

*URBANIZATION, FOOD SYSTEMS, AND THE  
DIET TRANSFORMATION IN DEVELOPING  
COUNTRIES:  
WHAT DO WE KNOW, AND WHAT DO WE NEED TO KNOW?*

David Tschirley

Keynote Address for “Hungry Cities: The Global Revolution in Food Systems”

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# BACKGROUND

Extensive analysis of household expenditure data sets across Africa and Asia

Processed foods inventories

“Stacked surveys” of rapidly growing value chains

30 years of fieldwork in Africa and Asia

A focus on linking rural and urban, not just on urban needs

*What do we know?*

# #1: DIETS ARE TRANSFORMING IN THREE WAYS

Food is becoming more purchased

- About 50% of food in rural areas of Africa (by value) is purchased
- 60% to 70% in Asia



# #1: DIETS ARE TRANSFORMING IN THREE WAYS

Food is becoming more perishable

- meats, dairy, fresh produce (especially fruit and new vegetables)
- Non-cereals are 50% to 70% of diets in value terms



# #1: DIETS ARE TRANSFORMING IN THREE WAYS

Food is becoming more processed and prepared

- 50% to 65% of all food is now processed
- 70% to 80% of purchased food
- Food away from home exceeds 15% of food expenditure in some countries of ESA
  - and is growing everywhere more rapidly than any other category



***Every one of these transformations means  
the post-farm segment of the agrifood  
system is becoming ever more important***

## #2: THE TRANSFORMATION IS NOT JUST AN URBAN MIDDLE CLASS STORY

The transformation is broad

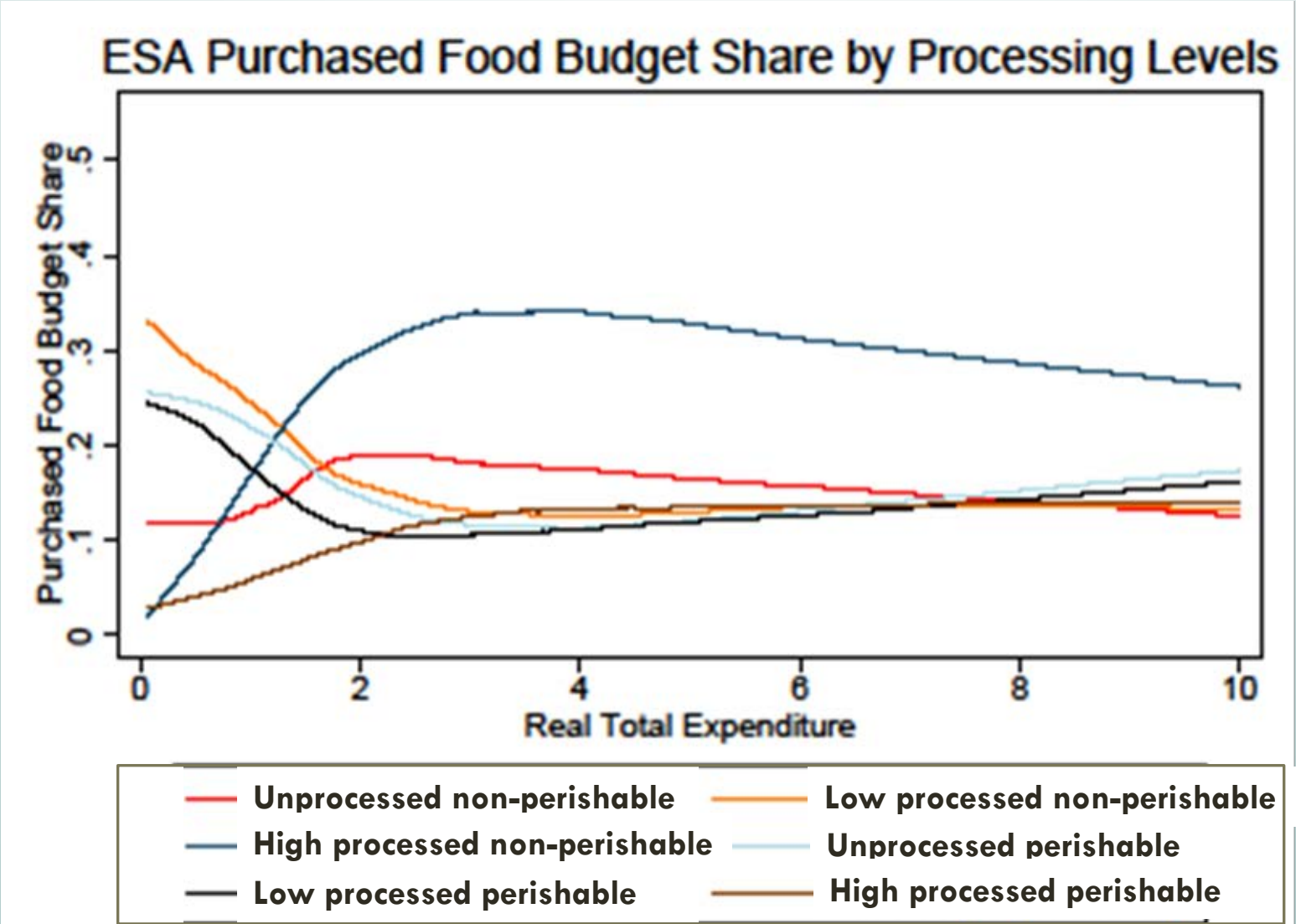
- In rural and urban areas
- Across Africa and Asia
- Across the income distribution (not just the poor)



