

Retailer-driven agricultural restructuring—Australia, the UK and Norway in comparison

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Abstract In recent decades, the governance of food safety, food quality, on-farm environmental management and animal welfare has been shifting from the realm of ‘the government’ to that of the private sector. Corporate entities, especially the large supermarkets, have responded to neoliberal forms of governance and the resultant ‘hollowed-out’ state by instituting private standards for food, backed by processes of certification and policed through systems of third party auditing. Today’s food regime is one in which supermarkets impose ‘private standards’ along the food supply chain to ensure compliance with a range of food safety goals—often above and beyond those prescribed by government. By examining regulatory governance in Australia, Norway and the United Kingdom we highlight emerging trajectories of food governance. We argue that the imposition of the new private forms of monitoring and compliance continue the project of agricultural restructuring that began with government support for structural adjustment schemes in agriculture and that these are most evident in the UK and Australia where neoliberalism is an entrenched philosophy. However, despite Norway’s identity as a social democracy, we also identify neoliberal ‘creep’ into the system of food governance. Small-scale producers in all three nations are finding themselves increasingly subject to governance through private, market-based mechanisms that, to varying degrees, are dominated by major supermarket chains. The result is

agricultural restructuring not through the traditional avenues of elected governments, but via non-elected market operatives.

Keywords Private standards · Small-scale farmers · Governance · Neoliberalism · Supermarkets

Introduction

Farmers, as producers of raw commodities ‘upstream’ in the supply chain, are vulnerable to the oligopolistic market power held by major supermarket chains whose market share has increased considerably with the expansion and consolidation of global food retailing (Brown and Sander 2007; Burch and Lawrence 2005; Fuchs, Kalfagianni and Arentsen 2009). This concentration of food retail has consequences for actors along the food supply chain as supermarkets are not only able to exert exceptional buying power (Konefal, Bain, Mascarenhas and Busch 2007) but also to transfer this market power into other forms of power, including regulatory power (see Clapp and Fuchs 2009). Supermarkets are trending toward by-passing wholesalers in favour of direct contracts with farmers and, given their market power, this also means that supermarkets are able to impose their own terms on suppliers. These ‘terms’ are referred to here as forms of private regulation. Private regulation differs from many government-based regulations in that they are ‘voluntary’ (Fulponi 2006). However, suppliers are compelled to comply with private forms of regulation if they want to access key food markets. When markets such as food retail are heavily concentrated into oligopolies, farmers often find themselves in what the British former Prime Minister, Tony Blair, referred to as an ‘armlock’ (Freidberg 2004, p. 521). That

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is, when a small number of corporate retailers control the majority of food sales, suppliers have little option but to enter into business relationships with them.

Supermarket, or ‘proprietor’, regulation is generally expressed in the form of private standards. Private standards embrace a suite of criteria that relates to the size, colour, shape, production, packaging, and handling of food products as well as food safety, or ‘credence’ claims such as those relating to fair trade and animal welfare. The standards relating to food safety are often more stringent than public standards set by government bodies dealing with food safety (Narro, Roy and Okello 2008). Private standards also vary in form. They may be set by a particular supermarket chain, for example, Woolworths Quality Assurance in Australia, or by retailers’ organizations, such as the British Retail Consortium (originating in the UK, but used widely elsewhere). Other schemes, such as GlobalGAP, transcend the traditional regulatory parameters of the nation state, attending to food governance as it is traded globally beyond national jurisdictions (Brunori and Guarino 2010).

While private regulation is intended to institute a more robust food safety system, the proliferation of private standards holds a number of disadvantages at the farm level. In particular, farmers have raised concerns that they are subject to excessive regulatory burden and financial costs in complying with numerous public and private standards. A small-scale producer may find the costs associated with compliance to a number of different proprietor standards onerous, ultimately excluding them from access to markets. Biénabe et al. (2007) argue that the higher capital requirements related to private standards can lead to the exclusion of small- and medium-scale producers, despite the comparative advantage they offer as specialised, locally integrated, labour (rather than capital) intensive farmers.

It has been noted that due to their growing control of the agri-food system, major supermarket chains are able to lower their transaction costs by passing them along the chain through such practices as slotting fees (for shelf space), delayed payments, and proscribed infrastructure development at the farm or processing level (see Burch and Lawrence 2005; Trimmer 2008). As minor players in the food production system, small-scale family farmers are engaged in unequal relationships with the supermarkets and are less able to carry the costs associated with supplying low-volume produce to these retailers.

Given the increasing necessity of economies of scale under modern agri-food systems—we explore the experiences of small-scale farmers (those largely dependent upon family labour for farm and off-farm income) and their ability to maintain a place in the production of food under these emerging governance structures. The power of supermarkets has been reported to drive farm-gate prices

down, further entrenching the ‘price-taker’ status of farmers. Yet, at the same time, costs to consumers have risen inexorably (Lawrence 2008). While farms operating on larger scale may have the capacity to absorb these costs, small-scale farm producers are particularly vulnerable, and, as Konefal et al. (2005) note, struggle to maintain a financially-viable business.

