

**RESEARCH ARTICLE**

**PROHIBITION OF UNETHICAL PRACTICES IN AUSTRALIAN  
FOOD INDUSTRY**

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**Abstract**

Ethical practices have become necessary in corporate social responsibility. Although the Australian fresh food industry has high-quality standards, yet it has created negative criticisms recently due to unethical business behaviors. The purpose of this essay is to evaluate these negative claims by utilizing the principles of fairness, dignity, and citizenship of the Global Standards and Fairtrade. Coles and Woolworths with other smaller players control the Australian food industry. In a study of 53 cases, common complaints by farmers involve the rejection of produce due to unrealistic specifications of exact sizes and shapes.

The dignity principle states to care for the safety, health, and well-being of all living creatures, where Coles has created a famous reputation for violating this specific principle. While the citizenship principle states that businesses must obey laws and regulations and cooperate with authority that both Coles and Woolworths have violated.

In Australia, SPAR retailers have established strong relationships with local farming bodies and the network is regularly conducting inspections to ensure effective methods are in place. However, they differentiated strategies where local farmers have become part of the overall production chain. They have trained and educated South-African farmers on crop growing techniques for commercial purposes. They also host dinners for award ceremonies to encourage healthy local competition by providing prizes for stores. Despite economic benefits gained by Coles and Woolworths through high levels of employment in Australia, but also they committed underlying unethical practices. The ACCC should enforce stricter controls and increase fines and punishment mechanisms to prohibit such unethical practices to adhere to legal laws this can be by adopting approaches that meet commercial requirements.

## حظر الممارسات غير الأخلاقية في صناعة الأغذية الأسترالية

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### المستخلص

أصبحت الاهتمام بالجوانب الأخلاقية ضرورية في المسؤولية الاجتماعية للشركات. وعلى الرغم من أن صناعة الأغذية الطازجة الأسترالية لها معايير جودة عالية ، إلا أنها مؤخراً شهدت انتقادات سلبية بسبب بعض السلوك التجارية غير الأخلاقية. الهدف الاساسي من هذا المقال هو تقييم هذه الانتقادات السلبية باستخدام مبادئ العدالة والكرامة والمواطنة ومعايير التجارة العادلة عالمياً. من اهم الشركات التي تسيطر على صناعة الاغذية الأسترالية هما شركتا كولز (Coles) وولورث (Woolworths) مع شركات صناعية اخرى. تناولت هذه الدراسة 53 حالة ، تضمنت الشكاوى الشائعة من المزارعين في رفض المنتجات بسبب المواصفات غير الواقعية للأحجام والأشكال الدقيقة.

ينص مبدأ الكرامة على الاهتمام بسلامة وصحة ورفاهية جميع الكائنات الحية ، حيث عملت شركة كولز سمعة بانتهاك هذا المبدأ. ينص مبدأ المواطنة على أن الشركات يجب أن تمتثل للقوانين واللوائح وأن تتعاون مع السلطة التي انتهكتها شركتي (Woolworths. Coles )

في أستراليا ، أقام تجار التجزئة في (SPAR) علاقات قوية مع الهيئات الزراعية المحلية من خلال القيام بإجراء عمليات تفتيش منتظمة لضمان الجودة والفعالية . كما ان الاستراتيجيات جعل المزارعون المحليون جزءاً من سلسلة الإنتاج الشاملة. قامت متاجر تجزئة (SPAR) بتدريب وتعليم المزارعين في جنوب إفريقيا على تقنيات زراعة المحاصيل للأغراض التجارية. كما قامت بإقامة حفلات عشاء لتوزيع الجوائز لتشجيع المنافسة المحلية الصحية من خلال تقديم جوائز للمتاجر. على الرغم من الفوائد الاقتصادية التي اكتسبتها شركتي (Woolworths و Coles) من خلال توفير مستويات التوظيف العالية في أستراليا ، إلا أنها ارتكبت أيضاً ممارسات غير أخلاقية أساسية. يجب على لجنة مكافحة الفساد أن تفرض ضوابط أكثر صرامة وأن تزيد الغرامات وآليات العقوبة لحظر مثل هذه الممارسات غير الأخلاقية للالتزام بالقوانين القانونية التي يمكن أن تكون من خلال تبني الطرق التي تلي المتطلبات التجارية.

## Introduction

The concepts of ethics and corporate social responsibility have gained increasing popularity as ethical practices have become equally important as business profits and satisfied consumers (Paine, Deshpande, Margolis, Bettcher, 2005). While the Australian fresh food industry is reputed to have high quality standards, it has recently attracted negative criticisms due to alleged unethical business conduct. The purpose of this essay is to assess these negative claims by using the principles of fairness, dignity, and citizenship of the Global Standards Codex and Fairtrade as a benchmark of comparison of actual trade practices. Several cases and examples are included throughout the essay to support concepts and arguments included in the overall evaluation of the food industry in Australia.

