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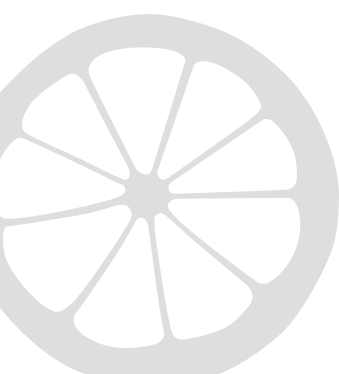
# Orange juice

from Aldi,  
Lidl, Kaufland  
& Co.

**NO  
REGARD  
FOR  
LABOUR  
RIGHTS?**



<<< 100 % SQUEEZED: WORKERS IN BRAZIL



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# Overview of orange juice

The average EU consumer drinks 20 litres of orange juice each year. Globally consumers drink on average 7.8 litres each year, making orange juice the most important variety of fruit juice.







## ORANGE JUICE

A single orange contains 70 milligrams of Vitamin C, which provides over 100 per cent of the recommended daily dose. Oranges are also rich in fibre. Orange juice is produced by squeezing sweet or bitter oranges, or mandarins. However, fruit juice legislation stipulates that a drink can only be described as fruit juice if it contains 100 per cent juice and pulp from the fruit in question.<sup>1</sup> Orange juice may not contain additives such as colourings or preservatives. The EU stipulates that up to 15 grams of sugar may be added per litre of fruit juice if sugar levels in the fruit in question are too low due to climatic conditions. It is not mandatory to indicate such corrective addition of sugar on the packaging.

Commercially available orange juice is produced as directly squeezed juice or, since 1945, from concentrate. NFC stands for Not From Concentrate. This refers to pasteurized juice, which is first heated and then cooled again. This is done to deactivate enzymes and kill microorganisms in order to extend the shelf life of the orange juice. In this process NFC retains its original volume as well as the juice's aromatic substances.

In order to produce concentrate, the slightly volatile aromatic substances must be extracted from the juice before it is evaporated to one-seventh of its initial volume. These aromatic substances are added back into the juice. FCOJ is used as an abbreviation for Frozen Concentrate Orange Juice. The frozen concentrate can be stored at -10° C for 36 months. However, half of the vitamin C is lost when this method is used. During transport FCOJ is five to six times more concentrated

than NFC. As a result, NFC is significantly more expensive to transport. In the last ten years sales of NFC have increased. It is consid-



Top: In the juice plants the oranges are sorted, washed and transferred into a pressing machine.

Bottom: Checking the orange juice.



erably more aromatic and closer to the natural taste of freshly squeezed orange juice, and also creates higher profit margins for the juice industry. A litre of concentrate can be sold for around 20 cents, whilst the going price for fresh juice is 50 cents.

<sup>1</sup> C.f. Fruchtsaft- und Erfrischungsgetränkverordnung, 24th May 2004 (BgBl./Federal Gazette I p. 1016)



**Figure 1:** In the state of São Paulo, circa 200 million orange trees provide the raw materials for about half of global production. Other important orange-growing areas in Brazil are in the north-west of the state of Paraná, the Triângulo Mineiro in the state of Minas Gerais and the north of the state of Bahia. Source: transfair: Unterrichtseinheit Orangensaft, 2010

Products that contain only 25 to 99 per cent fruit juice are categorized as “juice drinks” and may not be labelled as juice. Juice drinks may contain preservatives, sweeteners or colourings and are generally cheaper than actual juice. Orange juice is also found in processed form in lemonades, with a juice content of less than 25 per cent.

## MARKET LEADER BRAZIL

Oranges are likely to have originated around 4,000 years ago in South Asia, probably in what is now China. This is also reflected in the fact that in many languages the orange is referred to as an apple from China (e.g. Apfelsine in German): In the Middle Ages the Arabs brought oranges to Europe. Oranges arrived in America around 1500 with one of Christopher Columbus’ expeditions. Brazil offers more favourable growing conditions than the region in which oranges originated. A third of all oranges now come from Brazil, as does more than half of all orange juice. Brazil’s share of world trade in Frozen Concentrate Orange Juice (FCOJ) is over 80 per

cent. The USA is the second most important orange-growing country, accounting for 16 per cent of the global market. However, whereas Florida primarily produces oranges for the domestic US market, 98 per cent of Brazilian juice is produced for export. The Brazilian state of São Paulo alone accounts for over half of the fruit juice concentrate consumed worldwide. The largest importer is the

European Union, which receives roughly two-thirds of exports. 17 per cent of these go to Germany, which is top of the import league table and the largest outlet for Brazilian concentrate.<sup>2</sup>

Oranges are cultivated on very extensive plantations as a monoculture. These single-crop areas are extremely vulnerable to pests and plant diseases. They therefore need intensive treatment with chemical plant protection products. In the late 1930s the “Tristeza” virus destroyed virtually the entire orange harvest in Brazil. After years of experimentation, cross-breeding produced new resistant varieties. These contributed to Brazil’s emergence as one of the leading players in orange production over subsequent decades. After a drop in exports in the Second World War, the sector began to develop and expand in the Fifties. The government actively promoted the expansion of cultivated areas. However global demand for oranges remained much lower than the quantity of fruit produced in the country. That gave rise to the idea of increasing sales

<sup>2</sup> C.f. Neves, Marcos Fava: O retrato da Citricultura Brasileira, 2010, p.97.

## Orange juice imports worldwide 2.28 billion US\$

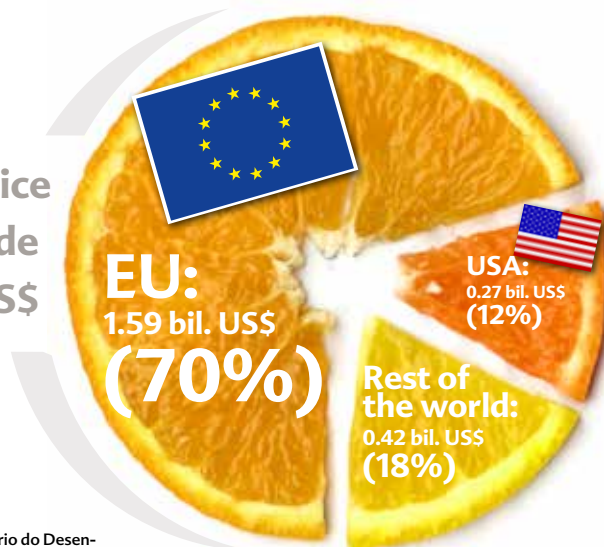


Figure 2: Importers of Brazilian orange juice 2012. .

Source: Secretaria de Comércio Exterior/ Ministério do Desenvolvimento, Indústria e Comércio Exterior (Secex – MDIC) e CitrusBR. Elaboração: IOS (2013).

and boosting profit margins by processing the fruit to make juice.

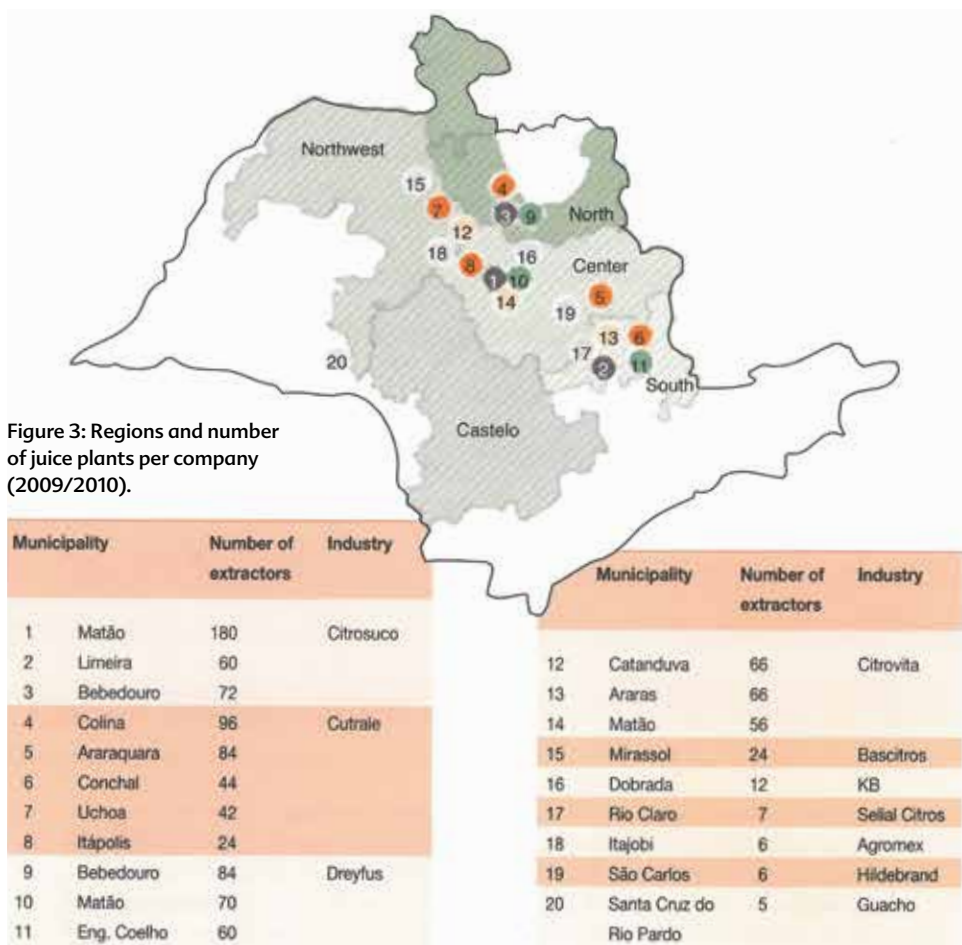
In 1959 the firm Mineira de Bebidas opened the first factory producing fruit juice concentrate. Citrosuco (part of the Fischer group) was one of the first companies that specialized in transporting this concentrate. Nowadays exports of fruit play a minor role. 70 per cent of oranges are squeezed for juice. Only 0.2 per cent of the 2009/10 harvest was exported as whole fruit. Whilst there were only 76 juice extraction machines in Brazil in the 1970s, by 2010 this figure had risen to 1,178. 90 per cent of Brazil's juice presses

are in the state of São Paulo. Cultivation of oranges has been intensified in this region since the 1970s, in the wake of the destruction of all the coffee plantations in the area due to frost and diseases (in particular *Hemileia vastatrix* or coffee rust). Oranges offered a particularly viable alternative: on the one hand, the climate and soil were suitable, whilst on the other hand sufficient cheap labour was also available; like coffee, oranges are also a very labour-intensive crop.<sup>3</sup>

3 C.f. Borges & Costa: A Evolução do Agronegócio Citrícola Paulista e o Perfil da Intervenção do Estado. Revista Uniara, n. 17/18, 2005/2006, p. 101-102.



