Chapter 8

Modern Food Retailing in West Africa: Emerging Trends and Outlook

One of the key questions posed to the organisers of the AGWA study at its outset was whether the "supermarket revolution" which has been well documented in Asia, Latin America, and Southern Africa, would soon sweep over West Africa, transforming food retailing and excluding small farmers from supplying this growing retail market. This chapter is aimed at addressing that question. It examines trends and potential future growth paths for retailing formats such as supermarkets and Quick Service Restaurants (QSRs), and puts them in the context of the broader food retailing system.

The information available on modern retailing in West Africa is extremely fragmentary. In order to understand possible future trajectories for modernization of food retailing in West Africa the chapter first briefly reviews experiences in other parts of the world, particularly in Southern and Eastern Africa, and their implications for broader food system development. Section 8.2 then takes a closer look into the experiences with supermarkets in sub-Saharan Africa, focusing on the forerunners: Kenya and South Africa. Both countries offer insights into possible pathways and implications for supermarket development in the rest Africa. The rest of the chapter examines the grocery and food services sectors in West Africa, with a focus on Ghana and Nigeria. The chapter concludes by discussing the future outlook of modern food retailing in West Africa and related policy implications.

8.1 Background: global evidence on the "supermarket revolution"

The rapid growth of modern food retailing in developing countries and its impact on the broader food system have been a major focus of research on food systems transformation since the early 2000 (Weatherspoon and Reardon, 2003; Reardon and Timmer, 2007, 2012; Tschirley *et al.*, 2010). Most of this work has focused on supermarkets, a term used synonymously with modern grocery retailing including food retail stores of various formats such as supermarkets, hypermarkets, and convenience and neighbourhood stores (Reardon *et al.*, 2008). There is no sharp distinction in the literature between modern and traditional food retailing, as this difference is context-specific. However, modern grocery retailing is generally characterised by (1) self-service formats, (2) improved shopping ambience in terms of space, hygiene, air conditioning, etc., and (3) consistent supply of a broad assortment of food products of different qualities and brands. Food services are another important segment of food retailing, comprising hotels, restaurants and catering. Modern food services include quick service restaurants (QSRs) of different formats. Modern food service as well as modern grocery are typically characterised by chains of outlets operating under different brands. Franchising is a common instrument to enable the rapid spread of modern food retailing without requiring heavy capital investments by the franchise owner.

The so-called "supermarket revolution" refers to the rapid expansion of modern grocery retail formats in developing countries since the early 1990s. While it took over a century for modern food retailing to become the dominant force in the United States and Western Europe, its expansion in developing and emerging economies happened much faster. Notably in Latin America, Central and Eastern Europe, Asia and some countries in Southern Africa, supermarkets have grown from niche players to dominant forces in food retailing during periods of one to two decades, inducing far-reaching changes in the entire food system.

Evidence suggests that supermarket expansion in developing and emerging economies has so far occurred in three waves: the first wave started in the early 1990s in South America, Central and Eastern Europe, East Asia (outside China) and South Africa. The share of supermarkets in total retail sales in these areas increased from about 10% in 1990 to about 50 to 60% in the mid-2000s. This was followed by a second wave starting in the mid-to late 1990s in Mexico, Central America and much of southeast Asia, with supermarkets' shares increasing to 30 to 50% since the mid- to late 1990s. A third wave can be observed since the late 1990s and early 2000s in countries such as China, India and Vietnam (Reardon and Timmer, 2007). Expansion into other parts of the developing world, including West Africa, has been uneven and generally at a much slower pace than expected a decade ago (Tschirley, *et al.*, 2010).

Structural drivers for the expansion of modern food retailing include urbanization and rising incomes, trade liberalization, growing middle classes and increased female urban labour force participation. Modern food retailing responds to emerging consumer demands for a variety of food products under a single roof and in a safe and comfortable shopping environment. Strong national and international brands instil consumer confidence in the safety and quality of food, especially in environments where public food safety standards are poorly enforced. In addition to these structural drivers, the rapid growth of supermarkets during the past two decades was boosted by a massive increase of foreign direct investment (FDI) in food processing and retailing, and eventually food logistics, triggered by the opening up of various developing regions to trade and foreign investors since the 1980s (Reardon and Timmer, 2012). Since then, supermarket chains expanded from saturated OECD markets into emerging markets that offered higher initial profits and first-mover advantages.

Evidence from Latin America, East Asia and some African countries (South Africa, Kenya) reveals certain common features of supermarket expansion in developing countries. Typically, supermarkets start out by serving a small upmarket and expatriate clientele in large cities. With growing middle classes and increased efficiencies in procurement and domestic supply chains, supermarkets start competing for customers in the lower middle-class segments and beyond. The diversification of the client base is accompanied by geographic expansion into secondary cities and eventually rural towns. In terms of products, supermarkets tend to focus first on processed, packaged and dried foods before entering into fresh food markets. The "first-mover" fresh foods purchased in supermarkets have been storable, staple commodities or, more rarely, imported fresh fruits and vegetables (FFV) and foods experiencing first-stage processing consolidation such as poultry, beef, and pork (Weatherspoon and Reardon, 2003; Neven and Reardon, 2004). Domestic sourcing of fresh fruits and vegetables gradually expands, depending on the maturity and response of the domestic supply chain. Typically, fresh fruits and vegetables account for some 10 to 15% of supermarkets' food sales in developing countries, and supermarkets' shares in fresh food markets have remained limited.

The rapid expansion of supermarkets in several developing regions spurred interest of researchers, policy makers and donors on the impacts of the expansion on the broader food system in general and on small farmers and retailers in particular. Supermarkets are modernising and innovative forces for the entire food system by developing consistent supplies of quality-differentiated products and driving efficiencies in supply chains and logistics. Consumers benefit from a larger choice of products, usually of higher quality and, eventually, lower prices. Private standards introduced by supermarkets offer consumers some assurance of quality and food safety in environments characterised by the absence or poor enforcement of official standards. Supermarkets' procurement practices provide incentives for domestic producers to increase the quality and consistency of their products and introduce efficiencies in the supply chain logistics. Finally, once supermarkets have moved beyond upmarket niches and supply larger numbers of middle- and lower-income customers, traditional marketing channels have to respond by improving product quality and safety as well as product presentation and hygiene at and around market places.

