

POLICIES FOR AGRICULTURAL COMMODITY CHAIN DEVELOPMENT

Linking Farmers to Market

RURAL DEVELOPMENT CENTER

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CONTEXT OF AGRO – MARKET APPROACH

❖ **Opportunity for agriculture in the integration**

- ☞ Approach to better public service, and expanded market
- ☞ Approach to higher market services: credit, technology, capital. => increase the competition ability

❖ **Challenge of agriculture**

- Competition ability of agro – products
- Vulnerability of small farmers, especially poor farmers

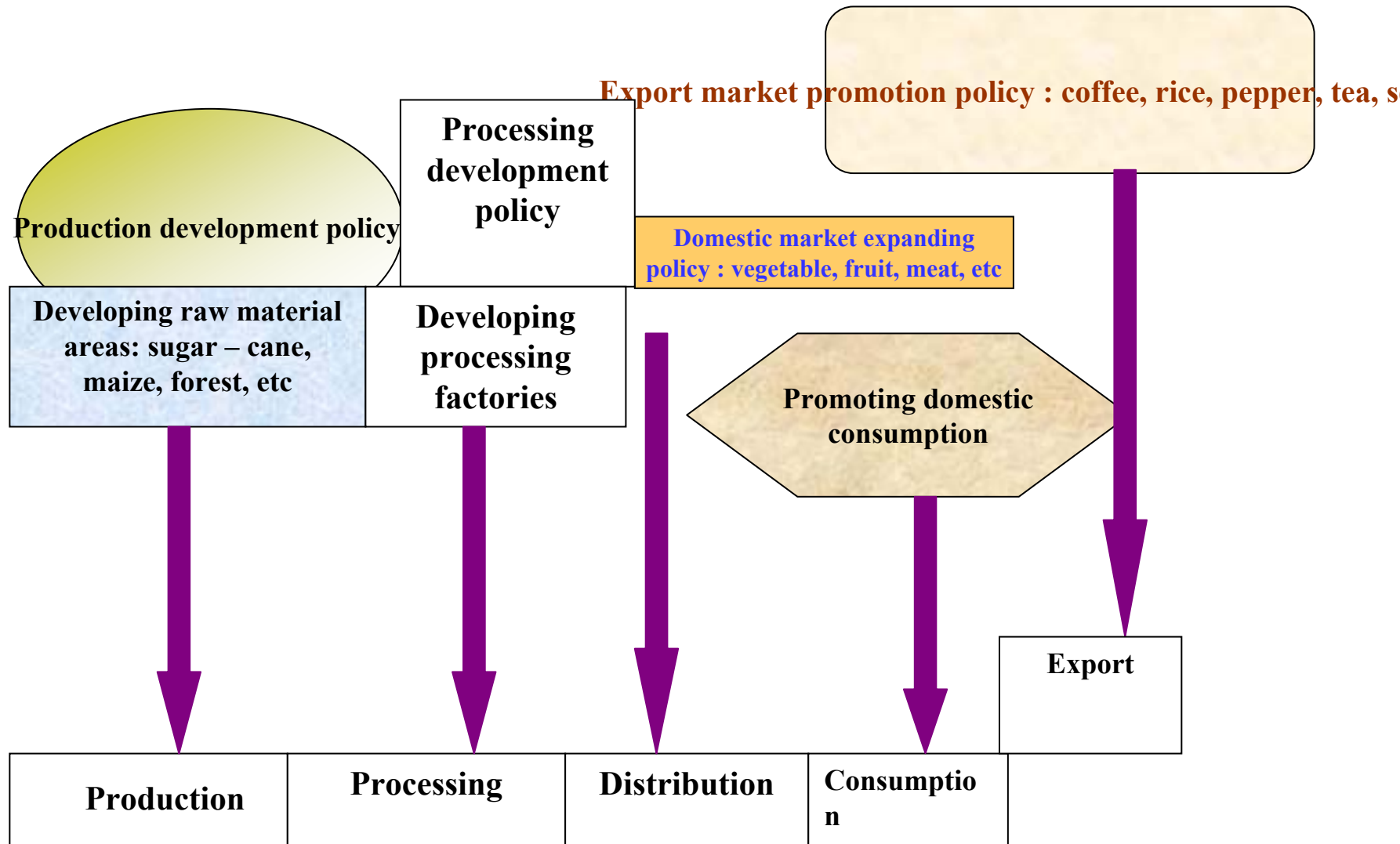
❖ **Current obstacle of agro – products:**

