

Buying Food Responsibly

LEARNING FROM FRESH PRODUCE AND AMBIENT SUPPLY CHAINS IN SPAIN AND ITALY

ETHICAL TRADING INITIATIVE

APRIL 2026

What are the key elements of purchasing practices that can create pressure along the supply chain and could have negative knock-on impact on workers?

What can retailers and Tier 1 suppliers do to mitigate this?



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Responsible Purchasing Practices (RPP) are those which do not negatively impact the human rights of workers in supply chains and which give space for improvements in conditions.

Contents

Executive Summary	3
1. Introduction	7
2. Background	8
2.1 Purchasing practices and working conditions	8
2.2 Fresh and ambient produce from Spain and Italy	8
2.3 Supply chain	9
2.4 Methodology	9
3. Conditions for agricultural workers in Spain and Italy	10
3.1 Italy	11
3.2 Spain	11
3.3 Heat stress	12
4. Findings and recommendations	13
4.1 Principle 1: Internal Integration	13
4.2 Principle 2: Equal Partnership	16
4.3 Principle 3: Production Planning and Ordering	20
4.4 Principle 4: Fair Payment Terms	25
4.5 Principle 5: Sustainable Costing	28
5. Conclusions	33
Appendix 1: Methodology	35
Appendix 2: Common Framework on Responsible Purchasing Practices in Food	36
References	37

Executive summary

Short-term planning, last minute changes in orders, inaccurate forecasting, aggressive price negotiation and long payment terms can all have negative effects on the production management and financial stability of suppliers.

This in turn can contribute to labour rights issues including excessive overtime, low wages for workers, less investment in health and safety, and excessive use of temporary labour.

This report is based on a limited number of interviews but it raises important points for further discussion and action.

The interviews focused on fresh produce from Spain and fresh and ambient (e.g. tinned tomatoes) from Italy and included conversations with cooperatives/ distributors, first tier suppliers and supermarkets. The experience of workers is given for background, through a review of publicly available reports and news, but is not the major focus of this report.

Based on the interviews, the key recommendations in each area of the Common Framework on Responsible Purchasing Practices for Food¹, are summarised on the following pages. A summary of the principles of the Common Framework for Food are given in Appendix 2. More detail on each point is given in Section 4.

Food supply chains can be long with multiple tiers. It is important to be clear it is expected that these recommendations would be applied in a cascading manner through each of the tiers of the supply chain, i.e. from retailers to their first-tier suppliers, first-tier suppliers to their suppliers, and exporters/cooperatives to their growers. Purchasing companies can enable and incentivise suppliers to cascade good practice.

Topics highlighted as a priority by different stakeholders

	Highlighted as a potential issue from the perspective of purchasing companies	Highlighted as an issue from the perspective of agents/ cooperatives/ suppliers	Key issues from the perspective of workers (inferred from desk based research of other reports)
Principle 1: Internal integration			
Principle 2: Equal partnership			
Principle 3: Production planning and ordering			
Principle 4: Fair payment terms			
Principle 5: Sustainable costing			

Perceived as not an issue
Perceived as an issue
Perceived as a significant issue

Reviewing and improving purchasing practices and building a partnership approach with suppliers can have significant business benefits, including a more stable, resilient and reliable supply chain.

Key recommendations in each area summarised as follows (Full recommendations in Section 4):

PRINCIPLE 1: INTERNAL INTEGRATION



- **Risk assessment.** Understand what particular commercial practices might be contributing to working conditions issues, this includes getting anonymous feedback from suppliers on the impact of commercial practices.
- **Align internal processes, decision making and communication,** most notably between technical, procurement and sustainability/human rights teams. Increase the communication and collaboration between these teams, particularly related to how commercial practices could contribute to human rights issues.
- **Build category knowledge of buyers** and allow them to remain in one product area for longer to build relationships with suppliers and knowledge of supply chains and key issues.
- **Widen incentives and accountability** beyond a focus just on margin and on-time delivery, to include sustainability/ RPP targets and KPIs for commercial teams in job descriptions, reviews and even incentives. These could be linked to human rights improvements/ progress in the supply chain but also improving purchasing practices of individuals and teams (for example, increasing the percentage of suppliers that have a longer relationship, or reducing the amount of last-minute changes in volumes).
- **Train commercial teams on RPP,** to increase awareness and accountability on how day-to-day buying decisions can impact supplier stability and working conditions, and to brainstorm practical improvements.
- **Include both commercial team members and Human Rights / Sustainability team members on visits** to supplier sites.

PRINCIPLE 2: EQUAL PARTNERSHIP



- **Two-way communication and open dialogue,** including more frequent communication between buyers and suppliers, with video calls instead of just emails, and site visits (both buyer to supplier and vice versa), to build trust, understanding and joint problem solving. Strategic suppliers and those that are high risk in terms of human rights should be prioritised for more regular calls/engagement.
- **Provide longer commitments/contracts** where possible to support the planning and financial stability of suppliers. Provide more information on order patterns and plans to strategic suppliers, to support their planning.
- **Longer-term relationships.** Internal targets to promote longer term supplier relationships, to move towards a partnership approach and to avoid shifting between suppliers based on small price differences.
- **Reduce the compliance burden** by purchasing companies aligning on audit acceptance and requirements and carefully considering how the burden of their own compliance requirements can be made more reasonable.
- **Responsible Exit Strategy^{1.1}.** All efforts should be made to work with the supplier on improvements in human rights rather than just cutting the relationship if an issue is found. Proper process needs to be followed if there is a need to end a relationship with a supplier including phasing out orders rather than abrupt termination, working with suppliers to assess and mitigate negative impacts on workers, and ensuring severance payments are made if dismissals result.
- **Work on the root causes of human rights risks and issues** across suppliers in a region, in partnership with others, in addition to site-specific issues.
- **Incentivise human rights / sustainability performance/improvement of suppliers** (for example on health and safety and responsible recruitment) with real business benefits (such as longer contracts).
- **Include ethical requirements and considerations early in the tendering process,** before starting to negotiate products and prices.
- **Gain (anonymous) supplier feedback on the impact of purchasing practices** and use this to review and improve practices.

Key recommendations in each area summarised as follows (Full recommendations in Section 4):

PRINCIPLE 3: COLLABORATIVE PRODUCTION PLANNING



- **Collaboratively decide on reasonable lead times** between purchasing company and supplier (based on good communication and collaboration between supplier and grower), providing longer lead times where possible.
- **Reduce last-minute order volume changes** where possible.
- **Adhere to the EU Unfair Trading Practices legislation** as good practice, even if your business is not within its jurisdiction, by for example not giving short notice cancellations of perishable agri-products.
- **Review requirements on size and shape of products** that are accepted, giving more flexibility, to reduce waste and financial loss for suppliers.
- **Review processes to reduce volatility of orders** where possible.
- **Be aware of 'edge of season' risks** for suppliers and workers (when orders and weather are unpredictable and there's often a shortage of labour). Discuss with suppliers whether orders at this time might require spot purchasing outside the authorised sites, or put pressure on recruitment of labour, and be flexible in timelines and orders where possible.
- **Pre-vet additional suppliers/growers**, for contingency, to avoid risks associated with last minute orders and spot purchasing from unapproved sites.
- **Honour overall volume forecasts** and communicate early where changes are unavoidable due to unforeseen circumstances.
- **Share more planning information** with a wider group of the company's suppliers, so that fresh and ambient, private label and branded, imports and local suppliers are all getting adequate levels of information (some retailers mentioned more planning information is shared with ambient than fresh and local suppliers than imports).
- Several large UK grocery retailers (with annual UK turnover of more than £1 billion) are required to comply with the Groceries Supply Code of Practice (GSCOP) rules and guidelines² in terms of planning (amongst other requirements).

PRINCIPLE 4: FAIR PAYMENT TERMS



- **Work towards shorter payment terms**, especially where payment terms are long (e.g. 60 calendar days for fresh produce) companies should be working towards the EU legislation on Unfair Trading Practices, which specifies minimum 30 days for perishable agri/food products. This is good practice to aim for even if your company isn't in the jurisdiction of the legislation.
- Supermarkets could **require or recommend suppliers/exporters have the same or shorter payment terms** at the next level in the supply chain.
- **Avoid charging penalties for late deliveries**, especially if there's been last minute volume changes or a period of high heat stress or other extreme weather incident.
- Several large UK grocery retailers are required to comply with the Groceries Supply Code of Practice (GSCOP) rules and guidelines³ in terms of payment terms and penalties.

Key recommendations in each area summarised as follows
(Full recommendations in Section 4):



PRINCIPLE 5: SUSTAINABLE COSTING

- **Sticking with suppliers** instead of tendering just to get cheaper options.
- **Build pricing structures** that support improvements in sustainability and human rights performance.
- **Avoid aggressive price negotiation strategies and unjustified price reductions** with reference to the EU legislation on Unfair Trading Practices and the Groceries Code Adjudicator (UK), with effective internal mechanisms to monitor and prevent such practices in buyers' induction, training, evaluation and incentives.
- **Understand and move towards prices that are sufficient to support responsible production** and decent wages. This means retailers and Tier 1 suppliers need to research the true cost of responsible production, in line with their standards, including for human rights and environment. This might not be on a purchase-by-purchase basis, but to engage with stakeholders to undertake more general assessments of purchase prices vs responsible production costs. Relevant information and training are needed for category teams. Whilst prices and wages are a complex topic and higher purchase prices don't automatically improve wages; it is clear that aggressively low purchase prices are a very real barrier to wage progress.
- **Discuss and consider the possibility of reviewing the approach to price agreement/tenders** to allow some flexibility in price (upwards) within the season, as suppliers costs do not remain static (e.g. labour, fertiliser) and unforeseen events may impact costs, to ensure financial sustainability of the supply chain.
- **Supplier screening process.** Screening of suppliers should take place before pricing is formally requested in tender, thereby avoiding cheaper suppliers that aren't going to be seriously considered for the contract being used to bring costs to an artificially low level.



