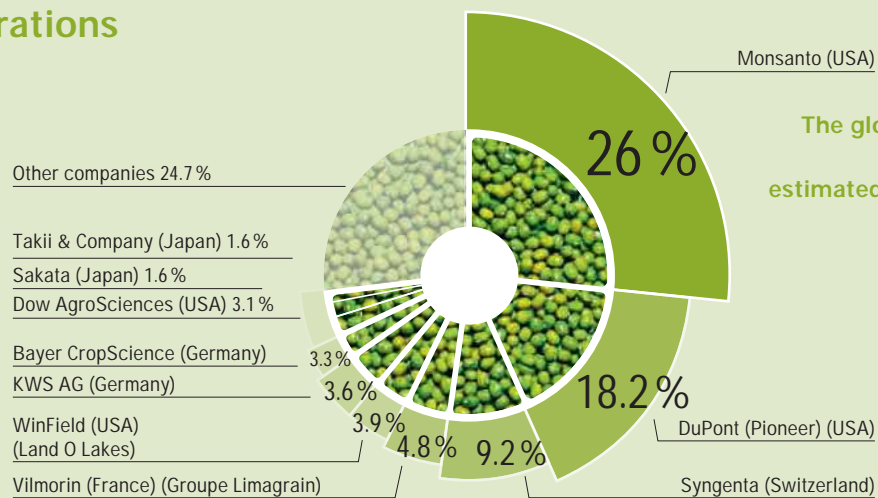
- Seed corporation
- Pharmaceutical/Chemical corporation
- Other corporation
- Full ownership
- Partial ownership
- Size in proportion to global seed market share

# Seeds

The global commercial seed market is growing rapidly and has become highly concentrated over the last twenty years. Global production is now dominated by a handful of companies. This oligopoly is the result of countless mergers and acquisitions (see diagram). For sugar beet, the market share of the three biggest seed producers is 90%, for maize 57% and for soya beans 55%. Another sobering fact is that the top 3 are all leaders in the pesticide market as well, with an obvious interest in promoting the use of their pesticides. Farmers are forced to buy seeds each year because of the increase in hybrid seeds, which do not reproduce reliably and so are not

worth saving for the next sowing season, and because of intellectual property rights on seeds, which prohibit the saving of seeds and seed exchange between farmers. In Tanzania, 90% of seeds are still produced by farmers, while in Switzerland less than 10% of wheat seeds are produced by farmers. In Europe, five companies (Monsanto, Dupont, Syngenta, BASF and Bayer) own half the patents on plants. In May 2012, Pioneer Hi-Bred gained permission to acquire South Africa's last major independent seed company, Pannar seed. By doing so Pioneer has gained control of the locally adapted germplasm that was developed by small farmers over centuries.

## TOP 10 seed corporations



The global proprietary seed market is estimated to be US\$ 34.5 billion for 2011.

Source: ETC Group 2013

## Loss of diversity of varieties

In the Philippines, over 3,000 rice varieties were grown before the Green Revolution in the 1960s. Twenty years

later, there were only two rice varieties on 98% of the Philippine total planted area. The worldwide erosion of

diversity is massive. An estimated 75% of all crop plant varieties were irretrievably lost in the 20th century.

### Problems

The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) identified the following problems arising from concentration:

- Concentration to a handful of suppliers leads to concentration in research, and the development of only a few varieties of seeds.
- Concentration impedes market entry for new companies.
- The anti-competitive effect can lead to a massive increase of seed prices. For example, prices for cotton seed have increased by three or four times since genetically modified (GM) cotton was introduced in the U.S. and there was a substantial increase in prices in developing countries as well.

MONSANTO  
imagine™



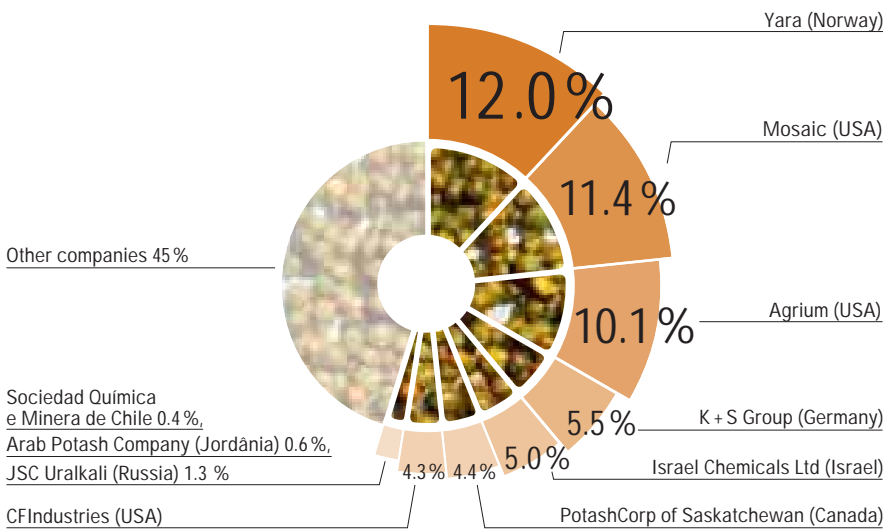
**Market leader** Monsanto was founded in the USA in 1901. Its first product was the artificial sweetener saccharin. The company then developed into one of the biggest chemical producers in the U.S. and began pesticide production after World War II. Monsanto's dioxin-contaminated herbicide Agent Orange caused millions of cases of poisoning when used by the US troops as a defoliant during the Vietnam War. In 1976, Monsanto launched the herbicide glyphosate, which rapidly became the company's most important source of revenue and the world's best-selling herbicide.

