

Upgrading litchi production and linking farmers to the end-users The Approach by GTZ Vietnam

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Context – though Vietnam is still an agricultural country, safe fruits and vegetables are not ensured for domestic demand and the value adding is very limited

Despite the recent changes towards a more industrialized and service based economy, Vietnam still is largely based on agriculture. The vast rural areas are home to the big majority of the more than 80 Million inhabitants. Great improvements and advances have been accomplished in agriculture over the past years, but many problems prevail and the potential for adding value is not used. One of the problems within the fruits and vegetable sector is the uncontrolled use of chemicals. Vietnam annually imports approximately 30,000 tons of pesticides and basic chemicals with a total value more than USD 120 millions. This does not include the pesticides illegally imported across the China-Vietnam border. Unfortunately, the quality and the typology of ingredients often remain unidentified.



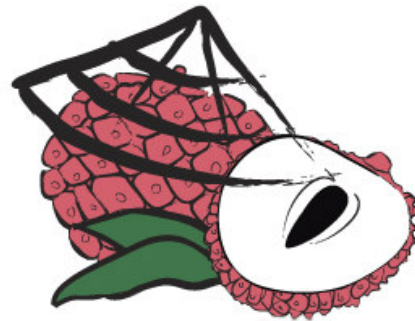
Although there are many pilot demonstrations for safe and effective use of pesticides on agricultural products, their inadequate and indiscriminate use is still predominant. This is causing a great number of harmful impacts on the health of consumers as well as on the environment of the communities. In the long run, these practices will negatively affect the sustainability of the whole agriculture production and rural development. Two main reasons for this situation are:

- Credible certification services are not well developed: the low enforcement of food hygiene and health safety regulations results in the ignorance of fruits and vegetables producers on safe pesticide use. Additionally, consumers do not trust certificates on safe vegetable and fruit as they can be obtained without a strict production process monitoring by the authorized agricultural officers.
- Incentives for safe fruit and vegetable producers are low: If the producers follow the instruction on safe proper pesticides use, which is more work intensive and might reduce yields, they hardly can get a higher margin although consumers would be willing to pay higher prices for good quality and safe products. The reason for it lies in the fact that the producers and distributors have not been able to establish credible and broadly recognized brand-names and reliable traceability systems that guarantee safe production processes.

Application of the Value Chain approach to strengthen specialty Thanh Ha Thieu litchi's competitiveness and add value to local production

For the last few years, Thieu Litchi of different qualities has been grown in different ecological conditions in the North of Vietnam. Thanh Ha Thieu Litchi is a specialty fruit that has been very famous for its taste and consumers are willing to pay a higher price for it than for other regions' litchi. However consumers find it hard to buy authentic Thanh Ha Thieu litchi on the market due to the lack of a bases for distinguishing it from litchi of other plantation areas.

With the assistance of the Vietnam Agricultural Science Institute (VASI), the "Association of Thanh Ha Thieu litchi Production and Consumption" was established in 2003. The Association members are now applying the Good Agricultural Practice (GAP) which is developed based on the combination of conventional plantation skills and advanced scientific techniques provided by VASI. Up to now, about 150 household members with a plantation area of 50 ha have produced an annual quantity of 1,500 tons of authentic litchi. However, the Association can not independently manage to (1) multiply the production practice to a larger farmer community, (2) establish a traceability system, (3) add more value to the product through preservation and processing techniques, and (4) build up its differentiated consumption channel to consumers who are willing to pay higher prices for premium and safe litchi.



Thanh Ha Thieu Litchi

The above 4 issues encountered by the Association are well illustrated in the value chain analysis report for litchi in Thanh Ha, Hai Duong provinces which was conducted in September 2005 by GTZ, hence the MPI-GTZ SME development Program decided to work on those specific 4 issues to improve the competitiveness of litchi industry.

- (1) Multiplying the GAP process to a larger farmer community: the Association does not want to limit their household members to just 150. Instead it wants to recruit more household members in the zone of protective designation of geographical origin. Hence building up the capacity of a core farmer group within the Association that is enabled to transfer the GAP production technique to other farmers is one of the core objectives of GTZ's support to the Association.
- (2) Traceability system for litchi provided by the Association: in order to create prestige for the product, a monitoring process in quality management is needed in which the product will be strictly monitored in each production and also the trading steps. In order to do so, a monitoring team and internal regulation on quality management will be trained.
- (3) Preservation and processing techniques: as the crop season for litchi in Thanh Ha and in other plantation areas in Northern Vietnam is extremely concentrated (just one month) it produces a lot of downward pressure on selling prices. Another key constraint is the distribution of litchi to high-demand but far distant markets (such as Hochiminh City in Southern Vietnam and China) due to a lack in preservation techniques. GTZ therefore cooperates with the Institute of Post Harvest Technology to add more value to the product by improving the preservation technique and advising the processors on different processing methods. By doing this, it helps the farmers to be able to diversify the products, reduce the quantity of spoiled products and sell the product at higher price throughout a prolonged period. With budget from a partnership with Metro Cash & Carry Vietnam, the Association's processing members receive support to improve their facility

and are thus able to provide preservation and processing services to other grower members.

- (4) Creating the missing linkages between the producer association and the domestic markets: GTZ – within its role as facilitator - is helping to link different players in the value chain to make the “Thanh Ha Thieu litchi” be recognized in Vietnamese market. Mai Asia – a HCMC based company – is implementing a PPP project with GTZ Vietnam on building brands for agricultural products. The company is helping the association in developing a marketing strategy, and particularly a modern logo and packaging for the litchis. But most importantly, a private distribution company called Phu Thai Group, who distributes all kinds of consumer goods to big retailers, supermarkets and outlets throughout Vietnam, has committed to distributing about 20 tons of “Thanh Ha Thieu litchi” via its distribution network in Hanoi. Together with GTZ and the Association, during the upcoming harvesting season in June 2006, Phu Thai distribution company will make a big launch of “Thanh Ha Thieu litchi” to the public by a marketing campaign with the ultimate goal of helping the brand being recognized and accepted by middle to high-income consumers. The brand “Thanh Ha Thieu litchi” will thus be available at a big wholesaler (Metro Cash & Carry) and a big retailer (Big C), as well as more than 40 smaller supermarkets and 100 outlets of Phu Thai distribution company.