



# Grupo Bimbo: A step toward ecological farming

Public pressure convinced Mexican corporation Grupo Bimbo to adopt in its home market the higher quality standards that it faced in other countries.

## Problem Analysis

This case shows how people power can achieve substantial changes in the private sector. It demonstrates how a powerful, globally active company, Grupo Bimbo, was confronted by the public and convinced to change hazardous agricultural practices in its supply chain. Social and environmental justice in the value chain were achieved, despite a lack of home state accountability. Even in a country like Mexico, with widespread corruption and inequality, Grupo Bimbo was open to adjusting its working process in order to maintain its reputation.<sup>1</sup>

## Company

**Company:** Grupo Bimbo

**Head office:** Mexico City, Mexico

**Subsidiaries:** 137

Other companies involved: Cargill de Mexico S.A. de C.V. and Bunge Comercial S.A. de C.V.

## Company background

**Bimbo is privately owned**

**CEO & President:** Daniel Servitje Montull (family fortune US\$ 4,200 million)<sup>2,3</sup>

**Profit:** Mexican Pesos 136,143 million (2016)<sup>4</sup>

**Turnover:** US\$13.42 billion (2016)<sup>5</sup>

**Presence:** 165 manufacturing plants and 2.5 million sales centers located in 32 countries throughout the Americas, Asia, Africa, and Europe<sup>6</sup>

**Number of employees:** > 130,000<sup>7</sup>

**Additional sources:** <sup>8,9</sup>

## Company activity

Grupo Bimbo is the largest baking company in the world, and the third most consumed brand in Mexico. The company produces over 13,000 products and owns over 100 brands.<sup>10</sup>

## Country and location in which the violation occurred

Poncitlán municipality, in the state of Jalisco, Mexico;

Culiacan and Navolato municipalities in the state of Sinaloa, Mexico.

## Summary of the case

The food and beverage industry in Mexico is one of the most important parts of the country's economy. The Mexican food processing sector produced \$135.5 billion dollars worth of processed foods in 2015<sup>11</sup>, or 18.5% of Mexican manufacturing output and 6.5% of total national production.<sup>12</sup> To produce such volumes, high quantities of inputs are imported. In 2014 14.1% of inputs were of foreign origin.<sup>13</sup> The most significant parts of the sector are the bakery, dairy and confectionery industries.

Grupo Bimbo is the leading bakery in the world, and is the third most consumed brand in Mexico.<sup>14</sup> Grupo Bimbo claims that its 37 national plants conform with its vision of corporate responsibility, applying high standards from raw ingredients to finished products.<sup>15</sup> In reality the practices of suppliers of the company lead to the violation of human rights related to health, a healthy environment, adequate food, and access to information. These violations were closely related to the use of toxic inputs in the form of pesticides and fertilizers.

The company's supply chain purchases raw materials via intermediaries that buy from large collectors who in turn pay farmers for their peasant harvest. Grupo Bimbo sources from states such as Sinaloa and Jalisco that produce under a model of industrial agriculture, where highly toxic pesticides are used. 140 pesticides are used in Mexico despite being banned or prohibited in other

countries because of their adverse health and environmental impacts. 111 of these are catalogued as Highly Hazardous Pesticides. A study performed by Greenpeace and researchers from the Faculty of Sciences of the UNAM and the Red Temática de Florecimientos Algales Nocivos (Research Network on Harmful Algal Blooms), found substances such as glyphosate, endrin, lindane, and DDE, in rivers, drains, lagoons and the sea coast of Sinaloa, where maize is produced for the food industry and enters the supply chain of Grupo Bimbo.<sup>16</sup> Despite the use of these substances being permitted, they can have serious health impacts, including causing cancer, hormonal alteration and neurotoxic effects; and they do not remain in the area of application but pollute surrounding water bodies where they affect essential natural resources and communities.<sup>17,18</sup>

The lack of transparency in the value chain impacts consumers and workers in a number of ways. Due to the lack of monitoring in Mexico, there is no official data on the effects of pesticide use, since cases are often treated under other diagnoses related to respiratory diseases. Mexican consumers have insufficient access to information and there is no transparency about the way their food is being produced. And if Mexican food exports do not reach the standards of their destination country, the products are often returned for national consumption.<sup>19</sup>

Following a two and a half year campaign by Greenpeace Mexico and 160,000 consumers, Grupo Bimbo committed to transitioning to sustainable agriculture, beginning with a pilot program for maize<sup>20</sup> and the development of a Global Agriculture Policy.<sup>21</sup> This includes promoting economic, social and environmental resilience. As part of its policy Grupo Bimbo is working with the International Center for Maize and Wheat Improvement (CIMMYT), to develop a pilot program on sustainable maize supply.<sup>22</sup> Implementation of these commitments is still needed.

Suppliers have now committed to using the techniques of Integrated Pest Management as appropriate to their context, and gradually reducing the use of agrochemicals, in line with the Global Agriculture Policy.<sup>23,24</sup>

Grupo Bimbo had earlier taken steps to remove specific ingredients from its supply chain, sourcing deforestation-free palm oil, and ensuring the procurement of eggs from non-battery hens.

While Grupo Bimbo's actions are welcome, it is urgent that Mexico break with public policies that focus on exports rather than feeding the population, and which privilege monoculture, with its technologies that damage the environment and endanger people's health.

In Mexico 24 million people suffer from food shortages. Most of the people affected by these shortages live in rural areas.<sup>25</sup> The policy that is supposed to support the countryside leaves out 70% of the producers, concentrating resources in the hands of a few. There is no monitoring or evaluation to check how these incentives are applied or who benefits from them.

The oligopolies that control the seed and agrochemicals markets in Mexico support a monoculture model based on hybrid seeds and the intensive use of agrochemicals. This results in the displacement of native seeds and marginalisation of small farmers. In this they are aided by policies such as the Program of Incentives for Maize and Bean Producers (PIMAF) which is part of the Support Programme for Small Producers.<sup>26</sup>

## Endnotes

- 1 Reporte anual de Grupo Bimbo, S.A.B. de C.V., Grupo Bimbo at [http://www.bmv.com.mx/docs-pub/infoanua/infoanua\\_759784\\_2016\\_1.pdf](http://www.bmv.com.mx/docs-pub/infoanua/infoanua_759784_2016_1.pdf) (accessed on 29-09-2017)
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- 7 Ibid.
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- 9 "Investor Presentation, First Half 2017", Grupo Bimbo at <http://www.grupobimbo.com/ri> (accessed on 29-09-2017)
- 10 Grupo Bimbo company website at <http://www.grupobimbo.com/en/index.html> (accessed on 29-09-2017)
- 11 Jose Castellanos, "Mexico Food Processing Ingredients Annual Report 2016," USDA Foreign Agricultural Services - Global Agricultural Information Network (GAIN), 30 December 2016 at <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20>

Ingredients\_Mexico%20City%20ATO\_Mexico\_12-30-2016.pdf (accessed on 29-09-2017)

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15 Ibid.

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