

# Workshop: Traders as Sustainability Governance Actors – Initiating a research agenda

## Info brief 2: Workshop summary

01.07.2022

### Summary

Between June 27<sup>th</sup> and 29<sup>th</sup> 2022, Sophia Carodenuto and Janina Grabs coordinated a hybrid workshop at the University of Victoria with 11 in-person and 13 online participants – 10 academics and 14 practitioners – to initiate the research agenda set out in our agenda-setting article “[Traders as sustainability governance actors in global food supply chains: A research agenda](#)”. This info brief summarizes the workshop proceedings and next steps, including opportunities for involvement.

### Diversity of trading companies and entrepreneurs

A first key insight coming from the workshop is that it is important to recognize and further analyze the *diversity* of trading companies and other actors working in the *trading ecosystem* situated between producers and manufacturers. This includes diversity in size (e.g. multi-national enterprises versus boutique firms and upstream aggregators acting informally), diversity in activities (ranging from desk trading to a multitude of on-the-ground activities and value addition), diversity in traded goods (different commodities, specialty versus bulk trade), and diversity in business models and motivations. At the same time, these diverse actors are working alongside and interacting with one another. Mapping out these ecosystems, the actors within them, and their roles may be a good first step toward a better understanding of when trading companies may act as sustainability governance *actors* involved in setting and enforcing rules, when they may be *agents* that act on behalf of others, and when they may have no role in sustainability on the ground. This may also influence where governance is possible *within* supply chains and where *external* governance (e.g. in the form of legislation) is necessary for transformative impacts. The value of such a typology had been outlined in the original research agenda and discussed at virtual fora preceding the workshop.

### Necessity of a common vision of sustainable trade

A second insight was that common definitions are important, including the definition of sustainable trade. An important consideration here is clarifying for whom trade should be sustainable (especially with regard to the trading companies themselves versus producers and other marginalized actors). Workshop participants agreed that sustainable trade should include the three pillars of sustainability (economic, social, and environmental) and that it should be aligned with the Sustainable Development Goals and a regenerative, net-positive environmental impact. Yet, it should also empower producers and allow for both value addition and value redistribution along the supply chain. Producer co-ownership of trading and processing companies, cost-plus pricing, stable contracts and pricing, and the use of multiple (electronic) payments were suggested as innovative ways forward to increase equity along the supply chain.

### Understanding motivations and (diverse forms of) power of trading companies to enact change

We discussed both motivations and intents of trading companies (including potentially nefarious intentions) as well as their room to maneuver and the power they have by virtue of sitting at a point of concentration in the supply chain. While this concentration of supply is often seen as a leverage point by civil society actors and governments aiming to target a sector more broadly, practitioners highlighted the importance of consumers, retailers, and consumer goods manufacturers to provide the

impetus for more sustainable supply. As one participant argued, “you usually drink from one end of a straw – you don’t cut a hole in the middle and start sucking there”. More often than not, traders tend to be price-takers and operate on relatively thin margins. Yet, there are other forms of power beyond bargaining power in global value chains, and their role in leading by example in changing norms and practices – with regard to internal operations and standards as well as production practices on the ground – should not be underestimated. Power may also be felt on the ground in localized ways and often depends on the local market structures and whether trading companies or middlemen (‘the guy on the motorbike’) have a monopsonic status in specific locations, as well as to what extent they are capitalized, as ‘cash is king’ on the ground.

### **Data sharing, traceability and transparency at scale**

Many participants indicated that better sharing of supply chain and producer-level data – both among trading companies but also between trading companies and civil society/the general public – is a first step toward change, as better traceability (of physical flows) and transparency (of financial flows) allows for more information on the prevalence of problematic practices and more targeted (dis)incentivization of producers and other supply chain actors. Financial transparency on prices paid along the supply chain would allow for a more open discussion on value addition by mid-stream actors and would facilitate value redistribution down to farmers and profit-sharing practices. Yet, currently such traceability and transparency is extremely costly and only possible in differentiated specialty markets. Improved technology might allow for traceability at scale in an efficient way, while NGOs or academics might take on the role of honest brokers that can facilitate data-sharing (e.g. Specialty Coffee Transaction Guide). At the same time, data sharing may be prohibited by traders’ clients when they act on their behalf on the ground, and data may be a key competitive advantage.

### **The role of traders versus that of other actors (including academia)**

Participants agreed that trading companies could build more on their core capabilities (e.g. connecting producers to markets, agronomy knowledge, information, technology) and infrastructure (e.g. washing stations or mills that are the first point of contact to farmers) to contribute to greater sustainability on the ground. Aligning internal key performance indicators with their sustainability objectives may also help to mainstream sustainable sourcing across the operation. Yet, trading companies’ success also vitally depends on context conditions on the ground, including the transportation and technological infrastructure (roads, use of electronic payment systems), and producing-country policies regulating trade, crop production, and land use and tenure systems. As trading companies have to navigate operating in multiple jurisdictions as part of their business model, they tend to be in a delicate situation and prefer to not engage producing country governments directly. Consuming-country policy (e.g. due diligence legislation), in turn, might provide a level playing field for companies to improve practices without losing their competitive advantage, but only if it incentivizes ‘the best to invest’ in the sustainability of more risky sourcing regions rather than making companies liable for upstream sustainability challenges or penalizing them for disclosing problems.

Academia might help companies to better understand the types and prevalence of sustainability challenges on the ground, but also might provide clearer guidelines on best practices that trading companies should pursue to address such challenges. Furthermore, better knowledge on the various actors in the trading ecosystem and the value they add (for instance, what types of services informal middlemen offer to smallholder producers) might allow for better guidance on how to strengthen on-the-ground sustainability in context-specific and locally sensitive ways.

## Next steps

In addition to collaborating on **two articles that will target both academic and practitioner readers** (one focused on an overview of trading ecosystems and different actors' activities and potential roles in sustainability governance; the other on common problems of multinational traders and best-practice solutions), and pursuing **primary research in the cocoa, coffee, and palm oil sectors**, we aim to build a greater community of practice that will connect trading companies to each other as well as to academics in the aim to improve sustainability along these supply chains and on the ground.

We will do so by using our website (<https://tradersandsustainability.com/>) as a hub of resources and information, including:

### **Transdisciplinary Connections Hub**

- An overview of academics interested in working collaboratively with trading companies to provide research-based inputs
- An overview of trading companies interested in working collaboratively with academics on potential research questions

### **Bright Spots and Informative Failures Confidential**

- A place for companies to share (anonymous, if requested) 1-2 page mini-case studies on sustainability practices, programs, and initiatives that worked – or didn't work – to allow for cross-company and cross-sectoral knowledge sharing

Please get in touch if you would like to contribute to or be featured in either of these websites!

We are open to more ideas, and more collaborators – please get in touch if you would like to consult more on how we could work together!

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