AFRICAN CENTRE FOR BIODIVERSITY

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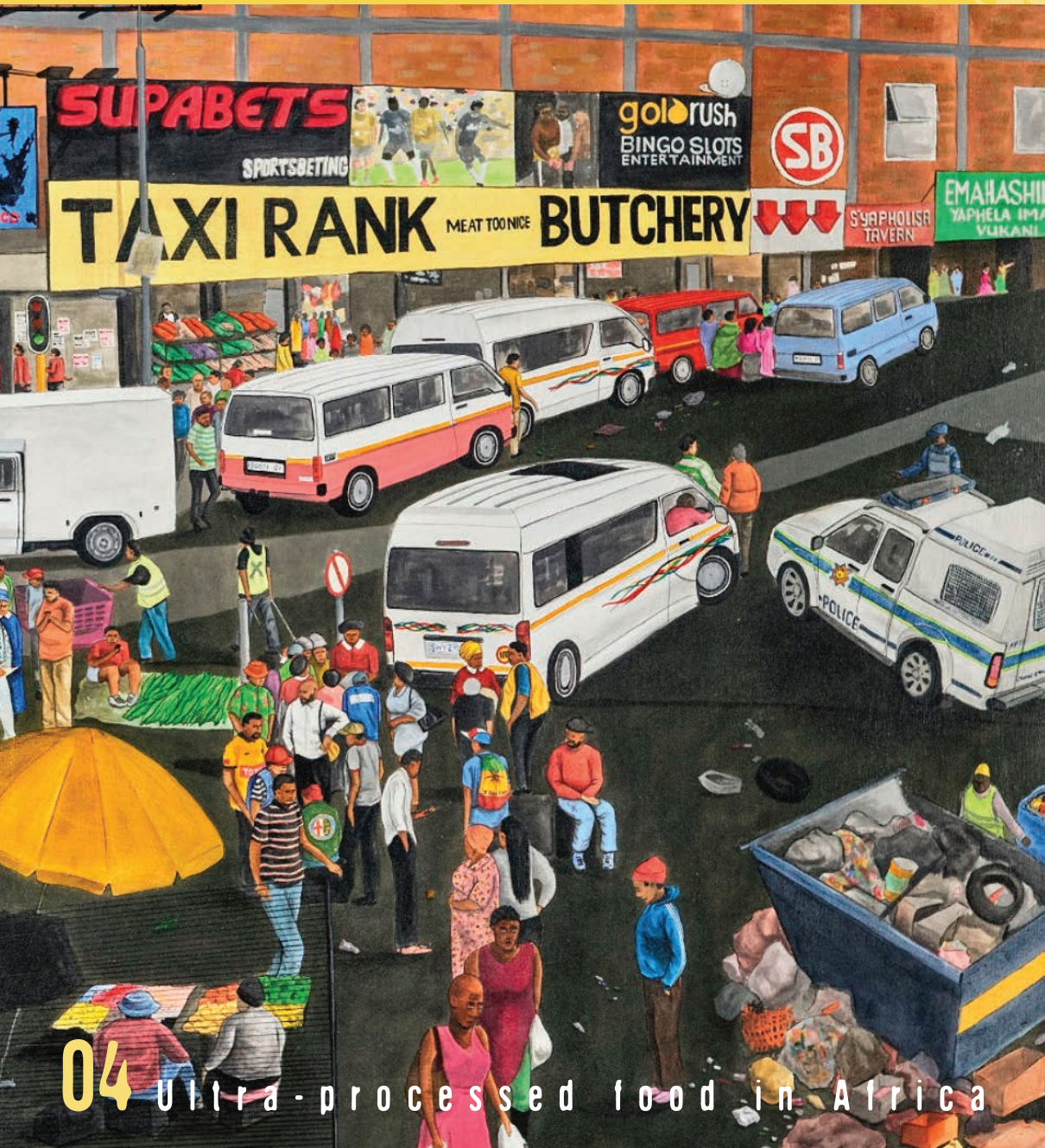
MULTI-PRONGED CAPTURE OF CONSUMER MARKETS IN AFRICA BY UPF COMPANIES



04 Ultra-processed food in Africa

The African Centre for Biodiversity (ACB) is committed to dismantling inequalities and resisting corporate industrial expansion in Africa's food and agriculture systems.

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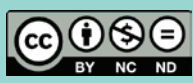

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ACRONYMS

AGRA	Alliance for a Green Revolution in Africa
GFRP	Global Food Research Program
UPF	Ultra-processed foods
US	United States
WHO	World Health Organization

INTRODUCTION

There is growing concern about the role and influence of corporate ultra-processed food (UPF) manufacturers in the shaping of global and country-level food systems.