Monsanto began its seed production in the 1980s and developed genetically modified (GM) soya, which tolerates Monsanto's own herbicide Roundup (glyphosate). Today, Monsanto controls 90% of the GM seed market. In just a few years, countless takeovers (see diagram) made Monsanto the world's biggest seed producer. Through the acquisition of Seminis, the world's biggest producer of vegetable seeds for US\$ 1.4 billion in 2005, Monsanto became the global market leader for vegetable seeds as well.

# Fertilisers

Between 1996 and 2008, the fertiliser market grew by 31% due to rising production of feed and agrofuels. The Top 10 of the fertiliser industry had a market share of around 55% in 2009. However, major acquisitions and reorganisation occurred following the decline in sales during the 2008 banking crisis and the subsequent recovery. In 2010, around 100 million tons of nitrogen, 39 million tons of phosphate and almost 30 million tons of potassium were applied. Yet the use of leguminous cover crops could replace the synthetic nitrogen fertilisers currently in use in the developing world.

## TOP 10 fertiliser corporations



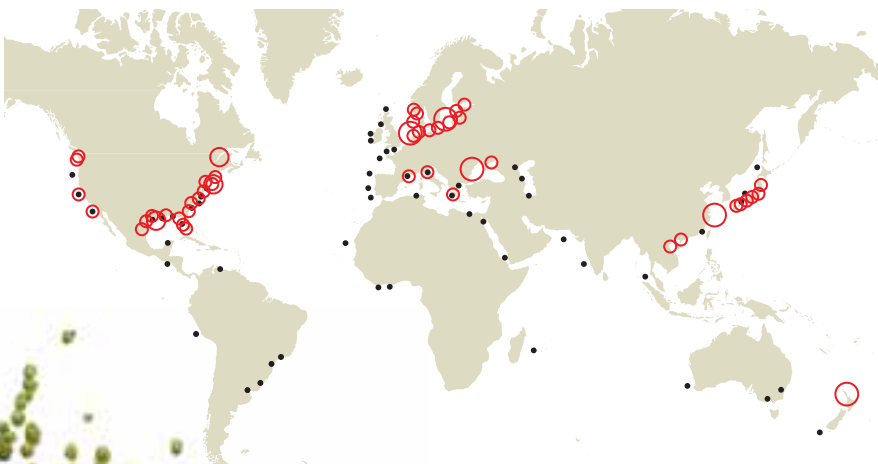
The Top 10 in the fertiliser industry had a market share of around 55% in 2009.

Sources: websites of corporations

## Marine life wiped out due to over-use of fertiliser

In 2008, the journal "Science" reported that around the globe about 400 coastal regions, covering an area equal to the size of the UK, were dead because of fertiliser run-off and oxygen deficiency.

Areas where deep water layers contain insufficient oxygen for marine life to survive. Red zones are areas with many dead zones. Black dots show individual dead zones of unknown size.



Source: NASA Earth Observatory and Wikipedia



Market leader Yara is the world largest fertiliser producer and trader. Furthermore, it also produces CO<sub>2</sub> and nitrogen products for the explosives industry. Yara operates in 50 countries, has around 7600 employees, and posted revenues of US\$ 10.8 billion in 2009. Its head office is in Oslo; the Norwegian state is the biggest shareholder. Between 2006 and 2009, Yara bought up seven other companies. Yara also promotes the development of chemical-intensive industrial agriculture in Africa.

