

**REPORT ON THE FAO/AFMA/FAMA REGIONAL
WORKSHOP ON THE GROWTH OF
SUPERMARKETS AS RETAILERS OF FRESH
PRODUCE**

**4 – 7TH OCTOBER 2004
KUALA LUMPUR, MALAYSIA**

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PART 1 : INTRODUCTION

The FAO/AFMA/FAMA Regional Workshop on The Growth of Supermarkets as Retailers of Fresh Produce was convened in Kuala Lumpur, Malaysia from 4th to 7th October, 2004. The workshop was attended by 61 participants representing eleven countries, the World Bank, the Government of the Netherlands, FAO, and AFMA. The participating countries were Bangladesh, India, Indonesia, Malaysia, Myanmar, Pakistan, Philippines, Republic of Korea, Sri Lanka, Thailand and Vietnam.

Participants represented supermarket companies, other private sector marketing and agribusiness companies, farmer organizations, government departments, development agencies, research institutions, wholesale markets and AFMA members. The full list of participants is attached as Annexure 1.

The workshop was opened by Y.B. Dato Seri Haji Mohd. Shariff bin Haji Omar, Deputy Minister representing the Minister of Agriculture and Agro-based Industry, Malaysia. Welcoming speeches were delivered by Mr. Azizi Meor Ngah, Chairman of FAMA, Mr. Andrew W. Shepherd, representing FAO, and Mr. M.R. Satyal, Executive Director of AFMA. The texts of their welcome speeches are attached as Annexures 2 – 5.

The workshop discussed 22 papers presented by supermarket chains, a wholesale market, produce suppliers, farmers associations, government departments, researchers and AFMA members. Two additional papers were distributed without discussion due to limited time. A final session discussed conclusions and recommendations. These were finalised by E-mail after the workshop, and are presented in Part 2 of this report. A field visit was made to a fruit farm and packer in Mantin, Negeri Sembilan to observe the packaging operations of fruits to supply to supermarkets in Malaysia as well as for export. A visit to a hypermarket to observe its operations was also included. Workshop participants also attended the opening ceremony of the Malaysian Agriculture, Horticulture and Agro-tourism Show (MAHA 2004), which was presided over by the Prime Minister of Malaysia Y.A.B. Dato Seri Abdullah Haji Ahmad Badawi, and visited the exhibition. The program of the workshop is presented as Annexure 6.

PART 2 - CONCLUSIONS AND RECOMMENDATIONS

Following four days of deliberations, the workshop arrived at the following conclusions and recommendations:

- 1) Participants expressed their appreciation to FAO and FAMA for funding the meeting and their gratitude to FAMA for the excellent hospitality provided.
- 2) By bringing together representatives from different stages of the supermarket supply chain, the workshop aimed to develop a better understanding of the issues that needed to be addressed in relation to supplies of fresh produce to supermarkets. There had been a rapid growth in the importance of supermarkets as fresh produce retailers in many countries of the region and this growth was almost certain to continue.
- 3) At the same time, traditional retail outlets, such as small shops, wet markets and roadside stalls, remained for the time being the dominant suppliers of fresh fruits and vegetables in most, if not all, countries of the region.
- 4) Participants noted that supermarket purchases involved not only larger quantities than traditional marketing systems but had also led to the development of new procurement systems. Larger supermarket chains throughout the region had reduced purchases through traditional wholesalers and now dealt directly with farmers or with specialized suppliers. Traditional channels were unable to supply the quantity, quality and consistency required by supermarkets and were unable to meet their price requirements. Moreover, consumers and supermarkets were becoming increasingly concerned with issues of food safety, but traditional channels were unable to provide the traceability required in order to identify sources of unsafe products.
- 5) Participants considered that farmers needed to become more efficient in order to be able to make the investments necessary to meet the requirements of supermarkets in terms of quantities, qualities and logistics. They noted an apparent contradiction between the desire of supermarkets to obtain produce for the lowest price possible and their insistence on improved quality and safety guarantees. This was a reason why only more efficient farmers would be able to successfully supply supermarket chains in the long run. Considerable concern was therefore expressed that supermarket growth would have a negative effect on small, relatively inefficient farmers and, in time, may lead to many of them moving to other occupations, unless new models of farmer organization to supply supermarkets could be developed.

6) Several ways in which farmers are linked to supermarkets were reviewed. These included the farmer-support activities of FAMA in Malaysia and the 'MALAYSIA'S BEST" program with accredited farmers; an Indonesian wholesaler providing dedicated supplies to one supermarket chain; the support and buying arrangements provided for small Indian farmers by one supermarket company; cooperative marketing arrangements in Korea; and contract farming arrangements and other procurement methods of agribusiness and supermarkets in Bangladesh, Malaysia and Vietnam. It was felt that no one model for farmer-supermarket linkages could be recommended, with the best practice depending on the particular environment. The support of FAO to help countries develop suitable models for small farmers supplying to supermarkets was requested.

7) Supermarkets generally preferred to deal with individuals, whether farmers or wholesalers. Participants noted with interest the experiences of vegetable "clusters" in northern Mindanao in the Philippines, but noted that this tended to work because of coordination activities provided by larger "leading farmers". Participants were unable to identify other successful examples of farmers working together as groups or associations in order to supply supermarkets. Participants took note of contract farming arrangements in Malaysia between Area Farmers' Organizations and agribusiness and supermarkets for the production and supply of chilies, groundnuts and asparagus and of contract farming arrangements for an agribusiness concern in Bangladesh. However, it was noted that there were difficulties associated with contract farming in the region, due partly to failures of both farmers and companies to honour contracts.

8) Future relationships between farmers and supermarkets needed to be flexible but must be based on a sustainable vision of partnership. They needed to recognize that the major concern of farmers was to avoid risk. Constant communication was necessary between farmer and buyer. While expecting that farmers would meet their supply obligations and not make sales on the open market when prices were higher, supermarkets also had to be prepared to accept agreed quantities of produce from farmers at contracted prices. Several approaches to price setting were reviewed. It was noted that supermarkets used both fixed and variable pricing techniques. Whatever system is adopted, it must be transparent. Difficulties farmers faced in making consistent supply commitments due to social and religious obligations were also highlighted.

9) Participants noted that it was quite normal for supermarkets to delay payment to suppliers for as much as 90 days but also noted that at least one Vietnamese supermarket chain and one Philippines chain paid cash. In the case of Malaysia, the government had urged the supermarkets to pay within seven days. While accepting that delayed payment was consistent with industry practice, participants nevertheless felt that supermarkets needed to recognize the particular circumstances faced by

cash-flow constrained farmers and, where possible, should consider adjusting their payment arrangements for farmers and wholesalers.

- 10) Considerable investment was required of farmers in order to successfully supply supermarkets. Participants noted that unsecured sources of credit for farmers were limited and urged supermarkets to work creatively with banks and input suppliers in order to address this problem, such as by arranging direct repayment to those lending to farmers or by providing guarantees of minimum quantities to be purchased.
- 11) The workshop considered the role of governments and other support agencies such as the NGOs. Farmers' needs are technical, organizational and managerial. Much needed to be done to support farmers with contract negotiations and, where feasible, with institutional development, to enable them to work together to provide sufficient quantities to meet buyers' needs. Government extension services were often ill-equipped to provide technical support to such farmers and eventually such support may need to be provided by the private sector. Many participants stressed the need for government and NGO interventions to be cost-effective and sustainable.
- 12) The workshop also considered that governments would have to address the adjustment needs of those smaller horticultural farmers who were unable to supply supermarkets.
- 13) Traditional marketing systems needed to be more proactive in competing with supermarkets. Governments and municipal authorities could play an important role by working to improve the standard of wholesale and retail markets. Traditional wholesalers should also consider adopting some of the approaches of supermarkets, for example by working closely with individual farmers to improve quality and safety. Participants noted that smaller supermarket chains continued to procure through wholesale markets and may continue to do so if those markets can adapt.

PART 3 : SUMMARY OF TECHNICAL SESSIONS AND BRIEF REPORT OF DISCUSSION

The workshop discussed the papers presented and raised some pertinent questions and comments over various issues raised in each paper. A summary of papers presented and comments raised follows below:

PAPER 1 - TRENDS IN SUPERMARKET DEVELOPMENT IN ASIA AND THEIR IMPLICATIONS FOR FARMERS AND TRADITIONAL MARKETING SYSTEMS.

Presenter : Mr. Andrew W. Shepherd, FAO, Rome

The paper examined the changing trends in food distribution in Southeast Asia and the reasons behind this change as well as the growth of supermarkets' share in the retail business around the world. Income growth, urbanization, women's employment, product innovation and increased awareness of food quality and safety were cited as some of the major reasons. Supermarket growth is observed in many Asian countries, particularly China, Malaysia and Thailand. However, in most Asian countries, a great majority of households still depend on traditional retailers for fruits and vegetables. Nevertheless, while due care needs to be taken in assessing the extent and speed of these changes, the changes in fresh produce retailing experienced in developed countries will certainly come to Asia. Marketing chains and policymakers will have to adapt accordingly.

In Europe, the USA and Latin America wholesale markets are being bypassed. Agents who specialize in a few products dedicated to just one supermarket chain have developed. Procurement is being centralized through distribution centers and sourcing is turning global. There has been a marked reduction in the number of suppliers used by fewer, larger chains, who demand private standards and grades, which has lead to introduction of quality and safety certification. Small farmers encounter numerous problems adapting to these changes.

Supplies of fruits and vegetables to supermarkets are sourced from wholesalers, independent procurement companies, government-sponsored distribution centres, farmers' cooperatives and large individual farmers who buy from smaller farmers.

