

Plans for Reincarnation of ISNAR Program in Africa under IFPRI Governance

The International Service for National Agricultural Research (ISNAR) is to be dissolved, according to a resolution made by the members of the Consultative Group on International Agricultural Research (CGIAR) at their annual general meeting in October 2003. ISNAR's operations are scheduled to end by March 31, 2004.

A new ISNAR program will relocate to Addis Ababa, Ethiopia, under IFPRI governance. Locating the program in Sub-Saharan Africa will bring it into closer contact with its main target region. The new program will work in partnership with national and regional organizations and the CGIAR centers. The location on the ILRI campus will facilitate such close cooperation.

"ISNAR's alliance with IFPRI will enable us to better fulfill our mandate of strengthening agricultural research in developing countries," says Jacques Ekebil, interim director general of ISNAR.

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Will Supermarkets Be Super for Small Farmers?

Multinational supermarket chains are revolutionizing food retailing in developing countries, and while consumers are flocking to the new stores, developing-country farmers can have a hard time getting into the supply chain.

All over the developing world, from Accra to Rio de Janeiro to Ho Chi Minh City, a typical shopping day used to include stops at an outdoor market for fruits, vegetables, and meat, at a "mom-and-pop" store for rice and cooking oil, and perhaps at another street vendor for some spices. Now supermarkets in cities

throughout Africa, Asia, and especially Latin America offer all these items and thousands more under one roof, and new stores are opening with breathtaking speed in country after country.

Consumers are delighted, and the market share of supermarkets in food

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Cultivating Successes in African Agriculture

New technologies, innovative farmers, small booms in food production—is this really African agriculture we're talking about? Absolutely, say the government ministers, researchers, farmers, development practitioners, and private sector representatives who issued the *Pretoria Statement on the Future of African Agriculture* at the conclusion of the conference "Successes in African Agriculture: Building for the Future," held December 1–3 in South Africa.

The shortcomings of African agriculture are well known, but its successes have received less attention and analysis. In recent years farmers in Kenya, Uganda, Zambia, and Zimbabwe have begun exporting large amounts of fresh vegetables and cut flowers. Small farmers in Kenya have created a boom in milk production. And across Africa farmers, many of them women, have banded together to accomplish things that

they could not do individually—constructing dikes to capture water and preserve topsoil, managing local fishing rights to prevent overfishing, and managing grazing rights and water access.

"The goal was to learn, exchange, and disseminate lessons from past successes—such as dairying in Kenya and cassava production in Nigeria—to identify processes and technologies that countries can replicate and expand," explained Steve Haggblade, a consultant who led the IFPRI study on which the conference was based.

Conference participants identified promising opportunities for sustained agricultural growth: innovative soil and water conservation measures, replication of breeding and processing successes, marketing and information systems, vertical supply chains, and regional cooperation in trade and agricultural technology.

"The New Partnership for Africa's Development (NEPAD) has prioritized agriculture as the key sector that will stimulate economic growth in Africa. NEPAD will place these conference findings before African ministers of agriculture and initiate partnerships to help replicate and scale up past achievements," said Wiseman Nkuhlu, chair of the steering committee of NEPAD, which co-organized the conference with IFPRI, Capacity Building International, Germany (InVvent), and the Technical Center for Agricultural and Rural Cooperation (CTA).

Good governance and sustained funding for agricultural research and extension are fundamental prerequisites for a thriving agriculture sector, participants concluded. But these successful experiences represent seeds of hope and are signals of Africa's potential. Success is not only possible; in many places, it's already happening. ■

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Fighting Poverty Is Something China and India Can Agree On

After decades of political rivalry, China and India are finding they may have more to learn from each other than to fear from each other. The two Asian giants—which together account for 40 percent of the global population—both have fast-growing economies that make them powerhouses in the global marketplace. Yet together they contain more than half of the world’s hungry people, and the two countries share a commitment to agricultural reform and poverty reduction. In November Chinese and Indian policymakers and researchers came together in Beijing to consider mutual lessons and explore avenues for cooperation. The conference, “The Dragon and the Elephant: Agricultural

and Rural Reforms in China and India,” was jointly sponsored by IFPRI and the Chinese Academy of Agricultural Sciences.

