Impacts of supermarkets on traditional chains of tropical and subtropical fruits in Asia

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AFMA

Agricultural and Food Marketing Association for Asia and the Pacific

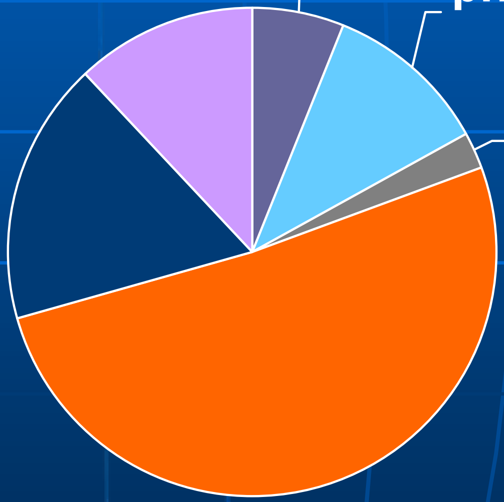
Introduction

- Current situation of tropical fruits
- Growth of modern trade
- Impacts on traditional chains

CURRENT SITUATION OF TROPICAL FRUITS

Global situation

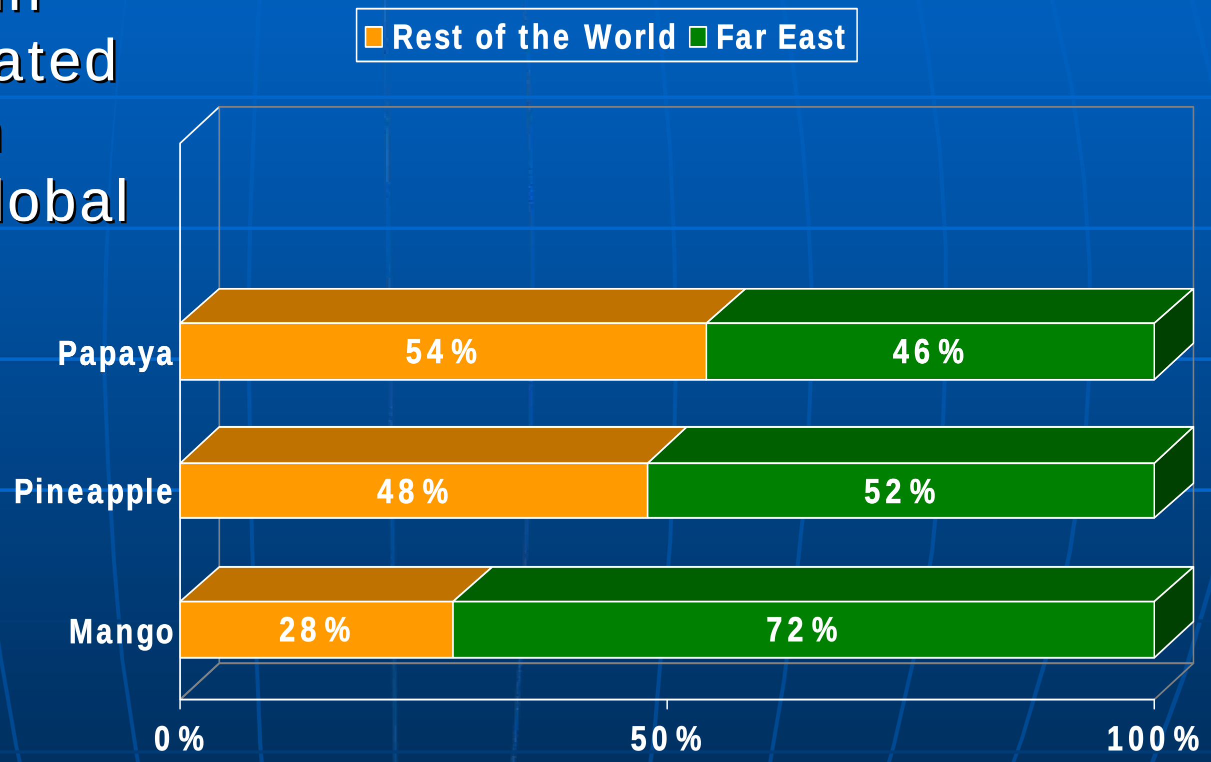
- Production in 2004



source: PCRRD (2006)

