

Market development is key to raising the living standards of people who live in Vietnam's uplands. Policies and development programmes to help farmers improve production and processing of forest and agricultural products will always be limited without parallel support to marketing. This study shows that efforts to assist farmers (and harvesters of natural produce) to get better and more reliable prices need to take into account full market chains – not just what happens at the “farm gate”. Market opportunities and prices are constrained by factors that affect traders first, with knock-on impacts on producers. Constraints range from heavy burdens of formal and informal taxes to a basic lack of information in villages and district market places. Policy solutions lie not in drawing up new policy statements, but rather in better implementation of the many very positive policies that already exist to support poor upland residents. Fundamentally, better implementation may require some deep-rooted changes in the culture of government and development agencies, to support the individual and group initiatives that small-scale farmers and traders are developing for themselves.

This report describes the results of research carried out by Dr Le Thi Phi and her team from the NTFP Research Centre and Economics Department of the Forest Science Institute of Vietnam, in partnership with the Planning Division of the Quang Ninh Department of Agriculture and Rural Development. This research is a component of a wider project *Land use and sustainable livelihoods in upland Vietnam*, coordinated by IIED and funded by Sida. Further information on the wider project is available from IIED. This report is derived from a more comprehensive report that is available from IIED (in English) or from the NTFP Research Centre (in Vietnamese and in English). The English version is also available on IIED's website: www.iied.org/forestry

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Making the most of market chains



Le Thi Phi, Nguyen Van Duong,
Nguyen Ngoc Quang, Phan Lac Vang

Editors: Elaine Morrison
and Sonja Vermeulen



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Making the most of market chains: challenges for small-scale farmers and traders in upland Vietnam

Authors:

Le Thi Phi
Nguyen Van Duong
Nguyen Ngoc Quang
Phan Lac Vang

Editors:

Elaine Morrison
Sonja Vermeulen

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Email: enquire@earthprint.co.uk and from:

Dr Le Thi Phi
Non-Timber Forest Products Research Centre
Forest Science Institute of Vietnam
8 Chuong Duong Do
Hoan Kiem
Hanoi, Vietnam
Tel. +84 4 9 320970 or +84 4 9 826771
Fax. +84 4 9 320996
Email: l.t.phi@hn.vnn.vn

Correspondence should be addressed to:

Dr Le Thi Phi, NTFP Research Centre as above, or
Ms Elaine Morrison
Forestry and Land Use Programme
International Institute for Environment and Development
3 Endsleigh Street, London WC1H 0DD, UK.
Tel. +44 20 7388 2117
Fax. +44 20 7388 2826
Email: elaine.morrison@iied.org
Website: www.iied.org

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Executive summary

Introduction and objectives

Constraints in the market chain can prevent small-scale farmers from achieving better market conditions and prices for their agricultural and forest produce. This study conducted full market chain analyses for a range of products (including timber, bamboo, pine resin, cinnamon and star anise) in the northern uplands of Vietnam (four districts in Quang Ninh province) to identify these constraints and to point to best options for improving outcomes for small-scale farmers and traders.

Findings: key market chain constraints

◆ Multiple formal and informal taxes

Resource taxes, VAT and buy-from-afar taxes, payable by traders at district offices, have a direct negative impact on farmgate prices. These *formal* taxes are applied only to forest products that are bulky or have an important economic value, such as bamboo, cinnamon and timber. Traders are also subject to *informal* fees, without legal mandate, which in turn affect product prices. These may be based on existing policies and regulations, but are often misused.

◆ Non-implementation of government policies

An important amendment to national policy has been to exempt traders of upland products from value added tax (5%), buy-from-afar tax (10%) and the resource tax for planted forest products. But national policy has not translated into local practice. These three taxes are applied in most of the areas surveyed, where they represent a source of income to local authorities. Executive bodies such as Forestry Inspection and transport police have responsibility for proper policy implementation, but it is not well supervised.