In this paper, we argue that the increasing market power of supermarkets, particularly in relation to their governing of the food supply chain via private standards, leads to a new form of farm restructuring where small-scale producers are forced out of key markets, and potentially, out of business. The empirical basis for this research is qualitative data co-constructed through semi-structured interviews with key agents working in the food supply chain in Australia, Norway and the United Kingdom. These interviews aligned with various funded research projects being undertaken by the authors. Those interviewed in relation to this study include personnel from the major supermarket chains, farmers’ associations, regulators, food standards organizations, consumer organizations and food and farming-related NGOs. We also draw upon secondary data, such as the submissions to commissions of inquiry into grocery retail in Australia (Australian Competition and Consumer Commission 2008), the United Kingdom (Competition Commission 2000) and Norway (NOU 2011). While it is recognised that the rise of private food assurance standards is transforming the livelihoods of small-scale farmers in developing nations (Narro, Roy and Okello 2008), the focus of this paper is the less-explored impact on farmers in these three advanced capitalist societies.

Supermarket power and private regulation in the 21st century

Over the past few decades, supermarkets have increased their retail power and are now the key players in the global food-retail sector (Burch and Lawrence 2005, 2007). The five biggest US supermarkets (Safeway, Albertson’s, Kroger, Ahold and Wal-mart) doubled their market share from 19 % of sales in 1992 to 42 % in the year 2000 (Konefal et al. 2005: 296). A similar trend of food retail market concentration is reported in the UK with four retailers (Tesco, Asda, Sainsbury and Morrisons) controlling 75 % of food sales (Lang, Barling and Caraher 2009). In Norway, almost all groceries are sold through four food retail chains: Norgesgruppen, Ica Norge, Coop Norge and Rema 1000 (OECD 2004). The Australian food retail sector is similar, with Coles, Woolworths and the wholesaler, Metway (supplying smaller retailers such as the Independent Grocers Association [IGA]), holding a combined market share of around 70 % (ACCC 2008, p. 39). This exceptional concentration of

food retail, and the resultant market power of major retailers, has become cause for concern for both producers and consumers worldwide, leading to a proliferation of commissions of inquiry, major reviews and investigations into supermarket power and anti-competitive behaviour. These have recently occurred in many jurisdictions, including Australia, England, the European Union, Ireland, Norway, Russia and Romania. In some instances, these inquiries have led to a re-regulation of the sector. Norway and the UK are considering installing an Ombudsman to oversee supplier/supermarket relations, and in Australia, the consumer advocacy group, *Choice*, has joined the Australian Food and Grocery Council to recommend the creation of a new supermarket industry ombudsman for Australia (Choice/Australian Food and Grocery Council 2011).

In Australia in 2008, an Inquiry into the Competitiveness of Retail Prices for Standard Groceries by the Australia Competition and Consumer Commission (ACCC) called for submissions from interested parties, which were made public via the ACCC website. The majority of submissions from farmer organizations complained about the exercise of market power of the major supermarket chains. For instance, in their submission to the inquiry, Horticulture Australia Ltd (see ACCC 2008) stated:

As the retail market share of the MSCs [major supermarket chains] has increased, agricultural producers have become more heavily dependent on trading with the MSCs for their livelihoods. This dependence has provided the MSCs with significant bargaining power over agricultural producers which in turn has enabled the MSCs to set the terms and conditions of trade heavily in their favour.

While market share is intrinsically linked to economic power a broader conceptualization of power is necessary to understand just how supermarkets govern others. Clapp and Fuchs (2009, p. 7) recognise instrumental, structural and discursive dimensions of power that are influential in relationships between corporate, and other, actors. Instrumental power refers to the direct influence of one actor over another. This includes resources that enable direct power through access to such things as finance and organizational capital. Discursive power brings a cultural dimension, where powerful actors ‘frame’ issues into categories by linking them to norms and values which also raise legitimacy issues for corporate actors (see Richards, Lawrence and Burch 2011). While both instrumental and discursive forms of power are vital to the capital growth of major corporations, it is structural power that provides an understanding of how supermarket chains exert their influence beyond their own corporate structure and into the supply chain through the control of resources and networks (Clapp and Fuchs 2009).

