Sustainability of income growth of smallholder producers in high value chains: Insights from strategic partnerships in South Africa

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While functional upgrading continues to be regarded as a potential strategy by which smallholder producers integrated in high value chains can sustain income growth, recent value chain literature observes that in most cases, chain leaders in global value chains characterized by a quasi-hierarchical system of governance generally control such high value-added functions as product design, marketing and branding which could leave smallholder producers trapped in narrowly-confined value chain activities with low returns. This empirical paper investigates whether smallholder producers integrated in the deciduous fruit value chain have developed the capabilities necessary to sustain income growth in high value chains. Results show that global buyers such as supermarkets define the product and exporters which serve as strategic partners in smallholder farms design the product following specifications. The strategic partners also handle all market related activities on smallholder farms. To reduce the probability of poor performance associated with the intrinsic characteristics of deciduous fruit, strategic partners, in addition to other specific investments assign mentors to manage production on smallholder farms. The mentors also serve as liaison agents between smallholder producers and strategic partners. Because product design and marketing functions are performed by strategic partners with whom smallholder producers have no direct relationships, smallholder producers could not be involved in such functions and thus could not learn. As a result, smallholder producers still depended on their strategic partners for product design and marketing hence they could not sustain their income growth in high value chains. These findings have implications for sustainable livelihoods.

Biography
Bukelwa Grwambi holds a Master’s degree in Agricultural Economics from the University of Fort Hare in South Africa. She currently works for the Western Cape Department of Agriculture as a Senior Agricultural Economist and Researcher. Her scope of work also includes serving as mentor to young researchers attached to the Western Cape Department of Agriculture. She has presented her research work in several conferences. Her research interests include smallholder market access, land reform, food safety compliance and value chains.

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