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STRATEGIES FOR A SUSTAINABLE FOOD SYSTEM: ISSUES OF GOVERNANCE IN A
CORPORATE-LED MODEL OF FOOD SYSTEM LOCALIZATION

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ABSTRACT

As the role and influence of nation-states in agri-food governance have shifted in the present era of neoliberal globalization, corporate sustainability programs have emerged and captured greater attention from policy makers, scholars and the media as a potentially important strategy for addressing the negative social and environmental externalities of current systems of production and consumption. For the supermarket retailing industry, corporations often see local food as a way to promote sustainability in the agri-food system, and therefore have turned to sourcing fresh fruit and vegetables locally as part of their larger sustainability initiatives. In the US, promoting local produce allows food retailers to respond to growing consumer demand for local products, while in developing countries, sourcing locally for domestic markets helps supermarkets to expand their market share. This dissertation focuses on the Wal-Mart Corporation, now the largest supermarket retailer in the world, and uses social science research methods to explore three research objectives: (1) how Wal-Mart frames localization as a means to achieve sustainability (2) what networks emerge to facilitate Wal-Mart’s local sourcing program, and finally (3) what effect this framing and implementation have for issues of access for both producers and consumers. Wal-Mart’s sustainability initiative, and its local produce sourcing program, warrant social science research attention due to the influence that Wal-Mart has over the supermarket retailing industry; this influence is due in part to the sheer scale of its operations, and therefore the volume of local produce that it has the potential to purchase, as well as because of its recognized role as having transformed the retailing industry more generally through its innovative strategies, which leads other retailers to imitate this leader in the field. As such, Wal-Mart’s practices and policies have the potential to significantly affect patterns of production, distribution and consumption in the agri-food system on an international scale. This dissertation uses theories of governance to address the three objectives outlined above, focusing specifically
on aspects of these theories that help to conceptually frame (1) how supermarket retailers’ practices may supersede governmental regulations in the areas of development and sustainability (2) how outside organizations facilitate the implementation of Wal-Mart’s local produce sourcing program as a form of hybrid governance, and finally (3) by using theories of supply chain governance to examine how this program operates on-the-ground. These theories were applied to Wal-Mart’s local produce sourcing program using qualitative research methods, including semi-structured interviews with a combined total of fifty-nine agricultural producers in Honduras and the US. In addition, forty-third representatives from organizations that facilitate the integration of small-scale producers into Wal-Mart’s local produce supply chains by providing training, resources and market access were also interviewed. Finally, in order to address questions of consumer access to local produce, store audits were conducted at 37 urban and rural grocery stores in the US to collect data about the prices and availability of local items. Findings from this dissertation research are presented in four separate papers, two focused on Wal-Mart’s local produce supply chains in Honduras, and two focused on local supply chains in the US. Paper One examines non-profit development organizations that have entered into public/private partnerships with Wal-Mart in Honduras to implement local sourcing, and argues that, in taking on a commercial role to facilitate producer access to this market, non-profits may exclude producers with limited capacities and ultimately undermine their legitimacy vis-à-vis both producers and their supermarket partners. Paper Two further explores these issues by looking specifically at how non-profit development organizations work with Wal-Mart to adapt food safety standards, and also integrate these standards into their agricultural outreach programs, thereby extending corporate control of conditions of production outside the purview of third party certification systems while influencing how sustainability is perceived and practiced in this context. Paper Three combines ecological modernization theory with theories of corporate
culture and structure to examine how Wal-Mart’s contextually-derived strategies of centralization, standardization and cutting out intermediaries in the US create path dependencies that serve as barriers to promoting local sourcing, demonstrating the challenges to affecting change within an existing system. Finally, Paper Four takes up questions of consumer access to local produce by conducting a spatial analysis comparing prices, availability of local produce and the socio-demographic characteristics of the neighborhoods surrounding different store types, thus contributing to a growing literature about corporate social responsibility efforts aimed at consumers, and finding that Wal-Mart is not uniquely positioned to increase low-income consumer access to local food. Taken together, these four papers point to two emerging and interrelated themes. First, Wal-Mart treats local produce simultaneously as a standardized commodity and a value-added product that it can use as a point of differentiation. Second, Wal-Mart outsources the costs of implementing its local produce sourcing program to outside organizations (development NGOs in Honduras and packer/grower operations in the US). Together, these findings suggest that, absent a price premium, the value-added quality of being “local” is subsidized by public, private and non-profit actors, which may in the future allow for a shift towards the mass production of differentiated products in the agri-food system. Therefore, rather than contributing to a substantial change in the structure and outcomes of current systems of production and consumption, Wal-Mart’s local produce sourcing program continues to externalize costs and side step the challenges of introducing sustainable practices to the conventional food system.
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Chapter 1

Introduction

Wal-Mart holds a special place in the American imagination. It simultaneously stands as a harbinger of consumerism, with rural communities eager to lure the company to their towns in order to partake in the bounty of global capitalism, and as a symbol of all that is wrong with this global system, galvanizing activists who blame the disintegration of their communities on this corporate behemoth. Wal-Mart has been the subject of numerous documentaries, books, journal articles, not to mention lawsuits, and as the company’s supply chains and stores have spread internationally, attention has been drawn to its corporate practices overseas, as well.

So when Wal-Mart announced that it would begin to re-orient its operations around sustainability, it immediately received both praise and backlash, with some seeing Wal-Mart’s extensive supply chains as an opportunity to effect real change, and others seeing only greenwashing. While corporate sustainability is not a phenomenon that is unique to Wal-Mart, the deeply rooted sentiments that Wal-Mart provokes, both laudatory and antagonistic, are. No other corporation taps quite as deeply into the dual imaginary of American culture, positioning itself as both a product of the agrarian ideal due to its small-town, rural origins in the Ozark

2 For example, (Burt & Sparks, 2006; Featherstone, 2005; Fishman, 2006; Lichtenstein, 2006, 2009; Norman, 2004; Ortega, 1998; Vance & Scott, 1994).
3 For example, (Basker & Noel, 2009; P. N. Bloom & Perry, 2001; Christopherson, 2007; Gereffi & Christian, 2009; Goetz & Swaminathan, 2006a; Graff, 1998; Hausman & Leibtag, 2007; Michelson, 2013).
4 For example, for gender discrimination (Barnes, 2011), environmental pollution (O’Donnell, 2013) and food safety outbreaks (Karst, 2011).
5 For example, for corruption in Mexico (Malkin, 2012), factory conditions in Bangladesh (Kavoussi, 2012), and changing retailing and farming systems in China and India (“Farm to fork: Wal-Mart faces sourcing challenge in India,” 2012; Schell, 2011).
Mountains, and as a symbol of American hegemony in international, corporate capitalism (Gereffi & Christian, 2009; Moreton, 2006).

It is because of this dualism, or the “Wal-Mart paradox,” (Moreton, 2006, p. 59), that the company’s promotion of “local” produce provides such a fascinating case of corporate sustainability. Although Wal-Mart’s sustainability initiative began in 2005, it was only in 2010 that the company came out with sustainability goals for its agri-food supply chains (Scott, 2005; “Global Sustainable Agriculture Goals,” 2010). For the most part, these goals revolve around sourcing and selling produce within the same state or region where it was produced, both within the US and in emerging markets. In this way, Wal-Mart draws on a vision of sustainability for the agri-food system that promotes local food and shortened supply chains as way to achieve social and environmental benefits (Feagan, 2007; Feenstra, 1997; Henk Renting, Marsden, & Banks, 2003), while also contributing to a development paradigm that addresses rural poverty in the Global South by connecting producers with markets (Markelova, Meinzen-Dick, Hellin, & Dohrn, 2009; McMichael, 2004; Stonich, 1991a). As the largest retailer in the world, Wal-Mart is widely recognized as having revolutionized retailing more generally through its streamlined distribution systems and international manufacturing supply chains (Gereffi & Christian, 2009; Lichtenstein, 2009; McMichael & Friedmann, 2007). Wal-Mart’s foray into local produce raises questions about its potential to similarly affect the structure of the food system and conditions of agricultural production. How the company incorporates local produce into its operations, and how it monitors and enforces its requirements and standards throughout its supply chains, could have a profound effect on how food is grown, distributed and consumed on an international scale.

The question then is how to conceptualize and frame Wal-Mart’s sustainability initiative and local produce sourcing program. We could describe Wal-Mart’s move into sustainability as

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6 The potential limitations and drawbacks of focusing on Wal-Mart, both methodologically and analytically, will be dealt with in Chapter 6 of this dissertation.
the epitome of capitalism’s ability to appropriate resistant discourses in order to preserve patterns of accumulation (Constance & Bonanno, 2000; L. DeLind, 2011; Goldman & Dickins, 1983; Gond, Kang, & Moon, 2011). Alternately, it could be viewed as an opportunity to reform the conventional food system by expanding market opportunities for agricultural producers, and at the same time enhancing the ability of low-income consumers to access sustainably produced items (Greenhalgh, 2010; Novak, 2008). While claims of co-optation and reformation may be relevant concerning Wal-Mart’s sustainability initiative, this dichotomy oversimplifies the concrete supply chain relationships that might emerge from this initiative, as well as the historical moment that has led to the unprecedented influence of the world’s largest corporation on conditions of agricultural production and exchange (Friedmann, 2005; Gereffi & Christian, 2009).

This dissertation goes beyond a black and white view of Wal-Mart’s local sourcing program as either the appropriation of a social movement or a boon to family farms and low-income consumers to venture into the gray area of its actual implementation and implications. I draw on theories of governance to conceptually frame Wal-Mart’s sustainability initiative within the context of shifting relationships between corporations, states and civil society, and to highlight the growing influence of supermarket retailers’ policies and programs on conditions of agricultural production, distribution and consumption. Using governance as an overarching theoretical framework allows for analysis of Wal-Mart’s local sourcing program in several different ways, starting with issues of governance at a more conceptual level, and then moving down into the actual operation and implementation of the program and local supply chains themselves. The dissertation first situates corporate practices as a form of regulation that is as influential, if not more, than state policies (seen in Papers 2 and 4); second, it develops the notion of hybrid governance by demonstrating how corporations mobilize actors and organizations from other sectors to take on responsibilities, risks and costs in implementing local sourcing (seen in Papers 1, 2 and 3); and finally, it sheds light on the way organizations engage in specific activities
to coordinate production and demand as a form of supply chain governance (seen in Papers 1 and 2).

Since researchers have cautioned against assuming that Wal-Mart’s impact is experienced uniformly across the globe, and instead suggest a contextualized analysis for understanding how the local articulation of Wal-Mart’s practices creates regional variation in outcomes (Gereffi & Christian, 2009), this research was conducted in two geographic regions, one in the US and one in the Central American country of Honduras. This research began with three guiding objectives: (1) to identify what specific practices and organizational changes are framed as “sustainable” in a corporate-led model of food system localization; (2) to analyze how these rules and practices are implemented as a form of supply chain governance, including what networks emerge to help coordinate new supply chain relationships; and, (3) to examine the social conditions of access in production and consumption that result from this framing and implementation of local food system organization. While these initial objectives guided the fieldwork, the salient themes and issues that emerged during analysis both converged and diverged with these initial objectives. For example, while Papers 1 and 2 both address the second research objective by analyzing the role of outside organizations in facilitating the integration of small-scale producers into Wal-Mart’s local supply chains in Honduras, the prominence of food safety standards (including their conflation with sustainability and their role in development projects), was an unanticipated theme that became the subject of Paper 2. In contrast, while this research was initially designed to have a parallel focus between the US and Honduras, networks of outside organizations similar to those studied in Honduras were found to be either in nascent stages in the US, or were not engaged with selling to Wal-Mart. As a result, not enough data could be collected on this topic to combine a comparable analysis for both the US and Honduras. Instead, Paper 3 focuses on Wal-Mart’s local sourcing program in the US from within the context of conventional food system strategies, and specifically relates observed tensions and challenges to Wal-Mart’s corporate structure and
culture. Finally, Paper 4 reflects the original intent of the third research objective by examining issues of consumer access to local produce through Wal-Mart and other market types, although due to a lack of comparable data, Honduras is excluded from this analysis.

The exclusion of an equivalent Honduran analysis from the final paper highlights some of the challenges of conducting an international comparison. While broadly similar data could be collected in both countries, issues of consumer access have been conceptualized very differently in these two contexts, making meaningful comparative analysis challenging. Joining the U.S. and Honduran analyses in one paper before fuller and separate examination of each was thus deemed inappropriate, or at least premature, for the purposes of this dissertation. Such considerations were relevant for the dissertation as a whole. Therefore while I believe it is valuable to work towards a more encompassing analysis of Wal-Mart’s localization efforts across contexts, the papers focusing on each country are here presented side-by-side. Salient theoretical and practical themes that emerged across all four papers are addressed in the conclusion to this dissertation.

In the rest of this introduction, I will briefly summarize theories of governance that have guided my developing conceptualization of Wal-Mart’s local sourcing program. I will then provide important background on Wal-Mart’s operations and sustainability initiative, including an examination of the different ideological contexts for local sourcing in the two different countries that were studied. Finally, I will provide an overview of my research methods and introduce the four papers.

**Governance: Overarching Theoretical Framework**

As mentioned above, there are three main aspects to theories of governance that provide the central theoretical anchor for this dissertation; first, in terms of the shift of authority away from the nation state, and towards self-regulating corporations in governing social, environmental
and economic relations; second, in terms of hybrid governance; and finally in terms of supply chain governance. To begin more broadly, the theoretical foundation of governance derives from the recognition of the distinction between the concepts of government and governance, in that there are certain, “…institutions, procedures, analyses…and tactics,” (Foucault, 1991, p. 102) that are used in the exercise of power, and that while these may have traditionally been executed by the political institution of the government, they are not confined to it (Jessop, 1995; Spaargaren, Mol, & Bruyninckx, 2006; Stevis & Bruyninckx, 2006). As Spaargaren, Mol and Bruyninckx (2006) explain, “This transition from government to governance is based on the understanding that the political is not limited to the traditional concept of the state, in the sense of a delineated institution,” (p. 12).

Using governance as a theoretical anchor is particularly helpful in the context of globalization and neoliberalism. The exact definition of neoliberalism is often debated. Theorists have pointed to the divergent forms that such political/economic processes take as they are refracted by local contexts and institutions, a situation illustrating the difficulty of developing one precise definition of neoliberalism (Glenna & Mitev, 2009; McCarthy & Prudham, 2004; McCarthy, 2006; Moore, Kleinman, Hess, & Frickel, 2011). However, despite the varied forms of neoliberal policies in different contexts, it is possible to highlight certain historical changes in the sector of society from which regulation derives, with economic/market foundations of regulation broadly conceptualized as part of the neoliberal project. Neoliberalism is often described as having originated in the economic theories proposed by Milton Friedman, and put into practice by the Reagan and Thatcher administrations in the US and UK, respectively (Glenna & Mitev, 2009; Harvey, 2000; McCarthy & Prudham, 2004). In addition, neoliberalism and globalization have been mutually reinforcing, as the decline of US manufacturing industries in the face of foreign competition led many corporations to outsource production to countries with lower wages and fewer regulations, a shift fostered by trade liberalization that forced a reduction
in protectionist policies in these countries (Moore et al., 2011; Portes, 2000). These conditions led to a dismantling of the Keynesian welfare state and a rebirth of liberal economic theories that posit that state interference only limits the ability of the self-regulating market\(^7\) to efficiently distribute social welfare outcomes (Glenna & Mitev, 2009; McCarthy, 2006; Portes, 2000; Salamon, 1987)

As the economic system became more globalized and transnational corporations’ supply chains crossed national boundaries, it became increasingly difficult for any single nation state to monitor and regulate corporate activities (Bonanno, Busch, Friedland, & Gouveia, 1994; McMichael, 1996; Spaargaren et al., 2006). As a result, supranational institutions, such as the World Trade Organization (WTO) and International Monetary Fund (IMF), were formed to guide and regulate global governance (Busch & Bain, 2004; Cheshire & Lawrence, 2005; McCarthy, 2005). As governance in neoliberalism was therefore shifted in part to this supranational level, it was simultaneously devolved to local governments and communities (McCarthy & Prudham, 2004). Civil society also took on an important role, as non-profit organizations stepped in to provide public goods in the face of any market failures\(^8\) (D. W. Brinkerhoff, 2007; Falkner, 2003; Salamon, 1987).

\(^7\) It is important to note that what is often referred to as the “free market” is not truly “free,” but rather constructed, protected and maintained by state-based policies (Mendell, 1989; Polanyi, 1944). The terms “free market” and “self-regulating market” reflect liberal and neoliberal economic laissez faire perspectives that the market operates independently and efficiently without state interference (Smith, 1925). Polanyi (1944) describes a “double movement,” first towards reliance on the self-regulating market, and then a countermovement as society must protect itself from the negative effects of relying on the market to provide public goods. The term “self-regulating market” is therefore used in this dissertation to refer to the market that, while maintained by state policies, nonetheless eschews state interference and this countermovement of social regulation.

\(^8\) In the context of liberal and neoliberal economic theories, market failures are seen to occur when the self-regulating market fails to distribute resources and benefits efficiently (Bator, 1958; Mendell, 1989; Randall, 1983; Salamon, 1987). According to these theories, “Correspondence between Pareto-efficiency and market performance implies, at the least, that decentralized decisions in response to these “prices” by atomistic profit- and satisfaction-maximizers sustain just that constellation of inputs, outputs and commodity distribution, that the maximum of the specified social welfare function calls for,” (Bator, 1958, p. 353). While the self-regulating market is therefore seen as creating the conditions to promote social welfare and create public goods, other theorists believe that the market will always create social inequalities and disruption, hence the need for state regulations in neoclassical economics, or civil society organizations in neoliberal economics (Mendell, 1989; Polanyi, 1944; Salamon, 1987). At the same time,
Overall, this reliance on the self-regulating market tends to prioritize and protect the role of corporations in global governance, while the expectation that civil society will monitor and buffer against market failings vastly changes the role of government in governance.

As a result, Corporate Social Responsibility (CSR) programs have emerged as a preferred way for corporations to regulate the social and environmental impacts of their operations; researchers see these CSR programs as filling a void left by a weak state, as an attempt to preempt state-based regulation, or as a way to placate shareholders and consumers (Cashore, Auld, & Newsom, 2003; Conroy, 2007; Esty & Winston, 2006; Freidberg, 2004; Fuchs, Kalfagianni, & Havinga, 2011; Gond et al., 2011; Hughes, 2005). In this context, it has been argued that the state has not become irrelevant, but rather that its new set of responsibilities include facilitating the politics and policies of neoliberalism in order to create the conditions necessary to foster devolution, maintain market-based regulation and promote capital accumulation (Cheshire & Lawrence, 2005; Constance & Bonanno, 2000; Falkner, 2003; Marsden, 2010; Spaargaren et al., 2006; Stevis & Bruyninckx, 2006). For example, while CSR appears as self-regulation, corporations also tend to enroll state and civil society organizations and institutions to facilitate this process (Constance & Bonanno, 2000; Gond et al., 2011; Hughes, Buttle, & Wrigley, 2007; Klooster, 2005).

This has led many to describe the result of shifts in global governance as “hybrid,” in order to recognize the blurring of the distinct categories of the state, market and civil society, and the interchangeability of roles and responsibilities between actors in these sectors (Falkner, 2003; Jessop, 1995; Spaargaren et al., 2006; Stevis & Bruyninckx, 2006). Hybrid governance also
describes arrangements where state, market and civil society actors form collaborative alliances in the performance of governance roles, for example, in the case of public/private partnerships (which are examined in Papers 1 and 4; Bäckstrand, 2006; Pattberg, Biermann, & Chan, 2012; Schäferhoff, Campe, & Kaan, 2009) and in the creation and enforcement of standards (a subject that is taken up in Paper 2; Bitzer, 2012; Constance & Bonanno, 2000; Klooster, 2010; Raynolds, Murray, & Heller, 2007). While some argue that the participation of civil society organizations improves the legitimacy and effectiveness of hybrid governance arrangements, others argue that such arrangements are undemocratic and ultimately prioritize the interests of powerful corporations (this question is explored further in Paper 1; Bäckstrand, 2012; Falkner, 2003; Fuchs et al., 2011; Gond et al., 2011; Schäferhoff et al., 2009).

Corporations’ focus on reforming the conditions of production and trade within their supply chains reflects changes in economic organization away from the firm and towards the entire supply chain as the appropriate unit of analysis (Busch, 2007; Friedland, 2001; Gereffi, Korzeniewcz, & Korzeniewicz, 1994). Governance in the context of supply chains refers to how lead firms determine conditions of production and exchange, as well as the distribution of responsibilities, costs and benefits, which ultimately affects the conditions of access for supply chain participants (issues of producer access to Wal-Mart's local supply chains are addressed in Papers 1 and 2; Gereffi, 2001; Ponte & Gibbon, 2005). Supply chain governance can refer to formal mechanisms of coordination, such as standards, or informal mechanisms, such as socially determined norms and conventions (Busch, 2007; Ponte & Gibbon, 2005). Standards allow corporations to control production processes while externalizing responsibility, since most monitoring is performed by third party certifiers (how Wal-Mart outsources the responsibility for monitoring its local supply chains outside of the context of formal standards is taken up in Papers 2 and 3; Bain, Deaton, & Busch, 2005; Busch & Bain, 2004; Fuchs, Kalfagianni, & Arentsen, 2009; Hatanaka, Bain, & Busch, 2005). In contrast, social relationships also serve as a type of
governance mechanism in supply chains through socially embedded trust, reputation and the promise of repeated transactions (the role of trust and socially embedded relationships in facilitating supply chain relationships is addressed in Papers 1 and 3; Doel, 1999; Granovetter, 1985; Raub & Weesie, 1990).

These three aspects of governance theories help to frame the activities of the Wal-Mart Corporation and the implementation and implications of its sustainability initiative. The next section provides background on Wal-Mart’s US and international growth, its expansion into the grocery sector and its attempts to implement sustainability in its operations through localization, in order to contextualize the application of theories of governance to the company’s sustainability initiative and local sourcing program.

**Wal-Mart: Groceries, Sustainability and Local Procurement**

A growing body of literature describes the increasing power and dominance of supermarket retailers over the world agri-food system (Burch, Dixon, & Lawrence, 2013; Busch & Bain, 2004; Freidberg, 2004; Hendrickson & Heffernan, 2002; Konefal, Bain, Mascarenhas, & Busch, 2007; Reardon, Timmer, Barrett, & Berdegué, 2003). In the US, the supermarket retailing sector became highly concentrated in the 1990s when, facilitated by the relaxation of anti-trust legislation, companies engaged in a series of mergers, technological innovations and changes in supply chain management that shifted control away from the then-dominant food manufacturers (Wrigley, 2002). Wal-Mart was particularly influential over the growth of this sector, introducing innovative technologies (such as the barcode and a proprietary database which is the largest in the world) which facilitated a shift in supply chain governance from “producer-driven” to “buyer-driven” (Gereffi & Christian, 2009; Gereffi et al., 1994). Wal-Mart’s success and ability to leverage its scale to increase efficiency, and therefore profits, is cited as a major revolution in the
retailing landscape, which in turn prompted other supermarket chains to follow suit (an analysis of how Wal-Mart's strategies apply to localization appears in Paper 3; Lichtenstein, 2009; Wrigley, 2002).

Although Wal-Mart had experienced success during the 1960s and 1970s, its introduction of the supercenter format in 1988 propelled its expansion, and marked the first time the company began to retail groceries (Gereffi & Christian, 2009; Lord, 2006). Wal-Mart became the largest supermarket in the US by 2003 (in terms of both market share and sales volume⁹), and by 2009 over fifty percent of its gross sales came from its grocery division (Lord, 2006; Talley, 2010). Groceries therefore constitute an important part of Wal-Mart’s business, especially considering that the company consistently ranks within the top two largest corporations on the Fortune 500 list of the largest corporations in the US, ranking number one in 2013 with revenues of $469.2 billion (“Fortune 500,” 2013; Gereffi & Christian, 2009). Because of the large volume of products that Wal-Mart moves through both its agricultural and manufacturing supply chains, its sourcing practices and private standards are often more influential than state-based regulations in the countries where it operates (Konefal, Mascarenhas, & Hatanaka, 2005; Lichtenstein, 2006; Wrigley, Coe, & Currah, 2005).

As US and European markets became saturated, supermarket retailers, including Wal-Mart¹⁰ started to expand into international markets, increasing their share of the retailing sector in

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⁹ This is true both when Wal-Mart Supercenters are considered alone and in conjunction with Sam’s Clubs and Neighborhood Markets, which are also owned and operated by Wal-Mart (Lord, 2006). Wal-Mart is also the largest supermarket in the world, ranked as the second largest corporation in the world according to Fortune’s list of the top 500 corporations in the world (by sales); the second largest supermarket retailer in the world, Carrefour, ranks 54 on this list (“Fortune Global 500,” 2013). Wal-Mart is also the world’s largest corporate employer, with 2.2 million associates worldwide, and the third largest employer in the world overall, behind only the US Department of Defense and China’s People’s Liberation Army (Alexander, 2012).

¹⁰ Wal-Mart is the largest supermarket in the world, followed by Carrefour (based in France), Tesco (based in Great Britain) and Metro (based in Germany); these four companies have operations throughout the world, including Central and South America, India and China (Hendrickson & Heffernan, 2002; Loeb, 2013). Most recently, “Wal-Mart is expanding its horizon to Chile, India and South Africa; Carrefour will
developing countries at an extraordinarily rapid rate (Minten & Reardon, 2008). While Wal-Mart’s international growth has included a few more setbacks than its US expansion (particularly in Germany, South Korea and Japan), it succeeded in becoming the largest retailer in Central America in 2005 when it bought a majority share in the CARHCO Group (Central American Retail Holding Group; Christopherson, 2007; Gonzalez-Vega, Chalmers, Quiros, & Rodriguez-Meza, 2006). The CARHCO Group also owns and operates a regional distribution company called Hortifrutti, which is responsible for procurement and distribution of fresh produce throughout Central America (Gonzalez-Vega et al., 2006). In Honduras, Wal-Mart owns and operates two distinct supermarket chains, in addition to its one Wal-Mart supercenter; these include Paíz and Despensa Familiar.\footnote{Paíz stores are similar in style to American supermarkets and are located only in the capital and other major cities. In comparison, Despensa Familiar stores are smaller scale and located in mid-size and rural regions in the country, where there are few other supermarkets operating (Gonzalez-Vega, Chalmers, Quiros, & Rodriguez-Meza, 2006; Minten & Reardon, 2008; Reardon & Berdegué, 2002).}

Wal-Mart’s sustainability initiative encompasses both its US and international operations. Wal-Mart’s initial focus on sustainability is widely attributed to then-Wal-Mart CEO Lee Scott’s 2005 speech to shareholders that described his plan for redefining corporate responsibility and leadership in environmental terms (Esty & Winston, 2006; Scott, 2005). Wal-Mart’s sustainability initiative began with an emphasis on its manufacturing supply chains, including efforts to monitor greenhouse gas emissions and labor practices, reduce packaging, and promote sustainable products and renewable energy; in addition Wal-Mart initiated an industry-wide effort to develop sustainability standards for all of its products (“Global Sustainability Progress,” 2012, “Wal-Mart Announces Sustainable Product Index,” 2009; Conroy, 2007; Esty & Winston, 2006; Gereffi & Christian, 2009). As suggested by theories of governance, Wal-Mart’s sustainability projects have been supported through partnerships with major NGOs, such as the Environmental open stores in Bulgaria, India and Iran. Tesco is also opening stores in India, and Metro will open in Egypt and Kazakhstan,” (Loeb, 2013).

For agriculture, Wal-Mart’s focus on sustainability has primarily translated into increased local sourcing for domestic markets in both the US and countries in the Global South. In the US, this focus on local sourcing dates back to 2008, when Wal-Mart declared that it would purchase $400 million dollars worth of local produce (“Wal-Mart Press Release,” 2008). Wal-Mart’s local sourcing program was originally called “Heritage Agriculture,” to emphasize the need to “revitalize historic growing areas,” and shift systems of crop production in order to increase the diversity of products available in different regions (Greenhalgh, 2010; “Heritage Agriculture Program,” n.d.; McCormick & Pinkston, 2008; Prevor, 2007). In 2010, Wal-Mart came out with specific sustainability goals for its agri-food supply chains, including one goal for the company in the US: “…double its sale of locally sourced produce and increase its purchase of select U.S. crops,” by 2015 (emphasis in original; “Global Sustainable Agriculture Goals,” 2010). Although the company has stopped using the name Heritage Agriculture for its local sourcing program, in 2012 it reported a 97 percent increase in sales of local produce (defined as bought and sold within the same state) between 2010 and 2012, thereby nearly achieving its goal three years early (“Global Sustainability Progress,” 2012, “Wal-Mart Locally Grown,” 2012). Critics have suggested that these gains don’t reflect increased sourcing, but rather that Wal-Mart has started to track what it purchases locally, including purchases from large-scale farms; this raises questions about the definition and meaning of “local” produce in the corporate context (the question about how local produce is defined, labeled and tracked by Wal-Mart in the US will be explored in Paper 3; Prevor, 2008).
For its international markets, Wal-Mart’s 2010 sustainability goals for the agri-food sector included improving market access for small to mid-sized producers by:

- **selling $1 billion** in food sourced **from 1 million small and medium farmers**;
- providing **training to 1 million farmers and farm workers** in such areas as crop selection and sustainable farming practices -- the company expects half of those trained to be women; and
- **increasing the income** of the small and medium farmers it sources from **by 10 to 15 percent**. (emphasis in original; “Global Sustainable Agriculture Goals,” 2010)

As of its 2012 Global Sustainability Report, Wal-Mart is still developing metrics to be able to evaluate its progress towards meeting these goals (issues of how a focus on increasing incomes of small-scale producers in Honduras may inadvertently lead to their exclusion is taken up in Paper 1; “Global Sustainability Progress,” 2012). In another demonstration of theories of hybrid governance, Wal-Mart has entered public/private partnerships with US-funded aid agencies such as the USAID (United States Agency for International Development) and the Millennium Challenge Corporation, which in turn subcontract out development activities to local and regional NGOs (Gonzalez-Vega et al., 2006; Michelson, Reardon, & Perez, 2012; “USAID Press Release,” 2011; Watkins, Swidler, & Hannan, 2012). Many of the differences between how Wal-Mart’s sustainability initiative manifests domestically in the US and in countries in the Global South reflect differences in context, including the different ideological connotations that local sourcing has for these different countries, as explored in the next section.

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12 The Millennium Challenge Corporation was a US foreign aid initiative developed during the G.W. Bush administration, in part with the goal to improve livelihoods in developing countries in order to suppress terrorism. It was controversial in its implementation, since countries needed to meet a certain number of pre-established criteria that essentially excluded many of the poorest countries from participating (Soederberg, 2004).
Localization, Social Movements and the Development Paradigm: US and Honduras

For the most part, in the US Wal-Mart’s local sourcing program can be seen as reacting to growing consumer interest in the provenance and quality of food (explored more in depth in Paper 3). There is an evolving consumer movement focused on the external environmental and social costs of industrialized farming methods, which has led to the growth in alternative movements that aim to address issues of sustainability, including the organic and local food movements (Allen & Hinrichs, 2007; Delind, 2006; Feenstra, 1997; Guthman, 2004). The emergence of the local food movement has been described as a reaction against the increased globalization and corporate control of the conventional food system (Allen & Hinrichs, 2007; Hinrichs, 2003), as well as a response to the perceived co-optation of the organic movement through government standards and increased participation by large corporations (Delind, 2006; Guthman, 2007). Proponents of local food systems believe that embedding commercial transactions around food and agriculture in the environmental and social contexts of particular places will support more sustainable agricultural practices and more socially equitable outcomes for small-scale farmers (Allen & Hinrichs, 2007; Feenstra, 1997; Kloppenburg, Hendrickson, & Stevenson, 1996). Part of the perceived benefits of local food systems also comes from shortening supply chains to allow for more direct relationships between producers and consumers (Ilbery & Maye, 2005; Kirwan, 2006; Henk Renting et al., 2003) and to decrease carbon emissions by reducing “food miles,” (Jackson, Ward, & Russell, 2006; Kloppenburg et al., 1996).

Critics warn against the simplified conflation of localization with sustainability, drawing into question the use of food miles as a metric for environmental sustainability (Coley, Howard, & Winter, 2009; Edwards-Jones et al., 2008; Mariola, 2008), and the assumption that any particular type of production practices and social relationships are inherent in “local” contexts (Born & Purcell, 2006; DuPuis & Goodman, 2005; Hinrichs, 2003; Winter, 2003). Instead,
research has shown that local food initiatives can be unaffordable and inconvenient for low-income consumers, and often fail to address labor and other social issues (Allen, FitzSimmons, Goodman, & Warner, 2003; Guthman, Morris, & Allen, 2006; Hinrichs & Kremer, 2002; Hinrichs, 2003). Despite these criticisms, however, the local food movement has only continued to grow over the past few years, and in a national survey in 2010 over 80 percent of US consumers reported having bought locally grown produce (Onozaka, Nurse, & Thilmany McFadden, 2010).

In describing its local sourcing program, Wal-Mart clearly alludes to the perceived benefits of the local food movement to position localization as part of its sustainability initiative in the US. For example, one Wal-Mart public document states:

By cutting shipping costs, local sourcing is one way Wal-Mart is keeping prices down to help customers save money and live better. Additionally, the locally grown program gives Wal-Mart customers the opportunity to support local economies and local farmers/suppliers. Wal-Mart is committed to purchasing more agricultural products from small local growers and reducing its environmental footprint by decreasing food miles. (Locally Grown at Wal-Mart, 2008)

The impacts described in this statement are consistent with how Wal-Mart portrays local produce sourcing, highlighting the company’s ability to bring sustainable and local products to low-income consumers by leveraging its distributional efficiencies to lower prices, thereby addressing the critique of elitism in many direct marketing initiatives (Paper 4 analyzes low-income consumer access to local produce through Wal-Mart; Wal-Mart Promotes Sustainable Agriculture Fact Sheet, 2008).

In comparison, in Honduras, Wal-Mart’s emphasis on enhancing producer access to markets by developing its domestic supply chains is more in line with the trajectory of a development paradigm, which has shifted from self-sufficiency to export agriculture, and back once again to self-sufficiency, as a means to promote development (Boyer, 2010; Schortman, 2010a; Stonich, 1991a). While early postwar development theorists posited the importance of
national level self-sufficiency in food production, as neoliberal strategies gained ground development projects shifted to non-traditional export crops as the means to reduce poverty (Boyer, 2010; McMichael, 2004; Stonich, 1991a). In Honduras, export-oriented development strategies intensified in the 1980s, accelerating the integration of small-scale producers into regional and international supply chains, while also leading to the displacement of many peasants and undermining previous state-led agrarian reforms (Boyer, 2010; Edelman, 2008; Stonich, 1991a, 1991b). As a result, these policies increased urbanization and income inequalities while reducing the production of basic grain crops for domestic consumption, which, combined with the dynamics of international markets, has made Honduras dependent on food imports from other countries (Boyer, 2010; Stonich, 1991a, 1991b).

More recently, development agencies have begun to turn away from non-traditional exports to focus on domestic markets. As supermarket retailers have expanded within Latin America, there has been a growing recognition of the size of domestic markets, which by some estimates are 2-3 times larger than the exports leaving this region (Reardon & Berdegué, 2002). This has provoked interest in the opportunities that these domestic markets present to small-scale producers (Michelson, 2013; Reardon & Berdegué, 2002; Reardon & Timmer, 2007). In addition, improving their supply networks within these countries facilitates supermarket expansion, and their ability to compete with traditional markets on prices for fresh fruits and vegetables (Hawkes, 2008; Minten & Reardon, 2008). Interestingly, this new emphasis on domestic markets within developing countries coincides practically, although not ideologically, 

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13 Despite these trends, Honduras has higher rates of agricultural employment (36.3 percent of its population in 2005) and lower rates of urbanization (50.6 percent of the total population in 2010) than most other Central American countries (Edelman, 2008).
with international activism in the form of food sovereignty.\textsuperscript{14} Although activists in Honduras were central to the international Food Sovereignty movement, whose principal organization, Vía Campesina, was headquartered in Honduras from 1996-2004 (Boyer, 2010; Edelman, 2008), the development community’s emphasis on domestic food sourcing doesn’t intersect with this movement (Edelman, 2008).

Instead, Wal-Mart’s local sourcing in its emerging markets is framed more as market opportunity for farmers, therefore reflecting a neoliberal emphasis on the ability of the self-regulating market to address issues such as rural poverty. For example, Wal-Mart’s Sustainability Report from 2012 states that:

\begin{quote}
Wal-Mart Central America already has a best-in-class program that is buying directly from small- and medium-sized farmers, eliminating middlemen, raising farmer income and emphasizing sustainability. We are working to replicate the success of this program in the communities we serve around the world… Direct farm programs allow us to bring locally sourced and fresher produce to our stores in the communities close to where it is grown. (“Global Direct Farm,” 2012)
\end{quote}

In addition, rather than focusing on self-sufficiency and domestic food security, strengthening domestic markets is often seen as a stepping stone to improving the export sector\textsuperscript{15} (Gonzalez-Vega et al., 2006). This section has provided context and background for the application of theories of governance to Wal-Mart’s local sourcing program in the US and Honduras. My research design and methods are overviewed in the following section.

\textsuperscript{14} Food sovereignty is a transnational movement that emphasizes the right of people to determine their own agricultural and food policies, and promotes self-sufficiency in food production (Boyer, 2010; McMichael, 2006).

\textsuperscript{15} In a Sustainability Report from 2009, Wal-Mart made reference to reducing import dependency in the context of Puerto Rico: “By supporting this program, Puerto Rico reduces its dependency on imported produce,” (“Sustainability Report - Global Agriculture and Food,” 2009). While this statement resonates more with a food sovereignty view, it is not mentioned in any of Wal-Mart’s other public documents about its global sourcing in domestic markets.
Research Methods Overview

The three objectives described above, which were focused on issues of how sustainability was framed through localization, implemented through supply chain governance and the implications this framing and implementation had for issues of access for both producers and consumers, were explored using qualitative social science research methods. Two geographical regions were chosen for field research, based on where Wal-Mart was known to have an active local sourcing program, and where I had professional contacts to facilitate the research process.¹⁶

For the first objective, content analysis was performed on Wal-Mart’s relevant publicly available documents from 2005-2012 to assess how the company portrayed sustainability and localization. This content analysis was performed based on the premise that the definition of societal issues is a process of social construction and negotiation that simultaneously sets the boundaries for how these issues are understood and how they should be addressed (Dryzek, 2005; Mooney & Hunt, 2009; Naples, 2003). In this stage of the research, I systematically catalogued and analyzed references to “sustainability,” and “local” in Wal-Mart’s sustainability “fact sheets,” internal reports, video presentations from conferences, promotional videos and press releases. For each reference, I analyzed the context, meaning and implications. This analysis informed the design of subsequent fieldwork, as well as the analyses for the four separate papers.

In order to explore issues surrounding implementation of this program as a form of supply chain governance, I identified networks of organizations whose work involved facilitating relationships and exchanges across Wal-Mart’s local supply chains by providing training and resources. Qualitative research methods were used. In the US, this included 21 semi-structured interviews with representatives from organizations that facilitated producer integration into Wal-Mart’s local supply chains, including State Departments of Agriculture, University Extension,

¹⁶ In order to protect the confidentiality of research participants, the precise geographic regions within the US and Honduras where this research was conducted are not specified in this dissertation.
non-profit organizations and private distribution companies. In addition, participant observations were conducted at two Small Farmer Intensive Training Workshops\textsuperscript{17} and two produce tradeshows, one of which was hosted by a State Department of Agriculture in order to facilitate relationships between produce growers and buyers. In Honduras, interviews were conducted with 21 representatives from facilitating organizations, including development agencies, USAID projects and universities. In addition, one Wal-Mart employee was interviewed in the US and in Honduras for a total of two company representatives (the limitations and advantages of studying Wal-Mart’s supply chains, but with limited access to Wal-Mart employees, is further explored in Paper 3, Chapter 4).

Finally, in order to address issues of access for producers and consumers, I conducted 58 interviews with agricultural producers who sell to Wal-Mart (27 in the US and 31 in Honduras). I also collected price data for a selection of local produce at 37 urban and rural stores in the US, and 36 stores and traditional markets in Honduras. While data collection was therefore oriented around the original three guiding objectives, the dissertation itself is organized into four separate papers which are classified according to themes and issues that became important over the course of the fieldwork and analysis process, as described in the following section.

\textbf{Structure of Dissertation}

As described above, while the initial intent was for some of the papers comprising this dissertation to make direct comparisons between governance in Wal-Mart’s local produce supply chains the US and Honduras, a lack of equivalent data due to differing contexts in the two study

\textsuperscript{17} The Walmart Foundation has helped to fund Small Farmer Intensive Training Workshops in conjunction with government agencies such as the USDA, the National Resources Conservation Services and the Farm Service Agency, as well as non-profit organizations and Universities, to provide small producers with information about how to organize, access resources and meet the requirements of selling to large markets (“USDA Outreach Events,” 2012, “Walmart local sourcing expert testifies before Senate Agriculture Committee | The Green Room,” 2012).
regions made a direct comparative analysis for public/private partnerships as a form of hybrid governance difficult, while comparing low-income consumer access to local produce in the two countries was challenged by differing conceptual frameworks for these issues. Therefore, this dissertation is organized as a side-by-side, indirect comparison, with two papers using the theoretical lenses of hybrid and supply chain governance to focus on how partnerships with Wal-Mart affect the content and outcome of development projects in Honduras, and two focusing on the implications of Wal-Mart’s local sourcing program as an example of corporate governance of the agri-food system in the US. The themes of the four papers, including how they both illustrate and expand upon theories of governance, are discussed below.

The first paper problematizes the role of NGOs in providing “market linkages” for small-scale producers in development projects, a responsibility that is often glossed over in the literature surrounding market-based development. Using a hybrid governance lens, this paper challenges the notion that the incorporation of actors from civil society into public/private partnerships improves the outcomes and legitimacy of hybrid governance arrangements. Instead, this paper finds that when performing a commercial role as an intermediary in Wal-Mart’s local supply chains in Honduras, NGOs negotiate competing commercial and aid-oriented goals, which can lead to the exclusion of certain producers and negatively affect these organizations’ legitimacy. This paper contributes to the literature surrounding public/private partnerships as a form of hybrid governance by analyzing how actors from civil society take on market roles, and how this jeopardizes the premises of both their partnerships with supermarkets and their ability to serve small-scale producers.

Paper Two also focuses on Honduras, and explores how retailers’ private food safety standards may permeate agricultural practices outside the purview of formal certification systems. This paper demonstrates how, by introducing food safety standards to development agencies’ outreach efforts, but without necessarily certifying producers or offering a price premium, Wal-
Mart essentially uses these standards to simultaneously promote quality and standardize production practices. This finding has important implications for theories of supply chain governance and for market-based development projects. First, while standards that promote sustainability usually offer a price premium to compensate growers, in this case the responsibility and costs for incentivizing growers to change their practices to conform to supermarkets’ expectations is shifted to NGOs. Therefore, although an extensive body of literature describes standards and third party certification systems as the means for corporations to control production practices, the research presented in this paper indicates that public/private partnerships are a new vehicle by which corporations can influence agricultural production practices. In addition, it is argued that the inclusion of food safety standards in development projects leads to the conflation of food safety and sustainability, and therefore retailers’ private food safety standards dominate how sustainability is perceived and practiced in the development context.

