Guidelines for smallholder access to high quality value chains in Vietnam

A handbook based on the Superchain experience (an IFAD/Malica project)

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FOREWORD

The objective of this handbook is to guide interventions aimed at facilitating smallholders’ access to high-value food chains, based on the Superchain experience. Superchain is a project funded by IFAD and was implemented from 2007 and 2009 by the MALICA consortium in Vietnam and the National University of Laos, with coordination by CIRAD. The Superchain project aimed at bringing more stable income to small-scale producers in Vietnam and Laos and at the same time guaranteeing better quality food for urban consumers. To achieve this, the project has established new forms of information and cooperation among producers and between producers and distributors who are looking for products of a specific quality. In Vietnam, the project is focusing on “safe” vegetables in the province of Hanoi, Hoa Vang sticky rice from Hai Duong province and Mong beef from the Cao Bang highlands. In Laos, the production of vegetables without insecticides in Xiengkhuang province is gradually being converted to fully organic vegetable gardening.

The final report of the project, where the project results are detailed, is available in English and Vietnamese. The present document develops the methodology used in the project in Vietnam, which can help to replicate the pilot organizations which were developed in the course of Superchain, as these had a significant impact on the livelihoods of the producers involved, and also on the access to products with specific quality and origin of a number of consumers and retailers. Yet, due to the limited time span and geographical coverage of the project, the quantities produced and the diversity of products offered by the pilot groups are still well below what is demanded by supermarkets. Increasing quantities or diversity implies increasing the number of groups, which should be phased in gradually. We hope that the following guidelines will help in the replication of the models developed by the Superchain project, and that it will benefit from the experience of the project in providing conditions for successful market linkages to smallholders in Vietnam.

The document is organized as follows. The introduction gives the objectives of the project, the general approach and steps conducted. Chapter 1 explains the process of selection of areas, products and beneficiaries. The following chapters detail the different steps of the project (2: evaluation of buyers’ demand, 3: information and networking, 4: quality development, 5: farmer organizations). Chapter 6 gives insights on the role of the public sector in the project, and Chapter 7 on the socio-economic impact. The document ends with a conclusion on the project approach.

1 The consortium is an umbrella for CIRAD, VAAS (CASRAD and FAVRI) and IPSARD (RUDEC and DRI). It was coordinated by CASRAD during the main course of the project.

2 In English and Vietnamese on http://www.malica-asia.org; and also on hard copy in Vietnamese (The gioi publishers).
INTRODUCTION: OBJECTIVES AND STEPS

I - Objectives

The goal of the project is to improve the livelihoods of small-scale farmers in Vietnam and Laos. The major objective of the project is to enable small-scale farmers to have access to new high-value food chains in the domestic market, i.e., to have access to new buyers in Hanoi concerned with produce quality.

II - General approach

In the project, in line with Sustainable Livelihood Approaches (SLA), not only do we consider that the poor are to be viewed as deprived of resources, but we should build on their strengths and opportunities, including their specific skills. In 'livelihoods focused' development efforts, a key objective is to remove constraints to the realization of potential (DFID). In the case of Vietnam and Laos, the poor have some specific advantages in supplying specific quality products (low use of inputs, labor availability, location in mountainous areas). Developing these advantages requires improved information and coordination in the value chains.

The term value chain, used in a broad sense, corresponding roughly to the French term “filière,” includes the full range of activities that are required to bring a product (or a service) from the initial stage through the different phases of production to its delivery to final consumers and disposal after use. The final food quality, as well as farmer incomes, are dependent upon the practices of farmers, traders, processing and transport enterprises and final consumers. To better meet the requirements of the market, especially in terms of quality, the project combined technical and institutional innovations. Changes in techniques have to be embedded in institutional changes, in particular as regards access to resources, e.g. credit, inputs, land, labor, technical and market information.

The different steps which we followed have some similarities with the market-led learning process developed by CIAT: 1) local working group; 2) evaluation of market opportunities; 3) participatory business and market planning; 4) business development services. In the Superchain project, we had a complementary focus on quality development based on farmer organizations which induced some specificities in the steps which we followed.

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III - Different steps

The different steps used in the project are listed below and detailed afterwards. They are also presented in Figure 1.

1. Selection of products and areas
2. Evaluation of buyers’ demand
3. Information and networking
4. Establishing farmer organizations
5. Quality development
6. Developing intra-chain coordination

We give some information about each of these steps, which will be detailed in the rest of the document.

1. Selection of products and areas
   The main objective is to identify products with a potential for poverty alleviation and increased quality market access.

2. Evaluation of value chain and buyers’ demand
   The first step of the project has been to identify the organization of the value chains for the selected products, and to evaluate buyer demands. We concentrated on the buyers as individual consumers, retailers, and restaurants, as they are the ones with the most demanding quality requirements relative to others in the chain. What we investigated during this step are the following issues:

   About the value chain organization:
   
   a. Who are the go-betweens between production and final consumption?
   b. What are the different places where the commodities are produced, transported, processed and exchanged?
   c. What are the quantities of products coming from the different possible sources of supply, at the different stages of the value chain?
   d. What are the prices and costs along the chains?
   e. What are the changes of quantities at different times of the year?
   f. What are the major problems, opportunities and prospects expressed by those involved in the chain?

   About the buyers’ demand:
   
   a. What are the buyers’ present sources of supply?
   b. What are the buyers’ preferences in terms of quality and origin of products?
   c. Do the buyers make the link between quality and origin?
   d. What additional price (price premium) would the buyers be ready to pay if the commodity could satisfy their requirements?
In this manual, we won’t detail the analysis of the value chain organization. Firstly, a number of manuals are available on this topic. Secondly, in the project, some material was already available on the organization of the selected value chains, and we concentrated on the evaluation of buyers’ demand.

3. Information and networking

The information on the buyers’ demand was fed back to farmers and public authorities supporting farmers by the way of stakeholder workshops, including a panel of farmers, traders, consumer representatives and public authorities. In the special case of vegetables, further workshops were organized to establish a network of safe vegetable groups, as it was found that cooperation between groups was necessary to ensure an increased diversity in vegetables supplied, especially for supermarkets. An inventory of safe vegetable production groups along with their contacts has been drawn up and a Web site of safe vegetable groups has been prepared.

Regular contacts were organized between farmer organizations and potential buyers, including supermarket and shop vendors and distribution companies. The difficulties in reaching final agreements were documented. Packages with labeling including information on place of production were designed and disseminated, as well as leaflets presenting the farmer organizations, and the production and control protocols.

4. Establishing Farmer Organizations

Farmer organizations pool together resources to build and signal quality, including training, access to inputs, access to buyers, and communication on quality. They provide incentives to put effort into achieving quality. In farmer organizations, there can be the dual impact of the supply of adequate inputs and joint contacts with buyers (which may be referred to as inter-linkages between input and output markets). Farmer organizations also involve inclusion and exclusion mechanisms: the commitments of farmers to follow regulations, sanctions being enforced in case of non-compliance.

Establishing organizations requires a number of preliminary meetings where the objectives of collective action, as well as the mechanisms of governance, are jointly agreed upon. They may also require some administrative steps for registration. Their operation then needs regular documentation, and meetings are regularly needed among leaders, and between members, in order to assess the achievements and problems with regard to the objectives.

5. Quality development

The development of quality at the production level aims at answering the demand of the buyers as identified by the market surveys. This involves the following steps:

(a) Design of collective production protocols on specific quality criteria

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The writing of production protocols aims at getting stable product quality in line with the potential of the area and the demand of the final buyers.

(b) Design of internal control protocols on specific quality criteria

Control protocols were also designed, based on internal control organized by members of farmer organizations.

Production and control protocols were designed in a user-friendly way, and incorporate the feedback of farmers gained by conducting various meetings.

(c) Farmers’ training

Production and control protocols were then disseminated by way of farmer training.

(d) Organization of external control

Contacts were developed with local administrations to organize external control (Plant Protection Department of the province and FAVRI for vegetables; Department of Health of the province for sticky rice).

6. Developing intra-chain coordination (or farmer-buyer relationships)

Developing and guaranteeing food safety involves additional costs and investments for farmers, which are lost if farmers cannot sell to buyers who value these quality efforts. Securing outlets is facilitated by farmer collective action, and also by intra-chain coordination, i.e. regular dealings between the stakeholders in the value chains, exchanging information and various services in addition to the market transaction. During the course of the project, we stimulated contacts and contractual arrangements between the groups and new buyers, including supermarkets, and shop vendors.

