

WORKSHOP REPORT

SUPERMARKETS AND DEVELOPMENT

IDS/ IIED WORKSHOP

Institute of Development Studies

University of Sussex

12-13 October 2005

This report provides a summary of presentations and key discussion points in a two day workshop on ‘Supermarkets and Development’ coordinated jointly by IIED and IDS in October 2005.

OPENING SESSION

Introductions - what are the development challenges and opportunities of supermarket retailing? Chair: Stephanie Barrientos (IDS)

Stephanie Barrientos opened the workshop with a brief introduction specifying the aims and objectives of the workshop as well as its organisation. The participants were a mix of researchers and practitioners with a strong research lens and the idea was to brainstorm and explore the different, often contentious views on supermarket development and its implications for development, especially on developing countries.

SESSION ONE: **Supermarkets: one model or many?**

Introduction to session and chair: John Humphrey (IDS)

a) German Grocery Retailing

Speaker: Michael Wortmann (Wissenschaftszentrum, Berlin, WzB)

Data was presented from a project exploring the “Structural Changes in German retailing and its effect on global supply chains and retailers”.

There are major differences between the German and UK grocery retail markets. Among the differences are:

1. The prevalence of particular types of retailers: first, *buying groups* (owned by small independent retailers), of which two leading firms are Edeka and Rewe, and *hard discounters*.
2. The hard discounters have captured almost 50% of the fresh produce market over the past 20 years. Their success has been aided by the Spatial Planning legislation which limits store size, and was put in place to protect small retailers from big box retailers.
3. There has also been large-scale internationalisation through acquisition of existing retail chains in other countries and setting up their own discount stores.
4. Most leading companies are family-owned or have majority family ownership. These companies are tightly held and release very little information.
5. Price competition is extremely high – Germany probably has the lowest price index in western Europe.

Discussion points:

- The internationalisation of retail only really got going in the mid-90s and has accelerated sharply since 2000.
- The Buying Groups have grown so large that the centre enjoys autonomy from the retailers even though they are the ultimate shareholders. Buying Groups also now own and run their own stores. Governance is increasingly top-down.
- Unlike the discounters which do not engage in any logistics or backward activities and expect delivery to their distribution centres, the Buying Groups such as Edeka own wholesale and do some supply activities. Metro is the leader on direct sourcing, with buying offices around the world.
- Initially discount stores were complementary to traditional stores, but now they are taking over the functions of traditional retailers.
- The discount format is based on price competition. Farmer protests, such as the dairy sector against Aldi, were not successful because of the German consumers' obsession with price, looking to save money from their food expenditures. Similarly, issues such as Ethical Trade have very little purchase in the German market

The consequence of all this is that German supermarkets have a very different attitude to development issues as compared to UK supermarkets.

b) Transnational Food Retailers & Emerging Markets: What Tesco's Experience Tells Us

Speaker: Neil Wrigley (University of Southampton)

In 2003, there were 14 retailers each deriving more than \$10 bn per year from international markets. This is a significant increase on just a few years earlier. When entering new markets, transnational companies can either choose to transfer practices from their home market or adapt practices to the characteristics of the new markets. There are very big differences between the global retailers in their societal embeddedness within their overseas markets, which affect their international investment/operating modes. Investment in territorial embeddedness in host markets entered is a necessary feature of all retail TNC operations – with important consequences for retail TNCs' experience of host-market regulation. Retail TNCs have both direct and indirect impacts on their host economies and development impacts on each country vary.

Tesco has 50% of its floor space outside of UK/Ireland, and has experienced tremendous success in East Asia. It follows a partnership approach whereby it enters new markets through joint ventures with local retailers. This gives it initial scale and access to and knowledge of local political and institutional conditions, as well as a "local face". The one exception to this strategy was in Taiwan, where there was no suitable partner. It failed to gain scale and later withdrew. Its initial partnerships are often followed by the acquisition of larger stakes. Local partners do not have the resources to make major new investments and their stakes are often subsequently diluted.

Tesco has adopted UK style supply chain management practices in its foreign outlets. Thus it uses knowledge gained in the UK market – in vendor relationships, inventory forecasting etc. – while adapting itself to the local environment. Regulatory sensitivities are very high and now subject to intense debate; Tesco has deepened the embedding process, stressing links to the local economy, promoting itself as a supportive agent of

transformation, and going out of its way to offer technical support to SMEs and developing supply chains that are inclusive of small vendors. It has also adapted its logistics e.g. in Thailand where transportation is expensive and labour is relatively cheap. It has developed small format skills, which also circumvent trading hours regulations. It has developed a low cost 'value' format for up-country expansion – a hypermarket format surrounded by leased space for local fresh fruit and vegetable vendors – which provides a vehicle for entry into neighbouring economies, and also provides a purpose-built regulatory vehicle.

