



Tropentag, September 17-19, 2013, Stuttgart-Hohenheim
“Agricultural development within the rural-urban continuum”

Upgrading Opportunities of Niche Markets: The Case of Muscovado Sugar Value Chain in the Philippines

MINETTE FLORA MENDOZA DE ASIS, WOLFGANG BOKELMANN

Humboldt-Universität zu Berlin, Dept. of Agricultural Economics and Social Sciences, Germany

Abstract

Tapping niche marketing channels through differentiated products have the potential to improve the livelihood options of smallholder farmers. However, coordination mechanisms such as horizontal and vertical arrangement as well upgrading possibilities are among the critical challenges why niche markets cannot scale in developing economies.

Taking the case of muscovado sugar - an unrefined whole sugar prepared through natural methods, this processing provides an alternative marketing channel for smallholder sugar cane farmers in lieu of the conventional sugar mills. The Philippines being ranked as the 7th biggest among the world's top producer of sugar, the case study is undertaken in Western Visayas, known as the sugar bowl of the country where 54 percent of the national production is cultivated. Using the value chain approach, the objective of the study is to identify the key actors and the mechanisms of coordination among the actors in the muscovado value chain through the conduct of face-to-face expert and key informant interviews using semi-structured questionnaires. Subsequently, it examines the upgrading opportunities in the chain.

The muscovado sugar processing is still in its emergent stages because there are few processors with different forms of contractual arrangement between smallholder farmers (suppliers). For example, one processor provides farmers with technical assistance and start-up capital. These farms are managed collectively, comply with environmental standards (organic and fair-trade standards) and geared towards export. The rest of the channel is dominated by processors who do not enforce contracts between individual suppliers. These arrangements are often prone to mistrust. Additionally, the lack of incentives for farmers - as there is no difference in the buying price of cane processed for white refined sugar - discourage them to process the cane for muscovado sugar.

The findings of the research will be analysed through a SWOT analysis which enables to identify possibilities for horizontal coordination, vertical coordination, product and process upgrading required to achieve the potential of muscovado sugar locally and internationally.

Keywords: Contractual arrangement, differentiated product, environmental standards, fair-trade, horizontal coordination, niche market, organic, SWOT analysis