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Governing the Global Value Chain: GLOBALGAP and the Chilean Fresh Fruit Industry

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Abstract. An important argument within the agri-food literature is that power within the value chain has shifted from producers to global supermarkets chains. An example of this is GLOBALGAP, a standards and certification scheme launched by a handful of UK and European supermarkets, which allows them to govern their global value chains. This case study draws on in-depth interviews to understand how large-scale producers and exporters within the Chilean fresh fruit export sector have responded to GLOBALGAP. Rather than accept the role of standards takers, the organizational leadership of this sector has integrated itself within the decision-making structures of GLOBALGAP as standards makers. From their perspective, GLOBALGAP is a tool that will help consolidate and advance their position as world leaders in the export of fresh fruits. While the rising power of retailers is extraordinary, this study demonstrates that we cannot ignore how large-scale producers and exporters are also positioning themselves to negotiate, lead, and advance their own interests.

Introduction

Some of the most dynamic experiments in global governance today are occurring not in the public sphere but in the private sphere. Within the context of national capitalism, governments were looked to as primarily responsible for inspecting food, establishing standards for food safety, and then providing assurances to the public about the safety and quality of the food supply (Giovannucci and Ponte, 2005). However, with the expansion of global capitalism, neoliberal reforms, and concerns about food safety and quality, non-governmental actors, including corporations, business and industry associations, and social activists are now playing a greater role in gov-

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erning the value chain (Busch and Bain, 2004; Giovannucci and Ponte, 2005; Henson and Reardon, 2005; Barrientos and Dolan, 2006; O'Rourke, 2006; Lawrence and Burch, 2007).

Within this context, Gereffi et al. (1994) has argued that power within global value chains has shifted away from producers, such as large manufacturers, towards buyers, especially retailers. The role of food retailers has been recognized as especially significant with global supermarkets chains, such as Tesco or Wal-Mart, emerging as some of the most powerful corporate actors in the world (see, for example, Reardon et al., 2003; Busch and Bain, 2004; Konefal et al., 2005; Lawrence and Burch, 2007). In the process of sourcing goods from farms and factories from around the world, these buyers have established themselves as key drivers in the global production, distribution, and marketing of food products (Busch and Bain, 2004; Fox and Vorley, 2004; Burch and Lawrence, 2005; Konefal et al., 2005). In part, these retailers have established themselves as the new 'food authority' and gatekeeper to consumer markets by utilizing their power to develop and impose performance and production standards and certification systems onto their suppliers (Lawrence and Burch, 2007). It is through such institutional arrangements that supermarkets are able to govern their value chains, thereby determining who gets to participate, what gets produced and under what conditions, and finally where it is sold (Campbell et al., 2006a; Burch and Lawrence, 2007).

An important example of this is GLOBALGAP,[1] 'the most widely implemented farm certification scheme' in the world (*Eurofruit Magazine*, 2008), which was launched in 2001 by a handful of leading UK and European food retailers. To participate in GLOBALGAP, fresh produce suppliers must meet not only a broad array of food safety and quality standards but also standards for labor and the environment. To demonstrate compliance, producers must then be independently audited by a third party certifier. While these standards are not mandated by law and thus are considered 'voluntary', the reality is that compliance with GLOBALGAP has essentially become an 'entry ticket' into the UK and EU marketplace (Fox and Vorley, 2006, p. 170; Campbell et al., 2006a). Threatened with exclusion from this valuable market, tens of thousands of producers from Chile to Ghana to New Zealand have become certified, with thousands more in the process.[2]

Nevertheless, some scholars now argue that claims about the concentration of power among supermarkets may be overstated. While acknowledging that the influence and authority of supermarkets 'has increased significantly', Harvey (2007, p. 53) argues that power relations vary considerably between different economies and between value chains for different products. Campbell and Le Heron (2007) warn that blanket assumptions of supermarket dominance can lead researchers to ignore or dismiss the power gains of diverse groups of actors, such as large scale producers and civil society organizations, and what the effects of these power gains might be.

Drawing on the example of GLOBALGAP, this article explores this issue of governance within the Chilean fresh fruit export chain. This article is drawn from a broader study designed to assess the distributional implications of GLOBALGAP's certification program for stakeholders within this global value chain. Fieldwork for

this study was conducted in 2004 and 2005.[3] The analysis for this article is based on in-depth, semi-structured interviews with 19 Chilean producers, exporters, industry representatives, and government officials, each lasting an average of one hour. The sample of participants was purposive rather than random. Participants were seen as key informants and were selected because they were either intimately involved in the production and/or exporting of fresh fruit to the UK and Europe, or because they were aware of the effects of GLOBALGAP on the industry because of their leadership role within industry organizations or government (see Appendix 1).

My focus here is to understand how large-scale producers and exporters – the traditional bastions of power within the Chilean value chain – have responded to efforts by supermarkets to govern their value chain by imposing new standards and certification requirements. What I found was that participants viewed GLOBALGAP as an important part of the competitive strategy of these stakeholders as well as for the Chilean fresh fruit sector as a whole. From their perspective, GLOBALGAP plays a key role in helping large-scale growers and exporters improve their global reputation as responsible producers, helps mitigate risk, and allows them to govern their value chains. Rather than feeling vanquished by the supermarkets, the organizational leadership of the Chilean fresh fruit export industry has instead integrated itself within the decision-making structures of GLOBALGAP. Rejecting the role of standards takers rather than standards makers, these stakeholders have positioned themselves within the organizational structure of GLOBALGAP in an effort to shape its institutions in a manner that is mutually beneficial. Thus, I conclude that while the rising power of retailers is extraordinary, this study helps demonstrate that Chilean large-scale producers and exporters are also positioning themselves to utilize GLOBALGAP as a means to consolidate and advance their position as world leaders in the export of fresh fruits. To frame this discussion, I now turn to provide an overview of the concept of governance within the agri-food literature. In particular, I focus on the shift by supermarket chains to govern their global value chains through new institutional mechanisms such as GLOBALGAP.

