

# Implementing Sustainability and Corporate Social Responsibility in Fruit and Vegetable Chains in Germany

Dr. Johannes Simons

# Sustainability and Corporate Social Responsibility: An abstract concept

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Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.\*

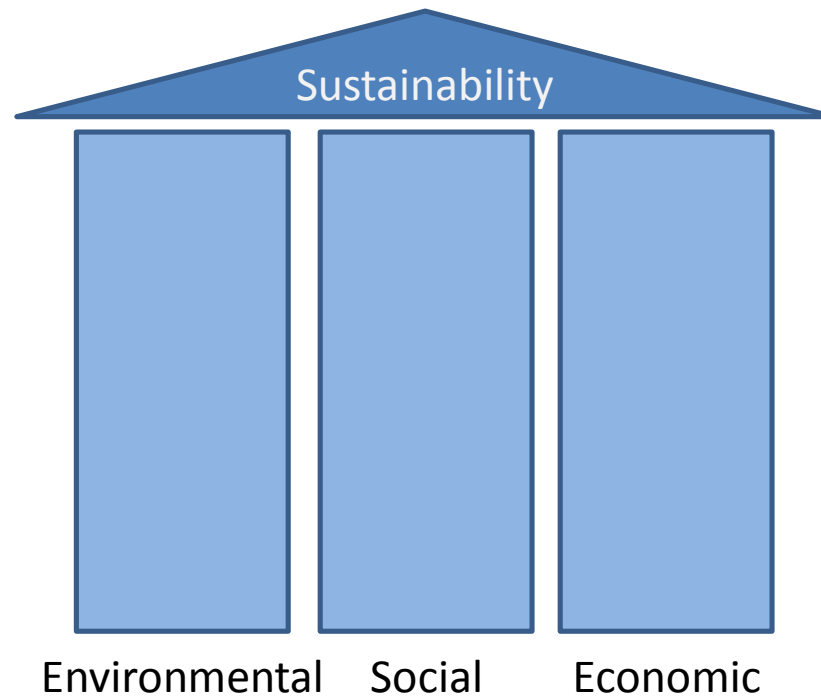
Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment.\*\*

\* Our Common Future ('Brundtland report') (21 May 1987) by Gro Brundtland, Mansour Khalid, Susanna Agnelli, et al.

\* \* COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS (COM(2011) 681 final)

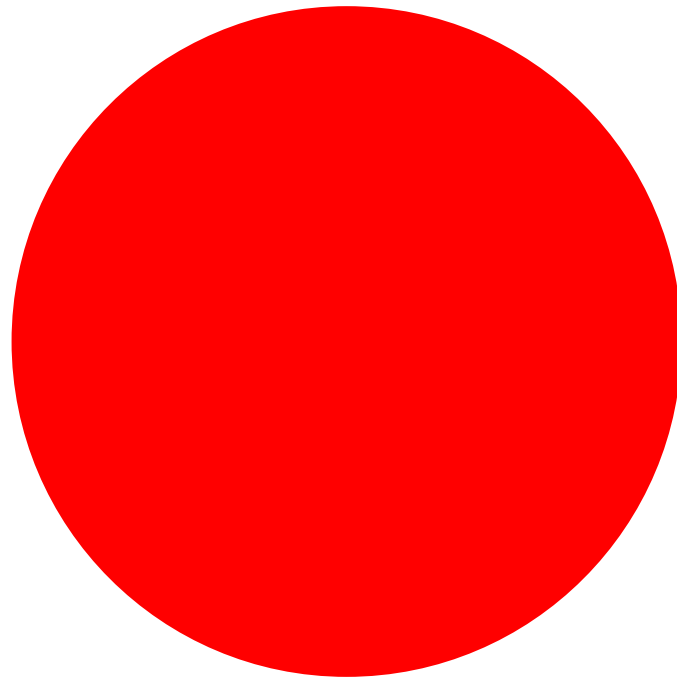
# Corporate Social Responsibility: Closely related to Sustainability

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# Action based on Hot Spot Analysis

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## The final slide first

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Highly saturated food markets, high concentration on the level of retailers and a lack of brands are the relevant background for implementing Corporate Social Responsibility and Sustainability into the fruit and vegetable chains.

Non governmental organisations enforce sustainable development by blaming retailers and thus drive them to action.

Retailers adjust their assortment by

- Establishing private standards,
- Using third party labels,
- Listing more sustainable products,
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To manage their reputation, retailers find themselves in a sustainability competition and are controlled by NGOs.