The third paper shifts focus to the US, examining Wal-Mart’s local sourcing as one example of corporate governance of the food system. This paper takes ecological modernization theory as its premise, due to the theory’s focus on promoting environmental reforms from within the existing political/economic system. However, while ecological modernization theory traditionally looks at the role of the nation state, this paper infuses this theory with insights from theories of governance by applying it to Wal-Mart’s operations, arguing that in the US context, the private governance of supermarket retailers’ supply chains is more influential than state policies. By combining ecological modernization theory with theorizing on the interrelationships between corporate culture, structure and strategy, this paper explores how Wal-Mart’s contextually-derived core strategies inhibit the company’s ability to adapt its model to the premises and context of local sourcing. While a major theme in current research on local food systems addresses the question of how they might be “scaled-up,” so that their assumed benefits are extended to more producers and consumers, this paper argues that it is equally important to
understand the cultural and logistical factors that keep large corporations from being able to “scale-down” in order to localize their operations. Research findings suggest that localization challenges Wal-Mart’s core retailing strategies, including centralization, cutting out supply chain intermediaries and standardization, but that the company still continues to apply these strategies in its local produce sourcing program. In this way, Wal-Mart’s attempts to localize its practices continue to shift costs and responsibilities onto intermediaries and suppliers, without fully embedding its supply chains in local contexts.

Finally, the fourth paper extends the study of corporate governance of the food system to explore the implications that it may have for consumers. While most CSR studies have focused more on the social and environmental impacts of production practices, recent corporate interest in the health impacts of their practices has given rise to CSR initiatives and public/private partnerships aimed at improving consumer health. This perspective coincides with public health research that describes the role of food environments and food deserts in creating structures that affect individual’s food product choice options, and therefore health outcomes. This paper takes Wal-Mart’s public/private partnership with First Lady Michele Obama’s Let’s Move Campaign as another example of hybrid governance in the agri-food system, and explores how it intersects with the company’s local sourcing program. This paper uses data collected from grocery store audits in order to conduct spatial analyses that compare Wal-Mart and other store types on issues of access, affordability and availability of fresh and local produce for low-income and minority populations. Analyses draw on the food desert literature, but diverge from these studies by focusing on store types as the unit of analysis rather than individuals or neighborhoods, in order to enhance understanding of the potential impacts of CSR initiatives on patterns of availability and access of local produce. Findings suggest that in the U.S. study area, Wal-Mart is not uniquely positioned to improve the access, affordability or availability of local produce for low-income or minority populations compared to other store types. Therefore, policies and programs
that aim to improve consumer access to local produce should consider targeting smaller-scale and independent markets in addition to national chains.

Taken together, these four papers illuminate the evolving phenomenon of corporate governance in the agri-food system, and specifically the emergence of local produce sourcing programs as a means to address corporate sustainability goals. While the implications of supermarkets’ economic power and private standards have been well researched in the context of transnational supply chains, the consequences of the shift to local procurement have remained largely unexamined, both within the US and in the context of domestic markets in developing countries (Berdegué, Balsevich, Flores, & Reardon, 2005; Field, Masakure, & Henson, 2010; Freidberg, 2004). Drawing on the overarching theme of governance and focusing on one of the largest corporations in the world, this dissertation will address this gap in the literature surrounding both local food systems and supermarket retailers, and in the process chart the interesting gray area where Wal-Mart’s local sourcing program takes shape in on-the-ground practices.
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Chapter 2

Paper 1: Hybrid Governance in Public/Private Partnerships: Mediating Corporate Connections and Rural Development Goals in Supermarkets’ Local Supply Chains

As supermarket retailers expand in countries in the Global South, local produce sourcing serves the dual function of fulfilling Corporate Social Responsibility (CSR) goals and improving domestic procurement systems. At the same time, these interests coincide with rural development projects that see connecting producers to markets as a strategy to address rural poverty (Bingen, Serrano, & Howard, 2003; Bitzer, 2012; Hellin, Lundy, & Meijer, 2009; Narrod et al., 2009). This conversion of interests between market actors and civil society organizations is related to broader shifts in governance, as national governments in developing countries responded to internationally imposed structural adjustment policies by transferring responsibility for providing social services, such as agricultural extension, towards these private and non-profit actors (Bitzer, Glasbergen, & Arts, 2012; Chahim & Prakash, 2012; Gregoratti, 2011; Markelova et al., 2009; McMichael, 2004). As a result, many development projects are implemented as public/private partnerships, wherein civil society organizations channel foreign public sector funding to facilitate smallholder participation in supermarkets’ local supply chains, often by organizing producers into associations (Hellin et al., 2009; Lund-Thomsen, 2009; Markelova et al., 2009; Narrod et al., 2009; Prowse, 2012; A. M. Reed & Reed, 2009; Schäferhoff et al., 2009).

Public/private partnerships are referred to as a type of “hybrid governance,” since they draw on the resources, authority and activities of actors from various sectors of society, including the market, state and civil society (Bäckstrand, 2006; Glasbergen, 2011; P. H. Pattberg et al., 2012; Schäferhoff et al., 2009; Spaargaren et al., 2006). While some see the involvement of civil society in these partnerships as improving their accountability and legitimacy, and therefore the
effectiveness of global governance, others view them as a manifestation of neoliberalism’s reliance on the self-regulating market to regulate societal goods and benefits, and on civil society to correct any market failures (Bäckstrand, 2006; Biermann, Chan, Mert, & Pattberg, 2007; Bitzer et al., 2012; Gregoratti, 2011; McCarthy, 2005; Prowse, 2012; Schäferhoff et al., 2009; Watkins et al., 2012). In addition, the participation of large corporations in these partnerships leads some to question whether the private sector has undue control over development processes, and whether introducing a commercial orientation to development projects leads to the exclusion of marginalized populations (Bäckstrand, 2012; Biermann, Chan, et al., 2007; Markelova et al., 2009; Prowse, 2012; Schäferhoff et al., 2009).

Several previous studies have suggested that NGOs, as representatives of civil society, play a critical role in mediating smallholders’ relationships with supermarket retailers and other large buyers in order to ensure positive outcomes and benefits for these small farmers (Kudadjie-Freeman, Richards, & Struik, 2008; Markelova et al., 2009; Prowse, 2012). In describing the responsibilities that these NGOs perform in facilitating smallholder market access, most researchers describe activities such as organizing producers into associations, providing inputs, credit and technical assistance with meeting quality standards, and establishing market linkages (Bitzer et al., 2012; Markelova et al., 2009; Prowse, 2012; Raynolds et al., 2007; A. M. Reed & Reed, 2009). This last element, creating market linkages, is an understudied part of NGOs’ roles and responsibilities in public/private partnerships, and very little research has analyzed exactly how NGOs foster market linkages, or how their involvement in commercial relationships may affect their goals and legitimacy (Kudadjie-Freeman et al., 2008).

This paper addresses this gap in the literature by examining the implications and outcomes of the commercial pressures that NGOs face when they attempt to balance their dual role of providing assistance to producers and maintaining their partnerships with supermarkets. This paper draws on research conducted in the Central American country of Honduras, examining
the relationships between small-scale producers, NGOs and the Wal-Mart Corporation. In Honduras, Wal-Mart has entered into a public/private partnership with the US Agency for International Development (USAID), which in turn subcontracts out to international and local NGOs in order to provide technical and marketing assistance to small-scale producers to integrate them into Wal-Mart’s domestic supply chains (el Mié, 2011; “USAID Press Release,” 2011). While public/private partnerships are often described as non-hierarchical, horizontal relationships (D. W. Brinkerhoff & Brinkerhoff, 2011; Glasbergen, 2011; Hartwich, Gottret, Babu, & Tola, 2007), findings from this research suggest that in certain situations, connecting producers to markets means that NGOs take on the vertical coordination of local supply chains, often including a commercial role for NGOs that act as intermediaries. The fact that NGOs take on a vertical role in supply chain coordination raises questions about how these organizations negotiate competing goals, how they distribute benefits, and what effect these activities might have on civil society and public sector organizations’ legitimacy in the context of public/private partnerships.

This paper addresses these questions in order to enhance our understanding of how hybrid governance functions within the context of public/private partnerships that link small-scale producers to supermarkets in developing countries. Findings from this research suggest that as these civil society organizations take on a commercial role in facilitating market access for smallholders, pressure to meet corporate demands may undermine their ability to fully achieve aid-oriented goals. In addition, their mediation of supply chain relationships can serve to obscure supply chain dynamics, thus reducing their transparency from the producers’ perspective. Both of these findings have implications for the legitimacy of civil society actors who mediate producers’ commercial relationships with supermarket retailers, an issue that will be explored further in the discussion section, along with questions of how to conceptualize the role of NGOs and civil society in public/private partnerships as a form of hybrid governance.
This paper begins by reviewing the literature addressing public/private partnerships as a form of hybrid governance, and relating it to broader theories of governance and the role of civil society. This discussion of public/private partnerships includes an analysis of how NGOs in partnerships navigate issues surrounding competing goals, including the potential to exclude certain producers from agricultural development projects. I then turn to the question of how to define NGOs and their relationship to civil society before contextualizing this within theories of organizational legitimacy and the cognitive dimension of social evaluations of legitimacy. I complement this material with a review of commodity chain analyses in order to create a framework for analyzing how public/private partnerships are embedded in horizontal networks as well as vertical supply chain relationships. This framework will then be applied to field research from Honduras, before turning to a discussion of the implications of hybrid governance and corporate influence on sustainable development for the legitimacy and effectiveness of public/private partnerships.

Relevant Literature

Public-Private Partnerships as a Form of Hybrid Governance Arrangement

The use of public/private partnerships in promoting sustainable development can be understood in the wider context of shifts in the global governance of environmental and social problems. In this sense, many theorists have challenged the notion that power was ever fully concentrated in the political institution of the government, and the rise of the concept of “governance” has emerged to apply ideas about authority, power and regulation to the now prominent emphasis on market-based systems and multi-sector collaborations (Cashore, Auld, & Newsom, 2004; Foucault, 1991; Gibbon & Ponte, 2008; N. Rose & Miller, 1992). In this sense,
governance can be understood as encompassing, “…a set of programmatic rationalizations of the proper roles of economic agents and institutions and as a set of techniques and tactics for engineering conformity to these roles,” (Gibbon & Ponte, 2008, p. 367). In examining how these programs of governance are envisioned and enforced, increasing attention has been placed on how actors from different sectors interact to create rules and regulations, and design mechanisms to enforce and monitor compliance to them. While it is common to describe the perceived shift of power and authority from the nation state to private industry as the rise of private over public governance, the term hybrid governance has been invoked to more accurately convey the complexities of the continued role of the state and the insertion of civil society into these otherwise private arrangements (Bäckstrand, 2006; Falkner, 2003; Fuchs et al., 2011; Gareau & DuPuis, 2009; P. Pattberg, Biermann, Chan, & Mert, 2012). In many instances of private governance, the state may still act as a facilitator, for example by offering subsidies or otherwise acting in a way that might influence non-state attempts at regulation (Gond et al., 2011; Spaargaren et al., 2006; Stevis & Bruyninckx, 2006), although Cashore et al. (2004) remind us that this is not the equivalent of the state having authority in these cases. In addition, many private governance systems are heavily influenced and facilitated by actors from civil society, including NGOs, which often act by leveraging consumer power through boycotts or by engaging with corporations to pressure them into addressing non-commercial concerns for sustainability and social justice within their supply chains (Cashore, 2002; Constance & Bonanno, 2000; Falkner, 2003; Klooster, 2005). As a result, it is analytically more useful to refer to these arrangements as a form of hybrid governance, which reflects the complexity of power relationships in these systems, rather than to think of them as being purely private endeavors (Bäckstrand, 2006; Falkner, 2003; Gareau & DuPuis, 2009; Marsden, Harrison, & Flynn, 1998; P. Pattberg et al., 2012; Schäferhoff et al., 2009).
In this context, public/private partnerships can be seen as a form of hybrid governance, since they are, “...defined as collaborative arrangements in which actors from two or more spheres of society (state, market and/or civil) are involved in a non-hierarchical process, and through which these actors strive for a sustainability goal,” (Glasbergen, 2011, p. 2). While partnerships as a form of global governance gained ground as early as the 1980s, their promotion as an official approach to sustainable development and environmental challenges became institutionalized as a policy goal after the 2002 United Nations World Summit on Sustainable Development in Johannesburg, South Africa (Biermann, Chan, et al., 2007; Lund-Thomsen, 2009; Mol, 2007; P. Pattberg et al., 2012). Partnerships vary in scale and focus, although their governance functions usually relate to issues of establishing rules and norms, monitoring, enforcing and verifying compliance to these rules, and providing financial and technical resources to facilitate compliance (D. W. Brinkerhoff & Brinkerhoff, 2011; Chan & Muller, 2012). These governance functions encompass a wide range of activities, including, “…corporate philanthropy, research collaboration between private sector enterprises and universities, co-regulatory arrangements to implement voluntary codes of conduct, corporate social responsibility (CSR) projects, and contracting out of public services…” (Lund-Thomsen, 2009, p. 58).

For the most part, researchers have distinguished between two categories of public-private partnerships: the first focuses on service provision and infrastructural projects to provide public goods (for example, in the case of water privatization projects); the second includes strategic alliances between actors from the public, private and/or non-profit sectors (for example, Corporate Social Responsibility programs or certification systems; Mol, 2007; A. M. Reed & Reed, 2009). In some cases, partnerships may not formally include actors from the public sphere; however, it can be argued that, “Such bodies necessarily have a 'public character' (even if all the participants are 'private actors', such as businesses or NGOs) because they claim to undertake actions... that serves [sic.] public ends,” (Meadowcroft, 2007, p. 195). In the case of agricultural
development, public/private partnerships have for the most part either focused on developing standards and certification systems and services (Constance & Bonanno, 2000; Klooster, 2005; Raynolds et al., 2007), or on organizing producers into associations to facilitate their access to large markets (Bitzer et al., 2012; Markelova et al., 2009). This latter activity is also described in research on contract agricultural arrangements, where NGO involvement is seen as critical to mediating informal agreements between small-scale producers and large buyers (Kudadjie-Freeman et al., 2008; Prowse, 2012).

Since public/private partnerships may help to provide public goods, they are often seen as filling a regulatory gap resulting from the gradual withdrawal of national governments from the provision of public services (Bitzer et al., 2012; Gregoratti, 2011; Markelova et al., 2009; McCarthy, 2005; McMichael, 2004). As a result, public-private partnerships are often described as “win-win” responses to both state and market failures, and are suggested to have the potential to provide public services in a more efficient and effective manner (Bäckstrand, 2012; Biermann, Chan, et al., 2007; Dellas, 2012; McCarthy, 2005; Schäferhoff et al., 2009). For example, in the case of agriculture, publicly funded extension services have been eliminated or reduced in most countries in the Global South over the past few decades as part of structural adjustment programs that were required by the International Monetary Fund, thereby leaving a gap in the provision of training and resources that is often filled by NGOs, universities, private companies, or a combination of these actors (Bitzer et al., 2012; Chahim & Prakash, 2012; Falkner, 2003; Gregoratti, 2011; Markelova et al., 2009; McCarthy, 2005). In these situations, organizations from civil society are seen as providing a check to the self-regulating market, as well as enhancing the legitimacy of hybrid governance arrangements (Bäckstrand, 2012; Biermann, Mol, & Glasbergen, 2007; Schäferhoff et al., 2009).

In contrast to this positive view of NGOs and their role in partnerships for sustainable development, some scholars have suggested that they are neoliberal constructs that reproduce the
power dynamics that are inherent within the global economy by privileging the interests of corporations and governments from the Global North over the needs of more disadvantaged people and communities in the Global South (Bäckstrand, 2012; Biermann, Mol, et al., 2007). In this context, public/private partnerships reflect the tenets of neoliberalism by relying upon civil society organizations to provide basic services in order to attenuate the negative effects of the self-regulating market.

These critiques suggest the importance of understanding how NGOs balance the commercial goals of their corporate partners with their responsibility towards representing, and increasing benefits for, civil society. Several scholars have demonstrated that public/private partnerships have latent conflicts, both between partners and within organizations, as commercial priorities are combined with development goals. Since many partnerships revolve around market-based development projects, there can be competing visions between actors from the private sector, who operate according to a business logic, and those from civil society, whose role has traditionally been more aid-oriented (D. W. Brinkerhoff & Brinkerhoff, 2011; Glasbergen, 2011; Markelova et al., 2009; A. M. Reed & Reed, 2009). J. Brinkerhoff (2007) suggests that these competing dynamics are some of the least studied aspects of governance in partnerships, and she reformulates the definition of governance to reflect this: “Governance is fundamentally about managing competing interests for the common good,” (J. M. Brinkerhoff, 2007, p. 68).

The introduction of a commercial logic into development projects has implications for how the benefits of such projects are distributed, including the potential exclusion of more marginalized, low-income populations (Bitzer, 2012; Chan & Muller, 2012; Dellas, 2012; Markelova et al., 2009; Prowse, 2012; A. M. Reed & Reed, 2009). For example, this is often the case with water privatization partnerships, where, due to commercial priorities, the service provider focuses on improving infrastructure in urban, high-income neighborhoods, thereby ignoring access issues for low-income populations (Dellas, 2012). In the case of agricultural
projects, while many NGOs aid in the formation of producers’ associations to help producers access markets by increasing their economies of scale and bargaining power, such associations often require certain assets and capabilities on the part of producers that may preclude those more marginalized from participating (Bitzer et al., 2012; Markelova et al., 2009; Prowse, 2012). Often this is related to the fact that small-scale producers lack the financial or natural resources to be able to comply with buyers’ standards, such as fair trade, organic and those for food safety, leading to their exclusion from development projects and these potentially lucrative marketing channels (Bolwig, Ponte, Du Toit, Riisgaard, & Halberg, 2010; Dolan, 2010; González & Nigh, 2005; Mutersbaugh, Klooster, Renard, & Taylor, 2005; Reardon, Barrett, Berdegué, & Swinnen, 2009; Renard, 2005).

Considering how NGOs balance competing goals in the context of public/private partnerships, including the potential for excluding certain types of producers, highlights the fact that NGOs in partnerships, “…take the risk that they are used as a cheap marketing tool for a private interest, lose their organizational identity – for example due to the compromises made in the partnership – and therefore lose their relationship with their constituencies,” (Glasbergen, 2011, p. 5). This suggests that a consideration of the role of NGOs in public/private partnerships should include an examination of the nature of NGOs, their relationship to civil society and the basis of their claims to legitimacy (Chahim & Prakash, 2012). This, in turn, will provide a framework for understanding how NGO constituents and partners might assess their legitimacy as they take on a commercial role in public/private partnerships.
Defining NGOs and Conceptualizing Legitimacy

In the context of their contribution to public/private partnerships, there may be a tendency to romanticize NGOs’ ability to represent the interests of civil society and thereby increase the legitimacy of new governance arrangements. NGOs’ involvement with organizing producers and connecting them with markets is often mentioned as a way to shift the balance of power between supermarkets and producers (Kudadjie-Freeman et al., 2008; Markelova et al., 2009; Prowse, 2012), and is seen as part of a larger goal of “making markets work for the poor,” (Hellin et al., 2009, p. 16). In this context, NGOs have been described as “neutral” actors from civil society whose mediation of relationships between growers and large buyers can enhance the outcomes and benefits of these arrangements (Prowse, 2012). Even beyond claims to neutrality, some suggest that, “NGOs have assumed [the role] of representing the needs and aspirations of what is inevitably understood as the citizenry of a not-yet-realized global political order,” (Watkins et al., 2012, p. 286) and that in doing so the term NGO has become, “…‘a claim-bearing label’: In its most common use, it claims that the organization is doing good for the development of others. The label has a moral component. Precisely because it is doing good, the organization can make a bid to access funding and public representation” (Watkins et al., 2012, p. 290).

However, in order to understand the shifting role of NGOs in public/private partnerships and the potential for this to challenge their legitimacy, it is important to define NGOs, and to explore the basis for their moral claims of representing civil society. Often the term NGO is used loosely, and conflated with what might better be described as private voluntary organizations or nonprofit organizations (Vakil, 1997). In order to distinguish them from these other organizations, Vakil (1997) suggests that NGOs represent a subset of non-profit organizations that focuses specifically on development, and which can therefore be described as: “self-governing, private, not-for-profit organizations that are geared to improving the quality of life of
disadvantaged people (Vakil, 1997, p. 2060). Vakil makes a point of distinguishing between “not-for-profit” and non-profit in this definition, since she maintains that an organization such as a cooperative can be a not-for-profit organization in terms of its mission, while still generating and distributing a profit to its members. Within the category of NGOs, scholars tend to create subcategories that classify these organizations both in terms of their operating structure and their orientation (Atack, 1999; Korten, 1987; Vakil, 1997). In terms of operating structure, NGOs can be classified by whether they operate at an international, regional, national or local (community-based) level (Korten, 1987; Vakil, 1997). In terms of their orientation, this includes both the sector within which they work, as well as the focus of their activities. Different scholars have used different classifications to describe the varying activities of NGOs, although a common thread between them is the distinction between NGOs that aim to provide aid, often in an emergency capacity after a disaster; those that provide services that are geared to enhancing capacity-building for self-reliance; and finally those organizations that are more advocacy-oriented and are connected to social movements or aimed at policy change (Atack, 1999; Korten, 1987; Vakil, 1997). Service organizations that focus on capacity-building are the most commonly referred to in the development literature, and can refer to both membership organizations (such as producers’ associations or cooperatives) as well as intermediary organizations (Vakil, 1997).

The history of NGO development also helps to clarify NGOs’ relationship with civil society, and to distinguish them from organizations from the public or private sector. In many Latin and Central American countries, NGOs emerged as organizations with close relationships with peasant movements and the popular sector (Bebbington, 1997; Edelman, 2008). However, as these organizations were increasingly expected to perform functions that were previously relegated to the state, they faced the need to scale-up and professionalize their operations, which in many cases led to a disjuncture between them and the popular movements they were assumed
to represent, which many have described as a process of de-politicization (Bebbington, 1997; Chahim & Prakash, 2012; Edelman, 2008). For example, in their study of NGOs in Nicaragua, Chahim and Prakash (2012) compare NGOs and grass roots organizations, reminding us NGOs aren’t the only organizations that can represent civil society. In their study, they find that due to pressures of foreign donors and the fact that NGOs are seen as a one-way transfer of information and services, their constituents felt disconnected from the NGO, and therefore from this version of “civil society.” These authors suggest that as a result, the concept of civil society is becoming less about community participation, and “… is instead a ‘project,’ a means to ‘resolve and finance’ instrumental, short-term problems, not a means to achieve long-term structural change” (Chahim & Prakash, 2012, p. 21).

The definition, history and role of NGOs in the development context are important for understanding these organizations’ legitimacy claims, as well as how their roles in public/private partnerships might lead some to challenge these claims. Traditional scholarship on legitimacy was state-focused, and some have used this as the basis for criticizing NGOs and public/private partnerships for failing to meet the premises of democratic legitimacy, since they are managed by unelected representatives, and therefore don’t demonstrate the democratic values of participation, accountability and transparency in the decision-making process (Atack, 1999; Bäckstrand, 2012; Fuchs et al., 2011; Schäferhoff et al., 2009). However, Bäckstrand (2012) suggests that it is illogical to judge partnerships on the same basis as democratic institutions, since doing so fails to consider the new regulatory space that multi-sector arrangements occupy outside of a state-based system. Therefore, in order to develop a framework for assessing NGO legitimacy, we can turn to scholarship on organizational legitimacy that goes beyond a consideration of criteria that were derived from analyses of the legitimacy of the state.
In organizational sociology, Suchman’s (1995) definition of legitimacy has been very influential, and is widely cited (Bitektine, 2011; Cashore, 2002; Deephouse & Carter, 2005; Herlin, 2013):

Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Legitimacy is a perception or assumption in that it represents a reaction of observers to the organization as they see it; thus, legitimacy is possessed objectively, yet created subjectively. (Suchman, 1995, p. 574).

Suchman goes on to distinguish three types of legitimacy: pragmatic, moral and cognitive. Pragmatic legitimacy derives from the self-interest of the audience evaluating an organization, and relates to this audience’s belief that it will benefit from the organization’s activities. Moral legitimacy is related to the value system of the evaluating audience, and, “unlike pragmatic legitimacy, moral legitimacy is ‘sociotropic’ -it rests not on judgments about whether a given activity benefits the evaluator, but rather on judgments about whether the activity is ‘the right thing to do,’” (Suchman, 1995, p. 579). Finally, cognitive legitimacy is a more subtle form of legitimacy, since it relates to a state of “taken-for-grantedness” where an audience is easily able to classify an organization according to pre-existing, and accepted, social categories (Bitektine, 2011; Suchman, 1995).

Bitektine (2011) expands upon these aspects of legitimacy to develop a cognitive theory of how individuals make social judgments. These individuals constitute the audiences that might evaluate an organization, and in the case of NGOs could include their constituents, donor agencies, partners and local government representatives (Bitektine, 2011; Herlin, 2013). In Bitektine’s theory, individuals begin evaluating an organization in terms of cognitive legitimacy, and attempt to classify an organization into an easily identifiable, pre-defined category. If these attempts fail, Bitektine suggests that an individual performing an evaluation will begin to assess the organization according to a more complicated set of criteria, which he refers to as
sociopolitical legitimacy. Bitektine’s concept of sociopolitical legitimacy is based on whether, “the organization is beneficial to the evaluator, his or her social group, and/or the whole society” (Bitektine, 2011, p. 158), which in essence combines Suchman’s (1995) pragmatic and moral legitimacies. Finally, Bitektine shifts from legitimacy to the concepts of status and reputation, suggesting that once an evaluator goes through an assessment of sociopolitical legitimacy, he/she will then attempt to rank an organization (status) and determine how an organization’s future performance will compare to other organizations’ (reputation). Ultimately, he suggests that “The evaluator’s behavioral response based on these judgments can take the form of sanctions, tolerance, or active support of the organization and, thus, can function as a social mechanism for inducing the organization’s compliance with the prevailing norms and rules,” (Bitektine, 2011, p. 158).

Bitektine’s model of social judgment formation provides a useful framework for understanding the process of how individuals may assess the legitimacy of NGOs in public/private partnerships. Beginning with the issue of cognitive legitimacy, we can see the importance of the earlier discussion about the definition and role of NGOs in the development context as representatives of civil society. In this sense, NGOs’ claims to legitimacy are precisely what distinguishes them from either the state or market actors, specifically because their relationship to civil society is, “based on the recognition and promotion of the rights or moral claims of others, such as or including ‘development rights’ or the right to participate in and benefit from social and economic change,” (Atack, 1999, p. 860). However, as NGOs that participate in market-based development increasingly take on commercial roles in partnerships, it is possible that this market-orientation may preclude an evaluator’s ability to fit them neatly into

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18 In distinguishing between legitimacy and reputation, Bitektine (2011) draws on Deephouse and Carter (2005), who suggest that while legitimacy relates to conformity to socially determined norms, reputation is based on a wider criteria that prioritizes comparisons between organizations in order to judge the possibilities for future actions.
the category of civil society representatives. Many scholars make use of the term “liability of newness,” to describe a situation such as this, where an organization takes on new activities and must establish the legitimacy of both these new activities and its right to perform them (Herlin, 2013; Suchman, 1995). In the case of NGOs that take on commercial roles, this could be particularly true if evaluators perceive that these new activities lead to “mission drift” (Herlin, 2013), or the failure of an organization to execute the role for which it was established, and based on which it receives support (Deephouse & Carter, 2005).

As a result, evaluators may next turn to assessing an organization according to sociopolitical legitimacy (Bitektine, 2011). As described earlier, sociopolitical legitimacy relates to both pragmatic and moral legitimacies in terms of an organization’s ability to provide benefits to individuals, groups or society as a whole (Bitektine, 2011; Suchman, 1995). In order to evaluate the dimensions of sociopolitical legitimacy, it is helpful to return to Suchman, who suggests that there are several avenues for assessing moral legitimacy, including an analysis of the outcomes, procedures and structures of an organization. Others have expanded on these aspects of moral legitimacy to include accountability and effectiveness as appropriate metrics to evaluate NGO legitimacy (Atack, 1999; Bäckstrand, 2012; J. M. Brinkerhoff, 2007). Suchman (1995) emphasizes that these aspects of moral legitimacy relate to conformity with socially constructed norms and values, and that the techniques an organization uses, as well as the consequences of its activities, will help to establish the perception that it is “the right organization for the job” (p. 581).

To operationalize these concepts in order to apply them to an analysis of NGO legitimacy, we can break down accountability into its internal and external aspects. Internal accountability refers to the responsibility that an organization has to its members (shareholders, in the case of corporations, or program beneficiaries, in the case of NGOs), and external accountability in relation to the public (including citizens and governments; Bäckstrand, 2006; J.
M. Brinkerhoff, 2007). Studies of NGOs suggest that they often struggle to balance their upward accountability to donors and their downward accountability to their constituents, often prioritizing the former in order to preserve their funding sources (Atack, 1999; Chahim & Prakash, 2012; Vakil, 1997). Studies of accountability also emphasize the importance of transparency to ensuring that both internal and external actors trust the procedures that organizations establish, and ultimately to determine whether actors have enough information to be able to judge whether they consider an organization to be legitimate (Bäckstrand, 2006, 2012; Bebbington, 1997; J. M. Brinkerhoff, 2007; Vakil, 1997). In this case, “transparency and accountability are closely linked, as accountability hinges on access to information” (Bäckstrand, 2006, p. 300). Finally, in terms of evaluating NGO outcomes and effectiveness, previous studies suggest that NGOs and partnerships focus both on measuring tangible metrics (for example, an increase in income) as well as more intangible elements. For example, when their outcomes are harder to quantify, some NGOs measure effectiveness in terms of the empowerment of their constituents (Atack, 1999). In addition, effectiveness has also been evaluated in terms of NGOs’ or partnerships’ ability to affect change in systems, policies or in their corporate partners (Glasbergen, 2011; Herlin, 2013).

Returning to Bitektine’s model of social judgment, if an organization fails to meet the criteria for establishing cognitive or sociopolitical (pragmatic and moral) legitimacy, this may lead to challenges, and ultimately a crisis, in legitimacy. There is a wide spectrum in the consequences of a challenge to an organization’s legitimacy that depends largely on the context. For example, if an individual feels that an organization fails to meet his/her standards for legitimacy, but this is not a view shared by the general public, there may be few consequences (Suchman, 1995). In addition, in evaluations of legitimacy some actors or groups carry more weight than others, and therefore an organization can survive threats to its legitimacy if it has the support of key groups, even though it may have individual detractors (Bitektine, 2011; Herlin, 2013). On the other hand, if an organization is judged to be illegitimate by key audiences, there
may be more tangible sanctions, ranging from losing support and funding to difficulties in attracting either partners or participants for an organization’s activities (Bitektine, 2011; Deephouse & Carter, 2005; Herlin, 2013).

Alternately, if an organization fails to meet the standards of cognitive legitimacy, this could “lead to an expansion of the set of considered categories” (Bitektine, 2011, p. 165). For example, in his analysis of the legitimacy crisis facing Latin American NGOs in the 1980s and 1990s, Bebbington (1997) suggested that NGOs might address this crisis by shifting their activities to a completely different category of organization. Since these NGOs were perceived by peasant communities to be too aligned with the state and less with civil society interests, Bebbington suggested that these organizations might instead become social enterprises that engaged with the market in order to expand benefits to the rural poor. However, in doing so he also states that, “these new social enterprise institutions can no longer be considered as NGOs in the traditional sense of the term. Yet, these institutions are also neither wholly state- nor wholly market-driven. They combine a commercial and a social logic in their operations which allows them to play a role which is not open to either the state or the market,” (Bebbington, 1997, p. 1760). Ultimately, therefore, challenges to legitimacy can lead to a re-orientation in organizational identity, and attempts to re-establish legitimacy by creating a new, socially acceptable category.

This analysis has explored NGOs’ relationship to civil society, including the basis for understanding NGOs’ claims to legitimacy and the potential challenges that they may face as they balance the competing goals of public/private partnerships. In order to provide a framework for understanding how NGOs manage their relationships and responsibilities to both producer constituents and supermarket partners, the next section describes theories of commodity chain analyses that help to conceptualize how actors in vertical supply chains are simultaneously embedded in horizontal networks.
Public/Private Partnerships in the Context of Commodity Chains: Horizontal and Vertical Relationships

Analyses of commodity chains and supply chain governance contribute to creating a conceptual framework for analyzing hybrid governance and the role of NGOs in mediating producers’ relationship with supermarkets. As described above, partnerships are often portrayed as non-hierarchical, horizontal relationships between organizations from different sectors (D. W. Brinkerhoff & Brinkerhoff, 2011; Glasbergen, 2011; Hartwich et al., 2007). However, these horizontal relationships are complicated when the nature of the partnership includes a market-based transaction that connects partners via a vertical supply chain (Glasbergen, 2011). Glasbergen (2011) suggests that a commodity chain analysis is useful for understanding how, “..internally orientated horizontal relationships enter the vertical, hierarchical structures of the larger-scale social systems that partnerships associate with,” (Glasbergen, 2011, p. 8). Recent developments in commodity chain analyses correspond with this question of how horizontal and vertical relationships are coordinated, as researchers have increasingly drawn attention to the fact that, “…rather than static vertical chains, value chains are webs of interaction, where negotiations take place between actors (and within institutions) at each node,” (Loconto, 2010, p. 217). These studies encourage commodity chain analyses to take into account how horizontal relationships external to supply chains are key to conditioning governance, and how these relationships serve to embed supply chains in local conditions and contexts (Bolwig et al., 2010; Bush, 2010; Freidberg, 2004; Gereffi, Humphrey, & Sturgeon, 2005; Raynolds et al., 2007; M. G. Reed & Bruyneel, 2010).

Commodity chain analyses address questions about how responsibilities, benefits and risks are distributed among participants (Biermann, Mol, et al., 2007; Ponte & Gibbon, 2005). Studies of commodity chains and supply chain governance often focus on the role of standards and third party certification systems as one avenue by which powerful actors, such as
supermarket retailers, can determine the conditions of production and exchange, while at the same time shifting costs, liability and risks onto either producers or certifying agencies (Bain et al., 2005; Hatanaka et al., 2005; Konefal & Mascarenhas, 2005). There is a wide body of literature that analyzes commodity chains and public/private partnerships in terms of the governance functions of setting standards, providing certification services, and monitoring and enforcing compliance. For example, numerous studies have explored hybrid governance and public/private partnerships in the rule-setting and implementation stages of initiatives such as the Forest Stewardship Council (for example, Cashore, 2002; Klooster, 2005, 2010), the Marine Stewardship Council (including Bush, Toonen, Oosterveer, & Mol, 2013; Constance & Bonanno, 2000; Ponte & Gibbon, 2005) and Fair Trade Coffee (among others, Bitzer, 2012; Giovannucci & Ponte, 2005; Raynolds et al., 2007). These studies also tend to focus on similar issues as those described in the preceding section on public/private partnerships, especially in terms of how enforcing standards can lead to producer exclusion. For example, in one study of partnerships in the coffee sector, the authors conclude that, “Only those farmers were targeted that had the potential to obtain certification and deliver high quality coffee. The other ones were left out in the hope for spill-over effects” (Bitzer, 2012, p. 13).

This focus on the effect of standards in both the commodity chain and public/private partnership literatures tends to gloss over the marketing aspect of NGOs’ activities, thus failing to capture the increasingly complex governance roles that development NGOs play both in coordinating vertical supply chain relationships and in acting as supply chain intermediaries outside the framework of standards systems. In the case of agricultural development, it has become more common for public/private partnerships to organize producers into some type of model for collective action, commonly referred to as producer organizations or associations (Hellin et al., 2009; Markelova et al., 2009; Narrod et al., 2009; Prowse, 2012). In his review of the contract farming literature, Prowse (2012) describes these producer organizations as, “…the
major institutional innovation for overcoming threats to contract farming,” and describes them as being, “distinct in origin and outlook from the old state-owned cooperatives,” (pg. 74) due to the fact that they are member-owned and market-oriented. Producers’ associations perform the dual function of facilitating transfer of information and resources to producers and serving as aggregation and distribution centers to increase efficiencies and economies of scale, as well as increasing the bargaining power of small-scale producers vis-à-vis large buyers (Bitzer, 2012; Hellin et al., 2009; Markelova et al., 2009; Narrod et al., 2009). While most producer organizations are member-owned, research has shown that third party facilitation is crucial to the success of these producer organizations, although continued financial support by this third party can keep producer organizations from achieving financial sustainability and autonomy (Kudadjie-Freeman et al., 2008; Markelova et al., 2009, 2009; Narrod et al., 2009; Prowse, 2012). There is some debate about whether the government, NGOs or private companies are best positioned to facilitate producers’ associations. Most researchers agree that NGOs are most often ideal facilitators, since, “not all outsiders are seeking to maximize the returns to the community. Commercial agents higher up the commodity chain are particularly likely to have a conflict of interest with farmers over the distribution of surplus along the commodity chain from producer to consumer” (Markelova et al., 2009, p. 5). However, since NGOs in public/private partnerships may take on a commercial role as a supply chain intermediary to facilitate producers’ associations’ relationships with supermarkets, this brings us back to the question of how NGOs balance their horizontal networks with producers and partnerships with supermarkets with their governance roles in a vertical supply chain. Addressing this question will shed light on issues of hybrid governance in public/private partnerships, including issues of legitimacy and the role of NGOs in representing civil society.

To analyze how NGOs negotiate their horizontal and vertical functions in public/private partnerships as a form of hybrid governance, this paper draws on commodity chain analyses to
emphasize the governance functions of NGOs as they facilitate and mediate supply chain relationships between producers and supermarkets. Navigation of competing values and goals, the potential for excluding certain producers, and how such considerations might affect NGO legitimacy with internal and external actors are central to this framework. Empirical data on partnership development between Wal-Mart and NGOs in Honduras will be used to highlight the shifting roles and responsibilities of NGOs as they balance their horizontal and vertical supply chain governance functions. To set the stage for this analysis, the next section describes the public/private partnerships between Wal-Mart and outside organizations as part of the company’s sustainability strategy for its agricultural supply chains in Honduras.

**Wal-Mart in Honduras: DomesticProcurement and Public/Private Partnerships**

For its international operations, Wal-Mart’s sustainability goal for its agri-food supply chains revolves primarily around sourcing more products from local growers in emerging markets. This goal centers on providing training in sustainable practices in order to increase producer incomes (“Global Sustainable Agriculture Goals,” 2010). In this way, this market-oriented approach to sustainability combines the development goal of rural poverty alleviation with the commercial aim of improving Wal-Mart’s in-country provisioning systems by strengthening the local agricultural base and improving domestic supply chains. In order to achieve these goals, Wal-Mart has developed a Global Direct Farm Program (“Global Direct Farm,” 2012, “2012 GRR Sustainable Agriculture,” 2012). This program is largely based on an initiative called *Tierra Fértil*, which was established in Costa Rica in the 1970s by the retail chain that Wal-Mart bought out when it entered the Central American market in 2005. Since its inception in Costa Rica, *Tierra Fértil* offered technical assistance to small scale farmers to compensate for a lack of government agricultural extension services, and to help integrate
producers into supermarkets’ supply chains (Gonzalez-Vega et al., 2006; *Honduras Fact Sheet*, 2012; Leguizamon & Ickis, 2009). This assistance was offered through a regional subsidiary distribution company, Hortifruti, which Wal-Mart now owns and operates.

In recent years, many of the technical assistance aspects of this program have been outsourced through Wal-Mart’s partnerships with development projects, demonstrating the shift in governance first from the public sector to private actors, and now to a hybrid form (Berdegué et al., 2005; Leguizamon & Ickis, 2009; Reardon & Timmer, 2007). These partnerships include those with US agencies, such as the United States Agency for International Development (USAID), United States Department of Agriculture (USDA) and the Millennium Challenge Corporation, which in turn subcontract out project management to US-based non-profit organizations and consulting companies and regional (Central American) NGOs. These organizations then bring together other development NGOs and a local university to implement the project, combining support from the US government with funding from other foreign governments, local governments and international NGOs and organizations, such as Oxfam and the Inter-American Development Bank. These development projects and organizations, in turn, organize producers into associations intended to facilitate their ability to sell to Wal-Mart, and simultaneously help Wal-Mart expand its domestic supplier base (see Figure 2-1 for a summarized schematic of the organization of these development projects).

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19 Although they are legally distinct organizations, since Hortifruti is owned by Wal-Mart de México y Centroámerica, participants in this study (both growers and facilitators) in Honduras used these names interchangeably.

20 Although not specified in Figure 1-1, in the sample for this study the producers’ association that had a more exclusive relationship with Hortifruti was facilitated by an NGO that primarily received US funding, while the producers’ association that had a more formal arrangement with another supermarket was organized by an NGO that received most of its funding from European governments. See the methods section for more details on the producers’ associations for this study.
As mentioned earlier, these market-based development projects can be considered public/private partnerships, thereby presenting a form of hybrid governance. In Honduras, development projects work to connect producers to domestic supermarket supply chains, including, but not limited to, those owned and operated by Wal-Mart. Most recently, a partnership between the USAID and Wal-Mart in Central America (known as Wal-Mart de México y Centroamérica) has formed that is funded by both of these organizations, in addition to the Wal-Mart Foundation, various NGOs, local governments and other private sector partners (el Mié, 2011; “USAID Press Release,” 2011). As a USAID employee said of the partnership in a press release,

Public-private partnerships like this one are crucial to USAID’s long-term food security and job creation objectives in Central America. Through these alliances, USAID leverages its resources; our private sector partners meet core business
goals; and the rural poor improve their livelihoods. ("USAID Press Release," 2011)

This statement points to the multiple goals of public/private partnerships. It also underscores the need for empirical study to understand how NGOs manage their relationships with both supermarkets and their other constituencies, and under what circumstances the multiple goals of partnerships align or compete with one another. After describing the research methods used in this study, this paper turns to an analysis of how development NGOs balance their horizontal and vertical governance functions when coordinating Wal-Mart’s local supply chains, including how they balance commercial and aid-oriented goals, the potential for excluding certain producers, and how these issues affect their legitimacy.

Methods

The findings presented in this paper are based on fieldwork that was conducted in Honduras between July and November of 2011. For the purposes of this paper, I focus on four producers’ associations that were actively coordinated by outside organizations (see Table 2-1). According to the earlier description of different NGO types, three of these organizations can be considered NGOs that are service organizations, since their mission statements reflect common themes about being not-for-profit and providing capacity-building assistance that will increase self-reliance and empowerment. These three organizations operated at a national level, and did not have operations outside of Honduras (although one of the organizations was founded by an American living in Honduras, and received most of its funding from US organizations and individuals). The third organization (which facilitated Producers’ Association C) is officially an aid agency of a foreign government that works with other local organizations to provide services, including humanitarian, emergency aid and capacity-building activities. This organization is
therefore not an NGO, according to the earlier definition, although its employees performed similar capacities as the other NGO employees interviewed in this study in terms of their facilitation of the organization and commercial relationships of a producers’ association, and faced similar challenges to balancing commercial and aid-oriented goals; therefore their perspectives are considered relevant for analyzing the organizational challenges and implications of connecting producers to supermarkets as part of market-based development projects in the context of public/private partnerships. For these reasons, this organization will be referred to as an agency in the subsequent sections, while the other three will be referred to as NGOs.