The international governance of the food system is, according to Clapp and Fuchs (2009), necessary to protect society from the negative social, economic and environmental consequences of a globalised food system. While such protection was once the realm of the state, neoliberal reforms have enabled the market to ‘self-govern’ (see Campbell and Le Heron 2007). For instance, following a number of food scares including bovine spongiform encephalopathy (BSE—also known as Mad Cow Disease) the British government placed the onus on retailers through a ‘due diligence’ clause of the *Food Safety Act 1990*, to ensure the foods they were selling were safe (Fulponi 2006). With increased market power, supermarkets now govern not only in relation to food safety, but also on a number of other criteria such as the cosmetic appearance of fruit and vegetables, animal welfare, land management practices, agricultural inputs and food safety criteria that exceed the requirements of government. This privatization of food governance has ramifications for society as a whole, yet it does not carry the hallmarks of democratic governance. Civil society does not elect corporations to rule. Rather, their mandate is derived through a neoliberalization of regulation and uneven market relationships, which further serve to consolidate their power.

With major supermarket chains involved in food governance, the regulation of food has become an increasingly complex activity. While there is evidence of a shift from ‘government to governance’ in food regulation, the government itself still has a role to play in standards setting. Food producers, processors, manufacturers and retailers must abide by the national laws regarding the safety and handling of foods. In Australia, the legislative framework for food safety is administered by Food Standards Australia and New Zealand, also known as FSANZ, which, in turn, compiles the national Food Standards Code which is interpreted and implemented at the State level. In the United Kingdom, the Food Standards Agency plays a similar role, and in Norway, *Mattilsynet* oversees food safety across the nation.

In addition to these minimum food standards set by nation-state jurisdictions, private sector standards also need to be met by food producers and processors. Across the three case study nations of the UK, Norway and Australia, there is a complicated mix of public baseline standards, private standards that match government baseline standards but carry a quality assurance brand, and higher-level standards that exceed the Government’s requirements. There is also an array of standards that certify ‘credence’ claims against an assortment of criteria relating to fair trade, organic, sustainable farming and animal welfare. In Australia, for example, a farmer supplying fruit to the two major supermarkets will require certification against Woolworths’ Quality Assurance scheme and the British

Retail Consortium's standards which is required by Coles. If the same growers were also to export produce to Europe (the majority of food grown in Australia is exported), then farmers would need to be audited against the proprietor standards of international supermarket chains, and/or the meta-standards of GlobalGAP—a set of standards owned by a number of major food retail companies. Free range, fair trade and organic produce will need to meet additional sets of criteria.

This lack of harmonization of private standards increases farmers' regulatory burden and impacts unfavourably on farming costs (Konefal et al. 2005). The costs of the third party auditing (which polices this system of quality assurance) is borne by producers, something which farmers consider to be an additional financial burden for an industry where financial returns are already low. Farmers have been required to invest in specialised equipment and technology to fulfil the requirements of buyers and their systems of compliance (Konefal et al. 2005; McCullogh et al. 2008). Importantly, meeting the criteria of private standards does not necessarily bring a premium to farmers. Rather, it merely allows access to markets (see Kirk-Wilson 2002). For large-scale producers, access to national supermarket chains are more likely to outweigh the economic costs associated with certifying produce due to economies of scale (Fuchs, Kalfagianni and Arentsen 2009).

The harmonization of standards is often seen as the Holy Grail for suppliers. In an ideal situation, suppliers would need to comply with only one set of criteria to meet all government and proprietor-based standards. Indeed, there have been attempts at harmonising quality assurance schemes. The Red Tractor scheme in the UK represents a harmonization effort for British produce. A similar scheme, *Nyt Norge* (Enjoy Norway), operates in Norway. Such private standards are often described as being 'whole of chain' owned. Other efforts in harmonization include the Global Food Safety Initiative (GFSI). GFSI is a supermarket-owned umbrella body that oversees a number of private standards, including those of the British Retail Consortium (BRC), Safe Quality Food (SQF) Dutch HACCP (Hazard Analysis and Critical Control Points), and International Food Standard (IFS). Schemes such as GlobalGAP also aim to harmonise standards. GlobalGap is designed to operate globally, but is used mostly to monitor food standards of produce grown in the developing world that is exported to Europe. Modified forms of GlobalGAP have also appeared, such as JapGAP and USGAP. According to SGS (2010), a global benchmarking and certification company, major supermarket chains such as Wal-Mart, Carrefour, Tesco and Ahold have agreed to accept any of the four benchmarked schemes in order to reduce duplication. Despite this, there is evidence that supermarkets apply their own private standards to

differentiate their 'own brand' products from others—as a basis for securing greater market share (Campbell and Le Heron 2007). For example:

Nurture was launched in 1992, to ensure Tesco delivers world class quality fruit and vegetables for our customers. It is an exclusive, independently accredited, quality standard that assures you, our customer, that Tesco fruit and vegetables are grown in an environmental and responsible way. Each grower is independently audited and monitored regularly to ensure we continue to meet the exacting standard (Tesco 2011).

