Emerging ‘Standard Complex’ and Corporate Social Responsibility of Agro-food Businesses: A Case Study of Dole Food Company

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Recently as a reaction to the social movement of fair trade and the like, multinational agro-food businesses are getting remodelled to suit a growing public awareness of the spread of ‘corporate social responsibility’, which is now adopted as a new strategy by major corporations across sectors. This phenomenon raises questions about the nature of fair trade as an alternative movement against the globalisation and industrialisation of the agro-food system. Dole Food Company is one of these agro-food businesses who take advantage of this strategy to communicate their socially responsible activities.

In this paper, we depict the circumstances of multinational agro-food business activities on CSR with a case study of Dole Food Company. First, we illustrate the present complexity of quality standards by referring to our concept of ‘Standard Complex’. Second, three case studies will be provided to illuminate corporate behaviour on the aspects of the environment, human rights and locality. Finally, we examine the challenges of ‘Standard Complex’ in the context of ‘Green Capitalism’ and discuss the need for more public regulations of business in order to reinforce fair competition while recalling the role of states as a builder of agro-food standards.

Keywords: standard complex, fair trade, organic, locality, Green Capitalism, CSR

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1. Introduction

In the past two decades, social criticism against behaviour of multinational banana corporations, like Dole Food Company, Chiquita and Del Monte, stimulated various efforts toward fair trade banana in many southern countries. As a reaction to the social movement of fair trade and the like, these multinational agro-food businesses are getting remodelled to suit a growing public awareness of the spread of ‘corporate social responsibility’ or CSR, which is now adopted as a new strategy by major corporations across sectors.

One of the world largest fresh fruits and vegetables companies, Dole Food Company, has also taken advantage of this strategy to communicate their socially responsible activities (medical care, support for education, etc.) and started to sell their products with fair trade label and organic label in 2003. Today it is not difficult to find examples of multinational corporations’ involvement into alternative markets. The launch of fair trade products by such big multinationals raises questions about the nature of fair trade as an alternative movement against the globalisation and industrialisation of the agro-food system.

While it is actually needed to improve the social behaviour of multinational corporations, and consumers are getting aware of the importance of business social responsibility, multinational corporations are now strategically (or pre-emptively) appropriating the concept of ‘alternative’ in order to survive severe market competition. This phenomenon has brought about a series of standards, labels and certification systems, which are organised by public and private actors in a multiplying and overlapping way. The question to be addressed here is whether new standards adopted by multinational corporations function to change the reality of (i) the environmental impacts of agricultural production, (ii) the social conditions of farm workers, and (iii) the structure of local rural communities. It is also uncertain how and to what extent these private standards overlap or complement with public (compulsory) standards elaborated by governments and collective (voluntary) standards elaborated by NGOs.

Our purpose of this paper is to depict the circumstances of CSR activities of multinational agro-food businesses, and to examine the challenges they are facing and producing, with a case study of Dole Food Company. First, we will illustrate the present complexity of growing quality standards by referring to the concept of ‘Standard Complex’, which we coined to understand the ongoing phenomenon in the global agro-food system. Second, three case studies in developing countries (based on literature surveys) and Japan (based on our field surveys) will be provided to illuminate the behaviour of multinational corporations on the aspects of the environment, human rights and locality. Finally, we will examine the challenges of the ‘Standard Complex’ in the context of ‘Green Capitalism’ (Friedmann, 2005) and discuss the need for more public regulations of business in order to reinforce fair competition while recalling the role of the State as a builder of agro-food standards (Stanziani, 2003).
2. Hypothesis and approach

In the 1990s, we saw increasing consumer demands for food safety because of many food scandals (BSE, pesticide residues, etc.). As a way to assure consumers of the safety of food products, many compulsory public and voluntary private quality standards have been invented. At the same time, there have been introduced increasing numbers of private standards not only on product-oriented quality (e.g. nutrition and food safety) but also on process-oriented quality (e.g. environment, social and local issues). While many collective actions are organised to characterise social and environmental attributes of food products, such as geographical, organic, fair trade, food miles, and socially responsible (Barrientos et al., 2006; Chiffoleau et al., 2006; Holt et al., 2006; Raynolds et al., 2007), it is also true that producers and processors opt to differentiate their products according to these attributes in the aim of increasing their market share.

