Worker and Social Equity in Food and Agriculture

Practices at the 100 largest and most influential U.S. companies

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Tellus Institute (www.Tellus.org) is a 35-year-old nonprofit research and consulting organization working for a Great Transition to a fair, just, and sustainable economy, with a staff of design specialists in corporate social responsibility, impact investing, ecological science, and community well-being.

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Executive Summary

Food represents the first economy, the place where the very idea of a human economy began thousands of years ago in the agricultural age. With the rise of the global food movement, we are beginning to reinvent our economy for a new era through food: organic foods, grass-fed beef, free-range chicken, farmers' markets, community supported agriculture, urban gardens, Slow Food, and many other strands of promising work. Yet too often, the global food movement seems to show a more vocal concern for the environment and conditions of animal welfare than the conditions of worker welfare. Even when we call our food sustainable, organic, or fair trade, it may still be damaging to the people who produce and serve it to us. With as much attention as sustainability is getting in the food and agriculture sectors, what about the people side?

On the human side of the food and agriculture industry, an emerging issue on the horizon is worker equity, a concept that embraces many issues: fair wages, safe working conditions, the right to organize, job security, the chance to advance, and the possibility for voice at work. Worker equity is about the quality of jobs and the quality of life at work. A related issue on the ascendant is social equity, whether consumers of food have access to healthy and sustainable food, or whether they face food deserts where fast food is the easiest available choice. Worker and social equity are critical emerging issues likely to confront the food and agricultural industries more dramatically in coming years.

To a large extent, worker and social equity issues are a matter of practices at the largest food and agriculture companies. In virtually every sub-sector of the field—agricultural products, beverages, packaged food, wholesale suppliers, food retail, and restaurants—there are four to five companies that dominate that sub-sector. In 2007, four companies sold half the world's seeds. More than 70 percent of beef in the U.S. is processed by three companies. Just four companies process close to 60 percent of pork and chicken.[1]

This report sets out to review the landscape of company practices and policies in worker and social equity at the 100 largest companies in food and agriculture. While harmful practices are widespread—and in some ways the norm—there are also promising examples of emerging best practices. This report attempts to address both: the dominant norms, and best practices. The latter are highlighted here as a way to light the path that other companies might follow, and to show activists what practices are possible and can be pushed for.

Undertaken at the request of the Rockefeller Foundation, the research for this report was aimed at answering three key questions:

- What is the state of practice in the field? Are the 100 largest food and agricultural companies undertaking projects and policies aimed at assuring fair treatment for their own workers and those in their supply chains?
- Are they addressing the issue of food deserts and access to food for under-served communities?
- How could the issues of worker and social equity begin to move higher on the corporate agenda?

Among this study's key findings:

- **The lack of reporting and transparency on social issues by all companies—particularly private companies—is a core stumbling block to understanding true company practices.** Wage data by individual company is considered proprietary and is not made public. Even companies like Costco and Chiquita Brands, for example, do not publish a Corporate Social Responsibility (CSR) report. Archer Daniels Midland does publish such a report, but it contains no information on worker and social issues.

- **While most focus by activists, investors, and the press is on high profile publicly traded companies, private companies and cooperatives have a significant presence in food and agriculture.** Out of the list of 100, 42 are either privately held (such as Cargill, with $108 billion in revenue) or are cooperatives (such as CHS Inc., with $25 billion in revenue, or Land O'Lakes, with $11 billion in revenue). ***Type of ownership may have a role to play in activist strategies—perhaps more in food and agriculture than in other industries.***

- **Exemption from wage and hour laws is a key overarching factor influencing worker equity among food and agriculture companies.** The restaurant industry employs 10 million workers—the majority of them women—in a growing sector of the economy. Yet restaurants offer many of the nation's lowest wage jobs, with few benefits. In 2010, seven of the 10 lowest-paying occupations were in restaurants. A key reason is that the federal wage for tipped workers has been at $2.13 since 1991. Food servers rely on food stamps at nearly twice the rate of the population overall.[2] Many agricultural workers are also exempt from minimum wage and hour laws, and because much agricultural work is done by illegal immigrants, even fewer protections apply. Across the food industry, frontline workers earn a median of only $18,900 a year.[3]

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- **It is difficult to make an across-the-board assessment of worker equity practices at these firms.** Rather than try to make aggregate assessments of firms—as might be represented in a ranking from 1 to 100—this project has ranked companies by particular areas of worker equity practice. Firms may excel in one area and lag in another. Each firm is a mosaic. Whole Foods, for example, is a good employer in many ways, yet is virulently anti-union. Walmart is making strides in addressing food deserts, but drives low wages industrywide. Costco pays excellent wages, yet publishes no CSR report and is lacking in transparency. DuPont publishes a CSR report—when many companies do not—but its report offers very little on worker and social issues. Ahold has excellent policies on worker equity, and is 100 percent unionized in the Netherlands, yet appears to be violating its own standards in the U.S. as it fights unions in some locations.

- **We found 13 companies that reference a management level committee tasked with social oversight.** An example is the French firm Danone, which has a social responsibility committee at the board level overseeing the company's corporate social responsibility (CSR) strategy. Even among these 13 leaders, most offer limited disclosure on focus and composition of their social committee. The majority of companies provide no evidence of a formal accountability framework to address social impacts.

- **Few companies receive top scores for key employee-related policies.** About one in five companies studied have exemplary policies on freedom of association and the elimination of discrimination. In company practice we found these policies violated in some cases. For example, Ahold in 2011 was alleged to have denied the right of unionization to employees of its 25 Martin brand stores in Richmond, Virginia.

- **At least 33 companies on our list, and possibly more, have some union representation.** At least three have extremely high union density, with 75 percent or more of their workforce covered by collective bargaining: Danone, Safeway, and Kroger. The grocery industry in general is about one-third organized. And unions make a difference in wages. A unionized cashier makes $13/hour, while a non-union cashier makes $9.25, a 39 percent premium. In poultry, fish, and meat processing, the difference is $16.50/hour vs. $12/hour.

- **Wages vary by sub-sector, with restaurants being the lowest.** In the production of food, with companies such as Cargill and Land O'Lakes, median hourly wage is $10.10. In the processing of food—including companies like Perdue and Kraft—median hourly wage is $13.06. Warehousing and distribution pays a median hourly wage of $13.28. The retail sector, with firms like Kroger and BJs, pays a relatively low median hourly wage of $9.69. Finally, restaurants and foodservice providers like Starbucks and Darden Restaurants are a sector paying the lowest median hourly wage of $9.11.

- **Compensation for food industry CEOs offers a stark contrast to the pay of average workers.** The highest paid CEOs are bringing in total compensation of between 475 times their typical worker (David Novak at Yum! Brands) and 1,023 times their typical worker (Steve Ellis at Chipotle Mexican Grill.)

- **Some food employers pay frontline workers substantially higher than average wages, including Costco.** After four years, cashiers at Costco could make $43,000 a year—more than double the $18,380 national mean wage for U.S. cashiers overall. Eight companies on our list made *Fortune* magazine's Best Places to Work list, including Publix Super Markets, Whole Foods Market, Wegmans Food Markets, and Starbucks. The highest paying company was General Mills, where operators, the most common job for hourly workers, were paid $53,440.

- **Some of the most dangerous jobs in the U.S. are found in the food industry.** Injuries are especially prevalent in warehousing, farm labor, and food processing. While the fatal injury rate for all industries is 3.5 fatalities per 100,000 workers, in agriculture the rate is nearly 27, and for warehousing and transportation jobs it is 13.[4] Of the companies on our list, three firms had ten or more fatalities in the last three years: Associated British Foods, Nestle, and Coca-Cola.

- **Our research found five companies taking the lead with good supply chain policies and programs.** Four are European companies: Danone, Syngenta, Ahold and Tesco. The fifth leading company is Starbucks. This result illustrates that U.S. companies are falling behind their European counterparts, which also suggests greater consumer awareness in Europe about supply chain issues as compared to U.S. consumers.

- **One company taking a proactive approach to food deserts is Brown's Super Stores, a member of Wakefern Corporation,** a cooperative wholesale distribution business. In opening its ShopRite store in Eastwick, PA, Brown's received public subsidies which allowed it to engage the community; the store serves primarily Caribbean and West African immigrants, so it offers regional specialty foods at a fair price. The store is also unionized and hires

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locally. Meanwhile, Walmart is allegedly using concern for food deserts as a way to overcome community opposition to further penetration into urban markets. One analysis estimated that if Walmart opens in Harlem, some 30 supermarkets, green grocers, and bodegas selling fresh produce would likely shut down.

- **Walmart's business model may be reaching its limits.** Its same-store sales have been shrinking for several years. In 2010, the company began losing market share to competitors And its stock price has been flat for a decade. The company has responded in its traditional way—cutting costs by reducing staffing levels. The result has been checkout registers going unstaffed, customers unable to find shopping carts, and shelves too often empty.[5]
- **The business case for good worker equity practices can be seen at Costco.** It embodies an ethos of treating employees as partners, paying them well, training them, and promoting from within. Such practices reduce turnover, improve service, enhance the customer experience, and contribute to increased company success. Costco competes head to head with Sam's Club, owned by Walmart. Costco sells twice as much—70 percent more per square foot—as Sam's Club. And its stock price has dramatically outperformed Walmart's.

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- **Among suggested pathways of change:** Further develop the business case for improved worker equity practices through research. Develop metrics to measure key areas of social impact and push for company disclosure on social issues. Build the corporate capacity to tackle these issues though industry-friendly engagement processes. Bring together progressive companies for social impact footprinting (possible target companies include Ben & Jerry's, Stonyfield Farm, and others purchased by multinationals). Create a learning journey process for companies. Encourage pilot projects, for example in domestic fair trade. Devise ways to get wage data out of the shadows. Use ownership variations as new avenues for dialogue. Create a steering committee of organizations to continue dialogue on overall strategy.

Table 1. 100 Largest and Most Influential Food and Agriculture Companies in the US

SIZE RANK	COMPANY	HEADQUARTERS	TYPE	FOOD SEGMENT	REVENUE (MILLIONS)	EMPLOYEES
1	Wal-Mart Stores Inc.	Bentonville AR	Public	Food Retail	408,085	2,100,000
2	Nestle S.A.	Switzerland	Public	Packaged Food	111,969	281,000
3	Cargill, Inc.	Wayzata MN	Private	Agricultural Products; Meat	107,882	131,000
4	Tesco PLC	United Kingdom	Public	Food Retail	86,707	492,000
5	Costco Wholesale Co.	Issaquah WA	Public	Food Retail	77,946	128,000
6	The Kroger Co.	Cincinnati OH	Public	Food Retail	76,733	338,000
7	Archer Daniels Midland Co.	Decatur IL	Public	Agricultural Products	61,682	30,700
8	Unilever plc	United Kingdom	Public	Packaged Food	59,352	167,000
9	PepsiCo, Inc.	Purchase NY	Public	Beverages; Packaged Foods	57,838	294,000
10	Kraft Foods Inc.	Northfield IL	Public	Packaged Food	49,207	127,000
11	Bunge Limited	White Plains NY	Public	Agricultural Products	45,707	33,021
12	Safeway Inc.	Pleasanton CA	Public	Food Retail	41,050	180,000
13	SUPERVALU Inc.	Eden Prairie MN	Public	Food Retail/Supplier	40,597	142,000
14	Koninklijke Ahold N.V.	Netherlands	Public	Food Retail	39,598	122,027
15	Sysco Corp.	Houston TX	Public	Foodservice Supplier	37,243	46,000
16	The Coca-Cola Co.	Atlanta GA	Public	Beverages	35,119	139,600
17	JBS S.A.	Greeley CO	Public	Packaged Meat	33,158	128,036
18	E. I. du Pont de Nemours and Co.	Wilmington DE	Public	Seed, etc	32,730	60,000
19	McLane Company, Inc.	Temple TX	Private	Wholesale Supplier	32,687	15,000
20	George Weston Limited	Canada	Public	Food Retail	32,182	142,000
21	Mars, Inc.	Mclean VA	Private	Packaged Food	30,000	65,000
22	Tyson Foods Inc.	Springdale AR	Public	Packaged Meat	28,430	115,000
23	Publix Super Markets, Inc.	Lakeland FL	Private	Food Retail	25,328	148,000
24	CHS Inc.	Saint Paul MN	Co-Op	Agricultural Products	25,268	8,666
25	Compass	United Kingdom	Public	Foodservice Supplier	24,740	471,108
26	McDonald's Co.	Oak Brook IL	Public	Restaurant	24,075	400,000
27	Danone	France	Public	Packaged Food	22,809	100,995
28	C&S Wholesale Grocers, Inc.	Keene NH	Private	Food Retail/Supplier	19,400	15,000
29	Sodexo	France	Public	Foodservice Supplier	19,380	379,137
30	U.S. Foodservice, Inc.	Rosemont IL	Private	Foodservice Supplier	18,862	25,000
31	Associated British Foods plc	United Kingdom	Public	Packaged Food	15,895	102,000
32	General Mills, Inc.	Minneapolis MN	Public	Packaged Food	14,636	35,000
33	ARAMARK Co.	Philadelphia PA	Private	Food Service	12,572	254,000
34	Kellogg Co.	Battle Creek MI	Public	Packaged Food	12,397	30,645
35	Dean Foods Co.	Dallas TX	Public	Dairy	12,123	25,780
36	ConAgra Foods, Inc.	Omaha NE	Public	Packaged Food	12,015	23,200
37	Monsanto	St. Louis MO	Public	Seed, etc	11,820	26,100
38	Syngenta	Switzerland	Public	Seed, etc	11,640	26,200
39	Yum! Brands, Inc.	Louisville KY	Public	Restaurant	11,343	215,460
40	Smithfield Foods Inc.	Smithfield VA	Public	Packaged Meat	11,203	46,350
41	Land O'Lakes, Inc.	Arden Hills MN	Co-Op	Dairy	11,146	9,000
42	Starbucks Co.	Seattle WA	Public	Restaurant	10,707	149,000
43	H. J. Heinz Co.	Pittsburgh PA	Public	Packaged Food	10,495	34,800
44	Performance Food Group Co.	Richmond VA	Private	Foodservice Supplier	10,100	9,800
45	BJ's Wholesale Club Inc.	Westborough MA	Private	Food Retail	10,051	24,800
46	Dairy Farmers of America, Inc.	Kansas City MO	Co-Op	Dairy	9,800	3,725
47	Wakefern Food Co.	Elizabeth NJ	Co-Op	Wholesale Distribution	9,458	1,304
48	Whole Foods Market, Inc.	Austin TX	Public	Food Retail	9,006	54,850
49	Sara Lee Co.	Downers Grove IL	Public	Packaged Food	8,339	21,000
50	Campbell Soup Co.	Camden NJ	Public	Packaged Food	7,676	17,500