Although the two countries have pursued different political and economic policies, their experiences offered some clear lessons, said Shenggen Fan, an IFPRI senior research fellow who helped organize the conference. For instance, India’s recent growth showed that agricultural-led reform is crucial for the success of overall economic reforms and essential for wiping out rural poverty. Research in China and India has also shown that investments in human capital, infrastructure, and agriculture research are necessary before agriculture

and the overall economy can take off. And representatives of both countries agreed that political and cultural factors are key in mobilizing the society for agricultural and economic development.

“We have learned a great deal from each other and found a basis for mutual support,” said Ashok Gulati, director of IFPRI’s Markets, Trade, and Institutions Division. “The lessons discussed here are also relevant to other countries that want to jumpstart rural development.”

As a follow-up to the conference, participants will identify areas in which China and India can continue to work together to enhance both countries’ reforms, including trade cooperation and joint research on agricultural policies. ■

Can Farmers Switch Gears in South Asia?

The Green Revolution brought agricultural growth and food self-sufficiency to South Asia, but after three decades of heavy reliance on rice and wheat, agriculture is growing more slowly and rural poverty remains widespread. Many observers see a new opportunity for South Asian farmers in high-value agriculture—milk, meat, poultry, fruits, vegetables, and fish. At a November conference in New Delhi, a cross-section of professionals from government, industry, and farm groups met to discuss the challenges and opportunities posed by the trends toward agricultural diversification and vertical integration in South Asia.

The conference, sponsored by IFPRI, the Federation of Indian Chambers of Commerce and Industries (FICCI), and the International Crops Research

Institute for the Semi-Arid Tropics (ICRISAT), sought to identify the obstacles to faster agricultural diversification and consider ways for small farmers to take advantage of new domestic and international markets for high-value commodities.

Participants noted that despite the potential of high-value commodities to help raise incomes, generate farm and nonfarm jobs, and conserve soil and water resources by putting more money into farmers’ pockets, South Asia’s farmers are diversifying their products only slowly. Adopting new crops and new technologies and entering new markets pose significant risks for smallholder farmers, and current agricultural policies related to markets, taxes, and subsidies still favor the production of rice and wheat.

Accelerating agricultural diversification for the benefit of smallholders, participants suggested, would require more investments in roads, storage, and other infrastructure; reduced government influence in production, marketing, and processing; and development of financing and insurance mechanisms to help farmers cope with the risk of change. Finally, participants agreed that innovative, private sector institutions that integrate the production and marketing of high-value commodities, like the new contract farming and cooperative arrangements that are evolving, will go a long way toward making it easier and more affordable for small farmers to get their goods to markets. ■

“Now the focus is on liberalization, privatization, and decentralization, in an environment of rising population and increasing globalization. So we have new challenges.”



Wilberforce Kisamba-Mugerwa, Minister of Agriculture of Uganda

Wilberforce Kisamba-Mugerwa spent a three-month sabbatical at IFPRI in fall 2003. IFPRI Forum interviewed Dr. Kisamba-Mugerwa to ask about his sojourn in the research environment and his concerns about agriculture in Uganda and Sub-Saharan Africa.

FORUM: Why did you decide to undertake a research sabbatical?

Kisamba-Mugerwa: The development paradigm has changed for my country and for the other countries in Sub-Saharan Africa. Now the focus is on liberalization, privatization, and decentralization, in an environment of rising population and increasing globalization. So we have new challenges. Having done some work at home on reforming policies and institutions, I wanted to come to IFPRI to read the materials available on these topics and to talk to people who are thinking about these issues—things that I do not have time to do during my daily life as a minister of agriculture. IFPRI is one of the strongest institutions in this area in terms of technical capacity, and its research and scientists have been of great help in guiding me.

FORUM: What was your focus during your sabbatical?

Kisamba-Mugerwa: I had my own agenda. First, I wanted to examine issues related to arid rangelands. In Uganda we have rangelands where pastoralists used to graze together, but because of population growth and competing land uses, there is increasing pressure on rangelands, causing apparent degradation and rising conflicts. In Uganda communal grazing land has become highly individualized. The areas are experiencing scarcity, leading to food and nutrition insecurity. I had collected some data that I wanted to analyze to scientifically establish the impact of this change.

My second area of focus was the integration of HIV/AIDS into agricultural policies. This disease is not just a health matter, but also a development matter because it affects the ability of households to secure adequate food. I had participated in a situation analysis during which I realized there was a lack of a clear conceptual framework and data on this subject. I therefore wanted to explore the latest available literature.

