

## THE MANIFESTATION OF SOCIAL RESPONSIBILITY IN AGRICULTURE

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### ***Abstract***

*Social responsibility (SR) is a new concept that guides not only the activity of transnational corporations but also the actions of small and medium-sized enterprises, portfolio investors and farmers. All businesses must act responsibly, in addition to the objective motivation of maximizing the profit, they must follow the intensification of the positive effects they have on the environment, consumers, employees and community. In other words, businesses must deliberately pursue the public interest and, through their actions, they must focus on the three P's: people, planet and profit. Despite the pro and con opinions on the social responsibility of businesses, they are increasingly involved in society and their efforts are supported by international organizations, local public authorities or by various institutions that either initiated various partnerships, or developed CSR principles that can be adopted voluntarily or had various legislative initiatives.*

**Keywords:** *social responsibility, sustainable agriculture, socially responsible investment*

### **1. Social responsibility and sustainable development**

Sustainable development is a goal of humanity and global, regional, national and local efforts to achieve this goal are huge. The concept of sustainable development is based on the ***eco-efficiency and eco-system dualism***, the efficient use of natural, energy, material and informational resources being done in a responsible manner in the light of the current demands of society and future generations. This way the ***intergenerational equity regarding the use of resources***, which is one of the important principles of sustainable development, is ensured. In addition, achieving sustainable development and complexity of the problem also involves public-private partnerships between public institutions, companies, NGOs and other stakeholders as well as cooperation between

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states, with common, but at the same time different responsibilities, depending on their specific level of development. Developed countries should get involved much more, given the relevance of the "polluter pays" principle, but also the expertise they have in this area, which makes them assist developing countries. In addition, the transnational corporations can play a central role in promoting sustainable development principles and social responsibility in the developing countries where they operate<sup>3</sup>.

**Corporate social responsibility** has become an increasingly relevant topic in view of the higher limits for action of the public authorities, globalization, increasing consumerism and ecology, but also the challenges posed by the global crisis of natural resources, environmental issues and global economic crisis. More and more companies, constrained or not by the rules imposed by banking institutions, stock exchanges and public authorities have become more responsible and aware of the role they must play in sustainable development.

Large transnational corporations (TNCs) have developed and apply **sustainable development policies**, being concerned with both environmental protection and safety and welfare of employees and local communities in the long run. The objectives of maximizing profits and dividends paid to shareholders should be related to the rights of stakeholders, and the business activity carried on by the company should not affect the interests and aspirations of future generations. Some of the companies' efforts to act sustainable consist in social responsibility programs targeting local communities, environment and humanitarian actions.

## 2. Social responsibility and sustainable agriculture

Humanity faces many problems, but **climate change** is considered the most dangerous consequence of human activity, given the multiple and lasting effects: droughts, floods, hurricanes, storms, desertification that generate a decrease in the quality and quantity of crops, poor nourishment for most of the planet's population, the spread of disease, disappearance of plant and animal species.

Industrial agriculture has shown its limits, but also its negative effects consisting in soil degradation, water pollution, decline of family farms, increased biodiversity imbalances, neglect of living and working conditions of farm workers, disintegration of social and economic conditions in rural areas, products that threaten the food safety of the consumers. For these reasons, experts seek the solutions offered by **sustainable agriculture** and organic agriculture<sup>4</sup>. In addition, given the important role played by agriculture in some countries in the creation of GDP and the number of people involved, directly or indirectly, especially in developing countries (from producers to

3 Gheorghe Zaman, Zenovic Gherasim, *Criterii și principii ale dezvoltării durabile din punctul de vedere al resurselor acesteia*, Buletinul AGIR nr. 1/2007, p. 137-140

4 Salontai Al., *Considerații privind agricultura durabilă în contextul problemelor globale ale omenirii*, Agricultura – Știință și practică nr. 3-4 ( 63-64)/ 2007, p. 5-8

final consumers), agriculture can play an important role in achieving the *Millennium Development Goals*.