Agility and adaptability are key drivers behind Tesco's success along with its skills in territorial and network embeddedness. It uses bottom-up mechanisms of knowledge/practice transfer and shared learning groups within its intra firm networks to facilitate this process. The lessons learned in emerging markets are then transferred back to its core markets.

The dimensions of the transformative impacts of the host economy bring together literatures in development, management, agricultural economics, and economic geography.

Discussion points:

- Tesco follows the partnership model in East Asia, not Central Europe.
- Regional buying more developed in Central Europe than East Asia.
- WalMart can get away with a top down approach that is applied across multiple markets largely due to its size and economic power, which Tesco can't afford to do.

c) Impact of Food Retail Investments: Evidence from CEEC

Speaker: Liesbeth Dries (K.U. Leuven)

The goal of this project was to analyse the impact of food retail investments on food systems in CEE countries. The fresh produce and dairy chains in Czech Republic, Slovakia, Poland and Russian Federation were used as samples. There is a tremendous amount of FDI by foreign retail outlets into Eastern European countries. Economic reforms have had considerable effect on the growth of the modern retail sector, which has led to a dramatic rise in the market share of supermarkets and the modern retail sector. There has also been increased internationalisation, concentration, and centralisation of procurement systems, including cross-border coordination of procurement.

Supermarkets require higher quality products, leading to greater demands of quality (and safety), volume and coordination on the suppliers. Developments in the food retail sector are the main driving force behind organisation of farmers in the form of producer marketing organisations. These provide considerable benefits to the farmers (e.g. bargaining power, services, access to information) and offset many of their weaknesses (finance, quality, access to high value markets). Retail assistance in the form of investments and coordination with supply chains has both direct and indirect effects on the farmers. However, not all changes in farming are driven by retail change. For instance, in Poland, introduction of dairy assistance programmes are linked more to the EU integration process rather than to growth of the modern retail sector, while in Russia, the supermarket sector is having a real impact on the dairy sector through increased cost and quality pressures. Thus the individual country context is very important and broad generalisations are not very effective.

Discussion points:

- Retailers can facilitate small supplier access to credit. Metro guarantees bank loans in Russia, not full guarantee, but for instance, will call the bank to speak on behalf of a supplier.
- The regulatory environment is very important in order to attract FDI eg Slovakia. Upcoming deregulation of the sector in India is being monitored closely by TNCs.
- ‘Local multinationals’ such as Korea-based E-Mart have built-in advantages over global players, including political connections.
- There may be price effects from entry of TNCs, but they were not studied in either the CEE or Tesco research.

SESSION TWO: Supermarkets and rural development in context: smallholder and plantation agriculture

Introduction to Session and Chair: Bill Vorley (IIED)

a) What is known about prevalence of smallholder production in UK supermarket supply networks?

Speaker: Steve Homer (Flamingo/Homegrown)

The Flamingo Group has an £250m/ annum turnover, producing 1 million packs of vegetables per week and 1.5 million bouquets of flowers per week. The Group sources from Kenya, South Africa, Zimbabwe, Jordan, Thailand, Guatemala, Peru and the UK. It is totally vertically integrated between Kenya and the UK from growing to airfreight to marketing to distribution, with a trained workforce of over 7,000 people, of which 88% are permanent employees.

The 1000 outgrowers that Flamingo deals with are not at the bottom of the poverty rung, but those that own some land and earn a discretionary income from export horticulture. All these smallholders need to get certification in order to supply Flamingo's supermarket customers, and Flamingo helps them in attaining these. They group the various certification requirements into 4 policy pillars: GAP; ethical and social standards; environmental; good manufacturing practice. However, the missing link, which is not part of hard standards, is good business practice for which retailers play a key role. Good business practice is defined using the following criteria: stability of business demand, removal of supplier uncertainty, longer term mutual plans, written contracts or service level agreements, better communications and more equal share of “risk”. Smallholders are hit the hardest in the absence of these criteria.