The project developed guidelines on Good Trading Practices (GTP). Good trading practices are here defined as practices providing satisfactory conditions of transactions for the farmers with adequate reward, and at the same time acknowledging the necessity of providing satisfactory conditions of purchase to sellers who are considered as long-term partners. A training session on GTP was organized on April 24, 2009, in Song Phuong commune, Hoai Duc district. It gathered nineteen leaders of vegetable groups (belonging to five cooperatives), as well as four officials of the agriculture and trade departments of the district.
Figure 1 – Summary of project activities

- **Farmer organizations**
- **Intra-chain coordination**

- **Quality guarantee systems:**
  - Training on production protocols
  - Training on internal control protocols
  - Organisation of external control and certification

- **Information and networking:**
  - Multi-stakeholder workshops
  - Farmer-buyer contacts

- **Buyer demand: quality criteria**
  - Quality and origin control
  - Labeling

- **Intra-chain coordination**
  - Farmers
    - (Collectors)
      - (Wholesalers)
        - Retailers
          - Consumers
CHAPTER 1 - SELECTION OF AREAS, PRODUCTS AND BENEFICIARIES

I. Introduction

The Superchain project focused on the following commodities and areas in Vietnam: safe vegetables in Hanoi province (Hoai Duc and Thuong Tin districts), Hai Duong Hoa vang sticky rice and Cao Bang Mong beef. The choice of these areas and products is based on inclusion of poor households, location advantages for specific quality, existing market linkages with cities, and IFAD project intervention area or provincial investment promoting the selected commodities.

We will first detail how the sites were selected, then the reasons behind the choice of products, and finally the choice of beneficiaries.

II. Selection of sites

A) Selection of Cao Bang Province

Cao Bang province is a mountainous region characterized by a high prevalence of poverty: 39.6 percent in 2006 compared with 26 percent at the national level.\(^9\) It is home to the IFAD-funded project “Developing Business with the Rural Poor Programme” (2008-2013). Seventy percent of the poor are of the Mong and Nung ethnic minorities. The main source of income for these ethnic groups is cattle raising and maize growing. The production of cattle is presently supported by various national and international projects (Helvetas, IFAD, Luxemburg). The Superchain project has established 4 groups of high quality Mong beef in Ha Thon and Ma Ba Communes, Ha Quang District, Cao Bang Province with the involvement of 103 households, in which the poor households account for 63 percent, including 70 percent of the Mong and 30 percent of the Nung ethnic groups.

B) Selection of Red River Delta (Hanoi and Hai Duong Provinces)

The Red River Delta is considered to be one of the most developed areas in Vietnam with a low ratio of poor families, but the number of unemployed in rural areas is still high. The absolute number of poor families (2,203,000 in 2005) is very high (even higher than that in the area with the highest poor family ratio in Vietnam).\(^11\) While the poverty rate of Hai Duong

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province is quite low (5.2 percent), it is home to some communes of high poverty, such as An Phu commune, with a 13.1 percent poverty rate.\textsuperscript{12}

Vegetables in the Red River Delta generate higher incomes than rice, but are subject to low and unstable prices. Hoai Duc district in Hanoi Province was selected because of its proximity to the Hanoi market, and strong support from the agriculture department for the production of safe vegetables.

In general, the vegetable producer is not the poorest in the village. The general percentage of poor households in the commune is about 4.8-6.3 percent. The percentage of poor vegetable producers in the same commune is slightly lower and varies between 4.4-6 percent\textsuperscript{13}.

For successful safe vegetable production of small-scale farmers, the land structure is also a very important criterion for selection.

Study sites in Hoai Duc district have a high percentage of land area specializing in vegetable production (>50 percent) (see Table 1). On the other hand, Project sites in Thuong Tin district have a higher percentage of land cultivating rice than land cultivating vegetables (more than 1.6 to 2.4 times higher compared with land cultivating vegetables).

We should pay attention also to land security vis-à-vis urbanization or industrialization in the peri-urban regions. Among the selected communes, Song Phuong and Ha Hoi are highly affected by urbanization because they are located along the Lang-Hoa Lac and 1A national routes. During the period 2006-2008, 98/397 ha of agricultural land of Song Phuong has been transformed into roads, residences and ecological tourism zones; Ha Hoi had 50 ha of agricultural land transformed into industrial parks. Yet we selected Song Phuong and Ha Hoi because of the specific types of vegetables which can be produced there (see next section).

The distance from Hanoi city and the condition of transport to the urban market are also important criteria for the selection of a different study site: in this regard, the selected cooperatives are advantageous as they are all located within 20 km from the centre of Hanoi and benefit from good road access.

\textbf{Table 1 - General information on the project sites}

<table>
<thead>
<tr>
<th>Name of commune</th>
<th>Tien Le</th>
<th>Song Phuong</th>
<th>Ha Hoi</th>
<th>Tan Minh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of cooperative</td>
<td>Tien Le co-op</td>
<td>Phuong Vien co-op</td>
<td>Phuong Bang co-op</td>
<td>Ha Hoi co-op</td>
</tr>
<tr>
<td>Geographical position</td>
<td>10-12 km northwest of Ha Noi</td>
<td>15-20 km south of Hanoi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total production area (ha)</td>
<td>97</td>
<td>162</td>
<td>130</td>
<td>235</td>
</tr>
<tr>
<td>Land specializing in vegetable production (percent)</td>
<td>54.6</td>
<td>94.1</td>
<td>94.6</td>
<td>38.6</td>
</tr>
</tbody>
</table>

Source: Le Thi Nham, 2008 (see nbp 12).


\textsuperscript{13} Nguyen Quy Binh, 2009, personal communication
C) Selection of products

1. Specific quality

The selected products have a specific quality in terms of safety (this is the case of all products, but is especially controlled for vegetables) or taste (this is the case with sticky rice and Mong beef). Nowadays many consumers want to find special quality local products.

Cao Bang Mong beef has special quality characteristics in terms of texture, colour, taste and weight, particularly due to the natural feeds. Mong cattle are bulky and a mature animal has a weight of up to over 400 kg with good appearance, and tender meat. The market potential for this product is very high, but these receive little recognition in the market due to the mixing of beef of different origins. In terms of production potential related to specific agro-ecological condition we can see that among 8 minority groups from Cao Bang, the Mong ethnic group is known for having the best cattle breeding experience. One hundred percent of the Mong people do their cattle farming by keeping the cattle in the cowshed and feeding them with grass. As Mong people usually live in mountainous areas, it is not convenient for them to travel long distances in order to sell their beef. They generally have to travel an average of 10 km. Each family usually raises 2-5 cattle, which are housed in a cowshed with separated wood-flooring. This helps to ensure proper hygiene.

Hoa vang sticky rice has a good flavor, especially after cooking, glutinous and glossy. The study on demand for Hoa vang rice shows that there is a high demand from city consumers for a quality product and that they are willing to pay a high price for it (around 20 percent more with adequate criteria of shape, shine, aroma).

Hoa vang sticky rice is one of the typical products grown in the Red River Delta of Vietnam. Before, most farmers used to grow Hoa vang on their household land (5 percent good land being allocated by the cooperative to the households). But nowadays, the area for sticky rice being grown is estimated as being only 1-3 percent of total area, due to low quality and productivity. The major source of agricultural income of the province is rice. In An Phu commune, sticky rice accounts for 25 percent of total rice income. The income from sticky rice is higher than that from ordinary rice for the same unit of land. The commune produces about 200 ha of sticky rice every year, 90 percent of which is Hoa vang sticky rice. Yet this income is still limited by the fact that different kinds of sticky rice are mixed together in the market, while the “true” Hoa vang rice originates from Kinh Mon district. Supporting farmers with the most appropriate ecological conditions and production experience, in order for this locality to become a recognized area of production of Hoa vang, may help develop this local advantage.

2. Diversity

Product diversity in the different sites is the basis on which to establish marketing networks between different project sites. The distributor and retailer always need a diversity of vegetable species, while each production site can only produce a limited number of species. The diversity of species is an important factor for successful collective sale for the

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city market. The different species grown in the different vegetable cooperatives are presented in Table 2.

**Table 2 - Main vegetables in the project sites**

<table>
<thead>
<tr>
<th>Tien Le</th>
<th>Phuong Vien</th>
<th>Phuong Bang</th>
<th>Ha Hoi</th>
<th>Tan Minh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leafy vegetables, different kinds of mustard, amaranth, Malabar nightshade, sweet potato, sauropus androgynus, onion</td>
<td>Cabbage, kohlrabi, climbing bean, tomato, cucumber, bitter gourd</td>
<td>Cabbage, kohlrabi, caulifower, climbing bean, perfumed gourd, another kind of gourd, eggplant</td>
<td>Coriandrum sativum, dill, salad, amaranth, malabar nightshade, green mustard, kale, coronarium</td>
<td>Basil, marjoram, perilla, persicaria, amaranth, sauropus androgynus, malabar nightshade</td>
</tr>
</tbody>
</table>

**D) Selection of beneficiaries**

The first and most important criterion for beneficiary selection is the willingness of a household to produce the selected products. Secondly, even with a pro-poor objective, in the pilot model for commercial production, the poverty line is not of first importance for the selection of participants, even though the poor should be encouraged to participate in the collective action led by the middle farmers in the village (see also chapter 6). We should have a flexible choice of criteria to select the beneficiaries.