Despite these positive impacts of supermarkets for consumers and the broader agrifood system, there are concerns about the ability of domestic suppliers, especially small farmers and SMEs, to adjust in order to meet the demands of supermarkets. Are domestic SMEs in food processing and trade able to meet the requirements concerning quality, consistency and volumes? Are small farmers able to enter and remain in preferred-supplier lists for fresh produce? Other issues include the possible displacement of traditional grocery retail outlets such as open markets, small kiosks and neighbourhood stores and the related impacts on employment and food prices. Finally, there are concerns about market power exerted by large supermarket chains, especially in countries where they dominate food retailing.

Notwithstanding the limited share of supermarkets in domestic fresh fruit and vegetable markets, most of the research and policy attention has focused on this product segment and the related procurement practices of supermarkets. This interest has been due to the importance of fresh fruits and vegetables to ensure a balanced diet of the rural and urban population on the one hand, and as a potential avenue for smallholders to diversify away from low-value staples into higher value products and markets on the other hand. Fruits and vegetables are seen as "smallholder-friendly" due to the labour intensity and alleged absence of economies of scale in production. Supermarkets were seen as a new and fast-growing potential marketing channel for smallholders, offering higher income opportunities, especially if the supermarkets bypassed intermediaries and established direct supplier relationships. Likewise, there was a concern of small producers being gradually replaced by larger farms, as has frequently happened in fresh produce export value chains. Other product categories requiring processing have received far less attention. Hence, not much is known about the ability of domestic processed and packaged food to enter the supermarket channel and of domestic SMEs in food processing to become regular suppliers of modern food retailers. Moreover, the growth of the modern food services segment and its procurement practices has received little attention.

8.2 Evidence from sub-Saharan Africa

8.2.1 Market penetration

South Africa and Kenya have been the forerunners of supermarket development in Africa. In both countries the number of supermarket outlets and their shares in food retailing expanded rapidly between the mid-1990s and the mid-2000s. In South Africa, supermarkets accounted for 50-60% of total food retailing in 2002. In Kenya, surveys conducted by Michigan State University in 2003 estimated supermarkets' shares in total urban food retailing at 20% (Neven and Reardon, 2004). In line with experiences elsewhere, the share of supermarkets in urban fresh fruit and vegetable markets was much lower, estimated between 2% (Tschirley, *et al.*, 2010) and 4% (Neven and Reardon, 2004). However, the volume marketed through supermarkets was already half of the country's fruit and vegetable export volumes at that time.

In view of this rapid and early expansion, most supermarket literature in Africa has focused on Kenya and, to a lesser extent, South Africa. Supermarket chains from these two countries have also expanded throughout Eastern and Southern Africa and, more recently, into Ghana and Nigeria. Hence, experiences in these pioneer countries can be useful for understanding potential future developments in West Africa along with their likely impacts for the food system and related policy implications. This especially applies to Kenya, which has comparable socio-economic and demographic indicators with larger West African countries.

A striking feature of supermarket development in Africa is the importance of domestic rather than international players in both Kenya and South Africa. Here the rivalry between two market leaders has spurred the initial expansion, followed by other, smaller chains. In South Africa, the initial expansion was driven by ShopRite and Pick n Pay, each controlling about 40% of the modern food retail market segment in 2002. The rest of this market segment was made up by a few smaller chains, including SPAR, Woolworth, and a large number of independent supermarkets. These chains used different formats including hypermarkets, supermarkets, superettes (small format supermarkets) and convenience stores in order to target different market segments. In 2010, the third largest player, SPAR, had expanded its market share to 20%. Competitive pressure has led to the rapid expansion into townships, smaller towns and rural areas. In 2011, US retail giant Wal-Mart acquired South-African retailer Massmart, which will further spur competitive pressure.

In Kenya, the share of supermarkets in food retailing grew by 18% per annum between 1995 and 2003, albeit from a small base (Neven and Reardon, 2004). In addition to the long-term drivers such as growing urbanization and middle classes, the expansion of supermarkets was propelled by liberalization of import and domestic markets, which increased the accessibility of a wide range of products at more competitive prices. The two dominant players driving the initial rapid expansion were Uchumi and Nakumatt.[62] While Nakumatt has focussed on the upper-income market, Uchumi targeted a broader clientele of varying income levels. Smaller chains such as Tusker, Naivas and Ukwala located their outlets close to major bus stops and transport hubs, targeting middle and lower-middle income urban households. The top five supermarkets collectively accounted for roughly two-thirds of modern food retail sales. The rest was made up by smaller, independent supermarkets and convenience stores, some of which were located in smaller towns and some located in high-income neighbourhoods, catering to specific demands of expatriates and other higher income groups. In 2003, nearly 60% of the stores were located outside of Nairobi, and basically every provincial capital had one or more supermarkets (Neven and Reardon, 2004). Small and independent stores opened new markets and were then followed by the five bigger chains.

Despite the initial rapid growth of supermarkets in both countries and their dominant position in South Africa, traditional food retail channels have remained important. Even in South Africa, only 47% of fresh fruits and vegetables are estimated to pass through the supermarket channel, with the remaining 53% via other channels including open markets and other small retailers (USDA, 2011). This is in part due to the existence of modernised wholesale markets enabling other retail channels to compete with supermarkets in this segment. For staple foods and packaged foods, small neighbourhood stores (spazas), kiosks and hawkers (street vendors) remain important, especially in townships and rural areas. There is a growing awareness among manufacturers and transporters of the importance of spazas as distribution channels. About 20% of the estimated 100 000 spazas reported having their supplies delivered directly by manufacturers of soft drink, dairy and bakery products (USDA, 2011).

In Kenya, growth rates of supermarkets slowed during the latter part of the last decade, partially due to economic problems of the largest chain (Uchumi) but also due to the persistence of a highly unequal income distribution, which results in a still limited middle class and a large share of low-income households. The traditional distribution system composed of open markets, traditional wholesalers, small shops and a large informal sector continues to dominate food distribution (Dihel, 2011). The share of traditional channels in total food retailing (urban and rural) is estimated between 80% (USDA, 2012b) and 90% (Deloitte and Planet Retail, 2011).

In Kenya, the 2003 MSU survey in Nairobi found that supermarkets'[63] market penetration was highest in staple foods (32% of total food expenditures of surveyed households), followed by dairy products (15%), meat (4.5%) and fresh fruits and vegetables (4.5%). The reason for this uneven penetration is that staples and dried products are easier to store and handle than fresh produce. Moreover, due to the larger volumes, supermarkets can negotiate better prices with manufacturers or importers of packaged food products and pass these prices on to consumers. They further attract consumers with a broader assortment compared with traditional stores.