Wholesale markets need to respond by identifying possible new services for non supermarket buyers, such as meat and dairy markets, fish markets, cash and carry facilities and value addition such as pre-packing of salads. They need to adjust to new retailing conditions which involve more efficient information and inventory management, logistics and administration. They need to help wholesalers to improve procurement arrangement and to increase promotion efforts to increase consumption and total market size.

Larger volume and improved quality requirements of supermarkets bring direct implications to farmers. Farmer groups need to provide linkages between supermarkets, processors and farmers.

Farmers needed to adjust by specializing in specific commodities and commercializing their operations to achieve economies of scale. Processing, too, will be affected. Larger multinational companies will take over local processing and set high quality and safety standards for domestic and export markets. Local processors need to adjust accordingly. The changes in the supply chain developments call for public responses. The paper identified three options and deliberated on six measures that could be taken. Mr. Shepherd then presented some observed public initiatives taken by Thailand, China and Malaysia. In conclusion, he stated that fresh produce retailing in much of Asia is undergoing significant changes. Policymakers lack information and are ill-equipped to assist farmers to make informed decisions. There is also a lack of coherent vision regarding the future agro-food system and supply chain developments under new market conditions and governments need to recognize this trend and identify ways to support farmers and meet the needs of agribusiness and modern supply chains of today.

Discussions

It was noted that in Singapore, traditional wet markets were beginning to fight back against competition from supermarkets by making themselves more attractive places to shop. Delays in supermarket payments were raised, it being noted that Malaysia has urged supermarkets to pay within one week. It was noted that in India the Agricultural Marketing Act was designed to facilitate trade but that it faced implementation problems. A Malaysian participant felt that Government policy should focus on developing farmers and changing their mentality through more extension work so they could supply supermarkets. Farmers who understand the needs of the changing market will be the future farmers. They need to understand demand trends of products and what marketing is all about. Farmers need to be organized into groups or organizations under agencies such as FAMA.

PAPER 2 : SUPPLY CHAIN MANAGEMENT IN THE CONTEXT OF MALAYSIAN AGRICULTURE PRODUCE – LINKAGES WITH FARMERS, WHOLESALE MARKETS, SUPERMARKETS AND CONSUMERS

Presenter : Dato Wan Ibrahim bin Wan Daud, FAO Consultant

The paper looked at supply chain management (SCM) in Malaysia. It started by describing the SCM in practice today, linking it to the national food market. It then deliberated on the various agri-food distribution models designed for different product categories, reflecting the dominant role of wholesale markets as intermediaries between producers, suppliers and consumers. Some 65% of the fresh produce trade is done by wholesale markets and this has led to numerous industry concerns due to poor supply chain management practices. Key issues and challenges faced by industry players in the present market structure were considered.

The discussion was further extended to the need for “best practices” to address the current issues in SCM by providing solutions to such problems as product glut, unreliable supply, mismatch between demand and supply, substandard quality and inefficient farming practices. Successful SCM needs integration, improved coordination and must be operated commercially to remain competitive globally. The setting up of National Food Terminals (TEMAN), modeled after those developed in Korea, Taiwan, Japan, Australia and other developed countries is viewed as the driving force in reshaping the new SCM for Malaysia. TEMAN will perform a critical role in centralizing the SCM, becoming a catalyst to various development and economic activities, will change business conduct and practices and will address the pitfalls in the current practices.

Discussions

Participants asked how FAMA assists farmers to get better prices for their produce. FAMA’s contract farming program reduces the multiple-layer marketing channels from 6-7 to 2-3 layers. The contract farming program is directly supervised by FAMA and farmers were guided on the types of product and the time to produce. FAMA assists in organizing direct supply to supermarkets and is directly involved in price and terms-of-delivery negotiations.

Further discussions again addressed the suitability of small farmers as suppliers to supermarkets. It was felt that small farmers are not reliable suppliers in the long term. Generally they are less efficient and unable to react to market changes by, for example, planting new crops or varieties.

Participants noted that good quality produce, at least in terms of appearance and shelf life, requires the use of agrochemicals. Presently, traditional supply chains may in fact use less chemicals than farmers supplying supermarkets. However, supermarkets in Asia were rapidly developing the same concerns about safety as supermarkets in developed countries. Quality and safety of their products does not meet the required standards in Malaysia at present. FAMA sees its role to guide small farmers to face market changes and become reliable and efficient producers. In the long term, large-scale farmers will become major suppliers to supermarkets.

PAPER 3 - CONTRACT FARMING : LINKING FRESH FRUIT AND VEGETABLE PRODUCERS TO SUPERMARKETS

Presenter : Mr. Mukhtiar Singh, Senior Director, FAMA, Malaysia

The presentation discussed FAMA's involvement in supplying supermarkets since 2001. A contract farming program was developed to provide alternative markets for small farmers and guarantee consistent supply to supermarkets. It dwelt on the main aspects, the preconditions, the framework for and the current development of the program. The important preconditions for successful delivery to supermarkets were, among others, consistent quality at predetermined product specifications, better pricing mechanism, good agriculture practices, and effective supply chain management which calls for dedicated delivery teams, good logistical support, established farm collection centers and efficient distribution centers. Some successful examples of contract farming projects were also presented.

Being a new approach for fruit and vegetable farming, contract farming is still subject to a series of issues and challenges. These include how to meet high quality standards, stringent delivery schedules and procedures, high entry and account-management fees, and long credit periods. Stiff competition among hypermarkets effects returns to farmers and leads to an apparent bias to imported produce.

Supermarkets used to buy on spot markets, but they were concerned that they would have nothing to offer customers. The "Malaysia's Best" programme emphasises control of pesticides, but produce grown without pesticides doesn't have as long a shelf life as those on which pesticides are used. It is difficult for small farmers to meet the quality requirements of supermarkets and also to meet the stringent delivery schedules.

The paper concluded that contract farming has proven to be a systematic and organized way of managing fresh produce marketing. It ensures consistency in product supply, allows small farmers to gain access to a wider market and mainstream marketing activities, provides a steady and stable income to farmers and access to farm level infrastructure.

Discussions

The total value of FAMA's contract farming is RM 5-10 million. Being a new project FAMA sees a lot of potential for the program to expand beyond the more than 1300 farmers who currently participate in the program. There is no direct subsidy given to contracted farmers but inputs of FAMA staff are not charged to farmers, who also have access to subsidised loans.

Participants were also interested in Malaysia's farmer accreditation programme. This is administered by the Department of Agriculture with collaboration with other Departments and Agencies under the Ministry of Agriculture and Agro-based Industry. The program is open to all farmers. The accreditation scheme covers 12 areas of inspection to meet the required standard of EUREPGAP and entitles qualified farmers to use the "Malaysia's Best" logo for their produce. To enhance the confidence of the supermarkets, their representatives are welcome to join the accreditation team on their regular inspections.

Discussion of pesticide use was raised again in this session. FAMA uses its extension program to educate the farmers on the proper use of chemical pesticides and the rules governing it. For the Singapore market, producers are subjected to stringent safety and quality standards which they are compelled to adhere to or else their produce will be denied entry. All produce exported to Singapore is labeled for traceability.

Malaysian participants noted that despite the Government requiring payment within seven days, hypermarkets continue to delay payment to suppliers by as much as 60-90 days.

Example of Contract Farming

Farm Visit by Mr. Frederic Klein, Fresh Manager of Carrefour Malaysia

Loading of Fresh Melon at Gong Kulim Collection Center

PAPER 4 : ORGANIZING THE SUPPLY OF FRESH PRODUCTS FOR CARREFOUR, INDONESIA

Presenter : Mr. Sandredo, Bimandiri, Indonesia

The paper discussed the operations of Bimandiri a wholesale company supplying dedicated supplies to one supermarket chain, namely Carrefour, Indonesia. The business relationship was fostered in 1998 with a commitment to the new concept of supplying high quality products at competitive prices in large quantities. With continuously expanding demand, Bimandiri was faced with the problem of getting enough supplies and this led them to building partnerships with farmer groups. At the same time, initiatives were taken to introduce open-information access to Carrefour, upgrade human resource quality and select exclusive products, such as the baby black watermelon.

Supplies have been secured by way of developing a joint-project between Carrefour and Bimandiri to produce broccoli and red chilly, to achieve product standardization and farming best practices and as farming model for participating farmer groups. The partnership arrangements with the farmer groups are now based on quantity supplied, fixed or flexible pricing depending on the product and transparent margins. However, the supply chain is still hampered due to problems such as irregularity in supply, resulting either in excess supply that supermarkets cannot absorb or insufficient supply, institutional problems and lack of market commitment.

Discussions

Discussions again considered the suitability of small farmers as suppliers for supermarkets. Mr. Sandredo and his colleagues from the Bimandiri company considered that within 20 years small farmers will no longer be supplying the horticultural sector.

It was noted that Bimandiri provides extension services to farmers and educates them on the importance of supply chain management. Product quality needs to meet market demand and the farmers need to adopt best farming practices.

Negotiating with the farmers
prior to start of project

PAPER 5 : APPROACHES TO PROVIDING TECHNICAL ASSISTANCE TO SMALL FARMERS - ISSUES FROM INDONESIA

Presenter : Dr. Shoba Shetty, World Bank

The paper presented the major tasks undertaken by the Decentralized Agriculture and Forestry Extension Project (DAFEP) to enhance farmers' capacity to participate in extension activities. The purpose is to promote economically feasible, environmentally sustainable and socially accepted farming practices that could increase income. The project has three major components namely:

- i) Enhancing farmers' capacity to participate and lead extension activities based on needs and problems.
- ii) Strengthening the capacity at district level to address farmers' needs, constraints and priorities.
- iii) Improving extension policy analysis, enhancing awareness and ensuring sustained management support.

