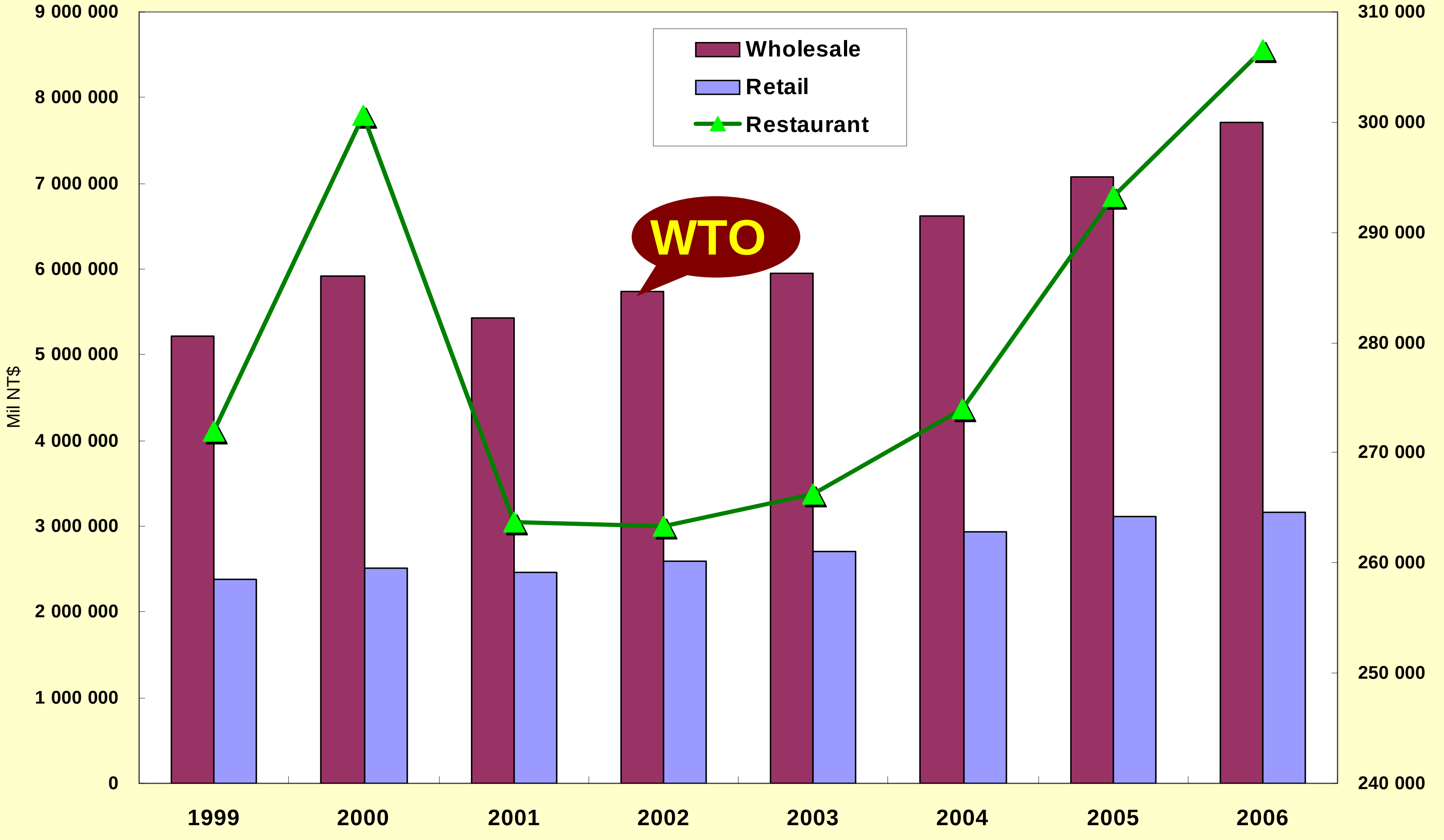
Urbanization and the Changing Retail Food Sector: Are Rural Area being Left Behind?

Ching-Cheng Chang
Institute of Economics, Academia Sinica
Dept of Ag Econ, National Taiwan Univ.

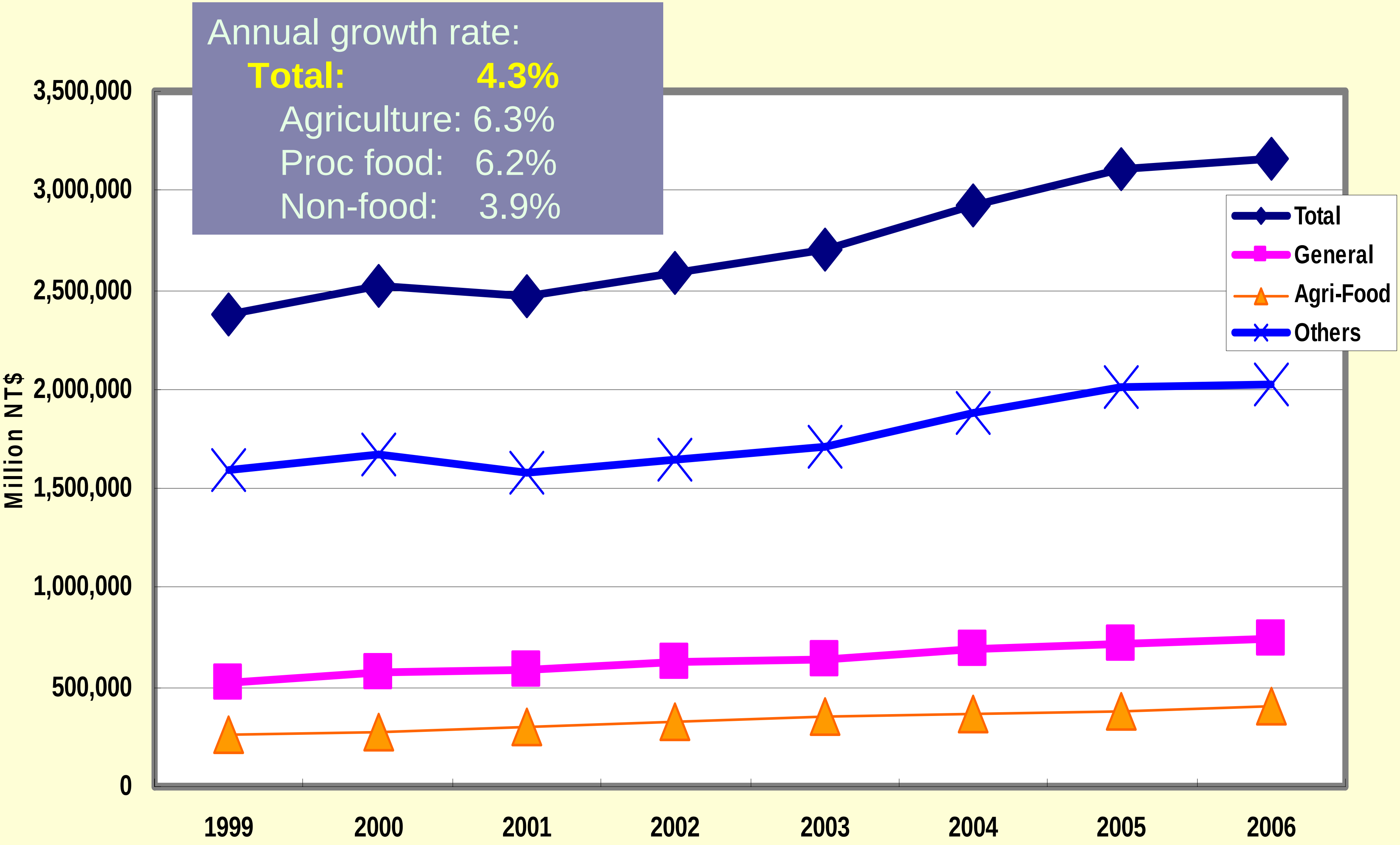
Outline

- Retail Trend
- Major Driving Forces
- Impact on Food Supply Chain
- Challenges for Stakeholders