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51	Associated Wholesale Grocers	Kansas City KS	Co-Op	Wholesale Distribution	7,252	1,024
52	Hormel Foods Co.	Austin MN	Public	Packaged Meat	7,221	19,400
53	Darden Restaurants, Inc.	Orlando FL	Public	Restaurant	7,113	178,500
54	Dole Food Company Inc.	Westlake Village CA	Public	Fruits and Vegetables	6,890	74,300
55	U.S. Premium Beef, LLC	Kansas City MO	Private	Packaged Meat	6,849	9,100
56	Saputo, Inc.	Canada	Public	Dairy	6,200	10,200
57	GROWMARK, Inc.	Bloomington IL	Co-Op	Seed, etc	6,132	1,876
58	Wawa, Inc.	Media PA	Private	Food Retail; Dairy	5,890	16,289
59	Hershey Co.	Hershey PA	Public	Packaged Food	5,671	12,400
60	Dr Pepper Snapple Group, Inc.	Plano TX	Public	Beverages	5,636	19,000
61	Giant Eagle, Inc.	Pittsburgh PA	Private	Food Retail	5,290	36,000
62	Wegmans Food Markets, Inc.	Rochester NY	Private	Food Retail	5,150	38,000
63	OSI Group, LLC	Aurora IL	Private	Packaged Meat	5,150	19,100
64	Perdue Inc.	Salisbury MD	Private	Packaged Meat	4,992	23,068
65	J. M. Smucker Co.	Orrville OH	Public	Packaged Food	4,605	4,500
66	J.R. Simplot Co.	Boise ID	Private	Fruits and Vegetables	4,600	10,000
67	Corn Products International Inc.	Westchester IL	Public	Agricultural Products	4,367	10,700
68	Ralcorp Holdings Inc.	St. Louis MO	Public	Packaged Food	4,049	10,800
69	Golden State Foods Corp.	Irvine CA	Private	Food Service; Distribution	4,000	3,000
70	Kangaroo Holding, Inc.	Tampa FL	Private	Restaurant	3,922	116,000
71	Unified Grocers, Inc.	Commerce CA	Co-Op	Wholesale Distribution	3,921	928
72	United Natural Foods, Inc.	Providence RI	Public	Wholesale Supplier	3,757	6,900
73	Fresh Del Monte Produce Inc.	Coral Gables FL	Public	Fruits and Vegetables	3,550	42,000
74	Wendy's Co.	Dublin OH	Public	Restaurant	3,416	64,100
75	Golub Co.	Schenectady NY	Private	Food Retail	3,370	23,844
76	McCormick & Co. Inc.	Sparks MD	Public	Packaged Food	3,337	7,500
77	Ag Processing, Inc.	Omaha NE	Co-Op	Agricultural Products	3,288	1,187
78	Chiquita Brands International Inc.	Cincinnati OH	Public	Fruits and Vegetables	3,230	21,000
79	Mead Johnson Nutrition Co.	Glenview IL	Public	Packaged Food	3,142	6,500
80	Brinker International Inc.	Dallas TX	Private	Restaurant	3,081	45,000
81	California Dairies, Inc.	Visalia CA	Co-Op	Dairy	2,963	678
82	Rich Products Co.	Buffalo NY	Private	Packaged Food	2,900	7,500
83	Hostess Brands, Inc.	Irving TX	Private	Wholesale Supplier	2,798	21,962
84	Burger King Holdings, Inc.	Miami FL	Public	Restaurant	2,502	38,884
85	Pinnacle Foods Finance LLC	Mountain Lakes NJ	Private	Packaged Food	2,437	5,000
86	Foster Poultry Farms	Livingston CA	Private	Packaged Meat	2,200	10,500
87	HP Hood LLC	Lynnfield MA	Private	Dairy	2,200	4,500
88	Jack in the Box Inc.	San Diego CA	Public	Restaurant	2,190	25,700
89	Darigold, Inc.	Seattle WA	Co-Op	Dairy	2,100	1,240
90	Koch Foods Inc.	Park Ridge IL	Private	Packaged Meat	2,000	14,000
91	Limagrain	France	Co-Op	Seed, etc	1,993	7,200
92	The Schwan Food Company	Marshall MN	Private	Packaged Food	1,964	17,000
93	Chipotle Mexican Grill, Inc.	Denver CO	Public	Restaurant	1,836	26,500
94	Bob Evans Farms, Inc.	Columbus OH	Public	Restaurant	1,680	44,819
95	The Cheesecake Factory Inc.	Calabasas Hills CA	Public	Restaurant	1,660	31,500
96	Ocean Spray Cranberries, Inc.	Lakeville-Middleboro MA	Co-Op	Fruits and Vegetables	1,589	2,000
97	Panera Bread Company	St. Louis MO	Public	Restaurant	1,540	15,900
98	Associated Milk Producers Inc.	New Ulm MN	Co-Op	Dairy	1,400	1,700
99	American Crystal Sugar Co.	Moorhead MN	Co-Op	Agricultural Products	1,204	1,361
100	Wayne Farms LLC	Oakwood GA	Private	Packaged Meat	1,082	9,200
			TOTAL	**2,113,494**	**9,054,164**	

Note: Rank is by size of revenues FY2010 or FY 2011, the latest available in January 2012. "Headquarters" column represents city where US headquarters is located, or designates a nation if headquartered abroad. Revenues are total company revenues, not only food-related sales.

Summary methodology of this study

The top 100 largest and most influential food and agriculture companies in the U.S. were selected through a process that considered hundreds of publicly traded, private, and cooperative companies in the U.S. and abroad. The universe was defined based on company data from FY2010 or FY2011, the latest available data in January 2012. All companies considered brought in at least $1 billion in revenues. Some selection was also made based on number of people employed by the company. Industry segmentation represented another criterion, with the aim of including top companies from each sub-sector.

Once the company universe was defined, we convened an advisory panel of experts in the field to discuss key trends, identify appropriate performance indicators, and brainstorm potential avenues of influence. The advisory panel met in person in Boston, helped shape the report, assisted with fact checking, reviewed drafts, and was available for interviews and queries.

Worker and social equity performance data was obtained from the platform of research maintained by Sustainalytics, a global research provider with 20 years' experience gathering information on the environmental, social, and governance (ESG) performance of public companies, assembled into a database primarily used by institutional investors. In this process, relatively complete social data was collected on 57 companies, 55 of these publicly traded, and two private firms. For these 57, selected indicators of worker and social equity performance were aggregated into six categories: oversight and disclosure; worker equity policies and practices; compensation; health and safety; supply chain worker treatment; and accessibility to food.

A survey on worker equity practices was sent to all 100 companies, although few private/cooperative companies chose to participate. All publicly traded companies tracked by Sustainalytics' database were sent a copy of their current social rankings and given a chance to make corrections or updates.

For private and cooperative companies, we conducted additional research into policies and practices on CSR disclosure and management; and we ran a scan for controversies and incidents on each company—reaching back three years—through a large database of news sources. We also used the Hoover's database for basic data on company revenue, industry subsector, lines of business, and number of employees. For more detail on methodology, consult the Appendices.

PART I: UNDERSTANDING THE OVERALL LANDSCAPE

The invisible hardship of workers

Food and agriculture is the single largest industry in the world. In the U.S., it represents an economic engine of $1.8 trillion—more than 13 percent of GDP.[6] Ironically, those workers producing and delivering food to consumers face the highest levels of food insecurity in the U.S. Their wages are well below the national average. Many food and agricultural workers come home from work too exhausted to cook. They are also exposed to various health and security risks, including sexual discrimination and abuse, and pesticide poising, which accounts for the death of approximately 40,000 agricultural workers each year.[7]

At the other end of the food system—the consuming end—there are vast food deserts where access to healthy food is simply missing. In a city like Detroit, with a population of 700,000, there is not a single grocery store from a national chain. And the farther people live from grocery stores, the greater the rate of obesity.

Amid the great bounty of food in America, why are the people who produce our food not able to enjoy it fully? Why do food deserts persist? Why do the major companies that process, distribute, sell, and serve food neglect these issues of worker and social equity?

AN INDUSTRY PERSPECTIVE

Robert Dennill of Equilateral Associates in Philadelphia was an executive in corporate social responsibility with Aramark, a major food distributor, for more than four years, and with Gap Inc. for more than seven years. He was with Gap Inc. at a time when it defined and led the wave of new interest in good supply chain management practices in the apparel industry. At a Boston gathering convened for this report, he offered an industry perspective:

"In a nutshell, the food and agriculture industry is considered far behind where other industries are in terms of worker treatment. It's facing supply chain issues that the apparel industry grappled with in the 1990s. Some of the most egregious problems are just down the road in the U.S. Yet companies pay more attention to what happens offshore, in areas like sugar, tea, and the other usual suspects. There's almost no attempt to understand what goes on inshore. There's an assumption that if production occurs in the U.S., it's got to be good. When companies do address worker treatment issues, it's ad hoc. One-off. They don't see it as part of the fabric of how they do business."

Major companies in food and agriculture, in large part, do not see good worker treatment as part of the fabric of how they do business. This is the core of the problem. These companies see themselves as being in the business of growing, processing, and selling as much food as they can, as cheaply as they can. Employee labor is an input into that process, to be purchased as inexpensively as possible. What happens in the daily work lives of employees—both direct employees and supply chain workers—often remains invisible to company decision-makers. The daily struggles of workers are off the radar of both employers and consumers.

Consider, for example, the story of Rita, as recently told by a reporter for Grist magazine, which offers a snapshot of worker life inside the ***meat processing industry.***

> "Rita has worked for the same Missouri-based pork processing company for 13 years. And yet she feels like she could lose her job at any time. If this 49-year-old mother of four is late for work by as little as five minutes, that's one strike. If she takes more than her allotted seven minutes to race to the bathroom and back, that's another strike. Three strikes is all it takes.
>
> "Rita (not her real name) cuts pork on a line she says has sped up considerably in recent years. The factory has reduced its staff, but demands the same amount of work from the employees that remain. She has to move fast, with a sharp knife, on her feet, for eight to 10 hours a day. 'I've never seen so many people with heart problems,' she said of her co-workers over the phone recently. 'I think it's because of the stress. Where there used to be four of us, now there are two people. [The managers] say, "You all can do this."'
>
> "In recent years, some workers have started talking about the conditions they face and trying to organize for better ones. Whenever this has happened, the company takes two approaches, Rita tells me. They start with a small raise (most meatpacking workers make a dollar or two more than minimum wage) to calm everyone down. If that doesn't work, they'll start firing people. Through all this, Rita has stayed on at the plant. 'There are no other jobs,' she says."[8]

For ***farmworkers,*** conditions are difficult in different ways. There are an estimated 1.4 million cropworkers in the U.S., and more than half are estimated to be undocumented, which means they are unlikely to blow the whistle on bad practices. "It's easy to take advantage of people in these conditions," said Irit **Tamir from Oxfam America, Boston,** a member of the advisory panel convened for this report. She pointed out that farmworkers are excluded from most provisions of the Fair Labor Standards Act, so they lack the protection of basic labor and safety standards accorded other workers—even though farmworkers toil in often riskier conditions. They generally do not receive overtime payments or unemployment insurance. Their minimum wage is often quite low, though higher in the states of California, Washington, and Oregon (states which include farmworkers in all state wage and hour protections).[9] But even in California, where laws mandate shade breaks and water breaks, 15 or 16 people have died in the past few years from heat stress, Tamir said.

Workers in the ***restaurant industry*** face still other challenges. Seven of the 10 lowest paid occupations in the U.S. are in restaurants. In this field, the federal minimum wage for servers and other tipped workers has remained frozen at a paltry $2.13 per hour for 20 years. The February 2012 report "Tipped Over the Edge," from Restaurant Opportunities Centers United, reported that nine out of 10 restaurant workers have no employer-paid sick days or health insurance. Women who work in the restaurant industry—and women are the majority—face five times more harassment than female workers overall. A key end result, the ROC United report noted, is that servers rely on food stamps at nearly double the rate of the general U.S. population. "Essentially," the authors wrote, "many of the workers who serve America its food cannot afford to eat."[10]

The structure of the industry

If the daily travails of workers are invisible to the management of major companies in food and agriculture, part of the reason is the enormous size of these companies, and the resulting remoteness from on-the-ground daily operations.

The power of concentration

The concentration of power and market share may well be the most significant factor in understanding the structure of the food and agriculture industry. A small handful of firms hold significant control over every sector. For example, among beef packers, four firms control 84 percent of the market. These are **Tyson** (**No. 22** on the list of 100), **Cargill** (**No. 3**), **Swift** (subsidiary of **JBS USA Holdings, Inc.—No. 17**), and **National Beef Packing** (subsidiary of **U.S. Premium Beef, No. 55**). In flour milling, three firms control 55 percent of the market: firms **Cargill/CHS, Archer Daniels Midland** (**No. 7**), and **ConAgra Foods** (**No. 36**). Pork, turkeys, chicken, and soybean processing each have from 55 to 80 percent of their markets controlled by four firms.[11] Just four companies control at least three-quarters of international grain trade. In the U.S., ten companies account for half of food and beverage sales.[12]

In grocery stores, the degree of concentration held by one firm is massive. Last year, **Walmart** (**No. 1**) by itself captured 25 percent of the $550 billion Americans spent on groceries. In 29 metro markets, it accounts for more than 50 percent of grocery sales. Walmart's domination has prompted other firms to consolidate, as regional chains like Kroger and Fred Meyer combined to form national chains. Today, the top five food retailers capture half of all grocery sales—double the share they held in 1997.[13]

Market power permits large firms to pressure farmers into low prices for commodity goods. A USDA analysis found that big retailers use their market power to pay less for apples, lettuce, and other produce than they would pay in a competitive market. With pork, for example, the USDA Research Service found that, between 1990 and 2009, the farmers' share of each dollar that consumers spent on pork fell from 45 to 25 cents.[14]

The power of retailers and other companies higher up the food chain has a considerable impact on the potential to improve pay and conditions for farmworkers. Irit Tamir of Oxfam America remarked that for every dollar a consumer pays for an apple, the farmer gets just 11 cents. In trying to pressure farmers to pay farmworkers more, "we are fighting the wrong battle," she said. "We need to get to the 89 cents"—meaning, focus less on farmers and more on the processing, distribution, and retail companies that take far more of the food dollar.

