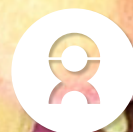


# MANGOS WITH BLEMISHES

THE MARKET POWER OF GERMAN SUPERMARKET CHAINS  
AND UNFAIR WORKING CONDITIONS IN PERU



**OXFAM**  
Deutschland

This report is based on investigations commissioned by Oxfam and carried out by the Peruvian organisation Aurora Vivar and the economist Julio Hernán Gamero Requena. While Aurora Vivar examined the working conditions in the Peruvian mango sector (*Condiciones de trabajo y relaciones laborales en la producción y packing del mango para exportación en el Perú. Estudio de caso, Aurora Vivar report hereafter*), the economist Julio Hernán Gamero Requena shed light on the trade relations between producers, exporters and importers. As part of these investigations, 62 workers were surveyed between April 2012 and December 2012 on the plantations and in the packaging plants of the four mango suppliers Camposol S.A., Dominus S.A.C., Peru Frut Tropical S.A.C. and Tropical Fruit Trading Peru S.A.C. in Piura, the main cultivation region of mangos. The object of the survey is the harvest season 2011/2012, lasting from November 2011 to March 2012. Additionally,

the workers, producers and intermediaries were interviewed. Only Peru Frut Tropical refused to give an interview. The intermediary and importer, Nature's Pride, as well as the suppliers Dominus, Camposol and Tropical Fruit Trading also submitted written information on the working conditions and their social responsibility. The information on the German mango market and the social responsibility of the supermarket chains is based both on own research and comprehensive oral and written information provided by the retailers Aldi Nord, Edeka, Lidl, Metro and Rewe as well as information provided by experts in the mango trade.

The conversion of the Peruvian Nuevo Soles (PEN) into EUR took place as per the exchange rate of 30 March 2013 and amounts to 0,301286 EUR per PEN. The converted amounts are rounded up or down accordingly.

# MANGOS WITH BLEMISHES

THE MARKET POWER OF GERMAN SUPERMARKET CHAINS  
AND UNFAIR WORKING CONDITIONS IN PERU

<b>A</b>	<b>INTRODUCTION</b>	<b>5</b>
<b>B</b>	<b>WORKING CONDITIONS AT PERUVIAN MANGO EXPORTERS</b>	<b>8</b>
I	WAGES	8
II	WORKING HOURS AND OVERTIME	9
III	CONTRACTS	10
IV	UNION RIGHTS	10
V	CHILD LABOUR	14
VI	TRAINING COURSES	14
VII	SOCIAL RESPONSIBILITY	15
<b>C</b>	<b>DIFFERENT ACTORS IN THE SUPPLY CHAIN: SMALL-SCALE FARMERS, WHOLESALE BUYERS AND DAY LABOURERS</b>	<b>16</b>
<b>D</b>	<b>INTERIM FINDINGS</b>	<b>17</b>
<b>E</b>	<b>THE ROLE OF GERMAN SUPERMARKET CHAINS</b>	<b>18</b>
I	BOTTLENECK AND EYE OF A NEEDLE: GERMAN SUPERMARKETS DOMINATE THE MARKET	18
II	THE SOCIAL RESPONSIBILITY OF SUPERMARKET CHAINS: GAP BETWEEN RHETORIC AND REALITY	21
<b>F</b>	<b>CONCLUSIONS: WHAT IS TO BE DONE?</b>	<b>24</b>
<b>G</b>	<b>ANNEX</b>	<b>29</b>







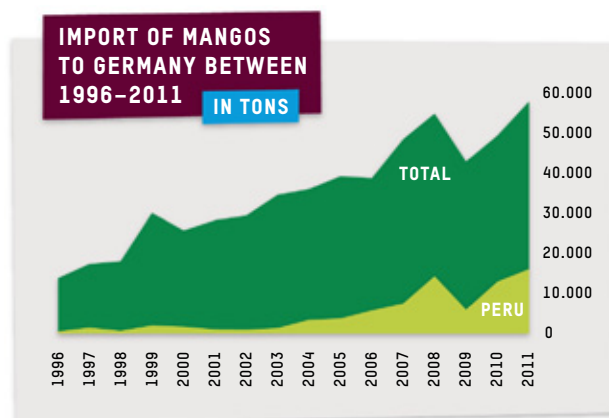
## A INTRODUCTION

Mangos are becoming increasingly popular in Germany: Between 1996 and 2011, the import of the tropical fruits has increased almost fourfold (see chart on the import of mangos). Almost one in three mangos found on the shelves of German supermarkets is from Peru. Yet only a fraction of consumers are aware of the conditions under which the fruits are produced.

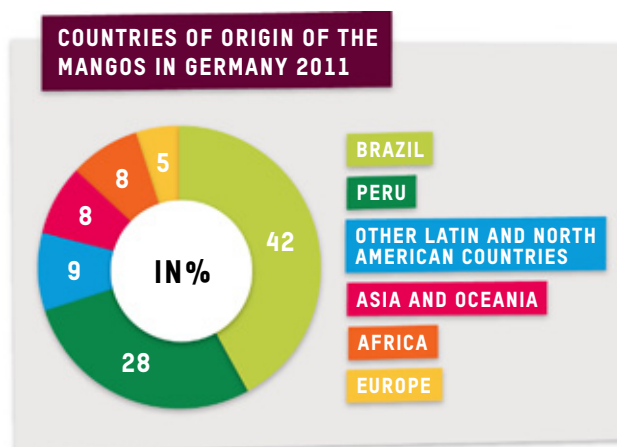
The wages of the workers in the mango sector are not sufficient to feed a family: even including overtime, the monthly wages paid by all four mango exporting companies to the workers surveyed are for the most part below the poverty line of 417 EUR per family in the Piura region, the main cultivation area of mangos, as set by the Government in 2011<sup>1</sup>. Thus, they do not constitute living wages.

The concept of a living wage is based on the ILO (International Labour Organisation) Conventions 26 and 131. It stipulates that wages and benefits paid for a standard working week shall always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.<sup>2</sup>

The present study examines the labour and production conditions in the Peruvian mango sector and reviews the role of the market power of German supermarket chains and the associated price and cost pressure put on the suppliers. The focus of this examination is on the working conditions at the packaging stations of four exporters that supply the German market. Additionally, the conditions for mango cultivation at Camposol are analysed.



Source: Federal Statistical Office 2012



Source: Federal Statistical Office 2012

This study complements the analysis of the mango sector carried out by the Dutch organisation SOMO in 2011, which examined the labour conditions at the plantations and packaging stations of the large agricultural companies Sunshine, Camposol and Sociedad Agrícola Saturno.<sup>3</sup>



Photo: guentermanaus | Shutterstock.com

The German food retail sector is highly concentrated. According to the Federal Cartel Office, five retail companies currently share 90 percent of the German sales market — i.e. Aldi, Edeka (including Netto Marken-Discount), Metro (Galeria Kaufhof, Real), Rewe (including Penny) and Schwarz Group (Lidl, Kaufland).<sup>4</sup> Their purchasing power over their suppliers is enormous. When asked about mango trade, experts<sup>5</sup> speak of a “ruinous price war” in which the food retailing industry wants “the best at the cheapest price”.<sup>6</sup>

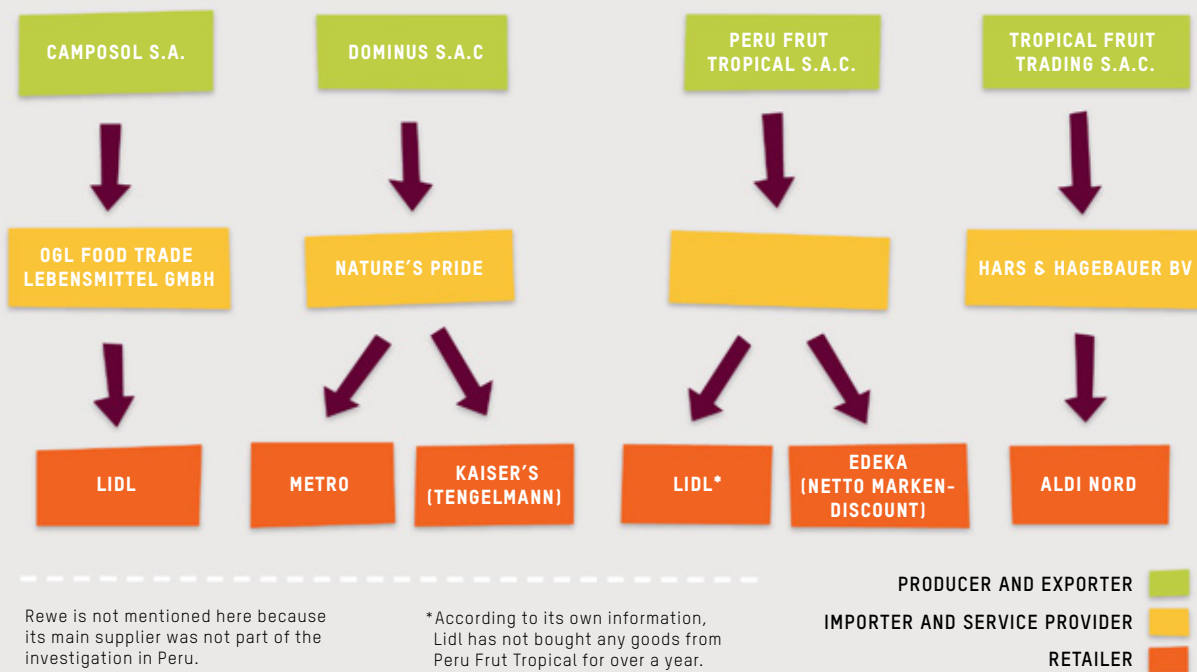
Unlike the food retailing industry, the wholesale sector and the import and export markets are not very concentrated: there are more than 100 fruit wholesalers in Germany.<sup>7</sup> Their bargaining power vis-à-vis their buyers is thus rather small. In the harvest season of 2011/2012, the Peruvian mango suppliers examined in this study, Camposol, Dominus and Peru Frut Tropical, ranked third,

fourth and ninth in terms of the export volume of 113 mango exporters registered in the Peruvian export association.<sup>8</sup> Considered together, the ten largest exporters control 50 percent of mango exports.<sup>9</sup> While Dominus and Camposol have a share of just over eight percent of the export volume, the share of Peru Frut Tropical and Tropical Fruit Trading Peru is below three percent each.

