

### The effectiveness of private food governance in fostering sustainable development

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# **The Effectiveness of Private Food Governance in Fostering Sustainable Development**

Agni Kalfagianni and Doris Fuchs

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## **I. Introduction**

Today's global agrifood system is highly unsustainable. Problems exist with respect to carbon emissions, effluents, pesticide use, soil erosion and acidification, animal welfare, farm worker standards, and farmer incomes to name just a few. These problems have yet to be politically addressed with any degree of effectiveness.

At the same time, private actors, especially transnational food corporations, have become key players in global agrifood governance (Clapp and Fuchs 2009). Private food governance, today is a reality and exerts powerful influences on the sustainability of the global agrifood system. In consequence, science and politics urgently needs to gain a better understanding of the relationship between agrifood sustainability and private food governance.

Advocates of private governance often argue that it can effectively and efficiently contribute to the provision of public goods in areas where governments are unwilling and unable to do so. Critical views, however, have pointed out that the impact of private food governance on sustainable development is highly ambivalent (Clapp 1998, King and Lennox 2000). This also applies to private food governance, where previous studies have shown that private standards may be able to improve food safety in some aspects and address selected environmental problems, while more fundamental environmental aspects as well as the issues of social equity and sustainable incomes tend to be ignored if not worsened (Fuchs, Kalfagianni, and Arentsen 2009).

Against this background, we clearly need to identify the determinants of an effective contribution of private food governance to agrifood sustainability. Under what conditions can this contribution occur? An answer to this question will allow us to better decide how likely a positive contribution of private agrifood governance to agrifood sustainability is in specific contexts as well as in general. Moreover, such an answer would provide us with better insights into how a sustainable agrifood system can be further fostered.

In this paper, we therefore set out to identify the determinants of the effectiveness of private food governance in fostering the sustainability of the global agrifood system. To this end, we define effectiveness in terms of the stringency of private food standards. We argue that this effectiveness will be a function of external pressure, internal collaborative structures, the characteristics of available solutions as well as the size and heterogeneity of the group of actors designing and implementing the given private governance institution.

The paper proceeds as follows. The next section provides a brief background on private food governance as such. Section three then presents our core argument and identifies and operationalizes the independent and dependent variables. In section four, we attempt a first empirical illustration of the argument using the GlobalGAP as an example. Section five discusses our findings and concludes the paper with a brief outlook on research needs and political necessities.

## **II. Background: Private Food Governance**

Private governance -the rules and institutions developed by private actors to structure and direct behavior in a particular issue-area- has proliferated in recent years. Quality assurance schemes, certification and labeling programs, private standards and codes of conduct at the national and, increasingly transnational levels have spread in different domains, including politically sensitive ones (Lock 2001). These novel activities by private actors signify their new political role as rule-setters in global governance that goes beyond well-established activities such as lobbying and awareness raising. This phenomenon reflects a general trend in governance as political capacity and functions have shifted from state to non-state actors in the context of globalization and the popularity of neoliberal norms (Graz and Nölke 2007).

One policy domain where private governance rapidly replaces traditional forms of steering is agrifood. Traditionally the domain of governmental and intergovernmental actors, the governance of food and agriculture is increasingly being not just influenced, but also “created” by private actors. Two sets of actors are of interest in this respect: business actors and civil society organizations. Business actors, in particular, food retailers, are emerging as key players shaping the agrifood sector on the basis of private standards and the creation of own brand products (Lawrence and Burch 2007). Accordingly, retailers have been described as the “new food and lifestyle authorities” next to the traditional authorities of government, church and professional bodies (Dixon 2007:30). Likewise, producers and their associations are also engaged in governance activities in the agrifood sector, albeit to a smaller extent. Examples of producer-led governance efforts include the creation of alternative food initiatives and organizations dedicated to the promotion of organic agriculture, for instance (Morgan et al. 2006). Further, many of the private governance initiatives developed by retailers, producers or cooperative arrangements between the two also include the participation of civil society organizations. Examples of civil society organizations

participating in the governance of agrifood include Oxfam, with a special focus on development issues and the World Wild Fund for Nature (WWF), a leading environmental conservation organization.

