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## ACADEMIC RESEARCH FINDINGS TURNED INTO INFORMATION THAT ADVOCATES CAN GRASP AND USE EFFORTLESSLY

To learn why we launch this program, read the Explanatory Note placed at the end. Feedbacks welcomed. Contact: min@tinybeamfund.org

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A quiz about agribusinesses and meat corporations in developing countries!

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Advocacy groups are very involved with “corporate campaigns”. As there are large meat corporations and conglomerates based in non-high income countries, in this issue of *Academic Studies Without Tears*, we offer eight quiz questions about corporations in developing countries to test advocates’ knowledge.

The questions and answers – gleaned from studies by academics – contain important facts and issues (not trivialities).

Enjoy! And do let us know if you score a Perfect 8!

**Question 1: Of the three largest meat processing corporations in the world, two are not based in high-income countries. Can you name them? (Bonus point if you can name the third.)**

**Answer: JBS (from Brazil); WH Group (from China).** The third is Tyson (from the U.S.).

Two words sum up the meteoric rise of these corporations to become juggernauts in the global meat industry. No, not "consumer demand". They are: "*Government subsidies*".

Government subsidies enable these firms to attain and maintain global dominance because they reduce costs significantly. Especially consequential are subsidies that reduce costs for: (a) animal feed; (b) financing the acquisition of competitors. JBS benefited enormously from both types of subsidies, WH Group from finance subsidies, and Tyson from feed subsidies.

Reducing the costs of feed is hugely important because feed – particularly in confined production systems – is “typically the largest cost embodied in the retail price of meat”, and accounts for 60 to 70% of the producer’s expenses.

Acquiring competitors is crucial to a corporation's ascendancy in the global league table because unless it keeps growing internally and externally, it risks takeovers by larger firms or losing investors.

Governments assist acquisitions with financing. The Bank of China gave a \$4 billion loan for Shuanghui's acquisition of Smithfield in 2013 and approved the request in just one day.

Government support also helps corporations in other ways. Governments fund research into new ways to reduce animals' feed consumption and diseases, increase their growth rate, dispose of their waste, enabling corporations to produce more animals in confined spaces. Governments' anti-union laws and assistance to supplement below-subsistence wages reduce corporations' labor costs.

A bit more info:

- "The scope of government subsidies provided to Tyson, JBS, and WH Group suggests that without these supports the global meat industry would be far less concentrated in ownership, and the top executives of all of these firms would not be billionaires. . . . In addition, the meatification of diets might not have proceeded as extensively, meat production would be less geographically concentrated, and livestock and feed crops would be less genetically uniform." [italics added by Tiny Beam Fund]
- "Government subsidies, both direct and indirect . . . are numerous, and include direct ownership stakes, payments or tax breaks for production, low-interest funds to finance acquisitions, policies that shift the burden of environmental and community impacts of their operations to taxpayers, and regulatory barriers that disadvantage competing firms."
- "Government subsidies often give dominant firms advantages over competitors, and even small gains can become magnified as the "rich get richer", thus reinforcing trends toward concentration. As leading firms have encountered limits to increasing power in their nations of origin, they have expanded globally in search of cheaper inputs and additional markets. This greater scope provides even more advantages over competitors, as they are able to pit nation-states against each other, scouring the globe for the most favorable government supports and the weakest regulatory oversight."
- "Differential government supports have helped shape the winners and losers among meat processing firms. Access to low-cost financing for acquisitions shaped the rapid rise of both JBS and WH Group, which enabled them to take over much larger competitors worldwide, as well as to expand from their initial focus on a single species. This is a risky strategy, requiring high levels of debt, but the increased power that resulted for both firms has helped them to reduce these debts, and plan for even more acquisitions. European-headquartered meat processors, in contrast, have lost power globally because they have made few acquisitions outside Europe. . . ."

Howard, Philip H. "Corporate Concentration in Global Meat Processing: The Role of Feed and Finance Subsidies." In *Global Meat: Social and Environmental Consequences of the Expanding Meat Industry*, pp. 31–53. MIT Press, 2019. <https://doi.org/10.7551/mitpress/11868.003.0011>

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## Question 2: The Thai corporation *Charoen Pokphand Foods* has been a significant agri-food player since: (a) 2010; (b) 2000; (c) 1990?