Compliance to bronze, silver and gold Nurture standards is overseen by a private firm, CMI Plc which, on behalf of Tesco, registers suppliers and oversees the certification process. Clearly, such schemes do not sit within a broader harmonization ethos and present another set of criteria of which suppliers must satisfy to access major markets such as the one held by Tesco—which controls approximately 31 % of the UK food retail market (Hall 2010). We argue that private regulation is a catalyst toward a new era of agricultural 'adjustment', where small-scale farm operators are still confronted with the decision to either 'get big, or get out'. This structural shift is sponsored by major food retailers who are increasingly controlling and directing the food supply chain.

Case studies: evidence of the impact of private regulation on small-scale producers

The following section draws on actors' voices to demonstrate the control that supermarkets have on the supply chain and the impact that this has on small-scale farmers. Face to face interviews were conducted with key actors along the food supply chain in the three case study countries. Secondary data have also been utilised where appropriate. Interview participants were assured confidentiality, and as such, names, or identifying particulars, have been omitted, although evidence that is available in the public domain, such as submissions to the ACCC, are referenced in full.

Australia

The Australian fieldwork occurred in 2009, less than a year after the release of the Australia Competition and Consumer Commission's (ACCC) report entitled *Inquiry into the Competitiveness of Retail Prices for Groceries*. As noted earlier, Australian food retail is characterised by two major supermarket chains, Coles, Woolworths, and one wholesaler, Metway, which control around 70 % of the

entire market (ACCC 2008). A mix of data from our own interviews, and secondary data from the public submissions made by individual farmers and farmers' organizations to the ACCC, were considered in analysing the impact of private standards on small-scale farmers in Australia.

During the interviews, participants raised concerns about the amount of duplicate auditing that is occurring in the food industry. In particular, it became clear that the power of the major supermarket chains meant that it was the suppliers who had to bear the cost of compliance to numerous private standards. A representative of a national supermarket chain described the process of accreditation:

Suppliers go through third party accreditation so they'll get a skill-gap analysis so somebody will come in and go "there's your current standard, that's what you get to, there's your gap". You pick up your gap, you then meet the requirement—and they've got to do that through an auditing process. That's where the suppliers get a bit narky because they say they will get multiple audits on the supplier which is cost-prohibitive to them.

Multiple audits, often measuring the same thing but for different markets, were viewed as a regulatory burden that was passed down the supply chain by powerful supermarket chains to less powerful producers. One food regulator who worked within a hybrid structure of public and private food governance in Australia observed the following:

There's very significant market shifts with the supermarkets. The two big supermarket chains [Woolworths and Coles], but also the independent chain have, in the past 10 years increased their demands for food safety and quality, their demands for HACCP systems, pushed back the costs of production, and the costs of inappropriate production, such as recall costs, back through their systems, so that the producers are bearing more and more of those costs.

Some of those interviewed articulated the value of quality fresh-food products but recognised that the cost burden was onerous. A business representative of a fruit company made the following observation:

...the consumer wants better product so this is a double-edged sword. I mean, looking for a better product is a good thing, you know it's a good thing to aspire to, if you see what I mean, but the standardization has a big impact on producers' margins.

Apple and Pear Australia was among a number of members of the farming and horticultural industries that complained to the ACCC about supermarkets' regulatory power:

Some growers/producers argue that the duopoly power exerted by the two major supermarket chains ... unfairly effects their viability by demanding higher and higher compliance standards in respect to quality (which include size, shape and colour specifications which in turn limits available produce) ...The pressures inevitably cost the grower who has a very limited ability to pass on costs to wholesalers or retailers.

A counter argument from a major retail chain was that it is in the best interests of farmers to bear the costs of auditing to achieve certification and recoup costs through greater profits by accessing major markets. However, there is a scale imperative in making such gains:

With a commercial agreement, yes, there is increased auditing but you have increased sales. You should have increased sales due to that—so there is an argument there. Depending on the size of the supplier, if he has a 14,000 chicken flock he's not going to enter into a commercial agreement with a Coles or a Woolworths because he could not supply [an adequate volume] to that retailer. He just doesn't have that size and then he couldn't afford the cost of the auditing as well.

This statement supports the argument that smaller-scale farmers, even those who can produce 14,000 chickens, do not possess the 'economies of scale' to enter into commercial relations with the two largest supermarket chains in Australia. In this instance, the supermarket spokesperson argues that it is not regulatory burden that excludes such farmers, but a 'scale mismatch' (see McCulloch, Pingali and Stamoulis 2008).

