Shifting South: horticulture in a changing supermarket landscape

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Abstract

Global and regional supermarkets are expanding in Africa, Asia and Latin America, expanding value chains for the sale of fresh fruit and vegetables (FFV). Yet commercial pressures are contributing to the casualization of workers and the exclusion of smaller producers. Meeting supermarket demands and standards requires more skilled and empowered workers, and many are exiting agriculture for better opportunities elsewhere. However, there are now new opportunities for workers and small producers to ‘climb the value chain ladder’. Complementary public–private strategies are needed to promote skills upgrading, enhance the appeal of horticulture and support the resilience of FFV value chains.

Keywords

horticulture, supermarkets, value chain ladder, standards, skills, empowerment

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Horticulture provides a crucial source of income for smallholders, wage workers and their dependants.

Global fresh fruit and vegetable (FFV) production is expanding rapidly, yet horticultural production, employment and exports vary by country. Capturing the Gains research examined six countries: China, India, Kenya and Uganda are predominantly smallholder, with few large farms; Brazil and South Africa have more large farms involving waged labour.

The largest producers are Brazil, China and India, all emerging economies with big internal markets. All export less than 1 percent of total production. South Africa is a middle-ranking producer, and exports over 30 percent of its fruit. Kenya has positioned itself as a niche exporter of products such as baby corn, fine beans and mangetout. Uganda exports to wholesale markets but struggles to access supermarket value chains.

Horticulture overall provides a crucial source of income for smallholders, wage workers and their dependants. In South Africa, the fruit sector employs 400,000 workers; Brazil has some 1.6 million wage workers in horticulture (4.9 million including informal and smallholders); in Kenya, an estimated 3.5 million smallholders are involved in horticulture and floriculture production, 220,000 linked to exports led by larger producers; in Uganda, most of the 2.5 million smallholders are subsistence farmers, with little sustained success in export markets.

Europe and North America have traditionally been the main export market, but in recent years there has been an important shift to regional markets within Africa, Asia and Latin America. For example, Kenya has seen its exports of vegetables into Africa grow from less than 1 percent to more than 4 percent over the past decade. Exports of apple, pears and quinces from South Africa into Sub-Saharan Africa have nearly doubled. In 2007, Argentina’s main export destination for apples and pears was Europe; by 2011, it was Brazil.

Supermarkets dominate retailing in Europe and North America and are expanding globally. In 2010 the combined gross revenue of Walmart, Carrefour and Tesco was greater than the GDP of 173 countries. In China and Brazil, global retailers have played a major role. Domestic supermarket chains have dominated India, Kenya and South Africa.

South African supermarkets have expanded into Sub-Saharan Africa (led by Shoprite). Kenyan supermarkets are expanding across East Africa (led by Nakumatt). In 2011, Walmart entered Africa through 51 percent acquisition of Massmart; in 2012, Casino took control of Pão de Açúcar in Brazil and India relaxed restrictions on foreign direct investment in retail. In all countries, rising middle-income consumers, urbanization and rising female employment are driving the growth of modern retail.

Notes
Supermarket value chains link producers, retailers and consumers (see Figure 1). Export to global supermarkets in Europe and North America is normally through a small number of agents and larger commercial producers, but some now source direct from large farmers. Supermarkets often displace wholesale markets, but the extent varies by country. In the UK, supermarkets sell 75 percent of all FFV retailed.

Supermarket sourcing is expanding within Asia, Africa and Latin America, but value chain profiles vary between countries (Figure 1). In China and India, supermarkets procure through wholesale markets and traders; few source directly. In Brazil in 2000, Pão de Açúcar sourced 20 percent of FFV direct from farmers; this had risen to 80 percent by 2012. Supermarkets are the dominant FFV retailer in South Africa.
Kenyan supermarkets sell 20 percent of food, but only 4 percent of FFV. For India, the latter figure is only 5 percent.

Supermarkets have introduced new forms of governance in FFV value chains. Trade and national regulations cover consumer health, plant health and class. Global supermarkets also apply more stringent private standards, that is, product, process and social standards/protocols (e.g. GlobalGAP and labour practice codes). Supermarkets in Africa, Asia and Latin America apply different ‘standards packages’, which vary between retailers/countries. Most apply national regulations and product standards; some apply private standards; and few apply social standards. Figure 2 depicts a simplified value chain ladder with differentiated ‘standards packages’.