The biggest global UPF manufacturers in terms of revenue are Nestlé, PepsiCo, Unilever, Coca-Cola, Danone, Fomento Económico Mexicano (an operator of Coca-Cola's largest bottling plant), Mondelez and Kraft Heinz Co (Wood et al., 2023b) – most being headquartered in the United States (US).

Their market power enables them to set prices, determine the availability of products to various communities around the world, set the nutritional (or not) quality of the product and market UPF as healthy food options (Global Food Research Program [GFRP], 2021). Their ability to manipulate food supply chains, retail environments and consumer behaviour contributes to rising levels of diet-related health issues (Moodie, et al., 2021; Wood et al., 2021; Wood et al., 2023a) and environmental degradation (Wood et al., 2023a). UPF is therefore a global public health challenge.

The manipulation is intentional and predatory, particularly related to how UPF is marketed and advertised and how the enabling environment is crafted. This paper explores key UPF corporate strategies used to enter and capture consumer markets, including through the use of big data analytics and the cynical manipulation of people's emotions, particularly those of children. See ACB's previous papers in this UPF series to understand the level of corporate consolidation of the food market and its implications for Africa.

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Corporate tactics TO PUSH UPF

Corporations primarily use three tactics to grow the UPF market. These are:

- establishing global production networks,
- establishing large-scale hyper-local distribution networks and
- scaling up marketing (Moodie et al., 2021).

In addition, much effort is put into creating an enabling environment for their quasi-addictive UPF products through the gaining and manipulative use of political influence.

A poisonous enabling environment

Influence over national policy

UPF corporations buy or bully their way into exacting political influence over food systems through aggressive lobbying and direct/indirect incentives. Direct incentives include donations, gifts and bribes, and indirect ones include the promise of economic benefits like job creation and foreign direct investment (Moodie et al., 2021). Noteworthy is that foreign direct investment is normally linked to creating the infrastructure or facilities necessary to manufacture UPF or distribute them.

Transnational corporations have significant global assets, power and influence and can use investments to expand into new markets (such as greenfield investments in manufacturing plants, distribution centres, research and development, franchising, mergers and acquisitions), at will (Moodie et al., 2021). Governments tend to compete for these investments (Moodie et al., 2021), often offering tax breaks, access to natural resources (land, water, electricity) at reduced rates or deregulation of the sector as incentives. These concessions, particularly regarding corporate tax, then result in lowered fiscal ability to deal with public health challenges (Moodie et al., 2021), which inevitably result from the consumption of UPF.

This undue power also enables transnational UPF corporations to influence regulations and policy frameworks related to the consumption of their products. They can block or water down regulatory frameworks regarding the marketing and advertising of their products and those regarding public health,

particularly as regards children (Moodie et al., 2021). A further layer is policy substitution – normally the introduction of self-regulatory, voluntary codes of conduct that these companies develop to 'police' themselves (Moodie et al., 2021).

Negative trade-offs for public health

Job creation is a significant incentive for African countries – many of which battle with high unemployment rates, particularly among youth, and poverty. However, the trade-off with public health costs associated with the treatment of non-communicable diseases like diabetes is negative. The GFRP (2021) notes that it is likely the benefits gained from lower costs to public health budgets more than offset any benefits of enhanced employment to a country. As an example, when Mexico enforced a 10% reduction in consumption of sugary drinks between 2013 and 2022, it was estimated that there would be close to 190 000 fewer cases of type 2 diabetes, 20 400 fewer incidences of strokes and heart attacks, and about 19 000 less related deaths (GFRP, 2021). The estimated savings for the Mexican government's public health budget was a staggering US$983 million (GFRP, 2021).

Corporate co-option of scientific expertise and public health organisations

Common strategies used by UPF manufacturers include co-opting and subverting scientific evidence to legitimise their products and downplay harmful health consequences. This is done through funding or conducting research into nutrition; sponsoring national-level and global nutrition bodies, as well as related seminars and meetings; becoming involved in bodies that set standards and determine policy; and delivering nutrition programmes (Scrinis, 2020). Examples include Nestlé, Mars and Unilever's nutrient profiling systems for voluntary nutrition standards (Scrinis, 2020). Nestlé funds a lot of scientific papers, seminars, and reports on the 'first 1000 days' to promote the uptake of its UPF milk products (Scrinis, 2020).