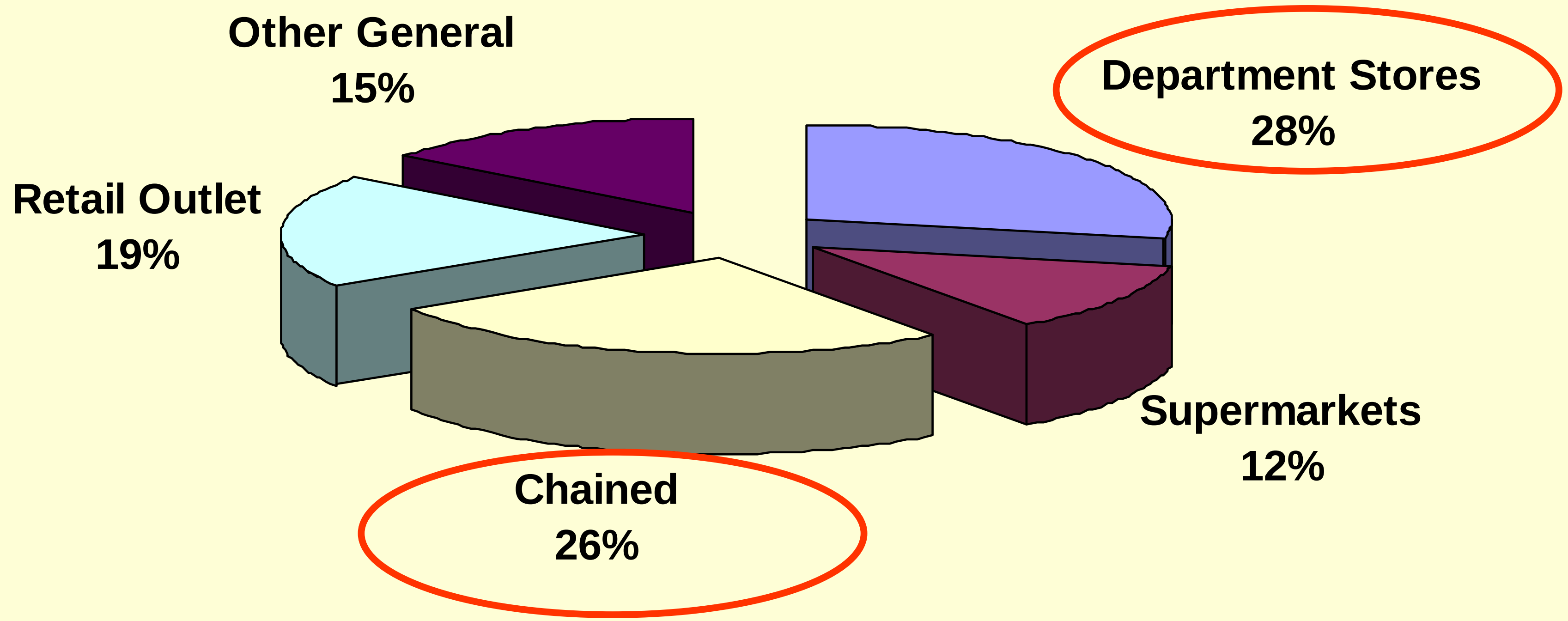
Annual Sales of Wholesale, Retail and Restaurant 1999~2006