- ① Small scale, disperse, instable of planning
- ② Quality isn't paid much attention and not stable
- ③ Limited participation to market: organization, quantity stability and market linkage ...
- ④ Weak capacity of risk suffering...



**POLICY DEVELOPING AGRO –
FORESTRY – FISHERY COMMODITIES**

AGRO – PRODUCT DEVELOPMENT POLICY: Separated, limited circulation



1. Production development policy (1)

Policy framework of production development in Vietnam

- General policy:
 - Price policy: fertilizer, material, im – export tax, etc...
 - Land policy
 - Credit policy
 - Investment policy: irrigation, transportation, extension, research system, etc.
 - Organization development policy: farm development
 - Science – technology policy
- Target development policy:
 - Variety program
 - Production development program: pork, cow, etc
 - ...

2. Market development policy (1)

2.1 Development policy of processing and domestic market

Commodity	Policy content
Processing development policy	Raw material development policy: investment via programs of sugar cane, milk cow, forestry for production expansion, etc
	Processing development policy: support the state owned enterprises: factory construction, technology import for tea, sugar cane enterprises, etc....
	Consumption organization policy: making contract between farmers and factories, etc...
Domestic market expanding policy	Science – technology support: research on post – harvest technology as rice, vegetable and fruit, and on gene technology: livestock, vegetable, maize, etc
	Consumption organization policy: encourages building linkage among 4 units (government – farmer – enterprise – scientist)
	Import tax (not appropriate now): protect the production by import tax: maize, livestock, vegetable, etc

2. Market promotion policy (2)

2.2 Export market promotion policy

- ❑ Export rewarding policy: encouraging enterprises enhancing export yield for all products, focusing on pork, rice, coffee, rubber, etc
- ❑ Export credit policy: allow producers and importers to have credit loan for following commodities: processed almond, coffee, tea, pepper, peanut, sugar, seafood, pork, chicken, etc.
- ❑ Support the export trade promotion: trade information, popularization, capacity building, market seeking ...

=> Up to now, only could the trade promotion policy be appropriate to the WTO integration

3. Positive achievements of the policy

- Speed up production development: productivity and yield accelerate
- Come into being national strategic commodity chain in the global export market: rice, coffee, pepper, rubber, almond...
- Develop intensive specializing production areas as Mekong Delta, the High land, etc
- Science – technology application into production accelerate, product quality as well as the product introduction into export market are relentlessly improved: seafood, fruit, rice, etc

4. Obstacle in commodity development policy

- Unwell – proportioned policies, focus on 2 main domains: export and processing. For domestic consumption commodity chain, there exist only the environment policy
- Policies focus to technical issues: variety production, credit support and don't pay much attention to territory planning, production organization, etc.
- Quality and quality management overview is technical – base, few or none socio – economical based promotion policy
- Solutions of production and quality development focus principally to state – owned enterprises and companies but not producer organizations and professional organization promotion policies
- Few reliable market forecast: consumer demand, transaction quantity, evoking difficulties for production planning
- Material areas aren't planned clearly, stably and in long – term,
- There is no area planning but provincial planning: administrative spaces smash up economic spaces

5. Outstanding policies (1)

5.1 Policy promoting linkage in commodity chain

□ Decision No80 of Prime Minister of encouraging agro products consumption via contracts with following forms: :

1. Advance capital, science – technology and buy product
2. Sell material for agro – products
3. Direct agro – product consumption
4. Production linkaged (capital contribution throughout land...)

