

Whither the Pin Factory? Modern Food Supply Chains and Specialization in India

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Abstract

What is the relationship between smallholder participation in modern food supply chains and their degree of economic specialization? We investigate this research question by looking at whether there is a systematic relationship between whether a household grows crops for a supermarket chain—participation in the supermarket channel—and how concentrated among fewer crops are that household's total landholdings and its output. Using longitudinal data from India, we find that there is no relationship between whether a household participates in the supermarket channel and that household's Herfindahl–Hirschman index for land, but there is a robust statistically significant and negative relationship between whether a household participates in the supermarket channel and that household's Herfindahl–Hirschman index for output. These findings hold true at both the extensive margin (i.e., when considering whether a household participates in the supermarket channel) and the intensive margin (i.e., when considering how much of a household's marketed output is sold through the supermarket chain). This suggests that instead of fostering a greater degree of specialization, participation in modern food supply chains might lead to greater diversification.