For the four producers’ associations, contact was initially made with the NGO or agency organizing the associations, who in turn facilitated access to the producers with whom they worked. I conducted semi-structured interviews with eight NGO and agency representatives and ten producers (three of whom held leadership positions within their association), as well as three employees who coordinated production and marketing among several NGOs for the current USAID project (who were formally employees of the sub-contracted US-based consulting company that managed this project, and who are not listed in Table 2-1), for a total of 21 individual interviews. Interviews lasted an hour, on average, and were taped, transcribed verbatim and uploaded into NVivo 10, a software program that facilitates the analysis of

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21 For Producers’ Association C, the one producer interview (with the President of the Association) was conducted together with two agency representatives, thereby blurring the producer’s role and focusing the interview more on issues of facilitation. In general, the focus on producers’ associations was a theme that emerged during the course of fieldwork, and therefore the fieldwork did not necessarily revolve specifically around constructing an equivalent sample for each association.

22 These included employees who worked directly with the specific producers’ association described here (as either a production manager, administrator or marketing coordinator), as well as employees who worked for the NGO at a national scale, and therefore were responsible for overseeing several producers’ associations.
qualitative data. Data were analyzed according to pre-determined, theoretically driven and emergent themes.\textsuperscript{23}

\begin{table}[h]
\centering
\caption{Sample Characteristics of NGO-facilitated Producers’ Associations in Honduras}
\begin{tabular}{|l|c|c|c|c|c|c|}
\hline
Association Pseudonym & Number of NGO/agency Representatives Interviewed & Years Association Has Been Operating & Markets Association Sold To & Number of Producer Members in Association & Number of Producer Members Interviewed & Average Years Producers Sold to Association \\
\hline
Producers’ Association A & 3 & 5 & Hortifruti & 45 & 3 & 1 \\
Producers’ Association B & 2 & 3 & Other Supermarkets (Hortifruti Once) & 120 (15-25 full time) & 3 & 3 \\
Producers’ Association C & 2 & 3 & Hortifruti and Other Supermarkets & 116 & 1 & 3 \\
Producers’ Association D & 1 & 5 & Other Supermarket (Individuals sold directly to Hortifruti) & 100 & 3 & 2 \\
\hline
\end{tabular}
\end{table}

As described in Table 2-1, these producers’ associations varied in the average length of time that individual producers had been selling to them, as well as how long the associations themselves had been in operation. Producers’ associations also differed by the markets that they sold to, with only one (Producers’ Association A) selling exclusively to Hortifruti. Producers’

\textsuperscript{23} All interviews were conducted, transcribed and analyzed in the original Spanish language (with the exception of one interview that was done in English, according to the native language of the research respondent). The author relied on the council of a Honduran research assistant as well as her prior experience as a certified translator (certified by the Organización Mexicana de Traductores in Spanish to English) in order to translate all research instruments, analyze the text and translate the quotations that are presented in subsequent sections.
Association B had only sold once to Hortifruti, but had discontinued the relationship due to a bad experience, while for Producers’ Association D, the facilitating NGO had an established relationship with another supermarket, although individuals within the association continued to sell directly to Hortifruti on an individual basis. While there were no formal contracts between producers’ associations and supermarkets, the NGO that worked with Producers’ Association A was able to establish an informal agreement with Hortifruti that included negotiating a pre-season planting schedule and price range for products, and Producers’ Association D had entered into a more formal arrangement with another national supermarket chain at the same time that individual producers within the association interacted more informally with Hortifruti. Although Producers’ Association B had only sold to Hortifruti once and Producers’ Association D did not have a formal commercial relationship with Hortifruti, they were included in this study in keeping with Bolwig et al.’s (2010) suggestion that an expanded Global Value Chain analysis should include both “expelled actors” and “non-participants/excluded actors,” to fully understand the implications that supply chain governance has on poverty and rural development in local contexts (p. 185).

In general, the NGO and agency representatives emphasized that they saw their role in organizing and managing producers’ associations as a necessary, but temporary, arrangement that would last only until ownership and management of the producers’ group could be transferred to the participating growers. They explained this emphasis on transitioning to self-management alternately as a condition of the external funding that they received, and because of general concerns within development projects about avoiding paternalism and dependency. These NGO and agency representatives also spoke about topics common in the literature on the role of NGOs in development, including an emphasis on empowering individuals so that they could continue with the project on their own in case the NGO ever lost funding (Atack, 1999; Watkins et al., 2012). However, in order to facilitate the organization of the producers’ association, these NGOs
and agency took on a very active role in mediating the commercial relationship between producers and supermarkets, especially during the earlier stages of the producers’ associations’ formation. In this study, the NGO and agency representatives who coordinated Producers’ Associations B and C planned on transitioning management to participating producers within the year that this research was conducted, while NGOs remained more active in managing commercial relationships for Producers’ Associations A and D. Therefore, while it’s important to note that NGO representatives didn’t see their market intermediary roles as a long-term function, at the time of this study all remained actively involved with market mediation for all four of these producers’ associations.

In the next section, I turn to how NGOs in public/private partnerships negotiate the tensions that emerge between their horizontal and vertical relationships, focusing on how they balance competing goals, the potential exclusion of producers and the legitimacy claims of these organizations.

**Findings**

Over the course of interviews with Honduran NGO and agency representatives, producers and one Wal-Mart employee, it was often suggested that the primary challenge to maintaining committed supply chain relationships was fluctuating supply. This was in turn exacerbated by the lack of a formal contract. NGO and agency representatives described how, when there was scarcity on the market during the rainy season, prices rose and they struggled to ensure that growers remained committed to selling to supermarkets at prices that were determined before the start of the season. On the other hand, NGO and agency employees also explained that when their projects were successful in fostering improved production practices that increased yields, they could also inadvertently lead to a glut in the market, which then shifted their responsibilities
to maintaining committed relationships with supermarkets. In this situation, supermarkets more generally, but especially Wal-Mart, often tried to take advantage of the high volume in the marketplace to drive down prices and purchase less than they had agreed to in the pre-season. These examples highlight the challenges that NGO and agency employees faced in maintaining committed relationships on both the supply and demand side of vertical supply chains, while also maintaining their horizontal relationships with both producers and supermarkets. Therefore, understanding NGOs’ governance functions as including managing supply and demand in times of fluctuating market conditions highlights the challenges facing these organizations. This in turn provides context for subsequent analysis of how the NGOs balance competing values, the potential for excluding producers, and the impact of their partnership activities on their legitimacy.

**Horizontal and Vertical Responsibilities: Trusting Partnerships vs. Commercial Relationships**

When selling to supermarkets through a producers’ association, producers were often bound to the price range that the NGOs or agencies had established with supermarkets during the pre-season, even when the prices in other markets rose. In such situations, it was a challenge for NGOs to ensure that producers didn’t switch markets and sell to a *coyote*, or intermediary, instead of honoring the verbal agreement with the producers’ association and the supermarket. While producers were theoretically free to switch markets since they had never signed a formal contract, producers who decided to sell to a different outlet when prices rose were often excluded from NGO programs the following production cycle.

On the other hand, many of the producers in this study reported that they saw their receipt of technical assistance as forming the basis of their commitment to the NGO and this marketing
channel. In this way, they conflated receiving technical assistance with an informal agreement, thus assuming equivalence between their horizontal relationship with NGOs (as constituents and aid recipients) and their vertical supply chain relationships (which included a commercial interaction). For example, a producer who sold to Producers’ Association B at the time of this interview, but had previously sold to Producers’ Association A, made the statement,

There’s nothing signed, but it’s a commitment. They support us with inputs, credits for inputs, everything on the technical side. So that’s where you enter into a commitment and say, “I’m committed to them because they give me assistance, and they give me economic support with inputs,”… Of course, it’s an agreement and you try to honor that. Because it’s not possible that after they give you a hand, you don’t respond with your product.

However, since the agreement between the NGO and the supermarket was verbal and therefore not a formal contract that would be legally binding, this sense of commitment could turn to sentiments of resentment when there was overproduction and supermarkets failed to purchase as much as they had committed to in the pre-season planting schedule. For example, one region in Honduras experienced an overproduction of a certain product during the height of the season, which flooded the market, lowered prices and resulted in Hortifruti failing to purchase as much as it had agreed to in the pre-season. The same producer cited above blamed this situation on the NGO that worked with Producers’ Association A, rather than on Hortifruti, saying:

Look, last year I lost quite a bit of [product]… I mean, I had a market that was supposedly formal, but then at the last minute what ends up affecting you sometimes, directly affecting you, are the employees who work for a business. And this affects you when there are people who are irresponsible with the work that they’re doing… Not as much losing product, which is normal here. You always lose in farming. You lose because of the weather, or because you don’t do things right. But sometimes what affects you is irresponsible employees. They tell you they’re going to take it, or you have a harvesting plan. And then at the last minute, no, they say, look, we’re not going to be able to…

This producer stopped working with the NGO that he blamed for his losses, and which he refers to as a “business” in this statement, and switched to selling through Producers’ Association B, which he felt did a better job of informing him about the end markets and the prices they were
receiving. In this situation, the producer attributed the variability in the NGOs’ relationship with the supermarket to the intermediary organization because of his unfamiliarity with the entire supply chain. This example demonstrates the importance of promoting transparency and information sharing for NGOs that mediate producer relationships with supermarkets, and the impact that it can have on their legitimacy vis-à-vis their constituents. Since this producer refers to the NGO as a business, this suggests a potential challenge to the cognitive legitimacy of this organization, since the producer fails to categorize it as an organization that represents civil society, seeing instead as a market-oriented organization.

Situations of overproduction like this one were relatively common, and while they were sometimes a result of seasonal variations in yields, they could also stem from a development project’s success in improving production practices. For example, when one project helped a group of growers double and even triple yields, they flooded the market until, as one technician working for the USAID reported, “There were so many onions that there was no one who would buy them.” When there was an oversupply of product on the market, the challenges facing NGO intermediaries shifted to maintaining cooperation and commitment on the supermarket side of the relationship. This shifting concern illustrates how NGOs in public/private partnerships alternate between horizontal partnerships with supermarkets and their vertical supply chain governance functions.

Despite the verbal agreements that supermarkets had with NGOs and their related producers’ associations, NGO and agency employees described how supermarkets tried to take advantage of situations of oversupply to drive down prices, and otherwise utilized practices that NGOs felt disregarded the basis of their partnerships. These problems were often specifically cited in relation to Hortifruti, although in some cases the events dated back to before Wal-Mart owned Hortifruti, or were made with reference to a different supermarket chain. For example, in explaining the bad reputation that Hortifruti still had for some producers in the country based on
failed relationships from the mid-2000s, an NGO representative who helped to coordinate the relationship for Producers’ Association D explained how,

We agreed upon a price, more or less. At the moment of delivery, the conditions had changed...or they don’t take all of the product, or they don’t want to pay the agreed upon price… they didn’t fulfill the agreement, and there are many, here in Honduras, who are unhappy with Wal-Mart on this level…One time they left me with 60,000 pounds of product. They placed the order and then they said no. Just like that, out of nowhere.

Another NGO employee who worked with Producers’ Association A told a similar story of how Hortifrutti told them at the last minute that they already had too much product and couldn’t accept their delivery; this NGO employee suggested that, “Many times they use this as a means of developing an opportunity to reduce the prices because they’ll say, look, you know, we’re sorry we can’t take this, but we’ll take it off your hands, but you’ll have to sell it to us at a reduced price because we’re not sure we can sell this stuff.” These examples show how NGO relationships with supermarkets were vulnerable to commercial priorities, such as lowering prices, even when such practices potentially undermined the trust between these two parties that was critical to establishing a sense of partnership at the horizontal level.

Often supermarkets’ attempts to reduce the volume and price from the pre-season agreement were possible because of the oligopoly in the supermarket sector. While there are a handful of supermarkets in Honduras, it’s possible for producers to get locked into selling to only one because of their affiliation with a certain development project. Once a development organization entered into agreements with one supermarket, it could prove challenging to engage with others. For example, the NGO that coordinated Producers’ Association D had a formal contract, called a fideicomiso, with Wal-Mart’s main competitor. Under the terms of this fideicomiso, a local bank provided credit to producers, the NGO provided technical assistance, and at the moment of sale the supermarket automatically repaid the bank before returning the rest
of the profits to the producer. An employee from the NGO that coordinated this arrangement explained that they’d like to enter into a similar arrangement with Wal-Mart, but that,

> Of course there’s a lot of competition there, since this is a massive publicity campaign, incredible, right? So of course… they [Hortifruti] said, I don’t know how an organization like yours could be tied to our competition. And you know, they’re right. I mean, I’d feel the same way. There’s a lot of jealousy between them, really terrible jealousy. So it’s complicated.

In this case, the horizontal partnerships between NGOs and supermarkets could impede the ability of producers’ associations to diversify their vertical market relationships, which is key to their ability to retain bargaining power over prices in a commercial context. This finding is supported by other research, which has indicated that the oligopolistic nature of markets can be more of a constraint to smallholder participation than the difficulties around complying to standards (Tennent & Lockie, 2012).

Another situation that highlights the difficulties NGOs faced in maintaining committed relationships with supermarkets could be seen in how Wal-Mart tried to bypass the producers’ associations to try and establish direct relationships with growers. The manager of Producers’ Association C explained, “This has also been a controversial point between the association and Hortifruti. Because we sell to Hortifruti as an association. But there are also others [Hortifruti buyers] who go straight to the farm to make a purchase. So sometimes, our own members, there are members who aren’t loyal, who sell their products to them.” An NGO employee who worked with Producers’ Association A observed the same practice, and complained that this showed a lack of respect for the investment in training and infrastructure that NGOs made in developing a supplier base for the supermarkets in Honduras. He also added that Wal-Mart’s attempts to purchase directly from producers placed these producers at a disadvantage, since they lost the bargaining power of selling through a producers’ association. Therefore, these examples highlight the challenges for NGOs of maintaining their partnerships with supermarkets, and
demonstrate how a commercial logic and priorities often infuse their relationships with supermarkets.

At the same time, some of the difficulties that NGOs faced in ensuring buyer fidelity to pre-season agreements were mitigated by relationships between development project employees and Hortifruti. Of the 20 development project managers and NGO and university employees who were interviewed as part of the larger research project,\textsuperscript{24} four had previously worked for Hortifruti, Wal-Mart’s distribution company. Within this small agricultural development community, Hortifruti buyers and NGO technicians often knew each other from University, or from having worked together for various organizations or projects. One USAID technician, whose job included market coordination between several producers’ associations and Hortifruti, explained how having worked with the company helped him in his current position:

\ldots how do I explain this, it’s not like there’s a framework where there’s a “stop” between, I’m with Hortifruti, and I’m with [Development Project]. We more or less work with… we talk about the commercial aspect, but at the same time we add in friendship and confidence since we already know each other… I mean, we treat each other well to the point that we can ask them for help, and they can ask us for help. They ask us for favors with vegetables, and well, we ask them for favors in sales… commercial favors, of course, based in friendship, but favors that are permitted within a commercial relationship.

An example of this kind of favor came from an NGO employee who managed Producers’ Association B, and who recounted a time when the association had failed to deliver the agreed upon amount to a supermarket. However, rather than lose this valuable relationship, they were able to maintain it because he was a friend of the produce manager. Therefore, the trust that these friendships, and the interrelationships between organizations, bring to commercial transactions helped to mitigate some of the negative and unpredictable situations that producers’ associations experienced when selling to supermarkets. In this way, we can see the importance of horizontal relationships within the development community, and how they served to embed public/private

\textsuperscript{24} As described in Chapter 1, Introduction.
projects within a network that facilitated vertical supply chain governance, even as these partnerships were infused with commercial priorities.

**Commercial and Non-Profit Goals: Issues of Exclusion and Challenges to Sociopolitical Legitimacy**

In describing how NGOs struggled to maintain commitments on both the supply and demand side of vertical supply chain relationships, we can begin to see some of the tensions engendered between their vertical and horizontal roles, including the need to balance commercial and aid-oriented goals within their partnerships with supermarkets. In some cases, commercial pressures led NGO and agency employees and technicians with the USAID project to exclude some producers from projects. The two reasons that NGO and agency representatives cited for needing to exclude producers were either because individual producers consistently struggled to meet quality requirements, or because the NGO and agency representative wanted to restrict the size of the producers’ association in order to protect its market advantage and avoid overproduction. In both of these situations, limiting the benefits of their programs to certain producers has the potential to lead to challenges to NGOs’ sociopolitical legitimacy.

In the first situation, an emphasis on promoting the production of quality products led some development projects to exclude producers who struggled to implement new practices or to follow technician advice. As a technician who provided assistance to Producers’ Association B explained, producers who weren’t able to adapt their practices to meet supermarkets’ demands for quality put the agreement between the supermarket and Producers’ Association at risk, since the Producers’ Association became liable for any losses incurred if that produce were subsequently rejected by the supermarket. In addition to the financial losses involved, repeated rejections could negatively affect the commercial relationship between the NGO and the supermarket.
In cases where producers struggled to meet the quality or volume demands required by this market, NGOs were put in a difficult position. On the one hand, they had a commitment to work with small producers to improve their production practices and increase their incomes; on the other hand, a producer who couldn’t meet quality or volume demands both jeopardized the NGO’s relationship with the supermarket and kept the NGO from reaching internal income improvement goals. For example, a technician working for the USAID project explained,

The problem is, the same goal that we have as a project doesn’t allow us much leeway with people who don’t comply. Because strictly speaking, over time they have to reach a certain income level. If you see that certain people, because of the way they work, aren’t going to reach that level, then it’s best to withdraw assistance… every technician takes a risk losing time with a producer who’s not going to make it, because he has a number of producers he has to help, but he also has to demonstrate a change in income. So, yeah, you have to make decisions, and that’s the part that nobody likes, but you do it.

Although several technicians similarly described the need to exclude producers who struggled to comply with supermarkets’ requirements, they also explained that failure to comply didn’t automatically lead to exclusion from development projects; the technician from Producers’ Association B reported that his NGO might downgrade a producer and suggest that he either return to selling on the local market or transition back to growing basic grains instead of higher value fresh produce. One of the technicians from the USAID project reported maintaining two different lists of producers, one for those who were officially registered in the program and therefore had to demonstrate income gains, and an unofficial list for those whom they had helped, but whom they doubted would be able to achieve the necessary income improvement goals. A manager for Producers’ Association A explained that, when producers struggled to meet volume demands, “we have to find new producers. That’s our only option, there’s no other way. Because honestly, there’s no way to force a producer, so we have to find another person who can substitute for him, or two more to replace that one guy.”
However, training additional producers to increase the volume that the producers’ association could offer to a supermarket buyer potentially led to another problem. In expanding the influence and benefits that their project could offer, development agencies had to be careful to avoid overproduction, which could lower prices and affect their ability to maintain their relationship with the supermarket, as described above. In many ways, this situation mirrors the “Faustian Bargain” which is referred to in the literature on Fair Trade and other sustainability standards to describe the inherent conflict between expanding benefits while maintaining a market niche (Goodman, 2010; Ponte, 2008). For example, the manager of Producers’ Association C explained,

It’s not that we’re exclusive, but just imagine. We’re 116 producers. And we have a very reduced market here. If we have more members, if we expand the association, it means we’d have a lot more [product] than we have and we wouldn’t have this market. This is the problem. More than anything this is the problem we’ve faced and why we don’t accept more members.

In these situations, we can observe the conflict that market-based development projects faced in trying to extend aid to as many producers as possible, while still maintaining viable commercial relationships and a competitive advantage in the marketplace. NGOs walked a thin line between their responsibilities to producers and their obligations to supermarkets, raising questions as to how this may have affected their legitimacy.

Producer exclusion from market-based development projects indicates the potential for challenges to NGOs’ sociopolitical legitimacy. Since part of the definition of NGOs, as representatives of civil society, is that they “are geared to improving the quality of life of disadvantaged people (Vakil, 1997, p. 2060), then the exclusion of some producers from programs, either due to their failure to meet supermarkets’ quality requirements or in order to preserve a market niche, could potentially lead to challenges to NGOs’ pragmatic and moral legitimacy. In this case, the socially prescribed role of providing benefits to producers, including both individuals and groups of small-scale producers who have traditionally been disadvantaged,
is key to establishing legitimacy internally with their constituents and externally with funders and partners. Deviation from this role, due to restricting benefits for some producers, therefore has the potential to challenge NGO legitimacy in this context.

**Commercial and Non-Profit Goals: Transparency and Challenges to Cognitive and Moral Legitimacy**

In the situations described earlier, a lack of supply chain transparency and the variability of the relationship on the buyer side made it difficult for NGOs to establish and maintain viable relationships with participating producers. Supply chain transparency was impeded by the fact that many producers were confused about what final markets NGO intermediaries sold to. Several producers were unclear about where their produce was ultimately sold, as the technician who worked for Producers’ Association B explained:

I mean, they know about [Producers’ Association A] for the most part, not Hortifrutí. Well, they know of Hortifrutí, but they don’t know about them directly. The same thing with [Producers’ Association B]. They know [Producers’ Association B], but they don’t know the supermarkets… What’s more, here they identify them, not as the supermarket or Hortifrutí, but rather they say that [Producers’ Association A] is stricter than [Producers’ Association B].

Earlier examples suggest that this lack of transparency in the supply chain became an issue when producers confused supermarket demands or general market trends with the requirements of a specific producers’ association. This confusion about whether market demands originated with intermediaries or with end markets, combined with the inconsistency that producers’ associations faced in their relationships with supermarkets, led to challenges to the cognitive and moral legitimacy of NGOs that performed vertical supply chain functions on the part of constituents, other organizations within the development community and supermarket partners.
Within the development community, NGOs faced cognitive and moral legitimacy challenges when they were seen as being aligned with one specific corporation and prioritizing mainly commercial goals. For example, the technician who worked with Producers’ Association B described the NGO coordinating Producers’ Association A, which had a direct and close relationship with Hortifruti, as follows:

…it’s just that they, it’s like they want to own you. And they tell you that you have to sell to them and you can’t sell to anyone else. So they close off that avenue of income… But our organization, we’re an NGO that’s directly an NGO, so for us there’s no problem. If a producer’s connected through [competitor NGO], the only thing that interests us is that the product is getting sold.

By referring to his own organization as “an NGO that’s directly an NGO,” this technician draws into question the identity of the NGO affiliated with Producers’ Association A, which he believed had compromised its ability to help producers increase their incomes by aligning itself exclusively with Hortifruti. He suggested that this shut out other marketing options for the producers that received assistance from that NGO. This particular NGO employee saw his organization’s role as more aligned with horizontal facilitation, which he appears to suggest is the appropriate roles of an NGO, while Producers’ Association A was in earlier stages and required more assistance with vertical coordination, therefore necessitating a more commercial role for the coordinating NGO. In this way, the cognitive legitimacy of the NGO as an organization that represents civil society was drawn into question, as was its moral legitimacy, or the question of whether it is “the right organization for the job” (Suchman, 1995, p. 581) and capable of providing benefits to producers.

In addition, an NGO’s cognitive legitimacy could be brought into question by its partner organizations, including supermarkets themselves. For example, an NGO employee who had worked with Producers’ Association A explained how Hortifruti accused his organization of being too business-oriented and deviating from its non-profit goals by acting as an intermediary for a producer whom they no longer directly helped with technical assistance:
Hortifruti’s come out and actually got nasty saying, well, you know, why do you call yourselves a non-profit organization, you’re out here picking up these other producers, production from these other producers, but they’re not your farmers anymore. And we said, yeah, they may not be our farmers anymore, but we have developed a relationship with them and we’re providing now the marketing relationship which they really enjoyed.

In this example, Hortifruti questioned whether marketing assistance was an appropriate part of the responsibilities of an NGO, suggesting instead that performing a commercial role was reserved for actors from the private sector. Here, the NGO’s role was blurred across its aid-oriented functions, such as providing technical assistance, and its commercial role, taken up to facilitate market access for producers. The NGO in this example had participated in several US-funded development projects that included public/private partnerships with Wal-Mart; it is therefore interesting that within this context, Hortifruti would criticize its dual role of non-profit and commercial entity, and raises analytical questions about whether Hortifruti views the NGO as a partner or business associate.

These two examples point to the potential challenges that NGOs that perform market functions may face to their cognitive and moral legitimacy. In both situations, the commercial role of the NGO affiliated with Producers’ Association A led external actors to suggest that this NGO didn’t conform to its socially prescribed role, and therefore could no longer be easily categorized as an organization that represented civil society. Since these challenges originated from another development organization and a supermarket partner, they have potentially important consequences. On the first case, horizontal networks within the development community play a vital role in market-based projects’ success, as demonstrated earlier, and in the second, if supermarkets perceive that an NGO is acting more like a business than a representative of civil society, this could affect their willingness to enter into a partnership with this NGO in the future.
Discussion

The research presented here found that the producers’ associations under study struggled to maintain horizontal relationships, including partnerships with supermarkets and providing assistance to small-scale producers, while simultaneously managing their commercial role in coordinating vertical supply chains. This shows the difficulties of embedding philanthropic activities in market-based systems, and demonstrates how public/private partnerships may be influenced more by commercial priorities than the elements of a partnership. The challenges that NGOs face in navigating philanthropic and commercial roles, including the potential to exclude producers and the subsequent threats to their legitimacy, are important if we want to assess public/private partnerships’ effectiveness at promoting development. In Glasbergen’s (2011) ladder of partnership activity, public/private partnership effectiveness can focus on analyzing internal relationships at earlier stages of partnership development, but ultimately should interrogate whether the partnership can affect the structures in which it is embedded. In this study, the partnerships were still in the initial stages of partnership development, which focuses on building trust and creating collaborative advantage (Glasbergen, 2011). However, rather than providing the bases of establishing trust and creating rules and regulations that might ultimately facilitate changes in the underlying system, the dynamics of the relationships between NGOs and supermarkets were more reminiscent of traditional supply chain relationships as observed in commodity chain analyses. Such traditional analyses emphasize the driving role of “lead firms” in controlling conditions of production and exchange along an entire supply chain:

This driving approach focuses on how a group of (lead) firms in specific functional positions along a GVC uses its leverage in supply markets to oblige its immediate suppliers to reshape their portfolio of activities and their relations with their own suppliers, in order to itself concentrate on a few highly profitable activities. At the same time, lead firms deflate suppliers’ prices by a combination of paying below-market rates for the new services that they receive and demanding lower unit prices where suppliers’ volumes increase as a result of supply-base consolidation. (Gibbon & Ponte, 2008, p. 381)
Similar to this passage, the public/private partnerships observed in Honduras consisted of Wal-Mart leveraging its position to get NGOs to tailor their activities towards training and integrating more small-scale producers into local supermarket supply chains. However, once this was accomplished, the increased volume of produce available to the local market then allowed Wal-Mart to drive down prices and bypass the producers’ associations.

The fact that these partnerships mimicked supply chain relationships in the commercial sector raises questions about the nature of the partnership itself. It is important to note here that a partnership is not equivalent to a formal contract. The partnerships described here resemble what are often referred to as an “informal model” of contract agriculture, in the literature on contract agriculture:

…where smaller firms or traders enter into annual agreements, often on a verbal basis, with a limited number of farmers, frequently for fruit and vegetables that require minimal processing. As firm size is usually small, the success of such initiatives partly relies on the extent to which other providers (such as the state and/or NGOs) can offer inputs, such as extension and credit. (Prowse, 2012, p. 24)

As noted earlier, studies often cite the participation of an NGO as a facilitator in these models of contract agriculture as essential to their success (Kudadjie-Freeman et al., 2008; Markelova et al., 2009, 2009; Prowse, 2012). However, as this research has shown, NGOs’ participation does not necessarily foster trust and ensure commitment of all parties. Indeed, it was a poor substitute for a legally binding contract, since both producers and supermarkets often disregarded the informal agreement when production and market conditions changed. NGOs were left with the responsibility for fostering commitment from both sides of this relationship, but with little power to enforce the informal agreement. While this finding therefore suggests that formal contracts may be a model for improving the relationships and outcomes between producers, NGOs and supermarkets, the history of contract agriculture points to the potential negative outcomes of the power imbalances that most often exist between small-scale producers and large agri-businesses.
(Prowse, 2012). As a result, many producers are hesitant to enter into contracts and fear that they will be taken advantage of, despite the potential that this model holds for protecting their interests, and the fact that they are also vulnerable in the context of informal agreements. These observations also raise questions about the role of supermarkets in partnerships, since in this study it appeared that Hortifruti entered into a partnership, but then treated the relationships like any other commercial transaction, leaving one to wonder if their contribution to the public/private partnership was intended only to provide a market.

The lack of supply chain transparency that was observed in this study also has important implications. This echoes findings from other research; for example, Bonanno and Cavalcanti (2012) found that in Brazil, producers identified brokers as the source of market demands and standards enforcement, not the end buyer. They suggest that,

This case-study, however, adds to the literature by demonstrating that corporate retailers maintain control without a noticeable local presence. They remain politically ‘invisible’ to workers and unions. Workers remain unaware that transnational retailers are the actors who are responsible for production requirements, working and production times, and the required labor qualifications. (p. 51)

The similarity between the study in Brazil and the present study in Honduras suggests potentially broader patterns in the role of supermarket retailers in developing countries. They here appear to provide a mechanism by which corporations can control development project activities to meet their own commercial needs, while outsourcing costs and responsibilities and remaining “politically invisible.”

These issues are important since they affect NGOs’ legitimacy, and particularly how they are perceived internally by their constituents and externally by other NGOs, partner organizations, and ultimately their donors. The consequences of the legitimacy challenges that NGOs faced in the public/private partnerships described above are therefore also important to consider. As explained in the review of the literature, individual challenges to an organization’s
legitimacy do not necessarily lead to either a legitimacy crisis or social sanctions. In this case, it is possible that NGOs’ commercial activities may lead to perceptions that these organizations are failing to meet the socially sanctioned role of contributing to development, which could lead to producers’ withdrawal from their programs or supermarkets disinclination to form partnerships in the future. Alternately, the market-oriented programs that NGOs manage as part of public/private partnerships could lead to a new, socially acceptable category for these types of organizations, thus giving them a chance to re-establish their legitimacy. It may also force us to reconsider an unproblematic category of NGOs that assumes that these organizations are morally superior than their counterparts in the private and public sector; as Chahim and Prakash (2012) state:

…instead of assuming that all NGOs are guided by principled beliefs and serve as agents of social change, scholars need to carefully examine their motivations and the context in which they function (Prakash and Gugerty 2010a). This can lead to a more realistic and nuanced assessment of NGOs as a category of political actors with their own share of limitations and compromises. (pg. 23)

Finally, it is also possible that, while the individuals interviewed in this study questioned some NGO’s legitimacy, this view may not be shared by the wider public, which may continue to designate NGOs as the appropriate representatives of civil society and therefore will continue to bestow them with the cognitive and sociopolitical legitimacy that they need to participate in development projects.

**Conclusion**

Where previous research has uncritically listed “market linkages,” among the responsibilities of NGOs in public/private partnerships, this paper has problematized this issue, arguing that taking on commercial responsibilities creates tension with NGOs’ aid-oriented goals, potentially excludes producers, and can jeopardize NGOs’ legitimacy. Ultimately, partnerships are not a substitute for formal contracts. In this study, the informality of the agreements between
supermarkets and NGOs that worked with producers’ associations led to the prioritization of commercial criteria over more aid-oriented goals. A relative lack of transparency along the supply chain led producers, other civil society actors and even supermarkets to question the legitimacy of NGOs as they attempted to balance their horizontal and vertical roles and responsibilities.

While these findings appear to negate the claim that the insertion of civil society actors into governance roles through public/private partnerships increases the effectiveness and legitimacy of these efforts, judging NGOs and the outcomes of public/private partnerships for reflecting a neoliberal orientation may ultimately be tautological. As McCarthy (2005) says in his analysis of community forestry programs:

…their role remains a supplementary rather than an oppositional one because they rarely if ever interrogate how the processes of capitalist modernity they criticize have constituted the very ‘communities’ they invoke as alternative managers, and because they take as given many core neoliberal presumptions, even as they struggle against their consequences. In short, they neglect to ask how civil society and communities are shaped for and by power, rather than merely against it. (pg. 1010)

Similarly, the role of NGOs in public/private partnerships illustrates how development NGOs are products of neoliberal, hybrid governance, even as their activities are expected to ease the transition of small-scale producers into this system. In this sense, NGOs may actually improve the effectiveness and legitimacy of public/private partnerships compared to situations where small-scale producers lack their assistance; however, they are ultimately constrained, and forced to make compromises, by the system within which they operate. As Chahim and Prakash (2012) remind us, NGOs “are driven by both principled and instrumental concerns,” (pg. 23). In contributing to the academic literature that warns against romanticizing the role of civil society in hybrid governance, this paper also demonstrates the limitations of market-based development projects, and the challenges inherent in attempting to reform existing systems by using the same logic and methods that initially created them.
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Chapter 3

Paper 2: Standards for Development: Food Safety and Sustainability in Wal-Mart’s Honduran Produce Supply Chains

As supermarket retailers emerged as a dominant force within the agri-food system in the past three decades, their efforts to secure the safety and sustainability of their supply chains have garnered much academic interest. This trend can be understood within the context of neoliberal governance, where the management of corporations’ transnational supply chains fundamentally challenges the scope of regulations based in any one nation state. As a result, corporations have begun to self-regulate, leading to the development of private standards that respond to social movement concerns by governing the conditions of production and exchange along supply chains (Busch & Bain, 2004; Cashore, 2002). Private standards also allow retailers to compete on the basis of quality by differentiating certain products in the marketplace according to the potential health, environmental or social benefits that they offer. Corresponding systems of certification and labeling help to communicate these qualities to end consumers, who are often willing to pay a price premium in exchange for the assurance that the product meets certain specifications (Busch, 2007; Hatanaka et al., 2005).

These private standards and certification systems have led to the creation of niche markets and products, and correspond to a shift in retailing strategy from competition based on price to competition based on quality (Busch & Bain, 2004; Busch, 2007). In describing this difference, Busch (2007; 2011) has suggested that the purpose of some standards is to standardize products and processes, thereby creating mass markets and price-based competition, while the purpose of other standards is to differentiate, thus establishing niche markets based on quality as a form of non-price competition. The increasing prominence of quality standards in the agri-food
system has led Friedmann (2005) to claim that there is a growing bifurcation between the standards that are used in these niche and mass markets, leading to a divide between, “transnational classes of rich and poor consumers,” (p. 252).

This paper argues, however, that private sector food safety standards embody a challenge to this emerging system of bifurcated standards by promoting quality, yet not using this as a point of non-price competition. For example, GlobalGAP (Good Agricultural Practices) standards combine a focus on microbial contamination with broader environmental and social sustainability issues, such as reduced chemical usage and workers’ rights (Bain, 2010a; Campbell, 2005). At the same time, retailers do not typically use food safety certification as the basis of competition, and do not offer producers a price premium for certified products (Bain, 2010b; Busch, 2011; Hatanaka et al., 2005; Ouma, 2010). In this case, the GlobalGAP standards focus on reforming the conditions of production for entire agricultural sectors, therefore promoting standardization, while simultaneously addressing sustainability in a way that is reminiscent of quality standards (such as organic or Fair Trade) that are intended to differentiate products and processes.

The tension between standardization and differentiation in the goals of GlobalGAP standards is especially important to consider given that supermarket retailers are beginning to implement these standards in domestic markets within the Global South, as is the case with Wal-Mart in Central America. Domestic procurement by supermarket retailers in the Global South often necessitates the integration of small-scale growers, who may lack the capacity to adopt the new practices that food safety standards require, into local retailing supply chains (Balsevich, Berdegué, Flores, Mainville, & Reardon, 2003; IAASTD, 2008a; Reardon et al., 2003). As a result, retailers such as Wal-Mart form public/private partnerships with non-governmental (NGO) development organizations in order to provide the training and resources that small-scale producers need to be able to participate in the retailing market (Hellin et al., 2009; Michelson,
This allows retailers to establish a more consistent domestic supplier base while also fulfilling the goals of their Corporate Sustainability Programs.

The fact that the GlobalGAP standards include aspects of sustainability without offering a price premium, together with their implementation in domestic markets in the Global South through public/private partnerships, raises questions about how these standards may influence the content and outcomes of development projects. Specifically, this paper asks: How are food safety standards defined and implemented through strategic alliances between Wal-Mart and development NGOs? How have food safety standards affected development agencies’ outreach programs in cases where certification is not yet operational? And finally, what is the perceived relationship between food safety and sustainability, and what are the implications of these perceptions for sustainable development? While previous research on standards has focused on the interactions between non-governmental organizations, the state and corporations in the standards-setting process (Constance & Bonanno, 2000; Giovannucci & Ponte, 2005; Klooster, 2005), or on the effects of certification on small-scale growers (Hernández, Reardon, & Berdegué, 2007; Michelson, 2013; Minten, Randrianarison, & Swinnen, 2009), this paper takes these questions one step further to ask how food safety standards may permeate agricultural practices outside the purview of formal certification systems, thus extending the reach of corporations’ ability to define sustainability in the development context.

This research addresses these questions through qualitative research conducted in the Central American country of Honduras, where Wal-Mart is the largest supermarket retailer and is engaged in strategic alliances with development organizations to create and implement locally-adapted food safety standards. Findings from this research suggest that the process of adapting

\[ \text{localg.a.p.} \]

Since the time that this research was conducted, GlobalGAP has come out with a standard that is specifically designed to enhance retailers’ ability to source from smaller-scale, local producers in emerging markets, called localg.a.p. This research does not directly address these standards, since they were issued
the GlobalGAP standards allowed NGOs to co-construct the definition of “quality” for Wal-Mart’s local supply chains in Honduras. At the same time, it also shifted the responsibilities and costs of monitoring and enforcing the standards onto these agencies, and may have led to the exclusion of some producers. In addition, many development agencies incorporated some basic elements of food safety into their outreach efforts, even when formal certification was not the official goal. While the GlobalGAP standards claim to promote sustainability, this research suggests that the simple conflation of food safety and sustainability obscures potential conflict between these two concepts, as well as the possibility for differences between the formal standard and how it is implemented on-the-ground. In this case, while food safety standards may have positive impacts by reducing chemical usage, this research also points to areas of tension in integrating food safety with the existing practices of smallholder farming systems, particularly with regards to livestock and the use of manure in compost.

This paper begins by examining private standards as systems of governance, and compares the development of private food safety standards to “eco-labels,” such as organic and Fair Trade, in order to conceptually explore the interrelationships between food safety standards, sustainability, and development. After describing Wal-Mart’s sustainability initiative in Honduras, I present my methods and findings, including a discussion of how supermarket partnerships with NGOs allow for corporate control of production practices outside of the third party certification system, which suggests that questions of market exclusion should be shifted to examine how NGOs manage non-conforming producers in their programs. Additional discussion addresses the potential effects on the sustainability of smallholder farming systems when they are integrated in supermarket supply chains as part of a rural development strategy. Examining the development implications of standards that aim to simultaneously standardize production.
processes and define sustainability, without using this as point of differentiation, will be increasingly important to consider as food safety standards become more widespread in retailing supply chains in the Global South.

**Governance and Standards: Food Safety, Sustainability and Development**

Governance in the agri-food system has followed many of the same trends that have been observed more broadly in terms of shifting governance patterns under globalization and neoliberalism. Under neoliberalism, there has been a “rolling back” of the state’s responsibilities, which in large part are shifted to private actors within the market system (Cheshire & Lawrence, 2005; McCarthy & Prudham, 2004). At the same time, this “roll back” necessitates a “roll-out” that, “…attempts to re-stabilize and re-regulate the system with a patchwork of regulatory institutions and bodies, frequently including public-private cooperation, multi-stakeholder, and/or non-governmental organizations, voluntaristic mechanisms, and reliance on the social responsibilities of rational economic individuals and ethical corporations,” (Klooster, 2010, p. 118). Although it is argued that the state still has a role to play, many new forms of regulation occur in public/private arrangements that include state, civil society and private actors, and which utilize market mechanisms to regulate economic transactions and environmental performance (Busch & Bain, 2004; Constance & Bonanno, 2000).

Standards are one of the predominant market mechanisms that are used to regulate supply chains, and their content and system of enforcement often reflect corporations’ attempts to appease social movement and consumer concerns about production processes, trade conditions and product attributes (Busch & Bain, 2004; Cashore, 2002; Hatanaka et al., 2005; Klooster, 2010). In the agri-food system, standards are most often regulated through third party certification systems, where outside organizations audit producers and other supply chain
participants against purportedly objective, science-based standards (Busch & Bain, 2004; Hatanaka et al., 2005; Hatanaka & Busch, 2008). Through third party certification, companies can outsource the responsibility of regulating their supply chains, and therefore the costs and liabilities, to outside organizations (Hatanaka et al., 2005; Renard, 2005). As a result, standards are often considered the vehicle by which corporations control, “…what food is grown where, how, and by whom,” (Konefal & Mascarenhas, 2005, p. 82).

By responding to consumer demand for products with certain qualities, standards allow corporations to differentiate the products they sell, and therefore to compete on the basis of quality rather than price (Busch & Bain, 2004; Busch, 2007). As a result, it is possible to distinguish between standards whose purpose is to determine the baseline criteria for product attributes, and those that add value and create a niche market (Busch, 2007, 2011). For example, the World Trade Organization’s (WTO’s) Sanitary and Phytosanitary (SPS) Agreement establishes food safety regulations that draw upon the Codex Alimentarius’ global food safety standard (Busch & Bain, 2004; Busch, 2011). The purpose of the SPS Agreement is to standardize food safety regulations between countries in order to facilitate international trade and to prohibit countries from using food safety as a nontariff barrier to trade (Busch & Bain, 2004). In comparison, “eco-labels,” such as organic or Fair Trade, determine production processes that serve to differentiate products in the wider marketplace, thus creating a niche market that most often includes a price premium for producers (Guthman, 2004; Raynolds, 2000).

In considering the potential convergence and divergence between food safety and sustainability, it is important to examine the basis of differentiation for these eco-labels and to analyze their potential relationship to development. In the case of eco-labels, various social movements and NGOs have put pressure on specific corporations and industries to develop standards with the express goal of introducing environmental and social criteria into production and trade conditions. For example, one of the premises behind the social movement that led to
the development of organic standards is the idea that industrial agricultural systems externalize certain costs, such as environmental degradation (Guthman, 2004). The price premium in the organic system therefore recognizes that producers may have higher costs or lower yields because they internalize these costs through their practices. While organic agriculture emerged as a critique of the environmental externalities in industrial agriculture, Fair Trade emerged as a critique of unequal trade relations and the failure of the development project to adequately address poverty in the Global South (Dolan, 2010; Raynolds, 2000, 2012). Since Fair Trade usually connects producers in the Global South with consumers in the Global North, the price premium is viewed as a mechanism to compensate for the inequalities that result from international trade. For example, in addition to the regular premium that Fair Trade coffee growers receive, a certain “social premium” is held aside for social programs and development efforts within coffee-growing communities (Raynolds, 2009).

In comparison, food safety standards have traditionally been developed and maintained through state regulations as a way to protect consumers (Busch, 2011). However, in response to consumers’ perceived failure of the state in the face of food safety crises (especially mad cow and hoof and mouth diseases), private food safety standards were developed in the early 1990s (Marsden, Lee, & Thankappan, 2010). One of these standards, EurepGAP (Euro-Retailer Produce Good Agricultural Practices), was initiated by a group of European retailers, who invited government, food and environmental NGO, and producer and consumer organization representatives to participate in the standards-setting process (Campbell, 2005; Marsden et al., 2010). Although the membership of this coalition is still primarily European, the standards were renamed GlobalGAP in 2007 to reflect the increasingly international scope of their influence, including the participation of non-European corporations in the governance process (including the US-based corporations Wal-Mart, McDonalds and Wegmans, as well as several Asian, Eastern European and South African companies), in addition to the fact that over 100,000 growers are
certified worldwide (“GlobalGAP,” n.d.). While EurepGAP aimed to increase consumer confidence in the face of ever-increasing food safety scares, this early form of Good Agricultural Practices standards were designed to define sustainable agriculture in a way that would be more amenable to conventional practices than stricter organic standards (Campbell, 2005; Marsden et al., 2010). In comparison to eco-labels such as organic and Fair Trade, food safety therefore promotes quality, but without offering a price premium. Instead, the widespread use of these standards has made them “de facto mandatory,” and they often are seen as conditioning the terms of market access for producers (Busch & Bain, 2004; Busch, 2011; Hatanaka et al., 2005; Henson & Reardon, 2005; Ponte, 2008). Since food safety scandals have negative repercussions that affect the reputation of the entire industry, food safety certification is not usually used by individual companies as the basis of competition (Bain, 2010b; Busch, 2011; Ouma, 2010).