Annual Sales of Retail Sector in Taiwan, 1999-2006

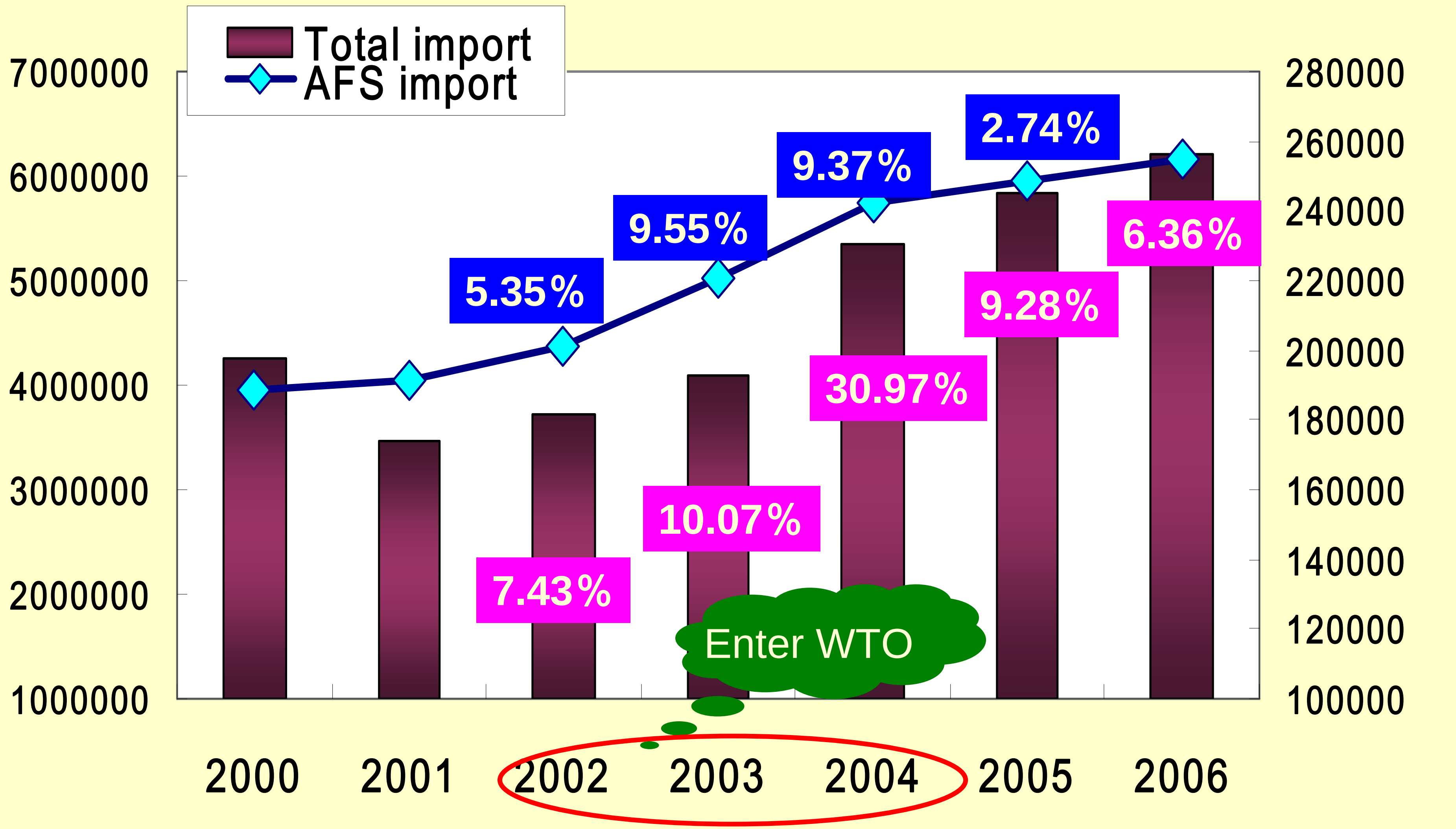


Market Share of Retail Sector -2006

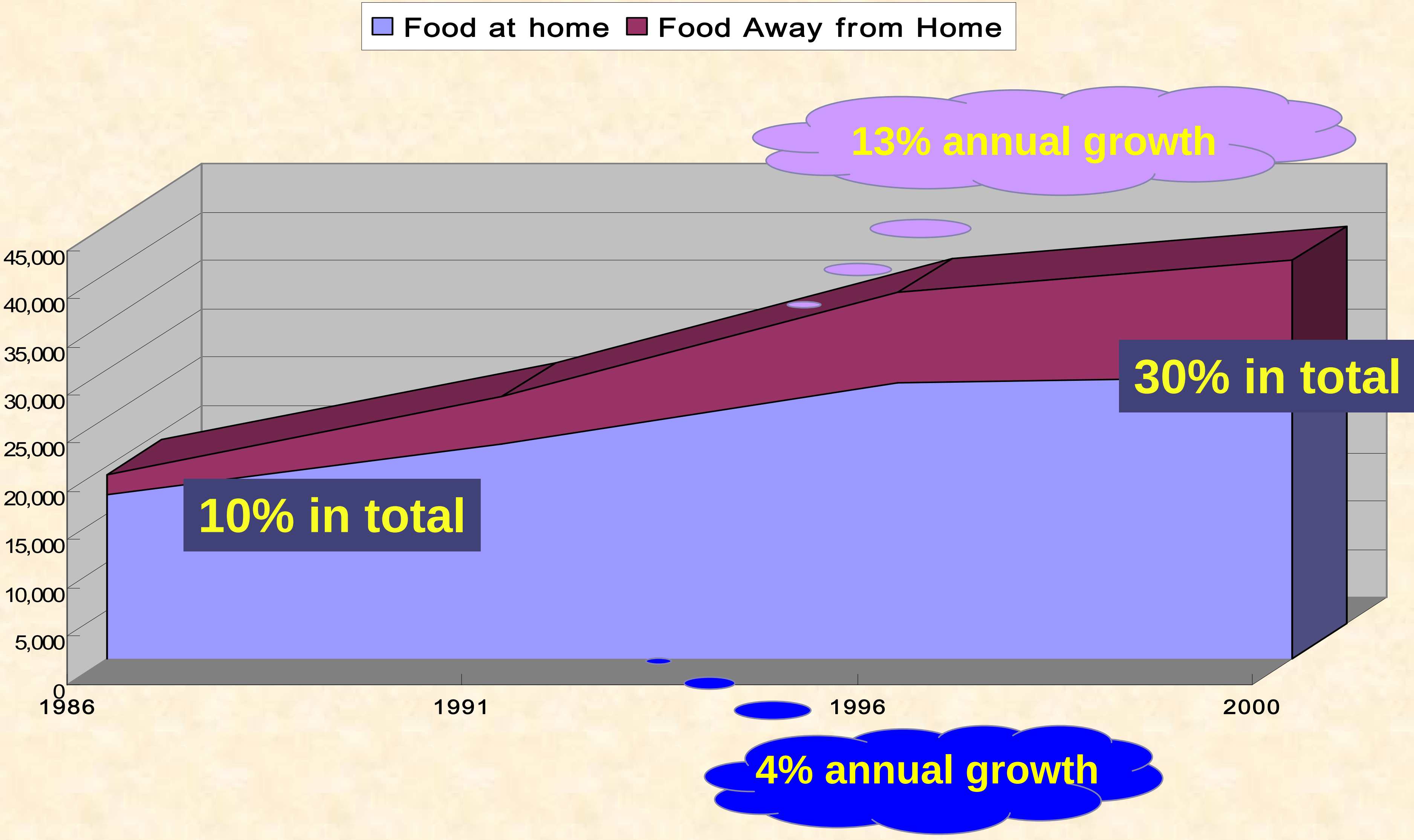


Total Import vs Agro-Food Import

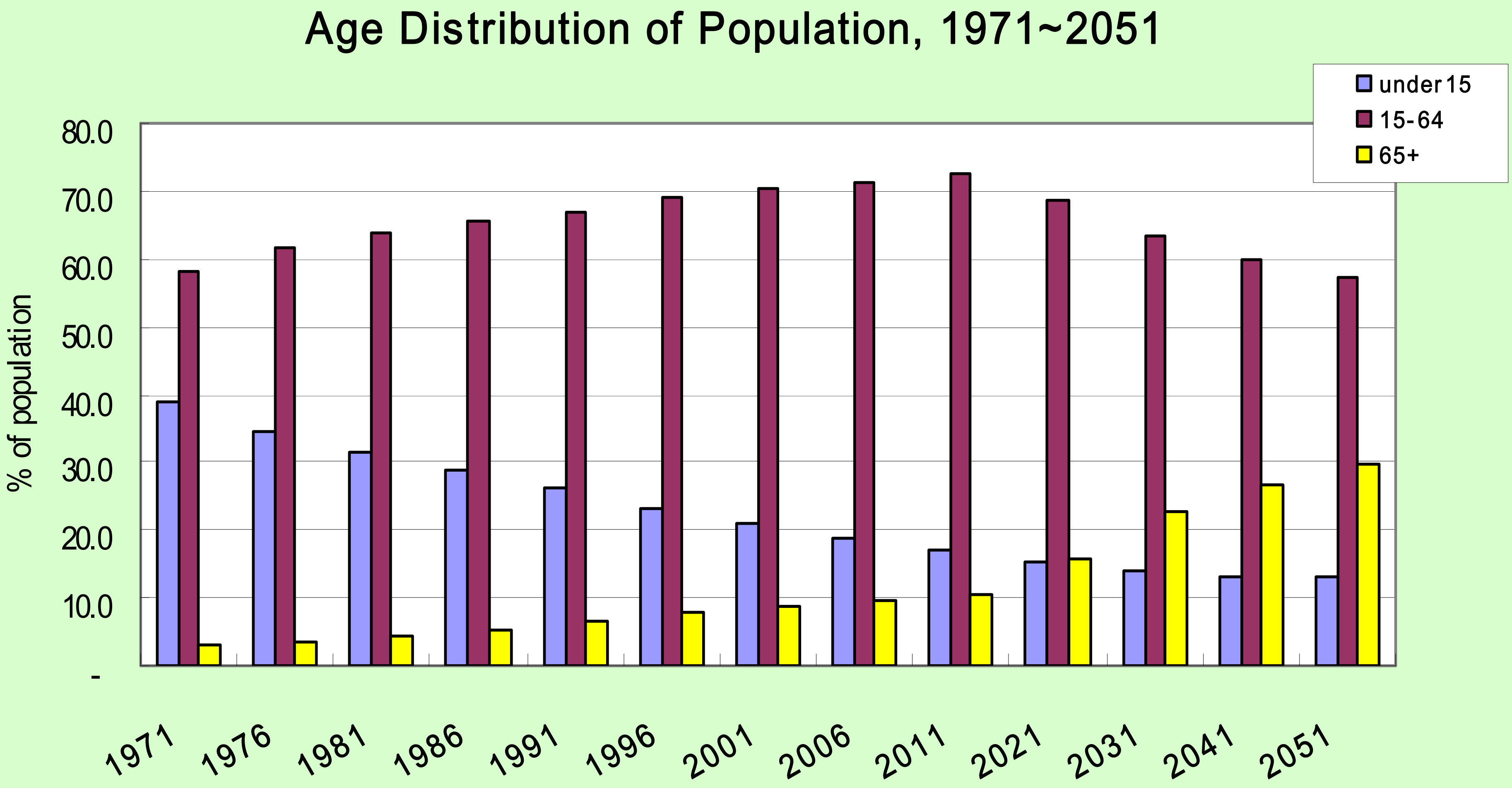
Unit: Million NT$



Food Away From Home

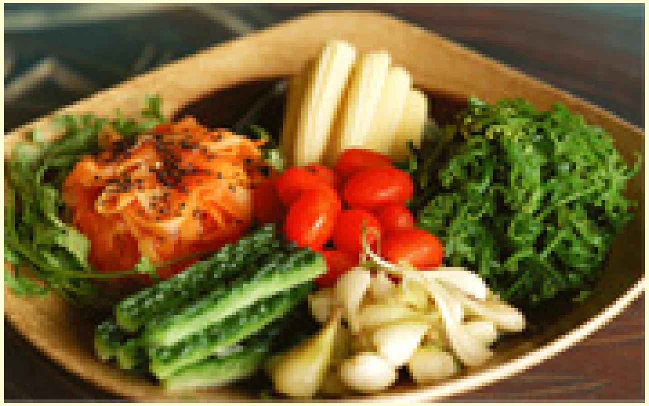


Demographic Change - Aging

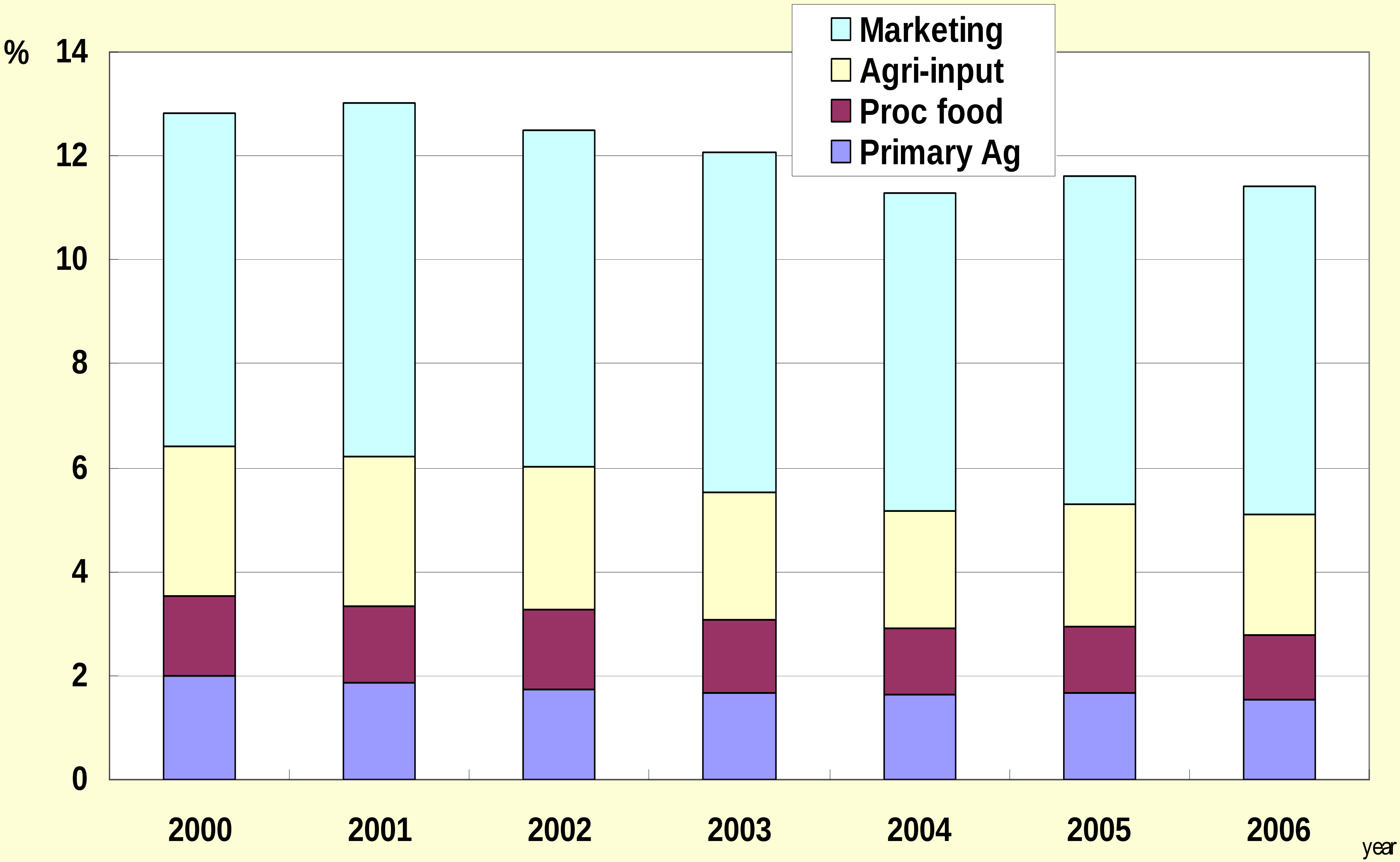


Impact on Food Supply Chain

- Food manufacturers
- Farmers



Contribution of Agro-food System to Total GDP



Food Manufacturers

