

**CENTER FOR ECONOMIC AND SOCIAL RESEARCH,
ANALYSIS AND PROPOSALS**

CIPRES/FIDE

**“Successful Experiences of Small-scale Farmers
in the Comayagua Valley, Honduras”**

Summary of the Main Findings of the Study



Introduction

Like the rest of Central America, over the last several decades Honduras has enjoyed the benefits of trade preferences granted by the United States including the General System of Preferences (GSP) and the Caribbean Basin Initiative (CBI). The recent approval of the Dominican Republic-Central American Free Trade Agreement with the United States (DR-CAFTA) guarantees even more broad and lasting trade benefits for Honduras.

Thus, for the market size, its permanent status, the socio-economic impact and geo-political implications, most Hondurans perceive the DR-CAFTA as the leading free trade agreement and the decisive instrument for promoting broad-based development--particularly in rural areas. Since its approval, Honduran exports to the DR-CAFTA markets grew at about 5.7% including growth in exports to the US of about 7%. Non-agriculture exports showed a robust increase of about 29% in contrast agriculture exports which grew a modest 5%.

Nonetheless, it is recognized the marketing challenges for Honduras agricultural sector and particularly for many small and medium-scale farmers, which could be affected by the free competition spurred by trade liberalization, especially farmers who grow low profit crops that are sensitive to market forces.

In this context, CIPRES believed that an analysis of production and marketing processes was a critical step to determine what advantages and opportunities are offered to Honduran small farmers by trade liberalization and by DR-CAFTA in particular. Policymakers and planners also need better information on how increased trade opportunities can improve incomes and living conditions for farmers operating in this new environment.

CIPRES commissioned a study focusing on small-scale farmers producing non-traditional agricultural products being exported to the U.S. market. The objective of the study was to determine the economic and social effects of export-oriented models as applied to small-scale farmers particularly in the Comayagua Valley in the central region of Honduras.



Discussion of the main findings with the producers surveyed, Comayagua, August 2007

Key Findings

More than 60 small-scale farmers producing oriental vegetables for export were interviewed using a case study methodology. The interview questionnaire generated quantitative and qualitative information resulting in the following key findings:

- Most of the farmers are living and working in the place they were born, or near by. On the average farming families have 5 members, and about 50% of the members interviewed were under 18 years old.
- The majority of farmers interviewed recognize the importance of formal education as a way for building a better future for their children. The farmers were even more concerned about access to formal education for their grandchildren. Since a significant percentage of population between the ages of 12 and 18 years show a preference for working over studying, innovative mechanisms and incentives must be provided to ensure a quality education for future generations.
- Small-scale farmers own between 3.5 to 5.2 acres of land. Before becoming involved with export crops, farmers were growing basic grains—corn and beans -- and to a lesser degree, tomatoes. The transition from this traditional model to growing oriental vegetables for export markets implied significant changes in the dynamics of the economic activity. For example:
 - a. Greater formal and legal commitment was required when signing a contract with the exporting company;
 - b. Farmer had to increased dedication and involvement in the crop; and
 - c. Better administration of crop costs was required.
- The study documents dramatic increases in income for farmers who changed from traditional production of low profit crops for the local market to growing oriental vegetables for export. The average monthly income of participating small-scale farmers almost tripled, increasing from US\$ 273 to US\$ 989 per month.
- Increased income was clearly associated with a reduction in rural poverty. Of the households studied, 76% lived below the poverty line before engaging in export production. In a period of about four years, 84% of the households rose above the poverty line.
- With increased incomes, households have made substantive positive gains in their quality of life as demonstrated by the following testimonies:



Small-scale farmers displaying their oriental Vegetables crop. Comayagua Valley, 2007

"It's been a big change. In terms of our standard of living, we have remodeled the house. With regard to food, we eat a greater variety of products; larger quantities and better quality. Also my children are getting a better education..." (Interviewee N° 39)

"I was able to fix- up my house, thank God. Now we can at least eat chicken and before we couldn't. I bought bicycles and electrical appliances." (Interviewee N° 19)

"Things have improved in terms of material things. I bought a new piece of land. I improved my farm with a drip irrigation system, replacing the channels I used before. I remodeled my house, adding bedrooms and outbuildings..." (Interviewee N° 01)