Cutrale juice plant in Conchal.



The citrus belt is divided into five regions in the figure, corresponding to the geographical position in the state of São Paulo: (1) northwest; (2) north, (3) centre, (4) south, and (5) Castelo. The figure does not take the Citovita/Citrosuco merger into account. Development: Markestrat a partir de CitrusBr. Source: O retrato da citricultura brasileira, FAVA NEVES (Coordenador), 2010, p. 40

## CULTIVATION

Orange plants are propagated vegetatively i.e. using seedlings. Depending on the variety and the growing conditions, young trees only bear fruit after three to five years; subsequently they produce a full crop for a further 25 to 40 years (in Brazil c. 140 kilograms per tree per annum). Juice oranges are special varieties bred for high juice content. Plant care and soil maintenance are mechanized. The citrus fruits are however primarily harvested by hand, as they do not all ripen at the same time. Oranges are grown in orange groves, with various varieties cultivated specifically for the juice industry. These include: Hamlin, Westin, Rubi, Pera, Valencia, Natal and Folha Murcha. As these varieties ripen at different times,

the harvest period in Brazil runs from July to January. If the oranges are picked too early, the juice tastes bitters. Oranges ripe for picking are not necessarily orange, as the colour only develops after a period of colder nights with temperatures around 5° C. Nights are not so cold in countries such as Brazil, which means that the oranges mainly stay green or yellow. Green oranges can be ripe and sweet enough for making juice. In order to maintain a consistent standard throughout the year, the varieties are mixed in varying proportions during and after juice production.

As for most products sold with a high margin, there is pressure in the orange industry too to keep increasing efficiency in cultivation to keep costs as low as possible. A high yield is required from the oranges grown for





industrial processing. In the last 30 years there have been enormous increases in productivity, thanks in part to denser planting. Whereas in the past 250 trees were planted per hectare, nowadays there may be as many as 833 trees per hectare. On smaller plantations, an average 280 crates (of 40.8 kg) of oranges are harvested per hectare, whilst on larger plantations the yield can be up to 900 crates per hectare. As well as being more efficient, large plantations also have better administrative structures to meet the requirements of inter-

damage. Pesticides, fungicides and insecticides are applied in order to mitigate these problems, and enormous amounts of artificial fertilizer are used, which has led to higher production costs over the last few years. The cost of fertiliser accounts for around 8 per cent of the final price. Only 20 to 40 per cent of orange groves are owned by juice producers. The rest of the oranges required are bought in.

At present juice producers pay farmers around 2,60 Euro per crate of oranges (40.8



Like coffee, oranges are also a very labour-intensive crop.

national purchasers. For example, they can produce country-specific pesticide profiles and label the fruit accordingly.

Orange growers constantly have to deal with new pests and diseases which damage their trees and affect the harvest. One particularly devastating example is a disease called “greening”. It is very difficult to control, spreads very rapidly and causes enormous

kg), and processing their harvest in addition to that from their own groves. Due to the low prices paid by the juice cartel, which often do not even cover production costs, the ranks of landless plantation workers are constantly growing.

As a result of the juice industry’s price policy, many small farmers are on the verge of ruin or have already given up and sold their

land for less than it is worth. Today 40 per cent of oranges are grown by 51 producers (0.4 per cent), who have over 400,000 trees. However, three out of four growers farm small plantations with less than 10,000 trees. In 2009, 44 per cent of plantation owners were no longer



The juice cartel pays prices that often do not even cover production costs. The number of workers without land has swelled as a result. This man is waiting in the camp of the Landless Rural Workers' movement MST to receive a title to land of his own and a better future.

able to produce the minimum amount of oranges needed to secure their livelihood. Some farmers have extended their production to include sugar cane or have switched crop entirely as they could not hold their own in the competitive orange-growing sector.<sup>4</sup>

Juice multinationals may also opt to purchase oranges directly. In these cases the industry buys the entire harvest, as well as providing the labour and transport. For each crate harvested, the orange growers receive an agreed price, which is set in US dollars and is generally paid in advance. If the world market price on the New York Stock Exchange falls during the harvest, the farmers must repay the difference. A further option is to sell fruit

directly to juice manufacturers. The juice producing company pays for the cost of the harvest and transport to the juice plant. Payment is made on delivery at the spot rate. The farmers currently receive around 2,60 Euro per 40.8-kilogram crate – if they can transport the oranges to the processing plant. That is only around 6 cent per kilogram of oranges. However, prices fluctuate dramatically from year to year. Total costs per crate for farmers amount to around 70 cents, which includes the cost of harvesting (43 cents) and transport (27 cent). That leaves farmers with 1,90 Euro per crate (40.8 kg). A third, although infrequently used option, is to conclude a contract with a guarantee. In this scenario however exchange-rate losses are borne by the seller.

## PROCESSING

In the juice plants the oranges are sorted, washed and fed into juice extraction equipment. This presses each of the fruits individually, so that peel does not enter the concentrate, which would give it a bitter taste. The aromatic substances are then removed from the squeezed juice so that these are not lost during processing. These aromatic substances are then added to the juice once again when it is bottled or packaged. The juice concentrate or pasteurized juice is purchased primarily by bottling plants. They reconstitute and package the juice.

At the end of the manufacturing process the water is removed from the juice, creating the concentrate. One tone of orange juice is squeezed out of 250 crates: six tones of juice produce one tonne of concentrate, which currently costs around 2,500 Euro on the world market.<sup>5</sup>

The freight travels to Europe in special ships with ISO tank containers. Juice giants such as Cutrale, Citrosuco and Louis Dreyfus have set up their own “tank farms” to store

4 C.f. Companhia Nacional de Abastecimento (Conab): Ministério da Agricultura, Pecuária e Abastecimento. Acompanhamento da Safra de Laranja 2011/2012. Terceiro Levantamento – SP; Estimativa da Safra no Triângulo Mineiro – MG, 12/2011, p. 6.

5 Figures from: 10.6.2013.

## FCOJ on the Stock Exchange

Frozen Concentrate Orange Juice is traded internationally as a commodity on the commodities spot market. OJ (for orange juice) is the trading symbol on the ticker of global agricultural exchanges. The market price varies as a function of how good the harvest has been and is highly weather-dependent for this commodity. Storms in Brazil, for example, lead to the price shooting up, as a poorer harvest is expected. Over the last few years, juice prices on the international market have sunk due to weak demand and two consecutive record harvests.<sup>1</sup> In November 2012 a crate of oranges was traded for less than 2,50 Euro (7 Real) on the São Paulo market: in 2011 the price was still 3,50 Euro (10 Real) per crate. Calculations by economist Mendonça de Barros give a price of 3,40 Euro (9,64 Real) as a reference price that would allow farmers to at least recoup production costs.<sup>2</sup>

1 C.f. Valor econômico: Cade congela o processo de criação do Consecitrus, 22/11/2012. at: <http://www.valor.com.br/empresas/2912914/cade-congela-o-processo-de-criacao-do-consecitrus> (accessed on: 14.8.2013).

2 ibid

the concentrate in Europe's major ports, and do business directly with European packaging and bottling companies and chains. The juice concentrate is shipped from Santos in Brazil and is imported into Europe through the ports of Rotterdam (Cutrale), Antwerp (Citrosuco) and Ghent (Louis Dreyfus and Citrosuco). Around 70 per cent of the harvest goes directly to Belgium and the Netherlands. In the ports the juice is pumped into storage tanks, and is then transported by HGV to bottling plants across Europe. Depending on the final product, water and aroma are added to the concentrate. Concentrates from different growing regions are mixed to suit differing consumer tastes.

In some cases bottling companies have their own brands, but also work on behalf of retailers to produce retailer own-brand products. Bottlers of juice-based beverages generally buy orange juice on the basis of a per-season contract, picking the best offer from the three orange juice manufacturers. They buy from several manufacturers to ensure steady supplies of juice. The juice is transported to

supermarkets for sale to consumers in bottles or Tetrapaks.

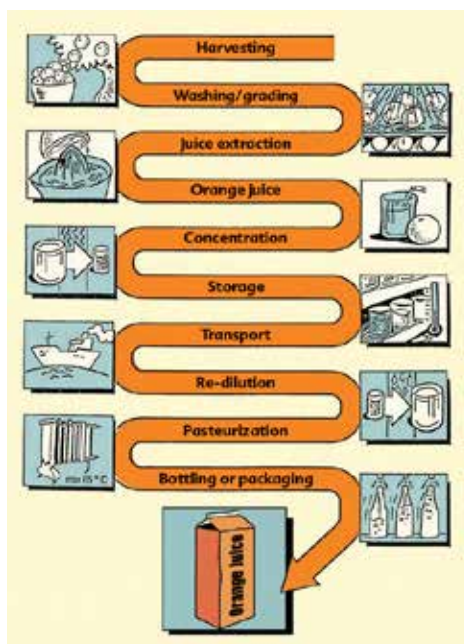


Figure 4: From orange to juice.

Source: Fairtrade: Unterrichtseinheit Orangensaft, 2010.