In the case of vegetables, the size of the pilot model and the geographical concentration of households is an important criteria for successful results. Among the Project sites, producers of the pilot model of Tien Le have the highest safe vegetable production area (0.139 ha per household equivalent to 3.85 sao per household). Tan Minh producers also have quite a large safe vegetable production area (0.093 ha per household equivalent to 2.58 sao per household). Even if the number of producers in pilot models is low (18 households in Tien Le and 27 households in Tan Minh) their pilot areas are the highest. Furthermore, land of the pilot model is public land administrated by the commune people's committee. Households lease it for vegetable production for a period of 5 years. On the other hand, the average safe vegetable area of the pilot model in Phuong Vien, Phuong Bang and Ha Hoi cooperatives is very low because the land belongs to individual households.

The size of households in the pilot model is relatively similar (around 4.4-5 heads per household). Among them, persons in the labor force represent less than 50 percent (of the total number of people per household) for pilot models of Tien Le, Ha Hoi and Tan Minh and more than 50 percent for pilot models in Phuong Vien and Phuong Bang. This can be explained by the fact that the number of people in the labor force in Tien Le, Ha Hoi and Tan Minh pilot models is higher compared with Phuong Vien and Phuong Bang (core people in the labor force in Tien Le, Ha Hoi and Tan Minh are younger than those in Phuong Vien and Phuong Bang). Few people in Phuong Vien and Phuong Bang produce vegetables, as many people work in non agricultural activities.

Another important point is that land area registered for safe vegetable production in Tien Le is the highest (79.8 percent). In parallel, its land plots are also the less scattered (2.1 plots per household). These conditions are favorable for safe vegetable pilot models.

In the case of Cao Bang Mong beef, the major source of their income is mainly beef cattle farming and the beef supplied is mainly Mong beef coming from the farms of the Mong and Nung minorities. So the household structural criterion are:
- Household having at least one beef animal for sale per year in order to realise the collective marketing.

- Household having at least a part of the area potentially shifting to forage cultivation.

In the case of sticky rice, due to its special biological characteristics, hoa vang sticky rice needs to be grown in one concentrated area for appropriate protection and treatment. Therefore, farmers for grouping should be from the same village. To become a member of the group, the household must grow hoa vang sticky rice in the planned area and be willing to join and follow the groups’ regulations.
CHAPTER 2 - EVALUATION OF BUYER DEMANDS

I. Objectives

The main objective of this study is to identify market opportunities that give farmers higher prices and quantities sold. It is also to appraise the present rural poor households’ access to high value chains relative to alternative suppliers, and ways to improve this access.

The expected outputs are indicated below:

1. Maps of value chains supplying supermarkets, retailers and restaurants for the identified products, showing the specific place of selected regions, e.g. as share of supply.
2. Report on the quality criteria, modes of quality control and certification, quantity and pricing conditions, asked for or proposed by the various customers interviewed (with contact details of potential buyers).

II. Activities

A) Collection of secondary data

Secondary data on the value chains and demand related to the selected commodities have to be looked for from different sources:

1. Administrations related to trade, agriculture, planning (ministries and provincial administrations)
   For example, the Department of Trade of the municipality of Hanoi has statistical data on markets, supermarkets and shops of the city
   The General Statistics Office has data on consumption of different food products through its VHLSS (Vietnam Household Living Standard Survey)
2. Offices of international organizations, NGO’s
3. Universities and research institutes, faculty or departments related to agriculture and marketing

B) Consumer surveys and/or focus groups

Consumer surveys are quite awkward to implement and should only be carried out if no secondary data is available. In the project we conducted them with regards to sticky rice and beef, but not for vegetables, because consumer surveys had already been carried out by AVRDC, Malica, and ADDA, which demonstrated consumers’ concern for vegetable safety and freshness.

As regards sticky rice and beef, RUDEC carried out surveys on a large sample of consumers. It included 200 consumers surveyed at market places, and 100 consumers

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surveyed in supermarkets. This is because we wanted to identify if there were specific behaviors of consumers buying through supermarkets. Four markets were chosen, including two central and two peripheral. One large and one small supermarket were selected.

The questionnaire included the following topics:

1. Purchase behavior: quantities per week, maximum and minimum price during the past year; place of purchase; reason for choice of place of purchase
2. Factors affecting choices; quality preferences; satisfaction relative to quality; strategies to guarantee the required quality
3. Knowledge of origin; if yes, appreciation of the place of production considered in the project
4. Willingness to pay for the quality criteria identified as priority
5. Basic socio-economic data on household size, age, living standard

To be easily processed, the questionnaire should include as many closed questions as possible. For this purpose it is always recommended to prepare surveys by carrying out qualitative interviews with open questions, either through individual interviews (at least 3 respondents), or through focus groups. Focus groups are small numbers of people (usually between 4 and 15, but typically 8) brought together with a moderator to focus on a specific product or topic. It is recommended to carry out several focus groups, each of them representing homogeneous groups in terms of socio-economic characteristics likely to influence the purchasing behaviour, e.g., income or age. It is also good to interview key informants such as leaders of the consumer association.

C) Surveys of retailers and other buying enterprises

In the project we focused on the buyers which are the most likely to ask for specific quality food products:

1. Supermarket vendors (persons in charge of food sector)
2. Shop vendors
3. Restaurant owners
4. Dedicated wholesalers (which can also be termed as distribution companies) delivering to supermarkets, shops and restaurants.

Once statistics on these types of enterprises are available, it is necessary to have a typology based on location, size, nature of customers, and to try to interview at least three of those involved for each type of enterprise.

The questions posed are similar to the consumer surveys and are listed below.

1. Supply strategies: type of products, quantities per day, maximum and minimum price during the past year; nature of supplier; place of purchase; type of collection and delivery; nature of transport from place of production to establishment; reason for choice of place of purchase
2. Factors affecting choices of suppliers and commodities; quality preferences (details on safety, appearance, packaging, labeling); satisfaction relative to quality; strategies to guarantee the required quality
3. Knowledge of origin; if yes, appreciation of the place of production considered in the project
4. Willingness to pay for the quality criteria identified as priority
5. Farmer-buyer relationships; nature and specifications of contracts if any
6. Basic data on size, area devoted to the selected products
CHAPTER 3- MARKET INFORMATION AND NETWORKING

I. Objectives

The main objectives of facilitating access to information and networking among chain participants are listed below:

1. To facilitate access to information on marketing opportunities for farmers and the persons who support them
2. To facilitate access to information on supply potential of target farmers to buyers looking for specific quality products
3. To allow a shared vision on the marketing constraints and ways to overcome them for the different stakeholders in the chain
4. To facilitate transactions between target farmers and buyers offering rewarding prices and other conditions of transactions
5. To develop capacity of marketing of leaders and marketing agents of farmer organizations

One of the lessons learned through the implementation of various projects aiming at helping farmers to upgrade their income can be formulated as follows: the project's sustainability largely depends on the identification of the right products with suitable market segment. Producers should know the target market for their products and its specific requirements. Thus, the identification of the target market segment and partnership building are necessary for the groups or associations of farmers. This activity should be taken into account in the early stages of the implementation of the project.

II. Activities

The different activities conducted by Superchain are summarized below. We will first present the organization of market stakeholder workshops, communication strategies on the products, contacts developed between producers and customers, networking between vegetable producers, and the development of capacity on good trading practices.

A) Organization of market stakeholders workshops

1. Contents

The first part of the stakeholder workshops aims at reaching a common vision of the marketing opportunities for the target products. This is done through a presentation by researchers of the appraisal of the marketing opportunities based on traders and consumer surveys (see previous chapter). Then questions are asked to the participants to know if they agree with the displayed picture, and if not, what should be corrected; the missing elements are also asked for.

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The second part aims at generating a debate and common vision on strategies for farmers to better take advantage of the agreed-upon marketing opportunities. This may start with a presentation by researchers of a set of recommendations, and then their discussion by the participants. The recommendations should mention clearly who should be in charge of their implementation. For instance, to deal with the identified problem of little knowledge by consumers on where to find the “true” Hoa vang sticky rice, the heads of farmer organizations are advised to communicate better through the organization of fairs with the support of the research organization and the department of trade of the city.