Private governance initiatives may use different mechanisms to achieve their goals. We can currently identify three distinct types of private governance mechanisms in the agrifood sector: corporate social responsibility reporting (CSR), codes of conduct (CoC), and private standards (see also Fuchs, Kalfagianni, Clapp and Busch forthcoming). Corporate Social Responsibility efforts include measures to raise corporate awareness as well as reporting of business activities which touch on social, human rights, and environmental themes. The idea is that such reporting will foster transparency, and ultimately improve firms' performance on these fronts (Gupta 2010). Codes of conduct can be understood as written guidelines on the basis of which companies deal with their workforce, suppliers, state authorities and external stakeholders in their host country (Greven 2004: 142). Standards are agreed criteria by which a product or a service's performance, its technical and physical characteristics, and/or the process, and conditions, under which it has been produced or delivered, can be assessed (Nadvi and Wältring 2002). Standards usually represent the strictest form of private governance as they typically require regular internal and external auditing processes and include disciplinary penalties and/or rewards. However, some codes of conduct are also certifiable. In sum, with these private governance mechanisms, private actors increasingly are involved in the design, implementation and enforcement of rules and principles governing the global food system at various points in the sector from inputs to production to sale.

### **III. Conditions for an Effective Contribution of Private Food Governance to Agrifood Sustainability**

In exploring determinants of effectiveness we adopt a rational institutionalist perspective (Hurd 1999; Jönsson and Tallberg 1998; Scharpf 1997). Specifically, we assume that the fundamental units of analysis are utility-maximizing private actors who endorse private governance institutions on the basis of self-interest calculations (see also Abott and Snidal 1998). We argue that the patterns of adoption and support of private rules as well as the stringency and strictness of such rules are determined largely by the preferences and capacities of private actors. In other words, private actors create and endorse private

governance institutions in so far as the latter enable them to pursue their own (common) goals.

Two functions performed by private governance institutions gain the support of private actors according to the rationalist perspective: (i) the reduction of transaction and other types of costs, and (ii) the provision of reputation and financial benefits. In terms of costs, more specifically, private governance institutions are considered pivotal in reducing information asymmetries and uncertainty, costs associated with negotiation (i.e. with whom and what to discuss, when and in what terms) and costs of enforcement (i.e. establishing the conditions and instruments for punishment when a contacted transaction is not completed) (see Cutler, Haufler and Ronit 1999). In terms of benefits, rational institutionalist approaches emphasize reputation and financial gains as pivotal incentives in endorsing private governance. Examples include the payment of less expensive premiums and increased access to capital from lending institutions to firms adopting ISO 14000 due to the enhancement of the firms' environmental image to consumers, other firms and investors (Clapp 1998). In a similar note, Hedberg and von Malmborg (2003) underline the improved access to banks' and insurance companies' funds by companies listed under the Dow Jones Sustainability Group Index (DJSGI).<sup>1</sup>

Cost and benefit calculations might differ for different actors. Characteristics such as position in the market, vulnerability to NGO campaigns, sector characteristics, cultural origin, proximity to consumers but also a genuine concern for social and environmental improvement within senior management are factors which affect firms' decisions to adopt voluntary regulation (Courville 2003; Fuchs 2006). In the forestry certification, for instance, actors with high commercial and/or reputational benefits, such as niche and higher-end producers, appear more likely to adopt private voluntary programs in relation to low cost operators (Auld et al. 2008; Marx and Cuypers 2010). Similar observations are made for the certification of coffee and fisheries where "good quality" producers and suppliers usually situated in countries with well regulated and controlled environments appear to have higher incentives to adopt voluntary programs (Gulbrandsen 2010; Muradian and Pelupessy 2005).

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<sup>1</sup> Of course, business actors are not the only ones engaged in private governance. Civil society organizations but also public actors are often part of these arrangements. Regarding civil society (and/or public) actors participating in private governance arrangements, rational institutionalist approaches point out that positive perceptions about goal attainment, e.g. sustainability, constitute incentives for the mobilisation of support even if such goals are narrowly defined and might not address fundamental critiques or concerns (see also Cashore 2002). Our focus in this paper, however, lies specifically with business actors.

