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"Bridging the gap between increasing knowledge and decreasing resources"

Comparative Analysis of Gum and Resin Value Chains and their Rural Development Potentials in the Drylands of Ethiopia and Sudan

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Abstract

Natural gums and resins are among the commercially viable non-timber forest products (NTFPs) extracted in the drylands of Ethiopia and Sudan with high potential for both rural livelihood improvement and the national economies. Integrating the value chain approach and the livelihood analysis, this study examine the structure and functioning, governance, and distributional outcomes in the small-scale produced natural gum and resin value chains in both countries. Research cases were carried out in 2011 and 2012 to gather primary data from all value chain actors and other relevant stakeholders. The value chains involve three major functional segments: raw material production, processing, and marketing and distribution. The direct value chain actors involved in the different segments of the value chain include smallholder producers, village traders, producers associations, wholesalers, processing and exporting companies. In addition, several organisations such as Forest National Corporation, Sudanese Standard and Metrology Organisation, Gum Arabic Board, Cooperative Promotion Agency, Ministry of Trade and Investment provide support services and regulate the value chains. Despite similarities in the nature of the products, the organisation of the value chains in the two countries show variations in terms of length of the chain, horizontal coordination and vertical integration. The analysis revealed that the gum and resin value chains benefit the actors engaged in the production, processing and trade of the products at local, regional and national levels. The value chains generated a positive value added at the different nodes along the chains. However, the analysis of the distribution of the value added and commercialisation margin in the current value chains indicates an upward skewed benefit distribution. Processing and exporting companies were the main value contributors and the first beneficiaries of the value added. The analysed value chains are commonly characterised by limited value added at producer level, lack of cooperation and coordination between the actors, and power asymmetry. Regarding the governance structure, the value chains are buyers-driven governed by large traders and exporting companies which in turn have a captive relationship with major importers. In light of the prevailing opportunities and constraints in the current value chains, different upgrading strategies are recommended and their possible outcomes and policy implications discussed. Organisation and empowerment of producer associations, credit and microfinance services, infrastructure development, market information system, and training and

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extension services are among the intervention areas required to upgrade small-scale producers and exploit the rural development potentials of the value chains.

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