## CARTELS AND MARKET CONCENTRATION

In order to survive on the highly competitive market, there is increasing concentration in all areas of the orange juice production

chain. The numerous small or medium-sized orange producers are confronted with three processing multinationals nowadays. Whereas 15 to 20 small firms were still active in orange juice production between 1970 and 1990, since the 80s the major players have begun to take over smaller firms and to drive them out of the market. As a result, by 2006 only four significant firms remained: Cutrale with 36 per cent market share; Citrosuco with 30 per cent (a Fischer subsidiary); Citrovita with 12 per cent (a Votorantim subsidiary) and Louis Dreyfus Commodities (LDC) with

12 per cent.<sup>6</sup> The wave of

consolidations peaked

in December 2011

when Citrovita was

taken over by Citro-

suco.<sup>7</sup> The firms con-

trol the global orange juice

market and generally supply over

50 per cent to major bottling compa-

nies. Experts cite economies of scale as

one of the reasons for this consolida-

tion, along with greater scope to invest in

logistics programmes and to make more effi-

cient use of juice extraction equipment.<sup>8</sup> This

pronounced consolidation gives the three

remaining firms enormous market power in

price negotiations with orange producers

and makes it possible for them

to regularly push prices

lower than the cost of

production. To that

end they also adopt

strategies that involve

price manipulation on the

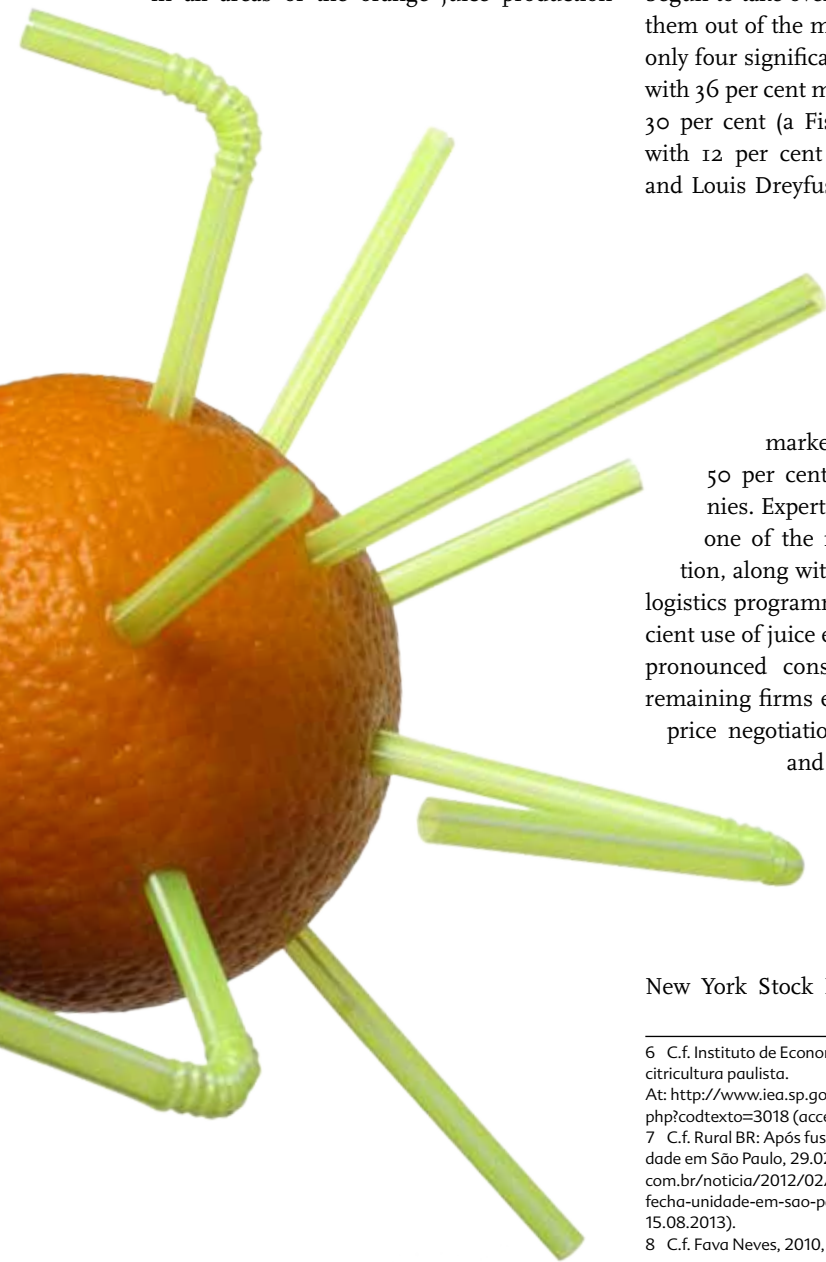
New York Stock Exchange to ensure prices

6 C.f. Instituto de Economia Agrícola (IEA). Mudanças na citricultura paulista.

At: <http://www.iea.sp.gov.br/out/vertexto.php?codtexto=3018> (accessed on: 15.08.2013).

7 C.f. Rural BR: Após fusão com Citrosuco, Citrovita fecha unidade em São Paulo, 29.02.2012. At: <http://agricultura.ruralbr.com.br/noticia/2012/02/apos-fusao-comcitrosuco-citrovita-fecha-unidade-em-sao-paulo-3680088.html> (accessed on: 15.08.2013).

8 C.f. Fava Neves, 2010, p. 60.





drop during the harvest, subsequently followed by price stabilization. In order to retain their monopolistic position, Citrosuco, LDC and Cutrale have bought their own terminals at ports in Europe, the USA and Asia. Dumping prices are used to drive out other market participants. Once this kind of monopoly position has been established, the following practices are commonplace: prices and deadlines are established unilaterally, the quality of products is called into question or a fair price is not paid, and contracts are breached. At the start of the harvest, the firms agree how much they want to pay producers this year. All the firms pay the same price. They also fix an export price, as an expert on the sector, Flávio Viegas, notes.<sup>9</sup> This is also confirmed by the former owner of CTM Citrus, Dino Tofini, whose juice plants were recently bought up by Citrosuco and Cutrale:

***"We would meet every Wednesday and decide who we would buy from. Every firm had their own region. We divided the state of São Paulo between us. Cutrale was present throughout the country. Citrovita was more present in the Matoa region. We were more active in the Limeira region. Back then we would agree on a price of 3.20 dollars (ca. 2,40 Euro) per crate."***<sup>10</sup>

The headquarters of the juice multinationals were inspected ten years ago, in response to a tip-off from an insider, and numerous documents were confiscated. However, to date the

investigations into the dealings of the juice giants are still in a logjam and the documents are off-limits. The only additional information to emerge is a detailed report from 2012 on the firms' price-fixing agreements by the Associação Brasileira dos Citricultores, which filed a lawsuit alleging that a cartel had been established. The court ruled that the firms must pay a fine.<sup>11</sup>

In the orange juice bottling and packaging market, the number of firms also continues to shrink, with market share per firm increasing as a result. In 2009/2010 there were a total of 35 European bottling companies, which purchased 80 per cent of orange juice from Brazil. The four major orange juice concentrate bottlers in Germany are: 1) Stute, 2) Eckes, 3) Emig/Refresco, 4) Riha Wesergold. They account for over half the market share for orange juice sold in Germany.

The sales sector is also highly concentrated and is controlled by a small number of retail chains. A German Cartel Office study from 1999 indicated that the group of leading chains was made up of 8 firms with a total market share of around 70 per cent. In 2011 the German Cartel Office identified that this had dropped to just 4 leading retailers with a total market share of 85 per cent (1. Edeka Group, 2. Rewe Group, 3. Schwarz Group, 4. Aldi Group).<sup>12</sup> The two largest chains cooperate with other international companies in large purchasing groups, such as Aladis (Edeka) and Coopernic (Rewe Group), to squeeze the most favourable conditions possible out of suppliers. 80 per cent of trade in non-alcoholic beverages is dominated by the large supermarket chains.

9 Revista Globo Rural: Queremos indenização. Nosso prejuízo soma US\$ 7 bilhões. O presidente da Associação Brasileira dos Citricultores (Associtrus), Flávio Viegas, luta pelo fim da cartelização do setor, 06/2010. At: <http://revistagloborural.globo.com/revista/Common/0,ert149206-18286,00.html> (accessed on: 15.08.2013).

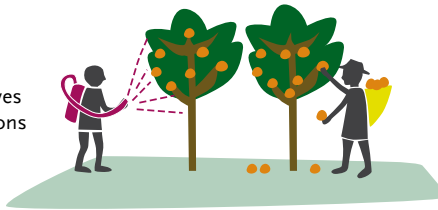
10 Movimento dos Trabalhadores Rurais sem Terra (MST): Ex-fabricante de suco de laranja denuncia Cutrale por formação de cartel, 15.3.2010. At: <http://www.mst.org.br/node/9319> (accessed on: 15.08.2013).

11 C.f. Carta Capital: O cartel invencível da laranja, 15.5.2012. At: <http://www.cartacapital.com.br/politica/ocartel-invincivel-da-laranja> (accessed on: 15.08.2013).

12 C.f. Stärkung des Wettbewerbs bei Handel und Dienstleistungen. Neunzehntes Hauptgutachten der Monopolkommission 2010/2011, p.428.

## Sales channels for orange juice concentrate

Work on plantations involves unhealthy working conditions and low wages.



30 per cent of oranges are grown by the largest juice manufacturers on their own plantations. They purchase the rest of what they need. They regularly use their market leverage to push prices below the cost of production.



The concentrate is sold on the world market. Prices are dictated by the major juice manufacturers. Dumping prices push competitors off the market.



35 European bottling firms buy 80 per cent of Brazilian concentrate. The four largest bottling firms in Germany with a market share of more than 50 per cent are 1) Stute, 2) Eckes, 3) Emig/Refresco, 4) Riha Wesergold.

The bottling firms produce their own brands, but also bottle retailer own-brand products for large supermarket chains.



85 per cent of the food retail trade in Germany is dominated by four retailers: 1) Edeka Group, 2) Rewe Group, 3) Schwarz Group, 4) Aldi Group. They try to pull customers in with a constant stream of cut-price offers.

Figure 5: Sales channels for orange juice concentrate.

Figure based on work by transfair Unterrichtseinheit Orangensaft, 2010.

Share of global juice production:	25 per cent
Exports to:	80 countries
Number of suppliers:	2.500
Labour force:	6,500, as many as 15,000 during the harvest
Branch offices:	6 (Brazil, Germany, Belgium, USA, Japan and China)

Citrosuco/Citrovita is the largest orange-juice exporting firm worldwide. It produces 40 per cent of Brazil's orange juice output. The firm has five plants in Brazil, orange plantations in Florida, two port terminals in Brazil, five more abroad and its own fleet of ships. It employs more than 6,000 staff; during the harvest this figure can be as high as 15,000.

Citrosuco came into being in 1963 on the basis of cooperation between a German bottling company (Eckes), the Pasco Packing Company (juice manufacturer from Florida) and a German immigrant, Carl Fischer. Whilst en route to Argentina, which was enjoying an economic boom at the time, in 1928 Fischer put down roots in Santos in Brazil, bought his first plantation, Citricola, and set up a fruit trading company. In 1963, together with entrepreneur Ludwig Eckes, he bought an orange processing plant in the city of Matão and founded the company Citrosuco Paulista. Citrosuco is now a subsidiary of the Fischer Group. The latter provides maritime transport services for oil platforms. This shipping link guaranteed Citrosuco's rapid expansion. Fischer soon recognized the potential of the European market and was one of the first companies to begin transporting fruit juice concentrate rather than fruit juice.

Citrovita's corporate history does not begin until 1989. It is a subsidiary of the industrial conglomerate Votorantim, which is active in areas such as cement and concrete, mining and metallurgy, paper, financial services and chemicals, and conducts its business in the citrus sector through Citrovita.