Therefore, while standards such as Fair Trade define quality as the promotion of rural development goals through the distribution of a price premium, the GlobalGAP standards appear to have the goal of both standardizing production and promoting quality, but without offering a price premium. Because of this, it is important to consider how these private food safety standards affect conditions for producers in the Global South, and how the implementation of GlobalGAP may intersect with development projects. While previous development strategies focused on high-value fruit and vegetable production for export markets, recently there has been growing interest in domestic markets in the Global South by retailers, development agencies and researchers alike (Balsevich et al., 2003; Berdegué et al., 2005; McMichael, 2004; Reardon & Berdegué, 2002). This focus on domestic markets is due in part to their size, and in part to the rapid expansion of supermarkets within developing countries, and Central America in particular. According to one calculation, for example, the domestic market for fresh fruit and vegetables within Latin America exceeds that for export by 2-3 times (Reardon & Berdegué, 2002). While some previous research has indicated that supermarkets have not yet expressed interest in the
coordination and costs of implementing food safety in domestic markets in the Global South, most of the evidence from Central America suggests that supermarkets in this region are actively working to improve the quality and consistency of their local supply chains (Balsevich et al., 2003; Berdegué et al., 2005; Hernández et al., 2007; Reardon & Berdegué, 2002). In these countries, supermarket retailers have formed strategic alliances with development agencies to provide the training and resources necessary to integrate small-scale growers into the domestic retail market (Boselie, Henson, & Weatherspoon, 2003; Hellin et al., 2009; Michelson et al., 2012; Narrod et al., 2009). For a company like Wal-Mart, which is the largest retailer both globally and within Central America, these public/private partnerships correspond with the company’s global sustainability initiative, which emphasizes providing training to smallholders in the Global South in order to increase their ability to access markets (“Global Sustainable Agriculture Goals,” 2010). Here public/private partnerships therefore have the goal of not only improving the quality of local produce in developing countries, but also of contributing to sustainable development in these regions.

It is therefore important to examine the potential interrelationships between food safety standards and sustainability in the development context. First, the original EurepGAP standards focused on integrated systems, such as Integrated Pest Management (IPM), in order not only to reduce chemical contamination, but also to define a version of sustainability that, “…recognize[s] the importance major corporations and multinational supply bases place on ensuring agriculture is undertaken in a responsible way that respects food safety, the environment, workers’ welfare and the welfare of animals (“EUREPGAP,” n.d.).” While the early mission of EurepGAP was to create standards for both food safety and sustainability, it has been argued that the newer version of GlobalGAP is, “..now more focused on food safety and hygiene issues,” (Marsden et al., 2010, p. 165). The current GlobalGAP standards focus on reducing microbial contamination through production practices and hygienic harvesting and handling, promoting appropriate chemical use,
and at the same time regulating the conditions for animal welfare and wage labor, although the specifications for the latter two are arguably much weaker than those related to chemical usage or contamination (Bain, Ransom, & Worosz, 2010; Campbell, 2005; Fuchs et al., 2009; van der Grijp, Marsden, & Cavalcanti, 2005). In addition, the GlobalGAP standards have been criticized for being created with little participation from representatives in the Global South, with the result that their content could be less applicable to the particular environmental and social contexts of producers in these regions (Campbell & Le Heron, 2007; Campbell, 2005).

In terms of the sustainability outcomes that GlobalGAP standards might engender, some research has shown positive changes in production conditions in developing countries, especially in terms of reducing the use of pesticides. While early participation in transnational supermarket supply chains led many growers in the Global South to increase chemical use in order to comply to strict aesthetic standards, studies have demonstrated that after the implementation of EurepGAP standards, these export growers reduced their pesticide use (Berdegué et al., 2005; Galt, 2008; Hernández et al., 2007). At the same time, research on the implementation of standards in transnational supply chains has indicated that there is the potential that they could exclude small-scale growers in the Global South because of the costs and complexities of compliance (Balsevich et al., 2003; Boselie et al., 2003; Campbell, 2005; Reardon et al., 2003). However, the outcomes of research in this field are mixed, and some has shown that producers with certain financial or natural resources are able to participate in, and benefit from, supermarkets’ transnational supply chains (Aparicio, Ortiz, & Tadeo, 2009; Berdegué et al., 2005; Maertens & Swinnen, 2009; Minten et al., 2009; Reardon et al., 2009).

This review of the literature suggests the importance of examining how food safety standards are defined and implemented through the strategic alliances between Wal-Mart and development NGOs, how they are integrated into development projects, and how this might affect what is considered to be sustainable in the development context. The next section will provide a
brief overview of Wal-Mart’s history and sustainability program in Honduras before drawing on qualitative field research to explore these questions.

**Wal-Mart in Honduras**

Corporate involvement in Honduran agriculture is not new, as the country has a long history of US companies that controlled banana production and exportation in the Northern part of the country (Rudolph, 1983; Soluri, 2005). However, the entrance of foreign-owned supermarkets is a relatively recent trend that began in the 1980’s as these food retail corporations expanded into the Latin American region as a result of trade liberalization and the saturation of their home markets (Reardon & Berdegué, 2002; Reardon et al., 2003). In this context, Wal-Mart became the largest supermarket retailer in Central America when it acquired a majority share in the CARHCO group (Central America Retail Holding Company) in 2005, which itself represents the consolidation of several regional chains (Gonzalez-Vega et al., 2006; Michelson et al., 2012). In doing so, Wal-Mart also acquired Hortifruti, a regional distribution company with a long history of providing technical assistance to small-scale growers, mostly in its home country of Costa Rica (Alvarado & Charmel, 2002; Gonzalez-Vega et al., 2006).

Wal-Mart’s growing interest in domestic markets in the Global South also coincides with the company’s sustainability strategy; in 2010, Wal-Mart committed to sourcing one billion dollars worth of produce from one million small and mid-size growers by 2015, including providing training to these growers in “sustainable farming practices,” and increasing their incomes by 10-15 percent (“Global Sustainable Agriculture Goals,” 2010). This goal coincides with development strategies that see market integration as the best way to move small-scale growers out of poverty, with a particular emphasis on the growing domestic retailing market (Hellin et al., 2009; Narrod et al., 2009). In addition, in Honduras and other Central American
countries, Wal-Mart has officially partnered with federally funded US aid agencies, such as the USAID (United States Agency for International Development) and the Millennium Challenge Corporation (Gonzalez-Vega et al., 2006; Michelson et al., 2012; Narrod et al., 2009; “USAID Press Release,” 2011). These partnerships reflect broader trends in development governance, where public/private partnerships between businesses and NGOs often replace government services in areas such as agricultural extension (Austin, 2007; Biermann, Chan, et al., 2007; Bitzer, 2012).

The combined effects of the trends outlined above necessitate a new research agenda to address questions about how food safety standards are defined and implemented for domestic markets in the Global South, and how they may influence the trajectory of sustainable development in these countries. To address these questions, I next describe my research methods for examining Wal-Mart’s local produce supply chains in Honduras.

**Methods**

This analysis is based on qualitative data collected between July and November of 2011 in Honduras. The USAID and Millennium Challenge Corporation projects that partner with Wal-Mart subcontract out technical assistance to a local agricultural university and several non-profit development agencies. After identifying these development agencies, snowball sampling methods were used to identify other organizations and producers involved in Wal-Mart’s local produce supply chains. In this way, a purposive sample of producers was constructed to reflect regional variation, different scales of production, and methods of sale to supermarket supply chains (see Table 3-1).
Projects were selected across the Eastern, Central and Western regions, with about two thirds of the interviews taking place with individuals involved with projects in the Eastern/Central region and one third in the West. The Eastern and Central regions have smaller scale farms that mix production for subsistence purposes and for local markets alongside larger, more industrialized farms that produce nearly exclusively for export (Kammerbauer & Moncada, 1998). This is common in Honduras, where agricultural policies subsidizing export production tend to concentrate horticultural production for export on large landholdings, while smaller producers work marginal land and grow traditional crops for domestic consumption (Schortman, 2010b; Stonich, 1989). In comparison, the Western region has markedly higher levels of poverty and fewer infrastructural resources (Falck, 2004). While Honduran agricultural policies and subsidized US grain imports have caused rural restructuring and outmigration in Honduras, small farms persist; approximately 83 percent of all farms in Honduras were small-scale in 2001, defined as five or fewer hectares of land in production, and 36 percent of the working population was employed in the agricultural sector (Sanders, Ramírez, & Morazán, 2006). While the goal of many development projects in Honduras is to shift these small producers from staple crop production (such as beans and corn), and towards high-value fruit and vegetable production for

### Table 3-1. Selected Producer Characteristics

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>15</td>
</tr>
<tr>
<td>Central</td>
<td>8</td>
</tr>
<tr>
<td>Western</td>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hectares in Cultivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than One</td>
</tr>
<tr>
<td>Two to Five</td>
</tr>
<tr>
<td>Six to Ten</td>
</tr>
<tr>
<td>More than Ten</td>
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</table>

<table>
<thead>
<tr>
<th>Method of Sale to Hortifruti</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
</tr>
<tr>
<td>Through Producers’ Association</td>
</tr>
</tbody>
</table>
domestic supermarkets, the majority of growers in this study continued to grow basic crops for household consumption alongside these newer crop types.

For this research, I conducted semi-structured interviews with a total of 32 small to mid-size Honduran fruit and vegetable producers, the majority of whom (28) had five or fewer hectares and the majority of whom (25) sold their products through a Producers’ Association. Of the 32 producers in the sample, only three had received third party GAP certification by a development agency or the government, while nearly all had received some kind of technical assistance from development agencies or projects, most often addressing some elements of food safety (as explored further in the analysis); also, two of the producers were certified organic growers. In addition, 22 individuals representing ten different organizations that provided technical assistance and/or facilitated market integration for small-scale growers as part of development projects were interviewed as part of this study. Organization representatives included non-profit development agency employees, technicians working on projects funded by foreign governments, University employees, and one employee each from Hortifruti and from the Honduran Department of Agriculture. In several cases, research participants who worked for a development agency or project had previously worked for Hortifruti, and also maintained affiliations with the local agricultural university. Producers and facilitating organization representatives were asked about issues related to the types of agricultural practices that were promoted as part of development projects, how these were monitored, and how they related to sustainability. Issues of how quality was defined and implemented through food safety standards, the incorporation of food safety standards in development projects without formal certification and the interrelationship with sustainability are explored further in the next sections of this paper.
Findings

Adapting Food Safety Standards: Negotiating Quality and Premiums

As is true in many parts of the Global South, and in keeping with the theoretical concept of the shift in governance away from the predominance of the nation-state, the Honduran government does not have fully operational food safety certification in place for its domestic market. Therefore, instead of collaborating with the government, Wal-Mart has worked more with development agencies and projects to define and implement food safety standards for its domestic supply chains in Honduras. Hortifrut, Wal-Mart’s regional distribution company, had originally attempted to perform certification services internally, but, as one former employee reported, the task proved to be beyond its capacity to undertake. Hortifrut’s buyers still provided some technical assistance, but there was variability in producers’ reports of the frequency and content of Hortifrut’s visits. Instead, over the past two years, food safety training and certification services were provided through a partnership between Hortifrut and a regional development agency. Neither Wal-Mart nor the growers paid for these services, since they fell within the agency’s own goals of promoting more environmentally sustainable farming techniques under the auspices of food safety certification. The fact that this development agency bore the costs of training and certification is important to note for two reasons. First, it is illustrative of how the certification process allows companies to shift costs and responsibilities onto third parties, in this case onto development NGOs. Second, the costs of complying with food safety certification are often cited as a major barrier that impedes the participation of small-scale growers in supermarkets’ supply chain (Campbell, 2005; Hatanaka et al., 2005; IAASTD, 2008a). In this case, the agency more than quadrupled the number of small-scale farmers who were certified for the domestic market, but was still only able to certify about 30 producers in
2009-2010, compared to the 284 (not including individual members of producers’ associations and cooperatives or seasonal and intermittent growers) that a Hortifruti employee listed as suppliers. Since certification services were paid for by the agency, this suggests that there were other barriers beyond the cost of certification that made it difficult for producers to comply.

In this case, the low rate of formal certification was due to the specific challenges of implementing food safety practices with small-scale growers. In order to facilitate this process, Hortifruti worked with various development projects and agencies to create an adapted version of the GlobalGAP standards that was tiered into three sections. NGO respondents who had been involved in this process of adaptation (either in their current capacity as an NGO employee or as part of their previous employment with Hortifruti) explained that the first tier was designed to address the most key, basic precepts of food safety, and the two subsequent levels progressively covered more advanced issues. One development project employee who had formerly worked for Hortifruti explained that the most basic level of certification under this system encompassed about 60 percent of the GlobalGAP checklist, and focused more on farming practices and less on post-harvest facilities. Under the most basic certification level, NGO representatives explained that there was an emphasis on pest and disease control practices, as well as on general cleanliness and hygiene, in order to reduce microbial and chemical contamination.

In this way, the process of adapting the GlobalGAP standards allowed Wal-Mart (through Hortifruti) and this development agency to determine jointly which aspects they considered to be the most vital, and which therefore needed to be included in the first tier. In addition to focusing on the content of the standard, an employee from the development agency that worked with Hortifruti on adapting the standards emphasized the importance of considering how the producer addressed the different control points. She reported helping producers find low-cost solutions and use readily available materials to meet the adapted standard while avoiding high investments, and explained that in the past she had seen farmer cooperatives fail as a result of the heavy debt
incurred by trying to meet the full GlobalGAP standards, particularly in the area of post-harvest processing facilities. For this reason, her agency’s focus was on ensuring that:

…we can say that the product that they’re offering is free from physical, chemical or biological contamination. Produced with a very rustic infrastructure, but meeting all the requirements… So basically what we’ve done is adapt the pillars of food safety and good practices to the reality of the Honduran producer.

This NGO employee gave several examples of how she implemented the adapted standard when she certified producers; for example, she described how, instead of having a facility with running water for workers to wash their hands in the fields, she would allow a small producer to have a simple bucket of water with an improvised spigot and some disinfectant soap. In another example, she reported having to negotiate with Wal-Mart:

The other issue is the presence of animals in the field. You know, farmers have chickens, dogs, and Wal-Mart said, “No animals.” But we said, “Yes animals, but confined.” So chickens in the chicken coop. Because they eat their eggs, they eat their meat, we can’t eliminate them completely because it’s part of their culture.

The development agency staffer’s view that she could push back and negotiate with Wal-Mart indicates that she saw her agency’s relationship with the company as extending beyond being simply instrumental, where the agency provided services to Wal-Mart by training and certifying producers, to being more of a partnership. As such, she viewed the process of adapting the GlobalGAP standards as a co-construction of defining food safety in the specific context of rural Honduras, including how these standards accounted for existing farming systems and the presence of livestock.

While adapting standards to small farm conditions brought certification in closer reach of small-scale producers, a technician working with the USAID project said of the most basic level of certification, “In this way, it was relatively simple and didn’t have a lot of costs, but you know, it was still a lot for people.” Finding incentives for producers to implement even the basic food safety standards challenged development agency technicians, who explained that this required a
change in production practices that not only incurred costs (however low), but also necessitated a new mentality and culture for many producers. In addition, producers were not necessarily compensated for these changes with higher prices than they received in traditional markets, although the consistency and formality of their market relationships with Hortifruti were often preferable to the volatility of traditional markets.\textsuperscript{26} In order to induce both a willingness to change and the motivation to continue implementing new practices, development agencies attempted consciousness-raising to encourage a sense of social responsibility by explaining to producers that food safety practices protected consumers, the environment and their own health. In addition, most development NGOs had technicians in the field who monitored quality and enforced new practices. One technician who worked with a producers’ association reported that in addition to teaching producers who sold to supermarkets new safety techniques, he was required by the NGO he worked for to stay in the field for the duration of the time it took a producer to perform a certain practice to ensure that it was done correctly. A technician working with another producers’ association explained that his aid agency provided inputs rather than credit to producers so that the agency could control what type of chemicals producers used, and ensure that they avoided prohibited substances. In this way, NGOs assumed the responsibility for monitoring and enforcing food safety standards, performing an important governance function in Wal-Mart’s local produce supply chains.

Beyond fostering changes in producer behavior in these ways, representatives from development agencies believed that more producers would undertake certification if certified produce were a differentiated product with its own label and price premium. This perspective suggests that, although food safety standards were designed to standardize products for a mass

\textsuperscript{26} As described in Chapter 2, Paper 1, of this dissertation, Hortifruti established a pre-season price range with some Producers’ Associations, which protected producers from the fluctuating prices of the open market. Therefore, depending on the time of the season, prices offered through Hortifruti may have been higher or lower than prices offered by traditional markets. It is also important to note that, as described in Paper 1, there was also variability in Hortifruti’s commitment to these pre-season prices.
market, in their implementation they may promote quality in a way that adds value and therefore deserves a price premium and niche market. An NGO employee in charge of providing food safety training and certification to producers noted that Wal-Mart continued to buy from farms that weren’t certified, and therefore described the price premium as a necessary incentive to motivate producers to continue implementing food safety practices. As she said, “We want the people who were certified in 2009 to continue doing it, and sustainability is very complicated when there aren’t incentives.” This quote illustrates her conflation of food safety and sustainability, as well as her belief that food safety certification deserved a price premium.

Respondents from several development agencies cited a project in Guatemala, where a joint initiative between the government and private exporter companies resulted in a food safety label and certification system called PIPAA (Programa Integral de Protección Agrícola y Ambiental, or Agricultural and Environmental Protection Integrated Program; Balsevich et al., 2003; Berdegué et al., 2005). As supermarkets entered the Guatemalan market, this public/private food safety label was applied to products sold domestically (Berdegué et al., 2005). In order to support differentiation in the Honduran market, several development agency employees and the government official cited the need to increase consumer awareness and demand for safer produce. Some suggested having signs and banners in supermarkets, with certified produce in a separate section, while others wanted to see an actual label similar to that used in Guatemala, and accompanied by a price premium.

While representatives from two development agencies that worked together on the issue of food safety certification mentioned that they’d received positive responses from Hortifruti about finding a way to compensate growers for certification, the employee at Hortifruti resoundingly rejected the idea that food safety certification deserved a price premium:

Look. I think that on the global level people have misinterpreted the purpose of Good Agricultural Practices and Good Manufacturing Practices. Nobody’s going to pay you for them. Nobody. The costs are a personal issue. Bad quality is
what’s expensive; good quality doesn’t cost anything... So, the idea that we should pay a premium for Good Agricultural Practices? No. It’s not done. Nobody’s going to do it.

This disconnect between the perspective of the development agency representatives and the Hortifruti employee also included the issue of preferential treatment, in which a development agency representative was under the impression that Hortifruti would buy from certified growers before non-certified ones. This was directly contradicted by the Hortifruti employee, who commented that it wouldn’t be fair to buy only from certified growers.

In this case, despite the fact that Wal-Mart continued to work with development agencies to promote certification, it appeared that complying with standards and getting certified provided little benefit in the marketplace for producers, which may be due in part to the fact that the company didn’t have a wide enough supplier base to stop buying from growers who didn’t meet food safety standards (Balsevich et al., 2003). In addition, the company’s resistance to a food safety certification label, or separate section in the supermarket for certified products, has some logic; assuring consumers that products from certain farms are safe implicitly suggests that the rest of the produce that the company sells is somehow unsafe. While this example is in keeping with research that indicates that supermarkets don’t compete on the basis of food safety, it highlights the tension that emerges between how food safety standards are used to promote quality, thereby requiring a substantial change in practices by growers, and supermarkets’ desire to treat food safety certified produce as an undifferentiated commodity. Although GAP standards are intended to transform the conditions of production for the entire industry, since they don’t include a price premium to compensate growers, it falls to NGOs to enforce changes in agricultural practices in order to assure production of higher quality products. Therefore, the next section will explore how development NGO employees saw these practices fitting into their broader outreach efforts and development goals, as well as how they perceived the relationship between food safety and sustainability.
Food Safety and Sustainability in Agricultural Outreach Programs

Without the availability of either preferential treatment or a price premium, finding incentives for growers to adopt GlobalGAP practices proved an ongoing challenge for development agencies. Therefore, while the agencies described above were working towards increasing producer certification with the adapted standard, other agencies focused more on integrating basic food safety practices into their outreach programs without formal certification. While they may have seen certification as a long-term goal or necessity for market access, at the time of the research they believed that it was more important to focus on promoting good agricultural practices. In asking research respondents in Honduras about the types of practices that NGOs promoted, I generally avoided the term “sustainability,” which is less widely used and understood in the Honduran context, especially by small-scale producers. Instead, I asked more generally about what respondents considered to be “good practices.” In doing so, it often proved difficult to distinguish between what people saw as “good agricultural practices,” (the practices that growers should implement to improve both production and conservation), compared to “Good Agricultural Practices,” (the elements of food safety standards). While this was partly due to semantics, it also reflects the intention of the GAP standards to define agricultural practices more broadly, beyond only the scope of food safety. The distinction between “good agricultural practices,” and GAPs was especially difficult to separate during interviews with growers in situations where there was no formal certification; in these cases, NGOs introduced food safety practices along with other practices meant to improve productivity or environmental conservation, making it nearly impossible for growers to distinguish the exact issues that would be considered specifically “food safety” related.

Despite avoiding this term in terms of asking about actual practices, NGO representatives and growers were all asked how they defined “sustainability” conceptually, and whether they were familiar with the term.
In comparison, respondents involved with development projects and agencies were more often able to identify the elements of food safety within their outreach activities. For example, one respondent who worked for a cooperative that sold chemical inputs and offered marketing services and technical assistance to producers said, “…we’ve always been focused on this, on maintaining good practices, but not as a certification, since there isn’t one. Our technical assistance is focused on making sure that the producers make more rational use of the products that we sell them.” Another NGO employee involved with the current USAID project in the Western region of the country explained that, compared to the Millennium Challenge Corporation’s project, the USAID project was less focused on food safety since they felt it wasn’t economically feasible for most producers. However, he also said that while it wasn’t the specific focus, many of the principles of GlobalGAP were covered by the nutrition and health component of their project. While producers therefore weren’t formally evaluated or obliged to comply, he believed that by promoting cleanliness in the home and around people’s fields they were indirectly promoting elements of food safety. Another best practice that addressed both “good practices” and “Good Practices,” that was commonly mentioned by development agency technicians was drip irrigation systems. Technicians explained that drip irrigation helped producers improve efficiency by reducing water and chemical use. Individual producers gained by reducing costs and improving yields, while using fewer chemicals addressed a goal that coincided with the precepts of GlobalGAP standards. In these ways, NGO employees described how the precepts of food safety were incorporated into their outreach efforts even when certification was not the ultimate goal.

On the other hand, some respondents were much clearer about the delineation between promoting basic practices and the formal GAP standards. For example, one development agent explained:
There’s some confusion with this. Here, we promote good agricultural practices-preparing the soil, beds, planting practices, planting schedules, but what really counts as Good Agricultural Practices would be using protective gear when applying insecticides, having a place to wash pumps, proper handling of agrichemicals, having a place to deposit empty agrichemical containers... it’s just that certification doesn’t really directly deal with production processes. It’s more about social responsibility. Social responsibility and the fact that you’re producing products for other people in a way that’s better for the environment and environmental conservation.

In distinguishing between “good agricultural practices” and “Good Agricultural Practices,” this NGO employee made the claim that he didn’t see GAPs as pertaining to production practices. This counters a common theme in the standards literature, which describes food safety as a process-based standard precisely because it focuses on production processes that contribute to the end qualities of the product (Barham, 2002). At the same time, this quote clearly demonstrates that the respondent equated GAPs with social responsibility towards both consumers and the environment. This suggests the need to explore development workers’ perception of the link between food safety and sustainability.

As mentioned earlier, in its original formulation GlobalGAP was intended to be a standard that encompassed both food safety and sustainability, while in more recent years it has shifted to place more emphasis on the former (Marsden et al., 2010). However, many of the NGO employees in this study saw a direct link between what they considered to be sustainable practices and those promoted by GlobalGAP; indeed, one development agency staffer cited sustainability impacts as the reason that her organization incorporated food safety training into its programs. A technician working for the USAID project responded to the question of what elements of GlobalGAP he considered to address sustainability by saying, “The majority.” He went on to list basic practices, such as bed preparation and drip irrigation, as mentioned earlier. He then turned to the issue of appropriate chemical use:

All of GlobalGAP’s requirements that have to do with using less toxic pesticides, with reducing pesticide residue, and have to do in general with IPM, Integrated Pest Management, are important. Also using
protective gear, which isn’t an environmental impact, but is a direct impact. If I, as a producer, apply pesticides correctly, it’s less risk for myself and my family.

For many of those working for NGOs, the appropriate use of chemicals had a clear link to environmental, economic and social sustainability, and their references to Integrated Pest Management echoes the early premises of GlobalGAP standards. In terms of the environment, both producers and development agency representatives talked about avoiding contamination of local water sources by reducing chemical use and disposing properly of containers. With respect to economics, producers and NGO employees referred to how reducing inputs reduced costs. As a social consideration, producers and development agency employees viewed reduction of chemical use and appropriate handling of toxic chemicals and containers as both an individual and community-wide benefit. Producers often mentioned the promotion of protective gear for workers as a major benefit of food safety standards, although they also said it was one of the more difficult parts of the standards to enforce in the hot and humid Honduran climate. Development agency respondents also described how difficult it could be to change the culture around misusing toxic chemicals. For example, one development staffer mentioned hearing stories of people tasting pesticides to see if they’d been mixed properly, while a technician explained that the use of banned chemicals was so entrenched in some producers’ management of their farms that they didn’t believe that new, less toxic inputs could be as effective. Therefore, the parts of GlobalGAP that outline appropriate pesticide use and management were seen to have a direct and positive impact on improving the sustainability and safety of farmers, farm workers, rural communities and the environment. At the same time, reducing pesticide residue by not spraying within a certain period before harvest was viewed as a benefit for consumers, which many producers and NGO employees described as fulfilling a type of social responsibility.

While participants clearly saw the link between sustainability and food safety when it came to chemical usage, negotiating the place of animals and compost within farming systems
was trickier, as mentioned earlier. The use of manure in general, and chicken manure in particular, emerged as a critical question. While technicians talked about teaching producers how to compost manure, rather than applying it raw, at times they talked about what a struggle it was to get producers to do this properly. Instead, they would slip into talking about discouraging the use of manure altogether; for example, one development agency staffer answered a question about the sustainability impacts of GAP standards by saying, “They make sure that the use of chicken manure is eliminated, since it’s highly contaminated with salmonella.” While many development agency representatives and producers mentioned the importance of incorporating organic matter into soils, and one agency in particular was active in teaching producers how to make compost that included manure, producers and NGO employees still viewed using manure use as a high-risk practice. As a result, some producers were concerned about their ability to properly compost manure in keeping with the standards, and turned to chemical inputs instead, reporting that the field technicians had told them that they were better off doing so. While microbial contamination is a valid concern when using animal manure, if concern over food safety provokes a shift away from even its proper use, it could undermine the ability of subsistence farmers to reduce off-farm inputs and integrate their production practices in a manner that could promote their operational sustainability. In addition, this example highlights a potential difference between the content and implementation of food safety standards, for while GlobalGAP officially permits the use of animal manure if it has been fully decomposed, some people in this study indicated that they felt more comfortable eliminating its use rather than risking microbial contamination.
Discussion

This research on Wal-Mart’s domestic produce supply chains in Honduras contributes to understanding how food safety standards are used to standardize production practices while promoting quality in the context of development projects. In doing so, it provides insight into the distribution of costs, responsibilities and benefits between NGOs and supermarket retailers in public/private partnerships, while also suggesting that food safety may be intricately related to perceptions of what constitute sustainable agricultural practices. There are several lessons to be drawn from these findings in order to guide future research and development strategies, including: (1) a consideration of the role of NGOs in mediating corporate control of production processes, and (2) the sustainability implications of implementing food safety standards in integrated farming systems.

NGOs, Food Safety Standards and Rural Development

The findings of this research indicate that NGOs bear the responsibilities, risks and costs of implementing food safety standards even in situations where there is no formal certification. If third party certification is widely described as the means by which supermarket retailers and other corporations control production processes while outsourcing the responsibility for monitoring and enforcing standards (Busch & Bain, 2004; Hatanaka et al., 2005), this research suggests that the strategic alliances that have formed between supermarket retailers and development agencies in countries such as Honduras could be a new vehicle by which these companies exert control and influence over production practices in situations where formal standards aren’t yet fully
While the public/private partnership between Wal-Mart and development agencies allowed for some co-construction of quality through negotiations over how to adapt the GlobalGAP standards to the Honduran context (for example, in the case of confining animals rather than prohibiting them altogether), more generally NGOs provided training, monitoring and enforcement of food safety standards, in addition to paying the costs of certification where these were applicable. This situation was exacerbated by the fact that, while GlobalGAP standards delineate the precepts of a corporate version of sustainable agriculture, they do not include a price premium to support the implementation of these practices or the costs of compliance. This stands in contrast to the standards described earlier, such as Fair Trade, which have been designed with the specific goal of promoting development in the Global South, and provide a price premium to support these goals (Raynolds et al., 2007). In the research presented here, since producers did not receive a premium for certified produce, the onus of incentivizing and enforcing changes in agricultural practices in order to produce higher quality products fell squarely onto the shoulders of participating NGOs. These NGOs, in turn, were funded by foreign governments, including both the USAID and European governmental organizations. Therefore, Wal-Mart’s sustainability initiative, which in this case includes providing training to integrate small-scale producers into their domestic supply chains in emerging markets, is essentially subsidized through public/private partnerships. This is an especially important point since, as sustainability standards become more mainstream, some standards (including Fair Trade) have shifted away from offering price premiums (Bitzer, 2012; Ponte, 2008). The role of NGOs in encouraging the adoption of new practices even without the use of formal certification systems or price premiums is therefore an

\[28\] It is important to note that with the development of the localg.a.p. standard, as described earlier, GlobalGAP is promoting a standard that is adapted to small-scale producers in developing countries and will potentially facilitate increased rates of certification. Therefore, the role of NGOs and public/private partnerships in enforcing new practices without formal certification may be transitional. However, I argue that this situation still warrants theoretical and practical consideration given the implications it has for development projects and policies.
important phenomenon that requires further research to examine how corporate demands and market pressures influence the goals and outcomes of development projects.

In this context, we may need to revisit questions about the effects that standards have on small-scale producers’ ability to access domestic supermarket supply chains in the Global South. While an abundance of literature has examined the question of whether compliance to standards has excluded these growers from transnational supermarket supply chains, the findings presented here shift the question of exclusion onto development agencies’ projects and programs. Recent research from a study of Wal-Mart’s produce supply chains in Nicaragua suggests that NGOs may play a role in integrating producers who, due to geographic location or past farming experiences, might not otherwise be able to participate in this market (Michelson, 2013). This same study suggests nonetheless that producers with access to water and with higher educational levels may have an advantage in accessing the market through NGO relationships, a finding that is supported by similar research (Bitzer, 2012).

In comparison, the research presented here suggests that in the future it will be important to consider the possibility for producer exclusion from market-based development projects. As development agencies begin to act as commercial intermediaries between small-scale growers and supermarket chains, there is tension between development agencies’ aid-oriented missions and commercial imperatives. For example, one development agency technician interviewed in this study said of producers who struggle to implement food safety practices, “We know that integrating a producer like that into a supermarket like Hortifrutti puts us at risk. It puts us at risk of having a bad relationship with the supermarket…” As this quote suggests, technicians in rural development projects that connect producers with supermarkets face competing pressures to help producers while still maintaining their commercial relationships. As a result, they may retract

29 For more on this, see Chapter 2, Paper 1: Hybrid Governance in Public/Private Partnerships: Mediating Corporate Connections and Rural Development Goals in Supermarkets’ Local Supply Chains.
aid, or avoid formally registering a producer with a project, if they don’t think they’ll be able to adopt the practices that supermarkets require. Therefore, it is possible that market-based development interventions in rural development strategies may result in the exclusion of producers who lack the capacity to comply with supermarkets’ private standards, whether or not formal certification is part of the equation.

**Food Safety and Sustainability**

This analysis further suggests that if food safety standards influence agricultural outreach in development projects outside the context of formal certification systems, this could have a positive influence on sustainability outcomes with relation to chemical usage. This reflects the original intent of the GlobalGAP standards, and is supported by other research in this area, as cited earlier (Berdegué et al., 2005; Galt, 2008). It is also in keeping with an approach that sees sustainability as a “win-win” endeavor that can simultaneously generate environmental and economic gains, and is especially true in situations where there is no price premium, and therefore the best way to improve incomes is to seek out cost-saving strategies (Busch, 2011; Dryzek, 2005; Levins & Cochrane, 1996).

At the same time, the (dis)use of manure that producers and technicians reported in response to concerns about their ability to properly prepare compost has some troubling implications for sustainability outcomes. The disruption of nutrient cycles that results from the separation of livestock and crop production in industrialized farming systems undermines sustainability by creating both a need for fertilizer, on the one hand, and a source of waste in need of disposal, on the other (Buttel, 2006; Foster, 1999; National Research Council, 2010). The decline in integrated farming systems has been cited as a major contributor to many of the environmental problems associated with industrialized agricultural systems in the Global North,
including both non-point pollution from fertilizer misuse and point pollution sources from concentrated livestock production (Buttel, 2006). A Westernized approach to agriculture that creates dependence on chemical inputs is already promoted in Honduras, as with other countries in the Global South (IAASTD, 2008a). In Honduras, agro-export firms and chemical companies promote the use of synthetic fertilizers for agricultural producers; in a report from 2006, 96 percent of surveyed producers used chemical fertilizers (Sanders et al., 2006). In comparison, studies have found relatively low uses of organic compost that includes manure, at about 30 percent (Sanders et al., 2006; Wollni, Lee, & Thies, 2010). At the same time, lack of resources and access to inputs such as fertilizers are cited as a major limitation for improving production among smallholder producers in Honduras, especially given their rising prices (Ruben & Van den berg, 2001; Sanders et al., 2006). In this case, organic compost that utilizes on-farm inputs such as manure could help to support the economic sustainability of small-scale growers who continue to raise animals for domestic consumption purposes. These issues point to the need to question the assumed interrelationships between food safety standards and sustainability in order to specify which agroecological processes food safety standards include and exclude, as well as the potential unintended consequences of how standards are translated into on-the-ground practices. These findings are supported by other research that has found that there are often differences between the intent behind the formal standard and what practices are actually used in its implementation, suggesting that standard implementation is a contested and negotiated space that merits further investigation (Bonanno & Cavalcanti, 2012; Ouma, 2010).

30 For example, research based in California suggests that food safety regulations that require producers to reduce the presence of wildlife around their fields may take precedence for producers over the environmental benefits of increasing vegetation around fields and riparian zones, despite their inclinations to promote conservation on their farms (Stuart, 2009).
Conclusion

This analysis of Wal-Mart’s domestic produce supply chains in Honduras illustrates how corporations have the opportunity to shape the contours of what is considered to be both sustainable agriculture and sustainable development as their private standards are integrated into development projects. If food safety standards affect what practices are promoted as sustainable, future research should closely examine these standards to understand where conflicts between food safety and sustainability may emerge, as well as what impact this has on the possible exclusion of producers from development projects, and the sustainability outcomes for those who do participate. At the same time, the improvement of domestic production and internal markets in the Global South may be a promising avenue to strengthen small-scale growers and improve national food production capacity (IAASTD, 2008b). While the qualitative nature of this research limits the ability to generalize to other countries or regions, the findings presented here indicate important areas for supermarkets, NGOs and policy makers to take into consideration as supermarkets move into new emerging markets and rely on public/private partnerships to develop domestic supply chains. In this way, supermarkets’ internal sustainability programs are essentially subsidized by foreign donors and development organizations, and therefore future analysis should carefully examine who shoulders the costs, and reaps the benefits, of corporate sustainability initiatives.
References


Chapter 4

Paper 3: “Scaling Down”: How Local Sourcing Challenges Wal-Mart's Core Retailing Strategies

When Wal-Mart announced in 2008 that it would purchase $400 million dollars worth of local produce on a state-by-state level in the US as part of its sustainability initiative, it immediately galvanized both supporters and detractors. On the one hand, proponents championed Wal-Mart’s focus on local produce by saying that it could help support family farms and rural economies (Novak, 2008; Wal-Mart Promotes Sustainable Agriculture Fact Sheet, 2008). On the other hand, activists claimed that Wal-Mart and the local food movement were inherently incompatible, and that, “Wal-Marting local food is ridiculous- Wal-Mart is the personification of bigness, and local is small,” (Novak, 2008, p. 4). Both of these perspectives invoke the issue of scale, with the former assuming that the large volume of produce that Wal-Mart purchases will benefit US farmers, and the latter suggesting that Wal-Mart’s size runs counter to the essence of what constitutes “local.” In this way, Wal-Mart’s local sourcing program mirrors a popular debate related to the recent growth in local food systems: how, and if, local food systems can be “scaled-up” in a way that simultaneously extends their benefits and retains their values (J. D. Bloom & Hinrichs, 2011; Friedmann, 2007; Mount, 2012). In the case of Wal-Mart, however, this question can be framed inversely: whether a major player in the conventional food system, such as Wal-Mart, can effectively “scale-down” its procurement system by adapting its established retail strategies, culture and infrastructure to account for local contexts.

The idea of “scaling-up” local food systems emerged as part of a recognition that local food system initiatives might need to engage with selected existing conventional food system
actors and infrastructure in order to move beyond direct marketing initiatives and reach more, and often low-income, consumers (J. D. Bloom & Hinrichs, 2011; Ilbery & Maye, 2005; Izumi, Wright, & Hamm, 2010; Mount, 2012; Trabalizi, 2007). For the most part, previous research has analyzed whether the social and environmental values associated with the local food movement are expressed or suppressed when local food systems develop operational or organizational connections with conventional food system actors and structures (J. D. Bloom, 2009; Friedmann, 2007; Mount, 2012). Less research has been done, however, to explore empirically how structural and cultural factors might impede the adaptation of conventional food systems to the premises of localization (Izumi et al., 2010). This paper contributes to this domain by providing an empirical analysis of Wal-Mart’s local sourcing program, and specifically by examining how Wal-Mart’s contextually-derived core strategies may serve as barriers to successful implementation of its local produce sourcing program. Wal-Mart’s corporate success emerged within the context of a regulatory environment that promotes economies of scale and the dominance of lean retailing strategies, including the development of centralized management systems, cutting out supply chain intermediaries, and the standardization of products and processes (Christopherson, 2007; Lichtenstein, 2009). I argue that localization, which centers on decentralization and place-specificity, but requires aggregation and intermediate distribution systems if smaller-scale producers are to engage with conventional systems, therefore presents a challenge to Wal-Mart’s corporate strategy and organization. This fundamental challenge impedes Wal-Mart’s ability to “scale-down.” In turn, this situation may ultimately constrain Wal-Mart’s capacity to leverage its scale in order to provide benefits to local producers while expanding the availability of local produce to low-income consumers.

To explore these issues more fully, this paper combines ecological modernization theory with theorizing about corporate culture, strategy and structure. Broadly speaking, the theory of ecological modernization suggests that the negative externalities produced by current industrial
and capitalist systems can be addressed within those systems (Buttel, 2000; Christoff, 1996; Fisher & Freudenburg, 2001; Frouws & Mol, 1999). Because it recognizes the potential contradiction in both resisting and relying upon modern institutions to create change (Christoff, 1996; Frouws & Mol, 1999), ecological modernization theory helps to illuminate the practical and ideological tensions observed surrounding issues of scale and corporate involvement in local food systems. While most of the ecological modernization literature focuses on environmental regulations at the level of the nation state, or on the interactions between state and market-based initiatives (Buttel, 2000; Christoff, 1996; Fisher & Freudenburg, 2001), this paper applies ecological modernization theory to a corporate sustainability program, Wal-Mart’s local produce sourcing program. In doing so, I argue that the current influence of supermarket retailers on the food system makes their corporate sustainability strategies as important an area of focus as national policies in terms of their potential to restructure the current food system, especially in the US context.

An ecological modernization lens highlights two concepts that aid in analyzing a corporation’s attempts to localize its produce sourcing in order to contribute to sustainability goals: restructuring systems of provision, and embedding systems in local ecologies. This framework can further be enhanced by insights from the literature on corporate competitiveness and restructuring, which examines how a firm’s culture, strategy and organization can create barriers that limit its ability to adapt to changing competitive conditions (Christopherson, 2007; Schoenberger, 1997; Schurman, 2004; Whitley, 1987). Taken together, ecological modernization theory and elements of the literature on corporate culture, strategy and organization provide a framework for analyzing Wal-Mart’s local produce sourcing program by highlighting, 1) how the company portrays the relationship between localization and sustainability, and 2) how Wal-Mart’s core strategies challenge its ability to restructure its systems to adapt to this new competitive environment.
In order to apply this framework to empirical research on participants in Wal-Mart’s local supply chains in the United States, I begin by describing ecological modernization theory, including its emphasis on restructuring systems of provision and local embeddedness. I justify applying ecological modernization theory to a corporate sustainability program, and then operationalize the concept of restructuring systems of provision by referring to a body of literature that examines the connection between firms’ culture, strategy and structure, and how these can lead to instances of path dependency. Next, I explore the emergence of Wal-Mart’s contextually derived key strategies, including centralization, cutting out intermediaries and standardization, as well as how a lean retailing model defines both Wal-Mart’s infrastructure and corporate culture. Then, returning to the concept of local embeddedness in ecological modernization theory, I relate this to the local food movement, and how the idea of sustainability achieved through localization has emerged as a new basis of competition that potentially challenges Wal-Mart’s contextually-derived core strategies. I then present findings from qualitative field research on Wal-Mart’s local produce supply chains in the US that demonstrates how Wal-Mart’s local sourcing program manifests tensions between the company’s current structure and the premises of localization. The analysis finds that, in keeping with a review of the literature, localization challenges core elements of Wal-Mart’s business strategy and culture. However, Wal-Mart continues to approach its local produce sourcing program through its established business model, without adapting its strategies to meet the specific challenges of coordinating local supply chains. Finally, the discussion section explores how Wal-Mart’s efforts to localize its existing system are indicative of broader challenges when viewing corporate sustainability through the lens of ecological modernization. Specifically, corporations’ existing systems define the parameters for what practices will contribute to sustainability within those systems, thereby delimiting what strategies can be successfully implemented without requiring a substantial change within the system itself. In many ways, these findings map onto the
distinction between “weak” and “strong” versions of ecological modernization, and while there appears to be potential to restructure the existing food system from within to account for the particularities of place, localization as a strategy to reform the US food system inherently faces barriers to “scaling-down” for the largest supermarket retailer in this system.