While, logically, many small-scale producers cannot meet the volume of products required to enter into commercial supply agreements with the major supermarkets, there is also evidence that larger-scale producers and consolidators are also being squeezed on economic terms before the costs of private standard compliance are factored in. A spokesperson for an independent grocers' organization stated:

I have no doubt that Woolworths actually mean this sincerely, when they go back to the dairy industry and say, "look we're about sustainable farming We don't want to see suppliers dry up". And I think their senior management would actually believe that. But the [Woolworths' representative] who buys their house-brand milk, his charter in life is to buy the cheapest milk in Australia. He couldn't care if 156 farmers went broke tomorrow, provided he got the cheapest milk. And what sort of career move is it for

him to go back to his boss and say, “oh by the way, we decided to pay 10 % more for our house brand tomorrow”. “Oh great, we’ll give you a promotion!”

These findings resonate with the theoretical insights of Clapp and Fuchs (2009) who highlight how economic power can often convert into structural power—in this instance, the power to govern. In such scenarios, economic and regulatory power becomes blurred and mutually reinforcing.

The United Kingdom

Food retail in the UK is also heavily concentrated, with the top four major supermarket chains controlling around 75 % of food retail sales (Lang, Barling and Caraher 2009). According to Harvey (2007), UK food retailers have the highest level of home brand sales of any country, as well as the largest volume of chilled ready-meals, which are mostly sold under home-brand labels.

Based on face-to-face interviews conducted in the UK with industry officials, union representatives and members of quality assurance schemes, and secondary data from farmers’ submissions and testimonies in competition inquiries, evidence indicates that small-scale farmers experience a significant private audit burden. Many farmers reported that their biggest and most immediate concern was (cartel-like) economic buying power, pushing prices to below production costs, often through the ‘middle agents’ such as processors, abattoirs and marketers. Many of those interviewed believed the latter to be culpable, with some preferring to have direct contract with the supermarkets (which was interpreted by farmers as being reserved for the best-of-the-best).

Concerns were also raised about the level of market dominance enjoyed by major retailers and the audit burden this creates for farmers wishing to supply their produce to supermarkets. As a result of the shift from public to private proprietor regulation of the UK food chain, supermarkets have developed sector-wide, collective, quality assurance schemes designed to “strengthen their structural power and induce supplier participation” (Fuchs, Kalfagianni, and Arentsen 2009, p. 35). Although proprietor schemes such as Assured Food Standards’ Red Tractor label are voluntary, major retailers in the UK will often reject produce that is not certified under such schemes. According to one interviewee, supermarket control of food regulation means that unless farmers invest in quality certification, they are denied access to major retail markets:

The major retailers will not take in product unless it’s assured through the chain because there are due diligence requirements under the ... Food Safety Act and they use an assurance scheme to fulfil their due

diligence requirements. So, if you are a farmer down here and you’re not assured, you won’t get your food product into a major food retailer (Supply chain regulatory body).

Another remarked

So you know you end up with this specification and you’re in the hands of the retailer ... the consequences of losing business then become sort of so great that you almost have to do whatever the supermarket says (primary producer peak body).

Farmers have little choice but to comply with proprietor standards. In the case of the UK, small-scale farmers have reported that this can be financially crippling, since they must cover the costs of certification and auditing for proprietor schemes. For example, a European Commission (EC) enquiry into the Red Tractor scheme revealed that in terms of the most burdensome aspects of quality assurance scheme membership, medium and small-scale producers ranked “annual audit costs together with record keeping as quite significant” (Garcia 2007, p. 24). This demonstrates that smallholders with unfavourable economies of scale are often ill-equipped to meet the costly and time-consuming demands of many assurance schemes.

It is also the case that farmers are struggling to bear the expense of multiple audits if they are certified under more than one assurance scheme. In a questionnaire for the 2000 Competition Commission inquiry, one farmer responded:

Where different multiple stores have differing standards in relation to training, hygiene, working methods and quality assurance, this adds to the cost of producing goods and causes more difficulty.

A dairy farmer articulated how s/he had no choice but to comply with the assurance schemes set down by the major retailers, and had no option to bear the cost, despite a perception that they did not accrue any personal benefits:

We farm well, within the restrictions of the extremely overbearing and parasite breeding farm assurance schemes, legislation which has been largely forced upon us at the whim of the major retailers, at high cost and also zero advantage to us as producers (UK dairy farmer).

Similarly, a pig farmer states how Tesco’s private standards on animal welfare have impacted upon his business:

We have been left uncompetitive partly by the process of [animal] welfare reform which was started by Tesco a decade ago in the form of their Malton Code which was the precursor to our Quality

Assurance...However, quality assurance pork quickly became the standard and we are having to compete again on the commodity market against less high welfare producers from other countries (pig farmer supplying Tesco ‘finest range’ home brand).

This problem of a multiple audit burden on small-scale farmers has also been acknowledged by regulators themselves:

It’s been recognised that although a high level of inspection and checks against compliance with legislation might be seen as a good thing because it means that you know all food’s supposed to be safe and complies with various standards, it’s very onerous for the farmers if they’re continuing to get them, particularly if they’re getting inspections by more than one [buyer] coming in (representative from the government’s regulatory body).

