

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

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Stakeholder Workshop:

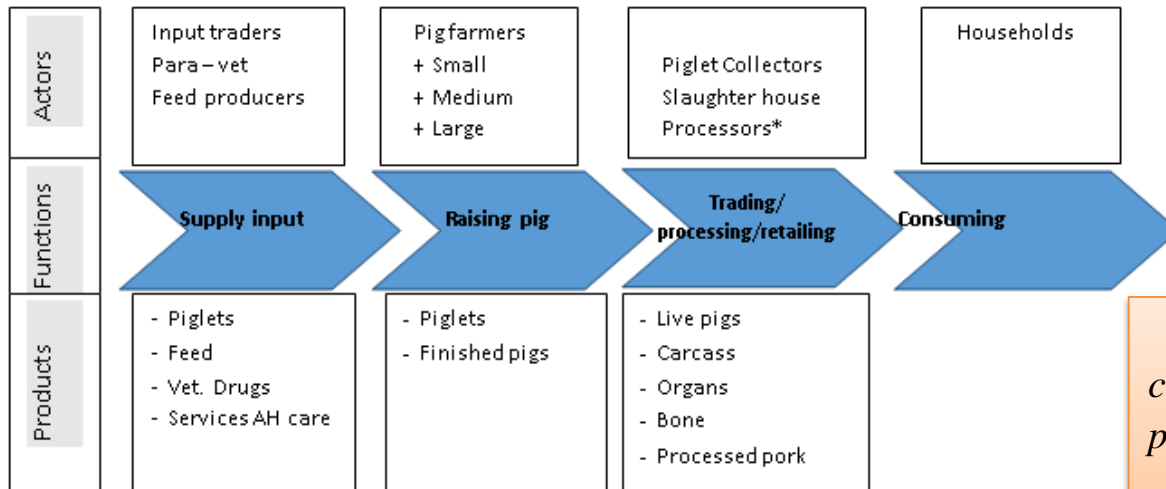
Assessing Competitiveness of Smallholder Pig Farming in the Changing Landscape of northwest Vietnam, Hanoi, 30 May 2017



# 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
- 2<sup>nd</sup> constraint in 1 village
- least important constraint in 1 village (Bac Phong)



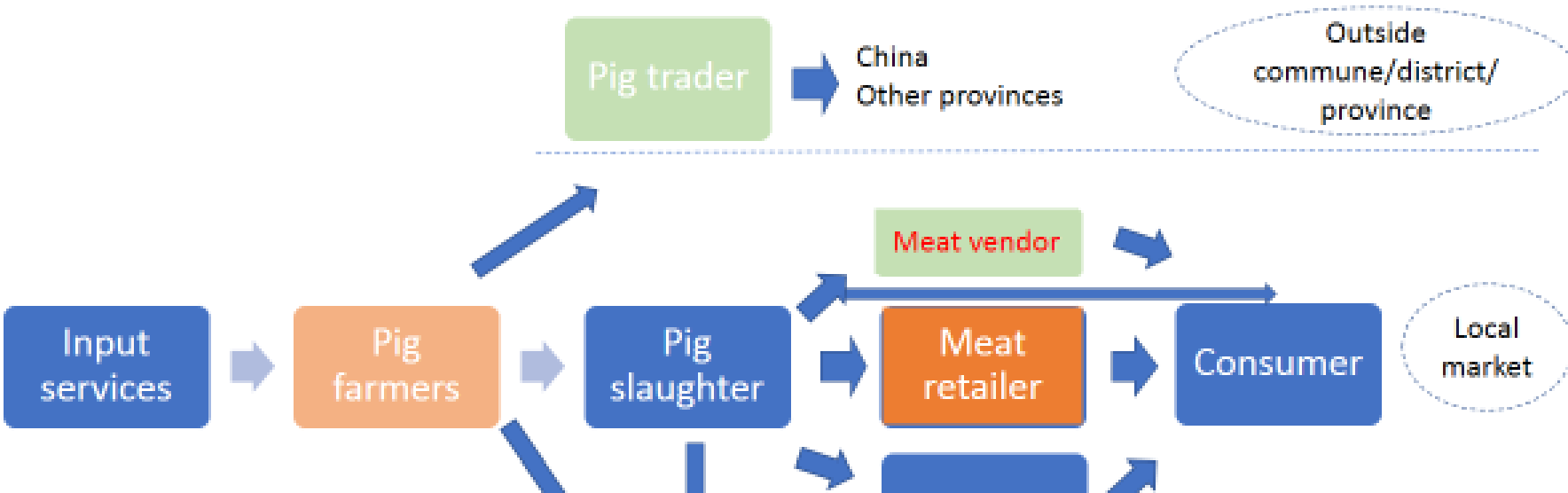
\*: Only in MuongCoi, Son La

Source: Project field data

*“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)