# CATEGORIZATION SCHEME USED IN LSMS DATA

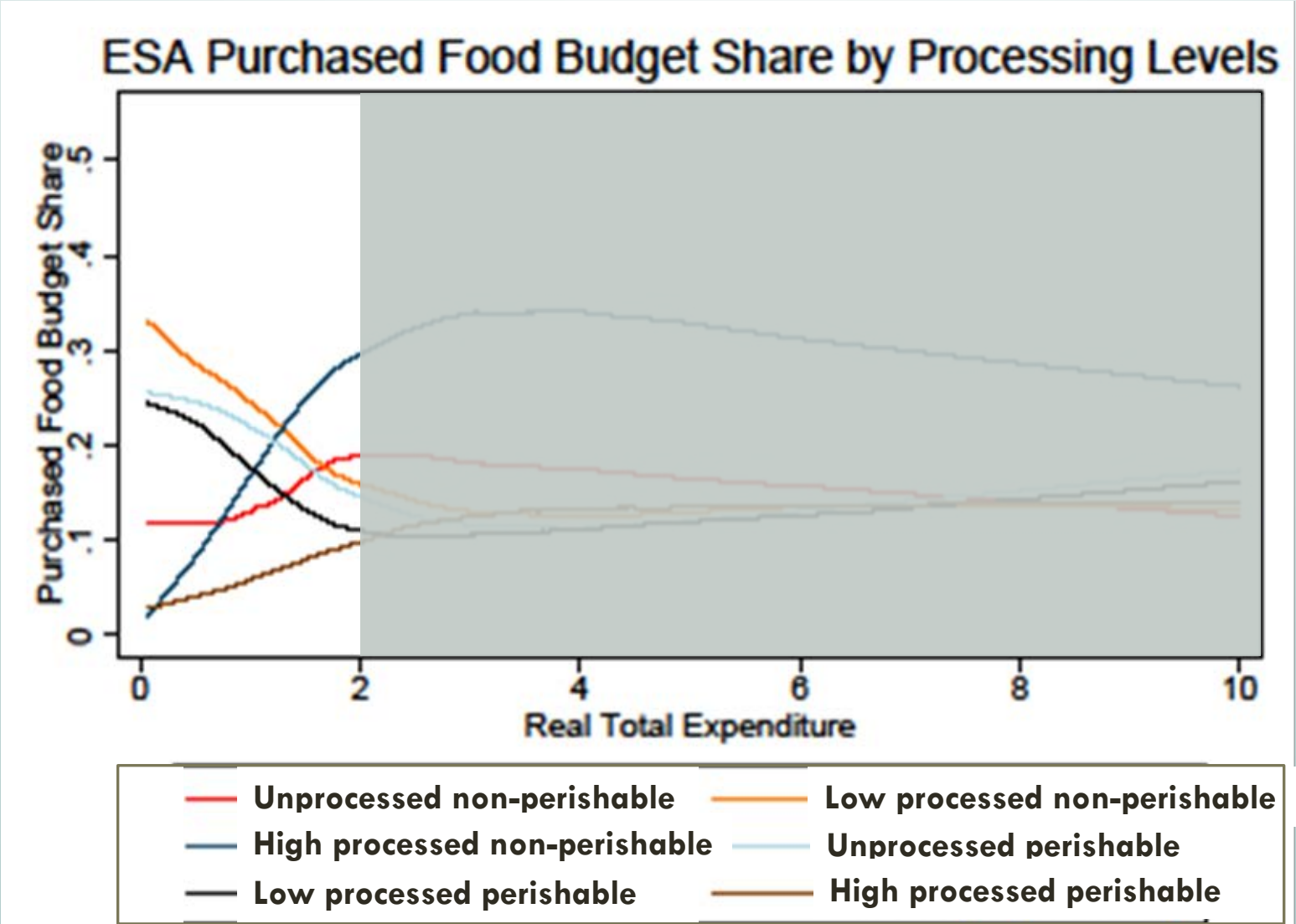
	<b>Unprocessed</b>	<b>Processed, Low Value Added</b>	<b>Processed, High Value Added</b>
<b>Non- perishable</b>	Legumes Maize grain others	Maize meal Milled Rice Sugar Others	Veg oils Breads Food away from home Others
<b>Perishable</b>	Vegetables Fresh fish Fruit Others	Beef Other meat (incl. poultry) Dried/pkgd fish Others	Food away from home Dairy Others