In sum, the rationalist perspective emphasises the self-interest of private actors as the foundation of private governance. This paper draws on this theoretical context in exploring the conditions for effective contribution of private food governance to agrifood sustainability. Moreover, the paper complements the rationalist perspective by underlying the significance of learning and education processes for the fostering of effective private governance.

### *Defining and Explaining Effectiveness*

We define effectiveness in terms of the ability of a private food governance institution to improve the sustainability of the agrifood system. We further argue that this ability is reflected in the stringency of private food standards, in other words the extent to which the standards entail strict prescriptions for environmental and social conduct. Such prescriptions can be reflected in clear and verifiable/measurable targets, ambitious targets, monitoring and sanctioning mechanisms (including the aspects of third party auditing and the public accessibility of reports) and the comprehensiveness of the sustainability dimensions addressed by the standards. Sustainability dimensions include different types of environmental (input, output, and preservation), social (farmer incomes, labor standards, gender issues), and animal welfare aspects.

We argue that the effectiveness of private food governance is likely to be a function of external pressure, internal collaboration, the characteristics of the available solutions as well as the interaction between the stringency of a standard and its uptake. External pressure may arise due to the visibility of the initiative, the visibility of actors in the initiative or the visibility of a problem. We operationalize the visibility of the initiative or actors in it via their size (for the initiative: membership and market coverage; for the actors: workforce and turnover), the existence of previous scandals or NGO campaigns targeting the standard as such or relevant actors in it, and the proximity to consumers, i.e. the retail end of products cycles. Moreover, we consider the home of actors in the initiative, as Northern/Western consumers have a larger track record of boycotts and political consumerism. We operationalize the visibility of the problem via its media uptake and/or its presence on the political agenda of governmental or intergovernmental actors as well as large NGOs.

Next to external pressure, we argue that internal collaborative aspects are likely to influence the stringency and uptake of an initiative. Internal collaboration refers especially to the type of involvement of civil society actors in the private governance institution. Here we ask, who gave the initial impulse for its creation, whether civil society actors participate in the

governing boards of the institutions and in what function (observer status, decision making power) and with what degree of potential influence (minor, equal, major share of votes).<sup>2</sup> Moreover, we explore the existence of processes fostering learning and best practice transfer.

We further argue that the availability of solutions to a given problem will affect the stringency of a private governance institution. After all, it is much easier for actors to agree on a stringent standard, when cheap solutions, either technological or organizational, are available. If instead systemic changes would be needed to solve a problem, a level of stringency fostering such changes is much less likely. Finally, the stringency and up take of a standard are likely to interact. Thus, the stringency of a standard is likely to be a function of the size and heterogeneity of the group designing and adopting the standard.

In sum, we argue that the following relationships exist (see Table 1 for a summary of the operationalization of the different variables):

*Stringency = External pressure + internal collaboration + availability of solutions + size and heterogeneity of membership*

In the next section, we illustrate these “hypotheses” using the GlobalGAP as an example. We will focus on our core variables of interest: external pressure and internal collaboration, in particular, and neglect the other (“control”) variables at this point. While discussing the case of the GlobalGAP, we will also identify the variables more easily assessed and those which would require more in-depth research in the form of a larger research project.

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<sup>2</sup> Public actors may also be involved in public-private governance institutions, but their impact on the stringency and uptake of the standard cannot be predicted as easily, due to the potential for rent-seeking and capture of public interests by private ones. In the cases studied in this paper, public actors were not present, moreover.

**Table 1. Variables and their Operationalization**

<b>Variable</b>	<b>First Level of Operationalization</b>	<b>Second Level of Operationalization</b>	<b>Third Level of Operationalization</b>	
<b>Stringency</b>	Targets	clear and verifiable/ measurable		
		ambitiousness		
	Comprehensiveness	environmental	input	
			output	
			conservation	
		social	farmer incomes	
			labor standards	
			gender issues	
	Compliance	animal welfare		
		monitoring mechanisms		
sanctioning mechanisms				
third-party auditing				
public accessibility of reports				
	learning mechanisms			
<b>External Pressure</b>	visibility of initiative	size		
		scandal/NGO campaign		
		consumer segment		
	visibility of participating actors (esp. TNCs)	size	turnover	
			workforce	
		scandals/NGO campaigns		
		consumer segment		
		Northern homebase		
	visibility of problem	media uptake		
		on political agenda(s)		
<b>Internal Collaboration</b>	initiative taken by			
	participation of civil society	status	not given/observer	
		degree of voting power	status/voting power	
		none/minor/equal/dominant		
<b>Characteristics of available solutions</b>	availability of solutions	technological solutions available	costs of technological solutions	
		need for systemic change		
<b>Membership in Initiative</b>	size			
	heterogeneity			