# Pig value chains in the 4 communes



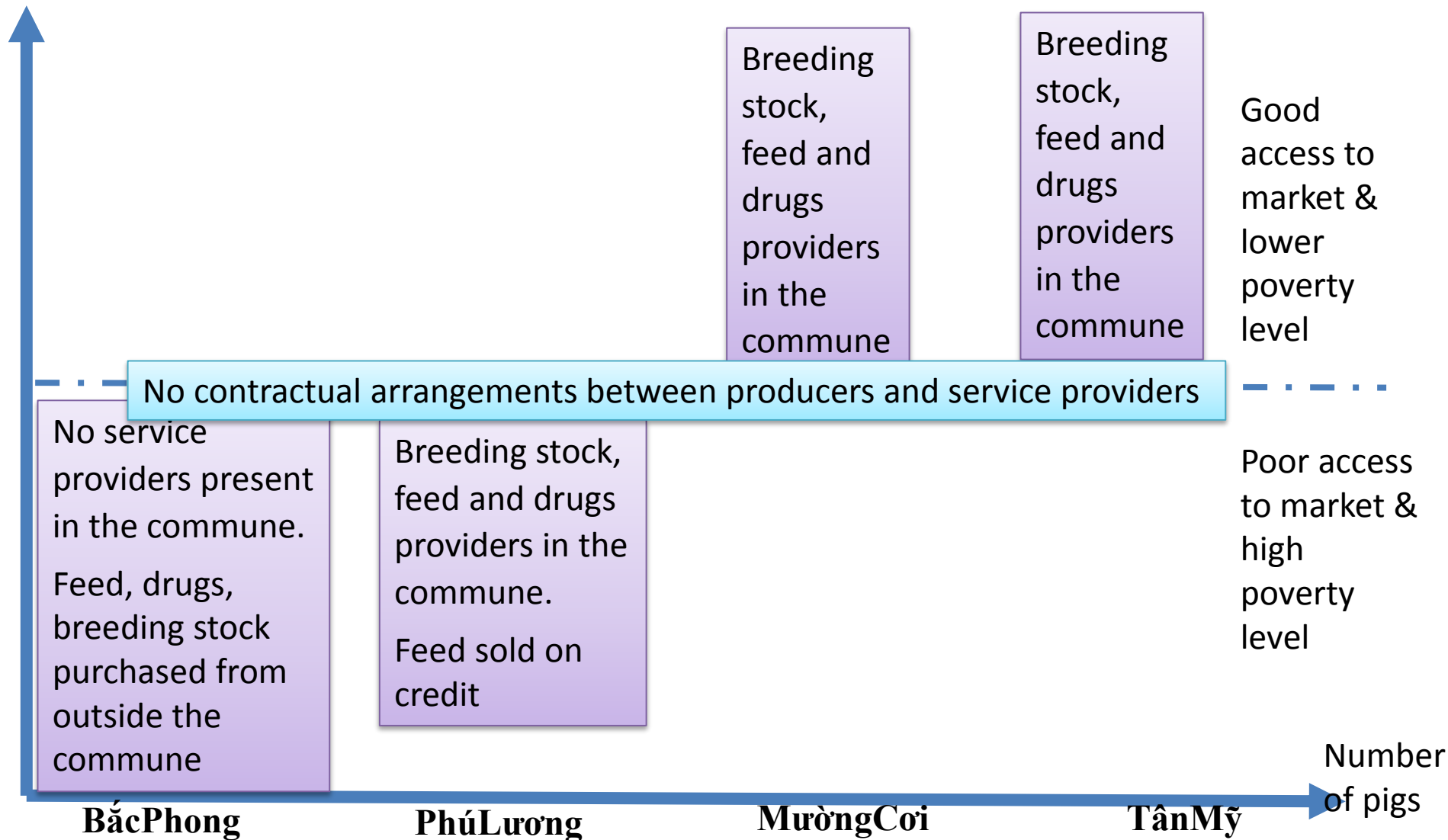
| Commune   | Difference                                 | To China |                     |
|-----------|--|----------|---------------------|
| Tan My    | No processors                              | Yes      | No contract farming |
| Phu Luong | No processor                               | Yes      |                     |
| Muong Coi | All  | Yes      |                     |
| Bac Phong | No SH, no input, no retailer, no processor | No       |                     |

