

The Role of Clustering and Value Adding in Improving Small-scale Cacao Farmers Income: The Case of Talle Farmers Association in Laak, Davao de Oro

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Abstract

Various value chain upgrading strategies have been implemented to help small-scale farmers improve their income such as improving market linkages and value-addition. In Mindanao, the main cacao-producing region in the Philippines, various value-adding efforts were introduced for small-scale cacao farmers. However, the adoption and sustainability of value-adding initiatives among these farmers have presented notable challenges. To gain insight into the adoption dynamics among farmers, an action research project was conducted among the small-scale cacao farmers in Laak, Davao de Oro, which has a main goal of enhancing their income. A value chain analysis was employed to identify issues and opportunities in improving the performance of the farmers in the cacao value chain. Logit regression was applied using the baseline survey to understand the factors influencing the farmers' choice of buyers. The project also implemented various production and post-production training initiatives to improve the productivity and quality of their cacao beans and establish a link with sustainable buyers. The baseline results revealed that farmers preferred selling to nearby buyers regardless of the type of buyer, price, and the quality of their dried cacao beans. Distance is their primary consideration. Many of these farmers engaged in value-adding through the drying of cacao beans and opted to sell their produce individually, avoiding higher marketing costs by choosing proximate buyers. Initial results also revealed the positive impact of clustering in attracting institutional buyers. Selling consolidated wet cacao beans to institutional buyers appears to be more profitable compared to value-adding through drying and selling dried beans to nearby buyers. These observations raise the question of whether value addition consistently translates to improved income. Small-scale farmers may potentially end value-adding endeavors if they have better options to improve their income. This study implies value adding does not always guarantee better income. It is significant to align cacao farmers' output with the demands of sustainable buyers considering that Mindanao, particularly the Davao Region, is the major producer of cacao beans in the country.