1. Introduction

The Ethical Trading Initiative (ETI) is a leading alliance of trade unions, NGOs and businesses, working together with key stakeholders to promote practical solutions to end the abuse of human rights at work. It develops practical approaches needed to tackle the more complex problems that impact workers worldwide.

The “Grievance Mechanisms in Agriculture” (GMA) project was initiated by ETI in 2023 with funding from the UK Government’s Modern Slavery Innovation Fund. The project is working with a group of 20 members from ETI, its sister organisations in Scandinavia (Joint ETIs) and Food Network for Ethical Trade (FNET) to improve access to grievance mechanisms for vulnerable workers in selected agricultural supply chains of ETI members. The project aims to decrease the incidence of modern slavery through a variety of routes. Responsible Purchasing Practices has been identified as a key element of this, since the commercial day-to-day actions and decisions of purchasing companies can contribute to or reduce poor working conditions in the supply chain⁴.

The Common Framework for Responsible Purchasing Practices in Food (‘Common Framework for Food’) is a guiding document outlining general principles of responsible purchasing practices for food supply chains. A summary of the framework is given in Appendix 2 and the full framework is available on the [ETI website](#).

The research in this report aims to understand how the Common Framework for Responsible Purchasing Practices in Food applies in the supply chains of ETI members involved in the Grievance Mechanisms in Agriculture project (GMA), notably fresh produce from Spain and fresh and ambient (e.g. tinned tomatoes) from Italy. The Common Framework for Food gives a general idea of what RPP looks like in the food industry, with the intention that different guidance documents could then be developed for specific sectors of the food industry, e.g. fish, fresh produce etc. This document is part of preparatory work, with the aim of developing guidelines on RPP in fresh produce, referring to the Common Framework for Food.



2. Background

2.1 Purchasing practices and working conditions

The every-day practices within the purchasing process of a company buying food have a significant influence on the conditions for workers in the supply chain. 'Purchasing practices' are the actions taken by a buying company in order to purchase a product or service from a supplying business and encompass supplier selection, communications, product specifications, planning and forecasting, critical path management, contracts, order placement and lead times, cost and price negotiations and payment terms⁵.

Short-term planning, last minute changes in orders, inaccurate forecasting, aggressive price negotiation and late payments can all have negative effects on the production management and financial stability of suppliers. This in turn can contribute to issues related to excessive overtime, low wages for workers and excessive use of temporary labour. These issues can be exacerbated, as purchasing practices cascade and

pressures compound along the length of the supply chain, increasing the risk of severe exploitation⁶.

Responsible Purchasing Practices (RPP) are those which do not negatively impact the human rights of workers in supply chains and which give space for improvements in conditions. Investing time and resources into reviewing and improving purchasing practices and building a partnership approach with suppliers can have significant benefits to businesses, including a more stable and reliable supply chain and efficiency gains through better communication, planning, and purchasing processes. A responsible stance on purchasing contributes to suppliers' ability to plan production effectively, manage working hours, pay workers fairly and invest in improving labour conditions, which in turn helps to boost productivity, stabilise suppliers' workforces and build resilience. Improved purchasing practices will contribute to preventing harm and facilitating both social and environmental improvements in the supply chain⁷.

2.2 Fresh and ambient produce from Italy and Spain

The interviews for this report focused on fresh produce from Spain and fresh and ambient (e.g. tinned tomatoes) from Italy.

Italy exports a significant amount of fresh produce, with the value of its fruit and nut exports exceeding 4.29 billion US dollars in 2023⁸. Italy is the third largest producer of processed tomato products, and accounts for 50% of the European Union's overall production⁹. Processed tomato products are one of the biggest categories of agricultural products exported from Italy to the UK, Germany and France¹⁰.

Spain exports fresh produce like citrus fruits (especially oranges), tomatoes, cucumbers, peppers, onions, artichokes, peaches, nectarines, melons, and various other vegetables, making it a leading exporter of fresh produce in Europe, with citrus fruits being the most significant export item. In 2023 the Spanish ports moved 11.9 million tonnes of fruit and



vegetables. Almost half was for national consumption and the rest was re-exported to other European countries¹¹. Agriculture in southern Spain is crucial for the country's economy; the sector in Andalusia alone employs around 290,000 people. Intensive agriculture represents as much as 40% of the autonomous community's GDP¹².

2.3 Supply chain

Within the supply chains of fresh produce from Spain and fresh and ambient from Italy, supermarkets and first-tier suppliers primarily purchase from exporters, which can be cooperatives, associations, or privately owned firms. Some of these exporters operate their own production or processing facilities, whilst also sourcing from a diverse range of producers. These producers vary in size, from large operations to small-scale, family-run sites.

For example, in Italy cooperatives dominate the agricultural market, with

over 5,000 cooperatives employing 93,000 workers and accounting for 99% of national production of agricultural produce. Agricultural cooperatives are associations that cultivate, process, store, and sell their members' produce on democratic principles of mutuality and solidarity. Farms and cooperatives associate through organisations of producers (OPs), of which there are roughly 300 in Italy. These OPs typically operate at regional level, and have a central role in planning their members' production both in terms of quantity and

quality¹³. In Spain there is also a significant proportion of the exports managed by cooperatives, representing 16% of the exports turnover of the entire Spanish agri-food sector (without fishing)¹⁴.

purchasing currently takes place and where some of the possible pressure points might be.

It is acknowledged that this report is based on a small sample size of engagement and focused on exporters and cooperatives rather than growers, due to the significant difficulty of gaining access to grower contacts through cooperatives. Cooperatives and first tier suppliers were generally very hesitant to provide grower contacts. Where contacts were given, growers were not responsive to being interviewed. The lack of participation of growers was a problem for the GMA project in general, where they found that growers were hesitant to respond due to extremely stretched capacity (due to audits and heavy workload), lack of trust and fear of negative business implications. This is recognised as a significant limitation, however, despite this, some interesting insights have surfaced that are worth sharing and considering in terms of the impact of purchasing practices.

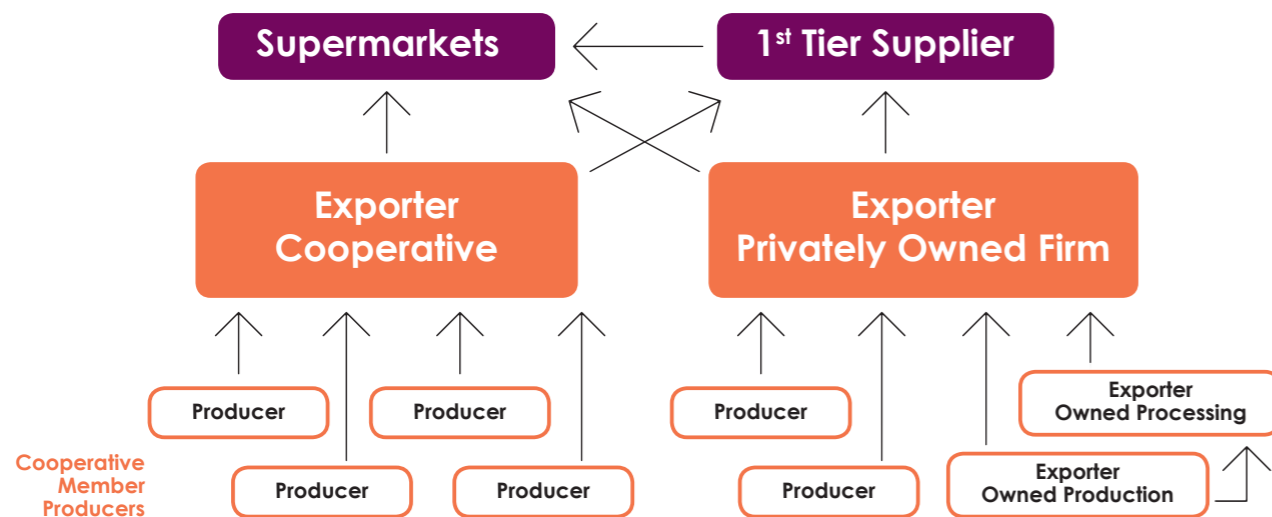
For further details on the methodology, see Appendix 1.

2.4 Methodology

There were two main elements of research for this report:

- Interviews with suppliers (5 suppliers in Spain selling fresh produce (berries, lemons, peppers, grapes) and 2 in Italy (fresh tomatoes and ambient (tinned tomatoes)), carried out by an independent consultant, using an interview template covering the different aspects of the Common Framework, producing collated and anonymised feedback. Interviews were carried out in collaboration with an interpreter in Spanish and Italian, where needed.
- Workshops with commercial teams within the ETI member companies that participated (one UK supermarket, one Scandinavian supermarket and one first tier supplier in the UK), to discuss how

Figure 1: Diagram of the supply chain



3. Conditions for agricultural workers in Spain and Italy

The interviews for this study did not include access to workers directly, therefore, this section is based on other published reports, particularly the GMA project's study and synthesis report on Grievance Mechanisms in agriculture¹⁵, which included primary research with workers, as well as referring to other published research and news reports.

