

A Win-win Situation for Both Farmers & Private Companies

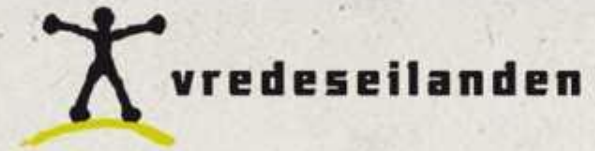


A Case Study of Tea Marketing in Phu Tho, Vietnam

Eduardo A. Sabio, Ph.D.

Regional Representative

13 June 2014



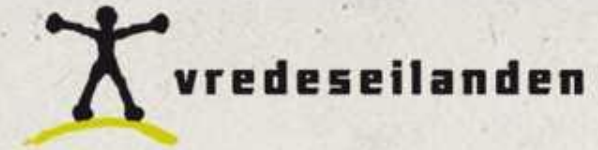
VISION OF VREDESEILANDDEN/VECO:

A world in which family farmers claim their rights to create sustainable livelihoods.

MISSION:

Enable and support smallholder farmers to take up their role in rural poverty alleviation and to contribute to feeding a growing world population in a sustainable way.

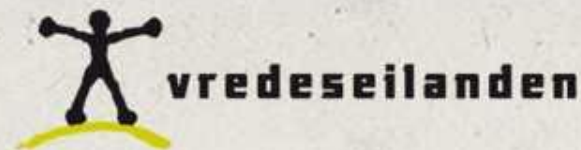
How VECO achieves its mission



- Facilitate business linkages between chain actors through Sustainable Agricultural Chain Development (SACD) approach.
- Support smallholder farmers to organize themselves and build the necessary capacities to create economies of scale, guarantee quality, food safety and sustainability.
- Contribute to creating an enabling environment for smallholder farmers



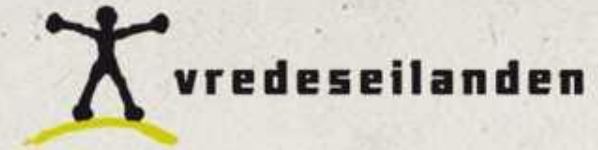
VECO implementation of SACD in VN



- Family Farmers Access to Sustainable Agricultural Chains Programme:
Phase I (2008-2010)
- Family Farmers Access to Sustainable Agricultural Chains Programme:
Phase II (2011-2013)

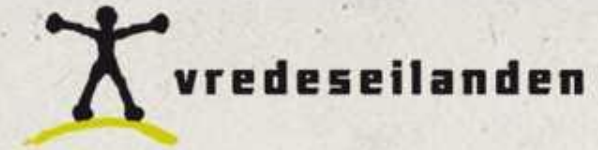


Tea Sector is Important in VN



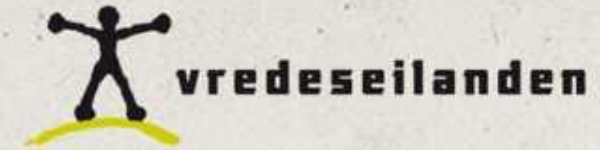
- **Over 3000 years of history in growing tea.**
- **Production area expanded from 67,000 ha in 1998 to over 114,000 ha in 2011.**
- **Yields have increased by 153% in only 10 years' time.**
- **VN ranks 6th globally in terms of production area and yield volume.**
- **A labor intensive crop providing jobs and livelihood to millions of poor HHs and minorities in remote rural areas.**
- **VN exports 80% of its national production to 110 countries, accounting to 4.7 of world market share.**
- **30-40% of income by small-scale farmers comes from tea.**

Challenges of Tea Sector in VN



- **VN tea is generally considered low quality in world markets.**
- **Most of exported tea is crude and semi-processed form, commanding low prices.**
- **The sector is export-oriented and vulnerable to global price fluctuations or collapse.**
- **Producer prices have fallen dramatically over the last three decades because trading and distribution remain dominated by a few international companies.**
- **Processing factories and traders receive most of the profits, while prices for farmers remain low.**

Challenges of Tea Farmers in Phu Tho Province, VN

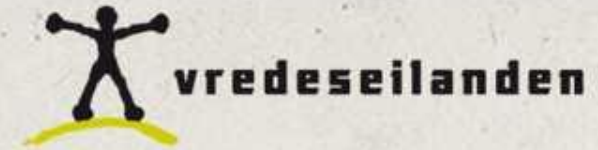


1. Low tea quality

- ✓ Ageing tea bushes
 - ✓ Low yielding traditional variety
 - ✓ Lack of knowledge and skills in sustainable production and post-harvest technologies
 - ✓ Lack of access to high quality technical services
- ✓ LOW QUALITY = LOW PRICES