- According to a study by Yang and Huang (2006) using 1995~2005 financial data of major food manufacturers and retailers
  - Manufacturers: R&D is the key to remain profitable
  - Retailers: Developing private labels to lower cost is crucial
    - Carrefour: 1000 items
    - RT-mart: 750 items
- Channel power: neither side dominates.

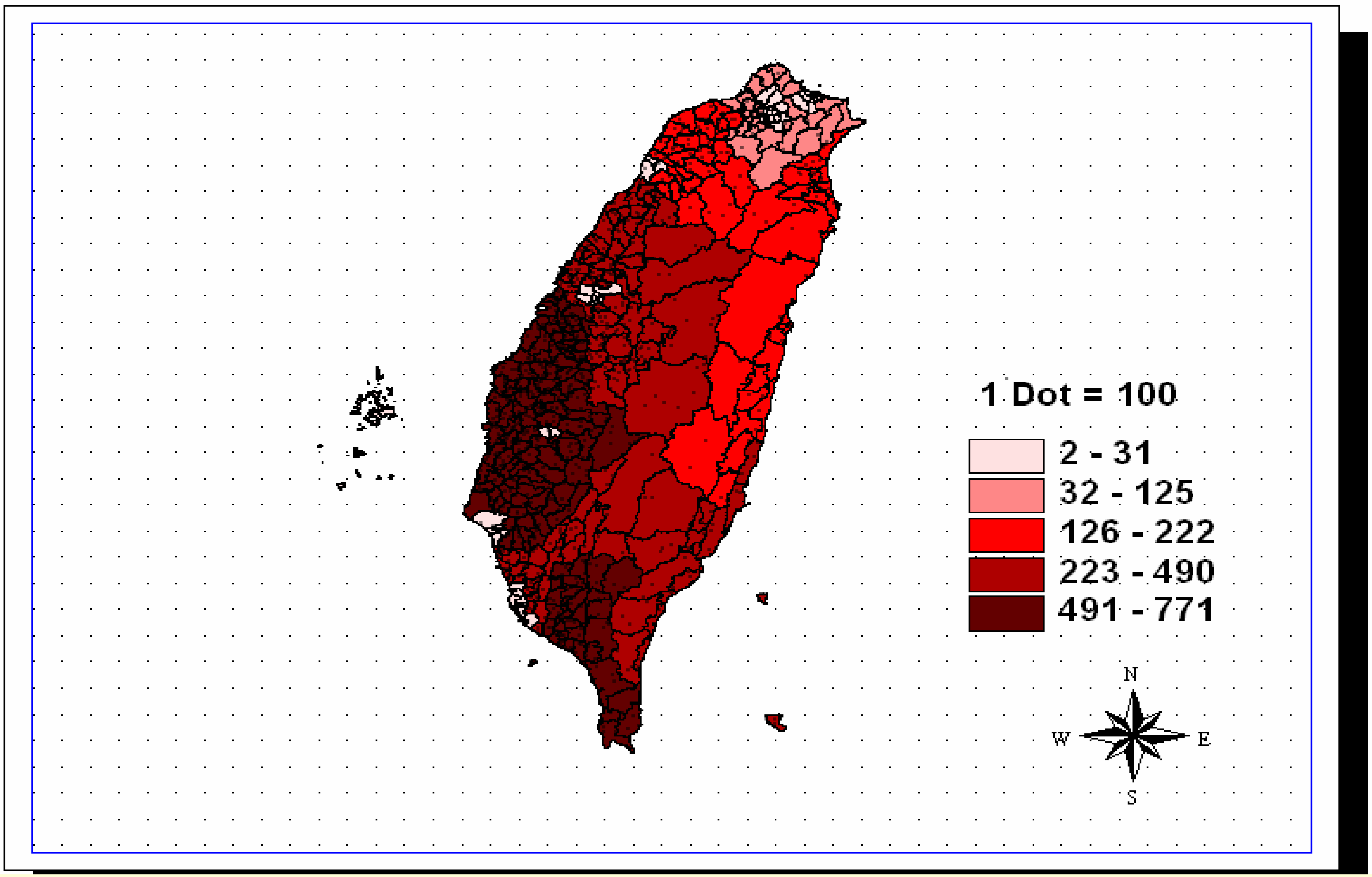
Aging Farmers

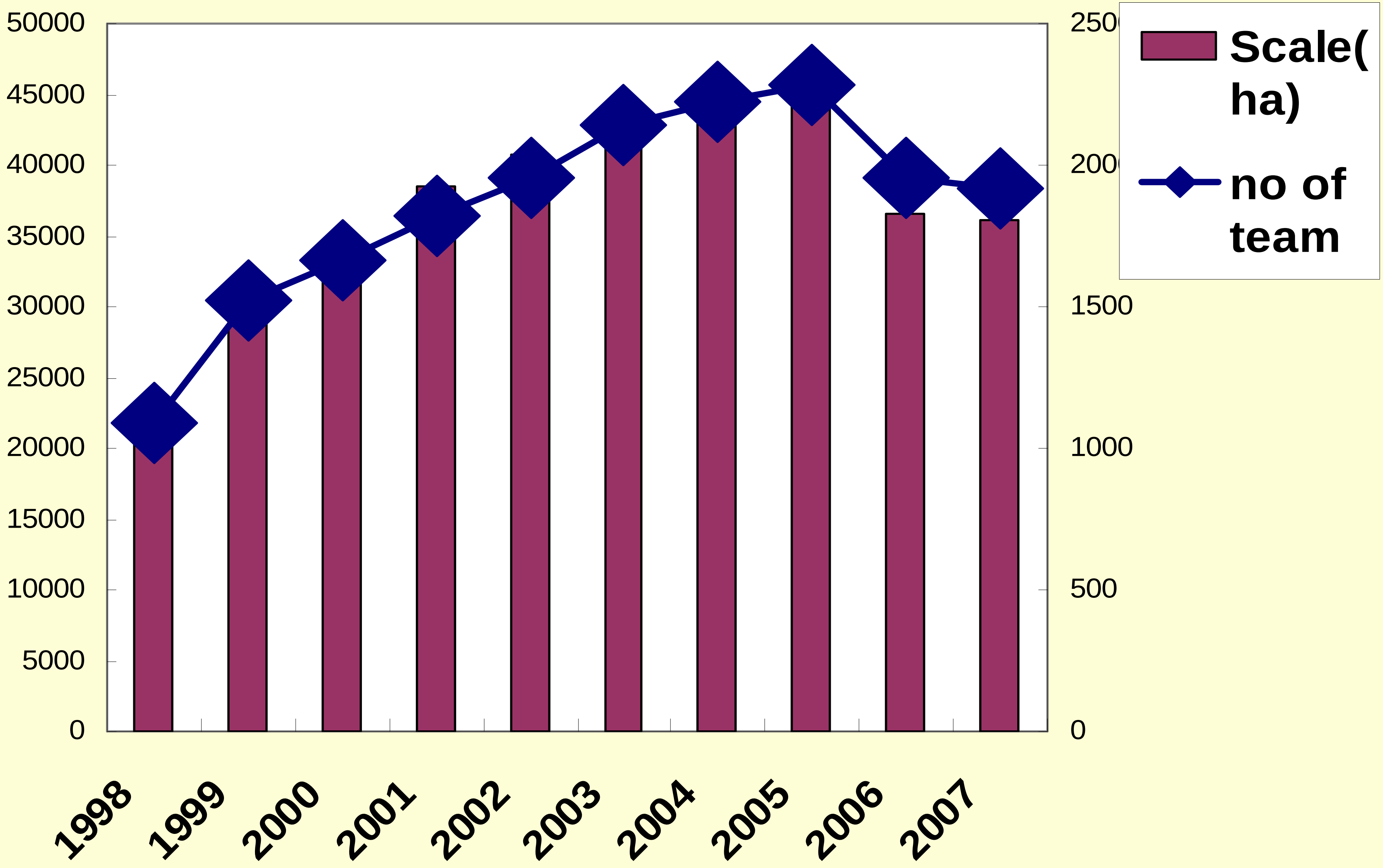
- Age 65+ in ag households:
  - 10% in 1990 => 20% in 2000
- Farm managers aged 65+:
  - 17% in 1990 => 35% in 2000
- Average age of farm managers :
  - 58.6 in 2000
  - 70% with only elementary education