The third area concerned development policies and agricultural growth. Agriculture remains the engine for development in the economies of developing countries, but it seems we cannot go very far with the traditional export crops, whose prices are ever declining. Increasing productivity is also difficult due to declining soil fertility. It is increasingly becoming difficult to capture the world market due to nontariff barriers. I came to review the current literature for options and the way forward.

FORUM: Are these issues the main challenges facing the agriculture sector in Uganda?

Kisamba-Mugerwa: No, the country has a number of other challenges, but I couldn't cover everything in the few weeks I was here! For instance, we have a problem of poor infrastructure. While we are clamoring for international markets for our agricultural goods, we also need to

exploit our domestic markets, but they are quite weak in terms of purchasing power and have no reliable production chain. We also need to exploit regional markets in Eastern and Southern Africa, but there are many difficulties in doing so. For instance, it was problematic for us to export maize to Zambia when that country was suffering from drought, partly because the railroad gauge in Uganda is different from that in Zambia. So, the exporters had to offload and reload the goods, leading to high transaction costs—this makes our goods uncompetitive.

Also, to increase our agricultural production, we need access to the best available technologies, including biotechnology. We want to acquire biotechnology for drought-resistant and pest-resistant crops, but of course there is a row between the United States and Europe over this issue. If we side with the United States and use genetically modified crops, we may lose access to the European market, which is closer to us geographically. In this respect we are at a crossroads. We need to build up our capacity in this area so that we can make decisions from an informed position.

In addition, we are working to revive our agricultural extension and improve on research. In this respect Uganda is undertaking major policy and institutional reforms with a view to empowering farmers and increasing private sector participation.

We need to raise soil fertility and find ways to use resources more sustainably. We still have challenges in controlling pests and diseases in crops and livestock. The main point of entry for all these interventions should be strong farmers' organizations at all levels, which we do not have yet.

FORUM: How does policy research relate to how policies are actually formulated and implemented?

Kisamba-Mugerwa: There is a big gap between research institutions like IFPRI and what happens on the ground in Sub-Saharan

Africa, for example. Research institutions have a high level of human capacity, a strong focus, and a long-term view. The developing countries do not have strong public institutions. When a development policy is formed and programs are initiated on the ground, it takes a long time for the new ideas to get to the grass roots. The new development paradigm calls for every stakeholder in society to play an increasing role in development, from government to the private sector, including nongovernmental organizations (NGOs) and the rest of civil society. But in most developing countries these sectors are not coordinated. We have weak public institutions and poorly motivated public servants. And the public sector often sees NGOs and civil society as rivals instead of as partners. At the same time the private sector is facing nearly insurmountable problems of lack of financing and a poor capital environment, low entrepreneurial skills, and inadequate infrastructure. To make reforms work, all stakeholders must take an active part in meeting the challenge.

FORUM: What is your outlook for agriculture in Uganda? Can these challenges be overcome?

Kisamba-Mugerwa: We have had some successes—we have been able to increase cassava production by overcoming cassava mosaic virus, and we have raised maize production with the help of the Sasakawa Global 2000. The national research organization has registered numerous technologies. The challenge is to disseminate them and ensure that they reach the farmer. We still face the challenge of changing mindsets at all levels given the new development paradigm, but one thing we have in Uganda that gives us hope is a strong political commitment to development with a view toward meeting the Millennium Development Goals and the objectives of the World Food Summit. ■

"While we are clamoring for international markets for our agricultural goods, we also need to exploit our domestic markets..."

“We are most grateful to the Gates Foundation for placing their trust in us and giving us this opportunity to make the biofortification strategy work to improve the nutrition and the health of the poor ... Their contribution is essential and shows that agriculture can operate as a tool for public health.”

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Biofortification Gets a Boost from the Gates Foundation

On October 14 the Bill and Melinda Gates Foundation announced a US\$25 million dollar contribution to HarvestPlus for its efforts to breed staple food crops that contain the micronutrients often lacking in the diets of poor people in developing countries. The grant will greatly accelerate the pace of research on biofortification, the objective of which is to breed iron, zinc, and vitamin A into the food staples most commonly consumed in developing countries: rice, maize, wheat, beans, cassava, and sweet potatoes.

HarvestPlus, a challenge program sponsored by the Consultative Group on International Agricultural Research (CGIAR), is managed jointly by the International Center for Tropical Agricultural Research (CIAT) and IFPRI. The grant represents half of the funds needed to support the program for an initial four years.