In good business practice, supermarkets would review their purchasing practices and map their entire supply chain for the presence of smallholders, protect against arbitrary shifting of accounts where smallholders are in the supply chain, and carry out open discussion at all levels including smallholders about ownership of commercial risk and management of expectation. Sharing of risk would encourage Flamingo to make greater investment in smallholders – training, microfinance, infrastructure etc.

Discussion points:

- Purchasing practices came up a lot in the ETI Smallholder Working Group and the issues have fed into the new Purchasing Practices Working Group.
- Smallholders are there on merit – quality and flexibility. They do not compete with plantation produce; their niche is baby corn, mange tout, green beans and fine beans.
- Flamingo insures its smallholders against risk. For instance, it buys 100% of all products even when production shifts to a new location, till they can start growing a different product. Flamingo encourages rotational farming and doesn't allow smallholders to use more than 50% of their land for export production.
- Flamingo only supplies to UK supermarkets and tries to add value to put some stability into the system – this makes it more difficult for supermarkets to switch suppliers. The company does not supply wholesale markets, since they do not offer good value.
- Flamingo is piloting the ETI smallholder code against their own as a litmus test
- Consumers in the UK have subcontracted their ethics to the brands e.g M&S, Tesco etc. and trust/expect them not to violate their principles. This is not the case in other EU countries, where supermarkets are under less pressure to demonstrate ethics.
- Suppliers are prepared to accept lower prices to ensure supply relationships and stability.

b) Changes in supermarket supply chains – does it matter for poverty reduction?

Speaker: Steve Wiggins (ODI)

Poverty reduction is a very broad topic and supermarkets are a very small part of it. Most poverty is rural, but that doesn't mean that the institutions dealing with poverty have to be rurally based. Agricultural growth can help directly reduce rural poverty by lowering food prices and indirectly through rural economic growth that results in tightening labour markets leading to more jobs – especially in the rural non-farm sector – and higher wages.

Supermarkets are part of supply chains. For many of the rural poor, the key improvements in supply chains concern reducing transport costs, policy distortions, and technical inefficiencies, and in creating or fostering institutions that are currently absent or missing. Against this agenda, supermarkets can help create institutions, improve technical efficiency with gains to producers and consumers. But they may collude to squeeze farmer margins, promote imports and favour large farms. They may also contribute to marginalizing the poor. Thus there needs to be a public role in improving supply chains in the areas of transport, policy and institutional innovation that is complementary to the role of supermarkets. Well functioning farmer associations would help, but the path to getting them up and running is not well marked.

Discussion points:

- There is no evidence that supermarkets collude to squeeze out smallholders, but it is still a pervasive argument in the debate. And if supermarkets from different countries did collude, it would be a result of monopoly not collusion.

- Supermarkets can push the public sector to play a stronger role. There is always the hope that private-public partnerships will fill the void, but this doesn't always work. Investment in basic infrastructure may be required.

c) Is it realistic to expect a big rural development gains from supermarket procurement?

Speaker: Bill Vorley (IIED)

There is a supply chain bottleneck in Europe between consumers and customers, which affects the ability of producers to retain added value. Prices are increasingly based on cost-based pricing rather than market-based pricing. The bigger retailers get better terms from suppliers, though branded suppliers get higher margins than unbranded ones. A DFID-IIED-NRI project on supermarket standards and market access is looking at the perspectives of exporters, service providers, importer/suppliers, and retailers on supply chain management and the position of smallholders. It found that exporters don't find it viable to source from smallholders and even service providers, importers/suppliers and retailers feel that there are too many disadvantages of working with these groups, especially securing due diligence.

Wholesalers appear to be the only group willing to work with smallholders but fear that the impending European standards may make it expensive to deal with them in the future.

Importers/ suppliers feel that supermarkets are not really concerned with UK's development policy, but individual company policies can make a difference.

The Regoverning Markets project looked at domestic supermarket procurement practices in detail in Central America. The trend is towards working with preferred suppliers – these suppliers have higher investment and labour costs, and are more profitable than those supplying traditional markets, until the market becomes more competitive.

Discussion points:

- There may be a policy 'push' as well as a consumer 'pull' influencing the retail system.
- The interrelationship between supermarket procurement and rural labour market needs to be more carefully investigated.
- Also, do supermarkets tend to buy fresh produce locally but import staples, thus disconnecting producers from their national markets?

SESSION THREE: Formal and informal standards

Introduction to session and Chair: Sally Smith (IDS, Sussex)

a) What is driving the development of private standards?

Speaker: John Humphrey (IDS, Sussex)

There are various definitions of standards, starting from the narrow technical one to external points of reference relating to the product's performance, technical and physical characteristics as well as the conditions under which it is produced.

