



Agricultural Commodity Traders in Switzerland – Benefitting from Misery?

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Executive Summary

Switzerland is not only home to the world's largest oil and mineral traders; it is also a significant trading hub for agricultural commodities such as coffee, cocoa, sugar, or grains. The majority of globally significant agricultural traders are either based here or operate important trading branches in the country. The sector is highly concentrated with ever fewer powerful companies who also control the production and processing stages of the industry. In low-income countries, where many of the commodities traded by Swiss-based companies are produced, human rights violations are omnipresent, ranging from the lack of living wages and incomes, to forced and child labour as well as occupational health and safety hazards. Moreover, the risk of tax dodging and corruption has been shown to be particularly high within agricultural production and trade. This report sheds light on the opaque sector of agricultural commodity trade and the human rights violations related to activities in this business. The report also highlights Switzerland's refusal to regulate the sector in ways that could address these issues, and it outlines ways to tackle the challenges at hand.

Population growth, rising income levels and urbanisation are driving up demand for food. Growing demand for meat and agro-fuels leads to an even greater increase in the production of agricultural commodities such as soy, corn, and sugar. These developments have put in motion a structural transformation of the global agro-food system accelerated by technological progress and facilitated by economic policies biased towards free trade and an export-led development model. In recent years, take-overs, joint ventures and mergers have led to fewer multinational companies dominating different stages of agricultural value chains. Today, a small number of powerful actors control large parts of our entire agro-food system. In addition, many companies have come to exert considerable control over the production stage.

SEVERE HUMAN RIGHTS VIOLATIONS

Production increases in the agricultural sector have led to a downward trend in food prices, however the transformation of the global agro-food system has spectacularly failed to eradicate malnutrition and hunger worldwide. Furthermore, agricultural producers and other people eking out a living from agriculture have suffered enormously under the depressed food prices and in many cases are deprived of a decent living. Many of the crops

destined for the world market, such as cocoa, coffee, or cotton, are produced in low-income countries, where the agricultural sector provides work for a significant proportion of the population. At the same time, human rights violations are widespread in the production of agricultural commodities, particularly in the Global South. Farmers can barely meet their basic needs with their income and workers can hardly survive on their wages. While poverty wages are a fundamental issue, a myriad of other problems are commonplace, including forced and child labour, health issues due to the use of pesticides, the destruction of livelihoods through deforestation, and large-scale land acquisitions resulting in land grabbing. Furthermore, the risk of tax dodging, aggressive tax avoidance, corruption and influence peddling is particularly high in commodity trading. These practices often result in human rights violations by reducing states' capabilities and financial means to ensure the human rights of their populations are upheld.

SWITZERLAND AT THE HEART OF GLOBAL AGRICULTURAL COMMODITY TRADE

Until now little has been known about Switzerland's role as a global agricultural trading hub. For this report, Public Eye investigated 16 of the world's most important agricultural traders



A combine harvester in a corn field in Ines Indart, Argentina. | © Diego Giudice/Bloomberg/Getty Images



Cocoa farm labourers collect cocoa pods in Duekoue, Côte d'Ivoire. | © Pascal Maitre/Panos Pictures

and their activities in Switzerland and is now able to shed light on this very opaque sector. It will come as a surprise to many that at least 50% of global grain trade is handled by Swiss-based actors, and that 40% of globally traded sugar is dispatched from computers in Switzerland. Similarly, Switzerland has its hand in at least 30% of cocoa traded globally, at least 30% of coffee, and at least 25% of cotton. There can be no doubt that the country has become one of the most important trading hubs for agricultural commodities. Over the last decades many of the world's leading agricultural traders have set up their trade offices along Lake Geneva or in central Switzerland. Lured by an attractive tax policy, a discreet and business-friendly environment and little regulation in relation to transparency or human rights protections abroad, most agricultural commodity traders remain largely unknown to the general public. This is also a result of the fact that commodity trading in Switzerland is comprised largely of so-called transit trade, so that goods traded via Switzerland do not show up in import and

export statistics. This further increases the opacity of an already intransparent sector.

A PROBLEMATIC BUSINESS MODEL

A closer look at the sector reveals: The trading companies operating from Switzerland also handle processing and many have moved upstream into the production of agricultural commodities. They either own or lease land or enter into contract farming agreements, which allows them to exert considerable control over the production stage. Many Swiss-based agricultural traders thus cannot be regarded as pure trading companies but should be seen as global value chain managers instead. The move upstream into production creates more direct links between powerful traders and largely unorganised small-scale producers and workers. Because the latter two usually lack the bargaining power to negotiate better conditions or protect

themselves against risks, these business relations are often all but fair. As this report documents, the very business models of agricultural traders are thus connected to the many cases of human rights violations in producing countries.

LACK OF REGULATIONS, LACK OF ENFORCEMENT

In producing countries, the cause of continuous human rights violations lies largely in the weak enforcement of laws and regulations. In the home states of agricultural traders however, the main issue is less one of enforcement but rather of an actual lack of regulation governing human rights protections abroad. Switzerland still relies largely on corporate social responsibility and has not, to date, issued stringent regulations to tackle human rights violations occurring along the value chains of Swiss-based commodity traders. The persistent obscurity surrounding the traders' business compounds the problem. Here too, regulations requiring more transparency in the sector are in dire need.

ROOT CAUSE: POWER ASYMMETRY

One of the reasons for both inexistent and feeble regulations, and weak enforcement in producing countries and home states alike, lies in the ability of large, financially strong market players such as agricultural traders to abuse their position of power. The unequal distribution of power observed in the global agro-food system is not arbitrary. On the contrary, it is structural and deliberate as it enables and perpetuates a system that benefits the large multinational companies to the detriment of millions of

people working in production or living in producing areas. Contrary to small-scale farmers and workers, multinational companies are in a position to shape, interpret and bend the rules governing the sector in their favour. This power imbalance is directly reflected in the insufficient policies governing human rights, transparency or competition, as these are often rigged towards already powerful corporations rather than the people in more acute need of protection.

WHAT NEEDS TO HAPPEN IN SWITZERLAND

Switzerland, as a home state to many of the globally significant agricultural traders, has a central role to play in ensuring more balanced power relations along global agro-food value chains. Switzerland must ensure there is sufficient transparency in the commodity trading sector as well as mandatory Human Rights Due Diligence that covers high-risk activities and ensures respect for human rights wherever Swiss companies do business. Moreover, in order to resist the concentration processes in the global agro-food sector, there is a clear need for more effective and far-reaching competition policies. Agricultural traders as global value chain managers also have an important role to play in affecting change. This ultimately entails a fundamental shift in the relations between traders and people working in production, which is essential in order to ensure the human right to an adequate standard of living, among other rights. To this end, transparency regarding commodity traders' business activities and relationships, their pricing schemes, as well as financial data, is a central requirement and would be a decisive first step.

1

Introduction

A structural transformation is under way in the global food system. The key drivers are rapidly increasing demand for food and changing dietary patterns, technological advances, and decades of national and international policies based on a strict liberalisation agenda. As a result, agricultural production tripled between 1960 and 2015, fuelled by productivity increases and a massive expansion of land under production.¹ This development helped to keep food prices at bay in spite of a rapidly growing world population. In fact, food prices have shown an overall downward trend, although with some notable variations.² This is good news for the majority of consumers whose food expenditures have decreased over time as a share of disposable household income. But at the other end of the supply chain, agricultural producers and other people living from agriculture have suffered a great deal under the depressed food prices and in many cases are deprived of a decent living.

Moreover, the transformation of the food system has spectacularly failed to eradicate hunger and malnutrition. While sufficient food is available at the global scale, close to 800 million people are chronically hungry and some two billion suffer micronutrient deficiencies. At the same time, the prevalence of overweight and obesity based on an unhealthy diet and overconsumption is rapidly increasing – not just in developed countries but in emerging and developing countries as well – and has reached epidemic proportions. Also, the expansion of food production has come at a heavy cost to natural resources and the environment. Groundwater levels have become alarmingly low in many places, water resources have been contaminated by agricultural chemicals, forests are rapidly disappearing, biodiversity has been grossly eroded, and agriculture is among the major emitters of green house gases.³

The agricultural sector is still a key employer in many parts of the world, particularly in low-income countries, where the sector absorbs close to two thirds of the working population on average.⁴ Many of them work under dire conditions producing labour-intensive crops destined for the world market, such as bananas, cocoa, coffee, cotton, or oranges. As evidenced in this report, human and labour rights violations are widespread in the production of agricultural commodities⁵, particularly in the Global South.

Hilal Elver, the United Nations Special Rapporteur on the Right to Food, recently said: “Agricultural workers, including women, children and migrants and plantation workers, are increasingly faced with low wages, part-time work, informality, and a lack of social and economic protections. They are further faced with dangerous working conditions owing to regular exposure to pesticides and to long hours spent in extreme temperatures without adequate access to water.”⁶ Agricultural commodities with multiple uses, particularly the labour-intensive ones such as palm oil and to a large extent sugar cane, are of particular concern as their demand is rapidly expanding, putting additional pressure on the weakest links of the value chain – small-scale producers and workers.

Agricultural workers are not the only ones in today’s global food system who are denied a decent remuneration for their hard labour. Small-scale farmers producing for the world market, such as cocoa or coffee farmers, are often a far cry away

from earning a living income.⁷ Similar to poverty wages for agricultural workers, the unacceptably low incomes of small-scale farmers constitute a gross injustice. The meagre income of farmers leads, in many cases, to human rights violations as farmers are forced to cut costs, including by relying on child labour and by cutting corners on safety at work.

The structural transformation of the global food system is characterised by two key features: the expansion of large-scale, high-input, industrial agriculture on the one hand and the emergence of global value chains with marked consolidation processes on the other. The two trends are mutually reinforcing. They increasingly lead to hazardous and exploitative working conditions and to uneven power relations along the value chains.

Largely powerless small-scale farmers and agricultural workers and very powerful agro-food companies including traders are two sides of the same coin. The widely observed consolidation processes add to the power and influence of companies engaged along value chains. Consolidation features two dimensions: a horizontal dimension of market concentration at one stage of the chain and a vertical dimension of integrating over different stages of global value chains (GVCs). Agricultural commodity traders moving upstream into production by means of joint ventures, land acquisition, or contract farming arrangements are particularly closely linked to farmers and workers. The increasingly direct relationships and the huge imbalance of bargaining power between farmers and traders brings with it a responsibility of the latter for the working conditions under which the goods they produce are traded.

The majority of the most important global traders of agricultural commodities have significant business links to Switzerland, ranging from the many who are headquartered in Switzerland, to those whose global trading branches are based here, to those where only selected or regional activities are conducted in Switzerland. Public Eye’s analysis shows that the country is a top-ranked trading hub for agricultural commodities. Hence, there is a strong case for requiring Switzerland to take bold steps to ensure that agricultural commodity traders operating from here live up to their responsibility to respect human rights in producing countries.

The overall goal of this report is to shed light on the role of Switzerland as a key trading hub for agricultural commodities and to make the case for regulation of the sector. More specifically, the report aims to:

- Provide a detailed account of agricultural commodity traders operating from Switzerland and of the aggregate share of selected agricultural commodities traded via Switzerland;
- Highlight the role of agricultural commodity traders as global value chain managers with important links to production;
- Link the huge power asymmetry along value chains to the multitude of human and labour rights violations in the production of many agricultural commodities;
- Clarify Switzerland’s obligation to ensure its traders abide by the rules – everywhere.

Definitions of key terms used in the report and the methodological approach are provided in the annex.

2

The Big Picture



2.1 – THE STRUCTURAL TRANSFORMATION OF THE GLOBAL AGRO-FOOD SYSTEM

Population growth, rising income levels and urbanisation are driving up food demand and have put in motion a structural transformation of the global agro-food system that is still underway. This transformation has been fuelled further by technological progress and facilitated by economic policies biased towards free trade and an export-led development model. The fast-growing global middle class demands more animal proteins, while the changing dietary needs and habits of an ever-increasing number of city dwellers means higher consumption of processed and convenience foods. Moreover, the utilisation of agricultural produce for industrial and energy purposes (e.g. agro-fuels) adds to the aggregate demand for agricultural commodities. According to the latest forecast by the Organisation for Economic Co-operation and Development (OECD) and the Food and Agricultural Organization of the United Nations (FAO), growth in global demand for agricultural commodities is expected to slow down in the coming decade, but developments will vary across commodities and geographic regions.⁸

World agricultural supply has successfully kept pace with developments on the demand side, as is evidenced by the long-term trend of decreasing food prices (see figure 2.1). However, the expansion of supply has come at high human and environmental costs. The rising dominance of industrial and increasingly monoculture-based agricultural production systems and the expanding acreage under cultivation are far from sustainable.⁹ Of particular concern, and the focus of this report, are the grave human and labour rights violations inherent in the current system of production of many agricultural commodities that are destined for the world market.

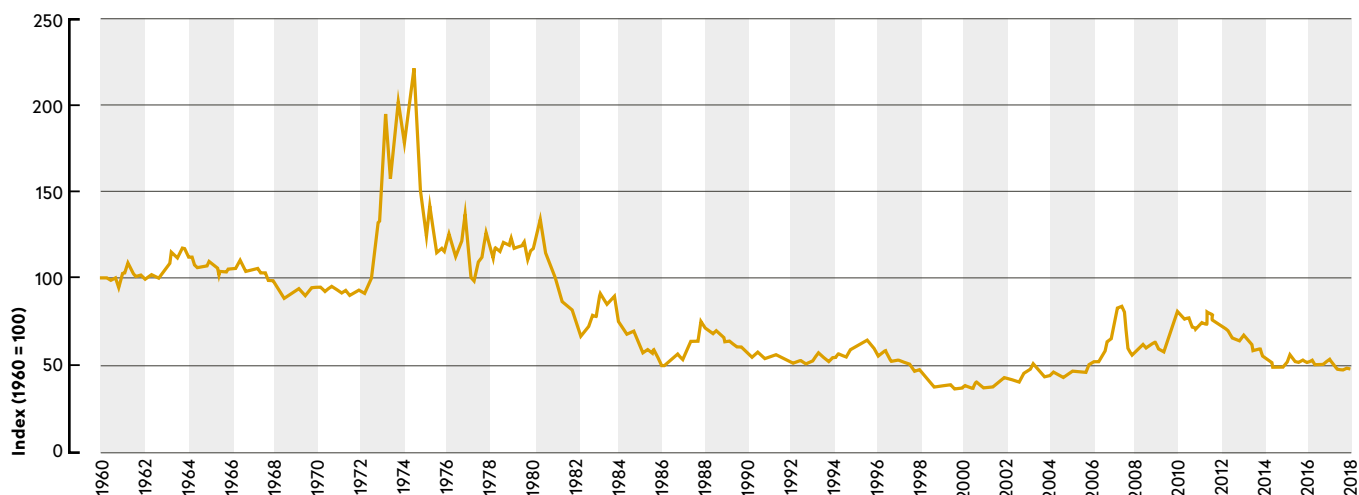
Of particular concern are the grave human and labour rights violations inherent in the current system of production of many agricultural commodities that are destined for the world market.

2.2 – PRODUCTION AND TRADE: KEY FIGURES AND TRENDS

Overall, China, India, Brazil and the USA are the world's key agricultural producers. For specific crops, however, other countries and regions dominate the scene. The bulk of cocoa, for instance, is produced in the West African countries of Côte d'Ivoire and Ghana, while oil palm trees are predominantly cultivated in Indonesia and Malaysia. Looking at key agricultural commodities, wheat, corn, rice and soybeans are by far the most important crops in terms of total acreage (between 120 and 220 million hectares each), according to data from FAOSTAT, the FAO's statistics division.¹⁰ The dominant role of corn and soybeans is explained by their various uses. This is also true of sugar cane and oil palms, which rank high in terms of production volume.

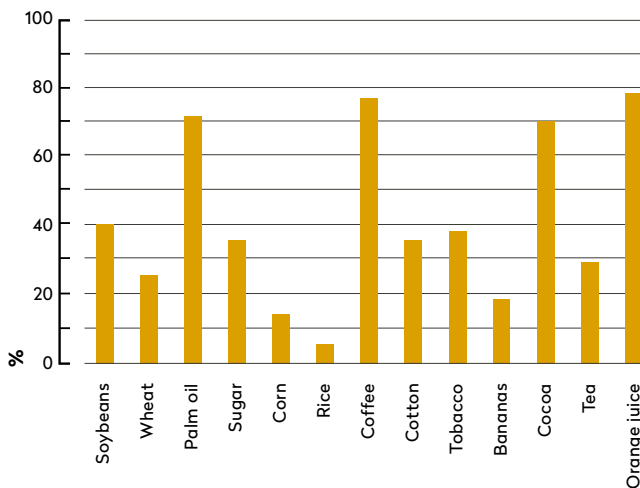
The term “flex crops” has been coined to describe agricultural commodities with “multiple and interchangeable uses as food, feed, fuel, and industrial material”.¹¹ The rapidly growing consumption of fuel and meat pushes up demand for agro-fuels and animal feed respectively, and leads to a corresponding expansion of production. For instance, the production of agro-fuel more than doubled between 2007 and 2015, a growth rate in

Figure 2.1 – Development of real food price index



Source: Calculations based on World Bank Commodity Price Data using the monthly US Consumer Price Index to convert to real prices.