◆ Government focus on technical assistance

National agriculture and forestry programmes have tended to identify crops best suited to a particular locality and then to encourage and support farmers to plant those crops over a large scale, with a focus on technical extension without capacity building for farmers on marketing.

◆ Limited market information and marketing skills

Both producers and traders tend not to know prices and market channels outside their immediate geographical areas. Producers are particularly badly informed, for example, decisions are made about storing versus selling their harvests on the basis of poor market information.

◆ **The international market: uncertain and difficult to access**

National policy encourages international exportation, but the export market is poorly coordinated. Capacity to anticipate fluctuations in the international market is insufficient, putting export companies at an unnecessarily high level of risk.

◆ **Effects of the 'closed forest policy'**

The closed forest policy has had both positive and negative effects on farmers: cultivation of tree crops such as sandalwood and cinnamon has become a truly viable land use, but illegal logging has not been stopped. For some of the very poorest households, illegal logging remains the only alternative for income generation.

◆ **Monopsony and other advantages enjoyed by the State Forest Enterprises**

While national policy supports open and competitive trade, state-owned enterprises continue to be protected by preferential rights over production, purchase and sale granted at province or district level, disadvantaging individual and small-scale farmers and traders.

Recommendations

Implementation of enabling and supportive policies and structures for effective market chains

- ◆ *Thorough implementation of government policies:* Tax exemption policies for agricultural and forest products – providing exemption from resource tax, VAT and buy-from-afar tax in mountainous areas, especially in zone 3 areas, for the benefit of upland people – should be applied throughout all districts and provinces.
- ◆ *Better institutional accountability:* A key challenge to government at local and national levels is to build a more responsive system of governance to provide accountability to small-scale traders and producers. Small claims courts, transparent complaints procedures and targets for local service provision could all help. A watchdog agency to monitor bribery and “informal taxes” could be a worthwhile long-term option, coupled with a radical change in bureaucratic culture away from “repaying initial investment” (compulsory bribes paid to secure positions in executive bodies) towards “social service” without personal gain.
- ◆ *National market support agency for upland products:* An agency to monitor and coordinate the export market of NTFPs could be set up at national level, to assist rather than to control the export opportunities for both large and small businesses. Useful models exist in other industries, such as shrimp, coffee and rice. A public-private joint venture may be the best option to cover the costs of the agency.

Improved sharing of information between grassroots and policy levels

- ◆ *Market information sharing:* Government at district and provincial levels, governmental and non-governmental support agencies, and national media could take action to improve information flows. Market information could be included in the daily or weekly local mass media (broadcasting, television, newspapers) programmes of every locality. Useful information could include buying and selling prices of products in the local, provincial, national and even international markets, quality concerns, customers, demand and supply of particular products, and so on. Less formal channels, such as telephone calls between traders, could also be utilised more fully.
- ◆ *Policy feedback between grassroots and government levels:* Government could take action to disseminate relevant policy to people at grassroots level in

general and to small traders in particular, more effectively – with a focus on explaining policy in terms of people’s day-to-day lives rather than reporting Programmes and Decisions from a government perspective. Mechanisms such as meetings among different stakeholder groups in the market chain (producers, traders, government agencies) can be useful to inform policy about grassroots experience.

A change in culture among government policymakers and service providers from top-down directives and replication of models, to collaborative, responsive approaches based on local needs and conditions

- ◆ *Marketing as well as technical extension:* Projects and programmes that aim to improve upland livelihoods through development of agricultural and forest products could include capacity building on marketing as well as the present advice on cultivation and processing. The “Market Analysis and Development (MA&D)” tool has proven useful where it has been pilot-tested, and could be applied more widely.
- ◆ *Support to self-help initiatives:* Support to existing community initiatives may be a cost-effective means of promoting local market opportunities and development. Further, support should be provided to establish farmer interest groups, especially those who plant or gather the same products, in order to assist them in resource management and market development for a good sustainable income. Farmer interest groups may work as an effective channel for loans for processing and storage so that farmers are able to sell their produce at better prices.