Camposol is the largest Peruvian producer and exporter of non-traditional agricultural products, such as asparagus, mangos and grapes. It has several subsidiaries in different regions. In total, the company employs approximately 10,000 people during harvest peak seasons.

Small and medium-sized farms compete with large agricultural companies over the mango cultivation in Peru. While more than half of the producers in Piura are smallholders, who control only 15 percent of the cultivation

### SUPPLY LINKS OF GERMAN SUPERMARKETS WITH PERUVIAN EXPORTERS (THIS LIST IS NOT EXHAUSTIVE)



Source: Own compilation based on own research and information provided by retailers, wholesalers and experts in the mango trade.

area and own less than two hectares of land each, ten percent of the producers with more than ten hectares of land control more than 43 percent of the cultivation area.<sup>10</sup> All in all, there were 5,819 producers cultivating mangos and limes in Piura in 2010; 2,243 of them owned up to two hectares of land, 1,662 of them up to five hectares, 1,138 up to ten hectares and a mere 776 owned more than ten hectares.<sup>11</sup>

Generally, the supply chain of Peruvian mangos consists of a producer, a buyer, an exporter, an importer, in some cases additional wholesalers, and finally the retail sector. Thus, usually there is no direct relationship between German supermarket chains and the Peruvian producers or exporters. For outsiders, it is difficult to trace back the delivery channels of mangos since companies are generally not willing to provide information.

Unlike in previous Oxfam studies on the food retailing industry (Hohe Gewinne – wenig Verantwortung, Oxfam Deutschland 2009; Bittere Bananen (Bitter Bananas), Oxfam Deutschland 2011), the supermarket chains surveyed did provide comprehensive statements on their social responsibility this time, partly disclosed their suppliers and provided information on trade relationships. This is to be welcomed.

## B WORKING CONDITIONS AT PERUVIAN MANGO EXPORTERS

In Peru, mangos are often cultivated by smallholders who deliver them to exporters with packaging stations. Of the exporters examined, only Camposol and Peru Frut Tropical have their own fields: Camposol cultivates mangos on 415 hectares, i.e. 6.3 percent of its cultivation area. Peru Frut Tropical only has four hectares of cropland. Dominus and Tropical Fruit Trading work predominantly with smallholders who own between 0.5 and 5 hectares of land.<sup>12</sup> Peru Frut Tropical also buys its mangos from intermediaries, so-called wholesale buyers who buy their mangos from small-scale and medium-sized farmers.<sup>13</sup>

This study primarily examines the working conditions at mango packaging stations; only at Camposol were workers interviewed in both the fields and the packaging stations. While the field work is mainly done by men, the majority of those working in packaging facilities are women.<sup>14</sup> The harvest time of mangos in Peru is from November to March. Thus, the harvesting and packaging of mangos is seasonal work. Outside the harvest season of mangos, women do household chores, work on their properties, engage in trade or are busy harvesting other fruits. The men work in the construction sector, in the transport business or on their properties.

The situation of smallholders was not part of the research and is only examined briefly.

### I WAGES

Mangos are one of Peru's major exports. Between 2006 and 2011, the amount of mango exports almost doubled.<sup>15</sup> The yields of mango exports constitute 12.6 percent of the total export of fruits.<sup>16</sup> But how much of the profits actually reaches the workers?

Despite working overtime, the workers surveyed at all four exporting companies largely receive monthly wages that are below the poverty line of the Piura region of 417 EUR per family<sup>17</sup> as determined by the government.<sup>18</sup> Their wages do not suffice to feed a family.

All four exporters examined paid the gross minimum wage set for the agricultural sector of slightly below eight EUR per day for the harvesting season of 2011/2012. This corresponds to a wage of 238 EUR for thirty days, which is clearly below the poverty threshold of the region per family. Even with two monthly wages the family income, without bonuses, would only marginally exceed the poverty threshold by 59 EUR. One needs to bear in mind that the contracts are seasonally limited to three months and that it must be assumed that the workers need reserves to overcome shortfalls.

Dominus pays a slightly higher basic salary than the minimum wage per day.<sup>19</sup> Moreover, the company pays a family bonus and an additional supplement for food.<sup>20</sup> Camposol and Dominus provide profit-sharing for their workers, and Dominus pays long-time workers a bonus at the end of the harvest season. A bonus is provided to field workers for their good work at the end of the year in the case of a high-yield season.<sup>21</sup>

The Peruvian Government is partly responsible for the low wages: In order to boost the export-oriented agriculture, it adopted law no. 27360 in the year 2000, which curtails labour rights in the agricultural sector. Instead of a monthly minimum wage, this law provides for a daily minimum wage, if workers work more than four hours per day. Unlike the minimum wage valid for sectors outside the agricultural sector, this amount already includes



remunerations for working hours and national holidays; also, the entitlement to holidays is smaller. Moreover, the working time, without overtime, is not limited to eight hours per day but a weekly working time of 48 hours in total. In contrast to the general labour law, this law does not restrict overtime if the hours worked per week do not exceed 48 hours for the duration of the employment. Thus, exporters do not violate national law if individual employees work up to 18 hours non-stop during peak season.

## II WORKING HOURS AND OVERTIME

*"We start at two p.m. and sometimes don't leave before eleven at night. If the mangos pile up, we must start at seven and practically work both shifts, first from two to eleven and then again from seven in the morning."*

Female worker at Peru Frut Tropical

*"One week I worked from seven a.m. to 1:30 a.m."*

Worker at Tropical Fruit Trading

The majority of the mango workers surveyed stated that they have long working hours of ten to twelve hours and more during peak seasons.<sup>22</sup> At Camposol and Peru Frut Tropical most of the respondents also said that in practice, working overtime was mandatory if mangos pile up.<sup>23</sup>

Although the respondents at Camposol are paid by the hour in accordance with their contract, many male workers said that they sometimes were doing piece work and had to harvest 90 boxes of mangos per person per day during peak seasons.<sup>24</sup> Further, those working in quality control had to check 100 mango trees per day for pests.<sup>25</sup>

*"This is all about boxes. Everyone here needs to fill 90 boxes per day."* [A full box weighs 25 kilos and contains 25 mangos for export]

Field worker at Camposol

The majority of the respondents work two hours of overtime per day, i.e. a total of ten hours daily — sometimes even on Sundays during the high season.<sup>26</sup> The workers did not know whether the overtime rendered was appropriately billed. However, the Sunday bonus was paid.<sup>27</sup> Compared to the SOMO analysis, a working day of ten hours is already progress; in 2011, most of the workers were working at least eleven hours every day.<sup>28</sup>

In its response, Camposol objected to this information, saying that there was neither a specified workload for the fruits to be packaged nor an obligation to work overtime.<sup>29</sup> However, none of the workers were allowed to leave work during a shift except with the express permission of a supervisor. It further stated that the company paid statutory surcharges and that overtime was listed on the pay slip. Moreover, the company declared that it informed its workers about the billing of overtime at the start of the contract as well as once a month.