**Answer: (c) 1990**

It is not true that Asian countries started to develop their own indigenous transnational corporations only in the past decade or so.

*Charoen Pokphand Foods* (CPF) began life in 1921 and saw its modern expansion in the 1960s. By the early/mid 1990s it became Asia's largest agro-industrial conglomerate.

It was credited as the company "most responsible for the vertical integration of [shrimp] production, first in Thailand and subsequently elsewhere in the region". And it was one of the earliest foreign investors in China's poultry industry.

It now has feed mills and chicken breeding facilities in various Asian locations including Indonesia, Singapore, Malaysia, Taiwan. In mid-2019 it acquired the Canadian pork producer Hylife Investment.

Goss, Jasper, David Burch, and Roy E Rickson. "Agri-Food Restructuring and Third World Transnationals: Thailand, the CP Group and the Global Shrimp Industry." *World Development* 28, no. 3 (2000): 513–530. doi: 10.1016/S0305-750X(99)00140-0  
McMichael, Philip. "A Global Interpretation of the Rise of the East Asian Food Import Complex." *World Development* 28, no. 3 (2000): 409–424. doi: 10.1016/S0305-750X(99)00136-9

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**Question 3: The top agribusiness groups or “agro-holdings” in Russia, Ukraine, Kazakhstan (RUK) are all major producers of which kind of animals: (a) cattle; (b) poultry; (c) sheep?**

**Answer: (b) poultry**

A relatively new agricultural production phenomenon emerged in the 1990s in post-Soviet regions, particularly in Russia, Ukraine, Kazakhstan (RUK): "Agro-holdings".

They are formed by independent business firms banding together to operate in some parts of the agri-food supply chain horizontally and/or vertically. They are umbrella organizations. And they have been touted as a key reason for agricultural output increase at a time of challenging market conditions.

The two chief agro-holdings in Belgorod region that produce livestock are Belgrankorm and Prioskole. For Moscow region, Cherkizovo and Mosselprom.

A bit more info:

- "Founded in 1998 in Belgorod, [Belgrankorm] is now one of the largest vertically integrated multi-industrial groups in Russia. It . . . specialises in poultry (largest producer in Russia), beef, pork meat, sausage and deli products, crops, animal feeds and dairy farming and owns processing plants and distribution centres in most of European Russia."
- "Listed among the Forbes 200 largest corporations in Russia and labelled a 'systemic company', Prioskole is also one of the top poultry producers in Russia. . . . The Group's operations encompass most of Russia and it owns the biggest poultry complex in Siberia. Prioskole employs over 34,000 people in the region."
- "The largest diversified meat and fodder manufacturer in Russia, [Cherkizovo is] traded on the London Stock Exchange. . . . Founded in 2000, Mosselprom was the largest agro-industrial project in Russia by 2007 and one of the largest in Europe, specialising in poultry, grain and fodder production and operating in Central Russia."

Matyukha, Andriy, Peter Voigt, and Axel Wolz. "Agro-Holdings in Russia, Ukraine and Kazakhstan: Temporary Phenomenon or Permanent Business Form? Farm-Level Evidence from Moscow and Belgorod Regions." *Post-Communist Economies* 27, no. 3 (July 3, 2015): 370–394. doi: 10.1080/14631377.2015.1055976

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**Question 4: When Egypt started to develop an agri-food industry in the 1990s and became a trading hub of domestic and transnational agri-food corporations, did local smallholders and peasant-owned farms: (a) collapse; (b) resist and fight back ; (c) manage to fit in?**

**Answer: (c) They fitted into the new agri-food system.**

In Egypt, the corporate food value chains are inseparable from household, informal production and markets. Corporations rely partly on smallholders "who make up most of the farmers nationwide", and find themselves dealing with small businesses at multiple nodes in the chains.

Peasant producers, small-scale grocers, street food peddlers, are woven into the new system which has promoted rapid growth in the animal agriculture industry, exports, and other agri-food areas.