There have been attempts to harmonise the multiplicity of quality assurance schemes to minimise the burden on farmers and to create a degree of uniformity across food standards. GlobalGAP, for example, is a meta-governance scheme comprised of suppliers, retailers and other agri-food associates, and aims to standardise food safety standards by setting benchmark requirements endorsed by all of the major retailers in the UK (Konefal, Mascarenhas and Hatanaka 2005, p. 197). But despite acting as an umbrella scheme to ensure that supermarkets’ food safety standards are consistent, GlobalGAP has not prevented supermarkets from implementing their own additional quality assurance schemes (such as Tesco Nurture—as mentioned above) that exceed the requirements stipulated by GlobalGAP. According to a farming union official in the UK this signifies ‘regulatory creep’ “... which is where you see particularly executive agencies going beyond their stated objectives. There’s quite a lot of that going on” (Peak farming body).

It appears that harmonization schemes designed to reduce the regulatory burden on small-scale farmers have not been effective. One regulator noted that supermarkets still have the ultimate power as food authorities despite efforts to reduce multiple auditing:

It’s not possible to stop individual retailers who want to promote their brand in a particular way having certain ‘bolt-ons’. They may have some extra standards that they want, or for instance, they may want to use Freedom Foods¹ (Supply chain regulatory body).

¹ Freedom Food is an RSPCA monitored assurance scheme stipulating additional welfare standards for animals in the UK food industry (Freedom Food 2010).

This reflects the dynamic of a highly concentrated retail market in which supermarkets use quality certification in an attempt to gain a competitive edge through market differentiation, while passing the costs of additional regulation down the supply chain to farmers.

Arguably, however, there are some benefits for farmers who do participate in quality assurance schemes. While it has been acknowledged that the initial economic and administrative costs of being certified and audited can be burdensome, regulation is sometimes reduced for farmers who have demonstrated a high level of compliance with certain schemes. A consumer advocacy representative interviewed in the UK in 2010 explained that farmers can enjoy a degree of ‘earned autonomy’ if they achieve good audit results:

I think it makes sense that if you have got somebody who is obviously performing consistently well, they signed up to assurance schemes, they’ve got their own kind of independent quality control people coming in and auditing it, then it doesn’t make sense that they’re getting the same level of inspection as somebody who isn’t bothering with any of that (consumer advocacy organization).

However, the difficulties faced by smallholder farmers trying to comply with quality assurance schemes may present too much of a barrier for them to earn such autonomy. Hutter and Amodu (2008, p. 6) argue that the onus is placed on businesses (farmers) to self-regulate and ensure that they can meet assurance scheme standards. But, as in the case for Australia, self-regulation “is most suited to large, well-informed and well-resourced companies and crucially it is also reliant on the readiness of companies to self-regulate” (Hutter and Amodu 2008, p. 7).

Norway

While the food retail is heavily concentrated in Norway, with four major retail chains controlling around 99 % of food retail (Fuchs, Kalfagianni and Arentsen 2009), at the time of writing the supermarkets did not have farmers in an ‘armlock’. There are two main reasons for this. First, while the retail sector is heavily concentrated, so too is the farmer co-operative domestic supply format. This brings about greater bargaining strength for farmers who sell into farmer-owned co-operatives and, as such, they are not as vulnerable as UK and Australian farmers who have reported that the supermarkets trade them off against each other in a ‘race to the bottom’ on price (see Fox and Vorley 2004). Norway’s co-operative system appears to offer a buffer to individual, small-scale farmers and protects them from one-on-one contracts with major corporate food retailers.

Second, Norway does not have a strong, supermarket-driven, system of private regulation as found in both Australia and the UK. While there is a new mechanism for food governance emerging in Norway, as outlined below, the Government has a strong and central role in assessing credence and other claims made by food producers. Government could sometimes reduce in-house controls if a third party was doing the same but:

That's not formal. So it's not set that if you have in-house or third party control we are stepping back (government food regulator).

A representative from a large certification company reported that major supermarket chains do, in some instances, require British Retail Consortium certification when sourcing some high-risk products from companies. They suggested that market-based incentives, rather than regulation, were a more common system. This approach employs enticement rather than policing, and occurs at mid-points of the supply chain:

Before, the milk quality was really bad, so they said okay we're sick of this you can actually do something about it. So they started saying if you have good milk you get a lot more money than if you have bad milk. It changed overnight. And I think that's a lot of what they do. They're trying to do that now with cows when they're being delivered for slaughter. If they're dirty you get less money than if they're clean.