#### IV. Empirical Illustration: The GlobalGap

The GlobalGAP is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. The standard (first known as EurepGAP) was initiated in 1997 by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). It aims to establish one standard for Good Agricultural Practice (GAP) with different product applications capable of fitting to the whole range of global conventional agricultural products. GlobalGAP is a pre-farm-gate standard, which means that the certificate covers the processing of the certified product from farm inputs like feed or seedlings and all the farming activities until the product leaves the farm. Moreover, it is a business-to-business label not directly visible to consumers.

To apply the standard for one product, a series of documents is needed. These include the General Regulations, the Control Points and Compliance Criteria (CPCC) Protocol and the Checklist. The general regulations set out the rules by which the standard is administered. The CPCC Protocol is the standard with which farmers must comply and which are audited to verify compliance. Checklists replicate the control points and are used by farmers to fulfil the annual internal audit requirement and also form the basis of the farmers' external audit. The most important checklist is the one used for inspecting producers, which contains all the Control Points. It *must* be used during inspections by the Certification Board and *can* also be used by the producer/group when performing self-assessments. This checklist is divided into 41 "major musts", 122 "minor musts" as well as 91 recommendations ("shoulds"). For major musts 100% compliance is compulsory, whereas for minor musts 95%. Shoulds have the status of recommendations that must be inspected by certification bodies, but are not a prerequisite for the granting of a GlobalGAP certificate. The status of standards is relevant in relation to the sanctions that are available in case of non-compliance (van der Grijp 2010).<sup>3</sup>

GlobalGAP membership consists of three groups: retailers and food service members, suppliers and associate members (see Table 2). Membership has varied during the years, with new members joining in and some dropping out (see also van der Grijp 2010). At the moment, the geographic coverage of the standard is universal. Europe, however, clearly dominates in all three categories. Especially in the retail sector it represents almost 85 percent of the

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<sup>3</sup> Other checklists include the Quality Management Systems Checklist used for auditing producer group Quality Management Systems (QMS) and the Benchmarking Cross-Reference Checklist (BMCL) or the Approved Modified Checklist (AMC) used by applicant scheme owners applying for benchmarking against GlobalGAP to show equivalence.

members. In the other two categories, the percentage of European presence is slightly lower, with 67 percent of the supplier members and 57 percent of the associate members. In total, Europe represents 66 percent of total GlobalGAP membership.<sup>4</sup>

**Table 2. Membership of GlobalGAP 2010**

Continent	Retailer and Food Service member	Supplier <sup>5</sup> member	Associate member	Total
Africa	1	12	10	<b>23</b>
Asia	1	10	14	<b>25</b>
Australia and New Zealand	0	3	3	<b>6</b>
Europe	39	112	66	<b>217</b>
Middle East	0	3	2	<b>5</b>
North America	5	10	10	<b>25</b>
Latin America	0	16	11	<b>27</b>
<b>Total</b>	<b>46</b>	<b>166</b>	<b>116</b>	<b>328</b>

Source: [www2.gobalgap.org/members](http://www2.gobalgap.org/members) (16.12.10)

### *Assessing and Explaining Stringency*

The GlobalGAP's stringency changed over time with a trend towards the softening of the standard (van der Grijp 2010). Today, the standard sets very detailed qualitative targets and has institutionalized compliance and sanctioning mechanisms. Moreover, the standard seems to be quite comprehensive, at first glance. A closer look, however, reveals a different picture. So let us discuss the state of affairs in some detail.