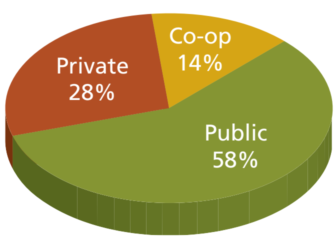
Market power also gives firms leverage to push for lower wages and to combat unionization. The meat-packing industry offers a powerful example of this. At one time, meatpacking jobs were among the highest paid industrial jobs in the U.S., with one of the lowest turnover rates. They were like autoworkers' jobs once were: a pathway to the middle class. Yet beginning in the 1960s, Iowa Beef Packers (IBP), which later became International Beef and was ultimately bought by **Tyson,** began to revolutionize the industry. It recruited immigrant labor, de-skilled jobs, and battled unions. Firms that wanted to compete with IBP were forced to adopt similar methods. Wages across the industry fell by as much as 50 percent, making meatpacking one of the nation's lowest paying industrial jobs. In recent years, unions have been resurgent in meatpacking—meat and pork processing industries today are roughly 70 to 80 percent unionized—yet at significantly lower rates of pay.[15]

Today, Walmart, more than any other firm in the world, sets labor standards across its vast network of direct employees and the many industries that feed its supply chain. Minimizing labor costs is at the core of Walmart's business strategy, and it effectively drives this same strategy into the operations of its suppliers. As the largest employer in the nation—with 2.1 million employees—Walmart in many ways drives a low-wage strategy throughout the economy. Yet it may be reaching the limits of that strategy. Its same store sales are failing to climb, and many cities are resisting new Walmart stores. (This report will return to this issue of Walmart's possibly failing business model in the section on "Making the business case.")

The role of ownership models

Despite the public spotlight being on large high profile publicly traded companies, such as Walmart and Costco, private companies and cooperatives have a significant presence in food and agriculture. In the list of 100 companies studied here, 14 are cooperatives and 28 are privately held; only a slight majority of 58 companies are publicly traded. Private companies can be substantial players, such as **Cargill,** with 131,000 employees; the candy-maker **Mars** (**No. 21**)**,** with $30 billion in revenue; chicken processor **Perdue** (**No. 64**)**;** and the baked goods firm **Hostess Brands** (**No. 83**)**.**

Figure 1. Ownership Structure of Top 100



Within private ownership, there can be a great deal of variation in ownership structures, with implications for workers. It is beneficial to understand a particular company's ownership structure before beginning engagement. **Burger King** (**No. 84**)**,** for example, is today controlled by a hedge fund, which has put the firm under pressure to increase profits, with mass layoffs at Miami headquarters. "It's been run as a cash cow for Wall Street," Bob Goldin of Technomic, a food service consulting firm, told the *New York Times.* In June 2012, the hedge fund took the company public again, while retaining a 76 percent stake. The idea is to turn the business into a company collecting fees and rents that is little involved in daily operations. This lack of hands-on involvement may leave less opportunity for engagement and influence.[16]

On the more positive side, private ownership can also leave more room for running a humane workplace. A good example is the family-owned **Wegmans** (**No. 62**)**,** a company with $5.1 billion in revenue, 38,000 employees, and 79 supermarkets along the East Coast. As *The Atlantic* reported recently, Wegmans has a "cult-like loyalty among its customers," sends hundreds of employees around the world to become experts in their products, and says its workers are its most important resource. "When you think about employees first, the bottom line is better," said Kevin Stickles, vice president for human resources. "We want our employees to extend the brand to our customers." Executives say the company can invest in its employees because it is not publicly traded, and thus not under the relentless pressure to please the stock market.[17] Wegmans has long been on *Fortune*'s list of the 100 Best Companies to Work For.

Cooperatives have a surprisingly large presence in food and agriculture. These include farmer-owned cooperatives like the massive **CHS Inc.** (**No. 24**)**,** with $25 billion in revenue; **Land O'Lakes** (**No. 41**)**,** with

$11 billion in revenue; and **Ocean Spray Cranberries (No. 96).** As producer cooperatives, these companies are run in the interests of their members, the farmers, and are governed by them, under a principle of one-person, one-vote.

CHS, for example, is governed by a 17-member board directly elected by its producers, and all CHS directors are active farmers and ranchers. CHS is a diversified energy, grains and food company that is the nation's leading cooperative and a Fortune 100 company. It is unusual in the fact that it also has shares of stock trading on the NASDAQ stock exchange; those are preferred shares, which behave more like debt, and confer limited voting rights. This ownership and capitalization design makes CHS responsive to the farmers and ranchers who produce its products, not to financial powers. This ownership structure, in part, helped the firm recently win honors as one of the top places to work in Minnesota, as named by the *Minneapolis Star-Tribune*.[18]

Cooperatives have a surprisingly large presence in food and agriculture. These companies are often run in the interests of farmers and governed by them.

Being a farmer-owned cooperative "almost insists on a more progressive attitude toward labor," said Theresa Marquez from Organic Valley, a Wisconsin-based farmer-owned organic dairy company that has not yet made it onto the 100 largest list, but may soon do so, given its 2011 revenues of $716 million and continuing double-digit growth. Minimum wage at Organic Valley is $11 an hour. "Do our families (the farmer owners) pay their workers better? Some of them do," she told us. "Others do not." She emphasized that each of the company's 1,700 farmer-members is an individual business.

It is important to note that many cooperatives on the list of 100 largest food and agriculture companies are purchasing cooperatives, formed to enhance the buying power of member corporations. These include **Associated Wholesale Grocers, (No. 51)** and **Unified Grocers (no. 71),** large wholesale grocery distribution companies. These cooperatives are no more likely to be values-led businesses than any other company.

Even with farmer-owned cooperatives, not all exemplify best practices. Darigold (No. 89), a farmer-owned dairy cooperative with $2 billion in revenue, headquartered in Seattle, has recently been the subject of a campaign by the United Farm Workers and other groups. In January 2012, the Community Alliance for Global Justice held a march to Darigold headquarters to support workers; one-third of company workers say they were fired after attempting to form a union.[19] Elsewhere, the Teamsters asked Top Food store customers in many cities to boycott Darigold products, after hundreds of Teamsters were locked out of their jobs by Darigold management.[20]

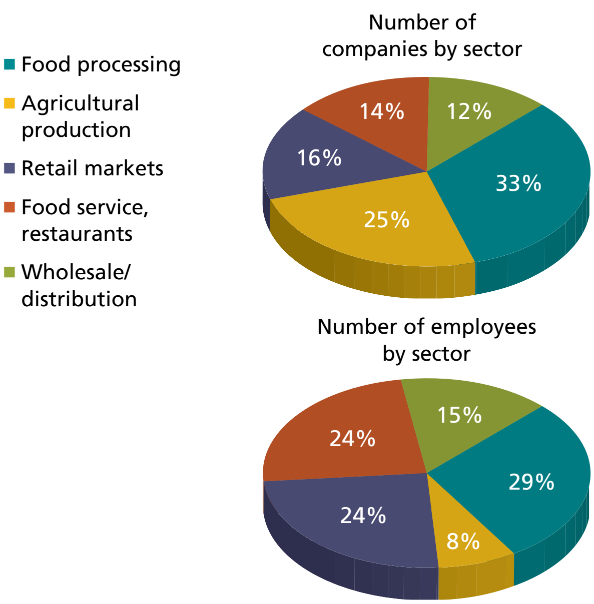
"Just because you're dealing with a cooperative, at the end of the day you're still dealing with small farmers," one of our advisory board members said. "And they don't have the capacity to manage labor relations well." In fact, larger size can provide opportunities for better worker treatment. **Robin Jaffin, director of supplier programs with Verite,** another of our advisory board members, said that "If it's a small-holder farm, it's harder to impact the practices, compared to large agribusiness, which have management systems in place."

On the other hand, cooperative membership by farmers in, say, dairy processing may offer a potential new avenue of influence for activists. Rather than appealing only to management, activists might take their case to company owners, the farmers themselves. Farmer ownership is a more stable, transparent, accessible form of ownership than that of publicly traded companies, where ownership is anonymous, constantly shifting, and often buried in layers of intermediaries. It may be that farmer ownership could offer the possibility of human conversation with real owners, and the potential for tapping a genuine sense of community concern.

Still another ownership model at play among the 100 companies is employee ownership. Publix Supermarkets (**No. 25**) is majority owned by its 148,000 employees, and is the largest majority employee owned firm in the nation.* It has earned a spot on the *Fortune* list of the 100 Best Companies to Work For, and it is a place where an hourly deli clerk makes nearly $27,000, and voluntary turnover is just 3 percent.[21] Yet it is currently being targeted by the Coalition of Immokalee Workers, because Publix has refused to join other companies in guaranteeing better conditions and pay for tomato pickers in its supply chain. On the other hand, CIW reports it is seeing increasing support for its campaign from Publix employees. If employees were to be approached as stockholders, they might be prevailed upon to take the case of farmworkers to the board of directors, because theoretically that board is accountable to worker-owners.[22]

Figure 2. Number of Companies and Employees by Sector

Total: 100 companies, 6,658,717 employees



Besides Publix, at **Wawa Inc.** (**No. 58**)**,** approximately half of its 18,000 employees have a 30 percent ownership stake through their employee stock ownership plan (ESOP). There is also an ESOP program at **Golub Corporation's** Price Chopper chains (**No. 75**).

Industry sub-sectors

A final point to be made about the structure of the industry is the fact that it is composed of highly diverse sub-sectors—agriculture production, food processing and production, distribution and supply, food service and restaurants, and retail groceries—each with its own unique areas of impact and exposure in terms of worker equity.

Among the 100 largest companies in food and agriculture, the largest segment of companies, one-third, is in food processing. In terms of companies employing the most people, however, three industry sub-sectors are virtually equal: food processing, food service/restaurants, and retail markets. (Note these figures include direct employees only, not workers in supply chains.)

PART II: STUDY FINDINGS—WORKER AND SOCIAL EQUITY PRACTICES AMONG 100 LARGEST FIRMS

1. Oversight and Disclosure

Assessing a company's policies and practices in relation to worker equity begins with effective oversight and disclosure. The best companies disclose not only their social and environmental policies but also their *outcomes*, though in the case of worker equity, this outcome-based reporting is almost entirely missing. Given these challenges, it is useful to keep in mind that analysis of worker equity practices is incomplete—because disclosure is inadequate.

To effectively address key social impacts, oversight must extend from the board of directors all the way down to factory or farm management. Though it is common for companies to create board responsibility for *corporate governance* practices, few companies explicitly assign formal board or executive oversight

* Among the 100 largest majority employee-owned companies in the U.S., a surprising 14 are supermarkets. See http://www.nceo.org/articles/employee-ownership-100.

of social issues. Among the 57 companies for which Sustainalytics data was available, 32 companies had delegated board or management level oversight broadly to environment, social and governance (ESG) issues. Yet only 18 of these companies disclosed explicit formal oversight of social issues, such as labor standards, employee development, health and safety, or access to food.

The French firm **Danone** (**No. 27**) has a social responsibility committee at the board level that oversees the company's corporate social responsibility (CSR) strategy, which addresses employees, customers, and suppliers, and assesses the company's non-financial performance. Another 12 companies reference a management level committee tasked with social oversight, yet offer limited disclosure on the committee's focus, composition and level of responsibility. The remaining firms (45 percent of 57 companies) provide no evidence of a formal accountability framework to address social impacts.

Engaging stakeholders

Stakeholder engagement is an effective way for companies to address social risks. A food and agriculture company's stakeholders extend beyond its shareholder, employee, and customer base to include farmers, suppliers, contractors, sub-contractors, and society at large. According to CERES' *Road to 2020: Corporate Progress on the CERES Roadmap for Sustainability* report, companies in the food sector are not sufficiently leveraging the opportunity to engage stakeholder input.

Campbell Soup (**No. 50**) demonstrates considerable leadership in this regard. It solicits feedback from suppliers, employees, investors, consumers, community groups and policy makers on issues such as health and nutrition, food safety and quality, environmental stewardship, community relations, and employee engagement. It then conducts a materiality assessment of these issues to help develop its sustainability strategy. The company discloses its engagement efforts in its sustainability reporting.

Among companies studied, **Coca-Cola Company** (**No. 16**) is unique in its disclosure of regulatory risks involving public health and obesity in its mainstream financial filings. More common is the practice of publishing stand-alone CSR or sustainability reports.

While a majority of the publicly traded food and agriculture companies we studied (39 out of 57) do release a sustainability report that at least minimally addresses social issues, we have found that the quality of reporting is not robust or comparable. These companies often disclose information about the various social programs they are involved in, but the reports tend to focus on philanthropic activities as opposed to worker equity policies and performance. It is particularly challenging to gather consistent social data in the form of measurable and quantifiable metrics, such as employee turnover rates, workforce composition, health and safety incidents, fatalities, and results of supply chain audits.

Among publicly traded companies studied in this report, only 16 out of 57 (30%) companies release sustainability reports with *dedicated and detailed sections on social issues*, namely labor, supply chain, and community.Even the leaders in this area fall short when compared with their governance and environmental reporting. While there has been much progress in terms of *environmental disclosure*, with the development of reporting initiatives such as the Carbon Disclosure Project, a harmonized reporting system for *social metrics* is lacking.

The table on the next page highlights some of the publicly traded companies with relatively good practices in oversight and disclosure of worker and social issues.

The French firm Danone (No. 27) has a social responsibility committee at the board level that oversees the company's corporate social responsibility (CSR) strategy.

Table 2. Selected Top Publicly Listed Companies for Oversight and Disclosure

COMPANY	SCORE	WHY THEY'RE ON TOP
Syngenta AG	**100**	A Corporate Responsibility Panel at senior executive level advises on corporate responsibility (CR) priorities and oversees CR reporting. In its annual report, the company integrates social, environmental and financial performance, providing significant social disclosure, with a particular focus on food security.
H. J. Heinz Company	**98**	2011 CSR Report was externally verified according to the AA1000 (2008) Assurance Standard and provides information about labor standards, employee programs, community initiatives, and safe and healthy food. The company has a CSR committee reporting three times a year to the board.
Danone	**93**	The company is particularly strong in terms of governance of health issues related to its products. Oversight of social issues by management is linked to compensation in the form of social business objectives including labor indicators, such as job security, employee training and development.
Coca-Cola Company	**93**	Has a board-level public issues and diversity review committee. In its financial filings, the company discloses regulatory risks involving public health and obesity. The company has strong social supply chain policies and discloses supply chain audits results.
Unilever	**90**	Unilever's Sustainable Living Plan Steering Team oversees corporate responsibility initiatives. The company has set up specialist teams to work on different sustainability issues, including health and safety, and sustainable sourcing of supplies.
ConAgra Foods, Inc.	**88**	The company has recently developed a corporate responsibility steering committee at the executive level. It oversees the company's CSR strategy, which focuses on people (employees & customers), community and the environment, and has an employee engagement component. The company discloses social information in its CSR report.
Kellogg Company	**88**	The company has a board level committee to oversee social issues and links executive compensation to organizational objectives, including diversity and safety. In its CSR report, the company provides information on workplace programs and performance.
Tesco PLC	**86**	Has a corporate responsibility committee comprised of 12 senior executives who review Tesco's performance four times a year against its Group Key Performance Indicators set by the board, including sustainability and corporate responsibility targets.
Compass Group PLC	**83**	The company has strong oversight of health and safety in particular. Its UK Executive Committee is supported by the Health, Safety and Environment (HSE) Director and receives weekly and monthly HSE reports advising of critical issues.
Nestle S.A.	**83**	Nestle's latest CSR report is written according to GRI Application Level A+ and is externally verified. The company has assigned executive level oversight of social issues and has strong human rights and labor policies and management systems in place. It also has strong disclosure of social performance with regards to its own operations and its supply chain.