62 Both are domestic firms. Uchumi resulted from the privatization of a government-owned enterprise and is listed at the stock exchange, whereas Makumatt is owned by an Indian Kenyan family.

63 luding supermarket chains and small, independent supermarkets.

Concerning the depths of market penetration, the 2003 survey found that 80% of all surveyed households in Nairobi bought part of their food from supermarkets at least once a month. Even in the poorest income quintile, 60% of the households reportedly made small purchases at nearby supermarkets, even though at lower frequency, usually about once per month, and for small values at a time. The two main incentives to buy at supermarkets are the larger assortment and low prices for key staples such as sugar, maize flour, oil, wheat and bread. However, poor households purchased almost no fruits and vegetables in supermarkets due to their higher prices compared to other outlets. In Zambia, a survey conducted in the four largest cities found a higher share of middle and upper income customers in supermarket food sales. Two-thirds of all food sales in supermarket chains went to the top 20% of the income distribution whereas the bottom 60% accounted for only 12% of sales. Moreover, three-quarters of all fresh fruit and vegetables sold through supermarkets were purchased by the top income quintile (Tschirley, *et al.*, 2010).

Income, access to refrigerators, vehicle ownership and proximity are key factors that determine the likelihood of shopping in supermarkets. They allow households to make fewer trips and store greater quantities at home, especially of fresh products. This compensates for disadvantages posed by distance and urban congestion. Moreover, younger and better educated persons tend to shop more in supermarkets compared to other demographics.

Evidence from different countries shows the selective adoption of supermarkets by consumers who continue to shop for different items in different retail outlets at different frequencies. Even high-income households in Zambia continue to shop in various traditional outlets. In Kenya and Zambia, the top 20% of income earners of the surveyed households spent between two and three times more in traditional shops, markets, and informal retail outlets than in supermarket chains (Tschirley, *et al.*, 2010). This confirms the importance of proximity and urban congestion in shopping behaviour even for households where income is less of a constraint.

8.2.2 Procurement

In order to supply supermarkets, producers need to meet stringent requirements concerning volumes, consistency, quality, food safety, packaging and timing of delivery. Only producers able to meet these requirements will enter and remain on preferred supplier lists. Both in South Africa and Kenya, domestic producers and processors have been able to respond to supermarkets' procurement requirements. Domestic packaged foods compete well with imports, and Kenyan producers are particularly strong in dairy products and snacks. According to USDA, between 55% and 85% of supermarket grocery sales in Kenya are sourced domestically. As mentioned before, empirical research is mainly focused on the procurement practices for fresh fruits and vegetables and their implications for the domestic supply chain. The key findings are briefly summarised below.

Overall, evidence shows that leading African retailers gradually introduce similar sourcing practices as their peers elsewhere in the world. These include a gradual shift towards specialized wholesalers and direct procurement from preferred suppliers. For example, Shoprite has its own regional distribution centres for fresh produce handled by a subsidiary company under the Freshmark name. The growers and packers selling to Freshmark are responsible for all post-harvest activity including washing, packing, labelling and barcoding. Payments are made within 20 to 30 days. Growers are expected to make daily deliveries in their own rented refrigerated trucks and bring their produce to these distribution centres from which the various stores in the respective regions are supplied. Freshmark preferably buys from large farmers who are also able to supply the export markets and meet requirements for quality and consistency of supply. It only reverts to imports if no suitable domestic suppliers can be found. Its distribution centres also supply other smaller retailers (Weatherspoon and Reardon, 2003). In 2003, 90% of the fruit and vegetable supply in South Africa was sourced directly from outgrowers, managed by the distribution centre, and only 10% through wholesale markets. In South Africa, Freshmark worked with 300 outgrowers, mainly larger farmers, most of them also supplying export markets.

In other African countries, Freshmark also procures from small farmers, sometimes through spot transactions and sometimes through NGO-facilitated outgrower schemes, such as in Zambia (Haantuba and de Graaf, 2008). For its regional expansion, initially it procures from South Africa until a critical number of stores has been established – usually at least three – to make a distribution centre profitable (Weatherspoon and Reardon, 2003).

In Kenya, Uchumi used a decentralized procurement system based on a preferred supplier programme. Over time, the company moved progressively from brokers and wholesalers towards direct purchases from farmers, which allows it a better control over quality, supply reliability and price stability. At the same time, it increasingly relied on larger farmers with good irrigation infrastructure able to supply all-year-round. Payment is made two to four weeks after delivery. Delivery has to be frequent, daily for some perishable vegetables such as tomatoes. Nakumatt, in contrast, relied on specialized wholesalers for its fruit and vegetable sourcing. These wholesalers bought from a larger and more diverse supplier base, including many small farmers, and carried out value-adding activities such as sorting, packing and cutting in house. Their diverse clients included institutional customers (schools, hotels, and government organizations); the differing quality preferences of the wholesalers' clientele allowed them to be less restrictive in their procurement criteria.

Overall, procurement systems have been moving towards centralization and shifts from traditional brokers to specialized/dedicated wholesalers, and from spot markets to use of preferred supplier systems, and then to use of private quality standards. These trends tend to favour medium to large farmers who are in a better position to meet the requirements in terms of volumes, quality and consistency. There is mounting evidence that smallholders, individually or as groups, face tough challenges to enter and remain in preferred supplier lists of supermarkets (Tschirley, *et al.*, 2010). In Kenya, Neven *et al.* (2009) found that the majority of smallholder producers face stiff entry barriers due to initial requirements concerning investment capital (e.g. physical infrastructure and transport), working capital (inputs), and social capital (effective rural organization to achieve volumes and consistency in supply and share fixed costs). Another study based on a survey in central Kenya conducted in 2008, found that off-farm income, education, and vehicle ownership or access are key determinants enabling farmers to participate in supermarket chains. Many of the small farmer suppliers have been supported by an NGO linking farmers to supermarkets and providing invoice discounting services to bridge the payment gap. The study also found that net incomes were almost 50% higher for farmers selling to supermarkets compared to traditional channels. In the case of small-scale farms, supplying to supermarkets generated an even higher income gain of 67% on average (Rao and Qaim, 2010).

While large farmers dominate fresh fruit and vegetable production for export markets, medium-sized farmers dominate production for supermarkets. However, medium and large farms depend overwhelmingly on hired labour, which is higher-paid on average than other farm workers and employed year-round. Following international experiences, the future development of the sector could lead to inclusion or exclusion of small farmers. In some cases with rising rural wages, larger farms might regularly substitute capital for hired labour. In other cases, large farmers have engaged in outgrower schemes with smaller producers to expand.