Avoid actions that will not contribute to, or will take away from, improved market opportunities for upland products. Some approaches do *not* contribute to improving the livelihoods of upland farmers and traders:

- ◆ Sweeping policy reform (though specifics such as lifting SFE monopolies and monopsonies would be useful)
- ◆ Greater restrictions on marketing of products by individual traders
- ◆ Further programmes to promote wide-scale growing of “miracle crops” (e.g. coffee, fruits such as lychee and plum, *huong bai* grass)
- ◆ Attempts to cut out “middlemen” – who are in most cases effective contributors to market chains
- ◆ Construction of market places without clearly demonstrated local need
- ◆ Blanket promotion of sharing of market information, without recognition of risks to small-scale farmers and traders

Note on authors

Dr Le Thi Phi is a researcher at the NTFP Research Centre of the Forest Science Institute of Vietnam, based in Hanoi. She is the team leader of this project.

Mr Nguyen Van Duong is a researcher at the NTFP Research Centre of the Forest Science Institute of Vietnam, based in Hanoi.

Mr Nguyen Ngoc Quang is a researcher in the Forestry Economics Research Division of the Forest Science Institute of Vietnam, based in Hanoi.

Mr Phan Lac Vang is Head of the Planning Unit of the Department of Agriculture and Rural Development, Quang Ninh province.

Ms Elaine Morrison and *Dr Sonja Vermeulen* are Research Associates in the Forestry and Land Use programme, International Institute for Environment and Development.

Acronyms

DARD	Department of Agriculture and Rural Development
FAO	Food and Agriculture Organisation of the United Nations
FI	forestry inspection
FSIV	Forest Science Institute of Vietnam
HAPACO	Hai Phong Paper Company
IIED	International Institute for Environment and Development
MA&D	Market Analysis and Development
NTFP	non-timber forest products
NR	natural resources
RECOFTC	Regional Community Forestry Training Centre
SFE	State Forestry Enterprise
Sida	Swedish International Development Cooperation Agency
VAT	value-added tax

Exchange rates

(January 2004) US\$1 = 15,700 Vietnamese Dong

1 euro = 19,100 Vietnamese Dong

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Contents

1	Introduction	1
2	Context and methods	3
2.1	The uplands of Vietnam: natural wealth and household poverty	3
2.2	Challenges and opportunities in Quang Ninh province	3
2.3	Study sites	6
2.4	Research methods	9
3	Key findings	13
3.1	Multiple formal and informal taxes	13
3.2	Non-implementation of government policies	18
3.3	Government focus on technical assistance	19
3.4	Limited market information and marketing skills	21
3.5	The international market: uncertain and difficult to access	23
3.6	Effects of the “closed forest policy”	26
3.7	Monopsony and other advantages enjoyed by the State Forest Enterprises	28
4	Conclusions and recommendations	31
Annexes		
1	Market analysis and development methodology (MA&D)	39
2	List of scientific, local and common names of products and their uses	40
3	Main provisions of selected Government of Vietnam policies	41
4	Synthesis of constraints and recommendations identified at district and provincial workshops	42

Boxes

1	Uni-dimensional and multi-dimensional definitions of poverty in the Vietnamese uplands	4
2	Forest classification in Vietnam: is 'protected forest' forested and is 'bare' land bare?	5
3	Formal and informal taxes paid by bamboo traders in Ba Che	17
4	High taxes make cinnamon trade impossible in Ba Che	17
5	Heavy fines and losses put trader out of work	19
6	<i>Huong bai</i> grass: initial success leads to over-production	20
7	Harmonisation of prices impeded by lack of information	22
8	Potential for organic farming	23
9	Bamboo in Hoanh Bo: profits to be made by those with export monopoly	24
10	Fluctuating international markets for star anise	25
11	Forests closed to local farmers – but not to illegal loggers	27
12	Case study of a State Forest Enterprise: Uong Bi pine resin processing factory	30
13	Group marketing and the importance of initiative and contacts	37
14	Market information is easier to access when there is less at stake	38