What we have to point out here is that this flood of social and environmental standards is quite likely to confuse consumers, prevent small and medium-sized enterprises (SMEs) from competing with big companies, and allow the latter to expand the range of products they offer to consumers while increasing their market share.

Some of these initiatives to deal with social and environmental issues are also originated in a variety of strategies to promote alternative agro-food networks from the local against the background of the industrialisation and globalisation of the agro-food system (Renting et al., 2003). The market for this type of alternative strategies has expanded to the level where this distinct quality of products needs to be certified and labelled according to certain standards. There has thus been emerged and rapidly grown a variety of social and environmental standards, certification and labelling programmes during the past two decades (Bingen et al., 2006; Codron et al., 2006). This in turn has led these alternative strategies likely to be incorporated into and exploited by mainstream agro-food businesses, since social and environmental embeddedness of agricultural production can now be quasi-technically dealt with under the standardisation regime (Hisano, 2008). While the private sector sees the new benefit of differentiating their products with multiple standards and labels, the credibility of social movement for corporate responsibility and certification schemes is getting threatened and problematic.

Although governments and international organisations have been involved in some of these standard and certification programmes (e.g. JAS: Japanese Agriculture Standard, PDO: Protected Denomination of Origin in EU, and various organic labels) and still have various potential roles in these programmes, what is now taking place is a move from governmental standards (i.e. regulations) to private voluntary standards introduced and managed by the business sector (e.g. EurepGap and Coleacp) as well as by NGOs (e.g. Rainforest Alliance certification, Fair Trade Initiatives, and SA8000) (FAO, 2003; Fulponi, 2006). The use of geographical indications has also got momentum recently but may be enacted as a
private certification (Sylvander, 2007). We propose to coin the phrase of 'Standard Complex' to illuminate this massive wave of, whichever public or private, environmental and social quality certifications, standards and labels in the matter of agriculture and food.

Our paper is based on political economy approach by use of the concept of 'Standard Complex', which can also be contextualised within a broader concept of 'Green Capitalism' (Sekine, 2007). The latter concept is termed by Friedmann (2005) to characterise the contemporary food regime based on her comprehension of historical, institutional and political economic relations of force in the world agro-food system. Can the 'Standard Complex' veiled in the idea of social responsibility improve the present contradictions of the environment, labours and local agro-food systems? Can it provide consumers with substantial and proper information about the products they purchase and consume? What is the influence of 'Standard Complex' on SMEs and alternative social movements? In the aim of addressing these questions, we will look into the actual conditions of Dole Food business activities, relying on the wealth of web-based information and relevant documents of the company and its trade unions, as well as primary information we gathered in our field surveys and interviews with a subsidiary of Dole and its affiliate companies.

3. Results: CSR and trickiness of self-regulation

3.1. Dole’s business and the environment

Dole Food is the first agro-food business corporation to be certified with ISO14001, an international standard concerning the environmental aspects of business activities (Dole Food Company, 2005). In 1998, this certification was granted to the banana business of Dole in Costa Rica. Another ISO14001 certification was issued to its sustainable system for reducing the environmental costs of products and services in the banana business in Ecuador, followed by those in the Philippines and Thailand. Also, by addressing food security and environmental concerns in Costa Rica, Chile, Honduras, Peru, South Africa and Western Africa, the company has diligently obtained the certification of EurepGap, which is organised by a group of large European retailers for promoting the so-called Good Agricultural Practice (GAP). Moreover, Dole has participated in the SAI (Sustainable Agriculture Initiative) Platform, which was established in 2002 by large food manufacturers such as Groupe Danone, Nestlé and Unilever. The company has also been involved in the production of certified organic banana in Ecuador, Colombia, Honduras, Peru and Dominican Republic to be exported to European countries and the USA, and in the Philippines for Japanese market.