“We are most grateful to the Gates Foundation for placing their trust in us and giving us this opportunity to make the biofortification strategy work to improve the nutrition and the health of the poor,” said Howarth Bouis, program director for HarvestPlus. “Their contribution is essential and shows that agriculture can operate as a tool for public health,” he said.

Linking agriculture to public health is no great leap for the Gates Foundation, which has contributed millions of dollars to global health programs. “Vitamin and mineral deficiencies, which contribute to the deaths of millions of children each year, can be easily prevented by adding just a few key nutrients to staple foods,” said David Fleming, director of Global Health Strategies at the Gates Foundation. “HarvestPlus, working with partners around the globe, has the potential to dramatically improve the lives of poor children and their families who depend largely upon these staples for their diets.”

HarvestPlus has succeeded in developing a strong alliance of world-class research institutions that span disciplines and continents. “Adding healthier food for the poor to the agricultural research agenda is an idea whose time has come,” said Joachim von Braun, IFPRI’s director general. “Together with conventional strategies for improving nutrition, the biofortification approach holds enormous potential. It will require strong partnerships among agriculture and nutrition specialists. Under the leadership of Howarth Bouis and in partnership with CIAT, we will see that the job gets done.” [For more information visit www.harvestplus.org.](http://www.harvestplus.org) ■

IFPRI-ISNAR *(continued from page 1)*

The program will concentrate on studying how institutional change can enhance the impact of agricultural research and on helping strengthen the organization and management of agricultural research institutions. Joachim von Braun, director general of IFPRI, stresses that “the program shall be

driven by innovative research, and while the main focus of attention of the new program will be Africa, it will maintain its global mandate and remain active in Latin America and the Caribbean, Asia, and the West Asia and North Africa region.” ■

Getting More Crop per Drop: IFPRI and Partners Join Forces to Clarify Water Issues

Experts have been saying for some time that farmers will have to grow more food with less water in the coming years. But doing this is not easy. To develop effective answers for farmers and policymakers, IFPRI has joined with other institutions of the Consultative Group on International Agricultural Research (CGIAR) in the new Challenge Program on Water and Food. As part of the program, IFPRI and its partners will study global and national food and water systems, one of five themes the program will address, to examine ways of managing these systems to achieve the greatest productivity and sustainability. As theme leader Mark Rosegrant, who directs IFPRI's Environment and Production Technology

Division, says "the days when we could get away with inefficient water management are over. We need to start now to develop new policies, institutions, and investments that can help us avoid severe shortages that would result in a worsening of food security, human health, and environmental quality."

IFPRI researchers and partners will tackle several important questions: How will increasing globalization, and policies related to globalization, affect water use and efficiency? How can policymakers meet the increasing water needs of both farmers and city dwellers? What kinds of arrangements can help avoid water conflicts between different regions and countries? How will changes to the global

water cycle affect food production, and how should policymakers respond?

Launched at a November conference in Nairobi, the CGIAR water and food challenge program is one of several such programs aimed at producing high-impact research on topics of global importance. Other themes to be studied as part of the water and food challenge program are improvements in water productivity for crops, water and people in catchments, aquatic ecosystems and fisheries, and integrated basin water management systems. As research proceeds, IFPRI researchers and other participants will disseminate their findings to farmers and policymakers seeking to make sound choices about water management. ■

Fish to Be Big Business in Developing Countries

Rapidly rising demand for fish, especially in developing countries, will lead to surging fish production in those countries in the next two decades, according to a new study from IFPRI and the WorldFish Center. As the global appetite for fish continues to increase, however, current trends in the fish sector pose serious risks to the environment, to the well-being of poor people, and to the viability of the fish industry itself.

The study, *Fish to 2020: Supply and Demand in Changing Global Markets*, by Christopher L. Delgado, Nikolas Wada, Mark W. Rosegrant, Siet Meijer, and Mahfuzuddin Ahmed, forecasts trends in supply and demand for fish and seafood products over the next 20 years and their impact on fisheries. It is the first study to examine pressing problems of fisheries in terms of rapidly changing global and

national market forces.

The study's authors predict that the rising demand for fish will be met in large part by aquaculture, since many wild fisheries are already overfished, and that large-scale commercialization of the fishing industry is likely. They argue that policymakers need to take steps to ensure that future fishing activities and aquaculture are environmentally sustainable and that these sectors offer livelihood opportunities for poor people.