8.2.3 Supermarket expansion beyond Kenya and South Africa

South African and Kenyan retail chains have been expanding into other African countries, especially in Southern and Eastern Africa, competing with smaller domestic players. Shoprite opened its first store in Zambia in 1995 and expanded heavily in the following years. In 2003, the company had operations in 13 counties, and this number increased to 16 in 2012, including Ghana and Nigeria. Other large South African retailers such as Pick n Pay, Massmart and Woolworth have also expanded in neighbouring countries.

SPAR operates in nine African countries, including, recently, in Nigeria. Kenyan market leader Nakumatt opened its first store in Rwanda in 2008 and now operates stores in Uganda, Rwanda and Tanzania. Uchumi has opened its first store outside Kenya in Dar es Salaam and plans to open seven stores in Uganda (Jacobs, 2012). Franchising has been used as a strategy for expansion into other markets, as it requires lower initial capital investments. However, the first anchor stores are often owned and managed by the parent company.

In general, the penetration of supermarkets across Africa has been slower than anticipated in the early 2000s following the rapid growth in Kenya and South Africa and the initial wave of investments in other countries. However, there are recent signs of acceleration. So far, mainly national and regional players invested in the sector, apart from limited entry of French chains in some francophone countries (Casino has entered Cameroon, Gabon, Madagascar and Senegal through franchising) (Bra, 2012). However, the entry of Wal-Mart in South Africa by acquiring a 51% share in the South African retailer Massmart is expected to accelerate growth and competitive pressure in the African supermarket sector.[64] It has embarked on an aggressive price competition strategy in 2012, putting its competitors under pressure (Jacobs, 2012; Deloitte and Planet Retail, 2011). Wal-Mart is aiming to expand Massmart's share in grocery retailing in South Africa and other African countries. In addition to sustained economic growth, urbanization and growing middle classes, regional integration enhances the possibilities for cross-border sourcing, especially in the case of fresh produce.

8.3 Modern food retailing in West Africa

Information on the state of modern food retailing in West Africa is extremely limited. There are no studies on supermarkets or food services, their business models and procurement practices available in the public domain. Even basic information about the size and structure of food retailing in West Africa is scarce. Capturing the size and structure of food retailing is particularly difficult given its diversity and the importance of the informal economy. Food retail volumes or turnover are not reflected in public statistics, and private market information and research firms largely confine their activities to Nigeria. Even these private market research firms usually rely on industry sources and extrapolate information obtained from certain respondents, largely from the formal sector, and from the trade press.

This section is based on information published by the Foreign Agricultural Service (FAS) of the United States Department of Agriculture on Ghana, Nigeria and Senegal, and from Euromonitor International on Nigeria.[65] In addition to secondary information available, the section draws on interviews in Accra and Lagos conducted as part of the AGWA study in order to better understand the perceptions and views of food retailers and consumers on issues, challenges and future directions of different food retail channels. While the emphasis was placed on modern food retailing, operators and customers in traditional markets were also interviewed.

8.3.1 Structure of grocery retailing

Overall the grocery retail sector in the three countries is still at an early stage of transformation, and modern food retailing is still in its infancy. Food distribution is dominated by traditional channels and a large informal sector to an even greater degree than in Eastern and Southern Africa. Traditional open markets are the main food distribution channels, accounting for half of overall food retailing in Senegal and two-thirds in Ghana and Nigeria (USDA, 2010; USDA, 2007 USDA, 2012a). These markets typically consist of small stalls of 5 to 10 m^2 clustered in large open areas. Most grocery wholesalers are also located on or

64 Massmart is a managed portfolio of ten wholesalers and retail chains, each focused on high volume, lowmargin, low-cost distribution of mainly branded consumer goods, through 228 outlets, and one buying association serving 478 independent retailers and wholesalers, in 12 countries in sub-Saharan Africa. However, its operations outside of South Africa are mostly small, accounting for only about 10% of total sales. While Massmart is the second largest retailer in South Africa, it only has five% market share in grocery retail (Deloitte and Planet Retail, 2011).

65 However, the estimates published on food retail market sizes vary considerably between sources and years, and they are not always clear about the extent to which the traditional and informal sector is included in the estimates. Hence, the estimates of the size of the food retail markets and the shares of the main retail channels cited in this section should be considered as rough estimates of orders of magnitude.

close to open markets (between 60% to 70% in Ghana and Nigeria, respectively). Open markets not only have a dominant position in basic food staples (cereals, roots and tubers) but also in fruits and vegetables, meat, eggs and fish. They are also important outlets for packaged foods and frozen meat and fish, both domestic and imported. In Ghana, frozen chicken imports are mainly distributed through cold stores, many of which are located in open markets. Most importers also operate as wholesalers and retailers. In Ghana and Senegal, many supermarkets are owned by importers. Most importers have satellite outlets or representatives in the main open markets. Over time, there has been some consolidation and shortening of food import chains. For example, in Ghana an estimated 40% of imported food products are purchased by retailers directly from importers who maintain warehouses and distribution points in several locations (USDA, 2012a).

Focus-group interviews in Accra and Lagos revealed that the attractiveness of open markets is due to their broad range of goods and lower prices compared to other food retail outlets. Customers usually bargain for prices except for imported high-value products and international brands of packaged foods. Some consumers also prefer the freshness of products in the open markets and the possibility to taste and inspect unpackaged staples such as gari. At the same time, consumers complain about congestion, poor hygienic conditions, product presentation and a stressful shopping environment. Moreover, travel to these markets can be time-consuming, particularly in large cities. Hence, most customers in larger cities tend to buy larger quantities of food staples and packaged foods.

Open markets also serve as the main sources of supply for small independent food retailers, who tend to source from wholesalers or sub-wholesalers on or around these markets. Small, independent stores comprise a wide spectrum of outlets, ranging from superettes to neighbourhood stores and kiosks. They normally sell food staples, packaged foods and beverages in small quantities and sizes, along with non-food items. Some of the larger stores are directly supplied by importers as part of their distribution and promotion strategies. Only a small fraction of neighbourhood stores sells frozen foods due to limited and unreliable access to electricity. Although prices are slightly higher than in open markets, their proximity makes them the first choice of many households, especially those in the lower-income brackets with limited access to refrigerators and transport. As in case of supermarkets, households' ability to buy and store fresh produce depends on their access to refrigerators and reliable energy supply. Moreover, many small neighbourhood stores sell on credit to frequent and trusted customers and thus play an important role in food security for poor urban households with irregular cash incomes. At the bottom end of the food retail spectrum are mobile food vendors, street hawkers and roadside stalls selling food staples, fruits and vegetables as well as packaged foods to the mobile population.