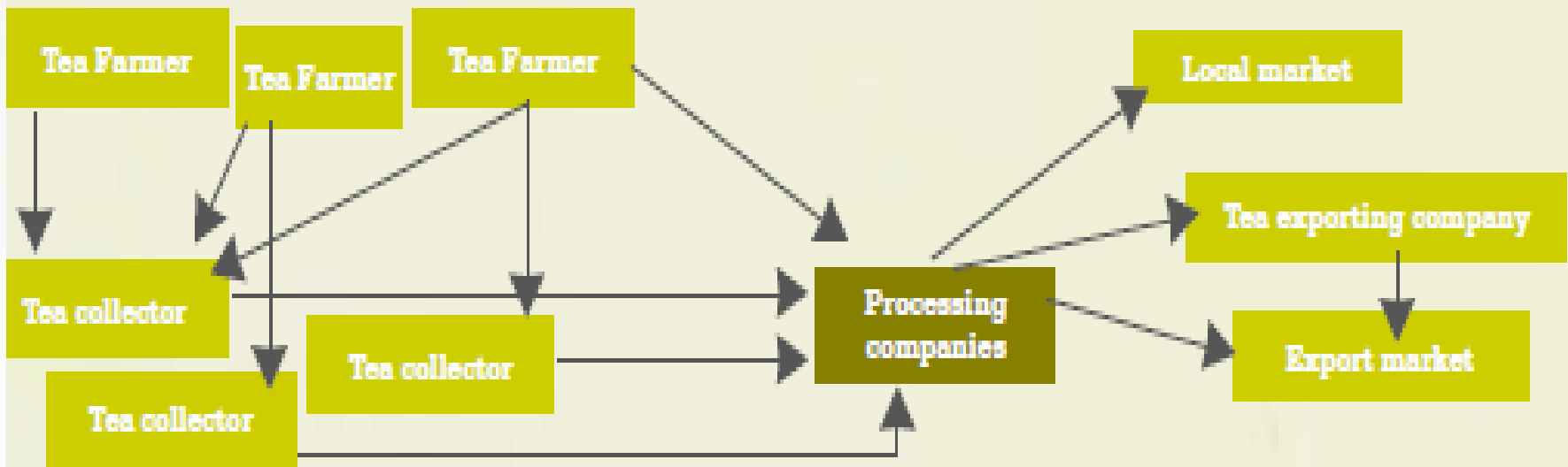


Challenges of Tea Farmers in Phu Tho Province, VN

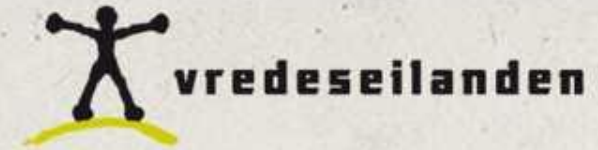


2. Limited leverage of farmers in the tea chain or weak position in trade relations.

The value chain in Yen Lap in 2009:

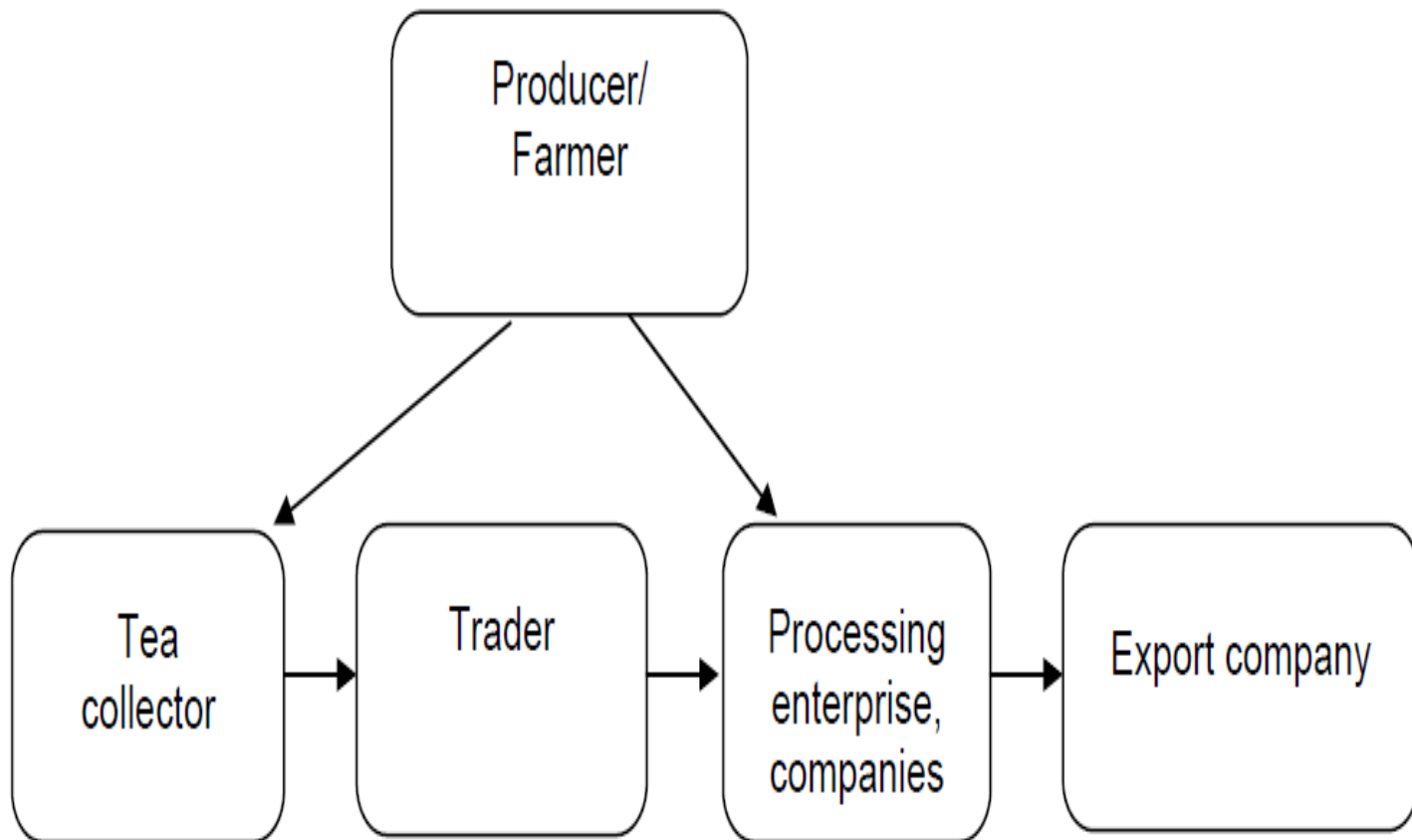
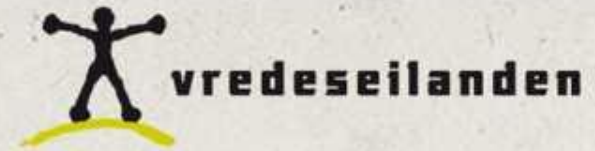


VECO Interventions

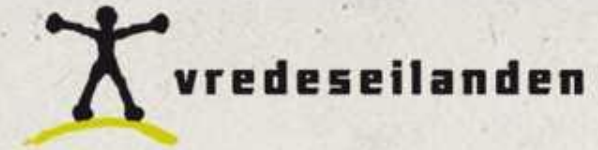


- Piloting SACD innovations (2009) by harnessing multi-stakeholder participation & functions:
 - Boundary partners: Tea farmer groups; Women's Union; and Tea Company
- Pilot expansion into Program 2011-2013
- Transforming the Farmer Organization (FO) into Business Farmer Organization (BFO)