### Problems

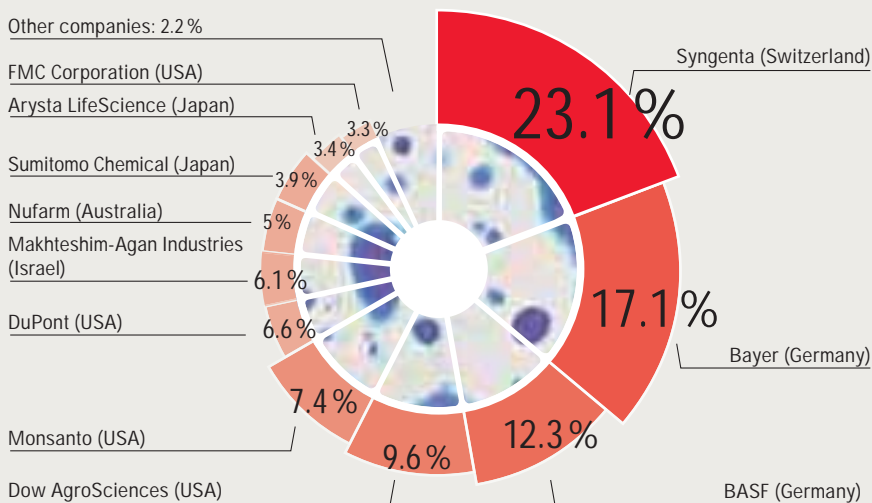
- *Phosphate becomes scarce:* While in the past, phosphates were returned to the fields via animal (and human) excreta, today mostly chemical fertilisers are used. This means that global phosphate deposits are being heavily exploited so they will last only for a few decades.
- *Fertilisers damage eco-systems:* Only a small part of the nitrogen from artificial fertilisers reaches the plants – the largest part contaminates soil and water. But many plant species do not tolerate over-fertilization and therefore disappear from ecosystems. Over-fertilised water bodies also lack oxygen, which many aquatic organisms need.
- *Fertilisers damage the climate:* Animals ingest nitrogen as proteins in their diet but utilise them very poorly and excrete much of the nitrogen. It is emitted to the atmosphere mainly in the form of nitrous oxide that is broken down very slowly and is highly damaging to the climate. Excessive livestock farming became possible only with chemical fertiliser. Its production currently constitutes 2% of worldwide oil consumption.
- *Politicians say little about artificial fertilisers as a climate problem because many think that without them there would be more hungry people.* However, the projected world population of 9 billion in 2050 could be fed if meat consumption was lower. Excessive meat consumption and agrofuels are the main new causes of hunger, in addition to poverty.

# Pesticides

Agrochemical corporations have shaped industrial farming for decades. Because pests develop resistance to the chemicals, new pesticides need to be developed continuously or several pesticides need to be applied in different combinations. The corporations neglect ecological methods in their research or even force them out of the market. With their entry into the seed industry the chemical giants be-

gan to produce seeds that depend on chemicals: genetically engineered to tolerate pesticides (here herbicides), or high-input varieties dependent on both fertilisers and pesticides – thus ensuring continuous sales. The ten largest producers control 95% of the market. The market leaders Syngenta, Bayer, and BASF each distribute more than 50 active ingredients that are classified as highly hazardous.

## TOP 11 pesticide corporations



**Total turnover of pesticides is estimated to be US\$ 44 billion. In 2011, the market share of the Top 10 was 95% (and 98% for the Top 11).**

Source: ETC Group 2013

### Problems

Millions of farmers and agricultural workers are poisoned by pesticides every year – around 40,000 of them fatally. The number of unreported cases is high, and medical care is often missing. Poisoning mainly occurs in developing countries where pesticide users cannot protect themselves appropriately, and where products are sold that have been banned in the North for many years.

Besides acute poisoning cases, there are also long-term impacts. Many pesticides are endocrine disruptors, carcinogenic, or accumulate in fatty tissue.

Furthermore, pesticides are the most widespread means of suicide. Every year, 370,000 people commit suicide using pesticides – especially in rural areas of developing countries, often due to indebtedness following purchase of agricultural inputs.

Pesticides also have tremendous adverse impacts on the environment. Current bee deaths are one example. But birds, mammals, and soils are affected too. Fertilisers and pesticides



**Market leader** Syngenta was established in 2000 by the merger of the agribusiness sections of Novartis (CH) and Astra-Zeneca (UK/S). With its headquarters in Basel, Syngenta is the world's largest agrochemical corporation. It employs more than 26 000 people in 90 countries. In 2011, it achieved a turnover of US\$ 13.3 billion, of which 77% came from the sale of pesticides. The history of Syngenta and its predecessor companies (Ciba-Geigy, Sandoz, Novartis, ICI, Zeneca) is full of toxicity scandals. Geigy introduced DDT to the market in 1942. The carcinogenic and hormone-disrupting product was a big success as an insecticide but has claimed countless victims. Even today, this persistent pollutant can be detected in the blood of many people. In the early 1980s EvB (Berne Declaration) campaigned against chlordimeform, the carcinogenic pesticide from Ciba-Geigy. Children working in the fields in Egypt were sprayed with it. Chlordimeform was banned in 1988. Syngenta also sells the herbicide paraquat. While the product was banned long ago in the EU and Switzerland, it is responsible for most poisonings and many suicides among agricultural workers in countries like Costa Rica or Burkina Faso. Unions and NGOs have demanded since 2002 that it be phased out.