Kernel regression results on purchased food budget shares, additionally weighted by population across 5 countries of ESA



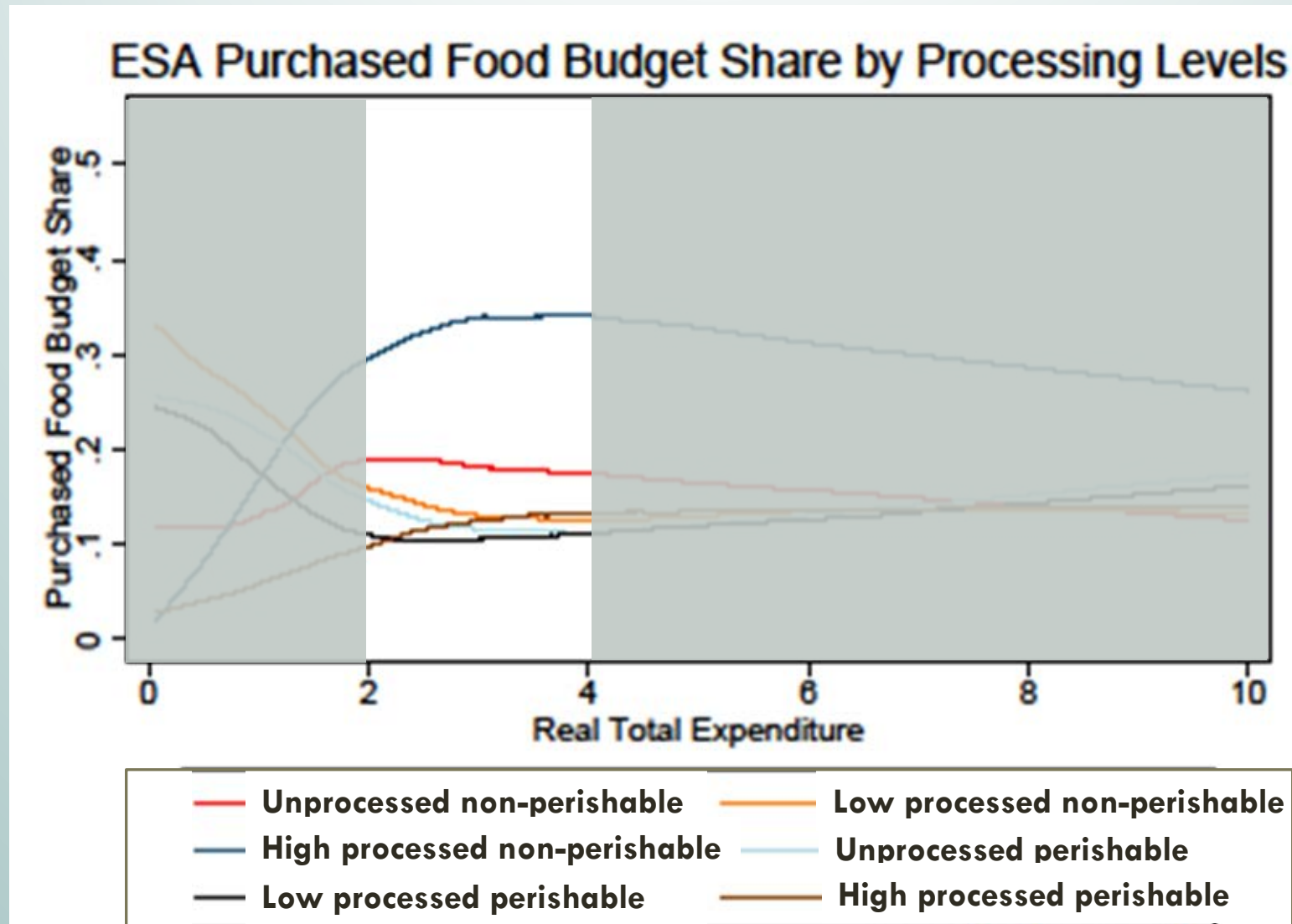
Source: Author calculations from LSMS data sets

Kernel regression results on purchased food budget shares, additionally weighted by population across 5 countries of ESA