The merger of the two firms in 2011 set alarm bells ringing. Citrosuco and Citrovita are both market leaders throughout the entire production chain. The merger was ultimately approved, with certain caveats, including guarantees of longer term contracts for suppliers.<sup>13</sup> The merged giants supply 80 countries with 25 per cent of the orange juice consumed worldwide. In addition to the plantations run directly by the firm, which supply around 30 per cent of its needs, the firm also has 2,500 independent orange suppliers.<sup>14</sup> Due to the scale of the merger – turnover of both companies in Europe exceeds the threshold values above which EU merger provisions apply – it has also been addressed by the European Commission. Despite the enormous influence over the market the new giant would exert, the European Union took the view that sufficient potential for pressure from the major competitors on the market still exists and would afford adequate protection from excessive price increases for consumers.<sup>15</sup> Brazilian workers are however not protected. Shortly after the

13 C.f. Economia: CADE aprova fusão da Citrovita e Citrosuco, criando gigante do suco. Aprovação impõe condições que constarão de termo de compromisso. Fusão cria a maior empresa mundial de suco de laranja, 14.12.2011.

At: <http://g1.globo.com/economia/negocios/noticia/2011/12/cade-aprova-fusao-da-citrovita-e-citrosuco-criando-gigante-do-suco.html> (accessed on: 15.08.2013).

14 C.f. FSB Comunicações. Citrosuco/Citrovita, 05/2010. At: [http://www.mzweb.com.br/votorantim/web/arquivos/Votorantim\\_Citrovitaannouncement.pdf](http://www.mzweb.com.br/votorantim/web/arquivos/Votorantim_Citrovitaannouncement.pdf) (accessed on: 15.08.2013).

15 C.f. Valor OnLine: União Europeia aprova fusão entre Citrosuco e Citrovita, 04.05.2011.

At: [http://www.valor.com.br/search/apachesolr\\_search/fus%C3%A3o%20citrovita%20citrosuco?page=1&solrsort=created%20desc&filters=type%3Avalor\\_international\\_conteudo](http://www.valor.com.br/search/apachesolr_search/fus%C3%A3o%20citrovita%20citrosuco?page=1&solrsort=created%20desc&filters=type%3Avalor_international_conteudo) (accessed on: 14.8.2013).

merger, a plant in Matão was closed, with the direct loss of 173 jobs. Restructuring of the firm is continuing, and thousands of jobs are now affected. The company has announced that workers will receive a redundancy payment: a month's wage for workers who have been employed for less than ten years and two month's wages for all other employees.

## LOUIS DREYFUS COMMODITIES



Share of global juice production:	15 per cent
Labour force:	3,200, as many as 8,000 during the harvest

Louis Dreyfus Commodities (LDC) is one of the world's leading agricultural companies. LDC is a French firm and does 70 per cent of its business in Brazil. LDC is among the country's ten largest exporters.

The firm's history can be traced back to 1851, when Léopold Louis-Dreyfus, the son of a French farmer, began to trade in seeds. The firm established a presence in Brazil in 1942. During the eighties and nineties, LDC bought out many of its competitors in the country.

In addition to citrus fruit, the company also trades in sugar, coffee, soya and oleiferous plants. The firm is one of the global market leaders in orange juice, sugar cane and agricultural fuel. LDC has its own terminal at the port of Santos in Brazil, three orange juice plants (FCOJ and NFC) and more than 14 million fruit trees, mostly oranges. In this area the firm employs 3,200 workers, with figures rising to 8,000 during the harvest. LDC is the third largest orange processing firm in the world and accounts for 15 per cent of global orange juice production. In 2011 LDC had a

new record harvest, with 68 million crates.<sup>16</sup>

In 2012 the firm was found guilty of making false allegations about the quality of the oranges supplied to it.<sup>17</sup> The quality of oranges is determined on the basis of the acidity of the juice. Purchasers may demand price reductions if the acidity threshold is exceeded.

The case brought against the company that as a response to the drop in world market prices it had entered deliberately incorrect entries in its accounts about the quality of the fruit it received. Before the harvest LDC had already negotiated that it would pay circa three Euro per crate. However, the world market price later fell below this level as it was a very good harvest. LDC therefore called into question the quality of the oranges delivered and insisted on a 10-per-cent discount on the agreed price. More than 300 suppliers were affected by this penalty.<sup>18</sup>

16 C.f. Louis Dreyfus Commodities. Relatório Anual 2011, p. 64.

17 C.f. Notícias Agrícolas: Citricultores ganham processo contra a Coinbra-frutesp, 11.05.2012. At: <http://www.noticiasagricolas.com.br/noticias/lanjajacitrus/105616citricultores-ganham-processo-contra-a-coinbra-frutesp.html> (accessed on: 15.08.2013).

18 C.f. Notícias Agrícolas: Entrevista com Fábio Mesquita Ribeiro, 11.05.2012. At: <http://www.youtube.com/watch?v=1ctLKn50Wr8> (accessed on: 15.08.2013).





Top: This way for Louis Dreyfus Commodities HQ

Bottom: The work force in the juice producer's blue uniforms.

In 2007 LDC set up Calyx Agro; the subsidiary's role is "to find and purchase further land suitable for farming in Brazil, Argentina, Uruguay and Paraguay and to promote cultivation on these sites". The aim is to "profit from the current increase in land values".<sup>19</sup> 106,000 hectares have been purchased by Ca-

lyx Agro in the aforementioned countries. 90 per cent of the land was already under cultivation, and 45 per cent of this land is now owned by LDC. By the end of 2014 it is planned that a further 250,000 hectares of newly acquired land will be farmed in the company's name – by way of comparison, the surface area of Germany is around 350,000 hectares.

<sup>19</sup> LDC. Relatório Anual 2011, p. 42.

## CUTRALE „SUCOCITRICO“

Share of global juice production:	30 per cent
Exports to:	90 countries
Orange-growing capacity:	the firm grows around 40 per cent of the oranges it processes.
Labour force:	15,000
(Family) assets:	estimated at 11.3 billion Euro.

Cutrale has specialised in producing oranges ever since it was founded. Cutrale exports to 90 countries, has over 15,000 employees and accounts for around 30 per cent of global orange juice production. The company also has plants and plantations in Florida. Cutrales' clients include multinational groups such as Nestlé, Coca-Cola and Parmalat. The firm is one of the world's largest food industry monopolists. The authorities have been investigating the company for tax evasion since 2000. The information that has emerged so far shows that Cutrale deposited profits that had been acquired legally on the Cayman Islands, circumventing the tax authorities.

The origins of the firm date back to the early 20th century. It was founded by Sicilian Guiseppe Cutrale, initially as an orange export company. Under the leadership of his son José Cutrale Junior, Cutrale officially began orange juice production in 1967. Cutrale has been involved in a price war with its competitor Citrovita since 2000: the strategy of Citrovita heir and then CEO was to pay higher prices to orange suppliers than Cutrale. This tactic proved unsuccessful. Cutrale managed to defend its leading position. Citrovita however lost millions and the company let Ricardo Ermírio de Moraes go. With the merger between Citrovita and Citrosuco in 2012, Cutrale has lost the leading position in international orange juice trade it held for two decades. In order to recover this dominant position, a merger with Louis Dreyfus Commodities is

being considered.<sup>20</sup>

Cutrale pursues an aggressive market strategy. Considerable pressure is exerted on suppliers to sell their oranges or land. As a result of the company's formidable market power, the farmers find themselves in an extremely poor negotiating position. Reports in the journal *Veja* indicate that the company does not balk at threats and intimidation during pricing negotiations. In some instances farmers have been threatened that the firm will not buy any more oranges from them unless they sell their land to Cutrale. In addition, producers also complain that Cutrale does not respect contractual agreements. Since the 1990s the Conselho Administrativo de Defesa Econômica (CADE) has taken action on a number of occasions in response to Cutrale's aggressive trading practices and numerous complaints that the firm has established a cartel. However to date Cutrale has not been sentenced for any of its unfair competitive practices. It is generally assumed that this is partly because of the family's good political contacts.

### Conflicts with the Landless Rural Workers' Movement

Information from the Landless Rural Workers

<sup>20</sup> C.f. Rural BR: Cutrale e Louis Dreyfus juntam seu laranja, 12.08.2010. At: <http://www.noticiasagricolas.com.br/noticias/loranja-citrus/73249-cutrale-e-louis-dreyfusjuntam-seu-laranja.html>. UV3r\_DeyJ6c (accessed on: 15.08.2013).



Cutrale juice plant in Araraquara, where the company has its headquarters.

Movement (Movimento dos Trabalhadores Sem Terra, MST) shows that Cutrale owns 30 plantation farms – known as fazendas – in the São Paulo region and the Triângulo Mineiro. The Brazilian Land Reform Institute, the Instituto Nacional de Colonização e Reforma Agrária (INCRA), has classified six of these as not declared as being utilized for agricultural purposes. The MST accuses Cutrale of having purchased land in the São Paulo region from the Brazilian state using falsified documents. The INCRA has confirmed this and has brought a court case against the firm.

The conflict relates to Fazenda Santo Henrique, Fazenda Capim and Fazenda Timboré, which were subsequently occupied by MST. In response the press, which is largely in the hands of the country's rich elite, has repeatedly sought to tarnish MST's reputation. The press has accused the movement of destroying food production on the fazendas. The MST confirmed that it had felled some orange trees in order to plant staples such as maize and beans. An MST leader: "We are not against oranges. We are against the firm that abuses public land".<sup>21</sup> The squatters at Fazenda Henrique were accused by a parliamentary commission of having caused damage to the tune of one thousand Real (circa 380 Euro). The ruling was repealed in the courts for lack of evidence. At least 55 MPS who energetically

supported Cutrale in this matter received financial support from Cutrale during the subsequent legislative period.

The conflict over these land in question has not yet been resolved. A family involved in the occupation: "We are not here to vandalise anything, contrary to accounts in the press. Cutrale believes that it has more right to these farms than everybody here, but they are wrong! I will come back and squat the land again". 300 women from MST occupied the fazenda again in November 2012. The land was squatted again in June 2013.<sup>22</sup>

In August 2011 the MST filed a lawsuit at the court in São Paulo against Cutrale. They accuse the firm of having made massive use of poisons, pesticides and other agrochemicals with, if any, few constraints, and consequently polluting ground water that supplies the local populace with drinking water.

21 C.f. MST: As laranjas e os Sem Terra (nr 298), 11.2009. At: <http://www.mst.org.br/jornal/298/realidadebrasileira> (accessed on: 15.08.2013).

22 C.f. UOL notícias: MST volta a ocupar a fazenda da Cutrale no interior de São Paulo, 11.11.2012. at: <http://noticias.uol.com.br/politica/ultimas-noticias/2012/11/11/MSTvolta-a-ocupar-fazenda-da-cutrale-no-interior-de-sao-paulo.htm> (accessed on: 15.08.2013).