Figure 2.2 – Trade share as percentage of production, 2016



Source: FAOSTAT, except for sugar and cotton (OECD.STAT), palm oil (USDA – FAS), and orange juice (USDA – FAS)

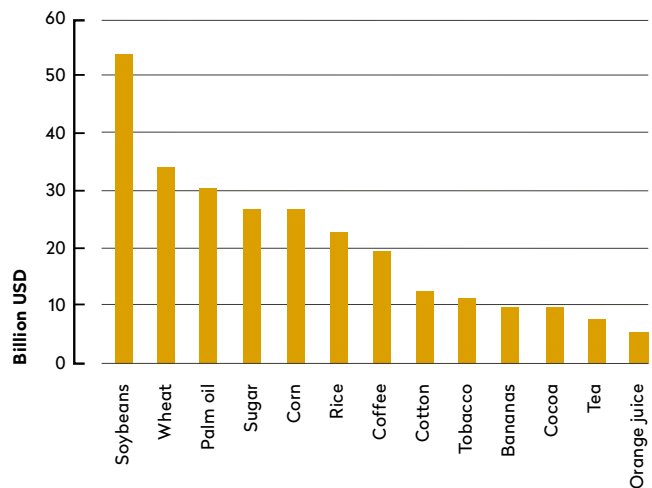
excess of 10% per year.¹² Much of the production expansion occurs in new areas, regularly giving rise to land conflicts. The Non-Governmental Organisation (NGO) GRAIN documented close to 500 cases of land grabbing globally between 2006 and 2016, many of them related to such flex crops.¹³

As illustrated in figure 2.2, the internationally traded share of the most important agricultural goods is just a fraction of their global production, often below 50%. In the case of rice, just 5% of total production ends up being traded internationally. For corn the corresponding share is 13%, for bananas 18%, and for wheat 25%. Agricultural goods produced in tropical regions and dominantly consumed in northern countries evidently display a higher trade share of 70% and more. Over the past two decades, these trade shares have remained constant for key agricultural goods, with the exception of soybeans whose internationally traded share rose by 20%.¹⁴

In terms of value, the main agricultural commodities shipped around the world are (in decreasing order): soybeans, wheat, palm oil, sugar, corn, rice, coffee, cotton, tobacco, bananas, cocoa, tea, orange juice (see figure 2.3). With an export value of USD 53 billion on a three-year average (2015–2017), soybeans are the uncontested leader, topping runner-up wheat by almost USD 20 billion. In 2018, the USA and Brazil accounted for 85% of soybean exports, while China alone purchased 60% of all exports. Similarly, over 80% of palm oil was exported by just two countries, Indonesia and Malaysia, with India and China importing almost 30% of the total. Highly concentrated trade – with three countries responsible for more than half of all global exports of a commodity – can also be found in corn (67%), cocoa (66%), cotton (69%), rice (62%), coffee (51%), and tea (53%).¹⁵

Value-based agricultural trade has grown by 5% per year since the mid-1990s driven mainly by emerging countries. Their

Figure 2.3 – Export value of important agricultural commodities, average 2015–2017



Source: Calculations based on data from ITC Trade Map

share of global agricultural exports increased from 9.9% to 17.4%. At the same time, their share of global imports jumped from 5.6% to 15.6%. This trend, which is forecast to continue over the coming years, reflects the strong position of the Americas as a key agricultural export region, and the key role of Asia as net importer of agricultural products.¹⁶

In terms of global production, the share of agricultural value added as a percentage of the world Gross Domestic Product (GDP) has continuously declined over the last 20 years (1997–2016), from 5.7% to 3.5%. However, the importance of the agricultural sector differs considerably at the national level. While in low-income countries agriculture still contributes 25% to the GDP, this figure is a mere 1.3% in high-income countries.¹⁷

The internationally traded share of the most important agricultural goods is just a fraction of their global production, often below 50%.

A similar development can be observed in the area of employment. In 2017, 28.5% of the global work force was employed in agriculture, down from 40% in the year 2000. In low-income countries, on average two out of three jobholders are still found in agriculture compared to three out of one hundred in high-income countries. Accordingly, the vast majority of the worldwide 930 million people working in agriculture are found in low-income countries.¹⁸

Box 2.1

HOW COMMODITY TRADING WORKS

Trade in agricultural commodities takes place in various forms of commodity markets. As shown in the diagram below, derivative markets can be distinguished from spot markets. While in derivative markets rights and obligations to trade a commodity in the future are exchanged, on spot markets physical commodities are directly traded. Price developments on the two markets are highly correlated.

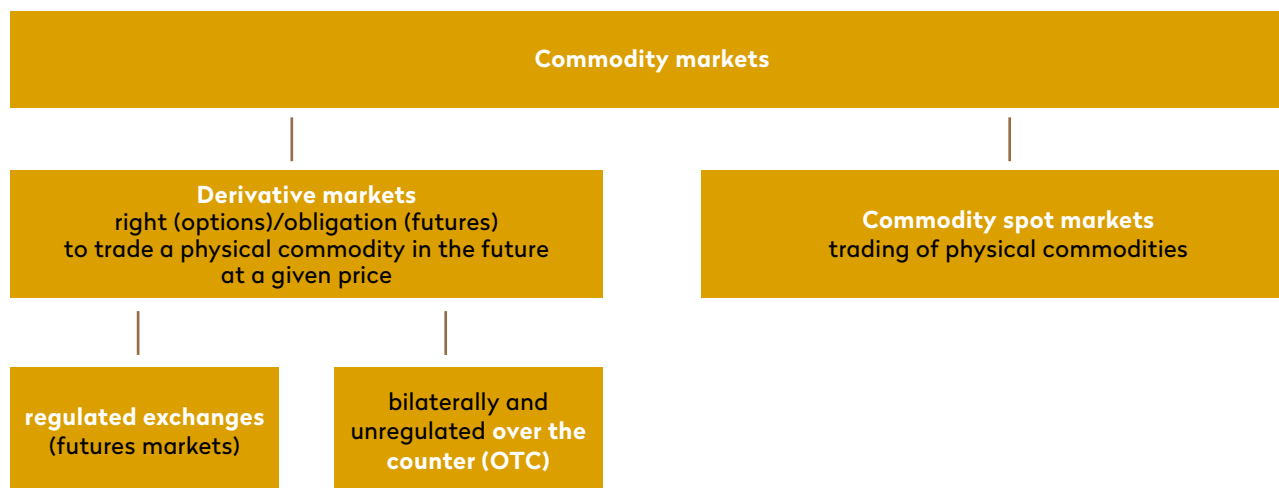
Commodity derivatives, i.e., standardised options and futures contracts with a specified date and price, can be traded on regulated exchanges (so-called futures markets). The world's largest exchanges for agricultural commodities are located in the USA. In Europe, important commodity exchanges are located in Amsterdam, London, Paris, and Frankfurt. In addition, increasingly important exchanges are found in the emerging markets. Commodity exchanges are organised marketplaces where transactions in financial derivatives on commodities are centralised. They provide a price discovery function for physical commodity traders as prices on futures markets are used as a benchmark for spot transactions. Thus, derivative markets serve as central pricing mechanism for the international commodity trade. Furthermore, they serve an insurance function for spot market participants who can use derivative markets to hedge against the risk of price fluctuations. Commodity derivatives are also traded over-the-counter (OTC). OTC markets are little-regulated

transactions where two parties can exchange commodity derivatives on individual terms.

In addition to traditional speculators (i.e., experts of physical markets whose activities are closely linked to the fundamental supply and demand dynamics in the underlying physical markets), who have been active in derivative markets for centuries and act as counterparts to commercial traders by hedging their commodity transactions, financial investors with ample capital resources have become increasingly active in commodity derivative markets. Financial investors such as banks, pension funds and hedge funds are not interested in the physical goods, but only engage in derivatives trading and invest in commodities as an asset class. The strong rise of financial actors is known as the financialisation of commodity markets.

On commodity spot markets, physical goods change ownership simultaneously with the conclusion of a contract i.e., goods that are actually available are delivered with no or only a short delay. Because commodities are bulky and costly to transport, spot market transactions are usually geographically dispersed. They are often contractual arrangements between two actors who do business with each other, including producers, consumers and traders of physical agricultural commodities. As the terms of business are generally freely negotiable in physical trade, the respective bargaining power of market participants becomes critical.

Commodity markets



Source: [Cornelia Staritz et al., 2015](#)

3

The role of Switzerland as a global trading hub for agricultural commodities



The history of agricultural production in Switzerland is representative of similar developments in most high-income countries. While in the early 19th century 60% of the total workforce in Switzerland was employed in agriculture, this number decreased quickly with industrialisation (1900: 31%, 1950: 19.5%).¹⁹ The newest figures from 2018 show 145,000 employed in the agricultural sector in Switzerland, which translates to approximately 3% of the total workforce.²⁰ The sector has become economically negligible – according to the World Bank it made up a mere 0.66% of Switzerland's GDP in 2016.²¹

Switzerland has become a country of the service industry, with the sector currently employing over 75% of the workforce. Due to the supportive business climate, a tailor-made tax regime and a stable political setting, the small country has also become one of the most important trading hubs for com-

modities. Commodity trading itself has a long history in Switzerland, going back to the second half of the 19th century (see box 3.1).

Today, the majority of the globally significant agricultural traders are either based in Switzerland or operate important trading branches here.

To this day, traders are greeted with open arms in Switzerland. In May 2017 the Canton of Geneva signed a Memorandum

Box 3.1

THE HISTORY OF COMMODITY TRADING IN SWITZERLAND

The origins of commodity trading in Switzerland can be traced back to the 19th century and it all started with agricultural goods.²² In 1851, the Volkart Brothers founded a trading company in Winterthur which primarily traded cotton from India. At the turn of the century, Volkart was one of the largest merchants of Indian cotton and one of the world's major coffee traders. In the French speaking part of Switzerland, André & Cie, a company founded in 1877 and headquartered in Lausanne, quickly became one of the world's leading grain traders. The third historically significant commercial enterprise was the Basel Missionary Society, with its United Trading Company specialised in trading cocoa and which soon became one of the leading cocoa traders globally.

But these traditional Swiss trading houses did not make the country the trading hub it is today. In fact, most of the traditional companies did not survive the competition. Only Volkart still exists to some extent: It was taken over by the Reinhart family at the beginning of the 20th century. Reinhart is active in the cotton trade and sold its coffee branch in 1989. Today, the former coffee trading branch of Volkart – Volcafé – is still headquartered in Switzerland but is owned by the British trading house ED&F Man Holdings.

In the 1950s, international companies started to settle along the shores of Lake Geneva and in central Switzerland. Tailor-made tax breaks facilitated Cargill's decision to locate its European office in Geneva in 1956. The tax authorities agreed to a lump sum of 50,000 francs per year, with the possibility of renegotiating the agreement if the activities were to evolve.²³ And evolve, they did: Today, Cargill is the world's largest agricultural commodity trader. Also in 1956, Philipp Brothers, who at the time was the

most important trading company for ores and metals, settled in Zug.

The Swiss tax regime has always been extremely attractive to trading companies. But it was not the only reason for companies to relocate here: After the Second World War, Switzerland was one of the few countries in which the import and export of capital was not subject to any restrictions or government controls. The presence of important service providers was another decisive factor for many companies to establish their offices in the country. Banks, specialised insurance companies, inspection firms, as well as logistics and cargo transport companies were at their disposal. Numerous companies also supplied the fast-growing manufacturing industry, most importantly the food company Nestlé, based in Vevey, along with various other chocolate producers.

Furthermore, the fact that Switzerland was not a member of the United Nations (UN) until 2002 provided, prior to this date, lucrative business opportunities for traders based in Switzerland. For example, André & Cie were able to circumvent the UN trade embargo against the former Rhodesia (today Zimbabwe) and the US government grain boycott against the Soviet Union. Marc Rich, a trader with Philipp Brothers and founder of the Swiss trading company Marc Rich & Co. (later rebranded Glencore) admitted to his biographer²⁴ that he did his "most important and most profitable" work by breaking international embargoes such as in doing business with apartheid South Africa. He also traded with Cuba, Angola and Nicaragua when these countries too faced an embargo. Rich was later indicted by a Federal grand jury in the United States for tax evasion and for making oil deals with Iran during the Iran hostage crisis.²⁵

of Understanding with COFCO International Ltd. (COFCO Int.), the international trading arm of the Chinese public conglomerate China National Cereals, Oils and Foodstuffs Corporation (COFCO Group).²⁶ Signed by State Council Pierre Maudet in the presence of then Federal Council President Doris Leuthard, COFCO Int. was granted the full support of the canton for its business expansion. The canton also committed itself to providing a friendly business environment for the company.²⁷

Switzerland is currently home to over 500 companies active in commodity trading. These commodity traders top the list of companies with the highest turnover.²⁸ Of the 500 commodity traders, approximately 150 are either specialised in agricultural commodities or carry a mixed portfolio of energy, minerals and metals as well as agricultural commodities.²⁹ Today, the majority of the globally significant agricultural traders are either based in Switzerland or operate an important trading branch along Lake Geneva or in central Switzerland.

This local presence underpins Switzerland's pivotal role as a commodity trading hub, yet says nothing about its market share. It is the very nature of transit trade that fosters the opacity of the sector and makes it difficult to pinpoint numbers: Usually, the commodities are neither imported physically to nor exported from Switzerland, even though the deals are organised and orchestrated by parties in Switzerland. Thus, goods traded via Switzerland usually do not appear in trade statistics and are therefore hard to track.

Researchers interested in the subject will at some point turn to data provided by the Swiss Trading and Shipping Association (STSA), the most important industry association for commodity traders. The organisation provides statistics on Switzerland's market share and these numbers are widely used in research papers as well as in government reports even though the STSA has never clarified the underlying methodology it uses nor is it clear which timeframe their data refers to.

In its 2018 report on the commodity trade sector in Switzerland³⁰, the Federal Council used figures from a study³¹ financed by the Federal Office for the Environment on environmental impacts of commodities traded in Switzerland. These market share estimates are largely in the same range as the ones pub-

lished by the STSA as can be seen in table 3.1. The authors of the report used a bottom up methodology analysing individual company data, which was then cross-checked with information from literature.

Public Eye has come up with own estimates based on a similar methodology including a thorough analysis of media coverage, yearly company reports and data provided from international trade associations. Even going by Public Eye's conservative estimates and focusing solely on trading companies (not Swiss manufacturers such as Nestlé³² who also buy agricultural commodities), the findings confirm Switzerland's central role in the global trade in agricultural commodities. Public Eye estimates that at least 40% of globally traded sugar is dispatched from computers in Switzerland, as well as at least 30% of cocoa, at least 30% of coffee, and at least 25% of cotton. A significant share of the global trade in grains is also handled in Switzerland. The companies collectively referred to as ABCD (Archer Daniels Midland, Bunge Limited, Cargill Incorporated, and Louis Dreyfus Company) who together make up between 70% and 90% of the global grain trade, have important grain trading activities in Switzerland. Public Eye thus estimates Switzerland's share in global grain trade to be close to 50%.

It is the very nature of transit trade
that fosters the opacity of the sector.
Goods traded via Switzerland
usually do not appear in trade statistics
and are therefore hard to track.