A third of the interviewed packagers at Peru Frut Tropical said that they work twelve hours per day during peak season.<sup>30</sup> Some even stated that they work up to 15 hours per day. According to the information provided by the workers themselves, on Saturdays they have to work until all fruits are packaged so that the company can avoid having to pay a Sunday bonus.<sup>31</sup>

At the exporting company Tropical Fruit Trading, some workers say that they work up to 15 hours per day.<sup>32</sup> The company itself denies these statements, explaining that the daily working hours do not exceed twelve hours even during peak seasons.<sup>33</sup> According to a recent audit, in the harvest season 2012/2013, the applicable surcharges were paid properly.<sup>34</sup>

All respondents at Dominus stated that they work more than eight hours per day.<sup>35</sup> The majority of the workers surveyed explained that they work four to six hours overtime per day during peak season which is remunerated in line with the applicable surcharges.<sup>36</sup> Sometimes they

also work on Sundays and receive a bonus which corresponds to an hourly wage if they have worked more than 48 hours during that week, which is usually the case.<sup>37</sup>

*"[The working time] depends on the amount of fruits. On the first days of the season we leave early. Once the mango harvest starts, we finish work between eight and ten p.m. If more mangos are harvested, we end our work at eleven p.m. During the night shift, we work from seven p.m. to eight o'clock in the morning. During the day we start at eight o'clock and leave again sometime between ten and eleven o'clock at night; then we also earn more."*

Worker at Dominus

According to information provided by the exporting company Dominus and the importing company Nature's Pride, roughly nine percent of the workers worked between 60 and 65 hours per week during the peak season of 2011/2012; which is at least ten hours per day.<sup>38</sup> The majority worked 55 hours per week, thus slightly more than nine hours per day. Dominus also concludes written agreements with all workers on the voluntary amount of 24 hours of overtime per week at the most.<sup>39</sup>

### III CONTRACTS

Usually those responsible for cultivating mangos and packaging them are seasonal workers with fixed-term contracts — in most cases for a period of three months.<sup>40</sup> Only at Camposol did some of the respondents have contracts spanning six months or even contracts that were not subject to term limits. Dominus, Peru Frut Tropical and Tropical Fruit Trading normally hire workers for three months. According to the workers at Tropical Fruit Trading and Dominus, depending on the workload, these can be extended. Some of the employees at Tropical Fruit Trading have contracts running for five or six months.<sup>41</sup>

Given the limited harvest time of mangos of approximately five months, mango exporters welcome the possibility to issue temporary contracts, which the new agricultural law has made possible.<sup>42</sup> However, the workers surveyed complain about the insecurity of the employment contract due to its temporary nature. Since Camposol, for example, also cultivates and exports other fruits, such as asparagus, avocados and grapes, it could employ a certain number of workers throughout the year and hire them permanently.<sup>43</sup> The respondents at Camposol recognise that while not all workers can receive longer contracts, this number could be higher for those harvesting different seasonal fruits. They believe that companies which export different fruits and which have permanent work for eight to nine months could hire their employees for a longer period of time.

Although according to Peruvian law all workers must receive written work contracts signed by their employers prior to the commencement of the contract, this is not always the case. While Camposol has the majority of the respondents sign the contracts, it does not supply them with a written copy.<sup>44</sup> Some of the workers surveyed at Peru Frut Tropical receive a written version of their contracts, but only at the end of the contractual term.<sup>45</sup> Likewise, the employees at Dominus said that they receive their signed contracts only at the end of the contractual term.<sup>46</sup> However, the management stated that it has changed its practice and now issues the contracts directly when they are concluded.<sup>47</sup> The majority of the respondents at Tropical Fruit Trading receive written work contracts.<sup>48</sup>

### IV UNION RIGHTS

Despite the freedom of association set out in legislation, none of the workers interviewed is a union member. On the one hand, the general temporary nature of the











contracts in the mango sector of three to six months is not conducive to setting up unions. On the other hand, there is a general fear of dismissals due to trade union activities. There is no workers' organisation present at any of the companies surveyed in the Piura region.<sup>49</sup> However, the union SITECASA and two unions with close ties to companies were set up at Camposol's subsidiary in La Libertad province in 2007 where the company cultivates asparagus and grapes but also mangos.

According to the workers surveyed, Camposol has been sanctioning the attempts of workers to organise themselves in the Piura region:

*"If you try to complain, they just single you out and go as far as threatening you not to renew your contract. I know of some whose contracts were not renewed because they had complained. It has happened that some wanted to go on strike and that they did not receive a contract extension. They wanted to strike because they had gotten more and more tasks; the company wanted to exploit them. They wanted to complain, they wanted to go on strike and in the end the company forced them out. This happened two years ago, some were let go because of that. I knew two that were forced out, they were harassed until they finally lost their nerve and did not return to work. I've seen a list with the title 'personnel without contract extension', and those who were on the list did not get their contract renewed. This is because the company was not well-disposed towards them. They were already in the process of setting up trade unions, and then they were let go."*

Worker at Camposol

According to reports by the trade union SITAG-Peru (Sindicato de Trabajadores Agrarios del Perú), the violations of freedom of association at Camposol are not an isolated case.<sup>50</sup> At other subsidiaries of Camposol,

the company also obstructs union work. At Camposol's subsidiary in Huangala, Piura, where grapes are cultivated, workers were dismissed recently for having attempted to set up a union at the company.

*"On 3 January 2013 the union SITAG-Peru set up a company union at Camposol in Huangala. There, on 16 January all workers [involved] were laid off under the pretence that their contracts were expiring. Since having founded the company union (comité sindicato), they were harassed and also threatened: if they did not renounce the union, they'd be made redundant. Their contracts were not renewed except for those who'd already been with the company for four years."*

Union leader at FENTAGRO (Federación Nacional de Trabajadores de Agroindustria y Afines)

Due to these redundancies and with prior notice, the regional department of the Ministry of Labour conducted a company audit but attested that Camposol was not hindering freedom of association in any way.<sup>51</sup> In an informal comment, however, a member of the ministry confirmed to SITAG that the redundancies looked like a violation of freedom of association.<sup>52</sup>

One positive development should be noted: SITAG-Peru, with the help of international pressure exerted by the British Ethical Trading Initiative<sup>53</sup>, among others, was able to compel Camposol in May 2013 to rehire the dismissed workers who had been employed there for more than four years.

By contrast, the collective bargaining which started in 2012 with the union SITECASA at Camposol's subsidiary in La Libertad province has come to a halt. Despite a strike in December 2012, SITECASA was not able to enforce a wage increase. Here, too, SITAG reports reprisals against workers, including layoffs.

All in all, Camposol has received various complaints about working conditions, e.g. the high workload or low wages. Many workers show an interest in setting up a union.

*"I for one think that they should increase the wages. The company is up and running because of us but it is us who are paid the least. Last year we wanted to establish a union."*

Worker at Camposol

Camposol issued a statement on 22 April 2013, saying that it was working very closely with three unions existing in the company and that it had already put mechanisms in place with which one could jointly seek solutions for all the concerns of the workers. Furthermore, it said that it was in the process of collective negotiations with all three unions on issues including working conditions. Additionally, the company's "Industrial Relations" department specifically took care of the issues named above and ensured that the meetings with the unions could be conducted effectively and that it also monitored the implementation of agreements reached. According to this statement, twelve percent of the workers of the company are members of a union.

At Dominus, too, workers complain about long working hours and the inappropriate booking of the hours worked in order to calculate wages.<sup>54</sup> According to Dominus, the company has a workers' representative elected by the workers that coordinates the matters with the company.<sup>55</sup> At the packaging station there are a human resources and a social officer who the workers can turn to with their concerns.<sup>56</sup> Dominus considers *"freedom of association a right which we do not want to violate. We want to be adequately attractive for our employees."*<sup>57</sup> On 18 April 2013, the company explained in a statement

on the present study that it did not want to impede union work.<sup>58</sup> However, no one had yet asked Dominus about setting up a union.

At Peru Frut Tropical its workers are unaware of any union they could join.<sup>59</sup>

At Tropical Fruit Trading there have not been any attempts to set up a union yet. So far, problems have been resolved individually between the management and the staff. Most of the respondents feel that they are treated well.

## **V CHILD LABOUR**

There were no cases of child labour detected in any of the companies surveyed. However, a wholesale buyer of mangos explains:

*"Believe me, during harvest time everybody wants to work, regardless of their age. But since one box of mangos weighs 25 kilos, they [the children] cannot carry them. From the age of eleven or twelve, they know how to harvest and then they do the harvesting, including the girls. What they want to do is to harvest, they need work. All those living in this region know how to harvest mangos. But now that all of the children are at school, only adults do the harvesting."*

## **VI TRAINING COURSES**

According to the employees surveyed, all companies examined for this study provide training courses on topics such as mango cultivation and harvesting, accident prevention, first aid, health and hygiene as well as on working conditions in general; according to one worker, however, there is no course explicitly on the



topic of labour rights. *“The only ones organising presentations [on the topic of labour rights] are Aurora Vivar [NGO] and SITAG [union] but no one else. We hardly know our rights,”* says one of the respondents.<sup>60</sup>

According to its own statements, however, Dominus also informs its workers about labour rights during training courses.<sup>61</sup>

## **VII SOCIAL RESPONSIBILITY**

Recently, Camposol, Dominus and Tropical Fruit Trading have started making an effort to improve their social responsibility, including labour conditions; they either have joined several private initiatives or at least have undergone audits.

Camposol is an active member of the UN Global Compact<sup>62</sup> and is certified by GLOBALG.A.P.<sup>63</sup> amongst other authorities. GLOBALG.A.P. is an agricultural quality standard also containing stipulations on occupational health and safety. Moreover, the company joined the Business Social Compliance Initiative (BSCI)<sup>64</sup> in 2011, a coalition of initially European retailers and branded companies that includes among its objectives the establishment of good working conditions throughout the supply chain. Although according to Camposol’s own information, the company strives to communicate its efforts to enforce international social minimum standards internally, the respondents are not aware of it.<sup>65</sup> One of the ways the company violates the code is by obstructing union work.

Dominus is certified by GLOBALG.A.P. and the Fair for Life Social & FairTrade Standard (Fair for Life Standard hereafter), which the Institute for Market Ecology (IMO) initiated together with the Swiss Bio Foundation in 2006.<sup>66</sup> Dominus’ group of producers is also certified by the Fair

for Life Standard; its mangos bear the Fair for Life seal. The Fair for Life Standard considers itself a supplement to the Fairtrade seal of TransFair and has the objective to improve the working conditions within the company as well as the trade conditions for producers, particularly smallholders. This standard is guided by the norms of the International Labour Organisation (ILO). The Fair for Life Standard requires that companies maintain fair trade relations with small farms, including the payment of fair prices and a Fair Trade premium. The adherence to all the criteria is reviewed in an annual audit conducted by IMO with the involvement of suppliers and workers.