□ Research study of IPSARD (2005): The agro – product contractual realization have failed while the successful contract didn't help poor farmers

- 1) Successful contractual cases are limited, focusing on material products
- 2) Contractual infringement occurs widespread
- 3) Farmer – enterprise contracts deforms into enterprise – buyer contracts
- 4) Contracts focus to large scale household production

5. Outstanding policies (2)

5.2 Vietnam coffee development – synthetic solution

□ Realization of synthetic solutions :

- Promoting enterprises in increasing export (export rewarding)
- When the price goes down, the government buys for short – term storage
- Credit priority policy: low interest, loan delay,...
- Policies for ethnic minority people planting coffee: rice and land support...
- Reducing 50% agricultural land for coffee land

□ Positive results :

- Developing production surface and maintaining Vietnam position in global export market
- Actively supporting for producers in stabilizing and recovering after price crisis
- Promoting the security agricultural development

□ Policy restriction :

- 1) Separated impact, lacking impact to intermediate actors: trader, dealers, etc
- 2) Lack of self-contained commodity chain from production to processing with Vietnamese trademark
- 3) Band – Aid solutions
- 4) Lack of risk minimization policies

5. Outstanding policies (3)

5.3 Sugar – cane development – material area development policy

□ Policy solution :

- Supporting widening the production areas in provinces
- Constructing and fostering processing factory capacity

□ Achievement :

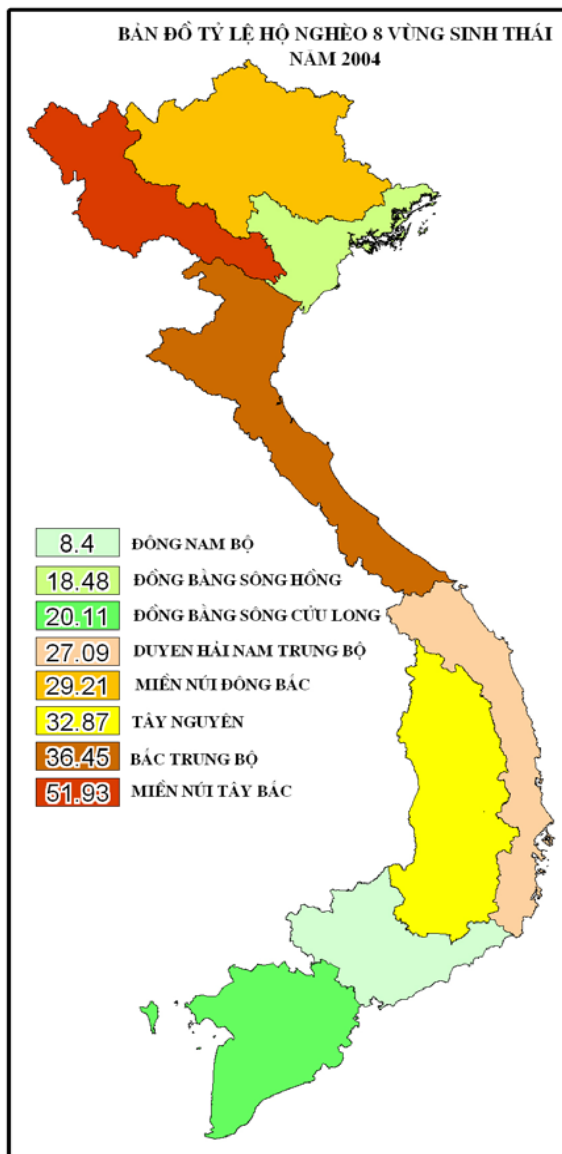
- Developed sugar – cane area of 334.000 ha (2002)
- Supported 34 factories in improving their capacity and product quality

□ Policy restriction :

- 1) Policies support mass production but do not base on competitive advantage
- 2) Investment policy was not transparent, focused to state companies, weak ability of financial management
- 3) Lack of policies of production regulation and market promotion, leading to partial situation of market