Workshops can also be a forum for the project’s consultants and farmers’ organization to introduce the target products:

- Introduction of the products and their characteristics: origin, quality, and other issues; for example products being mixed, fake products. With the project’s intervention, consumers can have access to authentic products thanks to the linkage with distributors (through different channels).
- Introduction of the producers’ organizations, production protocol, combination of the local knowhow and modern techniques to ensure the product’s quality and internal control: from production to processing, storage and marketing of products.
- Discussion with the distributors enabling producers to understand the market’s requirements on the quality, the quantity, the product’s packaging and to get information on the customer’s ability to recognize the real product (distinguishing between fake and authentic products).
- The market’s requirements will help the producers to adjust their production, processing and storage protocol to better meet the market’s requirements.

2. Participants

There is a trade-off to be reached between the objective to reach as many and as representative stakeholders as possible, and the possibility to manage the discussion and reach simple and clear conclusions. The number of participants is usually between 20 and 40. The participants include the following:

- Leaders and persons in charge of marketing of farmer organizations
- Supermarket vendors (those in charge of the selected products)
- A panel of managers of shops, restaurants, canteens
- Heads of distribution and processing companies
- Head of consumer association, Hanoi women consumers club
- Heads of department of trade of the city
- Heads of department of agriculture of the province of production
- Researchers in charge of market studies
- Leaders of projects concerned with the target production areas

It is especially difficult to get traders to be present in such meetings. First, because they are very busy during the day. Second, because they are not necessarily interested in participating, and are afraid that sensitive information may then be used by their competitors. Hence it is recommended to invite a large number of traders (more than 10) so as to expect to have more than 3 present.

The issue of compensation for attendance is a delicate one. Not compensating means that only the most motivated will come…but then there may be the risk of few participants. In the project we gave a lump-sum corresponding to transport costs, and we also offered lunch.

Another delicate issue is how to achieve a balanced representation of sometimes conflicting interests and the reaching of some consensus. Some farmers may be aggressive vis-à-vis traders because of conditions which they find as being unsatisfactory. Of course it is
recommended not to invite aggressive stakeholders but participants’ reactions cannot always be foreseen. One way to deal with this occurs is to always try to focus the debate on objectives which correspond to everyone’s interest: how to improve the final quality of the product, how to improve the final availability of the product, and how to have more consumers know and appreciate the product.

The role of the facilitator is crucial in order for all participants to be able to express themselves. The facilitator can get all groups to express themselves in turns: first, the group of farmers, then traders, then consumers, and then officials (starting with the officials may intimidate the other participants). When the facilitator identifies that some have not yet expressed themselves during the entire meeting, he can then address them directly to get their opinion – something which could be done during the coffee break.

**B) Communicating on the target products and farming areas**

During the project various means were combined to improve traders’ information on the available target products, the place of production, and advantages of the products in terms of quality:

1. **Fairs**

One fair where farmers would sell the target products was organized with the Hanoi womens club. Participants were mostly members of the club (around 100). Farmers presenting their products also attended the Agricultural Fair organized by Hanoi city once a year in spring time.

2. **Tasting events**

A major original feature of the project was the organization of tasting events in the premises of Big C supermarket. It was original in that the farmers were present on these occasions and had their products tasted by consumers. They were able to give information on the way the product was grown and processed and why the quality was so special. On these occasions, surveys were conducted regarding the consumer rating. The supermarket was willing to host the event as part of a communication strategy for the development of local agriculture, as well as for consumers’ entertainment. This was viewed as a preliminary step before actual contracts could be signed between farmers and the supermarket. Journalists were present on the occasion of all events.

3. **Leaflets**

For vegetables and sticky rice, leaflets were designed presenting the different types of products available, the supply capacity, the special quality of the products, the characteristics of the place and process of production and control, the addresses of places where to buy the product, and numerous pictures of products and place of production. These leaflets are in A4 size, which are easy to fold and to reprint. Leaflets are presented to distributors and consumers through workshops, fairs, and in retail points.

4. **Video**

For beef, a 10-minute video was developed about the place and process of production, and the commitments made by farmers. Videos are used during workshops and fairs.

5. **Packaging**

The packaging designed by the project is also a means to communicate regarding the special origin of the product, and the link with the quality. For beef, the grass chewed by the cow hints at the natural feeding of the animals. For all three products, the packaging includes the address of the place of production, and some special quality characteristics of the product (“genuine Hoa vang”, natural-fed beef, “safe” vegetables).—See pictures 1, 2, 3.
6. **Information boards**

In shops where vegetables are sold, information boards explain the production protocol and the commitments followed by farmers.

7. **Posters**

Posters display images and brief information regarding the commodities. They are hung at the retail points of sale.

8. **Newspapers, television, websites**

Journalists are invited to cover tasting events, field visits, market information workshops, as well as the final project workshop. The project also posts information on websites of the participating research institutes and donors. With regards to vegetables, a website has been set up to present the safe vegetable farmer groups (see D).

9. **Field visits**

Field visits were organized with representatives of the consumer association as well as journalists.

C) **Facilitating contacts between farmers and buyers**

Regular contacts were organized between farmer organizations and buyers (present and potential), including supermarket and shop vendors and distribution companies:

*For the current channels:*

- Discussion with producers on the product commercialization before the implementation of the project.
- Seeking to understand the operation of local traders.
- Discussing with local traders about the “new” products of the farmers, i.e., higher quality products that better fit the consumers’ requirements, especially the ones that draw attention to the product’s specificity and safety.
- Helping traders to better understand the product’s specificity so that they can explain it to the customers.

Setting up new supply chains: we helped the associations of producers to get access to new marketing channels, including the traditional retail outlets (private shops), modern distribution systems (supermarkets and companies) and a processing company (Alcohol Company that processes Hoa Vang sticky rice). Necessary information on the partners is listed below:

- Quantitative demand
- Quality requirement
- Mode of purchase and payment (bill, receipt…)
- Selling point
- Required packaging
- Other requirements

Various meetings are organized with the distributors. The objective is to help distributors to know where they can find the products they draw attention to. The meetings are organized in a flexible manner based on the demand. The distributors can visit the production area (region of safe vegetable production, region of Mong beef production). If they are not able to come, farmers can bring the product and packaging samples to the shop / office of the related companies or supermarkets. Various documents can be prepared for the meeting:

- Quality criteria and production protocol to achieve expected quality
- Internal quality control
- Certificates issued by relevant organizations (certification of food safety, certification of safe production area, VietGAP certification,…)
- Advantages on production conditions (ecological, human conditions).

The necessary information to be exchanged during the meeting is listed below:

- Main characteristics on the product’s quality, production protocol and ecological advantages enabling such high quality products.
- Technical support of the research organizations
- Price and payment mode.
- Mode of packaging, labeling and promotion of the products.

The difficulties in reaching final agreements needs to be documented.

D) Facilitating a network between vegetable producers

1. Objective

The objective is to establish a network of certified safe vegetable production and distribution units in Hanoi. This is to facilitate the exchange of information on production and marketing by safe vegetable groups among the groups themselves so that they can more easily cooperate on issues of common interest (e.g. marketing and certification) and also between the groups and other parties (traders, decision-makers, project managers). Coordination between members of the network will increase the quantities and diversity of vegetables supplied, and also improves the bargaining capacity of producers relative to buyers.
This work takes place in close coordination with the Alliance of Safe Vegetable Production and Distribution Cooperatives (referred to as the Alliance or ASVPDC). This Alliance was officially established by the Hanoi People’s Committee on 15/12/2008 to facilitate public support for the development of safe vegetable production, and to help vegetable producers to get access to market information and to expand production.

The following activities have been conducted.

2. Inventory of certified units

This was done through the following means:

- Collecting data from the Hanoi Plant Protection Department to evaluate the general situation of vegetable production in Hanoi, and to list the units granted certificates of compliance with conditions for producing and processing safe vegetables (safe vegetables certificate - SVC).

- Interviewing these units regarding their basic characteristics (location, size, number of members, vegetables produced), the type of production guidelines they follow, their marketing strategies, opportunities, constraints and prospects.

An inventory book has been produced with basic information on the safe vegetable groups, including their location, area, types of vegetables and mode of distribution. It has been sent to all safe vegetable production groups, supermarket vendors, the consumer association, some canteens and big restaurants, as well as staff of the Hanoi Department of Agriculture and Rural Development and Hoai Duc Agricultural Division.

3. Stakeholder workshops

A first workshop was held on July 1, 2008 to present the inventory and discuss opportunities for cooperation between the groups. A second one took place on September 19, 2008 with the farmer groups to discuss preparation for the winter season, and a third one took place on November 13, 2008 with the farmer groups and buyers to discuss difficulties in the relationship between groups and buyers.