The paper focused on the first component, to enhance farmers' ability to participate and lead extension work. This is done through revitalizing farmer groups while building their capacity to participate and manage activities and promoting participatory extension methods with media and technology support. Several strategies have been formulated. These include enhancing human resource development, and institutional management which integrates agriculture and forestry extension work. The strategies also include innovative alternatives which promote public/private sector partnership.

The paper concluded that DAFEP had succeeded in promoting farmers' organizational development at village level and in developing business networks with various institutions. Several challenges still lie ahead. Government support is needed to perform research and improve rural infrastructure and to create linkages between small farmers, modern food retailers and downstream processing industry.

Discussions

Discussion points raised by participants covered the qualifications and roles of extension workers. Although it is common, as in most countries, that technical extension work is conducted by government officers there are cases of private sector participation. South Sulawesi University has done extension work on beekeeping and cashew processing. In India, Venezuela and Uganda, to name but a few, NGOs facilitate extension services with collaboration from and complementing the government service.

Information on agricultural activities is currently imparted through newsletters and pamphlets. Radio is the most powerful media to transmit information to farmers. Internet penetration in Indonesia is low, constrained by the government regulations and the absent of the required infrastructure.

PAPER 6 : IMPACTS OF HYPERMARKETS ON THE SUPPLIERS OF FRESH FOOD PRODUCE AND ITS PRICE

Presenter: Mr. Nipon Poapongsakorn, Thailand Development Research Institute, Thailand

The rapid growth of hypermarkets has changed shopping behaviour of consumers and has resulted in improved distribution systems for fresh produce. This trend has been happening from 1996 in Thailand. In 2001, hypermarkets were responsible for 23% of the retail trade, growing from 9% in 1997. However, their impact has been relatively limited outside Bangkok.

Significant factors causing hypermarkets to increase their share have been an increase in per capita income, use of credit cards and changes in lifestyle. The consumers have also indicated that low prices and the location of the supermarkets are reasons for favouring shopping in supermarkets. The negative effect of this changing habit is the closing down of grocery stores due to decline in patronage. It is a common trend for consumers to buy their dry foods and groceries from supermarkets but to continue buying meat, fruits and vegetables from the wet markets. This is partly due to price differential where dry products are generally cheaper in supermarkets while fresh products are cheaper in the wet markets.

Hypermarkets have been able to improve the supply chain of fresh produce and bring benefits to both farmers and customers. Hypermarkets, which are mostly foreign owned, can also provide export outlets for their products. The presenter felt, however, that hypermarkets use a wrong business model for fresh produce by focusing on economies of scale but this does not benefit the producers. Good quality produce cannot be obtained at low prices and the model that works for branded goods cannot work for fresh produce.

Mr. Poapongsakorn noted that while some chains had set up their own procurement networks, others continued to buy from wholesalers. Suppliers complain about the business practices adopted which include the obligation on the part of the suppliers to meet promotional costs and penalties levied for failing to meet Good Marketing Practices.

Discussions

Participants noted the potential for similar hypermarket or supermarket growth in their own countries. One participant noted the financial support that traders provided to farmers in advance of harvest under traditional systems and felt that supermarkets were unlikely to do this.

PAPER 7 : LINKING FARMERS COOPERATIVES TO SUPERMARKETS IN THE PHILIPPINES

Presenter: Dr. Nirlita M. Manalili, SEARCA, Philippines

The paper identified appropriate ways to assist small farmers to produce vegetables to market through cooperatives. Current market-driving forces are made up of three categories. First is market segmentation, resulting in chain differentiation for farm produce, farm services and their value-added products. Second is the need for better quality and product safety and sustainability of supply. Third, a low-cost strategy needs to be achieved by reducing intervention, eliminating non value-added activities and improving efficiency.

In terms of marketing, farmers sell their produce to wholesalers with 14% selling direct to retailers. There is increasing awareness among consumers of quality, variety, type, size, shape, colour and pesticide-free products but farmers are not willing to improve quality due to absent of any incentive from the marketing system. The retail industry in Philippines is still being controlled by the wet market retailers (84%) compared to supermarkets (8%), and others (8%).

The supermarket chains such as S&R Stores, Shopwise and Big R are more stringent in their acceptance of farmers to supply them. Their policy includes one supplier to one store, monthly farm checks, weekly order placement and daily volume requirements. They normally make payments between 15 - 90 days after delivery. Big R positions itself as a quality supplier of vegetable at wet market prices or even lower.

From the findings it is acknowledged that farm operations are far from specialized, being affected by financial constraints and the absence of incentives for value-adding opportunities. Farmers are unwilling to tap the potential for premium quality products. High post-harvest losses, and lack of market information lead to distortions.

PAPER 8 : SUPPLY CHAIN OF CARREFOUR SUPERMARKETS IN MALAYSIA

Presenter : Mr. Andre Julien, Carrefour, Malaysia

Carrefour in Malaysia currently operates in four major cities in Malaysia and runs eight outlets. Six stores are located in the Klang valley with one each in Penang and Johor Bahru.

The company defines five values as their essential and integral components for a successful customer-friendly superstore. These are taste, food safety, timeliness, quality/price relationship and authenticity. The local fresh fruit and vegetable supply chain for Carrefour is made up of wholesalers with 41% of supply share and another 41% share coming from semi-direct suppliers made up of wholesalers or suppliers. The balance of 18% is supplied by direct suppliers. A strong relationship between supplier and retailer has developed that enables transactions to be done through negotiation in terms of pricing, product quality and logistical arrangement. However, Carrefour is also faced with several weak points, such as having no control over the origin of products when quality and safety become an issue. In addition, Carrefour has no impact on production practices of the farmers and their level of income. Under the semi-direct supply arrangement, price and logistics are within the control of Carrefour. The direct supplier arrangement enables quality, price and origin of produce to be placed under the control of the company.

Carrefour will focus on some major issues in its future development. Its major concern is to guarantee a fair remuneration to the farmers, giving priority to local products, and improving farmers' cultural methods in terms of product quality, safety and sustainability of supply by providing them with the necessary technical support. In addition, the chain will consider initiatives of farmers to supply direct and to develop a long-term business relationship with the suppliers.

Discussions

In response to questions Mr. Julien indicated that Carrefour does not have a Distribution Centre. Carrefour guarantees payment within 30 days. Farmers normally deliver direct to the supermarket but their ability is limited to supplying 2-3 outlets within a specific geographical area.

Mr. Julien noted that competition among supermarkets is high in terms of market share and customers. Price is the major criterion. Quality is very subjective and hypermarkets have to compete on price to remain competitive. Quality is controlled by farmers but Carrefour provides technical guidance from time to time. Fruits and vegetables are delivered loose and sorting and grading are done at the supermarket. Upon receipt of the produce, a 100% check is carried out. Technical support is provided in farm management, packaging and marketing strategies.

About 40% of fruit and a higher proportion of vegetables are sourced locally in Malaysia, but Carrefour had problems in obtaining reliable supply of vegetables. One participant commented adversely on Carrefour's post-harvest handling noting that farmers complain about how fruits and vegetables are being graded and displayed in the store.

PAPER 9 : ROLE AND FUNCTIONS OF THE AGRICULTURAL WHOLESALE MARKET IN BANGKOK

Presenter : Mr. Sophon Tejathavon, Talaad Thai Market, Thailand

A wholesale market is considered a premier centre of trade for quality food and other agricultural products. It acts as an important facility that ensures continuous supplies of large volumes of agricultural produce. The market performs the economic function of buying, selling and value-adding. It provides the link for the movement of produce from an area of surplus to an area of need. It also provides the linkage between farmers and retailers by avoiding the zigzagging process of moving products between the two components. The wholesale market's target customers include farmers, collectors, brokers, caterers, retailers and consumers.

Talaad Thai was opened in 1995 and is the largest privately owned wholesale market in Thailand, situated some 40 km north of Bangkok. The economic crisis of 1997 changed the retail trade from mum and pop stores to supermarkets and hypermarkets, which are seen as one-stop shopping centres.

The emergence of supermarkets has not created any direct impact on wholesale markets as the former are located in larger cities and the latter serve the entire country. Furthermore, most suppliers to hypermarkets or supermarkets still depend on the wholesale market for their supplies. In Thailand, the emergence of hypermarkets has led the wholesale market to improve its efficiency and it has started using new technologies to face competition. Small farmers are still dependent on the wholesale market to market their produce as their products are not of the quality that meets the standard required by supermarkets and hypermarkets. The wholesale markets still provide most small farmers with effective and profitable outlets.

In conclusion, it is evident that modern trade still needs wholesale markets as important food suppliers. Wholesale markets should welcome modern retailers as their major customers. The ongoing businesses certainly benefit each other mutually.

Discussions

In discussions Mr. Tejathavon indicated that there had been no significant change in market throughput as a result of supermarket growth. Brokers and assemblers who supply supermarkets obtain their products from wholesale markets.

Being private, the market tries to differentiate itself from others by providing easy communication between farmers and wholesalers. Talaad Thai has created a website that provides, among others, price data. Farmers can access data from the website. In the case of Malaysia, on the other hand, he believed that price information reached the farmers after a week or two.

PAPER 10 : DEVELOPING SUPPLY CHAINS TO SUPERMARKETS FOR SMALL VEGETABLE FARMERS IN VIETNAM

Presenter: Dr. Phan Thi Giac Tam, Nong Lam University, Vietnam

In developing a supply chain, the government needs to play an active role in restructuring the market. It has been found that there are similarities in purchasing agreements between traditional and modern distribution chains. Supermarkets are developing relationships based upon the traditional pattern of flexibility and trust leading to long-term relationships. Supermarkets have brought a positive impact on farmers in Vietnam.

