

CASE STUDY 9

LINKING TO LIVELIHOODS: BUILDING INCLUSIVE BUSINESS IN VIETNAM'S CASSAVA TRADE

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OVERVIEW

Cassava is a cash crop that grows predominantly in upland areas of Vietnam with low soil fertility and high poverty rates among farmers. SNV is currently implementing a project in the north-central region of Vietnam, in which some 10,000 farmers in a cassava growing area have successfully become business partners with starch factories.

In this project, the factories are the anchor companies in inclusive business models, taking the lead in the formation of farmer groups and entering into long-term profitable business agreements for a regular input supply. Promotion of sustainable production such as intensive cultivation, soil erosion prevention and staggered cropping is based on the development of know-how within the anchor company as well as with locally operating service providers. SNV leads the process, ensuring the replicability of sustainable services for farmers within and beyond the scope of the project.

The inclusive business approach of the programme takes the medium and large enterprises as the entry point for engaging the poor. Investment, commitment and good governance is required from these enterprises to ensure the sustainability of the model.

CHALLENGE

In early 2008, SNV initiated the development of pro-poor economic opportunities in the agriculture and forestry sectors in north-central Vietnam, focusing on local people living under the poverty line. Households, producers, enterprises, local authorities and government departments in Thua Thien Hue, Quang Tri and Quang Binh provinces were interviewed to identify potential value chains through which employment could be generated and income improved. Cassava (used for starch or dry chip production) was selected as a high potential value chain and the project launched with the objective of improving the livelihoods of cassava smallholders through building partnerships with key private enterprises engaged in the business, market, and technical service linkages in the cassava value chain.

CLIENTS

Starch processing factories

Huong Hoa and Song Dinh tapioca starch processing factories mainly process and trade in cassava starch. Raw material (fresh cassava) is purchased directly from cassava smallholders (the majority of them belonging to the Van Kieu and Pako ethnic minority groups).

These two factories are captain actors in the value chain; they play an important role in supporting the partners, both in business linkage improvement and sustainable development of the value chain in the north-central region. These two clients have assumed responsibility for the implementation of the development of activities that will lead to the expected outcomes.

Cassava producer groups

Producers face many challenges in maintaining and developing cassava in a sustainable way. Currently, they cannot meet demand. Smallholder groups can assist the cassava producer groups in better preparing for contract issues, gaining access to business services, and understanding the markets in general.

Local capacity building organisations

SNV and the factories cooperate with local capacity building organizations (LCBs) to help the factories carry out specific activities to achieve the project objectives. These LCBs assist SNV with the capacity building of cassava processing factories so that they can better link with the cassava producer groups, doing business and providing technical support to them, thus ensuring the sustainable development of the cassava value chain in the north-central region.

METHOD / SNV INTERVENTION

Policy makers

Key policy makers in the partnership are the **Provincial Department of Planning & Investment** (DPI) and local authorities. DPIs have the role of coordinator and acts as the channel for information between authorities and actors. Factories have to report to DPIs. This way, the authorities feel engaged in the process and are more willing to respond to situations the private sector and small producers face as key players in the partnership.

Centres of excellence

For in-depth value-chain analysis, baseline surveys, and training course development, centres of excellence are engaged, involving universities and research centres such as **Hue Agricultural Universities, Dong Nai Research Centre, the National Food Crop Research Institute**, etc.

SNV, as facilitator of these partnerships, provides several services:

1. Market scans and value chain analysis to ensure that the intervention strategy will benefit poor people and meet market needs.
2. Organisation of smallholders into groups, followed by capacity building with the help of LCBs. This step enables small producers to access the market, improve their business skills, and strengthen their negotiation powers while reducing transaction costs.
3. Market development for business services: SNV facilitates the development of business services through local providers in collaboration with the private sector and LCBs for better provision to the smallholders.
4. Brokering and business linkage: SNV supports the process of connecting the actors in the chain by building the capacity of smallholders, facilitating dialogue, and linking businesses through contracts between private sector and smallholder groups.
5. Enabling environment: SNV supports smallholders and the private sector in entering into dialogues with policy makers. This enables policy maker awareness of issues faced by actors in the chains with the intention of policy improvement.

OUTCOME

The cassava partnership programme strengthens the linkages between smallholders and the business sector and promotes the emergence and development of business services by and for these small producers related to the cassava value chain. The programme is built on the value chain development approach and supports key actors from the level of production via processing to marketing, right up to the level of policy development at sub-national and national layers of administration.

Interventions have led to increased competitiveness and income of around 10,000 producers through:

- Improved organisational development ability of self-managed producers groups.
- Sufficient land-use allocation and planning for smallholders/producers
- Improved access to production and marketing knowledge and information provided by local service providers.
- Improved contracting system between business companies and producer groups.
- Improved accessibility to financial services and business plan training for small producers.
- Introduction of upgraded technologies for production, such as the sustainable intensive cultivation practice of cassava and short-term and long-term models for increased income of acacia and rattan.
- Improved marketing capacity and access to national and international markets for smallholders/producers and the relevant private sector.
- Policy dialogues and/or round table meetings on key environmental and sustainable development issues for cassava, acacia and rattan faced by stakeholders in the three value chains.

IMPACT

SNV aims to increase the sustainable income of approximately 10,000 cassava smallholders (mainly ethnic minority groups) in the north-central region by 20% by the end of 2012. So far, some 5,000 households benefited from various sustainable production training and being organized in 130 farmers groups that have business contracts with local cassava starch processing factories.

With encouraging result of the IB model piloted in the North Central region of Vietnam as such, SNV is currently being prepared for potential upscaling to 200,000 smallholders within the project proposal named "Reducing vulnerability of cassava farmers in the Greater Mekong Sub-region" with an aim to reduce risk

and vulnerability of 200,000 small holder cassava farmers by linking them to enterprises to form profitable and sustainable *long term* inclusive business relationships. The targeted countries include Vietnam, Laos, Cambodia and Thailand.

The expected outcomes:

- Increased sustainable income of 200,000 farmers engaged in cassava production → reducing vulnerability.
- 200,000 farmers increase their competitiveness through application of agricultural and collective business practices.
- 5,000 farmer groups are engaged in profitable and sustainable business models with medium and large enterprises.
- 30 medium and large enterprises and 50 service providers increased capacity on sustainable business models and agricultural practices.