4. Website

The website presents the capacity of the cooperatives in the network broken down into location, products that the members can supply and information on production processes. This information will be updated regularly. It is managed by the Alliance, with the support of FAVRI. The name of the website is: A network of safe vegetables production and distribution units in Hanoi. The name of area is http://www.rathanoi.com.

E) Training on good trading practices

The main objective is to help farmers to solve their problem of marketing, which is the major problem faced by vegetable farmers around Hanoi. To do this, we want to help farmers to conduct good agricultural practices, which are practices of marketing leading to more satisfactory conditions of sales for sellers or buyers. In the short term, these relate to good prices and stable quantities. In the long-term, a partnership with customers with a sense of responsibility and commitment is required. The chain development, i.e., growth of activities for all involved in the chain, should be aimed at.

Guidelines on GTP were prepared along the following structure:

1. Objectives
2. Basic principles
3. Choice of outlets
4. Contracts and regular business relationships.
5. Quality grades and post harvest.
6. Vegetable safety and traceability.
7. Price-setting
8. Quantity and crop planning
9. Collective action
10. Communication
11. Concluding remarks

Based on these guidelines a training course on “Good Trading Practices for Vegetable Organizations” was organized in Hoai Duc district Song Phuong commune – Ha Noi, on 21 April 2009. It lasted a full day, from 8 a.m to 5 p.m. The training course was attended by 26 people, including producers, staff of the division of agriculture and trade of the district, and leaders of cooperatives.

The guidelines developed on good trading practices have proven useful for farmers, group leaders, as well as the administration staff in charge of support to farmers and traders. Hence we recommend that similar training courses are organized in other locations. The guidelines can also be easily adapted for products other than vegetables. They are available in English on the malica website (http://www.malica-asia.org) and in Vietnamese in the The gioi publication.
CHAPTER 4 - FACILITATING FARMER ORGANIZATIONS

I - Role of farmer organizations

The Superchain project evaluates farmer organizations as one of the effective tools to support the small-scale farmer households in production development and better market connection.

Belonging to organizations enables access to services for the members, and the producers can have their voices heard by the local authorities. Cooperation in the context of farmer organizations enables the following:

- Development of services to supply inputs such as seeds, pesticides, animal drugs, fertilizers, and quality feeds.
- Market information and access
- Access to technical innovations, e.g., grass cultivation for cattle producers, disease prevention in cow raising, disease prevention in safe vegetable production and sticky rice), better implementation of government policies and regulations (like application of VietGAP in vegetable production).
- Through the organization, the farmers’ requests and needs in production can be better conveyed to the authorities: this is the case of the vegetable production group in Tien Le, Hoai Duc requesting extension of validity of contract concerning the use of tendered land.

The farmer organizations aim at coordinating and supporting their members in production and trade to get optimal profit. Considering their role, the farmer organizations should be built on the practical conditions of local production. The selection of a suitable form of organization is important in helping the organization to achieve its goals.

There are two selected forms of farmer organizations in the project areas:

- Farmer groups for safe vegetable production in Hoai Duc district (Tien Le, Phuong Vien, Phuong Bang), and for Mong beef production (Ha Quang district, Cao Bang province)
- Farmers association of Hoa vang sticky rice production and trade in Kinh Mon district, Hai Duong province.

The characteristics of these forms are presented below.

II - Selection of organization forms

A) Farmer groups (case of vegetables and beef)

The Decree Number 151/2007/ND-CP regarding regulations for cooperative groups defines the cooperative contract authorized by the Commune People’s Committee between 3 or more individuals who contribute their properties, efforts to implement certain work, so as to obtain mutual benefits and to take mutual responsibilities. The regulations recognize the group as a farmer organization with simple structure and organization, the farmers’ link with each other in certain steps of production and trade.

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Safe vegetable production requires the producers to meet the government requirements on production conditions, e.g., irrigation and primary processing systems. In fact, the production scale of the vegetable household is small, from 360 to 720 m². Compliance with the safe vegetable regulations is difficult, though most of the households participated in training courses on safe vegetable technical procedure organized by the relevant authorities. Some conditions for application of safe vegetable production procedure are not available (water resources, electricity to pump water from the drilled wells, etc.).

Mong beef is a specific product of the mountainous area. It is valued by consumers who know it to be of high quality, delicious and safe. The difficulties faced by farmers relate to the quality of breeding cows, cow-raising techniques, fresh feed in the winter, veterinary aspects and long breeding time (at least 3 to 6 months for meat, and around 2 years for reproduction), and the small and not uniform scale of production. A household can sell 2 cows per year (except the trading households, or households that buy big cows and raise them for meat in a short time). The difficulty is how to develop a Mong cow breed production area with sufficient quality and quantity to supply city markets such as Hanoi where there is a high demand for high quality beef.

For the above reasons, we have discussed and helped the farmers producing the two products (at the initial steps) to choose a simple form of farmer organization, that is a Farmer group. The cooperation between them enables exchange related to their production experience and to market information, to convey requests to local authorities and agencies to facilitate the production of special local products, application of technical innovations and government regulations facilitating the large scale production of special products to meet the increasing market demand.

B) Association (case of sticky rice)

Hoa Vang sticky rice is a famous specialty product of the Red River Delta and received public support for its development before the project started. A farmer group producing and trading Hoa Vang sticky rice was established (in 2006) to grow rice, restore breed, and initially introduce the product to the city market. An important issue is to control the products quality during production and the trading process so as to ensure the quality of the specialty product.

The association operates following Decree Number 88/2003/ND-CP, and is different from a cooperative in terms of:

- Being a social professional organization with a legal status
- Being able to mobilize associate members such as local authorities (possibly the district or commune peoples committee or relevant divisions of local agencies) to develop more effective internal and external control mechanisms, which is not available when operating as a cooperative.

III - Objectives, principles and steps to develop a farmer organization

Whether in the form of group, association, or cooperative, it is necessary to assist the participant farmers to identify their operational objectives, develop their working principles and organizational structure. Groups are simpler to set up than other organizations such as associations or cooperatives.

A) Objectives and working principle

The objective of cooperation between farmers is to help them to increase their income through collective activities to develop profitable and stable production. The products of farmer organizations are of high quality, safe and market competitive.
The working principle is to mobilize the participation of all members in setting up the organization regulations, common production protocol, operational plan and monitoring the implementation of the regulations, especially the production protocol.

**B) Joint activities**

They include:

- Implementation of the collective protocol related to production, processing and preservation to make products of uniform quality, in line with the regulations developed with the members’ participation
- Buying inputs, e.g. seeds, collectively ensuring right quality, and lower costs;
- Selling products collectively to increase the bargaining power against traders
- Develop the trust of customers and become a reliable address for the distributors, facilitate trading linkages, and develop commitments/contracts with distributors so as to reduce transaction costs.

**C) Organizational structure and responsibility sharing**

The organizational structure is developed based on the goals and form of the organization. An organization comprises:

- A structure including a management board and functioning units. Functions, responsibilities, rights of the management board, and functioning units are clearly defined in the operational regulation of the organization.
- Clear assignment of responsibilities and rights for each member in the organization.

The assignment of rights and responsibility varies depending on the form of organization. For example, a farmers group has a simple operational principle and organizational structure. Cooperatives and associations are more complicated. Below is an example of the organizational structure of the Hoa Vang Sticky Rice Production and Trade Association (Figure 2).

**Figure 2: Organizational structure of the association of Hoa Vang sticky rice production and trading in Kinh Mon**

![Organizational structure diagram](image-url)
**D) Steps to establish a farmer organization**

1. **Steps to set up a farmer group**

The different steps to establish a farmer group are presented below.

*Step 1.* Quick appraisal of the production and trading situation of the product in the local area: identify advantages and problems in production, trade and marketing of the product.

*Step 2.* Define the need for cooperation between farmers and between farmers and other stakeholders: Discussion with farmers to identify those experienced in production and trading, with prestige, and the ability to convince and guide others to follow them and to share with others about the goals of the project. They connect the farmers to the project. Discussions between project agents, farmers and farmer leaders enable farmers to understand the need for joint activities to increase their market power, and their access to technical advances and input services.

*Step 3.* Advice to set up farmer group: Assist the farmers to elect a board of founders and guide the board to set up regulations on group operation and coordination, production planning and implementation. Simultaneously, the project organizes training courses for the group participants on group coordination and production protocols.

*Step 4.* Establish the group and hold an opening ceremony with the attendance of relevant authorities.

*Step 5.* Assist the group to complete and improve its organization and develop their joint activities; develop linkage with customers through workshops and advertisements; give advice on designing product labels and marketing plans.

