• Much of the current research on value chains and market linkages focuses on formal markets, such as supermarkets, while less attention is given to traditional markets. This tendency leads to a bias in the design of policy interventions that benefit the formal private sector, while the lives of many smallholders, processors, traders, and poor consumers could be improved by researching their needs and implementing appropriate, actor-tailored market policies.

• In both Honduras and Nicaragua, traditional markets (i.e., wholesalers, retailers, and farmers’ markets) play a major role in the distribution of agricultural products to the consumer, especially for those consumers with limited purchasing power.

• The competitiveness of businesses in traditional markets for basic grains, vegetables, and cheeses in Honduras and Nicaragua is negatively affected by poor food safety, post-harvest losses, seasonal price fluctuations, and a reduction of sales. These factors lead to a contraction in demand and may force poor consumers to purchase their goods in more expensive markets, thereby reducing their food security.

• Public policies on health and safety regulations in traditional markets should be introduced or reinforced to improve product quality and food safety, and to stimulate efficient production, processing, sorting, transport, and storage practices, while taking into account the different needs of each group of value chain actors linked to the traditional markets of Honduras and Nicaragua.

• The establishment of a collective action platform convening key stakeholders from traditional markets and the public sector could help jointly identify solutions to specific bottlenecks along the supply chain, inform, and ultimately influence public policy and decision making, with the goal of delivering improved food security and livelihoods for both smallholder farmers and poor urban consumers.
Introduction to the Research

For decades, international agricultural development research and policies have placed emphasis on linking the rural poor with formal market channels through a range of value chain approaches. This has led to the design of policy interventions that benefit the formal private sector and a small subset of farmers. However, the majority of the poor remain dependent on traditional, agricultural markets because of the benefits that these markets offer to producers and consumers with limited economic resources. Despite the importance of traditional markets, relatively little is known on how they function. The development of a broader knowledge base on this theme is critical for understanding how traditional market channels can be strengthened to become more competitive and provide better services to its value chain actors and poor consumers, thus reducing poverty and increasing food security.

With financial support from the Ford Foundation, in 2015 the International Center for Tropical Agriculture (CIAT) and its partners Swisscontact and Lutheran World Relief implemented the study “Informal markets for poverty reduction and food security: exploring policy options in Honduras and Nicaragua”. The main objective of the research was to better understand the traditional market channels for agricultural goods in Honduras and Nicaragua in order to identify policy options to increase the value that these markets offer to small producers and poor consumers. The study examined the existing rural-urban linkages between small producers and other low-income actors through a representative food basket including red bean as an index for basic grain crops, plum tomato representing vegetables, and dry/semi-dry cheese as a representation of animal protein. These crops are key staples in both the Honduran and Nicaraguan diet and are widely produced by smallholder farmers.

The study applied a combination of qualitative and quantitative methods and analyses to obtain a deeper understanding of traditional markets and food systems, and to identify opportunities to improve their potential for poverty reduction. As part of the data collection, surveys were conducted with 170 wholesalers, 385 retailers, and 20 middlemen (Table 1).

Table 1. Surveys conducted.

<table>
<thead>
<tr>
<th></th>
<th>Honduras</th>
<th>Nicaragua</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesalers</td>
<td>67</td>
<td>103</td>
<td>170</td>
</tr>
<tr>
<td>Retailers</td>
<td>219</td>
<td>166</td>
<td>385</td>
</tr>
<tr>
<td>Middlemen</td>
<td>4</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>290</td>
<td>285</td>
<td>575</td>
</tr>
</tbody>
</table>

The geographic focus of the project in Honduras included an urban center (Tegucigalpa) and a provincial city (Choluteca). In Nicaragua, three value chains – red beans, plum tomatoes and dry/semi-dry cheese – were studied in major traditional markets of three cities: Managua, Matagalpa, and Estelí. These cities were chosen as research areas because of the concentration of high demand for the food products under study among low-income consumers.

N.B. The data gathered during this research was shared with key actors through consultative processes in both Managua and Tegucigalpa. The emergent conclusions of this policy brief result from these processes.

Traditional Markets

In this study, we define “traditional markets” as those managed by municipal governments, located in a defined indoor or outdoor space, with premises located in different parts of the market according to the product category, usually supplied by producers, wholesalers, and retailers with occasional involvement of intermediaries, and generally influenced by wholesalers. In Honduras and Nicaragua, traditional markets include vendors selling on the streets, small shops, and businesses that set up shops in the physical spaces of the markets. Examples of traditional markets are farmers’ markets, wholesale markets, and retailers’ markets.

The research showed that the traditional markets studied are of great importance for supplying consumers with beans, tomatoes, and cheese. For example, FAOSTAT and the National Institute of Statistics (INE-Honduras) estimate that the traditional markets in Tegucigalpa accounted for over 50% of annual bean and tomato consumption in the city in 2013. The social impact of these channels in rural areas is important, as they are the main trade routes for thousands of bean and tomato producers and artisanal cheese plants. However, in both Honduras and Nicaragua, the public policies, laws, and regulations governing traditional markets and the value chains that supply them are few, and the official rules that do exist are not always implemented. Consequently, there is a need to either extend or enforce this type of regulations.
Study Results

The study identified several constraints that limit the competitiveness of businesses within traditional markets. Tables 2 and 3 provide an overview of the main constraints found for traditional markets in Honduras and Nicaragua, respectively.