Because public companies are more exposed to scrutiny by civil society and the media, their level of social disclosure is somewhat higher than that of private companies. It is no surprise that transparency on social metrics is especially weak among **private companies.** Of the private and cooperative companies contacted for input for this report, only two answered our survey, and the information they provided was quite limited. Most do not disclose any formal oversight of social impacts and few publish robust sustainability information

Of the 43 companies we studied for which no Sustainalytics data was available, we found that 15 had very minimal or no mention of sustainability on their websites. There were 12 of the 43 that had full CSR reports, or extensive discussion of sustainability in terms of environment, employees, and the community. Notable for their extensive coverage were two companies: the private firm **Mars** (**No. 21**) for its extensive web disclosure of social equity and environmental policies, and the cooperative **CHS Inc.** (**No. 24**) for its disclosure on its website and its openness in fully replying to this study's survey.

Table 3. Private companies with substantially complete CSR reporting

COMPANY	TYPE
ARAMARK Corp.	Private
Bob Evans Farms, Inc.*	Public
C&S Wholesale Grocers, Inc.	Private
CHS Inc.	Co-Op
Darigold, Inc.	Co-Op
Foster Poultry Farms	Private
J.R. Simplot Co.	Private
Land O'Lakes, Inc.	Co-Op
Mars, Inc.	Private
OSI Group, LLC	Private
Perdue Inc.	Private
Publix Super Markets, Inc.	Private

* Public company not tracked by Sustainalytics.

2. Worker equity policies and practices

What does it mean to have good worker equity practices? There are a number of emerging standards that attempt to delineate detailed metrics for this issue, but what project organizers sought instead was a simple framework. After a morning's discussion, the advisory group compiled a simple list, which closely tracks many of the indicators used by Sustainalytics. The list can be seen as representing emerging cultural expectations of companies.

GOOD WORK INCLUDES THESE COMPONENTS:

- Living wage.
- Worker rights (maximum hours, minimum wages, freedom from discrimination).
- Job security.
- Voice at work.
- Freedom of association.
- Wellness and safety.
- Training and professional development.

Company policies

From a company perspective, good jobs begin with good company policies. **Aaron Bernstein from the Harvard Labor and Worklife Program**, a member of our advisory panel, noted that his program had benchmarked 2,500 companies (in many industries, not only food and agriculture), looking at their publicly declared policies in worker practices. They found that only 28 percent of the companies had a basic policy on human rights, or a social code of conduct that covered their own operations and their supply chains.[23]

Among the 57 companies Sustainalytics tracked for this report, only a minority received top scores for key employee-related policies:

Table 4. Top scores in employee-related policies

EMPLOYEE-RELATED POLICY	NO. RECEIVING TOP SCORE	PERCENT RECEIVING TOP SCORE (OUT OF 57)
Freedom of association	10	18%
Formal policy on core labor rights	5	9%
Policy on elimination of discrimination	12	21%

Unionization

Besides company policies, another route to better worker treatment is through unionization. Unionization rates are difficult to determine, as many companies do not disclose the percent of their workforce that is unionized. Unions themselves are also often reluctant to list all the workplaces where they have contracts.

Our research did determine that at least 33 companies on our list, and possibly more, have some union representation. In the publicly traded companies Sustainalytics studied, we found 11 with a known union density of greater than 50 percent. Three of these were known to have very high union density, with 75 percent or more of their workforce covered by collective bargaining. These companies are **Danone** (**No. 27**), **Safeway** (**No. 12**), and **Kroger** (**No. 6**). Another grocery chain on the list, **Supervalu** (**No. 13**), has union density of between 50 and 74 percent of its workforce. In the grocery industry in general, unionization is higher than many other industries; it is about one-third organized.

Unions make a difference in wages. Despite the fact that wages across the U.S. have fallen by a third since the 1970s and early '80s in real terms, there still is a union premium in food retail and food processing industries. One union professional told us that in food retail, a unionized cashier makes about $13/hour, while a non-union cashier makes $9.25. That is about a 39 percent premium. In poultry, fish, and meat processing, the difference is $16.50/hour vs. $12/hour.

Decent hourly wage rates do not always add up to a good annual income, however. The reason is the emergence and prevalence of part-time work. The typical grocer in the U.S. has 70 percent part-time workers. Part-time workers typicall constitute a transient and disenfranchized workforce, that is often denied the same benefits as their full-time counterparts.

Voice at work

If unions are unavailable to most workers in food and agriculture, another noteworthy gap is a **grievance process,** or other kinds of consultative processes. As one advisory panel member noted, "Companies too rarely ask their own workers, how do we do things better? If anyone listened to them, they could do their jobs better."

To search out the best companies for worker equity policies and practices, this study relied on not only Sustainalytics research but *Fortune*'s list of the 100 Best Places to Work, and other sources. We offer the following list of selected top companies, both public and private.

Table 5. Selected Top Companies for Worker Equity Policies and Practices

COMPANY	BEST PLACE TO WORK LISTS	OWNERSHIP TYPE	SECTOR	WHY THEY'RE ON TOP
Dole Food Co. Inc.	No	Public	Fruits and vegetables	Good policy on elimination of discrimination. Policy to honor ILO conventions on freedom of association. Relatively low number of temp workers, and relatively high rate of unionization. Among food/ag co's, got top Sustainalytics score for employee policies and practices.
Campbell Soup Co.	Yes	Public	Packaged food	Received four "great place to work" awards. 22% of US employees are unionized. Employee turnover dropped significantly in recent years.
Costco	Yes	Public	Retail	Average base hourly pay is $13.87. After four years cashiers can earn $43,000, more than double national average. Company promotes largely from within.
Danone	Yes	Public	Packaged food	Working with labor unions, created worldwide diversity program in 2007. In 2008 established new post of Dir. of Diversity. In 2009, 84% of employees covered by collective bargaining.
General Mills	Yes	Public	Packaged food	85% of officers were promoted from within. Most common hourly job, operator, pays average $52,145 annually. Fully paid sabbaticals. Hourly employees receive 75 hours training a year.
H. J. Heinz Co.	No	Public	Packaged food	60% of US and Canadian employees covered by collective bargaining. However, 70 union workers locked out for 3 weeks in Australia, before contract agreement.
Publix Super Markets	Yes	Private, majority Employee Owned	Retail	Largest majority employee-owned company in nation. Employees get generous annual stock infusions. Most common hourly job, deli clerk, pays $26,753. Hourly employees receive 80 hours professional training a year.
Sodexo S.A.	No	Public	Food service supplier	25% of executive bonuses linked to qualitative targets, including diversity and others. North American operations have 300 collective bargaining agreements.
Syngenta AG	Yes	Public	Seeds, etc.	Its program to reduce health and safety incidents has led to noteworthy decline in lost-time incident rate. Also recognizes ILO conventions in policies. Made "Best Companies in Argentina" list.
Tesco PLC	Yes	Public	Retail	Human Rights Policy supports ILO conventions and UN Universal Declaration of Human Rights. Has diversity council with directors drawn from across the company. Subsidiary dunnhumbyUSA named 2011 Great Place to Work. Yet company accused of fighting unions in US.
Wegmans Food Markets	Yes	Private, family owned	Retail	This family-owned company has only 4% voluntary turnover. Average annual pay for hourly customer service job is $29,286. Named to Fortune 100 Best Places to Work list every year from 1998 to 2012.
Whole Foods	Yes	Public	Retail	Offers 100% health-care coverage. Domestic partner benefits for same-sex couples. 26 hours professional training annually for hourly employees. Cashiers earn average $26,812. However, company fights unions.

At least six other companies on our list of 100 have made more than two best-places-to-work type listings—including **Kellogg (No. 34), Kraft (No. 10), McDonald's (No. 26), Monsanto (No. 37), PepsicoC (No. 9),** and **Supervalu (No. 13).**

The divergence between Ahold's policies and practices suggests weakness in its accountability structure—and an avenue for engagement.

Another large food company worth mentioning for good worker equity practices is Wakefern Corporation (No. 48 on our list, with $9 billion in revenue). Wakefern is a cooperative wholesale distribution business owned by its retailer members. Prominent among them is **Brown's Super Stores Inc.,** which operates ten ShopRite supermarkets in Pennsylvania's Delaware Valley and employs more than 2,300. For two years in a row Brown's was recognized as The Best Employer in the Philadelphia region by the *Philadelphia Business Journal*. The contest was decided entirely by employees, who took part in a questionnaire administered by an independent company. Member-owner Brown's Super Stores has ShopRite stores in the Greater Philadelphia area. Run by Jeffrey Brown, it is a unionized employer that has begun a project to open significant food stores in four food deserts in Philadelphia. The first was in Eastwick, a good-sized store that created 250 unionized jobs with good benefits, and all were employed from the neighborhood.

Controversies and incidents

If there are bright spots among the 100 companies studied, there are also many controversies and troubling incidents. Four firms stand out.

Royal Ahold (No. 14): This European company claims that it adheres to the UN Global Compact principles regarding freedom of association. But in August 2011, Giant Carlisle, a U.S. division of Ahold, was accused of denying its employees the right to freedom of association. When 11 groups of Ahold USA employees and representatives of the United Food & Commercial Workers International Union (UFCW) visited 70 Giant Carlisle stores in Eastern Pennsylvania, all managers refused to allow the union representatives into their stores. Similarly, in April 2011, Ahold was alleged to have denied the right of unionization to employees of its Martin brand (25 stores in the U.S. acquired in 2010) in Richmond, Virgina. *The divergence between Ahold's policies and practices suggests weakness in its accountability structure—and an avenue for engagement—especially considering its strong employee relations track record in Europe, where the company is headquartered and subject to more stringent labor regulations.*

Tyson Foods (No. 22): Over the past three years Tyson Foods has been involved in a number of controversies relating to compensation, discrimination and health and safety. It faced several legal proceedings for allegedly violating the Fair Labor Standards Act, regarding overtime compensation for the time required for employees to put on and remove protective clothing. In several lawsuits, the company did not admit wrongdoing but agreed to compensate employees. In October 2011, the U.S. District Court in Georgia approved a $32 million settlement to 7,000 poultry workers. This set a precedent in the meatpacking industry, as lawsuits on this issue are common for the industry. In October 2011, the company was fined $2.25 million for gender discrimination in hiring, reportedly the biggest fine in the history of the Office of Federal Contract Compliance Programs (OFCCP). *While the company has an anti-discrimination policy, its practices suggest that policy is not adequately enforced.*

Walmart (No. 1) has been implicated in a significant number of employee-related lawsuits, many certified as class actions. The lawsuits have alleged violations of wage and hour laws, failure to pay overtime wages, forcing employees to work off the clock, discrimination, and illegal compensation. Over 70 other labor-related class action lawsuits have been filed over the past decade, totaling upwards of $640 million in settlements. Moreover, Wal-Mart continues to systematically prevent its employees from unionizing, including intimidation of union supporters and store closures where unionization efforts have succeeded.

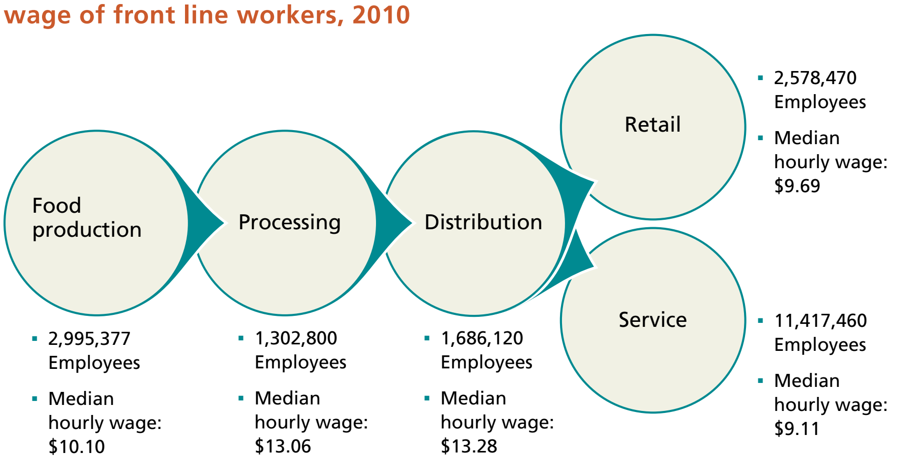
Nestle (No. 2): In the last three years, Nestle has been involved in a series of controversies concerning basic labor rights and trade union relations. The company has been accused of firing employees who participated in strikes, suspending union leaders and intimidating union members. In 2008 and 2009, the International Labor Rights Forum listed Nestle as one of the worst companies in the world for union organizing. Compared to its peers, Nestle appears to be systemically involved in conflicts with unions, despite its policy on freedom of association, which states that the company refrains from "any action restricting the employee's right to be, or not to be, affiliated with a union."

3. Compensation

One of the most basic indicators of how a company treats its workers is how it compensates them. While many companies claim they have competitive salaries and benefits, there is little publicly available data by which to confirm this. Advertised benefits are often intended for executive-level jobs, or for full-time employees, when many companies are increasingly hiring part-time workers. For these reasons, compensation practices are best understood at an industry overview level.

Overall, the food and agriculture industry employs nearly 20 million workers in the U.S., or one in five of all private sector workers. Within this broad field, different sub-sectors have varying pay scales. In the **production** of the food, with companies such as **Cargill** and **Land O'Lakes,** there are some 3 million workers earning a median hourly wage of $10.10. In the **processing** of food—including meat packing companies like **Perdue** as well as packaged food firms like **Kraft**—there are 1.3 million employees earning a higher median hourly wage of $13.06. Warehousing and **distribution** includes companies like **McLane Company,** and others, where 1.7 million employees earn the highest of all sectors, with a median hourly wage of $13.28. The **retail** sector includes grocery chains like **Kroger** and big box stores like **BJs;** in this sector 2.6 million employees earn a relatively low median hourly wage of $9.69. Finally, restaurants and **foodservice providers** include chains like **Starbucks** and **Darden Restaurants,** a group that owns Red Lobster and Olive Garden. Here we find by far the most employees, 11.4 million, earning the lowest income, a median hourly wage of $9.11.