Economic reforms had had an impact in the food sector, with an average of 6% economic growth for the past 15 years. This has resulted in the increase in food intake with an average consumption of 2.44 kg/month for vegetables. This has encouraged private enterprises and foreign direct investment into agricultural marketing and food distribution in urban areas.

Supermarkets emerged in Ho Chi Min City in 1993 and currently (2004) there are 70 supermarkets in Vietnam of which 46 are located in Ho Chi Minh City. There are three leading supermarkets in operation now, namely Saigon Coop (local), Big C (French), and Metro Cash and Carry (German).

With the rise in public concern on food quality and the problems caused by old markets, such as traffic congestion and environmental hazards, the government moved wholesale markets to new locations on the outskirts of town. In the new supply chain, the supermarkets buy from farmers' organizations and agents. This has resulted in better relationships and flexible purchase arrangements. Contracts which are flexible were made between the supermarkets and the suppliers and contract farming was encouraged.

The trend in food safety leads farmers to look for new varieties, for niche markets and to the use of new technology. Products rejected by supermarkets are still being marketed at the wet market.

Fresh produce popularly supplied to supermarkets

PAPER 11 : SAIGON CO-OP SUPERMARKET CHAIN, VIETNAM

Presenter : Miss Luong Thi Tuyet Trinh, CO-OPMART, Vietnam

Saigon Co-op is involved in retailing, wholesaling and direct import-export trades. In addition it is also involved in manufacturing and developing joint-ventures with foreign partners. Saigon Co-op has 13 supermarkets of which 11 are located in Ho Chi Minh City. It portrays itself as friend of families, providing high quality foods, reasonable prices and a conducive shopping atmosphere. It has a growth of 25-30% per annum and intends to increase fresh food trade to about 25-35% of turnover. It plans to open between one and three new outlets per year and is also working with local co-operatives to upgrade and open new stores.

The Co-op purchases over 120 items from seven main suppliers and the average purchase per day is seven tonnes. Of the suppliers, five are farmers or groups of farmers and two are trading companies. Saigon Co-op exercises considerable quality control. It applies safety standards more rigorous than those of the Government. There is a random check on quality of goods before they go on display. Farm visits are conducted periodically and samples are collected for testing by authorities concerned.

The Co-op purchases all goods directly from farmers and manufacturers to control prices. It has a good assortment of goods and the prices are affordable. Regular promotions are carried out to attract customers. In improving the supply chain certain hurdles still exist. These are due to different sources of supply, non-homogeneous quality and prices are influenced by weather and season. There is generally a lack in supply of quality produce although the Co-op does guarantee to buy all produce grown by its suppliers, to enable them to concentrate on production.

Discussions

In discussions Ms Luong indicated that the Co-op was planning to provide farmer loans in future. Co-opMart follows a pricing policy similar to the wet markets, by changing prices 2-3 times a day.

More fresh supplies

PAPER 12 : LINKING FARMERS TO THE PHILIPPINES SUPERMARKETS

**Presenter : Miss Cecille Tan-Gatue, Big R Supermarket,
The Philippines**

The presentation discussed efforts taken to link farmers in the Philippines to supply fruits and vegetables to supermarkets. The presenter saw the link as necessary for survival in the fast growing retail business, apart from creating a niche through customer identification. The Philippines, being a country with 7,100 islands, poses a big task to coordinate and collect information. The geographical constraints make it difficult to deal with farmers from different areas. Numerous problems have been encountered, such as communication, transportation, quality, sustainability and last, but not least, political instability.

Faced with such problems, the management of Big R Supermarket came up with solutions to arrest them. Through the company's involvement and buyers' initiatives the identification of crops to be grown was done. The management also tapped government resources, such as extension workers, to educate the farmers to improve their crop yields and quality. Information was collected and put into a database for reference. Quality specifications were predetermined so as to allow the farmers to understand the supermarket's requirements. Since all payments to farmers were made in cash, the management decided against contract farming or provision of financial assistance.

With all these efforts and a strong commitment from the farmers, management has been able to reduce selling price as losses due to poor post-harvest handling are being minimized. The volume purchased from farmers increased due to better yields obtained, resulting from constant monitoring and effective extension. This makes shoppers happy with good quality goods being offered at attractive prices while farmers are just equally happy as their remuneration has improved and they are paid in cash.

Quality Assurance Plan

PAPER 13 : MARKETING OF FRESH PRODUCE

Presenter : Mr. Azmin Tan Sri Aziz, Giant Supermarket, Malaysia

For agriculture produce, Giant obtains its supplies either directly from farmers, from FAMA, and through contracted farms and wholesalers. The supplies are delivered directly to its distribution centres (DCs).

Giant's marketing process consists of six major elements; namely, the pre-requisites, packaging, promotion, presentation, place and finally, price. For pre-requisites, Giant places emphasis on the right specifications, right product, right timing, consistent quality of supply and conformity to food-safety standards.

With regards to packaging, focus is given to attractive colour matching, conformity to the Food Safety Act, hygiene, food safety and good shelf life, consistency and suitability of supply. There is now a trend to smaller packs, reflecting smaller family units in urban areas. The promotion aspect gives much emphasis to branding, product positioning, point of sales materials, promoters, sampling and advertising. The strategy for product presentation is to create 'wet market ambience', retaining the traditional form of marketing while enforcing food safety and hygiene standards. The ultimate objective is to provide a wide choice of product with a new concept of display which includes bulk displays. Giant is working with FAMA on the "Malaysia's Best" programme. It is also looking for farmers with whom it can develop contract farming arrangements.

Equal emphasis is also given to place, which takes into consideration the demographic and logistic requirements, especially the cold chain facilities. Also important is accessibility to the stores. Price and pricing strategies is a subject which is consistently being negotiated on a seasonal basis between Giant's buyers and business partners.

Giant considers that there is huge potential and prospects for business growth in future, particularly in contract farming and other smart-business partnerships between farmers and Giant.

Discussions

Participants sought more information about Giant's procurement arrangements. Farmers can sell directly to Giant through its Distribution Centres (DC). Fruits and vegetables give a good return and they attract customers. Promotional activities are a big exercise and expensive for store operators. Giant does not charge small farmers for promotion now but in the longer run they may have to share the cost.

The company has devised a program to groom small farmers with potential to work with them for the long term. It guarantees that it will take farmers' produce at the agreed price and that it will take the quantities agreed. The company is transparent in offering prices to small farmers through revealing to them retail prices and, where necessary, this can be negotiated further. In its efforts to develop small farmers it accepts small volumes regardless of the profit. In the long run these farmers should grow with the company.

“Malaysia’s Best” Fruits Promotions in Local GIANT Hypermarkets

Attractive Booth Display in local GIANT Hypermarket

PAPER 14 : GLOBAL REQUIREMENTS FOR FRESH PRODUCE, THE TESCO EXPERIENCE

Presenter : Mr. Muhd Ali Nazrin, TESCO Stores (Malaysia) Bhd.

Currently TESCO operates five stores in Malaysia and there is plan to open 2-4 more annually. Well over 50,000 products are offered by the store of which 95% are being sourced locally. The tag line of TESCO is “Cheap gets cheaper”. The current trend in consumer demand is more on information, selection, convenience, service and consistency in quality. However, consumers also insist on cheap prices, and efficiency in terms of their time.

The key determinants of choice for consumers are quality of product, fair pricing, good service, good locality and the convenience of being at the store. From the viewpoint of the suppliers their major expectations are financial, operational and the capabilities of the staff. Price, however, is directly associated with quality and standards of the products. TESCO’s expectations on the suppliers of the products are focused on three aspects. These are safety and legality, quality and consistency. The company carries out considerable international sourcing to overcome seasonality problems. Durian, for example is imported from Thailand.

Products supplied to TESCO are categorized into three groups, namely the best/standard quality, acceptable quality and reject quality. Only products falling under the best and acceptable quality categories are accepted by the store. The important element is that all suppliers must be able to comply to all specifications laid down in the terms of supply agreement signed by both parties.

Farmers in India take pride in the relationship with a supermarket chain by producing quality products

PAPER 15 : BUILDING FRUITS AND VEGETABLES SUPPLY CHAIN FOR SUPERMARKETS IN INDIA

Presenter: Mr. K. Radhakrishnan, VP – Merchandising, RPG Enterprise (Foodworld), India

The paper focused on three major topics, namely the Indian food retail industry, the agricultural marketing system and fruit and vegetable supply to supermarkets. The retail industry is largely unorganized but it commands 63% of the family spending on food. The organized sector is expanding and is fast gaining market share. The change is brought about by two main business drivers. First are the consumers, the majority of whom are young and ready to accept new concepts. There are more nuclear families with dual incomes and more money to spend and lifestyles are changing. Secondly, supermarkets with a modern format provide many advantages that include a wide range of products, convenience and a new experience in shopping for Indians. However, the industry is faced with challenges, such as lack of processing facilities and a weak supply chain, with agricultural products being unstable in supply, inconsistent in quality and having fluctuating prices depending on seasons and weather conditions. There is also a high loss rate due to poor transportation and processing.

Fruits and vegetables command 20-30% of the family budget on food. They are purchased 5-7 times a month, mainly from wet markets, locality groceries and pushcarts. For supermarkets, fruits and vegetables are destination categories. Consumers are very price sensitive and always looking for the lowest price. Competition from pushcarts is stiff for they work on the smallest of margins. Market prices change twice a day and product arrivals are unscheduled and unpredictable. Hence the quantity versus price equation is very volatile. An additional challenge facing supermarkets is the supply chain. There is no commercial agriculture for fruits and vegetables. Landholdings are small and fragmented and this inhibits technological inputs and direct marketing.