8.3.2 Modern grocery retailing

According to industry estimates, the share of modern food retail outlets including supermarkets, hypermarkets, gas marts and convenience stores only reaches 1%-2% of total food retailing in Ghana, Nigeria and Senegal. In 2012, most modern grocery retailers only had between one and five outlets. Yet, the modern food retail segment has become more dynamic over the past five to ten years, marked by the entrance of international supermarket chains and franchises. In view of recent sustained per capita income growth rates and similar expectations for the future, investors see considerable growth potential in larger West African countries, especially in Nigeria – the second largest market in sub-Saharan Africa. Ghana and Nigeria compare well with Kenya in terms of key economic and business indicators such as per capita income, population size, ease of doing business and income distribution, but are far behind concerning food distribution and retail market development. The following paragraphs provide a brief snapshot of modern grocery retailing in the three countries.

Nigeria. While supermarkets, and especially international brands, are a more recent phenomenon in Ghana, they have a much longer track record in Nigeria. The oil boom during the 1970s and the resulting growth of middle- and upper-income classes attracted several national and international concerns to invest in the Nigerian retail market. Brands like Leventis Stores, UAC Stores, UTC Stores, Bhojsons, SCOA and Kingsway opened stores in Nigeria's major cities of Lagos, Ibadan, Port Harcourt and Kano. Given the underdeveloped domestic supply chain, these retailers largely depended on imports to meet consumer demands in terms of product diversity, quality and reliability of supply. The socio-economic downturn during the 1980s and early 1990s and ensuing economic policy measures resulted in an adverse business environment for supermarkets. On the one hand, public spending cuts and retrenchment of public-sector employees led to a decline of the middle class and a worsening of the income distribution, forcing large population groups back into the open markets and neighbourhood stores. On the other hand, import bans and mounting import restrictions related to the cost and availability of foreign exchange made it increasingly difficult to secure regular supplies of food items. Hence, by the late 1990s, most of the above-mentioned retailing chains had stopped their operations. Only a few smaller local players survived the turmoil.

Since the early 2000s, modern food retailing has regained traction in Nigeria, fuelled by improved macroeconomic stability and strong growth. In September 2008 the government significantly reduced the number of items prohibited for import and reduced the duty on others. Hence, a major impediment for modern food retail expansion, especially in its early stage, has been relaxed. As a result, multinational retail and food service chains have entered the country, alongside increased investments by local entrepreneurs in the modern food retail and food service sectors. Even with all of the challenges posed by Nigeria's economy, the private sector views the consumer food delivery market as too large and too dynamic to be ignored.

Property developers are also expanding their activities in Nigeria, often in tandem with major retailers. The opening of The Palms, a first-of-its-kind shopping mall in Lekki, Lagos, in 2006, ushered in South African retail giants Shoprite and Game. Shoprite and Game are the anchor tenants of this 40 000 m² site, each occupying about 5 500 m². While Game stocks a wide range of merchandise from groceries, electronics, furniture and other household goods, Shoprite concerns itself with mainly fast-moving consumer goods. Shoprite currently also operates three outlets in Lagos, one in each Abuja, Enugu State and Kwara State. Two outlets in Kano and Ibadan were scheduled to open in late 2013.

The entry of Shoprite into Nigeria has been followed by SPAR, a Dutch brand operating a franchise model in seven African countries. During 2009, SPAR entered a franchise agreement with the Artee Group, which was established by Indian immigrants to Nigeria in 1988 and which operates five retail outlets in Lagos, Abuja and Port Harcourt. The first SPAR store in Nigeria opened in 2010 in Lagos, and a second one followed in 2011 in Abuja. Having acquired six additional locations for SPAR supermarkets, the Artee Group plans to begin the conversion of Park 'n' Shop to the SPAR brand, though the Park 'n' Shop brand will be retained for shopping centres. SPAR announced its plan to open 20 additional outlets during the next three years. Other notable domestic supermarket brands include Cash N Carry, Goodies, Addide, Grand Square and Amigo.

The entry of three international retail chains and their expansion plans set the stage for increased competition in the sector. Game, a subsidiary of the South Africa-based retailer Massmart, provides Wal-Mart a direct entry into the Nigerian market. Game operates stores in seven African countries including Ghana and Nigeria.

Ghana. In Ghana, the number of supermarket brands and outlets is more limited than in Nigeria. In 2006, a USDA report listed 10 brands, 4 of which had three outlets and the rest were single stores (USDA, 2007). Most were owned by Lebanese residents of Ghana, and all owners were also importers. Until the mid-2000s, these stores carried primarily imported packaged products targeting expatriates and domestic high-income markets. The food retail market in Ghana was estimated at US$1 billion in 2006 (USDA, 2007). Local, unprocessed foodstuffs and staples including fresh fruits and vegetables, fish and meat accounted for almost half (46%) of the overall market, followed by imported high-value food products (34%) and products partially or completely processed and packaged in Ghana (20%).

With the growth of the middle-class and the entry of Shoprite in 2007, supermarkets have been diversifying their product offerings and are targeting a broader range of customers. Shoprite had already intended to open a hypermarket in Ghana in the late 1990s but then decided to enter the market with a smaller supermarket format, U-Safe, given the market and business environment. As Ghana's formal retail market strengthened, Shoprite closed most of the smaller U-Safe stores with the opening of one hypermarket in 2007 in the Accra Mall. Larger home-grown players such as MaxMart and Koala have remodelled and expanded their stores substantially towards "mini-hypermarkets" with a broader product range. The strong recent growth performance and the expected future growth of investments and consumer spending in Ghana fuelled by the emerging petroleum industry is expected to sustain growth of modern food retailing, at least in urban areas. For example, as of March 2013, Wal-Mart was actively exploring the possibility or entering the Ghanaian market.

Senegal. In Senegal, larger supermarkets are almost exclusively located in Dakar. In total, there are about 200 supermarkets and mid-sized grocery stores in the Senegalese capital, which boasts a large expatriate community and a sizeable middle class. Over the past 10 years, several modern supermarkets have opened in Dakar, including five outlets of the French Casino chain and the Hypermarket Exclusive, owned by Indians. There is also a growing number of gas-station-type convenience stores. Several domestic chains (e.g. Pridoux, Select, and Filfili) are owned by French and Lebanese expatriates (USDA, 2010).