On the one hand, this expansion of the mainstream business into alternative markets can be regarded as beneficial for alternative social movements insofar as these certifications are fair. On the other hand, it is also true that their business activities are threatening the nature of alternative movements originally initiated by small producers, cooperative organisations and supportive NGOs (Fluponi, 2006;
Vogel, 2005). For instance, the Dole’s plantation in Colombia, which launched its organic banana programme in September 2006, has created about 300 jobs and the production capacity of one million cartons per year (Dole Food Company, 2007). Given the size of today’s organic market, this economy of scale is overwhelming and likely to become dominant vis-à-vis small-scale producers and distributors, who operate their alternative business based on trust and social interactions.

Moreover, there are information released from citizen groups and trade unions, telling us about unsolved environmental problems caused by the company (Feral et al, 2006). For example, in January 2003, some 3,000 litres of Bravo 72 fungicide were found to spill into the water system near Bataan airfield in Costa Rica, which was used as a landing field for the Dole’s aerial spraying planes with a chemical tank also located there. The pollution reached the Pacuare River and killed thousands of fish and other inhabitants that live in and feed from the river. It also polluted the river mouth and affected the coral reef off the Caribbean coast. Dole was brought by its trade union into an environment court and undertook a conciliatory payment of US$115,000 to restock the river and set up a new system and preventive measures even though the company didn’t admit its fault. However, in November 2005, a new contamination case occurred in the same area and killed several animal species. Although its trade union showed some evidences of Dole’s responsibility for the contamination on its website, the company reacted against the union and demanded to remove the information from the website by threatening possible legal action.

This is just an example that took place in a Dole’s production site certified as ‘environmentally sustainable’ according to ISO14001. And it also needs to point out that the share of Dole’s organic banana in the whole of its banana production is yet too limited to evaluate the achievement of its ‘socially responsible’ business. This implies a limitation of the system, in which CSR is largely left to the private sector in a self-initiative (voluntary) manner (Chambron, 2005).

3.2. Dole’s business and labour

In terms of the protection of workers’ rights, Dole has introduced the standard of SA8000, which was initiated by the SAI (Social Accountability International) in 1997 for the purpose of guaranteeing workers the rights to organisation and collective bargaining, prohibitions of forced labour and child labour, regulations of working hours and wages, and anti-discrimination. While this standard was first adopted by clothing, shoes and toys industries, Dole also launched a pilot project for the standard in 1998 and obtained the first certification in Spain in 2000 (Dole Food Company, 2005). In 2005, the company claimed that the certification had been issued to 79% of its banana plantation business including in the Philippines and Costa Rica. Although Dole is planning to gain the SA8000 certification in 100% of its banana plantations, citizen groups and trade unions point out that there is no trade union in the plantations certified with SA8000 so far and working conditions have not improved yet (Feral et al, 2006).

When Dole announced that it obtained the SA8000 certification in all of its
plantations in Costa Rica in 2005, its trade unions denounced the company because there had been no improvement in workers’ conditions and trade unions rights at the bottom of the plantations (Feral et al., 2006). Furthermore, in the same year, there were reported that layoffs, wage cut, discrimination, threat against families of trade union members, etc. took place in the contract banana plantations in the country. For example, in a Dole’s contract pineapple plantation, some trade union members, who organised workers for standing up against child labour, unacceptable women’s working conditions and non-payment of overtime work, were laid off. This kind of incidents is often heard from other countries as well (see Nakamura, 2005, and ILRF, 2008, for the case in the Philippines). While reaping profits from alternative niche markets, Dole continues to pass on the contradictions of the company’s labour exploitation to its marginalised contract plantations and workers.

Amid the emergence of accusations, Dole has been attempting to manage its fair trade business in recent years (Dole Food Company, 2005). In 2003, Dole Peru and Dole Europe were certified as an exporter and an importer respectively of fair trade organic banana by the FLO (Fairtrade Labelling Organisation International). Today Dole enjoys this guarantee on banana, pineapple and table grape produced in Peru, Dominica Republic, Namibia, and Costa Rica for European market. Given the social realities reported from the production sites, it must be justifiable to question in what sense Dole’s fair trade business is to be fair and socially responsible.

