

Value Chain for Economic Security



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Honey market place managed by a self-help group

Competition in the honey sector is getting fiercer and several stakeholders have started to use a value chain approach, especially to gain access to organic markets. A value chain can be defined as a sequence of productive processes from the provision of specific inputs for a particular product to primary production, transformation, marketing and distribution, and final consumption. Honey is a major organic product, and is being scrutinised by buyers and other actors in trade and marketing.

A value chain systematically takes all steps of a production process into account. It analyses the links and information flows within the chain and reveals the strengths and weaknesses (and

even losses) in the process. It also analyses the boundaries between national and international chains, takes into account buyers' requirements and international standards, and allows international benchmarking (Richter 2005). The value chain approach addresses the so-called critical success factors that determine whether a product meets market requirements with regard to quality, price, dependability, volume, design, and speed of delivery, and, consequently, improves competitiveness. Value chains generally include three or more of the following: producers, processors, distributors, brokers, wholesalers, retailers, and consumers. The partners in the value chain work together to identify objectives; they share risks and benefits; and invest time, energy, and resources to make the relationship work. The value chain approach is an actor oriented approach and is very effective in tracing product flows, showing value adding stages, and identifying key actors in the chain and the relationships between them (Schmitz 2005).

In the past, most honey and bee-related projects were only active at a particular level of the value chain. They mainly focused on the promotion of beekeeping and the production of honey, rather than on the delivery of a product in a competitive market. The concept of a value chain approach dealing with the whole process is fairly new and there are only a few organisations engaged in scaling up beekeeping by using a value chain.

Beekeepers, packers, and producers may find it difficult initially to adapt to this approach as the beekeeping industry in the developing world is not really prepared for following the requirements of a value chain. But with growing awareness and capacity, many stakeholders are increasingly using value chains to achieve economic security. China, Brazil, Argentina, and Mexico are adopting a similar approach to improve competitiveness and the quality of bee products to harness the benefits of honey trade.

The value chain map in Figure 5 shows the flow of honey and other bee products in the market, and the distribution of

income from consumers to beekeepers and input suppliers. In many cases, it is difficult to find clear vertical lines between each level in the chain. Many beekeeping entrepreneurs and honey traders act as integrated value chain operators and perform two or more functions in the chain. The same company, cooperative, or organisation acts as a service provider (training and technical inputs), beekeeper (maintains apiaries), honey processor, and trader.

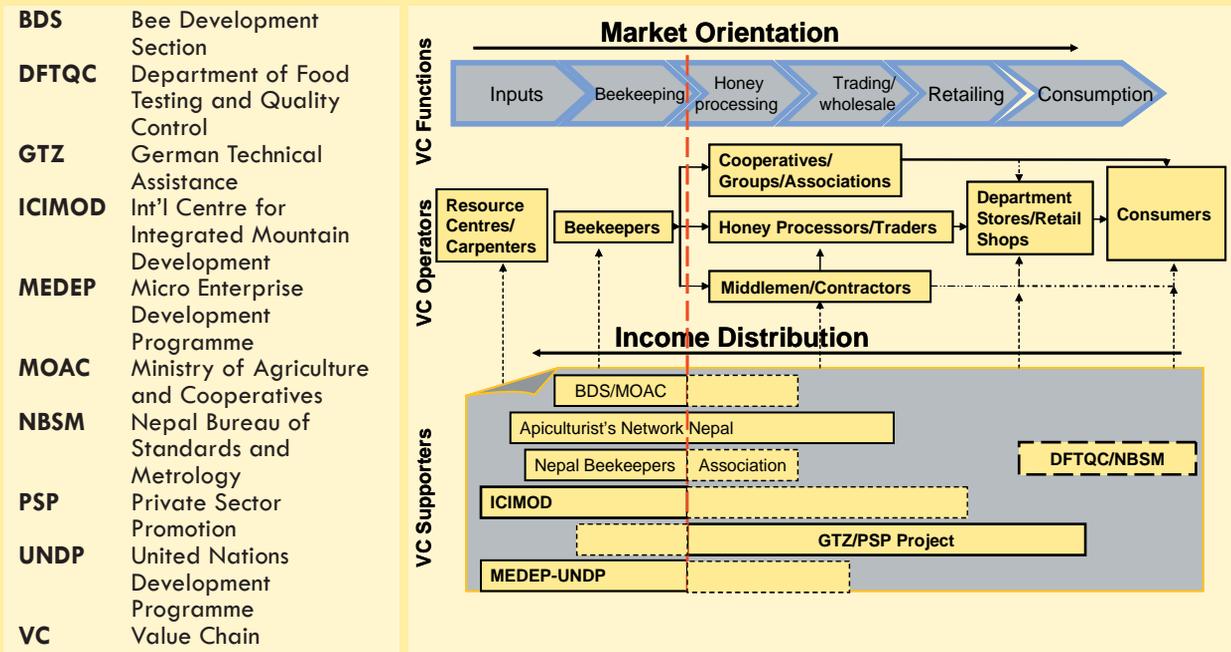


Figure 5: Value chain map of honey in Nepal

In order to improve the economic situation of the rural poor, government agencies and many international organisations are supporting rural farmers to make use of locally available resources to produce commodities for income generation. The value chain map reveals that in beekeeping most of the supporting agencies focus more on the promotion of beekeeping itself than on products for processing and marketing (Figure 5). However, experience from Nepal suggests that producing commodities alone does not help rural farmers or producers if they cannot sell their products or if there is little value added at their end of the value chain. It is equally



Honey marketing in Nepal

important to link rural producers with markets and sustain and grow these links so that they form a perpetual growth cycle of production and consumption. Connecting rural producers with markets on a sustainable basis is a very challenging task that can be helped by value chain promotion.

Globalisation has brought unique opportunities for developing countries in terms of access to markets for their products. However, in order to benefit from these opportunities, these products must be competitive in global markets. Value chain promotion helps to develop systemic competitiveness by looking at the whole chain of production activities and strengthening the overall production chain. To enhance the competitiveness of the commodities and generate more income, it is essential to strengthen linkages between value chain operators. Value chain supporters can make a greater impact if they plan intervention strategies and facilitate the implementation of activities in close cooperation with the various stakeholders in the industry.