Women Working at the packaging plant of Inversiones Mejía Comayagua Valley, 2007

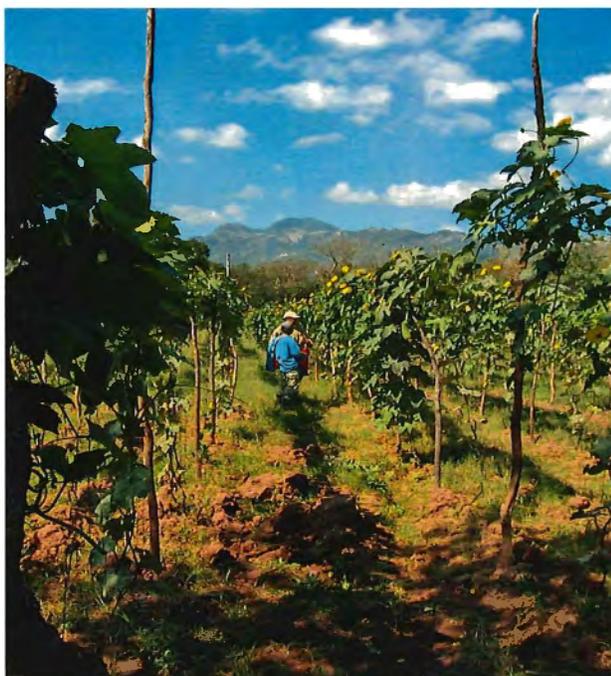
- The study also shows other direct positive impacts in terms of employment generation. On average each hectare requires up to 4 additional full-time employees compared to the traditional model. According to the study, 62% of laborers contracted for the crops are non-family members and in general they are young people.
- The average wage of new employees is approximately US\$ 4.50 for a 6 hour workday from 7:00 a.m. to 1:00 p.m. which is above the minimum rural wage established for 2006 and amounts to more than double the per person family shopping basket costs (calculated using the National Statistics Institute methodology).

Perceptions and Opinions

Most farmers and families interviewed have a positive opinion about improvements in the conditions of the Comayagua Valley in recent years, although they are less positive regarding the area's future prospects. They feel their situation is at least the same as, or better than, other small-scale farmers from the valley.

It is noteworthy that 85% of the interviewees knew about the DR-CAFTA free trade agreement with the United States. Even more notable is the fact that words that previously held negative connotation are today used in the discourse of the interviewees with a new tone. Words such as "competition," "free trade," "company," and "export" now have a positive nuance.

There is a minority of dissenting opinions that assert that large companies are the biggest beneficiaries of free trade. However, they do not deny that the free trade framework provides direct benefits to small-scale farmers.



Small farmer considered as a successful case by Inversiones Mejía Comayagua Valley, 2007

Replicating the Model

The findings from the study could serve as useful inputs for designing export oriented production strategies for small farmers.

The small farmers interviewed for the study were asked to give advice on how to replicate this model in other areas in the country. The farmers stressed that success depends less on which crop is selected to grow than on engendering a positive attitude and approach. They suggested that success requires:

- a. Having profound knowledge of the crop
- b. Being honorable and responsible
- c. Being open to innovation and "technification"
- d. Being dedicated and ready for hard work
- e. Being success-oriented.

Conclusions

The following table 1, resumes 2006 figures for key indicators as a result of growing oriental vegetables for export to the US market, concentrated in the US market with a strong participation of small-scale farmers.