**Economic and social up/ downgrading**

Overall, the research found parallel processes of value chain upgrading and downgrading for larger producers, workers and smallholders in most countries.

**Large producers**

Larger producers are better positioned to move up the value chain through production innovation, compliance with standards and acquiring new functions (e.g. logistics and marketing). Supermarkets negotiate hard on price,
while suppliers face rising input and wage costs. Private standards also place additional costs on producers, who normally pay for implementation and auditing. Concentration is occurring among larger producers in many countries.

Farm and packhouse workers

Regular workers are seeing improved working conditions in some countries. Civil society advocacy and implementation of labour codes and regulations are leading to better monitoring. Workers organized through independent unions (especially in packhouses) are better able to negotiate with management. However, rising food prices and living costs are undermining real wages.

Casual workers: commercial pressures, rising costs and volatility of production are driving greater casualization of labour in many countries, which means lower incomes and greater insecurity of employment for workers. Third-party labour contractors/brokers are found in India and South Africa. In contrast, Kenyan and Ugandan flower workers have seen a reduction in casualization and improved working conditions, driven by civil society campaigns, supermarket codes of labour practice, unionization and value chain upgrading by flower farms.

Gender: in all countries, horticultural production remains highly feminized.

The gender division of labour is based largely on women carrying out more dexterous tasks required for fruit quality (pruning, handling, packing). Embedded gender discrimination persists, with women found mainly in lower-paid casual work (especially in India). The exception is in packhouses, where pay and conditions are better, representing upgrading for those workers.

Smallholders

Where smallholders prevail (China, India, Kenya, Uganda), accessing global supermarkets is difficult, given the challenges of rising quality standards and of attaining the volume and consistency required. Exceptions are where smallholders are organized as outgrowers, in producer groups or cooperatives or through primary marketing organizations (PMOs) with access to the upper rungs of the ‘value chain ladder’ (Figure 2). Aggregation is required for GlobalGAP group certification.

Organized smallholders are more able to sell to domestic supermarkets (China, India, Kenya), often through wholesale channels with less stringent standards. This enables them to get onto the ‘value chain ladder’ (Figure 2). Some governments encourage farmer organization and supermarket access (Brazil, China). Fragmented smallholders
find it challenging to sell to domestic/ regional supermarkets. In Uganda, there are efforts to form PMOs and support standards, but the majority of smallholders are fragmented with poor inputs and unable to meet local supermarket demands.

Key challenges

Quality is critical for all supermarkets, but there is a growing shortage of skilled and innovative workers and smallholders. Production and packing are becoming more complex because of rising standards and diverse market requirements. The shortage of skilled labour may help drive up pay and conditions, but casualization undermines the appeal of horticulture, and producers complain of difficulties in recruiting skilled workers. Many skilled workers and farmers are leaving agriculture for better opportunities elsewhere. Education, health, housing and transport in rural communities are often poor.

The rise of South–South trade and local supermarkets is generating alternative value chain channels. European supermarkets can no longer be assured of quality supply in a more competitive retail environment. Global supermarket standards tend to exclude small producers. However, differentiated standards packages required by local supermarkets open new opportunities for producers to ‘climb the value chain ladder’.

“Many skilled workers and farmers are leaving agriculture for better opportunities elsewhere.”
Key recommendations

More effective public–private strategies are needed to support skills upgrading of producers and workers. These must focus also on enhancing the appeal of horticulture and supporting the long-term economic and social resilience of value chains. Examples are as follows:

- **Value chain relations**: supermarkets should offer better terms and conditions to producers to attract and retain quality suppliers. Living wages for workers and smallholders should be factored into price negotiations, to ensure those with skills are remunerated and retained.

- **Capacity building**: for smallholders, farmer organizations and PMOs, through public–private investment, access to finance, provision of basic services and cool chain infrastructure, is vital to enable smallholders and workers to climb the value chain ladder and to scale up quality supply to supermarkets.

- **Skills and rights**: there is a need for improved public education and training to enhance the pool of human capital and the availability of skilled workers and smallholders in rural areas, as well as better enforcement of government labour legislation and workers’ rights.

- **Community provision**: better schools, training colleges, health clinics, transport, energy and housing are necessary to attract workers and smallholders and retain them in the communities where they live.

Commercial actors cannot achieve all this on their own. Coordinated government policy, Aid for Trade and donor initiatives are needed to provide wider value chain support to communities, producers and workers. Alliances of public, private and civil society actors, farmers and workers can promote value chains for more inclusive development.