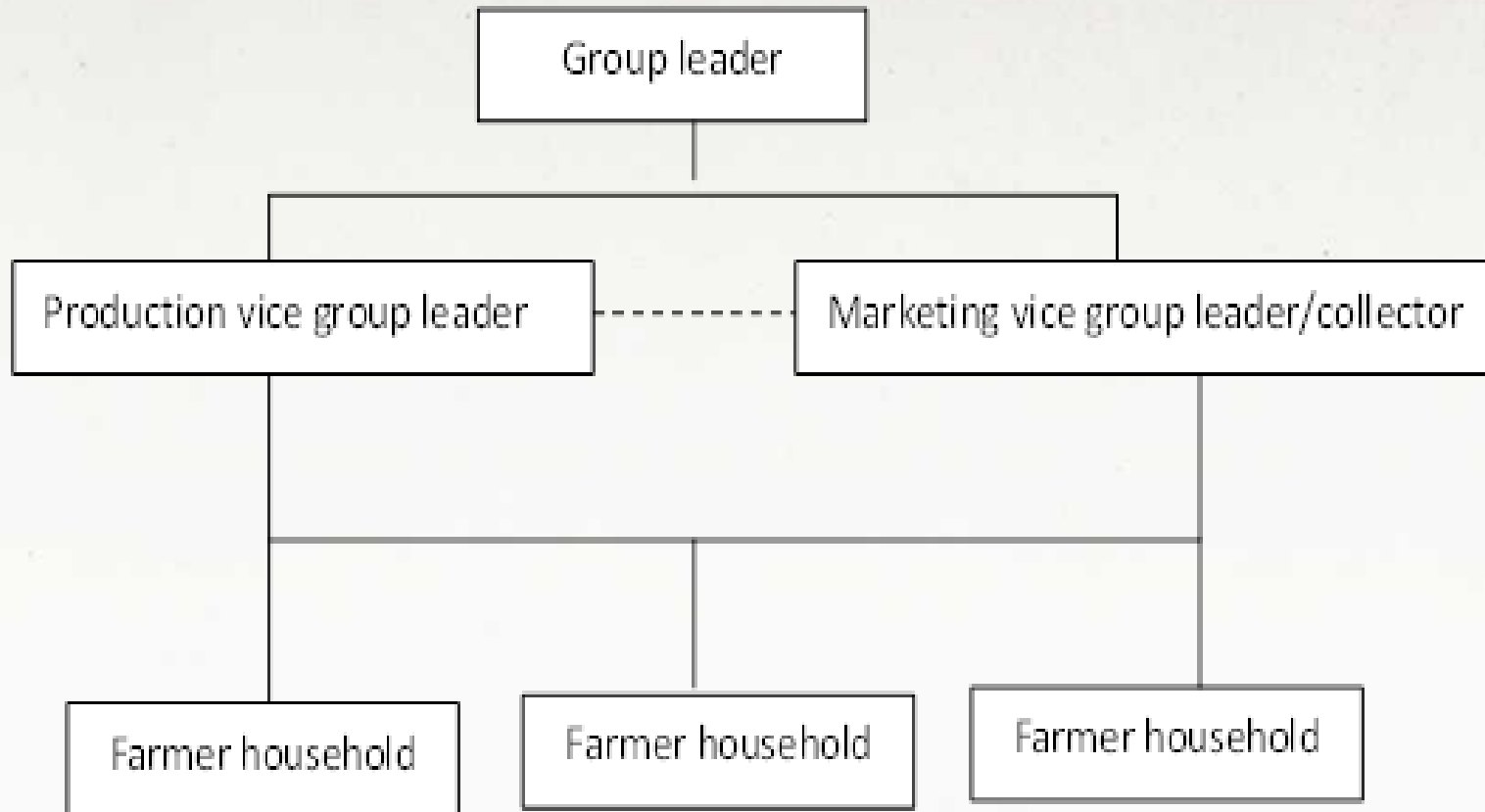
2008 Tea Chain Baseline: No farmer group/organization