Foodworld's major challenge is changing consumer experiences and combating price and service models of pushcart vendors by way of product range and freshness. The strategies adopted are to develop linkages that work in reality. Contract farming has not worked as expected; therefore, the more practical strategies are by setting a pricing formula, not defaulting on payment, taking everything farmers produce and assigning technical teams to work directly with farmers. Foodworld sets daily prices based on wholesale market prices.

Discussions

Participants were interested in the linkages between Foodworld and its farmers. Procurement is from farmers within a radius of 300-400 km from the stores. Technical support to farmers is more effective than Government extension because Foodworld buys everything farmers produce. The company has also negotiated discounts for farmers with input suppliers and input suppliers also provide extension. Wastage levels are 10-12 percent, which are considered acceptable.

PAPER 16 : CONTRACT FARMING APPROACHES IN BANGLADESH: AN EXPERIENCE

Presenter: Dr. Md. Anisur Rahman, Consultant to Pran Group, Bangladesh

The paper discussed contract farming (CF) as an approach to improve farmers' income. CF is defined as an agreement between farmers and entrepreneurs for the production and supply of agricultural products under forward agreements, frequently at the entrepreneurs' price. In Bangladesh, CF was initiated by the Government and mostly involved the production of seeds. CF is viewed as beneficial to farmers as it provides a ready market and allows for technology transfer, leading to better quality produce which is better priced and will lead to income generation for participating farmers.

The PRAN group is responsible to provide training to the participant farmers, providing them with quality seeds and help in developing seller-buyer relationships, in order to relieve farmers from depending on intermediaries. Farmer leaders, known as Centre Heads, are responsible to the PRAN group to ensure timely procurement of crops, give quality produce to PRAN, help in establishing a good price and to receive seeds on time. Participants would be informed of qualities of their produce required to meet the necessary quality requirements of the market for padi, peanut and mungbean.

The program practices a pricing policy which involves either a predetermined price based on past experience or a post-determined price based on the market price, with room for price adjustment. The supply chain is still underdeveloped as it is subjected to factors such as schedule of procurement, availability or non-availability of materials, trucks, transit stores, etc. Due to such problems, there are cases of violation of agreements committed not only by farmers but by other parties to the agreement. However, steps are being taken to improve the scheme through better documentation and organization.

Discussions

Participants were interested in obtaining more information on the pricing mechanisms used. Mr. Rahman responded saying that prices are set at 6-8 percent higher than the prevailing market price.

PAPER 17 : CURRENT TRENDS OF FRESH PRODUCE MARKET IN KOREA

**Presenter : Mr. Chun Kwon Yoo, ACF Research Institute,
Republic of Korea**

The presentation focused on the changing trends in the Korean food market. Per-capita fresh produce intake has increased from 132.6 kg in 1990 to 165.9 kg in 2000 and there has been a sharp increase in demand for environmentally friendly fresh produce. There has been a clear change in marketing channels as well. In the past, wholesale and conventional markets were the major distribution channels but since the emergence of superstores in 1993, their functions have weakened. In 1998, 42% of fresh produce handling was done by wholesale and conventional markets but by 2002 this had dropped to 29.5%.

The growth of superstores had been rapid. It first started in 1993 when E-Mart was established. By 1996 Wal Mart, Carrefour and TESCO had come into Korea. By 2002 the number of Superstores in Korea had reached 230 and their share of the market had expanded from 3.6% in 1998 to 11.2% in 2002. The domination is growing stronger through collaboration with producers. Each superstore develops its own production areas as suppliers of fresh produce. Private brands are being introduced. The growth of superstores has been accompanied by the expansion of the food service industry. The rise in per capita income, changing eating habits and the introduction of a 5-day week adds further to the rapid expansion. In 1999, total sales value of the meal service market was estimated at 1,600 billion Korean won.

In view of the rapid market expansion, the Government came up with support programs to assist farmers to increase their production. The market has been further improved by appointing marketing organizations for each product and funds were provided to farmers to purchase equipment and improve their operations. A system was introduced to guide farmers to produce and market safe fresh produce. To achieve that, a monitoring system and traceability procedures were introduced.

The National Agricultural Co-operative Federation (NACF) enhances the role of cooperatives in marketing in major production areas. Farmers consign their fresh produce to their cooperatives. These then market the produce to the wholesale markets, marketing facilities of NACF and superstores. In addition, NACF also supports member cooperatives to enlarge their scope in collecting and supplying fresh produce. The NACF also conducts marketing itself with 665 retailing facilities nationwide, including 12 superstores.

Workshop participants visiting a Starfruit farm

At the Grading & Packing House

And the Group photograph...

PART 5 : PRESENTATION OF COUNTRY STATEMENTS

Country Statement No. 1

Pakistan : The Growth of Supermarkets as Retailers of Fresh Produce in Pakistan

Presenter : Mr. Itrat Rasool Malhi, Agricultural and Livestock Marketing Advisor, Pakistan

There are no supermarkets or hypermarkets in Pakistan. Generally the retailing is done through small convenience or traditional stores. The farmers' produce is sold four or five times before reaching the final consumer. The first point in the rural marketing chain is the village market and this market is always a disadvantage to farmers as they cannot influence pricing.

In the case of Pakistan, the market intermediaries have important functions in the marketing chain. The farmers regard these intermediaries as the providers of capital for their farm production and also as providers of financial assistance for personal emergencies. They command a good reputation among farmers as they fulfill the farmers' immediate financial needs. Farmers have to rely on these intermediaries as they will be purchasing their crops during harvest.

The other important market intermediaries are the commission agents who organize produce brought in by the 'beparis' and they are the ones who set the market price.

Although there are fast-food chains developing in Pakistan, they presently source their supply from wholesale markets.

Country Statement No.2

Myanmar : GROWTH OF SUPERMARKETS AS RETAILERS OF FRESH PRODUCE IN MYANMAR

Presenter : U Min Hla Aung, Myanmar Agricultural Produce Trading.

The suppliers of fresh produce play important roles in the supply chain of Myanmar. They understand the important needs of supermarkets. These are attractive packaging and proper brand labeling, sorting for premier grades and providing assurance for quality of fresh produce, in addition to assurance for regular supply to supermarket chains and upgrading the market potential of goods.

The collection system in operation is one where suppliers collect the produce from the producers. In addition they also purchase from wholesale markets. In terms of pricing, the suppliers will add a margin of between 10-20% above that paid by the collectors. For products of premium quality the price will be between 10 – 30% higher than the wholesale price. The high quality products are mostly targeted at expatriates in Myanmar or for well-to-do local populations. Some farmers sell directly to supermarkets.

Country Statement No.3

India : HORTICULTURAL SCENARIO, SUPERMARKET CHAIN and THEIR LINKAGES

Presenter : Mr. Prabhat Saxena, National Cooperative Development Corporation, India

India's fruit production is ranked second overall in the world. Among the major fruits produced are mango, banana, papaya, citrus and pineapple. There are six types of marketing channels in the marketing of horticultural produce. The simplest type is from the producer to local assembler, moving on to primary wholesaler onward to secondary wholesaler before reaching the retailer.

Currently there are five types of marketing infrastructure in the supply chain, namely the agriculture market, regulated market, cold storage, fruit and vegetable procurement unit and agriculture export zone. The main objective of Horticulture Producer and Cooperative Marketing Societies (HOPCOMS) is to replace intermediaries of the fruit and vegetable chain with the setting up of terminal market to work on backward linkages, that is, farmers/growers associations and cooperatives and forward linkages of wholesale, cash and carry stores, distribution centers and supermarkets. Among the market supports needed in the marketing chain are information technology, telecommunication, marketing extension and training and research.

Country Statement No.4

Philippines : BUILDING A NICHE IN PROMOTING THE GROWTH OF SUPERMARKETS AS RETAILERS OF FRESH PRODUCE

Presenter : Mr. Nelson C. Buenaflor , QUEDANCOR.

The Philippines retail food sector has developed enormously as a number of western-style supermarkets have flourished in Manila and other cities. However, 80% of fresh produce is still sold in wet markets with 10% reaching the supermarkets but Filipino consumers are rapidly becoming safety conscious and moving to supermarkets. The distribution networks of most fresh fruits and vegetables are based in urban areas, catering for large supermarkets, hotels, and restaurants.

There are four major players involved in the process of food production to marketing and retailing. These are producer/farmer, trader/assembler/consolidator, food corporations/processor, and finally the supermarket chains.

Despite rapid progress in the system, there are still some major problems to be addressed. The current system is rather inefficient and costly. The transport system is far from adequate and there is a general lack of marketing knowledge.

Government initiatives in improving food marketing and retailing include the setting up of the National Food Authority, the introduction of the Agriculture & Fishery Modernization Act of 1997 (AFMA) and implementation of rural development programs.

In support of the government programs QUEDANCOR also embarked on several supplementary programs providing credit facilities to buyers and processors of agriculture and fish commodities, food retailers and wholesalers, as well as programs for poultry and swine and a retail guarantee program.

Country Statement No.5

Malaysia : THE GROWTH OF SUPERMARKETS IN MALAYSIA

Presenter : Mr. Sahbani Saimin, Senior Director, Federal Agricultural Marketing Authority (FAMA), Malaysia

The Malaysian distributive trade sector is the second highest contributor to the national economy, employing more than a million people and recording average overall growth of 4.2% annually. The sector covers four major categories extending from the hawker and peddler, small-scale single proprietor shops to large scale department stores and super-regional shopping centers and hypermarkets with a total of more than 216,000 establishments nationwide. It has experienced structural changes with the increased presence of hypermarkets and the growth of very large chains with integrated wholesale and retail functions, which has adversely affected the traditional wholesalers and retailers.