# Brazilian Landless Rural Workers' Movement — Movimento dos Trabalhadores Sem Terra (MST)

Brazil's only land reform to date was implemented by the Portuguese crown in 1530. The policy of granting vast swathes of land to the aristocracy dates from that era, and its influence can still be felt today. Distribution of land ownership in Brazil is characterized by extreme inequality. Around ten per cent of the population owns around 80 per cent of the land, or, in other words, 1.6 per cent of the population owns half of the agricultural land. Around 50 per cent of this is not farmed, as it is purchased purely for speculative purposes. In addition, the large land owners use part of their land to grow soya, sugar cane or citrus fruit for export, whereas almost 75 per cent of sales from small farms involve supplying basic foodstuffs to the domestic market.

President João Goulart's plans for a long-overdue land reform in the 1960s were thwarted when the army seized power in 1964. During the military dictatorship, concentration of land ownership grew even more pronounced. From the mid-70s on, there were a growing number of land occupations by impoverished small farmers. In January 1984 the First National Meeting of Landless Rural Workers was held in the south of Brazil. Eighty

activists involved in land conflicts from twelve states met with representatives from other organizations to address the land issue. The delegates jointly reached the conclusion that occupying the land constituted a legitimate means of democratizing land ownership and thus achieving a fairer society. They decided to set up a national organization to pursue these goals: the Landless Rural Workers' Movement - MST (Movimento dos Trabalhadores Rurais Sem Terra).

Since 1985 the MST has organised occupations of unused or illegally purchased land. Initially camps, known as *acampamentos*, are set up on these sites. The MST seeks by these means to force the state authorities to take action. Law-suits are brought against the land owners with a view to having the land transferred to the people in the *acampamentos*. While negotiations are underway, a process that can take up to 15 years, people in the camps live in highly precarious conditions, constantly afraid that they may be evicted at short notice. In their struggle the landless rural workers face repression from state institutions as well as from the private militias of many large landowners, who take violent action against these occupations.

With over 1.5 million members, the Landless Rural Workers' Movement in Brazil is the most significant social movement in Brazil and the largest in Latin America. It advocates fairer land distribution and calls on politicians to take action on ecological and social issues.

In 1991 the MST was awarded the alternative Nobel Peace Prize for its committed work.





These two men are fighting to obtain a title to the land and live in an MST camp.



Sandra Dusch Silva from CIR (on the left) talking to two MST activists.



These MST women took part in the occupation of Fazenda Santo Henrique.



At last - this land belongs to him - part of an MST settlement near Ribeirão Preto.

# Working conditions in orange juice production

Cultivation of oranges is very labour-intensive. The fruit is mostly picked by hand. Most pickers travel from plantation to plantation, harvesting oranges, sugar cane or other products depending on the season. Generally they work for wages too low to allow them to live in dignity. They bear the brunt of the ruthless competition between multinational juice companies. Their work is physically demanding, poorly paid, without legal protection and is also seasonal.





**T**he following depiction of current working conditions is based on field studies conducted by Christliche Initiative Romero (CIR) in Brazil in June/July 2013 and on a study commissioned by the CIR from the Instituto Observatório Social (IOS). The IOS is based in São Paulo. The institute focuses on investigating and evaluating the labour, social and environmental standards of multinational companies in Brazil. The study is based on an appraisal of interviews with trade union representatives, plantation workers and factory workers. The general mood amongst employees was however one of great fear. It was difficult to find workers who were prepared to talk about their situation. Some of the workers who agreed to be interviewed withdrew their participation at the last minute, feeling they had to be careful about such contacts. In addition, academic literature, corporate documentation and information from

NGOs and the government was also incorporated into the study.

## JOB SECURITY

***“Outsourcing and precarious employment conditions for migrants are serious problems in the São Paulo farming region.”<sup>1</sup>***

Most workers on plantations in the state of São Paulo are migrants or come from peripheral rural areas in adjacent districts. They are generally men between 30 and 49 with little formal education. In 2011 only 52,000 of the over 2,380,000

<sup>1</sup> The quotations are based on interviews conducted by the IOS and CIR in 2013.





The sacks workers tie round their bodies for the harvest weigh up to 30 kg.

workers on the plantations had steady jobs.<sup>2</sup> It is common practice to conclude **seasonal contracts** on the plantations. These fixed-term contracts mean that workers are always under **pressure** to be extremely productive, as otherwise they have no prospect of being hired during the next harvesting season.

“Gatos” is the name for the local labour contractors who recruit workers at their place of residence. Generally these labour contractors select the extra harvest workers in the towns or villages where they live and hire them for the next harvest. This is an additional source of pressure for workers. To avoid creating the impression of being sickly and losing the chance to work during the next season, even outside harvest time any health problems are kept under wraps and workers

avoid going to the doctor. Generally speaking plantation workers are not employed directly by large firms but instead have contracts with sub-contractors (for example through the labour contractors). On 26th March 2013 a labour court condemned the three orange juice giants to pay a fine equivalent to around 160,000 Euro for systematic labour outsourcing – and thus outsourcing of responsibility – to subcontractors.

In order to be taken on again during the next harvest, workers must perform well, as otherwise the labour contractors will not engage them for a further season. The labour contractors do not merely monitor workers’ performance but also receive a commission, which is dependent on the workers’ productivity. Workers who harvest too little are not given any work in the next season. That also applies to seasonal harvest workers who miss work too often because they are unwell. All the workers interviewed explained that they are constantly monitored by their labour contractors. This constant surveillance leads to a very high degree of fluctuation in the labour force on plantations.

In contrast to the plantations, systematic outsourcing is proscribed by law in the factories. Outsourcing does however occur in the areas where this is legal, such as cleaning work, warehousing or security services. Fluctuation rates are also high in the factories. “Long-term contracts” are for one to – at most – two years.

173 workers were made redundant in Matão due to the Citrosuco and Citrovita merger. In May 2013, 100 workers from the factory in Limeira were dismissed without any notice. Rafael de Araújo Gomez from the Ministry of Labour fears that the merger will in total lead to the loss of 1,000 jobs, and condemns the fact that employee rights have been utterly disregarded in the merger process.

2 C.f. Companhia Nacional de Abastecimento (Conab): Ministério da Agricultura, Pecuária e Abastecimento. Acompanhamento da Safra de Laranja 2011/2012. Terceiro Levantamento - SP; Estimativa da Safra no Triângulo Mineiro – MG, 12/2011.

## REMUNERATION

***"We don't even know how much we will receive per crate for each day"***

Generally the harvesters stand on ladders on the orange trees to harvest the fruit. They have sacks that look like oversized bags fastened to their bodies. Once workers have filled the sacks (which can hold up to 30 kilos), they climb down the tree and fill the oranges they have picked into a large bag. Each of the harvest hands has their own large bag. Their daily wage is calculated on the basis of the quantity they fill into these bags. Normally these large bags hold the contents of 50 to 60 sacks. The workers must harvest 60 sacks a day to earn the standard minimum wage in the state of São Paulo, which is 690 Real (260 Euro) per month. Every additional sack that the workers deliver earns them a bonus. According to information from the harvest workers, they are paid an extra 0.42 Real (circa 16 cents) for each additional sack. That means that in Brazil a seasonal harvest worker earns on average nine Euro a day for picking around two tonnes of oranges. A study by the Brazilian trade unions indicates that 14 Euro per day is the absolute subsistence minimum.

The interviews revealed that there are often irregularities when the oranges are delivered. The plantation owners are responsible for weighing the large bags. The labour contractors pay the harvest workers. The settlement procedure lacks transparency, making it more difficult for workers to check whether they have really been paid for the work they have done. Workers are not present when the crates are weighed and do not know how much the labour contractor is paid per crate harvested, as the labour contractors deduct their commission before paying the workers.

***"Cutrale pays one of the lowest wages in the food sector in the state of São Paulo."***

The workforce in the juice plants is much smaller than on the plantations. Factory workers are paid slightly better than the labourers in the fields. Wages are usually between 900 and 970 Real (338 and 364 Euro). According to trade union sources, in 2012/2013 Cutrale agreed to pay 780 Real (275 Euro), which means that the wages paid by the juice multinational are 20 per cent below the usual rate in the sector. It was only when the trade unions brought massive pressure to bear that the firm gave ground and increased the monthly payment to 826 Real (circa 290 Euro).

Cutrale employees complained in interviews that the wages promised when they began their work were not paid. The wages they had been offered could only be achieved by doing overtime and working shifts.

## WORKING HOURS

***"The working week is 44 hours long, but in practice work pressure is so great that workers do not even have time for lunch"***

Officially there is a 44-hour working week on the plantations. Workers are entitled to a one-hour **lunch break**. However, there is such great pressure that workers often have to miss their lunch break and are de facto forced to work longer hours. During the harvest, workers are expected to work at **weekends** too. That means they have no time to recuperate. There are no suitable **rooms for breaks** on the plantations. Workers either eat in buses or out in the fields. Rooms provided for breaks contain empty bottles and bags of chemicals.





Plantation workers face enormous pressure at work.

**Piecework** is done in the factories too. In the interviews workers often mentioned that the topic of productivity is omnipresent and is the only criterion used to measure a worker's **performance**. Cutrale is also criticized for putting workers under so much pressure every day that they work for at least **two to three hours more** without taking proper breaks. During the harvest, working hours in the factories are extended to up to 14 hours. The overtime worked is not paid in full. Interviewees referred to overtime being ignored. It is standard practice in the factories for workers to be invited to **meetings with supervisors** outside regular working hours to avoid any loss of working time.

In 2011 Citrusuco/Citrovita were fined for violations of employment law. The firm was found guilty of failing to respect rest periods between shifts, extending daily working hours over the legal limit, and forcing employees work without a break for six hours and more, even at the weekend.

## HEALTH, SAFETY AND TOILET FACILITIES

Workers from all firms indicated that the **ladders** they are supposed to use are not suitable for the work. This frequently leads to injuries and accidents. The ladders are all the same length, but the orange trees grow to very different heights. The workers have to take risks to harvest all the oranges from the tall trees. In addition, when the ladders are too high for certain trees, the workers have to pick the fruit bent over and injure their backs. Back pain, pains in the arms and shoulders are the most frequently mentioned **health sequelae**. Other frequently mentioned ailments include headaches, eye pain (due to the strong sun) and colds. There is extremely intense pressure at work. If a worker falls off a ladder during the harvest, he or she is quickly told it was not a bad fall and pushed to keep on working. Workers who fall ill whilst at work are assumed to be malingering. Many workers go to work sick out of fear of being laid off.



Employees do piecework in the factories too.