This section needs to be read in the context of the link between purchasing practices and these working conditions. If suppliers' margins are eroded, this can limit the ability to improve working conditions. This is exacerbated by the seasonal nature of the industry, highly fluctuating orders and short lead times which mean a flexible workforce is required, and workers are often needed urgently and for short periods, which plays into the hands of those controlling temporary worker provision. In some instances, the intense pressure on prices, contributes to the power of illegal organisations which recruit and manage temporary workers, paying very low wages.

Migrant workers arrive in Spain and Italy driven by economic insecurity and political unrest. Many are vulnerable to exploitation and modern slavery due to established trafficking pathways, language barriers, transport debts, and fear of deportation. While legal frameworks like the Morocco-Spain circular migration scheme exist¹⁶, workers often remain in a precarious state.

UK retailers typically require "right to work" checks, but risks persist when labour is sourced through external agencies (or caporale in Italy) to meet "spot purchasing" demands or rapid harvest needs.

More general recommendations, recognising the key issues relating to working conditions in agriculture in Spain and Italy that aren't specifically related to purchasing practices, are given in reports listed in the references¹⁷.



3.1 Italy

In 2023, migrant arrivals in Italy rose by 50% to 157,301. Historically dominated by North Africans, the workforce now includes an increasing proportion of Sikh workers from India¹⁸. The UN reports that up to 500,000 migrants work in Italian agriculture – nearly half the sector's workforce¹⁹.

- **Systemic exploitation:** At least 100,000 of these migrant workers face severe exploitation and unsanitary housing²⁰. Over a quarter of agricultural workers lack formal contracts²¹. Employers and third parties often under-report hours or pay to avoid taxes.
- **Modern slavery:** Highest incidence of modern slavery in Europe – approximately 2,000 reported incidents over 5 years since 2018²², with likely many more unreported.
- **The caporalato system:** Illegal third parties 'caporali' recruit and transport workers, often charging fees that absorb 40–50% of daily pay²³.
- **Working conditions:** Reports indicate harsh treatment, exploitative hours (8–14 hours a day), illegally low wages

(50% below legal minimums), inhumane living conditions and 'debt bondage' via housing and transport fees.

Worker Testimonies

'Company pays six hours per day. If we work more, the company pays in cash but we do not get to keep that cash. The Caporale supervisor keeps all the extra money.'

– Migrant worker, Puglia²⁴.

'To stay here you need a work contract. You can buy it. The caporale take your papers to draft the contract and then are evasive. They keep half of our pay. Yesterday I only earned €19.'

– Abdou, 26 years old from Senegal, in Italy^{25&26}.

'I don't feel free to leave the job, but my colleagues are leaving the work because of harsh behaviour.'

– Agricultural worker in Huelva³¹.

3.2 Spain

Spain has one of the EU's highest immigrant inflows²⁷. In Huelva alone, peak season requires up to 100,000 workers, over half of whom are migrants, with potentially more undocumented²⁸.

• Recruitment schemes

The GECCO scheme allows employers to hire internationally (often from Morocco) but creates dependency, as residency permits are restricted to specific employers, limiting workers' freedom to leave harsh conditions.

• Working conditions

GMA Project interviews with workers highlighted long hours without overtime pay, poor housing in informal slums, and reports of sexual harassment and verbal abuse²⁹ and other research evidenced lack of contracts, low wages, late payments and excessive hours^{30&32}.

In regions like Almería and Huelva, Moroccan workers reported 12-hour shifts in temperatures up to 50°C, working in a culture of fear and intimidation and earning roughly €5 per hour – well below the legal minimum^{33, 34, 35}.



3.3 Heat stress

Heat stress is a critical issue linked to purchasing practices. When there is intense pressure for high volumes during peak season, especially with short lead times and last-minute order changes, workers are often forced to labour through the hottest parts of the day to meet productivity targets and deliver the orders. Additionally, when prices are tight and wages are low, piece-rate workers may feel compelled to work in extreme heat, simply to earn enough income. While governments and trade unions have recommended measures such as evening harvesting and pausing work during the hottest hours, uptake remains limited due to the commercial pressure to deliver produce to supermarket shelves when consumer demand is highest.

Heat stress in Southeastern Europe

- 66 days of 'strong heat stress' in SE Europe (2024), 37 days more than average and highest recorded in Europe³⁶.
- 61,000+ heat-related excess deaths in Europe (2022)³⁷.

- In the workplace, 80,800 heat-related injuries and 67 deaths in 2020 (42% rise in fatalities since 2000)³⁸.
- Spain: 11,000+ heat-related deaths (2022)³⁹.
- Italy: 18,010 heat-related deaths (2022)⁴⁰.

While implementation is inconsistent, new legal regulations have emerged:

- **Italy:** Regional ordinances are issued, for example Puglia prohibits outdoor work between 12 and 4pm when temperatures exceed 40°C⁴¹.
- **Spain:** Outdoor work (agriculture/street cleaning) is prohibited when the national weather agency issues red or orange alerts indicating extreme risk due to high temperatures⁴².

Several organisations have issued guidance around heat stress including the International Labor Organisation, international trade unions and the European Agency for Safety and Health's guidance for employers' responsibility^{43/44}.

The ETI has also issued a briefing for its members around extreme heat risks for workers in global supply chains⁴⁵.



4. Findings and Recommendations

This section presents the main findings of this study. The interviews and engagement focused on cooperatives and distributors in Italy and Spain, and first tier suppliers and supermarkets in the UK and Europe. In terms of a reference point of what constitutes Responsible Purchasing Practices for each topic or 'Principle' in the Common Framework for Food, a very brief summary is given at the start of each section, a full summary is given in Appendix 2 and the full framework is found on the [ETI website](#).

'Responsible Purchasing Practices (RPPs) are integrated into buying and other relevant departments of the business.'

4.1 Principle 1: Internal Integration

SUMMARY

The purchasing company has top leadership buy-in and commitment to RPPs, and a thorough understanding of existing suppliers and purchasing systems, and their potential impact on human rights. This information is used to develop an improvement plan. RPPs are integrated into buying and other relevant departments of the business. This includes:

- internal engagement and responsibilities
- risk/ impact assessment
- improvement plan
- internal training
- cross-functional communication channels
- integrated strategy and decision making
- internal accountability and performance evaluation
- tracking progress
- external reporting.





the quick change over of buyers between categories often doesn't allow for them to build their knowledge. However, some suppliers interviewed commended a particular supermarket where the procurement teams have a good understanding and they greatly appreciated that they came to visit in person.

4.1.1 Suppliers' / Cooperatives' perspectives

'There are two separate teams: Commercial and Sustainability/ Responsible Sourcing and they aren't integrated, which makes it feel like Responsible Sourcing doesn't matter.'

- **Lack of alignment between human rights/sustainability and procurement.**

A key concern was around a disconnect between customer requirements on human rights/ sustainability and ultimate purchasing decisions. Some commented that the commercial and sustainability teams at their customers are not integrated, therefore giving the impression that responsible sourcing/human rights / sustainability is a secondary consideration behind commercial priorities.

- **Category knowledge of procurement teams.** Some suppliers stressed the importance of buying teams having a greater understanding of their specific product and appropriate pricing, since they are all so different. The recruitment of young inexperienced buyers and

4.1.2 Purchasing companies/ buyers' perspectives

- **Cross-functional communication and decision making**

The purchasing companies agreed that it's often the case that different teams within the companies work in silos, with a possible disconnect between commercial and sustainability/human rights teams.

- **Category knowledge**

The purchasing companies agreed that there is often a high churn of staff within the purchasing team (referred to as 'buyers' in this report), and that those individuals used to have a much deeper knowledge of the category area. However, some also mentioned that longevity doesn't necessarily mean greater knowledge, relevant training is still required.

It's important to note that certainly some purchasing companies are pushing for the opposite trend, with buyers aiming to build longer term, mutually beneficial relationships with particular suppliers rather than shifting between suppliers.

- **Internal accountability and performance evaluation/ incentives**

It's acknowledged that buying teams are primarily incentivised by margin and on-time delivery (for example margin related bonuses), which means they naturally prioritise that over other elements, sometimes to the detriment to the suppliers' stability and risks around working conditions.

An area for improvement could be to integrate human rights/sustainability elements and RPP KPIs into commercial teams' accountability structures or job performance reviews.

- **Training**

There seems to be a general lack of awareness and training on responsible purchasing practices, and the impact of day-to-day commercial decisions on working conditions.

4.1.3 Recommendations for actions for purchasing companies in terms of Internal Integration

- Risk assessment.** Human rights in supply chains should be on the risk register of the company, and ensuring the companies own commercial practices do not contribute to these risks is an important mitigation activity. An assessment of what particular commercial practices might be contributing to working conditions issues should be reviewed each year, which includes getting anonymous feedback from suppliers on the impact of PP, to understand where to prioritise action (through a survey or ideally independent third-party interviews, to give an aggregate anonymous report).
- Policy and procedures.** Integrate RPP into buying policies and procedures (reviewing commercial practices to reduce the risk of them contributing to human rights issues in the supply chain). This can be done using the [Common Framework on Responsible Purchasing Practices in Food](#) as a guideline, with discussion with senior management and commercial teams to ensure it is operationalised, with responsibilities for RPP allocated to appropriate staff.
- Aligning internal processes, decision making and communication.** Aligning the objectives and information between key teams (for example technical, procurement and human rights/ sustainability teams, or production and procurement) can really help suppliers to be more efficient. Increase the scheduled and ad hoc communication and collaboration between commercial and human rights/ sustainability teams, particularly on topics related to human rights risks and issues in supply chains and the commercial practices that could contribute to those. Ask suppliers where they face inconsistencies between teams or information blockages and assess how that information could flow more freely.
- Category knowledge of buyers.** Improve systems for thoroughly briefing new buyers in the category (involving key suppliers in knowledge exchange) and reducing the churn of buyers between categories, allowing them to remain in one product area for longer, to build trusting relationships with suppliers and build category knowledge.
- Widen incentives and accountability.** Job descriptions, performance reviews and even incentives could include elements related to internal human rights/sustainability targets and particularly RPP, rather than purely focusing on margin and on-time delivery. These could be linked to human rights improvements/ progress in the supply chain but also improving purchasing practices of individuals and teams (for example, increasing the percentage of suppliers that have a longer relationship, or reducing the amount of last-minute changes in volumes). This will increase the ownership and accountability for these topics amongst commercial teams.
- Ensure governance is in place.** Make sure senior executives are committed and accountable for human rights risks and impacts and within that for implementation of RPPs (how commercial practices might impact working conditions) with board level oversight of a review of performance against targets.
- Training.** Training is needed for commercial teams on human rights in supply chains and on RPP, to increase awareness and accountability on how day-to-day buying decisions can impact supplier stability and working conditions, and to brainstorm practical improvements.
- Include both commercial team members and Human Rights / Sustainability team members on visits** to supplier sites.