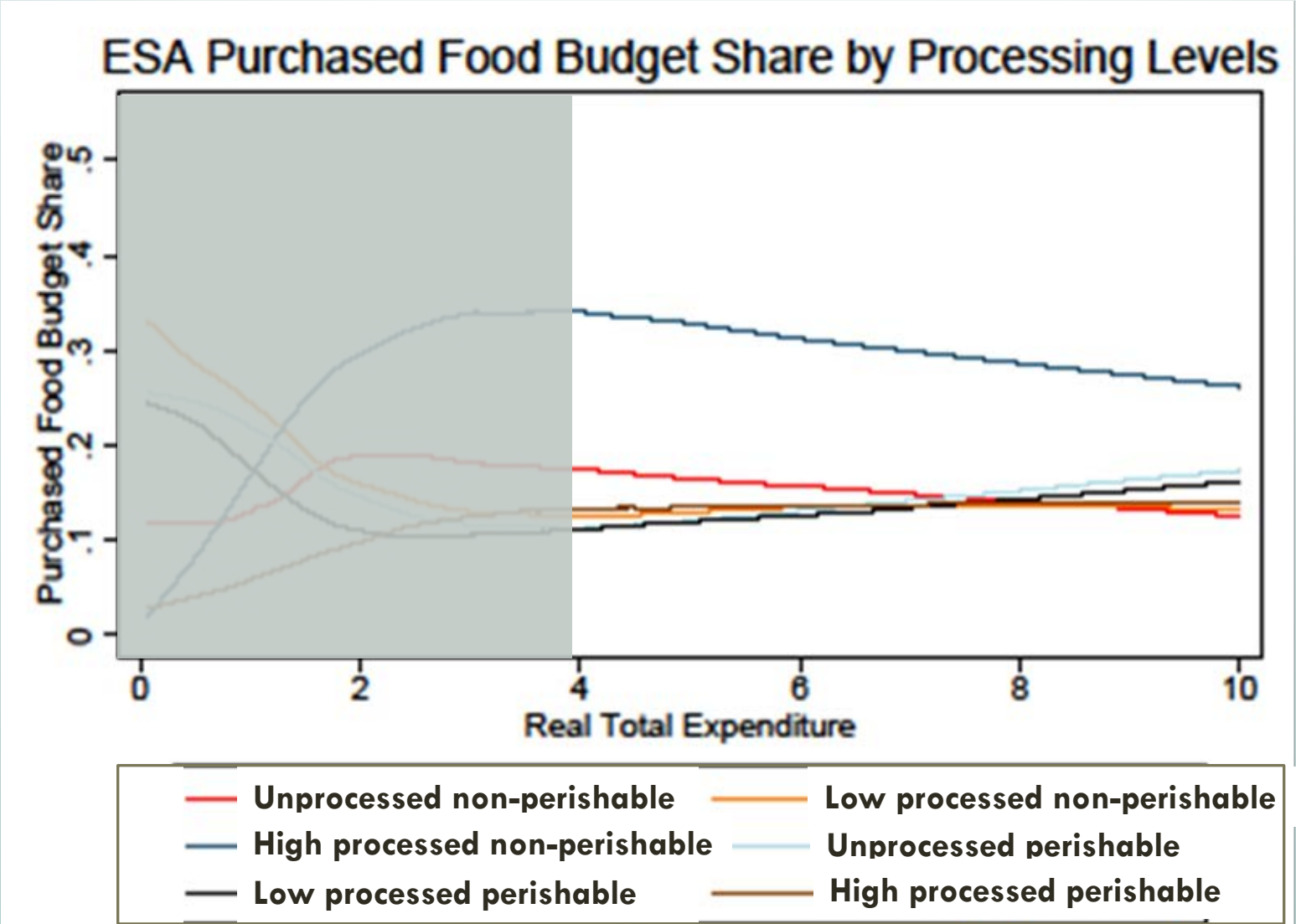
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