

Do Supermarkets Change the Food Policy Agenda?

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Summary. — Policy makers want supermarkets to serve the interests of important groups in society, especially small farmers and the owners of traditional, small-scale food wholesale and retail facilities. But consumer issues are also important, including “internalizing” the full environmental costs of production and marketing, and helping supermarkets be part of the solution to the health problems generated by an “affluent” diet and lifestyle. This paper places the supermarket debate in the broader evolution of food policy analysis, a framework for integrating household, market, macro, and trade issues as they affect hunger and poverty. Increasingly, supermarkets provide the institutional linkages across these issues.

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1. INTRODUCTION¹

Food policy analysis is designed to illuminate welfare trade-offs as producers, traders, and consumers are buffeted by changes in technology, prices, and tastes. These changes can come at the household, sectoral, macro, and global levels, and supermarkets in developing countries are affecting all the four. A “new” food policy paradigm has emerged to help understand this impact. The original food policy paradigm focused analysis on the links between poverty and food security (Timmer, Falcon, & Pearson, 1983). The new food policy stresses the “double burden” on societies facing substantial degrees of hunger at the same time they face rising levels of nutritional problems of affluence—obesity, heart disease, diabetes, etc. (Maxwell & Slater, 2003).

(a) *The food and health dimension*

At the country level, the concern in the original food policy paradigm for keeping food prices at a level that balanced producer and consumer interests, with price stabilization around this level being an important policy objective, gives way in the new food policy paradigm to equally important concerns for the budgetary consequences for governments (at national and local levels) of the health outcomes of dietary choices over entire societies.

At the household level, the traditional focus on access to foods (including intra-household access and distribution) stressed income and price variables, with a very limited role for household education and knowledge (except possibly in the derived demand for micro-nutrients). Much of the quantitative research in food policy over the past three decades has involved a search for the behavioral regularities that linked households to these market-determined variables (Bhargava, 2008; Timmer, 1981).

The contrast with the new concerns is sharp. Health professionals either are pessimistic about the political reality of using economic variables to influence dietary choices (one debate is over the efficiency of taxing fats in foods, taxing fat people, or taxing the health consequences of being fat), or are doubtful that economic incentives will actually change dietary behavior where affluence permits a wide array of choices. Consequently, there is a much sharper focus on trying to change lifestyle through improved health knowledge and nutrition education. Supermarkets are becoming a part of that debate. Early evidence suggests that diets change for the worse when poorer

consumers start using supermarkets, with highly processed and high-fat foods replacing less refined and more nutrient-rich foods (Asfaw, 2007).

The international nutrition community is engaged in a pointed debate over whether approaches to changing lifestyles through education will work. In particular, if the dietary patterns of affluence have a significant genetic component—that is, humans are “hard-wired” for an environment of food scarcity and have few internal control mechanisms over dietary intake in an environment of permanent affluence and abundance—much more coercive efforts may be needed to change dietary behavior (and activity levels) than is implied by the education approach. On the other hand, such coercion directly contradicts consumer sovereignty and the basic principles of a democratic society. The more prominent attention in the new food policy to health problems arising from modern diets is tending to raise tensions between development economists and nutritional scientists.

Supermarkets are both the purveyors of the food abundance (and much of the “junk” food sold) and a possible vehicle for bringing about dietary change, either through improved nutrition education within stores, health warnings on particular foods that cause nutritional damage, or even regulations on what kinds of foods are available for purchase. The rapid spread of private standards on food safety and aspects of production technologies shows that public policy is not necessarily the fastest or most effective way to bring about changes in food marketing. These standards could easily incorporate health dimensions as well, especially if lawsuits over “fast food” contributions to obesity begin to be won by litigants. Such private standards would, in effect, have supermarkets provide a public good (although not at optimal levels). Some supermarkets in the United States are experimenting with these health themes, but even in the United States this remains a niche market. There is no evidence that supermarkets are attempting to play this role in developing countries, apart from the advertised food quality and safety standards they enforce.

(b) *The poverty and development dimension*

One of the key messages for developing countries in *Food Policy Analysis* was the link between poverty and food security,

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at both the national and household levels. In turn, poverty was considered primarily an economic problem that could only be addressed in a sustainable fashion by linking the poor—mostly in rural areas—into the process of economic growth. A dynamic agriculture as a stimulus to forward and backward linkages within the rural economy served as the “prime mover” in this process. Through improved agricultural technology, public investments in rural infrastructure, and the end of “urban bias” that distorted incentives for farmers, policy makers could have a simple and clear approach to reducing poverty and improving food security.

