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Shaping Value Chains for Development — Practical Experiences

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Abstract

Current development thinking attaches great importance to market-led economic growth for poverty alleviation. “Pro-poor growth” has become the leitmotif running through much of the recent development debate. In the field of agricultural development, pro-poor growth is increasingly associated with small-scale commercial agriculture. A key concept is the development of value chains integrating farmers into high-value markets.

The move to a strictly market-led agricultural development philosophy revives the interest in the social and institutional aspects of cash crop production. After all, “supply chain management” has its origin in the private sector and is clearly linked to the modernisation of retailing and the rising significance of food quality requirements. The question is to what extent “value chain development” can in fact serve as a core concept of rural development.

Within the international development community there is widespread agreement that poverty alleviation will not be achieved without effectively functioning markets. Rural development strategy should focus on correcting market failures that discriminate against rural producers and invest in efficient market institutions by advocating legal regulation, strengthening service provision, intermediating between farmers, input suppliers, traders, companies and rural banks, and by building infrastructure. Some of these interventions being specific to particular product markets, they provide the basis of a value chain strategy. The idea is that market-led development generates the income sustaining itself.

However, the trade-off between growth and poverty alleviation remains, as more efficient markets drive out less competitive producers. So it is by no means clear to which proportion the rural poor will eventually benefit: Value chain development is a necessary condition, but by itself not sufficient to respond to the problem of economic exclusion. A value chain perspective helps to explore the growth potential of specific rural products and allows targeted interventions activating it.

Keywords: Intermediation, market failures, market-led agricultural development, rural development strategy, service provision, value chains, pro-poor growth