In Far East

- Production in 2004 estimated 67.7 million tonnes of global production



source: FAO (2006)

mango

- Global production was 24 million tonnes in 2003
- India produced 10.8 million tonnes in 2003
- Thailand produced 1.7 million tonnes in 2003
- FAO estimated to reach 29 tonnes in 2014

pineapple

- Global production was 15 million tonnes in 2003
- Philippines and Thailand, each produced 1.7 million tonnes in 2003
- China produced 1.3 million tonnes in 2003

durian

In 2004,

- Thailand produced 700,000 tonnes
- Indonesia produced 350,000 tonnes
- Malaysia produced 70,000 tonnes

The growth of modern trade

Definitions

- Supermarkets
  - Simplicity to indicate large self service store
  - In chains or independent
  - Size about 300-4000 m^2
  - 3-4 or more cash registers
- Hypermarkets
  - Larger format than supermarkets

Reardon et al. (2003)

Global situation

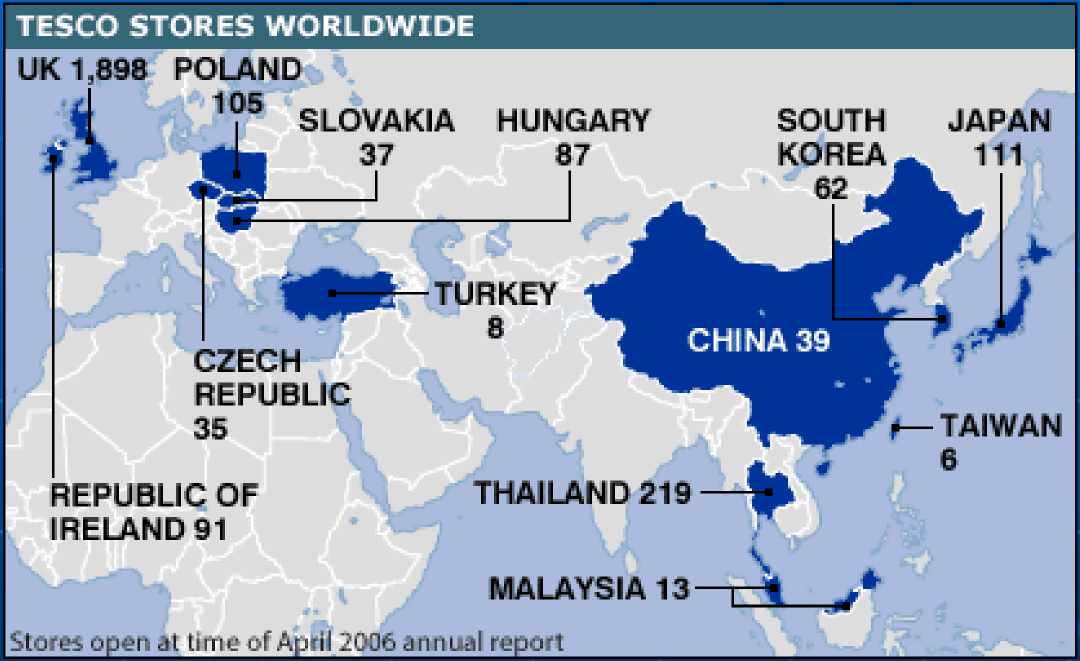
- Number of stores in 1997 and 2002

RETAILERS	1997	2002	%growth
Ahold	277	647	134
Auchan	182	623	242
Carrefour	558	913	64
Metro	1,039	1,318	27
SHV Makro	88	127	44
TESCO	629	790	26
Wal-mart	1,084	2,063	90

source: Millar (2002)

TESCO

- TESCO stores in 2006



Source: BBC (2006)