4.2 Principle 2: Equal Partnership



SUMMARY

The purchasing company and their suppliers respect each other as equal business partners, engage in respectful sourcing dialogue, and pursue win-win situations, with a shared responsibility for improving working conditions. This includes:

- communicating commitment to RPPs
- agreement on mutual responsibilities
- stable, long term sourcing relationships
- partnership approach to communication and problem solving
- effective feedback mechanisms
- supporting continuous improvement
- evaluating and incentivising suppliers
- awareness of leverage and dependency
- employing responsible exit strategies.

4.2.1 Suppliers' / Cooperatives' perspectives

'Labour standards shouldn't be an issue to differentiate on. We don't need multiple schemes that say basically the same thing.'

'We're penalised on price for non-compliances but we're never rewarded for good performance.'

- **Communications.** For the most part, suppliers responded positively to questions about their customers' communication – broadly they felt it was clear and they knew where they stood. Some described that they have gained greater and more direct access to senior contacts within customer companies over the years and this has helped them with negotiations and business relations.
- **Partnership approach to problem-solving.** There was good evidence within the small group of companies engaged that buyers were building long term relationships with suppliers and that they were generally supportive in

overcoming issues together. Suppliers talked about how customers showed flexibility in the event of issues such as decreased yield, storms or shipping delays.

- **Lack of long-term contractual commitments.** All of the suppliers interviewed talked positively about planning ahead with their customers on future varieties and volumes, sometimes discussing ten years ahead. However, despite a purchasing company having a relationship with a supplier for many years, often contracts are normally seasonal and don't go into future years. Given the nature of agri-export, suppliers wanted to feel more confidence that the investments made now in developing new varieties, planting new trees or investing in sustainability and human rights would result in commitment in the form of secured contracts.
- **Price centric.** Most suppliers described their relationship with customers as "price centric". All respondents said it

was down to price at the end of the day. Several respondents described how pricing had become more important and that relationships have hardened since Covid. (This is explored more in Section 4.5.1)

- **Burdensome compliance requirements.** Most of the suppliers interviewed described environmental and labour compliance requirements as being overly burdensome. Some commented that the frequency of social audits was increasing at "uncontrollable" rates and several suppliers noted a trend of buyers now initiating their own audits in addition to worker surveys. What caused the most frustration was when they felt their efforts on labour and environmental compliance made little to no difference in actual business terms - to the orders placed or contractual agreements reached.
- **When price is king,** labour standards aren't rewarded. Several suppliers described their efforts to improve

working conditions but how these efforts were not factored into orders or pricing. They felt this was unfair that higher labour and environmental standards weren't being rewarded. For example, they might spend a lot of time and money on social and environmental improvements, at the customers' request, but still lose the business based on a small difference in price. The cooperatives interviewed were particularly frustrated that they are expected to have very high labour standards and quality but also need to remain competitive on price with other countries (e.g. Morocco).

What caused the most frustration was when they felt their efforts on labour and environmental compliance made little to no difference in actual business terms.

4.2.2 Purchasing companies/ buyers' perspectives

- **Social/environmental requirements in tendering.** The purchasing companies participating felt that ethical/social elements are becoming more integrated into purchasing, and although suppliers may not see themselves rewarded based on this, that may be because this is integrated into the tender process. So, suppliers are in fact rewarded with orders, having got through the tender process, partly on ethical grounds. They mentioned that they think the gap has begun to close in recent years, for example including ethical requirements in initial tenders, with commercial teams only able to source from growers that have been approved on ethical grounds. However, there seems to be a discrepancy between some other supermarkets negotiating for the lowest price and then asking the ethical questions, and some only discussing price with suppliers who have passed the ethical requirements. Despite this being an element of reward for good practice, the group discussed that this wasn't enough (see 'Incentivising

human rights performance' in the Recommendations below).

- **Long supplier relationships vs open trade:** One of the supermarkets expressed a concern related to the practice in the framework encouraging longer term commitment and relationships with suppliers. They commented that this is important but not to the exclusion of small suppliers getting new business relationships, because this could have the unintended consequence of restricting open trade. There needs to be a balance with also being open to new suppliers. (See Recommendations on longer supplier relationships below for clarification).
- **Longer term relationships/ contracts:** One of the supermarkets in the group mentioned that long term contracts are promoted within their business as this helps to reduce risk, and to 'calm the sourcing plan'. Another supermarket in the group commented that with all the significant weather changes, supply is volatile and part of

their risk planning is providing more long term committed contracts with suppliers because they want suppliers to choose to sell to them.

4.2.3 Recommendations for actions for purchasing companies in terms of Equal Partnership

- **Two-way communication and open dialogue.** More frequent communication between buyers and suppliers is needed, with video calls instead of just emails, and site visits (both buyer to supplier and vice versa), to build trust, understanding and joint problem solving. Efficient communication systems can keep both sides informed instantaneously, so everyone is aware of changes, potential challenges and feedback, to avoid issues down the line. Strategic suppliers and ones that are high risk in terms of human rights should be prioritised for more regular calls/ engagement.

- **Longer commitments/contracts.** Deepen support to suppliers, offering longer-term written commitment where possible, to support their planning and financial stability and give them confidence in their investments. Providing more information on order patterns and plans to strategic suppliers, to support longer term planning.
- **Longer-term relationships.** Purchasing companies can develop internal targets to promote longer term supplier relationships⁴⁶ to avoid shifting between suppliers based on small price differences, and to adopt a partnership approach and work through problems rather than 'cut and run' if an issue is raised. Targets on long term supplier relationships certainly don't remove the possibility of bringing new suppliers on board, and particularly giving a chance to smaller suppliers. It just means that new suppliers would be taken on because of seeing a long-term partnership potential, rather than because they are this season's cheapest.

- **Partnership approach towards problem-solving.** This practice was found to be a strong element in this research, so buyers are encouraged to continue reinforcing their support during times of unpredictable circumstances, especially since challenges linked to drought, flooding and migrant labour movement are anticipated to increase in the future due to the climate crisis.

- **Reducing the compliance/audit burden.** This can be done by more purchasing companies aligning on audit acceptance and requirements and also closely considering their own compliance requirements and how to reduce this burden. The escalation in compliance expectations is resulting in substantial costs for suppliers. Many are hiring new staff and investing in new data management systems, in addition to taking significant time to host auditors and report regularly and these investments need to be recognised and compensated for, as well as making efforts to reduce unnecessary burden. The Spanish Ethical Trade Forum also recommended that audit costs could be taken on by purchasers or

shared, or costs could also be reduced by engaging with local partners or initiatives that provide different approaches to improving compliance levels.

- **Retailers should have and implement a Responsible Exit Strategy** which means proper due process is taken if there is a need to end a relationship with a supplier. All efforts should be made to work with the supplier on improvements in human rights rather than just cutting the relationship if an issue is found. If an exit is deemed necessary, assess the potential negative impacts on workers (layoffs or loss of income) and implement measures with the supplier to mitigate these effects. Provide timely written communication with sufficient warning, avoiding abrupt immediate termination, but instead take an approach of phasing out orders. Ensure severance payments are made to workers if dismissals are a result of the lost business.

- **Work on the root causes of human rights risks and issues, not just site-specific problems.** Audits and assurance are

often not materially resolving the wider issues, so purchasing companies are encouraged to take a more strategic approach to improving generally known endemic issues (in partnership with suppliers and potentially with other purchasers and local NGOs), such as heat stress or illegal labour providers in agriculture. In some situations, this could helpfully involve supporting multi-stakeholder initiatives on these topics.

- **Incentivising human rights performance.** Greater alignment between suppliers' human rights performance and commercial rewards. Giving genuine business benefits (e.g. longer contracts) as a result of higher human rights performance and improvement (for example on health and safety and responsible recruitment) to help incentivise and reward suppliers for investing in good working conditions. There needs to be transparency as well as consistency in how this is done. Purchasing companies need to have targets to prioritise sourcing based on good labour standards not just based on price. For incentives to be effective, suppliers

need to understand the targets and feel able to meet them.

- **Tendering process.** Include ethical requirements in the early stage of the tendering process for new suppliers, before products and prices are negotiated, rather than negotiating prices and choosing a supplier and then doing an ethical check later on.
- **Supplier feedback.** Set up a simple process where suppliers can give anonymous feedback on the impact of current purchasing practices. This should be different from any existing whistleblowing system. Some companies use external services that provide a survey, or it could just be a simple anonymous survey that can be accessed through an existing supplier portal. Another approach would be to have an independent third-party conduct interviews with suppliers and collate them in an anonymous aggregate report, to give more detailed suggestions for improvement than a survey. The feedback needs to be reviewed and taken into account in improving purchasing practices.

