



Tropentag, September 14-16, 2010, Zurich

“World Food System —  
A Contribution from Europe”

## Supply Chain Differentiation, Contract Agriculture, and Farmers’ Marketing Preferences: The Case of Sweet Pepper in Thailand

CHRISTIN SCHIPMANN<sup>1</sup>, MATIN QAIM<sup>2</sup>

<sup>1</sup>*International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Kenya*

<sup>2</sup>*Georg-August-Universität Göttingen, Department of Agricultural Economics and Rural Development, Germany*

### Abstract

In many developing countries, agricultural and food systems are undergoing a major transformation towards high-value and modern supply chains. In export markets, standards and certification systems are gaining in importance, while domestically, the role of supermarkets and hypermarkets is growing. Transformation of retail structures comes along with a modernisation of procurement systems. Super- and hypermarkets in particular increasingly switch from buying through spot-market transactions to contractual agreements with farmers, often through specialised intermediaries.

There is an emerging body of literature analysing how smallholder farmers in developing countries can be linked to modern supply chains. However, most of the available studies concentrate on farm and farmer characteristics, failing to capture details of institutional arrangements between farmers and traders. Moreover, farmers’ preferences have rarely been considered.

The present study addresses these research gaps by analysing marketing channels of sweet pepper producers in Thailand. Sweet pepper was introduced in Thailand some 10 years ago, mainly for exports and upscale domestic supermarkets. Over time, it gained wider popularity among domestic consumers, so that sweet pepper is nowadays also traded in more traditional wholesale and retail markets. Moreover, different contractual arrangements between farmers and traders can be observed.

Building on primary survey data, we analyse three main aspects. First, we describe institutional details of coexisting marketing channels and highlight differences between traditional and modern supply chains. Second, we examine farmers’ subjective motivations to participate in particular marketing channels. And third, a choice experiment is used to analyse farmers’ attitudes towards contracts in general and different contract designs.

Our findings reveal a general preference of farmers for marketing options that do not involve a contract. Additionally, provision of inputs and credit can increase the attractiveness of contracts. Yet, the most important factor for farmers is a personal relationship with the buyer, which is probably related to issues of trust. Some policy implications are discussed.

**Keywords:** Choice experiment, contract design, farmers’ stated preferences, modern agricultural supply chains, Thailand

---

**Contact Address:** Christin Schipmann, International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), UN Avenue, Nairobi, Kenya, e-mail: c.schipmann@cgiar.org