Ecological Modernization: Corporate Sustainability. Structural Reform and Local Embeddedness

Ecological modernization begins with the premise that environmental problems, many of which result from industrialization, can be addressed through reforms within the current, industrialized system. Early ecological modernization theory originated from analyses of Western European nations, such as Germany and the Netherlands, where strong national environmental regulations were cited as having positive environmental impacts (Buttel, 2000; Christoff, 1996; Fisher & Freudenburg, 2001). These early versions of ecological modernization focused on government regulations as well as technological innovations, and highlighted their potential to promote shifts within existing industrial systems to encourage efficient use of resources as well as waste minimization through, for example, recycling and pollution prevention programs (Buttel, 2000; Christoff, 1996; Dryzek, 2005). As a result, ecological modernization has been described as compatible with business-oriented strategies, and therefore market-based initiatives are often described as a core element of the theory’s application (Dryzek, 2005; Fisher & Freudenburg, 2001; Keil & Desfor, 2003). This view assumes that sustainability is a “win-win” proposition for businesses, since environmental pollution represents inefficiencies that provide cost-reducing opportunities when applied to industrial processes (Buttel, 2000; Christoff, 1996; Dryzek, 2005; Fisher & Freudenburg, 2001; Keil & Desfor, 2003; Toke, 2002). In these ways, the application of ecological modernization theory leads to sustainable outcomes by
encouraging the internalization of the externalities produced by conventional production systems (Glenna & Mitev, 2009)

Ecological modernization theory’s promotion of business, industry and the market as major agents of environmental reform has drawn criticism, leading some to question whether, “...the term may serve to legitimise the continuing instrumental domination and destruction of the environment,” (Christoff, 1996, p. 476). Christoff’s (1996) distinction between strong and weak versions of ecological modernization has been influential on subsequent analyses that attempt to gauge the potential of different efforts for creating long-lasting environmental change (Jay & Morad, 2007; Keil & Desfor, 2003). In this sense, weak ecological modernization is described as economistic, technocratic and corporatist, while strong ecological modernization would be more democratic, focusing on systemic changes to promote equity within an international context (Christoff, 1996). Others have drawn on Christoff’s critique to suggest that strong versions of ecological modernization are only possible when the nation state ensures the legitimacy of any programs through the democratic process, or when state intervention is combined with the strategies and aims of more radical social movements (Buttel, 2000; Eckersley, 2004; Toke, 2002).

At the heart of these critiques of ecological modernization, then, is the question of the locus of environmental reform, whether it be a product of the nation state, the market or civil society, and what the relationship is between these political, economic and social spheres (Buttel, 2000; Christoff, 1996; Eckersley, 2004). Many theorists suggest the continued need for a strong state in mediating corporate interactions with the environment in order to ensure democratic participation, legitimacy and real environmental reform (Buttel, 2000; Eckersley, 2004; Horlings & Marsden, 2011). State-based regulations and policies that reshape the market so that creating environmental benefits is also economically efficient and rational are cited as a strong form of ecological modernization (Glenna & Mitev, 2009). At the same time, with the expansion of
neoliberal global governance, the role of the nation state has progressively shifted away from command and control type regulations towards facilitating corporate growth and responsibility (Busch, 2007; Christoff, 1996; Marsden et al., 1998). In addition, social movements represented by non-governmental organizations (NGOs) engage with corporations to encourage them to address sustainability issues, thereby providing civil society influence over the economy without necessarily engaging the state (Busch, 2007; Marsden et al., 1998; Marsden, 2004; Schurman & Munro, 2010; Schurman, 2004). In this context, corporations’ attempts at self-regulation hold promise to lead to more extensive structural reforms than state-based policies.

Therefore, incorporating more explicit attention to corporate sustainability programs can enhance the theory of ecological modernization. Corporate sustainability programs can be understood as market-based initiatives that are facilitated by the nation state (often through public/private partnerships or some type of subsidy) and are said to represent civil society through responding to consumer interests and NGO pressure. Applying ecological modernization theory to a corporation’s operations addresses several gaps in this theory’s relevance. First, ecological modernization theory has been criticized in part because of questions about its applicability outside of Europe; this is particularly true regarding the United States, which is home to weak environmental policies while at the same time fostering a regulatory environment that has led to the growth of some of the largest corporations in the world, including Wal-Mart (Christopherson, 2007; Fisher & Freudenburg, 2001; Lichtenstein, 2009). Second, it has been widely acknowledged that “…retailers individually and collectively share an increasing responsibility for the delivery of public policy,” (Marsden, 2004, p. 487). Supermarket retailers have grown in influence as the sector has become increasingly concentrated, to the point where they are often perceived by governments to represent consumer interests through their ability to define “quality,” and shape demand (Busch, 2007; Christopherson, 2007; Hawkes, 2008; Marsden et al., 1998). In an illustration of supermarkets’ influence, and the conflation between consumerism
and citizenship in a society influenced by neoliberalism, former Wal-Mart CEO Lee Scott’s 2006 comment is particularly telling: “‘Twice as many Americans shop at Wal-Mart over the course of a year than voted in the last presidential election,’” (cited in Lichtenstein, 2009, p. 229). While much of ecological modernization theory has focused on the role of the state in changing the conditions of market performance, Frouws’ and Mol’s (1999) analysis of the applicability of ecological modernization theory to agriculture suggests that supermarkets have a key role to play in restructuring the food system around a new set of consumer values that promote sustainability:

This has resulted in more and stricter requirements with respect to the wholesomeness of agricultural produce, the sustainability, naturalness and animal friendliness of its methods of production and additional qualities related to consumers’ tastes and lifestyles. In this sense, market dynamics in agriculture may indeed be considered to stimulate the ‘ecologizing’ of the economy. These dynamics, which are strongly influenced by leading retailing companies, necessitate the interdependence, coordination and control of all links in the chain of production, ranging from primary production to retailing. This process of chain integration entails a reorientation and rearrangement of the relations of agricultural and food production. (p. 281)

Therefore, focusing on a supermarket retailer’s sustainability program as a type of corporate-based environmental regulation may offer a fruitful avenue for applying this theory in the US context, and analyzing the potential for restructuring the agri-food system in order to “ecologize the economy.”

While it is widely assumed that business-oriented environmental reforms represent a “weak” form of ecological modernization, supermarkets’ use of local produce sourcing reflects two key elements of ecological modernization: (1) the potential for a structural reform of a system of provision, and (2) embedding economic transactions in local places. To begin with reforming systems of provision, Frouws and Mol (1999) suggest that within ecological modernization there is space for a “middle-level” analysis that looks at how existing institutions can be reformed in such a way that values ecological and economic rationalities equally, thus leading to “ecologizing the economy” (p. 273). In addition to its broader emphasis on changing
political and economic institutions, applying ecological modernization theory can also include a structural approach to changing systems and patterns of production and consumption (Christoff, 1996; Dryzek, 2005; Frouws & Mol, 1999; Spaargaren & Van Vliet, 2000). For example, Spaargaren and Van Vliet (2000) examine the role of institutions and infrastructure in promoting sustainable consumption by describing how systems of provision provide the structure within which consumers’ ability to make environmentally sound choices is constrained. While not necessarily explicitly referring to ecological modernization, additional case studies also connect environmental reform with the structure of provision systems, and highlight how implementing sustainability can be impeded by structural constraints. For example, several studies use the concept of “constrained choice” to describe how being embedded in the economic arrangements of the conventional food system can impede agricultural producers’ ability to autonomously choose more sustainable production practices (Hendrickson & James, 2005; Hinrichs & Welsh, 2003; Marsden, 2004; Stuart, 2009).

In order to analyze supermarkets’ attempts to localize produce sourcing, it is possible to combine this focus on the restructuring of systems of provision with ecological modernization theory’s emphasis on embedding economic transactions in local places. In ecological modernization theory, modernization is understood as a process that disembeds economic relationships from their social and ecological contexts (Christoff, 1996; Frouws & Mol, 1999). As a result, re-embedding institutions such as the market within local places with distinct ecologies is a key aspect of this theory (Christoff, 1996; Frouws & Mol, 1999). For example, Christoff (1996) explores the relationship between local ecologies and modern society as follows:

An ecological critique that recognizes and respects the importance of the cycles upon which the biological world depends, and which seeks to re-embed our relationship to nature in a local place and to redefine the relationship in ecological temporal terms, often stands in opposition to the transcendent, abstracting features of modernity (and its industrial manifestations) while still to some extent depending upon its conceptual frameworks. (Christoff, 1996, p. 494)
Therefore, while embedding economic relationships in a local ecology is seen to challenge modern, industrial society, Christoff recognizes that local embeddedness still operates within this economic system. This theme, of both resisting yet operating within modern society, is also taken up by Frouws and Mol (1999):

Criticizing demodernization and deindustrialization theorists such as Ullrich (1979) and Sarkar (1990), the ecological modernization theory states that reembedding contemporary economic practices with the aim of respecting ecological limits cannot be a reversal of the historical disembedding process. Contemporary economic practices are firmly rooted in modernity, characterized by a high level of time-space distancing and a relatively independent economic rationality, and connected with modern scientific-technological and state institutions. Consequently, the ecological modernization theory analyses [sic] possibilities for a process of 'reembedding' economic practices- in view of their ecological dimension- *within* (the institutions of) modernity. (pg. 271; emphasis in the original)

As this passage illustrates, ecological modernization theory suggests the need to take into account the specific ecological cycles of distinct places in a way that will reform the industrial systems of modernity, rather than standing in opposition to them.

Taken together, then, ecological modernization theory’s emphasis on restructuring systems of provision by embedding them in local contexts provides a strong framework for analyzing supermarkets’ implementation of sustainability through local produce sourcing. At the same time, focusing on a corporate sustainability program enhances this theory by increasing its relevance in the context of the US, where neoliberal policies have granted corporations, and supermarket retailers in particular, unprecedented control over the agri-food system. However, since ecological modernization theory has historically focused on how the state can shape the market to improve environmental outcomes, it doesn’t offer a clear path for conceptualizing the process of, and challenges to, restructuring corporate systems. Therefore, I next turn to the literature surrounding corporate competitiveness, culture and strategy, which will help to shed light on the challenges that face companies that attempt to change their structures, systems and
strategies. Following this description, I will analyze how Wal-Mart’s corporate culture and strategies emerged in reaction to a very specific regulatory context, and then return to the premise of local embeddedness to explore how localization has emerged as a sustainability strategy in the agri-food system. I argue that the premises of localization provide a new competitive context that potentially challenges Wal-Mart’s core strategies, and therefore its ability to restructure its system of provision towards local embeddedness.

**Structural Transformation: The Relationship between Corporate Strategy and Culture**

In order to analyze how corporate systems of provision in the food system can be restructured and embedded in local contexts, as suggested by ecological modernization theory, it is important to have a deeper understanding of the factors that reproduce corporate structures, including the role of individuals in both creating and being constrained by these structures. A corporation’s structure and culture are reflective of both external and internal factors that consist of responses to broader socio-economic contexts as well as the individual proclivities of its employees (Christopherson, 2007; Schoenberger, 1997; Schurman & Munro, 2010; Whitley, 1987). For example, in analyzing why US manufacturing firms failed to adequately respond to changes in global markets in the 1970s, Schoenberger relates firm culture to strategy, and questions how we can understand corporations as both a unit of analysis as well as being comprised of individuals. She suggests that:

The corporation is both a collection of individuals and a self-reproducing institution whose identity is linked with, but not the same as, those of the people who work in it. Specific individuals come and go, but the corporation remains. As these individuals enter into the life of the corporation, they are shaped by its culture, but they also produce its culture through their activities and their relations. (Schoenberger, 1997, pp. 115–116)
In analyzing the corporation, it is therefore important to consider the role of management in directing corporate culture, strategy and structure, even as those very same elements determine how managers react to changing competitive conditions (Lichtenstein, 2009; Schoenberger, 1997; Whitley, 1987). As Whitley (1987) suggests, “…firms’ actions are derived from the dominant rationality of the management team which is, in turn, a product of both internal and external processes and conflicts and which affects, and is affected by, changes in the firms’ competitive situation and economic power relations,” (Whitley, 1987, p. 136).

In this way, corporate culture can be a resource for corporations, but at times can also create conditions of path dependency, where it becomes hard for individuals to embrace new strategies that might challenge this corporate culture. Path dependency is often used to describe a physical infrastructure that is created over time, which, “…channels the flow of commodity and productive capital, which is constrained to follow the existing route, as it were, until a new round of investments in the built environment frees it up to seek new routes,” (Schoenberger, 1997, pp. 21–22). However, it is also possible to think of path dependency in terms of the context-specific cultural and bureaucratic practices that develop during the course of a corporation’s history, which are often shaped by national regulations that affect how businesses interact within a given political/economic structure (Christopherson, 2007). In many ways, there is an interconnection between a firm’s strategy and the infrastructure that it creates to support and develop its business model. These two elements, in turn, come to define a firm’s identity, and so in many ways can be seen as constitutive of a certain corporate culture (Christopherson, 2007; Schoenberger, 1997).

Understanding path dependencies as both cultural and infrastructural illuminates the potential challenges that corporations face if they attempt to restructure their systems in order to embed them in local contexts, as suggested by ecological modernization theory. In order to understand how Wal-Mart’s system of provision, and the corporate culture that it supports, may
similarly constrain its attempts at localization, I turn next to an explanation of the context through which Wal-Mart derived its core strategies.

**Wal-Mart’s Core Strategies: Centralization, Cutting Out Intermediaries and Standardization**

In examining the tremendous growth of Wal-Mart over the past fifty years, it is important to remember that the emergence of this mega-corporation was not a natural, pre-destined event, but rather the direct result of a specific historical, political and economic context. Among other things, this means that, despite the mythologization of its success, Wal-Mart is not impervious to failure when it encounters a new competitive marketplace that may challenge its core business model (Burt & Sparks, 2006; Christopherson, 2007; Lichtenstein, 2009). It is therefore important to understand how Wal-Mart’s success is predicated on a particular retailing model, lean retailing, that in turn depends upon certain contextually-derived strategies, including centralization, cutting out intermediaries and standardization.

While Wal-Mart is widely attributed with fostering a revolution in retailing that positioned low cost and high volume as its mantra and included dominance over suppliers in order to streamline supply chains, many of these practices were pioneered by other supermarket retailers earlier in the twentieth century (Levinson, 2011). These supermarkets were the first to shift retailing from the predominance of mom-and-pop stores to create a national distribution system and chain stores. While these early chain stores were constrained by federal and state legislation that controlled prices in order to protect smaller stores, by the 1950s this legislation was overturned, paving the way for Wal-Mart and other retailers to expand on the low price, high volume model (Levinson, 2011; Lichtenstein, 2009). Additionally, supermarket retailers benefitted from the Reagan-era relaxation of anti-trust legislation, which spurred concentration in
the retailing sectors and led towards a smaller number of large supermarket retailers in the US (Wrigley, 2002). Wal-Mart epitomizes this growth in the US retail sector, and came to dominate the grocery industry with the introduction of its supercenter store format in 1988 (Gereffi & Christian, 2009; Lichtenstein, 2009). By 2003, Wal-Mart became the largest grocery chain in the US, and in 2010 the company reached number one on the Fortune 500 list of the largest corporations, where it remains in 2013 (after falling to second in 2012), making it the world’s largest supermarket retailer ("Fortune 500 - Wal-Mart Stores," 2012, “Fortune 500,” 2013; Gereffi & Christian, 2009).

Today, the low cost, high volume model is referred to as “lean retailing,” and has become so associated with the Wal-Mart Corporation that the term “Wal-Martization,” is often used to describe the efficient business strategies that this company has so successfully mastered in the US context (Christopherson, 2007). In many ways, “lean retailing,” can be understood to define not just a retailing strategy, but also a type of ideology, as suggested by Christopherson (2007):

> Looked at from a different perspective, lean retailing is also an ideological model, that is, it incorporates particular ideas about what exists and what is good…What is interesting (and ideological) about the lean retailing model is that it conveys that bigger is better... One could suggest, therefore, that the lean retailing model and its stages derive from a particular vision of the economic and political context necessary for efficient and competitive retailing. (Christopherson, 2007, p. 464)

In this sense, lean retailing saturates Wal-Mart’s culture and norms, defining for both individuals and the firm as a whole which actions and economic models align with these values (Christopherson, 2007; Schoenberger, 1997). As Christopherson points out, this culture revolves around the assumption that efficient and profitable businesses operate at a very large scale. The primacy that lean retailing has for Wal-Mart is also reflected in the orientation of individuals with management positions, who often have backgrounds in logistics:

> Unlike most other retail firms, where a background in merchandising or finance was essential to climb high on the corporate ladders, both of Wal-Mart's most important, recent CEOs, Glass and H. Lee Scott, have come out of logistics, and
so too have most of the key executives who served directly under them. (Lichtenstein, 2009, p. 31)

While other major retailers, such as Kmart, have CEOs who moved up the ranks from being store managers, the fact that Wal-Mart’s management team comes from a logistics background suggests the importance that this plays in determining the firm’s culture, and the assets that it will draw upon to address shifting competitive strategies (Lichtenstein, 2009). For example, one Wal-Mart executive has been quoted as saying that, “‘The misconception is that we're in the retail business’... but in reality ‘we're in the distribution business,’” (cited in Lichtenstein, 2009, p. 37).

In addition to creating a corporate culture around the value of economies of scale and the importance of distribution logistics, the lean retailing model led to the development of a very specific infrastructure (Christopherson, 2007; Gereffi & Christian, 2009; Lichtenstein, 2009). Wal-Mart’s expertise in logistics was born, in part, through necessity; since most of Wal-Mart’s early stores were located in rural areas where it was difficult to ensure a consistent supply of deliveries, Sam Walton decided to create a network of his own distribution centers (Lichtenstein, 2009). Wal-Mart’s original expansion strategy focused around these distribution centers (or DCs), as new stores were opened only within a one day driving radius from each DC, and new DCs were only built once a given region was saturated (Gereffi & Christian, 2009; Lichtenstein, 2009; Neumark, Zhang, & Ciccarella, 2008). The cultural and infrastructural resources provided by Wal-Mart’s expertise in logistics, and its control of distribution through its own warehouses and technological systems, allow Wal-Mart to move high volumes of product while cutting costs and keeping prices low. These competitive advantages are maintained, at the same time, through centralized management, cutting out supply chain intermediaries and standardization, three strategies that deserve to be explored in further detail.

To begin with centralization, in Wal-Mart’s earliest days of growth in the 1970’s, Sam Walton kept a strict eye on all aspects of the business and, “When Wal-Mart did place its stores
farther than a hard drive from northwest Arkansas, the high degree of centralization ensured that the Bentonville message would not be diluted. Compared with its competitors, Wal-Mart has always concentrated a far higher proportion of all its managers at the home office,” (Lichtenstein, 2009, p. 32). Wal-Mart’s corporate control over both distribution and store management relies on centralized management and a hierarchical structure that, “leaves little room for management autonomy, or divergence from authority coming from Wal-Mart's headquarters in Bentonville, Arkansas,” (Gereffi & Christian, 2009, p. 580). On the store-level, while managers have the ability to lower the prices of some items when they aren’t selling well, most of the control of prices, quantities and deliveries remains higher up the hierarchical ladder, with Wal-Mart’s computer system monitoring every purchase made at each store (Gereffi & Christian, 2009; Lichtenstein, 2009). As with many other major retailing companies, most purchasing decisions are made at a national level by a manager who is responsible for certain categories of products which are grouped based on consumer perceptions (Hawkes, 2008; Lichtenstein, 2009). These “category managers,” are responsible for the procurement of specific product types on a national level, and therefore maintain relationships with all of the national suppliers for that product (Guptill & Wilkins, 2002; Lichtenstein, 2009). Coupled with Wal-Mart’s network of warehouses, this centralized procurement system facilitates the company’s ability to gain economies of scale in purchasing and to reduce costs throughout its distribution system (Hawkes, 2008; Lichtenstein, 2009).

Wal-Mart’s logistics system and centralized management are both dependent upon, and constitutive of, the company’s ability to bypass wholesalers and leverage its power against suppliers. In large part, Wal-Mart’s prowess was facilitated by its ability to leverage economies of scale, and its tremendous purchasing power, in order to cut out wholesalers and develop direct relationships with suppliers (Burt & Sparks, 2006; Christopherson, 2007; Gereffi & Christian, 2009; Hawkes, 2008; Lichtenstein, 2009). In general, the growth of national supermarkets with
high levels of market power has put brokers and wholesalers in a precarious position for nearly a century (Levinson, 2011). However, “rather than eliminating the role of wholesalers, the drive to rationalize consumer goods markets kept redefining which specialized wholesale functions add value to the supply chain, continually creating opportunities for the firms that establish a core competence performing these functions” (Petrovic & Hamilton, 2006, p. 134). In this view, wholesalers are not eliminated completely, but rather must constantly adjust the type of services they provide in order to complement Wal-Mart’s own area of expertise. In many cases wholesalers, and suppliers who take on the role of wholesaling, must find their own network of low-cost suppliers; however, “…this puts them in danger of eventually being bypassed in favor of these same suppliers” (Petrovic & Hamilton, 2006, p. 135).

While wholesalers may still find a role to play in Wal-Mart’s supply chains, albeit a constantly shifting and precarious one, Wal-Mart prefers to establish direct relationships with suppliers whenever possible. The scope of Wal-Mart’s operations gives the company unprecedented dominance over these suppliers, which is facilitated by Wal-Mart’s ability to collect and manage important informational resources through technological innovations such as the bar code and Retail Link, the world’s largest database that houses all of Wal-Mart’s proprietary sales information (Burt & Sparks, 2006; Gereffi & Christian, 2009; Lichtenstein, 2009). Controlling this data gives Wal-Mart unique knowledge about consumer preferences and patterns, leaving suppliers few options other than to cooperate with Wal-Mart in order to gain access both to this information and the rapidly expanding market that Wal-Mart provides (Lichtenstein, 2009). In this way, Wal-Mart exerts control over entire supply chains, extending its influence far beyond its own operations.

One of the best illustrations of Wal-Mart’s strategy of shifting costs, risks and responsibilities onto suppliers is the case of Procter and Gamble (P&G), which in the late 1980s opened a permanent sales office in Arkansas to be close to Wal-Mart’s headquarters, as have
more than five hundred other large suppliers (Lichtenstein, 2009; Petrovic & Hamilton, 2006). While in many ways the collaboration between Wal-Mart and P&G can be viewed as a partnership that allows these two companies to manage the supply chain in order to introduce efficiencies and cut costs, Wal-Mart remains the larger of the two companies, and therefore maintains an advantage (Fishman, 2006; Lichtenstein, 2009). For example, when Wal-Mart wanted to introduce a new clamshell package to P&G products to make them harder to shoplift, P&G complied, but had to bear the costs of developing and manufacturing the new type of package (Fishman, 2006; Lichtenstein, 2009). Suppliers tend to accept these costs, and some loss of control over product development, due to the sheer volume that they are able to sell to Wal-Mart (Fishman, 2006; Lichtenstein, 2009; Petrovic & Hamilton, 2006). Being able to make these changes and stay one step ahead of Wal-Mart’s demands is a tradeoff, however, since smaller scale companies may find that there is, “…the danger of adapting one’s business model to the retailer’s strict demands only to find out that the resulting lowered profit margins and the efficiency pressure are more than one’s organizational capacities can bear,” (Petrovic & Hamilton, 2006, p. 131). While Wal-Mart has an informal rule that it shouldn’t be responsible for more than thirty percent of any one supplier’s sales, the company’s sheer scale continues to allow it to dictate many of the details of a supplier’s operations, and the threat of losing access to this large market is powerful (Fishman, 2006).

Finally, centralization and using economies of scale to control suppliers are also key to ensuring standardization of both products and stores. In this case:

Firms like Wal-Mart, McDonald's, and Jiffy Lube succeed by endlessly reproducing, in an amoeba-like fashion, a thoroughly well-tested and standardized unit. Business school academics call such companies 'replicator organizations' because of their single-minded focus on uniformity, growth, and interchangeability, of both product and personnel. (Lichtenstein, 2009, p. 92)

In the case of the standardization of each Wal-Mart store, specifications for the store layout and placement of merchandise, including details such as the exact height of shelves, are managed
from the Bentonville headquarters in order to maintain consistency between stores (Lichtenstein, 2009). This emphasis on consistency is also echoed in the standardization of products. For the produce industry, standardization was a key element of the industrialization process, and occurred concurrently with the growth of supermarket retailers and their domination of national and international supply chains (Levinson, 2011). By requiring standardized produce, supermarkets could ensure consistency while facilitating their ability to pack and ship large quantities of varieties that had been bred specifically to withstand transportation (Levinson, 2011).

This discussion of the emergence of lean retailing and logistics as Wal-Mart’s core strategies, including how these systems are maintained through centralization, cutting out wholesalers and standardization, illustrates the contextual factors shaping Wal-Mart’s structure, such that these core strategies define Wal-Mart’s culture and infrastructure. I now turn to explaining how sustainability through localization has become a new basis of competition in the retailing industry, including how corporate strategies of localization relate to local embeddedness in ecological modernization theory and in social movements that address food and agricultural issues. I then explore how Wal-Mart portrays the relationship between localization and sustainability in its publicly available documents. Considering these issues will help to shed light on the practical and ideological challenges surrounding issues of scale and local embeddedness, including the tensions that are inherent in reforming existing corporate systems.

The Local Food Movement and Wal-Mart’s New Competitive Strategy

As localized31 food production and consumption have been embraced by consumer culture in both the US and Europe, the strain of local embeddedness in ecological modernization

31 It is important to clarify the terms that will be used in this section. Although in many ways interrelated, the terms localization, local embeddedness and local sourcing have different origins and connotations.
theory has gained traction as a way to describe the growing phenomenon of the “local food movement.” For example, Horlings and Marsden (2011), state that, “A strong ecological modernisation should ideally lead to a value place-based eco-economy, including agro-food networks which are more embedded in local communities…” (pg. 445). In addition to drawing upon notions of local embeddedness in order to promote environmental values, research on the local food systems that this social movement is creating also draws upon the concept of social embeddedness, often making reference to Polanyi (1944) and Granovetter (1985) in order to discuss the importance of social relationships in mediating economic rationalities in commercial transactions (Feagan, 2007; Hinrichs, 2000; Kirwan, 2006; Murdoch, Marsden, & Banks, 2000; Sage, 2003; Winter, 2003). Re-valuing the social and environmental context of agricultural production and markets has led to an emphasis within the local food movement on shortening supply chains, often championing direct marketing initiatives that allow for social interactions between producers and consumers (Feagan, 2007; Mount, 2012; Henk Renting et al., 2003). In addition to the value of social relationships between producers and consumers, shortening the supply chain is often assumed to lead to more environmentally sustainable agricultural production methods by providing “tight feedback loops” that connect local producers and consumers to the

Localization, or the idea of “re-localization” has been largely used in research related to local food systems to refer to the oppositional nature of local food systems against the trend of globalization. The exact definition and nature of the qualities of “local” within localization remain subjective, in keeping with the concept of scale as socially constructed and dependent on the context and individual subjectivities of those utilizing the concept (Born & Purcell, 2006; Brenner, 2001; Bulkeley, 2005; Eriksen, 2013; Mount, 2012). In contrast, local embeddedness derives in part from theories in economic sociology that assert that economic relationships are embedded in social contexts, which attenuates the influence of economic rationality as assumed in neoclassical economics (Granovetter, 1985; Polanyi, 1944). These ideas have been extended to refer to the embeddedness of economic relationships in local contexts and ecologies more generally as way to resist the negative repercussions of global economic relationships, and to spur regional rural development (Hinrichs, 2000; Murdoch, Marsden, & Banks, 2000; Sage, 2003; Winter, 2003), thus overlapping with the concept of localization. These ideas are further explored in this section, especially with relation to ecological modernization theory and the local food movement, but it is important to note the different ideological and practical usages of these terms, despite their similarity. Within this context, local sourcing refers specifically to the practices surrounding the purchase and sale of “local” products by a food establishment (e.g. retailer, school, restaurant, etc.), although the definition of what constitutes local for these establishments might vary.
immediate environmental effects of their actions within a community (Campbell, 2009; Feagan, 2007; Horlings & Marsden, 2011; Renting, Marsden, & Banks, 2003). Finally, within the local food movement, the benefits of local embeddedness are often seen as partially derived through reasserting community control over food production in reaction to corporate domination of the food system (Feagan, 2007).

Indeed, resistance to the increasingly concentrated corporate control of the conventional food system is often seen as the major motivation for forming local food systems, leading many to describe these systems primarily as an alternative to the existing food system (Allen et al., 2003; L. B. DeLind, 2002; Mount, 2012). However, there is growing recognition that these “alternative,” local food initiatives often draw on resources and outlets that are part of the conventional food system, and therefore as local food systems grow they will invariably require interaction with this larger system (J. D. Bloom & Hinrichs, 2011; Friedmann, 2007; Ilbery & Maye, 2005; Izumi et al., 2010; Maye, Kneafsey, & Holloway, 2007; Mount, 2012; Sonnino & Marsden, 2006; Trabalizi, 2007). At the same time, “scaling-up” local food systems can sit uneasily with those who view localization as a counterpoint to the conventional food system, leading to questions about whether the benefits and values of local embeddedness can be achieved at a larger scale (J. D. Bloom & Hinrichs, 2011; Izumi et al., 2010; Mount, 2012). On the other hand, some have described the adoption of localization by large companies such as supermarkets as a co-optation that dilutes the meaning and “alternativeness” of local food (Allen et al., 2003; Sonnino & Marsden, 2006; Watts, Ilbery, & Maye, 2005).

This tension between the necessity for some reliance on the conventional food system in order to expand the scale of localization, while still resisting the underlying values that this system has come to represent, is an important insight for analyzing supermarket retailers’ local produce procurement that relates back to ecological modernization theory’s description of the need to both rely on and reform existing systems. While previous research has explored whether
the “alternative” values associated with local food systems can translate to a larger scale, little has been done to explore the flip side of this question, specifically whether corporate values and systems can be adapted to localization in order to expand the number of producers and low-income consumers who can participate in local food systems. Instead, it is often either assumed that corporate systems are inherently incompatible with localization, or that leveraging the competencies of large-sale actors will be a straightforward process (Novak, 2008; *Wal-Mart Promotes Sustainable Agriculture Fact Sheet*, 2008). While earlier research has focused on questions of the legitimacy of local food systems that interact with the conventional food system, this paper instead investigates how corporate culture and strategy could impede supermarket retailers’ ability to restructure their systems towards localization. Rather than presuming to understand retailers’ motivations for adopting localization, as is inherent in charges of greenwashing or co-optation, I present the concept of “scaling-down” to serve as way to conceptualize the question of what barriers exist within the conventional food system that might impede its adaptation towards localization.

**Local Embeddedness and Wal-Mart’s Sustainability Strategy**

Ecological modernization theory offers a powerful lens for understanding how the shift in consumer demand for sustainably produced food provides an opportunity to reform the current food system by embedding it in the social and environmental conditions of local contexts. Therefore, it is important to consider next how supermarket retailers, and Wal-Mart in particular, view localization both in relation to sustainability and the corporation’s ability to maintain a competitive edge by shifting its strategies. For Wal-Mart, the company’s vision for promoting sustainability was first articulated by Lee Scott, then-Wal-Mart CEO, in 2005, in a speech where he first announced Wal-Mart’s sustainability initiatives, and said that, “We believe that these
initiatives and many more to come will make us a more competitive and innovative company, and
one that is more relevant to our customers,” (Scott, 2005). Lee Scott’s comments in this speech
resonate with themes from ecological modernization theory, specifically the compatibility of
sustainability and efficient business practices. For example, he stated, “I believe, in fact, that
being a good steward of the environment and in our communities, and being an efficient and
profitable business, are not mutually exclusive. In fact they are one in the same,” (Scott, 2005).

This emphasis is reiterated in Wal-Mart’s publicly available documents, which describe
its sustainability strategies as “win-win” solutions that simultaneously generate business value
Products,” 2012). In addition, the company’s sustainability strategy for agriculture often
highlights the issue of waste, focusing alternately on reducing food miles, emissions, and food
waste, which strongly resonates with an ecological modernization perspective (“2012 GRR
Sustainable Agriculture Fact Sheet, 2008). While the concept of food miles has been criticized as
an inadequate measure of the sustainability of local food systems (Coley et al., 2009; Edwards-
Jones et al., 2008; Mariola, 2008), reducing food miles remains one of the cornerstones of the
intersection between sustainability and localization in Wal-Mart’s sustainability initiative:

As the largest grocery retailer in the United States, we feel we have a
responsibility and an opportunity to promote more sustainable practices in the
food and agriculture supply chain. One of the most important steps we can take is
reducing “food miles”—the distance food travels from farm to fork—by selling
locally grown produce in our stores where we can. (Testimony of Ronald G.
McCormick, 2012)

This continued emphasis on reducing food miles highlights how Wal-Mart is approaching
sustainability through localization from a perspective that coincides with the company’s core
strategies, since reducing food miles could help to promote distributional and supply chain
efficiencies. On the other hand, Wal-Mart’s local sourcing program has emphasized the need to
“revitalize historic growing areas,” which is described as an attempt to reintroduce crops to regions where production had previously diminished due to competition with strong agricultural states, such as California and Florida (Greenhalgh, 2010; “Heritage Agriculture Program,” n.d.; McCormick & Pinkston, 2008; Prevor, 2007). In this way, the program has the potential to reflect the premises of local embeddedness by respecting the fact that conditions of production will be different according to the local context. At the same time, this crop diversification in “historic growing areas,” is often promoted as a key element in the strategy of reducing food miles, and therefore may be less about embedding production in local ecologies and more about facilitating distributional efficiencies (McCormick & Pinkston, 2008). Because of this focus on distributional efficiencies, it may overlook the fact that historical growing patterns developed around the premise of comparative advantage, since many areas stopped growing certain crops because they couldn’t compete with places like California, where environmental conditions allow for lower production costs and more frequent growing cycles (Prevor, 2007).

While Wal-Mart maintains its global supply chains and traditional retailing models, in many ways its shift to focusing on sustainability and local products echoes changes in the retailing industry more generally from competition based on price and mass production of undifferentiated products, to one that revolves around differentiated, value-added, quality goods (Busch & Bain, 2004; Busch, 2007; Guptill & Wilkins, 2002). This rise in the importance of quality has led some researchers to question whether there could be a concomitant decrease in the importance of other price-related strategies. For example, Guptill and Wilkins state that, “This shift suggests a reduction in the importance of economies of scale in the food system, and perhaps signals opportunities for local food flows that were undermined by the rise of mass-production and supermarkets in the first place,” (p. 49). The potential that localization could undermine such traditional competitive strategies as economies of scale suggests the need to analyze the areas of convergence and divergence between localization and Wal-Mart’s core strategies, which will in
turn determine the company’s ability to restructure its system of provision. To address this, first, I review relevant literature, and then examine the findings from empirical research examining the actual operation of Wal-Mart’s local sourcing program in the U.S.

How Localization May Challenge Wal-Mart’s Core Strategies

If we assume that sustainability is defining a new competitive environment that is provoking changes in corporate strategies and structures, it is important then to consider how it may challenge or align with the basic tenets of lean retailing and logistics efficiency which, as discussed above, reflect some of the core values defining Wal-Mart. First, as a strategy to re-embed economic transactions in specific ecological contexts, localization is inherently place-specific, and therefore local sourcing benefits from a decentralized procurement model that can adapt to the specificities of different contexts (Guptill & Wilkins, 2002). This stands in contrast to the centralization that Wal-Mart relies on to exert control and maintain uniformity between stores. While in some ways regionalization is inherent to the Wal-Mart model, as illustrated by its distribution network and early store expansion system around regional distribution centers, the prominence of global sourcing and the reliance on the infrastructure of this distribution system could potentially create path dependencies that work against local sourcing (Gereffi & Christian, 2009; Guptill & Wilkins, 2002). In a study of supermarkets’ local procurement strategies in upstate New York, Guptill and Wilkins (2002) found that, “As the example of the superstore shows, the commitment to offering local foods, principally produce, entails processes that run counter to the top-down conventions of before...” (p. 50). Their study found that the successful procurement and promotion of local produce relied in large part on the knowledge, motivation and ability of store-level employees to emphasize local sourcing (Guptill & Wilkins, 2002). Their study participants suggested that while the emphasis on local food is clearly communicated
by headquarters, the practice has to be “store-driven,” especially since creating and maintaining a network of local suppliers requires extra work and time commitment. Since Wal-Mart is a highly centralized corporation that allows only limited autonomy to store-level managers, it is possible that individual employees could face structural and cultural barriers that impede their ability to make decisions to prioritize local sourcing over centralized distribution systems.

In an interesting moment of convergence between the retailing sector and the local food movement, the theme of “cutting out the middleman,” is often promoted as key to maintaining lower prices for consumers while extracting higher profits for producers (Gereffi & Christian, 2009; Guptill & Wilkins, 2002; Levinson, 2011; Lichtenstein, 2009). However, since localization implies the incorporation of a larger number of small and mid-sized farms, some type of intermediary may be needed in order for these smaller-scale growers to replicate the supply chain efficiencies needed to compete in the lean retailing model. The potential necessity of intermediaries could therefore sit uneasily with Wal-Mart’s desire to cut out middlemen and extract cost savings by shifting risks and costs onto suppliers.

Finally, there is also the question of how Wal-Mart will handle the diversity of local products in the context of a model that promotes standardization. Farm-based labels are widely seen in the local food movement as a way both to communicate the values that are presumed to be embodied in local food and enable small-scale farmers to create brands that can empower them within the retailing context (Lyson, Stevenson, & Welsh, 2008). This strategy contrasts to what is often referred to as a more “generic” version of localism, which is often associated with the co-optation of the local food movement (Campbell & Le Heron, 2007; Guthman, 2007). This “generic localism,” describes the promotion of local produce as a partial response to the delegitimization of organic certification due to the industrialization of this sector and the perceived watering down of organic standards as they were institutionalized by the USDA (Campbell & Le Heron, 2007; Guthman, 2007). This shift away from organic agriculture and
towards local food is seen as contributing to a, “…retailer strategy around the ‘middle ground’ of food retailing,” (Campbell & Le Heron, 2007, p. 141). In this “middle ground,” promoting local produce allows retailers to differentiate their brand name and remain competitive and responsive to consumer demands, while avoiding the price premium that organic agriculture carries (Guthman, 2007). While competition in food retailing is shifting towards the promotion of quality and the use of eco-labels, embracing a multitude of farm-based labels detracts from store-to-store consistency, which once again challenges Wal-Mart’s centralized management system and identity as a “replicator organization” (Lichtenstein, 2009).

Finally, in analyzing the potential restructuring of the food system around localization, it is important to consider previous examples of industry transition in a time of changing competitive environments. Studies indicate that when the bases of competition shift, challenges to a firm’s key competitive strategies can make it hard to adapt, and can potentially lead to failure. For example, Schoenberger (1997) suggests that one factor that explains why the manufacturing industry in the US struggled to adapt to shifting competitive conditions had to do with the need to destandardize production and shift away from mass markets. Looking specifically at the case of Wal-Mart and the factors that contributed to its withdrawal from the German market, Christopherson (2007) suggests that Wal-Mart’s inability to bypass wholesalers in the German system challenged Wal-Mart’s contextually-derived strategy of lowering prices by cutting out intermediaries. These examples suggest the value of analyzing Wal-Mart’s local sourcing program in terms of if and how Wal-Mart’s corporate culture and physical infrastructure can adapt to accommodate the competitive strategy of sustainability through localization. I next describe my research methods and sample before analyzing Wal-Mart’s local sourcing program from the perspective of its core strategies.
Methods and Sample

This paper draws on field-based qualitative research consisting primarily of semi-structured interviews with growers participating in Wal-Mart’s local produce supply chains, as well as with representatives who worked for organizations that facilitated the integration of small-scale producers into Wal-Mart’s local supply chains. These interviews took place in one region of the United States between November 2011 and March 2012. Wal-Mart is well-known for its proprietary stance on information about its operations (Fishman, 2006; Levinson, 2011). Therefore, while attempts were made to contact Wal-Mart employees, few replied; as a result, only one was interviewed for the purposes of this research. In this paper, I examine Wal-Mart’s program from the vantage of the experiences and perspectives of actors who have sold to the company through its local produce supply chains. While these supply chain participants operate outside of Wal-Mart’s legal corporate organization, they have first-hand experience with how Wal-Mart manages its local buying program, which I argue gives them a unique perspective on how the locally grown program operates. In addition, their reports of their interactions with Wal-Mart representatives, including areas of conflict and contestation, highlight the challenges that local sourcing presents to Wal-Mart’s business model. Taking a supply chain perspective is also supported by research that suggests that in the current structure of the economy, emphasis has shifted from focusing exclusively on the firm as a unit of analysis to focusing on interactions and issues of governance throughout the entire chain (Busch, 2007; Doel, 1999; Friedland, 2001; Ponte & Gibbon, 2005). If we understand the supply chain as the basic structure by which firms exercise their control over the distribution and allocation of resources and benefits, then we can move beyond the legal boundary of the firm to include this whole supply chain in an analysis of firm behavior (Ponte & Gibbon, 2005; Whitley, 1987).

32 The exact region is not specified in order to protect the confidentiality of research participants; in subsequent sections, any references to specific states or crop types have been removed.
In keeping with this perspective, fieldwork included semi-structured interviews with 27 fruit and vegetable producers with operations of varying size (ranging from 2.5 acres to 8,000 acres) who were currently selling, or had sold, to Wal-Mart through different channels, including directly to the store (DSD; a sourcing model that is explored in the Findings section), through a broker or directly to Wal-Mart through their distribution centers (see Table 4-1).

<table>
<thead>
<tr>
<th>Operation Size (Acres)</th>
<th>Number of Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-100</td>
<td>7</td>
</tr>
<tr>
<td>101-600</td>
<td>8</td>
</tr>
<tr>
<td>1000-5000</td>
<td>5</td>
</tr>
<tr>
<td>&gt;5000</td>
<td>3</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4-1. Characteristics of Producer Sample

<table>
<thead>
<tr>
<th>Mode of Sale to Wal-Mart</th>
<th>Number of Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through Broker/Co-Manager</td>
<td>8</td>
</tr>
<tr>
<td>Direct to Distribution Center</td>
<td>7</td>
</tr>
<tr>
<td>Direct Store Delivery</td>
<td>3</td>
</tr>
<tr>
<td>Doesn’t Currently Sell To Wal-Mart</td>
<td>7</td>
</tr>
</tbody>
</table>

In this sample, five producers sourced produce from smaller-scale growers, and most often had processing facilities where they aggregated and shipped these products; therefore, they are

33 Of these 27, seven producers didn’t sell to Wal-Mart at the time of this study. Of these seven, two had discontinued relationships with Wal-Mart (one of whom had sold directly to stores, which is explored further in the findings section of this chapter, and the other had encountered difficulties initiating and maintaining a relationship with Wal-Mart, also explored later in relation to Wal-Mart’s local label); three had been contacted by Wal-Mart, or had contacted them, but had decided not to sell to the company; and two sold to other supermarkets through a food hub. The latter group was included in this study due to the original intent of providing a comparison to the Honduran research, which would have highlighted the role of NGOs in facilitating models of aggregation and distribution, such as food hubs or cooperatives. These participants were later excluded from analysis when it was determined that the sample size of these organizations in the US was too low to allow for a full international comparison. Growers who had failed relationships with Wal-Mart, who or chose not to sell to the company despite being approached by them, were included in this study in order to expand the scope of their perspectives are useful in evaluating the factors that led to the lack of success in establishing and maintaining these commercial relationships.

