

Making Supermarkets Profitable for India's Small Farms

Research shows that farmers who sell to supermarkets receive a 14% increase in income

Study Overview

To better understand the impact of supermarkets on smallholder farmers in India, researchers analyzed field survey data collected from 795 farm households across four states representing India's varied agroclimatic and socioeconomic regions. Roughly half of respondents sold crops to supermarket procurement centers in their villages, while the rest sold only through traditional markets.

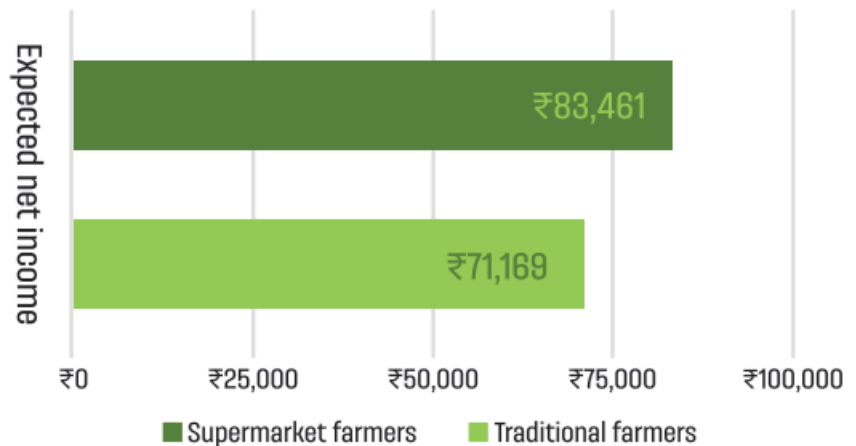
Background

Over the past two decades, supermarkets have spread rapidly in India, although presently food retail tends to be small-scale and fragmented. Some experts predicted that the rise of supermarkets and their rural procurement centers would benefit smallholder farmers by reducing their transaction costs and improving their access to markets. Others, however, feared that the high standards for quality, consistency, and volume upheld by supermarkets would be difficult for smallholders to maintain, offsetting any additional profits or excluding smallholders altogether.

RESULTS

Based on their analysis, the researchers found that farmers who sold to supermarkets saw a 14% increase in their net income. The expected net income of a farmer selling to supermarkets was ₹783,461, compared with ₹771,169 for a farmer selling to traditional markets. The researchers also discovered several factors that influence whether farmers sell to supermarkets. While farm size was generally not a predictor of whether a farmer sold to supermarkets, smaller farms were less likely to do so, possibly due to a lack of resources. Specialized vegetable farms and those equipped with irrigation were more likely to sell to supermarkets.

Impact of Supermarkets on Farmer Incomes



POLICY RECOMMENDATIONS

- Provide more farmers with the option to sell to supermarkets by incentivizing the expansion of procurement centers in rural areas.
- Develop small farmers' capability to sell to supermarkets by investing in irrigation and vegetable-production extensions services.

Nuthalapati C., Mishra A., Pingali P., and Reardon T., Determinants and Income Effects of Small Farmers Selling to Supermarkets versus Traditional Market Channels in Four Regions of India, *Economic & Political Weekly*, Vol. 59, Issue No. 44-45, November 2024.

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