Don’t supply chains: Responsible business conduct in agriculture

by
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Two questions today: which fictional character helped bring down a colonial empire and gave his name to a food label? If you're Dutch, you probably know the answer, if not, I’ll save you an Internet search by telling you: Max Havelaar, eponymous protagonist of Multatuli's Max Havelaar, of de koffi-veilingen der Nederlandsche Handel-Maatschappy, translated into English as Max Havelaar: Or the Coffee Auctions of the Dutch Trading Company. In the middle of the nineteenth century, the Dutch government ordered farmers in its East Indies, modern-day Indonesia, to grow quotas of export crops rather than food. The Dutch also reformed the tax system, creating a public-private partnership that allowed tax commissioners to keep a share of what they collected. The result was the misery and starvation the book denounces. Max Havelaar helped change attitudes to colonial exploitation in the Netherlands and was even described as “The book that killed colonialism” by Indonesian novelist Pramoedya Ananta Toer in the New York Times Magazine.

The name Max Havelaar was adopted by the Dutch Fairtrade organisation and other European members of their network. The movement describes itself as “an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade”. The movement has its critics. For instance in an article on Fairtrade coffee in the Stanford Social Innovation Review, Colleen Haight argues that “strict certification requirements are resulting in uneven economic advantages for coffee growers and lower quality coffee for consumers” and that while some small farmers may benefit, farm workers may not.

Which brings us to the second question: what’s that got to do with the OECD? We asked for comments on the draft FAO-OECD Guidance for Responsible Agricultural Supply Chains from government, business and civil society representatives, international organisations, and the general public by 20 February 2015. I’d like to say that winning entries received a guinea, but they didn't. We did however publish a compilation on this web page from the OECD division in charge of the Guidelines for Multinational Enterprises (MNEs) http://mneguidelines.oecd.org/fao-oecd-guidance-consultation.htm.
The world’s population is increasing and, human biology being what it is, so is the demand for food. Agriculture is expected to attract more investment, especially in developing countries, and human nature being what it is, some rascals may be tempted not to trade fairly. Or as the call for comments puts it: “Enterprises operating along agricultural supply chains may be confronted with ethical dilemmas and face challenges in observing internationally agreed principles of responsible business conduct, notably in countries with weak governance and insecure land rights.”

Apart from the OECD MNE Guidelines, the guidance considers half a dozen other sets of standards and principles from the FAO, UN, and International Labour Organization among others, designed to encourage “responsible business conduct”. Intended users include everybody from farmers to financiers, in fact the whole supply chain from seed sellers to grocers. The guidance as it stands today was developed by an Advisory Group with members from OECD and non-OECD countries, institutional investors, agri-food companies, farmers’ organisations, and civil society organisations.

The aim is not to create new standards, but to help enterprises respect standards that already exist “by referring to them in order to undertake risk-based due diligence”. Some unfamiliar language/jargon/special terminology is inevitable in a document like this, but the authors of the guidance have taken care to explain it all. “Due diligence” here refers to the process through which “enterprises can identify, assess, mitigate, prevent, and account for how they address, the actual and potential adverse impacts of their activities” (and those of their business partners).

The draft proposes a five-step framework for risk-based due diligence, covering management systems, identifying risks, responding to them, auditing due diligence, and reporting on due diligence. Some of the concrete proposals will provoke little or no discussion I imagine, such as “respect human rights”. On the other hand, “promote the security of employment” is likely to see a frank and open exchange of views. (The 2013 OECD Employment Outlook has a chapter on enhancing flexibility in labour markets.)
The human rights and labour sections could apply to any sector of the economy, as could most of the proposals on governance (we’re against corruption) and innovation (we’re for appropriate technologies), but there are a number of proposals targeting agriculture in particular, for example “promoting good agricultural practices, including to maintain or improve soil fertility and avoid soil erosion”. Again, some of the draft focusing on agriculture is uncontroversial (respect legitimate rights over natural resources), but I can’t imagine owners of factory farms agreeing to grant animals “the freedom to express normal patterns of behaviour”.

I’m sure you’ll find plenty to agree or disagree with, so let us know and we’ll rid the agricultural supply chain of, as Multatuli would say, all the “miserable spawn of dirty covetousness and blasphemous hypocrisy”.

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