Expert scientists have been co-opted by UPF manufacturers to obscure evidence-based health concerns about the consumption of UPFs (The Guardian, 2023). As an example, at a 2023 United Kingdom's Science Media Centre briefing, three of the five panellists defending UPFs are funded by UPF manufacturers such as Nestlé, Mondelez, Coca-Cola, PepsiCo, Unilever and General Mills (The Guardian, 2023). One of them, Prof. Janet Cade from the University of Leeds, chairs the advisory committee of the British Nutrition Foundation (The Guardian, 2023). McDonald's, British Sugar and Mars (all UPF manufacturers) are corporate members of the Foundation, which is also funded by Nestlé, Mondelez and Coca-Cola, among others (The Guardian, 2023).

As calls for labelling of UPFs as such grows, UPF manufacturers are fighting back by increasingly funding 'scientific' bodies. Their influence with governments also supports continued subsidisation (in some countries like the US) of the production and exportation of commodity crops such as maize, soy, wheat and sugar used as key UPF ingredients (Wood et al., 2023b). In 2015 already, the New York Times revealed that Coca-Cola funded the Global Energy Balance Network (Scrinis, 2020). This research network promoted the notion that all calories are 'equal' and thus sugar, for example, was not a driver of rising obesity levels more than any other food (Scrinis, 2020). In 2020, Danone funded the Brazilian Association of Nutrology to publish a consensus paper on the classification of infant formula and weaning products that ultimately would enable the promotion of Danone's products as being superior choices to cow's milk (Nestlé, 2021). The US Academy of Nutrition and Dietetics has been funded by large UPF corporations (Nestlé, PepsiCo, Hershey, and General Mills, as examples) and also owns stock in these companies (Perkins, 2022). The Academy is influential in setting nutritional policy in the country as it provides nutritional information to more than 100,000 dieticians and represents them at the national level (Perkins, 2022).

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UPF manufacturers have also been known to obscure or dilute scientific findings regarding public health. As an example, in China, the International Life Sciences Institution influenced the government to position its obesity policy on physical activity instead of diet (Moodie et al., 2021). The ability to influence and set standards can also be used to force out smaller players by making standards so onerous and costly that only large corporations have the capacity and resources to comply. In Brazil, thousands of dairy farmers have been forced out of business because of private standards set by Nestlé and Parmalat related to the handling and storage of milk (Wood et al., 2021). This leaves

the market (normal and UPF) open to control by UPF manufacturers. In South Africa, Nestlé used its lobbying power to argue against the introduction of a tax on beverages with added sugar; their submissions on the tax were noted as misrepresenting evidence "in a way that did not observe widely accepted approaches to the use of either scientific or economic evidence" (Moodie et al., 2021:974).

As UPF corporations take up seats or buy influence in national nutrition institutions, lobby governments for self-regulation or participate in public-private partnerships, they can shape key aspects of national health such as nutrition policies and strategies, food reformulation and fortification, labelling laws, research and consumer education (Baker et al., 2020). This has the effect of depoliticising food environments by deflecting attention away from the structural determinants of unhealthy diets (Baker et al., 2020).

Growing global production networks

Globally, integrated sourcing and production networks are the basis for expansion into countries. These networks are enabled through transnational corporations' easy access to finance, resources and innovations, supported by global brand recognition and existing distribution, warehousing and purchasing infrastructure (Moodie et al., 2021). It takes place within an enabling environment of economic globalisation and liberalisation.

The eight largest UPF corporations undertook 669 mergers and acquisitions in the last two decades, including 147 in low- and middle-income countries, along with a series of joint ventures (mostly in China) to sidestep foreign investment laws (Wood et al., 2023b).

UPF corporations use the strength of their brands to generate income through licensing deals (allowing local firms to manufacture and distribute a branded product at a fee, such as Coca-Cola) without taking the risk of investing in local production and distribution activities (Wood et al., 2021).

Nestlé's investment into enabling infrastructure for UPF products

In 2020, Nestlé constructed two factories in Angola and the Democratic Republic of Congo (DRC) to support expansion of its UPF products into the African market (Jones, 2020). It also announced a R2 billion investment in growing its infrastructure related to coffee and dairy factories in South Africa, noting that it would source 40% of its products locally (Jones, 2020). While this could be a bonus for local producers, it is also likely to shape what they grow, given that only a small number of commodity crops are used for UPF manufacturing (Baker et al., 2020) – maize, wheat, sugar, soya, rapeseed and palm oil, for example. These crops are often 'engineered' for desired traits. In East Africa, Nestlé has partnered with the Global Good initiative (a partnership between Bill Gates and Intellectual Ventures, focused on the production of technological inventions to solve global challenges) to grow productivity in dairy farming (Jones, 2020).

