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## Value Chains for Growth and Poverty Reduction in Developing Countries

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### Abstract

Value chains linking agricultural production in developing countries with world markets seem promising, both in terms of broad-scale and sustainable economic growth but also with respect to poverty reduction. However, whether or not these impacts are positive depends, on the one hand, on international trade agreements and regulations and, on the other hand, on the modus operandi for integrating producers into value chains.

The development potential of export-oriented agriculture is widely determined by the conditions of trade. Unless agricultural policies in the North continue to bring down subsidies for their production and export, and trade policies open the way to higher value imports, agricultural exports from developing countries will remain critically limited. Nevertheless, commercial farmers in developing countries already benefit from diversification into those chains that are less affected by unfair trade policies. In addition, the ongoing trade negotiations are about to generate new commercial opportunities for producers in the South.

Global value chains in the agro-food sector are frequently dominated by big import or retail companies or by agro-industry. While the co-operation with lead firms often is the only chance of winning market access, chain integration may easily get in conflict with social and ecological goals. The structure of chains and the distribution of market power affect the distribution of risk and gains across chain partners.

Even if the conditions of world market integration are acceptable, not all small-scale farmers will be able to achieve and maintain a competitive position in agribusiness. Besides the issue of chain governance, development cooperation faces a growing problem of economic exclusion, especially of farmers in marginal rural areas. Provided the export growth involves transformation activities that add value in the exporting economy, spill over can generate pro-poor effects. Selecting a promising export product for promotion requires screening the potential growth-poverty reduction linkages.

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