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Why Are Good Relationships Along the Value Chain Important? A Cocoa Case Study from Uganda

KASHINA PERLINGER^{1,2}, GIANNA LAZZARINI², CHRISTIAN SCHADER², URS NIGGLI²

¹*University of Kassel, Germany*

²*Research Institute of Organic Agriculture (FiBL), Department of Socioeconomics, Switzerland*

Abstract

It is expected that global crises, such as the current COVID-19 crisis, will hit developing countries more severely than states with more robust economies. Due to the current disruption of supply chains, many people lose the only income that is essential for their livelihood. Thus, it is all more important to make value chains sustainable and resilient to global crises and unpredictable events. A first step in achieving this can be made through organic certification. As cocoa is increasingly becoming an economically relevant crop for African farmers and the demand for organic cocoa in Western countries is rising, it is important to fully understand these value chains to make them more sustainable. This study aims at analysing the effect of buyer-supplier relationship quality on the understanding of organic farming principles by smallholder cocoa farmers. As the role of the sub-suppliers have been neglected so far in (sustainable) supply chain literature, this research study aims at closing this gap. The overall project sample included 205 smallholder cocoa farmers in Central Uganda, which were in conversion to organic certification at the time of the data collection. Within this sample, 20 semi-structured qualitative interviews were conducted. For capturing the dyadic relationships between sub-suppliers, supplier and buyer, we also interviewed four key actors along the value chain. We found a correlation between a comprehensive understanding of the principles of organic farming and the relationship quality between the sub-suppliers and the indirect buying company. This is due to a high rating of high-quality relationship criteria such as trust, commitment and communication. The indirect buying company achieves this through a strong level of involvement and presence on-site. Nonetheless, the results also show that not all farmers were able to fully convert to organic farming because of challenges such as lacking practical knowledge and a lack of inputs that should have been provided by the direct buying company. Therefore, it is essential to achieve high-quality relationships between all actors and particularly at all levels along the value chain. To achieve this, recommended actions are put forward from the study results.

Keywords: Africa, buyer-supplier relationship, organic cocoa, smallholder farmers, sustainable supply chain