4.3 Principle 3: Production Planning and Ordering



SUMMARY

Critical path and production planning are done collaboratively between the purchasing company and suppliers, with a fair distribution of risk and accountability. This includes:

- mutually agreed, reasonable lead times
- critical path adherence
- providing accurate specifications
- improving forecasting accuracy and communication
- mitigating impacts of fluctuating orders
- balancing orders

The highly fluctuating and seasonal nature of the industry and of orders is what creates the demand for temporary, seasonal, often migrant workers and this allows space for the exploitative caporalato in Italy and labour recruiters in Spain to thrive. The vulnerability of workers is hugely increased by the varying labour needs throughout the year's production cycle, which means growers can't have a permanent workforce. But even beyond

the fundamentally seasonal nature of the industry, there are also the short lead times and last-minute changes in order volumes of the purchasing companies, driven by the practice of constant availability on shelves for customers, which puts pressure on growers to find significant workforce at very short notice, playing into the hands of the recruiters, whose treatment of the workers often go unchecked.



4.3.1 Suppliers'/ Cooperatives' perspectives

- **Forecasting across seasons is generally accurate.** In most categories, forecasting starts well in advance of the season and specifications are made in good time to meet customer requirements. Suppliers talked about seasonal variations from the forecast being minimal, usually less than 5%.
- **Labour challenges appear at 'the edge of the seasons'.** Suppliers described how production planning was straightforward during peak season, but that issues occurred on the margins of seasons when labour, weather and demand can fluctuate. The problem was mostly recognised to be with accessing enough field pickers although some references were made to challenges finding labour supply in packhouses too.
- **Size requirements.** Strict requirements stipulated (particularly by UK customers) on the size of the fresh produce results in waste and financial loss for suppliers. Some interviewees explicitly said they prefer European customers where the

requirements are less rigid, so they could sell more volume. The consequence of these stipulations, along with pricing concerns, meant some suppliers were looking to actively reduce volumes or cease trading with UK customers.

- **Procurement teams need knowledge of supplier stock levels.** One supplier mentioned that they would like their customers' procurement teams to ask, know and pay attention to whether the supplier had excess supply that they could ship quickly. They felt there is a disconnect between the information that their own production/ planning teams had and what was requested/ known by the purchasers' procurement teams, which resulted in wasted produce or longer lead times.
- **Last-minute order changes put pressure on working conditions.** Over half of the suppliers interviewed commented that a practice that causes severe challenges for them is that buyers make changes to the order even up to 24 hours before

shipping. The consequences of this were hardest when the demand went up, which put pressure on the supplier to scramble and identify more produce quickly. In organisations with a large supplier base themselves this was less of a problem than for organisations with a fixed number of smallholder farmers (i.e. the cooperatives).

One respondent said they had to resort occasionally to spot purchasing when such last-minute changes were made, with a sudden sharp spike in demand. This meant that it wasn't possible to trace the exact origin of the produce nor the labour standards under which it had been grown. They said that in these circumstances, their responsible sourcing/human rights teams have to "look the other way," because it's just necessary in order to meet the fluctuating demands from the purchasing companies. Supermarkets often have a rule of not taking from an unauthorised site, but if the commercial

and sustainability team are pulling in different directions, the suppliers are pressured to go with the commercial voice and don't feel they can say no.

Another respondent described how last-minute increases in orders might lead to night work (on other farms, not theirs), which is known to increase the risk of labour exploitation for vulnerable workers and the risk of children working on farms.

Over half of the suppliers interviewed said that buyers make changes to the order even up to 24 hours before shipping and this causes severe challenges.

4.3.2 Purchasing companies/ buyers' perspectives

- **Short lead times**

Lead times in fresh fruit and vegetables are short. Some of the purchasing companies in the group mentioned normal lead times might be 2-3 days but vary widely for different products, others said their buyers don't order with less than 24 hours' notice, and that short lead time would be the exception. Private label (not supplier branded) would have longer lead times and ambient/not fresh fruit and vegetables would also be longer. One European supermarket commented that their normal lead time for fresh fruit and vegetables is 2-7 days. For ambient/dry goods in private label it is 1-3 weeks without transport included.

If the supplier says they can deliver on a short lead time, the buyer isn't aware of the potential impact. The group discussed that buyers should request and welcome more honest feedback on whether these timelines are contributing to working conditions issues. However, in some situations the cooperatives and distributors may be quite distanced

themselves from the impact of a short lead time on workers on the ground.

The European supermarket in the group commented that their suppliers provide information on what time they need and the lead times are decided together.

- **Product specifications**

There needs to be very clear rules on the information provided for product specification, if this is unclear or changed later this wastes time and causes issues for the suppliers.

- **Planning information shared**

One supermarket mentioned they give much more planning detail with the farmers in their own country where they are closer, and it was discussed that maybe they could extend this greater level of planning to other suppliers elsewhere.

Some supermarkets also commented that suppliers of private label products are given more planning information, as opposed to supplier branded products.

Dry/ambient products are more well planned and suppliers can give feedback on timings of delivery more easily, whereas with fresh produce it's harder to plan since timings and orders are more unpredictable because customer demand fluctuates more.

One supermarket commented that because they are a relatively small buyer for some of their suppliers, they need to be a good buyer and feel that they will not be prioritised if they have bad communication, planning and payment terms.

- **Spot purchasing**

There is very careful planning but there is still spot purchasing.

In fresh produce there is more risk that suppliers will buy extra from not approved sub-suppliers. The buyers of some supermarkets in the group said this isn't a risk, and that suppliers say no if they don't have the produce available, but from the suppliers' feedback, it seems this is still a risk when there is a sharp change in orders.

One supermarket in the group commented that according to their requirements for suppliers, even spot purchasing needs to be from a site that's been checked.

Although the buyers in the internal workshops said this shouldn't be an issue, the Responsible Sourcing/Human Rights staff within the working group for this report did wonder whether the suppliers felt able to say no, if a last-minute order was not possible from existing checked sites.

- **At the 'edges of the season'**

The supermarkets and first tier supplier in the group agreed that the labour challenges are greatest at the 'edges of the season' when orders and weather are unpredictable and spot purchasing is more likely.

4.3.3 Recommendations for actions for purchasing companies in terms of Production Planning and Ordering

- **Lead times.** Collaboratively decide on reasonable lead times between purchasing company and supplier (based on good communication and collaboration between supplier and grower), through a genuine open conversation, with the supplier providing information on how long is needed to provide the products. In some situations, it may be possible to give a slightly longer lead time, in order to relieve the often-extreme time pressure on suppliers and workers, especially in fresh produce. For example, in the M&S case study on green beans sourcing from Kenya, the teams agreed to add one day to the lead time and this made a massive difference to the suppliers and workers⁴⁷.
- **Reduce last-minute order changes.** Develop internal systems to try to reduce last minute changes in order volumes, wherever possible.
- **Refer to Unfair Trading Practices legislation.** The European Union (EU) legislation to prevent unfair trading

practices (UTPs)⁴⁸ in food supply chains includes prohibiting short-notice cancellations of perishable agri-food products and transferring the risk of loss and deterioration onto the supplier (when this loss occurs after ownership has been transferred to the buyer). With fluctuating orders, it seems to be a common situation that in more general terms, the risk of loss/deterioration of produce is within the supplier's responsibility and comes at a significant financial cost. Those least able to absorb the financial risk are often holding the most risk. Companies should aim to have a fairer sharing of risk and aim to adhere to this legislation as an absolute minimum, even if they are not within its jurisdiction.

- **Review requirements on size and shape.** Allowing for a wider range of size and shapes of produce will reduce waste and financial loss for suppliers. For example, in a case study from M&S⁴⁹, the packaging for green beans from Kenya was adjusted from a restrictive

punnet to a bag, which allowed for more variation in size and less waste. Some businesses, such as Riverford Organic Farmers promote the inclusion of 'wonky' fruit and veg, to actively encourage customers accepting fruit and vegetables that don't look perfect, in order to reduce waste. Approximately 700,000 customers per week buy into Morrisons' 'Naturally Wonky' brand across Fruit, Vegetables & Salads⁵⁰ and although this is currently focused on British farmers, the approach has been well received by customers and could be extended to other sourcing countries. Other supermarkets are picking up this trend with Tesco's "Perfectly Imperfect" range and Sainsbury's "Imperfectly Tasty" range. The challenge is to have more flexibility for core ranges.

- **Reduce volatility of orders.** One supplier suggested adopting a "when it's gone it's gone" (WIGIG) approach, which would reduce the surges in demand that put pressure on suppliers. There is



now a high expectation of customers to have any fruit and vegetables they want, in any season, and for supermarkets shelves to always be restocked. This is driving the high pressure on buyers to maintain constant stock availability, and when consumer demand spikes unexpectedly because of fluctuating weather in the customer country, this can be passed onto suppliers and growers as urgent, last minute, large orders, which can drive long hours, heat stress and harassment. There has been some discussion about having signs available on an empty shelves for customers to read to explain the choice not to order last minute, in order to protect suppliers and workers. For example, maybe some supermarkets' approach of 'when it's gone it's gone' with their weekly offers, could be used for some fresh produce. Improving the accuracy of short-term forecasting and frequency of communication with suppliers will also help mitigate the risks associated with this volatility.