Figure 3. Employees in U.S. food industry sectors and median hourly wage of front line workers, 2010



Source: BLS OES Data, Food Chain Workers Alliance analysis[24]

Compared to other front line workers in the U.S. economy, food industry workers make about one-third less.[25] In 2010, the median income of front-line workers across the food industry was just $18,900.[26] This is well below the 2010 U.S. poverty threshold for a family of four, at $22,050.[27] Ironically, those workers producing and delivering food to consumers face the highest levels of food insecurity in the U.S. And according to the Food Chain Workers Alliance, 79 percent of the 629 workers they surveyed across the food chain do not have or do not know if they have paid sick days. Many do not have employee-sponsored health insurance and cannot afford to purchase it on their own.[28]

One variable which sets the food industry apart is that many jobs are exempt from the wage and hour laws that protect other workers in the U.S. The federal minimum wage for tipped employees has been frozen at $2.13/hour since 1991.[29] As a result, restaurant servers have three times the poverty rate of the rest of the U.S. workforce.[30] Many agricultural workers are also exempt from minimum wage and hour laws.

Among agricultural workers in 2004-2006, 14 percent of crop workers were labor-contracted, and 86 percent were directly hired. The average hourly wage of labor-contracted workers over this period was $7.82, compared to $8.03 for directly-hired crop workers.[31]

Another trend worth noting is the increase in "non-standard" or temporary or part-time work across the food industry over the last 20 years. Since the average part-time worker gets only 60 percent of the wage rate of a full-time worker, the impact on employee income is profound. Nonstandard employment has been particularly an issue in grocery stores and warehouses.[32]

Compensation for food industry jobs at the CEO level offers a stark contrast to the pay of average workers. The highest paid CEOs are bringing in total compensation of between 475 times their typical worker (David Novak at Yum! Brands) and 1,023 times their typical worker (Steve Ellis at Chipotle Mexican Grill.)

Table 6. 10 Highest Paid CEOs vs Typical Worker Pay

COMPANY, *CEO*	CEO BASE SALARY	CEO TOTAL COMPENSATION	MULTIPLE OF PAY OF A TYPICAL WORKER IN SAME SECTOR
Coca-Cola, *Muhtar Kent*	$1,350,000	$21,161,811	779
Chipotle Mexican Grill, *Steve Ellis*	$1,280,769	$19,391,571	1023
Walmart Stores, *Michael Duke*	$1,264,775	$17,587,215	873
Starbucks, *Howard Schultz*	$1,382,692	$16,079,480	849
Kraft Foods, *Irene Rosenfeld*	$1,540,212	$15,737,266	579
PepsiCo, *Indra Nooyi*	$1,584,615	$14,086,390	519
Yum Brands, *David Novak*	$1,474,038	$12,904,667	475
DuPont, *Ellen Kullman*	$1,332,500	$12,297,608	585
Monsanto, *Hugh Grant*	$1,409,179	$11,238,123	535
Archer Daniels Midland, *Patrica Woertz*	$1,300,000	$10,913,742	520

Source: CEO Pay Figures from Equilar Inc., published in "Executive Pay," New York Times, June 17, 2012.

Note: Multiple of pay of a typical worker is derived by using the median wage of frontline workers by sector and assuming a 40-hour work week for a full year. A 40-hour week is not typical in all sectors.

Best practices in compensation

Among major food employers that manage to pay frontline workers substantially higher than average wages, perhaps the most prominent is Costco (No. 5 on our list, with $78 billion in revenue). When a visit to Costco was made by Jody Heymann and Magda Barrera, authors of the book *Profit at the Bottom of the Ladder,* Costco had starting wages significantly higher than the minimum wage. Cashiers started at twice the minimum wage. For truck drivers, starting wage was three times the required minimum. After only four years, cashiers at Costco could make $43,000 a year—more than double the $18,380 national mean wage for U.S. cashiers overall. Because of its reputation for providing good jobs, Costco faced less opposition from communities than competitors like Wal-Mart when it sought sites for its warehouses. [33]

Fortune magazine's Best Places to Work list included eight of the 100 companies on our list. Three were retail stores—**Publix Super Markets, Whole Foods Market,** and **Wegmans Food Markets.** Two were restaurants—**Darden Restaurants** and **Starbucks.** Two were food processing companies—**J.M. Smuckers** (**No. 65**) and **General Mills.** One was an agricultural company—**Monsanto** (**No. 37**)**.** The highest paying company was General Mills, where operators, the most common job for hourly workers, were paid $53,440.

Table 7. 2012 Wage Data from Fortune's Best Places to Work List

COMPANY	TYPE	MOST COMMON JOB (SALARIED)	AVERAGE ANNUAL PAY**	MOST COMMON JOB (HOURLY)	AVERAGE ANNUAL PAY**
Agricultural Production					
Monsanto (2010)	Public	Research & Development	$100,147	Manufacturing & Production	$48,307
Food Processing					
General Mills	Public	Retail Sales Representative	$47,199	Operator	$52,145
J.M. Smuckers Co. (2011)	Private	Route Sales Representative	$51,075	Consumer Comm. Center Rep.	$27,400
McCormick & Co. (2010)	Public	Finance	$115,000	Manufacturing Role	$46,750
Restaurants / Foodservice					1,540
Darden Restaurants	Public	Restaurant Manager	$56,991	Server	$24,499
Starbucks Corp.	Public	Store Manager	$53,634	Distribution Partner	$33,614
Retail					
Publix Super Markets	Private	Store Manager	$110,644	Deli Clerk	$26,753
Wegmans Food Markets	Private	Store Department Manager	$56,040	Store Customer Service	$29,286
Whole Foods Market	Public	Store Team Leader	$80,199	Cashier	$26,812

Note: Company data is for 2012 unless otherwise noted.

4. Health and Safety

Some of the most dangerous jobs in the U.S. are found in the food industry, where numerous injuries and fatalities result each year. Injuries are especially prevalent in warehousing work, farm labor, and food processing. While the fatal injury rate for all industries is 3.5 fatalities per 100,000 workers, in agriculture the rate is nearly 27, and for warehousing and transportation jobs it is 13.1.[34] Of the companies on our list, most egregiously, three firms had ten or more fatalities in the last three years: **Associated British Foods, Nestle,** and **Coca-Cola.** Many incidents may also go unreported, due to employee fear of losing their jobs or facing other repercussions.

Table 8. Top Companies in Health and Safety by Sub-Sector

FOOD SEGMENT	COMPANY	SCORE	WHY THEY'RE ON TOP
Seed, etc.	Monsanto Co.	**83**	Has goal of production sites achieving OSHA Voluntary Protection Program (VPP) Star Status or equivalent certification. In FY 2009/2010, more than 75% of its sites had attained this.
Agricultural Products	Archer Daniels Midland Co.	**60**	Takes safety performance into account in executive remuneration. Annual cash bonuses based on individual and company performance.
Packaged Foods	Kellogg Co.	**78**	Has an environmental and safety management system that is aligned with ISO 14001 and ISO 18001. Has relatively clean health and safety record.
Beverages	Dr. Pepper Snapple Group.	**66**	In 2011 created new safety board, chaired by CEO, composed of senior executives meeting quarterly to review safety standards, set goals, oversee training, and monitor performance. One goal is 25 percent reduction in lost-time injury frequency by 2015.
Packaged Meat	Cargill, Inc.	**71**	Sets strong goals for reducing recordable injury frequency rate to 0 by 2015. Ninety Cargill's facilities have been certified as OHSAS 18001:2007 compliant.
Wholesale / Distribution	Sysco Corp.	**64**	Has committed to partner with the OSHA through its Voluntary Protection Program, which recognizes businesses and worksites demonstrating excellence in occupational safety and health.
Food Service/ Restaurants	Yum! Brands, Inc.	**38**	Has a number of programs in place to continuously improve health and safety programs, including safety lessons and reviews in all U.S. restaurants. In the U.S. injury frequency rates in company-owned restaurants has declined 59 percent 1997-2009.
Food Retail	Tesco PLC	**46**	Top among food retail companies studied, but still has major trend in lost-time incidents and some serious health and safety controversies.

While the above chart references some best practices, it is also important to consider controversies and incidents. Farms, packaged foods, and warehousing are the most dangerous in the food industry. Because worker safety conditions vary so much from sub-sector to sub-sector, these and other sectors need to be considered separately.

Farm safety: Fatalities involving agricultural workers, including farmworkers and laborers, rose nearly 23 percent from 127 in 2009 to 156 in 2010.[35] Without proper protections, the back-breaking physical labor of field workers growing and harvesting food puts them at risk of heat exhaustion, dehydration, and a variety of injuries. Farm workers also face exposure to toxic chemicals, contact with animals confined in tight quarters, and dangerous machinery and tools. Additional risk is posed by the fact that farms are located in remote locations, far from medical attention.[36]

Packaged food processing: Food processing in general contains many dangers. But the worst offender for injuries in packaged food is the meat processing industry. Slaughtering and carving up animals is inherently dangerous work, but the dangers are accentuated by company practices. Profit margins per chicken or per cut of meat are very low, often a few pennies a pound, so competitive advantage rests on squeezing out the highest volume of production in the shortest possible time.[37] The incidence rate for injury for animal slaughtering workers is 6.9 per 100 full-time employees, nearly double the incidence rate for all workers in U.S. industry of 3.8.[38]

In the 2004 Human Rights Watch report, "Blood, Sweat and Fear," conditions in U.S. meat and poultry processing plants were explored through a series of interviews with employees and employers. They concluded that the conditions in those plants were set up by the industry itself:

> "Unlike workers in many U.S. manufacturing sectors, most meat and poultry workers do not face employers' threats to move their plants to other countries where wages and workers are suppressed. Some analysts argue, however, that this fact has not blocked a 'Third World' strategy by the U.S. meat and poultry industry. They contend that instead of exporting production to developing countries for low labor costs, lax health, safety and environmental enforcement, and vulnerable, exploited workers, U.S. meat and poultry companies essentially are reproducing developing country employment conditions here." [35]

Some of what makes the industry so dangerous is the increasing of speed on the lines that move the animals past the workers. While the U.S. Department of Agriculture (USDA) sets the permissible line speeds, they are doing so in the interest of food safety, and allow increased line speeds as long as products are uncontaminated. The Occupational Safety and Health Administration (OSHA) is responsible for worker safety, but has not set any line speed limitations to protect workers.[40]

Warehousing and distribution: The fatal injury rate for the warehousing industry is higher than the national average for all industries. Hazards include the unsafe use of forklifts, improper stacking of products, the improper use of personal protective equipment, inadequate fire safety provisions, and repetitive motion injuries.[41] In 2010, the rate of nonfatal occupational injuries and illnesses requiring days away from work was 430 per 10,000 full-time warehousing and distribution workers, more than three and a half times the national rate across all occupations.[42]

In terms of particular companies, following are some of the most serious incidents collected by Sustainalytics and Tellus.

Packaged food companies

- **Cargill:** Following two fatal incidents in 2010, Cargill's health and safety policy and performance were closely studied by OSHA, particularly at Cargill Meat Solutions. Cargill has elaborated a health and safety commitment, but only a limited number of total production facilities have received externally verified health and safety certifications.

- **Kraft Foods Inc.:** In a $5 million August 2010 court case, Kraft Foods was ordered to pay Oscar Mayer factory workers for the time it takes to put on and take off special safety clothing and gear. The company has also faced numerous labor-related controversies, including allegations of mistreating workers, violence against unions, and hiring untrained workers.

Seed and agricultural chemical companies

- **DuPont:** In May 2011 the company was fined for 17 serious violations of workplace safety. In November 2010, the explosion of a 10,000-gallon chemical tank in New York killed one worker and injured another. In January 2010, a release of phosgene resulted in the death of an employee, and following investigations by OSHA and the U.S. Chemical Safety Board, that plant was shut down by the company.

- **Syngenta:** According to organizations like the Pesticide Action Network, Paraquat is Syngenta's most controversial pesticide. It is widely promoted by the company in both developing and industrialized countries, but it health risks are acknowledged worldwide.

Fruits and vegetables companies

- **Dole Food Company Inc.**: This company has been involved in numerous lawsuits related to its use of DBCP on farms throughout the 1970s; this agriculture chemical has been linked to male sterility. In the 1990s Nicaraguan workers brought lawsuits against Dole alleging it continued using the chemical after the EPA cancelled its registration, and seeking compensation for sterility. Three major cases were dismissed from 2009-2011 due to false claims, witness intimidation, and obstruction of justice.

Dairy companies

- **Associated Milk Producers Inc.** was issued various safety citations after an investigation prompted by the August 2010, death of a driver who fell from a delivery truck at an Associated Milk Producers' intake facility.

Restaurants and food service companies

- **Sodexo:** In July 2010, OSHA fined the company for nine serious safety hazards that endangered workers and could have harmed students. The supervisor who alerted OSHA to these dangers has since been pushed out of his job, and he filed a complaint that Sodexo retaliated against him.

Food retail companies

- **Publix Super Markets:** In 2012, OSHA cited Publix for 16 safety and health violations at a distribution facility after receiving a complaint that a worker's hand was amputated while cleaning conveyor equipment. Due to repeat violations, OSHA has placed Publix in its Severe Violator Enforcement Program, which mandates targeted follow-up inspections.[43]

- **Wegmans Food Markets, Inc.:** In October 2011, Wegmans was cited for repeated federal workplace safety violations with potential fines of nearly $200,000 mainly for inadequate safeguards to prevent machinery from starting up unintentionally during maintenance.

5. Supply chain worker treatment

Among the many areas of concern in supply chain management in food and agriculture are the widespread use of disenfranchised workers, including illegal immigrants, child and forced labor, as well as the use of temporary, informal and migrant workers, who not only face job insecurity, low wages and harsh working conditions, but may also be exposed to harmful pesticides.

The food processing industry faces considerable exposure to labor rights violations among suppliers, many of whom are based in countries lacking basic worker protections. Of particular concern are the supply chains of commodities such as cocoa, soy, sugar and palm oil. The cocoa supply chain is long and complex, including collectors, traders, exporters, processors and manufacturers. The cocoa industry, primarily in West Africa, has in recent times been in the spotlight for labor rights issues, particularly for the use of child and forced labor. Similarly, growing demand for palm oil, sourced primarily from Indonesia and Malaysia, is associated with negative environmental, social and economic impacts. Whereas many of the major food manufactures have made progress in addressing such exposure by setting targets and timelines for purchasing certified sustainable cocoa and palm oil, others do not disclose any related monitoring or training activities within their supply chains.