**Table no 1 Economically active population and agricultural share of active population**

	Total (thousands)			Agricultural Share (%)		
	1980	1995	2010	1980	1995	2010
World	1 894 978	2 575 394	3 282 308	50.4	46.1	39.9
Countries in developing regions	1 353 280	2 000 716	2 656 880	65.3	57.2	48.2
Countries in developed regions	541 644	574 678	625 428	13.1	7.5	4.2

Source : FAO, *The state of food and agriculture 2010-2011*, 2011, p.111-116

Sustainable agriculture is based on five pillars: high productivity, environmental conservation, efficient use of non-renewable resources, economic viability and quality of life<sup>5</sup>, which can be focused on three segments: ecological, economic and social / institutional. The objectives of sustainable agriculture are considered to be environmental protection, economic profitability and social and economic equity. Thus, sustainable agriculture implies obtaining agricultural productions that meet the needs of current generations without compromising the ability of future generations to meet their needs. For this reason, the stewardship of natural and human resources becomes crucial. The management of human resources considers aspects of social responsibility<sup>6</sup> such as the needs of rural communities, the health and safety of consumers, the working and living conditions of farm workers, in both present and future time.

The great challenge that agriculture is facing is to ***provide the necessary food for the growing population of the planet***. The remarkable progresses made due to agricultural mechanization have led to an increase in agricultural production so as to ensure enough food for everyone on the planet. However, about 850 million people lack access to sufficient food to ensure a healthy way of life. The most vulnerable people, in terms of food security, are the inhabitants of poor countries. About 70% of the poor population in developing countries lives in rural areas and depends directly or indirectly on agriculture to ensure their existence. In addition, the rising prices of agricultural products caused disastrous consequences in 65 countries in the world, which, according to the global hunger index (GHI), face the alarming risk of being confronted with a danger of food shortages.<sup>7</sup>

5 David Norman, Rhonda Janke, Stan Freyenberger, Bryan Schurle, Hans Kok, *Defining and implementing sustainable agriculture*, Kansas Sustainable Agriculture Series, Paper #1, [http://www.kansassustainableag.org/Library/ksas1.htm#DEFINING\\_SUSTAINABLE\\_AGRICULTURE](http://www.kansassustainableag.org/Library/ksas1.htm#DEFINING_SUSTAINABLE_AGRICULTURE)

6 What is Sustainable Agriculture?, University of California, UC Sustainable Agriculture Research and Education Program, <http://www.sarep.ucdavis.edu/concept.htm>

7 UNCTAD, *World Investment Report 2009*, p. 93

The causes of *food insecurity* are diverse:

- lack of investment in agriculture in developing countries and the decline of official development assistance (ODA) in the agricultural field;
- low efficiency or lack of public programs to support agriculture;
- international trade liberalization that has also affected trade of agricultural products created by small farmers;
- the existence of small farms under 2 hectares, which are not characterized by high efficiency (of the 525 million farms in the world, 404 million farms have an area under 2 ha, of which 87% are located in Asia)<sup>8</sup>;
- maintenance of restrictions on imports of agricultural products by certain countries such as India or Ukraine in order to protect domestic producers;
- rapid population growth in developing countries;
- poor harvests due to climate change;
- use of agricultural raw materials for production of biofuels.

Food insecurity has many consequences for the physical and mental development of individuals, leading to slow economic progress, environmental degradation and internal and international conflicts<sup>9</sup>. Reducing poverty and hunger is the first of the Millennium Development Goals (MDG Millennium Development Goals) and the solutions found at international level to achieve this goal are numerous and address a multilateral, regional and national approach of these aspects. Thus, at international level, under the UN umbrella, was created in 2008, the High-Level Task Force on the Global Food Security Crisis (HLTF), which developed a framework for action aimed at satisfying immediate needs and building adaptability in order to stimulate private and public investment in agriculture. Estimates made by this task force are investments worth USD 25-40 billion per year for food and nutrition security<sup>10</sup>. FAO estimates additional investment worth USD 30 billion per year in agriculture in order to ensure that the MDG target of halving the absolute number of hungry (starving) people is met by 2015.

The two entities of the World Bank with specific responsibilities in investment – namely the Multilateral Investment Guarantee Agency and the International Finance Corporation - promote *foreign direct investment in agriculture* to developing countries by providing guarantees against political risks and by providing the financial and technical support needed.