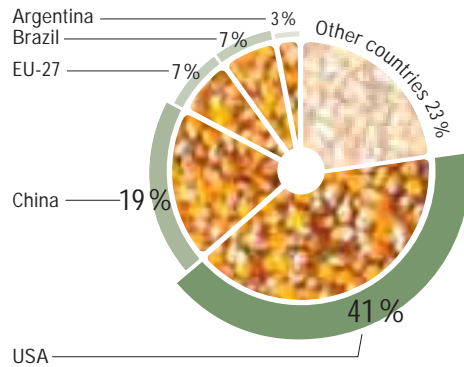
strongly contribute to worldwide soil erosion and depletion: soil organisms that build up humus or organic matter and soil structure are decimated by chemicals.

Unused and improperly disposed of pesticides also cause problems. Around 200,000 tons of pesticide waste has accumulated worldwide over the last thirty years.

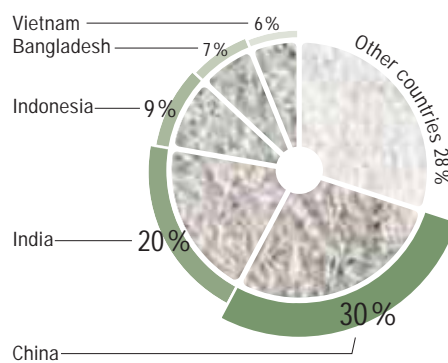
In 2011 the Permanent Peoples' Tribunal, that since 1979 has drawn attention to human rights violations, held the six largest pesticide producers responsible for massive and systematic human rights violations. The Tribunal also accuses Switzerland, Germany and the US of not adequately regulating the power of the pesticide corporations.

# Food production

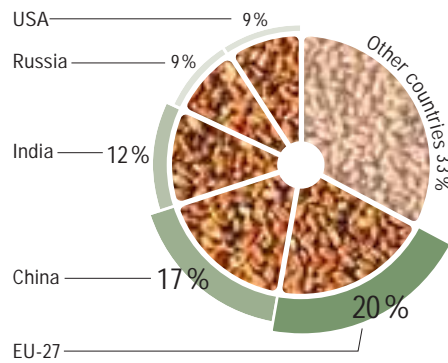
## Maize



## Rice



## Wheat



The U.S. is the largest producer of maize and soybeans, the EU of wheat, and China of rice. Maize has now become the most important agricultural product, ahead of both wheat and rice. In the U.S., more than one third of maize production is used for producing ethanol as agrofuel. Around 2% of global fuel supplies come from maize, sugar cane, and palm oil.

Source: USDA 2009/10 season

### Problems

132 million or 70% of all working children worldwide work in agriculture. The application of pesticides and carrying of heavy loads endanger their health.

In South America, 14 million people are exposed to the adverse effects of plantation farming, especially of soybeans. Small-scale farming families are often violently evicted from their lands. They are frequently exposed to pesticide spraying and the consequences are diseases and birth defects. Palm oil plantations in Indonesia displace small-scale farmers, just as agrofuel plantations do in other regions like Africa or South America. Small-scale farming families often cannot enforce recognition of their land rights against powerful investors.

Half of the world's population live in rural areas. They generate well over half of their income from agriculture. 85% of the world's approximately 450 million farms are small-scale. These produce around half of all our food.

An estimated 450 million labourers work on industrial plantations and farms. The big farms are increasingly held by banks or other big companies, which provide credit to farmers for seeds, agrochemicals, young animals, and feed.

With rising agricultural prices, the interest of investors is growing rapidly. Every year, an area the size of France is sold or leased to foreign investors. This land grabbing particularly affects Africa.



### The main producers

La Via Campesina is the largest international movement of peasants, small and medium-scale farmers, landless people, women farmers, indigenous people, migrants and agricultural workers. The 148 member organisations with about 200 million members come from 69 countries. Their common goals are social justice, food sovereignty, small-scale sustainable agriculture, and preservation of nature and the environment, especially of land, water, and seeds. According to the UK newspaper "The Guardian", its General Co-ordinator Henry Saragih is among the 50 people who could save the planet.

Further information at [www.viacampesina.org](http://www.viacampesina.org).

Demand from abroad: The EU has set an agrofuel target of 10% by 2020 for transport fuels for all EU members. Some 40 countries worldwide have now set similar targets for 2020. Many countries are also turning to biomass for electricity production.

