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## Upgrading and the Value Chain Analysis: The Case of Small-scale Coffee Farmers in Honduras

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### Abstract

The body of literature and research related to the value chain analysis has increased in recent years. These studies examine trade and production networks at an international level. Up to now, there is little evidence of the opportunities for developing countries to integrate into the world market with agricultural products. However, the export of value-added and differentiated agricultural products opens possibilities for development and poverty reduction. There is evidence that small producers and exporters in developing can insert themselves successfully in agricultural value chains. Small-scale producers, in their interaction with local processors or exporters and international retailers, have the possibility to acquire new skills and knowledge. The type of trust relationship and power dependence among the actors can determine how information flows and how firms upgrade. On the other hand, the implementation and compliance with standards provides opportunities for learning and acquiring skills and knowledge. The case of small-scale coffee farmers in Honduras illustrates this point. There are over 70,000 coffee producers in Honduras, most of which grow coffee on farms of less than 10 hectares of land. One of the challenges coffee producers have faced in the last 15 years has been the falling prices in the international market. Local institutions and producers' cooperatives have created programs to help small-scale coffee farmers adapt to the changes in the global marketplace and assist them in increasing their competitiveness. These initiatives include the implementation of quality standards, the identification of direct buyers to ensure higher profits, and the certification of origin. The aim of this paper is to analyze the impact of these initiatives by studying how small-scale coffee farmers have upgraded their production and processes in order to increase their competitiveness and profits.

**Keywords:** Competitiveness, upgrading, value chains