If we assess stringency in terms of targets, we find that the GlobalGAP standard prescribes a long list of rather detailed qualitative targets. These appear mostly clear as well and, thus, relatively easy to verify in the auditing process. When it comes to the ambitiousness of the targets, however, the standard's stringency becomes questionable. The qualitative targets introduced by GlobalGAP focus predominantly on communication and recording. Quantitative targets, however, would allow for a measurement of performance beyond such requirements, i.e. not just demand the documentation of pesticide use but also set limits to it. In that sense, quantitative targets can demonstrate more clearly departure from past performance and achievement of demanding goals. Clearly, quantitative targets are not always

<sup>4</sup> These percentages are lower than they were in 2009, however. See Kalfagianni and Fuchs, forthcoming.

<sup>5</sup> Suppliers can apply both as individuals and as groups

[http://www.globalgap.org/cms/upload/Membership/100615\\_GLOBALGAP-Membership-Package-EUR.pdf](http://www.globalgap.org/cms/upload/Membership/100615_GLOBALGAP-Membership-Package-EUR.pdf) (15.12.10)

appropriate and therefore not always preferable to qualitative ones. In contexts allowing for quantitative targets, however, we would argue that a provision of such targets tends to demonstrate a higher degree of ambitiousness of the standard. With respect to GlobalGAP, the predominately qualitative nature of its targets even in easily quantifiable aspects such as pesticide use and emissions reduction, illustrates a lack of ambition, in our view.

At the same time, a number of challenges for the assessment of the ambitiousness of targets become clear, however. First, it becomes obvious that a thorough assessment of ambitiousness would require a broad range of expert interviews for better evaluation and thus would require a larger research project. Expert views, for instance, would be needed on the question of what is necessary, feasible and under what conditions to assess ambitiousness of standard prescriptions. Secondly, the case of GlobalGAP reveals the difficulty of assessing ambitiousness in a global context. Some of the standard's elements seem easy to achieve for Northern industrialized farmers, while they may appear highly ambitious for small farmers in the South.

Evaluating stringency in terms of the comprehensiveness of the standard, i.e. its attention to different dimensions of sustainability, we find that the GlobalGAP appears comprehensive at first sight, addressing food safety/animal health, environmental and social aspects. However, the relevance of the different dimensions differs. While hygiene as well as animal related aspects such as stocking density are "major musts", most environmental and social issues are relegated to the status of "minor musts" if not "shoulds".<sup>6</sup> Moreover, fundamental social sustainability challenges such as farmer incomes and gender issues are excluded.<sup>7</sup>

When turning to stringency with regards to compliance and sanctioning mechanisms, finally, we find that the GlobalGAP overall appears to have rather strict compliance methods consisting of monitoring and sanctioning mechanisms as well as third-party auditing. Specifically, the scheme is controlled annually by 130 GlobalGAP approved Certification Bodies (CBs) supervised by an independent surveillance body, the Integrity Surveillance Committee. Internal self-assessment is also possible and must be carried out at least once a

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<sup>6</sup> Environmental inputs, such as use of fertilizer and irrigation, are targeted by the standard but considered "minor musts". Outputs include one "major must", related to the clearance of farm and premises of litter and waste to avoid establishing a breeding ground for pests and diseases which could result in a food safety risk. In the conservation category, a number of requirements exist but are almost all "recommendations", except for one "minor must" regarding the establishment of a management of wildlife and conservation plan for the enterprise that acknowledges the impact of farming activities on the environment.

<sup>7</sup> GRASP (GlobalGAP Risk Assessment on Social Practices), a recently introduced module which covers a broader range of social issues, including children rights, legal status of employees, working hours etc. is completely voluntary and, therefore, not required for GlobalGAP certification.

year under the responsibility of the producer. “Unscheduled” Surveillance Inspections of minimum 10% of all certified producers per annum are carried out (see also below).

There are two types of GlobalGAP violation of rules: non-compliance and non-conformance. Non-compliance occurs when a control point in the checklist is not fulfilled according to the compliance criteria. Non-conformance occurs when a rule that is necessary for obtaining the certificate is infringed. For all types of non-conformance a warning is issued first, which allows for correction in a time period negotiated between the producer and the CB (maximum 28 days). If the cause of sanction is not resolved within the time period set, a suspension is imposed. During the period of suspension, the producer is prevented from using the GlobalGAP logo. The suspension can be lifted when there is sufficient evidence of corrective action. Finally, a cancellation of the contract is issued when the CB finds evidence of fraud and/or lack of trust to comply with GlobalGAP requirements. A cancellation results in the total prohibition of the use of logo or any device related to GlobalGAP. A producer that has received a cancellation cannot be accepted back to GlobalGAP within 12 months.