Tables

1	Summary of livelihoods and resources in the four study districts	8
2	Products selected for study in each district	9
3	Summary of fees and taxes paid by traders in Quang Ninh, indicating informal (no receipt) and formal (receipt) charges	16
4	Quang Ninh's cinnamon crop is less lucrative to producers than that in Yen Bai	19

Figures

1	Map of Quang Ninh Province, showing districts and main urban centres	7
2	Ba Che bamboo: an example of multiple formal and informal taxes	14
3	Hoanh Bo <i>tre doc</i> bamboo: an example of multiple formal and informal taxes	15
4	Dam Ha cinnamon: how households benefit by by-passing middlemen	18
5	Hoanh Bo <i>reishi</i> mushroom and <i>la khoi</i> : how information travels along the market chain	21
6	Binh Lieu star anise: an example of access to subsidies and markets	24
7	Hoanh Bo timber: incentives for illegal extraction under closed forest policy	26
8	Quang Ninh pine resin: SFE monopsony limits producers' income	28
9	Causes of low farmgate prices for upland products	32
10	Causes of reasonable farmgate prices for upland products	33

Introduction

Recent rural development discourse and investment have accentuated development and liberalisation of markets, at local and national levels, as a means of improving living standards in rural areas. Vietnam exemplifies this market-oriented approach: the post-1986 era of renovation policies, known as *Doi Moi*, has involved rapid opening of international trade. Specific trade agreements have been reached with ASEAN, the EU and the US, among others. Globalisation of trade has presented market opportunities for rural Vietnamese – the rapid expansion of the coffee industry is a case in point – but with increased opportunity has come increased vulnerability, illustrated, for example, by the uncontrollable drop in coffee prices during the late 1990s.

Increasing participation in the global market has been mirrored in domestic policies aimed at developing market opportunities for poor rural people. The major poverty alleviation initiative, Programme 135, has for example provided funds for construction of market places in poor communes throughout the country. While the impacts of specific interventions are open to question, there is no doubt that, overall, Vietnam has had great success during the past decade in reducing the number of people living below the poverty line. But poverty remains entrenched within certain social groups and geographical areas (notably ethnic minorities in the uplands)¹, and the gap between wealthier and poorer households is growing. At the same time, growing wealth in urban areas is increasing demand for non-basic foodstuffs and non-food commodities – a great opportunity for upland farmers, who grow little rice for sale, but cultivate and collect “minor” products such as spices, medicinal herbs, bamboo and fruit in abundance.

Cash income from marketing agricultural and forest products remains vital to the livelihoods of rural Vietnamese households, as for many around the globe, yet that income is often insecure or bears little relation to the value of the product further down the market chain. Why is the production end of the market chain so poorly rewarded and uncertain? What sorts of interventions could help farmers and traders to get a better deal? This report presents the results of a research project that conducted full market chain analyses for a range of products in the northern uplands of Vietnam to try to answer these questions. Section 2 of this

1. The 2004 *Vietnam Development Report: Poverty* (World Bank) provides a detailed analysis.

report provides contextual information on this province, the study sites within it and the research methods used in this study. Section 3 goes on to report the key findings of the study. Section 4 offers conclusions and recommendations.

Context and methods

2.1 The uplands of Vietnam: natural wealth and household poverty

On a national scale, the mountainous regions of Vietnam are regarded as important in their role as watersheds – hydropower provides a substantial proportion of electricity nationally and thus land management for watershed protection is emphasised – as well as sources of upland crops and forest products, such as bamboo, timber, fruits, spices and medicinal herbs. However, goods and services provided by the uplands largely benefit the lowlands. Communities living in the uplands suffer entrenched poverty and food shortages – particularly prevalent among ethnic minorities and the most isolated households. Thus the natural wealth of the uplands contrasts sharply with the extreme poverty of many communities and families who live there (box 1).