Despite this, the workers surveyed at the packaging station stated that they did not know the different standards.<sup>67</sup> Small farm suppliers, on the other hand, are familiar with both GLOBALG.A.P. and Fair for Life and undergo annual company audits.<sup>68</sup>

Currently, Dominus is building a kindergarten with the Fair for Life bonuses which can be used by its employees.<sup>69</sup> According to IMO, Dominus is a company which pays more than the minimum wage and has already reduced the working hours compared to previous years. Also it is actively assuming its social responsibility towards its workers and producers.<sup>70</sup> Yet, at Dominus, too, the wages do not suffice to support a family.

In March 2013, the organisation Sedex<sup>71</sup> conducted an audit at Tropical Fruit Trading on the observance of labour and social standards according to Peruvian law and on the Code of Conduct of the Ethical Trading Initiative (ETI)<sup>72</sup>. This audit revealed amongst other things that Tropical Fruit Trading pays the statutory minimum wage, that statutory surcharges are paid for overtime, but that there is no worker representation and that working hours are not recorded properly.

## **C DIFFERENT ACTORS IN THE SUPPLY CHAIN: SMALL-SCALE FARMERS, WHOLESALE BUYERS AND DAY LABOURERS**

Depending on the companies, there are different supply relationships between exporters and producers on the Peruvian mango market. Of the exporting companies examined, Dominus and Tropical Fruit Trading work with smallholders on a regular basis, while Camposol, which cultivates its mangos itself, only rarely works with them. Peru Frut Tropical buys its mangos from intermediaries, so-called wholesale buyers who buy from small-holders or medium-sized farmers.<sup>73</sup> Depending on the condition of the harvest, these hire day labourers who are the weakest link in the mango supply chain.

Tropical Fruit Trading buys directly from smallholders and works closely with harvest experts. The working conditions of mango pickers are monitored.

Dominus, which has committed itself to fair trade relations in particular with smallholders as per the Fair for Life Standard, also buys its mangos directly from smallholders. Until the harvest season of 2012/2013, the harvesting of mangos was carried out by independent companies commissioned by Dominus. This is why there were only indirect labour relations with the mango pickers. However, Dominus required the respective companies to formally hire the workers, to register them officially, and to respect their labour rights.<sup>74</sup>

The smallholders surveyed appreciate working with Dominus since Dominus determines the final price of mangos by what its buyers pay on the global market and since it discloses consumer prices to them.<sup>75</sup> A part of the remuneration is paid up front, another part when the harvest is handed over and the rest once Dominus has received the buying price. The whole process takes approximately 60 days.

Peru Frut Tropical purchases its mangos from intermediaries. In this case there is no direct relation between producer and exporter. Depending on the need, the intermediary hires day labourers to harvest mangos.<sup>76</sup>

*"It's an odd job. You don't work with the same people every day. Your daily wage varies between 6 and 7.50 EUR for eight hours."*

Wholesale buyer who delivers to Peru Frut Tropical

*"I tell them [the day labourers]: I need to harvest 100 boxes of mangos and I need eight men to do that job. They come voluntarily and work with me then, but without signing a contract. We don't have one and we do it verbally. Here, the people go to an 'ovalo' [a place] and there we make a contract. Those who get used to working with us stay with us. Why? Because it pays off, they get paid and we don't treat them badly."*

Wholesale buyer who has sold to Camposol

Despite the absence of social benefits, poor wages and the insecure job situation, there are workers working for intermediaries as day labourers because this way they get their money right away and do not need to pay social contributions.<sup>77</sup> They are required to pick 15 to 20 boxes of mangos every day and they receive between 6 and 7.50 EUR, i.e. their daily income is below the minimum wage.<sup>78</sup>

## D INTERIM FINDINGS

Overall, the working conditions in the examined companies are unfair. Wages are below the statutory poverty threshold, during peak seasons the labourers sometimes work up to 15 hours a day and union work is obstructed. Camposol, compared with the findings of previous studies, has made progress in terms of overtime and has reduced the working hours. Dominus is continuously increasing its wages and strives to reduce overtime — working periods of 14 hours per day have become the exception rather than the rule.

The working conditions for day labourers working for mango wholesale buyers are even more precarious than those who are employed at exporters — they receive less than the set agricultural minimum wage and do not receive social benefits or have secure job contracts.





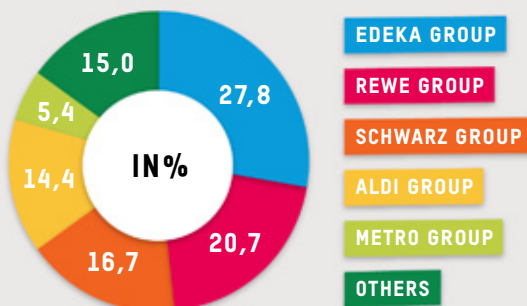
## THE ROLE OF GERMAN SUPERMARKET CHAINS

### I BOTTLENECK AND EYE OF A NEEDLE: GERMAN SUPERMARKETS DOMINATE THE MARKET

Along with local producers and the Peruvian government, whose legislation made possible the payment of low wages and long working hours in the agricultural sector, German supermarket chains also bear some of the responsibility for the unfair working conditions. Given their enormous market power, they can exert strong price and cost pressure on their suppliers, which in turn is passed on all the way to the end of the supply chain; ultimately, the victims are the workers employed at exporting companies and producers because their wages are trimmed.

At present, five retail companies share approximately 90 percent of the German food market — Aldi, Edeka (including Netto), Metro (Galeria Kaufhof, Real), Rewe (including Penny) and Schwarz Group (Kaufland and Lidl).<sup>79</sup> In the merger of Edeka/Tengelmann in 2008,

#### MARKET SHARES OF THE FIVE LARGEST SUPERMARKET CHAINS IN FOOD RETAILING



According to the Federal Cartel Office drugstores and wholesalers are not counted towards the actual food retail sector. Differences in the numbers of the Federal Cartel Office may be due to different methods of calculation.

Source: own compilation as per food magazine/  
Trade Dimensions (2013): Top 30 FRS Germany

#### EDEKA GROUP

##### CORPORATE STRUCTURE

The Edeka-Zentrale AG & Co. KG, seven regional companies and approximately 12,000 grocery stores which are spread throughout Germany belong to the group. The discounter Netto Marken-Discount is a subsidiary of the Edeka-Zentrale AG & Co. KG.

##### REVENUE

In Germany, the Edeka Group generated a gross retail revenue of 49.27 bn EUR in 2012.

##### INTERNATIONALITY

The group focuses on the German market.

#### REWE GROUP

##### CORPORATE STRUCTURE

Rewe is a cooperative group represented in the German food retail sector with 3,300 Rewe supermarkets, 100 Toom consumer markets, more than 700 local convenience stores and about 2,400 Penny stores.

##### REVENUE

In 2012, the company boasted a gross retail revenue of 36.77 bn EUR in Germany (globally: a gross revenue of 49.7 bn EUR).

##### INTERNATIONALITY

The company is present in 13 countries. Its Austrian subsidiary Rewe International AG is responsible for the international business of the group. It ranks third in the European retail sector.

## SCHWARZ GROUP

### CORPORATE STRUCTURE

The two Schwarz Group formats operate entirely separately on the corporate and operational level. The consumer markets of Kaufland operate under Kaufland Stiftung & Co. KG, the Lidl discount division operates under Lidl Stiftung & Co. KG.

### REVENUE

In Germany, the revenue of both segments was assessed to amount to 29.7\* bn EUR in 2012. The European gross turnover figure of the group was 69\* bn EUR in 2011.

### INTERNATIONALITY

The group is active in 26 European countries and has almost 11,000 subsidiaries throughout Europe. At the global level, the Schwarz Group ranks number five among grocers.

## ALDI GROUP

### CORPORATE STRUCTURE

The Aldi Group is legally and organisationally divided in two independent companies: Aldi Nord and Aldi Süd. Aldi Nord consists of 36 legally independent companies, Aldi Süd of 31. In total, the Aldi Group has 4,330 subsidiaries in Germany. Worldwide, it has roughly 9,800.

### REVENUE

In Germany, the gross revenue of both Aldi companies is assessed to amount to 25.53\* bn EUR.

### INTERNATIONALITY

The Aldi Group is represented in 17 countries.

the Federal Cartel Office characterised food retailing as a “bottleneck” or “eye of a needle” for the sale of the suppliers: an ever lower number of retailers buys more and more products. The higher the purchasing quantity of products, the more favourable the purchasing conditions that retailers can impose on their suppliers.<sup>80</sup> Currently, the Federal Cartel Office is examining in detail whether and how retailers use their market power against their suppliers<sup>81</sup> – a sign that competition authorities are becoming increasingly critical of the purchasing power of supermarket chains as well.

## METRO GROUP

### CORPORATE STRUCTURE


Different wholesale and retail companies operate under the umbrella of the holding. The wholesale business Cash & Carry is by far the most important segment in the Metro portfolio. In retail, the Metro Group is represented globally by 427 Real supermarkets. Also, the consumer electronics stores Mediamarkt and Saturn and the Galeria Kaufhof department stores belong to the group.