Small Farms

- **Integration in the domestic market**
  - Production and marketing Co-ops
  - Infrastructure investment
  - In close contact w/SMs and large retailers
  - Upgrade FA's efficiency by joint procurement system
  - Electronic wholesale market and warehouse database system- Flower market
- **Integrated into the world market**
  - Technology (Quality, Safety and Grading)
  - Traceability
  - Export promotion

Production and Marketing Co-ops





50000
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1999
2000
2001
2002
2003
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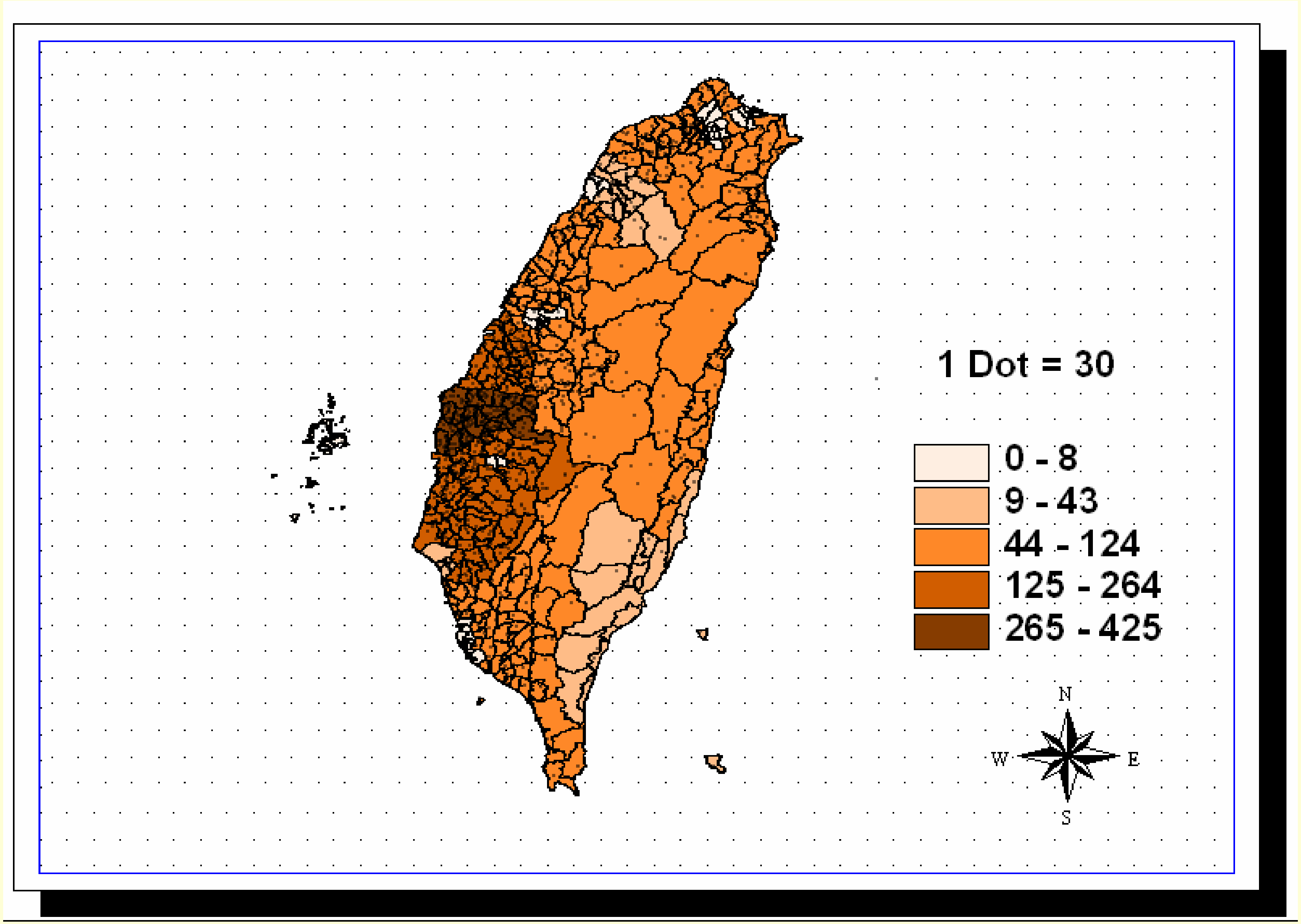
2005
2006
2007

