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How Do Vegetable Value Chain Actors Respond to the Changing Agri-food System? The Case of Davao City, Philippines

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Focus of presentation

- Changing agri-food system: some trends
- Restructuring of vegetable value chains
- Concluding comments

Changing Agri-food system: some trends

- Modern retail food industry has been expanding
- Food sold in modern retail has increased rapidly (Digal, 2015).
- Grocery sales grew by 33% per year from 2000 to 2005 and increased faster by about 70% per year from 2005 to 2010.
- Of the food products, sales of fruits and vegetables grew even faster. From 2000 to 2005, it increased by 34% per year and grew faster from 2006 to 2010 by 88%.

Changing agri-food system: some trends

- Changing purchase patterns of consumers

Concepcion, 2005

- Consumers purchase vegetables **2-3 times a week** predominantly from **wet markets**
- Middle class purchase vegetables **3 times a week**
- Criteria for choosing vegetables:
  - Price
  - Quality in use
  - Sanitary and phytosanitary criteria

Aguinaldo et al., 2015

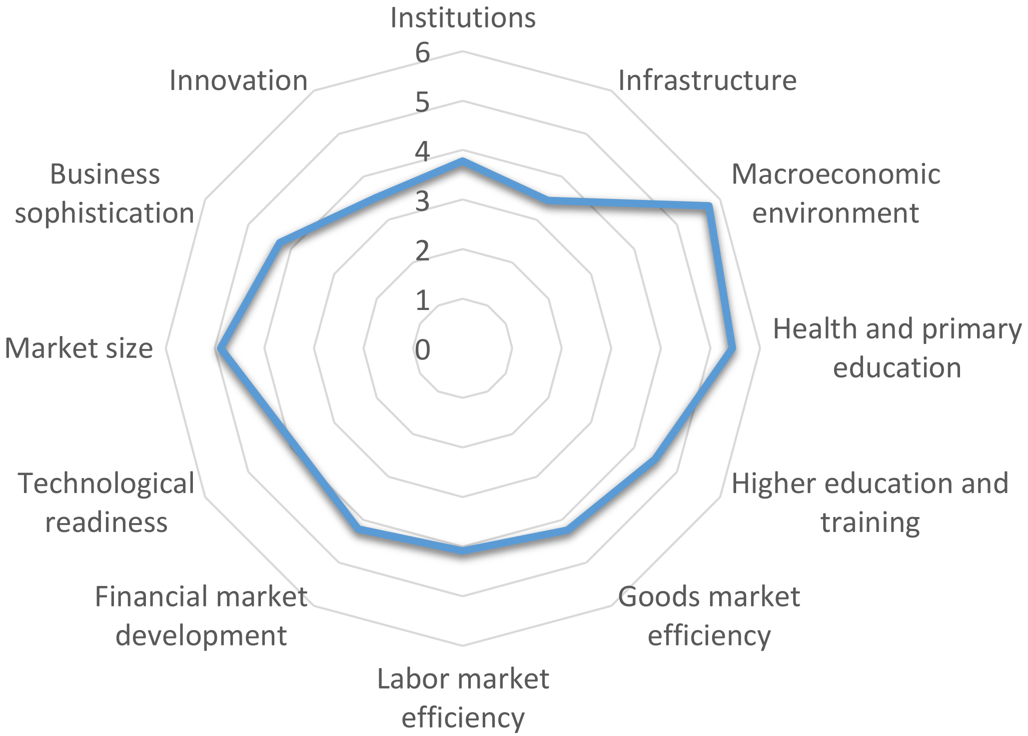
- Consumers purchase vegetables **once a week** predominantly from **wet markets**
- Middle class purchase vegetables **once a week**
- Reasons for purchasing vegetables in wet markets – low price, freshness, variety
- Reasons for purchasing vegetables in supermarkets – convenience, cleanliness, safety

Changing agri-food system: some trends

- Improving global competitiveness

Selected Pillars of Competitiveness	Rank			
	2012-13	2013-14	2014-15	2015-16
Institutions	94	79	67	77
Infrastructure	98	96	91	90
Labor market efficiency	103	100	91	82
Business sophistication	49	49	46	42
Innovation	94	69	52	48