During implementation, the project closely works with local authorities and bodies at various levels to support farmer organizations: district agricultural division, agricultural cooperatives involved in safe vegetable and Hoa vang sticky rice production; Department of Agriculture and Veterinary Department for Mong beef production. The collaboration enables active participation of the local public bodies in supporting the farmer organizations in the area, communicating the information and project results to local counterparts easily and effectively. The project activities have to be connected from the start with the local development programs. The local authorities in the project area need to issue supporting policies for the project activities and working plan after the project closes.

**E) Steps to set up a farmer association**

*Step 1.* Determine that the organizational form (cooperative or association) which is at a higher level than a farmers group is suitable for the production and trade of the selected commodities: organize meetings with leaders of three farmers groups and farmers with the best results in the group to elect a temporary board of founders. This board is responsible for organizing meetings for discussion in the groups, preparing and fulfilling necessary procedure until the meeting to elect the official management board is held. In the meetings the suitable organizational form is discussed and selected. The founding board needs to understand the difference in forms and operational mechanisms of different types of organizations, and be able to select a suitable form for themselves, with reference to Regulations in the Law of Cooperatives, 1996, Law on Land in 2003 and Decree 88/CP in 2003 on the establishment of associations.

*Step 2.* Organize meetings with group members on establishment of association:

- Organize meetings with each separate farmers group to discuss about establishing the Association: Provide introduction on structure, operational mechanism, rights and responsibilities of those belonging to the association.
- Organize a meeting with all the members of the three farmer groups on the above contents and develop detailed regulations for the association.

**Step 3:** Develop regulations and production plan:
- Give advice and support to develop the founding board and operational plan of the association
- Organize a meeting to discuss and agree on the plan and regulations of the association

**Step 4:** Complete the procedure to set up the association: give advice and support to the board to finish the application dossier and procedure so as to set up the association in compliance with the regulations of the decree 88/CP and submit to the Department of Internal Affairs of the district for review and approval.

**Step 5:** Organize a preparatory workshop and the workshop to set up the association. The Cai Hoa Vang Sticky Rice Production and Trading Association in Kinh Mon was developed from the previous 3 farmer groups with 131 members in An Phu commune (see organization of the association in Figure 2).

**Step 6:** Strengthen and develop the association, extend the marketing, advertise the product, and develop the trademark so as to increase the value of the product and the income of the producers and traders.

**Step 7:** Link the association’s activities with local development programs.

### IV - Role of the project officers

The project officers have various roles in the setting up of farmer organizations:

- Raising initiatives: giving ideas on cooperation based on study results on the production and marketing of the commodities in the project area (safe vegetables, Mong beef, Cai hoa vang sticky rice).
- Facilitating farmers to learn about the association before deciding if they want to participate.
- Giving advice and support through training to the member farmers in production planning, techniques, markets, contract development with counterparts. The main training topics are:
  - Technical training for the members on general production protocol. For the sticky rice association, the project has trained some technical staff to be able to restore and preserve the seeds, and the rice production protocol.
  - Training for the board of monitors in planning, checking and monitoring the activities of the association or group.
  - Training on financial management to help the association/group to be able to keep records and monitor financial activities. The goal is to develop transparent financial activities, and to facilitate the monitoring work of the association members.
  - Training on internal monitoring to help the members follow the production protocol and produce high quality products.
  - Training on good trading practices.
- Implement technical experiments to improve the product quantity and quality, e.g., growing grass for Mong cow, organic fertilizer for vegetables and sticky rice).
- Providing economic and market information so that the farmers can choose suitable marketing channels.
- Facilitating the farmers association to contact with customers, local authorities and relevant agencies, e.g., through workshops, and contacts with supermarkets
- Mobilizing the participation of local authorities and agencies to support the farmers association effectively
- Communicating about the farmers association activities through various media, such as newspapers, television, flyers.
CHAPTER 5 - QUALITY DEVELOPMENT

I - Introduction

When small-scale farmers are gathered in farmers’ organizations, the product quality is often not uniform and may lack what is required by consumers. This is because it may be less profitable and more troublesome to stick to quality standards, in particular in terms of quality control. This is also because products come from different farmers’ households. Therefore, it is necessary to set a mechanism for internal monitoring in farmers’ organizations. This should be based on the following: first, a collective production protocol; second, the setting of rules for internal monitoring, their application and adjustment of the rules in internal monitoring; traceability of the sold product through collective packaging and labeling; organization of external certification. These will be presented in what follows below.

II - The collective production protocol

A) Objectives

The collective production protocol is designed to be applied in every member household. The content of the collective production protocol should be in compliance with the current regulations of the government relating to the product, and the consumers’ requirements in terms of quality. It should also be appropriate with local conditions in terms of land, infrastructure, farming input supply and local production practice. The collective production protocol which is applied by all households in the farmers’ organization is the basis on which to design and implement the monitoring rules.

B) The basis of the collective production protocol

The design of the collective production protocol should be based on the following:
- The legal documents of the government relating to quality standards (such as the Decree on food safety in 2003; the Law on product quality in 2007; VietGAP standard in 2008 for safe vegetables, fruits and tea);
- Scientific documents and technological advances in agriculture techniques.
- Local production practices and knowledge
- Experts knowledge

C) Steps for designing a collective production protocol

Step 1. Survey the local production practice. This is a very important step to help the project staff know (1) good production experiences applied efficiently by the local households (2) the difficulties overcome by households.

Step 2. Summarize the information from the survey to design a collective production protocol suitable to local conditions and production practice.

Step 3. Organize meetings with the management board and some experienced members of the group/cooperative to discuss the Draft of production protocol.

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Step 4. Standardize the collective production protocol to be consistent with other scientific documents and governmental regulations.

Step 5. Send to experts for their advice.

Step 6. Organize a meeting with all members of the group/cooperative to discuss and approve the collective production protocol.

Step 7. Apply and monitor the practice of the collective production protocol, then make some adjustments to the collective production protocol.

III - Rules for internal quality monitoring

A) Objectives

The objectives of internal rules in the farmers organization are as follows:
- Outline the responsibilities of each member for the members of the farmer organization to obey the collective production protocol
- Create a foundation to prove the product quality to consumers, the administrative bodies and certifying organizations

B) Monitoring rules

The rules related to monitoring should specify the following: the frequency of monitoring activities; the roles of inspectors; the system of recording; and the forms of sanctions.

1. Frequency of monitoring activities

Based on the frequency, the monitoring activities can be divided into (1) periodic inspections (check the general information of household. From the inspection results, the management board will design a plan for the group/cooperative production and distribution) and (2) spot inspections: randomly checking some households for details about all of their production steps, including production, processing, distribution. From the inspection results, the inspectors can discover the household’s mistakes.

2. Roles of inspectors

Two kinds of inspectors have to be appointed: (1) the inspector monitoring households and (2) the inspector monitoring the marketing group.

The roles and functions of inspectors should be paid attention to, particularly concerning the following:

a) Identifying the households to be monitored and inspected by one inspector. For activity which is ongoing and complicated, such as producing safe vegetables (due to the diversity in kinds of product and season), one inspector should follow and check around 10 households. For the beef and Hoa vang rice product, one inspector can follow and check 20-40 households.

b) The inspector’s responsibilities when the inspection results do not appropriately reflect the household’s conformity to the collective production protocol.

3. System of recording

The structure and content in the note-books should be (1) simple so that households can easily record and the inspector can also easily check and control, (2) sufficient to control all the elements negatively affecting the product quality. Important factors such as the use of fertilizers, pesticides for vegetables and sticky rice; veterinary drugs and animal health
conditions for cattle, should especially be monitored in terms of name, quantity and time of use.

4. Forms of sanctions:
Sanctions are based on the level of damage to the product quality or reputation of the farmers’ organization. The form of sanction varies from warning to exclusion, and includes graduated fines. If the household breaks the rules many times, the sanction can be exclusion. The level of fines depends on the level of damage.

5. Steps of implementation:
The different steps to design the monitoring rules are listed below:

   a) Step 1. Combine with the management board of the farmers’ organization to design the Draft of monitoring rules in accordance with the governmental regulations (such as VietGAP standards 2008 for vegetables, fruits and tea)
   b) Step 2. Send the draft of the monitoring rules to member households
   c) Step 3. Meet with all members to discuss and approve the monitoring rules
   d) Step 4. If the farmers’ organization registers for quality certification with certifying organizations (such as VietGAP standard for safe vegetables), the farmers’ organization also needs to revise the rules of internal monitoring in accordance with the requirements set by the certifying organizations.

IV - Enforcement and adjustment of the rules

A) Difficulties
Enforcement of the rules regarding internal quality control in farmers’ organizations is not simple. At present, not many farmers’ organizations can perform this. It is due to both internal and external factors:

- The external reason is that most consumers and buyers do not require farmers’ organizations to control quality through internal monitoring. Therefore, members in farmers’ organizations do not really care about designing and applying rules for internal quality control.