8.3.3 Food services

In view of the trends towards eating away from home discussed in Chapter 6, the food services sector has been growing strongly. Little is known about the structure and size of the food services sector in West Africa, which consists of hotels, restaurants and catering. Evidence suggests that the sector is as equally diverse as the grocery sector, ranging from large international hotels to small restaurants and street-food vendors. However, information about numbers of operators and outlets of the different food service segments and their turnover is scarce and fragmentary.

Industry sources state that the restaurant industry in Nigeria has been growing quickly and quick-service restaurants (QSR) have been growing particularly fast. This sector is composed of traditional casual restaurants and food stalls, street-food and modern quick-service outlets. While exact data are not available, street-food vendors and small casual restaurants comprise the bulk of the quick-service sector. These outlets are particularly important for low-income households, but they cater to broad segments of the urban population. Similar to traditional small grocers, accessibility and locational convenience are key determinants of their popularity in congested urban areas.

In addition to these traditional and informal outlets, the formal QSR sector including formal-sector fast-food restaurants has also grown rapidly over the past decade. Modern QSRs fill the gap between the traditional casual restaurant and street-food sector on the one hand and conventional up-market restaurants on the other hand. They respond to the growing demand for ambience and improved safety and hygiene conditions as well as to changing urban lifestyles. In Nigeria, the formal QSR sector is larger and started earlier than in Ghana. Mr Biggs is the industry pioneer.[66] Starting as a coffee shop in the Kingsway department store in the 1960s, it was the first Nigerian food services company to use a franchise model. Mr Biggs has grown to over 170 locations and extended into Ghana. Other important players include Tetrazzini, Big Bite, Mama Cass, Tantalizers, Chicken Republic and Pizza Republic. According to industry sources, the modern-fast food industry in Nigeria grew by 30% per year between 2000

66 The Mr Biggs restaurant chain is a division of United African Company, a Nigerian conglomerate with investments in a range of economic subsectors.

and 2009. Total revenues generated by the 800 outlets were estimated at US$400 million in 2009 (Research and Markets, 2010).

For both countries, the entrance of international QSR franchises has reoriented the QSR segment, bringing new standards, status, ambience and a robust branding culture. While Mr Biggs was originally the most modern QSR in the market, entrants such as KFC from the United States and Barcelos from South Africa have challenged the competition in terms of ambience and brand recognition. KFC entered Nigeria in 2009 and Ghana in 2011. Chicken Republic and Pizza Republic are also major players with unique profiles. These brands are not just multi-national transplants; they were established by a Nigerian entrepreneur who had been living abroad for 16 years. While they are domestic brands,[67] the founder designed them to mimic international competitors and has been successful in doing so. Since Chicken Republic's launch in 2004, the brand has grown to more than 65 company-owned and franchised stores valued at US$120 million. In a discussion with the AGWA team, the firm's founder stated that the market is being driven by youth: "They want to associate themselves with modern brands and modern ways of eating."

Standard brands such as KFC and Chicken Republic signal to consumers a consistent product and ambience, but equally importantly, they bring high standards for food safety. According to a KFC employee formerly working in a domestic fast-food outlet, operational standards at KFC are higher throughout the entire process from food purchase, storage and preparation to customer service. These include clear standards for operational issues such as how to thaw chicken, when to change the cooking oil, and employee hygiene. As a rule, food in these outlets can only be kept for a certain period and cannot be re-used. Employees must clean the dining area in a routine fashion according to a schedule. Applying these standards requires workforce training and incentives.

A majority of QSRs, especially the international franchises, offer a relatively limited menu. The menus are centred on chicken, fried or rotisserie, with other common accompaniments such as rice or french-fried potatoes. Some also offer sandwiches, meat pies and burgers. According to outlet representatives, the menu-item cost structures are designed to enable all consumers to afford at least something. For example, KFC employees say that their most popular menu item is the ice cream cone, as many people who cannot afford an entire meal want to order at least one menu item.

Although KFC has many stand-alone outlets in Nigeria, many of the "high-ambience" QSRs are located in shopping districts, malls, or in conjunction with other eateries. Consumers view these outlets to be some of the most "upmarket" dining options, aside from fine dining.

There are other domestic players, offering a diversified menu based on traditional foods. These include Mama Cass, Tantalizers, Tetrazzini and Big Bite, which mainly target upper-middle-class customers. The foods are prepared and presented in a buffet. For example, Mama Cass started as a small cafeteria during the early 1990s offering bakery products, snacks and rice. It has now eight outlets in Lagos and Abuja and one in Abeokuta and serves a range of traditional dishes along with snacks, bakery and confectionary products, and poultry. The company purchases poultry, fish and yogurt from preferred suppliers and periodically checks their quality in a laboratory. The company's catering business has been growing rapidly over the past five years. Tetrazzini and Big Bite are other examples of domestic chains offering broader selections of both traditional and Western dishes. According to the staff interviewed, the demand for African dishes has been stagnant whereas the demand for Western dishes has grown.

In Ghana, the domestic QSR sector is less developed and focuses mainly on fried foods such as chicken, rice and fish. Papaye is the only domestic QSR chain, but its menu is focussed on fried chicken, French fries and rice rather than on traditional dishes. However, international fran-

67 The Republics are now part of Food Concepts PLC, a Nigerian public company housing these brands plus a fine-dining full-service restaurant, a bakery as well as a poultry farm.Food Concepts states that its goal is to "revolutionise the food sector in West Africa and to deliver extraordinary satisfaction to our stakeholders."

chises such as Chicken Republic, Pizza Republic, Mr Biggs, Barcelos and KFC have also entered the Ghanaian market.

Food ingredients are procured both domestically and through imports, depending on country and product category. Food staples, bread and pastries, and most fruits and vegetables are mainly procured domestically, primarily from preferred suppliers to guarantee quality and consistency of supply. Products that are partly imported include rice, poultry (in the case of Ghana), fish, potatoes, and some dairy products. The degree of domestic sourcing is higher in Nigeria due to a larger domestic processing industry for packaged foods such as noodles, pasta, fruit juices and poultry meat, along with import restrictions for these and other product categories. Fast-food chains in Lagos largely rely on imported processed and canned vegetables because of their reliability and quality compared to domestic suppliers.

More detailed work is needed about the sourcing patterns of the food services sector and the role of specialized agents and wholesalers as well as direct contracting with suppliers. While concerns about volumes and consistency of supply are similar to those of the modern grocery sector, quality requirements may be lower for some segments of this industry. This could imply lower entry barriers for smaller farmers to supply the food services sector, as long as their supply can be aggregated.

