

Global Supply Chains, Standards and the Poor
How the Globalization of Food Systems and Standards
Affects Rural Development and Poverty

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**How the Globalization of Food Systems and Standards
Affects Rural Development and Poverty**

Edited by

Johan F.M. Swinnen



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Preface

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1 Introduction

J.F.M. Swinnen

The past decade has witnessed an effective globalization of supply chains and an unprecedented increase in foreign investment in agricultural commodities and food markets worldwide, the rise of food quality and safety standards in the rich countries and the spread of these standards – often set by private companies – to developing and transition countries and a dramatic growth in high-value food exports from developing countries.

One of the most striking features of these developments has been the dramatic rise of investments by global retail chains ('supermarkets') in emerging, transition and developing countries. Most recently, Russia, China and India were the top three destinations of foreign investment flows by multinational retail companies.

Not surprisingly, these changes in the global food system are having important effects on farmers, fishermen and households in developing and transition countries. In the wake of foreign investments or through global trading relationships, high standards for quality and safety of agricultural and food commodities have been imposed on their production systems. In several cases these changes in standards and investments are coinciding with a growth in vertical coordination in these modern supply

chains, contributing to access of the local producers to inputs, credit, technology, etc. as part of contracts with companies that purchase the commodities they produce. The combination of these developments is causing dramatic changes in the supply chains in developing, emerging and transition countries, and the production circumstances for local producers – and particularly poor, often rural, households.

However, there is a lot of debate on the impact of these developments on developing and transition countries, and in particular on the poor households in these countries. Some have pointed at the benefits from these developments as farmers have gained access to high-value international markets and to inputs, credit, technology and output markets, and thereby to higher productivity and higher incomes. Others argue that these developments are likely to lead to a further marginalization of the poor as small, poorly educated and weakly capitalized farmers are likely to be excluded from these new markets, with their traditional markets being taken away from them.

Up till this moment in time, many arguments were based on both case studies and non-representative interviews with food processing and retail companies and a series of producers in various countries.

The weakness of both the conceptual analyses and the empirical evidence is a serious constraint in this debate.

The overall objective of this book is to contribute to filling this gap in our knowledge by bringing together some conceptual frameworks for understanding these changes and evaluating them and, especially, an extensive amount of new empirical evidence in this area, based on more thorough and rigorous empirical methodologies and data collection.

The book tries to combine quantity and quality. By bringing together a large set of studies we have tried to bring a comprehensive viewpoint on the changes that are occurring across the globe in poorer countries. For each of the topics, regions and countries the chapters are written by leading researchers in these areas. Several of the chapters in this book summarize key findings from large, international studies organized by leading international institutions such as the World Bank, IFPRI, the OECD and IIED/DFID. Other chapters are based on studies by highly respected academic researchers. By presenting the results of these studies together for the first time it will be possible to draw important general conclusions on the impact of the globalization of supply chains and standards, and on structural changes in these chains on local producers, growth and poverty.

Many of the chapters summarize key findings and evidence from more elaborate studies which have much more details on empirical methodology, collected data, statistical methods and measured effects than could be included in the chapters in this book. In these cases, there is explicit reference to the full studies and background reports for further details. Further, the authors of the various chapters have been asked to make the presentation of the material and the argumentation in the chapters understandable for non-specialists in order to make the book and its insights accessible to a broad audience.

The book has three parts. The chapters in Part I: (i) identify global changes in food standards and supply chains; (ii) explain their emergence and relevance for today's trade and development debate; and (iii) present a series of conceptual frameworks necessary to understand the changes and their effects. Part II contains a large set of new empirical studies, organized by region, which present new quantitative information on the effects of globalization and vertical contracting in modern supply chains in developing, emerging and transition countries. Part III has four chapters which discuss the implications of these developments for the international policy agenda.

Part I

Global Supply Chains and Standards

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