Table 2. Main constraints for traditional markets in Honduras.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-harvest losses</td>
<td>Inefficiencies caused by poor processing, transportation, and storage practices lead to high losses in the three value chains studied, especially for highly perishable products, such as cheese and tomato (see Figure 2).</td>
</tr>
<tr>
<td>Business limitations</td>
<td>Decreasing demand and reduction of sales in traditional markets are caused by rising unemployment leading to less consumption; price regulations imposed by the government that benefit formal markets; and the perception of insecurity in traditional markets. An additional business limitation is price volatility: the seasonality of the supply of agricultural products makes it difficult for traditional markets to compete with formal markets as the latter’s supply is stabilized through direct imports, dedicated providers supported by agricultural programs funded by international NGOs and development agencies (see Figure 3a).</td>
</tr>
<tr>
<td>Poor food safety</td>
<td>Food safety regulations are not enforced, and consumers and marketers are not educated on evaluating food safety and good practices in traditional markets.</td>
</tr>
</tbody>
</table>

Table 3. Main constraints for traditional markets in Nicaragua.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-harvest losses</td>
<td>Products are not always reviewed in the production and processing stages, which results in losses for sellers due to the poor quality of products provided by the producers (see Figure 2).</td>
</tr>
<tr>
<td>Business limitations</td>
<td>For beans and tomatoes, price volatility was reported as a common problem in the different traditional markets. In the case of cheese, the most significant limitation identified was the lack of buyers and subsequent reduction in sales (see Figure 3).</td>
</tr>
<tr>
<td>Poor food safety</td>
<td>Phytosanitary controls are not executed along the value chains studied, and market controls are not adequately performed.</td>
</tr>
<tr>
<td>Lack of vision among traders</td>
<td>The research found that between 70 and 80% of wholesalers and retailers in Nicaragua show a tendency to maintain the status quo and do not invest time and resources in improving their businesses.</td>
</tr>
</tbody>
</table>

It can be concluded that the competitiveness of traditional markets for beans, vegetables, and cheeses in both Honduras and Nicaragua is negatively affected by the occurrence of poor food safety, post-harvest losses (see Figure 2), seasonal price fluctuations, lack of buyers, and insecurity (see Figure 3).

![Graph](image-url)

**Figure 2.** Post-harvest losses estimated by wholesalers (W) and retailers (R) as % of produce.
These factors lead to a contraction in demand and may force poor consumer segments to purchase their goods in more expensive markets or to consume low-quality products, thereby reducing their food security. This situation is further aggravated by national policies, such as those focused on export promotion and industrial production, that tend to benefit formal markets and allow the entry of foreign actors into national value chains, while there is limited allocation of government funds towards strengthening traditional markets.

**Figure 3.** Main business limitations for wholesalers (W) and retailers (R) in Honduras and Nicaragua (mentioned by % of W and R).

**Figure 4.** Farmers market in Nicaragua (Stefanie Neno and Adriana Varón/CIAT).
Policy recommendations

It is crucial to design policies that allow traditional markets to become more competitive and provide better services to value chain actors and poor consumers, thus reducing poverty and increasing food security in Honduras and Nicaragua. Importantly, the results of this research suggest that policy interventions must be adapted to each group of value chain actors and their needs. The following three policy recommendations are considered most urgent:

• First, policies are needed to mitigate the risk facing traders due to price instability and lack of customers. Strategies could include investments to enhance infrastructure, safety and health in the markets, to improve those facilities and premises where merchants sell, and to increase security for customers.

• Second, legislation and regulations concerning food safety should be updated to fit traditional markets, and should be implemented along the value chains. Campaigns that encourage producers, intermediaries, processors, and traders to register with public health authorities could enhance product quality (particularly for highly perishable products like cheese), reduce waste, and improve public health. It is important that the governments assign financial resources for the implementation of policies that benefit farmers and traders. Food safety requires technical assistance, technology improvement, and capacity building. These actions can also contribute to reducing post-harvest losses along the chain.

• Third, the implementation of training programs that stimulate the use of appropriate harvesting, processing, sorting techniques, transportation practices, and storage technologies is crucial to prevent post-harvest losses and low-quality produce. Introducing explicit common quality standards could assist in improving the quality of agricultural produce in traditional markets.

In conclusion, public policies that implement public health and safety regulations in traditional markets, improve product quality and food safety, and stimulate efficient production, processing, sorting, transport and storage practices should be introduced or reinforced, while taking into account the different needs of each group of value chain actors linked to the traditional markets of Honduras and Nicaragua.

Recommendations for future research

Summarizing the main conclusions of final public events and related workshops and discussions with actors in both Nicaragua and Honduras, the key question is how targeted research can inform and ultimately guide public policy and decision makers, and contribute to improved access and availability of high-quality, affordable, nutrient-dense food for poor urban consumers through traditional markets. Four areas are suggested for future research:

1. Research to guide specific investments that would enhance food safety in traditional markets, in particular by identifying critical points of contamination and nutrient leakages along target value chains. Similarly, the identification of those critical points where product losses are highest is key to plan actions that increase the profit and competitiveness of a value chain.

2. Research to assess the impact of different types of markets (e.g., supermarkets, wholesale markets, farmers’ markets) on the livelihoods of consumers, producers and traders.

3. Convene and engage a diverse range of value chain actors from the traditional market, public sector, and civil society through a collective action platform to jointly identify critical issues, design and test solutions to specific bottlenecks along the supply chain, and inform and influence public policy and decision making with the goal of improved food security and livelihoods for both smallholder farmers and poor urban consumers.

4. The implementation and impact of national economic policies need to be evaluated, as many of them are only applied in order to benefit consumers, collect taxes, or facilitate imports. In many cases, policies that are supposed to help farmers do not have sufficient resources to be implemented.
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Correct citation

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