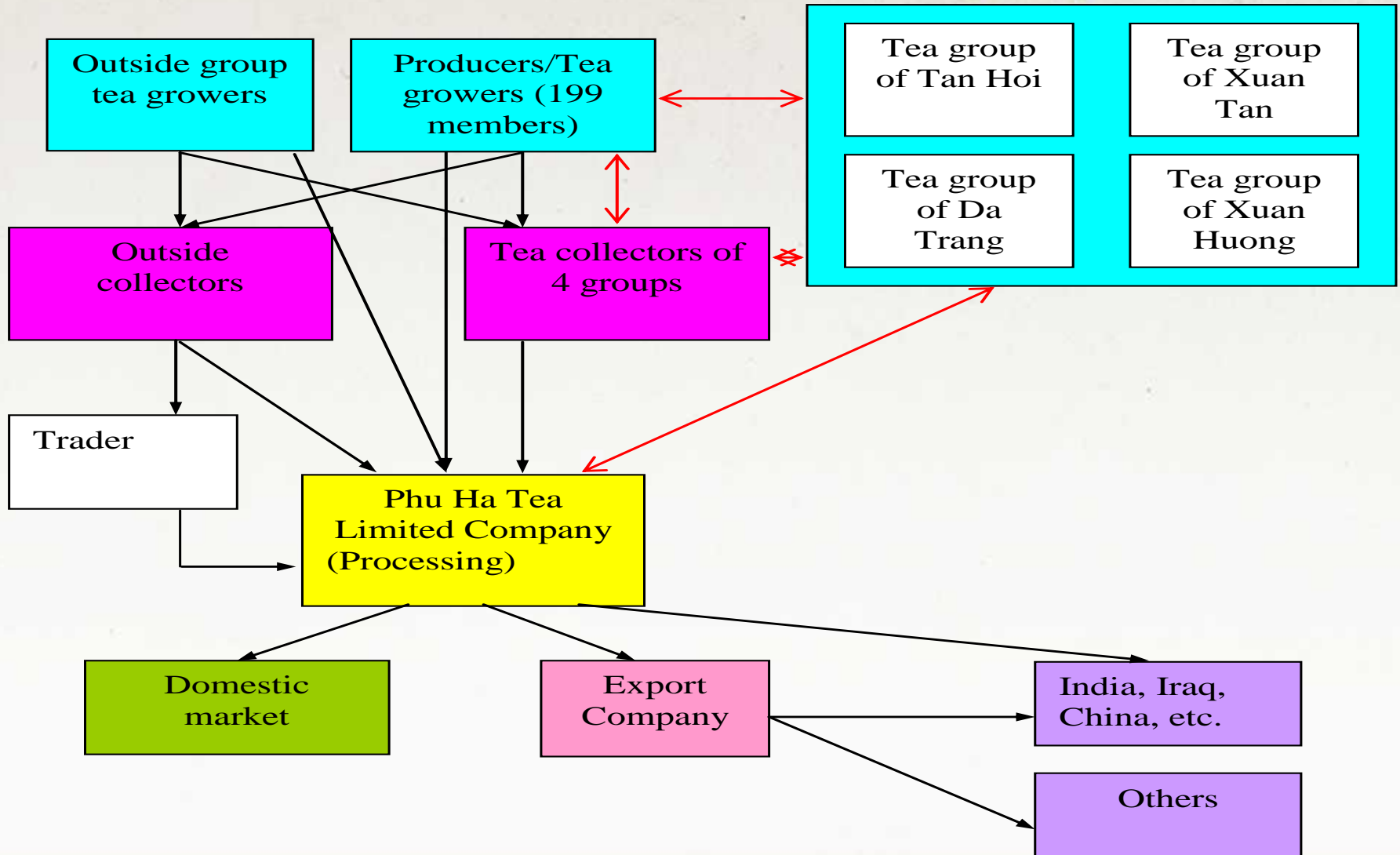
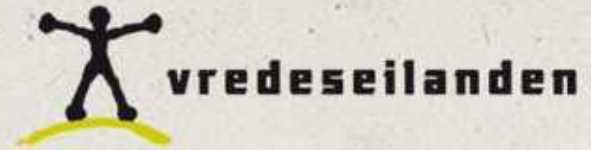
RESULTS & OUTCOMES



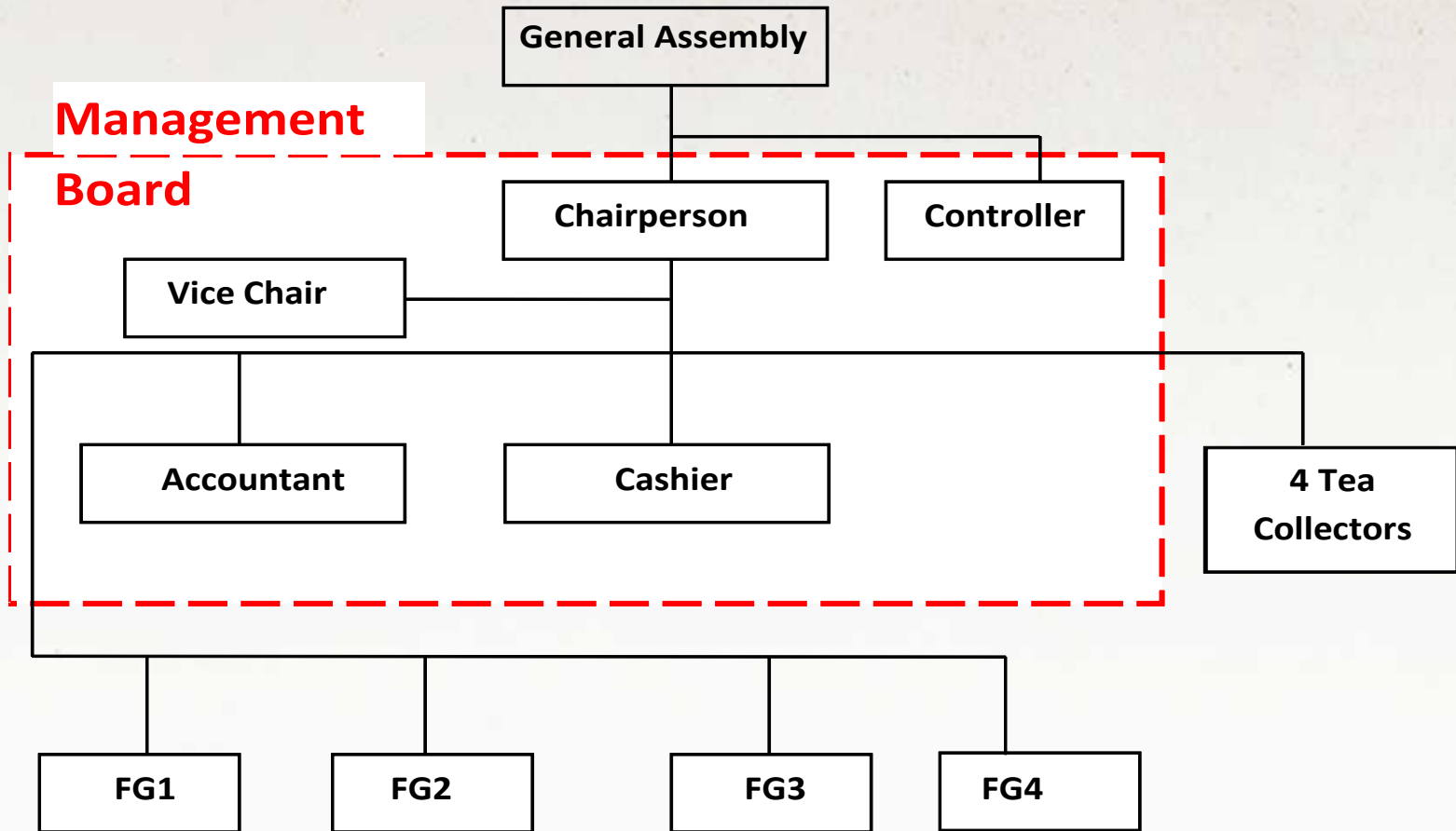
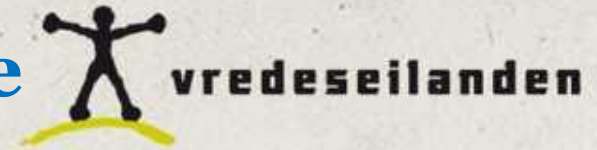
2009: First Collective Group Formed (46 members)