Governing the Global Agri-food System

The concept of governance has emerged as an important means of analysing contemporary practices within the context of globalization and neoliberalism. The term attempts to capture the idea that power, authority and sanctions of the state are no longer central to governing. Rather, governing is far more organizationally and spatially diffuse today and includes a much broader configuration of political agents than just the traditional state (Foucault, 1983; Campbell, 2006). For scholars of the agri-food system, governance is proving to be a useful heuristic tool for investigating the multiple actors, sites, and structures that regulate the sector (Busch and Bain, 2004; Higgins and Lawrence, 2005). Rather than focus on analyses that center on local or regional analytical frameworks and paradigms within the nation state, scholars are turning their attention to analyses that give emphasis to transnational governance structures (Gereffi, 2005). The concept of governance directs attention not only to the

involvement of non-governmental actors but also to the different levels (from local to national to international) and the various contexts (e.g. organizations, value chains) in which governing takes place (van der Grijp et al., 2005). Consequently, this concept has proved useful for drawing attention to the development of new sites of governance (such as multinational corporations (MNCs), NGOs, standard-setting bodies, industry associations) whether at the local or global level, where regulatory activities are taking place (van der Grijp et al., 2005).

Of particular significance here is the role of global buyers, especially retailers and brand-name companies. Gereffi et al. (1994) argue that we have witnessed a shift away from 'producer-driven' commodity chains towards 'buyer-driven' commodity chains where lead firms, such as retailers, play a powerful role in making and enforcing decisions about production practices and structures in the global economy, even though they do not own any of the production or manufacturing facilities themselves. Following from this, a number of agri-food researchers argue that major supermarkets – especially from Europe, the UK and the US – have established themselves as the main drivers within the global agri-food system (Busch and Bain, 2004; Burch and Lawrence, 2005; Hatanaka et al., 2005; Konefal et al., 2005; Campbell et al., 2006a). In fact, Burch and Lawrence (2007, pp. 12–13) talk about the ascendance of a 'third food regime',[4] where supermarkets, not manufacturers or agricultural producers, predominate. The concentrated power of the modern retail sector[5] allows these firms to wield enormous power and influence in determining how food is both produced and consumed, which is reshaping the nature of agri-food businesses especially in the fresh fruit and vegetable sector (Campbell et al., 2006a; Lawrence and Burch, 2007; Vorley, 2007).

For Gereffi et al. (1994), governance is about the power and authority to determine how resources – whether monetary, material or human – are distributed throughout the value chain. How such power is exercised is affected through particular 'rules, processes and practices' (van der Grijp et al., 2005, p. 446). Governance structures and practices produce divisions of labor along the chain, which in turn contribute to the allocation of resources and redistribute gains in specific ways (Ponte and Gibbon, 2005). To understand how actors within a chain are linked together and coordinated or 'governed', it is necessary to analyse the role of institutions, such as standards, audits and metasystems (e.g., GAP, HACCP, ISO).[6] Hands-off governance and control by global retailers through their value chains is possible because complex quality information is embedded in their standards and certification requirements (Humphrey, 2005; Ponte and Gibbon, 2005). Supermarkets are now able to impose these requirements upon their suppliers, many of which are far more rigorous and comprehensive than those of either governments or international standards bodies (Hatanaka et al., 2005). Together with other requirements (e.g. volume, price), retailers use these institutions to determine who gets to participate in the value chain and under what conditions.

More recently, however, Campbell and Le Heron (2007) have cautioned against what they view as overstatements concerning the shift in power away from producers or processors to supermarkets. In a set of four contrasting case studies concerning

audit technologies, the authors found that efforts to define quality within the value chain led to 'negotiated alliances' among groups of actors that not only include major supermarkets but also large-scale corporate producers and a range of public groups (p. 132). Therefore, the authors conclude that – while perhaps appealing – such 'blanket claim[s]' of supermarket dominance can lead researchers to ignore or dismiss the 'range of diverse power gains within agri-food systems and… their cumulative effects' (p. 149). Similarly, Harvey (2007) argues that, while it is undeniable that the power of supermarkets has risen considerably, one-dimensional claims regarding their collective power are unhelpful and overly simplistic. Rather than concentrated in the hands of a few supermarket giants, his research findings show that relationships of power and dependency between economic agents within the value chain 'vary considerably from one economy to another, and from one commodity to another' (2007, p. 53). Instead of viewing power as simply the property of certain actors based on their 'size or market capitalization', a relational view of economic power allows the researcher to examine the range of variables (2007, p. 70).

GLOBALGAP

The concept of governance is powerfully illustrated by GLOBALGAP. In 1997, UK retail giants Tesco, Safeway, Sainsbury's, and Marks & Spencer, together with Dutch retailer Royal Ahold, began working together and in 2001 they launched their first set of harmonized standards for Good Agricultural Practices (GAP) for the production of fresh fruit and vegetables, together with a system of third party certification. While the focus of GLOBALGAP is food safety, the protocol also incorporates standards for worker health and safety, and the environment.

Market dominance, together with a changing social and political environment, motivated food retailers to manage their risk by increasing control and governance of their global supply systems. These factors have been written about extensively elsewhere (for example, see Gaskell et al., 2001; Campbell, 2006; Campbell et al., 2006a; Freidberg, 2004; Barrientos and Dolan, 2006); briefly, they include new food safety regulations in the UK, which require retailers to demonstrate due diligence in relation to the safety of their products. At the same time, market dominance has increased corporate vulnerability to high profile activist and media campaigns, which have spotlighted unethical practices within their global value chains. Supermarkets have found that their valuable brands can be severely damaged if it is linked with child labor or destructive environmental practices. In addition, scandals associated with 'mad cow' disease (bovine spongiform encephalopathy, or BSE) or genetically modified organisms (GMOs) demonstrate that public concerns about the safety of the food system – whether real or perceived – have the potential to negatively affect the entire industry, not just the firm or producers responsible.

Within this context, failure to demonstrate 'due diligence' in finding or preventing food safety problems, the failure to meet maximum residue levels for pesticides, or ignoring the importance of social and environmental concerns could pose considerable reputational and financial risks not simply to an individual retailer but the

industry as a whole. Undoubtedly, retailers recognized their shared fate. According to GLOBALGAP's Independent Chairman Nigel Garbutt, the view of its members is that '[r]esponsible agriculture is not something to seek competitive advantage with, it is for the long term benefit of both industries and consumers' (EurepGAP, 2005a, p. 1). Thus, GLOBALGAP was a means through which retailers could reassure the public that their food is being produced in a safe and sustainable manner (EurepGAP, 2004).