People's livelihoods in upland areas have improved in the last decade, but, as the 2004 Vietnam Development Report describes, residents of remote mountainous areas have not seen their incomes and living standards rise as fast as those of residents in the lowlands. Government has made a special effort to reach poorer communities in the uplands through a range of national initiatives such as Programmes 327, 661 and 135 (see annex 3 for a list of policies referenced in this report), but these kinds of poverty alleviation initiatives are constrained by top-down planning and the inherent isolation of many communities, among other factors. Market liberalisation since 1986 has opened market channels for forest and agricultural products from the uplands, but not necessarily raised farmgate prices. The big gap between the living standards of those in upland and lowland areas, and among better-off and poorer households in the uplands, remains.

2.2 Challenges and opportunities in Quang Ninh province

In order to study the structure of upland markets in depth, it was decided to focus on one province rather than attempt to span a number of very diverse northern upland provinces. Provincial policies, and provincial adaptations of national policies, vary, as does their implementation. Focusing on one province also enabled close collaboration with the provincial authorities.

The north-eastern province of Quang Ninh was selected for study, based on the presence of an active market in upland products, existing background information, accessibility from Hanoi (and *to* Hanoi, for marketing purposes), and the presence

Box 1. Uni-dimensional and multi-dimensional definitions of poverty in the Vietnamese uplands

Vietnam's poorest communities live mainly in upland areas, and the northern mountain region is the poorest area of the country. Over 30% of households in this region are classified as poor (based on per capita income); in some provinces such as Lai Chau, Cao Bang and Ha Giang, the incidence of poverty is as much as 45%.

The Government of Vietnam classifies both households and communes along poverty criteria, in order to best target delivery of poverty-reducing programmes. Guideline income thresholds are set by central government and can be adjusted by provincial governments. At present, 'poor' households in Quang Ninh province are those with a monthly per capita income of less than 100,000 Dong (about US\$6.50).

Communes are classified as 'poor', and therefore recipients of Programme 135, if they basically satisfy the following six criteria:

- ◆ Household income: more than 40% of households are 'poor'
- ◆ Isolation: more than 20km from a centre that has a clinic, school or government office
- ◆ Infrastructure: lacking roads, electricity, irrigation, clean water supplies
- ◆ Education: more than 60% of people are illiterate
- ◆ Agriculture: dependent on forest produce and shifting cultivation
- ◆ Credit and market access: lack credit and market access

The official definition of household poverty provides a workable basis for delivering assistance programmes, and the commune-level definition utilises a broader view of poverty, bringing in categories based on local circumstances and opportunities to inform the simple 100,000 Dong household income indicator. Other dimensions of poverty, such as relative access to the judicial system or political power, are not included. However, great effort has been made in recent years to deepen policy makers' and poor households' analyses of poverty via a series of participatory poverty assessments in provinces throughout the country. The *2004 Vietnam Development Report: Poverty* (World Bank) offers a summary of the key insights.

of different ethnic minority groups in upland areas. Most importantly, Quang Ninh was chosen as a province where rapid change in market access is possible. There is a progressive provincial government, which is actively seeking better information on marketing as well as ways to stop the growing income inequity within the province. Quang Ninh has a coastline with several large ports that handle a significant amount of trade and it borders China, which offers a potentially huge international market.

Quang Ninh is not one of Vietnam's poorest provinces; in 1999 the monthly average income of farmers was 120% of the national average. Of course, this provincial figure conceals spatial variation in wealth. In Quang Ninh, as in other provinces of Vietnam, poverty is concentrated in the uplands. More than 10% of Quang Ninh's households are classified as 'poor', and 35 of its 183 communes qualify for Programme 135, which focuses on poverty alleviation. In this sense, the upland areas of Quang Ninh are comparable to other parts of the northern uplands of Vietnam, and the province can offer many generalisable lessons about the constraints that farmers face and the innovations that can overcome these hurdles.