During the interview, the same respondent was asked about the role of the private sector in conducting food inspections, instead of the government, as is the case now:

[laughs]... I mean, they're so used to the government dealing with this—and they're still giving out such huge subsidies that I don't even think they've thought about the private sector going out and doing these things. The government's done it for so long so there's a mindset, isn't there?

Norwegian certification companies are building up their competence on food certification and practice abroad while waiting for the Norwegian food industry and retail sector to institute this private system in Norway.

This general thinking presents an interesting juxtaposition with Australia and the UK, as all three countries have an oligopolistic food retail format. Yet, at present, there is little evidence to suggest this market concentration translates into the market power exercised through private regulation to the extent witnessed in both Australia and the UK. In fact, the key quality mark KSL *Matmerk* (Quality Systems in Farming—Food Mark) is a government-owned standard that incorporates quality criteria based on environment, animal welfare and human health and safety. More recently, a

'whole of chain' quality assurance scheme, *Nyt Norge* (Enjoy Norway) was introduced to promote Norwegian-produced foods. The rules of the brand was developed jointly by the food sector and the government, this represents a step away from government-only intervention, but the certification systems underpinning the system are not based on proprietor standards, or certified through the private sector as is the case with its British equivalent scheme, Red Tractor. The KSL *Matmerk* is the standard used in the *Nyt Norge* scheme, and represents government baseline standards, rather than proprietor-owned 'bolt on' quality standards.

Although supermarkets might require compliance with this standard from their suppliers, this is qualitatively different from the imposition of a plethora of supermarket-owned standards, verified through an army of auditors with costs passed to the lowest feasible rung in the food chain. As was noted earlier, these are often geared toward product differentiation which sits in opposition to harmonised standards which the government aims for.

There are a number of reasons Norway differs in its approach to food standards. As a social democracy, Norway has not moved too far down the neoliberal policy track. Further, unlike Britain, Norway has not been subject to food or agriculture-born scandals like BSE and foot-and-mouth disease. This is an important point as it has a bearing on the degree to which the food system is regulated. At present, *Mattilsynet*, the food safety authority, is responsible for all legislation relating to the production and distribution of food in Norway. This includes business activities within primary production, food industries, grocery stores, food catering—along with imports of animals, food and plants. Norwegians are generally very happy with the quality and safety of Norwegian food. With Norway having a reputation as a trusting nation (Kjærnes et al. 2007) some 85 % of Norwegian consumers consider the government-owned food safety authority to be the most reliable source of information regarding food safety (The Norwegian Food Safety Authority 2009). The issue of consumer trust and confidence in food has become one of the major factors for the stability of the European food sector (see Fritz and Fischer 2007; Kjærnes et al. 2007) and European consumers react differently to food quality and safety communication strategies according to their home country and its cultural influence (Fritz and Fischer 2007).

This situation may change soon in Norway with a rise in the availability and sales of supermarket 'home brands'. Vertical integration of supermarkets is exerting pressure on farmers to break free of the co-operative system and channel their products through alternative supply arrangements. During the latter decade, vegetable, fruit and berries were taken out of the market regulation system, as was poultry. Since then, private companies have increased their market share and contract directly with farmers. The

transition to home brands is a significant one that may ultimately impact on small-scale farming (that is, the majority of farmers in Norway) as supermarkets by-pass farmer-owned 'known brands'. Branding products with the house label does bring a greater risk to the retailer (Burch and Lawrence 2005; Burch and Lawrence 2007). If the product is associated with a food scare, both the product and the supermarket which owns the label can be rejected by consumers, an important reason why the UK and Australian supermarkets have embraced more stringent food standard requirements than are required by government.

Since the financial crisis of 2008, Norway's supermarket chains have focussed their efforts on building their home-brand credentials. The four major retailers have different strategies, but common to most of them is that they want stronger control over the goods they sell. For example, Rema 1000 are working for a full vertical integration the food chain on meat, egg and poultry and dairy categories and are in opposition to the strong position of the supply cooperatives. Also common to all four retailers is that they build long-term, strategic, arrangements with suppliers. Both British and Norwegian supermarkets have come under scrutiny for receiving direct payments for stocking and placing particular suppliers' brands. The Norwegian Competition Authority is constantly monitoring the situation. In fact, an extended court case in Norway has examined claims that the farmers' cooperative TINE made payments to supermarkets to reduce competitors' opportunities (Konkurransetilsynet 2009). The competition authority lost the case.

While the exercise of market power on farmers through supermarket-led private regulation did not emerge from the data in the Norwegian case study, the Norwegian government does hold concerns about competition in the food supply chain. In February 2010, a public commission was instigated to inquire into the power relations in the food supply chain. In his opening speech at the launch of the inquiry Minister of Agriculture and Food, Lars Peder Brekk stated:

Increased ownership and influence by retailers is a relatively new phenomenon that we so far have not analysed in depth. We wish to cast light on the consequences of this development for consumption and production. It is also important to go through the entire food supply chain in order to get a clear picture of the power relations (Ministry of Agriculture and Food Newsletter 2010).