6. DEVELOPMENT ORIENTATION OF COMMODITY CHAIN

Based on each branch role and government orientation



Regarding Decision 150/2005/QĐ-TTg issued in 20/6/2005

- Production regions for advantaged commodity chains can be divided into following groups:
 - **Group of delta (Red River Delta, Mekong Delta):** rice, fruit, vegetable, seafood, livestock
 - **Group of Northern mountain region:** forestry, maize, fruit, livestock
 - **Group of Highland and South – East:** long – time industrial plant, maize, fruit, vegetable and soybean, livestock
 - **Group of the Centre:** seafood, short – time industrial plants (sugar – cane, cotton, sedge, etc), livestock

Disperse, lack of prioritized support in accompany: territory planning, science – technology, production organization

6. FDI ATTRACTION POLICY IN AGRICULTURE

- **Limited FDI investment in agriculture, making up 7% registered fund, in which:**
 - Concentrate on agro – forestry processing (49% of investment fund)
 - Projects are mainly conducted in South – East (65% of projects)
- **Influences of FDI on the commodity chains:**
 - Improvement of production capability, modern production technologies and the competitiveness of agricultural products
 - Creating thousands of new jobs in agriculture, industry and service sector; Improving workers' skills
 - Opening new markets with great potential for Vietnamese agricultural products and creating new trademarks for Vietnamese products
 - *Constraints of FDI: Land and programming issues, production risk, difficulties in farmers' linkage, lack of stable production material zone...*



DEVELOPMENT TREND OF RURAL COMMODITY CHAIN

1. Rapid change of rural production systemt in many regions

- Rapid change:
Scale,
production
type,
product...
- Classified clearly in
different
production
types
- New
technology
applied to big
farms
- Low
productivity
- Small scale
- Unprofessiona
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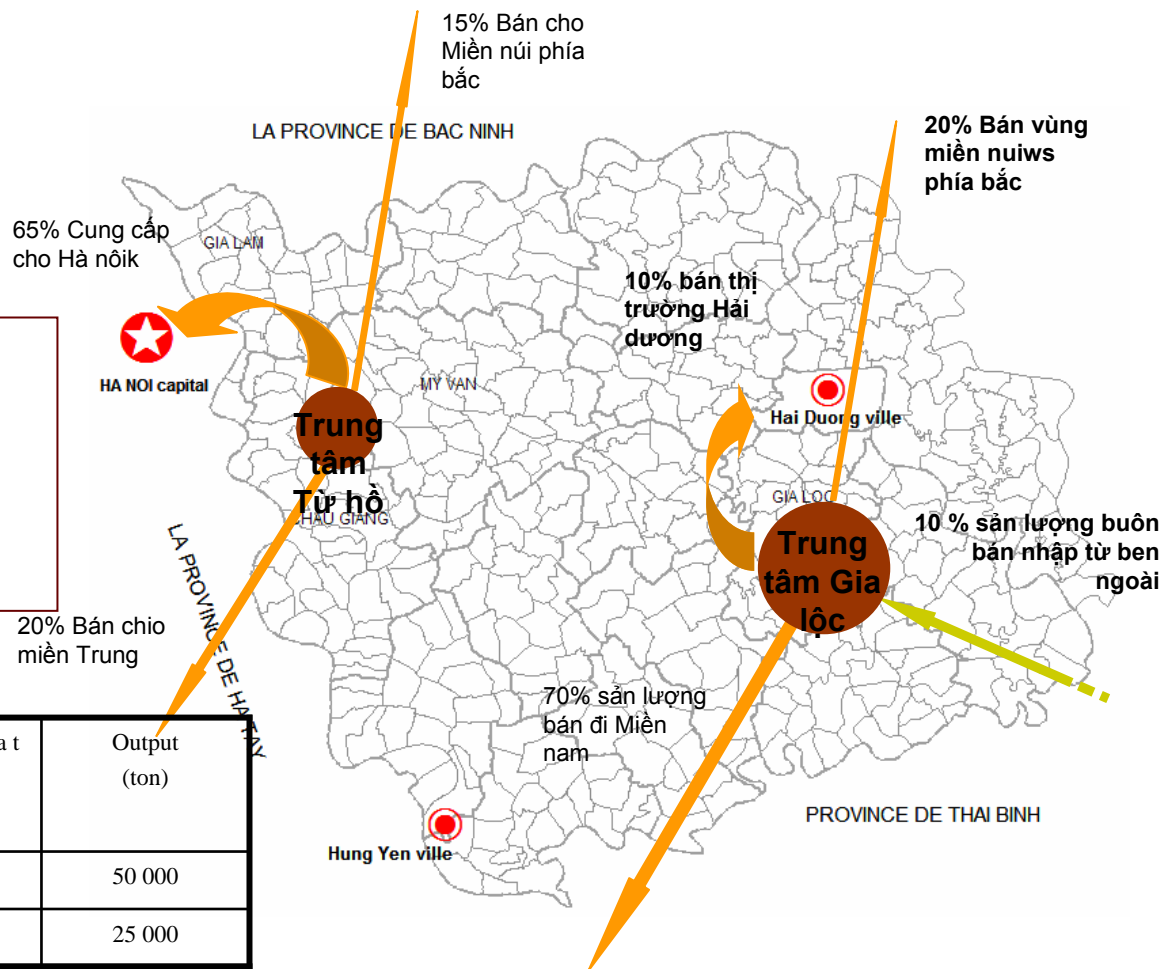
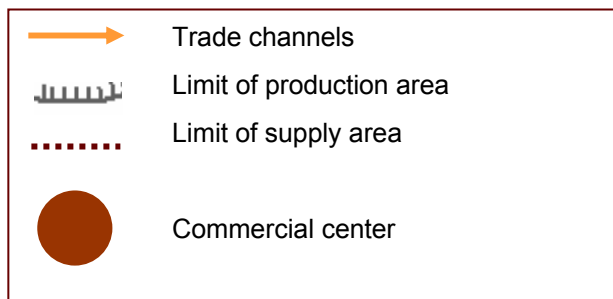
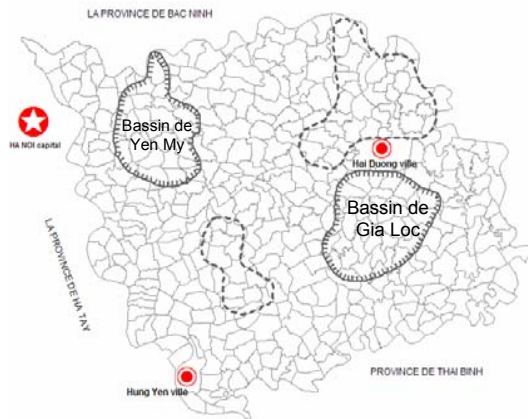