The hypermarkets came into retail scene in early 1990s and there are now 61 establishments, 47 of which are foreign owned and 14 home-grown. The largest number is found in the Kelang Valley. The presence of these super and hypermarkets brought direct impact onto the local scene effecting traders, consumers, suppliers and employment. New strategies were formulated to strengthen linkages between producers and retailers aimed at reducing distribution levels between them. Contract farming was encouraged to provide an assured market, avoid severe price fluctuations and sustain regularity in the supply of products of high quality and safety standards. The Government came up with a set of guidelines on the establishment of hypermarkets, intended to protect the interest of traditional retailers and the welfare of local suppliers.

The growth of super and hypermarkets has improved the marketing capability of the retail sector but it poses new challenges to small traditional retailers, which require them to collaborate to attain competitive edge.

PART 6 : THE CLOSING OF THE WORKSHOP

The workshop was closed with a brief ceremony. Mr. Andrew W. Shepherd, Senior Marketing Economist, FAO; U Min Hla Aung, AFMA Chairman; and Mr. Nelson C. Buenaflor, representative of the participants at the workshop offered votes of thanks to the organizers and the guest of honour. The closing remarks were delivered by Mr. Haron bin A. Rahim, Director General of FAMA. Text of his closing speech is attached as Annexure 7.

LIST OF ABBREVIATIONS AND ACRONYMS

AFMA	- Association of Agricultural and Food Marketing Agencies of Asia and the Pacific
DAFEP	- Decentralized Agriculture and Forestry Extension Project (Indonesia)
FAMA	- Federal Agricultural Marketing Authority, Malaysia
FAO	- Food and Agriculture Organization of the UN
HOPCOMS	- Horticulture Produce and Cooperative Marketing Societies (India)
MAHA	- Malaysian Agriculture, Horticulture and Agro-Tourism Show
NACF	- National Agriculture Cooperatives Federation, Republic of Korea
NGO	- Non- governmental Organizations
TEMAN	- National Food Terminal, Malaysia

**FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as
Retailers of Fresh Produce, 4-7 October 2004, Kuala Lumpur, Malaysia**

Annexure 1

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**FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as
Retailers of Fresh Produce, 4-7 October 2004, Kuala Lumpur, Malaysia**

Annexure 2

**Welcome Speech By Mr. Azizi Meor Ngah , Chairman of FAMA , Malaysia
4th October 2004**

Honourable Dato Seri Mohd. Shariff Haji Omar,
Deputy Minister of Agriculture and Agro-based Industry

Mr. Andrew W. Shepherd , FAO Representative

Mr. M .R.Satyal , Executive Director of AFMA

Honored Guests

Members of the Media

Ladies and Gentlemen

Good morning and welcome to Malaysia.

On behalf of Federal Agricultural Marketing Authority (FAMA) let me begin by thanking Yang Berhormat Dato Seri Mohd. Shariff Omar, Deputy Minister of Agriculture and Agro-based Industry, Malaysia for accepting our invitation to grace the opening ceremony of this workshop. Despite his tight schedule and furthermore the parliament sitting is in session now, Yang Berhormat has made time to be with us this morning. For that I say thank you.

To all foreign delegates, it is a great pleasure for me to wish you a warm welcome to Malaysia, Selamat Datang. To all other distinguished guests, we appreciate your relentless show of support in being able to spare your time to be here today.

We are indeed honored be given this opportunity to host this regional workshop. Although this is not the first time FAMA is hosting workshops on behalf of AFMA, but the topics to be discussed for the next four days are something that really close to our heart. In fact, it is our main concerns as the marketing arm of the ministry of agriculture and agro based industry.

Yang Berhormat, ladies and gentlemen,

By all accounts, marketing of fresh produce has been greatly transformed. In Malaysia particularly, fresh produce market is increasingly becoming more sophisticated.

Consumer behaviour is also changing along with the rest of the world demanding fresh, nutritious and safe produce. Consequently, retailing landscape has also changed to keep up with the trend.

Scholars categorise retailing in Malaysia into four major types: the informal sector which includes hawkers selling in the designated market; the small-scale family-owned roadside stores; supermarkets; and hypermarkets. According to trade sources, over 80% of the retail establishments involved in the food and beverage trade are made up of small family-owned businesses or single proprietors.

The distributive trade sector, which includes wholesale and retail trade, has been one of the most active sub-sectors in the Malaysian economy. In the year 2000, this sub-sector contributed 14.9 percent to the national income, rising 11 percent from 1999. The employment in the sector is also expected to grow from 1.6 million people or 17 percent of the total employment in 2000 to 1.9 million in 2005.

In Malaysia, supermarkets and hypermarkets are emerging and grown larger. In fact, supermarkets have been growing at an astonishing rate since the first one appeared in the early 1990s. They are extremely popular with consumers, offering wide variety of foods at competitive prices in the comfort of air-conditioned shopping and all these are under one roof.

A study of shopping habits in 1997 found that the number of shoppers at supermarkets had increased by 1.5 times while shoppers at hypermarkets had more than doubled since 1995.

It is not uncommon for global retail chains to brand themselves as beneficial to the local economy; as providers of employment; suppliers of local goods; and as stimulus for growth. But is there any truth in that? Or, is the arrival of a supermarket group into a local area will have the opposite effect, undermining the local economy in which it operates?

Undeniably, some small businesses are happy with the emergence of hypermarkets because they can get their supplies from there at lower prices than previously. On the other hand, unhappy parties such as members of the chamber of commerce, petty traders association and some other small shopkeepers feel the growth of hypermarkets will not only negatively affect small businesses and hawkers but also farmers and general producers in the country.

To say there is a war between them would be an exaggeration, but I believe there must be some truths in both arguments. And it is against this background that makes this workshop both interesting and relevant.

To dwell in these issues, we have invited speakers from hypermarkets as well as from government sector, research institutes, universities, and the Food and Agriculture Organization of United Nation. In total, there will be some 17 papers to be presented and among the topics are supply chain management, contract farming, trends in supermarket development, and the impact of supermarkets and hypermarkets on wholesale markets.

Apart from this workshop, I am also pleased to invite all of you to visit the Malaysian Agricultural, Horticultural and Agro - tourism Show 2004. Known popularly as MAHA, this

South East Asia's largest international agricultural show will be held from 5th to 10th October at the MINES International Exhibition Centre, not far from here. There you'll find the world's best showcase of food, fish, fruits, flowers, plants, livestock, and state-of-the-art agricultural technology across 550 booths. Spare some of your time while being here to visit the show.

It is my hope that the next four days of deliberations and visit will be both stimulating and productive. I would like to wish all participants well and I also hope that this workshop will achieve its intended objectives and will render great benefit to all of you as participants as well as the organization, which you present.

Finally I wish participants from abroad pleasant memories of your stay in Malaysia. Thank you for the opportunity of sharing my thoughts with you and wish you the best in your deliberations.

Thank you.

**FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as
Retailers of Fresh Produce, 4-7 October 2004, Kuala Lumpur, Malaysia**

Annexure 3

**Speech by Mr. Andrew W. Shepherd on behalf of FAO on the occasion of the
Official Opening of the FAO/AFMA/FAMA Regional Workshop on the Growth of
Supermarkets as Retailers of Fresh Produce, Kuala Lumpur,
4th October 2004**

Mr. Chairman, Mr. Minister, Ladies and Gentlemen,

Recent years have seen increasing attention being paid to the growth of supermarkets in countries outside of North America and Europe. There is no doubt that supermarkets are here to stay and that they will gradually and in some cases rapidly increase their importance, even in countries where there are presently few such stores.

For farmers these changes in retailing practices mean much more than the fact that their fruits and vegetables are now being sold in different types of shops and different locations. To supply supermarkets, farmers have to produce consistently high quality and ensure that their fruits and vegetables meet required safety standards. Supplying supermarkets also involves a totally different distribution system; farmers can no longer sell to the local trader who makes the highest bid but must commit themselves to long-term arrangements with supermarket chains or their buyers. Such arrangements often involve investment in infrastructure in order to meet the logistics requirements of the chains.

If Asia's small farmers are going to continue to supply fresh produce to supermarkets they will therefore need to adapt. This adaptation is likely to include working together as groups or associations, and we will hear of several such developments from around the region, including arrangements to supply fast-food chains and agroprocessors. We shall also hear from the supermarkets themselves, and I am pleased to welcome supermarket representatives from Malaysia, India, the Philippines and Vietnam. I trust that your presentations will provide us with a clearer understanding of your plans for further expansion and for fresh produce procurement.

Several people have worked very hard to make this workshop a success. On behalf of FAO I'd like to thank the Director-General of the Federal Agricultural Marketing Authority and his staff for the excellent arrangements that they have made and for the generous hospitality being provided to participants. We owe considerable gratitude to Mr. Mukul Satyal, Executive Director of AFMA, who has been working tirelessly to get you all here. Finally, Mr. Minister, your presence here today is indicative of the importance that Malaysia attaches to the subject we are discussing and will, I trust, serve to encourage the representatives of other governments in the region to address these issues on their return home.

Thank you.

**FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as
Retailers of Fresh Produce, 4-7 October 2004, Kuala Lumpur, Malaysia**

Annexure 4

**Speech by Mr. M.R Satyal on behalf of AFMA on the occasion of the Official
Opening of the FAO/AFMA/FAMA Regional Workshop on the Growth of
Supermarkets as Retailers of Fresh Produce, Kuala Lumpur,
4th October 2004**

Hon. Deputy Minister of Agriculture and Agro-based Industry,
Mr. Azizi Meor Ngah, Chairman of FAMA;
Mr. Haron A. Rahim, Director General, FAMA;
Mr. Andrew W. Shepherd, Senior Marketing Economist, FAO;
U Min Hla Aung, Chairman AFMA;
Distinguished Participants;
Guests;
Ladies and Gentlemen.

