



# CEI Wholesale Market Foundation Meeting Croatia, October, 2004

---

The proactive role of wholesale markets in  
small farmer marketing support and  
development

By Edward Seidler  
FAO Senior Officer, Marketing



# Purpose of this workshop

---

- What changes are occurring in food distribution systems in Central and Eastern Europe and why?
- What is the impact of the newly emerging supply chains on farmers?
- What will be the impact of these changes on traditional wholesale markets?
- What can wholesale markets do to preserve their business and How will helping farmers groups assist them?



# Agricultural marketing is changing around the world

---

- Increasing urbanization and changing food distribution patterns with increasing importance of supermarkets;
- Traditional marketing systems of farmer-trader-wholesale market-retailer-consumer are being replaced by direct sales from farmers to supermarkets;
- Wholesale markets are being marginalized e.g. UK - if they cannot adapt and better meet the needs of different buyers.



# The changing scene

---

- Increasing attention to food quality, packaging, safety and traceability and certification by supermarkets and consumers;
- New forms of vertical integration and alliances are needed to address market access problems of small farmers
- Farmers must adopt new production and marketing practices to ensure reliability, consistency in supply and quality;
- Farmers marketing groups should be promoted to provide the necessary skills and equipment to farmers e.g. grading, packing, storage to meet more stringent needs of buyers and meet (EU) legislation.



# What this means for distribution

---

- Wholesale markets are being bypassed in favour of direct procurement from farmers and farmer groups to get regular and quality supplies;
- Specialized Agents/Wholesalers (preferred suppliers) doing procurement for supermarkets;
- Procurement gradually being centralized through supermarket distribution centres, outside the markets, especially for imported produce- for lower costs and better logistics;
- Sourcing is global and if supermarkets can buy a product more cheaply overseas they will do so;
- Small producers have many problems adapting to these changes and must organize to meet the challenges.



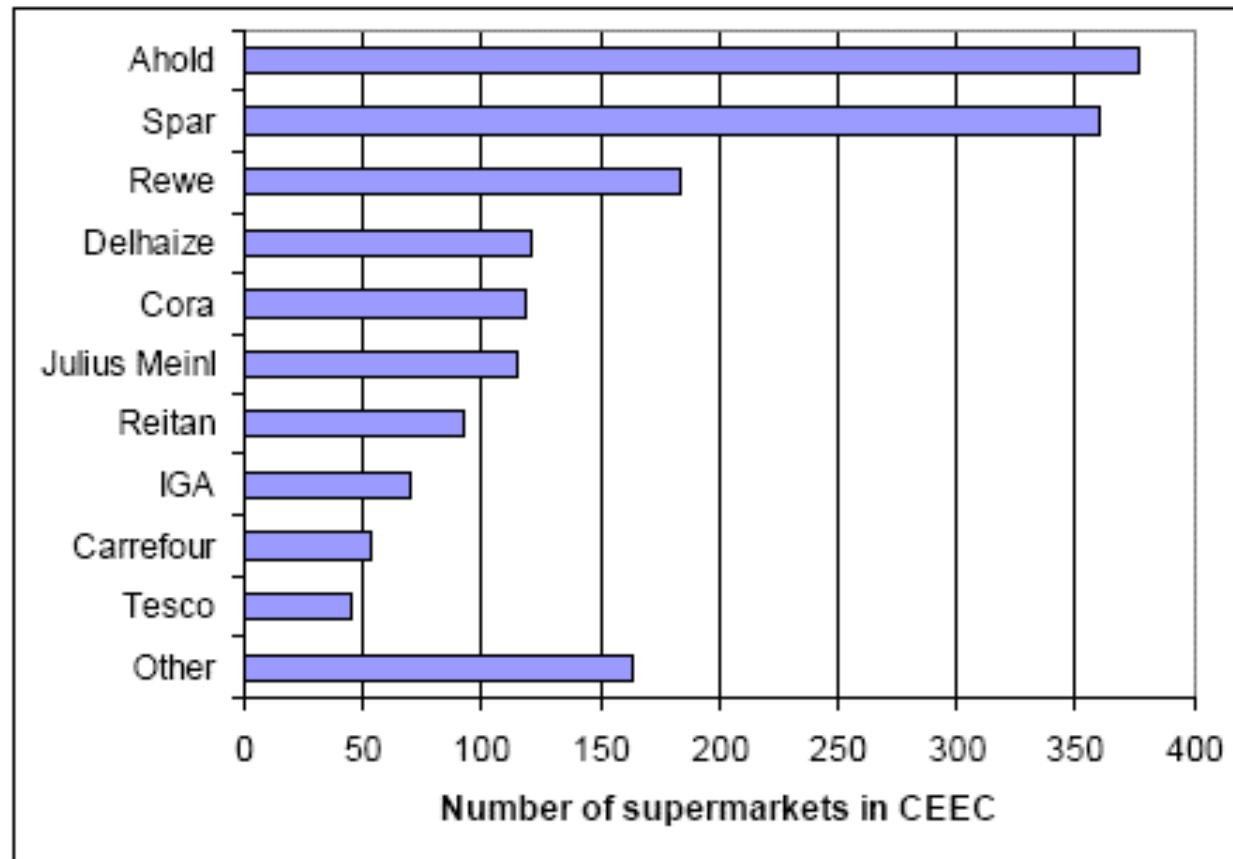
# Changes in procurement and distribution