Process standards such as HACCP, ISO 9000 and also social and environmental standards can be included in this definition. According to Nils Brunsson, University of Stockholm, standards can also be defined as “rules outside organisations”. They are a way of coordinating the value chain. There are also different types of standards – public, private/company, collective private e.g EUREPGAP, buyer requirements etc.

Private standards are on the rise. They are usually characterized as a way of increasing the information available regarding a product. However, private standards have two further functions. First, company standards are used as a means of differentiation, since standards acting as brands give market power, restricting sourcing options, which makes standards development very competitive. Second, collective private standards (EUREPGAP, BRC, etc.) are used as a means of reducing buyer risk .

Standards are expensive to introduce, and they reduce buyer's sourcing flexibility. Therefore, it is important to ask why firms go to the trouble of developing or adopting them. Mandatory public standards, such as the EU food safety standard, increase the risk of non-compliance and puts the onus on companies to show due diligence. There are consumer and NGO pressures adding to this. This risk could be dealt with in two ways; either directly by monitoring the supply chain, especially for new products, but this could be quite expensive, or through collective standards that are not only cheaper, but transfers the responsibility down the supply chain and satisfies the due diligence obligation. These are business-to-business standards and thus not communicated to consumers. Typical standardisation cycles initially codify and outsource the problem of compliance and later collectivise and become baseline standards.

Discussion points:

- Whether top-down or bottom-up approach works, depends on the type of supermarkets. Supermarkets prefer top-down standards. However, markets are volatile and there is a lot of room for standards. Standards piggy-back on consumer product requirements, though the requirements for standards varies according to the type of product and the degree of vertical coordination in the supply chain.
- HACCP is a quality management system that identifies the hazards to production at different stages of the chain and how to control it.
- EUREPGAP is mainly related to maximum residue levels. It isn't used for differentiation but rather as a risk avoidance tool.
- Standards constantly evolve. What was once new and a point of product differentiation quickly becomes a new norm and incorporated into collective private standards. In order to redifferentiate products, firms develop new standards, thus adding to the burdens faced by suppliers.

b) Standards and workers in supermarket value chains

Speaker: Stephanie Barrientos (IDS, Sussex)

In the 1990s there was tremendous NGO pressure e.g Christian Aid on supermarkets due to their poor working conditions and the focus was on value chain linkages to supermarkets. This led to the rise of social standards and codes of labour practices and consequently the formation of the Ethical Trade Initiative (ETI). ETI member companies

develop their own code based on the ETI code. However, there is no guarantee that this eliminates the social problems in the supply chain. Labour issues are a big problem in development. The biggest asset that the workers have is their ability to work and thus their way out of poverty. Even when workers are covered by these codes, they are likely to be more effective for permanent workers, while the ones at the bottom rung, the most vulnerable ones such as temporary workers, contract workers, smaller producers and home workers often reap less benefit from codes. Many ILO codes only relate to permanent workers though in some cases such as horticulture, they only constitute up to 20% of the workforce.

The Purchasing Practices debate talks about sustainable procurement and integration of the core business. Supermarkets claim that only ineffective suppliers fail to cope with falling prices, shorter lead times and instability, but since there are plenty of efficient producers in the market, there is no need to change their procurement practices. Producers say they cannot complain due to fear of losing business. There are market pressures as well as regulatory pressures. NGOs feel that these purchasing practices undermine/contradict social compliance and are driving down working conditions and encouraging 'informalisation' of the workforce e.g use of gang masters and contract workers. The problem is that conceptual tools like value chain analysis often fail to highlight the role of workers. There needs to be shift from top-down compliance based system to a more development oriented approach to improve sustainable purchasing and ethical sourcing. Local and regional multistakeholder engagement such as demonstrated by GAP and Nike's are crucial. Often there is a disconnect between commercial and ethical departments even within corporate retailers that needs to be addressed. 360° social audits of supermarket value chains could be one way forward and linking fair trade with ethical trade.