- **'Edge of season' risks.** Be aware of potential risks when ordering at the 'edge of the season' (when orders and weather are unpredictable and there's often a shortage of labour) and discuss with suppliers whether orders at this time might require spot purchasing outside the authorised sites, or put pressure on recruitment of labour, and be flexible in timelines and orders where possible.
- **Support suppliers in advance, to plan for last minute order changes.** Consider the long-term approaches that would support suppliers to respond quickly, and in line with appropriate labour standards, in the event of increased customer demand. Preventative actions could include pre-vetting/approving additional suppliers/growers/farmers, for contingency, to avoid risks associated with last minute orders and spot purchasing from unapproved sites.
- **Forecasts.** Although forecasts are always only accurate to a certain extent, it's

important to honour overall volume forecasts, and communicate early where changes are unavoidable due to unforeseen circumstances, to avoid 'cancelling' volume and negatively impacting the workers/suppliers.

- **Sharing planning information.** Where possible share more planning information with a wider group of suppliers, so that fresh and ambient, private label and branded, imports and local suppliers are all getting adequate levels of information. (Some supermarkets mentioned more planning information is shared with ambient than fresh, with private label than branded and with local suppliers than imports).
- **GSCOP.** Several large UK grocery retailers (with annual UK turnover of more than £1 billion) are required to comply with the Groceries Supply Code of Practice (GSCOP) rules and guidelines⁵¹ in terms of planning (amongst other requirements).



4.4 Principle 4: Fair Payment Terms



SUMMARY

The purchasing company and suppliers agree on fair and transparent payment terms that do not place a disproportionate burden on one party. Contractual obligations are honoured. Payments are made in full and on time.

This includes:

- ensuring payments are made on-time
- aiming to improve payment timelines
- no retrospective changes to mutually agreed prices
- mutually agreeing reasonable penalties, considering the cause of any delay in delivery
- aiming to reduce penalties
- promoting fair payment terms through the supply chain.

4.4.1 Suppliers' / Cooperatives' perspectives

- **Payment terms varied.** Suppliers described how payment terms varied with the shortest being 30 days, regulated by the Spanish government, extending to 60-65 days for UK customers. One supplier described how the longer payment term drained their cash flow, with growers and freight costs being paid before customer payment is received.

One supplier reported stopping trading with a customer that had a 90 day payment term. Suppliers also commented that payment terms need to be more nuanced between different types/sizes of suppliers, for example small farms

can't survive with more than 30 days and bigger companies might be able to cope with longer terms. The suppliers didn't report any examples of payment terms being reduced over time.

- **Different approaches to supporting smallholder farmers' cashflow.** All the cooperative/ associations interviewed described how they supported farmers' cashflow, for example by providing lump sum payments before the season to cover larger costs (such as investment in infrastructure or equipment), or by extending credit loans. Two suppliers mentioned that taking on the cash flow



risk and ensuring farmers make a steady income throughout the year, even if demand drops, is not appreciated or recognised by the commercial relations with their customers.

Also, several suppliers did not know if their payment terms had an impact on the smallholder farmers they bought from. This warrants further investigation directly with farmers/growers.

- **Penalties are not commonplace.** No evidence of penalties placed on suppliers was found during this research.

4.4.2 Purchasing companies/ buyers' perspectives

- **Contracts**

A European supermarket mentioned they have yearly contracts with forecast volumes, so farmers can plan.

UK supermarkets generally operate for shelf stable ambient goods by stating within a tender their requirement for the coming year, with a total amount stated for the season in a formal written agreement, allowing the supplier to calculate the amount of raw material that would need to be sourced to meet this demand. The customer can then 'call off' from that amount over the next 12 months.

The majority of contracts within the industry remain annual but there are increasing examples of longer-term contracts or commitments (up to three or as much as five years) being confirmed. One UK supermarket commented that there are some commodities and suppliers with 3-5 year contracts but the majority fluctuate more. Ambient goods tend to have longer contracts than fresh produce.

There are some arguments for the need for long term commitments and contracts, partly because of climate change and with efforts to decarbonise the supply chain more commitment is needed to allow suppliers to invest for the long term. However, some argue that more flexibility is needed for the same reason.

- **Penalties**

One supermarket mentioned there is a penalty charged if the supplier delivers under 98% of goods in time, as per the order.

Another supermarket mentioned that their buying teams try to avoid penalties at all costs to avoid unnecessary pressure on suppliers and workers – especially when there is a sharp change in orders in reaction to weather changes, for example.

- **Length of payment terms**

The EU legislation on Unfair Trading Practices (UTP)⁵² defines the following payment terms as 'black'/ prohibited:

payments later than 30 calendar days for perishable agricultural and food products and payment later than 60 days for other agri-food products (number of days from the date of delivery, or the date on which the amount due is set, whichever is later).

The European supermarket in the group commented that they had to change a lot of systems and payment terms because of this legislation including shortening their own length of payment (now 30 days for fresh produce), and they have shorter payment terms than the UK supermarkets in the group.

The group mentioned that in their experience, UK supermarket payment terms are generally 60 days even for perishable produce.

One supermarket mentioned they don't yet set rules for their suppliers in terms of their payment terms for the rest of the supply chain, and they felt this could and should be developed.



4.4.3 Recommendations for actions for purchasing companies regarding Fair Payment Terms

- **Commit to shorten the longer payment terms.** Even if they are not in the jurisdiction of the EU legislation on Unfair Trading Practices (UTP)⁵³, supermarkets should aim to reduce payment terms where they are longer than 30 calendar days for fresh produce, to be in line with the law, as good practice (not later than 30 days for perishable agricultural and food products and not later than 60 days for other agri-food products). It's also recommended that payment terms are flexible, to be shorter when it's a smaller business or one in financial trouble.
- **Supply chain payment terms.** It is recommended that supermarkets require or recommend that their direct suppliers/exporters have the same or shorter payment terms for the next level down in the supply chain. For example, if the payment terms with their customer is 30 days, they cannot give longer payment terms with the suppliers/ growers further down the chain.
- **Understand the farmer perspective.** Additional research is needed to understand pressures on farmers driven by cash flow, and then to enable supplier companies to support farmers in line with those findings.
- **Penalties.** Avoid charging penalties for late deliveries, especially when there has been a last-minute change in order volume, or if there has been a period of high heat stress (where work may have been slower/delayed to protect workers), or other extreme weather incident, so as not to compound pressure on suppliers and workers.
- **Several large UK grocery retailers are required to comply with the Groceries Supply Code of Practice (GSCOP) rules and guidelines⁵⁴ in terms of payment terms and penalties.**



4.5 Principle 5: Sustainable Costing



SUMMARY

The costing levels and procedures of the purchasing company support wage increases and sustainable production. Prices cover all costs of production in line with responsible business conduct and allow for a reasonable and maintained supplier profit margin. This includes:

- developing mechanisms to ensure costing allows for all labour costs
- incorporating wage and cost increases (through national minimum wages and/or collective bargaining)

Advanced practices:

- pricing allows for wage increases towards living wages.

The significant focus of many purchasing companies on lowest price possible contributes to the export fresh and ambient produce industry in Italy and Spain running on limited financial stability, and this allows space for labour exploitation. The lack of leeway and margin financially certainly is one driver of the exploitative practices

and means that it is hard to ensure workers are paid a decent wage, even amongst those suppliers that are sincerely trying to do so. Also, more action and collaboration is needed from various stakeholders, to challenge the highly exploitative recruitment agencies/systems, in order to ensure the money reaches the workers.



4.5.1 Suppliers' / Cooperatives' perspectives

'Customers ask for certifications but it's just paper. We need higher prices so we can benefit growers!'

'New grievance mechanisms, audits, the training required, the new data systems...Who's going to pay for us to meet these new requirements, like the EU or German law?'⁵⁵

- **Price was by far the most commonly cited problem for suppliers.** Every supplier interviewed described how pressure on price had increased over the last few years, and how this is coming at a time of increased costs linked to inflation, climate changes and labour costs. As an example, one supplier described how their labour costs had risen by 47% since 2018 and that only 30% of labourers returned year on year, adding to their recruitment costs. But suppliers felt these extra constraints were not factored into pricing discussions by their customers. European discount stores and UK supermarkets were described as being

the hardest on pricing, requiring low prices regardless of the season.

- **The location of the buyer impacts the ordering process, with the UK coming out less favourably than European counterparts.** Several suppliers mentioned that the UK tender process and fixed price contracts don't allow them to cover costs associated with fluctuating weather, labour or demand. In contrast, several suppliers noted that the ability of European customers to have ordering and pricing processes that fluctuate weekly, allowed for much easier production planning and cost recovery. Most suppliers interviewed said they would prefer to sell to the markets paying flexible and higher prices and so were looking to scale down the volume they supply to the UK market.
- **Unfair price negotiations.** According to the UTP, the sale of agricultural and food products through the use of electronic tenders and auctions with double discounts is considered 'unfair' and has been banned. However, a Tier 1 UK

supplier mentioned that an EU based retailer states the price of opening negotiations, which is effectively a double down auction but done via email/phone rather than online auction.

- **Prices don't reflect or reward sustainability efforts.** A common complaint from suppliers was that the investments they made to meet ever increasing sustainability standards, both environmental and social, were not factored into costing discussions. Suppliers recognised that these investments were necessary and inevitable with new legislation, but several noted that there remained suppliers that were not making the same efforts who were still selling to the same customers. They felt they did not reap any commercial benefit by being demonstrably "better" than others in the local or regional market.
- **Open costing isn't common.** The interviews with suppliers found only one example of a buyer requesting open costing and in this case the price

breakdown was not used to safeguard growers' income.

- **Pricing can be secondary to volume, in terms of risk and losses.** One supplier described a situation where poor weather had reduced their yield by 40%, which meant the customer didn't buy the total anticipated amount given reduced volume available and the supplier made a significant financial loss. This highlights the risk held and financial vulnerability of the producers.