Chemicals are often sprayed whilst the workers are harvesting in the fields, causing allergic reactions and other health problems. Eight women on a Citrusuco plantation were taken to hospital suffering from poisoning. The women were discharged at their own request, and against medical advice, after a Citrusuco representative visited the hospital.

The containers that hold toxic agrochemicals for spraying are handled **without due care**. The consequences of this careless handling of toxic substances include burning eyes and headaches. One of the trade unionists interviewed reported that workers on the plantation have to go out into the fields immediately after **pesticide spraying**. **Tractor drivers** in particular are exposed to the risks arising from agrochemicals without any protection. The tractors are generally open and do not have cabins to ensure the drivers do not inhale pesticides. The workers also have to go out into the orange groves immediately after rain.

The poisonous substances penetrate directly through their clothing and come into

contact with their skin.

**No training** is provided on how to deal with poisonous substances, or on health and safety issues. Employers do not inform workers of the dangers to which they are exposed in their work and how to take protective action. **Protective clothing** is either not available or is inadequate, and although it is provided for some workers, there are complaints about its poor quality. The shoes have cracks, and as a result the workers run the risk of bites on their feet from poisonous insects or snakes.

There is **no first aid equipment** available for workers during the harvest. In general first aid supplies only available on the finca, which in some cases is too far away from the workplace. **Drinking water** is not made available to labourers out in the fields. There is a lack of **toilet facilities** on the plantations. .

The labour contractors also recruit workers from other districts and are responsible for arranging accommodation for them. There are complaints that in some cases this accommodation is not fit for use. There is not



Temporary accommodation for young migrant workers from north-eastern Brazil during the harvest.



Roll call of workers who have just been hired outside the plantation.

even basic furniture (beds, tables, chairs) in the accommodation provided. There are often no toilet facilities or access to water or inadequate provision of sanitation and water. 60-80 Real (circa 25 Euro) are deducted from workers' wages for this accommodation. That is a breach of Brazilian labour law.

The **buses or pick-ups** that transport workers to the plantations are in an extremely dilapidated state. These vehicles are often not even registered. In general the labour contractors transport the workers to the plantations in their own pick-ups. That means that claims can only be made against the labour contractors if there is an accident, but Cutrale, Citrusuco and LDC are not liable.

In 2011 there were renewed calls for LDC to provide suitable transport. In particular, the company was requested to ensure that the vehicles are registered and have fixed seats, closable windows and functioning brakes. One employee who wears a uniform to work reports that he was asked not to wear the com-

pany uniform on the way to work, as it would make it too easy for the press to identify who was responsible if there were an accident.

A worker reported in an interview that while workers were being transported from the plantation after work, both front wheels of the bus came loose and rolled away. Luckily the workers escaped unscathed as the road was not asphalted. The workers did not get back from their shift on that Saturday evening until around 2 in the morning. The roads are a further problem as they become muddy and slippery when it rains. As a result, a journey that normally takes two hours can take three to four hours longer as the buses become stuck in the mud. The workers are then not able to meet the required piecework rate. Workers who are on a probationary period lose their jobs as a result.

***"We always get stuck here when it rains".***



A bus transporting workers to the LDC plantations. Some of the harvest hands are already wearing the company's blue uniform.

***“Working for Cutrale is bad for your health and a risk to life and limb”***

It is **extremely hot** in the factories. There is insufficient light. It is extremely noisy. The air in the factories is poor, oil is combusted and the workers breathe in the fumes. There is **no ventilation**.

***“I have seen colleagues coming to the factory with a temperature because they were afraid of losing their job if they stayed off work sick.”***

There is no general provision of **protective clothing** in the factories. Often the equipment provided does not fit. Obtaining appropriate protective clothing involves considerable bu-

reaucratic effort for employees. As a general rule, workers should receive hearing protection, protective goggles and a helmet. Cutrale requires its employees to sign a document stating that they will accept deductions from their wages for any **damage** to protective clothing or tools.

***“Everything is made to look OK before the labour inspectors come to the factory”***

Some of those interviewed complained that no instructions are provided on procedures if a fire breaks out. In 2011 and 2012 three Cutrale employees died as a result of **accidents in the workplace**. Information from their colleagues and the trade unions indicates that these accidents could have been avoided, as the shortcomings that caused them had long been known to management. One employee had to work two shifts consecutively and died whilst





3 people died in fires in the Cutrale juice plant in Conchal in 2011/2012.

doing cleaning work. The other workers died as a result of an explosion in the factory.

There is also room for improvement on respect for environmental standards: a worker reports that water from the factory is simply pumped out into the environment without any safeguards. He noted that there is no longer any vegetation in the area where the water is discharged.

## DISCRIMINATION

The study showed that women are discriminated against. Trade union sources indicate that in the juice plants male employees generally have open-ended contracts of employment, whilst most of the women only have fixed-term contracts. This is a further reason why women are scarcely involved in trade union activities in addition to the triple social roles women are generally expected to fill.

In addition to economic disadvantages and discrimination, women are victims of

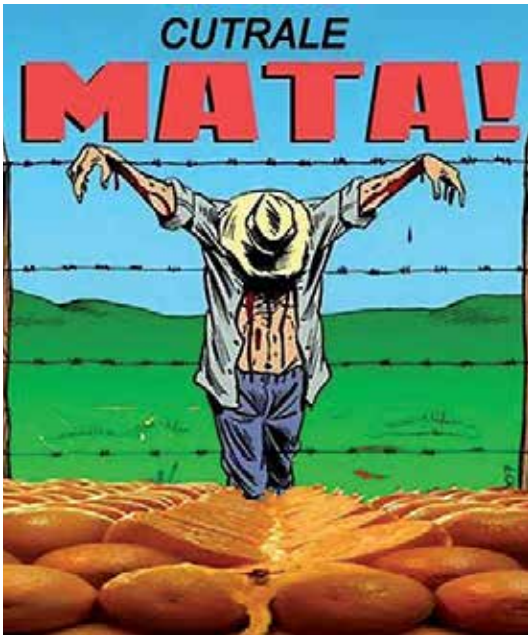
constant psychological, physical and sexual attacks. In addition, the extreme working hours hamper family life; female workers with children suffer particularly from this state of affairs. The general rule both in the factories and out in the fields is that if you don't work, you don't get paid. For mothers this means that they cannot go to the doctor with their children or attend events at their schools. A great deal of pressure is exerted to ensure that women do not miss work. One woman reported that her boss had asked provocatively which was more important to her: her job or her child.

In LDC and Cutrale factories trade union sources report that many pregnant women or women with children have been dismissed. In February 2013 a fine was imposed on Cutrale for dismissal of pregnant women.

In addition to gender-based discrimination, workers also encounter other forms of humiliation. Workers are frequently cursed and insulted in the plantations and factories.

In some cases **talking is forbidden** in the





Trade union CUT poster “Cutrale kills!”

factories. There is an **atmosphere of discrimination**. Some supervisors at Cutrale curse workers as “asses”. In certain cases workers are also addressed by number rather than by name. A worker reports: “Every day employees are treated as if they were worthless”. Another worker testifies: “At Cutrale workers are not respected or acknowledged as human beings. Everyone is aware of this and sees it happening”. Workers report that they are asked to sign forms by management without knowing what is contained in the **forms**.

## FREEDOM OF ASSEMBLY

There is a pronounced **anti-union attitude** in both the plantations and factories. Workers who have contacts to trade unions run the risk of being **dismissed** from their jobs. For example, just being seen with a trade union member in the street or in a bar can mean an employee will be put on the “black list”. A trade unionist reports “Freedom does not exist on the plantations. The workers are very afraid

to talk about their situation”. He explains that workers generally hide when trade unionists approach the plantations to avoid being spotted with them. In addition, the plantations are surrounded by fences, making it difficult to start a conversation with the workers. The companies forbid the trade unionists access to the plantations. The trade unionists are subject to strict surveillance if they manage nonetheless to gain access to the plantations.

A trade union activist reports: “There is no freedom of speech, no freedom to raise complaints, to demand workers’ rights. Workers are punished if they lodge a complaint. They are warned, suspended or put on a “black list” if they call anything into question.”

**“There is no respect for human rights. Workers who bring in the harvest for these companies are not chained up as slaves once were. Different means are used to keep them captive.”**

Information from the trade unions reveals that the labour contractors are used explicitly to exert psychological pressure on workers. That is also why there is a “black list”. Anyone on that list is not hired for the next harvest. There are several known cases of Cutrale dismissing trade union members or strikers.

# Supermarkets in focus



## ALDI



Today's discount giant Aldi has been an unparalleled success story since the 1960s. Aggregating domestic and foreign turnover, both company groups (Aldi North and Aldi South) are also number one among the discounters, with over 50 billion Euro turnover (2012) and over 200,000 employees.<sup>1</sup> In Germany Aldi is governed by collective bargaining agreements, but repeatedly gives grounds for criticism due to unpaid overtime, impeding works councils (Aldi South) and inappropriate treatment of staff.<sup>2</sup>

### The art of less

Brothers Theo and Karl Albrecht began to develop their trading empire in 1945 when they took over their parents' business in Essen. Ten years later there were already 100 shops, all in

North Rhine-Westphalia. In 1961 the brothers divided their business activities into the North and South corporate groups. These are independent in formal legal terms but engage in close strategic cooperation to this day. The two brothers launched the first Albrecht-Discount (Aldi) branches in 1962 in Dortmund.<sup>3</sup>

The basic idea of the discount principle, aiming to compete above all with supermarkets and corner shops, was to reduce sales outlets to the essentials: no expensive shop fittings, no decoration in the stores and no advertising. Goods are sold straight out of boxes placed on palettes or wooden shelves. The Albrechts reduced their range to around 300 articles: so-called rapid rotation (i.e. high sales frequency) basic foodstuffs. There was no product duplication in the range and no highly perishable fresh goods. This saved on

1 C.f. Planet Retail: Die Top 10 Discounter, 06.2013.

At: [http://www.lebensmittelzeitung.net/business/datenfakten/rankings/top-10-Discounter-Welt-2013\\_408.html](http://www.lebensmittelzeitung.net/business/datenfakten/rankings/top-10-Discounter-Welt-2013_408.html) (accessed on: 15.08.2013).

2 C.f. Hamann, Andreas: 100 Jahre Gnadenlosigkeit. At: <http://publik.verdi.de/2013/ausgabe-03/gewerkschaft/brennpunkt/seite-3/a0> (accessed on: 15.08.2013).

3 C.f. Aldi: 100 Jahre Kaufmannstradition. At: [http://www.aldinord.de/print/\\_100\\_jahre\\_aldi/](http://www.aldinord.de/print/_100_jahre_aldi/) (accessed on: 15.08.2013).