- The internal reason relates to the farmers’ organizations themselves: (1) before joining a farmers' organization, most farmers are used to working individually without following any rules (2) they are not in the habit of keeping records, so they often record incorrectly or not do not record enough information (3) The inspector may have limited knowledge about the technical constraints which impedes their working efficiency.

B) Initial support required
To overcome the listed difficulties, some initial support should be given to the leaders of the farmer organizations in the following areas:

- Provide information about internal control in farmers’ organizations to consumers and buyers. From that, the awareness and the willingness to pay premium for the products produced by the groups/ cooperatives with internal control will be increased.

- Guide households to keep records: the project staff should meet households directly to discuss mistakes made in the record keeping. Then organize meetings to discuss and exchange experiences among members in the farmers’ organization, so that households are able to keep accurate records.
- Teach the technique of information verification, such as when doing spot inspections of vegetables: every month the inspector must choose 20 percent of households to check information in their farming input book and planting book. Before checking the information, the inspector should secretly select a household whose practice will be observed and recorded, such as pesticide spraying time. This information is then used to compare with the information declared by the household in their note-book.

- Guide the inspector to implement the inspection activities: in the beginning, when doing internal control activity, the inspector often does not know how to effectively process and summarize the information provided by households so as to identify if that household is breaking the rules or not (for example, does the total amount of nitrogenous fertilizer (N) used each time exceed the limit or not?). Therefore, the participation of project staff in these inspection visits during this initial period is important.

- Guide the marketing representative and marketing group to monitor and use labels to confirm the product’s origin during the processing and packaging process.

- Organize meetings to discuss internal quality control. Then based on these meetings inform the entire farmers’ organization about how efficient the monitoring activity is and experience drawn there from.

V - Collective packaging and labeling

A) Objective

Collective packaging and labeling helps to introduce information about the farmers’ organization and the production households to consumers and distributors. This information is used to trace the product’s origin. From that, the responsibilities between consumers and the farmers’ organization along with the households with the farmers’ organization will be set.

B) Information to be displayed

The information which should be displayed on the product is listed below:

a) Name and contact of farmers’ organizations and representatives
b) Information regarding production households (name or code of household, field or animal).
c) Date of production
d) Date of expiry
e) Other information, e.g., quantity, nutrition content, recipe (in the case of Hoa vang sticky rice); preservation guidance (in the case of Mong beef)

Information in a) and e) is the fixed information printed on the package. Information in b), c) and d) is information which needs to be changed for each package. It is difficult for households or marketing groups to manually write in each label, therefore barcodes should be used if it is at all possible.

VI - Organization of external control and certification

It is generally necessary to combine internal and external control to make the system more credible to the buyer. The certificate of vegetable safety delivered by an official administration is actually required by the supermarkets. In the Superchain project, we worked with FAVRI, the Fruit and Vegetable Research Institute, which is one of the organizations in charge of the delivery of the VietGAP certificate. The different steps to get VietGAP certification are developed in the Superchain training document on VietGAP19.

CHAPTER 6- CONTRIBUTION OF THE PUBLIC SECTOR

I - Introduction

In this chapter we will concentrate on the public support to farmers and farmer organizations in terms of high quality food production and distribution. First, we will present the various activities in which the public sector is involved for this support. Then we will outline how government bodies provide these activities.

A) The role of public support for producers and farmers’ organizations

Public institutions play important roles in assisting farmers to access the high quality chains, which are as follows:

1. Providing public services

The services provided by government bodies are quite varied, including:

- Registration and certification for producers and their organization including:
  - Business registration for the requested cooperative or association according to governmental Decree No.87/2004/ND-CP; label registration and other business formalities, etc.,
  - Certification by the communal people’s committee according to Decree No. 151/2007/NĐ-CP regulating the establishment of farmers’ collaborative groups and accessing credit and signing economic contracts.
  - Certification in food hygiene: The Department of Health is competent to give the certificate in food hygiene for agro-products produced and traded by farmers’ organizations according to Decision No.11/2006/QĐ-BYT dated 09/03/2006 by the Ministry of Health.
  - Certification in making contracts between enterprises and farmers or between enterprises and farmers' organizations to link production with distribution according to Decree No. 80/2002/NĐ-CP of the government (Decree in linking farmers, enterprises, scientists and government).
  - Certification in purchase contracts to help enterprises get a refund of value added tax and tax exemption.

- Providing and transferring technology. A farm extension centre and farm extension station is located in every province and district. The existence of farmers’ organizations as the partners of the governmental farm extension system has made a considerable change to this system. The transferring of technology through farmers’ organizations such as the cooperative, collaborative group, and association not only increases the efficiency in transferring but also helps to reduce the costs of the farm extension. Besides, other organizations such as farmers’ associations, gardener’s associations,

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state companies and stations are also involved in providing services and transferring technology for farmers through their organizations.

- Providing training for staff in farmer organizations to improve their management capacity.

2. Creating favorable conditions in infrastructure and credit

The existence of farmer organizations is mainly to help farmers participate efficiently in the market. Most of these organizations are cooperatives, groups or associations which are non-profit entities so some initial support in terms of infrastructure for them is very important. The authorities can create good conditions so that farmers’ organizations can have land, store-houses, and workshops and can access credit sources and financial support from the government and other sectors.

3. Inspecting and checking product quality, preventing commodity frauds.

This is probably the most important role of the government and relevant departments and bodies during the development process of the specialty food chain, especially in supermarkets, stores, and restaurants in the cities. The inspections are organized both regularly and as spot checks in the market and sales units.

II - Forms of involvement of government bodies

Common forms of involvement for the public sector to provide efficient services and support to the producer organizations include:

- Establishing and developing contracts of service supply contracts
- Developing sustainable partnerships or becoming an associate member in farmer associations
- Authorizing farmer organizations to perform management services

A) Contract for supply of services

The farmer organizations having legal status by being registered as a cooperative, association or formal collaborative groups can directly sign economic contracts. For those lacking legal status, such as informal farmer groups, the authorization from the commune people’s committee is often needed for contract signing. However, the commune authority only acts as a guarantee for existing of farmers’ organization, not as a third party to arbitrate the contract.

B) Developing sustainable partnerships

Developing sustainable partnerships is an efficient way to have cooperation between farmer organizations and state partners. Farmer organizations including farmer groups, cooperatives and production associations can become members of the provincial cooperative alliance and be supported by the cooperative alliance in capacity building for management officers, loaning or joining the governmental support programs.

In addition, according to Decree No.88/2003/ND-CP, different economic and social entities can join the association of producers as an associate member (with equal power and rights as other official members but without the right to vote). Associate members joining the association, can on the one hand provide services directly to other members at a much lower
cost, and on the other hand, have their benefits protected by the association as are other association's members benefits.

1. **Mechanism for authorizing farmer organizations to perform management services**

   The authorities, especially the people’s committee of the province, district and some other departments and sectors can apply mechanisms to authorize farmers’ organizations to conduct quality control, and check geographical indications or collective labels. In this case, the farmers’ organization established as a professional association is very suitable for the function mandated by the authority to conduct quality control and prevent market fraud. Therefore, together with internal control, the associations also perform the function of external control with authorization from the government.
CHAPTER 7 – SOCIO-ECONOMIC IMPACT

Is there a contradiction between being poor and being able to supply high quality products? This is an important question. The farmers involved in the project are not all poor, but they are mostly small-scale farmers, near the poverty line, and volunteered to join a collective organisation to produce selected products. The poor can benefit from the collective services created by the dynamics of the non-poor in the collective organisations. So the impact on poverty in this project is measured by comparing the economic impact on the organisation’s members compared to that of non-members.

In the case of Mong beef, over 60 percent of the households of the groups are poor. We can compare the situation before /after joining a group and that of being a member/non-member of a group. This case can be illustrated by one sample household that belongs to a beef farming group, and further information on other households which are not involved in the farming groups (that is, outside of the high quality chain) are shown to demonstrate the effects from activities conducted (see table 3).