With success in the rural economy, migration to urban areas would be more of a “pull” process rather than a “push,” especially if favorable macroeconomic and trade policies were stimulating rapid growth in a labor-intensive manufacturing industry (and construction). In combination, these activities pulled up real wages and, when sustained, led to rapid reductions in poverty (Timmer, 2002, 2005). In many ways, this paradigm could be described as an “inclusion model” because of its focus on including the poor in the rural economy, including the rural economy in the national economy, and including the national economy in the global economy. Its greatest success was in East and Southeast Asia from 1960 to 1997, but the model has been under attack since then as the benefits of globalization seem not to have been as widely shared as hoped earlier.

The failures of globalization provide another theme for the new food policy paradigm around the analytics of “exclusion.” At the national level, the question is why so many countries have been “non-globalizers.” The essence of the debate is whether the global economy, in the form of rich countries and transnational corporations, has excluded these countries from participating in trade and technology flows, or whether the countries themselves have been unsuccessful in the process because of domestic shortcomings in policies and governance, including corruption (Resnick & Birner, 2006).

The debate has a local focus as well. Within an otherwise well-functioning and growing economy, many groups can be excluded from the benefits of this growth. Unskilled workers unable to graduate to higher technologies and uneducated youth unable to compete in a modern economy are a sizeable proportion of the work force in countries with poor manpower and training policies and resources. Globalization makes it more difficult for these countries to compete for trade and investment flows that would provide the first steps up the ladder of higher productivity (Goldberg & Pavcnik, 2007).

2. A RESEARCH AGENDA FOR INTEGRATING THE TWO PERSPECTIVES

From an economics perspective, the ultimate impact of supermarkets in developing countries will be on the level and distribution of improved welfare for consumers (producers are consumers too). What happens to small farmers, traditional traders, and family-run retail shops will be factors in both the size of welfare gains and their distribution, but many other factors will also come into play. A full judgment on the impact of the supermarket revolution must incorporate all of those factors. A political process, informed (we hope) by good economic analysis, will then determine the nature of compensatory actions needed so that losers in this revolution do not end up in poverty or mobilize enough political resources to stop the technological transformation itself. The nature and extent of these compensatory actions begin to frame a research agenda that links food policy analysis with the rapid emergence of supermarkets.

This view of economic progress as a process of “creative destruction” dates to Adam Smith and Joseph Schumpeter, but it finds continuing relevance as powerful new technologies boost productivity in rich countries and poor alike (McCraw, 2007). From this perspective, supermarkets are simply a vehicle for the transmission into developing countries of new technologies, potential for scale economies, and new tastes, and are thus the latest manifestation of a long-run process of globalization and structural transformation (Timmer, 2009).

There are, of course, many problems with this process. A longstanding criticism of capitalism is that it stimulates a highly unequal process of economic growth. Rich owners of financial capital and privileged workers with higher education and advanced skills are paid high returns in a market-oriented economy. What they possess is scarce, and markets reward scarcity. Individuals with only their unskilled labor to sell are plentiful. Their market wages are low and these individuals are poor. Making growth work for the poor in a market economy requires that these basic and fundamental forces be overcome, either through the sheer rapidity of economic growth or through ancillary measures to ensure that the poor connect to growth.

History is full of experiments on how to make an economy work for the poor, from totalitarian communism to democratic socialism, from central planning to “third way” market economies. These historical experiments have a surprising and powerful lesson: rapid economic growth that connects to the poor has been the *only* sustainable path out of poverty for both countries and individuals (Besley & Cord, 2006). The question is whether supermarkets are part of this path or part of the problem in staying on it.

Food policy analysis was “invented” to provide a framework for answering such a question. The central analytical vision of food policy, articulated a quarter of a century ago, integrated farmer, trader, and consumer decision making into the open economy, macro framework needed for rapid economic growth (Timmer *et al.*, 1983). The explicit goal was a sharp reduction in hunger and poverty, which would be possible if market incentives stimulated productivity and income gains in agriculture while poor consumers were protected by stable food prices and rising real wages. The marketing sector was the key to connecting these two ends of the food system. Supermarkets were not mentioned because they were a feature of developed countries’ economies and the “food policy paradigm” focused on hunger and poverty in developing countries, where supermarkets were virtually non-existent in the early 1980s.

The analytical story, policy design, and program implementation were complicated, requiring analysts to integrate models of micro and macro decision making in a domestic economy open to world trade and commodity markets. At its best, the food policy paradigm sharply improved the development profession’s understanding of the underlying structure and dynamics of poverty and the role of the food system in reducing it (Eicher & Staatz, 1998). As part of this understanding, *food security* came to be seen as involving two separate analytical arenas. The first, at the “micro household” level, required analysis of food access and entitlements. The second, at the “macro market” level, required analysis of food price stability, market supplies, and inventory behavior. Again, supermarkets did not seem relevant to either level of analysis.

“Food policy analysis” provided policy makers a comprehensive, but intuitively tractable, vision of how to connect these two arenas and improve food security for the consumers in their societies. As an analytical paradigm, this vision was always driven by consumer welfare. Farmers, as food producers,

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