At the same time, retailers wanted to avoid a situation where each company was in the business of creating its own standards and auditing system. Not only would this prove enormously expensive but independent standards could make it difficult to sustain guaranteed supplies of certified product from producers (EurepGAP, 2005b). In contrast, a uniform set of minimum standards allows for the creation of harmonized European-wide value chains, allowing supplies to be interchangeable (Levidow and Bijman, 2002). Having established a baseline standard, individual companies are then free to choose to develop additional standards and audit schemes (e.g. Tesco's Nature's Choice) if they wish to do so.

While GLOBALGAP was originally conceived by a group of supermarkets and continues to be viewed generally as a food retailer protocol, the organization quickly moved in 2001 to re-conceptualize itself as 'an equal partnership of agricultural producers and retailers' (GLOBALGAP, 2010). This shift is reflected in the voluntary membership of the organization that has climbed from the original 21 founding retailers in 1999 to around 250 members in 2007, which includes not only retailers but also suppliers and non-governmental organizations (see Table 1). There are, in fact, three categories of membership.

1. Retailer Membership is open to retailers and foodservice organizations who are eligible for nomination and election to GLOBALGAP's governing board or the Sector Committees (see below).
2. Supplier Membership includes any organization directly involved in growing, producing and/or handling food products. Hence, they might be a producer but they could also be an exporter/importer. They are also eligible to be nominated and elected to the Board or the Sector Committees.
3. Associate Membership is open to Certification Bodies, consulting companies, agri-chemical companies, and their associations. These members are only eligible for nomination and election to the Certification Body Committee (CBC).

Table 1. GLOBALGAP Membership (1 January 2007).

Continent	Retailers	Suppliers	Associates	Total	% of Total
Africa	0	7	3	10	4
Asia	1	0	3	4	1.6
Australia & New Zealand	0	4	2	6	2.4
Europe	30	81	76	187	74.8
Middle East	0	8	6	14	5.6
North America	0	3	4	7	2.8
Latin America	0	8	14	22	8.8
Total	31	111	108	250	100
% change since March 2004	+29	+21	+44	+31	

Broadly, retailer or supplier membership brings with it the right to participate in and contribute to the various Committees and Working Groups, invitation to plenary member meetings, and input into the continued technical improvement of the GLOBALGAP documents. In reality, opportunities for voice and participation in this partnership between retailers and producers are extremely limited. When we examine more closely who gets to play a part, it is the large-scale retailers together with major corporate suppliers – many of whom are not even producers – who participate.[7]

GLOBALGAP has become *the* standard for growers who want to export fresh produce to the UK and EU markets (Campbell et al., 2006a). As a result, the worldwide growth of GLOBALGAP has been nothing short of phenomenal. According to GLOBALGAP's website (<http://www.globalgap.org>), in 2009 the number of certified growers had grown to over 90 000 from 90 countries, with thousands of additional growers involved in benchmarked schemes (see below). The number of international certification bodies that are accredited to GLOBALGAP has grown to approximately 150.

Much of the burgeoning literature on GLOBALGAP focuses on what the dominance of this global protocol means for other stakeholders within the value chain. In particular, research has examined what the specific costs and benefits are for small-holders in developing countries, especially Africa (see Mausch et al., 2006; Graffham et al., 2007).[8] Researchers note that while there are some benefits, such as improved health and safety and enhanced efficiencies on the farm, the economic burden for small-holders can be considerable. This has raised equity concerns about how the costs and benefits of GLOBALGAP are distributed and whether small-holders may be forced to exit (Henson and Humphrey, 2009). Recent work has also looked at the implications of GLOBALGAP standards on worker welfare. This research has questioned the efficacy of these standards for addressing health and safety concerns of women and temporary farm workers, especially in relation to pesticide poisoning (Bain, 2010; Bain and Hatanaka, forthcoming). Campbell and his colleagues have examined the role of GLOBALGAP in restructuring agri-food industries in new Zealand and Australia (Campbell et al., 2006a), especially its influence on sustainable management practices and organic production (Campbell et al., 2006b). To date, however, there has been little research that has focused on how large-scale producers and exporters have responded to GLOBALGAP and their efforts to influence the protocol. It is to this issue that I will now turn.

Governing the Chilean Fresh Fruit Export Sector

Chile is a world leader in the export of fresh fruits, and by 2005 it was supplying almost half of all exports from the Southern hemisphere to the lucrative North American and European markets during their counter-season. Over 80% of national production is exported, either as fresh fruit or as processed products (ODEPA, 2005b). In terms of value, fresh fruit exports were worth US$2.6 billion a year in 2007, up from US$168 million in 1980 (Gámez Bastén, 2007a; ODEPA, 2008). Within Chile, this

success has turned fresh fruit exports into the third most important economic sector after mining and forestry products, contributing 1.3% of national GDP (ODEPA, 2005b). In terms of its exports, the UK and European markets are a crucial destination for Chilean fresh fruit; between 1998 and 2008 exports to this region increased two-and-a-half times from just over 325 000 metric tons to 817 000 metric tons (see Figure 1); and in the 2006–2007 season accounted for 28% of all fresh fruit exports (Gámez Bastén, 2007b)

According to the 1997 National Farming and Livestock Census, there are around 112 000 fruit farms registered in Chile, of which 90% are subsistence and small producers. However, of the hectares registered as cultivated area, almost 70% is in the hands of medium and large growers (see Table 2) (Kremerman, 2005).[9] Since 1997, the land area devoted to fruit production has expanded dramatically. According to the 1997 and 2007 National Farming and Livestock Census, the total area planted