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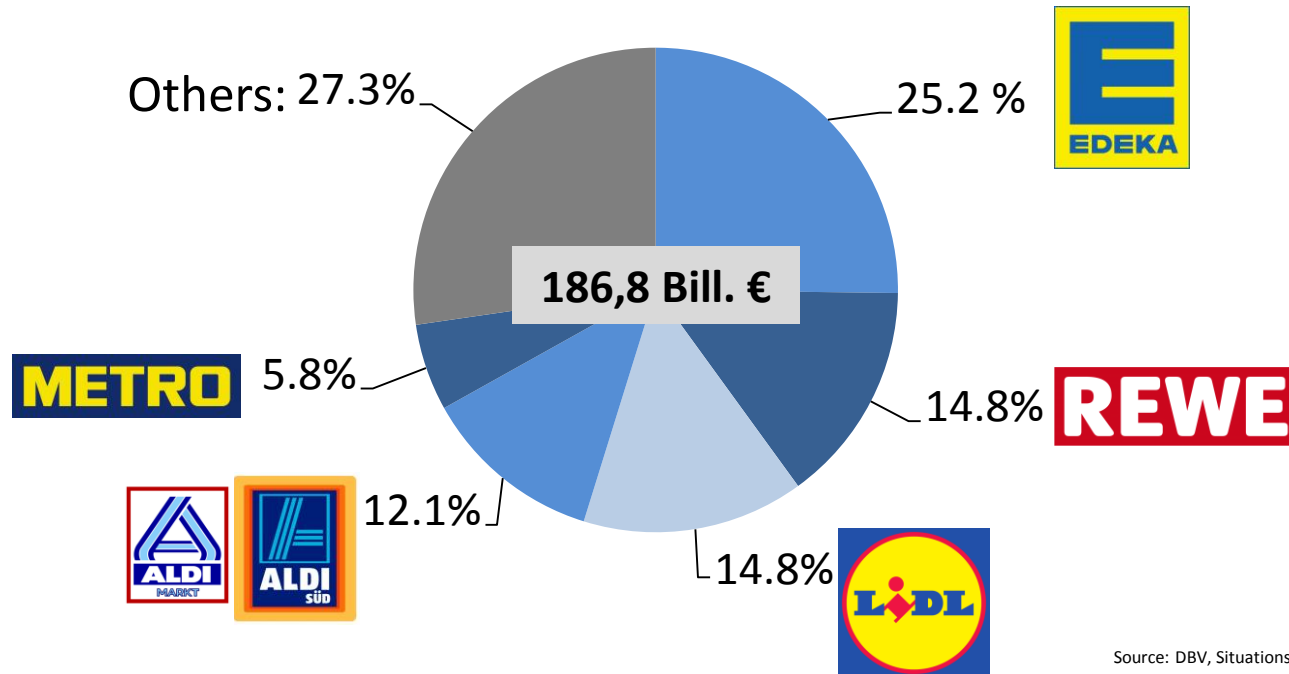
### Bothering consumers in a paradisiacal environment?

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- CSR is important for consumers.
- Consumers have little knowledge and can hardly recognise responsible behaviour.
- Products tell little information about CSR to customers.
- In purchase decisions CSR seems to be of minor relevance.

Background:  
Food retailing in Germany is highly concentrated.