Sourcing roughly 1.6 million tons of palm oil and its derivatives each year (approximately 4 per cent of the world's supply) **Unilever** (**No. 8**) uses palm oil ingredients in many of its brands, from margarine to soap. In 2004, Unilever became one of the founders of the Roundtable on Sustainable Palm Oil (RSPO) to develop a more transparent sourcing system and standards for palm oil, including contracts, specifications, tracking and tracing, and best practice criteria for plantations. In 2008, when certified sustainable palm oil officially became available as a tradable commodity, Unilever started using it in its products and has it released a commitment to purchase only certified palm oil by 2015.

Meanwhile, **Hershey** (**No. 59**) has been the ongoing target of many non-governmental organization (NGO) campaigns, including the International Labor Rights Forum, linking child labor to Hershey's supply chain and criticizing the company for its lack of transparency and its failure to solicit third-party verification and certification programs. [44] Human rights in the U.S. are the issue at **Perdue Farms,** which was accused in a class-action lawsuit filed in federal court in Alabama of knowingly hiring illegal immigrants. The plaintiffs allege that Perdue has conspired to hire large numbers of illegal immigrants, driving down wages of legal workers below market levels.

In addition to the processing industry, the food retail industry is also involved in supply chain incidents among manufacturers, primarily based in Asia. Retailers like super centers and hypermarkets have long been accused of serious labor violations in their supply chains, particularly at factories. For example, Walmart has repeatedly been accused by NGOs of sourcing goods, such as clothes, gemstones, toys and food, from countries where labor laws and enforcement are weak and where child labor, forced labor, unsafe working conditions and gender discrimination are prevalent. In April 2012, the company was implicated in labor rights violations involving migrant workers from Cambodia and Myanmar employed by a seafood supplier based in Thailand. Walmart was pressured to investigate allegations surrounding unfair wages, unsafe working conditions, and confiscation of passports and to ensure supplier compliance with its ethical sourcing policy. [45]

The five leading companies in supply chain management are Danone, Syngenta, Ahold, Tesco, and Starbucks.

Allegations of inequitable working conditions occur not only in developing countries but in the U.S. as well, in part due to sub-contracting. According to one labor representative we spoke with, "You might get a Walmart that has a developer building a distribution center, which hires a logistics center to run it, which in turn hires labor agencies to supply workers." When companies hire temporary workers who are not able to be part of any stable bargaining unit that the national labor board can identify, employees are prevented from organizing.

In this study, we assessed company efforts to mitigate social supply chain incidents. While even the leaders are not free from controversies, companies without effective supply standards or monitoring systems are more likely to be involved in controversies. To uphold universal human rights, companies need to set broad supply chain standards, covering issues such as *child labor, forced labor, health and safety, discrimination, unfair wages and working hours, living and working conditions, and disciplinary practices.* Leading companies often align policies with internationally recognized standards, such as the International Labor Organization Conventions and the UN Universal Declaration on Human Rights.

Of the 57 companies evaluated for supply chain policies and programs, our research found five companies taking the lead—with four of these European companies. These four are **Danone, Syngenta, Koninklijke Ahold N.V.** and **Tesco PLC.** The fifth leading company is **Starbucks Corporation.** This result illustrates that U.S. companies are falling behind their European counterparts, which also suggests greater consumer awareness in Europe about supply chain issues as compared to U.S. consumers.

Danone in particular demonstrates best practices in supply chain management. The company has strong social supply chain standards that are aligned with the ILO standards, as well as a formal supply chain monitoring system. The company's "Respect" program (established in 2003) enables it to monitor suppliers' compliance with its Fundamental Social Principles, and to assess the risk of noncompliance. In addition to requiring suppliers to sign a specific clause incorporated into its general procurement contracts, Danone requests self-assessments, through which suppliers fill in questionnaires and commission external parties to conduct social audits. Danone reports on the number of audits performed and the regions covered, citing any instances of non-compliance.

Notably, 19 of 57 companies studied disclose no monitoring activities at all; 17 have only limited monitoring; and 21 reference robust monitoring systems. In many cases where some monitoring takes place, it is limited to first-tier suppliers, overlooking many issues occurring further down the supply chain. Only four indicate strong social audits of suppliers.

Several supply chain related controversies, such as use of child labor in cocoa production or health impacts of certain pesticides, implicate the industry as a whole, leaving little room to assign accountability to individual companies. This makes it incumbent on the largest and most influential food companies to take the lead in making change. As Robin Jaffin of Verite said, “These issues are not addressable by single companies. They are social issues.”

Of course, larger social issues require a multi-stakeholder approach, but there is much that companies can do within their sphere of influence. There have also been some collaborative efforts in the industry. For example, the Global Social Compliance Program is a business-driven coalition aiming to improve supply chain practices through a collaborative approach. This approach takes the focus off compliance audits, concentrating resources instead on capacity building for contractors.

Some leading companies are taking steps in the right direction, as show in the chart below.

Table 9. Top Publicly Traded Companies in Supply Chain Practices

COMPANY	SCORE	WHY THEY'RE ON TOP
Danone	100	Requires suppliers to adhere to its Fundamental Social Principles, which are aligned with ILO conventions. The company's Respect program provides structure in monitoring supplier compliance, and includes external social audits. Audit results are disclosed.
Tesco PLC	94	Founding member of the Ethical Trading Initiative and adopted the base code that follows ILO Conventions. The company has over 60 Ethical Champions within its global commercial teams to support its Trading Fairly program.
Syngenta AG	93	Assesses seed suppliers against standards developed by the Fair Labor Association (FLA). FLA conducts independent three-day audits of the seed-supply farms that include site visits, document verification, and interviews with workers at times when risk of non-compliance is highest.
Koninklijke Ahold N.V.	93	Ahold maps the locations of its own-brand products to the last stage of production to determine if they are sourced from high risk countries. It monitors its own-brand suppliers against Business Social Compliance Initiative Standards.
Starbucks Corporation	88	In 2011, became a member of the Global Social Compliance Program, which aims to improve working conditions of global supply chains. The company conducts supplier audits to ensure compliance with social standards and discontinues relations with suppliers that are non-compliant.
Sodexo S.A.	88	In 2011, 87% of suppliers had signed its code of conduct. Sodexo assists its suppliers in complying with its social supply chain standards, providing training sessions for small and medium-sized companies. The company set a goal to establish a Supplier Advisory Board in 2012.
Coca-Cola Company	84	Regularly conducts third-party independent audits of its suppliers to ensure compliance with social standards. The company engages with its top global suppliers to work collaboratively on human rights issues.
General Mills, Inc.	83	Participates in the AIM-PROGRESS Responsible Sourcing task force to promote responsible sourcing by sharing best practices. Conducts third party audits of suppliers and implements remediation actions.
Sysco Corp.	83	Supplier code of conduct explicitly refers to ILO conventions. Company conducts a supplier social responsibility assessment as part of its supplier approval process.
Costco	83	Has detailed social supply chain standards. Critical violations of its standards (slave labor, human trafficking) are addressed through action plans, and issues must be addressed within 48 hours of the audit.

6. Access to healthy, affordable and sustainable food

Food and agriculture companies are facing nascent but growing public concern over access to healthy and affordable food, which will likely only to increase in importance in the coming years. World population is expected to increase from today's 7 billion to perhaps 8 to 9 billion by the year 2050, and experts estimate that feeding this population will require an increase in global food production by 70 percent.

Food security and food deserts

Food insecurity is already a pressing issue in many parts of the world, particularly developing countries hit by poverty, severe weather-related supply shocks, and increasing volatility in commodity prices. Even in countries such as the U.S. and Canada, access to food—particularly fresh, healthy and sustainable food—is a vital issue. In developing countries, lack of access to food has led to malnourishment, hunger and related illnesses, while in developed nations, the main problems are obesity, diabetes and heart disease. While food insecurity and lack of access to food are linked, the distinction is worth noting: food security refers to the *affordability* of food, while access refers to the *physical access* to food.

The U.S. Department of Agriculture (USDA) defines areas with lack of physical access to food as *food deserts*. These are any census districts where at least 20 percent of the inhabitants are below the poverty line and 33 percent live over a mile from the nearest supermarket (or in rural areas, more than 10 miles). According to the USDA, approximately 23.5 million Americans live in a food desert, including rural areas of West Virginia, Ohio, and Kentucky, as well as urban areas like Detroit, Chicago, and New York City. Food deserts are a significant contributor to obesity, when low-income households are forced to purchase processed and fast food that is high in sugar, fat, and salt content.[46]

Campbell Soup has a goal of reducing youth hunger and obesity 50 percent by 2020 in its hometown communities.

In this study, we assessed efforts by the largest companies in food and agriculture to increase access to sustainable and healthy food. Overall, these companies perform very poorly on this issue. Among the 57 companies for which Sustainalytics data was available, only 19 disclose some programs to address access to food. Most of these are philanthropic activities—such as donating food to food banks and disaster relief. Very few companies demonstrate strategic efforts to promote access to food.

A strategic effort to addressing food deserts goes beyond monetary or in-kind donations and involves setting goals to help promote food accessibility. One company seemed the clear leader here, **Campbell Soup Company (No. 50),** with its program "Nourishing Our Neighbors." It has a 2020 goal of measurably improving the health of young people in its hometown communities by reducing hunger and childhood obesity by 50 percent. Starting in Camden, NJ, where Campbell is headquartered, the company hopes to create a program that can be adapted to other Campbell communities. The company is promoting healthy food choices in ten corner stores; providing adult nutrition classes; promoting organized urban gardening; and expanding availability of seasonal produce at reasonable prices by local farmers. Campbell launched this program with a commitment of $10 million over ten years, and hired a Director of Childhood Hunger and Obesity to drive efforts.

Another notable company is **Sara Lee (No. 49).** Although it has not disclosed any quantitative targets, its community investment program focuses on addressing food related issues such as hunger and nutrition and promotes healthy communities through access to nutritious food. Sara Lee is unique among its peers in using community investment as a strategic tool to address access to food.

In addressing food deserts, one notable company is the U.K. company **Tesco (No. 4),** which regularly opens stores in areas other businesses have abandoned or neglected. Tesco, the world's third largest food retailer, announced its first U.S. store in a food desert in Mesa, Arizona, in 2007, as the first of more than 100 new Fresh & Easy Neighborhood Markets planned for Phoenix, Las Vegas, and southern California, in areas underserved by supermarkets and grocery store chains. Reaching into food deserts is a key part of the branding for Fresh and Easy, for which Tesco has also expressed a commitment to using energy-saving technologies and renewable power. Tesco says it will source much of its food locally, and will offer workers healthcare and a bonus program.[47]

Meanwhile, Walmart is allegedly using the new concern for food deserts as a way to overcome community opposition to further penetration into urban markets. In July 2011, Walmart officials stood alongside First Lady Michelle Obama and pledged to open or expand as many as 300 stores in or near food deserts. Stephen Colbert called this strategy Walmart's "Trojan cantaloupe." One analysis estimated that if Walmart opens in Harlem, some 30 supermarkets, green grocers, and bodegas selling fresh produce would likely shut down.

Reaching into food deserts is a key part of branding for Fresh and Easy stores, owned by Tesco.

Another company taking a proactive approach to food deserts is Brown's Super Stores, which is a member of Wakefern Corporation (No. 48), a cooperative wholesale distribution business owned by its retailer members. Member-owner Brown's Super Stores has ShopRite stores in the Greater Philadelphia area. Its Eastwick, PA store serves primarily Caribbean and West African immigrants, so it offers regional specialty foods at a fair price. In the process of opening, this store received a $250,000 grant from the Pennsylvania Fresh Food Financing Initiative (FFFI), a state initiative that is a public/private partnership with The Reinvestment Fund (TRF), a community development financial institution, and other organizations. The Eastwick store also received a loan from the Reinvestment Fund employing New Market Tax Credits. Brown's Super Stores was recognized by the White House for its efforts serving poor communities in food deserts. It is run by founder and CEO Jeff Brown, who sat next to Michelle Obama at the state of the union address in 2010.[48]

Access to healthy, sustainable food

Access to food is not limited to the challenge of physical access to sustenance; it is also about access to food that is *healthy, of adequate quality, and sustainable.*

Of the 57 companies this study assessed, seven disclose strong programs and targets to promote sustainable food products. Only two companies—**United Natural Foods (No. 72),** a wholesale supplier, and retailer **Whole Foods Market**—disclose that more than 5 percent of their revenues are derived from organic products. Another two companies demonstrated between 1 percent and 5 percent of revenue from organics, while 33 companies derived under 1 percent of their revenue from organics. The remaining companies either do not sell organics or do not disclose associated revenues. Similarly, only one company (Whole Foods Market) discloses that at least 1 percent of annual revenues is derived from *fair trade products.* An additional 19 companies derive a small amount of revenue, less than 1 percent, from fair trade products.

In addition to being a large retailer of organic and fair trade products, **Whole Foods (No. 48)** was the first U.S. retailer to offer Marine Stewardship Council (MSC)-certified seafood, and each year it adds more MSC-certified seafood options. The company has a Local Producer Loan Program which provides low-interest loans to small, local producers, yet similar accessibility initiatives have not been extended to consumers.

An innovative approach is for companies to use their community engagement efforts to promote access to more sustainable and affordable food. For example, **Aramark** (**No. 33**) has made attempts, with some success, to assist communities in healthy food preparation, working with dieticians and chefs to help families with menu planning at community centers. According to **Hal Hamilton from the Sustainable Food Lab,** a member of our advisory panel, community engagement is not just providing donations, it is dispensing expertise and influence to help foster greater access to healthy and sustainable food.

Unfortunately, the notion of wholesome sustainable foods healthy is not well-aligned with affordability. Simply stated, consumer interest in sustainable and healthy food has not translated into concern over accessibility and worker equity. In fact, by narrowly focusing on environmental sustainability and animal welfare, there is a tendency to gloss over critical underlying areas of social exposure. Given that most companies are not simultaneously addressing accessibility and sustainability in a meaningful way, most companies rank poorly in this area. Some examples of best practices are featured in the table below.