Discussion points:

- Trade Unions play key role in some campaigns.
- Soil Association Initiative where UK produced products have to meet ethical standards at every step of the value chain. It links the technical issues with the social.
- Are technocrats the best placed to implement social codes? This creates the need for increased certification, but also much more harmonisation.
- Organic standards required to increase differentiation. This creates new markets for licensees but is very demanding.
- Some civil society organizations see the concentration in market power as an opportunity to drive improvements e.g. in labour practices. Others want to challenge that market power.
- Company standards are very important in UK. This is not true in Germany where only certain market segments have standards and that too a very small proportion. The fresh produce sector has no labels, except organic. The reason for this could be that in UK there is brand paranoia and a lot of brand loyalty and a number of their own brands e.g ETI. Europeans on the other hand want a more horizontal, holistic approach e.g EUREPGAP. EU standards compromised if different countries don't agree. Retail concentration and mentality varies in the different hemispheres.
- The ILO conventions provide a global social code, but they have no teeth and even when governments ratify them, there is poor implementation, so they are not very effective.

- Workers have rights in theory but not in practice. Many countries have paternalistic tradition of relationship between workers and employers, especially in agribusiness. Workers should have rights independent of employers, which they can negotiate through unions, supported by multistakeholder dialogues.
- So many standards in UK due to lack of regulation. Codes replace regulation.

c) Value-chain restructuring, private standards and exclusion

Speaker: Peter Gibbon (DIIS, Copenhagen)

Most value chains in the global economy are going through the same process of functional differentiation, escalating standards and exclusion of smaller/ less efficient suppliers that supermarkets are undergoing. There is a continuum with codes at one end and informal rules at the other, but for suppliers it is too academic to differentiate between them. These include discretionary rules that reflect expectations and are an increasingly moving target, as well as implicit standards/rules. Value chains can be divided by types of lead firm, but are also increasingly tiered into types of suppliers. Lead firms specialise in demand management, branding/marketing and sometimes R&D. First Tier suppliers take over the services formerly performed by lead firms and there is high competition within this segment. Retailers and first tier suppliers set the performance requirements for second tier suppliers. In the EU the focus for evaluating emphasizes functional capacities while the US market emphasizes technical aspects. The division between first and second tier suppliers is often, though not always a North-South one. The increasing demand for higher volumes, lower prices, shorter lead times, increased specialisation, longer payment terms etc. results in the exclusion of those firms that are generalists, subcontractors, service providers, financially weak or immobile. These usually tend to be the smaller firms.

Discussion points:

- In the clothing sector these trends are extreme but there are similar tendencies in most chains, though driven by different factors.
- Countries that don't have the volume or specialisation are dropping out of the food industry. Financial resources to manage risk is imperative to play in the futures market e.g the South African citrus fruit sector.
- There is a concern that the movement towards bigger, leaner firms may continue until anti competition regulation sets in, but anti competition regulation isn't very like to happen.
- Some companies are outsourcing some key functions while retaining others in-house. A few (e.g. GAP, Ikea, Hennes & Mauritz) see retaining full control over sourcing as their competitive advantage.
- The power relations between retailers and first tier suppliers are very important.
- Trends could be reversed or at least mitigated by increased consumption in developing countries or changing conventions in financial markets regarding how performance is measured.
- When supermarkets move from food to non-food items, how much of the strategy is carried over depends on intra company politics.
- In general the final demand for clothing isn't growing and there is cutthroat competition among importers.

d) Fair trade in supermarkets – development opportunity or just another set of standards?

Speaker: Johann Hamman (Hamman and Schultz, South Africa)

South Africa has a history of colonialism and apartheid that led to landlessness and replacement of the small farming sector by large-scale production e.g wine. This used to be a highly regulated and subsidised sector. Democratisation led to land reform. The World Bank also advocated and encouraged the South Africans to get into the small farming sector. The agriculture sector was characterised by low prices and there was no way to differentiate or protect new entrants. Thus the idea of creating brands came about to add extrinsic value along with the intrinsic e.g wine, fruits. Co-branding with Fair Trade was done in order to get an independent audit that was recognized in different countries, and to combat negative perceptions of South Africa. However, the Fair Trade standards were too low and were already part of legislation. Thus the South Africans convinced them to have specific standards for South Africa and let the local people decide their development priorities. This led to an explosion in the growth of fair trade producers due to the desire to break with the past combined with desire to get on supermarket shelf.

The South Africans were used to getting audited, so it was easy for them to comply with the Fair Trade regulations. Co-branding really works for wine, which sells very well in supermarkets. New brands come into the market every two weeks and there is intense competition. The Fair Trade label helps to differentiate among the confusing array of labels. The fruit sector however, has had a less positive experience with Fair Trade as supermarkets are reluctant to add a 4th line (to value, quality and organic lines). There are also difficulties with setting minimum prices as they result in higher consumer prices, while farmers just want their product on the shelves. Next step is to organise producers to be able to supply on a year round basis and get entire lines converted to Fair Trade.

