



Tropentag, October 9-11, 2007, Witzenhausen

“Utilisation of diversity in land use systems:
Sustainable and organic approaches to meet human needs”

Standards: An Imperative for Integration in Value Chains? Evidence from Agricultural Producers in Honduras

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Abstract

The number of literature and research related to standards and the value chain analysis has increased in recent years. Producers from developing countries participating in value chains are increasingly required to conform to standards. These standards can be set by international bodies (i.e. EurepGAP, ISO14000, SA8000 and HACCP) or private sector lead firms. Because of the changes in food consumption patterns in industrialised countries, standards have a greater role in international trade and can accelerate or impede the integration of small producers in value chains. There is evidence that the enforcement of standards leads to learning processes along the chain. Small-scale producers, in their interaction with local processors or exporters and international retailers, have the possibility to acquire new skills and knowledge while complying with standards. The type of trust relationship and power dependence among the actors can determine the successful integration of firms in value chains. For this purpose, 102 agricultural producers in Honduras were analyzed. These producers belonged to the coffee sector (n=42), the horticultural sector (n=38) and the oil palm industry (n=22). The research focused on determining whether the compliance with standards had led to upgrading of internal processes and products in the firm in order to secure a better position in the value chain. It appears that the implementation of standards has an effect on the upgrading activities of the firm, but only product upgrading was significant. Furthermore, the role of standards in the integration process of the firms was studied. The results indicate that firms that had complied with standards were more likely to have higher sales than firms that had not adopted any type of standards. Firms implementing standards could also expect a positive impact on the productivity and profitability. There was also a significant effect on the knowledge gain and the position of producers in the chain. In the case of Honduras, the implementation of standards appears to be a critical factor in the integration of agricultural producers in value chains.

Keywords: Compliance, power dependence, upgrading