### REVENUE

In Germany, the business group generated a gross revenue of 30.36\* bn in the food sector in 2012. With its Real supermarkets it generated a gross revenue of 9.58\* bn EUR in Germany.

### INTERNATIONALITY

With a presence in 32 countries, the Metro Group is the most internationalized. 60 percent of the total turnover is generated outside its domestic market (Germany). Globally, the Metro Group is the third largest business group after Walmart and Carrefour.

 \* Estimates of the food magazine/Trade Dimensions (2013).  
Source: Food magazine, Trade Dimensions and information provided by the companies

When asked about mango trade, experts state that unfair trade practices, such as inappropriate demands for a discount following sales e.g. for “fruits which are too soft” or demands of subsidies for the advertising costs of supermarket chains are normal business practices. For the latter, usually one percent of the revenue must be calculated, they say.<sup>82</sup> In a statement, Aldi Nord and Lidl both strongly denied the payment of subsidies for advertising expenditures.<sup>83</sup>

However, especially regarding Aldi and Lidl, experts speak of a “brutal market”.<sup>84</sup> Both discounters, but also Netto, put the vast share of the trade volume they need out for tender on a weekly or fortnightly basis.<sup>85</sup> This is important in that discounters now constitute 44 percent of the German food retail sector.<sup>86</sup> In contrast to seasonal agreements used by other supermarket chains, in which suppliers and trading companies negotiate maximum and minimum prices as well as approximate weekly delivery quantities and plan advertisements, it is said that in each tender of the discounters, both the purchasing quantity and prices are negotiated anew. Since all suppliers can participate and no one knows how many mangos will ultimately be bought, there is usually an excess supply which in turn leads to a downward pressure on prices.<sup>87</sup> Those who are left to sit on their goods after a tender are forced to offer them at a cheaper price the week after. Experts speak of a “casino system” or “Russian roulette”.<sup>88</sup> The retail sector never bears the risk.<sup>89</sup> However, according to experts, recently there have been certain signs of change on the fruit market. Lidl, for example, is entering into more and more seasonal agreements, and Aldi Süd has recently increased its number of purchasing staff.<sup>90</sup>

In a statement on mango trade of 22 April 2012, Aldi Nord explained that the company had fixed suppliers who submitted offers at set intervals which are in line with the market situation and, if necessary, with changes to countries of origin. Apart from that, suppliers had the

assurance that they could deliver mangos to Aldi all year long, if quality specifications, such as freshness, appearance, taste and a certification according to GLOBALG.A.P. were fulfilled. This, however, does not necessarily prevent required trade quantities from being tendered weekly and specific prices and purchasing quantities being determined only then.

In its statement of 22 April 2013, Lidl explained that it had a trustful and long-term cooperation with its business partners. Prices were negotiated weekly. Although it is progress that the company is increasingly concluding season agreements, Lidl should refrain from weekly tenders and enter into seasonal agreements for the overall fruit wholesale trade.

Experts say that the price pressure in the German food retail sector leads to products that are often of poor quality.<sup>91</sup> They state that a wholesaler has already removed some exotic fruits from its range of products since the price pressure is too extreme. From the wholesalers’ perspective, prices for fruits and vegetables need to increase further in Germany. *“It is a shame to lead consumers to believe that better and safer foodstuffs can be produced at ever lower prices,”* Dieter Krauß, President of the German Association of Fruit Traders said at the opening of the fruit trade fair Fruit Logistica on 5 February 2013 in Berlin.<sup>92</sup>

The Peruvian exporters, too, bear a large share of the business risk. Mangos are usually sold on commission, which means that importers/buyers only pay once they have received the money from the supermarket chains. Beforehand, a “reference price” is agreed upon which is determined by the global market price. Depending on how high the final purchase price of mangos is that the supermarket chains pay, the reference price is above or below the final purchasing price — with the exporter bearing the risk of possible losses or even defaults.



Camposol and Dominus are protected against potential losses insofar as their buyers pay them an advance payment which is as high as the reference price. In other cases importers only pay minimum prices for pallets and boxes.<sup>93</sup>

The small-scale producers have the weakest bargaining position, since the price they receive is usually not determined on a level playing field between producers and exporters but is calculated “backwards”: exporters take the global market price as a reference and deduct their costs for logistics, packaging, intermediaries etc. from that.

Experts state that all in all, the price pressure is higher in Germany than abroad and that the food retailing sector demands a price which is too low; also, it is especially difficult for FairTrade mangos to succeed on the German market, they say.<sup>94</sup> No one is willing to pay a surcharge for sustainability standards.<sup>95</sup> *“Most people just talk about sustainability. But at the end of the day, it must not come at a higher price”,* one expert says.<sup>96</sup>

Thus, for local working conditions to be able to change, supermarket chains must change their purchasing practices towards suppliers and importers and be willing to pay an appropriate price for adherence to labour and environmental standards. Aldi, Lidl and Netto in particular should no longer tender week after week but have clear seasonal agreements with suppliers in order to reduce the price pressure on the market. Unfair purchasing practices such as subsidies for advertising expenditures must not be part of normal business activities at any supermarket chain.

There is still a long way to go. First of all, the supermarket chains concerned have to admit that they actually use the unfair trading practices outlined by the experts. The four large retailers interviewed within this study on

unfair purchasing practices and the unfair price and cost pressure put on their suppliers, Aldi Nord, Edeka, Lidl and Metro, either denied the use of such unfair practices<sup>97</sup> or did not make a statement at all.<sup>98</sup>

The current investigation into the procurement markets of the food retailing sector by the Federal Cartel Office is of crucial importance to the efforts to illuminate the balance of power between the retail industry, wholesalers and the other suppliers and to expose and curtail existing unfair purchasing practices by the supermarket chains — the latter by the supermarket chains’ own initiative as well as through political measures. This sector inquiry, which at present only deals with selected product groups, should by all means be extended to the fruit and vegetable sector as a whole so that unfair trade practices can be counteracted effectively there, too.

Since higher purchasing prices and better supply conditions for suppliers, importers and producers alone do not guarantee that their workers are paid fair wages and offered humane working conditions, German supermarket chains must finally assume their corporate social responsibility.

## **II THE SOCIAL RESPONSIBILITY OF SUPER-MARKET CHAINS: GAP BETWEEN RHETORIC AND REALITY**

Corporate Social Responsibility continues to be in vogue. By now all of the five largest German retail companies declare ethical and social values to be part of their business strategy. Metro Group’s vision is *“We offer a quality of life [...] for all those who work for us by doing just and responsible business and ensuring fair living and working conditions. This is how we live responsibility in the supply chain.”*<sup>99</sup> According to its own information, the Metro Group generally requires an audit based on BSCI (Business Social Compliance Initiative) from its suppliers

as proof that they observe humane working conditions.<sup>100</sup> BSCI is a coalition of (initially) European retail and branded companies with the objective, amongst others, to create good working conditions along the supply chain.<sup>101</sup>

Edeka states: *“Our salesmen follow the tradition of Edeka to think and to act responsibly and sustainably.”*<sup>102</sup> Edeka, too, relies on BSCI to ensure compliance with social standards along the supply chain.<sup>103</sup>

In statements made during research for the present study, Aldi Nord repeatedly stated that within the framework of “General Purchasing Conditions”, it places its suppliers under the binding obligation to comply with social and environmental guidelines which correspond to BSCI’s Code of Conduct.<sup>104</sup> In a statement on the research findings, Lidl, too, refers to its membership of BSCI and the social and environmental expectations from suppliers enshrined in its Code of Conduct.<sup>105</sup>

However, the working conditions at the mango packaging stations in Peru presented in this study tell another story. The wages of the packagers do not suffice to feed a family. Shifts sometimes last up to 15 hours and contracts are not renewed because of the labourers’ involvement in union work. Are the commitments towards corporate responsibility thus only empty promises of the supermarket chains?

Unlike previous investigations carried out by Oxfam Germany on the food retail sector regarding bananas and pineapples<sup>106</sup>, the social self-commitments of the supermarket chains are not in complete contradiction to the actual conditions in the mango supply chain after all.

Also, it is welcomed that at three of the four suppliers examined, namely Dominus, Tropical Fruit Trading and Camposol<sup>107</sup>, “social audits” have indeed already taken

place. During these audits, the labour and social standards were examined. Compared with the findings of previous studies, the working hours at Camposol have decreased slightly. According to IMO, the working conditions at Dominus have improved compared to previous years. Nonetheless, there is a gap between rhetoric and reality; the codes of conduct of the respective initiatives have not been fully implemented.

According to their own statements, Aldi Nord, Edeka, Lidl and Metro, which buy mangos at least indirectly from one of the suppliers named above, all joined BSCI some time ago. As part of their corporate policy, members of BSCI commit themselves to assuming appropriate measures to implement the BSCI Code of Conduct at their suppliers. They must conduct company audits at their suppliers and, in the case of deficiencies, are called upon to ensure that working conditions are improved. The Code of Conduct is guided by the norms of the International Labour Organisation (ILO) and covers, amongst others:

- Freedom of association,
- Right to collective negotiation,
- Ban on discrimination,
- Ban on child labour and forced labour,
- Safety and health at work,
- Payment of a statutory minimum wage or wages in line with valid industrial standards and the recommendation to pay appropriate wages,
- Working times which do not exceed 48 hours per week and twelve hours of voluntary overtime and the requirement to remunerate overtime and to pay out bonuses.

