

The Phantom of Upgrading in Agricultural Supply Chains



8 September 2021 – The International Center for Development and Decent Work (ICDD) launched its latest book in a special webinar, featuring researchers from three continents. ‘The Phantom of Upgrading in Agricultural Supply Chains: A Cross-Country, Cross-Crop Comparison of Smallholders’ is the third volume on agriculture in the Global South produced as part of the ICDD’s collaborative project on global agricultural value chains. After documenting the decent work deficit in agriculture (2018) and highlighting the agricultural occupational health and safety challenges (2019), this book sets out to probe the economic and social upgrading possibilities for owners and tenants of small farms, as well as their workers. Covering 13 case studies, the ICDD brought together researchers from Bangladesh, Brazil, Colombia, Germany, Ghana, India, Pakistan, and Vietnam for a better understanding of the upgrading possibilities in agriculture.

Participation in global value chains does not necessarily lead to upgrading

Dr. Ismail Karatepe, ICDD Graduate School Coordinator, emphasized that this topic is vital due to the increase in the trade of agricultural products since the 1960s, as well as the challenges of securing decent work and effective participation of smallholders in global value chains. While international organizations encourage small farmers to become part of agricultural value chains, critics point out its risks. "In this book, we show that participation in global value chains does not necessarily lead to upgrading, and that it can also bring downgrading for farmworkers", Karatepe stressed. Furthermore, economic upgrading does not necessarily lead to social upgrading. The book therefore underlines the central role of collective action and a supportive state for upgrading.

Global Food Systems in Transition

Prof. Walter Belik, retired Full Professor of Agricultural Economics at Unicamp’s Institute of Economics in Brazil, emphasized that we live in a transition phase in global food systems. While the “Fordist food regime” was characterized by distance and durability, we are transitioning towards a “new regime of variety” based on cheap labour and year-round supply, in which small producers can generate more value by using private certifications. “Markets are not given, but they are built”, Belik emphasized.

The major question raised is how to promote transition to a sustainable food regime in a situation where the critical forces are increasingly disorganised and disrupted by COVID-19. There is also a weakness in public regulation of the health system, and this makes room for private certification

mechanisms. Nevertheless, with the stronger organisation of workers and small producers, it is possible to overcome the productivism paradigm.

Smallholders in the rice value chains in India

Dr. Manish Kumar, Assistant Professor at the Department of Economics, Delhi School of Economics, University of Delhi, argued that India is crucial for global value chains, detailing how close to one quarter of global of international trade of rice is coming from India alone. Decent work conditions were measured through parameters such as estimated wages and number of permanently employed, which vary across regions.

Kumar described how state intervention and public procurement agencies are shaping overall value systems. They create varying patterns of value chain construction, while related policies pose an important factor in shaping end markets. In two examined cases (Punjab and Bihar), the state intervenes via input and price support, as well as fertilizer subsidies. Furthermore, land tenure structures and involvement in formal and informal credit mechanisms affects the economic and social conditions of farmers. Other actors like local trades, processors and wholesalers are making profit, whereas farmers are not profiting much.

Mango trade and production in Brazil

Dr. Thales Augusto Medeiros Penha, Assistant professor at the Department of Economics, Federal University of Rio Grande do Norte in Brazil, emphasized the increase in mango trade in the last two decades and talked about the social and economic conditions in Brazil, as well as different types of economic upgrading. Social upgrading was addressed in the context of decent work and instability of the labour market, which is caused by seasonal hiring and layoffs. Although there is some heterogeneity within regions in terms of producer types and sizes, 70% of producers are small-scale farmers. They conduct sales through middlemen or public procurement and face challenges such as asymmetrical power relations and difficult access to credit. Large farmers tend to form cooperatives and sell directly to domestic or international markets.

In terms of value capture along the chains, there is severe inequality. Field workers get only 2% in domestic markets and 4% in international markets. Retail profit margins for wholesalers and retailers account for 1/3 of all the value generated.

Coffee sectors in Colombia, Brazil, Vietnam, and India

Dr. Daniel Hawkins, director of Worker-Driven Labor Enforcement Centers in Colombia, covered the coffee sector in four countries (Colombia, Brazil, Vietnam, and India), which account for 60% of world coffee production. He detailed how many formal and informal workers are employed in the coffee sector in these countries and varying levels of yields.

Prior to deregulation of the world coffee market and international coffee agreements in the 1990s, there was strong state intervention. After that, some governments went down the deregulatory path and refocused their efforts on the liberalisation of trade and production. Some upgrading has taken place in the areas of mechanised process and economies of scale, although workers are often left out of the equation and struggle to secure stable employment. Mechanization can lead to more formal employment opportunities for a small number of workers, while some seasonal workers will lose their seasonal employment due to mechanization.

Lastly, Hawkins identified lack of cooperatives as one of the main hindrances to economic and social upgrading and gaining more bargaining power.

Lessons for the future

Prof. Dr. Christoph Scherrer, professor of globalization and politics and director of the ICDD, stressed that factors influencing social and economic upgrading include perishability, mechanisation, foreign exchange, and nutritional importance. Upgrading does happen, but often just for smaller groups. Major hurdles exist for producers vis-à-vis players like international buyers, unless there is strong organising. Creating one's own brand to access consumers more directly is one way to ensure upgrading, but it is costly and requires collective action. As for certification, it comes at a very high cost for smallholders and is not a guarantee for better prices.

Thus, successful economic upgrading does not necessarily lead to a trickle down in better working conditions. Furthermore, there is a disconnect between product markets and the labour market, which has its own rules, follows the logic of supply and demand, and produces a system of power asymmetries.

This power is embedded in a wide net of institutions. "It is the neoliberal historic bloc that allows these actors to exercise more power over smallholders. Therefore, collective action is a prerequisite to successful economic and social upgrading. Weak groups need more political support from stronger groups, who also have to raise awareness about the plight of smallholders," Scherrer underlined.

Upgrading remains a "phantom" for too many

Prof. Praveen Jha, Professor of Economics at the Centre for Economic Studies and Planning (CESP) in India, placed the debate in the framework of value systems – a concept that explains who benefits and who controls trade and production. Two distinct paradigms are managerial one, driven by triumphalist mainstream economics, and secondly, there is alternative framework of political economy. The featured book is rooted in the latter approach, which explores power resources and asymmetric and collective action.

Jha also identified the way the authors base their conceptual models in case studies and their findings as one of the main strengths of the book. He also encouraged to root discussions on global value chains with concepts of imperialism. He concluded that the book ultimately reminds us that there is still very little being accomplished in terms of upgrading for workers, and that upgrading remains a "phantom" for the majority of them.

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