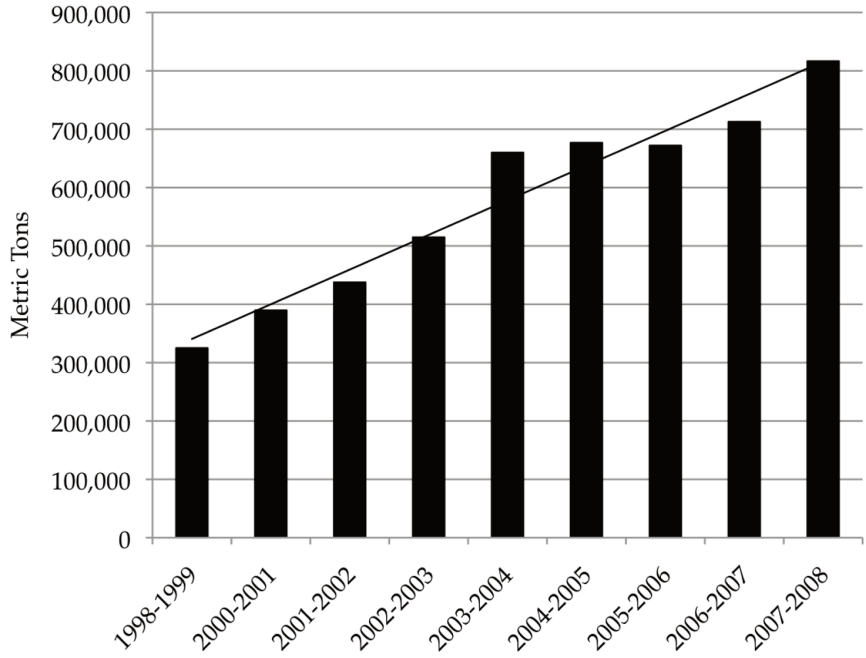

Figure 1. Chilean fresh fruit exports to Europe, 1998–2008.
Source: Chilean Fresh Fruit Association.

Table 2. Distribution by type of producer (%) 1997.

	Subsistence	Small-holders	Medium	Large	No Classification	Total
No. of fruit farms	30.0	58.8	6.0	3.8	1.1	100.00
Cultivated area of fruit orchards	3.4	25.9	20.6	49.9	0.2	100.00

Source: Kremerman, 2005.

with fruit orchards increased 45.3% from 213 518 hectares to 310 286 hectares. According to a report by the Ministry of Agriculture (ODEPA, 2009, p. 41), '[f]or an industry that is becoming mature, this is an extraordinarily dynamic expansion'. The most significant growth occurred among large-scale producers with land holdings above 500 hectares, which grew 112% from 27 318 hectares to 57 976 hectares (Bravo, 2009). During the same period, small-scale farms of less than 10 hectares decreased their participation in the sector from 13% to 11% (Bravo, 2009).

Within Chile, exporters play a central role as the nexus between the 7,800 local fruit growers producing for export and global markets. Active within the export sector are some 518 export firms; however, if one includes individual producers that export independently, then the number is over 700 (Gámez Bastén, 2007b). Despite this large number, approximately 43% of all exports are sold by just 12 companies (see Table 3). The three largest fruit companies in the world by sales are Dole, Chiquita, and Del Monte Fresh and each of them has a significant presence in Chile. There are also a number of large Chilean exporters, with David del Curto, the largest, working with 400–500 growers. More recently, medium-sized companies, such as Agricom, Copefrut, and Frusan, have reduced the market participation of three of the largest companies (Dole, Del Monte, and David del Curto). A clear division between producer and exporter is not always easy to ascertain since the largest exporters also own their own land, grow their own fruit, as well as utilize contractual arrangements with small and medium-scale producers to buy and sell their fruit (Kremerman, 2005).

Retailers from the UK and Europe prefer to deal directly with major suppliers such as a Dole or a Unifrutti, with whom they develop close, tightly managed working relationships. These dedicated suppliers tend to be the more sophisticated producer/exporters that have the capacity to meet their rigorous demands for flexible production schedules, just-in-time delivery systems, guaranteed quantity and evermore stringent quality standards. With this strategy, retailers hope to reduce their transaction costs, enhance quality assurance and traceability systems, and thus reduce the risk of any problems associated with food safety and quality (Fearne et al., 2005).

Advocating GLOBALGAP

In 2000, the Association of Exporters (ASOEX) had announced that all fruit produced by its members must meet GAP requirements (OECD, 2008). It was not surprising then that when GLOBALGAP was launched a year later the main organizations representing the Chilean fresh fruit export sector exerted considerable time and resources promoting it within the sector. These organizations include ASOEX, the Chilean Fresh Fruit Association (CFFA) (an industry funded organization with the purpose of promoting Chilean produce in its overseas markets), and the Fruit Development Foundation (FDF) (a private organization founded in 1992 and funded by a group of 30 exporters and producers). As part of these efforts, ASOEX – perhaps the most powerful organization within the fresh fruit export industry (Díaz, 2004) – also

Table 3. Participation of the top twelve exporting companies (in thousands of boxes).

	Volume 2003/2004	% Participation 2003/2004	Volume 2006/2007	% Participation 2006/2007
Dole Chile SA	17268		13132	5.3
Unifrutti Ltd	11538		12055	4.1
Del Monte Fresh	11637		10326	4.1
David del Curto	10034		9,990	4.0
Rio Blanco Ltd	7,146		9,632	4.0
Copefrut SA	9,019		9,671	3.9
Agricom Ltd	6,330		8,795	3.5
Chiquita Enza	7,490		8,656	3.5
Subsole	4,344		7,789	3.1
Frusan SA	6,232		6,277	2.5
Aconex	3,416		6,214	2.5
Rucaray SA	6,215		5,865	2.3
Total	100669	47.7	108402	43.4
Remaining Exporters	110446	52.3	141496	56.6
Total	211115	100	249898	100

Source: Gámez Bastén, 2007b.

lobbied hard to get the Ministry of Agriculture to support the certification program. As a result of these efforts, the FDF reported that between 40 and 50% of all Chilean produce sent to the UK and Europe was GLOBALGAP certified by early 2007, just five short years after the first protocol was released (Cea Covachich, 2007). In terms of the number of growers certified on a global level, Chile stood in eleventh place out of 80 countries (EUREPGAP, 2007a).

However, these organizations were not simply content to see GLOBALGAP implemented within their industry. In addition, the leadership of these organizations sought from the outset to take an active leadership role within the GLOBALGAP organization itself. These stakeholders recognized that *who* gets to participate in the organization is enormously important since they determine the very framework and substance of the protocol. Their goal then was to participate in the process of shaping future standards and certification requirements, whose content would ultimately affect them. The director of the exporter Unifrutti views this participation as significant since it has provided the FDF and ASOEX with the opportunity to fight 'to maintain [GLOBALGAP] requirements that are reasonable' for their industry (Cea Covachich, 2007).