An essential element of the value chain is contract farming where farmers produce on credit and thus sell the produce to corporations in advance at a price set by the corporation. Contract farming usually dictates production methods, thus replacing traditional cultivation methods. However, little data on contract farming is available as producers are usually obliged to keep the content of the contracts secret.

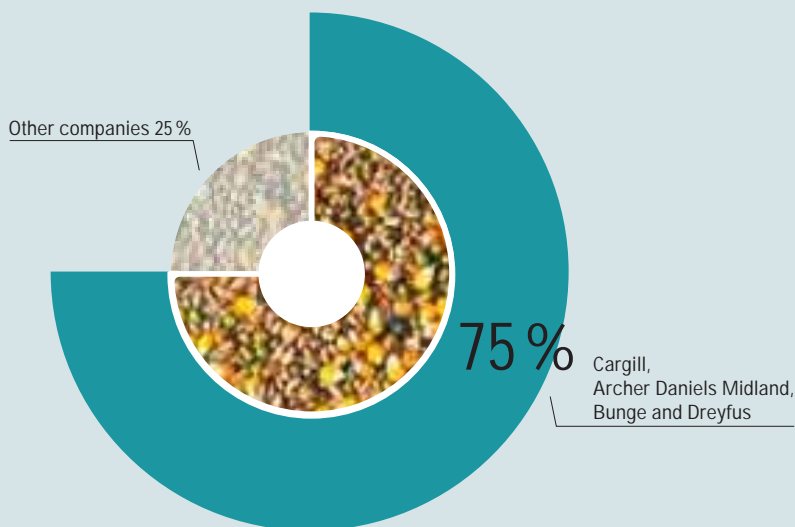
# Trade in grains and soya

Four grain and soya traders – Archer Daniels Midland, Bunge, Cargill and Dreyfus – control around 75% of the world market. In 2004, they bought 75% of the maize harvest, 62% of the wheat, and 80% of the soya harvest; in many regions there is only one single trader.

Through joint ventures (e.g. Cargill with Monsanto, Bunge with DuPont) the trade corporations extend their grip on the value chain to the seed and pesticide sectors.

The growth of global meat production provides huge profits for the soya and grain trade. China's massive soya and maize purchases and the droughts in Russia and Argentina in 2010 caused price fluctuations from which the trade giants profited. In the second half of 2010 alone, the value of Bunge shares increased by 30%. Agrofuel targets in the EU, US and other regions expand their trading opportunities further.

## TOP 4 trade corporations



### Problems

*Starving peasants and children in forced labour:* The biggest purchasers of agricultural commodities are responsible for hunger among many small farmers. Small farmers are forced out of the market above all by the pricing policy of corporations. For example, many Brazilian farmers are indebted to Bunge; Bunge thus has a claim on their harvest and land.

UN Special Rapporteur on the Right to Food, Olivier de Schutter, denounces the pricing pressure: low producer prices lead to deteriorating social conditions. He calls on states to prevent unfair practices of trade companies and to remove market imbalances.



1. **Cargill** is the world's biggest grain trader and controls large parts of the grain export from North and South America, including the corresponding storage and freight companies as well as port facilities. Cargill supplies food producers and retailers with intermediate and final products for the food and energy sector. The Swiss subsidiary Cargill International in Geneva is the sixth largest company in Switzerland. It contributes one fifth to sales of the whole group. It also trades carbon credits, from which pig fattening facilities profit. One of them, in Mexico, is considered to be the origin of the swine flu in 2009.



2. **Archer Daniels Midland Company (ADM)** ADM operates more than 270 production sites with 27,000 employees in more than 60 countries. Grain and oilseeds are processed to intermediate products for food, drinks, industrial products, and feed. ADM is one of the largest producer of soybean meal, soybean oil, palm oil, ethanol, fructose syrup, and baking flours.



3. **Bunge** is the world's largest soya trader; it also trades in grains and fertiliser. Recently, it became the largest buyer of sugar cane and producer of ethanol in Brazil. In some countries like Vietnam, Bunge is the only soya processor.