'We have to plan and hire labour at the start of the year, but it's becoming harder to plan... We've had summer in February and winter in October. This affects our prices and we're struggling to cover our costs with UK customers who give us fixed price contracts a year in advance.'

'They listen, but they're waiting for you to finish the sentence to tell you you're too expensive.'

4.5.2 Purchasing companies/ buyers' perspectives

• Pressure for low purchase prices

The supermarkets shared that there is huge pressure on their businesses by consumers and even trade unions to reduce prices of food, because of the 'cost-of-living crisis'.

There is also pressure from within the business and from shareholders to maintain margins. This pressure is passed on to buyers/ commercial teams who are often monitored and evaluated based on margin targets either at department or individual buyer level. Some supermarkets monitor margin targets at a department level and some also do this at an individual buyer level.

Pressure to meet margin targets whilst keeping prices low for the consumer, result in pressure to keep purchase prices low.

A first-tier supplier interviewed mentioned that at a supermarket they sell to, buyers do not get promoted or moved to bigger categories unless they "commercially deliver" in their area in 12-18 months.

• Price negotiations and levels

A European supermarket mentioned that they have a contract for the season but they can /do adjust the price during the season for fresh produce, depending on

weather and demand, it may go up and down. With more stable local suppliers, they have bigger longer contracts, they promise to buy certain volumes and the price may be adjusted once or twice in a season, as a response to increased costs, in negotiation with the suppliers.

In the UK, in terms of ambient products such as tinned tomatoes, typically the price is negotiated between supermarket and direct supplier just before the harvest season (based on the price negotiated between processors and growers) and then no changes are made. The price is typically fixed for a full year.

A fundamental issue mentioned by one of the 1st Tier suppliers was that in Italy, the contracts are generally agreed late, through the representing trade body for fruit and vegetables, ANICAV, which negotiates prices with farming unions for the North and South⁵⁶. Typically, the North is agreed first. The suppliers/ growers only hear in late June what price they will get, with the harvest season starting at the end of July, so by then they have already invested and can't save on inputs or water so the only thing they can save on, to improve their profitability, is the seasonal harvest labour.

• Price build-up

Some supermarkets within the group noted that the framework's recommendation for buyers to 'know how prices are built up' does not seem practical for fresh produce. Buyers explained that obtaining detailed cost information is overly burdensome, and producers are often unwilling to share such specifics. ETI clarified in discussions that this recommendation is not intended to be on a purchase-by-purchase basis (in cases where this is not feasible eg fresh produce), but to undertake assessments of purchase prices vs responsible production costs, including adhering to the purchasing companies standards on human rights, health and safety and environment. It's about understanding the true cost of responsible production to inform RPP sustainable costing strategies.

Some participants in the group for this report suggested that it might be possible to consider incorporating open book costings into the procurement process for certain products, as a way to safeguard fair wages. To implement this effectively, it would be essential for buyers to receive specific training to fully grasp the purpose and rationale behind this approach. That said, suppliers have expressed concerns about sharing detailed cost

breakdowns, fearing the information could be used to pressure them into lowering prices. As such, this approach would need to be introduced and managed with sensitivity and care.

• Stick or switch

There is a tendency of some retailers to tender for a product type quite frequently, in order to get 'cheaper' alternatives.

One of the supermarkets in the group commented that they didn't often do that if the internal teams were content with the supplier and the product provided. They mentioned that this is good for both parties and helps to build trust, so that difficult situations faced can be handled together.

• Support for growing season costs

Morrisons has developed programmes to support their UK suppliers with underwriting the costs of growing, to cushion them from the risks associated with varying weather and other variable costs⁵⁷.

CASE STUDY

Princes Group - CONTRATTO DI FILIERA (Italy / Tomatoes)

In 2019, Princes established the 'Contratto di Filiera' (Supply Chain Contract) collaboration with the Department of Agricultural Sciences at the University of Foggia and Italy's leading agricultural union, Coldiretti.

Within this partnership, the University of Foggia conducted research to determine the true cost of production. Princes believe that paying prices that reflect the true costs of production and fair wages is critical in ensuring farmers can remain both profitable and sustainable while reducing risks of the illegal labour issues that remain in Italian agriculture.

The collaboration with the leading agricultural organisation, Coldiretti, also emphasised that the timing of agreeing prices is important. Late contracting – just ahead of harvest in July – has been frequently cited by Non-Governmental

Organisations (NGOs) as a key contributor to forced labour and human rights abuse, yet it remains the norm across the Southern Italian tomato supply chain.

Based on this research and collaboration, Princes paid prices that reflected the true cost of production ahead of the harvest season, ensuring that growers had the means to pay legal and fair wages to seasonal workers during the harvest season and can exit the season profitably. This partnership ran for six years from 2019 to 2024*.

*While this partnership ended in 2024 to allow for a strategic review of all sourcing partnerships under Princes' new ownership, Princes remains committed to upholding the highest standards of human rights due diligence in Southern Italy and maintaining their leading status on this issue for European brands.



4.5.3 Recommendations for actions for purchasing companies regarding Sustainable Costing

- Sticking with suppliers instead of tendering to get cheaper options.** In particular, supermarkets should not swap to suppliers with lower prices where they have lower standards of due diligence for safeguarding sub-suppliers and workers in their supply chain, otherwise the price comparison is not fair.
- Avoid aggressive price negotiation strategies and unjustified price reductions** with reference to the EU legislation on Unfair Trading Practices and the Groceries Code Adjudicator. In order for this to be implemented and sustained there needs to be effective internal mechanisms to monitor and prevent these practices. This needs to impact buyers' induction, training, evaluation and incentive processes and be informed by an understanding of the true cost of responsible production.
- Build pricing structures that support better sustainability/ human rights performance.** Suppliers seek reassurance that their investments in labour standards and environmental sustainability will yield tangible commercial benefits. While this can be achieved through means such as paying premium prices or increasing order volumes, buyers can also demonstrate commitment in other impactful ways. These may include entering into longer-term contracts, offering financial support to offset these investments, or providing flexibility around audit requirements.
- Understand and move towards prices that are sufficient to support responsible production and decent wages.** This means retailers and Tier 1 suppliers need to research the true cost of responsible production, in line with their standards, including for human rights and environment. This might not be on a purchase-by-purchase basis (in cases where this is particularly challenging e.g. fresh produce), but to engage with stakeholders to undertake more general assessments of purchase prices vs responsible production costs. This information should be shared with the relevant category teams to identify and address instances where negotiated prices fall below the true cost of responsible production. The pricing methodologies used should be time-efficient and practical for buying teams. Additionally, it is essential that buyers receive targeted training to understand the rationale behind fair pricing approaches, with access to current data and regular process refreshers. Whilst prices and wages are a complex topic and higher purchase prices don't automatically improve wages; it is clear that aggressively low purchase prices are a very real barrier to wage progress.
- Support the establishment of price premiums for private label products** linked to the welfare of workers on farms, where the supply chain links are very clearly established and a long-term relationship is present⁵⁸.
- Supplier screening process.** Screening of suppliers, including human rights requirements, should take place before pricing is formally requested, thereby avoiding cheaper suppliers that aren't going to be seriously considered for the contract being used to bring costs to an artificially low level.
- Reviewing the tender model.** Suppliers were keen for supermarkets which use a tender model with a fixed price annual contract, to consider a model of fluctuating pricing and ordering. This recommendation may be particularly relevant for UK supermarkets' fresh produce teams, to consider a more flexible pricing model, since the costs to suppliers do not stay static. Prices could be in contracts but with the opportunity to adjust upwards where necessary, with set points to review costs, to ensure the suppliers/ growers are not losing money, which is not sustainable for the supply moving forward. This would require a significant education piece about why this is needed. Although this shift would involve significant systems challenges, it is important to open the conversation internally on addressing barriers to making this transition, and discuss with strategic suppliers how the model could be adjusted to allow for financial sustainability of the supply chain.

5. Conclusions

It is clear that the most urgent issue from the suppliers' perspective, that is most strongly driving poor working conditions, is **price**. However, this is of course potentially one of the most difficult things for the supermarkets to adjust. Despite the challenges, the recommendations in this report on this topic should remain a medium-to long-term priority for supermarkets.

Key actions include maintaining stable supplier relationships rather than frequently re-tendering to find cheaper alternatives, avoiding aggressive price negotiations or unjustified price cuts, and committing to pricing that enables responsible production and decent wages. Where supermarkets use a fixed-price tender model for seasonal contracts (which seems to be prevalent in the UK), it's recommended that a review should be considered, to introduce more flexibility, similar to a number of supermarkets in Europe, which could help account for suppliers' changing costs over time. While these issues are undeniably challenging, particularly as

supermarkets face pressure to reduce food prices during the cost-of-living crisis, they are critical to ensuring the long-term financial sustainability of supply chains and ensuring that human rights of workers are respected in their supply chains. Pressure on price is potentially the single biggest driver of the exploitative situations many workers face. Without meaningful change, UK supermarkets may struggle to secure future supply, as more suppliers express a desire to move away from supplying to UK supermarkets because of the sourcing model, with low prices, strict size requirements, fixed-price tendering, and long payment terms. This should serve as a wake-up call: addressing these concerns must become a strategic priority.