## MARKET SHARE OF RETAILER COMPANIES IN FOOD TURNOVER (2014)



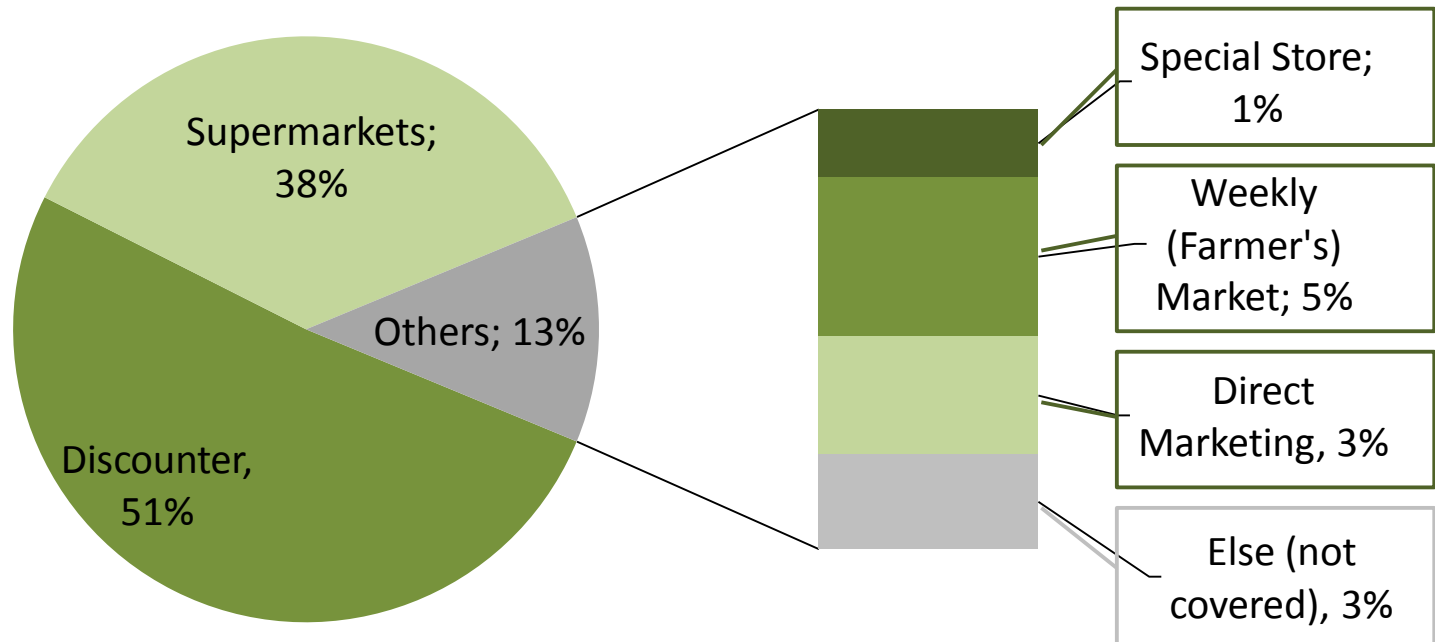
Source: DBV, Situationsbericht 2015/16



## Background:

Discounters hold about 50 % market share in overall retailers' sales volumes of fresh fruit and vegetables.

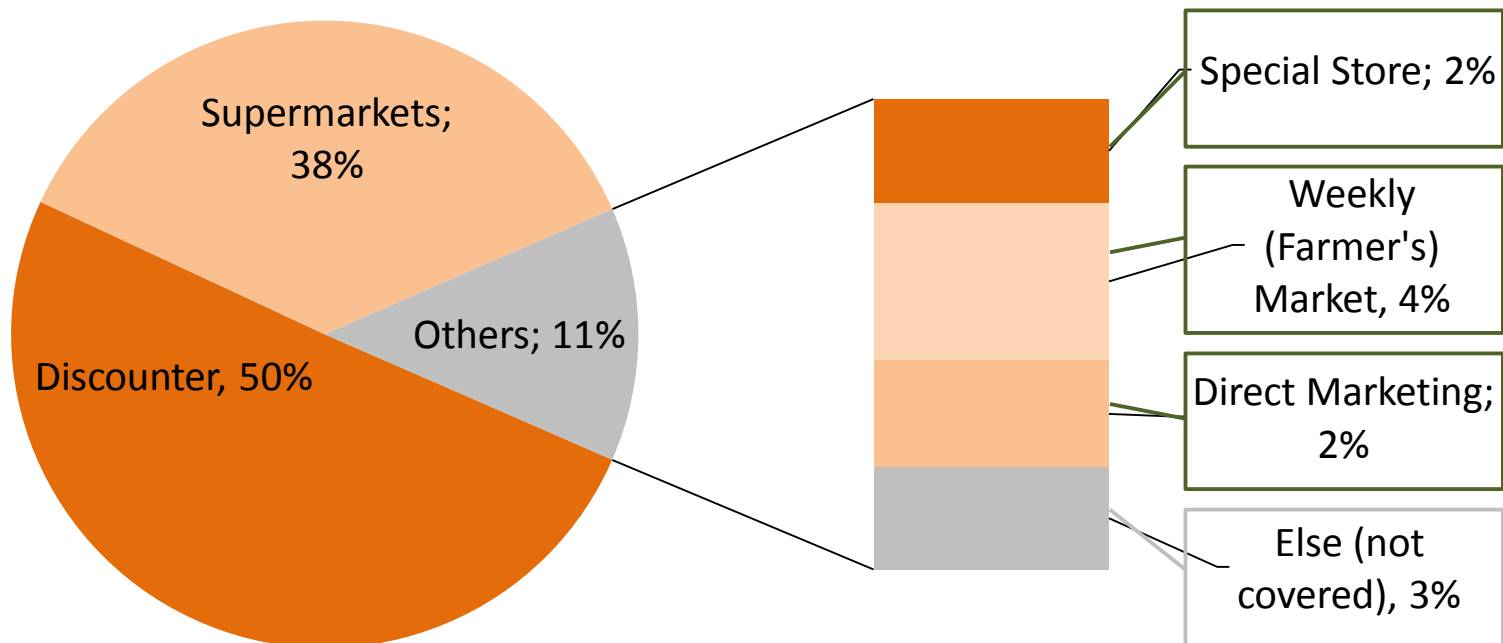
### MARKET SHARE DIFFERENT RETAILER FORMATS IN OVERALL RETAILER SALES VOLUME OF FRESH VEGETABLES (VOLUME 2015)