2. Production specialization tendency : specialized farms

	Farm quantity		Difference		Farm structure	
	2001	2006	số lượng	%	2001	2006
Total	61.017	113.730	52.713	86,39	100,00	100,00
1. Agricultural production farm	40.093	72.237	32.144	80,17	65,71	63,52
Annual planting farm	21.754	32.611	10.857	49,91	54,26	45,14
Long – time planting farm	16.578	22.918	6.340	38,24	41,35	31,73
Livestock farm	1.761	16.708	14.947	848,78	4,39	23,13
2. Forestry production farm	1.668	2.661	993	59,53	2,73	2,34
3. Aqua – production farm	17.016	34.202	17.186	101,00	27,89	30,07
4. General farm	2.240	4.630	2.390	106,70	3,67	4,07

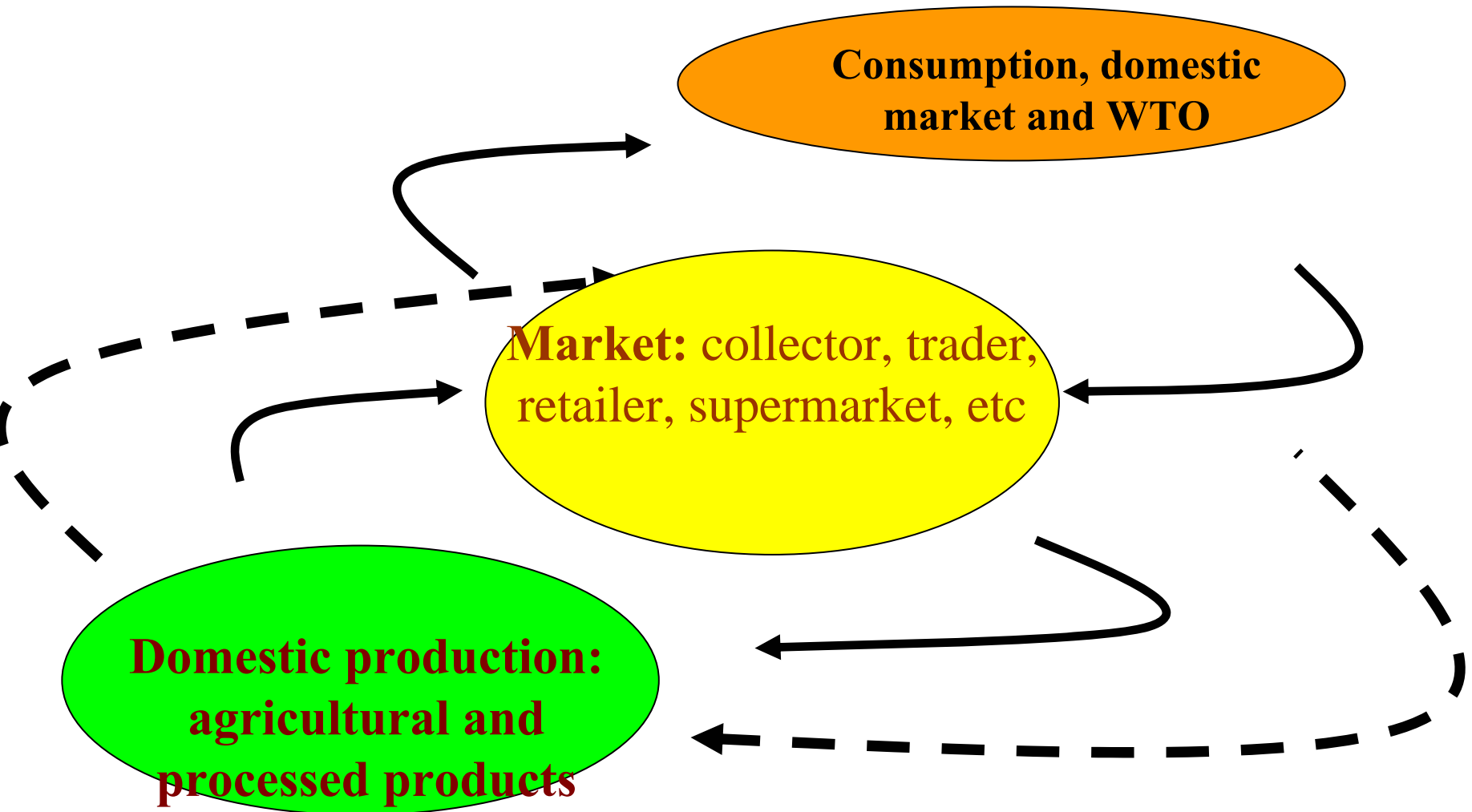
3. Formation of professional community: market system of fruit and vegetable professional communities