---

- centralized procurement;
- cross-border procurement;
- specialized and dedicated wholesalers inside but now often outside wholesale markets;
- preferred suppliers to supermarkets;
- private quality standards.

# Increasing importance of supermarkets

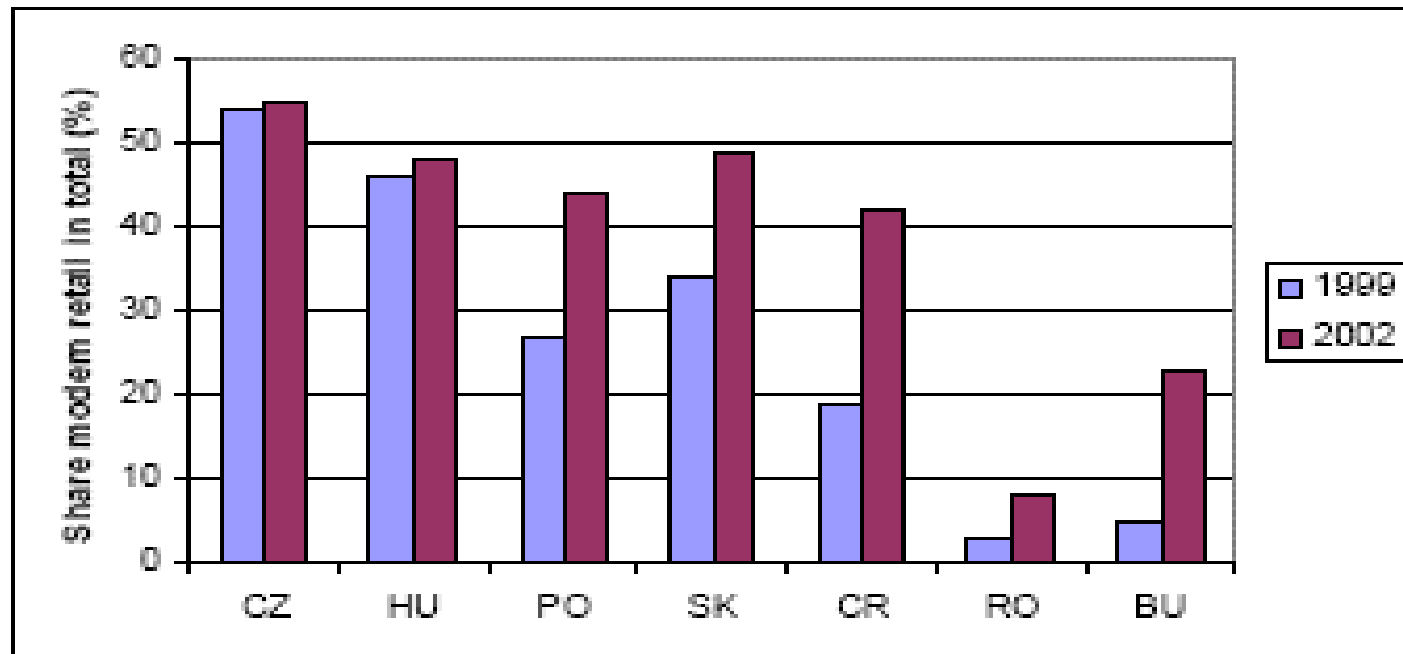
**Figure 4: Number of foreign owned supermarket outlets in CEE, 2002**