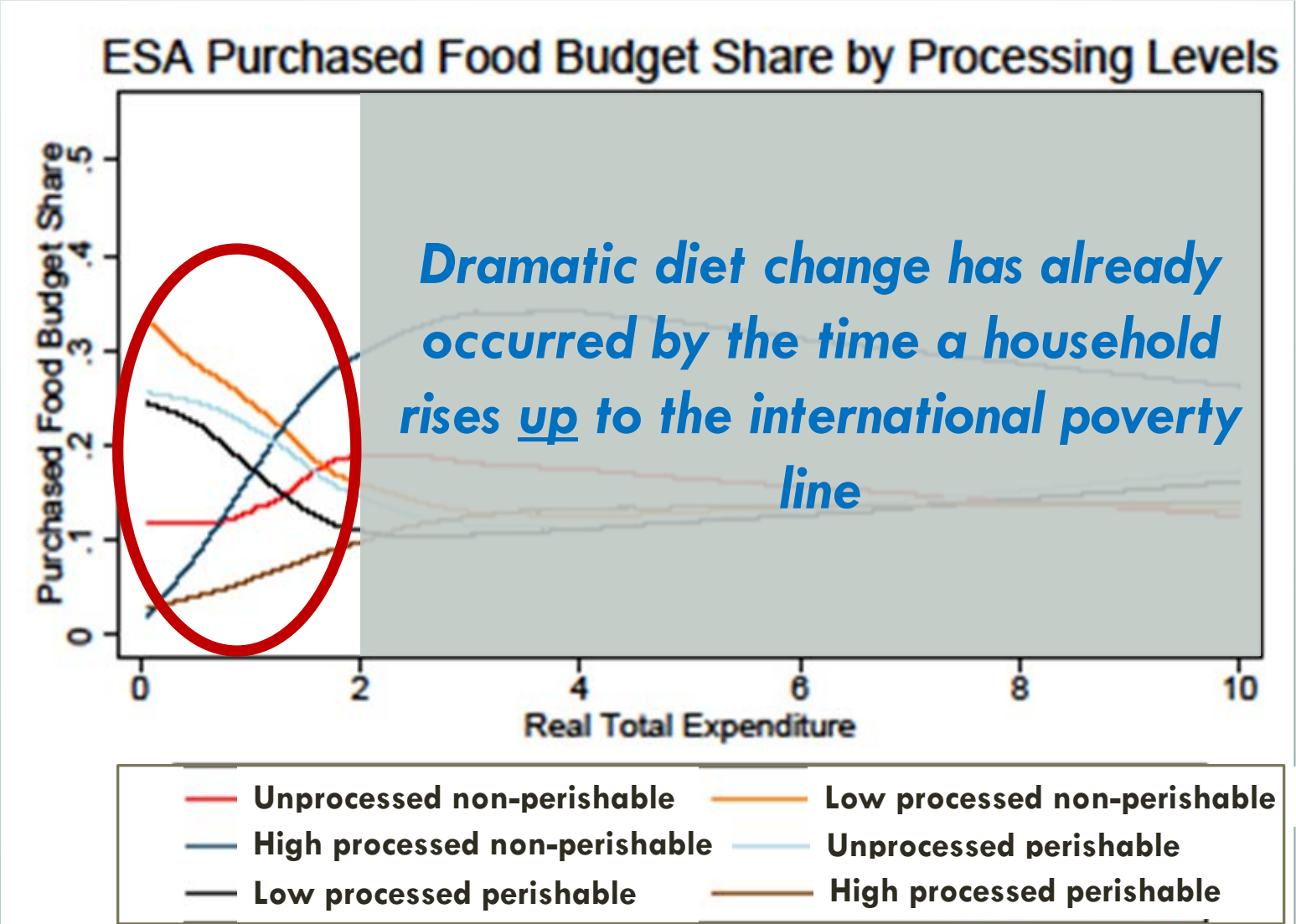
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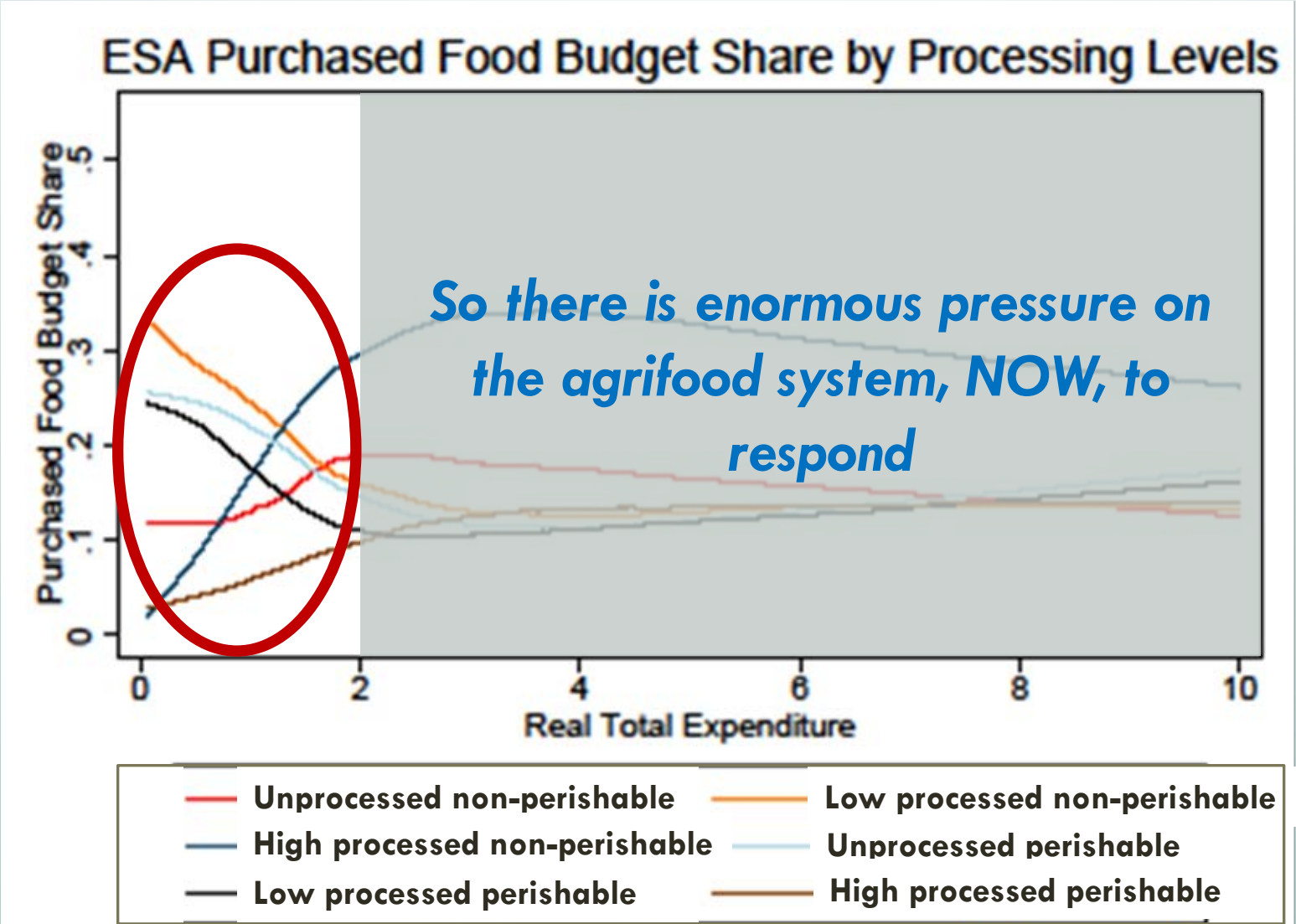
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# #3: URBAN DEMAND IS DRIVING THE TRANSFORMATION