While the absence of concise data is vexing, it is not surprising. The lack of transparency and the discretion of the whole sector give the individual players advantages in the market and can therefore be considered part of their business model. In addition, the majority of the trading companies are private and many of them are family owned. Only a few are

Table 3.1 – Estimates of Switzerland's market share in agricultural commodity trade

CROPS	ESTIMATE STSA	ESTIMATE FEDERAL COUNCIL	ESTIMATE PUBLIC EYE
Cotton	No data	28%	> 25%
Coffee	50%	53%	> 30%
Cocoa	35%	35%	> 30%
Grains	60%	43% (wheat)	> 50%
Sugar	50%	44%	> 40%

Table 3.2 – Key figures of investigated Swiss-based agricultural commodity traders

COMPANY	HEAD-QUARTERS	ACTIVITY IN SWITZERLAND	COMPANY TYPE	MAIN PRODUCTS	REVENUE (2018)	NUMBER OF EMPLOYEES
Alvean Sugar, S.L.	Bilbao, Spain	Trading hub in Geneva	Private, 50:50 joint venture (JV) between Cargill and Copersucar	Sugar	Unknown	Unknown
Archer Daniels Midland Company (ADM)	Chicago, USA	Global trade desk in Rolle	Public, listed on New York Stock Exchange (NYSE)	Grains (corn, wheat, rice), oilseeds (soybeans, palm oil)	Global: USD 64.3 billion Switzerland: USD 12.9 billion	Global: 31,000 (2019) Switzerland: >160 (2019)
Bunge, Ltd.	White Plains, USA	Agricultural commodity trading coordinated from two desks, one of which is in Geneva	Public, listed on NYSE	Grains (wheat, corn, rice), oilseeds (soybeans, palm oil), sugar, fertilizer	Global: USD 45.7 billion Switzerland: >USD 500 million	Global: 31,000 (2018) Switzerland: 85 (2018)
Cargill, Inc.	Minneapolis, USA	Global hub for grains and oilseeds trading in Geneva	Private, family owned	Grains (wheat, corn, barley, sorghum) oilseeds (soybeans, palm oil), cotton, cocoa, sugar (via JV Alvean), meat	Global: USD 114.7 billion Switzerland: >USD 500 million (2017)	Global: 155,000 (2019) Switzerland: >400 (2019)
Chiquita Brands International, Inc.	Principal offices in Etoy, Switzerland, and Fort Lauderdale, USA	Principal offices in Etoy (CH) and Fort Lauderdale (USA), Chiquita Holding SA, registered in Fribourg	Private, delisted from NYSE in 2015, JV between Grupo Cutrale and J. Safra Group	Bananas, pineapples	Unknown	Global: 18,000 (2019) Switzerland: 100 (year unknown)
COFCO International Ltd.	Beijing, China	Global Corporate and Trading headquarters in Chêne-Bougeries, Geneva (COFCO International Trading SA, COFCO International Freight SA, COFCO Resources SA)	Trading arm of Chinese state-owned COFCO Group	Grains (wheat, corn, rice, barley), oilseeds (soybeans), sugar, coffee, cotton	Global: USD 34 billion Switzerland: >500 million (2016, only for COFCO Resources SA)	Global: 12,000 (2018) Switzerland: 150 (2017)
ECOM Agro-industrial Corp., Ltd.	Pully, Switzerland	Headquartered in Pully	Private, family owned (94%)	Coffee, cocoa, cotton, sugar, grains, palm oil	>USD 4 billion (2011)	Global: 5,400 (2017) Switzerland: 70 (year unknown)
Glencore Agriculture, Ltd.	Rotterdam, Netherlands	Trade hub for grains, oilseeds, cotton and sugar in Baar, de facto controlled by parent company Glencore headquartered in Baar	JV between parent company Glencore, Canada Pension Plan Investment Board and British Columbia Investment Management Corporation	Grains (wheat, sorghum, corn, barley), oilseeds (soybeans), pulses, sugar, cotton	Unknown	Global: 13,000 (2019)
Louis Dreyfus Company (LDC)	Rotterdam, Netherlands	Largest hub for commercial and merchandising activities in Geneva where most of platforms have a global reach (sugar, dairy, non-US cotton, proprietary and third-party freight chartering activities), also acts as strategic regional headquarters for Europe and Black Sea region, indications that global juice business is also handled from Geneva	Private, family owned	Oilseeds (soybeans, palm oil), grains (wheat, corn, rice), coffee, cotton, sugar, juice, dairy	Global: USD 36.5 billion Switzerland: EUR 5.7 billion (2012)	Global: 18,000 (2019) Switzerland: >350 (2019)

Table 3.2 – Key figures of investigated Swiss-based agricultural commodity traders (CONTINUED)

COMPANY	HEAD-QUARTERS	ACTIVITY IN SWITZERLAND	COMPANY TYPE	MAIN PRODUCTS	REVENUE (2018)	NUMBER OF EMPLOYEES
Neumann Kaffee Gruppe	Hamburg, Germany	Several subsidiaries in Switzerland, e.g. Bernhard Rothfos Intercafé and NKG Tropical Farm Management which manages all farming operations, both headquartered in Zug	Private, family owned	Coffee	Global: EUR 2.4 billion Switzerland: CHF 130 million (2001, Bernhard Rothfos Intercafé) < CHF 1 million (NKG Tropical Farm Management)	Global: 2,000 (2019) Switzerland: 25 (Bernhard Rothfos Intercafé, 2019) 3 (NKG Tropical Farm Management, 2019)
Olam International Limited	Singapore	Regional hub based in Geneva	Publicly listed, 53.6% owned by Temasek Holdings and 17.4% by Mitsubishi Corporation	Cocoa, coffee, edible nuts, oilseeds (palm oil, soybeans), sugar, spices, dairy, grains (wheat, rice, corn) vegetables, cotton , packaged foods	Global: USD 26.27 billion Switzerland: unknown	Global: 72,000 (2019) Switzerland: 10–19 (year unknown)
Paul Reinhart AG	Winterthur, Switzerland	Headquartered in Winterthur	Private, family owned	Cotton , pulses, oilseeds, nuts	CHF 700 million (2012)	Global: 130 (2019) Switzerland: 60 (2019)
Socotab Frana SA	Geneva, Switzerland	Headquarters, commercial, operational and financial centre of Socotab Group in Geneva	Private, 100% subsidiary of a JV between Socotab Leaf Tobacco Company Inc. and Universal Leaf Tobacco Company	Raw tobacco	CHF 10–19 million	Switzerland: 10 (year unknown)
Sucafina SA	Geneva, Switzerland	Headquartered in Geneva	Private, family owned	Coffee	USD 516 million (2012)	Global: 850 (2019) Switzerland: 25 (year unknown)
Sucocitrico Cutrale, Ltd.	Araraquara, Brazil	Trading Branch in Lausanne	Private, family owned	Citrus products , soybeans	Global: USD 1.3 billion (2013) Switzerland: CHF 1–10 million (2016)	Global: 18,000 (in harvest season, 2019) Switzerland: unknown
Volcafé, Ltd.	Winterthur, Switzerland, Subsidiary of ED & F Man Holdings Limited, headquartered in London, UK	Headquartered in Winterthur, Volcafé Holding in Winterthur	Private, family owned	Coffee	Global: USD 8.12 billion (ED & F Man) Switzerland: > CHF 500 million (Volcafé Holding, 2016)	Global: > 6,000 (ED & F Man, 2018) Switzerland: 50–99 (2016)

The information was obtained from various, publicly available sources, including annual reports, company websites, press articles and business information platforms. Detailed sources are available upon request from the authors. All information is subject to change and Public Eye makes no claim as to the completeness of the information.

publicly listed and thus obliged to provide a minimum of transparency.

Because of this opacity, it can be very challenging to find information on individual companies. To shed some light on how global trends in the sector of agricultural trade are reflected in Switzerland, as well as to illustrate the wide range of influential market players and their diverse portfolios, Public Eye has investigated 16 companies in detail (see table 3.2).

The lack of transparency and the discretion of the whole sector give the individual players advantages in the market and can therefore be considered part of their business model.

About half of the companies demonstrate a considerable degree of diversification, which means that their product portfolio comprises several agricultural commodities. This applies above all to the large trading companies of the ABCD club,

COFCO Int., Glencore Agriculture Limited (Glencore Agri) and Olam International Limited (Olam) as well as ECOM Agro-industrial Corp. Limited (ECOM). The company with the largest portfolio is Cargill Incorporated (Cargill), followed by Louis Dreyfus Company (LDC) and Olam. In addition, there is a clear focus within many companies: Archer Daniels Midland Company (ADM) specialises in soy and corn, Bunge Limited (Bunge) in wheat, corn, rice and oilseeds, Glencore Agri in wheat and barley, Olam in rice, cocoa and coffee, and ECOM in coffee and cocoa.

The other half of the companies is comprised of so-called “mono crop” traders, which, for the most part, specialise in only one agricultural commodity. Fully specialised are Alvean Sugar SL (Alvean) in sugar, Sucafina SA (Sucafina) and Neumann Kaffee Gruppe (Neumann) in coffee, Socotab Frana SA (Socotab) in Oriental raw tobacco and Volcafé Ltd. (Volcafé) in coffee. Largely specialised are Paul Reinhart AG (Reinhart) in cotton, Chiquita Brands International Inc. (Chiquita) in bananas, as well as Sucocitrico Cutrale Ltda. (Sucocitrico) in oranges.

Many of the companies analysed are more than just trading companies. In the next chapters, many of them will appear again when topics such as growth, consolidation processes, bargaining power, and human rights violations along the value chain come up.

4 Consolidation in the global agro-food system

4.1 – TRENDS AND CONSEQUENCES

A key feature of the structural transformation of the agro-food system is the rapid expansion of Global Value Chains (GVCs). Generally defined, GVCs encompass all activities and processes needed to turn raw materials into final products that are delivered to end consumers (see figure 4.1). The spread of these activities and processes over several countries makes them global.³³

The expansion of GVCs goes hand in hand with market consolidation. Such processes reach all stages of GVCs, from input markets to retail and are characterised by two trends. In the horizontal dimension, across every individual stage of the GVCs activities are increasingly concentrated in the hands of a few big companies, such as input providers, producers, traders, processors, and retailers (while their original functions are increasingly blurred). In the vertical dimension, i.e., across different stages of the value chain, multinational companies have gradually expanded their activities and their influence beyond individual stages, a process referred to as vertical integration.

The consequences of the unprecedented consolidation are fewer but more powerful firms.

The driving forces behind consolidation processes in GVCs are the prospects of efficiency gains achieved through synergies based on economies of scale and scope. Mergers and acquisitions (M&A) are the means of choice for agro-food companies in search of consolidating their power and influence over an ever-increasing part of the GVCs. Over the last decade, M&As in the agro-food sector have increased both in terms of numbers and

value.³⁴ Other models of collaborations between powerful companies include joint ventures, strategic alliances, and contractual arrangements. Bunge's intense consolidation activities over the past five years may serve as illustration for the expansion strategy of agricultural commodity traders (see figure 4.2). The wide-ranging impacts of these consolidation processes often escape the scrutiny of regulators due to the narrow mandate of domestic competition authorities (see section 6.4 on the various deficiencies of national competition policies).

The consequences of the unprecedented consolidation are fewer but more powerful firms. These trends have exacerbated existing power imbalances in agro-food value chains, thereby making “farmers ever more reliant on a handful of suppliers and buyers, further squeezing their incomes and eroding their ability to choose what to grow, how to grow it, and for whom”, according to experts at the International Panel of Experts on Food Systems (IPES-Food).³⁵ Moreover, the increasing dominance of big companies in the agro-food sector allows these companies to expand their political influence to alter the rules that govern GVCs in their favour. University of Chicago economist Luigi Zingales warns that “market concentration can easily lead to a ‘Medici Vicious Circle’ where money is used to get political power and political power is used to make money.”³⁶

Glencore's successful lobbying serves as an illustration of the political influence on the regulatory framework. In 2010, a devastating drought destroyed much of the crop in Russia and elsewhere. To ensure grain supply for its population, the Russian government considered imposing a ban on grain exports. Glencore was in favour of such a ban because it would have freed the grain trader from honouring the now loss-making futures contracts they had entered into. According to the *New York Times*, “pressure was (...) brought to bear by multinational grain trading companies, which have been lobbying for the ban as a way to escape futures contracts drawn up before the drought, when prices were far lower. A Russian subsidiary of

Figure 4.1 – Structure of a global value chain of agricultural commodities

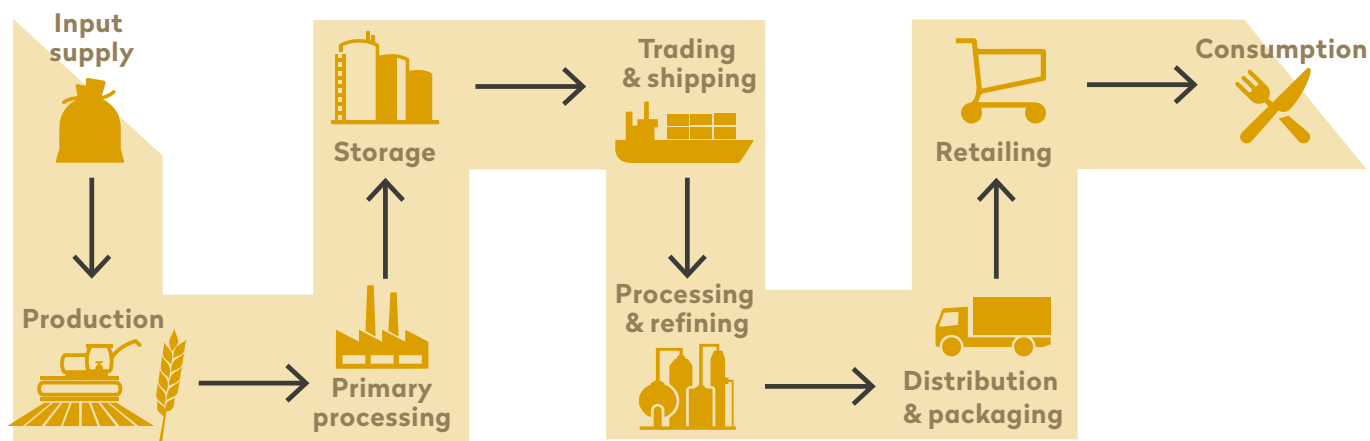
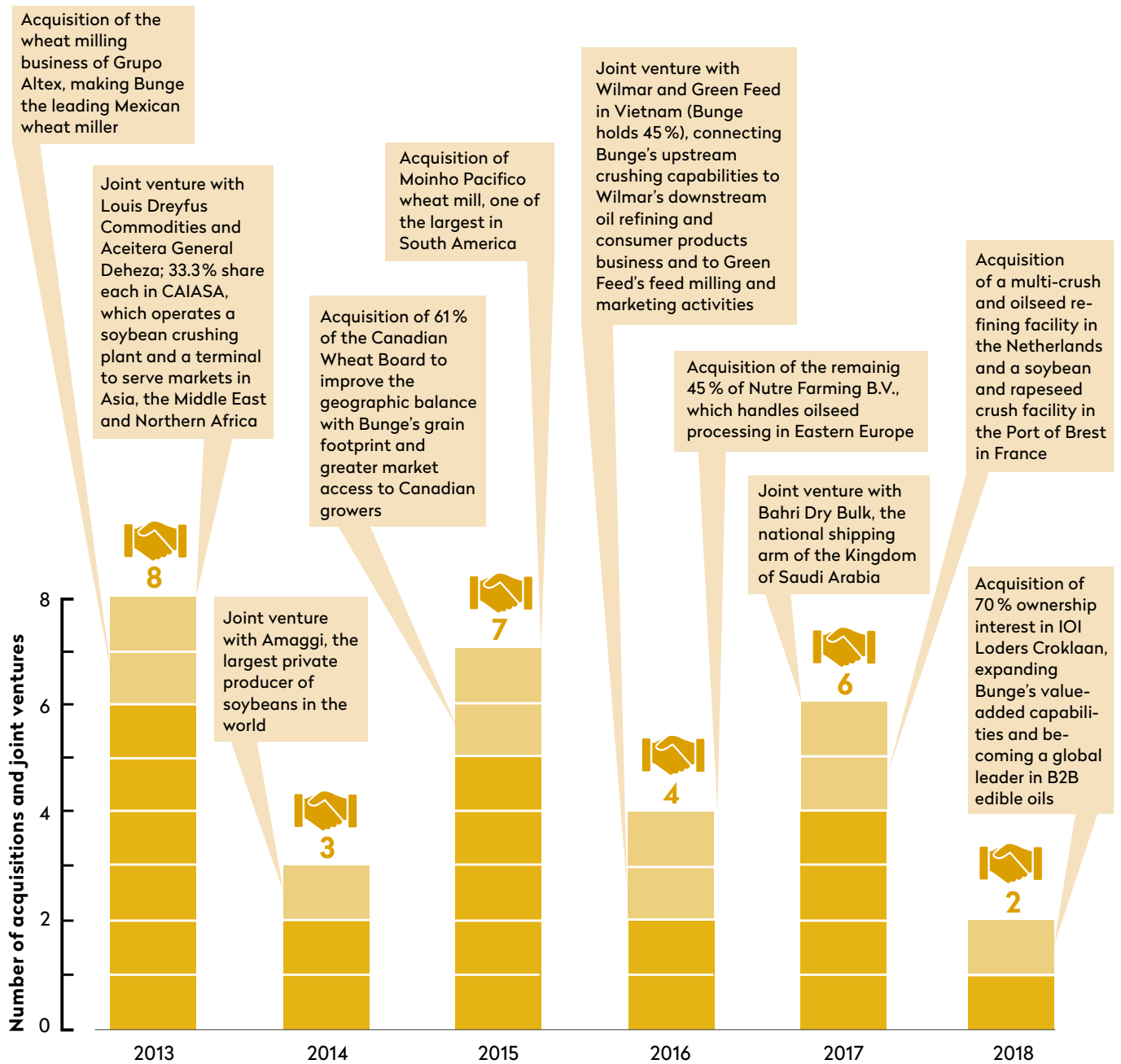



Figure 4.2 – Growing big: Bunge’s acquisitions and joint ventures, 2013–2018



 = illustrative examples of Bunge's acquisitions and joint ventures

Source: Company website and US SEC. 10-K Form of Bunge Limited (various issues).