In Thailand

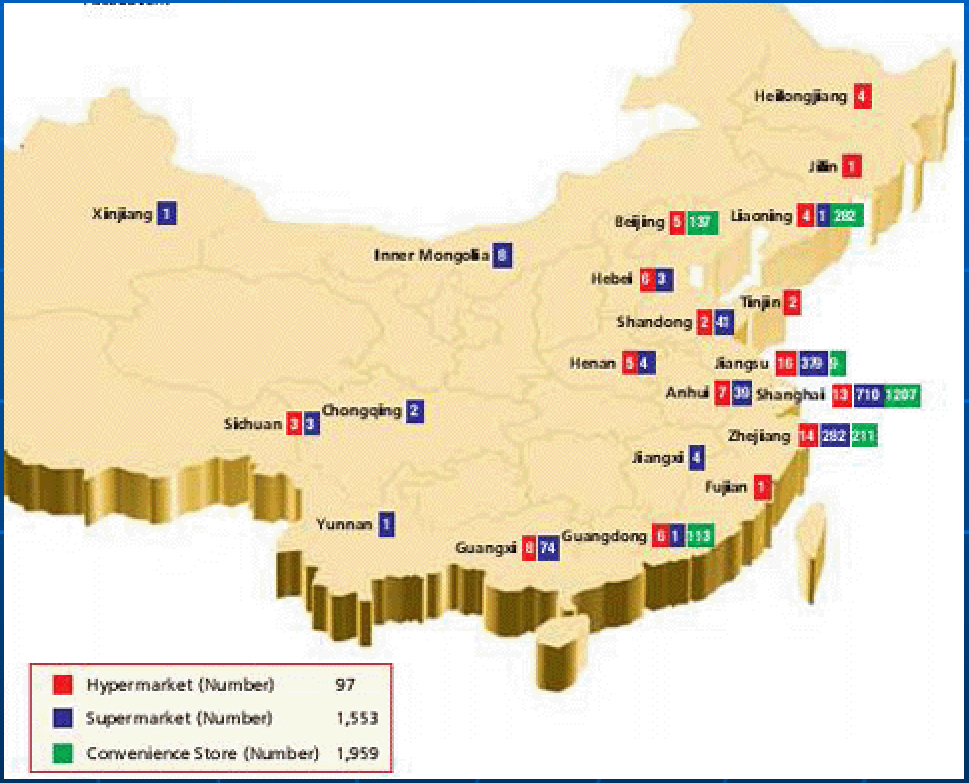
- Retailers in 2001/02

RETAILERS	2001	2002	Investment (million US$/store)
TESCO-Lotus	34	42	20
Big C	29	33	20-26
Carrefour	15	1	11-20
Makro	20	21	8.6
Tops	41	49	0.8
Food Lion	28	38	n/a

source: Bangkok Post (2003)