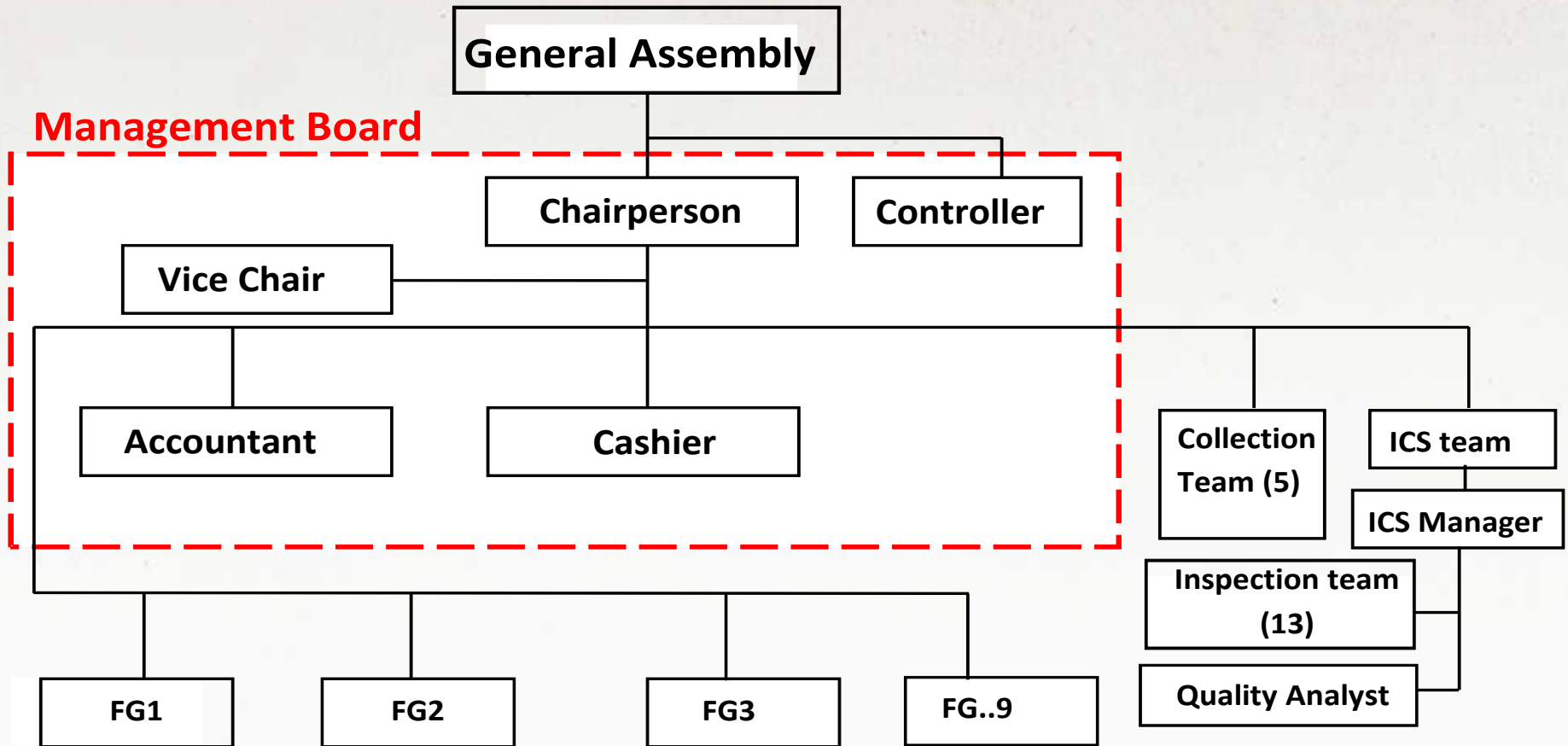
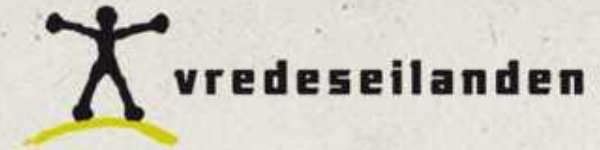
2010 Structure of FO evolved