Discussion points:

- The fact that producers/workers are allowed to decide their own development priorities for the Fairtrade Premium has led to human growth and development. The producers also have access to better markets, including for indigenous products that were once considered useless.
- Average farm size varies in different countries. Some people are scared that plantations will force the smallholders out of business, but it doesn't make sense to artificially keep smallholders alive. Also relying on agriculture to reduce poverty may not work - need other forms of subsistence.
- It's better to get Tesco to sell Fair Trade than Co-op because the aim is to change value systems.
- Central rule setting doesn't work. Every country should set their own development priorities. There is no developmental impact if a company that is already certified and audited, becomes Fair Trade.
- Big retailers bring out their own ethical brands and drive out established Fair Trade products that have a development agenda e.g Nestle, Kraft. Consumers can't differentiate.
- Fair Trade has chosen the lowest common denominator so everyone can qualify. It is important for companies and associations to improve upon these standards.
- Before Fair Trade was about the process, but now its focus is on the product.

- Consistency of demand was a criterion for Fair Trade and it is assumed that retailers should guarantee that along with brand. However, they just pass the risk down the value chain.
- Uninformed store managers often make purchasing decisions. They prefer to buy cheaper goods, if the company and the product is the same, rather than buy Fair Trade products.
- Fair Trade is up to the point of packaging. Retailers can claim to be complying with Fair Trade if they buy from a company on the FLO register.
- The perception that development is about maintaining smallholders does not fit with commercial realities.

SESSION FOUR: Private and public policy responses – setting the development agenda

Introduction to Session and Chair: Stephanie Barrientos (IDS)

a) What are the knowledge gaps and future research agenda?

Rapporteurs: Peter Knorringa (ISS, The Hague) and Catherine Dolan (Northeastern University, Boston)

- How do different sourcing strategies, implemented in different countries, sectors and organisations etc. impact upon opportunities for development? How do different models provide opportunities for workers, producers and suppliers to take part in development?
- Standards – are they excluding smallholders and what can be done if they are? Are local standards better than top-down ones? Do multi-stakeholder processes lead to better outcomes? What is the long-term sustainability in terms of the protection they give workers?
- Retailing concentration – what changes are taking place in retail concentration (in both European and Southern countries) and how will these affect producers and workers in developing countries?
- What is the role of regulation e.g. related to FDI, in contributing to retail concentration?
- Supermarkets should not be the only focus of attention. FDI could make a major difference in enhancing producer's opportunity to participate in global value chains. For e.g Pakistan dairy sector
- Should we expect stability in retail markets? Where and when do relationships become more stable? Is it possible to create such situations – what kinds of government regulation or standards would help?
- Smallholders versus large farms – no real consensus on whether small farms are more efficient than large farms, but in general they are increasingly excluded except in certain niches – need to identify those niches and remember that trends may be reversed. Need to be cautious about linking development potential to smallholder inclusion in supermarket supply chains. Also are quantity effects more important than quality? Smallholders are perceived to have a greater development impact than large farms. However, most smallholders have some land and are not poor landless labourers. Thus smallholders are not the obvious starting point for a direct poverty reduction strategy. Temporary, casual workers could be, but that depends on how

standards are applied. Most workers are not covered. Standards have a broader reach in large farms.

- Which regional context, products and sectors lead to what type of governance systems? Standards have an active role to play as governance mechanisms.
- To what extent do standards have a developmental impact? Development impacts may differ from poverty reduction impacts. For instance, if they diversify employment, they could have a developmental impact, while empowerment, increased participation and capacity building could lead to poverty reduction. How easy is it to address structural rural poverty through the value chains of supermarkets?
- When looking at development comprehensively, we need to look at other actors, not just supermarkets. Need to collaborate with governments, NGOs and decide on some common parameters. Should general indicators be used, or country specific ones?
- In order to address the problem of exclusion, development organisations could help to bring people into the chain and the private sector could work to sustain their participation.
- Information regarding the food service sector is missing. It is important to situate these changes within the wider context of the internationalisation and globalisation of food.
- The limitations of supermarkets are that they cannot deliver a social good, but they should not squeeze out smaller players. Ensuring that this does not happen is the responsibility of the private sector. However, the expectations from the private sector may be too high. They are in the business of making a profit. Being business-like may be good or bad for development, depending on the global demand-supply situation. It is not realistic to expect businesses to always think about the development impact of their actions.
- It is important to focus on retailers rather than just supermarkets and look at how their sourcing decisions affect developing countries. Also important to identify the drivers in the chain.
- Using value chain analysis to see stakeholder contribution doesn't always work e.g in the case of migrant workers. Need to take worker outside workplace and focus on the flows.

b) What are the key policy issues?