Source: Global Competitiveness Index (GCI) Report



Data source: GCI Report 2015-16

Objectives

Document the changes in the vegetable value chain in Davao City, Philippines

Identify implications for smallholder producers

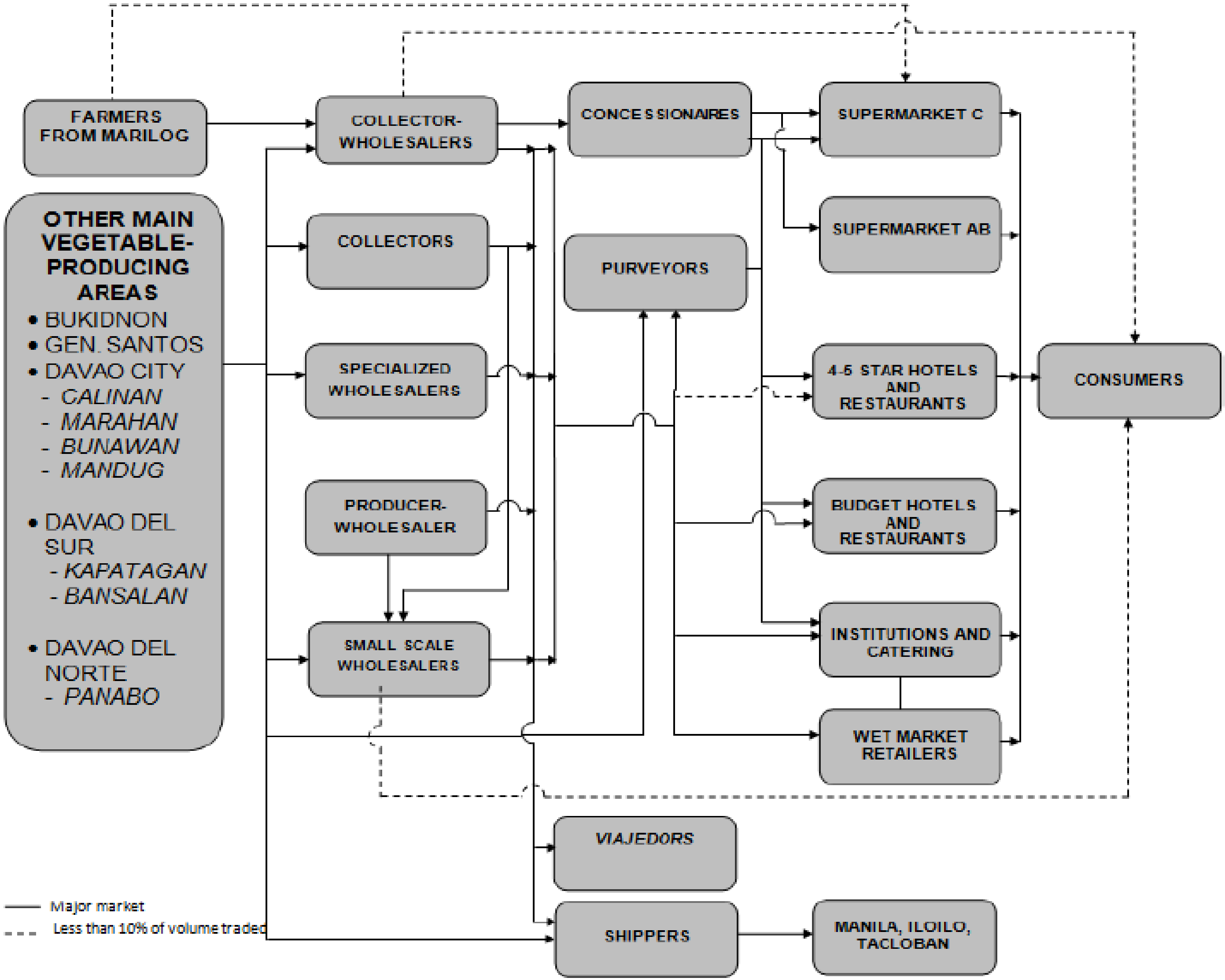
Respondents: 35 interviews

- Collectors
- Collector-Wholesalers
- Specialized wholesalers
- Small-scale wholesalers
- Viajedor

- Producer-wholesaler
- Wet market retailers
- Concessionaires
- Purveyors
- Shippers

- Supermarkets AB
- Supermarkets C
- 4-5 star hotels and restaurants
- Budget hotels and restaurants
- Institutions and catering

Vegetable flow in Davao City



Wholesalers

- Increasing number of farmers who rent space in Bankerohan market and do wholesaling and retailing functions.
- Wholesalers perform forward integration.
- Collector-wholesalers sell pre-sliced vegetables

Wholesalers

- Most **wholesalers** source directly from farmers.
- The following actors finance vegetable production:
  - ❖Collectors
  - ❖Collector-wholesalers
  - ❖Small-scale wholesalers
  - ❖Shippers
  - ❖Purveyors
- Increasing number of **viajedors** who source vegetables from the wet market.

Concessionaires

- Local vegetable concessionaires rent space in the wet market and are situated near vegetable drop-off points.
- They operate in majority of the supermarkets in Davao City such as SM Lanang Premiere, Savemore, SM City Davao, Gaisano Mall and NCCC.

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Supermarkets

- Increasing number of supermarkets in urban areas
- About 80% to 100% of the vegetable shelves in supermarkets are filled in by concessionaires.
- Also purchase vegetables directly from farmers (outright purchase)
- Perform vertical integration
- Managed vegetable farms

Institutions and catering

- Outsource food service from contractors or providers.

Source: http://www.livingdavao.com/

Source: http://cdn5.wn.com/ph/img/aa/7c/b7fc4a37a804d0dd527b1f4ef624-grande.jpg

Consumers

- Demand for organic vegetables in Supermarkets AB
- Emerging demand for organic vegetables from guests of 4-5 star hotels.
- Increasing demand for vegetables in budget hotels and restaurants (need additional 30-40% supply of vegetables)
- Demand for minimally processed vegetables

Smallholder Producers

	Sitio 1 N=30	Sitio 2 n=30	Sitio 3 n=60
Annual Ave. Income (PhP)	52,630	53,760	33,074
Years of educ	7.77	6.90	5.38
Farming as main source of occupation	100%	87%	92%
Years in farming	22	25	20
Training	90%	23%	13%
Marketing	Can do by myself but not confident	Can do by myself but not confident	Can do by myself but not confident

Conclusions

- Majority of the players in chain perform forward integration.
- Most wholesalers establish a strong supply base by financing vegetable production.
- Majority of the players in the chain cut transaction costs by establishing strong relationship with their suppliers and buyers.
- Supermarkets in the Philippines started to purchase directly from farmers.
- Demand for organic produce in high income class
- These challenge smallholder producers to produce high quality vegetables at a lower cost and to sell their produce at a higher price.

Opportunities for farmers

- Improvements in the efficiency of production to ensure that smallholder producers can produce better quality vegetables and can become more competitive
- Farmers to do wholesaling and retailing activities
- They may have to organize a group to share risks among members and take advantage of economies of scale

Thank you for your attention.