# Conference summary

**Denis Blight**

***Paper prepared for presentation at the "The Supermarket Revolution In Food: Good, bad or ugly for the world's farmers, consumers and retailers?" conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, 14-16 August 2011***

# Conference summary

Dr Denis Blight AO FRSA

Executive Director, The Crawford Fund

**Abstract**

This summary assembles a number of key points that emerged during the Crawford Fund 2011 Parliamentary Conference 'The Supermarket Revolution in Food'. The summary seeks to identify core issues or questions, including areas for socio-economic and technology research and development, and for policy development. These are shown as highlighted text within each main point. Within several of the points, references refer back to the presentations of particular conference speakers that underpin statements made in the summary.

In opening the Conference, the Hon. John Kerin AM, the Chair of the Crawford Fund, welcomed all delegates and in particular 12 young Australian agricultural scientists who were Crawford Fund Scholars. He said it says something about the Crawford Fund that it is able to attract such prestigious and high quality speakers as President Kuroda, and Professor Thomas Reardon, a leading scholar in the study of supermarket revolution, and others appearing at the conference. At least two Cabinet Ministers and a number of members of the Opposition Front Bench participated in the event.

President Kuroda of the Asian Development Bank set the scene for the conference noting that many Asian countries had successfully transformed their economies through better market access such as is illustrated in Laos by better roads and telecommunications. He said that food supply chains can be a major force in improving food security if markets work inclusively. Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, in welcoming participants said the supply of high quality food for Australia and the world is a priority and that he wanted to hear from players in the food chain on the proposed Australian National Food Plan. The conference came, he said, at a time when the knowledge gap between food producers and consumers is wider than ever.

## Overview

1. The supermarket revolution (e.g. Reardon p. 18) has driven, and has been driven by, technology in storage and distribution logistics and in the market chain (e.g. Reardon p. 18); there are benefits to consumers, traders and producers; and overall the revolution has delivered productivity gains in the post-harvest component of food production (e.g. Reardon p. 22). Are these just as important as increases in biological productivity and crop and livestock yields for world food security? If so, it follows that research

throughout the food chain is as important as research to improve yields, to global food security.
***Can research of this nature continue to deliver innovative outcomes throughout the value chain to improve smallholder farmers' ability to compete in rapidly changing markets?***

2. Consumers benefit by the effect supermarkets have in pulling down prices, pushing up quality, and ensuring food safety especially in times of bird flu and other disease outbreaks. Traditional retailers and wet-markets are displaced. Food processing and wholesale sectors must find symbiosis or ways to co-evolve with the new actors. Farmers and small-scale processors, especially those that are asset poor, face tougher market requirements and the need for upgraded investments. Some flourish but not all make it.
***Is there anything that governments can do about this?***

3. In spite of this generally positive view of the impact of the supermarket revolution, there are said by a number of critics to be cases of abuse of dominance, of anticompetitive arrangements, and of unconscionable conduct. Further, and closer to home, the question must at least be asked if the apparent disarray in agrifood supply chains in Australia is down to the oligopsony of Australia's big two supermarkets? Although they are often expressed as such, these views are not necessarily a criticism of supermarkets.
***Are they just an observation about the economic facts of life in a market economy in the absence of appropriate regulation?***

## Impact on consumers

4. Consumers win from the supermarket revolution through lower prices, quality improvements and convenience or life-style changes. In Australia there is milk at $1 a litre, the banning of hormone-based growth promoters, and the phasing out of caged egg-production. In Indonesia, the rapid growth of supermarkets in urban centres has brought higher quality commodities and better services for consumers even if at the cost of the loss of some traditional diversity from street traders (e.g. Suryadarma p. 50). The advent of the supermarket and the refrigerator in the bigger cities has enabled women in particular to enter the work force by relieving them of the burden of daily shopping for fresh food.
***But is all this too good to be true?*** (e.g. McKinna p. 105)

5. Half of all affluent people now die of diet-related disorders, and obesity is pandemic; and it is not a problem limited to developed countries. The extent to which supermarkets are responsible is debatable but the shelf space and promotions devoted by supermarkets to so-called 'killer-foods' must bear some responsibility. Have supermarkets influenced agricultural practice by favouring foods which can be transported conveniently in a food chain — as well as those which have a visual appeal and uniformity in size and shape — rather than those which are healthy or sustainable? Do

supermarkets search for increased margins rather than nutrition or are the two objectives compatible?
***Have research and development compounded this tendency through a skewed allocation of research resources to a few major crops and an ignorance of traditional highly nutritious food varieties?***

## Opportunities for farmers

6. The revolution has created opportunities for farmers to gain access to quality-differentiated food markets and to raise incomes, mostly in their own countries. Among producers, it will be the innovative that flourish and grow. Small fresh-fruit and vegetable producers within reach of urban centres in Indonesia, by devoting a greater proportion of their tiny land-holdings to fresh fruit and vegetables instead of rice, have grown larger, buying or renting land from their less innovative neighbours.
   There are opportunities for countries like Australia to become the source of ultra fresh and processed products in near Asia (e.g. Glover p. 80) given a much better understanding of the Asian consumers and their markets, and provided mindsets of farmers, exporters and producers change, and brands are built in these markets.
   In Africa, smallholder producers, even in food deficient countries, by focusing on export-oriented high-value agriculture can earn higher incomes, which in turn improve their food purchasing power leading to poverty alleviation (e.g. Mbithi p. 64; Lovell p. 41 '*one country is not a big enough market*').
   ***Should policy encourage exports?***