Rapporteurs: Jennifer Leavy (IDS, Sussex) and Susan Barton (DFID)

- How does policy affect the development of different retail models?
- What are the key drivers of adaptability approaches?
- How are supermarkets working with international NGOs and civil society and should they?
- What policy measures might be taken to avoid local farmers being excluded from global supply chains put in place by retail TNCs?
- What is the best policy in terms of smallholder inclusion?
- How can benefits be extracted from large farm agriculture?
- Traditional forms of regulation are becoming less effective in a globalised world. What are the policy levers? Which actors should be included?
- Where in the supply chain should corporate social responsibility be focused?
- Focusing on farms and now supermarkets misses the point. Need to focus on first and second tier suppliers and the various stages from production to retail.

- Value chain analysis gives focus, but too much on one commodity and ends up missing the big picture.
- Labour issues very important. Where do codes fit in social protection? What about migrant labour? Incredibly high level of migrant earnings, sometimes more than aid which helps in poverty reduction. Important to look at these flows rather than just value chain.
- Private sector taking more responsibility points to the need for governments to increase their responsibility for development. Leverage all arenas to get maximum social and economic justice.

3 KEY ISSUES FOR RESEARCH AGENDA FOR THE NEXT 5 YEARS

Group 1

1. Regulation and to what extent has regulation determined the historical path of supermarkets and to what extent will it determine it in the future?
2. If we accept the assumption that supermarkets will become a more important format for developing countries, are there pre-emptive actions that could guarantee certain groups favourable access to markets? There are supply chain model opportunities in countries where there is a sizeable middle class to develop skills in the local market or products reflective of local tastes/initiatives e.g Brazil's solidarity economy concept – supporting family farming in a way that doesn't exclude low-income consumers and government regulation that supports this. What alternative short food supply chain models would put producers higher up the chain?
3. Debate on large versus small-scale producers. Many developing countries don't have the option to develop large-scale agriculture. It is important to identify differences between countries for the potential to increase scale and commercialise. Also no one has looked at the development outcome of smallholders versus plantation/large farm work. In terms of the broad dimensions of poverty reduction and development of smallholders, it is most successful when linked to commercialisation rather than donor funding e.g Flamingo. But is paternalism sustainable?

Group 2

1. What leverage is there to change Purchasing Practices? Consumer disclosure, regulation, labelling? How can it be influenced?
2. How can import competition in domestic markets be influenced? Ways of increasing competitiveness of domestic supply? Investments in infrastructure?
3. Reforming WTO to focus on behind the border constraints to trade rather than just international trade.

Group 3

1. Modernisation and commercialisation of food production – need more specific information (longitudinal, multi-sector). What do we know at present? How are trends affecting consumers?
2. Proliferation and increasing number of standards and their implications. Suppliers are overloaded with codes. How do they cope? Does it favour certain business models? What are the implications for workers and employment?
3. Implications of economic reforms e.g EU on new emerging economies? Increasing buyer concentration - what policies lead to this and what is the impact on other actors in the chain?

Annex 1

Agenda

SUPERMARKETS AND DEVELOPMENT

IDS / IIED WORKSHOP

**Institute of Development Studies
University of Sussex
Room 221**

Wed 12 October and Thurs 13 October 2005

The rise in supermarket retailing is transforming food production and consumption patterns in both the developed and developing world. Supermarkets have created a shift to consumer-led production, driven efficiencies through centralised procurement systems and global sourcing, and introduced private standards covering food quality, safety and hygiene, the environment, and social issues. This transformation is creating both opportunities and challenges for developing country producers and workers. But research on the implications of changes in supermarket retailing for development is relatively new and fragmented. This workshop brings together researchers and practitioners who have worked on different dimensions of supermarkets, agriculture and development. The aim is to explore a more integrated approach to the analysis of supermarkets and development, to identify the key knowledge gaps, and explore future research that can facilitate a better understanding of supermarkets and sustainable development.