Lian Hua in China

- 97 hypermarkets, 1553 supermarkets, 1959 convenience at the end of 2004

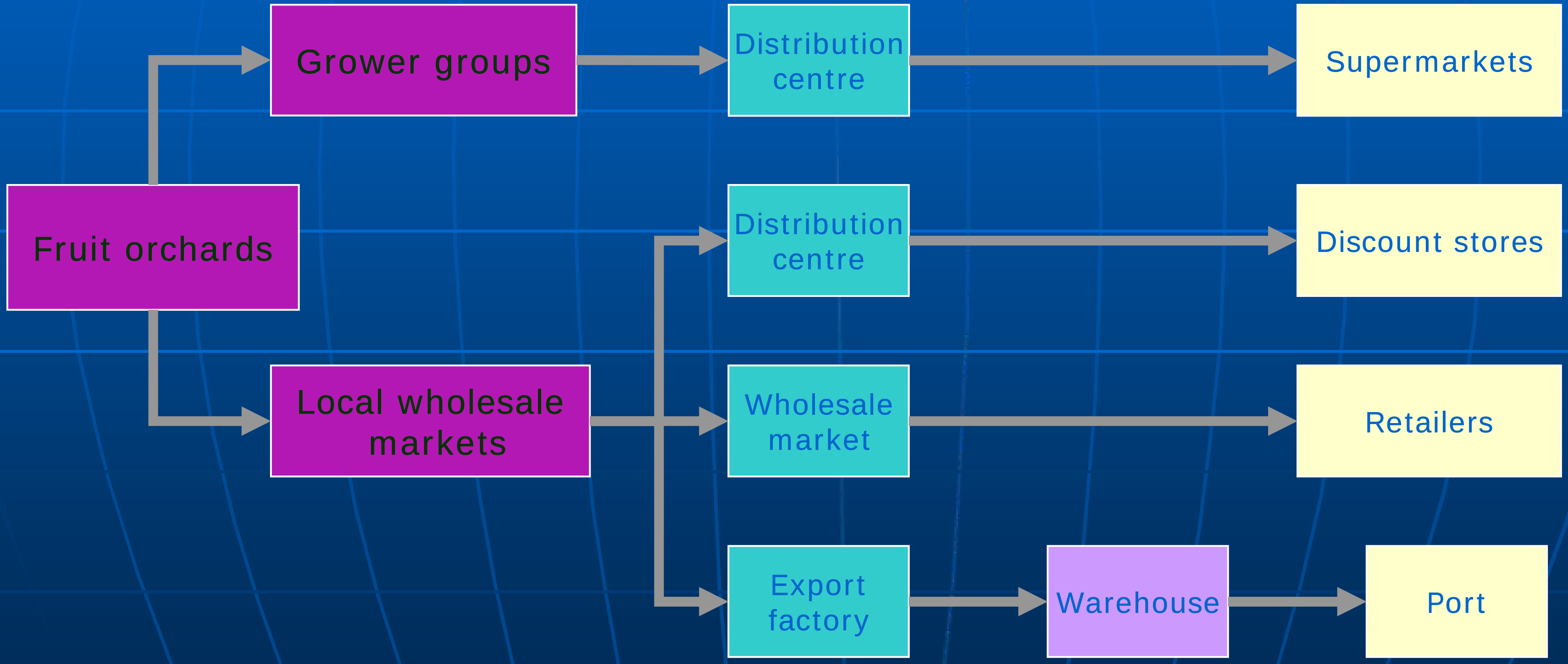


source: Lian Hua (2007)

Impacts on traditional chains

Tropical fruits marketing in Thailand

- Jul-Oct. 2004



source: TDRI (2005)

Produces-to-supermarkets

- Individual supermarkets purchase from farmers

Produces-to-supermarkets

- Supermarkets purchase through DC (private or government)

Produces-to-supermarkets

- Supermarkets purchase from wholesalers through wholesale markets

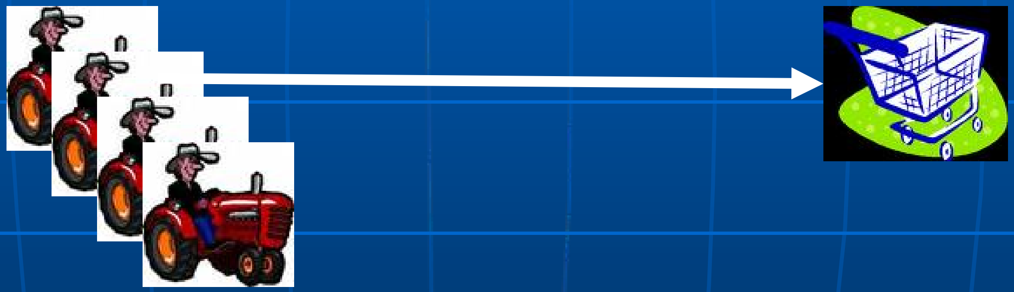
wholesale markets

Produces-to-supermarkets

- Supermarkets purchase through independent suppliers

Produces-to-supermarkets

- Supermarkets purchase through farmers' groups or cooperatives



Produces-to-supermarkets

- Supermarkets purchase through individual large-scale farmers

Produces-to-supermarkets

- Supermarkets lease space in the stores to traders, farmers and cooperative

Impacts on wholesalers

- Reducing of trading through auction
- Large wholesale market survive
- Reducing number of suppliers, and becoming commodity specialized
- New roles for suppliers
- Shrinkage chain

Impacts on small retailers

- Increasing of serviced packs
- Slowly changes of consumers' perceptions
- Competitive ranges of products
- More choice of opening time
- Create of wet market environment

Impacts on farmers

- Increasing of contracted farmers
- More of quality and safety standard regulations to follow
- Improving fruit production and quality
- Passing on consumer information to farmer

Conclusions

- Positive
  - Shrinkage of chains
  - More trop/sub-trop fruits specialized supplier
  - <u>Wider use of fruit quality and safety standards</u>
  - Quality fruits are not only for middle class
  - More transactions through contracts
- Negative
  - <u>Hardest for small/lease capital fruit suppliers</u>
  - Hardest for small individual growers
  - Local productions are not for local consumptions

Implications of AFMA

- AFMA mandate is to create the technical cooperation among developing countries
  - Help small players to learn advantages of market opportunities
  - Create market access for the small players
  - Pursue cooperations among public and private institutions in the region.

THANK YOU