ACHIEVING FOOD SECURITY THROUGH RETAILING: A CASE STUDY

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ABSTRACT

Governments and aid organizations have responded to rising food prices in developing countries by subsidizing agricultural inputs, including fertilizers, seeds, and farm equipment, increasing import subsidies, or eliminating export subsidies. This paper sets forth an alternative solution through government intervention in the distribution of food. The state government of Kerala, India, created two retail agencies of supermarkets (called Supplyco) and vertically integrated distribution (called Consumerfed) to reduce food insecurity for low income consumers. This paper evaluates their performance by examining customer satisfaction through surveys of Supplyco's and Consumerfed's customers. Findings include Supplyco's ability to provide retail outlets at convenient locations, while maintaining a buffer stock during periods of peak demand. Consumerfed was recognized for its ability to reduce prices, partly by regulating open market prices, and partly by acting as an agent of the government. The paper contributes to the literature on the government's ability to achieve food security through retailing. It offers a culturally sensitive solution to approaching the problem of food insecurity in a developing country. This approach may be extended to solving food price inflation in other developing countries.

Keywords*: food security, government intervention, food retailing, development, Kerala*

1. INTRODUCTION

Food security lies at the cornerstone of poverty reduction. The poverty line is a measure of distinction between the poor and their non-poor counterparts, as determined by the access to a minimum level of necessities, including the minimum daily caloric intake of food (Abdullah and Khan, 2016). It follows that rising food prices have had the adverse effect of driving more individuals into poverty, including 75 million from the food crises of 2008, leading to a total of 105 million malnourished persons (Abdullah and Khan, 2016). Food riots erupted in several African countries, including Burkina Faso, Cameroon, Senegal, and Cote d'Ivoire (BBC News, 2008). The Food and Agricultural Organization's more recent estimates are 870 million food insecure individuals, or 12.5 %of the global population in 2012 (FAO, 2012). These statistics are exacerbated by the fact that 60-80 % of the income of the poor is being spent on food (Nair, 2014), so that they remain malnourished even after spending much of their income on sustenance. A series of empirical studies have investigated the influence of rising food prices on poverty, finding poverty increases among net buyers of food in low income countries. Ivanic and Martin (2008) observed a 4.5% poverty increase in 9 low income countries from rising food prices. Dessus et al. (2008) found that the cost of alleviating food price inflation was 3% of GDP in 73 underdeveloped countries. Fifty percent price increases in imported foods were estimated to increase poverty numbers by 2.2-4.1% in rural areas and 3.7 and 5.2% in urban areas in sub-Saharan Africa (Wodon and Zaman, 2010).

Governments of developing countries have reacted to food price inflation by enacting macroeconomic policy prescriptions. Some of these policies include export restrictions, such as the Brazilian government's ban on the export of rice (Olle, 2008), along with India's ban on exports of non-basmati rice and pulses and the raising of export prices of basmati rice (Navhind Times, 2008). Another measure is the lifting of tariffs on food imports, thereby encouraging importers to purchase food from other countries, such as Brazil's removal of import tariffs on wheat, Peru's removal of tariffs on grain imports, and Senegal's