It gives me great pleasure to join in welcoming you to this FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as Retailers of Fresh Produce held in this beautiful Kuala Lumpur City during 4-7 October 2004.

This Workshop has been organized in close collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the Federal Agricultural Marketing Authority (FAMA) of Malaysia. On behalf of the Association of Food and Agricultural Marketing Agencies in Asia and the Pacific (AFMA), I would like to express our profound thanks to FAO for giving us the opportunity to work together in this project and to FAMA for hosting this meeting.

FAMA, one of the founder members of AFMA, has been a pillar of its strength. It has, hosted several regional workshops and fellow exchange programmes in the last two decades. Some of you may recall that while we met for the regional workshop on Marketing Credit and Trader's Financing last year in the Philippines, it was recommended we hold this workshop in Malaysia. The subsequent 23rd Executive Committee Meeting held at Clark Field, Philippines considered this recommendation and with FAMA's consent, agreed to organize this workshop in Kuala Lumpur.

I sincerely thank FAMA for its generous offer. We are especially thankful to Mr. Haron A. Rahim, Director General, FAMA for your strong support. We are equally thankful to Mr. Sahbani Saimin, Senior Director, FAMA who is the coordinator of the workshop for developing such a useful programme and for making meticulous arrangements for the meeting.

We are grateful to FAO for providing partial funding support and technical guidance for this event. Mr. Andrew W. Shepherd, FAO Senior Marketing Economist

who is the driving force of this project is with us for this meeting. Mr. Shepherd will be presenting a key paper on "Trends in Supermarket Development and the Implication for Small Farmers". He will also guide us in our deliberations during the meeting. In addition, FAO has also recruited an expert from Malaysia, Dato Wan Ibrahim Wan Daud, Former Director General of FAMA, as its consultant. Dato Wan Daud will present a lead paper on "Supply Chain Management in the Context of Malaysian Agricultural Products – Linkages with Farmers, Wholesale Markets, Supermarket and Consumers". He will also help in preparing the final report. I would like to welcome both FAO experts Mr. Shepherd and Dato Wan Daud.

Honorable Minister,

The objective of this workshop is to study the new trends of the supermarkets retailing fresh produce in Asia and analyze the implications of such trends to farmers, traders and wholesalers and its impact on produce standards. The workshop is designed to highlight the emerging issues in this area and to identify ways in which farmers and food distributors can respond to the challenges from these new trends.

We have invited several guest speakers from the supermarket chains, big wholesale markets, research institutions, projects funded by World Bank and other institutions and suppliers for fast food chains in Asia to make presentations on how they get their supplies, what linkages they have with farmers or wholesale markets, or food distributors and what are their future plans and programmes. We have also invited concerned government ministries and AFMA member agencies who are responsible for promoting agribusiness and food supply to present their cases on their role in linking farmers and supermarkets and how they can contribute to further strengthen the linkages.

In brief, we plan to discuss presentations from CV. Bimandiri on Organizing the Supply of Fresh Produce for Carrefour in Indonesia, FAMA's Role as a Link between Farmer and Supermarket, Approaches to Providing Technical Advice to Small Farmers in Indonesia by the World Bank, The Role of the Agribusiness and Marketing Assistance Service in Linking Farmers to Markets and, Linking Farmer Cooperatives to Supermarkets in the Philippines, The Impact of Supermarkets on Wholesale Markets by Thai Agro Exchange Co., Ltd. (Talaad Thai), Developing Supply Chains to Supermarkets for Small Vegetable Farmers in Vietnam, supply chain management in India, Thailand etc. In addition, there would be presentation from TESCO and Giant Supermarket chains of Malaysia and more. We really look forward to a fruitful discussions and interesting interaction among the practitioners in various stage of the supply chains. I am confident that with these deliberations and valuable exchange of ideas and home country experiences, the workshop will be able to reach at sound conclusions and recommendations which can be useful to the participating countries in managing supply chains in their respective countries.

Before I conclude, I would like to take this opportunity to express our gratitude to Honorable Minister of Agriculture and Agro-based Industry of Malaysia for his opening address and to FAMA for the excellent facility and warm hospitality extended to all of us here.

Thank you.

**FAO / AFMA / FAMA Regional Workshop On The Growth Of Supermarkets
As Retailers Of Fresh Produce**

Annexure 5

**OPENING ADDRESS BY HON. DATO' SERI HAJI MOHD. SHARIFF
BIN HAJI OMAR, DEPUTY MINISTER OF AGRICULTURE AND
AGRO BASED INDUSTRY MALAYSIA**

**4 – 7TH. OCTOBER 2004
KUALA LUMPUR, MALAYSIA**

Mr. Azizi Meor Ngah, Chairman Federal Agricultural Marketing Authority (FAMA)
Mr. Andrew W. Shepherd, FAO Representative
Mr. M.R.Satyal, Executive Director AFMA
Honoured guests
Members of the media
Ladies and gentlemen

Before I proceed, let me convey the warmest regards from the Honourable Minister of Agriculture and Agro - based Industry of Malaysia to every one of you. Although he very much wanted to be here, his tight schedule has prevented him from doing so.

First, let me thank the organizing committee for inviting me to address you and officiate the opening of this regional workshop this morning. On behalf of the government and the people of Malaysia, may I extend a warm welcome to foreign delegates to this 4 days workshop in Kuala Lumpur, Malaysia's former administrative capital.

Your presence here augurs well for the continuous exchange of experience and collaboration among international communities. This is especially true with the onset of globalization and the resultant borderlessness of countries, where the need to collaborate and foster strategic alliance, either bilaterally or multilaterally, becomes urgent.

In the midst of this wave of change, the agility and ability to adjust and respond flexibly to the market needs and demands are essential. While the government can provide some assistance and facilities to spearhead the development of a sector, it is for the entrepreneurs or the industry players themselves to use their creativity and innovative strategies to build up their market niches, both domestically and globally.

In this country, we will continue to adhere to the concept of MALAYSIA INCORPORATED which promotes close cooperation between the public and private sectors. This is an approach to create a mutually beneficial partnership between business and government.

When the business sector prospers, the government will surely benefit in the form of bigger tax revenues. No doubt, greater transparency and accountability on both sectors are expected. Corporate social responsibility also needs to be improved.

Agriculture is special to us in Malaysia. It is part of our culture, an important part of our economy and guarantor of our environment. The Malaysian government acknowledges that agriculture development plays a pivotal role and contributes significantly to the growth of the national economy. Of late, greater emphasis has been given to the sector, especially the food sector. Our Prime Minister has repeatedly voiced out his intention to bring about a revolution in agriculture – a revolution that would bring tangible benefits to Malaysia's farmers. He wants agriculture to be one of the main engines of economic growth of the nation.

This new focus not only with the target to achieve self sufficiency in food product and be a major exporter as well, but more importantly for the benefit of rural communities who mostly depended on agriculture. Our rural communities who mostly depended on agriculture. Our rural communities are the backbone of our society. To achieve this vision, close cooperation between public and private sector players are very important.

In fact, we need the private sector to lead. They have the resources, both financial, skills and management capabilities to carry through their projects efficiently and effectively. The private sector can provide the catalyst to push the smaller farmers to modernize and work together and work together as a team. The big boys can lead and plan, whilst the smaller farmers can support in the upstream.

We have seen the success in bringing the private sector group especially in the oil palm industry. We believe we can emulate the same approach in the food sector.

In the past decade, there has been a spectacular rise of supermarkets in every part of the world. Malaysia is no exception to this phenomenon. By taking over the food retail sector, supermarkets have started transformation of the fruits and vegetables marketing system right upstream to the farmers.

It is now unimaginable to think of life without supermarkets. The comfort of air-conditioned shopping with diverse product lines meant that consumers could do their household shopping at one go.

Supermarkets and hypermarkets are now becoming part of the society and act as a market institution by itself. Undeniably, they play a very important role in the distribution of food to the people. Nevertheless, at least in Malaysia, the government still has a role in ensuring that their activities are guided and supervised. This is because at the end of the day, the government is answerable to the people. To the Ministry of Agriculture And Agro Based Industry, it is very important that the farmers are rewarded by receiving appropriate returns from their labours while consumers are guaranteed of high quality produce at a reasonable price.

It is noted that the advent of supermarkets, with their global procurement system, sometimes has proven disastrous for small producers. Small farmers vying to sell to those supermarkets often have to grow what the retailers want. Even when they produce what supermarkets want, farmers risk a large part of their produce being rejected because of sub-standard quality. If farmers manage to sell their produce to the

supermarket, they can end up having to wait a couple of months to get paid, which places yet another burden – a financial one.

In these instances, farmers look up to the government for help. I believe the most practical approach for the government is to facilitate the cooperation between farmers and supermarkets rather than seeing supermarkets as enemies.

Hence, government agencies may need to relook into their current practices. Post harvest extension workers, for example, may need to be retrained with this new knowledge. Contract farming or contract marketing between farmer groups and government agencies should be encouraged and intensified.

Ladies and Gentlemen, Honestly I hope this workshop will not only increase the knowledge of the participants on these issues, but more importantly, the presentations and arguments forwarded by the relevant experts and knowledgeable speakers should provide the stimulus for the thought process that could yield new ideas and practical suggestions on how we should address this challenge.

I wish you a fruitful workshop and thank you once again for your kind presence.

On this note and with great pleasure, I declare open the FAO / AFMA / FAMA Regional Workshop on the Growth of Supermarkets as Retailers of Fresh Produce.

Thank You.