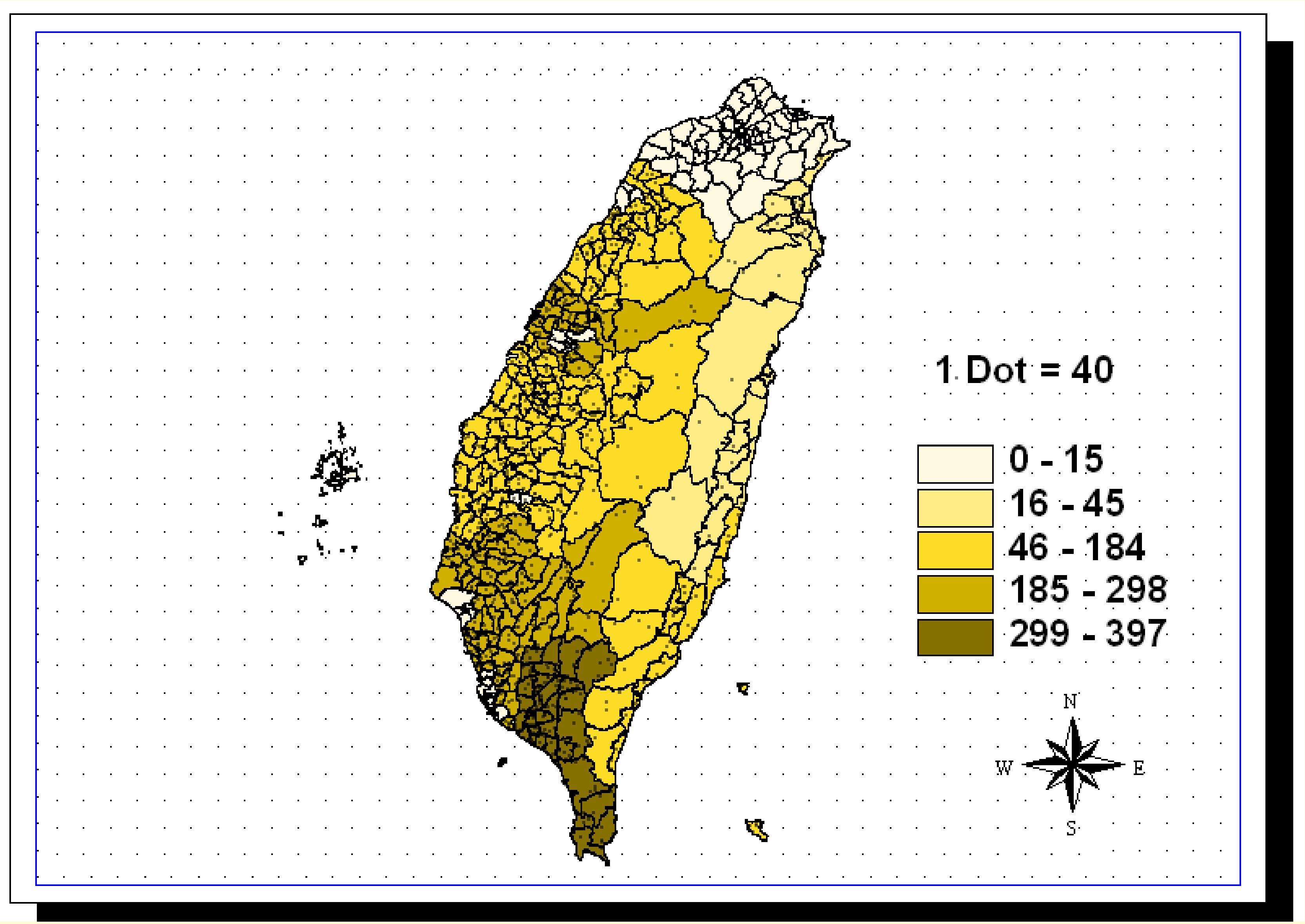
Development of co-op

- To improve control of supply sources
- to upgrade farmers’ pricing capacity.
- In 2004, fruit and vegetables from co-ops had a 59% and 61% market share in Taipei.
- Flower-90% island-wide
- About 20% farmers joined the co-ops