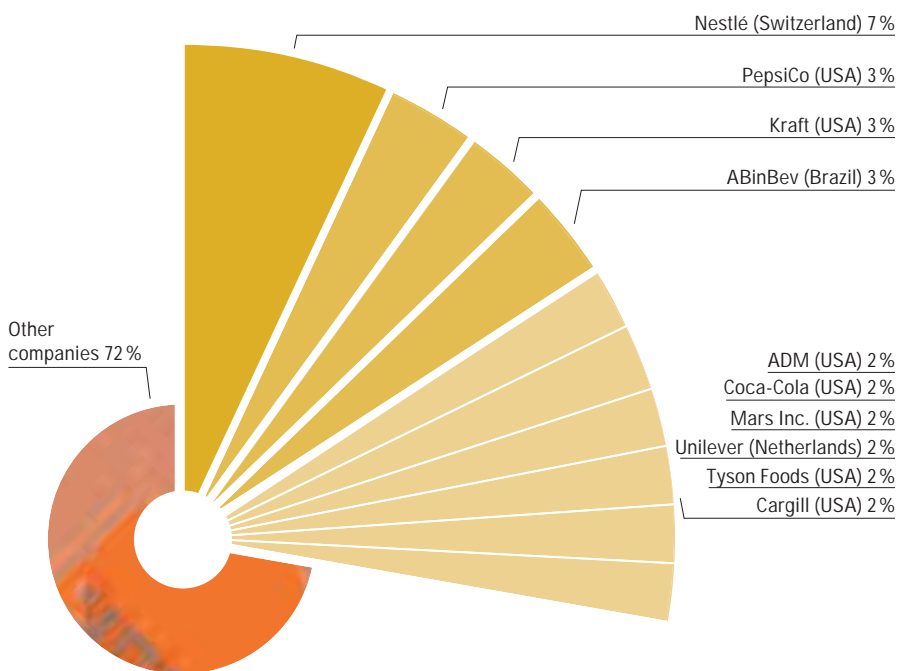
4. **Louis Dreyfus** is the world's largest trader in cotton and rice, the second largest in both sugar processing and agrofuel trading, the third largest trader of wheat, maize, sugar, and orange juice, the fifth largest trader of oilseeds; furthermore, it trades in freight, metals, financial products, natural gas, coal, petrochemicals, energy, and real estate.

**Geneva**, the world's capital of agricultural trade: one third of the world trade with grains and oilseeds takes place through the Geneva sections of international companies like Cargill International, Bunge Europe or Dreyfus Commodities. Increasingly, these trading companies are also involved in speculative transactions.

# Food processing

The market share of the ten top-selling food processors amounted to 28% of the total volume in 2009. With profits ranging from around 15% to 20% for drink producers, the profit margins are among the highest in the food chain. The large food corporations make their huge profits particularly by focusing on the expanding middle-classes in emerging economies like Brazil, China, India, and Indonesia as well as the market segment of expensive branded goods. During the banking crisis they grew mainly through company acquisitions. The latest big deals were the acquisition of the British chocolate market leader Cadbury by Kraft Foods in 2010, and Nestlé's acquisition of Pfizer Nutrition for US\$ 11 billion, subject to approval by competition control authorities.

## TOP 10 in food processing



The total sales of the sector are estimated to be US\$ 1,378 billion, of which the top 10 have a share of 28%.

Source: Leatherhead Food Research, ETCGroup 2011, own calculations



**Market leader** Nestlé SA based in Vevey, Switzerland, is the world's largest food corporation with a turnover of US\$ 103 billion. Its milk products, soft drinks, sweets, convenience foods, pet food, and health products are sold in almost all countries of the world. Nestlé controls about 60% of the market for baby food in Latin America, and in Brazil up to 91% of the milk powder market. Besides unethical advertising for baby food, Nestlé promotes its cereals through box-top tokens for free books for UK schools. Nestlé is criticised for using GM ingredients, for its purchasing policies for cocoa and coffee, for repression of trade unionists in Colombia, and for demanding an excessively high compensation payment for the nationalisation of a Nestlé subsidiary during a famine in Ethiopia.

**Around 600,000 farmers in 80 countries are contracted by Nestlé.**

## Problems

The processing corporations exploit their power to the detriment of producers. The South African competition authority has accused several milk processors of price fixing. These companies had also forced the farmers with contracts to deliver them their total milk production. In Brazil, Nestlé and Parmalat have purchased the farmers' milk cooperatives and thus did not leave the farmers any alternative outlet.

In China, Nestlé persuaded the government that girls grow taller if they consume milk. A school milk programme then prepared the ground for the milk industry. Since then, the milk sector in China – a country that until recently consumed the far more climate friendly soya milk – is expanding rapidly. A large proportion of milk is imported due to fear of melamine, an adulteration scandal that led to the deaths of babies in 2007.

Extremely bad working conditions prevail in meat processing. In the U.S. it is the most dangerous factory job, according to Human Rights Watch. Furthermore, wages are low, trade unions are usually not tolerated, and the rights of immigrants are violated. Tyson Foods Inc., the world's largest meat processor, has been accused of such working conditions for many years.

The processors must take far more responsibility for conditions in the supply chain. This includes the duty to respect human rights throughout the value chain, as well as to avoid a negative impact on the environment.