The role of the compliance and sanctioning mechanisms is limited by three constraints, however. First, the categories of “minor must” and mostly “shoulds” already allow a considerable degree of non-compliance. Secondly, information on certification assessments, audit reports, and especially the specific instances of non-compliance is not publicly accessible. Thirdly, “unscheduled” visits are still announced 48 hours in advance and there is only a 10% chance of receiving such a visit.<sup>8</sup>

To sum up, GlobalGAP is a relatively comprehensive standard with diverse levels of stringency. The implementation requirements differ for different issues with animal welfare being the strictest and environmental conservation the weakest categories. What explains these observations?

Looking at external pressure, two factors appear to have played an important role. First, GlobalGAP emerged in the mid-1990s in a period where food safety concerns were mounting as a result of the BSE crisis, while environmental and social issues were also starting to capture the attention of an increasingly aware consumer segment. In comparison, however, food safety and the realization that one can actually die from the consumption of contaminated products has attracted more attention by the media, politicians and the general

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<sup>8</sup> Compared to a 20% chance in the case of the Ethical Trading Initiative (ETI), for instance.

public and continues to dominate public discourse today.<sup>9</sup> Moreover, health epidemics can be proven much more costly for businesses in relation to environmental degradation, for instance. In terms of our argument, then, we would expect the higher stringency of GlobalGAP elements related to food safety and public health concerns, which we found above.<sup>10</sup>

Second, while GlobalGAP is not visible to consumers it is visible among the food chain actors, civil society, governments and experts. This is enhanced by the fact that important market actors have endorsed the initiative from its inception until today. While it is difficult to provide an evaluation of collective market share of GlobalGAP members, indicatively, we can say that from the producer side, some of the biggest agricultural companies, e.g. Del Monte, Cargill, Frosta, participate in the initiative. Likewise, the leading global retailers and food outlets with large turnovers, store numbers and workforces, are also represented. These include Walmart with USD\$ 405 billion net sales in 2009, 8,400 stores in 15 countries around the world, and a workforce of 2 million people;<sup>11</sup> Ahold with total sales of €28 billion in 2009, 2,909 stores, 206,000 employees;<sup>12</sup> Carrefour group with net sales €6 billion in 2009, 15, 661 stores and the 7<sup>th</sup> employer worldwide in the private sector in 2009;<sup>13</sup> and, Tesco with 59 billion pounds in 2009. It is the third largest grocery in the world with 4, 331 stores and employing 470,000 people.<sup>14</sup> Moreover, Marks and Spencer and the MacDonalD's corporation are members of the GlobalGAP.

Such visibility has attracted scrutiny of the standard and at times created pressure for higher stringency. The following example illustrates this point. In 2006, Greenpeace issued a report revealing illegal pesticides and minimal risk levels for hazardous substances (MRL) exceedance on fruits and vegetables in German supermarkets members of GlobalGAP, e.g.

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<sup>9</sup>The most recently reported food safety incident is the dioxin animal feed scare in January 2011 which shut down more than 4.700 German farms. See <http://www.bbc.co.uk/news/world-europe-12133361> (07.01.11). A larger research project could support such arguments with a systematic discourse analysis, of course.

<sup>10</sup> This discussion also reveals a challenge with respect to the overall research design, however. Here, we identify the (visibility of) the problem post-hoc and, in consequence, focus only on those problems that have received at least some visibility. In principle, we would need to identify the range of relevant problems first, via literature searches and expert interviews, in order to then identify their visibility and try to link that to the stringency of corresponding elements of the GlobalGAP standard. The same challenge applies to the control variable of availability of solutions, by the way, as well as to the identification of the presence of (clear and measurable as well as ambitious) targets of the standard.

