



Series **The agrifood system and the challenges of COVID-19**

## 2 Contribution of public and private supply establishments to food access and the functioning of the agrifood system in Latin America and the Caribbean

### Introduction

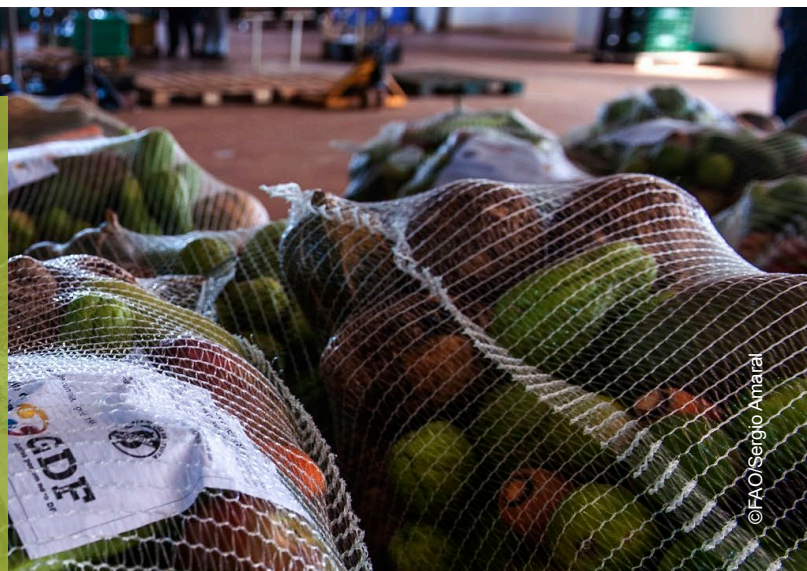
Food supply and distribution systems (FSDS) are the combinations of activities, functions and relationships that enable a given population to meet its food requirements. They are composed of a wide range of economic actors such as producers, importers, sellers or public institutions (Argenti and Marocchino, 2007). According to the Food and Agriculture Organization of the United Nations (FAO, 2017), food supply and distribution systems can be public or private. Public systems perform functions such as institutional supply, management of strategic food reserves, regulation of food prices in markets, and food cooperation, among others. Private establishments include wholesale markets, traditional fairs or markets, neighbourhood shops, and supermarkets. Two more categories can be added, which have been little explored but also play an essential role, namely, the HORECA channel (hotels, restaurants and cafeterias<sup>1</sup>) and informal trade.

The purpose of this document is to approach a characterisation of the establishments mentioned above in the Latin American and Caribbean region, placing a particular emphasis on their contribution to food access and the sustainable and inclusive functioning of the food system. We rely on seven case studies carried out in three subregions: South America (Brazil, Chile and Colombia), Mesoamerica (Costa Rica and Mexico) and the Caribbean (Jamaica and the Dominican Republic).

The ongoing COVID-19 pandemic has had a substantial impact on food supply and distribution, creating a major social and economic crisis. It is thus important to reflect on the cases analysed in order to consider what measures should be taken to improve the performance of food supply systems.

<sup>1</sup> For the purposes of this document, the HORECA category will also include catering services.

**Public systems perform functions such as institutional supply, management of strategic food reserves, regulation of food prices in markets, and food cooperation, among others.**



## Characterisation of food supply and distribution establishments in the countries that were part of the study

All the countries analysed have different types of food supply and distribution establishments, which play a strategic role in seeking a balanced functioning of the food system. This implies generating opportunities for local producers and family agriculture, as well as creating favourable conditions

for consumers to access food at fair prices and on a stable basis, especially in times of crisis. Despite the diversity of realities in the countries we evaluated, it is possible to characterise them by the function that each category of establishment fulfils, as described below:



### Wholesale food markets

Wholesale food markets play a fundamental role in the supply and distribution of fresh produce, substantially channelling the supply from small-scale and family farming to the retail market and the HORECA channel. It can be seen that they often also act as retailers. In several countries, they have public administration and, although they are concentrated in the capitals and large cities, processes of geographical decentralisation do exist.

Wholesale markets have taken on a vital role in the processes of improving access to and availability of healthy food. However, they still face many challenges in terms of management, marketing and sustainability. In Latin America and the Caribbean, there are an estimated 294 wholesale markets of different sizes and forms of organisation. These constitute important economic units in terms of generation of direct and indirect employment that contribute to rural and urban development.