8.3.4 Main constraints facing modern food retailing

Interviews with grocery retail managers in Accra and Lagos revealed some of the key challenges underlying the slow growth of modern food retailing in Ghana and Nigeria. These can be summarised as follows:

- ***Availability and cost of real estate.*** Interviewees in both countries highlighted the difficulties to find appropriate real estate in suitable locations to expand their stores. Lengthy and often non-transparent procedures for obtaining permits were cited. Real estate in the major city centres is expensive, and building new premises requires even larger capital outlays, often beyond the financial capacity of many domestic operators. Especially large regional players such as Shoprite prefer locations in shopping malls or centres that attract larger numbers of customers, but these have been developing slowly. These factors particularly constrain the growth of hypermarkets, whereas smaller formats are less affected.

- ***Urban congestion.*** A second constraint for hypermarket expansion is urban congestion, especially in large cities like Lagos and Accra. This is accentuated by many consumers' lack of access to convenient forms of transportation (cars or well-functioning public transport). Again, smaller formats and convenience stores located in various locations across major cities but with coordinated procurement functions might be better suited for congested urban environments.

- ***Human resources.*** There is scarcity of skilled human resources to perform key management and operational functions and serve customers. This requires investments in on-the-job training and often the use of expatriates.

- ***Unreliable electricity supply*** is a further constraint, especially for expanding fresh, frozen and chilled produce sections, as the reliance on generators drives up operating costs. Supermarkets in Nigeria reported difficulties to keep generators running throughout the night. Even small changes in the cold-storage temperature can result in product losses, especially for highly perishable items such as fish. Unreliable electricity supply also discourages consumers from buying refrigerators, which limits the demand for large purchases of perishable items. Consumers lacking refrigerators have to make more frequent, smaller purchases of such perishables, which is often more convenient to do from small-scale retailers in their neighbourhoods.

Underdeveloped domestic supply chains

Sourcing domestic products that meet supermarkets' requirements in terms of quality, packaging and consistency of supply remains a key challenge.

So far, most products in Ghanaian supermarkets are imported, with the exception of some basic food staples, fruits and vegetables. However, the latter are mainly procured on an ad hoc basis from wholesalers in open markets. Domestic sourcing of meat requires extensive quality control on a piece-by-piece basis, since buyers cannot rely upon the enforcement of public food safety standards even in large abattoirs. Shoprite in Accra mainly sells imported frozen poultry. In addition, however, it procures fresh poultry meat from two poultry farmers close to Accra. Due to lack of supply of processed meat and in order to ensure quality and safety, whole birds are purchased and then slaughtered and prepared into different cuts. Consumers are willing to pay a premium for fresh domestic meat, and there are important opportunities for developing niche markets in modern food retail outlets. However, domestic poultry producers and their associations have made little use of such opportunities.

In Nigeria, the degree of domestic sourcing is higher due to the availability of larger producers and processors and the persistence of import bans for certain key commodities. Some of this sourcing is not just local, but involves shipments across Nigeria. Supermarkets procure poultry meat from large, integrated farms that also process and package meat. For example, the Amigo Supermarket in Abuja buys chicken (some using brokers) from Zartec, the country's largest poultry producer based in Ibadan, and also sources vegetables and fruits from the Jos plateau in the central highlands. Exclusive Stores in Abuja sources its fruits and vegetables partially from a preferred supplier in Jos, complemented by brokers and purchases from the open market. This supermarket also supplies imported fruits and vegetables preferred by its expatriate and upper-income customers. Prices for imported fruits and vegetables are approximately double those of the domestically produced versions. The main problems with domestic supplies of fresh and packaged products are related to quality, presentation, packaging, and consistency of supply. Key problems of imported items are related to delays in shipments and customs clearing.

While Nigerian food retailers have better access to domestic fresh and packaged products than do their Ghanaian counterparts, prices tend to be higher than in neighbouring countries due to import restrictions and an adverse business climate. These price differences encourage large-scale smuggling of goods from neighbouring countries, which are distributed through a wide web of small and informal stores and markets. Given their exposure to public scrutiny, modern grocery retailers and QSRs can only procure products that are either produced domestically or have entered the country via legal channels. This places formal retailers at an additional disadvantage concerning prices vis-à-vis competing distribution channels.

8.4 Outlook

Overall, urban food distribution remains dominated by traditional channels including open markets, traditional wholesalers and retailers. However, there are signs that the growth of modern food retailing might speed up considerably in the coming years in view of the increased dynamics of the sector and recent entry of regional and international players into both the modern grocery and food-services sectors. Compared to the countries' market size, urbanization levels and economic dynamism, modern food retailing in Ghana and Nigeria is underdeveloped. Domestic, regional and international players are increasingly aware of the opportunities, and many of them have ambitious growth plans. Experiences in other African countries, especially Kenya, show that the expansion of modern food retailing can happen very quickly. Still, there are formidable challenges related to the business and operating environment and urban congestion. Stated growth objectives of major domestic and international players therefore need to be treated with some caution.

Growth is certain, but its pace is difficult to predict. The future will see the entry of more multinational modern food retail operators as well as increased participation of local brands. The pace of this expansion and its impact will depend on the overall business environment, the continuation of economic growth and its pattern (which will affect the size of the middle class), trends in urban infrastructure (especially electricity supply and public transport) and how quickly supply chain bottlenecks can be addressed. Even in the case of moderate growth, modern food retailing will have spill-over effects on the broader domestic food systems and offer increasing niche market opportunities for domestic and regional suppliers. Modern retailers are introducing new benchmarks in terms of product quality, safety, presentation and packaging, ambience and customer service. As the modern food retail channels grow (both in the grocery and food services segments), competitive pressure is likely to force them to cut costs by developing domestic sourcing strategies. This is likely to stimulate the development of specialized wholesalers as key links with domestic suppliers. As supply chains tighten up and logistics improve, there will also be more opportunities for direct procurement by modern grocers and QSRs from local producers and processors. Opportunities for promoting and placing domestic brands for high-quality domestic products, fresh and packaged, will increase. These include meat, dairy products and fruit juices, but also rice and instant preparations of traditional food staples (such as gari and instant yam), if presentation, packaging and quality consistency can be improved.

