

S.13 Support Territorial Markets (*working title*)

1. What, in brief, is the solution?

Support territorial markets through investment, policy and capacity development in order to make these markets more inclusive, revitalize the local economy, enable access to healthy and diversified diets to consumers, and catalyze the transition toward sustainable food systems.

2. What was/were the source(s) from which this solution emerged?

The solution is inspired by the recommendations draw on the outcomes of the CFS High-Level Forum on Connecting Smallholders to Markets, and particularly on tis recommendations **#18** (*'promote short food supply chains that enable smallholders to obtain a better income from their production'*) and **#24** (*'facilitate smallholders' capacity to increase their bargaining power and control over their economic environment, and participation in food value chains by acting collectively*) and also on the CSM Analytical Guidelines on Connecting Smallholders to Markets.

3. What problem is it trying to address within food systems?

Despite limited assets and capitalization, in Asia and sub-Saharan Africa smallholders produce an estimated 80% of the food that is consumed, and the vast majority of food transactions occur in domestic markets. However, local markets in which smallholders mostly operate are systematically neglected in poverty reduction strategies and economic development plans. This is likely to be the result of an existing information gap resulting from an implicit assumption that poverty (and especially rural poverty) is determined by disconnection of smallholders from profitable (export) markets. Whereas, most of the farmers already sell at the local, domestic markets. Therefore, to understand markets potential to contribute to poverty reduction and revitalization of local economy, these markets have to be considered and supported. With the adequate support and investment, these markets can be more inclusive for smallholders farmers and for small-scale food retailers, particularly women retailers, thus ensuring them to fully benefit to their participation in food supply chains.

At the same time, the last two decades have seen a global surge in diet-related health problems, such as obesity, diabetes and heart disease. These problems are linked to increased consumption of ultra-processed, energy- dense foods with low nutritional value, and insufficient consumption of nutrient-rich foods, such as fresh vegetables and fruits. Food retail outlets, including supermarkets, open-air wet markets and street food sellers play a significant role in influencing the diets and nutrition of consumers through the quality and price of foods they sell. This is especially evident in the regions of Sub Saharan Africa and Southeast Asia, where the “double burden of malnutrition” is most present. Although there has been a surge in the growth of supermarkets in these regions over the past few decades, driven by rapid urbanization and the expansion of the middle class, the evidence shows that territorial markets (such as open-air wet markets) are still fundamental to the food retail system.

Finally, food losses, poor post-harvest management, inadequate logistics and market infrastructure and limited food labelling are among the factors that hinder the great potential of these market outlets to catalyze and contribute a transition towards sustainable food systems.

4. Why is addressing that problem important for achieving the goal of your working group?

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5. How can this solution address that problem (theory of change)?

Despite limited assets and capitalization, in Asia and sub-Saharan Africa smallholders produce an estimated 80 per cent of the food that is consumed, and the vast majority of food transactions occur in territorial markets. In Sub Saharan Africa, the share of traditional retail in food expenditures is 80 to 90 percent, while supermarkets make only 10-20 percent. Moreover, over 90 percent of all fruits and vegetables in Low-Income Countries (LICs) are purchased through territorial markets. Even in countries with high modern supermarket penetration like Thailand and Mexico, the traditional outlet share for fruits and vegetables is high, reaching 63.2 and 72.5 percent, respectively. However, open-air wet markets are not only the primary retail outlet for fruits and vegetables for all income groups, but also for the animal source foods and staple foods. Furthermore, territorial markets play a central role also in providing formal and informal employment opportunities within markets.

In terms of sustainability, these markets have the inherent potential to significantly contribute to social, economic and environmental dimensions of sustainability. In October 2016, the CFS defined *territorial markets* based on the following criteria (CFS, 2016):

- They are directly linked to local and/or national food systems (most products, producers, retailers and consumers are from the concerned territory);
- They are more characterized than other markets by horizontal relations (i.e. non-hierarchical) among the various stakeholders;
- They are inclusive and diverse in terms of stakeholders and products;
- They have multiple economic, social, cultural and ecological functions in their respective territory, and they are not limited to food supply;
- They are the most remunerative for smallholder farmers who have greater bargaining power over prices;
- They contribute to structuring the territorial economy, creating wealth and redistributing it within the territory;
- They are formal, informal or a hybrid between the two;
- They can be located at different levels of the territories (local, national or even cross-border).

Given the embeddedness into a territory, territorial markets have the potential to reduce distances (both geographical and socio-cultural) among supply chain actors, while shorter distribution channels can enable smallholders to acquire information more easily (thus reducing the information asymmetries), and to negotiate better terms of participation to these markets. Similarly, the embeddedness of these markets into territories make them crucial to ensure food security and access to healthy diets to local consumers, especially to the most vulnerable ones for whom these markets are the main retail outlet for purchasing fresh, unprocessed food ingredients. They should be recognized supported as they can be the key channels for contributes to healthier local food environments.

6. Why does this solution align to the definition and criteria for a ‘game changing solution’ developed by the Summit?

Support territorial markets make a great game changing solutions because they are tangible and concrete assets that have a high potential to tackle three important aspects of the food system: (i) smallholder livelihoods and rural poverty, (ii) food security and food safety at territorial level, and (iii)

healthier and diversified diets to consumers. Given territorial markets are at the core of food systems, they also have the potential to catalyze the overall transition towards sustainable food systems.

7. Existing evidence supporting the argument that this solution will work, or at least achieve the initial outcomes

In 2016, the CFS adopted policy recommendations aimed at “establishing a link between small producers and markets”, with one recommendation related with the need for data collection on territorial markets. To implement the CFS recommendations, in 2017 FAO initiated a process, towards the development of a well-structured methodology for the collection of reliable and comparable data and information on territorial markets, together with producer organizations, non-governmental organizations (NGOs) and research institutions . The methodology (FAO, 2021a) was pilot tested in Africa and Latin America and is now being rolled out in several projects and countries.

Through the Mapping of Territorial Markets in Tanzania, it has been possible to identify main gaps in infrastructures and facilities, as well as gaps in business services provision, having an impact in terms of food offer, food lost and waste, food safety and scaling-up opportunities for retailers’ businesses. As an example, among interviewed retailers, only 16% have access to cold warehouses. This has a huge impact on availability and accessibility of perishable food, since this cannot be preserved and is subjected to seasonal fluctuations.

Due to the inadequate or deficient infrastructures and facilities like cold storage warehouses, retailers selling perishable food have been more affected by the COVID-19 pandemic than those selling other food products (on average 6.5 working days lost over a 30-day period against 4.5 working days lost by retailers selling non-perishable food). This had an impact both on the supply chain, since retailers were not even buying perishable food from producers, and on consumers, since these nutritious food products were hardly available in territorial markets. That is why the identification of the above mentioned gaps and the design of strategies to overcome these gaps, has the potential to not only revitalize territorial markets but to contribute to the overall resilience of territorial food systems.

8. What is the current and/or likely political support for this idea?

Territorial markets are currently absent from the policy radars of many governments and their potential is not yet well and widely understood. However, after creating evidence on these markets, policymakers have been keen to consider and endorse the potential of the markets.

9. Are there certain contexts for which this solution is particularly well suited, or, not well-suited.

The regions currently undergoing food system transformation, characterized as ‘traditional’ and ‘transitional’ food systems are particularly well suited for this solution, simply because the role of the traditional retail channels there is dominating. This refers to the regions of Sub Saharan Africa and Southeast Asia in particular, but also Latin America and MENA region.