In recent years, various national and provincial programmes have had an impact on livelihoods in Quang Ninh, and there have been significant improvements in the production of agriculture and forestry products. Food security, while far from adequate in some areas, has improved. More than 20,000 households have been allocated land, and more than 10,000 households have borrowed money for production (lack of credit is thought to be a major factor contributing to poverty). The area of forest land in the province has increased from 27% in 1972 to 38% now (provincial government data). Most new forest cover is on previously 'bare' (unforested) land in mountain districts (box 2).

The topography and generally poor infrastructure mean that communication in some communes is very difficult – which, as we shall see below, is a major hindrance to an efficient market (as well as to effective field research!). For example in Don Dac commune of Ba Che district, it usually takes three to four days for commune leaders to inform the village heads that a meeting is to be held.

Box 2. Forest classification in Vietnam: is 'protected forest' forested and is 'bare' land bare?

There are two systems of forest classification in Vietnam: one in terms of designated land use and the other in terms of existing land cover.

Designated land uses include three categories of forest land: production forest, protection forest and special use forest. In practice, categorisation of forest land is based on a combination of factors, most importantly slope. Thus, protection forest areas vary in the type and extent of actual tree cover, with some areas not forested at all. Nonetheless, protection forests are categorised as such in order to protect water sources and soil, to control soil erosion, to resist natural disasters, to regulate climate and to contribute to the preservation of the ecological environment. In order to ensure that they provide such protection services, the Government of Vietnam has placed certain land use restrictions on areas of watershed protection forest. The exact restrictions on land use, which are under review, depend on whether an area is designated as highly critical, critical or less critical. In highly critical areas, which are managed by Forest Management Boards, forest cover must be maintained at 80%, leaving 20% for agriculture, fisheries or eco-tourism. Felling is prohibited but collection of dead wood and non-timber products is allowed.

Forest land cover classifications include natural forest, plantation and 'unforested' land, sometimes translated as 'bare' land. This typology is based on actual cover rather than designated use, so that it is not uncommon to find 'unforested' or 'bare' land within the different categories of production forest, protection forest and special use forest. In formal terms, 'bare' land has a cover of less than 25m² of timber per hectare. It includes areas of shifting cultivation under fallow, but also natural secondary regeneration after forest clearance or loss through natural causes.

2.3 Study sites

Four of Quang Ninh's six mountainous districts were selected for survey: Ba Che, Hoanh Bo, Dam Ha and Binh Lieu (table 1 and figure 1). Taken together, these districts provide a thorough representation of the different upland conditions in Quang Ninh, in terms of the range of ecological conditions, land types and products sold. Within each district, two communes were selected for detailed survey: the criteria for commune selection were degree of poverty, presence of marketing activities, accessibility by road for trucks, and presence of products that are marketed across a large area of the district.

- ◆ *Ba Che* is one of the poorest mountainous districts of the province where forest products are major cash income sources for households and of these, bamboo is the most important. Ba Che includes significant areas of 'bare' land. Ba Che is very similar to Tien Yen district and is taken as being representative of Tien Yen for the purposes of this study.
- ◆ *Hoanh Bo* district has relatively complicated topography including a high plateau inaccessible by road. However it is located close to the tourist and industrial areas; consequently marketing of its products is more active and the number of marketed products is also more diverse. The main products are timber, bamboo and medicinal plants.
- ◆ *Binh Lieu* is a border district and is famous for its production of star anise; pine resin is also an important crop.
- ◆ Finally, *Dam Ha* is a newly established district, derived from the former district of Quang Ha, and considered representative of the other district created by the split, Hai Ha. These two districts share a range of mountains. Natural forest covers the higher altitudes and cinnamon is grown at mid-altitudes.