<sup>11</sup> [http://walmartstores.com/sites/annualreport/2010/financial\\_highlights.aspx](http://walmartstores.com/sites/annualreport/2010/financial_highlights.aspx) (15.01.11)

<sup>12</sup> [http://www.annualreport2009.ahold.com/documents/reports/Ahold\\_AR\\_2009.pdf](http://www.annualreport2009.ahold.com/documents/reports/Ahold_AR_2009.pdf) (16.12.10)

<sup>13</sup> [http://www.carrefour.com/docroot/groupe/C4com/Pieces\\_jointes/Assemblee\\_generale/RFI\\_VGB\\_BAT\\_def\\_v e.pdf](http://www.carrefour.com/docroot/groupe/C4com/Pieces_jointes/Assemblee_generale/RFI_VGB_BAT_def_v e.pdf) (16.12.10)

<sup>14</sup> [http://www.tescopl.com/annualreport09/abouttesco/financial\\_highlights/](http://www.tescopl.com/annualreport09/abouttesco/financial_highlights/) (15.12.10)

REWE, Edeka, Kaisers.<sup>15</sup> In response to these revelations, GlobalGAP upgraded 3 CPCC requirements from “minor” to “major musts” and introduced an Integrated Pest Management Toolbox (checklist and document that give guidance to producers, advisors, certifiers).<sup>16</sup> Observers warn, however, that in cases where stringency requires technical changes that prove costly for the farmers (e.g. use of low chemical but more expensive pesticides) and in the absence of premium payments for the implementation of such rules, violations cannot be ruled out.<sup>17</sup>

With respect to the role of internal collaboration in influencing the stringency of the standard, we can note the following. As mentioned above, the GlobalGAP was created by European Retailers and is highly business dominated. Specifically, the GlobalGAP is a business standard shared equally by producers and retailers. Decisions are taken by the Board with elected representatives from both groups while civil society organizations are excluded from decision-making. The latter can participate in consultative roles in the annual meetings, however. In addition, GlobalGAP provides the opportunity to interested parties to participate freely in public consultations regarding revisions of the standard on the web. These mechanisms are important in that they provide opportunities for mutual learning and knowledge transfer between the parties. We cannot easily judge, however, the extent to which the GlobalGAP Board makes use of the views exchanged in such forums in practice.

Given these collaborative characteristics, our argument would lead us to expect that the GlobalGAP is not very stringent. In consequence, the absence of clear and measurable targets, and the relegation of most environmental and social issues to “minor musts” and “should,” again, should not come as a surprise. A larger degree of decision-making power of environmental and social NGOs in the GlobalGAP governance mechanisms would likely have led to a different outcome.

## **V. Conclusion**

In this paper, we identified likely determinants of the effectiveness of private food governance for agrifood sustainability and illustrated the application of our argument using the GlobalGAP as an example. We argued that the effectiveness of private food governance is reflected in the stringency of the respective standards. Moreover, we postulated that

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<sup>15</sup>[http://www.greenpeace.de/themen/chemie/pestizide\\_lebensmittel/detail/artikel/essen\\_ohne\\_pestizide-1/](http://www.greenpeace.de/themen/chemie/pestizide_lebensmittel/detail/artikel/essen_ohne_pestizide-1/) (18.12.10)

<sup>16</sup> [www.globalgap.org/.../101007\\_Bolckmans\\_GLOBALGAP\\_Summit\\_London.pdf](http://www.globalgap.org/.../101007_Bolckmans_GLOBALGAP_Summit_London.pdf) (18.12.10)

<sup>17</sup> <http://www.biocontrol.ca/pdf/Bio13EN-FinalRev.pdf> (20.12.10)

stringency is a function of external pressure and internal collaborative structures (as well as the characteristics of available solutions and the size and heterogeneity of the group designing and adopting the standard). In our empirical illustration, we found that the expected relations between dependent and independent variables were largely supported. External pressure particularly stemming from the visibility of the members participating in the initiatives promises to be influential in rethinking targets and enforcing sanctions to a certain extent. Likewise, our inquiry suggests that internal collaboration has been influential and reflects the interests of respective actors in the targets set.