Irrespective of the pace of growth of the modern supermarkets segment, it is unlikely to obtain a dominant position in food retailing in the foreseeable future. Hence, the traditional channels remain important for the large majority of customers in both rural and urban areas. Yet if these other segments are to respond effectively to the competitive pressures emanating from modern retailers, food wholesaling in West Africa needs to improve. Improvements in food wholesaling have played a central role developing better performance among a wide range of retail formats in Latin America and in Asia, and supermarket chains have often played a key role in stimulating the growth of modern wholesalers (Seidler, 2001, Reardon, *et al.*, 2012),. Large supermarket chains often carry out some of the wholesaling functions for themselves as well as for other retailers and QSRs, sourcing products via preferred supplier arrangements. But these chains typically continue to obtain some of their products from brokers and other dealers. Independent wholesalers play a key role in supplying other types of retailers, particularly some of the smaller chains and independent retailers. Wholesale markets, by aggregating large volumes of product in a single location, serve as important venues for transparent price discovery that generate important market information about demand and supply conditions for all actors in the value chain. The aggregation of product also allows sorting of products into various qualities, targeted to different market segments.

Yet wholesaling throughout sub-Saharan Africa has for many years lagged behind the rapid growth of cities (Tollens, 1997). Common problems of urban wholesale marketplaces include urban congestion around outdated facilities located in city centres, deteriorated physical infrastructure (e.g. cold chains) with poor hygienic conditions, and poor management of facilities. Historically, wholesale markets have often been managed by municipal authorities who frequently looked upon them as a way of generating revenue through market taxes rather than as a tool to serve the rapidly changing needs of wholesalers and retailers. Given that wholesale markets generate some public goods in terms of market information useful to all actors in the value chains, some public financial support of such markets is warranted. In addition, because their physical location has important implications for public infrastructure, traffic flow, and public health, municipal officials need to be involved in their planning (Argenti, 2000). But if they are to serve the needs of the private sector effectively, the private sector needs to have a strong voice in their management, which is only likely to come about if the private sector has its own capital invested in these facilities as well. Thus, such facilities need to be public-private partnerships.

Not all wholesaling will take place in physical wholesale markets; in addition to large supermarket chains, independent retailers may undertake various forms of collective organization (e.g. creations of voluntary chains and retailer cooperatives) that involve creating a wholesaling organization that serves all the members of the group. It is striking, however, that agrifood policy in West Africa has generally paid little attention to the wholesaling function, focusing either at the farm level or the retail level.

8.5 Main findings and policy implications

The rapid growth of supermarkets in developing countries and its implications for the larger food system has received much attention during the last decade. Supermarkets and modern quick-service restaurants introduce new standards in food retailing in terms of the range of product offerings, product quality and safety, product presentation, shopping and dining ambience, and, eventually, prices. Moreover, their procurement practices contribute to the modernization of domestic supply chains, e.g. by enhancing the efficiency of logistics and introducing traceability of products. They provide domestic producers – farmers and processors – reliable access to growing domestic markets. However, small farmers and processors often find it difficult to supply supermarkets and meet their procurement requirements in terms of quality, volumes, and delivery schedules.

In Africa, South Africa and Kenya have been the leaders in supermarket development. Both countries experienced a rapid expansion of supermarkets between the mid-1990s and early 2000s. While supermarket expansion in other African countries progressed at a much slower pace, there are signs of acceleration given the recent entry of global supermarket chains and prospects of continued strong economic growth. Hence, experiences in these two countries can provide some useful insights for other countries, including in those in West Africa. In line with international practices, Kenyan and South African supermarkets expanded their market shares for packaged foods much more rapidly than for fresh foods, given the challenges of setting up reliable supply chains for the latter. Contrary to other regions of the world, this growth has been driven by domestic players that have eventually expanded into other countries. Since both countries have strong food processing industries, these were able to supply the bulk of supermarkets' product offerings for processed and packaged foods. However, despite the initial rapid expansion of supermarkets, other food marketing channels remain important, especially for fresh produce. Urban congestion and time and income constraints lead to only a partial adoption of supermarket shopping even among urban middle-classes. Neighbourhood stores, convenience stores and open markets remain important. In the case of fruits and vegetables, supermarkets followed a well-known trend towards centralized procurement systems, initially through specialized wholesalers and then through subsidiary procurement centres. Small farmers face difficulties to enter and remain in supermarkets' preferred supplier lists.

In West Africa, modern food retailing is still in its infancy, and urban food distribution remains dominated by traditional channels including open markets, traditional wholesalers, neighbourhood stores and informal food vendors. However, there are signs that the growth of modern food retailing might speed up considerably in view of increased dynamics of the sector over the past five years and the recent entry of regional and international players into both the modern grocery and food services sectors. Despite the recent growth of supermarkets and quick-service restaurant chains and outlets in countries like Nigeria and Ghana, modern food retailing is still grossly underdeveloped in view of the market size, urbanization levels and economic dynamism of these countries. Domestic, regional and international players are increasingly aware of these market opportunities, and many of them have ambitious growth plans. Nevertheless, important challenges remain on the supply side related to the business and operating environments, access to financing and real estate, unreliable electricity, and urban congestion. Hence, while growth of modern food retailing is certain, its pace is difficult to predict. It will chiefly depend on the continuation of broad-based economic growth and on the extent by which the aforementioned constraints are attenuated.

Even in case of modest growth, modern food retailing will have spill-over effects on the broader domestic food system by stimulating the development of specialized wholesalers and direct domestic procurement systems, and by offering niche market opportunities for domestic and regional suppliers. However, it is unlikely that modern food retailing will obtain a dominant position in the foreseeable future. Hence, policy should have a neutral stance concerning modern food retailing. General improvements of the business and operating environment (e.g. concerning utilities, ease of doing business, contract enforcement and improved access to finance) will benefit all players in the food system. The main policy and investment priorities should be on upgrading the conventional retail and wholesale systems, which still serve as the main conduits for domestic food products. Improving the efficiency, cleanliness and ambience in the traditional marketing system, especially open markets, would have broad benefits for consumers and suppliers alike. Needed actions include measures to improve logistical efficiency for traffic flow and the loading and unloading of goods, in combination with better garbage collection, sewage service and other hygiene improvements. Such measures will enhance the safety and attractiveness of such markets for customers.

Modern grocery retailing enhances food choices, especially for packaged and processed food. These products respond to urban consumer demands for convenience and modern lifestyles. Higher-value branded products also tend to be safer. However, highly processed food products with long shelf lives often have lower nutritional value compared to less altered foods. Hence, improving the availability, quality and safety of fresh produce and dry staples with high nutritional value such as legumes is an important priority from a nutrition security perspective. Similarly, given trends towards consuming more packaged food and fried dishes, providing health and nutrition education, along with improved food labelling, will be important in helping consumers make informed food choices.