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Ricardo Hernández, Thomas Reardon, Ronnie Natawidjaja & Shobha Shetty

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## TOMATO FARMERS AND MODERNISING VALUE CHAINS IN INDONESIA

Ricardo Hernández\*  
IFPRI

Thomas Reardon\*  
*Michigan State University; University of Adelaide*

Ronnie Natawidjaja\*  
*Padjadjaran University*

Shobha Shetty\*  
*World Bank*

The tomato value chain in Indonesia has transformed in the last two decades. We assess this transformation here, focusing on small tomato farmers in West Java and the determinants of their market-channel choices (as well as the technology correlates of those choices). These farmers sell to traditional village traders, urban and modern wholesalers, and supermarkets, and they have all invested heavily in irrigation and rely on external inputs. We find differences among farmers selling to different market channels. To wit, non-land assets—especially irrigation—are important to farmers participating in the supermarket, or modern, channel, but farm size affects modern-channel participation only in high-level commercial zones (zones dense in infrastructure and near highways). We also find that modern-channel farmers earn more profit than farmers in other channels but do not necessarily use chemicals more intensively. Yet hardly any farmers sell graded tomatoes; the main ‘capture of rents’ goes to specialised and modernising wholesalers.

Keywords: *tomatoes, modern markets, technology adoption*

JEL classification: D61, O3, Q12, Q13

### INTRODUCTION

In the last two decades, food markets have globalised and agrifood value chains in developing countries, including Indonesia, have transformed. The economic development literature has begun to explore the implications of these changes for farmers. Most attention has been on the emerging impacts on farmers of linkages to export markets, supermarkets, large processing firms and their contract-farming schemes, and the emerging category of so-called modernising wholesalers. Yet the literature on the determinants and impacts of horticulture farmers selling to supermarkets and large processing firms in Indonesia is still relatively small. The few studies (such as Sahara and Gyau 2014) tend to focus

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\* This article builds on a report by the World Bank (2007). IFPRI = International Food Policy Research Institute.