Beyond that, the Code requires the adherence to national laws. BSCI was developed with a focus on industrial production; since 2007 its scope has been extended to include agricultural production.<sup>108</sup>

However, the research findings in this study show that the commitment of suppliers to adhering to the BSCI Code is by no means a guarantee that the respective social standards are implemented. At Camposol, for example, from which, among others, Lidl buys its mangos indirectly through importers and wholesalers, and which has become a member of BSCI itself, the right to unionize is interfered with time and again. Workers surveyed state that the exporting company Peru Frut Tropical, which — via importers — supplies Netto (Edeka) and others, violates the specification not to allow more than twelve hours of overtime per week. Although Tropical Fruit Trading, an indirect supplier to Aldi Nord, does pay the statutory minimum wage, it does not pay appropriate wages.

It is therefore questionable whether the BSCI system is really suited to ensure improved working conditions in production countries in the long term. BSCI is merely a company initiative; neither unions nor NGOs are represented in the decision-making body. Yet, close cooperation with unions and NGOs at the decision-making level and with regard to local implementation is a crucial precondition to improving working conditions. Workers need to be adequately involved in company audits and their subsequent implementation process. They must have the opportunity, for example, to effectively articulate their rights so that improvement measures ultimately do not only exist on paper. However, reality is different; as mentioned above, most of the workers surveyed at Camposol and Dominus do not know about the standard.

Besides, the Code is not clearly committed to paying living wages; this is only mentioned as a recommendation. The payment of wages below the statutory poverty line, however, is one of the main problems in the Peruvian mango sector.

The delivery conditions mentioned above, such as appropriate purchasing prices paid by retail companies to their suppliers, are not addressed, either. Often only higher prices would enable producers to pay adequate wages. Finally, it is questionable whether the BSCI obligation regarding agricultural production, which requires members to review at least ten percent of their purchasing quantities or 15 of their producer companies within three and a half years of joining, is genuinely suited to establishing good working conditions in the global supply chains of the companies involved. Members should rather be compelled to conduct training courses and other improvement measures with suppliers and the involvement of the workers. For without corresponding implementation measures, audits do not have much of an effect.

The Fair for Life standard seems to be a more appropriate approach than BSCI: Metro gets their mangos, among others, from Dominus which is certified by this standard.<sup>109</sup> Fair for Life goes beyond the BSCI Code insofar as one of its requirements is the payment of a wage which covers the basic needs of a family as well as the payment of fair prices and a fair trade premium to producers for social investments. This general integration of economic aspects is to be welcomed. Even though imperfections continue to exist as far as this standard is concerned, its approach is generally good. Sadly, while the wages paid at Dominus' packaging station are higher than those of other exporters, they are still below the regional poverty threshold and are not sufficient to feed a family.

All in all, at all four supermarket chains there are gaps between rhetoric and reality: Aldi Nord, Lidl, Metro and Edeka do not assume their social responsibility sufficiently.<sup>110</sup>



## **F CONCLUSIONS: WHAT IS TO BE DONE?**

In terms of their corporate social responsibility, there is a gap at all the commercial chains, namely Aldi Nord, Edeka (including Netto), Lidl and Metro (Galeria Kaufhof, Real) between rhetoric and reality.<sup>111</sup> Despite the fine words and social self-commitments, the wages in the Peruvian mango sector are appallingly low. In order to change this, it is not only necessary for the supermarket chains to improve and to fulfil their self-commitments; they must also change their purchasing policies. The other actors of the supply chain, too, including producers, exporters and importers, need to take action.

In order to change conditions fundamentally and in the long-term, action is required in the political arena as well. At the European and international levels, governments are called upon to meet their obligation to protect human rights also when it comes to labour law violations committed by companies.

From Oxfam's point of view, the following points need to be implemented so that the working conditions in production countries like Peru improve permanently:

### **I COMPANIES CHANGE THEIR PURCHASING POLICY**

For Peruvian mango exporters to be able to increase wages, German supermarket chains must first change their purchasing policies and reduce the cost pressure put on their suppliers, which in turn is passed on along the supply chain.

#### **OXFAM CALLS ON COMPANIES**

to change their purchasing policy in order to enable their suppliers to enforce better labour conditions. In particular, they should create incentive schemes which reward those producers and suppliers that observe minimum social and environmental standards.

## II COMPANIES ENTER INTO REAL SOCIAL SELF-COMMITMENTS

An initiative in which companies also commit themselves to enforcing humane working conditions at their suppliers should involve unions and NGOs in its decision-making and the planning and enforcement of measures. Training for workers and the managers of suppliers must be a main emphasis. Workers should be involved in controls and in the planning and implementation of improvement measures. The standards to be met must not only contain the freedom of association, the ban on discrimination, the ban on forced labour and child labour, the right to adequate working hours and the protection of occupational safety and health but also the right to a living wage and the right to regular employment. Equally

important is the integration of purchasing practices: for instance, suppliers need to be paid prices that enable them to pay their workers adequate wages.

### OXFAM CALLS ON COMPANIES

to launch such initiatives on social self-commitment which involve workers in an appropriate manner, include the overall supply chain and stipulate appropriate purchasing practices towards suppliers.

## III THE FEDERAL GOVERNMENT ASSUMES MEASURES TO PREVENT UNFAIR PURCHASING PRACTICES

To curb the abuse of the purchasing power of German trading companies, the Federal Government should, after the conclusion of the sector survey conducted by the Federal Cartel Office, identify existing unfair purchasing practices as such and ban them officially in the Federal Antitrust Law. Furthermore, the antitrust law should provide for appropriate measures so that action against violations can be taken more effectively. The Federal Government should, for example, introduce the right to lodge a complaint and the right of action for organisations and producers' associations and/or an arbitration board where complaints can be submitted anonymously. The sector survey which so far only deals with selected product groups, should be extended to cover the area of fruits and vegetables as well. Also, given the increasing market concentration, which is not solely restricted

to the food retail sector, the Federal Government should change the rules on merger control and lower the threshold if there is suspicion of market dominance. Finally, in the framework of the current EU consultations on unfair trade practices and the subsequent process, the Federal Government should make the case for an effective regulation of such practices at the EU level as well.<sup>112</sup>

### OXFAM CALLS ON THE FEDERAL GOVERNMENT

to assume appropriate measures to prevent unfair purchasing practices once the survey of the food retail sector, carried out by the Federal Cartel Office, is concluded.

#### **IV NATIONAL GOVERNMENTS IN THE GLOBAL NORTH AND SOUTH ENFORCE THEIR LABOUR LAWS**

The Peruvian government should ensure that companies respect union rights, comply with appropriate working hours and pay living wages.

The Federal Government should take up the Guiding Principles adopted by the UN Human Rights Council in June 2011 on Business and Human Rights<sup>113</sup> and regulate by law that companies with subsidiaries abroad or having global supply chains respect human rights and labour rights both at their sites and at their suppliers' sites. Since transparency is a first step towards greater social responsibility, companies should be compelled to disclose their social and environmental production conditions. For supermarket chains this should primarily apply to their private labels; in the case of other brands, they should commit their suppliers to transparency regarding social and environmental production conditions. Additionally, companies should be required to disclose their supply chain in order to facilitate an audit of the production conditions.

Additionally, the Federal Government should champion the specification and subsequent implementation of the legislative proposal of the EU Commission on disclosure obligations for companies with regard to the social and environmental issues of their business practice to the effect that the regulation provides for sufficiently specific provisions for the companies and also includes the supply chain.<sup>114</sup>

#### **OXFAM CALLS ON THE FEDERAL GOVERNMENT**

to ensure that German companies respect human and labour rights in their own companies and in their supply chains.

to require companies by law to disclose their social and environmental production conditions as well as their business structure and supply chain.

to implement and develop the reform of the EU Modernisation Directive (2003/51/EG). The future government should constructively advocate the promotion of the proposal of the European Commission for a legislation on the transparency of social and environmental information and, at the time that it comes into force, transpose it into German law swiftly, effectively and in the spirit of the two demands above.





### **V THE BROADER PUBLIC MAKES THE CASE FOR CORPORATE SOCIAL RESPONSIBILITY**

For companies to act in a socially responsible manner it is necessary that citizens demand social production conditions and put pressure on companies by participating in highly visible actions, such as petitions. Consumers should increasingly buy Fair Trade products so that companies in turn include more such products in their range of goods and so that more farmers and workers can benefit from fair trade conditions.

#### **OXFAM CALLS ON CONSUMERS**

to insist on companies enforcing humane working conditions both internally and at their suppliers' sites. They should also increasingly buy Fair Trade products.