Lê đức Thịnh, IPSARD

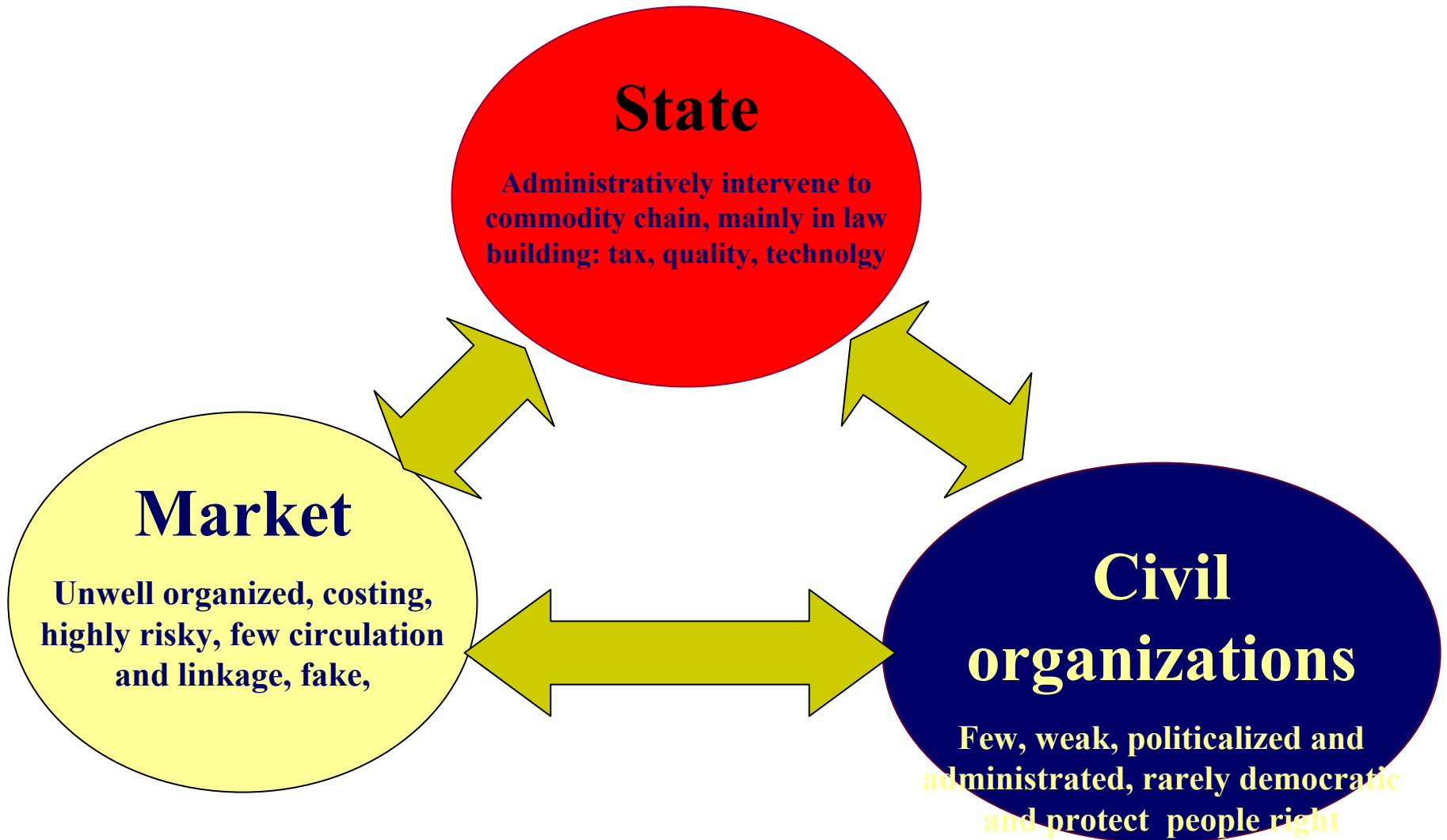


Cluster's name	Production area t (ha)	Output (ton)
Gia Loc, Hai Duong	3 350	50 000
Tu Ho, Yen My, Hung Yen	2 250	25 000

Lack of institutions, which promote the linkage between the stakeholders, leads to high risk and low product quality...



Cooperation between state institution, market and civil organizations in developing commodity chain



4. Perspective of commodity chain

- Developing competitive production systems: quality management, combined with processing, distribution and market.
- Developing products with specific quality: traditional products
- Approaching export markets: large scale, quality and safety, branding

Orientation policy

1. Development preference for key commodity chains based on the regional advantages
2. Policies for production programming to ensure the stability and reduce production risk (land policies, programming...)
3. Policies for science and technologies, particularly for organizing production and market (improving the role of professional associations, institutions...)
4. Policies for supporting development of safe and quality production with intelligent property protection, etc.
5. Development of market information network to improve accessibility of the producers to market information