\* in thousand square metres

## TOP 10 DISCOUNTERS WORLDWIDE

Ranking	Marketing lines	Operator	Gross turnover (million Euro)	Number of outlets	Sales area*
1	<b>Aldi</b>	Aldi Group	<b>56836</b>	9617	7821
2	<b>Lidl</b>	Schwarz Group	<b>52257</b>	10044	8644
3	<b>Netto Marken Discount</b>	Edeka Group	<b>13687</b>	4756	3378
4	<b>Dollar General</b>	Dollar General Corp.	<b>13115</b>	10506	7181
5	<b>Penny</b>	Rewe Group	<b>11838</b>	3582	2424
6	<b>Dia</b>	Dia s.a.	<b>11673</b>	6896	2815
7	<b>Family Dollar</b>	Family Dollar Stores, Inc.	<b>7638</b>	7442	4943
8	<b>Biedronka</b>	JMR Jerónimo Martins Retails	<b>7253</b>	2125	1301
9	<b>Rema 1000</b>	Reitan Group	<b>6578</b>	742	719
10	<b>Dollar Tree</b>	Dollar Tree	<b>6106</b>	4601	3793

Source: Lebensmittelzeitung: top 10 Discounterwelt 2013; All figures from 2012

cost-intensive stock care, shop assistants, expensive refrigeration cabinets and energy costs.

There were only a small number of staff in each branch, and all staff members had to be able to handle all the essential steps in the sales process in the branch. That still applies. Removing essential retail trade functions and applying enormous pressure to all cost centres – from staff costs to purchasing prices – gives Aldi considerable advantages vis-à-vis competitors. That allows Aldi to sell goods cheaply whilst still making a profit, in keeping with their business model.<sup>4</sup> Until the early 1980s Aldi had the reputation of targeted poorer consumers, but that has changed. Nowadays three in four households indicate in surveys that they shop at Aldi. In the discount retailer league table, Aldi North and Aldi South are being displaced by Lidl, currently in second place. Netto, Penny and Norma are next in the ranking.<sup>5</sup>

## Marching separately, attacking together

Both at home and abroad Aldi North and Aldi South maintain a strict regional division in their networks of branches. Together they have around 4,300 locations in Germany, with the Aldi equator running through North Rhine-Westphalia and Hesse. In addition there are over 5,300 branches in the rest of Europe, as well as in the USA and Australia. The firms' owners are the respective foundations of the Albrecht family. They hold the majority in the regional firms engaged in operational business, as well as holding a stake in the man-

agement GmbHs (Limited Liability Companies) named after the manager of each limited liability company. The "Purchasing" arm of the North and South groups plays a central role in operational business. All strategic decisions are taken by the two most senior

management bodies: for Aldi North this is the Administrative Board in Essen, whilst for Aldi South it is the Coordination Council in Mülheim an der Ruhr. There are regular meetings and close coordination between the two consortia in respect of both purchasing and strategy.<sup>6</sup>

The division of the Aldi Group into legally independent sub-companies allows Aldi on the whole to avoid obligations to disclose key business data or to provide for co-decision through supervisory boards. The intricate constructions and extreme confidentiality provisions mean that Aldi North and Aldi South have been able to ensure that even their competitors do not know how business is going for the number one discounter.

The data currently available indicates that turnover in Germany, Aldi's home base, was 25 billion Euro in 2011. That generated profits of 772 million Euro.<sup>7</sup> Official figures indicate that around 62,000 employees work for Aldi North and Aldi South in the more than 4,300 German branches, as well as in warehouses and company administration.<sup>8</sup>



Aldi's juice packages

4 C.f. Fritz, Wolfgang: Die Aldisierung der Gesellschaft. eine ökonomische Perspektive, 2005, pp. 10ff.

5 C.f. Lebensmittelzeitung: Top 6 Discounter Deutschland, 06.2012. At: <http://www.lebensmittelzeitung.net/business/daten-fakten/rankings/index.php?suche=1&timer=1373882634&id=298&currPage=1#rankingtable> (accessed on: 15.08.2013).

6 C.f. Lebensmittelzeitung: Aldi rückt näher zusammen, 10.06.2011. at: [http://www.lebensmittelzeitung.net/news/newsarchiv/protected/aldi-rueckt-naeher-zusammen\\_87912.html](http://www.lebensmittelzeitung.net/news/newsarchiv/protected/aldi-rueckt-naeher-zusammen_87912.html) (accessed on: 15.08.2013).

7 C.f. Lebensmittelzeitung: Aldi verdient weniger, 15.08.2013. at: [http://www.lebensmittelzeitung.net/news/top/protected/aldi-Verdient-weniger\\_97196.html](http://www.lebensmittelzeitung.net/news/top/protected/aldi-Verdient-weniger_97196.html) (accessed on: 15.08.2013).

8 C.f. Aldi: Aldi Süd – Daten und Fakten. at:

The 100 per cent family-owned consortia have made their owners some of the richest people in Germany.<sup>9</sup> The two Aldi families boast assets of over 33.2 billion Euro. The founder of Aldi South, Karl Albrecht, (his brother Theo died in 2010) is among the ten richest people in the world.

## Aldi's Price Dictatorship

Aldi still adheres to the discount principle today. It has introduced various innovations, including a wider product range, more branded products and special offers to attract customers, more convenience foods (ready-to-eat products) and a series of services such as EC cash or photo services. In addition to restricting the range of products on offer, Aldi's employment strategy is one reason why it is the cost leader. Own-brands account for 95 per cent of the group's turnover.<sup>10</sup> For example, orange juice is sold as an Aldi own brand: "Rio d'oro" (Aldi South) or "Sonninger" (Aldi North). Both consortia also offer organic orange juice and juices for children and adolescents (Junior/Aldi Nord and LeoLausemaus / Aldi South) as well as other own-brand orange juices.

Aldi North and Aldi South, which exert enormous power vis-à-vis consumers due to the huge quantities purchased, generally do their product purchasing separately. There are however regular meetings at senior management level and intensive exchanges between individual departments. Common approaches are adopted on points such as the product range, supplier conditions and pricing policy.

<https://unternehmen.aldi-sued.de/de/ueber-aldi-sued/unternehmen/daten-und-fakten>, and: Aldi: 100 Jahre Kaufmannstradition. [http://www.aldi-nord.de/print/\\_100\\_jahre\\_aldi/](http://www.aldi-nord.de/print/_100_jahre_aldi/) (accessed on: 15.08.2013).

9 C.f. Manager-Magazin Spezial: Die 500 reichsten Deutschen, 2012.

At: <http://www.manager-magazin.de/unternehmen/artikel/a-860164.html> (accessed on: 06.07.2013).

10 C.f.: Spiegel: Aldi-Schwäche – all die Probleme, 28.07.2010. at: <http://www.spiegel.de/wirtschaft/unternehmen/aldi-schwaeche-all-die-probleme-a-708952-druck.html> (accessed on: 15.08.2013).

Aldi's purchasing strategy affords a reliable planning framework in terms of quantities and costs. That also fosters low purchasing prices.

Both Aldi groups have a fixed core of system suppliers, which includes juice suppliers. Stute Nahrungsmittelwerke in Paderborn is one of Aldi's main suppliers. In some cases business relationships with suppliers and producers in Brazil have already existed for many years. Purchase prices are established in joint negotiations and are influenced by general market conditions.

Suppliers run the risk of becoming highly dependent upon the discounter due to Aldi's purchasing power. That is particularly true if they supply more than 50 per cent of their capacity to the chain. Aldi is certainly quick to drop suppliers. A product does not remain in the range if it does not sell well. Of the c. 1,000 articles in Aldi's product range an estimated 350 products per year are replaced by other products or changed significantly. There is rigorous price control from procurement to point of sale. Competitors are also subjected to Aldi's price dictatorship. If the discounter reduces prices, competitors do the same for their own brands within just a few hours.

## Corporate social responsibility

In a statement and in a survey conducted by the Christian Initiative Romero (CIR) relating to this study, Aldi stated that it generally requires its producers in the fruit and vegetables segment to comply with global GAP standards. It also pointed out that the company had been a member of the Common Code for the Coffee Community Association (4C) since 2009. This association is working on a basic standard which fair trade and organic farming initiatives can build upon. However, Aldi does not publish any figures to indicate the share of its sales volume which is accounted for by 4C coffee.

Aldi Süd has made only a general state-



ment regarding the study, whilst Aldi Nord, on the other hand, has addressed the individual aspects of the study in detail. Aldi Nord has also submitted additional documents, including a supplementary agreement on social standards for procurement, the SGF's (Sure Global Fair) code of conduct and the sustainability agenda of Fischer Gruppe (Fischer Group), which owns Citrosuco. Aldi Nord provided information on the structure of its supply chain and demonstrated exemplary transparency in the study.

Since 2007, Aldi Nord and Aldi Süd have been members of the BSCI and have demanded that a number of their suppliers also join this initiative. This has led to a proliferation in the number of BSCI members. Almost half of the members have direct or

indirect business ties with Aldi. However, the company has been unable to set an example to demonstrate how violations of labour rights can be sanctioned and remedied when they are discovered.

Aldi is not involved in any independent verification by way of a multi-stakeholder initiative. The conclusion to be drawn is that Aldi does not give adequate consideration to the negative impact which its own procurement policy has on labour conditions.

Shifting responsibility on to suppliers by demanding that they sign up to the BSCI is not a suitable method for implementing social standards. There are no known rules in place which would demonstrate how planning could be improved to ensure that excessive overtime for workers is avoided. The BSCI does not demand a living wage.

## LIDL AND KAUFLAND



Since the early 1990s Lidl has become the most rapidly expanding discounter in Germany and internationally. Together with sister company Kaufland, which runs self service department stores and hypermarkets, Lidl is part of entrepreneur Dieter Schwarz' eponymous group. Whilst annual turnover in 1990 was roughly three billion Euro, today Lidl's turnover is estimated to be 52 billion (2012).<sup>1</sup>

### A fruit dealer becomes a global player

The origins of the Schwarz Group, now worth billions, can be traced back to the 1930s when the father of the current owner became a shareholder in an tropical fruits trading company. The food wholesaler Lidl & Schwarz KG came into being, but was destroyed in 1944. After the end of the war, redevelopment work began.<sup>2</sup> In 1968 the company opened its first hypermarket, Handelshof, and in 1973 Lidl founded its first small discounter. Five years later Lidl began its expansion within Germany. 1984 marked a further milestone: the first large-scale self service department store under the name of Kaufland opened in Neckarsulm.