Chile was the first developing country to have representatives participate on GLOBALGAP committees, which is significant in an organization whose membership is heavily weighted towards developed countries, especially Europe (see Table 1). Representatives of the fresh fruit export sector are integrated into the GLOBALGAP organizational structure and decision-making process, participating in a variety of leadership roles and committees, ostensibly to represent the interests of all Chilean growers. Long-standing supplier members of GLOBALGAP include the CFFA, the FDF, and the sixth largest exporter in Chile, Copefrut. Ricardo Adonis, Technical Manager of FDF, is a member of the 'Fruit and Vegetable Sector Committee' (see Figure 2). This committee is made up of seven retailer and seven supplier members who are elected every three years by their peers. Committee members are expected to 'rep-

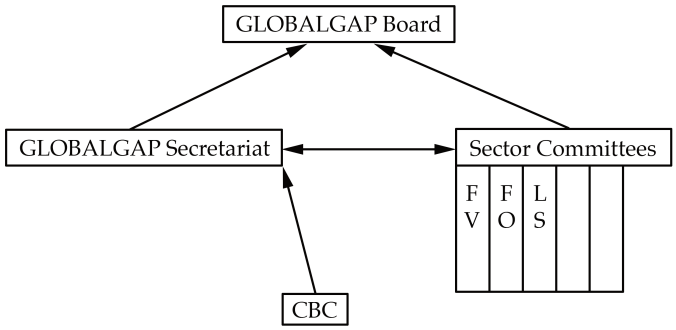

Figure 2. GLOBALGAP's governance structure.
Source: EurepGAP, 2007b.
Note: The organizational structure of GLOBALGAP has undergone several modifications since the organization's inception; this figure reflects the structure as it exists in 2007. The abbreviations here are FV (Fruits and Vegetables), FO (Flowers and Ornamentals), LS (Livestock Sector), and CBC (Certification Body Committee).

resent their sector (growing/production or retail) and not individual companies' (EurepGAP, 2003, p. 1). Membership is extremely important, since the main role of these committees is to review, evaluate and approve GLOBALGAP standards, benchmarked schemes (see below), as well as propose revisions to its General Regulations. Since GLOBALGAP has set a goal of continuous improvement in terms of their standards, committee members are constantly involved in reviewing emerging issues, collecting input from various stakeholders, and conducting risk assessments, which eventually lead to a revised version of the protocol every three years (EurepGAP, 2007c).

One major concern for Chilean exporters and large-scale growers who sell to more than one market is the costs and technical challenges associated with meeting multiple certification requirements, which 'creates confusion and doubt, apart from extra investments by the producer and exporter', argues ASOEX President Ronald Bown (Strating, 2008, p. 8). Chilean industry representatives, among others, worked within GLOBALGAP to increase harmonization between standards. Subsequently, GLOBALGAP developed a system of in-country certification schemes that can be approved as equivalent with GLOBALGAP standards through a process of benchmarking. Benchmarking involves a comparison of the standards of the in-country scheme with GLOBALGAP and an agreement to adhere to them through contractual obligations agreed upon between the standard owners and GLOBALGAP (EurepGAP, 2005b). Producers in that country who gain certification to the national standard will also achieve compliance with GLOBALGAP standards.

Chile was the first country to follow up on this decision by developing its own national certification scheme benchmarked with GLOBALGAP, known as ChileGAP. ChileGAP was mandated by ASOEX and is implemented by FDF. ASOEX and FDF were eager to establish ChileGAP because it eliminates the need for multiple audits by satisfying standards recognized by both the European and US markets. According

to Bown (Strating, 2008), many of the problems associated with multiple certifications are eliminated by ChileGAP, which unifies the majority of the quality systems. For example, ChileGAP is the only scheme in the world that has harmonized the requirements for GLOBALGAP and the US GAP standard. Benefits thus accrue to those growers and exporters who sell to both markets and who wish to reduce the costs of multiple certifications (OECD, 2008).

Another area that Chilean representatives have fought to keep more 'reasonable' are GLOBALGAP standards for labor since labor accounts for up to 70% of growers' production costs (Bain, 2010). In the first 2001 version of the GLOBALGAP protocol established by retailers, growers were required to comply with all state regulations covering employment conditions. The protocol included some 14 individual standards concerning wages, age of employee, hours of work, and employment contracts that auditors were required to verify. This standard was significant since non-compliance with labor laws in the Chilean fresh fruit export sector is widespread (Bain, 2010). One large-scale grower/exporter explained that the standard was viewed by the industry as placing undue hardship on growers and that Chilean representatives sought to replace these standards with something that would give more flexibility to growers in dealing with labor issues. The subsequent 2004 version of the protocol reflected an important shift in the standards to the benefit of growers. This version replaced the above requirements with a single standard that required that 'a member of management [is] clearly identifiable as responsible… for ensuring compliance with… national and local regulations on worker health, safety and welfare issues' (EurepGAP, 2004, p. 21). As Bain and Hatanaka argue, the benefit to producers is that,

> '[r]ather than independently confirm that growers are in fact abiding by the law, GLOBALGAP's standard simply requires that certifiers verify that *someone* is responsible for complying with the law. They are not required to corroborate that this person is in fact ensuring compliance; whether labour laws are abided by is outside the bounds of the certification procedure' (Bain and Hatanaka, forthcoming).

Rather than waiting to act as standards takers, the organizational leadership of the Chilean fresh fruit export sector embraced the GLOBALGAP concept from the beginning; lobbying for its implementation and integrating itself within the organization's decision-making structures. Importantly, participation within GLOBALGAP has wrought some important benefits to these stakeholders, especially in terms of reducing the costs involved in establishing and sustaining the protocol. In the next section, I turn to discuss what broader factors motivated these stakeholders to support GLOBALGAP in the first place.

Why GLOBALGAP?

Competing on Quality – A National Strategy

Since the return to democracy in 1990, successive governments have remained committed to a continuance of neoliberal economic policies that have allowed them to

deepen the country's participation within the global economy (Murray, 2002; Gwynne, 2003). As part of this effort, there is widespread support both within the public and private sector for developing policies and practices that are 'aimed at generating favorable conditions for the development of a profitable and competitive agriculture', capable of competing in the international economy (ODEPA, 2005b, p. 72).[10] GLOBALGAP fits within this broader national approach to economic development and was promptly viewed as an important part of the industry's competitive strategy – both for individual producers and collectively as 'the Chilean fresh fruit export sector' competing against other national sectors.