The Federation of Norwegian Commercial and Service Enterprises (HSH)² hired the Norwegian Agricultural Economics Research Institute to write a report on the status and

development of Norwegian retail (Kjuus 2010). The report concluded that the massive restructuring of retail into four major chains during the 1980 s and the 1990 s had increased efficiency, created more categories of stores and increased food variety and availability. The Commission did, however, conclude that despite the strong position of the supply cooperative, retailers were exercising increased power in the food chain. The concentration of buyers into four major supermarkets have made it more difficult for small and speciality producers to access the shelves of the stores.

In sum, while there is a significant degree of instrumental power, in the case of Norway this has not been converted into the structural power to govern food quality beyond the retailers' own corporate boundaries. What the research in Norway reveals is an increase in supermarket own brand products and changes in the power dynamics between food retailers and farmers cooperatives. While the market share is concentrated among four major retailers, their upstream power is still weak in major food categories because of the strong position of the agricultural cooperatives (Harvey 2007, p. 66).

Discussion and conclusion

It is difficult to quantify the extent to which small-scale farmers in the western world are being structured out of the farming industry as the result of a more highly-concentrated retail sector, including the procurement activities of, and private standards set by, these firms. Clearly, there are differences in the ideological positions and policy settings of various nations and regions in regard to agriculture and food. For instance, Norway is a country that opted not to join the European Union largely due to its desire for autonomy in regard to rural and agricultural policies. However, in both Norway and European Union member countries, agriculture is protected through government support such as subsidies, and is not subject to the full brunt of market forces, as is the case for Australia.

Layered underneath and intersecting with these differing political settings are local cultures and geographical constraints, including land use, land tenure systems, and various farming cultures. It may not always be the case that small-scale farmers are squeezed out of the industry. As McCullough, Pingali and Stamoulis (2008, p. 31) observe, "...where smallholders are part of a dualistic system with the presence of large landholders, modern buyers show a preference for procuring from large farmers". However, they note that small-scale farmers can be contracted by retailers when there is no one else from whom to buy, or for public relations purposes (which tend to be temporary and short-lived). They use the term 'scale mismatch' to describe constraints to small-holders engaging in modern agri-food systems, which

² HSH is Norway's leading federation of commercial and service enterprises within the private sector. The four major retailers are members of HSH.

include supermarkets as the chains most powerful actors. It is the case that “an increasingly consolidated retail sector is dealing with an increasingly consolidated network of suppliers” (Konefal et al. 2005, p. 298).

Given the industrialised and global nature of modern agri-food systems, small-scale farmers are generally not in a position to negotiate for a favourable price from other actors along the supply chain that might offset the cost of compliance with private standards. It may not be in the buyers’ interests to deal with farms that are considered to have a low output that does not match the scale of mega-supermarkets which carry various lines of produce across their national, and often global, operations:

Smallholder farms can be excluded from preferred supplier lists or contract-based marketing channels because buyers specify a minimum cut-off acreage or product volume that exceeds their capacity, given finite land holdings. It is much more likely, though, that smallholder will be excluded de facto because of fixed costs involved with participating in modern chains (McCullough, Pingali and Stamoulis 2008, p. 33).

Similarly, Konefal et al. (2005) argue that the development of food retail oligopolies has restructured agri-food production from a large number of small suppliers, to a small number of large suppliers. Clearly there are a number of elements of supermarket power that impact upon the current and future viability of family or small-scale farms as costs are passed along the supply chain from powerful corporate actors to under-resourced rural producers. We support the assessment of Konefal et al. (2005) who identify a turn to quality certification as both a response to food scandals such as Mad Cow’s Disease, and as a form of market differentiation. Our findings show that the associated system of private quality assurance standards is an additional form of power that is exercised over producers not merely through economic power, but through emerging gains in structural power (Clapp and Fuchs 2009).

We have presented evidence that suggests that the future for small-scale farmers is bleak across a significant proportion of the western world at least, particularly while the food retailer sector further concentrates its oligopolistic power, reducing the number of alternative food outlets available to receive produce from farmers. This can be considered a form of agricultural restructuring. However, unlike previous government-based schemes to assist small-scale producers to leave farming, today’s ‘agricultural adjustment’ is driven by an unelected corporate retail sector. Countries which still have more organised and powerful farmer bodies, such as Norway, are able to deflect the brunt of supermarket power to some degree, especially where farmer-owned co-operatives also approach monopolistic market power to match that of the retailers. However, in many industrialised countries,

although farmers may be politically organised they undertake farming as a highly individualistic activity, and as such, have shown themselves to be ‘easy pickings’ for the cost-cutting business practices that have been associated with corporate food retailers.

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