Source: CIES (2003)

# Increasing importance of modern retailers

Figure 3: Share of the modern retail sector in total retail 1999-2002



Source: Shopping Monitor CE (INCOMA Research)



# What are the implications for farmers of these changes?

---

- Larger volumes and improved quality, grading and packaging requirements of supermarkets and other buyers will mean need for:
  - farmer associations and groups to provide improved marketing and post harvest services so farmers can supply large wholesalers and supermarkets;
  - small-scale farms must group to survive;
  - increased emphasis on improved post harvest handling to maintain quality etc;
  - different types of information needed - quality, variety and packaging



# Wholesale markets need to respond by

---

- Becoming food centres- providing a wider range of products for non-supermarket buyers (caterers, hotels, small retail chains), such as:
  - meat and dairy and fish ;
  - logistics platforms;
  - cash-and-carry facilities;
  - value addition, such as pre-packing of salads.
- adjusting to fit in with the new retailing conditions which involve efficient logistics and administration, in order to lower costs

# With this scenario, what is the role for traditional wholesale markets?

---



# Wholesale markets need to ....

---

- help wholesalers to improve procurement arrangements;
  - direct linkages with farmers and groups;
  - become preferred suppliers;
  - quality control and traceability;
- promoting an image of freshness and quality in wholesale markets- certification





## Markets should....

---

- Actively promote farmers groups (who are their basic clients) to:
  - i. Link up with and establish supply relationships with market wholesalers
  - ii. improve quantity, reliability and quality of produce to supply the market wholesalers

# One has to go from

---



this



to




this

# To this

---





Markets can get farmers to be market oriented through offering training, advice and information and promoting groups to

---

- Produce what buyers want, when they want it, in the qualities and quantities they require. This means:
  - ✓ Knowing what the market requires (market information);
  - ✓ Knowing how, where and to whom to sell (the customers);
  - ✓ Knowing how to pack and present produce (post-harvest handling).



# What else can wholesale markets do?

---

- Provide information to farmers not just on prevailing prices, but also on:
  - Which buyers are looking for supply and what are their quantity, quality, safety, and other requirements?
  - How to contact those buyers;
  - Suitable ways for farmers to organize to supply wholesalers- forming producer groups;
  - Suitable contractual arrangements between farmers and wholesalers.



## Farmers Groups should be able to provide information and services to farmers to:

---

- Assist farmers in production and marketing planning to ensure consistency and reliability of supply;
- Help them decide when to harvest;
- Help them with procuring the right inputs, e.g. seeds, proper packaging;
- Help them with transport;
- Help them identify new market opportunities;
- Improve their bargaining power by group selling
- Provide grading and storage services.



# Wholesale Markets can:

---

- Hold Meetings with wholesalers to discuss the changing trends and the need to get better organized and establish links with local farmers;
- Together with Ministries of Agriculture, hold meetings with farmers to promote commodity groups/clusters and establish associations;
- Promote local produce through quality assurance and certification schemes emphasizing quality, freshness and safety;
- Discuss with supermarkets their needs ( quantity and logistics) and how these can be met through local producers and through better organization.

# It is now up to you:

---



# Thank you

---