Glencore, the Swiss-based commodities trading company that has close ties to the Russian government, pressed hard as the scope of the drought's devastation became clear.³⁷ The lobbying was successful and shortly thereafter Russia imposed a ban on grain exports.

The following sections elaborate on the two dimensions of the consolidation process in the agro-food system: horizontal concentration and vertical integration. The developments are illustrated by a wide range of examples, with a focus on Swiss-based traders.

4.2 – HORIZONTAL CONCENTRATION: THE GLOBAL VIEW

Concentration is taking place at all stages of agro-food GVCs, although to differing degrees. This process is far from over as witnessed by the most recent, announced, and planned mergers and acquisitions in the sector, which include a number of mega-mergers. In a recent report, IPES-Food analysed horizontal concentration along agro-food GVCs and found a high degree of concentration in several sub-sectors of the agricultural input industry. In addition, powerful players have expanded over more than one sub-sector, giving them additional power over small-scale agricultural producers. With the recent mergers of Swiss-based Syngenta with ChemChina, Dow with DuPont, and Bayer with Monsanto, the market power of the four top firms over vital input industries has reached troubling dimensions: they now control well over half of both the global seed and pesticide market.³⁸

At the other end of the value chain, food retailers appear to be comparatively less concentrated. Nevertheless, the trend towards consolidation is observed in this sector as well. The biggest retail companies such as Walmart, Tesco and Costco, continue to strive to consolidate their positions in key markets while expanding their businesses into growth markets in emerg-

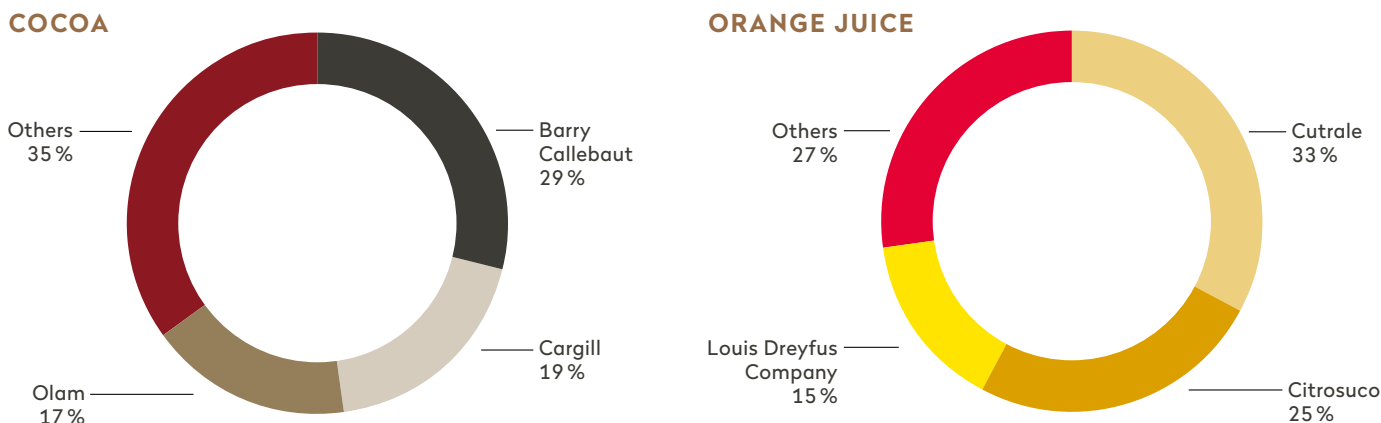
ing and developing countries.³⁹ Horizontal concentration is equally well advanced for many agricultural commodities in the midstream of agro-food GVCs, where agricultural commodities are turned into foodstuffs, fodder, energy sources, and industrial products. In the meat processing industry, a handful of large companies, mainly from the USA and Brazil, dominate.⁴⁰ Another illustrative example is cocoa processing, where just three companies (Barry Callebaut, Cargill, Olam) hold a global market share of 65%. Similarly, in orange juice processing the combined market share of Sucocitrico Cutrale, Citrusuco and Louis Dreyfus Company is as high as 73% (see figure 4.3). It is worth noting that all but one of these six firms operate from Switzerland.

The trading sector itself is no exception to these trends towards greater concentration. Indeed, the major agricultural commodity traders often operate in highly concentrated markets. For quite some time, the traditional trading houses of Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus Company have dominated the grain trade.⁴¹ More recently, predominantly Asian traders such as COFCO Int., Olam, and Wilmar have joined the ABCD companies. In this sector mergers and acquisitions are driving the consolidation process as well. The precise extent of concentration is difficult to assess as trading companies are notoriously secretive. But as table 4.1 shows, estimates from different authors point to a limited group of firms who control large portions of the trade in individual commodities such as grains, coffee, tea or bananas.

4.3 – SWISS-BASED TRADERS ON COURSE FOR EXPANSION

The global trend towards concentration can be clearly observed among Swiss agricultural traders. Agricultural commodity traders rarely appear in the news in Switzerland, but when they do mergers and acquisitions make up the majority of the headlines. In 2017, COFCO Int. acquired Dutch agricultural commodity

Figure 4.3 – Concentration in cocoa and orange juice processing



Source: Hardman Agribusiness, 2016 (cocoa); company websites and media reports (orange juice)

Table 4.1 – Extent of concentration in agricultural commodity trade

COMMODITY	NO. OF FIRMS	FIRMS	CR*	SOURCE
Bananas	4	Chiquita Fresh Del Monte Dole Fyffes	44 %	UNCTAD, 2016
Grains	4	ADM Bunge Cargill LDC	90 %	Murphy et al., 2012
Coffee	5	Neumann ECOM Olam Volcafé LDC	40 %	UNCTAD, 2018a
Tea	3	Unilever Tata Associated British Foods	80 %	Heinrich-Böll-Stiftung et al., 2017
Agri-trade overall	10	Not specified	90 %	IPES-Food, 2017

* The concentration rate (CR) is frequently used to measure the degree of concentration of the largest firms operating in a given market. Generally speaking, competition is considered constrained if the four largest firms control over 40 % of the market (CR4 = 40 %).

trader Nidera alongside the agriculture branch of Hong Kong-based Noble Group, Noble Agri.⁴² Bunge has strengthened its position in soybean processing with a joint venture with Wilmar, Asia's leading agriculture firm.⁴³ ADM also entered into a joint venture with Wilmar, specifically on edible oils and fats.⁴⁴ Moreover, ADM has over the years progressively invested in Wilmar and currently holds a 24.9% stake in it.⁴⁵

There are many more notable joint ventures between companies that are operating at the same stage of the value chain. In the Brazilian sugar business, another powerful union was formed between Cargill and Brazil-based Copersucar, resulting in Alvean, one of the world's largest sugar traders.⁴⁶ Bunge works with Louis Dreyfus Company in the business of soybean processing.⁴⁷ Bunge also cooperates in two separate joint ventures with the Brazilian company Amaggi, the world's biggest soy producer.⁴⁸ One joint venture is dedicated to exporting soybeans and corn from Mato Grosso, the other is a port terminal in the town of Santos. Louis Dreyfus Company also entered into a joint venture with Amaggi, for which there was some controversy, as will be described in more detail in section 5.6.

Joint ventures and investments are widespread among direct competitors and they also exist between companies who operate at different stages of the value chain. For example, there is collaboration between Cargill and Coca-Cola⁴⁹ and there are joint ventures between Cargill and Monsanto,⁵⁰ Bunge and DuPont (until 2012),⁵¹ as well as ADM and Syngenta.⁵²

4.4 – VERTICAL INTEGRATION: THE GLOBAL VIEW

To understand the degree of power and influence agricultural commodity traders are able to exert along GVCs, the extent of their vertical integration also has to be scrutinised.⁵³ With few exceptions, today's large trading houses are highly vertically integrated companies who have expanded into the processing and production of agricultural commodities to compensate for dwindling trade margins.⁵⁴ Large-scale land acquisitions (mainly in the case of plantation crops) and contract-farming arrangements have allowed them to push forward into the production

of agricultural commodities, thereby seizing new business opportunities, reducing risks, and expanding their influence in and control of the production stage.

The trade house of the future
will be more vertically integrated,
and a big part of that is going to
have to come from the farming side.

Moving upstream into agricultural production allows trading companies a more direct, reliable and traceable access⁵⁵ to the quantities and qualities they require in order to make full use of their storage and processing capacities, and to minimise risk. This is aptly illustrated by a quote from one of the leading coffee traders, Swiss-based Sucafina: "If we were content to stay at this size and we weren't vertically integrated, we would eventually get acquired by someone. (...) The trade house of the future will be more vertically integrated, and a big part of that's going to have to come from the farming side."⁵⁶ Next to other, already very concentrated stages of GVCs such as trading, production is also increasingly under pressure and traders are trying to secure whatever added value there is left, more often than not to the detriment of small-scale producers and workers.

4.5 – SWISS-BASED TRADERS AS GLOBAL VALUE CHAIN MANAGERS

There is also a clear trend among many Swiss agricultural traders towards greater degrees of vertical integration, both upstream into the production of agricultural commodities and downstream into processing and manufacturing (see table 4.2). Cargill can be seen as a prime example of a highly vertically integrated company with activities at almost all stages of the value chain, in input provision, production, trading, processing, manufacturing, and commerce.⁵⁷

For some companies, processing has become their main business, such as for ADM, which generates more revenue with processing than with its other activities.⁵⁸ All companies are involved in so-called primary processing, a first step in the processing of raw materials, which is often necessary for international transport and usually requires larger amounts of capital and infrastructure.

A further expansion is taking place in the field of logistics. Some companies have impressive transport capacities but which they cannot fully utilise themselves and therefore they also do business with third parties. For example, Cargill can move 200 million tonnes of commodities in 570 ships,⁵⁹ while ADM owns an extensive logistics infrastructure with 1,800 barges, 12,000 rail cars, 360 trucks, 1,200 trailers and 10 ocean-going vessels.⁶⁰ Bunge is on the way to become a leading ocean freight company in the Middle East through a cooperation with Bahri Dry Bulk, the shipping company of the Kingdom of Saudi Arabia.⁶¹

Upstream, traders are expanding into land ownership. For example, Glencore owns land in Argentina, Australia and Ukraine⁶², Louis Dreyfus Company owns citrus orchards⁶³ and operates sugar cane plantations in Brazil⁶⁴, and Volcafé has coffee plantations.⁶⁵ Some companies proudly refer to the vertical integration in their self-portraits, most notably Louis Dreyfus Company with their slogan “From Farm to Fork”. These integrated companies make up the vast majority of the traders that Public Eye investigated. Three exceptions to this trend are sugar trader Alvean, oriental tobacconist Socotab, and cotton trader

Reinhart who do not (yet) seem to have expanded along their respective supply chains.

The first to suffer the consequences of consolidation are the powerless small-scale farmers and agricultural workers who struggle to make a living by integrating into GVCs.

The continuing consolidation processes observed in agricultural GVCs are at the same time cause and effect of the structural transformation taking place in the global agro-food system. The trend towards increased market power of a handful of trading companies translates into strong bargaining power vis-à-vis business partners. It also raises the risk of collusion⁶⁶ and elevates entry barriers for potential newcomers. Moreover, increased market power reinforces the danger of undue political influence used to shape the rules of the game. The first to suffer the consequences are the powerless small-scale farmers and agricultural workers who struggle to make a living by integrating into GVCs. These problems, directly or indirectly, manifest themselves in human or labour rights violations in producing countries. The next chapter explores the most common and serious violations of rights and examines cases involving Swiss agricultural traders.



Soy grains are loaded on a bulk carrier ship at the Cargill port terminal in Santarem, Brazil.

© Dado Galdieri/Bloomberg/Getty Images

Table 4.2 – Assets of investigated Swiss-based agricultural commodity traders

COMPANY	SLOGAN/CLAIM	REACH INTO PRODUCTION	REACH INTO PROCESSING	LOGISTICAL ASSETS
Alvean Sugar, S.L.	<i>"Moving the world of sugar"</i>	Unknown	Unknown	Access to export terminals in Brazil via parent companies Cargill and Copersucar; warehousing, transportation, and terminal access across all major origins
Archer Daniels Midland Company (ADM)	<i>"We connect the harvest to the home"</i>	<ul style="list-style-type: none"> Owns 12,000 ha of oil palm plantations in Brazil and 100,000 ha of crop land in Ukraine; land and land improvement assets worth USD 545 million as of 2018 Through its 25% share in Singapore's Wilmar, one of the world's largest palm oil companies, ADM also has a stake in land holdings in Asia and Africa 	<ul style="list-style-type: none"> Owns 253 processing plants and 316 procurement facilities, mainly for corn and oilseeds 	<ul style="list-style-type: none"> Owns approximately 200 warehouses and terminals primarily used as bulk storage facilities Owns approximately 1,800 barges, 12,000 rail cars, 360 trucks, 1,200 trailers, 100 boats, and 10 ocean-going vessels Leases approximately 610 barges, 16,400 rail cars, 240 trucks, 190 trailers, 4 boats, and 12 ocean-going vessels
Bunge, Ltd.	<i>"Helping feed the world since 1818 by connecting people, markets, countries and cultures"</i>	<ul style="list-style-type: none"> Owns 9,000 ha of sugar cane plantations and manages 234,000 ha under partnership agreements; land assets worth USD 403 million as of 2018 	<ul style="list-style-type: none"> Owns 51 oilseed processing plants, 119 refining, packaging and milling facilities, 118 food and ingredient storage facilities, 8 food and ingredient distribution centres, 8 sugar cane mills, and 3 fertilizer processing and blending plants 	<ul style="list-style-type: none"> Owns 167 agricultural commodity storage facilities Owns or operates port terminal facilities, including in Brazil, Argentina, the US, Canada, Russia, Ukraine, Poland, Vietnam and Australia Joint venture with Bahri Dry Bulk (the national shipping arm of the Kingdom of Saudi Arabia), establishing a leading ocean freight supplier
Cargill, Inc.	<i>"Cargill is working to nourish the world"</i>	<ul style="list-style-type: none"> Owns and operates oil palm plantations in Indonesia Owns 50,000 ha of land in Colombia Owns licensed buying company in Ghana to source cocoa directly from farmers 	<ul style="list-style-type: none"> Operates palm oil refineries in Asia, Europe and the US Grain processing and distribution facilities Owns cocoa processing facilities in the Netherlands, Belgium, France, Germany, Ghana, Côte d'Ivoire, Indonesia 	<ul style="list-style-type: none"> Owns 570 vessels, offers ocean freight operations to over 400 customers. 200 million tonnes of over 100 commodities in 6,000 port calls per year Access to export terminals across all major origins
Chiquita Brands International, Inc.	<i>"We are bananas"</i>	<ul style="list-style-type: none"> Owns more than 35,000 acres (approx. 14,000 ha) and leases around 21,000 acres (approx. 8,500 ha) in Costa Rica, Panama, Honduras and Guatemala 	<ul style="list-style-type: none"> Owns warehouses, packing stations, irrigation systems and port loading and unloading facilities 	<ul style="list-style-type: none"> 10 ships under lease
COFCO International Ltd.	<i>"We provide the food the world needs in a responsible way"</i>	<ul style="list-style-type: none"> Leases and operates over 170,000 ha of sugar cane plantations in Brazil Leases 22,000 ha of crop land for the cultivation of soybeans, wheat and corn in Argentina 30,000 ha of contract farming operations in South Africa (soybeans) 	<ul style="list-style-type: none"> Annual grain processing capacity of 89.5 million tonnes Processing and storage facility for coffee in Brazil, grain silos in Ukraine, sugar mills in Brazil and soybean crushing plants in Argentina, Paraguay and Uruguay 	<ul style="list-style-type: none"> Handles 45 million tonnes of cargo annually with 200 vessels on the water at any given time The holding, COFCO Group, manages six ports, owns Xinliang Shipping Company, COFCO Railway Logistics Company and other specialised logistics subsidiaries such as COFCO Trading, which manages 101 grain elevators with a total purchasing and storage capacity of 21.66 million tonnes with an annual port handling capacity of 18 million tonnes and daily drying capacity of 67,000 tonnes
ECOM Agro-industrial Corp., Ltd.	<i>"Leading global commodity merchant and sustainable supply chain management company"</i>	<ul style="list-style-type: none"> Owns 2,100 ha of palm oil plantations in Mexico Licensed buying company in Ghana to buy cocoa directly from farmers Subsidiary of ECOM administers six coffee farms in Brazil 	<ul style="list-style-type: none"> Cocoa processing plants in the Netherlands, Malaysia and Mexico Coffee milling facilities 	Unknown