By bringing together a large number of production and commercial agents, wholesale markets can become privileged spaces for the implementation of public policies, specifically those related to rural development, inclusive marketing and food security. This way, they can contribute to creating a place for learning and development for the marketing of healthy, diverse and culturally essential products for the population's diet.



### Traditional retail markets

Free fairs and food markets, in their different forms, are the main points of retail sale for fresh foods coming mainly from small agriculture, although often through intermediaries. Intermediaries contribute to the diversification of food access in urban and rural areas and offer affordable prices to the population. For their part, neighbourhood shops and stores provide a nearby option for the purchase of bread, basic food and necessities, in many cases attracting consumers from more vulnerable socioeconomic strata.



### Supermarkets

In general terms, supermarkets have quickly earned a place in the food supply market as a result of the variety of products they offer, payment facilities and multiple promotions. However, in most countries studied, their share of the retail market is lower than that of fairs and neighbourhood shops. On the other hand, their offer focuses on processed products, with little diversity of fresh products and higher prices for consumers.



### **HORECA Channel**

The HORECA channel is critical in food distribution, especially in countries with a tourist-based economy. However, this channel shows a clear trend towards the demand for imported food. For the national public, the increase of fast food outlets, which in many cases belong to international chains, is notorious.



### **Informal trade**

The informal trade of fresh and prepared products is an employment option for the most vulnerable households, especially in times of economic uncertainty like the present. The sale of fresh products usually takes place near (or attached to) fairs. In the case of prepared foods, it is widespread in busy places.





### **Public supply institutions**





The public food supply mainly concentrates on institutional feeding, especially in social programmes. These institutions have developed initiatives to incorporate small-scale and family farmers as suppliers – especially for the creation of strategic reserves of basic foods such as grains – by absorbing local crops, generating direct marketing alternatives and better payments for producers.

Based on the information gathered for each country, a matrix was designed showing the types of establishment, their contributions and gaps in two essential dimensions of food security and nutrition (access and availability), and two desirable categories of food systems (inclusiveness and sustainability).



**Table 1.** Identified inputs and gaps in the functioning of food systems and food security and nutrition (FNS) in food supply and distribution establishments

		Food system		FSN	
		Inclusion	Sustainability	Access	Availability
<b>Wholesale food market</b> 	+	<p>Space for the articulation of economic agents (traders, producers, wholesalers and retailers)</p> <p>Channelling of products from family farming and small and medium production.</p>	<p>Production and consumption in large volumes get closer.</p> <p>Structured and continuous marketing channel that is active all year round.</p>	<p>Diversity of fresh products.</p> <p>Dietary diversity for consumers.</p> <p>Cheaper prices by volume.</p> <p>Retail option.</p> <p>Identification of local products through traceability processes.</p>	<p>Upward trend in size of spaces and territorial presence.</p> <p>Availability of products all year round.</p> <p>Space for marketing fresh products throughout the year.</p>
	-	<p>Price speculation.</p> <p>Lack of transparency and stable conditions</p>	<p>Scarce economic resources.</p> <p>Asymmetry of information (some actors have more information than others, which prevents trade from developing in fair situations)</p> <p>Solid waste regulation problems with high levels of waste.</p> <p>Problems with health standards management.</p>	<p>Very concentrated in urban areas.</p> <p>Limited access to electronic information on market performance and product prices.</p>	<p>Congestion.</p> <p>Problems with food transport due to logistical problems.</p>
<b>Traditional retail market</b> 	+	<p>Markets and free or street fairs as priority distribution channels for products from family farming.</p> <p>Neighbourhood stores, family businesses, which generate alternative income.</p> <p>Small and medium enterprises that generate social inclusion, creating employment alternatives for small traders.</p>	<p>They bring local and culturally accepted foods closer.</p> <p>Reduction in intra-urban travel.</p> <p>Segmentation and diversity of retail supply (sale in small quantities)</p>	<p>Easy access due to its proximity, especially for vulnerable and urban populations.</p> <p>Relatively lower fresh food prices compared to supermarkets</p>	<p>High variety of fresh foods.</p> <p>Product diversity in neighbourhood stores.</p>
	-	<p>Little connection of family farming with neighbourhood businesses.</p>	<p>Lack of clear standards of sanitation and food safety.</p>	<p>Related services need to be improved.</p> <p>Limited hours.</p> <p>Less relative presence (in some cases).</p>	<p>Limitations due to seasonality.</p> <p>Limitations on product traceability.</p>