Foreign direct investment (FDI) can play an important role in developing the agricultural sector especially in developing countries that have many natural resources, insufficiently used due to lack of financial resources. Therefore, FDI is one of the solutions to revive agriculture in some countries. FDI in agriculture was present in the developing countries

8 IASSTD, *Food Security in a Volatile World*, p. 3

9 Corina Ene, *Securitatea alimentară – coordonate și implicații*, Editura Universității Petrol-Gaze din Ploiești, 2009, p. 356.

10 UNCTAD, *World Investment Report 2009*, p 104

even before the Second World War, and transnational corporations were concentrated in sectors with strong export potential such as the production of bananas, tea and sugar. After the war, the relative importance of FDI in agriculture has decreased dramatically due to the orientation of FDI mainly towards industry and services and the restrictions imposed by the new states regarding the presence of foreign capital in agriculture. The importance of FDI and TNCs varies greatly depending on the product and the host country. TNC presence is very low in rice production, while such corporations dominate soybean production. Overall though, it is estimated that important agricultural markets are concentrated, being dominated by transnational companies located in North America and Europe<sup>11</sup>.

Currently, many companies and government authorities from countries such as South Korea, Saudi Arabia or United Arab Emirates invest in the agriculture of other countries, the reasons being the lack of land or water in their home countries to ensure sustainability of irrigation systems. Through these investments, the countries that are dependent on food imports attempt to solve the food security problem, in view of rising prices on agricultural markets. In addition, the increase in energy prices led to the involvement of foreign investors in the production of raw materials needed to manufacture biofuels. Of course, speculators appeared in this area as well, seeking to purchase agricultural land at low prices to obtain high returns in short periods of time.

Despite the amplification of foreign direct investment in agriculture realized since 2000 in developing countries, figures are not spectacular. Thus, the FDI received by the agricultural sector during 1989-2007 is USD 32 billion, representing only 0.2% of the global stock. Although FDI flows attracted by agriculture were around 3 billion dollars per year in 2005-2007, the high attractiveness of other sectors, especially the tertiary sector, generated a small share of agriculture - about 1% of total FDI flows performed worldwide.

Given the general importance of investing in agriculture, not only to increase productivity but also to eradicate poverty in rural areas and strengthen food security, several international institutions (UNCTAD, FAO, IFAD and World Bank) have launched the initiative of ***Principles for Responsible Agricultural Investment*** that respects the rights, livelihoods and resources. These principles are based on the following elements:

- recognition and respect for rights over land and resources;
- strengthening the food security through investments;
- investments in the agricultural sector must be done responsibly and transparently and must be monitored;
- significantly affected parties are consulted and it is necessary to reach an agreement with them, agreement that must be implemented;
- the projects comply with all legal requirements and best practices;

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11 IASSTD, *Food Security in a Volatile World*, p. 3

- investments generate a desirable social impact and do not deepen vulnerabilities;
- investments have a sustainable impact on the environment.

These principles can be used as a reference for governments, investors and technical cooperation agencies to draw up agricultural policies and investment agreements in agriculture, so as to achieve a harmonization of interests of foreign investors and host countries.

Despite the involvement of international organizations with a solid reputation, some entities such as FIAN International, Land Research and Action Network, GRAIN are opposed to the promotion of these principles because they believe that the ultimate goal is to take away the land owned by farmers by domestic or foreign corporations.

### **Conclusions**

Agriculture has a multifunctional character; given the resources it offers people and its impact on the environment and social areas. Thus, approximately 50% of the total world population lives in rural areas and 40% of the population is concentrated in agriculture.

Given the food crisis started in 2008, the Millennium Development Goals and the increasing production of biofuels, the agriculture is viewed as a priority at national and international level. Thus, it can play an important role in economic growth and strengthening food security especially in countries where a significant proportion of the population is dependent on this sector.

Globalization has covered all economic sectors, including agriculture. More and more foreign investors, especially transnational companies, turned to agriculture and came to dominate the production and distribution of agricultural products and to exert an overwhelming influence on consumers and farmers.

Given the multiple consequences of the activities of farmers and transnational companies in the agricultural sector, at regional and international level, there are many initiatives for the accountability of businesses that should be more aware of their societal role. Thus there are the efforts of FAO, UNCTAD, World Bank and IFAD in promoting the Principles for Responsible Agricultural Investment.

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