There are some limits to our analysis that need to be acknowledged. For example, one may argue that our definition of effectiveness via stringency captures only part of the picture. In our approach to effectiveness, we assume that a standard's impact on agrifood sustainability is correlated with the actual prescriptions for conduct made by the standard as well as their enforcement. Critics may claim that this is not necessarily the case. Thus, actors may adopt weak standards, but be pushed to major changes in behavior via learning processes, i.e. on a voluntary rather than mandatory basis. We do address the presence of mechanisms fostering learning among the independent variables in our argument, of course. Nevertheless, one could argue that irrespective of the presence of institutionalized mechanisms learning may occur and that we do not consider it sufficiently among our measures of effectiveness, i.e. the dependent variables. Two potential arguments exist against the claim that we underestimate the existence of learning as a measure of effectiveness. First, if such learning processes did indeed occur among a large share of standard takers, it is highly likely that the standard's target would be improved in turn. After all, the supporters and adopters of private governance institutions tend to use them as an instrument for communicating their achievements and a more stringent standard would allow for better image shaping. In this case, the effectiveness of the standard, even if initially achieved via learning processes, should still be reflected in its stringency. We do not capture the outperformance of the standard by individual companies via stringency, of course, but would argue that those individual companies cannot reflect the standard's impact on agrifood sustainability as such. Secondly, numerous standards with varying degrees of stringency exist by now in many areas of the agrifood system. If a company did indeed greatly outperform a given standard due to learning processes after a while, it is similarly likely that this company would adopt an additional, more stringent standard. Again, this would allow a better communication of achievements and thus reaping of benefits of the standard in terms of self-advertisement. In this case, the effectiveness of the

standard would show in the following up-take of more stringent standards by the relevant actors. This potential process was not part of our analysis and therefore would require further investigation for us to be able to reject this potential effectiveness of the given standard via learning processes with confidence.

In addition, further research will have to address standard uptake as an additional element influencing the overall effectiveness of a private governance institution. After all, the most stringent standard will have little effect on the pursuit of sustainable development if it is only adopted by a tiny share of the relevant market. Moreover, stringency and uptake are likely to interact. Standard up take is likely to be a function of its stringency, as actors can more easily achieve compliance with weaker standards than with stringent ones.<sup>18</sup> As we suggested above, stringency, in turn, is likely to be a function of the size and heterogeneity of the group designing and adopting the standard. In the case of the GlobalGAP, we also find indicators of such an interaction between stringency and uptake. A large and heterogeneous membership appears to come at a cost. The stringency of the standard dropped as participation broadened, especially to actors beyond the Northern sphere. The causal nature of the relationship requires more detailed inquiry. At first sight, it appears that the standard was intentionally softened to allow for broader membership. However, new members may also have demanded the softening after joining the standard. Moreover, certain types of actors may have been pushing for a softening of the standard. The participation of big market players with large supply needs can create pressure for relaxing the stringency of standards due to production constraints. This has occurred in other private initiatives, such as the Forest Stewardship Council (FSC), where the participation of big retailers led to the introduction of varying levels of stringency in the FSC due to the inability to meet the market demand of their supply chains (van Waarden 2010).

In terms of political needs, the analysis has shown that private governance may entail desirable contributions to sustainability governance only under certain conditions and can therefore not be a panacea for sustainability. In consequence, there is a need for greater involvement by public actors. At the very least, public actors such as states and intergovernmental organizations can try to foster some of the conditions for effective private governance. Examples include the creation of external pressure by bringing private initiatives under scrutiny and fostering greater awareness in society. Public actors can also facilitate the

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<sup>18</sup> Of course, a standard may also be so weak that actors would not even want to adopt it. Thus, we may find a somewhat ambivalent relationship between stringency and up take here.

uptake of stringent standards by introducing appropriate financial incentives, such as state contributions to the costs of implementation particularly for the financially weak. We acknowledge, however, that in the current circumstances such a scenario is very unlikely. Simultaneously, public actors can try to create a “race to the top” by setting minimum environmental and social standards for global food supply chains. Again, we are not very optimistic that this might happen any time soon. In any case, our analysis indicates that market based instruments will almost always face tradeoffs between broader uptake/larger market share vs. higher stringency. As such, it is unrealistic to rely on them as the core strategy in the pursuit of the transformations required for an environmentally and socially sustainable food system.

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