The study, released in October 2003, received worldwide media coverage, including reports in newspapers, online news services, radio, and television. At IFPRI on October 9, nearly 100 researchers and policymakers attended a panel discussion where the authors presented the study's main findings and several guest speakers addressed the specific issues of

fisheries management, the environment, and barriers to trade. The subsequent discussion revealed an emerging consensus on the policy priorities highlighted in the study: for example, the need for mechanisms to enable the participation of poor producers in growing export markets, and the pressing problem of aquaculture's reliance on fishmeal and fish oil.

The findings of the study are available from IFPRI in the book *Fish to 2020*, as well as in a 36-page food policy report called *Outlook for Fish to 2020: Meeting Global Demand* and a 6-page issue brief called *The Future of Fish: Issues and Trends to 2020*. For more information or to download these publications, go to www.ifpri.org/media/fish20031002.htm. ■

Promoting Development, Not Dependence, in Ethiopia

When Ethiopia suffered its second year of drought in 2003, the U.S. Agency for International Development (USAID) and other international aid donors were quick to step in with food aid for the millions of people who faced catastrophic food shortages. But donors were starting to pay attention to a disturbing trend. As per capita food aid to Ethiopia has risen over time, per capita food production by Ethiopia's farmers has fallen. "The more food aid donors have given in recent years, the greater the need for food aid seems to have grown," says Peter Hazell, director of IFPRI's Development Strategy and Governance Division.

In 2003 USAID gave some US\$450 million of food aid but only US\$4 million for agricultural development. Other donors also found they were giving nearly all their aid to keep people alive rather than to help the country grow out of its vulnerability to famine.

USAID is now dramatically changing its strategy for assistance to Ethiopia and working with other donors to do the same. The Ethiopian government, says Hazell, agrees on the need for change. Donors' new priorities will include targeting aid resources away from food aid, except in true emergencies, and toward promotion of small-scale commercial farming and value-adding activities around the country.

Drawing on its extensive research in Ethiopia, IFPRI is helping decisionmakers within USAID, other large donors, and the government to set priorities for investments and reforms that will encourage pro-poor agricultural growth, to design

appropriate development strategies for different agricultural regions in the country, and to create effective safety net programs for people who continue to need assistance. By helping develop food self-sufficiency in Ethiopia, donors hope that massive airlifts of food to avert famine there will become a thing of the past. ■

Farmer with donkeys on the street, North East of Addis-Ababa, Ethiopia



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Food Security Improving, But Challenges Remain

Through the Millennium Development Goals, the world's leaders have pledged to halve hunger and malnutrition in developing countries by 2015, but accomplishing this goal may be harder than reducing food insecurity in the past, according to a new report on the world food situation given by IFPRI Director General Joachim von Braun. Speaking at the annual general meeting of the Consultative Group on International Agricultural Research (CGIAR) in October, von Braun said, "Freeing the next 400 million people from hunger will require more complex investments, innovations, and policy actions than those needed to free the previous 400 million people."

Von Braun reported that new research from IFPRI on measuring food insecurity suggests that hunger and malnutrition may still be more prevalent than previously thought. In addition, environmental and resource problems, health crises, and government and civil crises pose risks for food security.

Despite these challenges, von Braun showed that the capacity to achieve the Millennium Development Goals remains within the power of national governments and the international community. An IFPRI model shows that a scenario in which countries take progressive policy actions, including investing in agricultural growth, education, health, and social services, would virtually eliminate child malnutrition in Latin America, West Asia and North Africa, and China by 2030. ■

Development in the Time of AIDS

Stuart Gillespie and Michael Loevinsohn

If only HIV/AIDS were just a health problem—then it might be possible to overcome it through the rising, though still inadequate, spending on health care and health research being devoted to it. But it's not. The causes and impacts of HIV/AIDS have enormous scale, depth, and breadth, and as we have just marked World AIDS Day (December 1), we must acknowledge that responses to the disease have often failed to match the scope of the crisis.

HIV is not an exogenous shock—it is tied to livelihood systems. HIV risks vary just as livelihoods vary. The disease is profoundly and increasingly intertwined with poverty and food insecurity, particularly in Sub-Saharan Africa where HIV prevalences are highest. Moreover, social, cultural, economic, and political environments in many developing countries put people at high risk of being infected by the HIV virus and of suffering the worst consequences of AIDS if infection does strike.