A bit more info:

- “For example, poultry chick production is largely controlled by corporations, who sell these chicks to medium-sized farms, who then sell the adult birds in live bird markets. Small-scale farming systems may supply high-value crops to agroexporters (who then supply to corporate retailers) and to wholesalers for informal food markets. Corporate processors distribute much of their junk food through low-end street kiosks and other small grocers.”
- “ . . . smallholders may or may not be direct suppliers for supermarkets and hypermarkets and the extent to which they benefit from such arrangements varies, depending on the ways in which smallholders have formalised production, how convenient the infrastructure from farm to market is, and so on.”

Dixon, Marion. *The Making of the Corporate Agri-Food System in Egypt*. PhD, Cornell University, 2013.  
<https://ecommons.cornell.edu/handle/1813/34322>

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**Question 5: The poultry sector in which two of these four countries in southern Africa is dominated by large, vertically integrated firms – Zimbabwe, Zambia, South Africa, Botswana?**

**Answer: South Africa, Botswana.**

SOUTH AFRICA: It is by far the largest producer of the four countries mentioned, producing 1.9 million tons of chickens and employing about 126,000 persons in 2015. Its two foremost poultry corporations are Rainbow Chicken and Astral Foods. CBH Holdings and Quantum Foods are also major players. “Rainbow, Astral and CBH are all vertically integrated in South Africa, from breeding and feed production through to operating large-scale abattoirs.” These and other key poultry producers in South Africa account for over 75% of the animal feed supplied by members of the country’s Animal Feed Manufacturers’ Association.

BOTSWANA: Its poultry industry is controlled by large-scale, vertically integrated production firms, mainly from South Africa.

ZIMBABWE, ZAMBIA: Smallholder farmers supply the bulk of the poultry produced in these two countries. They usually sell “directly or via traders to end consumers and live markets”.

Note, however, that, “the southern African region is a *large net importer* of poultry meat and raw materials of animal feed”.

Ncube, Phumzile. “The Southern African Poultry Value Chain: Corporate Strategies, Investments and Agro-Industrial Policies.” *Development Southern Africa* 35, no. 3 (May 4, 2018): 369–387. doi: 10.1080/0376835X.2018.1426446

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**Question 6: What are “dragon head enterprises”? Are they: (a) legendary family-owned Indonesian businesses; (b) new but muscular food and agriculture corporations in Vietnam; (c) Chinese firms that drive the country’s agricultural modernization?**

**Answer: (c) Chinese firms**

Dragon head enterprises are fascinating creatures. Five must-knows about them:

1. *By government appointment only:* Select companies are designated dragon head enterprises (DHEs) by the Chinese government, which has declared from the first day such designation was created in 1998 that DHEs’ preordained purpose is to lead China’s “agricultural modernization”. The Big Three are: WH Group, Jinluo, and Yurun. There are smaller, provincial-level ones. All DHEs must “meet a set of operational, financial and farm integration criteria” set by the government.

*2. A package of privileges:* If a company is one of 110,000+ firms granted a dragon head label, it will enjoy distinct government programs and subsidies, bragging rights, and "enhanced legitimacy as a trustworthy company".

*3. National rural development responsibilities:* DHEs are required to bring rural farming households into their operations, coupling their own interests with those of rural farmers, training them, sharing with them technologies and market opportunities. In addition to benefiting the rural economy, this obligation has the bonus of speeding up vertical integration and the modernization of the country's agriculture sector.

*4. International export and engagement:* Investing in overseas operations and promoting exports is all in a day's work of a DHE. The government backs those efforts not only with official policies, direct subsidies, but also measures such as food standardization and safety certification as well as "cooperation with governments outside the North Atlantic core" to help DHEs extend their global reach.

*5. Pigs, pigs, and more pigs:* Dragon heads have a particular affinity with pigs. As pigs are favored in Chinese culture and pork is considered the "national food", the Chinese government pays particular attention to the pork sector, making it "a paragon of modern agriculture, and a shining example of successful and continuing vertical integration". There are many dragon head firms leading the management, production, and marketing of pork products.

