Agribusiness Research for Development: Linking Small Farmers to Market - methodology challenges

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What is agribusiness?

“THE TOTAL SUM OF ALL OPERATIONS INVOLVED IN THE MANUFACTURE AND DISTRIBUTION OF FARM SUPPLIES; PRODUCTION OPERATIONS ON THE FARM; AND THE STORAGE, PROCESSING AND DISTRIBUTION OF FARM COMMODITIES AND DERIVATIVE ITEMS THEREOF”

(DAVIS, J Y GOLDBERG, R. (1957). “A concept of agribusiness” Harvard University-Graduate School of Business Administration.
Agribusiness system

Rural area

Agriculture

Agro-food chain

Total sum of the Economy
Value chain and Agribusiness system

Policy and Socio Economic environment

Ecosystem environment

Cooperate or self-working?

Limitation of agricultural trading system

Governance

Input services → Farmers?
Production system → Farmers
Post harvest → Farmers
Processing packaging → Farmers
Distribution sales → Farmers
Consumption → Farmers

Information

Value chain

Material

Ecosystem environment
Value chain & innovations (ILRI, 2009)
Systemic approach in Agribusiness

- Need the close cooperation between technological and socio-economic disciplines in the chain
- Should build a multidisciplinary team for agribusiness research
- Research should be leaded by Market and customer-driven approach and not technology-push
Stakeholder structures from production to the domestic market in Vietnam

Small farmers
10 Million households

2400 enterprises trading agricultural, forestry and aqua products

Hundred thousands of trading middlemen

8500 wet markets (80%); 605 Supermarkets, 102 Center (20%)

Hundred thousands of trading middlemen

Selling out 45% production
Beyond Rice success story in VN

- Export: second in the world, but mainly to low quality markets, price lower than domestic
- Farmers: mainly sell paddy, even wet paddy. Basically, ensuring food security but having low benefit
- Domestic consumption: not yet meet the demand of quality, still use imported rice from abroad or from other localities (20-30%)
The status of Vietnam rice value chain

- **Disperse**: a lot of small stakeholders joining in, little cooperation and weak coordination along chain, lack of long-term strategy

- **Without quality differentiation**: there is still the mixture between high quality variety and low quality, little branding, without geographical origin ones. The provision for high quality market sector is still limited

- **Little innovation**: few successful innovative models in the field of modern technology innovation or efficient organizational institutions in value chain

- **The chain has low added value**: As the chain has high cost and much physical loss and in post-harvest, it does not meet the quality potential demand of domestic and international consumers
Vietnam rice value chain brings about the least additional value in comparison with other products (WB, 2011)
### Added value distribution in exportation rice value chain in Mekong delta (WB 2011)

#### Added value share in rice chain, 2009

<table>
<thead>
<tr>
<th></th>
<th>Unit profit VND/kg</th>
<th>Added value share (%)</th>
<th>Average quantity T/year</th>
<th>Total added value $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer</td>
<td>507</td>
<td>34%</td>
<td>8.4</td>
<td>224</td>
</tr>
<tr>
<td>Collector</td>
<td>280</td>
<td>19%</td>
<td>1700</td>
<td>25053</td>
</tr>
<tr>
<td>Paddy Miller</td>
<td>186</td>
<td>13%</td>
<td>4949</td>
<td>48448</td>
</tr>
<tr>
<td>Miller</td>
<td>50</td>
<td>3%</td>
<td>74400</td>
<td>195789</td>
</tr>
<tr>
<td>Transporter</td>
<td>29</td>
<td>2%</td>
<td>8550</td>
<td>13050</td>
</tr>
<tr>
<td>Exporter</td>
<td>422</td>
<td>29%</td>
<td>100000</td>
<td>2221053</td>
</tr>
</tbody>
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*Note: The pie chart shows the distribution of added value shares among different actors in the rice value chain.*
Shifting approach?