34 In one case, due to the large size of the operation, interviews were conducted with three separate individuals in order to explore issues related to each individual’s position within the organization, including field operations, food safety/sustainability and sales. These individuals are counted as three separate interviews, although the characteristics of their operation are only included once in Table 3-1, therefore bringing the total counts in the table down to 25 instead of 27.
referred to as grower/packer operations for the purposes of this study (these growers ranged in size from between 200 and 4000 acres). In addition, two brokers were interviewed who each combined their own smaller-scale farming operation of around 300-400 acres with a business that sourced product both regionally and internationally (the role of these intermediaries will be explored further in the Findings section).

In addition, interviews were conducted with 21 representatives from 10 different organizations that worked in some fashion to facilitate the commercial relationship between producers and Wal-Mart, either by providing introductions, resources and training or by aggregating and distributing local produce. These organizations included University Extension (eight individuals), State Departments of Agriculture (four individuals), non-profit organizations (three individuals), wholesale companies and handlers (three individuals), and the USDA (two individuals), in addition to the previously mentioned Wal-Mart employee. All research participants (both growers and facilitators) were asked about the nature of their commercial relationship with Wal-Mart, including what specific agricultural practices the company requested and monitored, how “local” and “sustainable” were defined and implemented in the local supply chain, and the nature of commercial relationships and interactions along the chain. Three interviews were conducted over the phone to accommodate producers’ schedules, and all interviews ranged between 15 minutes and one and half hours, and were transcribed verbatim. NVivo 10 software was used to code and analyze the interviews in order to identify and interrelate recurring themes and patterns.

In the next section, I will draw on this qualitative data to analyze how the actual process of implementing localization challenges some of Wal-Mart’s key competitive strategies from the perspective of producers and supply chain intermediaries. Addressing issues of centralization, shortened supply chains that “cut out the middleman,” and standardization, this analysis focuses specifically on how a conventional food system corporation attempts to adapt its operations to
localization, thereby providing insight into the challenges of “scaling-down” the conventional food system towards local embeddedness.

Findings

Challenges to Centralization: Direct-Store-Deliveries

Smaller-scale fruit and vegetable producers who lack the volume to sell directly to Wal-Mart’s warehouses have the option of selling through an intermediary or selling directly to individual stores. The latter option, called Direct Store Delivery (DSD), provides an avenue that, theoretically, would give autonomy to individual produce managers on the store-level to allow them the flexibility to adapt their purchasing patterns to local conditions and develop local relationships in a way that would be consistent with the concept of local embeddedness, as described earlier. At the same time, doing so clearly detracts from the corporation’s ability to impose its version of uniformity and quality control, as was reported by the Wal-Mart employee interviewed for this study. In order to address this potential threat to the company’s ability to monitor quality and consistency when producers sell into Wal-Mart’s DSD program, Wal-Mart has “local” category managers who work on a national level. These category managers are responsible for all the purchases of a certain category of fresh fruit and vegetables that will be sold within the same state where they were produced, and therefore are promoted as “local.” While some producers who sold to Wal-Mart through the DSD program reported that most of their interactions were with such a category manager, others dealt primarily with individual produce managers, and at times there were conflicts between how their relationships were handled at the store and corporate level. Successful DSD relationships were often predicated on either the category manager or produce manager’s interest in promoting local sourcing, which in
turn was affected by Wal-Mart’s culture and infrastructure; in the first case, Wal-Mart’s practice of rotating employees through different posts impeded the development of long-term relationships, and in the second, produce managers faced challenges in coordinating local purchases with Wal-Mart’s centralized management and procurement systems.

To begin, some producers who sold to Wal-Mart stores through the DSD program worked primarily with “local” category managers, and had less interaction with the produce managers at individual stores. In these cases, orders, pricing and invoices were managed by the category manager and not by the produce manager. While they could not monitor every delivery that these producers made, in one instance a category manager asked a producer to send a sample of her product through overnight mail so that he could sample it, and in another the category manager asked for pictures of the grower’s operation. In these ways, these centralized employees monitored producers while essentially bypassing produce managers. On the other hand, some growers reported that their DSD relationships were principally with individual produce managers, who were responsible for placing orders and making payments. For example, one grower felt that produce managers had been given more freedom to purchase locally in the past few years due to Wal-Mart’s emphasis on local sourcing. This grower appreciated being able to sell directly at the store level, saying, “I’m very happy with that because I do not have to go any higher in the organization than the local store produce manager… Whatever he and I decide, that’s it. He don’t even have to go to his store manager.” Since these findings are based primarily on the perceptions of growers and other supply chain participants, it is unclear what factors affect whether a “local” category manager is responsible for DSD relationships and when a produce manager maintains control over them.

What is clear, however, is that in situations where growers had to deal with both produce managers and category managers, there were often some conflicts between these levels of governance. For example, one grower who had been delivering to 20-25 Wal-Mart stores for ten
years felt that the “local” category manager, whose offices were on the other side of the country, interrupted his long term relationships with produce managers at local stores, including his ability to negotiate prices with them. While the “local” category manager wanted to set a consistent, nationally-based price for local items, this particular grower felt that in doing so his produce was expected to compete with prices for the same products grown in California, which he felt was unfair since it didn’t reflect the fact that his region had a shorter growing season. Instead, he suggested that produce managers at individual stores were best equipped to handle local produce sourcing; in describing this tension in his relationships with the national “local” category manager and the store-level produce managers, he commented that with the “local” category manager, “We set a price with him and actually he came back during our season and said ‘Oh, we’re going to lower that price.’ So, we just ignored him and just dealt with the local produce managers here.” In this case, the producer was able to resist the centralized local procurement model due to the longstanding relationships he had with Wal-Mart produce managers at the store-level, illustrating how decentralization serves as a point of contestation in Wal-Mart’s local supply chains.

While this producer had strong relationships with produce managers, which he felt were disrupted by the “local” category manager, other producers faced the opposite problem, and reported that while they had a good relationship with the category manager, they sensed a lack of buy-in at the local level from store produce managers. They believed that this reflected a disconnect between the corporate focus on local produce and actual implementation at the store-level. For example, a University extension agent who worked closely with a cooperative that sold directly to 17 Wal-Mart stores for two years before the relationship was discontinued suggested that:

There are some internal issues I think with the locally grown campaign with Wal-Mart. People that work in the vegetable departments in the Wal-Mart Centers have to be educated on the locally grown campaign because, somehow they are
trained or somehow they are instructed to do all of their food ordering through the distribution centers. And it’s more convenient for them to do it that way than to work with someone that’s coming in locally bringing the stuff in, because orders would have to come from Arkansas to these particular stores to hold off ordering from the distribution centers and take the product in locally. Some of ‘em are resisting that and in the supercenters, they are actually resisting that and don’t want to do that.

In this extension agent’s experience, the DSD program only worked successfully because a “local” category manager based at Wal-Mart headquarters in Bentonville was able to coordinate the deliveries that produce managers received from centralized warehouses in order to accommodate their local, DSD purchases. However, when the category manager was either replaced or left the company, this cooperative lost access to this market because neither the individual who replaced her nor the store-level produce managers demonstrated interest in continuing to coordinate this relationship. This example shows the drawback of relying on individuals for the success of a program in a company known for high turnover rates. In addition, it highlights both cultural and infrastructural path dependencies in produce managers’ preference for ordering from the warehouse, and the structurally-based complication of coordinating local deliveries with those from centralized warehouses.

In terms of the issue of high turnover, while the DSD program appeared to be successful when either a produce manager at the store-level or an employee at a centralized location was committed to facilitating local sourcing by adjusting warehouse deliveries, it could fail either when these individuals were not interested in promoting local produce, or when they left either the company or their position. Many growers echoed this complaint, and another grower who had sold to Wal-Mart through the DSD program for ten years said that,

There’s a lot of turnover in Wal-Mart. Not turnover but, seems like they get promoted, they get moved, they get moved up and around and once we make a contact and we get the paperwork there and six months they’re gone in another division and another wherever and then you got to start all over again...So, that kind of seems like that’s probably worse with Wal-Mart than others.
Participants' perceptions of high turnover within Wal-Mart are supported by other research, which cites the unusually high rates of employee turnover in Wal-Mart compared to other corporations (Lichtenstein, 2009). In addition, the practice of moving employees through several different job positions has been found to be a practice that retailers utilize both so that their employees gain experience with how the company operates within different divisions, and as a way to discourage the development of friendships between buyers and suppliers that could be perceived as unethical (Doel, 1999). This latter explanation was echoed by one grower, who suggested that this constant flux in employees impeded his ability to form a relationship with any one individual long enough to build the kind of trust that he felt is key to business relationships. This situation illustrates both how Wal-Mart’s culture of moving employees around serves as a barrier to embedding supply chain relationships in local social contexts, and how a system that relies on motivated individuals is insufficient at affecting change without structural modifications to support them.

In terms of cultural and infrastructural path dependencies, many growers described one of the major challenges that they observed in the DSD program as the difficulty that produce managers had in suspending deliveries of a certain product from the centralized warehouse when they wanted to buy the same item locally. Producers had different explanations for this issue, saying alternately that individual produce managers didn’t have the authority to stop or reduce deliveries from the centralized warehouse for products that they wanted to buy locally, or that produce managers had the ability to turn off those deliveries, but either didn’t know how, didn’t care about buying locally, or were “afraid to buy local.” One producer, who had developed successful relationships with producer managers at fourteen Wal-Mart stores over the course of ten years, said of this issue, “That depends entirely on the produce manager. If the produce manager knows how to go about doing it, it’s not a problem. If they don’t know how to go about doing it, sometimes it is a problem. The warehouse will keep shippin’ [the product] to ‘em.”
Once again, this example illustrates the importance of individuals in the success of Wal-Mart’s local sourcing program, as well as how this program can come up against structural barriers in the form of path dependencies, in this case with the difficulty of shifting away from centralized procurement and distribution models.

The example of Wal-Mart’s DSD program illustrates how Wal-Mart’s attempts to impose the strategy of centralization onto local sourcing can create obstacles to the success of the program. First, we can see how Wal-Mart’s culture and infrastructure make certain individuals key to the success of the local sourcing program, while simultaneously constraining these individual employee’s ability to promote local in certain instances. Second, using a centralized procurement model for local produce sourcing essentially runs counter to both social and ecological embeddedness. In many cases, social relationships between producers and Wal-Mart produce managers were affected by Wal-Mart’s attempts to manage procurement at a national level, thus impeding producers’ ability to negotiate prices and maintain relationships at the local level. This was further exacerbated by the fact that employees often didn’t stay very long in one position at Wal-Mart, either because they were moved to a different department or left the company, which also constrained the ability of producers to forge social relationships with employees that might help to mitigate economic rationalities in these relationships, as described in the concept of local embeddedness. In terms of ecological embeddedness, by demanding a nationally-based price for all “local” items, and by shifting control of pricing from the local level to the national level, this program failed to account for local production conditions and cycles. Since Wal-Mart essentially did not adapt its systems to incorporate local sourcing, but rather attempted to apply its core strategy of centralized management, the company may be able to sell and promote “local” produce without actually embedding its practices in local contexts. This analysis therefore indicates that while the DSD program challenges Wal-Mart’s core strategy of
centralization, which can lead to failed relationships in establishing and maintaining local supply chains, Wal-Mart continues to promote centralization within its local sourcing program.

The DSD program is only one sourcing model within Wal-Mart’s overall local sourcing program; in addition, growers can also choose to sell through an intermediary. How this type of supply chain organization might challenge Wal-Mart’s strategy of bypassing wholesalers is explored in the next section.

**Challenges to “Cutting Out the Middleman”: The Need for an Intermediary**

Both Wal-Mart’s local sourcing program and the local food movement use the rhetoric of “cutting out the middleman” to talk about the potential cost savings of shortening supply chains (Gereffi & Christian, 2009; Guptill & Wilkins, 2002; Venn et al., 2006; *Wal-Mart Promotes Sustainable Agriculture Fact Sheet*, 2008). However, in the case of Wal-Mart, there is an inherent tension between the company’s strategy to reduce the number of intermediaries who take a cut of the price between field and store, and the logistical challenge of dealing directly with a large number of small-scale producers. In addition, certain intermediaries provide smaller-scale growers with services, such as assistance with food safety certification and access to multiple markets, which make them essential actors in facilitating the flow of products in a local food system. In describing Wal-Mart’s recent shift towards buying directly from growers, many larger-scale growers described how Wal-Mart’s supply chains used to be “co-managed,” where a grower was required to sell to a third party company which never handled the product, but was responsible for all of the paperwork and maintaining the relationship with Wal-Mart. In talking about these co-managers, growers agreed that these actors often charged an exorbitant commission for work that many large-scale growers could manage themselves, and therefore they approved of Wal-Mart’s decision to phase them out. On the other hand, they also agreed that
there is often a need for some type of intermediary to help smaller-scale producers access resources and meet Wal-Mart’s standards. This perception is supported by the earlier review of the literature, which described how intermediaries are often not eliminated completely, but rather that there is a reorganization as companies shift their activities to address Wal-Mart’s needs (Petrovic & Hamilton, 2006). In the case of Wal-Mart’s local sourcing program, even as Wal-Mart attempted to phase out co-managers and shift to a direct procurement model (Aubrey, 2013; Prevor, 2011), it has also come to rely on certain grower/packers and brokers as new intermediaries in its local sourcing program.

The process of bypassing co-managers and purchasing directly from these larger growers or brokers was one that had put tension on traditional relationships within the food system when it first developed. For example, one such large grower described the process of moving away from co-managers to direct relationships with Wal-Mart as follows: “…then they decided that they wanted to go local, or get back direct with the grower, and that caused some heartache between that person in the middle and us, ‘cause Wal-Mart came direct to us and it just kind of put us in a bad situation, but you know, it worked its way out.” Other large scale growers and brokers also mentioned this tension with their existing relationships due to Wal-Mart’s shift to buying directly from growers; for example, when asked if he would ever consider selling directly to Wal-Mart, one broker replied, “Yeah, we would, we just…I don’t know why we haven’t. We, a lot of times, the people we sell that go to Wal-Mart, if we call Wal-Mart direct, they’re going to be mad at us for doing it, so you know, you don’t want to step on toes too bad.” As these comments illustrate, even when the process of “cutting out the middleman” is beneficial for other supply chain actors, it can disrupt important commercial relationships, and therefore may complicate the process of shifting towards direct procurement.

These changes in Wal-Mart’s supply chain organization, and the tensions that they engender, are particularly evident in the company’s local produce sourcing program.
Grower/packer operations and brokers have responded to pressure from Wal-Mart by identifying and working with smaller-scale producers in order to make sure that their products meet Wal-Mart’s quality, safety and processing requirements. Doing so also allows them to offer more local products, which is a commercial benefit for them. For example, in response to a question about whether Wal-Mart asked him to reach out to smaller growers, one grower/packer explained, “…initially it was probably that way, now more and more people like ourselves are just doing it because of the local movement, and it helps make a lot of sense for you know, everybody can’t sell to a major retailer every day.” In this comment, the grower/packer stated that not everybody can sell to a major retailer, which suggests that his operation had certain advantages that smaller-scale growers did not. The grower/packer operations and brokers with their own growing operations who were interviewed in this study had their own processing facilities, and were also large enough to have a full-time staff dedicated to food safety compliance. Therefore, they were able to offer post-harvest processing to smaller-scale farmers, as well as advice about food safety certification. In addition, these intermediaries often provided additional forms of assistance, including coordinating planting schedules in order to stagger supply, and in one case a grower/packer even offered to plow the fields for smaller-scale producers who lacked access to heavy equipment. In addition, many of these operations reported offering agronomic advice to smaller-scale growers, which one small-scale grower said that he found to be more useful than the services offered by his local University Extension.

Despite the fact that Wal-Mart had initially asked many of these grower/packers and brokers to integrate more local growers into their supply chains, several participants reported hearing that Wal-Mart was trying to bypass these intermediaries and establish direct relationships with growers. This again echoes previous research, which suggested that wholesalers in Wal-Mart’s supply chains are constantly under pressure to develop networks of low-cost suppliers, and face the threat that if they do, they may lose their place in the chain if Wal-Mart tries to bypass
them (Petrovic & Hamilton, 2006). One grower in this study, in particular, was approached by Wal-Mart in an attempt to cut out the broker who served as an intermediary between the producer and Wal-Mart. However, this grower appreciated the services that this intermediary provided, and therefore resisted any attempts by Wal-Mart to buy from him directly. As he explained:

The [Wal-Mart] buyer called me one time, my wife answered the phone, wanted to talk to me about selling to them without [the broker]. And I had heard some horror stories about dealing directly with Wal-Mart, so I was really cautious about that- I didn’t call him back. In the meantime, the next time I talked to the buyer at [the brokerage], I said, uh, “Are you aware that they’re trying to go around you?”… “Oh, yeah, we know what’s going on.” I said, well, my message back to the [Wal-Mart] buyer was, I didn’t want to meet unless, I didn’t want him coming here unless they were here too. Cause I’m really, really pleased with what [the broker’s] done. They’ve helped so much. They’ve, when I would have issues of supply, they understand, of course they were able to pull [out-of-state] product up to replace it. In the past few years I’ve had a lot more than what I’d estimated, and I told ‘em in advance and they took it.

This example highlights how Wal-Mart attempted to leverage one of its key strategies, cutting out supply chain intermediaries, in the local context, without recognizing that these intermediaries were providing services that small-scale producers valued. For example, in this grower’s explanation, it was clear that he appreciated the broker’s ability to help him manage situations where he had either under- or over-supply of product, whereas he felt that it if he were selling directly to Wal-Mart in a similar situation, he would either have fallen short or ended up with a large quantity of unsold product. In this way, larger scale farms and brokers mediated the risk of the potential variability of a relationship with Wal-Mart. In another example, one grower/packer described a situation where, “We had a [produce] item in Wal-Mart and they pulled the item out. The grower in [another state] had growed it and so we were stuck with about 20 thousand pounds of [the product], and you know, we didn’t use it, but we paid the grower in full.” In this and other situations, larger scale grower/packer operations had the resources to find alternate markets, and were therefore less vulnerable to the potential inconsistencies of dealing with a large company such as Wal-Mart. In addition, considering the high employee turnover that producers reported
observing within Wal-Mart, selling through an intermediary may provide small-scale producers a level of consistency and the opportunity to develop relationships that they would not have if they sold directly to Wal-Mart.

These examples illustrate the tension that emerged when Wal-Mart attempted to leverage one of its core competitive strategies - cutting out wholesalers - in the local context. At the same time, placing large-scale farms with aggregating capabilities in the position of identifying and training smaller-scale growers is in keeping with Wal-Mart’s model, since it shifts the costs, risks and responsibilities of integrating small scale producers into Wal-Mart’s local supply chains onto other supply chain actors. While these large-scale growers benefited from being able to offer more local produce, they also faced challenges in purchasing from multiple small growers. For example, one grower/packer who subcontracted with smaller growers commented that Wal-Mart had asked him to handle the relationships with these smaller-scale producers:

…they’ve called us and say, hey, I want to buy some [product] from this little farmer, and maybe even some value-added, and so we go down there and visit…. And the food safety standards, where they were packing the value-added [product], you know, it was not refrigerated, it didn’t have doors and it’s just that, you know… you need to look at doing it direct to the store because logistically you know…We can’t go by there and pick up 35 boxes to come in here and mix it into our mix…Same reason why they can’t do it!

This large grower pointed out that he faced the same logistical challenges as Wal-Mart when buying local produce from small growers, illustrating how Wal-Mart’s reliance on intermediaries essentially outsources the responsibility of incorporating small-scale growers into the company’s local supply chains.

This last remark also points to the potential risks that intermediaries face when sourcing from several smaller-scale growers, including that of food safety. The need to be food safety certified by certain Wal-Mart-approved third party certifiers is already a large barrier facing
small-scale growers who wish to sell directly to Wal-Mart, and both Wal-Mart’s shifting requirements and new national legislation could further complicate this situation for intermediated supply chains, as well. For example, a commonly cited loophole in older versions of food safety regulations required certification only for a processing plant or intermediary, and not necessarily for every individual grower who sold to them. As this loophole potentially gets phased out by both federal regulations (such as the Food and Drug Administration’s 2010 Food Safety Modernization Act) and private certification systems (such as the Global Food Safety Initiative, or GFSI), intermediaries will only be able to purchase from small-scale producers who are also certified by these stricter standards. As the Wal-Mart employee explained, “So whereas in the past, this is one of the things with the big growers, you know, we have guys that will sell us 3,000 loads in a year. They used to just go, if they were short of their own stuff, they used to go pick it up from somebody. Well unless that guy is also GFSI certified then he can’t do that anymore.” Since GFSI certification is very expensive and has requirements that are often beyond the capacity of small-scale producers to meet, this issue demonstrates again how structural factors challenge Wal-Mart’s and supply chain intermediaries’ ability to incorporate local growers.

These examples illustrate how Wal-Mart’s strategy of bypassing wholesalers to buy directly from suppliers is relevant in the context of its local produce sourcing program. This has led to the exclusion of certain supply chain intermediaries, such as co-managers, and the growing importance of grower/packers and brokers on the competitive landscape. While these intermediaries played an important role in offering services and training that facilitated the integration of small-scale growers into Wal-Mart’s local supply chains, their ability to do so

35 While this was true for producers selling directly to Wal-Mart warehouses, evidence from this research suggests that producers who sold through the DSD program were able to use USDA food safety certification, which is less expensive. Since the time of this research, Wal-Mart has worked with the USDA to incorporate its requirements into the USDA’s Produce Good Agricultural Practices Harmonized Food Safety Standards certification, which is more affordable and amenable to the practices of small-scale producers than Global GAP or Global Food Safety Initiative certifications (Summers, 2012), although it remains unclear which producers in Wal-Mart’s chain can use this certification, and which must have GFSI certification.
could be hampered both by Wal-Mart’s attempts to cut them out, and by logistical and structural challenges, such as food safety certification. Once again, this issue illustrates how Wal-Mart’s attempt to apply one of its key competitive strategies, cutting out wholesalers, may not be appropriate in its local sourcing program, despite the company’s attempts to bypass intermediaries and promote direct purchasing.

Finally, as local product is aggregated and distributed by these market intermediaries, the question arises as to how it is tracked and labeled specifically as “local,” leading to the question of whether localization may challenge Wal-Mart’s ability to standardize these products.

**Challenges to Standardization: Labeling and Tracking Local Produce**

While local embeddedness is widely described as adapting to the diversity of local conditions that are found in site-specific ecologies, a company such as Wal-Mart requires a certain level of standardization in order to maintain its image and ensure consistency between stores. One way that it has addressed this issue with local produce has been to develop packaging and a label that will communicate to a consumer that a product is local. This label was piloted on a select number of products during the course of this research, and emerged as area of contestation for producers in this fieldwork (see Figure 4-1: Wal-Mart’s Local Label).
While one grower took the issue in stride and made the comment, “I mean, yeah it would be nice to have our label on it, but they’re selling it, we’re selling to them so they can really label it whatever they want,” nine other producers in this sample who were affected by the local label resisted it. Many of these growers had told their buyers that they refused to use the label, with one grower saying, “I kind of laughed even thinking about that, thinking, Wal-Mart doesn’t hear ‘no’ very often!” Producers resisted Wal-Mart’s local label for three main reasons; first, they resisted the “genericization” of local and preferred to use their own farm-based labels or state branding,\(^{36}\) which they felt added value; second, they felt that it increased their liability even as they were trying to establish traceability for food safety; and, third, it implied extra costs and risks.

\(^{36}\) Many states have developed a state based branding system with a label to communicate to consumers that products are produced within the state. In many cases in this research, employees from State Departments of Agriculture took responsibility for installing signage at Walmart stores to indicate which items were local. While many research participants referred to these labels as a type of “certification,” they differ from third party certification systems, and are based on a producer’s signing up for “membership” without any formal auditing system.
by requiring labels and packaging that limited where they could sell the product. Finally, there was recognition from both growers and the Wal-Mart employee that using a local label had the potential to incite consumer backlash if produce were not carefully tracked and promoted.

Regarding the view that Wal-Mart’s label promoted a version of “generic localism,” one producer commented, “…to have earned the business the way we earned it, we differentiated ourselves from everybody else. We don’t want to go back and be genericized, and everybody being the same.” This sentiment was echoed time and again, as producers talked about having an established clientele who would recognize their name, and asking, “Why, if you’re going to promote a local product that has a 75 year track record, a brand that is a regional brand that is known, would you want to change it to local that has no brand on it, it makes you a generic that fits in with everybody else?” In addition, producers felt more allegiance to a state-based brand than to a generic Wal-Mart local label, saying, “I mean we’re all for the local grown program and because of that we put the certified [State] Grown logo on everything, and so we feel like our packaging is sufficiently communicating that it’s a local grown product…” These comments echo the criticism of “generic localism,” and suggest that producers saw Wal-Mart’s labeling system not aligning with their own perspectives on the best way to relate to their clientele and the local food movement, which was through farm and state-based labels rather than a Wal-Mart local label.

The second recurring reason that producers resisted the generic local label was because they felt that consumers would perceive that it pooled their produce with all other producers of the same product, even as they were trying to establish traceability and farm-based labels in order to protect their liability in the case of food safety scares. While local produce would still have traceability stickers to comply with food safety standards, growers worried about the potential risks to their reputations with the use of a generic label in the case of an outbreak. For example, two growers used the phrase “guilty by association,” to describe their concerns: “…if you packed
in a generic container, and again there was some incident, because obviously we’re not the only ones they’re going to be buying from, I just see it being, I could see us potentially losing greatly from that because of, you know, kind of guilty by association, so we’d rather kind of be set apart.” In this way, growers expressed their concern about the potential risk of losing control over their ability to differentiate their products for consumers, which would be heightened if there were a food safety scare.

Finally, growers also felt that a standardized, generic local label increased their liability when selling to Wal-Mart because of the costs involved, and the potential risk that they could lose money if they had produce packed into containers that only Wal-Mart would accept. Several producers explained that as each retailer began to demand its own package or box, they were unable to buy these items in bulk, and therefore lost important savings. In addition, one producer described a situation where he bought a large quantity of Wal-Mart’s locally labeled box, and then lost money on the item when Wal-Mart didn’t buy any of his product. Another producer expressed his frustration with how the local label limited his ability to easily change markets as follows, “So therefore the argument I want to have back with them this year is ok, now you want not only a cheaper price, but now you want me to go under a specific clamshell for you where my risk is really going up now, because if you reject a load, if you cut your orders, there’s nothing I can do with this fruit.” Wal-Mart’s expectation that producers adopt a specific package that can only be sold to them is an example of the company’s traditional strategy of putting pressure on suppliers to make changes to their operations without financially compensating them, as with the example of P&G that was offered in the review of the literature. In this case, the specific Wal-Mart local label would not only incur costs, but also create risk for producers since it would reduce their ability to sell that package to other markets. This was especially a problem for smaller-scale producers, since, as another producer explained, their operations weren’t large enough, and didn’t sell enough specifically to Wal-Mart, to be able to have a special package that
they could only sell to them. In these ways, Wal-Mart’s attempts to standardize its local product included shifting costs and risks onto suppliers, and clearly from these examples, smaller-scale local producers objected to this business model.

Finally, in addition to producers’ concerns about using a generic local label, several also mentioned the potential for such a label to do more harm than good in terms of Wal-Mart’s reputation if the product ended up in a region that might not be considered “local” by consumers. The Wal-Mart employee explained these dynamics as follows:

Well, every area is different. If you look at Oregon and Washington, anything grown up there they consider local… Whereas, if I go to Virginia, if I’ve got a Virginia [product], I can’t send it to Maryland and call it local. Maryland specifically says unless it’s grown in this state, you can’t label this local. So, which has changed a lot, again one of the strategies is, how do we get the customer to understand that… so honestly it’s hard at Wal-Mart because you’ve got so many things that come from so many different places.

Growers also mentioned this challenge of tracking produce with local labels in order to avoid consumer backlashes, suggesting that, “…if you have locally grown label all over the country saying locally grown, where could it come from? You know, it could come, you know, okay they’re short on the East Coast, let’s send some of these Texas [products] over there with locally grown on them and they’ll never know the difference.” Many of producers’ concerns surrounding the local label, such as this, were not necessarily justified, since the Wal-Mart generic label observed during this fieldwork did have space on it to specify what state or region the product originated from (again, see Figure 4-1), and Wal-Mart representatives have said that the local label has a space where individual producers can put their own farm-based sticker on it (Testimony of Ronald G. McCormick, 2012). At the same time, these comments raise questions about how Wal-Mart tracks local produce, which may reflect an overall issue with the company, which recently admitted that it struggles to track produce more generally and ensure that stores remain stocked with fresh items (Clifford, 2013). In addition, the strong reactions that the issue of a standardized local label evoked from growers, combined with concerns over consumer
perceptions, indicates that this is an area of contestation over how “local” is defined, constructed and conveyed. Growers clearly resisted both the potential loss of identity and the risks involved in promoting a “generic localism,” therefore suggesting that localization challenges one of Wal-Mart’s core competencies in the area of standardization. Therefore, the use of a local label is another example of how Wal-Mart applies strategies derived from another context onto its local sourcing program, but with potentially limited success.

Discussion

The preceding exploration of how producers and supply chain intermediaries perceive Wal-Mart’s local supply chains illustrates how sourcing local produce challenges many of Wal-Mart’s key competitive strategies, and at the same time, how Wal-Mart continues to apply its traditional retailing strategies to its local produce sourcing program. This analysis therefore provides insight into the question of whether the conventional food system can be restructured to reflect the premises of local embeddedness, or whether cultural and structural barriers will keep some corporations from being able to “scale-down” their operations in order to account for the specificities of local contexts. This can be seen in how Wal-Mart’s application of its core strategies to the local sourcing program impedes local embeddedness, which leads to a discussion of the issues involved with implementing sustainability from within an existing system, as suggested by ecological modernization theory.

In the case examined here, sourcing local produce did not necessarily translate to local embeddedness, since Wal-Mart implemented local sourcing in a way that effectively disembedded supply chains from their local contexts. For example, produce managers’ preference for, and difficulties in managing, deliveries through a centralized warehouse, coupled with Wal-Mart’s use of “local” category managers, made it difficult for producers to have
relationships with the produce managers who were purchasing and handling their products. At the same time, the company’s corporate culture of high turnover impeded the development of social relationships between producers and nationally-based “local” category managers. In this way, Wal-Mart’s operating structure and culture impede the social embeddedness of economic relationships. Similarly, the application of Wal-Mart’s core retailing strategies to the local procurement program also posed a barrier to ecological embeddedness. For example, having a national, centralized pricing structure for local produce fails to account for unique growing conditions in different places, which can mean higher costs for some producers and shorter growing periods than in other areas, and therefore the need for higher prices. By expecting growers to meet nationally-set “local” prices, Wal-Mart’s system doesn’t account for the natural cycles in different local contexts. In addition to disembedding local produce by expecting it to conform to a national pricing structure, Wal-Mart’s treatment of local produce as simply another “category” and attempts to standardize local products through a generic label, also served to disembed local produce from its potentially more nuanced social and environmental contexts.

Standardizing local produce is also indicative of the company’s desire to combine old and new bases of competition. As described earlier, the retailing sector has shifted from competition based purely on undifferentiated commodities (and therefore price), to competition among differentiated, value-added products (Busch & Bain, 2004; Busch, 2007; Guptill & Wilkins, 2002). However, Wal-Mart’s generic local label can be seen as doing both. It maintains the competitive advantage of low prices through standardization while also differentiating the product in order to appeal to shifting consumer demand. However, in this case quality construction around local produce reflects a “generic localism” that may be designed to tap into consumers’ associations with what “local” means, but without allowing for the variety and labeling that would assure the product’s provenance. In this way, local produce itself becomes a commodity, even while it is differentiated. Therefore, while it has been suggested that the shift
towards competition based on quality might lead to a decline in the importance of price-oriented competitive strategies, such as economies of scale, and therefore provide opportunities to promote local produce sourcing (Guptill & Wilkins, 2002), this research suggests that Wal-Mart continues to envision and implement sustainability and localization within the framework of its current business model.

This analysis leads to questions about the implications of attempting to implement reforms from within existing systems. While ecological modernization theory states the need to restructure the institutions of modernity in order to value ecological rationalities, many others have critiqued, “fighting capitalism with capitalism,” (Allen & Hinrichs, 2007), suggesting that relying on neoliberal constructs delimits the possibility of effecting change (Allen et al., 2003; Allen & Guthman, 2006; Guthman, 2007). This paper contributes to this discussion by specifically analyzing how sustainability is implemented within a corporate structure through localization, and finds that corporate culture and structure, and the core strategies that create and maintain them, set the parameters for how localization and sustainability are conceptualized and enacted. In this case, Wal-Mart’s culture and structure, and the path dependencies that have grown up around them, determine how the company views and treats local produce and its local supply chains.

The inherent challenges of introducing sustainability to an existing system are well captured by one producer’s implicit critique of the assumed equivalence between local embeddedness and sustainability. He introduced this in talking about the essence of comparative advantage:

I don’t think the majority of consumers are willing to pay the extra money it takes to produce something locally when it could be produced 600 miles away in a much better climate, much better environment, much better soils, when you get higher yields and you can produce it, freight it in, and sell it cheaper.
This producer pointed out the nuances inherent in determining whether localization in the food system is sustainable by questioning whether more efficient production practices in specific regions trump the environmental benefits of reduced transportation. He also talked about how companies like Wal-Mart, and his own operation, were able to leverage resources and derive benefits from economies of scale, and that their success indicates that they’re doing something right, saying, “It’s nothin’ evil with why we’re where we’re at.” His perspective highlights the tension in introducing sustainability to a system that has evolved to value certain practices, such as economies of scale and centralized logistics systems, which change the context within which we can define what constitute sustainable practices. In order to move beyond a weak version of ecological modernization and towards real, systemic change, it is important not only to ask how to introduce sustainable practices and the values of the local food movement to the conventional food system, but to understand how the values and structures that constitute this system affect perceptions of what even constitutes sustainability.

**Conclusion**

This paper developed a framework combining ecological modernization theory with concepts about the interactions between individuals and structures in the creation of path dependencies in both infrastructure and corporate culture to analyze how the Wal-Mart Corporation is adapting its grocery division to the new competitive strategy of local produce sourcing. I have suggested that this process inverts questions of how to “scale-up” local food systems, and instead asks what cultural and structural barriers exist to “scaling-down” the conventional food system for corporate actors who seek to localize their procurement practices.

A strong version of ecological modernization would include the restructuring of systems of provision to value ecological rationalities and embed relationships in the particularities of
place. However, this research has demonstrated that the potential to restructure Wal-Mart’s system of provision is constrained by the culture, infrastructure and contextually-derived strategies that developed specifically to maintain its system. In this case, Wal-Mart introduced local produce sourcing to its system while attempting to maintain its core business strategies, including centralization, bypassing wholesalers and standardization. This created tensions and areas of contestation within the company’s local supply chains, including between centralized and decentralized supply chain management, the continued need for intermediaries because of the services they provide, and producer resistance to a generic local label. Some of these issues were related to structural issues, as in the case with the tensions between category and produce managers and their difficulties coordinating between warehouses and direct purchases, while others illustrated the incompatibility of Wal-Mart’s traditional strategies and producers’ needs in the local context, as with Wal-Mart’s attempts to bypass intermediaries and their use of a standard local label. In addition, Wal-Mart’s application of these core strategies, and its treatment of local produce as a standardized commodity, kept local sourcing from effectively re-embedding this system of provision in the particularities of local social and environmental contexts. Finally, this analysis offers insight about the challenges of reforming a system from within, as suggested by ecological modernization theory. It reinforces the need for further research to explore not only what practices and values should be introduced to the conventional food system in order to promote sustainability, but also how these systems, and the culture and ideologies that grow up around them, redefine what practices will be considered sustainable and what reforms may ultimately be possible.
References


Chapter 5

Paper 4: “Democratizing Sustainability”: A Comparison of Access, Availability and Affordability of Local Produce Through Wal-Mart and Other Store Types in the US

In the past decade, rising rates of obesity and other health-related diseases have taken center stage in public discourses, policy debates and academic literature. While the traditional approach to these problems in the public health community was to focus on interventions designed to change individuals’ behavior, there has been growing recognition that there are external factors that delimit an individual’s ability to make consumption decisions that support a healthy lifestyle (Hawkes, 2009; Larson & Story, 2009; Neff, Palmer, McKenzie, & Lawrence, 2009). While there are various external factors that affect consumer decision-making (such as social networks or economic resources), there is a growing body of research on what has been termed the “food environment,” which looks at what type of food outlets are available in different communities, and how this affects consumers’ ability to access healthy food options (Cummins & Macintyre, 2006; Liese, Weis, Pluto, Smith, & Lawson, 2007; Odoms-Young, Zenk, Karpyn, Ayala, & Gittelsohn, 2012; Wrigley, Warm, & Margetts, 2003).

Focusing on the role of the food environment in creating the conditions for fostering consumer health has led to a proliferation of studies that examine the relationship between the location of different food outlets, such as fast food restaurants and supermarket retailers, and the incidence of diet-related diseases (for example, Drewnowski, Aggarwal, Hurvitz, Monsivais, & Moudon, 2012; Morland, Diez Roux, & Wing, 2006; Odoms-Young et al., 2012; D. Rose & Richards, 2004). The majority of these studies make reference to the term “food deserts,” to describe areas where individuals have low access to supermarket retailers, drawing on the assumption that supermarket retailers offer a wider variety of healthy food items at lower prices.
than other store types (for example, see Cummins & Macintyre, 2002; Ver Ploeg et al., 2009; Wrigley et al., 2003). In this way, individual consumer behavior and health outcomes are increasingly analyzed within the context of corporate strategies and practices, and a new round of policy and program interventions have been designed accordingly.

Recognizing the relationship between corporate policies and health outcomes has led to public policies and partnerships that aim to increase the accessibility, availability and affordability of healthy food to low-income and minority populations by encouraging the opening of more supermarkets in underserved communities, and improving the product offerings of existing stores (“Let’s Move! Collaboration with Walmart,” 2011, U.S. Department of Health and Human Services, 2010; Mitchell, 2008). Perhaps the most widely publicized of these partnerships is between the Wal-Mart Corporation and US First Lady Michele Obama’s Let’s Move Campaign (“Let’s Move! Collaboration with Walmart,” 2011, “Let’s Move- Supermarkets and Access,” 2011). The Let’s Move Campaign’s main objective is to reduce childhood obesity, and through this partnership Wal-Mart has committed to several goals in order to contribute to obesity reduction: (1) improve the nutritional content of its own brand labels, (2) open Wal-Mart stores in areas with otherwise low access to large supermarkets, and (3) promote healthy products to low-income consumers in the stores it already operates (“Let’s Move! Collaboration with Walmart,” 2011, “Let’s Move- Supermarkets and Access,” 2011).

These developments in the academic literature and public/private partnership approaches to issues of consumer access to healthy food can be brought into conversation with theories of governance, which recognize the growing influence of private and hybrid forms of governance in situations where corporate policies and collaborations have an unprecedented influence over the structure and outcomes of the agri-food system (D. W. Brinkerhoff & Brinkerhoff, 2011; Cashore, 2002; Cheshire & Lawrence, 2005; Clapp & Fuchs, 2009; Falkner, 2003; Fuchs & Kalfagianni, 2010; Konefal et al., 2005). While studies of the influence of corporate policies and Corporate Social Responsibility (CSR) initiatives on systems of governance have tended to focus
on programs that address the social and environmental impacts on the production end of supply chains (Gond et al., 2011; Hawkes, 2008; Hughes, 2007), the increasing prominence of health-related issues in CSR initiatives, and the emerging public/private partnerships addressing issues of consumption, have led many to suggest the need to turn this lens towards an analysis of how corporate governance affects consumption patterns by creating the conditions of the food environment (Colls & Evans, 2008; Hawkes, 2008; Herrick, 2009; P. Jones, Comfort, & Hillier, 2006).

This paper addresses this challenge by analyzing different store types in the food environments of two counties (rural/urban) in one state in the Southeastern US in terms of the accessibility, affordability and availability of fresh produce offerings at these stores for low-income and minority populations, with a specific focus on local produce. I focus on local produce specifically because this paper forms part of a larger study examining issues of corporate and hybrid governance in Wal-Mart’s local produce supply chains, and therefore this analysis helps to contextualize how Wal-Mart’s consumption-oriented CSR efforts potentially overlap with the company’s sustainability program for its agri-food supply chains. Wal-Mart often emphasizes its ability to reach low-income consumers with reference to its sustainability initiative, of which local produce sourcing is a major part (“Wal-Mart Locally Grown,” 2012, Locally Grown at Wal-Mart, 2008). For example, in its public documents, Wal-Mart suggests that by incorporating local produce into its low-cost model, the company will ensure low-income consumer access to sustainable products (Wal-Mart Promotes Sustainable Agriculture Fact Sheet, 2008, Wal-Mart Takes the Lead on Environmental Sustainability, 2010). One of the company’s fact sheets about sustainability states that, “We believe Wal-Mart customers should not have to choose between a sustainable product and a product they can afford,” (Wal-Mart Takes the Lead on Environmental Sustainability, 2010).

37 For further discussion about how Wal-Mart defines sustainability as localization in its agri-food supply chains, see Chapter 4, Paper 3 of this dissertation.
Therefore, this paper brings together Wal-Mart’s CSR efforts with relation to increasing consumer access to healthy food (as demonstrated in the company’s public/private partnership with the First Lady’s Let’s Move initiative) and Wal-Mart’s attempts to increase the amount of locally grown produce that it sells as part of its sustainability initiative. This paper draws on elements of the food desert literature to compare the community characteristics of Wal-Mart’s service areas and those of other store types, and uses primary data to analyze issues of accessibility, affordability and availability of produce, and specifically local produce, between store types. It is important to note, however, that this paper diverges from both the food desert literature and studies of food security\(^\text{38}\) that also use these terms, but which usually measure limited access based either on the distance between an individual’s residence and the nearest supermarket (for food deserts) or by using individual’s self-reported intake (in the case of food security; Apparicio, Cloutier, & Shearmur, 2007; Coleman-Jensen, Nord, Andrews, & Carlson, 2012; Joseph Sharkey, Horel, Han, & Huber, 2009; Ver Ploeg et al., 2009). In comparison, this paper begins with supermarkets and other stores as the unit of analysis, and evaluates potential and actual low-income and minority consumer access to local produce through different store types in different areas. This analysis contributes to a consideration of the role of public/private partnerships in governing conditions of consumption, and addresses the question of whether any specific store type is uniquely positioned to improve consumer access to local produce.

This paper begins by providing a review of the literature surrounding the relationship between supermarkets and health outcomes in the US, and then relating this body of research to the activities of the Wal-Mart Corporation by describing how low-income access to local produce fits within the corporation’s CSR efforts around issues of consumption and sustainability. I then present a review of the evidence from previous research about important factors affecting issues of accessibility, affordability and availability of fresh fruit and vegetables in order to guide the

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\(^\text{38}\) The similarities and differences between how these three terms, accessibility, affordability and availability, are used in the food desert and food security literatures, and how they are employed in this paper, are explored in subsequent sections.
subsequent analysis. The results section presents primary data collected in the US, including data about store location, prices of local produce, and variety of fresh fruit and vegetable options at different store types. These three data sets will be analyzed, first, for issues of accessibility, by providing an overview of the neighborhood demographics of the areas that Wal-Mart serves compared to other store types; second, the affordability of local produce in these different stores by comparing prices on potentially local items between Wal-Mart and other store types; and finally, a comparison of the variety of different produce items offered, with a focus on the promotion of “local” items. These three aspects of food access have been identified as contributing to the conditions that shape the food environment, and taken together will therefore contextualize Wal-Mart’s CSR goals of providing sustainable products to low-income consumers at lower prices than other market outlets. In addition, by comparing the potential and current ability of these different store types to promote local produce, this study contributes to a consideration of what store types are best targeted in public/private partnerships that aim to increase the accessibility, affordability and availability of local produce to low-income and minority populations.

