

Technology and supermarket chains can help strengthen southern Africa's food systems

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Agriculture and agro-processing value chains have been under pressure during the Covid-19 pandemic. This has been particularly marked where they remain underdeveloped, as is the case in South Africa and the rest of the region.



Getty

Regulatory responses to the pandemic disrupted agriculture and agro-processing activities. For example, agro-processing systems have been slowed down by rigorous border checks. Some countries, including South Africa, closed land border [posts](#). Curfews and social distancing protocols also caused labour shortages, which in turn affected productivity.

Covid restrictions also [added to](#) the high barriers to entry generally faced by small players. Small and medium enterprises (SMEs) have [limited access](#) to finance, skills and training. They also lack access to infrastructure such as storage facilities as well as market information.

Linking small-scale farmers to markets has also been a challenge. Covid-19 restrictions on restaurants and catering have led to supermarkets being the key route to market. This has made suppliers, SMEs in particular, more vulnerable to the exertion of buyer power by leading supermarkets. Some SME suppliers are able to meet basic phytosanitary and food quality standards, but [many lack capabilities](#) to meet higher, private standards of supermarkets which place more pressure on suppliers.

The development of stronger and more localised agriculture and agro-processing [systems](#) is crucial for food security, fostering rapid industrialisation and economic diversification, and job creation beyond the crisis.

New technologies and supermarket supplier development programmes can help overcome weaknesses. They can be used to promote smallholder farmers and SME agro-processors in the region. Kenya's innovative platforms such as [Sokopepe](#), [Ujuzi Kilimo](#) and the ubiquitous [M-Pesa](#) are good examples. Sokopepe disseminates market information, Ujuzi Kilimo promotes climate smart agricultural practice, and M-Pesa facilitates mobile money transfers.

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Ihsaan Bassier, Refiloe Joala and Thando Vilakazi 14 Aug 2020





Technology solutions

Our recent research on regional growth and development, and on agro-processing value chains, has helped identify where governments and the private sector can use [technologies](#) and [supplier development programmes](#) to clear [bottlenecks](#). These keep small players out of food value chains.

There are several technology solutions already in use for agriculture and SMEs in various African countries. Kenya's [FarmDrive](#), Nigeria's [eWallet](#) and South Africa's [Traderly](#) are examples.

These platforms help facilitate loans, fast-track trade payments, and make government subsidies for inputs easily accessible to farmers. Similar financing solutions may be useful in disseminating the Covid-19 relief funds. They can also be used where government departments have limited technology and data capturing capabilities.

These technologies can also be used to combat corruption. This is because each user of these platforms has a unique identifier, ensuring that support reaches the intended beneficiary. These platforms are easily accessible, and at low cost. They only require a mobile phone and their language can be customised to the user's requirement.



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4 Feb 2021



Technology can enable smallholder farmers to access markets, locally and internationally. They could, for example, use technology to take advantage of the growing global demand for fruit. Fruits, particularly citrus, are in great demand because of their health benefits. There are real [opportunities](#) to expand in global markets. Here too there are platforms already in use. For example, Ghana's [Mergdata](#), multinational [Esoko](#), and South Africa's [Phytclean](#) offer traceability. They also offer farmers training on meeting buyer specifications, market data, and official e-certification.

Small-scale farmers in the region, however, face some challenges with adopting technologies. Some are relatively expensive. There is also the concentrated nature of agro-processing and agriculture value chains. These may result in SME farmers either [being excluded or adversely incorporated](#) into technology-driven supply chains. This would force them to incur high costs of upgrading their technologies but receiving limited rewards.

One way around this is for governments to work with the private sector to provide smaller players with support. This includes

using existing supply chains and programmes – such as those driven by supermarket groups.

Developing supplier capabilities

In the past, South African supermarket chains have [helped](#) small suppliers meet food safety requirements. They did this by providing technical assistance, business development and market readiness. They have also assisted them with climate change risk mitigation, access to infrastructure such as packhouses, irrigation facilities and distribution centres.

The impact of these programmes was limited because they were ad hoc and in place for short periods. They were typically undertaken as part of corporate social responsibility and done to [comply](#) with the country's measures aimed at increasing the participation of black South Africans and firms in the mainstream economy.



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Interviews for our research conducted with some supermarkets suggest that there is a positive move toward more long-term, commercially oriented and mutually beneficial programmes. These go beyond limited corporate social investment or responsibility initiatives. [With this approach](#), supermarkets 'project manage' a supplier, using turnaround strategists and industrial engineers. Financial managers assist a supplier with the management of working capital, which is a key constraint for small businesses.

This approach can help improve the efficiency of a supplier and reduce warehousing and transport costs – all of which should also benefit a supermarket chain.

There are potential downsides too. The close management and tighter control exerted by a supermarket over a supplier can lead to governance problems, including a lack of independence and control over company decision making for SMEs. The arrangement can also give a supermarket chain stronger bargaining power, leading to poorer terms of trade for the SMEs.

Next steps

For technologies and supermarkets to be key drivers of more resilient food systems in the region, governments must provide the enabling infrastructure.

For example, governments can promote technology adoption by releasing additional spectrum to encourage competition in telecoms. This can over time reduce data costs for internet-related technologies and improve connectivity in farming areas.

When it comes to the role of supermarkets, governments must ensure that terms of trade are fair for smaller suppliers. The [buyer power](#) regulations enacted in South Africa in 2020 go some way to doing this.

The recent approaches used by South African supermarkets need to be broadened, deepened and replicated across the region, which would benefit from a [regional retail charter](#). Drawing on the positive lessons from the [Namibian Retail Charter](#), the regional charter would seek to ensure fair relations between suppliers and supermarket chains. The charter could also be useful in ensuring that southern African food systems are better prepared to deal with crises such as Covid-19.

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