Photo: photonewman | Shutterstock.com



## G ANNEX

### COMPANY INFORMATION

#### CAMPOSOL S.A.

#### DOMINUS S.A.C.

#### TROPICAL FRUIT TRADING S.A.C.

#### PERU FRUIT TROPICAL S.A.C.

### ACTIVITIES IN THE MANGO SECTOR

- |                            |                     |                     |                          |
|----------------------------|---------------------|---------------------|--------------------------|
| ■ own cultivation (415 ha) | ■ packaging station | ■ packaging station | ■ own cultivation (4 ha) |
| ■ packaging station        | ■ exporter          | ■ exporter          | ■ packaging station      |
| ■ exporter                 |                     |                     | ■ exporter               |

### FRUITS

- |                   |          |            |          |
|-------------------|----------|------------|----------|
| ■ mangos          | ■ mangos | ■ mangos   | ■ mangos |
| ■ avocados        | ■ grapes | ■ grapes   |          |
| ■ asparagus       |          | ■ avocados |          |
| ■ pointed peppers |          |            |          |
| ■ grapes          |          |            |          |
| ■ mandarins       |          |            |          |

### DURATION OF THE EXPORT BUSINESS

- |              |                       |                                  |                               |
|--------------|-----------------------|----------------------------------|-------------------------------|
| ■ year-round | ■ approx. nine months | ■ approx. seven to twelve months | ■ approx. four to five months |
|--------------|-----------------------|----------------------------------|-------------------------------|

### SOCIAL RESPONSIBILITY

- |                               |                               |                                     |                 |
|-------------------------------|-------------------------------|-------------------------------------|-----------------|
| ■ member of BSCI              | ■ GLOBALG.A.P. certification  | ■ social audit carried out by Sedex | ■ not specified |
| ■ member of UN Global Compact | ■ Fair for Life certification |                                     |                 |
| ■ GLOBALG.A.P. certification  |                               |                                     |                 |

### NUMBER OF EMPLOYEES

- |                                                               |                                                                                               |                                                                                           |                                                                                                                                                           |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| ■ during harvest peak times a total of approx. 10,000 workers | ■ in the 2011/12 season, 121 workers were registered at SUNAT, the Peruvian customs authority | ■ during harvest peak times approx. 100 workers<br>■ during off-season approx. 70 workers | ■ in the 2011/12 season, 50 workers were registered at SUNAT, the Peruvian customs authority<br>■ the number of field workers varies between four and six |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|



WORKING CONDITIONS

CAMPOSOL S.A.

DOMINUS S.A.C.

TROPICAL FRUIT  
TRADING S.A.C.

PERU FRUIT  
TROPICAL S.A.C.

DURATION OF THE EMPLOYMENT RELATIONSHIP

- most of the respondents have three month contracts
- some contracts of the respondents last for six months
- a small number of respondents has permanent contracts
- most of the respondents have three month contracts
- depending on the labour situation they can be extended
- most of the respondents have three month contracts
- depending on the labour situation they can be extended
- 44 percent of the respondents have contracts lasting for five or six months
- the contracts of the respondents are issued for approx. three months

CONTRACTS

- the majority of respondents said that they had signed a contract but had not received it
- the workers said that they had signed work contracts but that they had only received them after the end of the employment
- the workers surveyed have written contracts
- the respondents have written contracts which they receive at the end of the contractual term
- some workers said that they did not have work contracts

WAGES

- ■ ■ ■ all companies pay the statutory minimum wage in the agricultural sector of slightly below eight EUR per day

PROFIT SHARING AND BONUSES

- profit sharing is envisaged
- the company pays a percentage of the profit
- long-time workers receive a bonus at the end of the harvest time
- in the case of a good harvest, field workers working for producers receive a bonus
- according to the respondents, there is no profit sharing
- according to the respondents, there is no profit sharing

**CAMPOSOL S.A.****DOMINUS S.A.C.****TROPICAL FRUIT  
TRADING S.A.C.****PERU FRUIT  
TROPICAL S.A.C.****ALLOWANCE FOR FOOD**

- |                                                                                          |                                                                                                             |                                                                                                  |                                                                                                  |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ workers have to bring their own food</li> </ul> | <ul style="list-style-type: none"> <li>■ the company pays its workers an additional fee for food</li> </ul> | <ul style="list-style-type: none"> <li>■ no clear information provided by the workers</li> </ul> | <ul style="list-style-type: none"> <li>■ no clear information provided by the workers</li> </ul> |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|

**OVERTIME**

- |                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                 |                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ the majority of respondents stated that working overtime is practically mandatory during high season</li> <li>■ half of the respondents work two hours of overtime per day</li> <li>■ the respondents do not know whether their overtime is appropriately remunerated</li> </ul> | <ul style="list-style-type: none"> <li>■ the majority of respondents said that they work between four and six hours of overtime per day during peak season</li> <li>■ applicable surcharges are paid</li> </ul> | <ul style="list-style-type: none"> <li>■ some of the respondents work up to 15 hours per day during peak season</li> <li>■ applicable surcharges are paid</li> </ul> | <ul style="list-style-type: none"> <li>■ the majority of respondents stated that working overtime is practically mandatory during high season</li> <li>■ one third of the respondents said that they work twelve hours during high season</li> <li>■ some said that they work up to 15 hours per day during peak season</li> <li>■ no clear information on surcharges</li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**TRADE UNION ORGANISATION**

- |                                                                                                                                                                                                                                                           |                                                              |                                                              |                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ no unions at Camposol's subsidiaries in Piura</li> <li>■ obstruction of union work including layoffs</li> <li>■ collective bargaining with the union SITECASA at Camposol's subsidiary in La Libertad</li> </ul> | <ul style="list-style-type: none"> <li>■ no union</li> </ul> | <ul style="list-style-type: none"> <li>■ no union</li> </ul> | <ul style="list-style-type: none"> <li>■ no union</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|

## NOTES

- 1 information provided by the National Institute for Statistics and Information (Instituto Nacional de Estadística e Informática) [ [www.inei.gob.pe/DocumentosPublicos/Pobreza\\_InformeTecnico.pdf](http://www.inei.gob.pe/DocumentosPublicos/Pobreza_InformeTecnico.pdf) ]  
To determine the poverty threshold in Peru, a family is expected to consist of five persons.
- 2 Fair Wear Foundation: *Living Wage: Fair Wear Foundation policy and practice*, November 2010. [ [www.fairwear.org/ul/cms/fck-upload/documents/policydocs/fwflivingwagepolycynov2010.pdf](http://www.fairwear.org/ul/cms/fck-upload/documents/policydocs/fwflivingwagepolycynov2010.pdf) ]
- 3 SOM0/AAI: *Socio-economic Issues in the Peruvian Mango Supply Chain of EU Supermarkets*, 2011.
- 4 information of a staff member of the Federal Cartel Office in February 2013.
- 5 Experts are for example wholesalers who do not want to be mentioned by name.
- 6 interviews with experts of 6 June 2012 and 7 February 2013.
- 7 The German Food Traders Association alone has more than 100 members. [ [www.dfhv.de](http://www.dfhv.de) ]
- 8 details on the export volume of mangos provided by the Peruvian export association for mangos (APEM, Asociación Peruana de Productores y Exportadores de Mango) for the harvest season 2011/2012. [ [www.apem.org.pe/INFORME\\_FINAL\\_2011\\_2012.pdf](http://www.apem.org.pe/INFORME_FINAL_2011_2012.pdf) ]
- 9 *ibid.*
- 10 information by the Peruvian agricultural ministry, MINAG. [ [www.minag.gob.pe/portal](http://www.minag.gob.pe/portal) ]
- 11 Peruvian agricultural ministry, register of mango and lime producers in Piura, December 2010.
- 12 interview with workers of Tropical Fruit Trading on 13 April 2012 and interview with workers of Dominus on 7 July 2012.
- 13 Aurora Vivar report, p. 37–38.
- 14 *loc. cit.*, p. 52–55.
- 15 information provided by the Peruvian customs and tax authority SUNAT (Superintendencia Nacional de Aduanas y de Administración Tributaria). [ [www.sunat.gob.pe](http://www.sunat.gob.pe) ]  
While the FOB (Free on-Board) value for the export of mangos amounted to approx. 59 million USD in 2006, it increased to almost 114 million USD in 2011.
- 16 information provided by SUNAT. [ [www.sunat.gob.pe](http://www.sunat.gob.pe) ]
- 17 Aurora Vivar report, p. 61–67.
- 18 information provided by INEI (Instituto Nacional de Estadística e Informática).
- 19 *loc. cit.*, p. 70;  
payslip provided by Dominus for the season 2011/2012.
- 20 *loc. cit.*, p. 63 and 73;  
letter from Nature's Pride and Dominus of 18 April 2013.
- 21 Aurora Vivar report, p. 72–73.
- 22 *loc. cit.*, p. 61–67.
- 23 *loc. cit.*, p. 62 and 65.
- 24 *loc. cit.*, p. 62, 68 and 69.
- 25 *loc. cit.*, p. 62.
- 26 *loc. cit.*, p. 62 and 68.
- 27 *loc. cit.*, p. 68.
- 28 SOM0/AAI: *Socio-economic Issues in the Peruvian Mango Supply Chain of EU Supermarkets*, 2011.
- 29 letter from Lidl and Camposol of 22 April 2013.
- 30 Aurora Vivar report, p. 69.
- 31 *loc. cit.*, p. 65–66.
- 32 *loc. cit.*, p. 66 and 71.
- 33 letter from Aldi and Tropical Fruit Trading of 22 April 2013.  
An audit of Tropical Fruit Trading, carried out by Sedex on 25 March 2013, came to the conclusion that workers work one to six hours of overtime per week.
- 34 The company audit carried out by Sedex on 25 March 2013 revealed that overtime is appropriately remunerated.
- 35 Aurora Vivar report, p. 70.
- 36 *loc. cit.*, p. 63.
- 37 *loc. cit.*, p. 70.
- 38 letter from Nature's Pride and Dominus of 18 April 2013.
- 39 letter from Nature's Pride and Dominus of 18 April 2013.
- 40 Aurora Vivar report, p. 55.
- 41 *loc. cit.*, p. 56 and 59.