From the perspective of exporters, large-scale growers, and the Ministry of Agriculture, to ensure long-term economic success Chile must counter its image abroad as a 'developing' country and a producer of poorer quality fruit. Since poor quality fruit has the potential to undermine both the reputation and the price for all Chilean products, efforts to position and retain Chile's role as a world leader in the export of fresh fruit depend on establishing and maintaining a strong reputation as a trustworthy supplier of safe and quality products (Barrientos et al., 1999; Chilean Fresh Fruit Association, 2004). When Chile began to develop as an exporter, international competition was not so fierce and as a result the industry was able to get away with selling fruit that was of variable quality (Barrientos et al., 1999). However, the international environment for fresh fruit exports is now extremely competitive and is only expected to become more so. Not only does Chile face tough competition from some of its traditional rivals, such as New Zealand, Australia and South Africa, but it also faces growing competition from countries such as Argentina, Brazil, China, India and Peru, who are emerging as major fruit producers and exporters.

While Chile has demonstrated its capacity to compete with the most efficient agricultural countries, economic efficiency is no longer recognized as sufficient for positioning strongly within the global market (ODEPA, 2005a). Instead, participants emphasize the need for Chile to build a positive image and brand for itself based on quality, frequently pointing to the success that New Zealand has had in creating a positive global image as 'clean and green' and the need for Chile to follow suit. Then Minister of Agriculture Álvaro Rojas explained:

> 'We also still need to reinforce our country's image, the Chile brand name in world markets. While it's true we are present in all the world's markets, our image as an exporter of healthy, secure food products is still very weak. [Consequently, we need] a more massive emphasis on quality. Which is to say that the nation's entire agricultural community needs to be operating from a Good Agricultural Practices platform' (*Santiago Times*, 2006).

The 'poisoned grape' incident was identified repeatedly by participants as the exemplar of what can happen to an entire industry if there is a food safety or quality problem. In 1989, the US imposed an embargo on Chilean fruit imports after two grapes that were supposedly laced with cyanide were discovered by US port authorities in Philadelphia. Ominous headlines such as 'U.S. Urges Consumers Not to Eat Fruit From Chile' (Leary, 1989) and 'Stores Remove Chilean Fruit: Tons Piled Up as US Probes Cyanide Threat' (Callahan, 1989) warned US consumers to avoid not only

Chilean grapes but Chilean fruit in general. The consequences were devastating for the entire industry. The closure of the US market the following fruit season resulted in 'a massive fall in prices and severe financial hardships for both Chilean fruit companies and farmers' (Gwynne, 2003, pp. 313–314). The CEO of one major exporter/producer explained:

> '[A]s an industry we're concerned with defending ourselves as any food scare affects us all. If there's a problem with a grape it's not recognized as Juan Ortiz's grapes, but 'Chilean grapes'. So, we're supporting FDF's efforts [to expand certification] because we need a good face for the entire industry, even though we compete with each other.'

Within this context, the buying practices and strategies of Northern food retailers have enormous import not only for the fresh fruit sector but for the Chilean economy as a whole. The Ministry of Agriculture asserts that the growth and success of the industry since the late 1990s can be attributed to the industry's success in satisfying consumer demand for product traceability and food safety and quality, as well as the industry's success at implementing new innovations and developments throughout their value chains (ODEPA, 2009). It asserts that if producers wish to participate in the global food system or to gain entry into the global value chain, it is no longer sufficient to simply 'be efficient and competitive', but rather they also need to 'honor the requirements demanded by [supermarkets], which in turn reflect consumer preferences and the concerns of civil society, as well as industry efforts to improve efficiencies' (ODEPA, 2005a, p. 23). Producers have to recognize the 'importance of food safety, quality, perception of the environment and to a lesser degree labor', and respond to demands from their major markets for good agricultural practices, together with inspection strategies related to their compliance (ODEPA, 2005a, p. 22). Quality certification programs are thus viewed as an indispensable tool both to ensure continued access into foreign markets and as a tool to help create a positive brand and demonstrate to buyers that the industry is as sophisticated and focused on safety and quality as any developed country.

Competing on Quality – A Corporate Strategy

While GLOBALGAP was perceived as providing value to the entire industry, participants also explained why they believed certification would benefit large-scale growers and exporters in particular. One CEO for a large exporter/producer explained:

> '[T]he supermarkets are paranoid as they are the last connection with the consumer. There are the legal issues, if somebody gets sick, they will go back to the supermarket, who will go back to their supplier. *It's become a business necessity to put your best foot forward*' (emphasis added).

It is important to note that in general the larger one's farm size, the more easily one can incorporate the costs associated with GLOBALGAP. Large-scale producers and exporter-owned farms face lower investment costs per acre to meet GLOBALGAP

requirements. For example, in Chile the cost of annual certification was approximately $US600 a year regardless of size. Moreover, some export-owned farms were already following at least some GAP specifications before GLOBALGAP was required, which meant that they had to invest less upfront, and were able to implement the standards more quickly and at lower costs. As with retailers, third-party certification is cost effective for many exporters who are able to pass on many of the costs and risks of implementing GLOBALGAP back up the chain to their suppliers.

The large-scale growers and exporters that I spoke with hoped that, by responding swiftly to retailer demands for food safety and quality standards, their company would gain a competitive advantage over both their domestic and international competitors and gain the respect of their buyers. For example, the manager of a major grower-owned export company explained that its growers (none of whom were small) were among the first in the country to gain certification. These growers had decided that as a competitive strategy they would take the initiative and establish GLOBALGAP as well as any other major supermarket certification program, such as Tesco's Nature's Choice, before it even became obligatory to do so. The company then used its certifications as a competitive strategy, to demonstrate to buyers during negotiations that its growers were leading the field on food safety and quality issues and taking a proactive stance towards certification.