Table 4.2 – Assets of investigated Swiss-based agricultural commodity traders (CONTINUED)

COMPANY	SLOGAN/CLAIM	REACH INTO PRODUCTION	REACH INTO PROCESSING	LOGISTICAL ASSETS
Glencore Agriculture, Ltd.	<i>"We create value for producers at origin and customers at destination"</i>	<ul style="list-style-type: none"> – Glencore Agriculture holds several production-related assets in Ukraine – Owns or partly owns farming assets in Australia and Argentina 	<ul style="list-style-type: none"> – Owns more than 35 processing and refining facilities – Owns oilseed crushing facilities and biofuel plants in Argentina, sugar milling assets in Brazil and grain handling facilities in Canada and Australia 	<ul style="list-style-type: none"> – Owns more than 270 storage and handling facilities, 23 port terminals and over 180 ocean-going vessels and leases or owns over 1,900 rail cars
Louis Dreyfus Company (LDC)	<i>"From farm to fork"</i>	<ul style="list-style-type: none"> – Owns more than 30,000 ha of citrus groves in Brazil – Through Biosev SA, one of the largest sugar cane producers, LDC operates 330,000 ha of sugar cane plantations in Brazil – Through RZ Agro Holding, a joint venture with the Russian company Sistema, owns or controls over 100,000 ha of farmland to produce grains and oilseeds in Southern Russia – Land worth USD 229 mio as of 2018 	<ul style="list-style-type: none"> – Owns and/or shares grains and oilseeds processing plants in Argentina, China, India, Indonesia, Paraguay, South Africa, USA, Vietnam, seed-cleaning systems in Germany, juice processing facilities in Brazil, China and USA, juice packaging in USA, dairy processing plant in Australia and two sugar refineries in Brazil – LDC holds more than 90% of shares in Biosev SA, one of the world's largest sugar cane processors 	<ul style="list-style-type: none"> – Owns and/or shares logistics and storage capacities in Belgium, Brazil, Egypt, Germany, Ukraine, USA and Singapore – Leases warehouses and charters vessels – Owns operating fleet of more than 200 vessels for its own business and third parties
Neumann Kaffee Gruppe	<i>"Our network of companies gives us direct access to the entire world's coffee production"</i>	<ul style="list-style-type: none"> – Owns 5,100 ha of coffee plantations in Uganda, Brazil and Mexico 	<ul style="list-style-type: none"> – Owns warehouse and processing company called NKG Kala 	<ul style="list-style-type: none"> – Owns logistics company called ICL Internationale Commodity Logistik
Olam International Limited	<i>"From seed to shelf"</i>	<ul style="list-style-type: none"> – Manages a total of 2.46 million ha of land (farming, plantations and forestry) – Owns plantations on all continents except Europe – Several joint ventures with governments (e.g. Gabon on oil palm and rubber plantations) 	<ul style="list-style-type: none"> – Owns 210 processing facilities including cashew processing in India, Vietnam, Côte d'Ivoire and Mozambique, peanut shelling and peanut paste manufacturing in the US, vegetable ingredients and tomato paste manufacturing in the US, soluble coffee production in Vietnam and Spain, cocoa grinding in Europe and West Africa, wheat milling in Nigeria, Ghana, Senegal and Cameroon 	<ul style="list-style-type: none"> – Unspecified inland and marine logistics capacities, cargo and port in Gabon – Cotton warehousing facilities in the USA, Australia, Côte d'Ivoire, Mozambique and Tanzania
Paul Reinhart AG	–	Unknown	<ul style="list-style-type: none"> – Procures majority of ginned cotton bales directly from ginning factories in Africa, India, Europe, USA and Australia or from agro-industrial producers in Brazil and sells them to spinning factories 	Unknown
Socotab Frana SA	–	<ul style="list-style-type: none"> – 35,000 farming partners through contracts 	<ul style="list-style-type: none"> – Owns processing facilities in Bulgaria, Turkey and Macedonia 	Unknown
Sucafina SA	<i>"From the tree to the cup"</i>	<ul style="list-style-type: none"> – Joint venture with Cia Agropecuária Monte Alegre, a farm operator owning 18,000 ha of land; has also a farm partnership in Ecuador 	<ul style="list-style-type: none"> – Owns processing facilities in Burundi, Kenya, Tanzania, Uganda and Vietnam, among others wet and dry mills, grading facilities and washing stations – Owns a roasting facility in Belgium 	<ul style="list-style-type: none"> – Sucafina Ingredients SA is active in logistics and packaging and provides services for other parties
Sucocitrico Cutrale, Ltd.	–	<ul style="list-style-type: none"> – The company owns 400,000 acres (160,000 ha) of orange groves in Brazil and also has plantations in Florida 	<ul style="list-style-type: none"> – Owns processing plants in Brazil 	<ul style="list-style-type: none"> – Operates two port terminals and a packaging facility in Brazil as well as port terminals and tank farms in Europe – Owns seven fruit juice ships
Volcafé, Ltd.	<i>"From farmer to roaster"</i>	<ul style="list-style-type: none"> – Owns 11,000 ha of plantations in Brazil 	<ul style="list-style-type: none"> – Owns wet and dry mills 	<ul style="list-style-type: none"> – Owns storage facilities; parent company ED&F Man owns a fleet of 40 ships

The information was obtained from the most recent publicly available sources, including annual reports, company websites, press articles and business information platforms. Detailed sources are available upon request from the authors. All information may be subject to change due to the rapid consolidation in the sector and Public Eye makes no claim as to the completeness of the information.

5

**Human rights violations
in the production
and trade of agricultural
commodities**

5.1 – NO LIVING WAGES NOR LIVING INCOME

One of the most common problems in the production of labour-intensive agricultural commodities is the lack of a living income⁶⁷ for small-scale farmers and the lack of living wages⁶⁸ for agricultural workers. Both living incomes and living wages are commonly understood to cover the costs required for a family to afford an adequate standard of living. A living income must, on top of that, allow self-employed farmers to run an economically viable business.

The lack of both living incomes and wages is one of the most fundamental issues that can lead to numerous human rights violations. According to the ILO, many of the millions of people working in agriculture worldwide are affected. Although no concrete numbers exist, the ILO estimates that “[m]any jobs in agriculture do not ensure decent levels of income and sustainable livelihoods; agricultural workers are among the groups with the highest incidence of poverty in many countries”.⁶⁹

A severe case of labour rights violations involves Swiss-based trader ECOM. The investigative NGO Repórter Brasil scrutinized the labour conditions on coffee farms in Brazil in 2016 and found evidence of multiple abuses: Advances never paid were discounted from salaries and the employer irregularly subtracted absences from pay slips, even for rainy days, when harvesting was impossible. Because of these practices, some workers were being paid monthly amounts below half of the minimum wage. The coffee from these farms was also sold to a direct subsidiary of ECOM, the trader headquartered in Pully in the canton of Vaud.⁷⁰

Another, more recent case of exploitative working conditions including the lack of living wages involves Swiss-based banana trader Chiquita. In April 2019, the Swiss magazine *Beobachter*⁷¹ publicised severe labour rights issues on Ecuador’s banana plantations, some of which supply Chiquita. These violations involve 12-hour workdays, poverty wages and employment without contracts.

In the production of cocoa, for example, the lack of a living income is a serious issue. Although this is increasingly being acknowledged both by cocoa traders and manufacturers, very few cocoa farmers are currently earning an income that comes even close to a living income and many continue to earn less than the international poverty line of USD 1.90 per day.⁷² Despite making promises regarding poverty reduction of small-scale farmers, even the most powerful cocoa traders such as Cargill⁷³ or Olam⁷⁴ have to date failed to make significant steps towards ensuring farmers along their supply chains earn a living income. This was also confirmed by a 2019 report by US-based NGO Mighty Earth. The report analysed company commitments on living income, amongst other issues. Not a single cocoa trader scored well and ECOM, Cargill and Olam continued to demonstrate a complete lack of policy or poor policies related to a living income.⁷⁵

5.2 – FORCED AND CHILD LABOUR

The agricultural sector is also one of the high-risk sectors for modern slavery⁷⁶. Globally, more than 3.5 million people work

under slave-like conditions in agriculture, fishery, and forestry.⁷⁷ The most common type of modern slavery, forced labour, occurs primarily in labour-intensive agricultural production. Indeed, some forms of forced labour can be considered endemic in the production of agricultural commodities.

Globally, more than 3.5 million people work under slave-like conditions in agriculture, fishery, and forestry.

In 2015 for example, the German NGO Christliche Initiative Romero and Austrian NGO Global 2000 reported that workers on a plantation in Brazil supplying orange juice giant Cutrale had not been paid for several weeks.⁷⁸ Furthermore, the debts of the workers were increasing daily due to the high costs they were being charged for transport to the plantation, accommodation and food, which was provided by the local labour contractor at extortionate prices. The workers were thus unable to leave the plantation as they were heavily indebted to the contractor and could not afford the bus journey back home.

The authors of the report call this a modern system of slavery and they are not alone in doing so. The Brazilian Ministry of Labour and Employment itself has put Cutrale on their “dirty list” of slave labour⁷⁹. Brazil launched an anti-slavery strategy in the mid-1990s and since then authorities have been carrying out raids and engaging in a “name-and-shame” strategy towards companies that have been found to be engaged in slave labour.⁸⁰ Prosecutors in the state of São Paulo say they have investigated Cutrale’s labour practices 286 times over the past decade, compared to 71 times for LDC and 50 times for Citrosuco, the other two big orange juice traders. Some probes have also resulted in lawsuits and others in settlements. For example, in March 2014 a tribunal ordered Cutrale and two other companies to pay 113 million reais (USD 43 million) in penalties and to stop irregular subcontracting of orange pickers.⁸¹

Forced labour is also an endemic problem in the cotton fields of Central Asia.⁸² The forced mobilisation of workers in both Uzbekistan and Turkmenistan is a leftover from Soviet times. Both countries are run by authoritarian regimes and cotton sales make up a significant part of their export earnings. Their governments send employees of state-run companies into the fields during harvest season. It is “pick or pay” but given an unemployment rate of up to 50% in Turkmenistan, for example, many employees do not dare to resist and simply cannot afford to pay their way of the labour. Nevertheless, Swiss-based cotton trader Reinhart⁸³ trades cotton harvested in Turkmenistan. ECOM only recently removed its Turkmen office from the website and it remains unclear whether they still trade cotton produced in Turkmenistan.⁸⁴

Child labour is another widespread violation in the agricultural sector. According to the ILO, child labour is “work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental develop-



Child labourers carry baskets of freshly harvested coffee beans at a plantation in El Paraíso, Honduras. | © Edgard Garrido/Reuters

ment”⁸⁵. The agricultural sector accounts for 71% of child labour globally, almost 108 million children, which is more than the number of children in child labour in the industrial and service sectors combined.⁸⁶ This does not entail, as is sometimes misrepresented, children occasionally helping out their parents on family farms, but harmful forms of child labour as prohibited under international human rights law.

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Child labour has serious consequences, not only for the children concerned, but also for their families and for society as a whole. Lack of access to education clouds the prospects of children, who have little opportunity to escape this situation and to improve their lives. Moreover, child labour “perpetuates

poverty across generations” and “[t]his lowering of human capital has been linked to slow economic growth and social development”.⁸⁷

Child labour is particularly widespread in the small-scale production of certain labour-intensive agricultural commodities such as cocoa. This is endemic in the two main cocoa producing countries of Côte d’Ivoire and Ghana which account for over 60% of global cocoa production. A study by Tulane University found 2.1 million children in child labour in Côte d’Ivoire and Ghana alone.⁸⁸ Swiss traders also profit from child labour in their supply chains as has been reported repeatedly.

The most recent evidence stems from a 2019 TV broadcast by French channel France 2 on cocoa illegally harvested from protected areas in Côte d’Ivoire.⁸⁹ The report found child labour to be widespread on the plantations investigated, where every third worker was a child and instances of child trafficking from neighbouring Burkina Faso were also reported. Cargill, who buys from the plantations under investigation, at first denied that it was buying cocoa from protected areas. However, Cargill was forced to admit that its traceability system had not reached these areas, and therefore that it could not fully trace the origins of its cocoa, contrary to its own claims.

One of Cargill's biggest customers of cocoa sourced from Côte d'Ivoire is Swiss-based food giant Nestlé as was later reported in a broadcast by Swiss TV channel RTS.⁹⁰ Moreover, a lawsuit launched in 2005 and revived in 2018 in the USA against Cargill and Nestlé was filed by former child slaves from Mali who accuse the companies of being complicit in perpetuating child slavery in Côte d'Ivoire.⁹¹

Cocoa is not the only crop affected by child labour. Amongst the more notorious is also cotton originating in Turkmenistan⁹². Although the Turkmenistan President issued a ban on child labour in 2008, children have been documented picking cotton to this day. Sometimes children as young as twelve have to fill in for their family members, says Ruslan Myatiev, director of Turkmen.news, an NGO that, among other activities, monitors labour rights in Turkmenistan.⁹³ Despite these reports, Swiss-based cotton trader Reinhart (and at least up until recently ECOM) continues to trade cotton harvested in Turkmenistan. Similarly, in Burkina Faso a recent report by NGO Solidar Suisse found 250,000 children to be working in the cotton harvest. The report alleges that Swiss traders Reinhart and LDC are profiting from this violation.⁹⁴

5.3 – OCCUPATIONAL HEALTH AND SAFETY

In terms of work-related fatalities, accidents and (chronic) occupational diseases, the agricultural sector is one of the most

hazardous according to the FAO: “Workers face risks that include operating heavy machinery and equipment, lifting weights and working with animals on a daily basis. They are often exposed to harsh climate conditions, excessive noise and vibration, chemicals, infectious agents, dust and other organic substances.”⁹⁵ Pesticide use is one of the most hazardous practices in agriculture and is responsible for vast numbers of deaths by poisonings.

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The most authoritative study on the frequency of poisonings from pesticide use was published in 1990 by the World Health Organisation (WHO). At that time, pesticides were estimated to cause 3 million severe acute poisonings every year, resulting in some 220,000 deaths worldwide, with intentional poisonings (suicides) representing about two thirds of the cases.⁹⁶ Approximately 99% of these deaths occurred in low- and middle-income countries. As many as 25 million agricultural workers were believed to suffer from an episode of pesticide poisoning every



A worker sprays pesticides in the field of a local farmer in Yavatmal, India. | © Atul Loke/Panos Pictures

year.⁹⁷ A 2019 research report by Public Eye illustrated that the most dangerous pesticides, those referred to as “highly hazardous”, are used heavily in low- and middle-income countries despite being, for the most part, banned in Switzerland and the EU.⁹⁸

In 2018, Baskut Tuncak, UN Special Rapporteur on hazardous substances and waste, reported to the UN Human Rights Council that “[e]xposure of workers to toxic substances can and should be considered a form of exploitation and is a global health crisis.” He continued, “[g]lobal supply chains are often implicated for failing to protect workers from toxic exposures and refusing to provide an effective remedy for individuals harmed.”⁹⁹ Public Eye has repeatedly documented the exposure of populations to pesticides and related health impacts, particularly in low- and middle-income countries, most notably in the 2019 report on the use of highly hazardous pesticides focusing on Brazil’s agri-sector. The report states that “[w]hile farmers and rural residents are exposed most frequently and directly, residues of pesticides are found everywhere: in our food, our drinking water, in the rain and in the air. In short, no one remains untouched by pesticide exposure.”¹⁰⁰ Researchers are increasingly concerned about the link between pesticide exposure and high rates of chronic diseases such as cancer particularly in agroindustrial areas of the country. This was confirmed by Ada Cristina Pontes Aguiar, a medical researcher at the Federal University of Ceará in Brazil who states that “[t]here is probably not a single citizen in this country without a certain level of pesticide exposure”.¹⁰¹ Another Public Eye documentary on pesticide use on India’s cotton fields also confirmed the severe consequences of pesticides on workers detailing various cases of poisonings.¹⁰²

A recent case involving the hazardous use of pesticides implicated Swiss-based banana trader Chiquita. The Danish media and research centre Danwatch who specialises in investigative journalism, published a report¹⁰³ on pesticide use on banana plantations in Ecuador, some of which supply Chiquita. They found aerial spraying of pesticides without warnings to workers, and the handling of pesticides without proper protections or equipment. Among the pesticides sprayed is Paraquat, a highly hazardous pesticide forbidden in Switzerland and the EU.¹⁰⁴ When approached for comment, Chiquita would neither confirm nor deny the allegations but reportedly began an internal investigation, the results of which have not been made public.¹⁰⁵

Global supply chains are often implicated for failing to protect workers from toxic exposures and refusing to provide an effective remedy for individuals harmed.