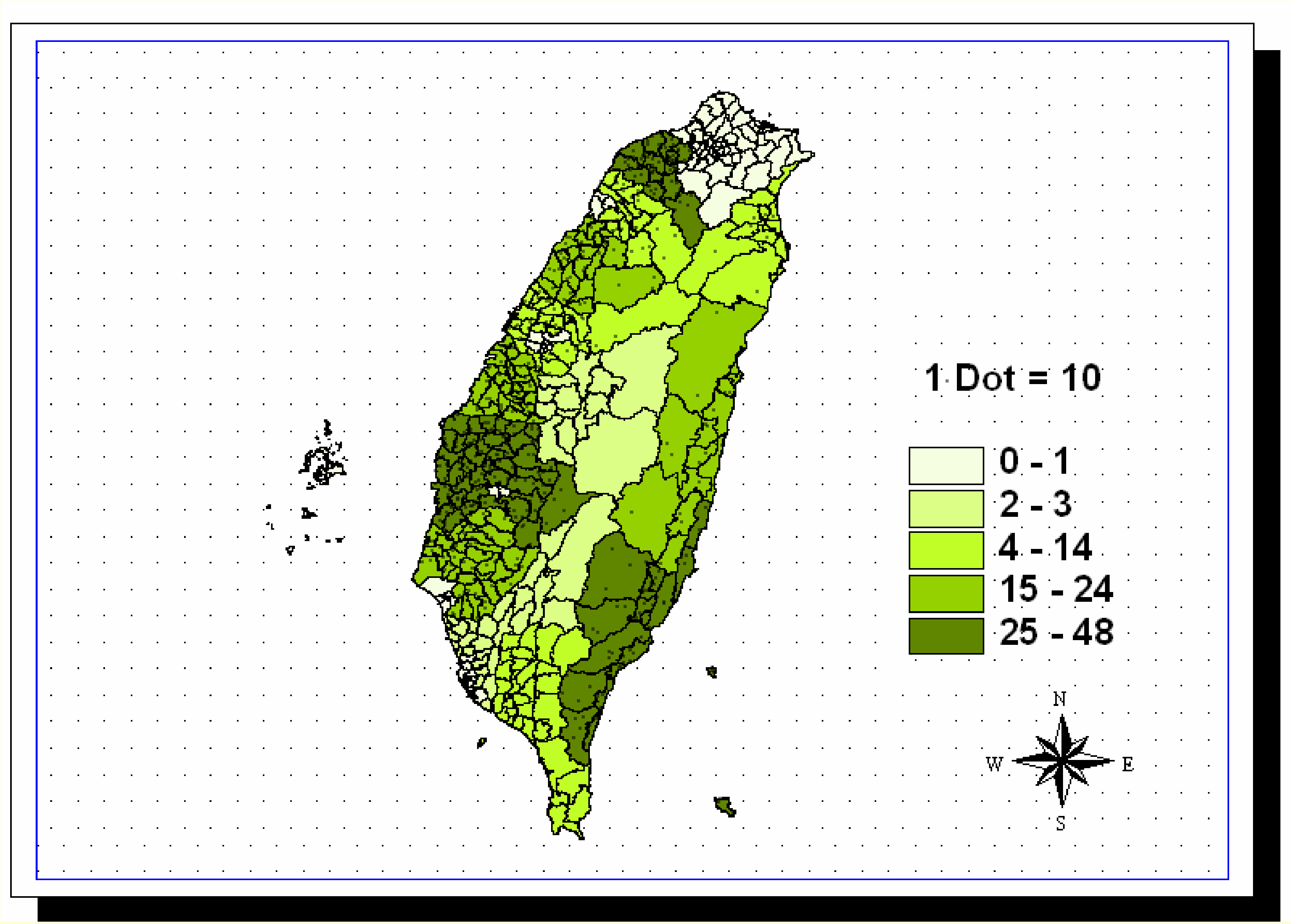
Vegetable Co-ops



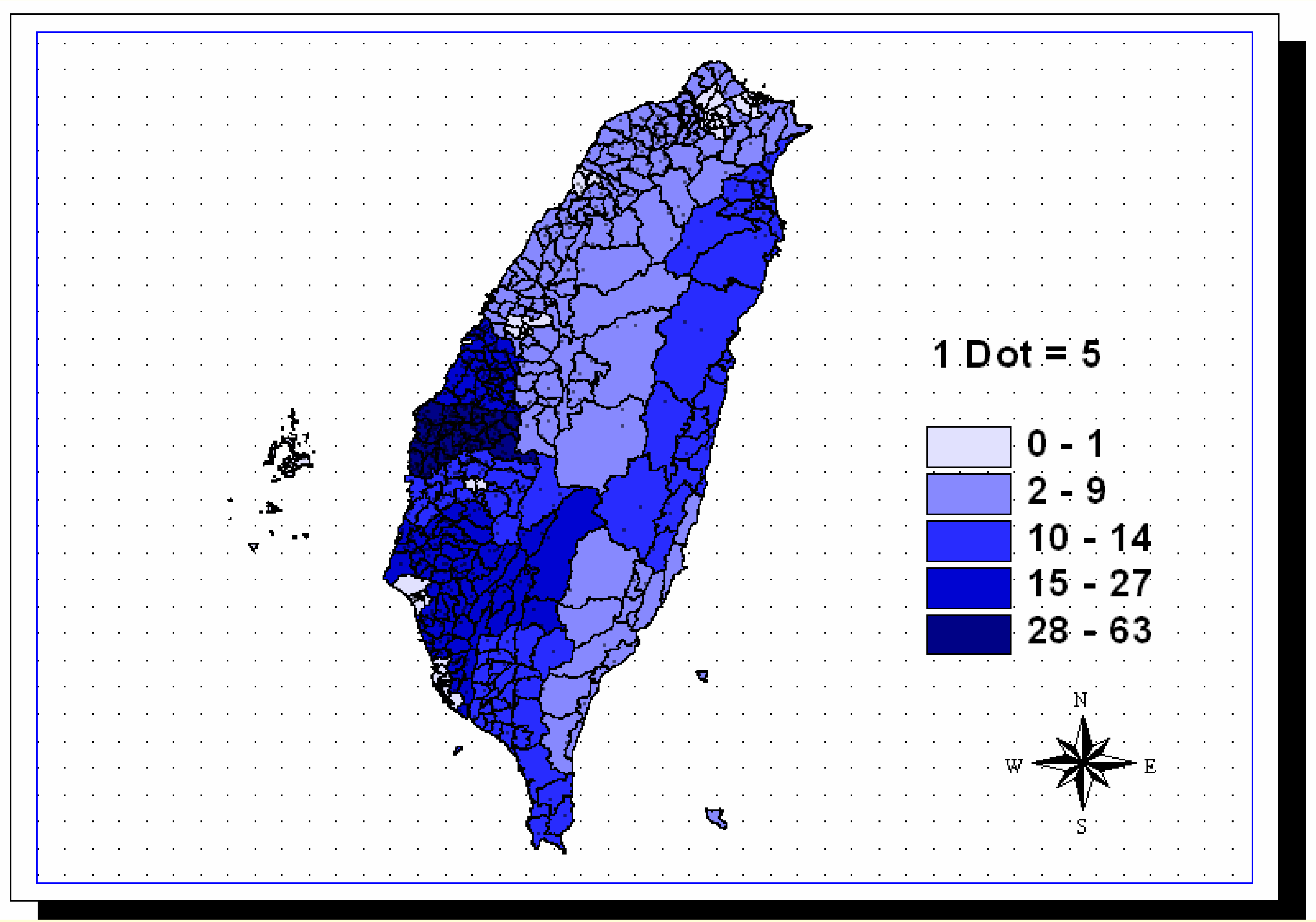
Fruit tree co-ops



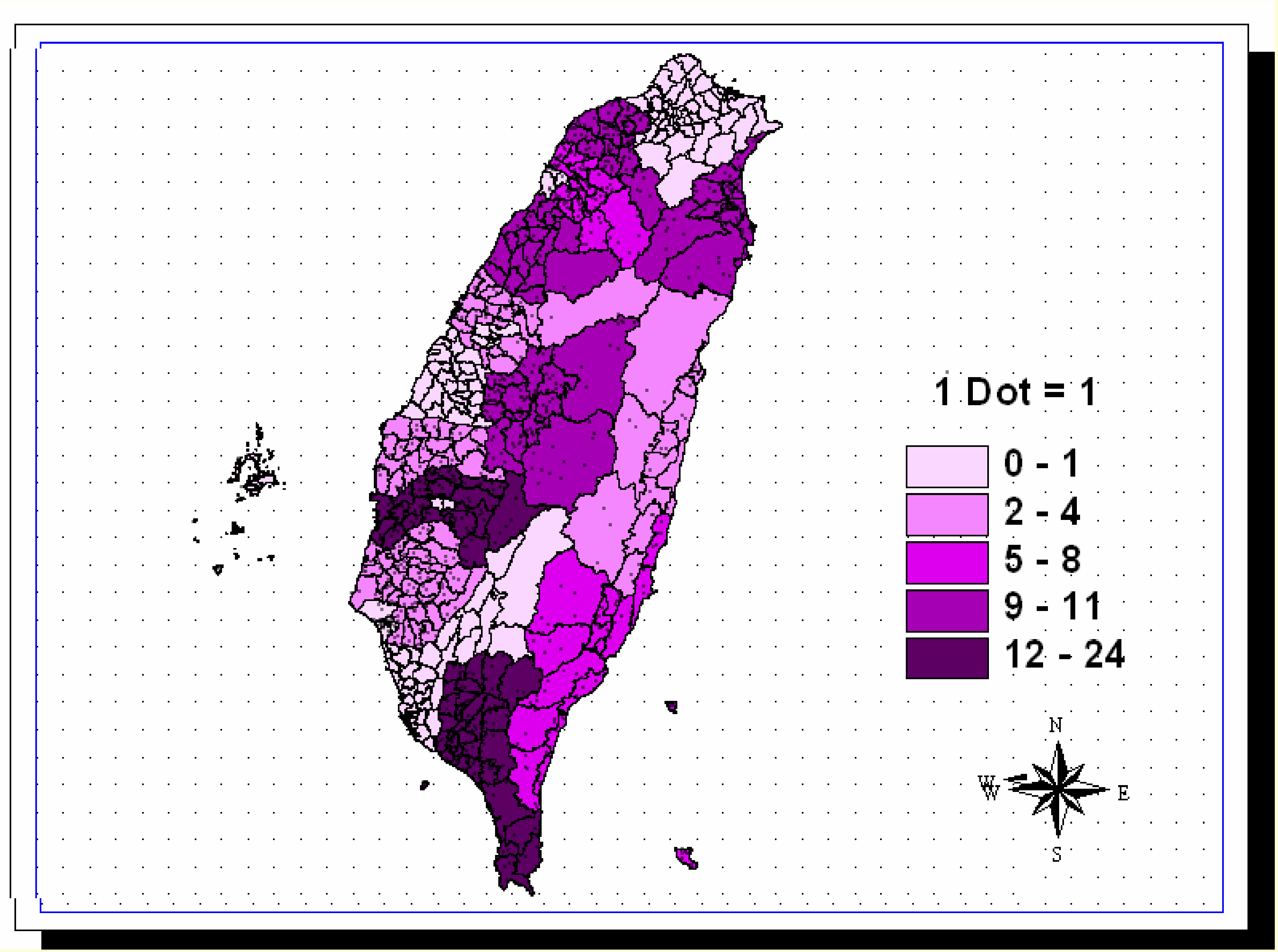
Rice Co-ops



Hog Co-ops



Broiler Co-ops



Integrated into World Market

- **Fruit:**
  - Papayas and Mangoes to Japan
  - mangoes to New Zealand
  - Total fruit exports in 2004 reached US$33 million.
  - Japan is Taiwan's largest fruit export market (accounting for 42 percent).

Agricultural Traceability System

- **In 2006**
  - Taiwan Accreditation Foundation was established
    - the first and only certified office for agri-product traceability.
  - Certified label
  - Commissioned by the Association of Logistic Management
  - 5 selected points for demonstration and promotion
    - Production co-ops
    - Wholesale market
    - Chain restaurant
    - Supermarket
    - Export company

T : **T**aiwan/ **T**raceability
A : **A**gricultural
P : **P**roduct

O : **O**rganic
TAP :
Taiwan/ **T**raceability
Agricultural
Product

U : **U**biquitous
TAP :
Taiwan/ **T**raceability
Agricultural
Product

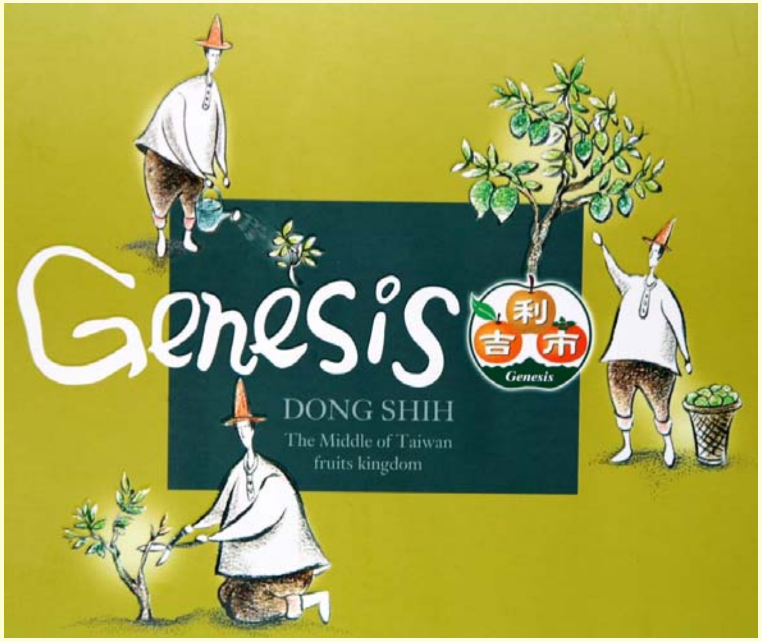
Europe and Japan will implement the traceability system by 2008 and 2010 respectively

Strategic Alliance - Grapes

- About half of the co-op members own their own grape brand names
- knowing how make use of the Internet
- grapes are mostly sold directly to the consumers

