

[Why India desperately needs the supermarkets](#) [1]

Written by [Tim Worstall](#) [2] | Friday 20 December 2013



The Economist carries a story showing why India desperately needs the supermarkets. The example is all about a staple of Indian cooking, [the red onion](#) [3]:

The journey of an onion from Mr Devkar's field to the end customer in Mumbai takes only a few days but is enough to make you weep. There are some underlying reasons why prices have risen—higher rural wages have pushed up farmers' costs. But the system is horribly fiddly. Farms are tiny with no economies of scale. The supply chain involves up to five middlemen. The onion is loaded, sorted or repacked at least four times. Wastage rates, either from damage or weight loss as onions dry out, are a third or more. Because India has no modern food-processing industry, low-quality onions that could be turned into paste or sauces are thrown away. Retail prices are about double what farmers receive, although the lack of any standard grading of size or quality makes comparisons hard. The system is volatile as well as inefficient. Traders who buy onions from farmers may hoard them, but for the supply chain as a whole far too little inventory is stored. As a result small variations in demand and supply are amplified and cause violent swings in price. In the first week of December 2013 prices fell again. It is easy to see how heavy investment by supermarket chains and big food-producers—whether Indian or foreign—could make a difference. They would cut out layers from the supply chain, build modern storage facilities and probably prod farmers to consolidate their plots.

The importance of this story is not limited to India either. Here in the UK we have the usual suspects shouting about supermarkets and how they destroy the high street. But that's not actually the importance of the system at all. Whether the goods are sold from two 500 sq yard shops or one 1,000 doesn't particularly matter. It's the entire logistics chain behind the system that does.

We also get told stories about the pernicious effects of how much food we waste as consumers: sometimes we're told that this is because the supermarkets make it too cheap for us to buy. But the other side of the absence of them and their logistics chains is that wastage described above. Indeed, other reports have put the amount of food that rots in inefficient supply systems in poor countries at 50% or more of all food grown.

We have and India needs the supermarkets not because of the shops but because of all the things they do to get the food into the shops.

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