Session A. Understanding the Complexity of Inclusive Agribusiness and Food Systems, Rural Development and Trade

Ajmal Abdulsamad
Senior Researcher
Duke University, Global Value Chains Center
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• Conceptualizing ‘Inclusive and Sustainable Agribusiness’
• System Dynamics and Drivers of ‘Inclusivity and Sustainability’
• System Complexity and Measurement Challenges
• System Complexity and Changing Financial Landscape
‘Inclusivity’ framed as two issues:

1. **The ability to participate in a particular market**
   Do export market requirements/conditions lead to exclusion of smallholders or SMEs?

2. **Outcome or benefits of participation**
   Do smallholders or SMEs experience higher income and/or lower risk in modern market channels (relative to traditional markets)?

**Sustainability**
Value chain actors account for the environmental footprint of their activities (energy/water/CO2/soil degradation/etc.)

What’s missing?
Agri-Food Value Chains: A Typical Production System

Value-Adding Activities:
- Inputs & Services
- Farming
- Trade/Processing (Intermediates)
- Food Manufacturing
- Distribution & Marketing

Actors:
- Cooperatives; Transnational Firms
- Small Farmers; Cooperatives; Large Commercial Farms
- Cooperatives; Small & Medium Enterprises; Transnational Firms
- Small & Medium Enterprises; Transnational Firms
- Small Specialized Stores; Supermarkets; Online Retailers

Institutions:
- R&D; Seed Registration & Ownership Rights
- Land Tenure and Water Rights
- Food Safety Regulation and Trade Policy
- Policy and Regulations on Investment, Workers Wages & Working Conditions, Environmental Footprint
Changes in agri-food value chains can be summarized as:

(i) extensive consolidation

(ii) progressive modernization of sourcing strategies and trade relationships

(iii) rapid organizational and institutional change

# Market Share of the Five Largest Grocery Retailers, by Country/Region, 2016

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>2016 Market Share of Five Largest Firms (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America</strong></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>57.7</td>
</tr>
<tr>
<td>United States</td>
<td>49.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>44.3</td>
</tr>
<tr>
<td><strong>Western Europe</strong></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>78.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>63.9</td>
</tr>
<tr>
<td>France</td>
<td>59.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>58.8</td>
</tr>
<tr>
<td><strong>Eastern Europe</strong></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>36.6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>71.2</td>
</tr>
<tr>
<td>Hungary</td>
<td>56.5</td>
</tr>
<tr>
<td>Poland</td>
<td>48.7</td>
</tr>
<tr>
<td><strong>Latin America</strong></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>51.2</td>
</tr>
<tr>
<td>Peru</td>
<td>21.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>27.4</td>
</tr>
<tr>
<td><strong>Middle East and Africa</strong></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>23.3</td>
</tr>
<tr>
<td>Tunisia</td>
<td>10.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>53.6</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>63.2</td>
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<tr>
<td><strong>Asia-Pacific</strong></td>
<td></td>
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<tr>
<td>Australia</td>
<td>77.5</td>
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<td>New Zealand</td>
<td>76.2</td>
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<tr>
<td>South Korea</td>
<td>50.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>36.6</td>
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</tbody>
</table>

Source: Euromonitor
Consolidation is not limited to the post-farming segments. The pre-farming segment of agricultural inputs is now controlled by six multinational firms in seed and agrochemical markets (Monsanto, Syngenta, DuPont, BASF, Bayer, Dow).
Progressive Modernization of Sourcing Strategies and Trade Relationships: Beyond Standards

- Changes in U.S. fresh asparagus market by source of supply
- Narrow seasonal market window
- Buyers’ demand for consistency, quality, and timely delivery
- Exporters’ supply chain coordination
- Smallholder-dominated supply chain – perishable product

Peru’s Asparagus Export Industry: Inclusive and Sustainable?

Trend in Sources of Supply for Asparagus Exporter Firms from Peru, 1993-2011

- Peru:
  - World’s leading exporter
  - US$420 million annual export value
  - 70,000 on- & off-farm jobs

But,
- Smallholders marginalized

- 10-17 firms, mostly vertically integrated farming

- Weak water resource regulation – overexploitation of ground waters with severe environmental consequences for future agricultural production in the region

• Food GVCs have become increasingly technology- and capital-intensive

• Income opportunities for low-skilled labor have considerably declined

• Nearly 86% of value-added is concentrated in pre- and post-farming segments

Source: Duke GVCC based on World Input-Output Database, November 2013 release
• **First generation** of trade statistics (e.g., UNComtrade)  
  Allowed only measurement of *gross trade values*

• **Second generation** of trade statistics (e.g., WIOD, or TiVA)  
  “Upgraded” measurement to illustrate *trade in value-added*

• The **unit of observation**, however, for both is ‘*country’*

• **Aggregated statistics at 2 digit ISIC** (International Standard Industrial Classification)

• **Limited geographic** coverage, particularly, developing countries
System Complexity and Measurement of Challenges

Complex Patterns of Production Sharing & Trade in Meeting Domestic and Foreign Demand
(e.g. Netherlands – all figures in US$ million)

Source: Duke GVCC based on World Input-Output Database, November 2013 release
1) Official Development Assistance (ODA) an increasingly smaller share of financial flows to developing countries

2) ODA as a Share of Developing Country GDPs:

- Multilateral aid flows peaked at 0.43 percent in 1992 and fell to 0.15 percent since then.
- Bilateral flows has since the 1990s has fallen from 1.25 in 1990 percent to 0.43 percent in 2016.

Note: Financial flows represent three year moving average of adjusted gross disbursements for:
- ODA: Official Development Assistance, includes bilateral and multilateral flows
- Non-ODA: FDI, other private flows including grants, and officially-supported export credits
- Personal remittances

Source: OECD, Development Co-Operation Directorate, Development Finance Statistics
The Need for Partnerships to Leverage Official Development Assistance Flows

• In 2012-15, development fund interventions have **mobilized USD 81.1 billion** from the private sector

• Total ODA in 2015: US$131.6

**Annual Flows of Private Sector Finance to Development, US$ Billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Flow (US$ Billion)</th>
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<tbody>
<tr>
<td>2012</td>
<td>15</td>
</tr>
<tr>
<td>2013</td>
<td>17.8</td>
</tr>
<tr>
<td>2014</td>
<td>21.5</td>
</tr>
<tr>
<td>2015</td>
<td>26.8</td>
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</tbody>
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Note: Different financial products: guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies and credit lines

How Can We Ensure Achievement of Inclusive Development Objectives?

Top 10 Beneficiary Countries in 2012-15, US$ Billion

Note: Different financial products: guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies and credit lines

Key Takeaways/Questions

- Conceptual clarity—interpretation of concepts vary and systemic consensus is not easy to achieve

- Relations between actors/agents in the system are not power neutral

- What do project managers need to know so interventions do not reinforce existing power-dependency relations in the system?

- How can we realistically measure and understand systems and system dynamics? Frameworks?

- How can we more effectively leverage limited project resources to achieve inclusive systemic change?

- How does the ‘project funding model’ itself enhance or undermine the ability to trigger system change?