

Inclusiveness, Technology and Profitability in Supermarkets: SUR Model Results from Semi-Arid Region

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Abstract

Enhancing productivity is not a sufficient condition to raise the farmers' income and enabling higher share of consumers' price through 'disintermediation' holds the key to this. This latter task needs ways and means to obviate market failures in developing countries perpetrated by missing markets, infrastructural bottlenecks and limitations of the state. Rapidly progressing agri-food system transformation across these countries presents solutions to some of these problems. Diffusion of supermarkets took off in the first few years of the new millennium and they have been procuring directly from the farming community through collection centres. Evidence shows that this can improve technology adoption and profitability, though concerns of exclusion remain. This paper analyses vegetable growers' farm household data from semi-arid region in South India for inclusiveness, technology adoption and profitability using Probit model in the first stage and seemingly unrelated regression in the second stage. Besides ordinary least squares, Tobit model is used as a robustness check to find out determinants where the share of produce sold to the new market channels is used as dependent variable. The results indicate inclusiveness of these value chains subject to the possession of irrigation resources. The participation resulted in higher adoption of new technologies in inputs and also higher income. These findings need to be cautiously interpreted as this paper uses data from the initial years of supermarket procurement in a particular agro-climatic zone and lacks a panel data approach.