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“Resilience of agricultural systems against crises”

Value Chains and the Forward and Backward Linkages of Agriculture in Guatemala

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Abstract

Agriculture is still the most important sector in rural areas of almost all developing countries. Additionally, through forward and backward linkages, the agricultural sector generates employment and value added indirectly in other sectors like industry and commerce. One important question is which value chains have the highest multipliers and potential to stimulate economic growth and create jobs. Especially if there is, as in Guatemala, a highly dualistic farm structure: 92 % of all farmers possess only 22 % of total cultivated land, whereas the oil palm, sugar cane and banana plantations concentrate on large landholdings and are expanding at the expense of small farms. There are no reliable data about income and job generation (or losses) of this process, but they are essential for regional and national development planning.

The present study examines 28 value chains in the main agricultural regions of Guatemala. The methodology uses input-output-tables to show the most important variables of the value chains like output, value added and employment. Unlike other studies which utilise official social accounting matrices to quantify the forward and backward linkages of agriculture, we used a bottom-up-approach starting from agricultural production, following the value chains back and forth from the local to the national level.

Results show that nearly half (47 %) of total value added is produced in agriculture, 34 % in industry, and 18 % in commerce. This means that for one dollar created in agriculture, another dollar is generated in the forward and backward sectors. One third of this value added is attributable to peasant agriculture, and more than half of all the jobs generated in the value chains can be traced back to small scale agriculture. The sugar cane and palm oil industry do not create much wealth for the regions where they are grown. Therefore, agricultural policy should support peasant agriculture not only for social, but also for economic reasons.

Keywords: Forward and backward linkages, input-output analysis, peasant agriculture, value chains