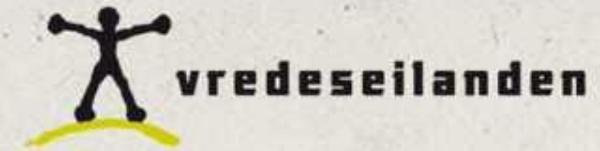
2011: Luong Son Tea Cooperative (LUSOTEC) formed by 4 groups



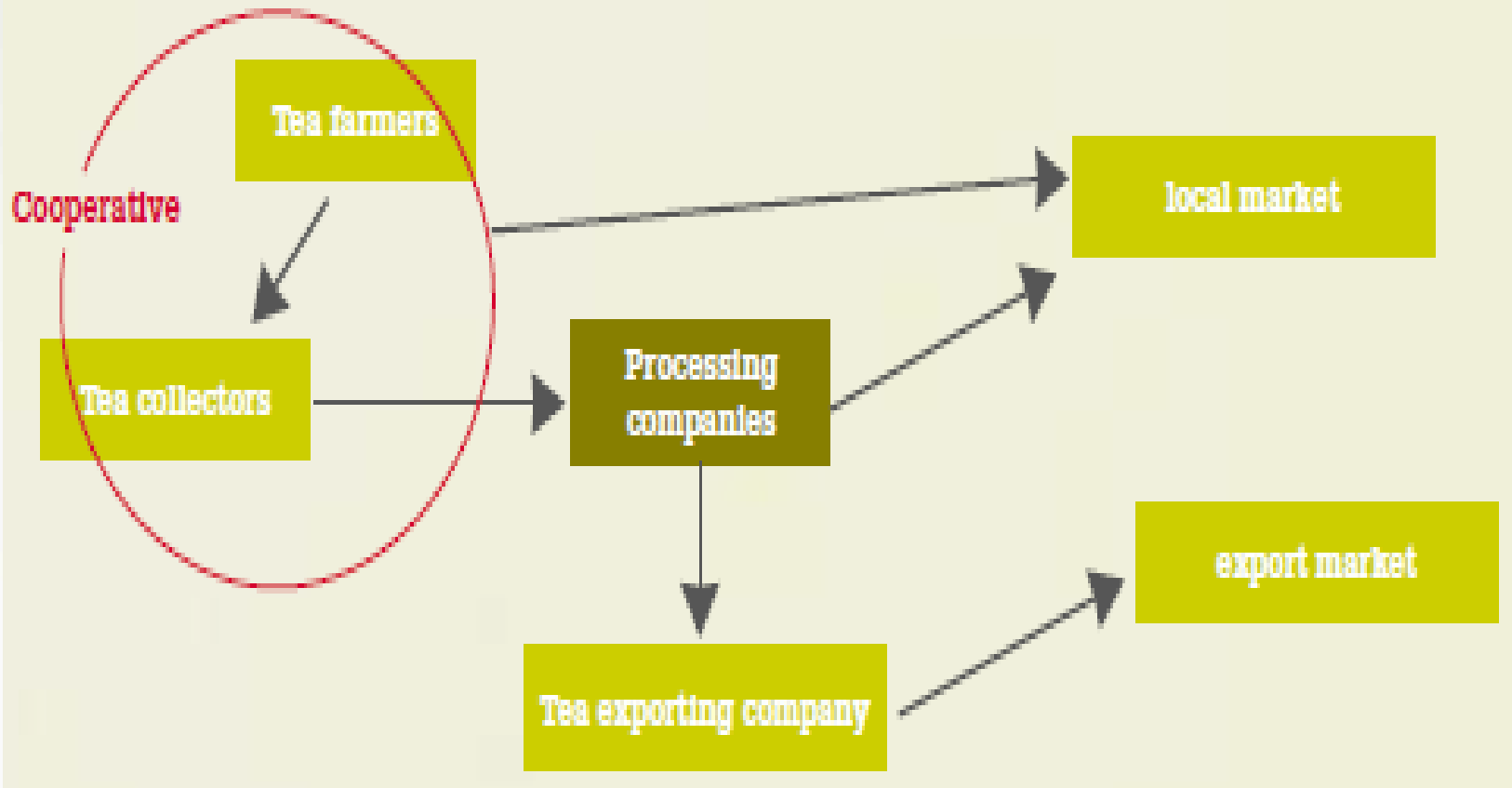
2013: LUSOTEC expanded with 9 Groups & ICS