Figure 1. Map of Quang Ninh Province, showing districts and main urban centres

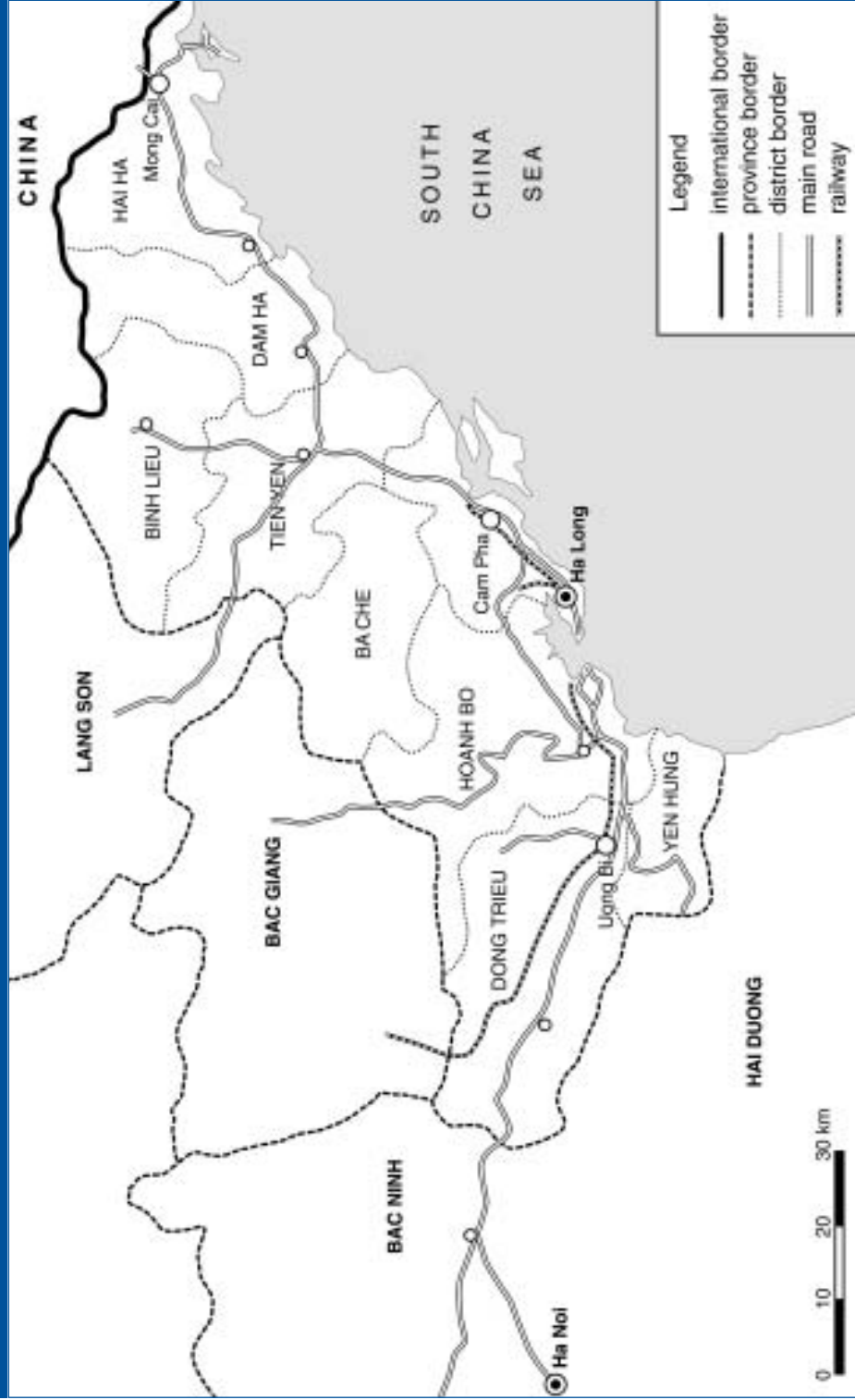


Table 1. Summary of livelihoods and resources in the four study districts				
	Ba Che	Hoanh Bo	Dam Ha	Binh Lieu
Total area	57,700 ha	82,400 ha	29,000 ha	46,100 ha
– of which agricultural land	1,300 ha (2%)	4,400 ha (5%)	3,300 ha (12%)	6,000 ha (14%)
– and designated forest land	23,000 ha (40%) – area of natural forest statistics not available	54,800 ha (65%) including 45,084 ha natural forest and 8,744 ha plantation	22,800 ha (79%) including 8,681 ha natural forest and 4,467 ha plantation	33,400 ha (72%) including 6,043 ha natural forest
Population (density)	17,100 (0.3/ha)	37,000 (0.5/ha)	30,000 (1.0/ha)	24,100 (0.5/ha)
Ethnic groups	8 groups: Dao, Tay, San chi, San riu, Cao lan, Hoa, Muong, Nung – and Kinh	5 groups: Dao Tay, San chi, San riu, Cao lan – and Kinh	5 groups: Dao, San riu, San chi, Tay, Hoa – and Kinh	4 groups: Tay, Dao, San chi, Hoa – and Kinh
Topography and vegetation	Mountainous and wooded, with large areas of natural bamboo forest	Diverse: lowland, midland and mountainous with high forest cover in the 5 mountainous communes	Very diverse: location and soils more favourable than Ba Che	Diverse: agricultural land mainly in lowland areas, special product forests in uplands
Infrastructure	Poor, tertiary roads to communes, accessible in good weather only	Close to national road 18 – connects to cities and towns. Access is good but infrastructure within districts is poorly developed	National road 18 to China crosses centre of district. Access is good except to high mountain communes	Includes Hoanh Mo border gate with China – but only one road connects Binh Lieu to other districts
Poverty ranking (see box 1)	7 communes: all 'poor'	12 communes: 5 'poor'	8 communes: 2 'poor'	7 communes: 5 'poor'
Main sources of household income	Bamboo, other NTFPs, recent diversification into fruit and sugarcane	Bamboo, other NTFPs, legal and illegal timber harvesting	Cinnamon, aquaculture and some timber	Pine resin and star anise