FAO/AFMA/FAMA Regional Workshop on the Growth of Supermarkets as Retailers of Fresh Produce, 4-7 October 2004, Kuala Lumpur, Malaysia

Annexure 6

Daily Agenda

Monday, 4 October 2004

08:45 – 09:00	- Arrival of Guests
09:00 – 09:05	- Arrival of Deputy Minister of Agriculture and Agro-based Industry, Malaysia, Y.B. Dato Seri Haji Mohd. Shariff bin Haji Omar
09:05 – 09:15	- Welcoming Speech by Chairman of FAMA, Mr. Azizi Meor Ngah
09:15 – 09:25	- Speech by Mr. M.R. Satyal, Executive Director, AFMA
09:25 – 09:35	- Speech by Mr. Andrew W. Shepherd, Senior Marketing Economist, FAO, Rome
09:35 – 10:00	- Opening Speech by Deputy Minister of Agriculture and Agro-based Industry, Malaysia, Y.B. Dato Seri Haji Mohd. Shariff bin Haji Omar
10:00 – 10:15	- Tea Break
10:15 – 10:30	- Group Photo Session

Session I Chairman: Mr. Sahbani Saimin, Malaysia

10:30 – 11:15	- Paper Presentation on “ <i>Trends in Supermarket Development and the Implications for Small Farmers and Traditional Marketing Systems</i> ” by Mr. Andrew W. Shepherd, Senior Marketing Economist, FAO, Rome
11:15 – 11:45	- Paper Presentation on “ <i>Supply Chain Management in the Context of Malaysian Agricultural Produce – The Linkage With Farmers, Wholesale Markets, Supermarkets and Consumers</i> ” by Dato’ Wan Ibrahim Wan Daud, FAO Resource Person
11:45 – 12:15	- Paper Presentation on “ <i>Contract Farming: Linking Fresh Fruits and Vegetables Producers With Hypermarkets</i> ” by Mr. Mukhtiar Singh, Senior Director, Fresh Produce, FAMA, Malaysia
12:15 – 12:45	- Paper Presentation on “ <i>Organizing the Supply of Fresh Produce for Carrefour in Indonesia</i> ” by Mr. Sandredo, Operational Director, CV Bimandiri, Indonesia

- 12:45 – 13:00 - Discussion
- 13:00 – 14:00 - Lunch

Session II Chairman: Mr. Nelson C. Buenaflor, Philippines

- 14:00 – 14:15 - Paper Presentation on “**Approaches to Providing Technical Assistance to Small Farmers: Emerging Issues from Indonesia**” by Dr. Shoba Shetty, World Bank, Indonesia
- 14:15 – 14:30 - Paper Presentation on “**Linking Farmers to Markets: The Case of the Kapatagan Vegetable Supply Chain**” by Dr. Nirlita M. Manalili, SEARCA, Philippines
- 14:30 – 14:45 - Paper Presentation on “**Impacts of Hypermarket on the Suppliers of Fresh Produce and its Prices**” by Dr. Nipon Poapongsakorn, Thailand Development Research Institute (TDRI)
- 14:45 – 15:15 - Discussions
- 15:15 – 15:45 - Tea Break

Session III Chairman: Mr. Anurag Bhatnagar, India

- 15:45 – 17:00 - Presentation of Country Statements and General Discussions
 - Mr. Prabhat Saxena, India
 - Mr. Itrat Rasool Malhi, Pakistan
 - Mr. Nelson C. Buenaflor, Philippines
 - Mr. U Min Hla Aung, Myanmar
- 20:00 – 21:00 - Welcoming Dinner for Foreign Delegates hosted by Director-General of FAMA

Tuesday, 5 October 2004

Session I Chairman: Mr. U Min Hla Aung, Myanmar

- 08:00 – 08:30 - Paper Presentation on “**Carrefour Malaysia Fresh Supply Chain**” by Mr. Andre Julien, Carrefour, Malaysia
- 08:30 – 09:00 - Paper Presentation on “**Impact of Supermarket on Wholesale Market**” by Mr. Sophon Tejathavon, Thai Agro Exchange Co., Ltd. (Talaad Thai)

- 09:00 – 09:30 - Paper Presentation on “**Linking Farmers to Philippine Supermarkets**” by Ms. Cecile Tan-Gatue, Big R Supermarket, Philippines
- 09:30 – 10:00 - Paper Presentation on “**Developing Supply Chains to Supermarkets for Small Vegetable Farmers in Ho Chi Minh City, Vietnam**” by Mrs. Phan Thi Giac Tam, Vietnam
- 10:00 – 10:30 - Paper Presentation on “**Saigon Co-op Introduction**” by Ms. Luong Thi Tuyet Trinh, CO-OPMART, Vietnam
- 10:30 – 11:00 - Tea Break

Session II Chairman: Mr. Itrat Rasool Malhi, Pakistan

- 11:00 – 11:30 - Paper Presentation on “**Marketing of Fresh Produce**” by Mr. Azmin Tan Sri Aziz, Giant Hypermarket, Malaysia
- 11:30 – 12:00 - Paper Presentation on “**Global Requirements for Fresh Produce: TESCO Experience**” by Mr. Mohd. Ali Bakri, TESCO, Malaysia
- 12:00 – 13:00 - Lunch
- 13:30 – 19:00 - Depart to THE MINES to attend the Official Opening Ceremony of Malaysia Agriculture, Horticulture and Agro-tourism (MAHA) Show

Wednesday, 6 October 2004

- 08:30 - Field Trip to Negeri Sembilan to visit a Fruit Farm, a Packinghouse and a Hypermarket
- 20:00 – 22:00 - Dinner hosted by AFMA

Thursday, 7 October 2004

Session I Chairman: Dr. Nipon Poapongsakorn, Thailand

- 08:30 – 09:00 - Paper Presentation on “**Building a Fruits & Vegetables Supply Chain for Supermarkets in India**” by Mr. K. Radhakrishnan, VP-Merchandising, RPG Enterprises, India
- 09:00 – 09:30 - Paper Presentation on “**Contract Farming Approaches in Bangladesh: An Experience**” by Dr. Md. Anisur Rahman, Pran Group, Bangladesh

09:30 – 10:00 - Paper Presentation on “***Current Trends of Fresh Produce Market in Korea***” by Mr. Chun Kwon Yoo, Senior Researcher, NACF Research Institute, Republic of Korea

10:00 – 10:30 - Paper Presentation on “***Supplying Lettuce to a Fast Food Chain***” by Mr. Andrew W. Shepherd, Senior Marketing Economist, FAO, Rome and Dr. Nerlita M. Manalili, SEARCA, Philippines

10:30 – 11:00 - Tea Break

Session II Chairmen:

1. Mr. Andrew. W. Shepherd, FAO
2. Mr. David K. Hitchcock, FAO

11:00 – 13:00 - General Discussions and Drafting of Conclusions and Recommendations

13:00 – 14:00 - Lunch

15:00 – 16:00 - Closing Ceremony
- Vote of Thanks by Mr. Andrew. W. Shepherd, Senior Marketing Economist, FAO
- Vote of Thanks by U Min Hla Aung, AFMA Chairman
- Vote of Thanks by Mr. Nelson C. Buenaflor, Representative of the Workshop Participants.
- Closing Remarks by Mr. Haron A. Rahim, Director-General, FAMA

**FAO / AFMA / FAMA Regional Workshop On The Growth Of Supermarkets
As Retailers Of Fresh Produce**

Annexure 7

CLOSING ADDRESS BY MR. HARON A. RAHIM, DIRECTOR GENERAL, FEDERAL AGRICULTURAL MARKETING AUTHORITY (FAMA) AT THE FAO / AFMA / FAMA REGIONAL WORKSHOP ON THE GROWTH OF SUPERMARKETS AS RETAILERS OF FRESH PRODUCE.

**7TH.OCTOBER 2004,
CITITEL, KUALA LUMPUR**

Distinguished guests
Ladies And Gentlemen
A Very Good Afternoon To All Of You

It has been a great honour for Malaysia to host this four-day Regional Workshop. Today, we have come to the conclusion and from the feedback that I gathered there had been some stimulating and active discussions with frank exchanges of ideas. These are becoming an AFMA culture and I hope this kind of dialogue will remain a firm part of AFMA. We really appreciate and acknowledge your contributions.

To me, this workshop has been successful in meeting its objective to provide an ideal platform to expand our networking in the regional agricultural trade and marketing and share the success of the industries in our respective countries. This is even more important for us now to ensure that we are able to keep pace with the rapid changing business environment.

FAMA's own experience has shown that the benefit of working through reputable commercial entities such as wholesalers, manufacturers and supermarkets will flow back to the farmers as well as consumers. Farmers may benefit with greater market access for their produce, while consumers will have quality and safe products at reasonable price.

The theme of the Workshop, "The Growth of Supermarkets as Retailers of Fresh Produce "is indeed very timely and relevant. That is why I am very happy to note the participation and contribution of major supermarkets in this workshop.

We hope this kind of cooperation will be extended to bring about better quality and safer produce with better packaging and presentation to the market. We may also work closely with supermarkets to educate our consumers on food safety issues, which have become global issues at the moment.

I am made to understand that you had good deliberations since the first day of the workshop. I would like to express my appreciation to all Paper Presenters for their knowledgeable and profound contributions in their deliberations. In addition to Speakers, I would like to pay tribute to all participants who were actively taking part in the discussions. The real work is still ahead. The food and retailing industries are facing tough challenges ahead. But let us not forget that each challenge brings with it opportunities. Be prepared to lead the change.

My appreciation also goes to all Secretariat Staff from all parties who have done a good job in ensuring the smooth running of this Workshop.

With that note, I wish everybody a happy and safe journey home and I declare this Workshop officially closed.

Good Luck and Thank You.