5.4 – DEFORESTATION

Deforestation is one of the most common environmental problems associated with agricultural production and industrial agriculture is its driving force. A 2014 study by US-based envi-

ronmental organisation Forest Trends found that 49% of deforestation due to industrial agriculture was illegal, with 24% being “the direct result of illegal agro-conversion for export markets”.¹⁰⁶ The same study found that Brazil and Indonesia alone account for 75% of global illegal deforestation for agricultural purposes.¹⁰⁷ This is largely due to the cultivation of flex crops: soybeans in Brazil and palm oil in Indonesia and Malaysia¹⁰⁸. Deforestation, however, is not limited to flex crops in Latin America or Asia. In West Africa, primarily in Côte d’Ivoire and Ghana, vast areas of natural forests have vanished as a result of deforestation to make way for expanding cocoa plantations.¹⁰⁹ In the case of palm oil, rubber, coffee, and cocoa, the narrow climatic zones in which these products can be cultivated leads to a concentration of global production in relatively small areas. As a result, there is little scope for relocation. Increased demand for animal feed and agro-fuels leads to more and more land, including protected areas and rainforests, being converted into farmland as this is considerably easier than increasing land productivity. This in turn results in ever more deforestation.

Increased demand for animal feed and agro-fuels leads to more and more land, including protected areas and rainforests, being converted into farmland.

Recent reports by US-based NGO Mighty Earth confirm the wide-spread deforestation in Latin America and West Africa involving Swiss-based agricultural traders. In Ghana and Côte d’Ivoire, the NGO has documented deforestation in cocoa farming involving Cargill.¹¹⁰ New data released in April 2019 by Global Forest Watch¹¹¹, an online platform providing data and tools for monitoring forests, revealed that rates of tropical primary forest loss increased dramatically in 2018 in Ghana and Côte d’Ivoire primarily due to cocoa farming and gold mining. In 2018, Ghana had the highest rate of increase (60%) in the world compared to 2017, with Côte d’Ivoire (26%) in second place.

In Brazil, Mighty Earth has documented several cases of deforestation linked to traders such as Cargill and Bunge in Brazil’s Cerrado, an ecologically valuable area of wooded grasslands not as protected as the Amazon.¹¹² In May 2018, these two traders were among the five companies that were caught red-handed by Brazilian authorities destroying protected areas and were fined USD 29 million.¹¹³

Chain Reaction Research, specialised in sustainability risk analysis, has also documented several cases of deforestation involving Swiss-based traders, primarily the ABCD club, in soy production in Brazil.¹¹⁴ The six largest agricultural commodity traders, ADM, Bunge, Cargill, LDC, COFCO Int. and Glencore Agri, committed themselves to monitoring their soy supply chains in Brazil’s Cerrado¹¹⁵ in 2019. However, the pledge they signed onto does not include a commitment to end deforestation. Furthermore, the fact that corporate self-regulation alone



A wheat field on land that used to be virgin Amazon rainforest, Para State, Brazil. | © Nacho Doce/Reuters

is not sufficient to tackle deforestation risks was recently confirmed by an assessment by Chain Reaction Research. The assessment confirmed that Cargill's updated zero-deforestation policy for soy remained "unclear as to how the company will reach this goal, and at what pace. The company has given conflicting signals regarding its zero-deforestation policies, including a shifting timeline and levers for implementation."¹¹⁶

Large-scale land acquisitions are one of the most central problems in the production of agricultural commodities. Between 2006 and 2016, almost 500 cases of land grabbing were documented.

5.5 – LAND CONFLICTS

Another set of problems that often result in human rights violations involves land conflicts, especially large-scale acquisitions of land. Among the rights most affected are the right to food, the right to a healthy environment, and the rights of indigenous peoples. In this context, it is particularly noteworthy that the International Criminal Court (ICC) announced in 2016 that it would deal with cases of crimes against humanity committed through or resulting from environmental degradation, land grabbing or illegal exploitation of natural resources.¹¹⁷ As a result, company executives and politicians responsible for such offenses could be brought to justice in The Hague.¹¹⁸

Large-scale land acquisitions¹¹⁹ are one of the most central problems in the production of agricultural commodities. Between 2006 and 2016, almost 500 cases of land grabbing¹²⁰ were documented globally, involving over 30 million hectares of land.¹²¹ Contrary to claims that large-scale land acquisitions

primarily involve unused land, land cultivated by small-scale farmers, traditional pastures and densely populated or fertile land are those most affected. Moreover, such large-scale land acquisitions also affect access to water. Spurred by rising demand, the extensive production of flex crops such as palm oil, soy, and corn is largely to blame but coffee, cocoa, or tea are also implicated.¹²²

One of the most notorious cases of land grabbing involves coffee production in Uganda. The Food First Information and Action Network (FIAN) has meticulously documented a case¹²³ in which the Ugandan Army violently evicted the inhabitants of four villages in 2001 because the government had leased the land to the Kaweri Coffee Plantation Ltd. Kaweri is a subsidiary of the German Neumann Kaffee Gruppe (Neumann) who manages their plantations through NKG Tropical Farm Management, based in Switzerland.¹²⁴ The legal action to reclaim villagers' land and properties continues to be obstructed and delayed by the judiciary system in Uganda. To date the evictees have not received remedy and continue to assert their rights.¹²⁵

In the last decade, NGOs such as Oxfam and Survival International have documented the dire living conditions of indigenous peoples in Brazil due to large foreign companies failing to respect the demarcation of indigenous ancestral lands. For example, the Guarani Kaiowá people of Jata Yvary in Brazil's Mato Grosso state have lost most of their ancestral land to sugar cane plantations

and have been forced to live on a small patch of land completely surrounded by sugar cane fields.¹²⁶ For many years, the sugar from these fields was sold to the Monteverde mill, which in turn belonged to Swiss-based trading giant Bunge.¹²⁷ Unlike many other sugar mill owners that operated in the region, Bunge declared in 2013 that it intended to continue to buy sugar cane produced on the indigenous land until existing contracts expired.¹²⁸

According to the Missionary Indigenous Council (Conselho Indigenista Missionário), 687 indigenous people committed suicide between 2003 and 2015. Furthermore, the Guarani Kaiowá have suffered from constant attacks by militias formed by powerful farmers.¹²⁹ In 2016, the Brazilian Association of Anthropology expressed its indignation at the lack of control by the Brazilian State in fulfilling its constitutional role with regard to protecting the Guarani Kaiowá indigenous communities. The organisation called the suicides, and the disregard of the public authorities thereof, genocidal.¹³⁰

Oxfam has documented another illustrative case of land grabbing. Between 2010 and 2012, Cargill brought huge areas of land in Colombia under their control despite legal restrictions on the acquisition of state land. To accomplish this, Cargill set up no fewer than 36 mailbox companies which enabled it to exceed the legally prescribed maximum size of land ownership. With more than 50,000 hectares of land, the agricultural trader thus acquired more than 30 times the land legally permitted for a single owner.¹³¹



A Guarani Kaiowá leader stands on a roadside as members of her tribe hold banners about their claims to their ancestral land, which is controlled by large-scale farmers, Mato Grosso, Brazil. | ©Lunae Parracho/Reuters



Bananas from Chiapas, Mexico, are harvested and shipped year round. | © John Moore/Getty Images

5.6 – TAX DODGING, CORRUPTION AND LINKS TO POLITICALLY EXPOSED PERSONS

Other significant malpractices regularly related to the production and trade of agricultural commodities are tax dodging, corruption, as well as influence peddling and doing business with politically exposed persons (PEP). These practices are intimately connected to human rights violations as they share underlying root causes and conditions. Their manifestations can result in human rights violations by reducing states' capabilities and financial means required to ensure human rights of its populations are upheld.¹³² Albeit common, such dubious or illegal practices are often hard to detect. This is mostly owing to the fact that they remain in the dark by their very nature which is not least due to the very complex and intransparent company structures and the use of offshore jurisdictions. Proving such offences is thus very difficult, even for law enforcement authorities.

In commodity trading, the risk of tax offences or aggressive tax avoidance, especially in the form of transfer mispricing is particularly high.¹³³ Transparency International refers to transfer mispricing “when related firms agree to manipulate the price of their internal transactions in order to declare less profit in higher-tax jurisdictions and therefore reduce their total tax payments”.¹³⁴ The high export values of some commodities along with the tax policies of producing countries as well as

those of home countries (often lower-tax jurisdictions) and the existence of no-tax offshore jurisdictions increase the risk of or even incentivise tax avoidance.

A noteworthy case of transfer mispricing came to light in 2011 in Argentina involving the world's four largest grain traders: ADM, Bunge, Cargill and LDC. Argentina's revenue and customs service began an investigation into the four companies when prices for agricultural commodities spiked in 2008 and yet very little profit for the four companies had been reported to the office. As a result of the investigation, it was alleged that the companies had submitted false declarations of sales and routed profits through tax havens or through their headquarters. In some cases, they were said to have used phantom firms to buy grain and had inflated costs in Argentina in order to reduce the recorded profits earned in the country.¹³⁵ According to the country's revenue and customs service, the outstanding taxes amounted to almost USD 1 billion.¹³⁶

The companies involved have denied the allegations. To date, the Argentinian tax authorities have not replied to Public Eye's request regarding the current state of the case. In its 2018 annual report to the US Securities and Exchange Commission (SEC), Bunge mentioned provisions which suggest that the case is still ongoing: “[A]s of December 31, 2018, Bunge's Argentine subsidiary had received income tax assessments relating to 2006 through 2009 of approximately 1,276 million Argentine pesos (approximately \$34 million), plus applicable interest on the out-

standing amount of approximately 4,246 million Argentine pesos (approximately \$113 million).¹³⁷

Apart from tax dodging, the risk of corruption is also widespread in commodity trading, not only for oil and minerals, but also for agricultural commodities. This can be explained by several factors:

- In producing countries, certain agricultural producers, land or plantation owners or those owning significant processing facilities and logistical assets are often embedded in or closely tied to the political elite. These politically exposed persons (PEP) can exert considerable influence over certain parts of global commodity value chains such as controlling exports as well as related policy areas. This fact alone makes trade in agricultural commodities a risky activity. The risk increases considerably in states where the rule of law is weak, as is sometimes the case in producing countries.
- While the sums involved in agricultural commodity trading are smaller than in most hard commodities and there are no royalties, revenues from agricultural commodity sales can nevertheless be quite large.
- The opacity surrounding ownership structures and the actual business transactions further aggravates the risk.
- The absence of specific regulations, as there is for banks, aimed at stopping trading companies from doing business with PEP.

One of the few corruption cases that has come to light recently involves grain giant ADM. An ADM subsidiary pleaded guilty and agreed to pay criminal fines in excess of USD 17 million in 2013 to resolve charges that it had paid bribes, via vendors, to Ukrainian government officials in order to obtain value-added tax refunds.¹³⁸ In a parallel action, the grain trader consented to a judgment that ordered ADM to pay close to USD 37 million in “disgorgement and pre-judgement interest” which brought the total amount of penalties to more than USD 54 million.¹³⁹

Entanglement with government officials can even go a step further. In November 2017, in the wake of the revelations dubbed the Paradise Papers about dubious offshore schemes, the French TV broadcast *Cash Investigation*¹⁴⁰ reported on the problematic dealings of LDC in Brazil. In 2010, the Geneva-based trader joined forces with a subsidiary of the world’s biggest soy producer Amaggi¹⁴¹ to form Amaggi & LD Commodities Ltda.

Amaggi is owned by Blairo Maggi, former Minister of Agriculture and a large landowner known as the “king of soy” who was Governor of the state of Mato Grosso when the joint venture with LDC was established. Amaggi & LD Commodities Ltda opened a trust based in the Cayman Islands the same year. The beneficial owners of the trust were all members of the Maggi family. Blairo Maggi himself has claimed never to have received any money from the trust.

But allegations against him should have raised a red flag: Maggi was under investigation by the Brazilian judiciary for corruption and money laundering for his time as Governor of Mato Grosso. The administration under Maggi “is suspected of having enforced a scheme of monthly bribes paid to state lawmakers in exchange for political support”.¹⁴² Brazilian prosecu-

tors filed charges against Blairo Maggi in May 2018, accusing him of orchestrating a bribery scheme in 2009.¹⁴³

LDC thus knowingly relied on an individual classified as a PEP for its business activities in Brazil.¹⁴⁴ When it set up the joint venture in 2010, Blairo Maggi had an important role in government, which he had already mixed with his private-sector activities, creating clear conflicts of interest.

At times the political involvement of multinational corporations goes beyond circumventing tax regulations and paying bribes. A particularly serious case involves Swiss-based Chiquita who went as far as to directly finance paramilitary groups in Colombia in the years between 1989 and 1999. The company admitted payments to one group while portraying itself as a victim of extortion by the paramilitary group. Although Chiquita settled a criminal complaint by the US government by paying a USD 25 million fine in 2007, the proceedings have not ended.¹⁴⁵

In 2017, several human rights organisations called on the ICC to investigate fourteen former and current executives and employees of the banana trader for complicity in crimes against humanity.¹⁴⁶ Moreover, in August 2018, Colombia’s prosecution announced charges against 13 former executives of Chiquita for mass killings by paramilitary groups that occurred between 1997 and 2004. Those accused are expected in court to respond to terrorism support charges.¹⁴⁷ This case illustrates the connection between corruption and human rights violations and demonstrates that such dealings can have very real and severe consequences for people’s lives.

This analysis and examination of cases provides only a glimpse of the scope of human rights violations along the supply chains of agricultural traders.

This analysis and examination of cases provides only a glimpse of the scope of human rights violations along the supply chains of agricultural traders. In addition to the aforementioned violations, other severe issues such as the exploitation of migrant workers, human trafficking, environmental pollution, diseases specific to crops such as the green tobacco sickness, as well as gender discrimination and violence have also been documented frequently in the production of agricultural commodities. Gender discrimination, often coupled with multiple other forms of discrimination, disproportionately affects women. Generally, they are even more exposed to low wages than men and are overrepresented in unpaid, seasonal and part-time employment.¹⁴⁸ Moreover, they are usually disadvantaged when it comes to landownership and thus have little access or control over the means of production (input, finances, technology, and markets).¹⁴⁹

Overall, the problems of the agricultural commodity sector and its traders are diverse and well-documented. Nevertheless, both leading firms and policy makers remain largely silent in the

face of repeated human rights violations connected to the industry. The agricultural commodity trade is thus in dire need of being examined on a larger scale. One starting point is an analysis that groups the issues according to the system of production.

5.7 – CLUSTERS OF ISSUES: WHAT THESE VIOLATIONS HAVE IN COMMON

In the production of labour-intensive crops (such as bananas, cocoa, coffee, cotton, oranges, oil palms and in some cases sugar cane) human and labour rights violations can be considered endemic, meaning they occur systematically and to some extent independently of the location of production or value chain. This is certainly true in relation to the lack of a living income and living wages and certain forms of modern slavery.

In capital-intensive commodities such as soy, corn or wheat, fewer labour rights violations occur at the production stage, due mainly to the high degree of mechanisation and thus low numbers of people involved in labour. Human rights violations, however, do also occur frequently in the value chains of these

crops, mainly through land grabbing, the destruction of livelihoods and high use of pesticides. Owing to the overall increase in production a vast number of cases related to land conflicts have been linked to the production of flex crops such as sugar cane, oil palm, and soy.

Moreover, several other infringements can be linked to the production and trade of agricultural commodities, such as tax dodging or corruption through links to politically exposed persons (PEP). As demonstrated above, most known cases involve capital-intensive crops such as grains but its occurrence is not limited to these crops. The reasons for these violations are the actors involved (foreign functionaries, PEP, etc.), the physical presence of the actors in the countries of production in combination with the large potential profits, the lack of transparency regarding prices and the absence of specific regulation in this area.

This clustering of issues according to systems of production is illustrated in figure 5.1.

Even if the systems of production can indicate the likelihood of violations occurring, the way specific crops are produced does not inherently lead to such violations and the root causes lie elsewhere, as is explained in the following chapter.