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### MARKET SHARE DIFFERENT RETAILER FORMATS IN OVERALL RETAILER SALES VOLUME OF FRESH FRUITS (VOLUME, 2015)



# Retailers are the focal enterprises in the fruit and vegetable value chain.

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- In the saturated German food market retailers are the gatekeeper.
- There are only a few strong brands in the fresh fruit and vegetable market.

**PUSH AND NOT PULL STRATEGIES!**

# CSR is used by retailers as a risk- and reputation management tool.

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- There is strong competition among Germany's food retailers.
- Quality and food safety level is high in Germany.
- Retailers mainly compete on prices and assortment.
- Price entry levels are the same for all retailers.
- Willingness to pay for CSR or sustainability is low in purchase situations.
- Shopping facilities are supposed to be selected because of their image.

**BUT: RETAILERS DO NOT WANT TO BE BLAMED OF NOT ACTING RESPONSIBLE.**

# The final slide in between

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# NGOs and media are regarded as the driving force for CSR in Germany.

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- NGOs have the power to blame retailers.
- NGOs act on behalf of consumers.
- Even if consumers do not understand much about CSR and sustainability, they trust NGOs.

# How does it work in the German market? An example on residues in salad:

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A credible institution communicates with impressive pictures e.g. sprayings of vegetables

# How does it work in the German market? NGOs blame retailers and not wholesalers or producers!





# How does it work in the German market?

## Legal standards have little relevance for NGOs.

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Categories of “Stiftung Warentest” for residue load from pesticides:

- **Not loaded:**  
No pesticides detected
- **Very slightly loaded:**  
Pesticides only detectable in traces
- **Slightly loaded:**  
Detected pesticides far below legal standard
- **Considerably loaded:**  
Residues of one or more pesticides more than 50% of legal standard
- **Strongly loaded:**  
More than legal standard

# The influential consumer organisation “Stiftung Warentest” complements its product tests by a CSR test.

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# How does it work in the German market?

## Consequences for the fruit and vegetable markets in Germany:

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- Retailers define and set relevant private standards.

*EDEKA accepts a maximum residue level of 70 % of the legal standard. The requirements for EDEKA's owned private labels (EDEKA Rio Grande" or „EDEKA Gärtners Beste“) are even stricter: the residues are limited to 50% of the legal level.\**

- Private standards are much stricter than the legal ones.
- Retailers have different private standards.
- Retailers are not prevented by the WTO framework to set standards above the Codex Alimentarius standard.
- Retailers can enforce the standards.

\* [http://www.edeka-verbund.de/Unternehmen/de/verantwortung/produkte\\_1/qualitaetssicherung/qualitaetssicherung.jsp](http://www.edeka-verbund.de/Unternehmen/de/verantwortung/produkte_1/qualitaetssicherung/qualitaetssicherung.jsp), last vist 14.10.2014. Own Translation

# Private standards are stricter than legal standards: The results of NGO activities.

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Quelle:

[http://www.bvl.bund.de/SharedDocs/Downloads/07\\_Bundesamt/Veranstaltungen/symposium\\_2010\\_vortrag\\_bruegger.pdf?\\_\\_blob=publicationFile](http://www.bvl.bund.de/SharedDocs/Downloads/07_Bundesamt/Veranstaltungen/symposium_2010_vortrag_bruegger.pdf?__blob=publicationFile)

# Stricter and differentiated private standards have significant consequences for fruit and vegetable value chains.

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- Different residues standards in different value chains
- High demands regarding the organisation of the sector
  - Less flexibility
  - Adjusted plant protection strategies depending on retailer
  - Higher risk compared to public standards
  - Development of resistances