3.3. Dole’s business and locality

The exploitative nature of Dole Food Company’s business is not only found in environmental and labour issues. It is also questionable to what extent the company’s CSR claim is materialised in terms of sustainable development of local agriculture and rural economy. In this section, we are moving to a case of Dole Japan, a subsidiary company of Dole Food Company.

In addition to the longstanding import and wholesale business of fresh fruits, Dole Japan launched into the distribution and production business of domestic fresh vegetables by setting up joint ventures with Japanese companies in 1998 (Sekine, 2006). Initially about 3,000 farmers were organised by the company under the contract farming system to produce and distribute domestic fresh vegetables. However, it failed to secure stable procurement of contracted vegetables, because farmers were not satisfied with the business terms (especially when the market price was better than the contract price). It was also said that Japanese farmers were socially embedded in the conventional system of Japanese agricultural co-operatives. Therefore, since 2000, the company has organised eight franchise farms across the country from Hokkaido (Northern Japan) to Kyushu (Southern Japan) so that they can secure stable sourcing and year-round relay shipping of domestic high quality, less chemical vegetables, mainly broccoli.

In order to organise these franchise farms, Dole Japan has established two companies, the Hokkaido Sanchoku Centre as an administrative hand of the fresh
vegetable production business, and Agri Produce, Inc. as a financing company (Sekine, 2006). Although the farms are provided with personnel and technical supports from Hokkaido Sanchoku Centre in exchange for a royalty of 5% on their sales, it is Dole Japan who actually decides on production and marketing programmes of each farm. Their products are mainly sold with the label of Dole Japan’s new brand ‘I LOVE’ (I live on vegetables), which does not have the third party certification though. One of the main buyers of ‘I LOVE’ vegetables is the network of Japanese consumer co-operatives that generally prioritise the safety and locality of food products they handle. This means that Dole Japan can access to one of the most conscious consumer groups, to whom the company as a giant importer of foreign products had some difficulties in approach before the launch of this new business. Dole Japan is also taking an active part in the establishment of J-GAP certification, which is alleged to promote care for environmental and food safety issues in Japan.

The Nittan Farm in Hokkaido prefecture is the largest farm of these franchisees (about 300 hectares of farmland) and has become a leading producer in the region with about 6% of the total agricultural production in the municipality and 11% when it comes to crop farming (Sekine, 2006). In this area Nittan Farm has successfully accumulated farmland, largely due to approval from the municipal government as a certified agricultural organisation, which is qualified to receive several favours, such as low-interest loans, preferential taxation, and mediation of farmland accumulation. This is a reflection of the fact that many local governments in rural areas are looking for certified core farmers and agricultural organisations to take care of increasing abandoned farmlands.

In the meanwhile, Dole Japan decided to close down the Izumi Farm in Kagoshima prefecture, since the farm could not expand its farmland on schedule (Sekine, 2008). The farm at first planned to accumulate surrounding farmland up to 60 hectares in three-year period, but it had achieved only 9 hectares even including its ‘illegal’ contracts of farmland. In the end, Dole Japan transferred the farm’s function to Goto City in Nagasaki prefecture, in which the farm has been given a fresh start as the Goto Farm. Behind this decision, there were ardent and active invitations from the city and Prefectural governments. It is not hard to find some other local governments who eagerly expect agribusiness companies, such as Dole, and their capital investment to contribute to the need of declining local agriculture and rural economies. However, as shown in above case studies, the investment of the company into some localities is not meant to contribute to the sustainability of local agriculture nor rural economies, but to choose and organise production sites just to enable the year-round, relay shipping system and make its business profitable further (Sekine & Hisano, 2007).

It is quite likely that unexpected social costs might be passed on to the local if we just rely on capital investment from the outside without taking appropriate

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1) Following the closure of the Izumi Farm, Dole Japan also decided to close down two other franchise farms. As a result the company operates only five farms as of July 2008.
measures to address the realities of local agriculture. In this regard, Japan can learn from French experiences of the initiative of geographical indications such as AOC and PGI to organise and vitalise regional agro-food networks (Boutonnet et al., 2006).

4. Discussion

4.1. ‘Green Capitalism’ or beyond capitalism?