Table 3 - Household’s economic benefits when joining the high quality Mong beef chains

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of oxen (animal/year)</td>
<td>2</td>
<td>4</td>
<td>2-4</td>
</tr>
<tr>
<td>Total quantity (kg)</td>
<td>200</td>
<td>400</td>
<td>200-400</td>
</tr>
<tr>
<td>Selling price (VND/kg)</td>
<td>52,000</td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td></td>
<td>3 beef cattle sold at 90,000 VND/kg - 1 animal sold at 97,000 VND/kg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income according to beef quantity (million)</td>
<td>10.4</td>
<td>36.7</td>
<td>18 - 36</td>
</tr>
<tr>
<td>Price of buying ox for fattening(million/household)</td>
<td>9.8</td>
<td>34.8</td>
<td>17.4 – 34.8</td>
</tr>
<tr>
<td>Surplus profit (million/household)</td>
<td>0.6</td>
<td>1.9</td>
<td>0.6-1.2</td>
</tr>
<tr>
<td>Income from ox fattening raising (dong/day)</td>
<td>3,333</td>
<td>10,555</td>
<td>3,333 - 6,666</td>
</tr>
</tbody>
</table>

(Note: The household had only enough money to buy 1 beef animal, valued at less than 15 million dong for fattening then re-selling)

In the case of Hoa vang sticky rice, although the harvest was partly lost in 2008, households in the association still had higher productivity compared with households outside of the association, with an increase of 11 kilos per day, 18 percent higher (see table 4).

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Households in the association earn profits 40 percent higher from sticky rice production. But the most important thing according to farmers, is the better quality of rice due to the project’s seeds. Therefore, the commune’s price for Hoa vang is always 500-700 VND higher per kilo compared with that of other communes’. The project’s seeds are not only yielding a higher price for better quality but also higher productivity.

Table 4 – Sticky rice income for households in and outside the association

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>Member household</th>
<th>Non-member household</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Price</td>
<td>Total</td>
</tr>
<tr>
<td>Cost/sao</td>
<td>Kg</td>
<td>1000VND</td>
<td>1000VND</td>
</tr>
<tr>
<td>Total expenses</td>
<td></td>
<td>429.8</td>
<td></td>
</tr>
<tr>
<td>Seeds</td>
<td>1.4</td>
<td>12</td>
<td>16.8</td>
</tr>
<tr>
<td>Fertilizer</td>
<td></td>
<td>259.7</td>
<td></td>
</tr>
<tr>
<td>Pesticide</td>
<td></td>
<td>103.7</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td></td>
<td>49.6</td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>71</td>
<td>12.5</td>
<td>887.5</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td>457.7</td>
<td></td>
</tr>
<tr>
<td>Socio-economic impact</td>
<td>** Increasing income for local households  ** Keeping the regional image</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The social impact for the local image is that the region has a special product well known by consumers. This impact will attract both the small-scale and poor farmers to participate in the group. In this case study, a collective brand will be produced for the protection of the image of the local product. The principle of having a collective brand is not to exclude the poor, provided they comply with the collective technical protocol.
CONCLUSIONS AND PROSPECTS

We will first present the main achievements of the Superchain approach, then the difficulties faced by the project, and the prospects for follow-up.

I - Achievements

Research and advisory services are needed to support small-scale and poor farmers for the production of good quality food and having good trading practices.

Superchain has shown that small-scale and poor farmers can produce good quality food products and have access to high quality food chains with the support of farmer organizations.

Superchain reached its objective of informing farmers, extension workers and decision-makers on the technical and institutional conditions for inclusion in the new high-value food chains in which small-scale farmers can participate.

Project activities have been successful, especially in the following activities:
- Producing and disseminating market information to a panel of farmers, administrative staff, traders and consumers, for the selected areas and products. This information has enabled them to adjust production and marketing plans, and in particular it has highlighted the need for farmers to promote the specific characteristics of their products which are still insufficiently known by consumers.
- Supporting the creation of farmer groups with regulations relative to joint production protocols stabilizing the quality in line with market demands.
- Establishing an innovative system of internal control of vegetable safety by vegetable groups, with records being kept of farmers’ practices by farmers and inspectors.
- Making local traditional products known and appreciated by a range of Hanoi consumers, retailers and mass-media, bringing pride to the local farmers, especially for Mong beef and Hoa vang sticky rice.
- Establishing new customer contacts and marketing arrangements for farmers, with a premium price for specific quality. For sticky rice, this has been translated into transactions with new buyers, including two supermarkets, distribution companies and shop vendors. For vegetables and beef, the contacts with Big C are very promising, but still need to be translated into actual contracts.
- Strengthening the alliance of Hanoi Safe Vegetable Production and Distribution Cooperatives, with the setting up of a website.

II - Difficulties

The project has faced some difficulties, especially with regards to the vegetable and beef chains, which explains why transactions with supermarkets have not yet been finalized.

As regards vegetables, farmers and group leaders have put a lot of effort into the internal control of vegetable safety, but they have not yet reached outlets offering a premium price for vegetables guaranteed as safe. This is mostly due to lack of diversity of the vegetables produced (less than ten kinds), and also lack of continuity in the interactions between persons in charge of marketing in the group and the buyers. The internal control system is

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fragile, because it requires a lot of time, but farmers do not yet feel the pressure or incentives from administration or market to sustain this internal control system.

For the Mong beef-raising group in Cao Bang, the linkage between farmers and slaughterhouses is difficult. It is especially difficult for Hanoi slaughterhouses to commit themselves to keep the label of origin of Mong beef when they sell it to the retailers.

For sticky rice, there is a lack of participation of members of the group in the joint activities of the association. There is also a lack of protection for the use of the label developed by the association.

In all cases, the quantities produced and the diversity of products offered by the pilot groups are still well below what is demanded by supermarkets. Increasing quantities or diversity implies increasing the number of groups. This should be phased in gradually, as increasing the number of members in any form of collective action may come at the expense of true commitment to follow the collective rules, in particular in terms of product quality and safety. Hence there is a trade-off to be found as regards the size of the collective units of production—small enough to enable adequate quality monitoring, and large enough to meet the market requirements. There can also be interactions with retailers to find the most adequate strategies adapted to present quantities: for instance, the proposal of Big C to display products on a weekly and/or seasonal basis is very relevant.

III - Prospects

By changing trading practices, small-scale and poor farmers can have access to high quality markets. The following actions should be continued in the future:

For Mong beef: Support the development of a slaughterhouse cooperative in Cao Bang with adequate infrastructure, training in hygiene protocol and giving it the financial and legal capacity to act as market intermediary between farmer groups and Hanoi retailers; multiply the Mong beef producer groups in order to increase the volume for contracting with supermarkets.

For safe vegetables: Continue promotion by farmer groups of their internal quality control systems to buyers; continue the certification process (on geographical conditions of safety issued by the Plant Production Department and on VietGAP for FAVRI) for vegetables and groups not yet certified; continue negotiations with safe vegetable shop vendors and supermarkets, providing detailed information about VietGAP to consumers and retailers, helping farmers to build new value chains with support in marketing infrastructures, capacity building and building a supply network of Safety vegetables.

For Hoa vang sticky rice: Organize debates on the internal organization of the association for more active participation of members; adaptation of the production protocol based on feedback from members, producing a collective label.

For all products:
- Ensure transparency in terms of calculation of production and post-harvest costs, which will help in the discussion of prices with the buyers
- Have policy debate on the problems of official invoices with VAT for farmer groups (VAT paid by farmer groups, but the refund goes to the supermarkets).
- Have policy debate on the problem of protection of the collective labels of origin

Finally, the project has produced a quantity of training and promotion materials, which can certainly be used with success to enable small-scale and poor farmers in various provinces of Vietnam and Laos to achieve profitable links with buyers interested in products of specific quality and origin.
The advisory business development services for poor and small-scale farmers need to be supported by IFAD for supporting the development of value chains of local products in IFAD intervention areas. This type of service will be a public-private partnership.

**ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADDA</td>
<td>Agricultural Development Denmark Asia</td>
</tr>
<tr>
<td>AVRDC</td>
<td>Asian Vegetable Research and Development Center</td>
</tr>
<tr>
<td>CASRAD</td>
<td>Center for Agrarian Systems Research and Development</td>
</tr>
<tr>
<td>CIAT</td>
<td>International Center for Tropical Agriculture</td>
</tr>
<tr>
<td>CIRAD</td>
<td>Centre de coopération internationale en recherche agronomique pour le développement</td>
</tr>
<tr>
<td>DFID</td>
<td>UK Department for International Development</td>
</tr>
<tr>
<td>DRI</td>
<td>Department of Rural Institutions</td>
</tr>
<tr>
<td>FAVRI</td>
<td>Fruit and Vegetable Research Institute</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IPM</td>
<td>Integrated Pest Management</td>
</tr>
<tr>
<td>IPSARD</td>
<td>Institute of Policy and Strategy for Agriculture and Rural Development</td>
</tr>
<tr>
<td>MALICA</td>
<td>Markets and Agriculture Linkages for Cities in Asia</td>
</tr>
<tr>
<td>MARD</td>
<td>Ministère de l’Agriculture et du Développement rural</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>RUDEC</td>
<td>Rural Development Center</td>
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<tr>
<td>VAAS</td>
<td>Vietnam Academy of Agricultural Science</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
<tr>
<td>VND</td>
<td>Vietnam dong</td>
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