Dabaco  
CP  
Food Processing firms/ contractor

Contract farming

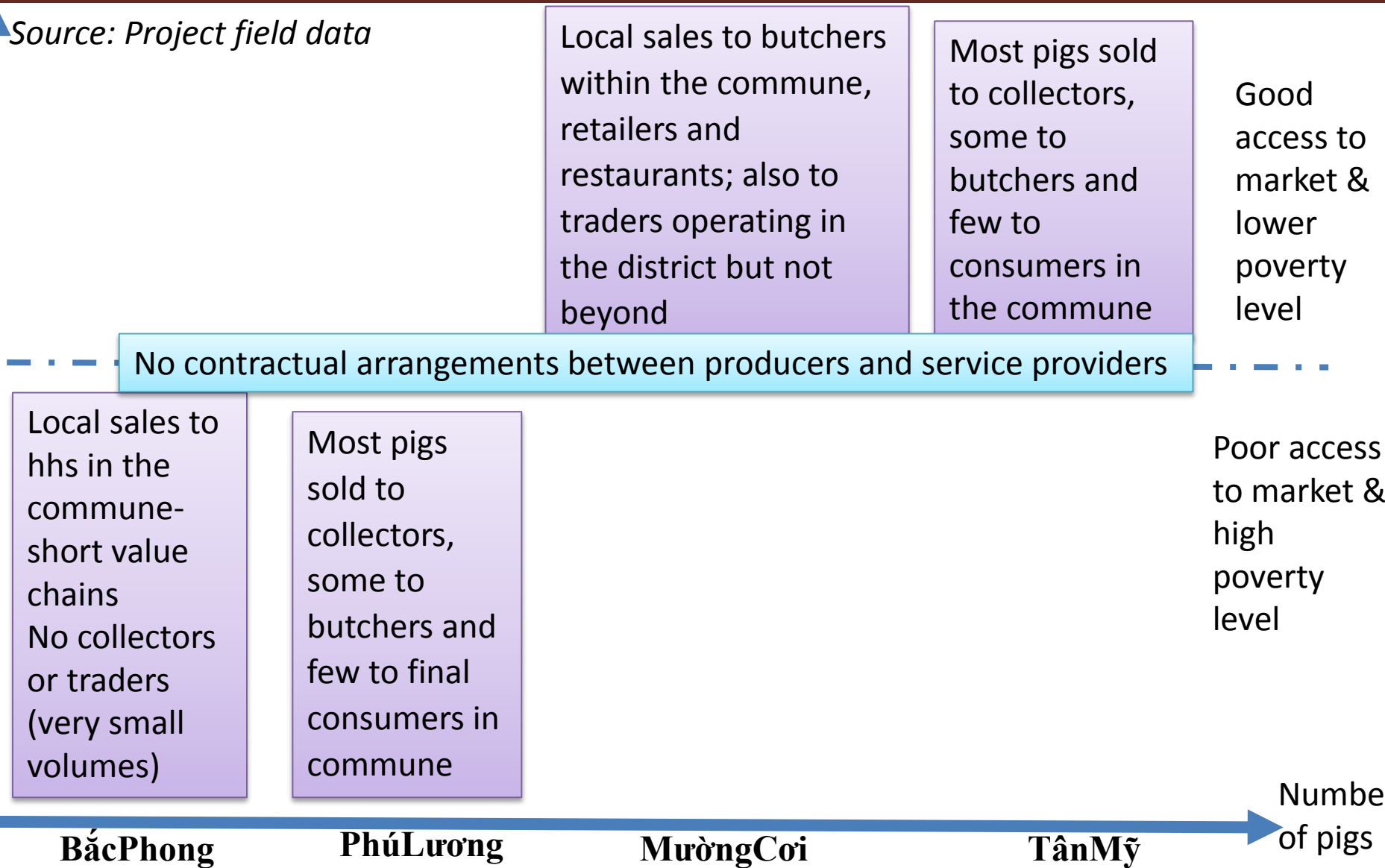
# Current business arrangements- inputs & services

Source: Project field data



# Current business arrangements- output markets

Source: Project field data



# 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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