



Master's Thesis | MSc Agricultural Development

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Adapt or Die? The Modernisation of Agri-Food Markets in Indonesia and its Implications for Smallholder Horticulture Production

Insights from West Java and South Sulawesi



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Submitted: 02. April 2014

Abstract

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This thesis investigates the modernisation of food retail markets in Indonesia and its repercussions for small-scale farmers within the country's horticulture sector. In order to do so the methodology builds upon several months of fieldwork within the two study areas West Java and South Sulawesi. The analytical framework for this study develops a domestic value chain approach, which addresses the research questions on three different levels of the value chain: the market level, the procurement level, and the production level.

First, the study illustrates the diffusion of supermarkets throughout the country and shows that the overall impact is less radical than what the literature about the supermarket revolution in the Global South leads us to believe. It has been and continuous to be a protracted development. Second, the study researches the procurement system of modern retail within the domestic fresh fruit and vegetables sector. Despite different types of smallholder producers involved – modern farm companies in West Java and traditional family farms in South Sulawesi – the procurement strategies and practices are largely the same in both areas. A clear preference for modern company farm suppliers over traditional wholesale emerges, and triggers the attempt to upgrade traditional small-scale farmers into the modern value chain. Third, the wider implications of these upgrading endeavours for traditional small-scale farmers are addressed. The results show that so far it remains more attractive for them not to engage with the modern retail industry and instead remain within the traditional market only.

The thesis finally points out that the Indonesian rural development paradigm has been misguided to focus on adapting traditional farmers to modern markets, and instead should adopt a more holistic development approach, modernising the traditional markets according to its strengths. The current horticulture boom in Indonesia's domestic agri-food sector offers a wide open window of opportunity to begin with.

Key words: Modern Food Retail, Horticulture, Domestic Value Chains, Governance, Upgrading, Smallholder production, Informality, Indonesia