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Value Chain Development from a Livelihoods Perspective: A Multi-Chain Approach for Coffee and Cacao Producing Households in Central America

DIETMAR STOIAN, JASON DONOVAN

Tropical Agricultural Research and Higher Education Center (CATIE), Center for Competitiveness of Ecoenterprises (CeCoEco), Costa Rica

Abstract

Over the past years, approaches to value chain development have increasingly been advocated by research and development institutions worldwide. It is argued that the integration of smallholders and their business organisations in value chains holds the potential to generate additional employment and income and hence reduce rural poverty. Recently, however, there has been growing concern that value chain development may not reach the poorest of the poor, or fully deliver the expected results in those cases where they have been directly involved. In this paper we argue that effective pro-poor value chain development requires the adoption of a livelihoods perspective. Based on examples from coffee and cacao producing households in Belize, Guatemala, Honduras, Nicaragua, Costa Rica and Panama we show that virtually all of them pursue diversified livelihood strategies by combining subsistence with market-oriented agriculture and carefully balancing on-farm with off-farm income sources. Coffee and cacao are important, though not necessarily the principal sources of income. Rather, coffee and cacao related activities relate to diverse agroforestry systems that yield a number of products and services geared towards subsistence and the market. Value chain development approaches focusing exclusively on coffee or cacao usually fail to account for diverse livelihood activities and may require disproportionately high investments of family labour and financial resources in the related production systems. We propose a multi-chain approach to supply and value chain development that helps elucidating the involvement of the rural poor in multiple livelihood activities and identifying opportunities in related supply or value chains. Our analysis reveals that though there are opportunities for developing coffee and cacao value chains, there are also a number of “secondary” chains (e.g., beans, maize, fruits and horticultural products) that deserve investment. Careful analysis of the diverse options and the respective trade-offs at household and community levels help tailoring the design of interventions that lead to more inclusive development. For Central American coffee and cocoa producers we propose moderate interventions in “secondary” supply chains, in addition to major interventions in the coffee and cacao chains, with the aim of increasing livelihood security and reducing poverty among rural smallholders.

Keywords: Cacao, Central America, coffee, livelihoods perspective, multi-chain approach, supply chain, trade-off analysis, value chain

Contact Address: Dietmar Stoian, Tropical Agricultural Research and Higher Education Center (CATIE), Center for Competitiveness of Ecoenterprises (CeCoEco), Apartado Postal 04, CATIE 7170 Turrialba, Costa Rica, e-mail: stoian@catie.ac.cr