Fair trade market is now growing rapidly partly due to a wave of entries of mainstream businesses. But, does this trend lead to fundamental restructuring of capitalist accumulation in the agro-food system? Our case studies on Dole Food Company explicitly show its exploitative nature of ‘sustainable’ business activities, which are just dressed up as being socially and environmentally responsible. Therefore, we cannot get rid of the opinion that the company’s claim to environmental, social and local qualities is not justifiable yet as a way to address problems in the agro-food system. Instead, if its market strategy of CSR is likely to capitalise on consumers’ confusion, it should be denounced as an attempt of ‘green-washing’.

It is often said that at present we are in the process of reconstructing a new accumulation regime of capitalism, or ‘Green Capitalism’ so to speak, at the same time as deepened globalisation and deregulation and liberalisation of economy. This transition is partly resulted from the rise of social concerns about corporations’ behaviour on environmental issues, fair trade, health of consumers, and sustainable local development. What is characteristic to this regime is that leading firms such as Dole and their CSR initiatives put their emphasis on voluntarism and self-regulation, somehow compatible with their corporate strategies (Hisano, 2008). Given the limited reach of CSR initiatives, there is no reason to embrace exaggerated claims about the potential of business under private self-regulation to address the realities of social and environmental issues. The question is how to harness and regulate corporate-led initiatives, in other words, if and how we can go beyond ‘Green Capitalism’.

4.2. Emerging ‘Standard Complex’ and its direction to go

Through our case studies, it becomes clear that small and medium-sized producers, workers, consumers and local rural communities are not necessarily beneficiaries of emerging ‘Standard Complex’. Instead of assuming a ‘win-win’ model of CSR initiatives including various quality standard schemes in the supply chains, what should be focused on is the way in which multinational corporations actually reap profits from their CSR initiatives without substantial contributions to social and environmental issues. The question is if and how we can make quality standard schemes democratically functional to distribute benefits among stakeholders.
5. Conclusion

In this paper, we have examined the outcomes and limited reach of CSR initiatives led by multinational agro-food businesses concerning environmental, social and local issues, in reference to empirical cases of Dole Food Company. Dole has arguably profited from its CSR activities, while drawing on some international (ISO14001) and collective (SA8000) certification systems as well as its private brand strategy (‘I LOVE’). However, these initiatives are largely left under the private self-regulation system in the market process, where the win-win situation cannot be assumed and instead fundamental differences of interest and power of influence actually exist. Therefore, we should be critical of the business potential to address social and environmental problems in the agro-food system. Under the private self-regulation system, it is difficult for consumers to get access to correct and adequate information about products they purchase. Also, now that mainstream big businesses are getting to appropriate the concept of ‘alternative’ initially elaborated by small and medium-sized producers and enterprises as well as concerned stakeholders, it is hard for the latter to compete on equal footing with the former even in this emerging quality market.

Given the limitations and sometimes negative outcomes of private regulations, it would be possible and effective to develop alternative or niche short food supply chains based on mutual trust at the levels of individual, groups and communities, whereby marginalised and disadvantaged stakeholders can keep their interest in the market untapped by the mainstream. However, it is probable that we find such alternative niche initiatives confined just within a limited reach.

According to Newell and Frynas (2007) in their discussion on the potential and limitations of CSR initiatives to address poverty and development challenges, the greatest contribution CSR initiatives can make is through state-led development policy. If this is also true for environmental and social challenges in the agro-food system as well, what is needed is to (re)introduce national and international (mandatory) regulations on the aspect of environmental, social and local sustainable development (see also Chambron, 2005, for the case of the banana sector). However, public regulations imposed and implemented by each state are sometimes criticised as market distorting and pressured to be harmonised at a lower level under the WTO system, resulting in less rigid or minimum regulations suitable for big players in the global trade.

If we are still allowed to insist on the role of governments to play in the implementation of the potential of CSR agendas to address social and environmental problems, then we need to contextualise the emerging ‘Standard Complex’ and relevant CSR initiatives within the broader political economic backgrounds, especially concerning the interaction among public (governmental), private (business), and civil society sectors, while exploring the potential and limitations of CSR in specific settings.
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