According to participants, certification also helps producers mitigate risk by allowing them to demonstrate that their production practices are socially and environmentally responsible. In particular, MNCs, such as a Dole or a Chiquita, are concerned and increasingly conscientious about ways to protect their image as they find themselves the targets of campaigns for corporate social responsibility. As with supermarkets in the UK and Europe, the size and scale of MNCs has proved to be a double-edged sword as social activists target high profile companies in their effort to expose poor corporate social and environmental practices within global value chains (Klein, 2002; Fox and Vorley, 2004; O'Rourke, 2005; Utting, 2005). The CEO for a multinational fresh fruit exporter and producer explained:

> 'These new standards are market driven. It started with environmental issues with the Green movement in Europe. In the US there is not such a strong movement so there is little pressure from there. [We are] concerned with our reputation because we're exposed because our banana business is 'an elephant' for us. The environmental movement together with political movements has targeted banana plantation practices… So yes, we are exposed to NGO pressure… In the US it doesn't really matter but in the EU bad publicity can affect your business, so the effects of NGOs are not good for us.'
>
> 'We have found having certifications really crucial to defending ourselves.'

The CEO described an instance of how his company had used its GLOBALGAP certification to counter a claim made by a newspaper reporter that a worker on one of its farms had said that the company was using the pesticide Paraquat.[11]

> '[When the reporter called me asking me for my response to this claim] we could go back to our records and demonstrate that this was not true… Our company complies with all the laws and with international standards and now with certification we have the documentation to demonstrate this, so we're not just saying it anymore, we can counter any accusations, so from a PR point of view – and I'm always answering to reporters – it's excellent because we can demonstrate what we are saying with certification…. [This company] is in the public eye.'

In 2004, Chiquita President and CEO, Fernando Aguirre explained that 'Our SA8000 and [GLOBALGAP] certifications reflect this company's tremendous efforts and commitment to attain high ethical, social and environmental standards based on the principles of transparency and independent verification' (Chiquita Brands International, n.d.). Thus, GLOBALGAP certification is viewed as an important tool to defend MNCs against criticism or negative publicity by NGOs or the media about their practices, thereby protecting their valuable brand-name and international image.

Modernizing the Value Chain

> 'But the key thing with supermarkets is your commitment to volume. If you promised 10 000 boxes during a certain period, then they want to know that you will supply it… Credibility is really important especially in relation to supply. This is an advantage for [us] because we have the volume to meet the demand.'

From the perspective of large-scale growers and exporters, GLOBALGAP is a powerful governance mechanism that facilitates the modernization of the fresh fruit value chain (Chilean Fresh Fruit Association 2004; ODEPA, 2005a). In order to provide the volume of product demanded by supermarkets, large-scale growers and exporting companies in turn rely on a network of perhaps dozens or even hundreds of contracted outgrowers. As the nexus between retailers and producers, however, any problem with an outgrower's product becomes their problem. Modernizing this chain not only facilitates access to valuable Northern markets and ensures that growers remain competitive in the global market, but it also establishes both an individual company's – and the country's – position as a 'trustworthy' and 'reputable' supplier of safe, quality, sustainable produce to the world (Chilean Fresh Fruit Association, 2004; ODEPA, 2005a).

Participants believe that implementing GLOBALGAP standards and third-party certification helps these stakeholders govern their value chains. To protect their reputation, these growers and exporters are using GLOBALGAP certification as a tool to reorganize their value chain and bring selected growers up to speed. As researchers have detailed elsewhere (Campbell et al., 2006a, 2006b; Mausch et al., 2006; Graffham et al., 2007), certified good agricultural practices oblige growers to upgrade their farm management techniques (e.g. pesticide management) and on-

farm facilities, implement more business-like and professional practices (e.g. bookkeeping), and develop a more highly skilled and educated work-force (e.g. training in applying pesticides) while at the same time shifting much of the cost of compliance back onto growers. Outgrowers who do not have the capacity to implement GLOBALGAP find that either their product is directed by their buyer to less lucrative markets that are less rigorous in terms of standards, or they are dropped as suppliers altogether.

Conclusion

Within the agri-food literature, the growing power of supermarkets to govern their global value chains at the expense of producers has become an important area of investigation. From this perspective, greater market share has allowed retailers to improve their bargaining position in relation to their suppliers. With the majority of fresh produce now sold through a small number of supermarkets chains, producers who export to the UK and Europe have few alternatives but to deal directly with them. The establishment of GLOBALGAP by a handful of these retail giants would appear to exemplify this shift. The authority to establish and enforce the rules, standards and processes under which food is produced and sold is fundamental; it is through such institutional mechanisms that some stakeholders are able to determine who gets to participate in the fresh produce value chain and under what conditions, which has important implications for development. More recently, however, scholars such as Campbell and Le Heron have encouraged us to revisit the issue of supermarket power within the value chain. Their concern is that the rise in supermarket dominance might blind us to ways in which other actors might be able to maneuvre and establish or gain power for themselves.

To explore this tension within the literature, this article examined the response by large-scale producers and export companies – the traditional power holders – within the Chilean fresh fruit export sector to the establishment of GLOBALGAP. From the perspective of these actors, GLOBALGAP advanced not only retailer but also their own competitive interests, both as individual firms and as the Chilean fresh fruit industry as a whole, since implementing internationally recognized standards would enhance the sector's international competitiveness and reputation. Many participants viewed GLOBALGAP as the tool many in the industry had been looking for to accomplish these broader goals by helping them to modernize the sector and govern their value chains. At the same time, GLOBALGAP was a mechanism to drive out those growers unable – or unwilling (from the standpoint of some participants) – to meet the standards and achieve certification. Overall then, these changes were understood as necessary to help improve the safety and quality of the product, mitigate risk, and improve the reputation of major producers as socially and environmentally responsible.

Recognizing these benefits, major players within the Chilean fresh fruit export industry quickly established themselves within the organizational structure of GLOBALGAP. Their objective was to take a leadership role within the decision-mak-

ing processes to ensure that their voice was part of the negotiations over what standards GLOBALGAP would pursue, what these standards would look like, and how they would be implemented. With a seat at the table, these stakeholders could help ensure that standards remained 'reasonable' for growers and that grower concerns, such as harmonization among standards and increased flexibility to deal with labor standards, were addressed.