Calls for a multisector approach have been heard for years, but it is still rare for it to be reflected in the core business of agencies and ministries outside of health. The fact is, whether they know it or not, development practitioners, agricultural extension agents, legal authorities, and transport officials are all affecting the dynamics of HIV/AIDS. Given this reality, program managers and policymakers need to begin to view their activities through an “HIV/AIDS lens.” Such a lens would lead them to ask: How does this policy or program increase people's susceptibility or resistance to HIV infection? How does it increase people's vulnerability to the consequences of AIDS or their resilience in the face of those consequences? Answers to these questions may well

point to needed changes in policies and programs.

Here is an example of how use of the HIV/AIDS lens might work. Imagine that farmers in a Sub-Saharan African country find their cassava production dropping because of a mosaic virus. In response, agricultural policymakers develop a program to introduce a mosaic-resistant variety of cassava designed to help farmers produce more of the crop, earn more money, and improve their nutrition. Using the HIV/AIDS lens, policymakers then go the next step and ask whether the program helps or hinders farming households in avoiding situations of high HIV risk or in overcoming the consequences of AIDS. To answer this question, researchers investigate whether the program succeeds in putting the new variety into the hands of AIDS-affected household heads, whether the households are able to put it to use, whether they in fact produce more cassava, and whether the benefits reach the most vulnerable in terms of, for example, better nutrition.

It may be that AIDS-affected households have trouble getting the improved variety because widows, orphans, and grandmothers simply don't have time to attend the extension meetings where the seeds are distributed or because they find themselves excluded. Practitioners would then need to test other approaches for reaching them.

An HIV/AIDS lens based on a sound framework and supported by careful research is a tool that can help policymakers and program managers figure out what needs to be done in the different situations they find themselves in. The lens suggests that business as usual is absolutely not enough—and that generalizing about the causes and consequences

of HIV/AIDS in different environments can be dangerous—but neither do wheels need reinventing. Much can be accomplished by modifying existing policies and programs.

This broader approach to HIV/AIDS-responsive policymaking will not only help increase communities' and households' resistance and resilience in the face of the pandemic, but also ensure that policymakers' other objectives are met. A new cassava variety is of little benefit if the majority of generally poor farming households cannot acquire it, farm it, and gain more income or better nutrition from it.

We are now at a watershed. AIDS has broken out of the health policy closet, and the need to bring AIDS into the mainstream of development policy is increasingly understood. Tools and approaches to facilitate this are becoming more widely available through new research initiatives, such as RENEWAL (the Regional Network on HIV/AIDS, Rural Livelihoods, and Food Security) in Eastern and Southern Africa. The next step then is to make full use of such tools, including the HIV/AIDS lens, and to document and share the lessons learned so that others can benefit from them. ■

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retailing is surging. According to Tom Reardon, professor of international development and agribusiness/food industry at Michigan State University, "People are voting lightning-fast with their feet, pesos, or bahts for supermarkets." But this retail revolution poses serious risks for the developing-country farmers who have traditionally supplied the local street markets.

"Supermarkets require large quantities of goods of consistent quality and quantity," says David Hughes, professor of agribusiness and food marketing at the Centre for Food Chain Research of Imperial College London. "The growth of supermarkets is good news for big farmers and efficient, well-organized farmers. For others it can be troublesome."

The Booming Market for Supermarkets

In the early 1990s developing countries around the world liberalized their economies, opening them up to a wide range of foreign investments, including investments in retailing. Large supermarket chains from Europe and the United States, seeing the rising incomes and urbanizing populations in developing countries, rushed into these markets.

Latin America has seen the fastest growth of supermarkets among developing regions, for this is

where incomes and cities are growing fastest. According to Reardon, supermarkets in Latin America achieved a rate of diffusion in one decade that took five decades in the United States. In Brazil, for instance, supermarkets' share of food sales went from 30 percent in 1990 to 75 percent in 2000. Growth has been striking even in Latin America's poorer countries. Market share for supermarkets in Guatemala rose from 30 to 35 percent between 1999 and 2001.

East and Southeast Asia are about five years behind Latin America, but supermarkets in that region are growing at an even faster pace. Between 1999 and 2001 supermarkets' share of retail food sales rose from 35 to 43 percent in Thailand and from 30 to 48 percent in urban China, for example. In fact China is experiencing unprecedented supermarket growth. The country has 3,000 supermarkets today, and investments are planned for 5 to 10 times this many in the next five to seven years.