Alongside Dieter Schwarz manager Klaus Gehrig has played a leading role in the Schwarz Group's successful expansion. He originally worked with Aldi South and is currently the main figure directing the group in his capacity as chairman of Lidl and Kaufland's "supervisory boards". Most of the turnover of the group, which has its headquarters in Neckarsulm, now comes from its business abroad.



Lidl is more widely represented in international markets than its main competitor, Aldi. Dieter Schwarz is one of the richest people in Germany, with estimated assets of twelve billion Euro.<sup>3</sup>

### An impenetrable web

Lidl has roughly 10,000 branches in 26 European countries.<sup>4</sup> Around 3,300 of these are in Germany. The firm has announced that it plans to expand into the US market in 2015. In eastern and south-eastern Europe, Lidl and Kaufland's expansion is funded with loans from World Bank subsidiary International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) in London.<sup>5</sup> Total loans for the last ten years amount to more than half a billion Euro. In 2010 a long-term loan to the tune of 300 million Euro was agreed with the EBRD, whose shareholders include numerous states and the EU. There has been criticism for some time that these loans do not promote fair competition but instead destroy existing retail structures, for example in Poland, Romania and Bulgaria.

This has enormous consequences. In the wake of Lidl's announcement that it was planning to open 300 branches in the Czech

1 C.f. Lebensmittelzeitung: top 6 Discounter Deutschland, 2012. At: <http://www.lebensmittelzeitung.net/business/datenfakten/rankings/index.php?suche=1&timer=1373977344&id=298&currPage=1#rankingtable> (accessed on: 15.08.2013).

2 C.f. Kaufland-Chronik. At: [http://www.kaufland.de/Home/05\\_Unternehmen/\\_007\\_Chronik/index.jsp](http://www.kaufland.de/Home/05_Unternehmen/_007_Chronik/index.jsp), (accessed on: 15.08.2013).

3 C.f. Manager-Magazin Spezial: Aldi Clan dominiert Deutschlands Topmilliardäre, 09.10.2012. at: <http://www.manager-magazin.de/unternehmen/artikel/a-860164.html> (accessed on: 15.08.2013).

4 C.f. Lebensmittelzeitung: top 10 Discounter Welt, 06.2013. at: <http://www.lebensmittelzeitung.net/business/datenfakten/rankings/index.php?suche=1&timer=1373976690&id=408&currPage=1#rankingtable> (accessed on: 15.08.2013).

5 C.f. Hamann, Andreas et al.: Schwarz-Buch Lidl Europa, 2006

Republic, ten per cent of foodstuffs were subsequently offered there below cost price.<sup>6</sup>

In Germany alone Lidl now employs 68,000 staff, with 170,000 employees in its global workforce. Kaufland has over 1,000 outlets, with roughly 600 outside Germany: it is estimated that the Schwarz Group, with its 68 billion Euro turnover (2012), has approximately 310,000 employees.<sup>7</sup> The corporate structure is an opaque mesh of firms and foundations. The Lidl area alone is made up of 300 individual firms. The extremely convoluted structure of the retail group is one of the factors that conceal its power structures and decision-making procedures. As a result, burdensome disclosure obligations are circumvented, employee co-decision rights are undermined and the establishment of a group or overall works council is hampered or prevented.<sup>8</sup> In addition, the Schwarz-Group

also achieves enormous tax reductions with this strategy. Despite this lack of transparency, business experts agree that Schwarz Unternehmenstreuhand KG (SUT) forms the actual centre of power as the lead holding for both Lidl and Kaufland. A somewhat less important but still key role is played by Dieter Schwarz Stiftung GmbH. Lidl and Kaufland also function as foundations, although not for tax reasons; the main motivation for this structure is likely to be the fact that such structures do not fall within the scope of co-decision legislation.<sup>9</sup>

## Corporate Social Responsibility

In its replies to a survey on this study conducted by Christliche Initiative Romero (CIR) and in a statement from the firm, Lidl asserts that it has worked for years in the own-brand segment with certifying organizations such as Fairtrade, Rainforest Alliance, UTZ Certified, MSC, FSC, PEFC, Global GAP/- GRASP, ETI (for orange juice) and BSCI.

According to the firm, seven people reporting directly to the directors of its purchasing arm work in the field of Corporate Social Responsibility (CSR). Lidl emphasizes that it takes Corporate Social Responsibility concerns into account in its purchasing policy. Its CSR code is however not publicly available, which makes conclusive appraisal of this code impossible. Information provided by Lidl indicates that its CSR code encompasses the core ILO labour standards, a complaints mechanism and provisions on a living wage. The code applies not only to Lidl own-brand products, but encompasses all product groups and the entire purchasing chain, including subcontractors. According to Lidl's own information, the firm has no influence on brand manufacturers. In order to implement the code, there have been training courses with three employees and four managers on CSR

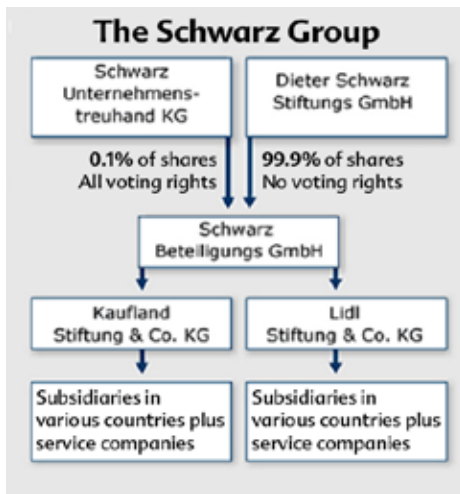


Figure 6: Structure of the Schwarz Group.

Source: Financial Times Deutschland: Agenda: Alles unter Kontrolle bei Lidl, 2004.

6 C.f. Handelsblatt: Lidl: Die Methoden des Geheimniskrämers, 05.02.2004. at: Handelsblatt: <http://www.handelsblatt.com/unternehmen/handel-dienstleister/lidl-diemethoden-des-geheimniskraemers/2303830.html> (accessed on: 15.08.2013).

7 C.f. Glaubitz, Jürgen: Unternehmensporträt Schwarz-Gruppe, 01.2012.

at: [https://www.verdi-bub.de/service/konzerne\\_abisz/archiv/schwarzgruppe/](https://www.verdi-bub.de/service/konzerne_abisz/archiv/schwarzgruppe/) (accessed on: 15.08.2013)

8 ibid

9 C.f. Lebensmittelzeitung: Stille Gesellschaft, Lebensmittelzeitung (print edition, 11th March 2011)

since 2011 at Lidl HQ in Neckarsulm. Lidl was however unable to provide examples of the way in which violations of employment laws are followed up on and resolved. The firm is not part of an independent verification process through a multi-stakeholder approach.

In conjunction with Edeka, Lidl and Kaufland are vigorously involved at the European level in seeking to avoid legislative provisions that would oblige retailers and the food industry to comply with fair business practices throughout the value-added chain.<sup>10</sup> They seek to develop a cross-Europe system based on voluntary commitments as a “competition-friendly” alternative.



Lidl's (left) and Kaufland's juice packages

10 C.f. Lebensmittelzeitung: Weg frei für Selbstregulierung, 28.06.2013, at: [http://www.lebensmittelzeitung.net/news/top/protected/ernaehrungswirtschaft-Will-sich-zufairem-Umgang-bekennen\\_99998.html](http://www.lebensmittelzeitung.net/news/top/protected/ernaehrungswirtschaft-Will-sich-zufairem-Umgang-bekennen_99998.html) (accessed on: 15.08.2013).

# CALL FOR CHANGE

The situation described above in respect of orange juice production in Brazil and employment conditions in the retail trade in Germany demonstrates that firms do not take sufficient account of their responsibilities. A raft of cross-border arrangements and corporate constructions make it possible for responsibility in the supply chain to be fobbed off onto employees.

Christliche Initiative Romero and ver.di cooperate to advocate humane working conditions worldwide that enable people to secure their livelihood. German retail companies must assume full responsibility for providing a living wage through collective bargaining agreements and democratic co-determined working conditions. To that end, the German retail sector, including in particular Rewe and Edeka as the major players, as well as Aldi and Lidl/Kaufland, must undertake the following steps.

In the national and international supply chain, retailers should:

- ▶ Create and apply a comprehensive code of conduct that prescribes binding guidelines on employment. This code should apply to all employees at every point in the supply chain, in purchasing, sales and production.
- ▶ Compliance, implementation, monitoring and oversight of the code through direct cooperation with trade unions and labour law initiatives must be secured and rooted in a credible mechanism to represent employee interests (Multi Stakeholder Initiative/MSI). Companies must adopt identifiable measures on their own initiative to foster employee access to trade unions, allow trade unions to work freely, and pay a living wage.
- ▶ End gender-specific mistreatment of and discrimination against woman and girls in the supply chain (discriminatory hiring practices, wage inequalities, discrimination in access to further training and promotion etc.).
- ▶ Give employees in supplier companies the right to a steady job that enables them to secure their livelihood and afford employees scope to exercise that right.

Conditions of employment in the food retail trade in Germany:

- ▶ Cooperatives Edeka and Rewe must assume responsibility for ensuring that German collective bargaining agreements for the retail trade are implemented in all markets operated under the Edeka and Rewe brands, and ensure that works councils can be established at all levels without discrimination or reprisals against employees.
- ▶ We call on Aldi, Lidl and Kaufland to make it possible for all employees working under their brand names to enjoy comprehensive protection through works councils. The guarantees provided by statutory co-decision mechanisms are the first step in ensuring compliance in practice with the rights enshrined in collective bargaining agreements and all labour protection legislation.





# BEING A MAJOR PLAYER MEANS RESPONSIBILITY

Group and company responsibility now!

As firms clearly often use voluntary CSR measures to white-wash their business practices, CIR and ver.di call on the EU and the German parliament to adopt binding provisions in the following areas:

- ▶ Effective penalties and liability provisions for companies;
- ▶ Accountability and disclosure obligations for companies;
- ▶ Linking award of public contracts to respect for social issues.

## FOCUS: Orange juice

The production and sale of food generates billions worldwide. It is large corporations which are responsible for making decisions on labour and production conditions in the food industry. However, when it comes to assuming responsibility for the people who make this vast wealth possible in the first place, i.e. the employees, these corporations stress that they are under no legal obligation to assume such responsibility.

The orange juice study paints a transparent picture of the entire supply chain, from the cultivation of the oranges to the marketing of the juice. Research findings in Brazil and Germany shed light on something which food retailers are all too happy to cover up: dependence and exploitation.

THIS STUDY CONTAINS:	
Overview of orange juice	8 pages
Production: A detailed look at working conditions*	12 pages
Research on the key retailers:	
Aldi	5 pages
Lidl/Kaufland	5 pages
* 100% free of labour rights	