A bit more info:

- "'To support industrialization is to support agriculture, to support enterprises is to support farmers.' The above statement from the Ministry of Agriculture succinctly describes the government's overarching approach to agricultural development since the late 1990s: replace small-scale farming (which is proposed as backwards and unproductive) with large-scale agribusiness (which is proposed as efficient and modern). In the process, the government adopts the replacement of local markets with contract farming, and dispersed production with consolidation, as important goals. It appoints agribusiness firms called dragon head enterprises (or 'DHEs') as the leaders for bringing about this form of agricultural modernity."
- "Today, China is more than just a site of pork production; it is also an important site of pork profit. In concert with the state, Chinese agribusiness firms have largely initiated, managed and profited from the rise of pork."

Schneider, Mindi. "Dragon Head Enterprises and the State of Agribusiness in China." *Journal of Agrarian Change* 17, no. 1 (2017): 3-21. doi:10.1111/joac.12151

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#### **Question 7: Pollo Rey and Pollo Campero are the brands of which Guatemalan conglomerate?**

##### **Answer: Corporación Multi Inversiones (CMI)**

Pollo Rey captures over 50% of Guatemala's domestic market for processed chicken. Pollo Rey and Pio Lindo (a brand of Grupo PAF) together account for 90% of national fresh and processed chicken.

Pollo Campero is a popular fast-food chain offering fried and grilled chicken meals. Its restaurants are found in more than 70 major U.S. cities and 100 other locations worldwide.

CMI and Grupo PAF are leaders in the national business consortium that "claims to represent more than 200 egg, chicken, and turkey enterprises with more than 600 factory farms in the country".

Formed in 1973, CMI remains a family-owned business of the Gutiérrezes.

Fenton, Ioulia. *Changing chicken in Guatemala: Relevance of Poultry to Income Generation, Food Security, Health, and Nutrition*. Tiny Beam Fund, 20 Apr. 2020. <https://doi.org/10.15868/socialsector.36569>

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## **Question 8: Do JBS and BRF – the largest animal-protein corporations in Brazil – comply with European animal welfare standards when exporting their broiler chickens to Europe?**

### **Answer: By and large, yes.**

One can hurl a zillion criticisms against these two corporations. But accusing them of not complying with European animal welfare standards for broiler chickens will not deal them a fatal blow. They have good evidence that on the whole they *are* in compliance.

The problem is not so much non-compliance as that the standards are not stringent enough.

The real reasons chickens in Brazil raised for export are not adequately protected are revealed when one interrogates the standards themselves and the *actual practice carried out by farmers* who see the chickens every day.

Animal welfare standards or criteria involve different domains, from lack of hunger to positive emotional states. Even when chicken farmers in Brazil are following these standards, they prioritize some aspects over others (probably because some are easier to perform and monitor than others). Moreover, certain European standards are inappropriate for Brazil. The outcome is that the lives of the chickens are not consistently and considerably better even with compliance.

Reis, Germano Glufke, and Carla Forte Maiolino Molento. "Emerging Market Multinationals and International Corporate Social Responsibility Standards: Bringing Animals to the Fore." *Journal of Business Ethics* (March 14, 2019): 1-18. doi: 10.1007/s10551-019-04144-5

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### **EXPLANATORY NOTE:**

- Academic studies are notoriously hard to find, read, and put into practical use by non-academics.
- Super-busy advocates cannot afford to spend a lot of time and effort to dig up, digest, and deploy academic research even though they recognize the value of academic studies in informing and improving their advocacy work.
- *Academic Studies Without Tears* aims to help advocates faced with this dilemma.
- Its target audience are leaders and funders of non-profit advocacy organizations addressing the many negative impacts of industrial animal agriculture in low- and middle-income countries.
- It uses a communication style – reminiscent of quiz or news items – that makes everything a breeze to read.
- Each issue focuses on a particular topic and includes 8 – 10 academic studies.
- It goes without saying that the academic studies featured are *not* the final word. They have flaws and limitations. They are just a tiny selection of perspectives and findings for advocates to consider, to whet their appetite. But every relevant data point and nugget of cogent information adds to one's store of knowledge and has the potential to spark new ideas.

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