Over the past decade, the Chilean fresh fruit sector has continued to improve its competitive position in relation to other exporting nations and both the quantity and value of its exports continues to increase. Significantly, as Chilean fruit production has expanded to meet this growing demand many of the benefits appear to have accrued to major exporters who have held their own in a competitive market and to large-scale growers who have significantly expanded their presence within the sector. This case study helps illustrate that while the rising power of retailers is extraordinary, large-scale growers and exporters within the value chain have also found ways to use GLOBALGAP to negotiate, lead, and advance their own strategic interests helping to extend their position as world leaders in the export of fresh fruits.

Notes

1. At the time of this study, GLOBALGAP was known as EurepGAP. The name change came in September 2007 and is intended to reflect the organization's global significance and its position as the preeminent international standard for good agricultural practices (GAP). To avoid confusion, the organization is consistently referred to in this article as GLOBALGAP.
2. GLOBALGAP's sphere of influence continues to expand. While this research focuses on its fresh produce standards, GLOBALGAP has since developed standards to include crops (e.g. flowers and ornamentals), tea and coffee, cereal and livestock production (with standards for animal welfare), and aquaculture.
3. For this broader study, 52 in-depth interviews were conducted with participants who were selected to maximize variation and ensure that a range of perspectives and social positions within the Chilean fresh fruit export value chain were represented. Participants included growers, exporters, industry association representatives, third party certifiers, farm workers, farm worker representatives, government officials, trainers in GAP, European food retailers, and GLOBALGAP members. Content analysis was also performed on an extensive collection of related government, industry and GLOBALGAP documents, newsletters, data sets, and reports, as well as newspaper articles. Using NVivo, the interview and content analysis data was analysed using codes that were developed from my theoretical framework, my research questions, as well as inductively generated from the research process (Maxwell, 1998; Strauss and Corbin, 1998).
4. For a discussion on food regimes, see Friedmann and McMichael (1989); Campbell and Dixon (2009).
5. For example, Lawrence and Burch (2007, p. 21) report that 'the top 30 supermarkets grocery chains in the world control an estimated 33 percent of all global food sales'.
6. Good Agricultural Practices (GAP), Hazard Analysis and Critical Control Points (HACCP), International Organization for Standardization (ISO).
7. Membership is only accessible for those stakeholders who have the considerable time, money and resources necessary to participate. Individual supplier membership is €1,550 a year, while membership for produce groups or producer organizations is €2,550. To participate on a committee requires that the individual is available to attend four meetings a year, is able to develop an election proposal, and is able to find two other GLOBALGAP members to act as their proposer and seconder (EurepGAP, 2003).
8. For a recent summary of this literature, see Henson and Humphrey, 2009.

9. It is likely that landownership is more concentrated than indicated by formal land tenure since larger producers often own more than one farm, which is not reflected in the data (Barrientos et al., 1999).
10. Chile's Minister of Agriculture, Álvaro Rojas, explained that one of the state's goals is to become a global agricultural powerhouse and to 'be among the top 10 food-exporting countries in the world' (Santiago Times, 2006). According to the article, the rate of exports would have to double from its current value of US$8 billion to accomplish this.
11. Paraquat is a highly toxic herbicide, which is not banned in Chile but is classified by SAG as in 'restricted use'.

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Appendix

A total of 19 participants were interviewed. Interview participants included 11 growers and exporters ranging from small-scale, sub-contracted growers through to large-scale growers/exporters who contracted with numerous outgrowers. The number of contracted outgrowers utilized by four of these growers/exporters ranged from 10 outgrowers for the medium-scale, Chilean grower/exporter up to approximately 450 for the multinational grower/exporter. In terms of export volume, the five export participants interviewed control collectively at least 15% of the export market. Interviews were also conducted with representatives of the Ministry of Agriculture, the Agricultural Development Institute (Instituto de Desarrollo Agropecuario, INDAP),† the three leading auditing firms in Chile that conduct third party certification for GLOBALGAP, the Association of Exporters (ASOEX), the Fruit Growers Federation of Chile (Fedefruta), and Fundación Chile‡ (see Figure A1).

† INDAP is a subsidiary of the Ministry of Agriculture. Their main goal is to support the integration of smallholder farmers into the market.

‡ Fundación Chile is a non-profit corporation created by the Chilean Government and ITT Corporation of the United States to foster Chilean business and industry growth, especially through the development of new technologies. One of its priorities was to help develop third-party certification of fruit for export.

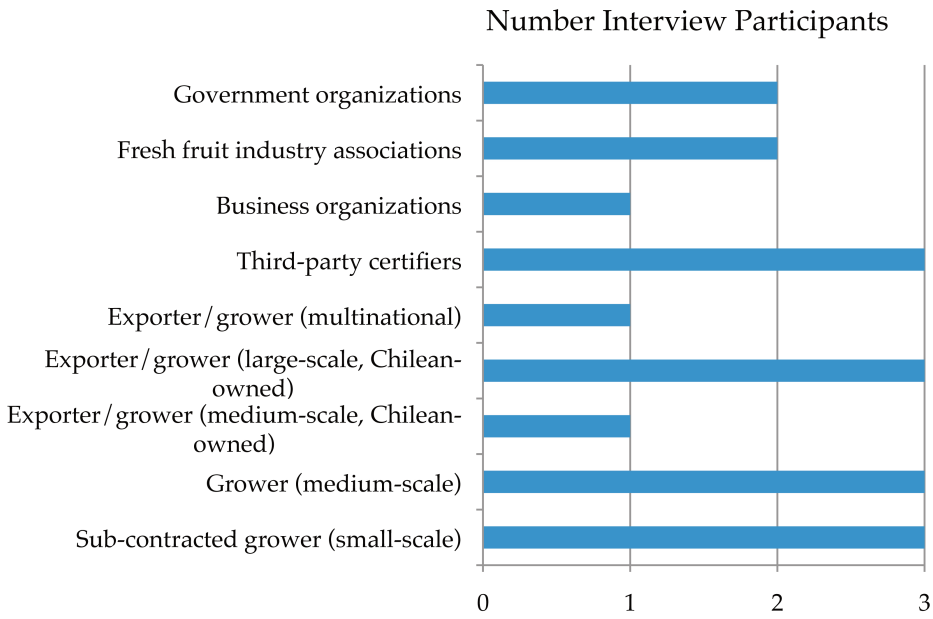

Figure A1. Categories and number of participants involved in formal interviews.