	Food system		FSN		
	Inclusion	Sustainability	Access	Availability	
<b>Super-market</b> 	+	<p>There are examples of buying from small farmers.</p>	<p>Possibility to propose a chain strategy or policy.</p> <p>Experience with issues such as waste and management of sanitary measures.</p>	<p>Incremental number of establishments.</p> <p>Access to other services and other purchases, - convenience.</p>	<p>Wide range of products</p>
	-	<p>Problems faced by family farming in supplying supermarkets (requirements, payment methods, stability of supply).</p> <p>Higher prices for consumers.</p>	<p>High amount of packaging.</p> <p>Products involve more transport</p>	<p>In some countries, high prices prevent access by more vulnerable families.</p> <p>Less accessible fresh products and in less diversity.</p>	<p>Relatively more convenient processed products available.</p> <p>Reduced availability of local products</p>
<b>HORECA Channel</b> 	+	<p>Initiatives for the inclusion of local products in many cases linked to tourism. Some of them are micro and small enterprises.</p>	<p>Appreciation of local products.</p> <p>Possibility of showing local products.</p>	<p>Simple local options at affordable prices (soup kitchens, neighbourhood restaurants, etc.).</p>	<p>Increasing the diversity and breadth of supply.</p> <p>Increasing insertion of delivery services.</p>
	-	<p>Complicated access for family farming, especially in relation to chains (purchase by volume).</p>	<p>Great use of disposable items.</p> <p>In some countries, high product imports</p>	<p>Unhealthy choices at more affordable prices.</p> <p>In some countries, some options are only available for tourism.</p>	<p>High increase in the number of fast food outlets</p>
<b>Informal trade</b> 	+	<p>Employment option for vulnerable population.</p>	<p>Initiatives for waste control in enabled areas.</p>	<p>Affordable prices for medium and low socioeconomic segments.</p>	<p>Traditional preparations available.</p> <p>Fresh product supply.</p>
	-	<p>Instability.</p> <p>Vulnerability to regulatory changes.</p> <p>Competition with other traders.</p>	<p>Generates dirt.</p> <p>Use of disposable items.</p> <p>Non-priority issue.</p>	<p>Access to products and preparations without guarantees of food safety and security.</p> <p>Poor hygienic conditions.</p>	<p>Availability of products with no inspection.</p> <p>Strong presence of fast food options.</p>
<b>Public supply</b> 	+	<p>Initiatives give preference to family farming in institutional purchases.</p> <p>Marketing support initiatives (agri-markets).</p>	<p>Short circuits.</p> <p>Educational actions in sustainability in school feeding programmes</p>	<p>Access to products and preparations without guarantees of food safety and security.</p> <p>Poor hygienic conditions.</p>	<p>Increasing number of schools with school feeding programmes.</p> <p>Staple food reserves that prevent speculative processes in the markets and ensure availability.</p>
	-	<p>Limited budgets for the inclusion of local producers</p>	<p>Need to incorporate requirements or incentives in the purchases that are made.</p> <p>Limited budgets for the operation of programmes and projects .</p>	<p>Need for greater inclusion of the non-school segment</p> <p>Unstable financing in some countries.</p>	<p>Menus not adapted to local conditions.</p> <p>Limitation of products included in food reserves.</p>

Source: Elaborated by the authors.







## Observed impacts, responses and recommendations for food supply and distribution establishments in the region in the context of COVID-19

The COVID-19 pandemic poses major challenges for the maintenance of food security and nutrition at the regional level (Salazar and Muñoz, 2020). The effects of the crisis have hit national and international agricultural markets, on both demand and supply. Concerning food supply and marketing, Kanter and Boza (2020) developed (in Chile's case) a useful framework of analysis, identifying impacts and responses aimed at maintaining activity and protecting the health of the population during the COVID-19 pandemic. They also

indicated the effects observed on family farming, consumers, supermarkets, free fairs and exporting agribusinesses, as well as the "resilience" strategies implemented.

Considering this methodology, the following is a description of some consequences of COVID-19 observed in the region and the most common resilience strategies implemented by the different actors, for each category of establishment in the food supply and marketing systems.

