

## Identifying business models to link smallholder farmers to markets in Northwest Vietnam



A family of Hmong farmers thresh their maize harvest in rural Northwest Vietnam. Photo by Jo Cadilhon, ILRI.

The situational analysis undertaken by Humidtropics in Northwest Vietnam identified three main value chains to bring agricultural products to markets.

1. A direct chain from farmers to consumers when farmers go to the retail market to sell their produce; the quantities being sold through these channels are negligible though they provide a source of cash for farming households in remote locations to stock on other necessary consumer items.
2. The second chain is responsible for marketing the majority of the products in the action site: it involves many intermediaries from rural collectors to city wholesalers and processing agents. It is efficient in carrying out most of the produce from remote mountainous areas to city markets.
3. The third chain is targeting regional export markets for maize, fruits, tea and coffee. It is also relatively confidential in terms of quantities but generates larger values for the Vietnamese chain actors involved.

The [recommendation from the situational analysis](#) in terms of markets and institutions was to use existing success stories of marketing business models to replicate those within value chains for indigenous local foods targeting niche markets.

So scientists from the International Livestock Research Institute ([ILRI](#)) Office in Hanoi partnered with the Agriculture Economics and Value Chains Department of the Centre for Agrarian Systems Research and Development ([CASRAD](#)) to conduct a Humidtropics value chain assessment on four agricultural products identified as interesting by the situational analysis in Son La Province of Vietnam: maize, pigs, plums and tea. The Humidtropics value chain assessment is based on the [LINK methodology](#) developed by the Center for International Tropical Agriculture ([CIAT](#)). It relies on a two-day workshop with various stakeholders from the value chains, and government and development partners. The first

part of the workshop maps the value chains of interest. On the second day participants identify interesting business models for linking smallholder farmers to dynamic markets.

The purpose of the business model identification is to understand the value proposition of the business for its smallholder suppliers and for its customers. In plain words, we ask the value chain actor involved in linking smallholder farmers with markets to ponder: What is it that makes my customers want to buy from me rather than from another supplier? Likewise, what is it that makes my suppliers (smallholder producers or small-and-medium agro-enterprises) prefer to sell to me rather than to another buyer? This information helps us agribusiness researchers for development to identify the business models that work in a given location and for a particular product. We can then try to adapt and replicate them in another commodity chain or location.

For example, consider the maize collectors in Son La Province of Vietnam. These traditional marketing intermediaries are too often decried as 'evil middlemen'. But the group working on maize at the workshop, which included two farmers, one collector and the CASRAD facilitator expert on grains value chains, identified their clear value proposition to both smallholder suppliers and animal feed miller customers: they provide a very convenient service. These collectors make sure that the maize they sell to the millers is of the required quality in terms of humidity content; their extensive network of maize farmers and oven owners allows them to respond immediately to the demand of millers when they need grain to help feed the booming livestock industry in Vietnam. The convenience of the collectors' service for the ethnic minority smallholder producers farming high up in the remote mountains of Son La Province is even more interesting: they pay for the harvest in cash upon collection from the farm plot; they send and pay for the transport of the grain down from the mountain; they provide a good price for the grain; they usually help producers by investing in farm services and inputs against a commitment from the farmers to sell the maize back to them; finally, they also provide gifts in kind to their suppliers who do not have to worry about finding a market outlet for their maize, even in the full glut season.

The plum value chain also looked into the business model of its large collectors who have to manage large networks of smaller collectors to respond to the demanding requests of national and overseas fresh fruit wholesalers. The pig value chain actors investigated the value proposition of small rural slaughterhouse operators who pick and choose the best quality animals among the local, hybrid or super-lean breeds available to respond to the culinary demands of consumers, restaurants and meat processing workshops. Finally, the tea group unfolded the details of the contract farming model of the Cau do tea company of Moc Chau District, which involves leasing its land to smallholder tea farmers in exchange for fresh tea bud supplies. All these insights into functioning business models linking smallholder farmers to dynamic markets will help us suggest future Humidtropics Research for Development (R4D) interventions on policies, institutions and markets.

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