## Body

The Australian food industry is predominantly controlled by Coles and Woolworths with other smaller players including IGA, Harris Farms, and Aldi. Coles and Woolworths together account for \$80 billion dollars of output and are market leaders with great powers in influencing supply chains and end consumers (Australian Government: Department of Agriculture, Fisheries and Forestry, 2012). Since the numbers of suppliers are plentiful, farmers have only two broad choices of conducting business, either with Coles and Woolworths, thereby forcing supplier groups to comply with any unfair terms and conditions or risk losing business altogether (Round, 2006). In a study examining 53 cases, common complaints by farmers include rejection of produce due to unrealistic specifications of exact sizes and shapes, last minute cancellations and alarmingly non-payment of goods delivered (Richards, Lawrence, Loong, Burch). Shelf-listing, renewing and maintenance fees to retain display shelf spaces as well as packaging, store advertising and transport costs are also paid for by farmers. Due to increased costs and moderate to low profits, farmers are not able to reach decent living standards, especially as Woolworths and Coles have pushed out local businesses out of competition by offering cheaper priced products than that of local farmers' markets. Such costs should ideally be shared or paid for by Coles and Woolworths, however, farmers are afraid of voicing opinions, especially given that those that have dared to raise these issues, have had reduced quantities or sudden termination of contracts (Louw, Vermeulen, Kristen, Madveu, 2007). This constitutes as indirect bullying by Coles and Woolworths, thus, violating the fairness principle of the GSB and fairness across the value chains according Fairtrade principles (Smith, Barrientos, 2005).

The dignity principle states care for the safety, health and well-being of all living creatures, where Coles has created a famous reputation for violating this specific principle. Under its private label, Coles has locked up chickens in cages that are so constricted that chickens are unable to even spread their wings out. Pigs are kept in such pitiful conditions that pregnant sows are not able to successfully reproduce and end up dying. With food deprivation, narrow cages allowing little movement where animals end up with sore joints, extra pressures are created for animals to reproduce. Such practices are inhumane and cruel and as consumers are becoming aware of such horrible issues, Woolworths has reduced its caged eggs quantity from 70-50%. However, Coles has advertised its eggs as free range and upon inspection by the ACCC, it was found the eggs in reality were actually caged under pitiful conditions. Coles changed labels but refused to take any measures to stop cruel factory farming practices, in an attempt to win consumers with cheaper priced eggs (Parker,

Brunswick, Kotey, 2013). Longerenong Livestock, the famous pork producer supplies 70% of its produce to Woolworths and after police in Tasmania found sick and disabled pigs under unlivable harsh conditions, without any veterinary care, Woolworths refused to terminate business with such a company that engages in the harsh and cruel treatment of animals. Therefore, both Coles and Woolworths have been guilty of animal cruelty in their factory farms thus, breaching the dignity principle by attracting increased profits at cheaper prices at the expense of abusing the welfare of animals (Clark, 2009).

The citizenship principle states that businesses must obey laws and regulations and cooperate with authority that both Coles and Woolworths have violated. Predatory pricing is illegal where organizations price products too low in an attempt to push out competitors in the market. The famous milk wars between Coles and Woolworths lead to price hostility where 1 liter of milk was priced at \$1, which drove out local dairy farmers out of business as rural farmers were not able to afford to charge such low prices due to lack of technological means and sophisticated processes. Many dairy farmers lost livelihoods where the situation in Queensland was especially catastrophic leaving only two major dairy farmers that managed to survive, thus violating Fairtrade principles of local sustainability (Smith, 2010).

However, SPAR Retailers differentiated strategies where local farmers have become part of the overall production chain. SPAR has trained and educated South-African farmers on crop growing techniques for commercial purposes, and implemented just-in-time systems where farmers deliver goods with transport systems provided for by the company. In Australia, SPAR retailers have established strong relationships with local farming bodies and network is regularly conducts inspections to ensure effective methods are in place. SPAR also hosts dinners for award ceremonies to encourage healthy local competition by providing prizes for stores. In turn, consumers prefer local foods as opposed to mass produced foods to support the local economy and enjoy the increased health benefits and natural taste (Louw, Vermeule, Kristen, Madveu, 2007).

Another law broken includes the *Trade Practices Act 1974*, which requires businesses to conduct truthful advertising where Woolworths advertised beef and pork as being “Australian made”. Consumers are usually willing to spend extra dollars to support the national economy by buying locally made products and Woolworths took advantage of consumer loyalty in this case. Woolworths further claimed its lemons, grapefruit, pears and oranges were produced locally when in fact they were imported from USA and China. The ACCC fined Woolworths \$900 for misleading consumers and engaging in deceptive advertising, thereby breaking national laws under Fairtrade, as well as the ethical citizenship principle of the GSB for breaching legal rules (ABC News, 2011).

### **Conclusion**

While Coles and Woolworths have both brought economic benefits and contributed to high levels of employment in Australia, both organizations have also committed underlying unethical practices. In an attempt to increase profits, and cut costs, stakeholder groups including consumers and suppliers were harmed in the process. The ACCC should enforce stricter controls and increase fines and punishment mechanisms to prohibit such unethical practices to adhere to legal laws. By adopting approaches similar to SPAR Retailers, local competition power imbalances can be managed to meet commercial requirements (Delforce, Dickson, Hogan, 2005). Increased intervention by the ACCC is required to foster an ethical culture upholding principles of Global Standards Codex and Fairtrade.

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