**Table 2.** Impacts observed and resilience strategies implemented against COVID-19 in regional food supply and distribution establishments

	<b>Observed impacts</b>	<b>Resilience strategies implemented</b>
<b>Wholesale market</b> 	Logistical limitations. Need for operator care. Continuous monitoring and generation of strategies to keep chains operational. Reduction in demand due to the drastic collapse of the HORECA channel and reduction of the retail channel.	Implementation of hygiene and sanitation strategies (masks, gloves, alcohol gel, water) Health controls of operators, and management of safe-conducts (operating and work permits). Use of digital applications and platforms. Increase in donations to humanitarian aid, solidarity canteens and food banks
<b>Traditional retail market</b> 	Limitations and even impossibility of operation. Variability of prices. Decrease in the number of visitors. Need for customer and trader's health care. Strong impact on the family economy of traders.	Home delivery of fresh produce (independently, with applications or supported by institutions). Implementation of hygiene and sanitation strategies (masks, gloves, alcohol gel, water). Limitations on the quantity and/or type of visitors. Relocation of free fairs. Implementation of access controls.
<b>Super-market</b> 	Long waiting lines of customers, especially at the beginning of quarantines. Limitations in the supply of some products with higher demand. Health care needs for clients and collaborators.	Reinforcement of home delivery services. Limits on opening hours. Timetables reserved for certain groups of the population. Sanitation strategies (use of masks, gloves, disinfectants).
<b>HORECA Channel</b> 	Drastic decrease in operations. Closure of establishments. Uncertainty regarding future return to activity. Decrease of current customers and cancellation of reservations	Home delivery services (independent and through applications) Limitation of supply at the premises to take-away deliveries. Promotions and flexibility in hotel reservations. Contribution to the community with soup kitchens.
<b>Informal trade</b> 	Impossibility to go out and offer products due to mobility limitations. Health risks and fines for non-compliance. Strong impact on the family economy of traders.	Increase of informal trade options with delivery through social networks: social e-commerce (e.g. Instagram and Facebook, among others)
<b>Public supply</b> 	Limitations on the delivery of school meals. Increased need for basic food supplies to more vulnerable populations.	Delivery of food baskets to students at their homes. Reinforcement of food deliveries under different modalities. Intensification of food bank operations. Direct money transfers to more vulnerable sectors.

Source: Elaborated by the authors.



Given the magnitude and diversity of the impacts that COVID-19 has on the food supply and distribution system, caused by supply and demand constraints and complications in its operational functioning, it is essential to continue designing, implementing and evaluating measures to modernise and adapt this system, in pursuit of greater resilience.

The solutions proposed must be inclusive and prioritise small-scale and family farming, as well as the most vulnerable segments of consumers and workers. Alternatives with a community and territorial vision are particularly relevant, since they allow interventions to be more precisely adapted to the context, involving the actors actively. Besides, they make it possible to propose options that promote greater sustainability, such as short circuits.

In this context, some responses that are being given at the community level from civil society – such as the “common pots” in Chile – could receive greater recognition and public support. This way, it would be possible to take advantage of a network that already exists, where its members have explicit knowledge of the needs of their territory and, therefore, are aware of which households most require help. Inclusion in these municipal strategies and direct involvement of local governments is another urgent need.

On the other hand, special attention should be paid to the unintended effects of some of the resilience strategies being implemented. For example, the proliferation of delivery raises questions about the working conditions of employees. Despite a high degree of exposure to safety risks, the payment received is low,

and the relationship with the contractor is precarious. Another case is the greater use of social networks to channel food sale (social e-commerce). Although it can generate income for families most in need, this type of sale is done without control in terms of food safety and quality. Likewise, the growing role of supermarkets as the main food distribution establishments may result in an indirect incentive to the consumption of ultra-processed products, to the detriment of those of fresh origin. On the other hand, the use of digital tools facilitates the contact between the different actors. However, it excludes a large part of small-scale and family farming, due to their limitations both in access and necessary knowledge for their correct use.

Finally, it should be noted that the severity of the health and economic consequences of COVID-19 on food supply and distribution calls for the consideration of bolder policy options. Options that directly affect market conditions, generate information that contributes to market transparency for the benefit of producers and buyers, establish short circuits, optimise distribution chains and staple food reserves comprehensive management, or productive planning with the involvement of local governments.

This crisis can be an opportunity to rethink food supply and distribution, that directly affect the functioning of the food system and food security and nutrition. Thereby, it is possible to gain greater resilience for this and other challenges that have been set in advance, such as climate change and the achievement of sustainable development goals by 2030.

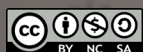
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## Autors

Sofía Boza, scholar and researcher at Universidad de Chile

José David Torres, consultant at FAO Regional Office for Latin America and the Caribbean



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