



RESPONSIBLE SOURCING TOOL

Food and Beverage | Tool 6.1

PROTECTIONS AGAINST TRAFFICKING IN PERSONS

Role of Traders in Addressing Human Trafficking in Food and Beverage Supply Chains

Traders, also referred to as agricultural suppliers, facilitate transactions of agricultural ingredients and commodities between buyers and sellers. They may purchase goods from producers or other brokers and sell to processors. Alternatively, they may control — to varying degrees — agricultural production and processing and sell processed products to brands.

The role of traders in agricultural supply chains is often a critical one. The commercial trading business has become notably consolidated, with implications as to the degree of leverage these companies now hold over supply chains. For example, in 2012, four companies controlled an estimated 90 percent of the global grain supplyⁱ and a single trading company supplied all of the eggs for a leading U.S. fast food company.ⁱⁱ In 2018, a single agribusiness supplied 40 percent of the world's palm oil.ⁱⁱⁱ The largest commodity trading companies typically focus on ingredient commodities, such as palm oil, cocoa, and grains, that are “generic” and “can easily be substituted

for one another” in sales to food companies.^{iv}

Many traders have operations that extend far beyond trading commodities to farm level operations and food manufacturing. Some own land or provide inputs to contracted farmers.^v Many have significant food processing operations.^{vi} To facilitate large-scale storage and distribution, large traders commonly operate their own global infrastructure systems.^{vii} In many cases, these traders are closer to agricultural operations than their clients and have more direct insight into conditions on the ground,^{viii} though on some occasions, traders may also purchase large volumes on futures markets or from other traders. It is increasingly accepted that traders will play a crucial role in agribusiness sustainability at all levels, including combating human trafficking in supply chains.^{ix} Where traders have their own operations or direct supply chains, they can implement the same due-diligence and compliance practices recommended to all large companies and consumer-

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facing brands, as shared in this set of resources and elsewhere.

Despite their crucial and unique role in agricultural supply chains, little guidance has been developed specifically for traders around issues of human trafficking and human rights more broadly. Notably, the Institute for Human Rights and Business (IHRB) has developed guidance for commodities traders on implementing the UN Guiding Principles on Human Rights: [The Commodity Trading Sector Guidance on Implementing the UN Guiding Principles on Business and Human Rights](#), launched at the 2018 UN Forum on Business and Human Rights.^x The Palm Oil Innovation Group (POIG) has developed recommendations specifically for palm oil

traders and processors.^{xi} While focused specifically on the palm oil sector, many of these recommendations are relevant for traders in a variety of supply chains.

Many traders are multinational corporations that can and should be held to the same social responsibility standards as other multinational corporations operating in the food and beverage space. In this respect, each of the tools in this suite applies to traders' operations as well. However, traders do play a unique role in food and beverage supply chains, and the following are some recommendations for targeted, anti-trafficking components of a potential broader human rights program that traders, specifically, can implement.

RECOMMENDATIONS TO TRADERS

→ **Commit to working with buyers and suppliers to build traceability throughout the supply chain.** Many traders are already pursuing traceability within their own supply chains. Specifically, traders can collect names, locations, and ownership information for all supplying farms, plantations, concessions, mills, etc. from which they purchase commodities.^{xii} Purchasing arrangements such as spot trading or future exchange market trading severely limit supply chain transparency. When possible, particularly for

commodities that are determined to have higher risks of human trafficking (see [Tool 6](#) and traders can limit purchasing via these mechanisms.

→ **Assess risk related to human trafficking in direct and indirect supply chains.** Traders should conduct risk assessments to determine which segments of their supply chain have heightened risks of human trafficking (see [Tool 6](#).) The risk assessment should apply to all types of worksites, including farms, processing facilities, transportation, and warehousing.

→ **Extend due diligence and compliance mechanisms to the bottom of supply chains.**

Traders should have their own Codes of Conduct, communicate Code requirements to their direct suppliers, and integrate these principles in supplier contracts. In addition to cascading their responsible sourcing expectations, traders should take meaningful action to verify compliance with specific indicators or benchmarks of compliance, via an assessment program that regularly identifies actual and potential labor rights impacts and uses independent third-party verification.^{xiii} Traders in some agricultural commodity supply chains, such as cocoa, already partner with certification organizations to support efforts to extend their due diligence and compliance mechanisms in a smallholder agricultural context.

In cases where abuses are identified in traders' supply chains, whether direct or indirect, IHRB states that traders should "use [their] leverage with business partners involved to seek to prevent or mitigate the risk of such impacts continuing or recurring."⁹

Training and capacity building for internal staff and across the supply chain are also important aspects of cascading expectations. Training enables relevant internal staff to better understand the risks associated with human trafficking and

institutionalizes knowledge. Training with suppliers can generate joint action on key issues such as recruitment fees.^{xiv}

Traders may in some cases purchase materials in a way that does not provide the opportunity to communicate expectations, such as when commodity futures are exchanged or spot supply contracts are executed. Without a standing relationship between the two parties, there are few levers for accountability. IHRB suggests that these purchases be considered higher-risk in terms of human rights risk. The IHRB also suggests specific strategies and limited due diligence that traders can conduct in these situations, including:^{xv} advocating for inclusion of human rights due diligence in contract specifications in futures exchanges and including human rights due diligence provisions in permitted counterparties lists when trading through commodities broker.

→ **Report publicly on progress made,** including policies, performance, and impact on human and labor rights issues, with a specific focus on human trafficking. The POIG Charter for Traders and Processors recommends that traders conduct and publish annual progress reports identifying bottlenecks of responsible palm sourcing, for example.^{xvi} Such transparency could include reports on attempts to limit purchasing in commodity supply chains determined to be at increased risk of human trafficking.



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ⁱⁱⁱ Cole, Chloe Christman et al. "Companies Spoke. Did Their Suppliers Listen? Tracking Behind the Brands sustainability commitments through the supply chain with the 'agribusiness scorecard.'" Oxfam. 2019. <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620626/bp-agribusiness-scorecard-040319-en.pdf>

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^{vi} KPMG. The agricultural and food value chain: Entering a new era of cooperation <https://assets.kpmg.com/content/dam/kpmg/pdf/2013/06/agricultural-and-food-value-chain-v2.pdf>

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^{xiv} Verité. "Sustainable Palm Oil? Promoting New Measures to Combat Risks of Forced Labor and Human Trafficking in Palm Oil Supply Chains." https://www.verite.org/wp-content/uploads/2016/11/Palm_White_Paper_May_2013_Final_Draft_0.pdf

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^{xvi} Palm Oil Innovations Group. Charter for Traders and Processors. <http://poig.org/the-poig-charter/poig-charter-for-traders-processors/>