Supermarket Retailers: Relationship to Health Outcomes

Corporate Governance and the Food Environment

In recent decades, concentration in the retailing sector and shifts in supply chain governance have led to supermarket retailers becoming some of the most powerful corporations in the world (Burch et al., 2013; Gereffi & Christian, 2009; Konefal et al., 2005; McMichael & Friedmann, 2007; Wrigley, 2002). This development can be understood in part in the context of theories of governance, which highlight how authority and responsibilities that were traditionally concentrated in the political institution of the state are increasingly performed by private market
actors (Cashore, 2002; Falkner, 2003; Jessop, 1995; Spaargaren et al., 2006). Rather than suggest that the state has become obsolete, however, these theories argue that governance functions are often shifted to hybrid arrangements, where actors from state, market and civil society form arrangements and partnerships to address societal issues (Falkner, 2003; Schäferhoff et al., 2009; Spaargaren et al., 2006).

This theoretical viewpoint suggests the importance of studying how supermarket retailers’ market power and economies of scale give them control and influence over conditions of production and consumption (Burch et al., 2013; Konefal et al., 2005; McMichael & Friedmann, 2007). As supermarket retailers, and Wal-Mart especially, have become an inextricable part of consumer culture in the US and other industrialized countries, researchers have begun to turn their attention to the effects that these stores might have on public health. The growing recognition of the role of supermarkets and other food companies in consumer health is part of a larger transition from focusing predominantly on public health outcomes as a matter of individual behavior to analyzing what has been referred to as “the food environment” (Cummins & Macintyre, 2002; Hattersley & Dixon, 2010; Hawkes, 2008; Larson & Story, 2009; Neff et al., 2009; Odoms-Young et al., 2012; Ver Ploeg et al., 2009). The food environment can be understood as, “...a composite of the mix of food retailing formats, ease of consumer access to particular outlets, the goods on offer in the local area, the relative cost of healthy and unhealthy food items, the cultural acceptability of particular foods, and area and subpopulation characteristics,” (Hattersley & Dixon, 2010, p. 190). From this concept, academics have developed other ways to describe and analyze the complex interactions between individual consumers and their food environment; for example, some make reference to “deprivation amplification,” wherein individuals’ risk factors (such as socio-economic status or lack of information) are amplified through their exposure to a food environment that limits their ability to make healthy food choices (Cummins & Macintyre, 2002; Ver Ploeg et al., 2009). Others use the “ecological model” as a way to conceptualize the influence of the food environment on
consumers, describing this model as the interactions between individual level factors and preferences, social networks, the physical environment and macro-level environmental factors (Larson & Story, 2009). Others suggest that within the ecological model, there are feedback systems between individual choices and what is available in the food environment, leading us to a more dynamic understanding of how supply and demand factors continually shape one another (Hawkes, 2008, 2009; Neff et al., 2009).

As supermarkets have become the predominant market outlet for consumers, the relationship between the food environment and individual behavior has been widely explored in terms of the effects that supermarkets have on public health. In the US, the majority of this research has focused on the different dimensions of consumer access, often under the umbrella of the concept of “food deserts.” The objective of food desert studies is to identify and describe specific geographic areas that lack access to affordable, nutritional food, as opposed to the focus of this paper, which is specifically focused on different store types with relation to the accessibility, affordability and availability of local produce. However, the food desert literature provides insight into the relationship between store location and health outcomes, and includes some consideration of how this intersects with corporate strategies in determining where to locate. Therefore, a review of this literature will help to orient a consideration of how Wal-Mart’s public/private partnerships and sustainability initiative relate to issues of low-income and minority consumer access to fresh and local produce.

Food Deserts in the US

Examining the role of the food environment in contributing to health outcomes has given rise to a large body of literature describing, and debating, the presence of “food deserts.” First coined in Scotland with reference to urban areas where, “…residents did not have access to an affordable and healthy diet,” (Donald, 2013, p. 232), the term has been taken up in the US, and is
officially described in the 2008 Farm Bill as an, “…area in the United States with limited access to affordable and nutritious food, particularly such an area composed of predominantly lower income neighborhoods and communities,” (Ver Ploeg et al., 2009, p. 1). However, the exact parameters of how to measure food deserts is an evolving topic of debate, and recent research has shed doubt on the applicability of the concept outside of the US (Apparicio et al., 2007; Cummins & Macintyre, 2006; Ford & Dzewaltowski, 2010; Hawkes, 2008). Although numerous studies have emerged from other industrialized countries, such as the UK, that indicate that access to supermarkets and healthy food options does not in fact differ by low-income status or race, evidence from the US more consistently points to these factors as contributing to differential access to healthy food (Cummins & Macintyre, 2006; Hawkes, 2008). To explain this, it has been suggested that the presence of food deserts in the US might be related to the specific context of supermarket development and regulations within this country, where racial segregation by neighborhood is more pronounced and supermarkets historically withdrew from lower-income urban centers to relocate in more profitable suburban communities (Bedore, 2012; Cummins & Macintyre, 2006; Hawkes, 2008).

Despite the apparent agreement that within the US, low-income, African American consumers have lower access to healthful foods, debate still exists as to how to define and measure food deserts, and whether a causal relationship can be established between food deserts and health outcomes (Apparicio et al., 2007; Bedore, 2012; Ford & Dzewaltowski, 2010; Ver Ploeg et al., 2009). As a result, some researchers have suggested shifting away from the term food desert to allow for a more comprehensive understanding of the issues involved. For example, Bedore (2012) cites a strain of research that suggests that “…‘food access’ is more easily quantifiable than the ‘desert’ metaphor, and can better capture the individual level variation in economic, cultural, and physical accessibility of food,” (Bedore, 2012, p. 1). In thinking about food deserts as essentially an issue of access, it is possible to distinguish between geographic access, economic access (or affordability), and the type, or quality, of the food that is available,
three aspects of access that will be explored further in subsequent sections of this paper (Cummins & Macintyre, 2006; McEntee & Agyeman, 2010).

This focus on types of access also resonates with suggestions that the term “food swamp” may be more accurate than food deserts, since it highlights that many low-income areas have ample access to inexpensive, less healthful food options at the same time as they have limited access to healthier items (Sturm, 2009; Ver Ploeg et al., 2009). This is an especially important consideration when we turn to examining how access to supermarkets relates to health outcomes. For example, Ver Ploeg et al. suggest that:

“Food swamps” may better explain increases in BMI and obesity than “food deserts.” Increasing access to specific foods like fruits and vegetables, whole grains, and low-fat milk alone may not make a dent in the obesity problem. Many of the stores that carry these nutritious foods at low prices also carry all the less healthy foods and beverages as well. (p. 56)

Since supermarkets offer both healthy and unhealthy products, most studies examining the relationship between supermarkets and health outcomes tend to focus on one of two elements: (1) nutritional intake and the ability to meet dietary guidelines, or (2) the prevalence of obesity and diet-related diseases. For the first type of study, a positive connection is usually made between proximity to a supermarket and increased nutritional intake, usually measured by consumption of fresh fruit and vegetables, whole grains, low fat milk or lean meat (Cummins & Macintyre, 2006; Larson & Story, 2009; Morland et al., 2006; Van Hoesen, Bunkley, & Currier, 2013). Conversely, proximity to convenience stores (which tend to offer less healthful food options), has been shown to reduce fruit and vegetable intake (Chung & Myers, 1999; Larson & Story, 2009; Odoms-Young et al., 2012). Many of these studies also make the connection between proximity to supermarkets, health outcomes, and race and socio-economic status (Cummins & Macintyre, 2002; Morland, Wing, Diez Roux, & Poole, 2002; D. Rose & Richards, 2004). For example, in a study of food stamp participants, Rose and Richards (2004) found that those living more than five miles from a supermarket consumed less fruit than those living within one mile (although similar, the patterns observed for vegetable consumption were not significant).
In addition to studies examining the relationship between supermarkets and consumption of healthy food, others have tried to establish the connection between these factors and obesity and diet-related diseases (Donald, 2013; Ford & Dzewaltowski, 2010; Larson & Story, 2009; Morland et al., 2006; Odoms-Young et al., 2012; Schafft, Jensen, & Hinrichs, 2009). Since there is an established relationship between low socio-economic status (including income and educational attainment) and obesity, and these same populations tend to have less access to supermarkets with healthy food options, this connection seems plausible (Hawkes, 2006; Larson & Story, 2009; Odoms-Young et al., 2012; Ver Ploeg et al., 2009). For example, Schafft et al., (2009) examine rural food deserts in the state of Pennsylvania, where they observe a relationship between obesity rates among school aged children and location in a food desert. Morland et al. (2006) also found that increased availability of supermarkets within census tracts was associated with lower prevalence of obesity and overweight, while the presence of grocery and convenience stores was associated with higher incidence of overweight and obesity. However, in establishing these correlations, both Schafft et al. and Morland et al. introduce the problem of endogeneity, questioning whether their results are caused by the presence or lack of supermarkets, or whether supermarkets may choose to locate precisely where consumption of fruit and vegetables is higher, along with higher consumer purchasing power. Other studies also question the ability of this type of research to establish causality, suggesting that they may demonstrate cross-sectional correlations, but that few longitudinal studies have been able to establish these connections or rule out other potential contributing factors (Lopez-Class & Hosler, 2010; Ver Ploeg et al., 2009).

The question of endogeneity raises the issue of what factors influence supermarket retailers’ choice of market location. In the US, supermarkets have increasingly moved towards suburban and exurban locations where land prices are lower and consumer purchasing power is higher than in urban centers, and where there is adequate space for larger store formats, such as supercenters (Bedore, 2012; Food Marketing Institute, 2011; Hawkes, 2008). This shift in supermarket location has been cited as one of the potential factors contributing to food desert
locations, since supermarkets may choose to avoid areas where there is an insufficient consumer base, high crime rates or a lack of trained workers (Bonanno, Chenarides, & Goetz, 2012; Food Marketing Institute, 2011). While low-income consumers with access to federal assistance programs such as SNAP (Supplemental Nutrition Assistance Program) can help to increase demand, the intermittent timing of these benefits can make it difficult for supermarkets to manage their inventory (Food Marketing Institute, 2011). Therefore, while the increased consumer purchasing power that SNAP benefits provide may help to make an area more appealing to supermarket retailers, overall high poverty rates are a discouraging factor for supermarket siting decisions (Bonanno et al., 2012). As a result, Bonanno et al. (2012) suggest that the problem of food deserts can be understood fundamentally as an issue of a lack of sufficient consumer purchasing power and demand: “Simply, if the (fixed) costs of store operations are not covered by the demand that exists in a particular community, food stores will cease to operate” (p. 19).

Supermarket expansion within the US therefore included moving out of urban centers and towards suburban and exurban areas, leaving areas of diminished access in urban and rural areas, with potential corresponding health outcomes. This exploration of the literature related to the connections between supermarkets, food access and public health in the US lays the groundwork for analyzing how supermarkets, and Wal-Mart in particular, are responding to these issues through their Corporate Social Responsibility (CSR) initiatives, an issue that will be examined next.

**Wal-Mart’s CSR: Issues of Consumer Access, Health and Sustainability**

Although early CSR initiatives focused on issues related to labor and the environment (Gond et al., 2011; Hawkes, 2008; Herrick, 2009; Hughes, 2007), recently agri-food corporations are addressing their role in affecting consumer health both in terms of the products they offer and in terms of their location (Donald, 2013; “Let’s Move! Collaboration with Walmart,” 2011,
“Let’s Move- Supermarkets and Access,” 2011; Hawkes, 2008; Herrick, 2009; P. Jones et al., 2006; Wilgoren & Mui, 2011). However, as described by Herrick (2009), “Amid this mounting ethical consumer consciousness and concern over the changing role of the state, the uptake of health as one of a range of CSR ‘causes’ has been widespread among the FDI [food and drink industry], even if this has not been matched by a reciprocal interest by those adopting critical sociological approaches to health” (p. 51). This paper addresses this gap in the literature by analyzing the Wal-Mart Corporation’s public/private partnerships and sustainability initiative as one example of corporate governance of consumption patterns in the food system.

Drawing heavily on the food desert trope, the Obama administration has trumpeted public/private partnerships as a way to introduce supermarkets into low-income communities, with the belief that increasing physical access to supermarkets will contribute to healthier eating habits and health outcomes of low-income populations (U.S. Department of Health and Human Services, 2010). This emphasis coincides with First Lady Michele Obama’s Let’s Move Campaign, which is, “…dedicated to solving the challenge of childhood obesity within a generation,” (“Learn The Facts | Let’s Move!,” n.d.). Part of this campaign has included public/private partnerships, and although several supermarkets have signed on (including Super-Value and Walgreens), Wal-Mart has received the bulk of the publicity for its commitment to improve the content of its own-brand products and to open more stores in “food desert” areas (“Let’s Move- Collaboration with Wal-Mart,” 2011, “Wal-Mart Corporate - First Lady Michelle Obama Celebrates Wal-Mart’s Progress on Making Food Healthier and More Affordable,” 2013; Wilgoren & Mui, 2011). Michele Obama has publicly praised the company, as she did during a 2013 visit to a new Wal-Mart store in Springfield, Missouri:

For years, the conventional wisdom said that healthy products simply didn’t sell – that the demand wasn’t there, that higher profits were found elsewhere, so it just wasn’t worth the investment. Thanks to Wal-Mart and so many other great American businesses, we are proving the conventional wisdom wrong... Every day, with their success, these companies are showing us that what’s good for kids and good for family budgets can also be good for business. (“Walmart Corporate,” 2013)
Wal-Mart, in turn, is promoting the success of its “healthier food initiative” goals, including the fact that between 2011-2012 it saved consumers 2.3 billion dollars on fresh fruits and vegetables and opened 86 stores “serving food deserts” (“Wal-Mart Corporate - First Lady Michelle Obama Celebrates Wal-Mart’s Progress on Making Food Healthier and More Affordable,” 2013).

While Wal-Mart has thus been publicly lauded for its ability to address the obesity epidemic and food desert problem by bringing healthier, low-priced food to underserved communities, it has also faced resistance in its attempts to locate stores in many urban areas that could be considered food deserts. For example, efforts to introduce Wal-Mart to Chicago, New York and Los Angeles have met with protests from labor unions and unionized workers from other chain supermarkets, as well as resistance from food activists and city planners (Donald, 2013; Hausman & Leibtag, 2007; S. Jones, 2007). In the battles over new store openings, Wal-Mart tends to cite job creation, money saved for low income consumers and the “right to shop,” as the benefits that it brings to communities, while labor unions emphasize the company’s notoriously low wages, limited benefits and the economic repercussions for local businesses (Hausman & Leibtag, 2007; Karjanen, 2006). Others point out the irony that expanding Wal-Mart’s influence over the food system is touted as a solution to food deserts, since the company is often blamed for driving out many smaller-scale stores that may have previously served these food desert areas (Mitchell, 2011).

In addition to its healthier food initiative, Wal-Mart also justifies selling sustainably produced products by suggesting that it can exercise its scale and supply chain efficiencies to make these products more accessible to low-income consumers. For example, in its Sustainable Agriculture Fact Sheet, Wal-Mart declares that, “We believe ALL families should have affordable access to sustainable products, like organic fruits and vegetables, responsibly-grown foods, and produce that are safe and farmed, packaged and delivered to our stores in an environmentally friendly way,” (Wal-Mart Promotes Sustainable Agriculture Fact Sheet, 2008).
In this same fact sheet, Wal-Mart includes a quote from Glenn Prickett of Fortune magazine: “‘The potential here is to democratize the whole sustainability idea--not make it something that just the elites on the coasts do but something that small-town and middle America also embrace,’” (Wal-Mart Promotes Sustainable Agriculture Fact Sheet, 2008). By focusing on food deserts and justifying its sustainability initiative with reference to making sustainable food more accessible and affordable, Wal-Mart is also addressing the growing critiques of alternative food movements, namely that they can be elitist because they are unaffordable and inconvenient for low-income consumers (Allen et al., 2003; Guthman et al., 2006; Hinrichs & Kremer, 2002; Hinrichs, 2003).

The primary thrust of Wal-Mart’s sustainability initiative for its agri-food supply chains is to purchase and promote local produce (“Wal-Mart Locally Grown,” 2012, Locally Grown at Wal-Mart, 2008). While much of the emphasis of this program is on making connections with local producers, Wal-Mart clearly envisions benefits for consumers, as well:

This truly is a win-win-win. Customers have access to a wider variety of fresher, locally grown produce, farmers are able to sell more product, earn more income and know how much we will buy before they ever put a seed in the ground, and Wal-Mart is able to reduce its costs and the costs of our customers by eliminating much of the shipping costs by sourcing close to our stores. (“Wal-Mart Locally Grown,” 2012)

As described here, Wal-Mart clearly relates local produce and shortened supply chains to consumer benefits of accessibility and affordability. It’s important to note that Wal-Mart is not the only organization that sees a role for local produce in addressing consumer issues of access and health. Many community food security initiatives that aim to increase low-income consumer access to fresh fruit and vegetables do so through the promotion of local food; for example, Farm-to-School programs, Farmers’ Market Nutrition Programs, and community gardening programs all see an interconnection between low-income consumer access, health and local produce (Guthman et al., 2006; Neff et al., 2009; Vallianatos, Gottlieb, & Haase, 2004; Ver Ploeg et al., 2009).
To establish a framework for analyzing the potential effects of Wal-Mart’s CSR in the areas of health and local produce for consumers in the US, I now turn to a more detailed review of issues of access, affordability and availability to establish relevant factors that will be taken into consideration in subsequent analyses.

Accessibility, Affordability, Availability: Identifying Important Factors

As the earlier review of the food desert literature indicated, many of the issues involved in understanding the relationships between supermarket retailers and health outcomes can be distilled into the three categories of accessibility, affordability and availability. In many ways, these three aspects can be understood primarily as different dimensions of access: geographic access, economic access, and questions about what type or quantity of food consumers have access to (availability). Before turning to a more in-depth analysis of these three factors, there are two major considerations related to accessibility more generally that set the stage for then examining these three dimensions of access. Those two variables are region (rural/urban) and store type.

In terms of regions, access to supermarkets has been shown to vary by regional context, with qualitative differences between rural and urban areas (Blanchard & Matthews, 2007; Jithitikulchai, Dean, & Sharkey, 2013; Schafft et al., 2009; Ver Ploeg et al., 2009). Some studies have indicated that rural residents face greater challenges accessing supermarkets (Blanchard &

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39 These aspects of access should be distinguished from how “accessibility” is conceived of in the literature surrounding food security. For example, in an international context, issues of accessibility are defined more in terms of whether individuals have adequate resources (for example, to land or assets), or in terms of structural issues (such as rural infrastructure and markets) than in terms of access through supermarkets or other store types (Food and Agriculture Organization, 2006). In contrast, in the US context accessibility has most often been operationalized in terms of access to food outlets, as described in the food desert literature. At the same time, food security studies both in the US and internationally usually focus on whether an adequate or sufficient amount of food is accessible to individuals, questions which are beyond the scope of this research to address (Coleman-Jensen, Nord, Andrews, & Carlson, 2012). Therefore, this paper uses the term “access,” as it is used in the food desert literature to reflect this paper’s focus on supermarkets and other store types; the frame of reference for the terms “affordability” and “availability” will be discussed in the appropriate sections.
Matthews, 2007; Ford & Dzewaltowski, 2010; Ver Ploeg et al., 2009). For example, a recent USDA report suggested that the percentage of rural households that live more than a mile from a supermarket and lack access to a private vehicle is nearly twice as high as the national average for the same variables (Ver Ploeg et al., 2009). However, it is possible that rural/urban differences may be contingent on whether a study focuses on proximity to a supermarket or on the availability and affordability of food items across all types of food outlets. For example, while Ford and Dzewaltowski (2010) found that WIC recipients living in rural areas had higher access to grocery stores and less access to supermarkets compared to their urban counterparts, Jithitikulchaisri et al. (2013) demonstrated that there were, “…few differences in percentage availability and average price between rural and urban areas for the majority of food items using information from all store types,” (Jithitikulchaisri et al., 2013, p. 392).

These findings suggest that in addition to taking into account rural/urban location, store type is also an important factor to consider, and therefore should also provide the backdrop for subsequent analyses. Most studies operate under the assumption that small-scale stores (such as convenience stores and smaller grocery chains) are more expensive and offer less healthy options than supermarkets and supercenters40 (Alviola, Nayga, Thomsen, & Wang, Forthcoming; Ayala, Baquero, Laraia, Ji, & Linnan, 2013; Chung & Myers, 1999; Liese et al., 2007; McEntee & Agyeman, 2010; Odoms-Young et al., 2012; D. Rose & Richards, 2004; Van Hoesen et al., 2013; Ver Ploeg et al., 2009). In addition, as mentioned earlier, some studies have shown that negative health outcomes are associated with proximity to smaller-scale stores, while more positive health outcomes correlate with proximity to supermarkets (Chung & Myers, 1999; Cummins & Macintyre, 2002; Larson & Story, 2009; Morland et al., 2006; Odoms-Young et al., 2012). At the same time, these smaller-scale stores tend to be more accessible in areas that lack larger scale

40 Supercenter formats were originally introduced by Wal-Mart in 1988, and add a grocery sector to the traditional Wal-Mart format, which sells a variety of manufactured items (Gereffi & Christian, 2009; Guptill & Wilkins, 2002; Lichtenstein, 2009). Supercenters are the most popular Wal-Mart store format, and other supermarket chains, such as Target, are now imitating this style (Lord, 2006).
supermarkets, and therefore other research has suggested that it’s possible that some studies have over-estimated the prevalence of food deserts by failing to include smaller stores in their analyses (Alviola et al., Forthcoming; Apparicio et al., 2007; Jithitikulchai et al., 2013; McEntee & Agyeman, 2010; Ver Ploeg et al., 2009). For example, McEntee and Agyeman (2010) suggest that Morton and Blanchard’s 2007 study of food deserts failed to locate any food deserts in the state of Vermont because they were looking for places where more than fifty percent of the county population was further than 10 miles from a supermarket or supercenter. However, they suggest that,

The primary problem with their food desert definition is that it assumes an adequate food source can only be found in those three types of relatively large stores. In a place like rural Vermont where ‘‘big box’’ stores such as Wal-Mart, Target, and Sam’s Club have faced considerable grassroots opposition from the public in addition to the relatively small population base of the state, Morton and Blanchard’s (2007) approach lacks robustness. (McEntee & Agyeman, 2010, pp. 171–172)

This and other studies suggest that smaller-scale outlets have the potential to play an important role in improving the accessibility and availability of healthy food items, including fresh fruit and vegetables, although they may still struggle with issues of affordability (Apparicio et al., 2007; Ayala et al., 2013; Jithitikulchai et al., 2013; McEntee & Agyeman, 2010; Odoms-Young et al., 2012; Ver Ploeg et al., 2009). While the majority of consumers shop at larger-scale supermarkets, it is possible that this may shift with the rise of alternative and online shopping outlets (Donald, 2013; McEntee & Agyeman, 2010).

This overview of issues of access to healthy foods through supermarkets therefore suggests that an analysis of Wal-Mart’s CSR and sustainability efforts with relation to consumption should begin by considering rural/urban store location, and should also include a comparison between Wal-Mart supercenters and other store types, including smaller-scale store formats. Using these classifications as a basis, I now turn to other factors related to consumer access to fresh fruit and vegetables, as well as affordability and availability, in order to establish a framework for subsequent analysis.
Geographic Accessibility: Socio-Economic Status, Race and Transportation

In analyzing geographic access to supermarkets as a measure of proximity, many previous studies suggest the potential that low-income and minority populations have more limited access to supermarkets than higher-income, white populations (Cummins & Macintyre, 2002; Ford & Dzewaltowski, 2010; Morland et al., 2002; Odoms-Young et al., 2012; D. Rose & Richards, 2004). For example, a study by Morland et al. (2002) estimated that, “Only 8% of Black Americans [in the areas studied]\(^4\) lived in a census tract with at least one supermarket. Nevertheless, the presence of supermarkets was associated with meeting dietary recommendations among Black Americans,” (1763). This percentage compares to 31 percent for White respondents, and the relationship between living near a supermarket and meeting dietary requirements for fruits and vegetables was attenuated for this population, a difference that the authors suggest may be related to the fact that more White participants in the areas studied have private transportation and therefore are less affected by their immediate food environment. In terms of income, Ver Ploeg et al. (2009) found in a national study that while on average 2.2 percent of the population live further than one mile from a supermarket and lack private transportation, about 4.1 percent of the total population live in low-income areas with the same parameters.

In contrast, some research has emerged to shed doubt on the universality of the assertion that low-income and minority populations have less access to supermarkets (Alviola et al., Forthcoming; Ford & Dzewaltowski, 2010; Ver Ploeg et al., 2009). The same study from Ver Ploeg et al. also found that,

Overall, ethnic and racial minorities have better access to supermarkets than Whites. Median distance to the nearest supermarket for non-White individuals is 0.63 miles, compared with 0.96 miles on average for Whites. Similarly, a smaller

\(^4\) “Of the 221 census tracts used, 29 were located in Washington County, Maryland, 80 in Forsyth County, North Carolina, 58 in Jackson City, Mississippi, and 54 in the following suburbs of Minneapolis, Minnesota: Brooklyn Center, Brooklyn Park, Crystal, Golden Valley, New Hope, Plymouth, and Robbinsdale,” (Morland et al. 2002, p. 1762).
percentage of non-Whites (26.6 percent) have low access to supermarkets than do Whites (48.2 percent). (Ver Ploeg et al., 2009, p. iii)

However, in considering studies that question the common assumption that minority populations live in lower proximity to supermarket retailers, this and other studies bring up the role of transportation in further enhancing or impeding physical access to fresh food outlets (Drewnowski et al., 2012; Ver Ploeg et al., 2009). This includes questions about whether public transportation is available, whether a household has access to a private vehicle, and whether residents are able to walk to the nearest supermarket. While access to public transportation is more of an issue especially in low-income, African American neighborhoods, Ver Ploeg et al. found that walking distance is a significant barrier affecting populations, regardless of whether they were low income or rural/urban. In addition, this study concluded that, “Vehicle access is perhaps the most important determinant of whether or not a family can access affordable and nutritious food,” (Ver Ploeg et al., 2009, p. 18). Private vehicle access is also important since an individual’s ability to carry and manage their food purchases on public transportation or walking may force some to make frequent trips and purchase smaller quantities, compared to consumers with private transportation that can take advantage of the price advantages of buying in bulk (Shaw, 2006).

This emphasis on the importance of car ownership has also emerged in newer studies that suggest that studying consumer behavior is a more accurate way to measure access issues than focusing on proximity alone. For example, Drewnowski et al. draw into question the predominance of proximity as a measure in the food desert literature since their results from a consumer survey found that only 14 percent of their sample shopped at the closest supermarket (Drewnowski et al., 2012). As a result, they suggest that, “Although proximity to a supermarket can be an important variable in some urban locations, it may be of less importance in Seattle’s King County, where most people shop by car,” (Drewnowski et al., 2012, p. 78). Drewnowski et al.’s study goes on to analyze how proximity and store type might affect obesity rates. Contrary
to previous studies, they found that proximity to supermarkets had no impact on obesity rates. However, they also categorized supermarkets into three types based on whether they tended to offer higher or lower price options. The results from this analysis were significant, finding that, “Obesity prevalence among shoppers in high price supermarkets was 9%, whereas obesity prevalence among shoppers in lower price supermarkets was 27%, a 3-fold difference,” (Drewnowski et al., 2012, p. 77). Therefore, in addition to suggesting the importance of including transportation as a variable in assessing access to supermarkets, this study also points to the importance of considering price and affordability in order to fully understand the relationship between supermarkets and health outcomes.

Economic Access: Issues of Affordability

Issues of economic access include individual characteristics such as socio-economic status, and also questions about the prices of different food items and how they might differ by region and store type. This paper focuses on store-based factors of affordability, and not on individual-level factors. As indicated in the previous section, overall research indicates that there is a relationship between low-income status and low access to supermarkets, which in turn has been correlated with lower intake of fresh fruit and vegetables and with higher obesity rates (Cummins & Macintyre, 2002; Morland et al., 2002; D. Rose & Richards, 2004). However, it is also important to understand how prices might differ for different types of food, as well as by region and store type. In addition, Wal-Mart is widely cited as having an industry-wide impact on prices, and therefore the overall effect of this company on food prices is important to explore.

While food is often considered price inelastic, in that overall demand doesn’t change much with relation to price, studies have shown that the cost of food tends to be more important for low-income, often minority consumers compared to higher income, mostly white consumers (Hawkes, 2008; Neff et al., 2009). Analyses of price interventions have shown that taxing
unhealthy food (or raising its price) had less effect on obesity and overweight than subsidizing healthy food (by reducing the price), such as fresh fruit and vegetables (Neff et al., 2009). This conclusion is supported by other research that shows an association between lower prices of fruit and vegetables and higher consumption levels of these products (Emond, Madanat, & Ayala, 2012; Odoms-Young et al., 2012). Therefore, the price of fresh fruit and vegetables is an important factor when considering supermarkets’ influence over health outcomes.

Despite the fact that smaller-scale stores might improve the accessibility and availability of healthy food items to low-income consumers, there is often the assumption that supermarkets have lower prices than smaller-scale stores. While this has shown to be true in many cases (Hawkes, 2008; Jithitikulchai et al., 2013; Leibtag, Baker, & Dutko, 2010; Lopez-Class & Hosler, 2010; Ver Ploeg et al., 2009), other studies paint a more complicated picture of price differences by store and product type (Block & Kouba, 2006; Emond et al., 2012; Morton & Blanchard, 2007). For example, one study showed that tiendas, or small-scale Latino stores, offered lower prices for fresh produce compared to supermarkets within the same area (Emond et al., 2012), although a similar study found that Latino stores had higher prices on fresh produce (Lopez-Class & Hosler, 2010). Another study by Morton and Blanchard (2007) found that while supermarkets had lower prices on canned and frozen products, they had higher prices than smaller-scale stores on many fresh produce items. Finally, while finding that supermarkets offer lower prices overall, Leibtag et al. (2010) also found that these differences tended to be more pronounced for meat products than for fresh fruit and vegetables.

These studies suggest that, while supermarkets tend to offer lower prices than smaller stores, this may not always be the case. However, analyses demonstrating Wal-Mart's overall effect on prices within the retail industry show much more consistent results. For example, researchers estimate that the entry of a Wal-Mart supercenter has indirect effects on other chains, which tend to lower their prices by between 1-6 percent in order to compete (Basker & Noel, 2009; Hausman & Leibtag, 2007; Hawkes, 2008; Leibtag et al., 2010). These price effects are
even greater when household income is taken into account; Hausman and Leibtag (2005) estimate that households that earn under $10,000 and minority households, “benefit by approximately 50% more than the average effect… The spread of supercenters has the greatest impact on poorer households and minority households,” (25-26). The consumer benefit in the form of lower prices is in keeping with the company’s promoted self-image. Wal-Mart estimates that it saved consumers along the lines of $287 billion, or about $2,500 per family, in 2006, although other analysts point out that these figures fail to account for the low wages that Wal-Mart pays its large workforce, or for the fact that many of its employees rely on publicly subsidized benefits (Goetz & Swaminathan, 2006; Hawkes, 2008; Karjanen, 2006; “Wal-Mart Corporate - American Families Now Save $2,500 a Year, Thanks to Wal-Mart,” 2007).

**Availability: Overall Variety of Fresh Fruit and Vegetables and Local Produce**

In the food desert literature, the presence of a supermarket often stands in as a way to assess the availability of healthy food options; for example, a USDA study of food deserts states that:

Many studies approximate the availability of these foods [affordable and nutritious] and a wide range of other foods by using the existence of supermarkets and grocery stores, arguing that these stores are known to carry a variety of foods and have many options for “nutritious foods,” such as fresh, frozen, and canned, and carry them at the lowest prices. (Ver Ploeg et al., 2009, p. 2)

While this national level study used proximity to a supermarket as a measure of availability, it also acknowledged the potential to underestimate the availability of healthy foods in this way, since it doesn’t account for the potential for smaller-scale stores or markets that might also offer healthy food, as described above (Ver Ploeg et al., 2009). Because of this, many studies have included measures of in-store availability of different types of food in order to more accurately assess this issue (Block & Kouba, 2006; D. Rose et al., 2009; Sharkey & Horel, 2009). These
studies often use the USDA’s Thrifty Food Plan or dietary recommendations to define the sample of food types that they consider to assess availability, while some studies use other measures, for example the amount of shelf space allocated to fresh fruit and vegetables (for a summary of how food deserts are operationalized, see Appendix B in Ver Ploeg et al., 2009).

The research for this paper diverges slightly from both the food desert and food security definitions of availability to look specifically at the overall variety of produce that is offered through different store types, as well as local produce promotion. For the first issue, focusing on overall fresh fruit and vegetable variety reflects this study’s focus on the role of different store types with relation to access by low-income and minority populations. While most research indicates that supermarkets offer a much wider variety of products than smaller-scale stores (Jithitikulchai et al., 2013), some studies have shown that there may not be large differences in fresh produce offerings between supermarkets and their smaller-scale counterparts (Lopez-Class & Hosler, 2010). However, other studies have suggested that availability and quality can vary highly in these smaller-scale stores, and therefore examining the availability of fresh produce items between store types is an important variable to consider (Block & Kouba, 2006). Overall, the increase in the variety of food options offered by larger supermarket formats is cited as a positive development for consumer health, since it allows consumers to diversify their diets and thus improve their nutritional intake (Hawkes, 2008). In addition, when they offer wider variety, supermarkets often give consumers the chance to find discount items and make food choices that fall within their budgets, and therefore offering a wider variety of products is an important factor to consider in terms of issues of low-income consumers’ access to affordable products (Ver Ploeg et al., 2009).

42 In contrast to how availability is assessed in the food desert literature, definitions of food security (especially in the international context) describe availability as, “The availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports (including food aid),” (Food and Agriculture Organization, 2006, p. 1). Again, the question of what constitutes a “sufficient” quantity is not assessed here, while the question of the provenance of the food is analyzed due to the scope of the overall research.
This study also focuses specifically on the availability of local produce through different store types. While the provenance of food is not relevant from a food desert or food security perspective (Food and Agriculture Organization, 2006), previous sections have demonstrated that both Wal-Mart’s sustainability initiative and many community food security projects connect consumer health with the promotion of local fresh fruit and vegetables (“Wal-Mart Locally Grown,” 2012; Allen, 1999; Guthman et al., 2006; Ver Ploeg et al., 2009). While community food security projects such as community gardens focus on promoting self-sufficiency with local food production, other efforts, such as Farm-to-School programs, posit that the promotion of local food through institutional channels can simultaneously support the health of low-income consumers, the well-being of small-scale producers and the vitality of the local economy (Feenstra, 1997; Vallianatos et al., 2004). Increasing attention is being paid to the potential role of supermarket retailers as a marketing channel for local produce that can meet these three goals, and therefore adding local produce to this analysis supports this paper’s overall goal to explore how corporate governance in the agri-food system creates the conditions of the food environment.

This review of issues of access, affordability and availability indicates that an analysis of the potential effects of the Wal-Mart Corporation’s efforts to promote healthy eating and local produce as part of its CSR and sustainability initiative should take into account issues surrounding low-income and minority access to markets, the affordability of items, and finally the variety of items available. Specifically, the rest of this paper addresses the following questions: (1) Does Wal-Mart have the potential to improve low-income and minority access to local produce compared to other store types, based on proximity? (2) Are there differences between store types in terms of prices for local fresh fruit and vegetables? (3) Are there differences between store types in terms of the overall variety of fresh fruit and vegetables that they offer, or in terms of their promotion of local produce? I will next explain my data collection and analysis procedures before analyzing these data in terms of these three questions.
Methods: Data Collection and Analysis

Data Collection

Store audits were conducted in a rural and urban county in one state in the Southeastern US. These counties were chosen based in part on the principal investigator’s familiarity with these areas (which facilitated the identification of different store types, especially in the case of small-scale stores). In addition, both of these counties had higher poverty rates than the state average, while the urban county had larger Hispanic and African American populations than either the state or the rural county, and both had about average obesity rates (see Table 4-1. Rural and Urban County Characteristics).

| Table 5-1. State, Rural County and Urban County Characteristics |
|--------------------------------|----------------|----------------|
|                                | State          | Rural County   | Urban County   |
| White Alone                    | 65.7%          | 74.4%          | 42.7%          |
| African American               | 21.2%          | 20.9%          | 36.9%          |
| Hispanic                       | 8.1%           | 2.8%           | 12.9%          |
| Adult Poverty (2010)           | 14.7%          | 16.9%          | 16.3%          |
| Adult Obesity (2009)           | 30.7%          | 32.3%          | 30.3%          |
| Total Population               | 9,418,736      | 97,880         | 263,862        |

Sources: American Community Survey 5 year estimates (2007-2011) and USDA Food Environment Atlas

Stores were identified using a combination of Internet searches and personal knowledge. Online yellow pages were used to identify the population of store types in each county, including the most predominant supermarket chains in that region, as well as smaller-scale, independent and ethnic markets. To define supermarkets, I relied upon a common definition as cited in a USDA study of food deserts:

The industry-standardized definition requires that to be considered a supermarket, a retailer must have annual sales of at least $2 million and contain all the major food departments found in a traditional supermarket, including fresh meat and poultry, produce, dairy, dry and packaged foods, and frozen foods. (Ver Ploeg et al., 2009, p. 15)

Based on internet searches, independent stores were classified as independently owned, non-chain stores that sold produce, but which didn’t necessarily meet the above definition of a supermarket.
In the urban county, these included small-scale markets as well as two stores that were larger in size, but independently operated, while in the rural county these included smaller-scale markets such as “country markets” that were either farm stands or convenience stores connected to gas stations. In addition, in the urban area, ethnic markets were identified using a combination of store name and ground-truthing to determine the predominant language used in signage and interactions in the store (no ethnic markets were found in the rural county; Emond et al., 2012; Lopez-Class & Hosler, 2010).

Once the population was determined for each of the major chains, independent grocery stores and ethnic markets, a sample was selected for each store type. This sample included all of the Walmart stores in both the urban and rural locations, and a random selection of other store types. For independent and ethnic markets, and regional and national chains, the sample was chosen randomly in order to include several stores for each category (for independent and ethnic markets) and for each individual chain store (in the case of regional and national chains; see Table 5-2). These locations were then mapped using GoogleMaps, and new selections were made in order to ensure that non-Walmart store types were distributed across each county. While the store samples were chosen based on store category (in the case of ethnic and independent stores) and individual chain stores (in the case of regional and national chains), for analysis purposes all stores were subsequently categorized based on whether they belonged to a national or regional chain, or whether they were independent. These market type categorizations were determined using internet searches to ascertain whether the company had a limited number of

43 As described in Table 5-2, while the samples represent one third of the population for national chains in both the urban and rural area, as well as for independent stores in the rural area, they represent closer to one half of the population for regional chains and only one tenth for the independent and ethnic markets in the urban county. These differences are due to the fact that the sample was chosen in order to represent the diversity of different chain stores, and not based on the classification between national or regional chains (a classification that was used later). In addition, the identification of a sufficient sample of independent and ethnic markets was found to be challenging. Over the course of the fieldwork, eight stores in the rural area and six in the urban area that had been selected for sampling were found to be no longer in business. Therefore, it is possible that the population of independent and ethnic stores is not accurate, since it is unknown how many of the stores in the population were not actually in operation. Also, in the sample table, two ethnic stores are included in the regional chain category.
stores within the Southeast, or whether they operated stores on a national level. While other studies have classified supermarkets based on their gross sales (Guptill & Wilkins, 2002), classifying according to whether they were national, regional or independent was deemed appropriate for the purposes of this study due to the focus of the larger research project on issues of procurement of local produce. Therefore, the scale of each store type and its ability to extract supply chain efficiencies is seen as an important factor that may influence whether the store has the ability to offer local produce at affordable prices.

Table 5-2. Sample: Population and Sample Size

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Rural County</th>
<th></th>
<th>Urban County</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Store Population</td>
<td>Store Sample</td>
<td>Store Population</td>
<td>Store Sample</td>
</tr>
<tr>
<td>Walmart Supercenter</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>National Chain</td>
<td>10</td>
<td>3</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Regional Chain</td>
<td>9</td>
<td>5</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Independent</td>
<td>28</td>
<td>8</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>Ethnic Markets</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>17</td>
<td>68</td>
<td>19</td>
</tr>
</tbody>
</table>

Once this sample had been determined, exact coordinates of store locations were determined using a handheld Geographic Positioning System receiver, which is recommended to minimize positional errors (Lopez-Class & Hosler, 2010). An audit was used to collect price data and to assess overall availability of produce items. For the price data, since the overall study is focused on Walmart’s promotion of “local” produce, prices were collected on a select number of items that were chosen to represent what products could potentially be sourced locally within the state or region.\(^{44}\) While some previous studies have used the lowest non-sale price for items, in this study the decision was made to record sale prices in order to reflect the lowest possible price available to the consumer (Lopez-Class & Hosler, 2010). Prices were taken on loose, not packaged, items wherever possible, although when individual items were not available the pre-packaged price was taken (regardless of the quantity of produce available) since this represented

\(^{44}\) Price data were collected for fruit and vegetable products that were grown by the producers who had participated in the overall study, even though it was not necessarily the season for all of these products. Prices were recorded whether or not the product was labeled as “local.”
the quantity and price available to a consumer at this market outlet (Leibtag et al., 2010). Prices were collected on a per pound basis where possible; when per unit prices were given, an average weight for that product was determined by weighing 3-4 items at different stores, allowing for the calculation of per pound prices for all items (Jithitikulchai et al., 2013). At two stores, prices for organic items were taken when a conventional equivalent was not available.

For calculations of availability, the variety of produce items offered at each store was counted. In this case, different varieties of the same type of fruit or vegetable were counted separately, as were pre-cut, processed items. While this may result in high counts and large differences between large and smaller-scale stores, it helps to characterize the differences in store size and offerings. Similarly, including packaged, pre-cut items represents an important aspect of availability because of their convenience for working consumers, and therefore their appeal; for example, in an intervention-based study designed to evaluate the effects on consumer behavior of increased availability of fresh produce in small-scale Latino stores, Ayala et al. (2013) found that for the population that they were studying, selling packaged, ready-to-eat fresh fruits and vegetables was the most effective intervention strategy. At the same time, these types of products tend to be more expensive, and therefore may be an indicator that a store is targeting higher class consumers (Hawkes, 2008).

Finally, in terms of local labeling, notes were taken as part of the store audit as to whether or not individual produce items had any type of local label, such as state-based promotional labels or a store-based “local” brand, excluding Country of Origin labels or the address of the farm. In addition, it was noted whether there was a store-wide promotion of local produce, which in many cases was independent of whether individual products were actually labeled.
Data Analysis: Issues of Access, Affordability and Availability

A variety of methods were used to assess issues of accessibility, affordability and availability of produce at different market outlets. First, for issues of potential access to local produce through different store types by low-income and minority populations, the coordinates of the stores were uploaded into ArcMap 10.1 mapping software, and were combined with data from the US Census Bureau, including TIGER (Topologically Integrated Geographic Encoding and Referencing) and files and data from the American Community Survey 5 year estimates (2007-2011). These census tract level data allow for the comparison of store type and location to the socio-economic demographics of the surrounding communities, thereby illustrating the consumer base that these stores service and providing insight into their potential to improve the accessibility of local produce. The variables used in this analysis include the percent of the population living below the poverty line, race and transportation methods to place of work. The last variable was included due to the importance of vehicle usage in accessing supermarkets, as indicated in the review of the literature; in the absence of data about household vehicle ownership, transportation methods to place of work is assumed to reflect whether or not an individual has access to a vehicle, or relies on public transportation or walking.