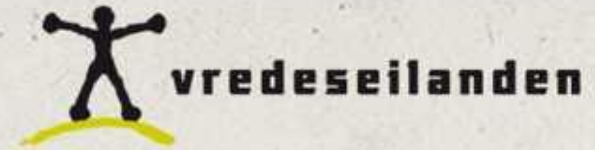
Direct FO-Factory trade relations



Current value chain in Luong Son



Inclusion in Modern Markets of Farmers



Measurement of farmers' inclusion: Price setting

Transparency & Fairness?

Who decides?

Not transparent and not Fair



Not transparent but Fair

Transparent and Fair

Farmer organizations



Others

Private company

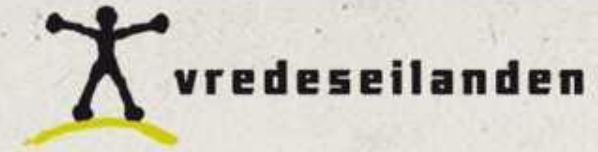
Solid cooperation between private company (Phu Ha) and the cooperative (LUSOTEC), resulting to:



vredeseilanden

- + Increased volume of production & quality of produce**
- + Better prices paid to farmers**
- + Marketing contract with better terms and conditions**
- + Quality control of tea ensured**
- + Mutual trust and loyalty established**
- + Position of farmers in the chain improved**
- + Higher cost turn-over and net income**

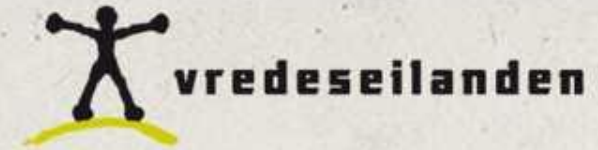
Up-scaling and future plans



- + Training of Trainers for Farmer Field School on Tea**
- + Green Tea Processing business by LUSOTEC**
- + Institutionalizing ICS within the cooperative**
- + Securing UTZ certificate by the Phu Ha Tea Company**
- + Replicating LUSOTEC-Phu Ha business model**

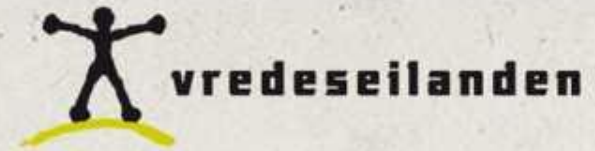
LESSONS

Transforming FOs into BFOs



- **Entails building the capacity of the farmers and their organization, and effect changes in attitudes and behavior.**
- **Change takes place along innovations in production and business operations that directly benefit farmers.**
- **Establish and nurture strong and mutually beneficial links between the private sector and producers beyond just seller and buyer relationships.**
- **Mutual trusts develop and trade becomes more favorable to farmers.**
- **Win-win trade relations a must.**

CONCLUDING REMARKS



“For too long, farmers have benefited the least in the agricultural commodity chains, this has to be



changed! Value chain development can contribute to this change process by creating just and fair



trade relations among chain actors.

VECO plays a role in building bridges, connecting and linking farmer producers with private actors in an empowering and win-win situation.”

Thank you for your attention!



Website: <http://www.vec0-ngo.org/vec0-vietnam/vec0-vietnam>