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Transition and food consumption

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FOOD CONSUMER SCIENCE IN THE BALKANS

SEVENTH FRAMEWORK PROGRAMME

Structure

- 3 Theories of transition
- Restructuring of supply chains in Central and Eastern Europe

Theories of Transition

1. **Transition = ‘marketisation’, liberalisation, de-bureaucratisation, privatisation (Sachs).**

- Structural adjustment programmes of LDCs
- Completed in CEE states that joined the EU
- Ignore key challenges and historical legacy

Theories of Transition

2. **Transition = *post-socialist* states engagement with global economy**

- **Post-socialism – distinctive condition. Experiences shaped by the common experiences of socialism.**
- **Understanding of life worlds.**

Theories of Transition

3. Transition = Europeanisation and liberal democracy.

- Establishment of liberal democracies and ‘Return to Europe’, ultimately EU
- State (re)building exercise
- Focus on how governments and firms adjust to a new regulatory and governance environment

Restructuring of *supply chains* in Central and Eastern Europe

Why study farmer-processor-retailer relationships?

- Clear impact on farmers of changes in retailing and food processing
- CEE & CIS food markets facing greater international competition
- Internationalization evident in trade, FDI and more recently through international standards
- Support for the agricultural sector therefore needs to be geared towards meeting the challenges of internationalization, not as in the past performance in commodity spot markets

Why study farmer-processor-retailer relationships?

- Concentration in manufacturing and retailing raises concerns over farmers access to markets / consumers
- Share of consumer's expenditure on food received by farmers has fallen steadily in recent years (e.g. meat) – retail concentration may act against consumer and farmer's best interests
- Small farmers particularly vulnerable – unable to: achieve economies of scale / compete on price; produce required volumes; invest in packaging or quality assurance

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Need to consider whole supply chain

- Despite a price advantage in the mid-1990s for Ukrainian farmers, inefficiencies elsewhere in the supply chain (transport, storage and distribution) limited export potential
- Bulgaria early 1990s – low price fixed at farm gate for wheat (food security) – not passed onto consumers (exploited by processors and retailers – higher mark-ups)
- Buying options – spot markets, vertical integration and contracting

Retailer Private Standards

- EUREPGAP / GLOBALGAP – continental Europe
- British Retail Consortium (BRC) – UK & Scandinavia
- Private standards = greater say in upstream activities
  - BRC standards for fruit picking, specify for example the hats, gloves and clothes workers should wear
- Producers complying with standards face higher production, certification and training costs
- Increased costs may exclude small farmers
- Certification – unlikely to be only requirement of buyers
- Uncertified producers face uncertain demand & low prices

Policy Assistance & Challenges

- Vertical co-ordination, contracting & foreign retailers having profound effect on farmers
- Wholesale markets (WMs) and improving MIS not the answer – increasingly WMs only sink for lower quality / value produce (e.g. Moldovan produce & Russia)
- International competitiveness studies should focus on meeting private standards of retailers <u>not</u> commodity production
  - Moldova
    - costs 10 – 40% lower, did not meet quality needs
    - Metro in 2004, 18 months later still unable to source FFV locally at required quality and quantity

Policy Assistance & Challenges

- Retailer private standards becoming increasingly relevant in domestic markets, not just export markets
- Trade performance reflects poor quality control & inability to meet private standards
- Many farmers in CEE & CIS lack the experience needed in negotiating & fulfilling contracts

Policy Assistance & Challenges

- Higher and vocational training / agricultural ministries currently often geared to ‘production of commodities’. Need to be reorientated to:
  - provide advice of contracting and quality control
  - meet the realities of contemporary agri-food markets