Compared to many food desert studies, which calculate the distance between an individual’s residence and the nearest supermarket, the purpose of this study is not to identify areas of poor access, but rather to assess differences in store types according to their accessibility by low-income and minority populations, the affordability of local produce, and the overall variety of produce and local produce promotion. Therefore, this study starts with store types as the unit of analysis, and then describes how they relate to these three issues, distinguishing it from studies that aim to identify specific areas that are characterized by low access to supermarkets, as in the food desert literature. Therefore, ArcMap software was used to calculate buffers around each store to evaluate the potential service area based on proximity of each market outlet in order
to facilitate comparisons between market outlets in terms of the products they offer and the neighborhoods that they serve. Since the distance to individual residences was not an issue, Network Analyst was not used, and instead Euclidean buffers of one half mile in the urban county and five miles in the rural county were applied to represent potential market service areas. A half mile is a common measurement delineating high accessibility to supermarkets for urban areas (Algert, Agrawal, & Lewis, 2006; Babey, Diamant, Hastert, & Harvey, 2008; Jiao, Moudon, Ulmer, Hurvitz, & Drewnowski, 2012; Ver Ploeg et al., 2009). In comparison, ten miles is more commonly used in rural areas to delineate high accessibility to a supermarket, but in this case was found to be too large to provide for a meaningful analysis; five miles has also been used to delineate supermarket service areas in other studies of consumer access (Babey et al., 2008; Jiao et al., 2012; D. Rose & Richards, 2004).

The collected price data were compiled and products were chosen for analysis if more than 20 stores offered that particular item. An independent samples t-test was used to compare mean prices across different store types. Similarly, t-test analyses were used on the produce variety data in order to compare the means across different store types. The results of the analyses related to access, affordability and availability of produce in different store types in the US are presented in the following section.

Analyses and Results

The following analyses attempt to characterize the nature and potential of corporate governance of consumption patterns with relation to both health and sustainability-related CSR initiatives. To do so, I begin by addressing the first research question, which asks whether Walmart has the potential to improve low-income and minority access to local produce compared

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45 Twenty stores was used as a cut off in order make a more meaningful comparison between the majority of stores.
to other store types, based on proximity. This question is analyzed using spatial analyses of store locations and the socio-demographic characteristics of the communities that they serve. Next, I turn to the second research question about whether there are differences between store types in terms of prices for potentially local fresh fruit and vegetables by comparing collected price data. Finally, I address the question of whether there are differences between store types in terms of the overall variety of fresh fruit and vegetables that they offer by comparing counts of produce offerings. In addition, I overlay earlier maps illustrating socio-demographics with indicators of whether stores promote local produce at the store level or offer individually labeled products. After presenting these analyses, I will turn to a discussion of the implications they have for understanding the intersection of health and sustainability CSR initiatives as a form of corporate governance in the food system, including recommendations for future research and policy interventions.

**Access by Low-Income and Minority Populations**

In order to assess issues related to access to different market types by low-income and minority populations, it helps to begin by characterizing where different store types are located with relation to population density, recalling once again patterns of where supermarket retailers tend to locate. In the urban county context, population density is concentrated towards the center of the county (see Figure 5-1: Population Density (per square mile): Urban County). While most of the independent, regional and national supermarkets in this sample are located near or in the
Figure 5-1: Population Density (per square mile): Urban County

tracts with the highest population density (between 2099 and 11693 individuals per square mile), Walmart Supercenter locations tend to lie around the outskirts of this central area, where population densities are lower (between 273 and 1102 individuals per square mile), with the exception of one Walmart, which is situated on the line between two census tracts with slightly higher population densities (between 1102 to 3466 individuals per square mile). This distribution of store types by population density is in keeping with the review of the literature, which suggests that Walmart stores tend to locate on the edges of urban centers (Bedore, 2012; Bonanno et al., 2012; Food Marketing Institute, 2011; Hawkes, 2008).

This illustration of market location by population density is followed by consideration of low-income and minority access to these markets. In a similar pattern to the distribution of population density, the population living below the poverty line tends to be concentrated towards
the center of the urban county, while the Walmart locations are located around the periphery of this high poverty area (see Figure 5-2: Percent of Population Living Below the Poverty Line and Market Type: Urban County). According to the US Census’ American Community Survey (2011 five year estimates) the overall proportion of the population living below the poverty line for the urban county is 17.1 percent. Small markets and regional chains are located in the areas of highest poverty (between 35.10 and 65.17 percent below the poverty line), while two of the

![Figure 5-2: Percent of Population Living Below the Poverty Line and Market Type: Urban County](image)

Walmarts are located in census tracts with poverty rates near or below the county average (between 14.54 and 18.94 percent, and between 2.35 and 14.53 percent, respectively). The third Walmart is slightly more centrally located, and its service area (of one half mile) includes census
tracts with the lowest poverty rate (between 2.35 and 9.49 percent), as well as tracts with higher rates (between 14.54 and 35.09 percent).

In considering issues of minority access to different market types, a similar pattern is observed for the spatial distribution of the African American community living below the poverty line for the urban county (this map is not shown here due to the high degree of similarity with Figure 5-2 showing overall poverty levels). Again, Walmart service areas include areas of lower poverty (between 5.5 and 39.8 percent), and the areas with higher poverty rates (24 to 60 percent) are dominated by independent stores and national and regional chains.

This pattern changes, however, when Hispanic poverty rates are looked at separately (see Figure 5-3. Percent of Hispanic Population Living Below Poverty Line and Market Type: Urban County). Census tracts with higher levels of the Hispanic population living below the poverty line are less centralized, and the tracts with the highest rates (between 51 and 100 percent) are included in all three of the Walmarts’ service areas. Again, many of the independent and regional chains also include census tracts with these higher poverty rates as well, although compared to poverty rates for the general population and the African American Population, Walmart does appear to improve potential accessibility for the Hispanic population living below the poverty line.
It is interesting to note, however, that only one of the census tracts within a Walmart service area with the highest rate of Hispanic poverty has a high proportion of the overall population that is Hispanic (see Figure 5-4: Percent Hispanic Population and Market Type: Urban County). The other two Walmarts’ service areas include census tracts with smaller Hispanic populations (between .28 and 10.73 percent of the overall population). In comparison, other store types, including national and regional chains and smaller-scale stores, are more prevalent in census tracts with larger Hispanic populations (between 20.69 and 40.61 percent of the general population). Therefore, while Walmart stores may have the potential to increase access to local produce by Hispanic consumers living below the poverty line, it is important to note that this isn’t true for the overall Hispanic population.

Figure 5-3. Percent of Hispanic Population Living Below Poverty Line and Market Type: Urban County
Finally, methods of transportation are also important factors to consider when looking at issues of access. For the urban county, rates of vehicle use (compared to public transportation or walking) for commuting purposes tend to follow similar spatial patterns as poverty rates of the general population (see Figure 5-5: Percent of Workers Commuting to Work by Vehicle (Car, Van, Truck) and Market Type: Urban County). Vehicle usage for commuting purposes tends to be higher in those census tracts that also had lower poverty rates, while the centrally located census tracts with higher poverty rates have lower rates of vehicle usage. Once again, the three Walmarts’ service areas encompass census tracts with higher rates of vehicle usage (between 76...
and 100 percent), while the tracts with lower rates of vehicle usage (between 17.1 and 75 percent) are in closer proximity to all other market types. This combination of proximity and low vehicle usage suggests that non-Walmart store types might potentially play a larger role in improving low-income consumer access to local produce.

In turning to the rural county, we can once again begin by characterizing the general distribution of market types with relation to population density. Here, population density is concentrated around a small city, which is also the county seat (see Figure 5-6. Population Density (per square mile): Rural County). Once again, the majority of supermarkets are located in higher density areas than independent stores (between 273 and 1102 individuals per square mile), while the Walmart and several regional and national chains are located within or adjacent
to the census tract with the highest population density (1102 to 2099 individuals per square mile). In comparison, the areas with the lowest population density (between 8 and 272 individuals per square mile) have mostly independent stores.

Figure 5-6. Population Density (per square mile): Rural County

Poverty in the rural county also tends to be spatially concentrated around the county seat (see Figure 5-7. Percent of Total Population Living Below the Poverty Line and Market Type: Rural County) and therefore most of the supermarkets, including the county’s only Walmart, have service areas (of five miles) that encompass tracts with the highest poverty rates (between 35.10 and 65.17 percent). According to the US Census’ American Community Survey (2011 five year estimates) the overall proportion of the population living below the poverty line for the rural county is 19.4 percent. While there are very few places within this county that are more than five miles from some market outlet, the Northern part of the county lacks either national or
regional chain supermarkets, and has only independent markets. The Northern most census tract, in particular, has a poverty rate above the county average (between 18.95 and 35.09 percent), and only one small-scale, independent market.

![Figure 5-7: Percent of Total Population Living Below the Poverty Line and Market Type: Rural County](image)

Similarly to the urban county, the spatial distribution for the percent of the African American population living below the poverty line is similar to that for the overall population, and five of the six census tracts with the highest African American poverty rates (between 40 and 60 percent) are within Walmart’s service area (once again, this map is not included due to the high degree of similarity with Figure 5-7 showing overall poverty rates).

Once again, however, the spatial distribution of poverty rates for the Hispanic population differs from those of the overall and the African American population (see Figure 5-8. Percent of
Hispanic Population Living Below the Poverty Line and Market Type: Rural County). In this case, while there is still a high concentration of census tracts with high levels of Hispanic poverty (between 51 and 100 percent) around the small city that falls within Walmart’s service area, there is also one census tract in the northern part of the county with both the highest level of Hispanic poverty and only one independent market outlet. Again, it’s important to note that this census tract has a low proportion of the overall population that is Hispanic (between 3.36 and 5.89 percent), while the service areas for the supermarkets located around the small town have a larger Hispanic population (including census tracts with between 5.90 and 10.73 percent). Because of this, Walmart and the other centrally located supermarkets potentially serve a larger proportion of the Hispanic population living below the poverty line, although it is important to consider the smaller, more isolated pocket of Hispanic poverty that has access to only one independent market outlet.

Figure 5-8: Percent of Hispanic Population Living Below the Poverty Line and Market Type: Rural County
outlet (this will also be important to keep in mind when exploring the differences between these smaller scale, independent stores and other market outlets in terms of affordability and availability in subsequent sections).

Finally, in considering how access issues relate to transportation, in the rural county Walmart’s service area includes a census tract with the lowest rate of vehicle usage for commuting purposes (between 17.1 and 75 percent; see Figure 5-9: Percent of Workers Commuting by Vehicle (Car, Van, Truck) and Market Type: Rural County).

![Map showing market types and vehicle usage](image)

*Figure 5-9: Percent of Workers Commuting by Vehicle (Car, Van, Truck) and Market Type: Rural County*

While the majority of the census tracts in this county use a vehicle to commute to work, two of the census tracts just north of the small town have slightly lower vehicle usage rates (between 75 and 87 percent) and are only within the service areas of independent stores. Although this is still
a high percentage of vehicle usage, there is the potential that the other 13 to 25 percent of the population does not have very good access to a private vehicle, and therefore poorer access to supermarkets, including Walmart, than to independent stores.

**Affordability**

Price comparisons were made between Walmart and other store types for a list of potentially local items in order to address the second research question about whether there are differences between store types in terms of prices for local fresh fruit and vegetables. Overall, findings indicate that there were few differences between the average prices offered by Walmart compared to other market outlet types (see Table 5-3. T-Test Results Comparing Mean Price Differences (per pound) of Selected Products between Walmart Stores and Other Store Types). Walmart had lower prices than all other market types for seven out of thirteen items, although these differences were only significant for one product (cantaloupe, at the .001 level; although it is interesting to note that it was very close to significant for honeydew melons as well, which potentially suggests some price advantage for the melon category). In breaking down these differences, Walmart had significantly lower prices than regionally-based chain supermarkets (at the .001 level), while differences between Walmart and national chains and independent stores were not significant. In comparison, Walmart had higher prices than all other market types for the other six products, with significant differences for two of these items (yellow squash and zucchini, at the .05 level). For these products, Walmart had significantly higher prices than the independent stores for yellow squash, and than independent and regional
Table 5-3. T-Test Results Comparing Mean Price Differences (per pound) of Selected Products between Walmart Stores and Other Store Types

<table>
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<tr>
<th>Product</th>
<th>Mean</th>
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<th>Mean</th>
<th>Sig.</th>
<th>Mean</th>
<th>Sig.</th>
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<td>2.42</td>
<td>0.762</td>
<td>4.08</td>
<td>0.056</td>
<td>2.83</td>
<td>0.001***</td>
<td>1.77</td>
<td>0.031*</td>
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<td>0.437</td>
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<td>0.677</td>
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<td>0.568</td>
<td>2.42</td>
<td>0.762</td>
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<td>2.83</td>
<td>0.001***</td>
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<td>0.012*</td>
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<td>0.44</td>
<td>3.47</td>
<td>0.497</td>
<td>2.34</td>
<td>0.283</td>
<td>2.02</td>
<td>0.692</td>
<td>1.61</td>
<td>0.067</td>
<td>0.5</td>
<td>0.529</td>
<td>2.03</td>
<td>0.918</td>
<td>1.25</td>
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<td>0.766</td>
<td>3.57</td>
<td>0.44</td>
<td>3.47</td>
<td>0.497</td>
<td>2.34</td>
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<td>0.087</td>
<td>1.7</td>
<td>0.766</td>
<td>3.57</td>
<td>0.44</td>
<td>3.47</td>
<td>0.497</td>
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<td>0.44</td>
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<td>2.03</td>
<td>0.918</td>
<td>1.25</td>
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</tr>
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</table>

*= Significant at the .05 level  
**= Significant at the .01 level  
***= Significant at the .001 level
stores for zucchini. Despite these differences, it is important to note that overall, the price differences between Walmart and other store types were neither large nor significant, which is an important finding given Wal-Mart’s claims to offer lower prices, and the common assumption in the literature that independent stores generally have higher prices.

Availability: Overall Fresh Fruit and Vegetable Variety and Local Promotion

Availability in this context is evaluated both in terms of overall product offerings for fresh fruit and vegetables, as well as in terms of actual promotion of “local” produce. For the first, Walmart stores offered more variety of produce items than the average for all other market types, although this difference was not significant at the .05 level (See Figure 5-10: Produce Variety by Market Type). In further tests comparing average variety for Walmart stores and other store types by group, the only significant difference for the average number of produce items offered was between Walmart and independent stores (which was significant at the .001 level). While it appears that regional chains offer substantially higher variety than Walmart.
stores, these differences are not significant at the .05 level; in addition, this difference was exaggerated by one regional chain that offered nearly 1000 items. Excluding this store greatly reduces the difference between these store types, although the regional chain continues to offer greater variety (191 for the regional chains and 178 for Walmart, although this difference is not significant at the .05 level). The differences between Walmart and independent stores are important to consider given the predominance of independent, small-scale stores in more isolated parts of the rural county, as described above.

In terms of actual promotion of local produce, this was evaluated both in terms of whether there was store-level promotion, as well as whether market outlets offered individually labeled local fresh fruit or vegetables. In the urban county, two of the three Walmarts promoted local produce, both at the store level and only one in terms of individual products. In terms of improving the accessibility of local produce for low-income consumers, these two stores have service areas where between 14.54 to 18.94, and between 2.35 and 35.09 percent of the population, respectively, lives below the poverty line (see Figure 5-11. Local Produce Availability by Total Population Living Below the Poverty Line: Urban County). In comparison, regional and national chains also promote local produce, and their service areas have a combined range of between 2.35 and 65.17 percent of the population living below the poverty line. In addition, five out of seven of these stores actually offer local items beyond simply promoting local at the store level, suggesting that these chains may improve actual low-income consumer access to local produce more than other store types. For Walmart stores, advertisement at the individual product level usually took the form of a Wal-Mart local label similar to a store brand; for other national and regional chains, local promotion included state-based promotional materials, as well as farm-based labels and in one case a regional chain provided information about the number of miles between the store and the farm. Finally, although regional and national chains promote local produce in tracts with higher poverty rates than Walmart does, it is
important to note that none of the independent or regional chains with service areas with the highest level of poverty promote or offer local produce.

![Map of Local Produce Availability by Total Population Living Below the Poverty Line: Urban County](image)

**Figure 5-11. Local Produce Availability by Total Population Living Below the Poverty Line: Urban County**

While Wal-Mart therefore improves the availability of local produce for low-income populations in the urban county to a certain degree, it does not do so more than other chains, and it does not serve the areas with the highest poverty levels. In comparison, since the Walmart service areas in this urban county include populations with high levels of Hispanic poverty, Wal-Mart does improve the availability of local produce for these populations (refer to Figure 5-3. Percent of Hispanic Population Living Below Poverty Line and Market Type: Urban County).
In comparison, in the rural county, Walmart promotes local produce at the store level, but did not promote individual items as local at the time of this study. Since the service area for this Walmart includes areas of high poverty, Wal-Mart does potentially offer local produce to these populations (see Figure 5-12: Local Produce Availability by Total Population Living Below the Poverty Line: Rural County).

Figure 5-12: Local Produce Availability by Total Population Living Below the Poverty Line: Rural County

However, national and regional chains in this county also promote local produce at the store level, although only two of the six had individual items promoted as local at the time of the store audits. In this county, smaller-scale stores do not offer local produce, and although not all of them are located in areas with poverty rates above the county average, these independent stores
have the potential to improve accessibility for low income Hispanic populations (refer to Figure 5-8. Percent of Hispanic Population Living Below the Poverty Line and Market Type: Rural County).

**Summary and Discussion**

The preceding analyses evaluated both potential and actual low-income and minority access to local produce through Walmart and other store types in order to contextualize both Wal-Mart’s CSR efforts in healthy food and local produce, and their public/private partnerships in these areas. As Ver Ploeg et al. (2009) suggest, “understanding the market conditions that contribute to differences in access to food is critical to the design of policy interventions that may be effective in reducing access limitations,” (p. iv). Therefore, this evaluation of the differences in access, affordability and availability of local fresh fruit and vegetables can contribute to considerations of what type of store holds the most potential to improve low-income and minority access to local food. This, in turn, can inform the development of future policy and program interventions, and contribute to reflections about how public/private partnerships and CSR initiatives may affect the conditions of the food environment.

First, in looking at issues of potential accessibility to local produce by low-income and minority populations, in the urban county, Walmart stores did not appear to improve access to fresh fruit and vegetables for people below the poverty line (including those with less access to a vehicle) compared to other store types. However, it did seem to improve access for low-income Hispanic populations, although not necessarily for the general Hispanic population. In the rural county, Walmart served the tracts with highest poverty rates and lowest rates of vehicle usage, although it did not serve one tract in this county that lacked a supermarket and had higher than average poverty for both the general and Hispanic populations. While Walmart and the other
centrally located supermarkets in this county potentially served a larger proportion of the Hispanic population living below the poverty line, it is important to consider these more isolated areas where independent, small-scale stores dominated.

In terms of affordability, there were few differences between the average produce prices offered by Walmart compared to other market outlet types. While Walmart had lower prices for certain items (especially compared to regional supermarkets) and higher prices for others (especially compared to independent markets), overall price differences were not very large and they were generally not significant. Therefore, it cannot be concluded that Wal-Mart offers lower prices than other market types for fresh fruit and vegetables. Importantly, independent, small-scale stores do not necessarily have higher prices than supermarket chains for fresh produce, which goes against the assumption in the literature that small-scale stores have higher prices.

Finally, in terms of availability, Walmart stores offered more variety of produce items than the average of all other market types, although regional chains had the highest level of variety and none of these differences were significant. Unsurprisingly, significant differences were found between Walmart and independent, small-scale stores, which tend to offer less produce variety. This finding is in keeping with the literature, which suggests that while small-scale stores may increase accessibility for low-income populations, they tend to offer much less variety. In terms of local produce, Walmart does not necessarily offer local produce to low-income populations any more than national or regional chains do, although it does improve access to local produce compared to independent stores. Taken together with issues of access, Walmart may improve the accessibility of local produce to low-income Hispanic populations more than other supermarket types, although in terms of overall poverty rates, national and regional chains may improve accessibility to local products more than Wal-Mart.

In terms of interventions designed to improve low-income and consumer access to local produce, findings in the two study counties suggest that independent stores and regional chains
may be more likely to serve populations living below the poverty line with low access to a private vehicle than Walmart stores, which tend to be located along the peripheries of areas with high poverty. In the rural county in particular, small stores had the potential to improve access to local produce by more isolated, low-income and Hispanic populations. Given that none of these store types were found to have substantially higher prices than Walmart stores, and also since many regional chains currently promote local produce, these findings suggest that interventions targeting independent, small-scale stores and regional chains have greater potential to increase the accessibility of local produce to low-income and minority populations than Walmart stores.

Interestingly, the suggestion to focus interventions on independent, small-scale stores and regional chains was supported by qualitative research that was conducted as part of this overall study in order to explore producer perspectives on selling to supermarkets in the same region where the store audits were conducted. Several growers and representatives from organizations that facilitated grower relationships with supermarkets in this study talked about their preference for selling to independent or regionally-operated supermarket chains. For example, one producer said, “We have found out that we get more loyalty, get paid quicker from smaller independent groceries…these people treat you with more dignity and respect, have your product out there, promote your product.” At the same time, an interview with a USDA employee revealed that, due to the larger scale and scope of her program, she preferred to work with a national level chain with a centralized organizational structure rather than an independent chain that would necessitate negotiations with each individual storeowner. Taken together with the findings of this paper, these examples suggest the possibility that current federal policy interventions may be targeting a national scale chain such as Wal-Mart not because it necessarily offers lower prices or is located in more “food desert” areas, but rather because its organizational structure facilitates now favored large-scale public/private partnerships. Therefore, while these large-scale partnerships between the federal government and Wal-Mart and other national chains will most likely continue,
smaller-scale organizations (such as University Extension or non-profit organizations) that have the capacity to work one-on-one with individual store owners might be more effective at increasing the accessibility of local produce for low-income consumers by focusing on smaller-scale and independent stores.

At the same time, it is important not to romanticize the role of smaller-scale and independent stores in local food systems. For example, recent trends in food desert literature suggest the need to account for consumer preferences and qualitative factors when examining issues of access (Drewnowski et al., 2012; Zenk et al., 2013). Zenk et al. (2013) suggest that many of the stores located in urban African American neighborhoods are owned and operated by individuals who often live outside the area and are from a different racial background than their customers, potentially leading to increased perceptions of discrimination by these customers. These types of qualitative factors complicate issues of proximity when trying to describe access for different types of communities. In the case of Wal-Mart, it is interesting to note that while Wal-Mart is often blamed for running mom-and-pop type stores out of business, these small stores are not always preferable to supermarkets for consumers, even though they may be price competitive. For example, when self-service supermarkets such as Wal-Mart were first introduced to the South, many African American consumers reported feeling less surveillance at these stores than at small, locally owned stores (Tolbert, 2009). In her historical analysis of self-service grocery stores in the South, Tolbert (2009) explains that,

> In the general store, merchants controlled both what African Americans bought and how they experienced consumption. Rituals of deference through consumer negotiations reinforced racial hierarchies. However, the mingling of strangers in an urban context broke down traditional mechanisms for enforcing these racial hierarchies. (p. 187)

Therefore, it is possible that stores such as Wal-Mart have an important role to play in terms of increasing access to fresh fruit and vegetables when these type of qualitative factors are accounted for, issues that merit further exploration in future research. As Goodman and DuPuis
(2005) remind us, it is important not to romanticize local relationships simply because they are “local,” since these contexts are not free from power dynamics. Therefore, future research should examine the overall place of supermarkets and independent stores within local contexts, and go beyond measures of proximity to assess their full impact on issues of access in order to create appropriate programmatic interventions.

Limitations of the Current Study

There are various limitations that face this study. The first is the assumption that supermarket service areas should be based on measures of proximity. While many food desert studies have made this assumption, more recent studies have indicated that consumers do not necessarily shop at the nearest supermarket (Drewnowski et al., 2012; Zenk et al., 2013); for example, one recent study found that only 14% of their sample shopped at the supermarket that was closest to their place of residence (Drewnowski et al., 2012). Ver Ploeg et al. (2009) refer to this as the difference between “potential” access (where individuals could shop) and “realized” access (where consumers actually do shop). In addition, the current study does not account for other factors that might affect consumer access to supermarket, such as neighborhood crime or sidewalk conditions (Ver Ploeg et al., 2009).

An additional limitation has to do with the variability of local produce prices and availability. First, store audits were conducted during the off-season, when local produce is less available. While this timing was intentional in order to facilitate interviews with producers, it also may lead to an underrepresentation of local produce availability.⁴⁶ Also, since price collection often took place over a few weeks, price differences could potentially be due to market

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⁴⁶ Although, as indicated by the results, there were many products that were grown locally during the winter season, and therefore could have been sourced locally by the various market outlets.
fluctuations and not differences between store types. Finally, the small sample size, including both the limited number of stores and the focus on only two counties in a particular region of the U.S., limits the ability to draw generalizations or make definitive conclusions. At the same time, by focusing the study on Wal-Mart, and including all Walmart locations in these two counties in the sample, the findings presented here can be used to guide further research on issues of accessibility and affordability of local produce through different store types that is explicitly designed to develop appropriate policy interventions.

Conclusion

As supermarkets have expanded throughout the US and globally, their influence on where people shop and what they eat has grown as well. Interest in CSR efforts that combine both health and sustainability factors have led to the creation of public/private partnerships that increase the influence of corporate governance over the structure of the food system, not only in terms of production, but also in terms of determining the conditions of access for consumers. As the largest supermarket retailer in the US and the world, the Wal-Mart Corporation has emerged as particularly influential, and therefore its recent public/private partnerships aimed at issues of consumer health warrant social science research attention. This is especially important since Wal-Mart often portrays itself as being uniquely positioned to bring sustainable products to low-income consumers, which is also often supported in the academic literature that suggests that other store types have higher prices than Walmart stores. These factors may contribute to the decision to focus policy interventions on large-scale markets such as Walmart.

However, this research finds that Walmart stores do not necessarily increase access by lower income populations to fresh or local produce, or have the potential to do so, based on analyses of proximity of low-income and minority populations to different store types. In
addition, Walmart does not necessarily have lower prices than other market outlets for local or potentially local items. Therefore, policy and program interventions aimed at improving low-income and minority access to local produce may be better served by targeting independent, small-scale or regional chains, which are often more likely to be located in areas with higher concentrations of poverty and individuals with less access to private vehicles. In addition, it is possible that these smaller-scale store types may be easier for local producers to work with, thereby supporting this policy suggestion. This research suggests that this recommendation is particularly salient for smaller-scale organizations, such as University Extension or non-profit organizations, which have the capacity to work with individual store owners. On the other hand, federal policies that revolve around public/private partnerships may continue to work with national scale chains since their centralized management structure facilitates the necessary relationship-building.

Future research should consider qualitative aspects of consumer access to local store types, including issues of producer access to markets, the ease of creating partnerships for different scale organizations, as well as less quantifiable issues related to consumers’ choice of store type. As Marsden (2004) has suggested, research related to issues of consumer access is, “…not so much about the identification of ‘food deserts’ as understanding the interfaces of corporate strategy and local consumption in their varied spatial contexts,” (Marsden, 2004, p. 137). Understanding this intersection of corporate strategies and consumption issues helps to contextualize corporate governance of consumption patterns through hybrid arrangements, and suggests the importance of further research to guide appropriate policy interventions.
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Chapter 6

Conclusion

This dissertation has explored the implementation and implications of Wal-Mart’s local sourcing program in Honduras and the US. Using the concept of governance as a theoretical anchor, I have analyzed how Wal-Mart incorporates localization into its sustainability initiative in a way that reflects three aspects of governance. First, taking a more global view, I looked at how Corporate Social Responsibility programs are often more influential than nationally-based policies in determining conditions of agricultural production and consumption; second, I examined how Wal-Mart’s local sourcing program is organized as a form of hybrid governance by outsourcing the costs and responsibilities of its implementation to non-governmental actors; and finally, I explored the coordination of supply and demand in Wal-Mart’s local supply chains using the lens of supply chain governance. These three aspects of governance provide a framework for analyzing the specific organization and outcomes of Wal-Mart’s local sourcing program, while avoiding an oversimplified assumption of either the positive or negative impacts that the world’s largest corporation may have on the conditions of agricultural production, distribution and consumption. This final chapter addresses the overall theoretical and practical contributions of this dissertation, including the overarching themes that emerged from the four papers, the limitations and drawbacks of studying Wal-Mart, and considerations for future research and policies.
General Themes and Conclusions: Outsourcing Costs through Hybrid Governance and the Implications of Combining Standardization and Differentiation

In addition to addressing a gap in previous literature by examining the specific contours of corporate localization efforts in both an industrialized and developing country, each of the four papers presented in this dissertation illustrates and expands upon theories of governance. While previous research has focused on the influence of NGOs on global governance at a supranational scale (Falkner, 2003; Jepson, 2005), Paper One contributes to theories of hybrid governance by providing an examination of the commercial role of NGOs in public/private partnerships, thereby contributing to questions of civil society legitimacy in on-the-ground operations of hybrid governance arrangements. In a similar vein, while previous research has documented the impacts of formal, private standards on small-scale producers (Berdegué et al., 2005; Henson, Masakure, & Boselic, 2005), Paper Two indicates that third party certification is not the only mechanism of control that corporations use to influence production practices, and therefore studies of standards must expand beyond these systems to evaluate how they influence development project goals and outcomes. Paper Three challenges the theory of ecological modernization, which, despite its promotion of market-based environmental reform, has historically focused on the role of the nation state (Buttel, 2000; Christoff, 1996; Fisher & Freudenburg, 2001); instead, this paper uses the predominance of private forms of corporate governance in the US to justify the application of ecological modernization theory to the agri-food sector. Finally, Paper Four extends the concept of corporate governance to issues of consumption, thereby joining two spheres of study that are often dealt with separately (Hawkes, 2009; Story, Hamm, & Wallinga, 2009).

In addition to these theoretical contributions, there are two interrelated themes that emerged from research in the US and Honduran contexts that merit further exploration. The first is related to hybrid governance, and specifically Wal-Mart’s strategy of outsourcing responsibilities, costs and risk in its supply chain, which it continues to apply in its local sourcing
program both domestically and in Honduras. In the US case this was documented in Paper Three, which described how grower/packer operations took on the responsibility of integrating smaller-scale growers into Wal-Mart’s local supply chains, as well as how local producers were expected to bear the costs of meeting Wal-Mart’s requirements, such as their local label. In Honduras, Papers One and Two showed how NGOs provided training, resources and coordinated the relationships between producers and Wal-Mart, thereby shouldering the responsibility of incentivizing changes in production practices and paying the costs associated with meeting the retailers’ requirements. Since NGOs in Honduras receive funding from international donors and US federal agencies, these activities essentially serve as a public subsidy to Wal-Mart. These findings are supported by other research, which has demonstrated how Wal-Mart’s business strategies are often subsidized by other organizations. For example, research has shown that Wal-Mart’s low price strategy is contingent on the low wages it pays its associates; these low wages, in turn, are essentially subsidized by federally funded public assistance programs, such as Medicaid\(^47\) (Goetz & Swaminathan, 2006a).

The second theme that emerged in this dissertation may help to explain why external subsidies are needed to support Wal-Mart’s local produce sourcing program. The papers in this dissertation demonstrate that Wal-Mart treated local produce in a way that both recognized its added-value and potential for differentiation, but also attempted to standardize it, thereby removing any claims for a price premium. This was seen in both Paper Two, which explored the role of food safety standards in development projects in Honduras, and in Paper Three, with the case of Wal-Mart’s generic local label. Previous research has suggested that with the growth of quality and value-added products, there has been a shift in the economy away from mass

\(^{47}\)For example, a recent report from the Democratic staff of the Committee on Education and the Workforce used data from Wisconsin’s Medicaid program to estimate Wal-Mart’s costs to taxpayers in that state; they found that “one 300-person Wal-Mart Supercenter store in Wisconsin may result in a cost to taxpayers of \$904,542 per year – about \$3,015 per employee.” (The Low-Wage Drag on Our Economy: Wal-Mart’s low wages and their effect on taxpayers and economic growth, 2013; emphasis in original).
production and towards differentiated goods (Busch & Bain, 2004; Busch, 2007; Guptill & Wilkins, 2002; Harvey, 2000). Others have expanded on this concept to point to a growing bifurcation between production and standards for goods that are intended for low-income consumers, and those that create value and are sold to high-income consumers (Friedmann, 2005). The research presented here suggests, however, that Wal-Mart views sustainable products from within the structure of its current business model, and therefore while the company wants to be able to promote the fact that it sells higher quality produce (that meets food safety standards in Honduras, and can meet consumer demand for local products in the US), it also wants these items to be inexpensive. By attempting to standardize value-added products, Wal-Mart demonstrates its overall approach to sustainability. In short, Wal-Mart seeks to address sustainability, but sidesteps changing practices to adapt to it.

Given the size and scope of Wal-Mart’s operations, as well as its place as a leader in the retail industry, this combination of standardization and differentiation could signal a new organization of economic relationships in agricultural production and consumption, moving past the division between mass production of commodities and niche production of value-added products to a new economic sphere that supports the mass production of differentiated goods. This type of production and consumption system has been previously explored from different theoretical perspectives. For example, using French Regulation theory, William Friedland (2007) rejects the notion of a Post-Fordist Regime, and presents his conceptualization of Sloanism instead: “…describing a situation in which mass production is used to meet highly differentiated and specialized markets,” (Friedland, 1997, p. 228). Alternately, Trabalzi (2007) draws on a Worlds of Production approach (Salais & Storper, 1992) and Conventions Theory (Boltanski & Thevenot, 1991) to describe how producers of buffalo mozzarella combine standardized production processes and local markets for this supposedly “artisanal,” product. His findings are echoed by other studies of products that are produced under European certified geographic
indicating systems (De Roest, 2000). Finally, the conventionalization of the organic agriculture industry also presents a case of the standardized production of a niche product; as Guthman (2004; 2007) points out, industrialized organic agriculture not only undermines the alternative, holistic approach that the original organic movement promoted, but by driving down prices it also affects the ability of smaller-scale producers to survive in this competitive environment. And, as seen in this dissertation, the emergence of local food in reaction to this perceived cooptation of the organic movement has led to the rise of a generic localism that repeats the pattern of standardizing a niche product (Campbell & Le Heron, 2007; Guthman, 2007).

This shift in production and consumption patterns towards mass production of differentiated goods can be brought into conversation with theories of hybrid governance, as described above. The original premise of adding value to products, in the case of sustainability, was to compensate producers for internalizing the costs that are otherwise externalized in conventional production (Guthman, 2004; Raynolds, 2009). If the price premium is removed from these goods, producers will have to find other ways fund the changes that they need to make to their operations in order to meet growing demand for quality attributes. This leads us back to the theme of how public and private organizations are currently subsidizing Wal-Mart’s local produce sourcing program. Looking forward, it is possible that local and/or sustainable produce will be made available at low prices due to public and private subsidization of corporate sustainability programs. While this subsidization may increase market opportunities for certain producers, and has the potential to increase consumer access to local produce, it is important to consider the ultimate sustainability impacts if the costs of localization are shifted away from those making the demands (such as consumers and retailers) and onto public and non-governmental organizations. In many ways, this model of corporate sustainability can be considered another example of how the conventional food system manages to “sustain the unsustainable,” (Buttel, 2006) by further externalizing costs. From this view, corporations find ways to overcome crises
of legitimacy, in this case the environmental and social crises that corporations’ practices have created (Dickens, 2002; Goldman & Dickins, 1983; Harvey, 2000; Mol, 2000; O’Connor, 1991).

The fact that Wal-Mart “sustains the unsustainable” by outsourcing the costs of its local sourcing program to other organizations highlights the difficulty of introducing sustainable practices into the current agri-food system. The papers in this dissertation have demonstrated the complexity of addressing sustainability from within both the governance structure of the current neoliberal economy (seen in Paper One), and from within a corporate system that has evolved around certain practices and efficiencies (seen in Paper Three). Therefore, while corporations may initiate CSR programs to respond to negative publicity and consumer demands, many of the practices that are under attack are the same ones that facilitated corporate success in the first place. For example, while Wal-Mart refers to reducing food miles as one of the major sustainability benefits of its local produce sourcing program, McMichael and Friedmann (2007) point out that, “…it is important to note that transport technologies underwriting intensification of the ‘ecological footprint’ are… significant in enabling the retailing revolution,” (p. 304). Within this context, a company such as Wal-Mart resorts to outsourcing the costs and responsibilities of implementing sustainability, since restructuring its operational systems would be not only expensive, but could potentially undermine the very bases of the company’s success.

Limitations and Drawbacks to Studying Wal-Mart

This research was specifically designed to obviate the need to interview Wal-Mart employees directly, since the company has a reputation for being closed to outsiders. This study

48 As described earlier, I was able to interview two Wal-Mart employees, one in Honduras and one in the US. In these two situations, access to these individuals was facilitated by professional contacts and other research participants, and protocols were followed in accordance with the stipulations of The Pennsylvania State University’s Institutional Review Board, which required a letter of permission from the individual’s
is therefore reliant on the perspectives and experiences of actors largely outside of Wal-Mart who either participated in Wal-Mart’s supply chains or helped to facilitate Wal-Mart’s programs. While this vantage point can be justified by theories of supply chain governance, and by a focus on hybrid governance, it does also by necessity delimit the scope of this research, including how much it can explain and what conclusions can be reached. For example, it is impossible to know the motivations of either Wal-Mart, as a corporate entity, or the motivations of its individual employees, in taking up a sustainability agenda. Likewise, there were some lingering questions that remain unanswered, for example, about who actually has the authority to stop deliveries from Wal-Mart warehouses, produce managers or local category managers (see Paper Three). Since producers’ and facilitators’ answers to this question varied, it is impossible to know without research access to more Wal-Mart employees to provide an insider’s perspective.

However, focusing on how those outside of the company perceive their relationships with Wal-Mart offers the advantage of highlighting how Wal-Mart’s programs actually operate on the ground. This research assumed that the perspective of Wal-Mart, as a corporation, could be ascertained from its publicly available documents. At the same time, corporate policies often differ both in their conceptualization and their implementation as they trickle down to the local level. Focusing on the perspectives of those affected by Wal-Mart’s policies and practices shed light on the actual implementation of this program. In addition, it illuminated the sphere of influence of this corporation by allowing glimpses of how even individuals who do not sell to or work with Wal-Mart are affected by the decisions that the company makes and the practices that it promotes.\footnote{Ultimately, what Wal-Mart does can have profound implications for conditions of supervisor at Wal-Mart. While this was feasible for these two individuals, several other Wal-Mart employees who were contacted never responded to requests for interviews, and it was deemed too difficult to base the study on a wider sample of Wal-Mart employees.} 

\footnote{Although some producer interviews were excluded from the analyses in these four papers, interviews were conducted with 16 producers (7 in the US and 9 in Honduras) who did not have active relationships with Wal-Mart; this was done in order to understand their relationships with other supermarkets, why they}
production and organization of supply chains, and therefore for the very structure of the conventional food system. In some ways, Wal-Mart provides an exceptional case, since it is nearly unrivaled in the sheer scale of its operations and because of its almost mythical quality in the public imagination, both positive and negative. At the same time, Wal-Mart has been at the forefront of the supermarket retailing industry for more than two decades, and the company’s cost-saving technological innovations and its dubious labor and sourcing practices have left other companies scrambling to replicate this low price model. Therefore, how Wal-Mart approaches sustainability and localization will most likely have spillover effects for the entire industry and related systems of production, distribution and consumption.

At the same time, the current study is limited in making generalizations due to its qualitative nature and small sample size. While conducting this research in two geographical regions was informative for providing insights into how Wal-Mart’s localization strategy differs in distinct contexts, it also meant dividing resources and time between these two sites, and therefore limiting the number of study participants in each place. While it may not be possible to make generalizations, either to other regions or to the practices of other corporations, it is possible to identify patterns and themes that may help to refine, reconstruct or build theory, and will help to orient future studies and policies (Creswell, 2007; Goodwin & Horowitz, 2002).

**Considerations for Future Policies and Research**

This dissertation has raised certain questions that are relevant for policymakers, especially those involved with international development projects. For example, in Paper One, I examine the horizontal and vertical governance functions that NGOs have assumed through chose not to work with Wal-Mart, how they may have been excluded from Wal-Mart’s supply chains, or why they may have discontinued their commercial relationship with the company.
public/private partnerships that include, but also go beyond, ensuring compliance to standards. Building from the findings in this paper, the question can be raised as to whether maintaining purely horizontal relationships could be a more effective strategy for NGOs rather than taking on vertical supply chain roles as market intermediaries. Which facilitation strategy might help to maintain NGOs’ legitimacy, and which might have more promise for eventually challenging existing political/economic structures? These are difficult questions to answer. As this dissertation has demonstrated, when NGOs and publicly funded agencies shift their roles to include the governance functions of market intermediaries, this can affect their perceived legitimacy and ability to fulfill their philanthropic goals. On the other hand, Paper One also demonstrated that supermarkets can act inconsistently, and therefore when NGOs do not mediate the commercial relationship between producers and supermarkets, producers are subject to this variability without access to resources that might mitigate these fluctuations, such as bargaining power or the friendships between development agencies and supermarket employees. Ultimately, if “governance is fundamentally about managing competing interests for the common good,” (J. M. Brinkerhoff, 2007, p. 68), then NGOs and public entities might be best suited to be the actors that mediate the competing interests between producers and supermarket retailers, despite the constraints that they face from operating within the neoliberal system. However, as this dissertation has demonstrated, these organizations need to be cognizant of the potential limitations of this market-based development model, and should plan for how to deal with the many issues that arise, including the potential to exclude producers with limited resources and capacities.

In the US context, this dissertation’s contribution to policy making is a little more complicated, given that hybrid arrangements that included public and non-profit actors were not established enough to form the basis of a full analysis. On the other hand, the role of grower/packers in facilitating smaller-scale producers’ access to Wal-Mart’s local supply chains
was an unanticipated finding that may merit further research attention. Should policies and programs target these large-scale farms in order to support their efforts to provide training and resources to small-scale growers? Could public/private partnerships between University Extension, or the USDA, and these private intermediaries have beneficial results for supporting the integration of local produce into the conventional food system, or will they face the same pitfalls of public/private partnerships that have been documented in this dissertation? Future research should consider the various permutations that hybrid governance can take in the context of supermarkets’ local supply chains, including the role of actors further down the supply chain.

Concluding Thoughts

Localization introduces a new set of procurement priorities to the supermarket retailing industry, which, given supermarket retailers’ market dominance and ability to determine conditions of production, distribution and consumption, has the potential to significantly affect the structure of the current agri-food system (Burch et al., 2013; Hawkes, 2008; Konefal et al., 2007; Wrigley et al., 2005). Understanding the role that corporations play in determining the conditions of access for producers and consumers through the organizational structure of their supply chains will prove crucial to designing and realizing a food system that better meets society’s needs. The findings presented in this dissertation contribute to a broader societal debate related to theories of governance, specifically asking which actors have the power and legitimacy to define sustainability in a system that has consequences for individuals’ basic rights in terms of livelihoods and food security. This dissertation therefore provides an important contribution to understanding the structure and implications of a corporate sustainability program in the agri-food system, providing food for thought for scholars, practitioners and policymakers alike, as the contours of a newly localized agri-food system emerge.
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