



Tropentag, October 7-9, 2008, Hohenheim

“Competition for Resources in a Changing World:
New Drive for Rural Development”

Assessment of Different Value-Chain Upgrading Strategies for Litchi Farmers in Northern Upland Parts in Thailand

TOBIAS BOEER, CHRISTIN SCHIPMANN

Georg-August-Universität Göttingen, International Food Economics and Rural Development, Germany

Abstract

Litchi cultivation is one of the most important income sources for small-scale farmers in the northern upland regions of Thailand. However, increasing productivity and trade liberalisation have led to a considerable decline of farm-gate prices that threatens the profitability of litchi cultivation. Neglect of the orchards, or cutting down litchi trees in the worse cases, are the ultimate effects. This change in litchi cultivation endangers sustainable land use and accelerates soil erosion. To avert such developments, supportive measures to find upgrading possibilities within the value chain of litchis that put the upland farmers in a more strategically advantaged position are required.

Different upgrading strategies in comparison to the present situation of upland farmers are the focus of an ongoing field research in Chiang Mai province in northern Thailand. The overall objective is the assessment of different upgrading strategies to give recommendations about the most suitable alternative for upland farmers; meaning solutions that align high benefits with sustainable land use.

One upgrading strategy within the value chain is the production of higher quality litchi that can be sold to special “niche” markets rather than ordinary wholesale markets. Another strategy is upgrading production through the adoption of further activities in the value chain, in particular the case of litchi drying. Necessary equipment for the drying is foremost a drying oven, fuelled by either gas or wood. The intention of litchi drying directly by the farmers is a decoupling of the volatile fresh market and a takeover of an activity that offers additional benefits. It is believed both strategies can increase and sustain net-profits of upland farmers.

To assess these strategies, different value chains for fresh as well as dried litchis were analysed, including value chains with a focus either on exports or local markets. The analysis followed the value-chain-analysis approach where special attention is paid to organisational structures and contract type. The economic evaluation of different upgrading strategies was done by a cost-benefit analysis, with a special focus on investment and processing costs. Based on a strength- and weakness analysis of the present situation of upland farmers, adoption possibilities are critically discussed.

Keywords: Cost benefit analysis, litchi production, litchi drying, litchi oven, small-farmer-contracts, upgrading strategy, upland farmer, value chain analysis