7. Farmers' share of the food dollar continues to decline, an inevitable corollary, some say, of lower food prices. According to this view, the past 15 years have seen a dramatic transfer of market power (and money) away from farmers and towards a handful of large international food corporations. The growth of local markets (such as farmers' markets) and mini-marts may reverse or slow this trend. But farming investments suffer.
   ***As a consequence do consumers, and the poor of the world, also suffer as we drift towards global famine?***

## Retailers, processors and value-adders

8. Margins for processors and value-adders are now below the levels needed to fund reinvestment to ensure the sustainability of these businesses (e.g. McKinna p. 85–86). At the same time, regulators have been reluctant to confront the issue because, fundamentally, lower grocery prices are good for consumers (and voters) although some might argue that in the longer term consumers will pay, as farmers, processors and value-adders go out of business.

9. The advent of third-party logistics suppliers in Thailand has leveraged on international experience and capabilities, to improve standards, speed of service, value of service and help retailers offering more fresh produce, and

wider variance of items at a lower delivered cost. The evolution of one major processor and value-adder included the promotion of ready to eat, value-added food and the development of its own logistics firm.

10. Retailers are also affected by the supermarket revolution. In Indonesia, for example, it has the potential to drive traders in the traditional markets out of business. However, the main cause of their decline might be internal problems and increasingly bitter competition from street vendors (e.g. Suryadarma p. 50). An overhaul of traditional market management systems may enable the traditional traders to compete and survive alongside supermarkets — which Reardon calls 'symbiosis' and 'co-evolution'.
In Thailand, the supermarket revolution can create problems for small retailers, farmers and processors who are not equipped to meet the new competition and requirements from supermarkets. On the other hand, the METRO 'cash and carry' experiences could be a way to support local retailers, sustain quality and safety standards in produce for consumers, and assist and assure farmers of better returns. Urban traffic congestion and rising transport costs may well encourage a return to more localised retailing.

## The challenge

11. If the current 'industrial' agribusiness food model is not going to last, should we prepare for a world in which there will be a consumer rejection of what they see as cruel, chemical-treated mass-production of foodstuffs? Nervousness over so-called genetically-modified food, even if it is misplaced, perceptions of cruelty in the slaughter of livestock, and an increasing preference in some segments of society for vegetarian and 'organic' produce (now being catered for on supermarket shelf space) may be part of this syndrome. Some see clear signs of a major consumer revolt taking hold in the middle classes of affluent societies. On the other hand, there appears to be a growing demand for meat and processed foods in emerging economies. Is the true extent of the so-called consumer revolt as much to do with media-hype as a genuine market response?
***Is this only an issue for the rich world, and in any case where does the balance lie?***

12. Our challenge is to find a way that will allow the farmers to reinvest, reduce waste, encourage agro-biodiversity and still have a safe, healthy and efficient food chain for urban consumers. Donors, governments, NGOs and the private sector have important roles to play through infrastructure and knowledge dissemination in helping small farmers and firms weather the double shock of increased competition and demands from the supermarkets on the one hand and a rise in government regulation for food safety on the other.
***How might policy makers respond?***

13. Many companies have recognised the need to promote sustainable production and consumption models to sustain their own profitability

over the next 20–50 years and are investing accordingly. The market, at least in some societies, may respond to favour health, sustainability and diversity. Developing country governments need policies, such as have been developed in Thailand, to facilitate third-party logistics suppliers to invest with confidence in ways that serve the national interest, improve standards, speed of service and so on. The PNG Women in Agriculture Development Foundation, working on a vastly smaller scale, seeks to help smallholders (mainly women) through agriculture and business training, brokerage and lobbying services.
***Can other government programs help farmers to acquire the skills and attitude to benefit from market chains, ? Or should this also be left to the market?***

14. If the question of intervention is narrowed down from the generic 'they must do something about it' to the more specific options for public policy, the answers are less forthcoming, especially if the options are costed in terms of increased spending and therefore taxation (of somebody), or reduced freedom of individual choice.
***Does Australia's experience with the ACCC offer some hope? Or is it seen as a blunt instrument?***

## Conclusion

***15. Are there implications in all this for Australia's aid program, in terms of according priority both to agricultural research and development in general, and to assisting in the efficacy of the operation of national, regional and global food chains in particular?***
ACIAR already has programs in this area, a number of them being undertaken in partnership with AusAID. The recent review of the Australian aid program provides a context in which such support can be explored further. A member of the Review Team, the Hon. Margaret Reid, who appeared on the Q&A panel in the final session of the first day, said that there are no one-size-fits-all remedies to be applied through aid programs — instead they must be responsive to the needs of Australia's developing country partners — and that Australia has much to offer in agricultural research and development for global food security.

Dr Denis Blight is Executive Director of The Crawford Fund. Denis has had a career that included positions as an Australian diplomat, public servant and chief executive. His association with international agricultural research began in earnest some 25 years ago. Prior to working for the Crawford Fund, he was Director-General of CAB International — an intergovernmental body in research, training and publishing in the life sciences — and had 15 years with IDP Education Australia, the international development program of Australian universities and colleges, including the position as Chief Executive.

*Contact address*: The Crawford Fund, Level 3, 10 National Circuit, Barton, ACT 2600 (PO Box 4477, Kingston ACT 2600), Australia.

*Email*: crawford@crawfordfund.org