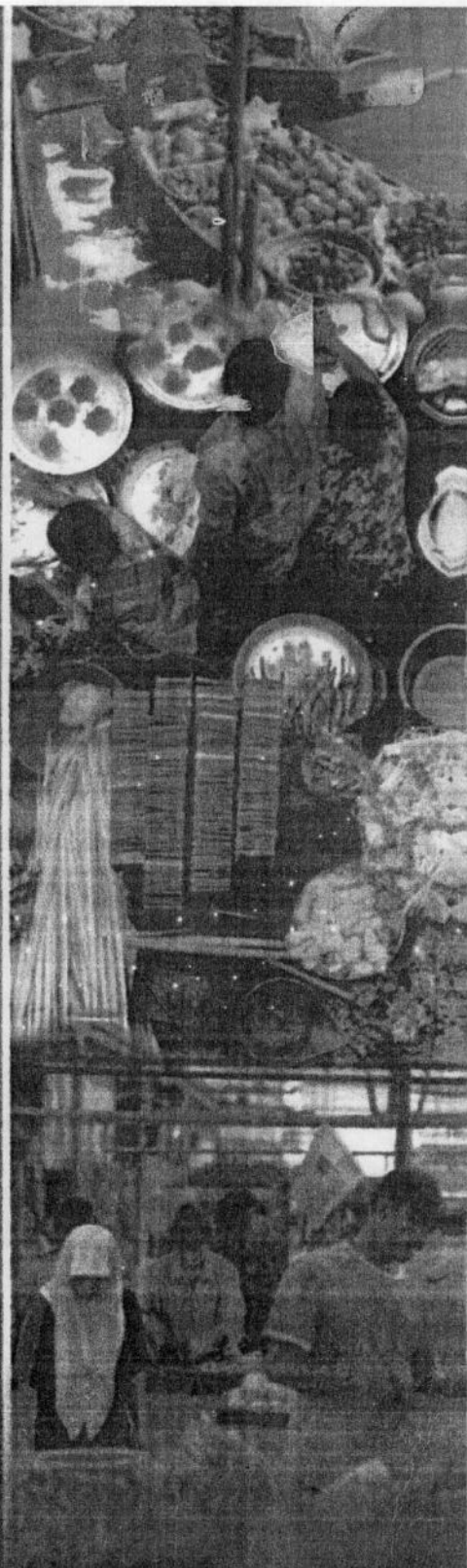


Changing Agrifood Markets in Southeast Asia: Impacts on Small-Scale Producers

Edited by:
Larry Digal
Felicity Proctor
Bill Vorley



SEAMEO
SEARCA



Changing Agrifood Markets in Southeast Asia: Impacts on Small-Scale Producers

Larry Digal, Felicity Proctor, and Bill Vorley



The Southeast Regional Center for Graduate Study and Research in Agriculture (SEARCA) is the Asian center of excellence in agriculture of the Southeast Asian Ministers of Education Organization (SEAMEO), an intergovernmental body founded in 1965 to promote regional cooperation in education, science, and culture. SEARCA's mandate is to strengthen institutional capacities in agricultural and rural development in Southeast Asia through graduate education, short-term training, research, and knowledge management.

The University of the Philippines Strategic Research and Management Foundation, Inc. (UPSTREAM) was incorporated in the Philippines as a non-stock, non-profit corporation in 2001. Its primary purpose is to complement and support the goals of the School of Management, University of the Philippines Mindanao; to innovate on management research and extension while promoting the values of excellence, critical partnership, social responsibility, and integrity; to support the socio-cultural and sustainable development programs of the government; and to provide a venue for interaction and exchange of ideas among different sectors in Mindanao and the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) region.

Changing Agrifood Markets in Southeast Asia:
Impacts on Small-Scale Producers

Edited by: Larry Digal, Felicity Proctor, and Bill Vorley

Published by SEARCA and UPSTREAM
Printed in the Philippines
September 2008

Philippine Copyright 2008 by SEARCA

Part of this publication may be quoted without permission by other scholarly writing and in popular writing as long as credit is given to the source. However, it may not be reproduced or transmitted in its entirety in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage or retrieval system, without permission in writing from SEARCA.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the institutions with which they are affiliated.