Hyper-localised distribution networks

While supermarkets remain a primary vehicle for peddling UPF products, corporations are engaging in multiple channels to ensure the broadest reach. They have developed strategic localised networks enabling them to reach into areas that are not served by supermarkets. This allows access to low-income consumers even in the most remote areas.

UPF and supermarkets

Supermarkets and smaller convenience stores (often franchised by large multinational corporations) are part of a sophisticated distribution strategy to make UPF products widely available (Moodie et al., 2021). UPF corporations tend to have easier access to supermarkets and control over distribution channels. They are more likely to gain 'category captaincy' enabling consistent and good placement on shelves and are more able to pay 'slotting fees' for prime placement (Wood et al., 2023b).

Supermarkets can procure UPF at a lower price because their buying power allows them to negotiate large-acquisition contracts (Baker et al., 2020). In Brazil, for example, supermarkets can sell UPF products at a price 37% lower on average than other food retailers (Moodie et al., 2021). Supermarkets can push UPF sales by stocking a wide variety of foods; accepting the risk of introducing new foods; and facilitating market segmentation by developing new products or redeveloping existing ones, to target consumer groups differentiated by aspects such as income, age, gender and lifestyle (Baker et al., 2020). They are also more able than smaller retail outlets to send market signals back to UPF manufacturers, thus entrenching the production of more UPFs (Baker et al., 2020). UPFs are also pushed through transnational fast-food chains; in the US, the number of fast-food chain outlets grew from 25,000 in 2004 to 167 000 by 2018 (Baker et al., 2020).

Moving beyond the supermarket

In Africa, most food is still bought from small and medium enterprises, but UPF corporations have found ways to overcome barriers to entry into this market through hyper-localised distribution strategies. In Mexico, as an example, Coca-Cola advances store owners the goods necessary to run stores, on condition that they stock and sell the corporation's products (Moodie et al., 2021). In Brazil in 2010, Nestlé's micro-distribution system used 7,000 door-to-door saleswomen to sell the corporation's 'affordable nutrition' products to a quarter of a million households (Moodie et al., 2021).

One could argue that public-private partnerships (often as part of corporate social investment strategies) are also hyper-localisation strategies.

Corporations use public-private partnerships to push UPFs

UPF manufacturers in South Africa have engaged in partnerships with government departments such as basic education, health and agriculture. These include Coco-Cola's youth employment programme that sponsors ownership of spaza shops in townships and Nestlé's Healthier Kids Initiative. Nestlé has partnered with the Department of Basic Education to provide its products to more than 50% of primary school learners under a nutrition programme (Moodie et al., 2021). During the Covid-19 pandemic, UPF corporations positioned their goods as 'essential products', thereby donating them to vulnerable populations and using the crisis to extend their market reach and shape new markets that create more UPF addicts (GFRP, 2021).

Predatory advertising and marketing of UPFs

The dominant UPF manufacturers spend enormous amounts of money on marketing and related expenses. To give an idea of the financial marketing power of transnational UPF corporations, Coca-Cola's 2019 marketing budget was about US$4.25 billion, almost as much as the World Health Organization's (WHO's) 2018-2019 programme budget (Wood et al., 2021).

A 2021 review of 213 documents concerning marketing strategies and practices related to the sale of processed foods revealed six interconnected objectives. These were to:

- reduce competition among rivals of the same size and keep market dominance over smaller rivals;
- increase barriers to market entry by new competitors;
- mitigate the threat of market disrupters and drive dietary displacement in favour of processed foods;
- increase buyer power over suppliers;
- increase seller power over retailers and distributors; and
- leverage informational power asymmetries in the relationship with consumers (Wood et al., 2021).

Marketing strategies

Strategic actions taken in the market environment to enhance profits and shareholder returns cannot be separated from non-market activities (such as corporate social investment). The latter are often used to create a social license to operate or to gain influence at the regulatory level, which then support marketing actions (Wood et al., 2021). Corporate social investment is a good example of where these connect – actions are both aimed at increasing brand recognition and value, and at gaining political and consumer legitimacy (Moodie, et al., 2021; Wood et al., 2021).