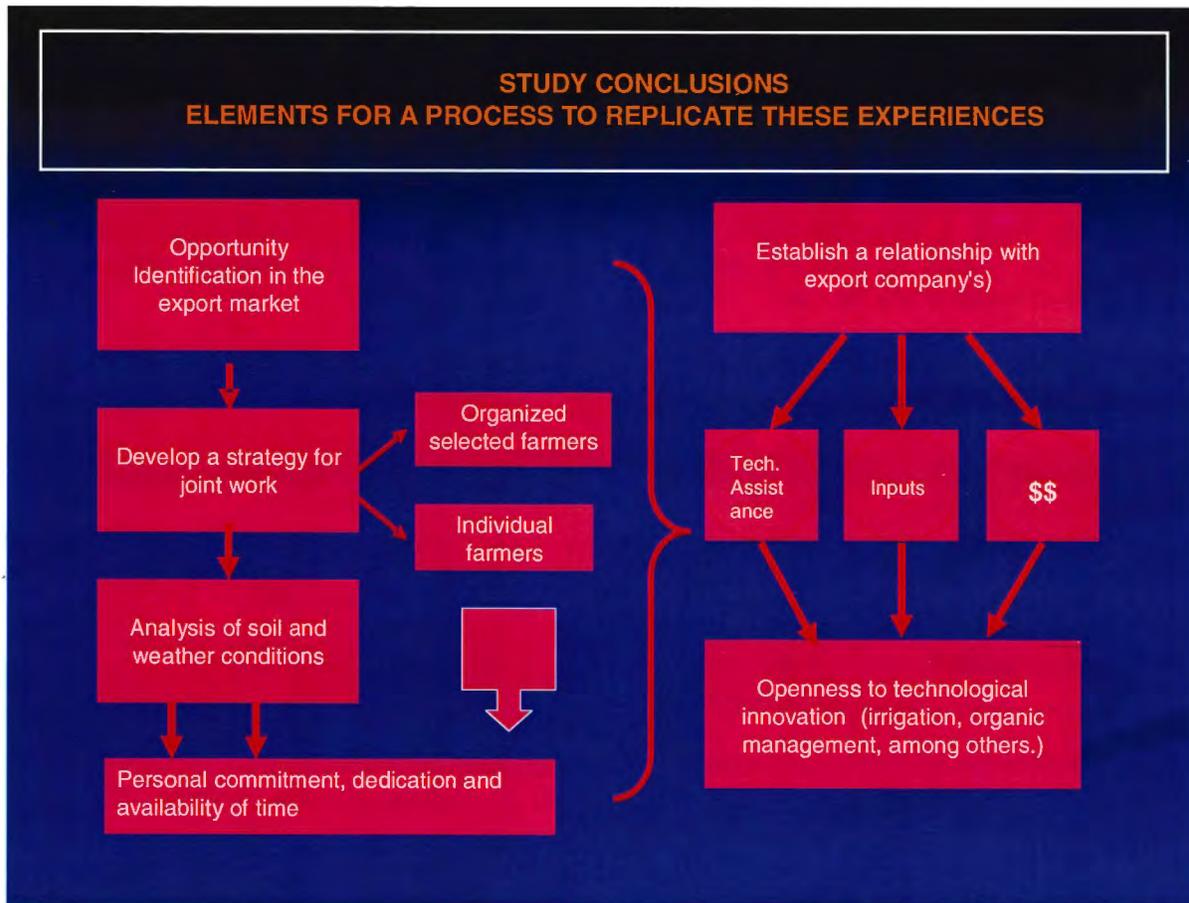
Table 1. Vegetables production—particularly oriental vegetables, for export to the US markets with small farmers participation.

Key indicator	Unit of measure	Total figures for Comayagua Valley, 2006
Number of small-farmers participating in the program	Number	About 700
Plantations under production for export	Acres	Above 4,200
Employment generated	Full-time employment	More than 5,000

The study's findings are summarized in the following diagram 1 which could be used as a tool for designing strategies to duplicate this model in regions of the country with similar characteristics.

It essentially involves taking advantage of opportunities and identifying comparative advantages in the agricultural market, which can open opportunities for associations of the country's small-scale farmer, thus contributing to the modernization of the countryside and, therefore, to the country's development.

Diagram 1. Elements to incorporate small-scale farmers in high-value export crops





"By diversifying my 2.2 acres plot for growing oriental vegetables for export, in just over 4 years I improved my income and build a better house for my family"



About 700 small farmers have more than triple their incomes by growing oriental vegetables for exports .

"La elaboración de este documento ha sido posible gracias al generoso apoyo del Pueblo de los estados Unidos de América. El contenido del mismo es responsabilidad del autor y no necesariamente refleja el punto de vista de la USAID o del gobierno de los Estados Unidos"