In India the number of supermarkets, mostly Indian chains, is on the rise, but growth is slower than elsewhere. "A policy environment that doesn't permit foreign direct investment in retail chains is arresting the potentially explosive growth of such chains in India," says Ashok Gulati, director of IFPRI's Markets, Trade, and Institutions Division.

Supermarkets still have a relatively small, but growing, presence in Africa. They are most common in Southern Africa, especially South Africa, where they account for 50 to 60 percent of food purchases, and East Africa, especially Kenya, which has about 300 supermarkets. Data for other countries are sketchy, but market shares are certainly low—although the situation is changing. The largest food retailer in Africa is Shoprite, a South African company that has opened stores in more than a dozen countries across the continent and plans not only to add new outlets in these countries, but also to enter Angola, Ghana, and, further afield, India.

In Asia and Latin America the fastest-growing supermarkets are chains from Europe and the United States, including Carrefour from France, Wal-Mart from the United States, Ahold from the Netherlands, and Tesco from the United Kingdom. "Why are the main retailers, except for Wal-Mart, all northern European?" asks Hughes. "Because they've got nowhere else to go. Their domestic markets are saturated, so they go looking for countries with large populations, high population growth, per capita



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income edging toward consumer levels, high income growth, and low supermarket presence. Countries with all five of these characteristics are a good bet, and companies rush to get there before everyone else."

With populations, incomes, and urbanization all projected to rise in developing countries in the next 10 to 20 years, supermarkets are poised to continue their rapid expansion into these regions.

Moreover, the supermarket chains are finding a ready market for their style of shopping, even among poorer consumers. "People in developing countries love the range of products, the quality, and the price," says Hughes. Like consumers in industrial countries, those in developing countries appreciate the convenience of one-stop shopping, especially as it becomes increasingly common for women to hold jobs outside their homes.

New Supply Chains for New Markets

Supermarkets compete against traditional food markets and each other on the basis of quality, price, and consistency, so they typically set up highly centralized, efficient systems for procuring items to place on their shelves. Supermarket chains often establish a distribution center that procures goods for dozens of stores and is equipped to handle large volumes of consistently high-quality goods.

For small producers and dairy farmers in developing countries, who usually deliver their goods directly to open markets or to local wholesalers, dealing with the procurement system of a supermarket chain can be a painful shock. To begin with, says Jean Kinsey, co-director of the University of Minnesota's Retail Food Industry Center, "the small farmer will not be the one making the decision about what to grow. That's a fundamental change for farmers."

If they succeed in growing the goods demanded, farmers may then find that supermarket procurement officers, or the new wholesalers that supply them, reject a high percentage of produce as being of low quality. For goods that are accepted, payment is often delayed up to 60 days after product delivery—too long for many small farmers to wait. They also find it difficult to meet the increasing demand for certification that the goods were produced using sustainable farming practices and strict labor standards. "Meeting the demands of procurement officers requires a lot of skill and technology that small farmers don't have," says Kostas Stamoulis, chief of the Agricultural Sector in Economic Development Service of the Food and Agriculture Organization of the United Nations (FAO).

Small farmers are also hampered by a lack of infrastructure—roads and transport systems—for getting their goods to supermarkets, explains Mercy Karanja, chief executive of the Kenya National Farmers' Union. "Small farmers are at a disadvantage. Supermarkets are going to the big exporters to get their products," she says.

The situation is the same in many other developing countries, where the farmers best able to supply supermarkets are often

medium- to large-scale farmers accustomed to producing for export. These farmers are well equipped to produce large amounts of high-quality goods. Multinational supermarket chains often have a single set of quality and safety standards for fresh produce, based on the standards in their home market. For instance, Carrefour applies the same standards to hundreds of products, no matter where they are produced or sold. If local suppliers fail to meet these standards, supermarkets will import goods from other countries whose farmers can meet them.

For farmers that can make the grade, entering the supply chain of the supermarkets can bring them a reliable and profitable market for their goods, and even a foothold in the global marketplace. Reardon points out that Carrefour has contracts with small melon growers in northeast Brazil to supply not only its 67 stores in Brazil, but also its distribution centers in 21 countries. These farmers are among the winners in the globalizing food market.

For the small farmers who cannot compete, the advent of supermarkets has in some cases put them out of business. By imposing tough new quality standards for dairy products while also lowering costs, supermarkets in Latin America increased the demand for milk and yogurt during the 1990s. But tens of thousands of small dairy farmers could not afford the investments in, for example, mechanical milking equipment, cooling tanks, and ultra-high temperature treatment, and the large dairy processors closed them out of the supply chain.

