



Tropentag 2009
University of Hamburg, October 6-8, 2009
"Biophysical and Socio-economic Frame Conditions for the
Sustainable Management of Natural Resources"

Small Agricultural Producers Linked to High Value Agri-food Markets: The Experience of Asian Vegetables Production in Honduras

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Introduction

Proponents of broad-based economic growth strategies (growth with equity) to reduce poverty in developing countries emphasize the significance of small producers participation in high value markets (Staatz, J.M. and Eicher, C.K., 1998: 18-19). In this context, niche markets such as Asian vegetables consumed in the United States represent an excellent opportunity for Honduran small producers because of the relatively small production volumes demanded and the resulting income-enhancing opportunities. Honduras possesses an advantageous geographical location with respect to the market in question (Mesa Agrícola Hondureña, 2002: 3). Furthermore, the capability of year round supplies combined with the increasing number of consumers aspiring to expand the variety of ingredients in their eating habits and more sensitive to health issues highlight these positive prospects. However, evidence suggests that these potential opportunities are not utilized automatically; in fact it depends on particular economic, social, political and environmental conditions that can facilitate or inhibit the access and sustainable performance of small producers in high value agri-food markets. This study presents how small producers have connected to high value agri-food markets, and which have been the main outcomes of their connection to these markets.

Materials and Methods

Data was collected from September through November 2008. The study was conducted in the departments of Comayagua and Olancho, the production centers of Asian vegetables in Honduras. (Figure 1). Additional information was collected at the Ministry of Agriculture (SAG), the National Agricultural Development Bank (BANADESA) and a development cooperation agency located in Tegucigalpa, the capital city of the country.

Data collection strategies included visual materials, structured observations at the research site, public and private documents review and sixty expert interviews with different direct and indirect actors in the value chain of Asian vegetables produced in Honduras and exported to the United States (Table 1).

Figure 1. Map of Honduras



Source: ASONOG, 2009

The researcher conducted face-to-face interviews with all local actors. In the case of importers who are all located in the United States interviews were conducted by telephone. Interviews consisted of semi-structured questionnaires and were formulated to capture the views, experiences, perceptions and opinions from the interviewees in order to reveal the interactions and relationships between all the actors and institutions influencing the operations of the value chain of Asian vegetables. Nevertheless, emphasis was given to small producers.

Table 1. Expert Interviews with actors in the Value Chain.

Actors Interviewed	Comayagua	Olancho	National	USA	
	Number	Number	Number	Number	
1. Producer	20	20	--	--	
2. Producers-own Enterprise ¹	1	--	--	--	
3. Agro-exporter ²	3	--	--	--	
4. Importer	--	--	--	2	
5. Input Supplier	1	1	--	--	
6. Research Agency ³	2	1	--	--	
7. Cooperation Agency ⁴	--	--	1	--	
8. National Agricultural Development Bank ⁴	--	--	1	--	
9. Ministry of Agriculture Dependency	1	4	1	--	
10. Non-governmental Organization ⁵	1	--	--	--	
11. Total	29	26	3	2	60

¹) There is no producers-own enterprise operating in Olancho, only in Comayagua.

²) Three out of four agro-exporters of Asian vegetables were interviewed. All agro-exporters are located in Comayagua and only one collects fruit from producers in Olancho.

³) In Comayagua two research agencies are involved in the production of Asian vegetables, the Honduran Agricultural Research Foundation/Fundación Hondureña de Investigación Agrícola (FHIA) and Taiwan Technical Mission in Honduras/Misión Técnica de Taiwan en Honduras (MTTH), while in Olancho only the latter has presence.

⁴) National Agricultural Development Bank/Banco Nacional de Desarrollo Agrícola (BANADESA) serves producers in both locations. However, interview was conducted in the central agency located in Tegucigalpa.

⁵) Serves only producers in Comayagua.

