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Better Integration of Small Farmers into Trade — The Case of the Chillie Pepper Value Chains in Ghana

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Abstract

In the last decades the importance of global trade for economic growth has been increasing and the integration of the poor population in developing countries into world trade is seen as one strategy of successful poverty reduction. With regard to a better integration of small farmers into world trade the value chain approach has gained growing importance in developing cooperation during the last years.

Value chain analysis considers not only the efficiency of production but also any other factors which determine the participation of small farmers in final markets. The challenge for development cooperation is to promote those possibilities of integration that allow for sustained income growth of small producers, e.g. through processing or other value adding activities rather than supplying raw materials only. However, it has to be kept in mind that small farmers are confronted with different kinds of requirements regarding quality, price, delivery reliability and compliance with standards; requirements which generally increase with a higher integration into markets.

An ongoing field survey in Ghana analyses constraints and potentials in two different value chains for chilli pepper, with one chain serving export markets and the other one concentrating on domestic markets. The question is which one offers better opportunities for small farmers, or if both or none offer noteworthy chances.

The analysis of the two chains will focus on their general structure, the different participants at the single stages in the chains and their share in adding value. The distribution of incomes and benefits in the chains will be identified and their respective constraints and possibilities will be compared. Through the detailed analysis of strengths and weaknesses, opportunities and threats arising from the integration in the different chains possible impacts can be identified and the importance of value chain integration for small farmers can be appraised. This will allow conclusions about targeted interventions of development cooperation which can improve small farmers' livelihood.

Keywords: Chilli pepper, development cooperation, Ghana, impact assessment, integration into trade, small farmers, value chains