Figure 5.1 – Clusters of violations across commodities

	Labour-intensive crops						Flex crops		Capital-intensive crops			
	Bananas	Cocoa	Coffee	Cotton	Oranges	Tobacco	Rice	Palm oil	Sugar*	Soy	Corn	Wheat
No living income/wages	✗	✗	✗	✗	✗	✗	✗	✗	✗	–	–	–
Child labour	✗	✗	✗	✗	✗	✗	✗	✗	✗	–	–	–
Forced labour	–	✗	✗	✗	✗	✗	–	✗	✗	–	–	–
Human trafficking	–	✗	✗	–	–	–	–	–	–	–	–	–
Discrimination against migrants	✗	✗	✗	✗	–	✗	–	✗	✗	–	–	–
Anti-union activities	✗	–	–	–	✗	–	–	–	✗	–	–	–
Gender violence/discrimination	✗	✗	✗	✗	✗	✗	✗	✗	✗	–	–	–
Health issues due to pesticides	✗	✗	✗	✗	✗	✗	–	✗	✗	✗	–	–
Crop-specific health risks	–	–	–	–	–	✗	–	–	✗	–	–	–
Land grabbing	✗	–	✗	✗	–	–	✗	✗	✗	✗	✗	✗
Forced displacement	✗	–	✗	–	–	–	–	✗	✗	✗	–	–
Indigenous land rights violations	–	–	–	–	–	–	–	✗	✗	✗	–	–
Deforestation	–	✗	✗	–	–	–	–	✗	✗	✗	✗	–
Pollution	–	–	✗	–	–	–	–	✗	✗	✗	–	–
Tax dodging	✗	–	–	–	–	–	–	✗	–	✗	✗	✗
Corruption	–	–	–	–	–	–	–	✗	✗	✗	✗	✗
Money laundering	–	–	–	–	–	–	–	✗	–	✗	–	–

✗ endemic issues

✗ common issues

– no data

Most common issues in labour-intensive crops

Most common issues in flex crops

High risk production of partly labour-intensive flex crops

Insufficient data

* While sugar is a labour-intensive crop in most producing countries, the most significant global producer of sugar, Brazil, is an exception. Up until a few years ago, large parts of production were also labour-intensive; however, today, on average, over 90% of production has been mechanised, in part also to eliminate labour rights violations at the production stage. (Companhia Nacional de Abastecimento, 2019, *Boletim Cana 4 Levantamento 18–19*).

Source: 2018 Public Eye case research | Business and Human Rights, 2018, *Issues database*; US Department of Labor, 2018, *List of Goods Produced by Child Labor or Forced Labor*; Verité, 2018, *Commodity Atlas*; GRAIN, 2016, *The global farmland grab in 2016: How big? How bad?*

6

Power asymmetry: The root cause of human rights violations



6.1 – PRODUCING COUNTRIES: LACK OF ENFORCEMENT OF HUMAN RIGHTS PROTECTIONS

One of the main causes of many human and labour rights violations in the production of agricultural commodities can be found in national and international policies. Often, their scope and/or enforcement is insufficient when it comes to human and labour rights or environmental protections, transparency or the concentration and abuse of power in the agro-food sector as is the case for competition policies.

When it comes to human and labour rights violations in the production of commodities, the legal basis in most producing countries is largely in line with international human rights laws and therefore it is a lack of enforcement of existing legislation that is to blame for continuing violations. This is not only the case for specific labour rights, but also for basic rights such as access to education or protections for rural and/or indigenous populations. While this can be largely considered an issue of political will as well as of corporate interests, the often seasonal nature of agricultural work and the sometimes remote and widely scattered production locations can also complicate effective enforcement.

According to the UN Guiding Principles on Business and Human Rights (UNGP)⁵⁰, it is first and foremost the obligation of states to protect and fulfil the human rights of their populations. However, companies have independent responsibilities. The UNGP state, “The responsibility to respect human rights is a

global standard of expected conduct for all business enterprises wherever they operate. It exists independently of States’ abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights.” In other words, this means that commodity traders and other businesses must ensure they respect human rights wherever they operate, regardless of the state’s ability or willingness to do so themselves. Thus, companies must not exploit regulations or the lack thereof where this negatively impacts human rights. Unfortunately, this is often not the case, as several examples in this report have demonstrated.

Often, the scope and/or enforcement of national and international policies is insufficient when it comes to human and labour rights or environmental protections, transparency or the concentration and abuse of power in the agro-food sector.

In some cases significant legal gaps do exist and in other cases current legal protections are increasingly under threat from governments and the agro-food lobbyists alike, for exam-



An Indonesian worker harvests at a palm oil plantation. Borneo, Malaysia.

© Mattias Klum/National Geographic/Getty Images

ple in Brazil, the world's most important exporter of agricultural commodities.¹⁵¹ In producing countries, the lack of protections is best illustrated in relation to minimum wage laws for workers. As mentioned above, such benchmarks, where they do exist, are usually nowhere near actual living wages and despite being employed, many workers struggle to make a living. In relation to minimum let alone living income for small-scale farmers, the situation is even more dire. The right to an adequate standard of living has long been enshrined in international human rights law and yet there are far too few protections for small-scale farmers seeking to make a living off the crops they produce.¹⁵²

In December 2018, the UN General Assembly adopted the UN Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP). The declaration is based on binding international agreements and explicitly specifies the rights to an adequate standard of living and fair remuneration.¹⁵³ It also recognizes detailed entitlements with regards to peasant rights to seeds, land, and biodiversity.¹⁵⁴ An analysis by the Geneva Academy of International Humanitarian Law and Human Rights clearly underlines the importance of this new document. "The implementation of the UNDROP represents a unique opportunity to re-balance power relations in rural areas, and to guarantee that states will respect, protect and fulfil the rights of peasants and other people working in rural areas, who have too often been marginalised within international, regional and national laws and policies. It is key for redressing various forms of discrimination and historical disadvantage that have affected peasants and other people working in rural areas for too long."¹⁵⁵ The UNDROP is thus an important instrument in establishing more balanced power relations and in ensuring that the rights of peasants and workers are respected.

6.2 – HOME STATES OF AGRICULTURAL COMMODITY TRADERS: UNWILLINGNESS TO REGULATE

In the home states of agricultural traders, the main issue is less one of enforcement but rather of an actual lack of regulation governing human rights protections abroad. A lack of transparency compounds the problem. After decades of failed corporate "self-regulation"¹⁵⁶, significant legislation that would ensure corporate respect for human rights and the environment abroad is still largely absent.

After decades of failed corporate "self-regulation", significant legislation that would ensure corporate respect for human rights and the environment abroad is still largely absent.

Even where laws exist, they demonstrate substantial gaps in that they only partially codify corporate responsibility in terms of respect for human rights and the environment, and/or only

apply to a select number of companies. Moreover, the largely preventative nature of such legislation currently being considered in several countries often does not cover other relevant aspects such as liability or access to remedy for victims of human rights violations.¹⁵⁷

A lack of transparency regarding concrete business activities of commodity traders in home states, ownership structures, the organisation of supply chains, market shares, and financial data poses additional difficulties for regulators. If regulators want to protect human rights, transparency is a key prerequisite to determining responsibilities, ensuring accountability and providing remediation for victims of corporate misconduct.

The US and Europe have begun to introduce some regulation covering a range of specific issues (such as combatting forced labour and slavery or illegal timber harvesting¹⁵⁸) and to put in place overarching regulation.¹⁵⁹ Switzerland, however, lacks any regulation when it comes to governing human rights and transparency in the commodity trading sector. Even though the Federal Council acknowledges some of the challenges in its latest report, it refuses to take any regulatory measures, instead preferring to rely on corporate self-regulation: "The Federal Council expects all companies operating in or from Switzerland to behave with integrity and responsibility with regard to compliance with human rights, environmental and social standards at home and abroad."¹⁶⁰

Switzerland's reliance on corporate social responsibility (CSR) instruments was again illustrated in the recently published Commodity Trading Sector Guidance on Implementing the UNGP.¹⁶¹ The guidance was developed by a multi-stakeholder initiative comprising public bodies, the private sector as well as civil society organisations including Public Eye. The guidance itself can be considered a solid instrument if used in addition to the OECD-FAO Guidance for Responsible Agricultural Supply Chains¹⁶² which, as opposed to the former, also covers the production stage of agricultural commodities. Nevertheless, it remains a voluntary mechanism and neither binding measures by the Swiss state to implement the guidance nor to impose sanctions in case of non-compliance are foreseen.¹⁶³

These shortcomings demonstrate that the Swiss government is more concerned with reputational risks to business than with actual negative human rights impacts on the ground. The government continues to refuse to regulate the sector despite it posing very specific risks to people and the environment as this report has amply demonstrated. Moreover, Switzerland has to date failed to ensure transparency either in terms of financial or statistical data on the commodity trading sector, including even basic figures such as number of companies, total employment, combined turnover or tax payments.

6.3 – THE PROBLEMATIC BUSINESS MODEL: GLOBAL VALUE CHAIN MANAGERS

Another important factor that can lead to human and labour rights violations on the ground is the very business model of agricultural traders. The way many of them operate as global value

chain managers allows them, even the smaller and less dominant players, to exert major influence over large parts of GVCs. As demonstrated in previous chapters, commodity traders are moving closer to or into the production of agricultural commodities and thus may exert control over this stage of GVCs too. The closer links between influential global companies, and weakly organised small-scale farmers and workers with little bargaining power, often do not result in economic relations that are just. Rather than ensuring a decent livelihood for farmers, this relationship can lead to dependencies and exploitation, as several cases in this report have demonstrated.

The business model of traders, as opposed to that of small-scale producers, is set up to flexibly react to business risks. Price risks, for example, can be hedged, meaning traders can “protect” themselves against excessive price fluctuations. Most small-scale farmers are not able to protect themselves in this way. Instead, they are exposed to price volatilities and the often very low commodity prices on the world market with little to no opportunities to mitigate those risks or bargain for better prices. In addition to price risks, small-scale producers also directly bear climate and other production-related risks. In general, the risks facing people working in agricultural production can affect them in a much more existential way than the powerful buyers who are often able to be flexible in their sourcing. Furthermore, a lack of alternative buyers or the resources to add value to their activities can keep farmers and workers trapped in exploitative relationships. Typically, small-scale producers receive the smallest share of value along GVCs and it continues to decline. A recent study by Oxfam revealed: “Farmers’ share of the end-consumer price for food has actually decreased by 13% since 1995; supermarkets have captured the major increased share. But the share has also increased slightly for another, little-known but powerful segment of the supply chain: global agribusinesses that specialise in the production, processing, and trade of agricultural commodities.”¹⁶⁴ A lack of reliable market access and transparent market information along with the typically temporary and informal terms of employment of workers further weaken the position of small-scale producers and workers.

It is estimated that less than
10% of the world’s waged
agricultural workers are organised and
represented in trade unions
or rural workers’ organizations.

The core reason why small-scale producers and workers are not as flexible in minimising risks and are not able to bargain for better conditions lies in the stark asymmetry of power, which leaves them in a poor position to defend their interests. Former UN Special Rapporteur on the Right to Food, Olivier de Schutter, confirmed this when examining contract farming arrangements: “The way prices are determined, the deductions for the provision of inputs, the conditions under which the contract

can be terminated and the way in which the quality grading of the produce is assessed are all areas in which contractual clauses may be heavily biased in favour of the buyer.”¹⁶⁵

Effective organising by small-scale producers and workers would be one way to combat this power imbalance. However, according to the ILO, the level of organisation in terms of employers’ associations or cooperatives is lowest in the agricultural sector compared to other industries: “[I]t is estimated that less than 10 per cent of the world’s waged agricultural workers are organized and represented in trade unions or rural workers’ organizations.”¹⁶⁶ As demonstrated above, this is often hampered due to a lack of support and deficient government policies, as well as widespread anti-union sentiments. Without reliable and transparent market access, sufficient resources and flexibility, and thus a strengthened bargaining position, neither small-scale farmers nor workers are in a position to stand up for their rights, to escape exploitative conditions, and to claim a greater share of the retail price of the end products.

Agricultural traders, on the other hand, can exploit and abuse their positions of power. Even if this is often done in ways that are permitted by law, many of their actions can typically be considered illegitimate in that they infringe upon the basic human rights of others, as illustrated by numerous examples in this report. Such is the case when prices paid to producers are so low as to not allow for a living income and/or wage. As mentioned above, companies must not make use of a lack of regulation, be that with regards to an adequate standard of living or any other human rights and must live up to their responsibility to respect these rights.

6.4 – TOO LITTLE IS BEING DONE TO CURB CORPORATE POWER: SHORTCOMINGS OF COMPETITION POLICIES

A policy area that could contribute to solving some of the problems mentioned above has flown under the radar for quite a while and is currently making a reappearance on the global stage: competition policies. This area of law is intended to prevent problematic concentrations and abuse of market power. Typically and almost universally, however, competition policies exhibit three main shortcomings pertaining to the issue of power concentration, especially in the agro-food sector:¹⁶⁷

1. Competition policies are primarily designed to protect consumers from economic inefficiencies. Their aim is to enhance “consumer welfare,” which is served by avoiding price increases and a decline in quality or choice of products. This focus on the consumer means that these policies do not take into account the negative effects of concentration, market power or abuse of power on producers of agricultural commodities. In other words, competition policies largely disregard the welfare of producers and leave them unprotected from harm. Moreover, they can also pose barriers to tackling specific human rights violations at the production level. This is the case, for example, with regards to collaboration between buyers who seek to cooperate on producer prices that

would allow for a living income and wage.¹⁶⁸ This is highly problematic as the production stage is where little to no bargaining power lies and protections against exploitation and abuse of power are most needed, as demonstrated by several cases in this report.

2. Competition policies focus primarily on the horizontal dimension of power concentration in the context of mergers and acquisitions, and much less so on the vertical dimension along GVCs. Given the high degree of vertical integration in the global agro-food sector, and amongst agricultural traders disregarding this perspective in assessing market power and potential risk of abuse is a significant blind spot in the law.
3. Competition policies are largely national in nature. This focus effectively means that potentially negative implications occurring outside of a national market at the production stage, are largely dismissed in the absence of extra-territorial reach. Moreover, apart from the EU-level, there is no regional or supranational authority to address and regulate concentration or abuse of market power and cooperation between national competition authorities is often considered insufficient. This is a shortcoming in relation to the transnationality of agro-food corporations and the global scope of value chains as well as the scope of the challenges at hand.

These deficiencies are currently recognised not only in academia and civil society, but also among competition authorities and by the European Commission and Parliament.¹⁶⁹ The interpretation of competition policies on EU level as well as in some of the member states does permit some room for manoeuvre. Under certain circumstances, questions of social and ecological sustainability, including at the production stage of agricultural commodities, can and are being taken into account.¹⁷⁰ Moreover, the EU has decided to introduce provisions governing so called Unfair Trading Practices (UTP) in the agro-food sector that aim to regulate certain forms of abusive business practices along GVCs. While originally conceived as a way to curb the growing power of retailers vis-à-vis European producers, the scope of the proposed provisions is no longer limited to the former. Moreover, discussions are underway about including producers from third countries. This regulation is aimed at closing at least some of the gaps left by traditional competition policies.¹⁷¹

None of the above is the case in Switzerland. Swiss competition policies rarely consider such questions when assessing potentially negative effects of market concentration or abuse of power by Swiss-based actors. Its view is skewed towards consumer protection and its primary focus on the Swiss market makes this blind spot even more apparent. Switzerland's competition policies, as they exist today, lack a significant basis for including so-called public interest concerns that go beyond economic efficiencies in the consideration of potentially problematic concentrations or abuse of power.

This was not always the case, however. Prior to 1995, social concerns were included in such assessments, but when the legislation was amended, this dimension was dropped. The consideration of social aspects has since been limited to the area of exemptions by the Federal Council which could, but rarely does, consider such public interest concerns.¹⁷²

When designing solutions for the most pressing issues along GVCs, there has never been a strong focus on demand-side approaches such as the ones governing the power and influence of global value chain managers. While competition policies clearly cannot solve all the problems that are linked to power concentration and market abuse, they should at least be commensurate to the transnationality of the actors and issues.

6.5 – IT ALL COMES DOWN TO POWER: HOW POWER ASYMMETRY IS FAILING PRODUCERS AND WORKERS

As previously demonstrated, a large number of small-scale producers and workers are still forced to work and live under inhumane conditions that are a far cry from what their rights in international laws guarantee them.¹⁷³ The root of these injustices, and of the deficiencies in existing policies and business models, lies in the power asymmetry found in the global agro-food sector.

Powerful players such as traders are in a much better position than small-scale farmers and workers with little bargaining power to shape, interpret and bend the rules governing the sector in their favour.

The unequal distribution of power, especially between large agricultural traders (and retailers) and weakly organised small-scale producers and workers is not arbitrary. On the contrary, it is structural, deliberate, and the product of the economic paradigm underlying competition policies. As we have seen, it enables and perpetuates a system that benefits the large multinational companies to the detriment of millions of people working in production or living in producing areas.

One of the reasons for both in-existent and feeble regulation and weak enforcement in producing countries and home states alike lies in the ability of large, financially strong market players such as agricultural traders to abuse, oftentimes legally, yet illegitimately, their positions of power. Powerful players such as traders are in a much better position than small-scale farmers and workers with little bargaining power to shape, interpret and bend the rules governing the sector in their favour. This affects not only human and labour rights protections but also policies governing transparency or competition, which are often rigged towards multinational corporations in the first place. The same goes for the habitually investor-friendly and export-oriented policies in producing countries, all too often promoted by governments in home states and the national agro-food lobby alike. A United Nations Conference on Trade and Development (UNCTAD) Director, Richard Kozul-Wright, emphasised in the 2018 Trade and Development Report that “growing economic power

and rent-seeking behaviour has reinforced and captured political power, reinforcing economic power". He went on to state that "this growing interaction between increased economic power and increased political power (...) has become a self-reinforcing part of a very vicious circle".¹⁷⁴

Agricultural traders, as opposed to small-scale producers and workers, have a large say in which products are produced by whom, under which conditions and with what risks, and how value is distributed.