Supply chain

Value chain
Value chain strategy in Climate change context

- Economic benefit
- Adaptation
- Mitigation
Rapid changes of agricultural market

- The change of consumption structure from cereals into foods such as meat, butter, milk, fruit and vegetable. There is an increase in demand for processing and packaging foods.
- Supply chain becomes more specialized and improves in organization of distribution systems (e.g., Supermarket, 14-17% per year).
- Increasing in farming contracts between agricultural trading companies and farmers but facing many difficulties because of high transaction costs.
- The benchmark and policies for management of quality and food safety become more restrictive, but clear.
- Capacity of production organization, market linkages of local support staff is still limited.
- Capacity of research is still weak, lack of leaders.
- High challenge for pro-poor research and development approach and methodology.
EVOLUTION OF AGRICULTURAL DEVELOPMENT PROJECTS

**Traditional Agricultural Development Projects**
1950s-1970s

**Description**
Projects to introduce agricultural technology, e.g. to increase productivity or decrease harmful side-effects of agricultural practices.

**Limitations**
Excellent production does not guarantee a livelihood! Farmers need to produce things that are in demand and at reasonable cost - that is ignored by this kind of project.

**Agricultural Commercialization Projects**
1980s-1990s

**Description**
Projects to improve the economics of agricultural production, e.g. by working out what farmers can sell profitably, and then introducing the technology to grow and sell it.

**Limitations**
If the suppliers and traders that the farmers work with are not strong, it will be very difficult for them to produce and market truly commercial products.

**‘Whole Value Chain’ Projects**
2000s

**Description**
Projects to make the process that delivers produce to customers more efficient, e.g. by improving the way that people do business with each other, or improving grading standards.

**Limitations**
Low capacity to implement these kinds of projects.
# Methods of value chain analysis in Vietnam

<table>
<thead>
<tr>
<th></th>
<th>Research methods</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>French commodity chain (Filiere) or Supply chain</td>
<td>Studying chain of agricultural production</td>
</tr>
<tr>
<td>2</td>
<td>Value chain as Comparative advantage framework: M. Porter (1985)</td>
<td>Studying value chains of companies/ processing company</td>
</tr>
</tbody>
</table>
From diagnostic (RVCA).....


Click here to download full Version 3 of the toolbook

http://valuechains4poor.pbworks.com/FrontPage
To action-research approach...

**PROBLEMS**

Production/Producers
- SMALL SCALE: irregular, inhomogeneous supply
- Food Safety
- Poverty

Marketing
- Unfair, fluctuated Pricing:
- Specialties Market access: high-class market

Institution
- Lack of Legal framework
- Supporting policy

**ADDING VALUE TO PRODUCTS**

Safe vegetable Hatay, Hanoi
Thieu Thanh Ha lychee Hai Duong
Seedless persimmon BacKan
H’mong beef Cao Bang
Hoavang sticky rice Hai Duong
Who is doing VC research in Vietnam?

CASRAD: a multi-disciplinary team of 45 researchers, working on Value chain research and development.
Who is doing VC research in Vietnam?

Markets and Agriculture Linkages for Cities in Asia since 2002

- Research
- Training and Scientific Exchange
- Communication

Quality chains
Food distribution
Domestic markets
Who is doing VC research in Vietnam?

- ACIAR, Agribusiness program in Vietnam since 1998 with 7 on-going projects
- Other organizations: Helvetas, CIAT, ICRAF,
- Vietnam organizations…

But cannot respond to the rapidly growing demand for development (government, donors, private sectors…) of capacity in Agribusiness research
What are the best practices on Agribusiness, Consumer studies and Value chain?

- Many different methods, but challenge to improve the methods …
- … and address new methodological challenges: i.e.: Sustainable Value Chains
- Need to exchange experiences about method among practitioners from international
- ACIAR and MALICA scientific coordination initiative
Objectives of this WS

- Identification the training needs in the middle term (3-5 years) for the teams
- Designing tentative training program
- Network on Agribusiness research in Vietnam?
Hoping good exchange !