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UPF corporations "seek to build an image of corporate responsibility through the claims they make *[regarding nutrition, ethical treatment of animals and environmental responsibility]* to promote the idea that industry self-regulation, as opposed to mandatory government regulation, is sufficient to address critical public health and environmental issues" (Wood et al., 2023b:831). In many cases, corporate social investment can be seen as a "smokescreen of goodwill with civil society" to enhance adoption of their products (Moodie et al., 2021:973). Public-private partnerships are brokered with the sole purpose of capturing or enabling relatively risk-free entry into new markets.

Claims as to the sustainability and health of the product are often unfounded, and difficult for consumers to ascertain (Wood et al., 2021). As an example, infant formula manufacturers are constantly accused of irresponsible marketing and political lobbying (Food Business Africa, 2023). A series of papers published in The Lancet, a leading medical journal, noted that the marketing practices of UPF formula corporations "contributes to reduced global breastfeeding practices by seeking to influence normative beliefs, values, and political and business approaches to establish environments that favour uptake and sales of infant formula" (Food Business Africa, 2023:1). The papers, written by a WHO professor, argues that marketing of these UPF products "… manipulates and exploits emotions, aspirations, and scientific information to reshape individual, societal, and medical norms and values" (Food Business Africa, 2023:1). Marketing by UPF corporations plays a key role in changing consumption habits – "away from traditional foods towards their branded processed food products" (Wood et al., 2021:11).

Nestlé shapes the food environment for the uptake of its UPFs

More than 60% of Nestlé's products are considered unhealthy according to a leaked internal document and its ongoing marketing of UPF infant formulae/products, particularly in Africa, is in contravention of the International Code of Marketing of Breast-Milk Substitutes and other resolutions signed by African governments (Kruger et al., 2023). The corporation has used a variety of methods to improve public perception of its products (and motives). In 2022, Nestlé, one of the world's largest UPF manufacturers, partnered with the Alliance for a Green Revolution in Africa (AGRA) on the Africa Food Prize ostensibly to "help accelerate the transformation of food systems in Africa, as a way of strengthening the continent's food security and building greater climate change resilience" (Kruger et al., 2023:1). AGRA's negative influence on African food and farming systems has been well documented. The benefit to Nestlé is that the collaboration improves public and regulatory perception of their products and offers further opportunities for larger-scale engagement with new markets – through public-private partnerships, for example.

Predatory digital marketing

Dominant food corporations are known to exploit information-based power asymmetries over consumers, particularly children, often in contravention of consumer law (Wood et al., 2021). Some have called the advertising techniques used by UPF manufacturers "predatory marketing of unhealthy foods to disadvantaged populations" (Wood et al. 2023a:16). Children are a critical concern given their limited experience in being marketed at and thus greater susceptibility, but there is evidence that high fat, sugar, and salt food marketing also targets certain ethnic and socioeconomic groups that are thought to be more vulnerable to the marketing of this nature (WHO, 2016).

Slick multi-media campaigns use emotional persuasion, immersive narratives, or gamification to entice people to consume UPFs (WHO, 2016). These marketing methods are based on sophisticated data analytics to tailor marketing to different groups (WHO, 2016; Wood et al., 2021). Using what is being termed as 'surveillance capitalism', corporations can easily collect and use behavioural data to create 'personal advertising' on digital marketing platforms (Moodie et al., 2021). It "unilaterally claims human experience as free raw material for translation into behavioural data" (Moodie et al., 2021:972). Stealth marketing activities include 'cracking' word-of-mouth advertising through vloggers, influencers and users themselves, even though this is technically illegal without explicit mention of the relationship between the company and the 'promoter' in many advertising standards (WHO, 2016). Neuromarketing (facial emotion analysis through webcams, motion sensors in game consoles, and sentiment analysis of social media comments, for example) is used to better understand how to trigger emotional responses and identify vulnerabilities to exploit (WHO, 2016). In the world of UPF, this could mean "locating and identifying those who are most susceptible to their messages, encouraging them to send marketing messages to their friends, and following them throughout the day, at moments of happiness, frustration, hunger, and intent, delivering advertising with the maximum impact, and directing them to the nearest place to buy foods to 'fix' their current emotional state" (WHO, 2016).

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Final THOUGHTS

While the challenges are formidable in reining in both UPF and the big food companies, the hour is extremely late for urgent action to be taken at all levels of society and through political decision-making.

We are extremely concerned about African diets becoming increasingly more dependent on UPF, in the face of the multi-pronged and well-honed strategies employed by food giants to capture food markets on the continent, with impunity.

Further to this, we are concerned that the nature and extent of the uptake and, indeed, the political economy and the multi-dimensional negative impacts associated with UPFs on the continent have not been prioritised and addressed comprehensively, holistically, and robustly, at regional and national levels.

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