Lost in the supermarket?

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Why the 'cheap food revolution' hasn't reached poor countries
Most people don't think twice as they pass spring apples from the southern hemisphere as they enter the supermarket, but they are participating in a cheap food revolution that has swept the industrialized world over the past couple of generations. The supermarket is the last step in a complicated global process that has changed every aspect of how we produce and consume food. In theory, the arrival of supermarkets in a country should bring with it the "cheap food" that we have enjoyed for so many years.

In a probing study, Bart Minten of the International Food Policy Research Institute asks: "The Food Retail Revolution in Poor Countries: Is It Coming or Is It Over?" Using the African island nation of Madagascar—171st out of 181 countries in the IMF's calculations of purchasing power based on GDP—as his case study, Minten shows that "cheap food" isn't so cheap for poor countries.

Multi-national chains have turned their attention to the developing world, where the demand for lower prices would seem universally higher. For instance, supermarkets jumped from 10%-20% to 50%-60% of food retail from 1990 to the early 2000s in most of South America, and free market disciples have praised the multinationals for bringing cheap food to the poor. *The Economist*, in fact, described one of the chains in Madagascar as the "Wal-Mart of Africa," and praised it for bringing low-priced goods to the poor. The problem is: the poor aren't coming.

At the heart of the problem is a classic cost-benefit analysis by the consumer. For his study, Minten showed pictures taken of various items (rice, meat, tomatoes) from the newer supermarket chains to a sample of Malagasy shoppers. The respondents overwhelmingly agreed that the multinational chains had higher quality goods, but says Minten, "when I control for quality attributes, I find that food prices in the global retail chains are 40%-90% higher than those in traditional retail markets." Malagasy shoppers were not willing to pay the high prices. Minten finds that the local markets operate at very low margins and carry local foods of widely varying quality largely untouched by modern agriculture, both of which would be unacceptable to a multinational company.

According to Minten, "it thus seems that agriculture for local consumption in poor countries will be largely bypassed by the global food retail revolution." If the chains do survive in poorer countries, they will likely remain exclusively the domain of the middle classes, especially so in the poorest African countries.

Source: University of Chicago Press Journals