Source: Own elaboration

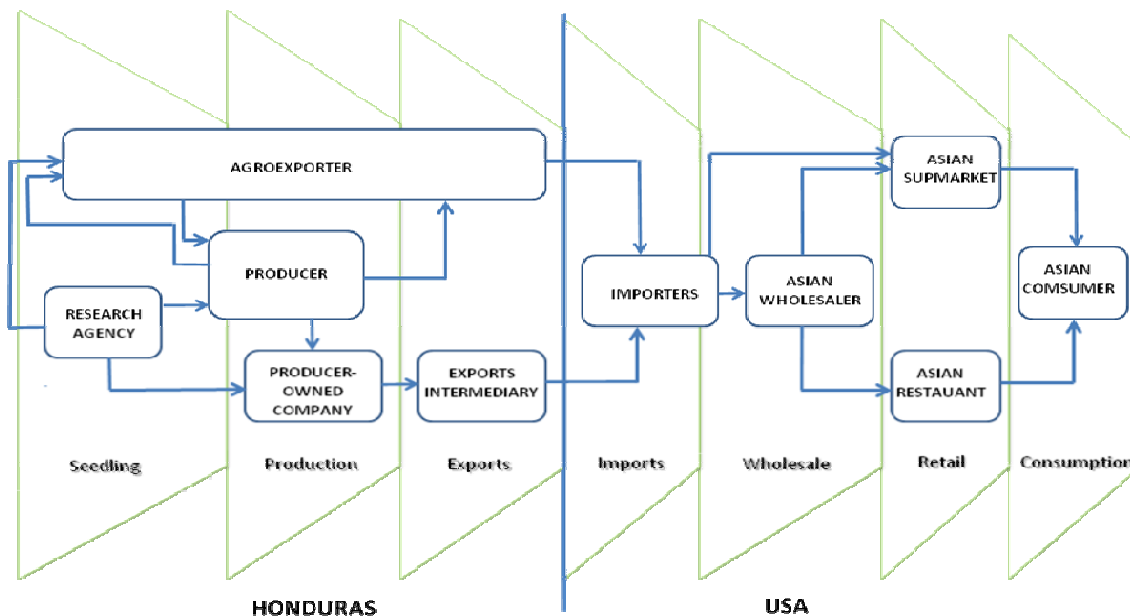
Results and Discussion

The results show that the linkage between small producers and high value markets was initially established by the private sector initiative influenced by the confluence of several distinctive elements but without direct intervention of the government and other third parties.

Asian vegetables were introduced in Honduras by a Japanese entrepreneur established in Dominican Republic as exporter. Pest problems in the former, forced him to transfer production to Honduras with the purpose to continue exporting Asian vegetables to the USA. Simultaneously, in Comayagua the tomato industry had recently collapsed because of pest problems too, therefore Asian vegetables emerged as a promissory alternative for the local producers. From the other hand, the government's policy strategy during this period is characterized by the encouragement of non-traditional exports as a mean of economic growth. Note here, that although the government provided some conditions, it didn't take any direct action specifically oriented to introduce Asian vegetables in Comayagua. However, it participated directly to their introduction and production in other regions, as in the case of Olancho.

Thus, small producers' connection to the U.S. market has been reached through linkages with agro-exporters to whom they sell the product based on contractual arrangements which define resources access. Agro-exporters provide technical assistance and input supply on credit to the producers. Some producers are source of genetic material to agro-exporters able to produce seedlings. These agro-exporters later supply on credit the seedlings to their producers. Other actors influencing on producers are research agencies. Research agencies produce seedlings which are purchased for those agro-exporters unable to produce them or are purchased directly by producers. Research agencies also take actions in evaluation of new varieties suitable to the region (Figure 2).

Figure 2. Flow of Product in the Value Chain of Asian Vegetables produced in Honduras.



Source: Own elaboration

However, the outcomes are mixed and turn out complex. Pest problems have emerged in some regions due to inappropriate crop management and as result production of some vegetables in

these regions has been banned. Moreover, owing to the fact of higher international oil price and raise in demand from countries like China, the cost of inputs has increased considerably. For instance, producers argue that the price of some fertilizers is 300 percent higher compare to the last year, while the price of Asian vegetables has remained relatively stable. Prices of these vegetables don't change much because the market is steady. In addition, producers regret the lack of regular technical support either from the agro-exporter or the government through the Ministry of Agriculture. To an extent it seems that agro-exporters don't have the necessary technical staff in terms of quantity and quality to provide timely advice to producers, nor does the government have the logistics to do it adequately, relying therefore on agro-exporters' capabilities.

For the majority of producers, income earned from the production of Asian vegetables is stable compared to other vegetables such as tomato and higher compared to small producers of staple crops. Nevertheless, most of them are still poor, they operate semi-technified production systems which are not enough efficient to reduce costs in a context of increasing input and labor prices. Additionally, their perception is that economic gains are not fairly distributed among the various actors in the value chain. Likewise, lack of trust between the parties, particularly producers in relation to themselves and to agro-exporters is ever present, thereby, affecting the capacity to build collaborative initiatives in order to respond better to market changes.

Remarkably, a group of 47 producers by means of this experience has gained a better understanding of marketing activities and hence feels prepared to adopt a much more commercial approach. This group of producers has resorted in working collectively, trying to export Asian vegetables to the U.S on their own. This producer-own company is owned and controlled mainly by small producers and to overcome some of the difficulties related to export activities is now exporting through exports intermediaries'. Their aspiration is to find a reliable buyer to export directly without any intermediation (Figure 2).

Conclusions and Outlook

- Small producers of Asian vegetables in Honduras have connected to high value agri-food markets through their insertion in an evolving network of contrasting relations such as interdependence, cooperation and confrontation.
- The perspectives to secure continued participation of small producers of Asian vegetables from Honduras in high value agri-food markets are as mixed and complex as the outcomes that resulted from entering these markets. However, public-private partnership is a necessary requirement that has to be considered to build collaborative efforts that enable not only small producers, but also the entire value chain to better respond to customer demands and market changes.

References

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