Table 10. Selected Companies in Accessibility and Sustainability of Food

COMPANY	SCORE	WHY THEY'RE ON TOP
Whole Foods Market	**72**	Over 5% of revenues derived from organic products and at least 1% from fair trade products. Supports local agriculture through Local Producer Loan Program, providing low-interest loans to small, local producers. First U.S. retailer to offer Marine Stewardship Council (MSC)-certified seafood.
Walmart	**69**	In 2010, set a goal to double the sales of fresh produce sourced from local farms in U.S. locations by end of 2015. Aims to sell $1 billion in food sourced from 1 million small and medium farmers in emerging economies by 2015.
General Mills	**60**	Aims to source 100% of its palm oil from responsible sources by 2015. Reformulating products to have less sugar and more whole grains. Donates to food banks and to Campus Kitchens Project, where students volunteer to feed the hungry.
Campbell Soup	**59**	Aims to reduce hunger and obesity in its hometown communities by 50% by 2020. Develops on the ground relationships with communities and NGOs, and creates regional priority plans regarding hunger, youth, support services.
Kraft Foods	**59**	To address malnutrition, the company markets biscuits in Indonesia produced to supplement nutritional requirements of growing children. Adds additional nutrients to products based on deficiencies in certain countries (eg. adding Iron in South East Asia, B-12 and folic acid in China), and sells these at affordable prices.
Unilever	**57**	Unilever is working to develop business strategies to reach consumers on lower incomes through smaller packaging sizes and new product development.
Nestle S.A.	**56**	Has a line of 4,000 food items to deliver nutritional value at an affordable cost, fortified to meet local needs (eg. added iodine in Central West Africa, iron and vitamin A in India). The products have resulted in a 30-40% improvement in market penetration for Nestle among low-income consumers.
Koninklijke Ahold N.V.	**52**	Has U.S community engagement program focusing on fighting hunger, helping children, and building healthy communities. All U.S stores build partnerships with foodbanks, to ensure that underserved families receive meals.
Tesco PLC	**52**	Regularly opens stores in areas which other businesses have neglected, providing access to fresh food at affordable prices. Conducts Supply Chain Impact Assessments to help company understand how better to reduce poverty, increase opportunity, and help meet Millennium Development Goals.
United Natural Foods, Inc.	**50**	Makes donations to food banks through partnership with Feeding America, a national organization that focuses on combating hunger in the U.S. Also, is a leader in wholesale distribution of organic and fair trade products.

The above chart references companies in the Sustainalytics database. Among the private and cooperative companies studied, we found many highlighted charities they support, and some were involved in initiatives to reduce hunger in their communities. Mars Inc. has a marketing code to stop advertising to under-one-year-olds. As leaders in the food industry, many of these companies find themselves in a position to make a difference for those who are food insecure. C&S Wholesalers (No. 28) , US Foodservice (No. 30), Land O'Lakes (No. 41), Performance Food Group (No. 44), and several others are involved in initiatives that donate millions of pounds of food to food banks through Feeding America and similar programs.

PART III: POTENTIAL AVENUES OF INFLUENCE

Making the business case

Is there a way for companies and their employees to succeed together? This question is at the heart of making the business case for enhanced worker equity. Making the business case is about finding strategies and solutions which demonstrate that it is in companies' best interests to create good working conditions, because doing so has a positive operational or reputational benefit. And as this study has found, enough companies in food and agriculture *have already recognized and leveraged strong worker equity practices*—in different ways and to varying degrees –suggesting that the business case is real and compelling. The need is to articulate the materiality link more clearly, as has been done for environmental performance on key metrics such as climate change.

High road vs. low road—Costco vs. Walmart

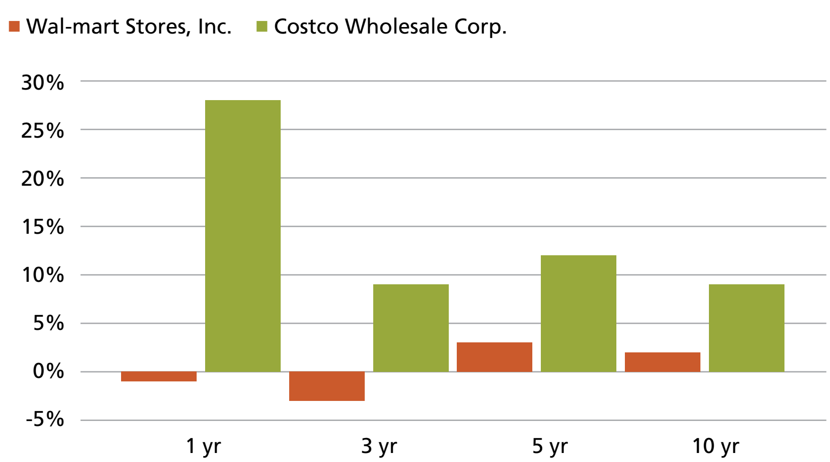
Two companies, in particular, represent two different lenses onto the business case. One is **Walmart,** the company that embodies a deeply rooted culture of paying low wages and squeezing workers for greater output, which has been exposed to considerable related criticism. Yet there is evidence mounting that this business model may be reaching its limits. Walmart's same-store sales have been shrinking for several years. In 2010, the company began losing market share to competitors And its stock price has been flat for a decade. The company has responded in its traditional way—cutting costs by reducing staffing levels. The result, according to *Retailing Today*, has been checkout registers going unstaffed, customers unable to find shopping carts, and shelves too often empty.[49]

The second company is **Costco,** which embodies an ethos of treating employees as partners, paying them well, training them, and promoting from within. Such practices reduce turnover, improve service, enhance the customer experience, and contribute to increased company success. Costco competes head to head with Sam's Club, which is owned by Walmart. That Costco is winning this competition may be a sign that good worker equity practices are an approach whose time has come.

In a rigorous study of high-road business practices, published by Harvard Business Press in the book *Profit at the Bottom of the Ladder: Creating Value by Investing in Your Workforce,* Jody Heymann and colleagues from McGill University selected Costco as one of a number of companies that excel at improving the conditions of workers at the bottom of the corporate ladder—and in so doing build company success.

Costco not only starts employees at a relatively high wage (two to three times minimum wage), it provides strong salary progression. Nearly all employees who stay long term—even those with limited formal education—know they can climb from low to middle income. CEO Jim Sinegal, the son of a coal-miner, told study authors in 2006 that the company aimed

Figure 4. The Costco Advantage: Total Shareholder Return, Annualized (through September 2011)



Source: "The High Price of Low Cost: The View from the Other Side of Walmart's Productivity Loop," by John Marshall, CFA, UFCW Capital Stewardship Program.
http://makingchangeatwalmart.org/files/2011/10/The-High-Price-of-Low-Cost.pdf

to pay "demonstrably better" than competitors, about 30 percent higher than local averages. The study found Costco's average wage to be 42 percent higher than Walmart's Sam's Club.

High wages increased the ability to recruit top employees, incentivized productivity, and reduced turnover and the associated costs of training new employees. Costco's annual turnover was 24 percent a year, half of Walmart's at 50 percent. And past the first year, Costco turnover dropped to under 6 percent. At the same time, Costco sold twice as much—70 percent more per square foot—than Sam's Club. Costco also had an extremely low shrink rate (merchandise lost to employee theft), at 0.02 percent, compared to an industry average of 2 - 4 percent. As Costco Chief Financial Officer Richard Galanti explained:

> "You pay a living wage that's better than anyone else, provide affordable, quality health care, and you'll be able to hire who you want. If you hire who you want and treat them right, they'll stay longer. If they stay longer and like you, they're going to report on the employee that's stealing out of the back door. They're going to pick up the crushed soda can on their way back in from lunch. They're going to smile when a customer asks a question."[50]

Costco executives were notable in their willingness to make the *human case* for good practices, at the same time they made the *business case*. They did not limit themselves to numbers but demonstrated genuine empathy. This was true of many executives Heymann and colleagues interviewed. They wrote: "Some of the top managers we interviewed were as driven by moral principles as any philosopher would be; however, they all saw profit making as one of their top duties."[51]

Key to Costco's success is its ability to provide a quality customer experience. Because it retains and motivates the best employees, it is able to provide the service that attracts higher-income customers. Thus in addition to competing based on price, it has expanded into higher-margin luxury items, which increases profitability.

Promising trends

The era of Walmart's supremacy may be over. In the fall of 2010, Walmart reported a decline in traffic and sales among its core customers, households with incomes below $50,000. As analyst John Marshall observed, the firm notorious for driving down wages across the nation is now "struggling to adjust to the world it has created." As Marshall asked, "Will Walmart go the way of Sears and Kmart, the once-dominant retailers unable to change with the world around them? Time will tell."[52]

The presumed necessity to compete by driving down wages is a misperception, argued Zeynep Ton recently in *Harvard Business Review*. He found a number of food retailers (including Costco, Trader Joe's, and QuikTrip) that invested heavily in their employees through good wages and training, and also offered low prices, provided better customer service, and enjoyed solid financial performance. "Bad jobs are not a cost-driven necessity but a choice," he concluded.[54]

Still another angle for making the business case is found in the meatpacking industry. A study by the United Food and Commercial Workers International Union found that employee empowerment through unions helped employees speak up about food safety, and resulted in fewer meat recalls in unionized plants compared to non-unionized. The study looked at recall records from 2001-2009 at

THE FUTURE OF RETAIL IS IN GOOD SERVICE

Other trends may be encouraging improved worker equity practices. For example, self-checkouts at supermarkets are beginning to be replaced with people again—as at Big Y, which announced the move last year. Similarly, there is a trend toward greater service at grocery store meat counters, as a way to create increased customer engagement. *"We believe service in the meat department gives us a competitive edge,"* Maria Brous, spokeswoman for **Publix Super Markets,** told *Supermarket News*. Similarly, Peter Merholz wrote in *Harvard Business Review:*

"In our increasingly connected world, people crave authentic human interaction. The future of retail is going to look a lot more like it did in the more distant past and a lot less like the bureaucratically drive mass consumerism we grew to expect in the 20th century."[53]

the 450 largest meat and poultry plants in the U.S., finding products recalled from 21 percent of non-union plants, versus only 12 percent of union plants. Among the reasons are that union plants may have lower turnover, have a greater culture of safety, and allow workers to negotiate with management over equipment and staffing. If many business leaders are accustomed to avoiding unions, they may be overlooking the critical role that unions play in specific industries, such as meat-packing.

Possible pathways for change

This research project began with a series of questions, one of which was this: *How could the issues of worker and social equity begin to move higher on the corporate agenda?* The answers might be grouped into two broad approaches: *1) Creating the impetus for change. 2) Guiding the process of change.* The first approach, in many ways, is naturally led by civil society or by workers themselves. The second process might be led by these groups, government, or business itself. In any case, *it must dovetail with the way business operates.* That is to say, it must be informed by a business perspective.

Creating the impetus for change

To help understand the business perspective, Rob Dennill, formerly with Gap Inc., was asked at the Boston meeting of this project's advisory panel to discuss what prompted Gap's leadership in monitoring its supply chain. The impetus was "a prolonged and intrusive campaign that wore on the psyche of senior management, disrupted stores, and brought in calls from irate customers," he said. "It was a campaign of attrition. It created a level of consciousness in management." Advisory panel member **Ruth Rosenbaum, with the Center for Reflection, Education and Action,** remarked that the Gap student campaign came to a head right before Black Friday (the day after Thanksgiving, considered the biggest shopping day of the year). Dennill said that threatening to diminish sales on Black Friday was "the quickest way to get to the heart of a Gap executive," because it was a threat to the brand. "At some junction you hit the emotions of an executive, and change comes about."

> *"We've been doing this work product by product, company by company, for years. We need to work more systematically."*
> *– Irit Tamir*

A similar campaign in the food sector was run by the **Coalition of Immokalee Workers** (CIW), aimed at raising the price paid to tomato pickers in Florida by one penny per pound. Following an aggressive three-year boycott which solicited nationwide support, in 2005, Taco Bell, a division of **Yum! Brands** agreed to fund a penny per pound pass-through to the workers of its Florida tomato suppliers. Since then, other corporations that have signed onto CIW's Fair Food Program include **Burger King, Whole Foods Market, Aramark,** and **Sodexo.** CIW is now targeting Publix.

Is the CIW model one that can be widely replicated? While it has had extraordinary success, it also has limitations. As one advisory panel member put it, "It's only tomatoes, and only in Florida." Another remarked, "We've been doing this work product by product, company by company, for years. We need to work more systematically." Irit Tamir added, "Campaigns are always useful, but you can't rely on campaigns for systematic change. There's not one intervention that does it all."

As Robin Jaffin noted, campaigns can be effective for branded products, yet a challenge in food and agriculture is that many large companies don't have a brand name. "Aramark is not a brand name. The ConAgra brand is essentially invisible," she said. "What's the motivation for non-branded companies?"

Another potential impetus for change is situating the issue of worker equity more prominently into the sustainability agenda, and into the growing global food movement. Alongside health, animal welfare and environmental concerns, worker equity constitutes a social issue which can resonate with conscientious consumers. Yet there needs to be stronger messaging on the plight of food workers in an industry that strikes a personal cord among consumers.

Guiding the process of change

Once executives begin to grasp that change is needed, where do they turn for guidance on how to proceed? A number of multi-stakeholder coalitions have emerged in the food and agriculture industry which can provide resources, training and a forum for engagement. The Sustainable Food Lab is an example of one such organization; it has 70 food company members working for sustainability, including Costco, Aramark, General Mills, Mars, Pepsico, Sodexo, and Unilever. "We need to support the people leading change in these companies," said Hal Hamilton of Sustainable Food Lab. "We need to get them to talk to each other. These people are lonely." Rob Dennill echoed that, adding, "There are thousands of employees that are well informed who want to do more with their companies."

> *"We need to support the people leading change in these companies. These people are lonely."*
>
> *– Hal Hamilton*

A key problem, advisory panel members stressed, is that while environmental initiatives can save money for companies, paying good wages costs money. This is why making the business case is so critical. Efforts in this area can be helped by social investors. Advisory panel member **Shelley Alpern of Trillium Asset Management,** a Boston-based socially responsible asset management firm, suggested that one avenue of influence would be to "use shareholder leverage to press companies toward greater transparency and the use of standardized metrics on worker equity."

One prominent investor coalition addressing supply chain issues is the **Interfaith Center on Corporate Responsibility (ICCR),** a 40-year-old group of faith-based organizations and social investors. ICCR's supply chain working group is headed by advisory panel member Ruth Rosenbaum. It supports its members in filing shareholder resolutions on social and environmental issues with companies—including issues like human rights, human trafficking, and supply chain monitoring—as a way to bring companies to the negotiating table. This working group has created a detailed set of supply chain criteria and is preparing a company questionnaire.

Hamilton commented on the potential effectiveness of shareholder interventions, noting that because Trillium had been in dialogue with Sysco about water issues, they contacted the Sustainable Food Lab for guidance on those issues, and ended up committing to report on water usage as part of the Carbon Disclosure Project. Hamilton noted that he looked forward to the day when some of these companies are feeling the pinch on worker and social issues and have to turn to CERES, Verite, Sustainable Food Lab, or others for guidance. Companies need "both the pinch and pull," he emphasized—the pinch to urge them to change, and the pull toward best practice. Perhaps down the line, another panel remember remarked, companies will vie for leadership in good worker equity practices as they do for sustainability initiatives.

