Comments for WB Workshop on Smallholders in Coordinated Supply Chains

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Comments on Swinnen

- Ends on need to invest in traditional system
  - Echoes thoughts put forward at the Regoverning Markets Conference, especially in the keynote address by Rob DeVos
- Reflects great heterogeneity across countries, emphasizes need for a country-by-country approach
  - Dairy sector in Romania and Azerbaijan may have many similarities to Africa
  - Russia dramatically different
- Better definition and consistent use of terms would help

Comments on Swinnen (2)

- On exclusion of small farmers
  - Nice empirical approach, showing conventional wisdom does not always hold
  - Echoing hort exports out of Kenya?
- One very basic, very simple observation
  - "in some cases, small farmers represent the vast majority of the potential supply base"
- The corollary is that the bulk of the demand base in many places is low income consumers
  - 59% of FFV in Nairobi purchased by hhs with per capita incomes < $2/day
  - In rural areas, 79% is purchased by such hhs
  - In Uganda, Tanzania, Mozambique, Malawi … shares certainly higher

Comments on Swinnen (3)

- These basic production and consumption patterns don't change overnight
- Need to ask two questions:
  - How will these patterns affect the ***rate*** at which modern retail outlets grow?
  - How will they affect ***the way*** in which they grow?

Comments on Swinnen (4)

- Will they be able to reach a 20-30% market share without depending on smallholders?
- Will they be able to reach such shares while emphasizing quality as the main driver?
- What mix of quality and reduced cost is needed to really grow market share, given characteristics of consumers?

Comments on Swinnen (5)

- All this points to the persistence for the foreseeable future of a ***highly diversified*** system, especially in FFV
- Supermarkets will be one part of this
  - A small part in most African countries' FFV systems

Research in Kenya (1)

- Urban market shares in Kenya
  - Supermarkets have 4.4% of FFV market in Nairobi
  - Nearly all of this is spent by the top 20% of the income distribution
  - Open air markets 56%, kiosks 36%
    - Fairly robust across income groups, especially open air markets
      - Adaptability of the traditional system

Research in Kenya (2)

- Rural FFV Market
  - Survey of 2,300 smallholder households
  - Over 90% purchased FFV last month
  - 40% of the national fresh produce market is in rural areas
- Future prospects
  - To reach a 20% market share in 10 years, supermarket FFV sales would have to grow, ***in real terms***, 31%/year over the decade
  - 22%/year to reach a 10% market share

Research in Kenya (3)

- Conclusions
  - Based on these findings and patterns in Latin America
  - Supermarkets will have, at most, 10-20% of the FFV market in 10 years' time
  - Less in less urbanized and poorer countries of Africa

Conclusions

- So we come back to the need to focus on the traditional marketing system
  - Modernize the whole supply chain
  - Role of traditional market intermediaries
  - Wholesale, retail, and assembly market places
  - Vertical linkages up and down the chain
  - How to establish an ***on-going decision making process*** informed by applied research