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EAAE 2008 Congress
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markets in South Africa: The case of the Tomato sector**

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Paper prepared for presentation at the 12th EAAE Congress
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Determinants of small scale farmers' participation in restructured food markets in South Africa: The case of the Tomato sector

Davison Chikazunga¹, Estelle Biénabe², Andre Louw³

**Paper to be presented during the EAAE_2648 session:
Regoverning Agrifood Markets: can small scale farmers participate?**

Abstract—

This paper discusses the effects of markets restructuring on small-scale farmers in South Africa by analysing the determinants of small-scale farmers' market choices in the tomato sector in two Provinces. South Africa has a very dualistic agricultural sector with a highly performing large-scale capital intensive agriculture on one hand and a traditional, semi subsistence small-scale communal sector on the other. Small farmers' participation in modern markets (i.e. supermarkets, agro-processors and national fresh produce markets) is thus very low. Furthermore, results from our survey indicate that small-scale tomato growers in Limpopo and Mpumalanga provinces prefer supplying informal markets than modern markets. The econometric analysis of household level data indicates that access to land is a key determinant of their participation in modern markets. As confirmed by our survey, small-scale farming systems in South Africa are still very poorly capitalised. While still not being widely used, the key non-land asset variable is whether they can produce under greenhouses, thus supplying consistent quality demanded by the modern local channels. Other factors such as education and location in a good tomato producing area are also significant determinants of participation in modern markets. Interestingly, ownership of a cell phone as well as the number of market channels to which the farmers are connected are significant in determining market choices but they are negatively related to modern markets choice, which is to be related to the different natures of the transactions. Modern markets propose fixed prices or at least very stable prices under some forms of contractual arrangements while informal markets offer relatively flexible prices, price discovery and price risk management (through multiple marketing strategies) thus being much more important. The econometric analysis also shows that supplying modern markets does not improve small-scale farmers' income whereas the access to a cell phone does, which supports the importance of the cell phone in price management as well as the preference for informal markets.

Keywords— Restructuring markets, small-scale farmers, market channel choice

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