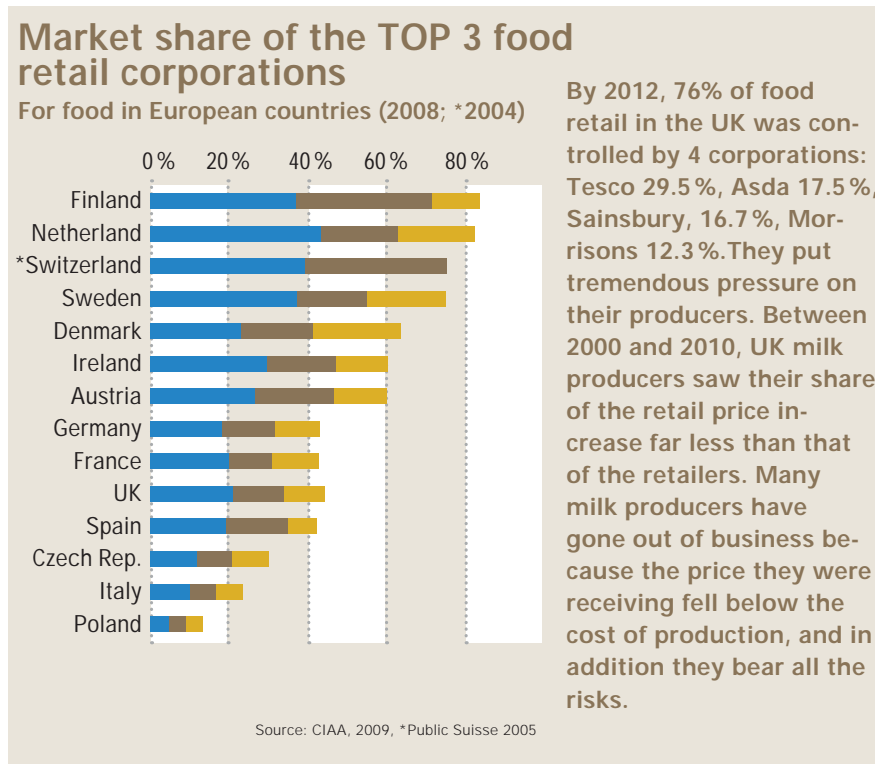
## Nestlé brands sold in UK

Aero // Bakers // Buxton // Caramac // Carnation // Crunch // Decaff // Dolce Gusto // Everyday // Felix // Go Cat // Herta // Jenny Craig // Kit Kat // LionBar // Maggi // Milkybar // Munchies // Nescafé // Nestlé Professional // Pure Life // Purina // Quality Street // Shreddies // Ski // Smarties // Super Premium // Walnut Whip // Yorkie

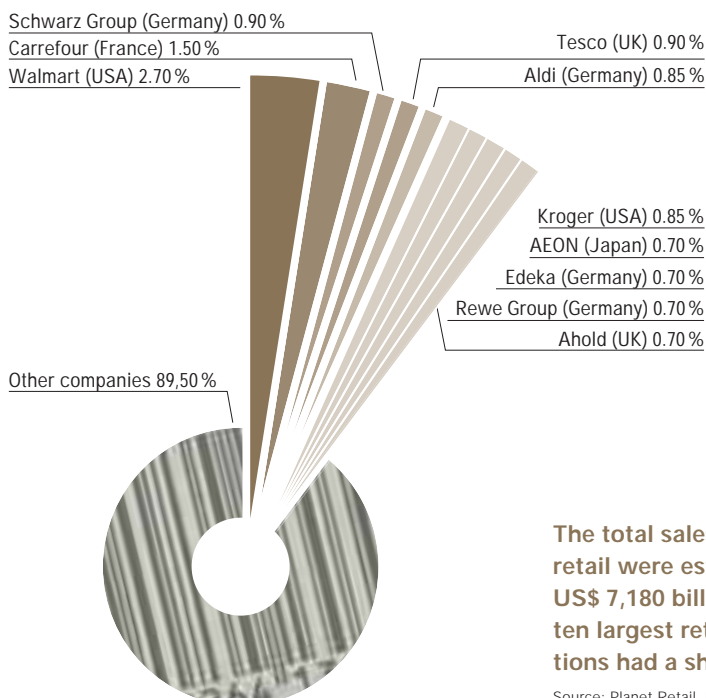
# Food retail

In retail, global market shares are much lower than in other sectors. But national market shares and the sheer volume of their sales – Walmart is the world's largest corporation – mean the retail corporations have major market power.

While in 2004 the hundred largest supermarket corporations had a 24% share of global food retail sales, by 2007 it had risen to 35%.



## TOP 10 supermarket corporations



## Problems

The most powerful retail corporations often put suppliers under pressure. Unfair purchase practices include retroactive changes to conditions, fees for putting products on their lists and on their shelves, threats of delisting, or restricting levels of business with competing retailers.

