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Measuring Economic Sustainability using a Composite Indicator In Cacao Production in Peru

Submitted by

Alexander Vargas Garro
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First Supervisor: Prof. Dr. Manfred Zeller
Second Supervisor: Prof. Dr. Claudia Bieling

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Abstract

Promising market conditions such as a constantly increasing demand in terms of amounts and quality, make of cocoa production a high appealing sector. In Peru, the promotion of cocoa production has two purposes, the substitution of the illegal production of coca leaves and a strategy for rural economic development. However, in the literature, there is evidence that cocoa production is carried out, mostly, by small farmers living in poverty. The literature also advised that the first link of the cocoa value chain is the one that perceives less profit compared to other actors involved at other stages. Furthermore, the cocoa farmers do not reach enough financial returns which set the producers in high levels of susceptibility to world market changes, market concentration and asymmetry along the value chain. Moreover, weaknesses of the production level put on risk the whole chain. Efforts have been done to analyse the sustainability of the cocoa value chain. Nonetheless, they have been focused on case study, analysis of the value chain as a system and on the environmental conditions of sustainability. This study focuses on the analysis of the economic sustainability dimension of cocoa production at the household level, by means of a composite indicator. This study took place in 8 communities including 133 interviews in Cusco and Piura during August and September 2017. The study implied four main challenges; the methodological; in terms of implementing a variety of valid tools to aggregate different aspects of sustainability. Conceptual; in terms of selecting a conceptual framework adequate to capture the main variables that determine the sustainability of cocoa production. Contextual, acquire enough understanding of the cocoa sector in Peru, and Practical in terms of making the outputs accessible to a wide variety of stakeholders with high interest on the sustainability of cocoa production in Peru. To this end, the study found that the major determinants of the performance of the composite indicator are associated with irrigation practices, land size, and productivity.

Keywords: Economic sustainability, Cocoa, Composite indicators, Peru, Ivochote, Piura