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Traditional Markets for Poverty Reduction and Food Security: Exploring Policy Options in Honduras and Nicaragua

MATTHIAS JÄGER¹, IRENE VAN LOOSEN¹, BYRON REYES², MARCO VASQUEZ³, FRANCESCA LAROSA², LORENA GOMEZ², MILAGRO ESPINAL³, JENNIFER WIEGEL⁴, IVAN RODRIGUEZ³, MARK LUNDY¹

¹*International Center for Tropical Agriculture (CIAT), Colombia*

²*International Center for Tropical Agriculture (CIAT), Nicaragua*

³*Swisscontact, Honduras*

⁴*Lutheran World Relief, Nicaragua*

Abstract

Much of the current research on value chains and market linkages focuses on formal markets, such as linking farmers to supermarkets, while less attention is given to traditional markets. This tendency leads to a bias in the design of policy interventions that benefit the formal private sector, while the lives of many smallholders, processors, traders, and poor consumers could be improved by researching their needs and implementing appropriate, actor-tailored market policies.

A 2015 project funded by the Ford Foundation aimed to better understand the traditional market channels for agricultural goods in Honduras and Nicaragua in order to identify policy options to increase the value that these markets offer to producers and poor consumers. The study examined the existing rural-urban linkages between small producers and other low-income actors through a representative food basket including red bean as an index for basic grain crops, plum tomato representing vegetables, and dry/semi-dry cheese as a representation of animal protein.

In both Honduras and Nicaragua, traditional markets (i.e. wholesalers, retailers and farmers' markets) play a major role in the distribution of agricultural products to the consumer, especially for those consumers with limited purchasing power. Applying a range of quantitative and qualitative methods, it was found that the competitiveness of businesses in traditional markets for basic grains, vegetables and cheeses in Honduras and Nicaragua is negatively affected by the occurrence of poor food safety, post-harvest losses, seasonal price fluctuations and a reduction of sales. These factors lead to a contraction in demand and may force poor consumers to purchase their goods in more expensive markets, reducing their food security.

Public policies that implement health and safety regulations in traditional markets, improve product quality and food safety, and stimulate efficient production, processing, sorting, transport and storage practices should be introduced or reinforced, while taking into account the different needs of each group of value chain actors linked to the traditional markets of Honduras and Nicaragua. Additionally, the establishment of a collective action platform convening key stakeholders from traditional markets and the public sector could help to inform and ultimately influence public policy and decision making.

Keywords: Food security, market policy, rural-urban linkages, traditional market, value chain governance