## STRESS FIELD BETWEEN COOPERATION AND COMPETITION

# Reactions of German retailers: Increasing private standards for companies and the whole sector.

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- Increasing energy efficiency
- Making the assortment more sustainable
- Telling stories about sustainability activities

# Uniform private standard: Banning of cage eggs by all retailers.

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## ANIMAL WELFARE: NO CAGE HEN EGGS IN GERMAN SUPERMARKETS NO MORE

### Eggs in shell:

- Ban of eggs from cage hens starting in 2004
- Leading role of discounter
- Remaining retailers followed

### Eggs processed in products:

Presently lots of activities to substitute eggs from enriched cages



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# In Germany a lot of labels refer to Sustainability and CSR.

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- Labels address different aspects of sustainability
  - Environment
  - Social conditions in developing countries
  - Organic production
  - Local production

**A SIMPLE CHOICE: LOCAL AND ORGANIC PRODUCTS ARE SUPPOSED TO BE SUSTAINABLE**

# Achieving Sustainability and CSR: Discounter at the forefront

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GEN-OVER activity of one of the two relevant discounter

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# There is a high level of competition in the market of CSR products.

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- Willingness to pay for CSR is limited to a small market segment.
- In the relevant market segment there is high level of competition.
- Companies with a CSR strategy compete in the respective segment.
- Retailers try to improve the CSR level of their private labels.

**IT IS DIFFICULT TO GET A PAYOFF FROM SUSTAINABILITY ACTIVITIES!**

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# EDEKA approach:Co-operation with WWF

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## **120 CRITERIA FOR BANANAS REGARDING 7 FIELDS OF ACTION**

- Ecosystems / biodiversity
- Water management
- Plant protection
- Soil management
- Climate protection
- Waste management
- Social conditions

- Fish and seafood
- Wood/paper/tissue
- Palm oil
- Soybeans
- Fresh water
- Climate
- Packaging

# Pro Planet: A prominent examples to make value chains more sustainable

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PLEASE FIND IN THE WEB BY GOOGLING PRO PLANET



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# The fundamental uncertainty: Company mission or green washing?

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## THE RSPO EXAMPLE

However, a multitude of studies prove that even certified enterprises comply to the criteria of RSPO insufficiently or not at all. This is caused by poor monitoring and a lack of effective sanctions.

Regardless its weakness the RSOP so far is the only relevant instrument offering a qualitative standard for evaluating palm oil production.

Voge, A.-K and Hutz-Adams, F. 2014: Nachhaltiges Palmöl – Anspruch oder Wirklichkeit? Potenziale und Grenzen des Roundtable on Sustainable Palm Oil (RSPO). Own translation.

One decisive trigger for social compliance:

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**BLAMING PRO PLANET FOR NOT COMPLYING WITH SOCIAL EXPECTATIONS**

# The coverage of GRASP

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- A signed self-declaration for maintaining human rights and good social practice
- Worker and employee representation
- Written employment contracts for all workers on the farm
- Workers' access to National Labour Regulations
- A complaints handling procedure set up within the production facilities
- A proper time recording system that shows working hours and overtime
- Transparent and accurate records for regular wage payments
- Access to schooling for all the children living on the farm
- .....

# Global GAP GRASP is easy to implement as it is based on an established system.

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GlobalGAP GRASP is

- build on a wide spread certification system
- easy to implement
- a first possible step to fulfil the requirement of (low level) responsible behaviour

# BSCI Standard is of special relevance for processing companies

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# Company mission or green washing

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There is a basic problem in all those labels: They delude customers by pretending environmental and social friendly production. Thus they help to legitimate and perpetuate excessive and global resource consumption.

Klaus Schenck, Rainforest Rescue, cited in: Rat für Nachhaltige Entwicklung Nachhaltiges Palmöl boomt, Zertifizierung ist umstritten. Online available: <http://www.nachhaltigkeitsrat.de/news-nachhaltigkeit/2014/2014-06-19/nachhaltiges-palmoel-boomt-zertifizierung-ist-umstritten/> , last visit 14.10.2014

# The main problem: How to enforce a standard?

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A comprehensive monitoring and auditing system is necessary.  
By now: poor monitoring and sanctions.



# The scope of action for German retailers is limited by the competitive environment.

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Even if German retailers want to facilitate CSR in food chains they have to take into account

- Consumers' (un)willingness to pay
- The reactions of competitors
- The commitment of their own staff
- The members of the cooperative (EDEKA, REWE ....)

## And finally the final slide first

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# Thank you!

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