

# SECOND NORTHERN MOUNTAINS POVERTY REDUCTION PROJECT

## MARKETING AND LIVELIHOODS DEVELOPMENT



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**NMPRP2**

# INTRODUCTION: NMPPR-2

- ✓ Six provinces and region has highest poverty rate in Viet Nam (60% WB/GSO)
- ✓ Steep and hilly with deeply dissected topography & weakly developed infrastructure
- ✓ Periodic climate shocks, storms and droughts
- ✓ Small agribusiness sector in provinces
- ✓ 15 ethnic groups with unique social and cultural features

# INTRODUCTION: OBJECTIVES

- ✓ **Project Objective: Enhance livelihoods through improved market linkages**
- ✓ **Present the project experience:**
  - **Livelihood development**
  - **Market linkages**
- ✓ **Discuss how farmers have responded to marketing opportunities**
- ✓ **Propose policy features for market linkages and ethnic minority livelihoods**

# MARKET LINKAGE APPROACH

- ✓ Project has 2 approaches
  - Market led
  - Resources based
- ✓ Features resource based market linkage experience
- ✓ Resources based approach aim is:
  - Develop proven local livelihood activities
  - Farmers to increase product prices by moving along the value chain



# LIVELIHOOD DEVELOPMENT METHOD

- Community Driven Development: beneficiaries choose their livelihoods activity
- Form Common Interest Group (CIG) based on common activity
- Provided with a grant to fund:
  - ✓ Initial investment in livelihood activity
  - ✓ Inputs e.g. animal feed
  - ✓ Technical training

# CIG FARMER CHARACTERISTICS

Over 80% of projects farmers have:

- ✓ Little or no irrigated land, small area of cultivated land and up to 2 hunger months per year
- ✓ All or most of land is steep
- ✓ Droughts impact on food crops and cold weather on animals
- ✓ Market products on farm: distant from markets
- ✓ Road access is limited
- ✓ Grow one or 2 main crops and may have one animal for sale each year
- ✓ Low levels of technology and inputs
- ✓ 98% ethnic minorities

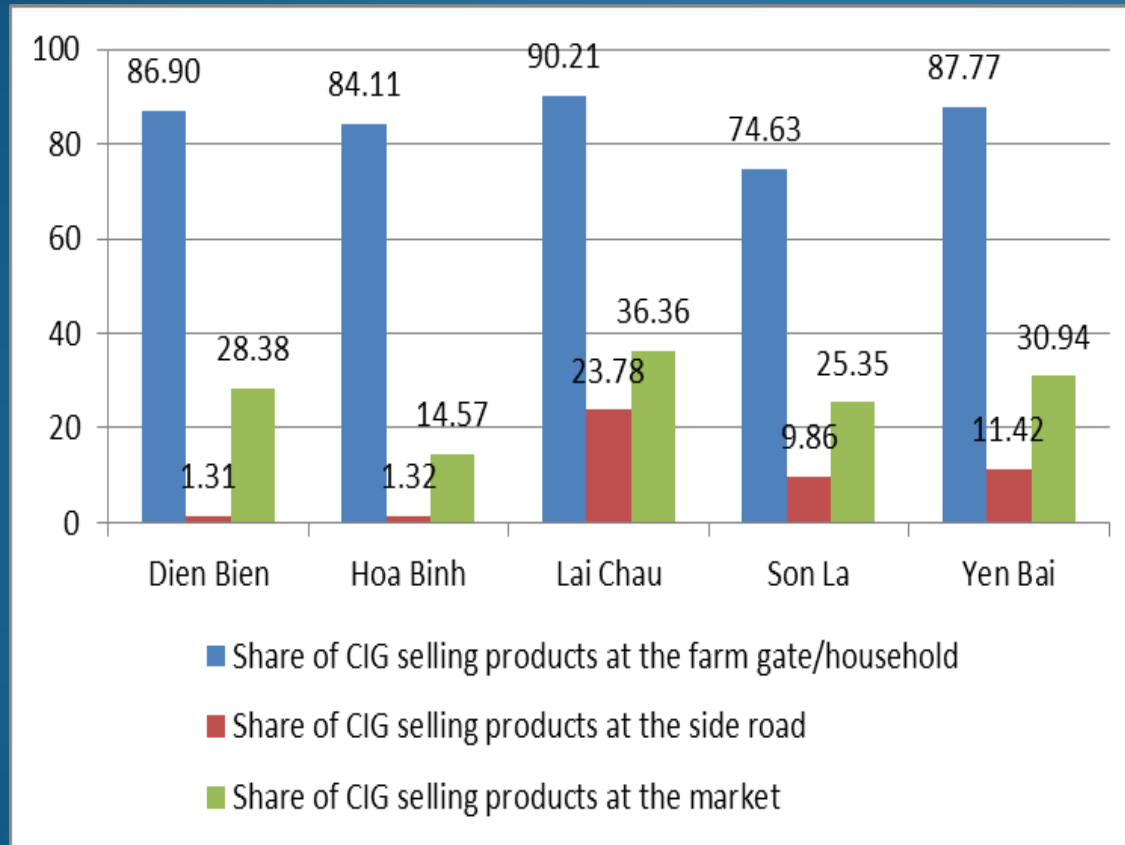


# PROJECT ACHIEVEMENTS: TO DATE

- 5800 CIGs formed: over 75,000 households
- 60 to 87% of CIGs are on their 2<sup>nd</sup> or 3<sup>rd</sup> production cycles
- Reinvestment in each cycle ranges from 30% to 70% of activity income
- Income ranges from VND 2.6 million to 5.4 million for CIG member

# CIG MARKETING FEATURES

- Predominantly market “on-farm”: Baseline 70%





# CIG MARKETING: ISSUES

## High Level of On-Farm Marketing

- ◎ Contrasts with Project design aim for farmers to market further along the value chain
- ◎ What is the best marketing strategy for farmers:
  - ✓ Sell on farm?
  - ✓ Sell at other points in value chain?

# CIG MARKETING: FACTORS

- Studies have shown that farmers closer to paved roads receive higher prices
- Improved roads due to project, and Gov programs (P135, 30 A etc)
- 48% farmers report an increase in traders coming to buy products (Project data)
- 90% of farmers have cell phones (Project data)
- Off-farm marketing involves transport costs, farm household labour, and other investments

# CONCLUSIONS

- Livelihood activities generate products for farmers to market
- Main farmer marketing strategy is to sell on- farm
- Improved roads contribute to greater market connectivity
- Small traders play an important role in marketing of farmer products

# MARKET POLICY IMPLICATIONS



- Farmers respond to marketing options in a rational manner: economics, labour resource use
- Difference in how ethnic groups respond to marketing opportunities: spatial, economic, socio-cultural features
- Strategic role of roads to increase market connectivity
- How to encourage local entrepreneurs to strengthen marketing options?

# MARKET POLICY IMPLICATIONS



- Increasing connectivity through use of mobile phones and market information
- Marketing training may change marketing method
- Value chain development: Is it better to let market linkages evolve, rather than externally intervene i.e. “build” value chains