The business model of traders as global value chain managers is another contributing factor. Agricultural traders, as opposed to small-scale producers and workers, have a large say in which products are produced by whom, under which conditions and with what risks, and how value is distributed, especially upstream. What this means effectively is that in addition to national and international policies, GVCs are also shaped to

the benefit of companies rather than the more vulnerable people at the beginning of these chains.

These inter-linkages and the conclusions drawn here are neither new nor unheard of; however, too little emphasis has so far been placed on designing solutions based on the premise of power asymmetry. UNCTAD is currently making the case for revisiting the Havana Charter, a document that was drawn up at an intergovernmental conference in Havana, Cuba in 1948, to create an International Trade Organization (ITO).¹⁷⁵ Even though the attempt failed, the charter contained significant conclusions that are still highly relevant today: "[T]he Havana Charter recognized the links between labour market conditions, inequality and trade, calling for improvements in wages and working conditions in line with productivity changes. It also aimed to prevent 'business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control', and dedicated an entire chapter to dealing with the problem of restrictive business practices. Revisiting these goals in light of twenty-first century challenges, including those of the digital economy, should be a priority."¹⁷⁶

Reducing human and labour rights violations relating to the production and trade of agricultural commodities is above all else a question of ensuring just relations of power. This holds true for the governance of the entire agro-food sector as much as it does for individual value chains.

7

What needs to happen: Re-balancing of power relations



Landless peasants cross a soybean field owned by a Brazilian landowner who occupied the land 40 years ago.
Alto Parana, Paraguay. | © Noberto Duarte/AFP/Getty Images

National and international policies must be shaped in a way that increasingly reflects the interests of small-scale agricultural producers and workers if their human rights are to be guaranteed. This means strengthening the bargaining power of the most vulnerable groups, including rural communities, and developing solutions to curb the concentration and abuse of power by dominant actors along GVCs. Producing countries, home countries of agricultural traders, as well as traders themselves, will play a pivotal role in reaching these goals. Public Eye believes focusing on the demand side, which means the home states of agricultural traders, will have the greatest positive impact on human rights on the ground.

Home states such as Switzerland have a central role to play when it comes to ensuring power is distributed more justly and is not abused along GVCs. Switzerland can ensure there is sufficient transparency in the commodity trading sector as well as mandatory Human Rights Due Diligence (HRDD) that covers high risk activities and ensures respect for human rights. Measures similar to the planned EU regulation on Unfair Trading Practices (UTP) could be a starting point in shifting the balance of power along GVCs towards small-scale producers and workers. Moreover, in order to contain the concentration processes in the global agro-food sector, there is also a need for more effective and far-reaching competition policies. Firstly, this would entail a shift in focus and priorities to abuse of power upstream, all the way to the production stage. Secondly, the vertical dimension along GVCs must be included in considerations of potentially problematic concentrations and abuse of power. Thirdly, rules and cooperation that transcend national borders and therefore include an extraterritorial reach are necessary. The fact that these deficiencies in existing laws and regulations are increasingly recognised at EU level provides grounds for hope.

Agricultural traders as global value chain managers also have a significant role to play in affecting change. This ultimately entails a fundamental shift in the relations between traders and people working in production. The former UN Special Rapporteur on the Right to Food, Olivier de Schutter, proposes seven principles⁴⁷⁷ in order to ensure more just business relationships:

1. Long-term economic viability for all parties and participation of producers to ensure business relationships reflect their needs;
2. Gender equality;
3. Clear and transparent pricing mechanisms that guarantee production costs and ensure a living income/wage;
4. Clear and specific agreements regarding the quality of crops that minimise the risk of buyers manipulating such standards;
5. Promotion of agro-ecological forms of production including the provision of adequate knowledge as well as biological inputs generated on-farm;
6. Appropriate structures that facilitate communication as well as the resolution of disputes;
7. Encouraging farmer organisation by means of cooperatives, farmer associations or collectives.

Agricultural traders have a responsibility to shape their supply chains according to these principles, and are in a position to do so. This is essential in order to ensure the fundamental human right to an adequate standard of living. To this end, transparency regarding their business activities and relationships, their pricing schemes, as well as financial data, is a central requirement and a decisive first step.

Based on the findings presented in this report, Public Eye issues the following demands to:

The Swiss Government and Parliament:

- Ensure transparency in the commodity trading sector in Switzerland, especially by regularly publishing relevant and comprehensive statistical data on the sector;
- Ensure through regulation that Swiss-based commodity traders implement the UNGP, and in particular HRDD, as outlined in the Swiss Commodity Trading Sector Guidance and the OECD-FAO Guidance for Responsible Agricultural Supply Chains;
- Ensure that Swiss-based non-state actors such as agricultural commodity traders respect and strengthen internationally recognised human rights, giving particular attention to the newly established UN Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP);
- Take all necessary measures to disseminate and promote UNDROP and recognise the importance of international cooperation in its implementation;
- Improve and guarantee access to judicial and non-judicial remedy mechanisms in Switzerland for victims of corporate misconduct by Swiss-based agricultural commodity traders;
- Ensure that negative consequences of market concentration and abuse of market power by Swiss-based agricultural traders along the vertical dimension of global value chains are reflected in competition policies and practice, and improve cross-border collaboration between national competition authorities;
- Improve policy coherence between human rights, foreign, and trade policies by ensuring the latter two guarantee the protection, fulfilment and respect for human rights.

Swiss-based agricultural traders and industry associations:

- Ensure transparency regarding their business activities in and from Switzerland, their market shares as well as financial transparency especially regarding taxes;
- Commit to and implement the UNGP, especially HRDD, as outlined in the Swiss Guidance for the Commodity Trading Sector and the OECD-FAO Guidance for Responsible Agricultural Supply Chains;
- Recognise and commit to ensuring internationally recognised human rights, especially the rights granted under the UNDROP, with a particular emphasis on ensuring an adequate standard of living;
- Implement the seven principles of just business relationships between agro-food companies and agricultural producers as identified by former UN Special Rapporteur Olivier de Schutter;
- Commit to establishing mechanisms guaranteeing access to remedy for victims of corporate misconduct.

Annex I

Definitions and Methodology

DEFINITIONS

Agro-food system

In the absence of a generally accepted definition of the term, the “agro-food system” is understood in this report as encompassing all economic activities and their interactions that take place from the production of agricultural inputs to the final consumption of products from agriculture, fishery and forestry. It includes the value chains of different agricultural and food products and inputs and the inter-linkages between them.

Agricultural commodities

A myriad of definitions of agricultural commodities exists which all differ slightly from one another in terms of which products they include. In Public Eye’s book “Commodities: Switzerland’s most dangerous business”¹⁷⁸, agricultural commodities were defined in contrast to non-renewable energy and mineral commodities, but not further specified. For the purposes of this report, agricultural or soft commodities, two terms used interchangeably, are defined as renewable raw materials that are grown both as food and non-food in agricultural production and that are traded globally.

The starting point of this definition lies with the commodities, i.e. the actual raw materials and not the final purpose of the

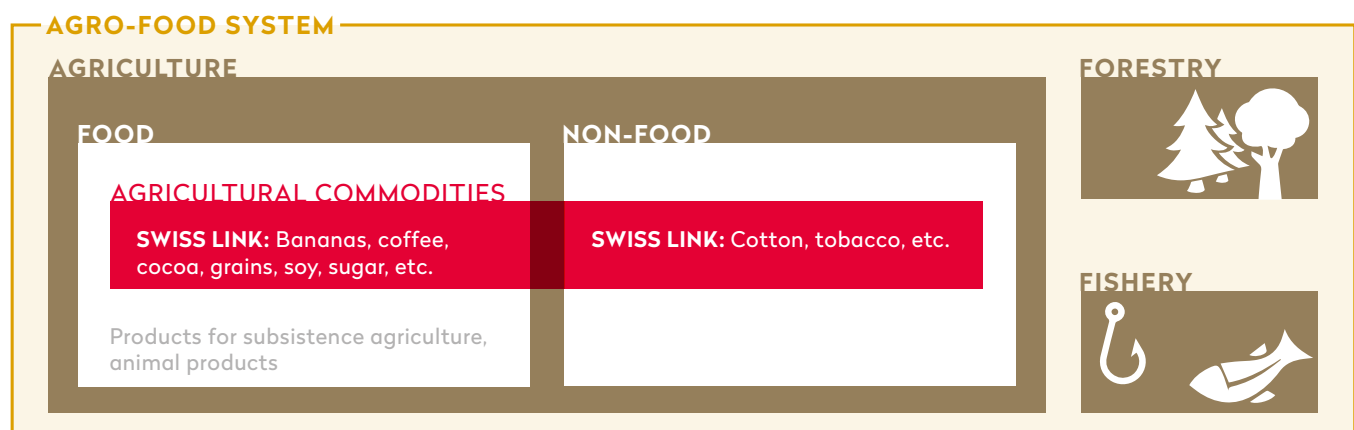
products. This understanding, however, does not exclude processed materials, because hardly any agricultural raw materials are traded internationally in their original form (i.e. as field crops). They all go through primary processing required for storage and transport (for example fermentation and drying of cocoa beans, concentration and freezing of orange juice, pressing of palm oil fruits).

For the purposes of this report, Public Eye’s research on agricultural commodities excludes some categories such as products from forestry and fishery as well as animal products. Products that are not traded globally and are primarily grown locally and/or for subsistence purposes as well as products whose cultivation, processing or trade does not involve any actors operating from Switzerland were also excluded from research.

The restriction to a certain set of agricultural commodities was therefore based, on the one hand, on the necessity of a link to Switzerland and, on the other hand, on the relative global importance of the commodity (trade volume and value). This resulted in the following list of 12 agricultural commodities, which were investigated in depth (in alphabetical order): Bananas, cocoa, coffee, corn, cotton, orange juice, palm oil, rice, soy, sugar cane, tobacco, wheat.

This understanding can be represented graphically as follows:

Figure A1 – Understanding of agricultural commodities



Swiss agricultural commodity traders

Public Eye defines Swiss agricultural commodity traders as trading companies with a presence in Switzerland and includes not only those headquartered in the country, but also those that have regional or branch offices here or conduct selected trading operations from Switzerland. This understanding is in line with the definition in the Swiss Commodity Trading Sector Guidance¹⁷⁹.

Small-scale farmers/producers

There is no unique or unambiguous definition of a small-scale farmer. For the present purposes, small-scale farmers are defined as agricultural producers whose farm provides the principal source of income, where the family provides the majority of labour, the landholding is relatively small, and agricultural activities include the cultivation of subsistence crops as well as cash crops for national and international markets. Therefore, according to this understanding, small-scale farmers are involved

in global value chains. The terms small-scale farmers and small-scale producers are used interchangeably.

Developing countries/low-income countries/Global South

The definition and delimitation of the group of developing economies varies greatly among international organisations and in the development discourse. Due to the lack of a generally accepted definition, the above terms are used according to the source on which the respective information or data are based.

Grains and oilseeds

In this report, *grains* mean cereals, the most important of which are wheat, corn and rice. Contrary to the definition sometimes used in the context of commodity trade, the understanding used here does not include grain legumes such as soybeans or oilseed grains such as rapeseed. When oilseeds are referred to in this report, they are mentioned separately.

METHODOLOGY

This report is based on research and analyses conducted by Public Eye over a two-year period between 2017 and 2019. The starting point was the compilation of a comprehensive list of some 150 companies that operate from Switzerland and are involved in the agricultural commodity trade. A short list of 16 companies was then selected, based on a set of criteria which included the strength of their link to Switzerland, the size of the company, and its relevance in the agricultural commodity trading sector. Furthermore, attention was paid to a balanced commodity portfolio. The list includes the following trading companies:

- Alvean Sugar S.L. (Alvean)
- Archer Daniels Midland Company (ADM)
- Bunge Limited (Bunge)
- Cargill, Incorporated (Cargill)
- Chiquita Brands International Inc. (Chiquita)
- COFCO International Ltd. (COFCO Int.)
- ECOM Agroindustrial Corp. Limited (ECOM)
- Glencore Agriculture Limited (Glencore Agri)
- Louis Dreyfus Company (LDC)
- Neumann Kaffee Gruppe (Neumann)
- Olam International Limited (Olam)
- Paul Reinhart AG (Reinhart)
- Socotab Frana SA (Socotab)
- Sucafina SA (Sucafina)
- Sucocitrico Cutrale Ltda. (Cutrale)
- Volcafé Ltd. (Volcafé)

The short list includes the majority of the world's leading agricultural traders. Detailed company profiles were established for all the shortlisted trading firms. The main sources used were publicly available documents such as company websites, annual reports and bond prospectuses, commercial registers, data provided by industrial associations, media reports as well as reports by civil society organisations.

The analysis of the company profiles allowed for an in-depth understanding of the agricultural commodity trade sector in Switzerland, including estimations of the Swiss market share for selected commodities. Extensive literature research and case analyses were then used to identify the nature and extent of human rights violations in the production of agricultural commodities and their distribution among crops. In addition, research was carried out to identify specific cases of human rights violations involving Swiss-based traders.

Annex II

List of abbreviations

ADM	Archer Daniels Midland Company
ABCD	Archer Daniels Midland, Bunge, Cargill, Louis Dreyfus Company
Alvean	Alvean Sugar SL
Bunge	Bunge Limited
Cargill	Cargill, Incorporated
Chiquita	Chiquita Brands International Inc.
CSR	Corporate Social Responsibility
COFCO	China National Cereals, Oils and Foodstuffs Corporation
COFCO Int.	COFCO International Ltd.
ECOM	ECOM Agroindustrial Corp. Limited
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	Statistics Division of the FAO
FIAN	Food First Information and Action Network
GDP	Gross Domestic Product
Glencore Agri	Glencore Agriculture Limited
GVCs	Global Value Chains
HRDD	Human Rights Due Diligence
ILO	International Labour Organization
ICC	International Criminal Court
ITO	International Trade Organization
IPES-Food	International Panel of Experts on Food Systems
LDC	Louis Dreyfus Company
M&A	Mergers and Acquisitions
NGO	Non-Governmental Organisation
Neumann	Neumann Kaffee Gruppe
OECD	Organisation for Economic Co-operation and Development
Olam	Olam International Limited
OTC	Over-the-counter
PEP	Politically exposed person
RTS	Radio Télévision Suisse
Reinhart	Paul Reinhart AG
SEC	US Securities and Exchange Commission
STSA	Swiss Trading and Shipping Association
Socotab	Socotab Frana SA
Sucafina	Sucafina SA
Sucocitrnico	Sucocitrnico Cutrale Ltda.
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDROP	United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas
UNGP	United Nations Guiding Principles on Business and Human Rights
USA	United States of America
USD	United States dollar
UTP	Unfair Trading Practices
Volcafé	Volcafé Ltd.
WHO	World Health Organization

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- prices, collected evidence on claims “that the companies formed a cartel to discuss the pricing of pulses while importing and selling them in the Indian market at higher prices in 2015 and 2016”. Pulses such as chickpeas and black grams are a staple of Indian diet and the anti-competitive behaviour of the traders involved “led to higher prices of pulses”, government sources told Reuters. (Aditya Kalra and Mayank Bhardwaj, [Exclusive: Indian antitrust watchdog raids Glencore business, others over pulse prices – sources](#), Reuters, 16.03.2019).
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Switzerland is not only home to the world's largest oil and mineral traders, but is also a leading trading hub for agricultural commodities such as coffee, cocoa, sugar, or grains. The majority of the globally important agricultural traders are either based here or operate important trading branches in the country. The sector is highly concentrated with ever fewer powerful companies controlling not only the trade, but also the production and processing stages. Most Swiss-based agricultural traders thus cannot be regarded as pure trading companies but rather as global value chain managers. To date, not much has been known about Switzerland as an agricultural trading hub. This report helps shed light on the actors operating from Switzerland, their business models, and the root causes of the severe human rights violations pertaining to the production and trade of agricultural commodities, such as the lack of a living income, forced and child labour, tax dodging or corruption. Unfortunately, Switzerland still relies heavily on corporate social responsibility and there are no regulations governing transparency and human rights violations in relation to commodity trading. This needs to change: Switzerland has to ensure its traders abide by the rules – wherever they operate.

PUBLIC EYE (formerly Berne Declaration) is a non-profit, independent Swiss organisation with around 25,000 members. Public Eye has been campaigning for more equitable relations between Switzerland and underprivileged countries for fifty years. Among its most important concerns are the global safeguarding of human rights, the socially and ecologically responsible conduct of business enterprises and the promotion of fair economic relations. www.publiceye.ch

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