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“Development on the margin”

Organic Banana from Selva Central in Peru: Constraints for Smallholder Profits and Options for Upgrading

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Abstract

Bananas and plantains are an important part of the diet in Peru. About 150000 households depend directly or indirectly on these crops. Small holders produce a large share of bananas for domestic markets in low-input coffee and cocoa agroforestry systems. The weekly to monthly sale of banana contributes to maintain the household between the annual harvests of cocoa or coffee. This study aims at characterising the value chain for agroforestry bananas and analysing factors that influence profits. Possible upgrading strategies to increase producers' income were identified. Surveys and expert interviews were conducted in a major producing region (Junin, Central Selva) and major market places in Lima between August and October in 2010. Two main chains were identified — a local chain to retailers in Junin, and a longer distance value chain to Lima. Results show that in the long distance chain, farm gate prices ranged from 0.50 to 0.65 PEN per kg, while in the local chain, prices were about 0.10 PEN lower. Prices as well as costs varied among households. Results from regression analysis showed that farm gate prices decrease with poor road infrastructure and a smaller number of buyers visiting the communities. A long-term relationship between farmer and buyer results in lower prices, since farmers trade-off prices for secure demand. Higher prices are obtained by better-off producers and those who are paid immediately. For upgrading, horizontal coordination among farmers could compensate for these limitations by negotiating immediate payments, by decreasing dependency on few buyers and by lobbying for support to improve road infrastructure. Possible new buyers were identified, including supermarkets, which signalled their willingness to buy directly from farmers, conditional on improved fruit quality and guaranteed minimum quantities. Potential buyers in Lima are organic markets, which would allow growers to capitalize on their organic coffee certification. A third option is based on diversification of varieties, for which some demand in Lima could be identified, or the labelling of bananas based on environmental benefits of the production system. All these options require improvements in the production system, post harvest handling as well as in farmer group marketing capacity.

Keywords: Agroforestry systems, bananas, upgrading, value chain analysis