ISBN 978-971-560-145-0

Table of Contents

About the Authors	xi
Foreword	xiii
Acknowledgments	xv
Part I: The Context and Framework	1
Small-Scale Producer in Modern Agrifood Markets: A Global Perspective	2
Introduction	2
Who are The Rural Poor?	2
Agriculture's Three Worlds	3
Markets are Restructuring and Modernizing	5
Empirical Studies	6
Innovation and Good Practice	7
Case Studies of Initiatives and Policy Innovations	7
Policy Outreach and Learning	8
How are Markets Being Restructured?	8
What is the Impact on Procurement?	10
Traditional Retail	11
Informal Markets, South Africa	11
What is Happening at the Farm Level?	11
Conclusions	13
Modern Retail Food Industry in Southeast Asia	14
Introduction	14
Regional Overview	14
Retail Industry in Selected Southeast Asian Countries	19
Indonesia	19
Philippines	26
Singapore	31
Thailand	35
Vietnam	41
Malaysia	45
Part II: Agrifood Market Restructuring: Drivers, Determinants, and Impacts on Small Scale Producers: The Case of Potato Farmers in West Java Indonesia	53
Introduction	54
Key Context Points from the Village and PRA Surveys	57
Data Sources and Sampling Measures	63
Production and Marketing	68
Econometric Models and Estimation	95
Results of the Econometric Estimation	98

Part III: Successful Linkage of Small-Scale Producers in Modern Food Markets	109
Keys to Inclusion of Small Farmers in the Dynamic Vegetable Market: The Case of NorminVeggies in the Philippines	110
Introduction	110
Framework of Analysis, Objectives and Data Collection	113
The External Environment: the Philippine Vegetable Industry	116
Keys to Inclusion: The Case of NorminVeggies	128
The Innovation	138
Participation of Normin in Chain Management	154
Keys to Inclusion: Lessons Learned	162
Conclusions and Recommendations	180
Keys to Inclusion of Small-Scale Organic Rice Producers in Supermarkets: The Case of Upland Marketing Foundation, Inc.	192
Introduction	192
Background and Rationale	193
Framework of Analysis, Objectives and Data Collection	194
The External Environment	196
Keys to Inclusion: The Organizations	201
The Innovations	204
Keys to Inclusion: Lessons Learned	214
Conclusion and Recommendations	223
Keys to Inclusion of Small-Scale Producers in Dynamic Potato Market in Thailand	228
Introduction	228
Case Study 1: The Response of Small Growers to Dynamic Market Environment	248
Case Study 2: Small Women's Potato Processing Group	252
Discussion	267
Conclusion	269
Recommendations	272
Recommendation for Small Scale Producers	273
Linking Mango Farmers to Dynamic Market Through Transparent Margin Partnership Model	277
Introduction	277
Dynamic Changes of Mango Market	279
Development of Innovation in the Mango Supply Chain	283
Impact of the Innovation Development	294
Replication Potential of the Innovation	311
Conclusions and Policy Implications	313
Authors' Directory	355

7 B₁ = 24

Linking Mango Farmers to Dynamic Market Through Transparent Margin Partnership Model

*Ronnie S. Natawidjaja, Yosini Deliana, Wayan Rusastra, Tomy Perdana,
Togar A. Napitupulu, Hanny Sulistyoningrum, and Yovie M. Rahayu*

Introduction

Indonesia ranks fourth among the mango-producing countries, after India, China, and Thailand. One of the important mango production zones in Indonesia is Pematang, Central Java. In this area, mango can be harvested during the off-season, from May to August, while mango in other producing areas is generally harvested from October to January. The specific harvesting period should be a considerable advantage to farmers in terms of bargaining position with traders in determining mango's selling price. However, apparently local collectors (*tengkulak*) and wholesalers (*bandar*) are still those who benefit the most from the off-season mango.

Since farmers are generally bound by a loan received from a trader in Pematang, farmers let their mango farm to a trader to decide on selling the harvest. Therefore, farmers do not know the accurate volume of their mango production. This kind of exchange system makes the farmers' bargaining position vulnerable, so that they obtain relatively lower prices compared to the real market price. This is due to unbalanced information, traders' monopolistic power, and farmers' weak financial condition. This exchange system also dampens farmers' motivation to improve productivity, as well as quality, of mango farming.

Through rapid development of modern retail and more competitive market, in the last 10 years, some supermarket suppliers have attempted to cut down marketing