Creating an Opportunity for Small Farmers

For small farmers, getting into a supermarket's procurement system may mean investing in irrigation, greenhouses, trucks, cooling sheds, and packing technologies, among other things. Farmers need to be able to sort and grade their produce, meet timing and delivery requirements, and document their farming practices. In many cases farmers simply do not have the knowledge or the money to meet these requirements on their own. "There is a serious need to assist small farmers to take advantage of these opportunities posed by the supermarket chains," says Jacques de Graaf, a consultant at FAO who has studied a partnership program between Shoprite and a group of small farmers in Zambia.

Some innovative programs are bringing farmers and supermarkets together, for the benefit of both. Dave Weatherspoon of Michigan State University's Partnership for Food Industry Development Project, funded by the U.S. Agency for International Development, is helping connect small producers in South Africa's Eastern Cape Province with Pick 'N Pay, the country's second largest supermarket chain. The farmers have agreed to a three-year growing project in which they supply squash products and sweet corn to the chain. Pick 'N Pay specifies what varieties the farmers

(continued on page 12)

must plant, the farming practices and processing methods they must use, and exactly when they must deliver the produce. In return for participating in this rigorous program, the farmers gain access to a profitable and reliable market.

"You have to do what it takes to have a first-quality product," says Weatherspoon. "It requires heavy investment and tight management. The supermarket consumer doesn't understand that the irrigation equipment broke down, for example. She just wants the squash."

Although the relationship between the small Eastern Cape farmers and the supermarket chain, which is used to dealing with large commercial farmers, takes time to develop, the technical and organizational assistance offered by programs like Weatherspoon's can make success possible. "When the Pick 'N Pay people first saw the high quality of the squash our farmers produced, they were surprised," he says.

Some experts believe that partnerships like this one, in which supermarkets help small farmers to modernize, are essential. Weatherspoon points out, for example, that since supermarkets' exact requirements for fresh produce are proprietary information, farmers cannot produce for supermarkets without having a formal relationship with them.

In the increasingly demand-driven food supply system, says Miguel I. Gomez, a research associate in the Food Industry Management Program at Cornell University, supermarkets can play an essential role in promoting economic growth in rural economies. "I strongly believe that supermarkets can be more effective than governments in helping farmers because they know better what consumers want," he says. "And this has nothing to do with altruism on the part of supermarkets. If a supermarket company has a long-term business strategy, it knows that a key to its success is the development of reliable supply chains."

In some cases, however, supermarkets may need nudging to engage in these partnerships with farmers, and government can play a role here. "The policy environment of liberalization allowed for foreign investments in supermarkets," says de Graaf. "Now countries need to say to the supermarkets, we want to stimulate development of the local population."

David Hughes agrees that the public sector must play a role in food industry development: "The supermarkets have huge buying power, and they do bully. But it's a fine balance. You need to protect those who are weak, but if you do too much, you can be perceived to be interfering in the market and you drive the supermarkets away." The point is not to chase off the supermarkets, says Hughes, but to ensure that they work with local farmers for the well-being of both parties, as well as consumers.

Facing Up to the New Reality of Food Retailing

Governments and development practitioners are only beginning to recognize the enormous change taking place in food retailing and to consider its implications for small farmers and poor people. Development policies and strategies often neglect this new reality.

"We need to look more comprehensively at the whole picture," says Joachim von Braun, director general of IFPRI. "Whether the poor benefit or lose from supermarket expansion depends on their net benefits as consumers through prices, time costs, and food safety, on their access to markets as farmers, and on employment, skills, and wage effects in the whole value-added food chain."

The march of supermarkets into developing countries appears inevitable, and it seems certain that in the next decade consumers will buy ever-greater shares of their food basket at their local Wal-Mart or Shoprite. Given the proper information, training, and infrastructure, millions of small farmers in Africa, Asia, and Latin America may find farming more profitable than ever—or they may be forced out of farming altogether. "There are both opportunities and threats facing small farmers," says Stamoulis, "and we can help them become players in this new market or see them left on the sidelines." ■

—Reported by Heidi Fritschel

Quick Poll

Will supermarkets in developing countries be super for small farmers?

☐ Yes ☐ No

(Please go to <http://www.ifpri.org/pubs/newsletters/ifpriforum/forumpoll.htm> to respond to this poll. Results of this and earlier quick polls can be viewed on our website.)

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