- 42 see above, p. 8–9.
- 43 Aurora Vivar report, p. 60–61.
- 44 loc. cit., p. 57.  
In its statement, Camposol explained that according to law the contracts are submitted to the ministry of labour first and then handed out to the workers. In some cases the workers were no longer working at the company by the time the ministry sent the contracts back. This is why they did not receive contracts.  
Letter from Lidl and Camposol of 22 April 2013.
- 45 loc. cit., p. 59.
- 46 loc. cit., p. 58.
- 47 ibid.
- 48 loc. cit., p. 59.
- 49 loc. cit., p. 83.
- 50 press release of SITAG: *Nota de Prensa, Atentado a Libertad en la Empresa Camposol*, 2 January 2013.
- 51 report by BananaLink for ETI, 2 Februar 2013;  
letter from Lidl and Camposol of 22 April 2013.
- 52 report by BananaLink for ETI, 2 February 2013.
- 53 The Ethical Trading Initiative (ETI) is a multi-stakeholder initiative of companies, NGOs, unions and others championing the improvement of the working and living conditions of those who produce consumer goods worldwide. [ [www.ethicaltrade.org](http://www.ethicaltrade.org) ]
- 54 Aurora Vivar report, p. 84.
- 55 letter from Nature's Pride and Dominus of 18 April 2013.
- 56 ibid.
- 57 Aurora Vivar report, p. 84.
- 58 letter from Nature's Pride and Dominus of 18 April 2013.
- 59 Aurora Vivar report, p. 84.
- 60 loc. cit., p. 73–75.
- 61 letter from Nature's Pride and Dominus of 18 April 2013.
- 62 The UN Global Compact is an initiative of the UN; companies can join to e.g. improve the observance of human and labour rights in their own companies and at their suppliers. [ [www.unglobalcompact.org/AboutTheGC/index.html](http://www.unglobalcompact.org/AboutTheGC/index.html) ]
- 63 for more information go to [www.globalgap.org](http://www.globalgap.org).
- 64 for more information go to [www.bsci-intl.org](http://www.bsci-intl.org); see below, p. 22.
- 65 Aurora Vivar report, p. 95.
- 66 for more information go to [www.fairforlife.net](http://www.fairforlife.net).
- 67 Aurora Vivar report, p. 95 and 98.
- 68 loc. cit., p. 95 and 98.
- 69 letter from Nature's Pride and Dominus of 18 April 2013.
- 70 letter from IMO of 1 May 2013.
- 71 The organisation Sedex reviews the social and environmental standards in global supply chains and carries out training courses on the subject. [ [www.sedexglobal.com](http://www.sedexglobal.com) ]
- 72 see fn. 53.
- 73 Aurora Vivar report, p. 89–95.
- 74 loc. cit., p. 89–90.  
Since the harvest season 2012/2013, Dominus has been trying to do the harvesting itself and has set up work camp for the harvest in the Jayanca and Casma regions.
- 75 loc. cit., p. 93.
- 76 loc. cit., p. 91 and 94 et seq.
- 77 loc. cit., p. 91–92.
- 78 loc. cit., p. 91.
- 79 Federal Cartel Office, press release of 14 February 2013 and information provided by a staff member of the Federal Cartel Office in March 2013.
- 80 cf. Federal Cartel Office, decision of 30 June 2008, file number. B 2–333/07, p. 103.
- 81 Federal Cartel Office, press release of 14 February 2011. Unfortunately, according to the Federal Cartel Office, an investigation in the fruit and vegetable sector is not planned yet.
- 82 interview with an expert on 6 June 2012.
- 83 letter from Aldi of 22 April 2013;  
letter from Lidl of 22 April 2013.
- 84 interview with an expert on 6 June 2012.

- 85 information provided by experts in June 2012 and 10 April 2013.
- 86 food magazine: *Lidl Stiftung & Co. KG*. [ [www.lebensmittelzeitung.net/business/unternehmen/handel/protected/show.php?id=591&showmore=1](http://www.lebensmittelzeitung.net/business/unternehmen/handel/protected/show.php?id=591&showmore=1) ]
- 87 interview with an expert on 6 June 2012.
- 88 interview with an expert on 13 June 2012.
- 89 interview with an expert on 7 February 2013.
- 90 interview with an expert on 10 April 2013; food magazine: *Aldi Süd zentralisiert Fruchteinkauf (Aldi Süd centralises fruit purchasing)*, 8 March 2013.
- 91 interview with an expert on 7 February 2013.
- 92 quote as per food magazine: *Höhere Preise sind unausweichlich (higher prices are inevitable)*, 7 February 2013.
- 93 interview with an expert on 10 April 2013.
- 94 interview with an expert on 7 February 2013.
- 95 interview with an expert on 7 February 2013.
- 96 interview with an expert on 7 February 2013.
- 97 letter from Lidl of 22 April 2013; letter from Aldi of 22 April 2013; completed questionnaire from Metro from May 2012.
- 98 letter from Edeka of 21 May 2012.
- 99 [ [www.metrogroup.de/internet/site/metrogroup/node/mgroup\\_sustainability/Lde/index.html](http://www.metrogroup.de/internet/site/metrogroup/node/mgroup_sustainability/Lde/index.html) ]
- 100 letter from Metro of 19 April 2013.
- 101 [ [www.bsci-intl.org](http://www.bsci-intl.org) ]
- 102 [ [www.edeka.de/EDEKA/de/edeka\\_zentrale/verantwortung/verantwortung.jsp](http://www.edeka.de/EDEKA/de/edeka_zentrale/verantwortung/verantwortung.jsp) ]
- 103 letters from Edeka of 17 April 2013 and of 21 May 2012.
- 104 letters from Aldi of 22 April 2013 and of 14 May 2012.
- 105 letter from Lidl of 22 April 2013.
- 106 cf. Oxfam Deutschland: *Endstation Ladentheke (Last Stop – Supermarket: The Scoop on Tropical Fruit)*, 2008; Oxfam Deutschland: *Bittere Bananen (Bitter Bananas)*, 2011.
- 107 The authors of this study do not know of an audit of Peru Frut Tropical.
- 108 BSCI, press release of 15 July 2007. [ [www.bsci-intl.org/bsci-extends-its-approach-better-working-conditions-food-supply-chain](http://www.bsci-intl.org/bsci-extends-its-approach-better-working-conditions-food-supply-chain) | 27 July 2011 ]
- 109 see above, p. 15.
- 110 Rewe and Aldi Süd are not mentioned because they were not included in the research.
- 111 *ibid.*
- 112 cf. EU Commission: *green paper on unfair trade practices in the B2B supply chain for food and non-food products in Europe*, COM(2013) 37 final, 31 January 2013.
- 113 [ [www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf](http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf) ] cf. CorA-Netzwerk: *Positionspapier zu Wirtschaft und Menschenrechten – Erwartungen an einen deutschen Aktionsplan*. [ [www.oxfam.de/informieren/wirtschaft-und-menschenrechte](http://www.oxfam.de/informieren/wirtschaft-und-menschenrechte) ]
- 114 European Commission: *Directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups*, COM(2013) 207 final, 16 April 2013.

# LEGAL NOTICE

## **PUBLISHER**

© Oxfam Deutschland e.V.  
June 2013

Oxfam Deutschland e.V.  
Am Köllnischen Park 1  
10179 Berlin, Germany

*Tel.* +49 30 – 45 30 69-0

*E-Mail* [info@oxfam.de](mailto:info@oxfam.de)

[www.oxfam.de](http://www.oxfam.de)

## **RESPONSIBLE ACCORDING TO THE PRESS LAW**

Marion Lieser

## **AUTHOR**

Franziska Humbert

supported by Elisa Naranjo and David Kersting

## **EDITOR**

Julia Jahnz

## **LAYOUT**

Judith Fehlau and Malte Herok  
[www.mlthrk.com](http://www.mlthrk.com)

## **COVER PHOTO**

Andy Kleinert, 2013



This publication has been produced with the financial assistance of the European Union. The contents of this publication are the sole responsibility of Oxfam Germany and can under no circumstances be regarded as reflecting the position of the European Union.



In terms of their social responsibility, there is a gap between rhetoric and reality at four of the five largest German supermarket chains, Edeka (including Netto), Aldi Nord, Schwarz Gruppe (Kaufland and Lidl) and Metro (Galeria Kaufhof, Real). Despite fine words and social self-commitments, the wages in the Peruvian mango sector are still appallingly low and union rights are obstructed.

To change this, it is necessary that the chains improve and meet their social self-commitments and above all pay their suppliers appropriate prices so that they can enforce good working conditions in their companies. However, in order to change the conditions permanently and fundamentally, politicians must act, too. By taking appropriate measures, the Federal Government should ensure that supermarket chains do not use unfair purchasing practices towards their suppliers and that they respect human rights and labour rights both in their own companies and along the supply chain.

Oxfam Deutschland is an independent development and aid organisation that works to achieve a just world without poverty. Oxfam delivers humanitarian relief in crises, strengthens local groups committed to social justice, exposes the underlying structures of poverty, and campaigns for political and business decision-makers to act responsibly.

Oxfam is an international confederation of 17 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Jointly, we can draw upon 70 years of experience in humanitarian and development work.