DAY 1 - WEDNESDAY 12 OCTOBER

9.15 – 9.45 am Registration and Coffee

OPENING SESSION

9.45 – 10.15 am

Introductions - what are the development challenges and opportunities of supermarket retailing? Chair: Stephanie Barrientos (IDS)

SESSION ONE

10.15 – 1.15 (including coffee break)

Supermarkets: one model or many?

Introduction to session and chair: John Humphrey (IDS)

a) Are there different models of supermarket retailing and sourcing in Europe, and what are the implications for suppliers?

Speakers: Michael Wortmann (Wissenschaftszentrum, Berlin, WzB) and Marian Garcia (Wye)

b) Do supermarkets transfer practices from their home markets to new markets, or do they adapt their practices? What is the extent of adaptation and in what areas?

Speaker: Neil Wrigley (University of Southampton)

c) The complexities of the private interest model of food regulation and the role played by retailers in the food sector in trying to influence consumers.

Speaker: Samarthia Thankappan (Cardiff)

1.15 – 2.30 LUNCH

SESSION TWO

2.30 – 5.30 (including coffee break)

Supermarkets and rural development in context: smallholder and plantation agriculture

Introduction to Session and Chair: Bill Vorley (IIED)

a) Is it realistic to expect a big rural development gains from supermarket procurement?

Speaker: Bill Vorley (IIED)

b) Small vs. large scale producers in supermarket supply chains – does it matter for poverty reduction?

Speaker: Steve Wiggins (ODI)

c) What is known about prevalence of smallholder production in UK supermarket supply networks?

Speaker: Steve Homer (Flamingo/Homegrown)

WORKSHOP DINNER - TÉRRE A TÉRRE, Brighton 7.00 p.m.

DAY 2 – THURSDAY 13 OCTOBER

SESSION THREE

9.30 – 12.30 (including coffee)

Formal and informal standards

Introduction to session and Chair: Sally Smith (IDS)

a) What is driving the development of private standards?

Speaker: John Humphrey (IDS, Sussex)

b) Value-chain restructuring, private standards and exclusion

Speaker: Peter Gibbon (DIIS, Copenhagen)

c) Standards and workers in supermarket value chains

Speaker: Stephanie Barrientos (IDS, Sussex)

d) Fair trade in supermarkets – development opportunity or just another set of standards?

Speaker: Johann Hamman (Hamman and Schultz, South Africa)

12.30 – 1.30 LUNCH

SESSION FOUR

1.30 – 4.30 (including coffee break)

Private and public policy responses – setting the development agenda

Introduction to Session and Chair: Stephanie Barrientos (IDS)

The aim of this session is to draw together different perspectives from the three sessions and assess the challenges and opportunities of supermarket retailing for developing countries. Some participants have been asked to act as workshop rapporteurs to stimulate discussion.

a) What are the key policy issues?

Rapporteurs: Jennifer Leavy (IDS, Sussex) and Susan Barton (DFID)

b) What are the knowledge gaps and future research agenda?

Rapporteurs: Peter Knorringa (ISS, The Hague) and Catherine Dolan (Northeastern University, Boston)

4.30 Wrap up and Close

Evening: supper for participants attending the Fair Trade workshop at Stephanie Barrientos' house

Annex 2

Participants

NAME
Stephanie BARRIENTOS (IDS)
Su BARTON (DFID)
Claire COOTE (NRI)
Cath DOLAN (Northeastern Uni)
Liesbeth DRIES (Leuven)
Peter GIBBON (DIIS)
Narissa HAIDER
Johann HAMMAN (Hamman & Schultz SA)
Steve HOMER (Flamingo/Homegrown)
John HUMPHREY (IDS)
Sanae ITO (Nagoya)
Michael Friis JENSEN (DIIS)
Peter KNORRINGA (ISS)
Jen LEAVY (IDS)
Dolph LINTELO (UEA)
Maria Garcia MARTINEZ (Wye)
Richard MOBERLY (DFID)
Lindsay NAPIER (IDS)
Ayut NISSAPA (PR of Songla Uni)
John NJOKA (IDS, Nairobi)
Ian SCOONES (IDS)
Sarah SIM (M&S)
Donna SIMPSON (Sussex)
Sally SMITH (IDS)
Jim SUMBERG (New Economic Foundation)
Wance TACCONELLI (Southampton)
Anne TALLONTIRE (NRI)
Samarthia THANKAPPAN (Cardiff)
Bill VORLEY (IIED)
Steve WIGGINS (ODI)
Will WOLMER (IDS)
Michael WORTMANN (WZB)
Neil WRIGLEY (Southampton)