- Urban demand now over 50% of all food demand through markets in East and Southern Africa
  - The least urbanized area of the continent
  - Up to 70% and 80% elsewhere
- Very rapid growth
  - 3% to 4% growth in urban populations PLUS ...
  - 2% to 5% growth in per capita incomes ...
  - means explosive growth in urban demand through markets
    - Up to 8x over 30 years



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# #3: URBAN DEMAND IS DRIVING THE TRANSFORMATION

- Especially secondary and tertiary cities
  - About 60% of urban population, growing rapidly
  - A chance to “get it right” in urban areas with little marketing infrastructure

## #4: LOCAL DEMAND AND SUPPLY DOMINATE

- About 90% of all food is from local production
- And reliance on imports is not systematically rising, even in Africa

# #4: LOCAL DEMAND AND SUPPLY DOMINATE

**Real value of food imports, 2008-2015 (2011 PPP USD)**

Country	Real value of food imports	Imports as share of food expenditure
Malawi	↑	↓
Mozambique	↑	↑
Nigeria	↑	↔
Rwanda	↑	↑
Tanzania	↑	↔
Uganda	↔	↓

Source: COMTRADE for imports; WB for hh consumption expenditure; authors' calculations to generate food expenditure

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## #4: LOCAL DEMAND AND SUPPLY DOMINATE