Geo-labeling by County level

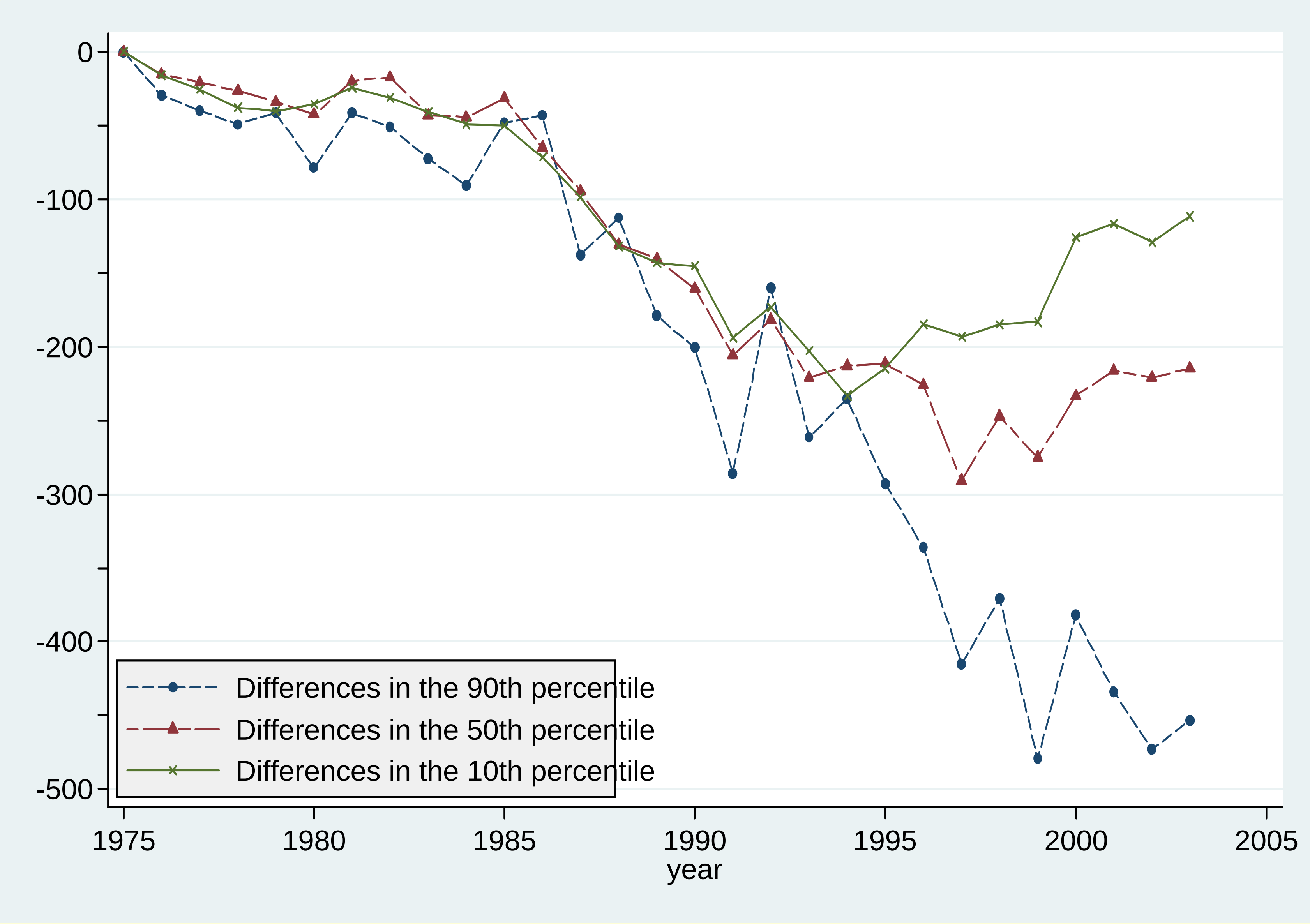
- Asian Pear
- Mango
- Organic Rice



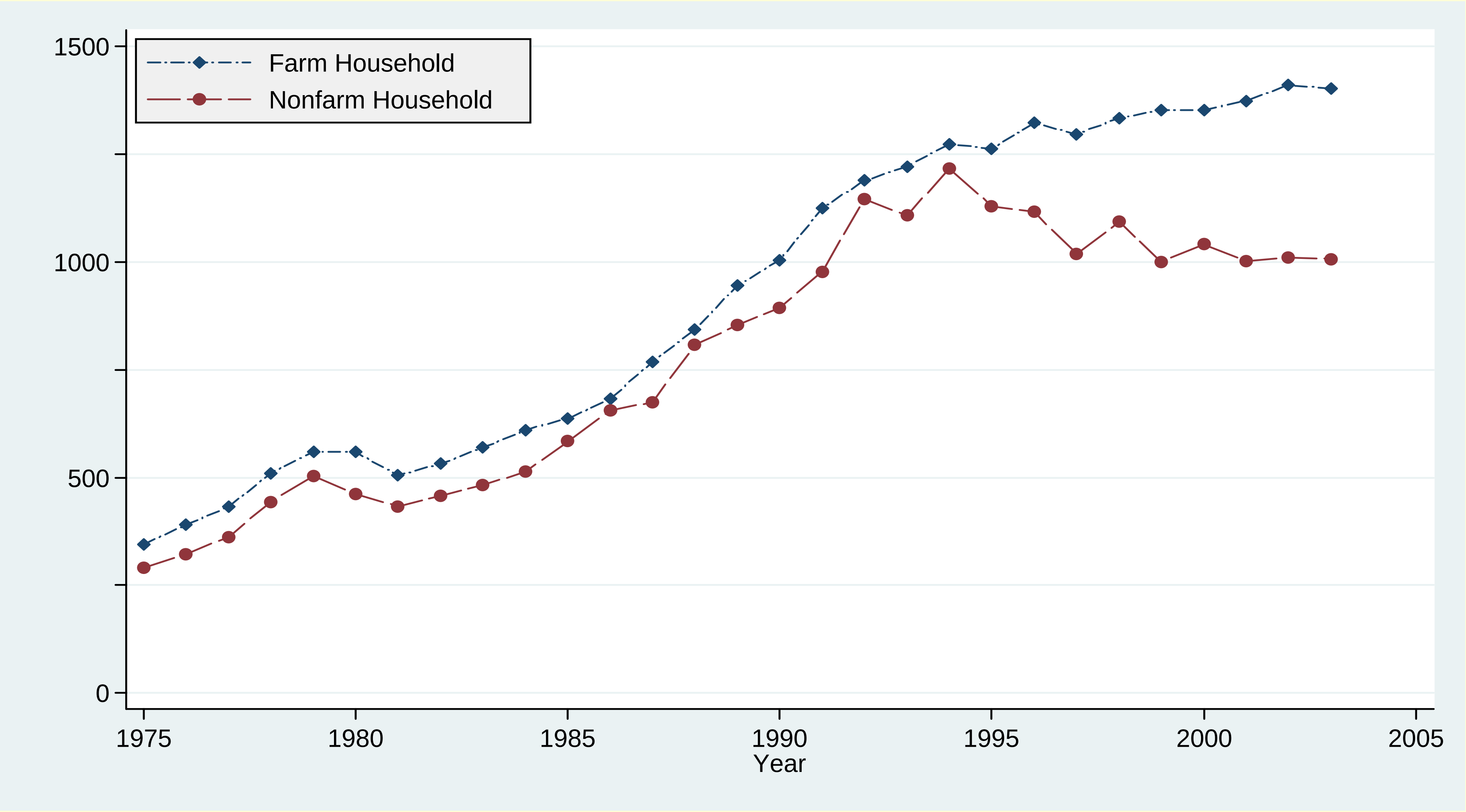
Flowers

- Advanced cultivation technology
- Enterprise-orientated
- Major export markets include
  - Japan,
  - Hong Kong,
  - the US,
  - South Korea.
- Phalaenopsis orchids are symbolic of Taiwan--leading exporter of the world

Income gap between farm and non-farm households-1975~2004



Income gap between 90 ad 10 percentile – Farm vs Non-farm household

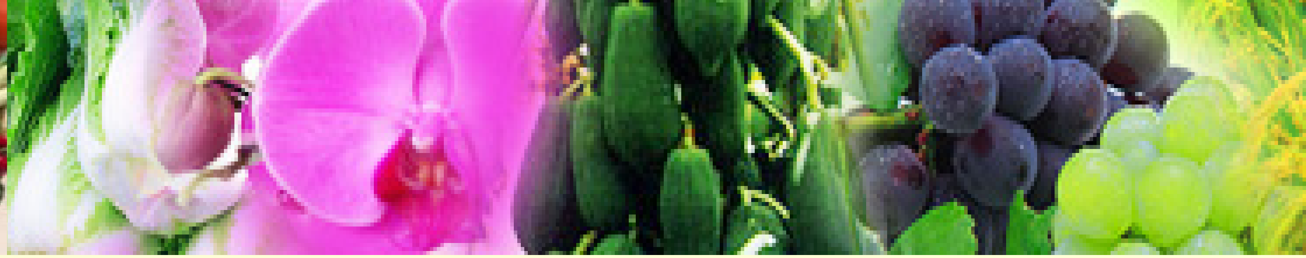


Income gap between farm and non-farm households

- **Before WTO**
  - **Enlarge over time**
  - **High income group: gap worsen faster than low income group**
- **After WTO**
  - **High income group: Improved**
  - **Low income group: Worsen**
  - **M-type society**

Recommendations

- **Food manufacturers**
  - Continuing R&D
  - Integration and cost down
- **Retailers**
  - Competition with chain stores
  - High-quality and multi-functional product lines
- **Farmers**
  - Organizations
  - Training on food safety and traceability
- **Government**
  - Food safety standard, inspection, and regulation
  - Consumers confidence
  - Export promotion



Thank You