Business approaches for sustainable access to markets and pigs information for producers and main target buyers

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Current business models

Market related constraints, e.g., output price volatility, input price increases, localized demand, sporadic demand from external markets (e.g., unofficial Chinese exports)
- Ranked top in 2 villages
- 2nd constraint in 1 village
- least important constraint in 1 village (Bac Phong)

“We can somehow handle other constraints but there is no way to handle prices which are determined by market”

(Value chain mapping meeting in MuongCoi commune)

Source: Project field data
Pig value chains in the 4 communes

<table>
<thead>
<tr>
<th>Commune</th>
<th>Difference</th>
<th>To China</th>
<th>Contract farming</th>
<th>Food Processing firms/contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tan My</td>
<td>No processors</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phu Luong</td>
<td>No processor</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Muong Coi</td>
<td>All</td>
<td>Yes</td>
<td>No</td>
<td>Dabaco CP</td>
</tr>
<tr>
<td>Bac Phong</td>
<td>No SH, no input, no retailer, no processor</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Current business arrangements - inputs & services

BắcPhong

- No service providers present in the commune.
- Feed, drugs, breeding stock purchased from outside the commune.

PhúLương

- Breeding stock, feed and drugs providers in the commune.
- Feed sold on credit.

MuồngCoi

- Breeding stock, feed and drugs providers in the commune.

TânMỹ

- Breeding stock, feed and drugs providers in the commune.

Source: Project field data

No contractual arrangements between producers and service providers

Number of pigs

- Poor access to market & high poverty level
- Good access to market & lower poverty level
Current business arrangements - output markets

Source: Project field data

- **BắcPhong**
  - Local sales to hhs in the commune - short value chains
  - No collectors or traders (very small volumes)

- **PhúLương**
  - No contractual arrangements between producers and service providers
  - Most pigs sold to collectors, some to butchers and few to final consumers in commune

- **MườngCơi**
  - Local sales to butchers within the commune, retailers and restaurants; also to traders operating in the district but not beyond

- **TânMỹ**
  - Most pigs sold to collectors, some to butchers and few to consumers in the commune
  - Good access to market & lower poverty level

- **Number of pigs**
Trend: Increase in market orientation but poorly integrated value chains

• **Output markets**
  – 15 years ago: pigs mostly were mainly for home-consumption and for local sale (same commune)
  – Now: more and diversified types of buyers including traders and slaughterhouses. Increased market orientation, but limited formal linkages between producers and traders; and no collective action at producer level
    • Plan to form a pig production cooperative, specializing in indigenous pig production in Bac Phong
  – Constraints faced by pork traders and retailers: labour; capital; limited and fluctuating demand
  – Strong market segmentation
    • Indigenous and crosses with wild pigs only for specialty restaurants- high price

• **Inputs and services**
  – No input providers in 1 of the 4 communes (BacPhong)
  – No specialized business: feed, medicines, groceries
  – Recent increase in number of feed shops in response to increase in pig production and shift from traditional feed to industrial feed
  – Constraints: capital
What institutional arrangements are in place, from the literature?

• **Innovation 1: ‘preferred trader’** (Huong et al, 2009)
  
  – Preferred traders give higher price, for both Ban and Mong Cai
  
  – Highest margins achieved by Ban producers with preferred traders but effect on household income unclear
  
  – Market efficiency for indigenous pigs in uplands is low in comparison with that in the lowlands
  
  – Contract farming and/or marketing cooperatives should be encouraged

• **Innovation 2: linking groups to specialized outlets** (Scholl et al, 2016)
  
  – Formation of groups (various forms) has been successful in 1. linking farmers to more profitable markets and 2. increase household incomes
  
  – Yet, most members still market their pigs individually and the number of farmers involved in these schemes are small
  
  – For the long-term development, need to develop trademark registration, strict quality control and written contract with regular customers
What institutional arrangements are in place, from the literature? (cont.)

- **Example of innovation 2: common interest group and linkage with specialized traders for Ban pigs** (Thi Thanh Huyen Le et al, 2016)
  - Farmers access market information on a regular basis and therefore adjust their production to meet the customer requirements: small Ban pigs (10-15kg) preferred as specialty dish in restaurants and food stores in Hanoi, while in Son La, heavier Ban pigs (40-80kg) were demanded in the open market.

- **Innovation 3: contract farming** (Lapar et al, 2007)
  - Allows farmers to access quality inputs and services, on credit
  - But smallholders not able to access such contracts
  - Pig farmers also enter in informal contracts with traders or cooperatives
  - A major benefit of such contracts relates to reduced transaction costs arising from asymmetric information in product quality certification: farmers are able to get higher price for quality pigs
Research objectives and methods

• Identifying alternative forms of value chain arrangement
  – Assessing performance of different approaches: farmer- ‘preferred’ trader versus group approaches
  – If relevant (topic 1), facilitating ‘organic’ crossbred pig value chain development
  – Linked with ‘new’ feed options including improved mix of purchased and self-produced feeds and options for efficient response to price fluctuations
  – Integration of trials into existing livestock development institutions and the ACIAR funded Maize project

• Methods
  – select priority ‘best-bet’ options to be piloted: identify suitable locations and actors; introduce options, monitor and evaluate adoption and performance
  – Household and value chain actors surveys
Expected research outputs - on business approaches

- Factors affecting market efficiency (which supply chain arrangements could reduce transaction costs, improve marketing margins and its distribution across the actors in the chain?)
- Evaluation of tested pilot models
- Quantified linkage between market access improvements and technology adoption
- Strategies for effective uptake and scaling
- Effective partnership structure for continuity and scaling
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