- In urban East and Southern Africa, the import share in the diet does not rise with income
- Import shares do rise with income in rural areas ...
- And they are higher in urban- than in rural areas
- But both appear to be driven by the move to purchased food, not by income *per se*

***Contrary to conventional wisdom, many countries in Africa are “holding their own” in meeting their food needs, and rising incomes per se should not change this***



# #5: FLOW OF FOOD BI- AND EVEN TRI-DIRECTIONAL

- Rural-urban
  - What we've always known
  - But now more than ever, linking to urban demand is central to rural growth and poverty alleviation
- Urban-rural
  - Flow of processed foods out to small towns and rural areas
  - Might this change with more distributed energy generation (solar)?
- Rural-rural
  - e.g. oilseed processing concentrated in areas around production, then flows to other rural areas

# #6: CITIES ARE NOT ADEQUATELY PREPARED



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- 10 Asian cities and 11 of SSA have signed the Milan Urban Food Pact
- But very little investment (certainly in SSA)
  - Unsuccessful attempts (Nairobi)
- Appalling conditions (at least in Africa)
- Outmoded models for investment and management in urban marketing infrastructure
- Food not being integrated into urban planning
  - Africa and Asia

## #6: CITIES ARE NOT ADEQUATELY PREPARED

- In Africa, the supermarket revolution is obvious, but very young
  - Supermarket sales need to rise by more than 5% per year just to MAINTAIN their SMALL market share!

***Private investment cannot be expected to solve the dramatic inadequacy of urban marketing infrastructure in the short- to medium-term***

*Three broad implications*

# IMPLICATIONS

## Massive agribusiness opportunities

- Who's going to capture the growth?
- Imports, or local farmers and processors?
- If local: large, medium, or small?

## Massive challenge for cities

- Need for new physical infrastructure
- New ownership and management models

Increasing importance of food quality and safety

*What we need to know*  
*(an incomplete list!)*

# #1: WHO IS RESPONDING TO THE OPPORTUNITIES?

- What is the level, structure, and spatial distribution of the local agribusiness response?
- Major implications for level and location of employment
  - Among Tanzanian millers:
    - smallest 20% of grain millers employ 15x more labor per unit output
    - Next smallest employ 6x as many



# #1: WHO IS RESPONDING TO THE OPPORTUNITIES?

- What's the role of smallholder farmers in the emerging supply chains?
  - Are more effective linkages emerging, or will they be bypassed?
    - ... as they largely are by the rapidly growing but still small supermarket sector

## #2: HOW RAPIDLY ARE SUPERMARKETS TAKING OVER MARKET SHARE?

- Currently low in Africa and S Asia, higher in E and SE Asia
- The sector can grow very rapidly in total sales while growing very slowly in market share
  - Continuing role, for a long time, for the so-called traditional marketing system

# #3: ARE SMES BAD FOR SAFETY AND QUALITY?

How does nutritional quality and food safety vary by:

- Imported vs. local products ?
- Firm size among locals?
  - Some concerned that SMEs are a major problem for food safety

# **#4: WHAT ARE THE OBESOGENIC FOODS AND HOW ARE THEY REACHING CONSUMERS?**





***We may be accustomed to thinking about the degradation of developing country diets as a product only of FDI, and packaged foods***











***Traditional prepared foods, and traditional market outlets, can be major elements of this problem***

# #5: HOW CAN WE FOSTER COMPETITIVE RESPONSE BY LOCAL SMES?

The role of credible public grades and standards for quality and safety

- Piggybacking by the small guys

Lots of agencies to promote small industry but have been marginally effective

***Scalable renewable energy?***

Cooperative wholesaling models?

***It's probably about slowing consolidation, not stopping it***

# #6: HOW CAN WE HELP (AFRICAN?) CITIES BREAK OUT OF THEIR DYSFUNCTIONAL APPROACH TO URBAN FOOD MARKETING?

New models of ownership and management

Integrating food into urban planning

Modifying the food environment to promote healthy food choices

Must deal with the political economy problem

Questions?