The second highest priority seems to be around the issues of **production planning and orders**, where last minute changes in orders can drive long hours, night working, increased vulnerability of temporary workers and the potential of 'spot purchasing' to unauthorised/unchecked sites with poor working

conditions. The recommendations of this report are outlined in detail in **Section 4.3.3** but briefly summarised include the importance of, where possible, collaboratively deciding on reasonable lead times with suppliers, aiming for longer lead times; reducing last-minute order changes; reviewing requirements on accepted size and shape of products, to reduce waste and financial loss for suppliers; reviewing processes to reduce volatility of orders; pre-vetting additional growers, to avoid risks associated with spot purchasing; honouring overall volume forecasts and sharing more planning information with suppliers. It's also recommended that companies adhere to the EU Directive on Unfair Trading Practices legislation, even if the business is not within its jurisdiction, for example not giving short notice-cancellations of perishable agri-products. An interesting and significant risk that was raised by both suppliers/cooperatives and first-tier suppliers is the difficulty of sourcing at the 'edge of season' when temporary workers are less available and weather is more unpredictable. Supply is variable



based on unpredictable weather in the supply country in spring/autumn/'edge of season' compared with mid-season when hot weather is more consistent. And demand is unpredictable in the buying country at the edge of seasons when an unexpected sunny day in spring or autumn would spike orders for certain fresh produce. This is when some of the greatest risks of unapproved sites being used for spot purchasing, or unscrupulous labour providers exploiting workers may be most prevalent. Purchasing companies need to be aware of these risks and talk openly with suppliers at these times, and provide flexibility where possible.

From the suppliers' perspective, **payment terms** are a high-priority issue, one that often tilts preference toward European supermarkets over UK retailers. The extended payment terms commonly used by some UK supermarkets, often up to 60 days after delivery, can create significant cash flow challenges, as suppliers must cover input and labour costs well in advance of receiving payment. The European supermarkets who've adjusted to the EU Directive on Unfair Trading Practices (UTP), now pay on 30 calendar days for fresh produce, and this report recommends companies

that are not under the jurisdiction of this law also move towards this practice. Where supermarkets are paying on 30 days, efforts should be made to ensure this length of payment terms is respected further down the chain as well.

Although the topics of internal integration and equal partnership seem to have less immediate impact on working conditions, these two topics provide the foundations of being able to make other changes in RPP, and therefore should be some of the first steps that companies make, to prepare the way for other changes.

In terms of **internal integration**, it's essential that a company understands the impact of their current purchasing practices, through internal review and gaining anonymous supplier feedback. Internal buy-in needs to be gained for RPP, both with senior leadership and with commercial teams, with interactive training on the topic for the latter, to understand the impacts of their every-day purchasing decisions. There needs to be regular and integrated communication and shared decision making on RPP between the responsible sourcing/ human rights/ sustainability teams and commercial buyers and buyers need to

have wider accountability and incentives that incorporate RPP, rather than just focusing on margin and on-time delivery. Building category knowledge of buyers and allowing them to remain with one product for longer will be mutually beneficial to both the purchaser and supplier, building trust and understanding.

The fundamental importance of an attitude of **partnership** can't be understated, as an essential foundation of all other aspects of RPP, so that decent working conditions is considered as a shared responsibility rather than just being pushed down the supply chain out of sight and accountability. A few suggestions in this report on how this can be built includes more frequent communication between buyers and suppliers, with video calls instead of just emails, to build trust and joint problem solving. Within relationships with strategic suppliers particularly, there is potential for mutual benefit by supporting their long-term planning with more information in advance. Suppliers interviewed expressed deep concern over the growing burden of compliance and audits. They described the process as increasingly costly and frustrating, citing numerous overlapping and slightly varying requirements that are

largely repetitive. These demands not only disrupt production efficiency but also add significant operational costs. Reducing this burden through harmonization and sharing information needs to be a significant and urgent focus for purchasing companies moving forward. Supplier performance on social and environmental standards needs to be both rewarded with real business benefits in terms of orders and pricing, and also needs to be included early in the tendering process. To really make an impact on improving working conditions in these supply chains, purchasing companies need to focus on tackling the root causes of common issues across suppliers in a region, in partnership with others, rather than having a focus only on site-specific issues and just depending on audits, which often fail to identify the more endemic and hidden issues.

There is both a significant opportunity and a clear responsibility for purchasing companies to collaborate in addressing the widespread exploitation of workers within these supply chains. It is evident that meaningful progress will depend on each company reviewing and improving their own purchasing practices – this must be a central pillar of any effort to drive lasting, positive change.

Appendix 1: Methodology

There were two main elements of research for this report: interviews with suppliers and meetings and workshops with the purchasing companies (supermarkets and tier 1 suppliers).

a. Interviews with suppliers

- This research was conducted in Q2 and Q3 of 2024.
- Interviews were carried out by independent consultants. An interview framework was designed in collaboration with ETI, exploring different areas of purchasing practices, as outlined in the Common Framework on RPP for Food.
- Interviews lasted approximately one hour and a translator was provided when necessary.
- Members of the working group for this report provided names of suppliers that the research team could contact. Contact details for 16 organisations were provided in total (8 in Spain, 8 in Italy). Of these, the research team

spoke with 5 suppliers in Spain and 2 in Italy. Despite significant chasing and requests it wasn't possible to get more interviews. The suppliers were providing fresh produce in Spain (e.g. berries, lemons, peppers, grapes) and fresh and ambient from Italy (tomatoes and tinned tomatoes).

- It is acknowledged that this report is based on a small sample of suppliers, and therefore may not represent the perspectives of suppliers as a whole. However, despite this, some interesting insights have surfaced that are worth sharing and considering in terms of the impact of PP.
- It is also important to note that the huge majority of suppliers interviewed were agents, exporters or cooperatives. Although the research team (and also the purchasing companies) made repeated requests for contact details of growers to interview, this was not provided. This reiterates the finding of the GMA project in general that it is very difficult

to get access to growers directly. This may well be because exporters or cooperatives are nervous of losing their position if purchasing companies chose to buy directly or there may be other reasons for being resistant to facilitate these direct conversations, including being nervous of what they might say.

- Feedback from interviews has been anonymised and collated in this report.

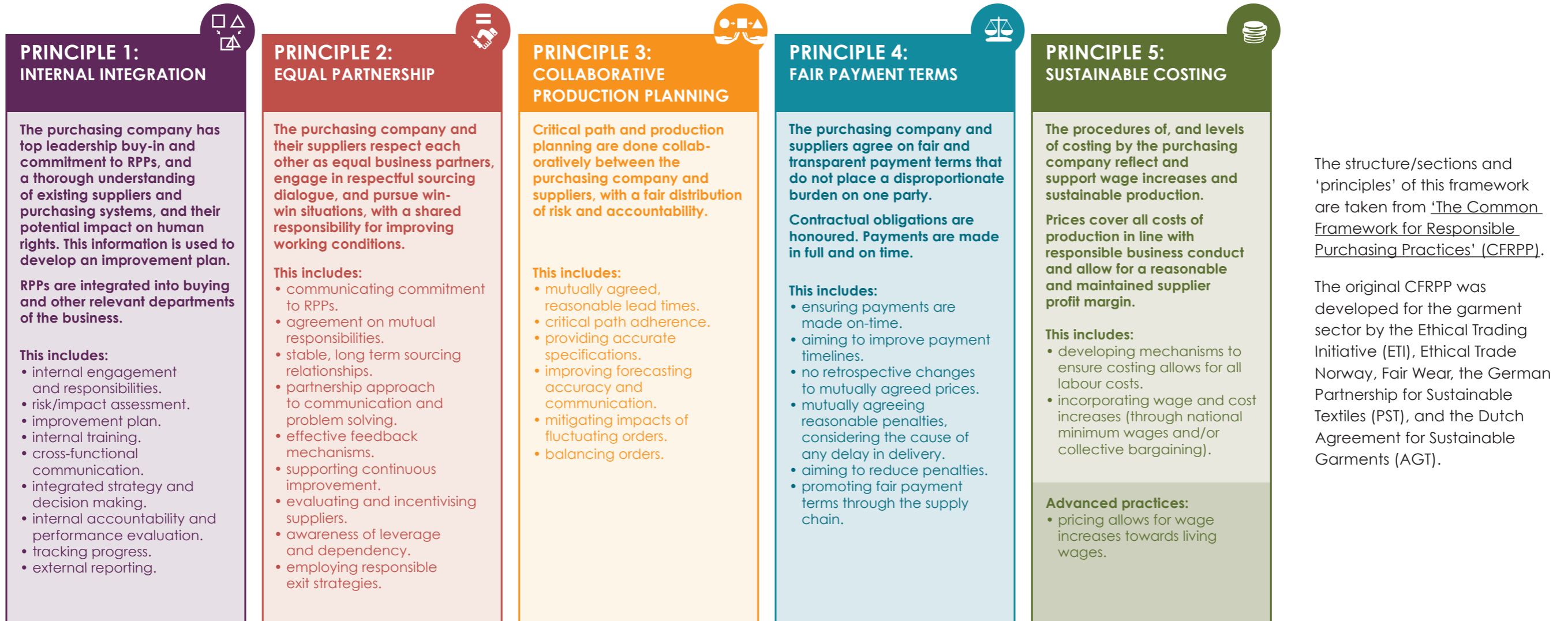
b. Input from purchasing companies

- Three ETI members actively participated in this research/report, one UK supermarket, one European supermarket and one first-tier supplier in the UK.
- In Q3 and Q4 of 2024 these members carried out internal workshops with commercial teams, explaining briefly about responsible purchasing practices and working together to map out how they are currently purchasing practically and where they suspect some of the pressure points might be.

- The project team then had online sessions to work through the supplier feedback against each section of the Common Framework, to give feedback from these workshops, and discuss the most salient points to be included in the report.

Appendix 2: Common Framework for Responsible Purchasing Practices: Food

This page gives the summary of the framework, the full document can be accessed [here](#).



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