Possible pathways

What tangible steps might be taken, to move worker and social equity higher on the corporate agenda? In addition to campaigns by civil society, or legislative approaches like unfreezing the tipped minimum wage, there is a clear opportunity for more business-oriented initiatives that should be prominently included in the mix of approaches. Without involvement from the private sector the likelihood of success is limited.

1. **Develop the business case for improved worker equity practices.** Research in this regard is currently limited and needs development. The case needs to be developed that low-road wage strategies and working conditions are today a risky approach to management, which expose companies to low morale, high turnover, labor disputes, and penalties, to name a few. More sophisticated companies take the high road, and benefit from doing so through recruiting and retaining loyal and productive employees and contractors.

2. **Develop metrics to measure key areas of social impact and push for company disclosure on social issues.** There is a key role to play for research providers and raters, such as Sustainalytics, to collaborate with companies (sustainability and human resources teams), along with investors, labor unions, NGOs and academics to identify key social performance metrics. Investor coalitions can play a critical role in pushing for disclosure on these metrics to ensure that there is a consistent set of data which can be benchmarked.

3. **Build the corporate capacity to tackle these issues.** "There are so many certifications, companies don't know how to navigate it all," said Yolande Manzone of Fairfood International. Her group currently works one-on-one with food and agricultural companies, who are now reportedly seeking out opportunities to share best practices among their peers, through group dialogue.

The case needs to be developed that low-wage strategies expose companies to low morale, high turnover, labor disputes, and penalties.

4. **Bring together progressive companies for social impact footprinting.** That is one approach to company education Manzone recommended. One group that might be disposed toward this and related approaches are the progressive companies that have been acquired by multinationals: Ben & Jerry's at **Unilever;** Cascadian Farms at **General Mills;** Boca Foods at **Kraft;** Stonyfield Farm at **Groupe Danone,** and so on. They may have a good sense on internal opportunities to dialogue with major companies about progressive approaches.

5. **Create a learning journey process for companies.** This is an approach recommended by Hamilton at Sustainable Food Lab. The "Theory U Process" the Food Lab uses is currently focused on ecological sustainability, but the Lab is contemplating broadening it to include worker equity. The process includes a flow of work, including multi-stakeholder dialogues, learning journeys to fields and factories, mapping of the system, imagining innovations, prototyping solutions, and engaging more players. Theory U is a design architecture for large scale systemic change as described by Otto Scharmer, Peter Senge and others.

6. **Encourage pilot projects.** This is an approach that is part of the Food Lab process. Because the challenges faced by rural communities in the U.S. are similar to those in the developing world, a movement has begun to bring the concept of "fair trade" to the U.S.—with the creation of the Domestic Fair Trade Association. Such a movement and certification system seeks to unite the issues of organic production and fair worker treatment, linking these to consumer awareness. Major corporations might be encouraged to begin pilot projects, as a way to tie worker equity issues to consumer interest and hence company benefit. Other approaches to pilot projects might also emerge from an exploratory process with companies.

7. **Devise ways to get wage data out of the shadows.** Lack of disclosure allows abuses to continue. As Supreme Court Justice Louis Brandeis famously remarked, "Sunlight is the best disinfectant." The secrecy surrounding wage data by companies should be considered odd in a free market that relies on accurate pricing information. One successful example of penetrating this black box is the *Fortune* list of 100 Best Companies to Work For, where companies freely disclose the annual wages paid to their most common hourly job and salaried job. The 100 selected companies consent to having this information freely displayed on *Fortune*'s website. Because many more than 100 companies compete for the list, they too are disclosing this data to the list organizers, the Great Place to Work Institute. Perhaps there might be ways to aggregate and publicize such data, and to draw other companies in.

8. **Use ownership variations as new avenues for dialogue.** At a majority employee-owned firm like Publix, CIW could take its case directly to workers and ask for a board resolution. An approachable family firm like Wegmans might be asked to undertake a pilot project in domestic fair trade. As unions attempt to dialogue with the cooperative Darigold, they might take their case directly to some of the farmer owners and ask them to bring the issue up with the board.

9. **Create a steering committee of organizations to continue dialogue on overall strategy.** Rather than having individual organizations work for change at food and agriculture companies through siloed activities, there might be some gathering place created—not for joint action so much as for joint strategizing. The advisory panel for this project was a small-scale example of this. As one panelist said after the day-long meeting, she hoped the forum would continue so people could share and learn from each other. Another panelist remarked on the diversity of experience in the room, adding, "We are stronger together than we are alone."

We need a steering committee of organizations to coordinate strategy. As one advisory panel member said, "We are stronger together than we are alone."

APPENDICES

A. Company selection methodology

The top 100 largest and most influential food and agriculture companies in the U.S. were chosen through a meticulous process that considered hundreds of publicly traded, private and cooperative companies based in the U.S. and abroad.

We defined the "food and agriculture" companies to be any companies which take part in the production of food in the U.S., or process, market, or sell (both wholesale and retail) the food eaten here. On the production side, this includes edible agricultural products (i.e., grain and other commodity production and processing), seed companies, fruits and vegetables, meat (beef, chicken, pork, etc.), dairy production and products, packaged foods, and beverages. On the marketing side, we included wholesale distributors, wholesale suppliers, and foodservice suppliers. Those who sell the food include retail companies (i.e., grocery and convenience stores), restaurants, and food service companies (i.e., the companies serving schools, hospitals and workplace cafeterias).

Table 11. Breakdown by Ownership Structure

OWNERSHIP STRUCTURE	COUNT
Co-Op	14
Public	58
Private	28
TOTAL	**100**

We primarily focused on U.S.-based companies, but in a few cases, included some international companies which have a significant presence in the U.S. (i.e., Nestle S.A., JBS, SA, Koninklijke Ahold N.V., Saputo, Inc., Chiquita Brands International, Limagrain). Many of these companies have U.S. subsidiaries or a U.S. headquarters. Most importantly, they are more likely to be possibly available for engagement by activists and projects in the U.S. [†]

Because the primary aim of this list is to identify the largest companies in food and agriculture, we defined "large" as having to do, first, with the flow of revenue. Thus the first criterion for selection in the list was revenue. All companies that were considered for the list had earned at least $1 billion in revenues in 2010. This revenue cut-off resulted in well over 150 companies. When looking at this expanded list of companies by revenue, our initial observation was that the largest companies are predominantly publicly traded companies, and that many of the smaller companies are private and cooperative companies. The overall ratio of the 150 list of top companies[‡] was roughly 40% publicly traded companies, 40% private companies, and 20% cooperative. After reducing our list to 100 companies, the final breakdown of company types is 58% public, 28% private, and 14% cooperative.

Note: While we have extensive data on most of the public companies through the Sustainalytics research, there are a few public companies that were not in their database, and were not included in the in-depth data analysis. Additionally, there are two private companies that were in their database (Cargill and BJ's Wholesale Club). Thus, there are a total of 57 scored companies based on available data from Sustainalytics, two of which are private companies.

Our second criterion was the number of people employed by the company. We also looked at what sub-sector of the food and agriculture industry the companies were involved in. Our aim was to include top companies from each sector. In some cases, this meant that we excluded some larger companies (by revenue and/or employee number) in order to represent what we deemed to be an important part of the food and agriculture industry in the U.S. Many of the smaller companies on the list are private and cooperative companies, and while they have smaller revenues, we found that they still have significant impact on the food and agriculture industry in the U.S. For example, while agricultural cooperatives often have smaller numbers of

† We removed most of the large European grocery chains from the list, even though some had a presence here in the US.

‡ Sustainalytics was able to provide this data on the majority of publicly traded companies, while the private and cooperative company data was researched using the Hoover's database.

employees listed than public companies of similar sizes, we realized that these employee numbers did not include the employees of the member farmers, which would have increased their impact significantly. Thus, we occasionally favored including a smaller cooperative company over another publicly traded company. Also, we made an effort to include a fair number of private companies, especially when they appear to be important players in certain food sectors. For instance, in the packaged meat subsector, more than half of the included 11 companies are in fact private companies, and the remainder are public; none are cooperatives in that sector at this revenue level.

Table 12. Companies broken down by sub-sector

FOOD AND AGRICULTURE SUB-SECTOR	NUMBER OF COMPANIES
Agricultural Products	7
Beverages	3
Dairy	9
Food Retail	16
Food Service	2
Foodservice supplier	5
Fruits and Vegetables	5
Packaged Meat	11
Packaged Food	21
Restaurant	13
Seed, etc	5
Wholesale Distribution	4
Wholesale supplier	5
Total (with overlap)	**106**

We found that several of the large public companies had private subsidiaries that also made the list, so we worked to remove this type of duplication. Another duplication we avoided was listing two different companies with the same trademark, as with Fresh Del Monte Produce Inc. and Del Monte Corporation, two distinct companies which share the same branding and have similar revenue. We opted to bring in only Fresh Del Monte Inc. because it had roughly four times the number of employees, and because it is working directly on fresh fruits and vegetables. Del Monte Corporation would have fit in our packaged food sub-sector, which was already more than adequately represented.

B. General research methodology

Convening an advisory panel

To advise this research, the organizers convened an advisory panel of leading thinkers in the field to discuss key trends, identify appropriate performance indicators, and brainstorm potential avenues of influence. Advisers were Shelley Alpern, Trillium Asset Management; Catherine Benoit from Earthster; Aaron Bernstein, Harvard Labor and Worklife Program; Robert Dennill, consultant and former CSR director at Aramark; Hal Hamilton, Sustainable Food Lab; Robin Jaffin from Verite; Ruth Rosenbaum, Center For Reflection, Education And Action; and Irit Tamir from Oxfam America. The advisory panel met in person in Boston, helped shape the report, assisted with fact checking, reviewed drafts, and was available for interviews and queries. An additional dozen people were interviewed to supply various perspectives.

Though the authors of this study retain full responsibility for any errors that remain, we are grateful for the added due diligence provided by our advisers in this large and highly nuanced research undertaking.

Research process

Relatively complete social data was available for 57 companies, 55 of these publicly traded, and two private firms. For these 57, selected indicators of worker equity performance were aggregated from the global platform of research maintained by Sustainalytics, a global research provider with 20 years' experience gathering information on the environmental, social, and governance (ESG) performance of public companies, assembled into a database primarily used by institutional investors. Sustainalytics' research process includes examination of company documents, media sources, online databases, government sources and NGO research, as well as direct communication with key stakeholders. The data assessed in this report represents a snapshot of company ESG performance data compiled as of April 2012. Company reporting corresponds to FY2010 or 2011, depending on fiscal year-end and reporting schedules.

An additional layer of original research was conducted to supplement Sustainalytics' baseline data. This research was collected from company documents in the first quarter of 2012, derived from the most recent company reporting available at the time. The additional research focused on food accessibility, quality of disclosure on social equity issues, and selected worker equity issues.

We compiled data gathered into six categories, representing measures of worker and social equity performance. The performance of companies on each of these measures is described in a separate section of this report.

1. **Oversight and disclosure:** This included a look at corporate social responsibility (CSR) reporting quality and board oversight of social issues.
2. **Worker equity policies and practices:** Here we examined policies on freedom of association, core labor rights, and the elimination of discrimination, as well as practices in employee training, turnover, percent of employees covered by collective bargaining, top-employer recognitions, and various labor controversies.
3. **Compensation:** Because compensation data is not consistently available for individual companies, here we looked at broad measures by industry, supplemented by anecdotal data about best practices and CEO pay.
4. **Health and safety:** Data included programs and targets to improve performance, trend in lost-time incident rates, number of employee fatalities, and controversies or incidents.

5. **Supply chain worker treatment:** Here we looked at scope and quality of supply chain standards, monitoring and audits, and controversies or incidents.
6. **Accessibility to food:** This data encompassed programs promoting access to food and ending food deserts; and programs on sustainable agriculture, organic food, and fair trade products.

Publicly traded vs. privately held companies and cooperatives

One challenge of this research was finding consistent information about privately traded companies and cooperatives, because these types of companies do not have the same ethos of disclosure as publicly traded companies. A survey on worker equity practices was sent to all 100 companies, but very few private/cooperative companies chose to participate. All publicly traded companies tracked in Sustainalytics' database were also sent a copy of their current social rankings and given a chance to make corrections or updates.

For private and cooperative companies, we conducted original research into policies and practices using two methods. First, we conducted an assessment of CSR disclosure and management, with an emphasis on social issues, by reviewing company websites. Second, we ran a scan for controversies and incidents on each company—reaching back three years—through a large database of news sources. We also used the Hoover's database, which provided basic data on company revenue, industry subsector, lines of business, and number of employees.

Sustainalytics' data sources

Sustainalytics'analysis is supported by a comprehensive set of data gathered through a variety of primary and secondary sources, and specialized third-party data providers. The majority of the information consulted is publicly available, often through subscription. Company reporting constitutes the starting point for research, with key sources including sustainability reports, financial reporting, and websites, along with direct company feedback. Dow Jones' Factiva database is used to conduct a thorough media search of all companies (including their subsidiaries) on a monthly basis. Other core sources include the Carbon Disclosure Project, UN Global Compact, OECD Watch, Business & Human Rights and Ethical Corporation, to name a few. Further, each analyst also tracks industry-specific sources tailored to the key ESG issues in their peer groups.

Data collection frequency and process

The data assessed in this report represents a snapshot of company ESG performance based on data compiled in Sustainalytics' global platform as of April 2012. As such, company reporting corresponds to fiscal year 2010 or 2011, depending on fiscal year-end and reporting schedules. Sustainalytics updates information derived from media and NGO sources on a monthly basis, while other centralized data points are updated on a quarterly to semi-annual basis.

Verification and quality assurance

Sustainalytics applies a rigorous quality assurance process, which includes an internal peer review of all company profiles prior to company verification and tabulation of scores. The peer review process is designed to ensure overall consistency and quality standards in accordance with Sustainalytics' analyst guidelines and conventions. Consistent with Sustainalytics' standard research process, all companies were contacted and sent a draft copy of their report for verification. Any feedback communicated by companies tracked in this report has been processed and assessed.

C. Company headquarters by region

Figure 5. Location of Headquarters of Top 100

Table 13. U.S. Headquartered Companies by Region and Sector

US REGION	AGRICULTURAL PRODUCTION	FOOD PROCESSING	WHOLESALE / DISTRIBUTION	RESTAURANTS/ FOOD SERVICE	RETAIL	TOTAL
Northeast	3	6	2	1	6	18
Midwest	12	13	2	4	2	33
South	3	7	4	5	2	21
West	4	3	2	4	3	16
Total	**22**	**29**	**10**	**14**	**13**	**88**

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