Concentration in both industrial and emerging countries/markets has advanced greatly, particularly in developing countries. In India, where small retailers prevail and wholesale is organised by the state, the retail corporations want to increase their market share from 3 to 20%; Metro in particular is very ambitious. The downside of this privatisation and concentration is already visible: many illiterate people lose their jobs, suppliers are under price pressure, labour laws are ignored, women face discrimination. In Korea, Walmart and Carrefour were punished for unfair trade practices; both had to publicise their abuse in newspaper ads.

Source: Marita Wiggerthale / Oxfam (2009); Zur Kasse bitte



**Market leader** Walmart Stores from Bentonville, Arkansas, is the world's largest food retailer, at the top of the list of company revenues with ExxonMobil, Royal Dutch Shell, and BP. They all had bigger revenues than the gross national product (GNP) of Sweden, which was number 33 on the list of GNP for around 180 countries, including most developing countries. Walmart employs 2.1 million people worldwide. In 2009, the turnover amounted to US\$ 408 billion. At US\$ 23 billion, profits were by 5.1% higher than in the previous year.

Walmart exerts downward pressure on prices for suppliers and pays low wages. In the U.S., opposition to Walmart is growing, because wherever Walmart opens its supermarkets, the standard of living is being eroded. Uninsured workplaces replace insured ones; more and more people become dependent on social welfare despite working, and community tax revenues fall.



# What has to change?



## 1. Countries to introduce more effective measures to prevent oligopolies.

Market power as such is not prevented by competition laws, only misuse of market power is punishable. And competition laws focus, first and foremost, on consumer prices; The anti-cartel authorities rarely investigate the abuse of market power against suppliers.

Although mergers and acquisitions of big corporations are subject to approval by anti-cartel authorities, present thresholds may not be adequate to address market dominance. The contracts in contract farming should be checked. Abusive practices in purchase, trade, and advertising should be stopped. Consumer associations in many countries are weak and do not currently have the right to go to court.

## 2. Public subsidies to be transparent and encourage sustainable agriculture.

Subsidies usually benefit large companies. Furthermore, many subsidies support industrial agriculture with all its negative social and environmental impacts. With its agriculture policy and ecological direct payments, Switzerland is one of the countries moving in the right direction.

## 3. International regulation to punish human rights violations by corporations.

The right to food is stipulated in international agreements and is monitored by the UN Commission on Human Rights. However, it is not currently possible for the United Nations to prevent or to punish corporations in the food sector for violations of the right to food. Appropriate

instruments must be created so that corporations can be controlled both internationally and nationally and can be held accountable.

## 4. Food sovereignty to be supported.

Trade policy rules must allow countries to protect their local markets from dumping by big export nations. Investment agreements should be transparent, and clauses that allow corporations to sue countries for breaking them should not be permitted. Sustainable regional food production, trade, and processing should be protected and promoted.

## 5. The influence of corporations on politics and administration to be reduced.

Corporations should not be able to influence trade, research, and agricultural policies according to their interests. To this end, policy-making and administration should be shielded from corporate influence. "Revolving door" personnel changes between corporations and public administration should be prevented.

## 6. Responsible companies as part of the solution.

Genuinely responsible companies would provide transparent information about their price policy and supply chains, and would show how profits are distributed along the supply chain. They would observe international social and environmental standards and refrain from lobbying that puts corporate interests above the common good.

### As a consumer – what can I do?

For consumers, it is almost impossible to keep track of the value chain of our food. In 2010, EvB (Berne Declaration) asked Swiss retailers, whether they knew which seeds were used to produce the fruits and vegetables in their range of products: they all said no. If even the supermarkets do not know about the food's origin, how can consumers make informed decisions? Therefore, what is needed first is more informa-

tion and transparency on the chain of custody from seed to plate.

### Of course, we can do something now:



– Ask retail personnel repeatedly about the origin, supply chain, and the social and environmental background of the products;



– Demand more transparency with letters to the management and requests in suggestion boxes;



– Buy seasonal and regional products at local markets and directly from producers;



– Choose fair trade and organic products;



– Avoid the brands of big companies.

What applies to the single consumer of course applies to purchasers in administrations and private companies as well.



Seeds, young animals, feed, fertiliser – all things that used to be produced on the farm itself, are today separate sectors of the industrialised and globalised food value chain. This also includes trade, processing and selling of foodstuffs. The most vulnerable in this chain are those who cultivate and produce these foods: the farmers. Small-scale farmers in the Global South come under great pressure through horizontal and vertical integration (concentration) in food production. Their right to food can be violated in many ways: by patents on seeds, expulsion from land, unfair working conditions or prices, or the squeezing out of informal markets.

This fact sheet documents the processes of concentration in food production and shows how, with corporate concentration, a few major global companies have increasing powers to dictate prices, conditions, and in some cases even government policies.

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