Recent initiatives	Various poverty alleviation programmes have promoted lychee, longan and other fruits over large scales	National forestry programmes and projects backed by international organisations assist farmers in planting acacia; nature reserve to be established in two mountainous communes	Dam Ha district was created in 2001 and services are as yet poorly developed. However it is the 'granary of Quang Ninh' and receives less assistance than other districts	Border district, mostly ethnic minorities –receives more assistance. Self-sufficient in food in lowland areas
Communes studied	Don Dac and Thanh Lam – both 'poor'	Tan Dan and Dong Lam – both 'poor'	Quang An and Quang Lam – both 'poor'	Hoanh Mo and Huc Dong – Huc Dong 'poor', Hoang Mo not 'poor'

2.4 Research methods

Research activities included three components: a *market chain analysis*, based on semi-structured interviews with producers and traders within a “Market Analysis and Development” framework (MA&D; see below for explanation); a simple *policy analysis* to inform the market chain analysis and to provide information for producers and traders; and a series of *workshops at district and provincial level* to bring together various stakeholders in the market chain to discuss and take forward the issues arising within the study.

A modified version of the “Market Analysis and Development” (MA&D) methodology developed by RECOFTC and FAO was used to guide the market chain analysis field research. A description of the MA&D methodology is given in annex 1. In brief, this methodology aims to enable local people to identify potential products and develop markets that will provide income and benefits without degrading the resource base. MA&D emphasises ownership of the research process by farmers, an advantage that this research forewent in order to gather sufficient policy-relevant information in a short period of time. Nonetheless, participatory research techniques were used where possible, and farmers involved in the research were given the opportunity to participate in the later workshops.

To select a representative subset of products for study, commune authorities were asked to list commodities produced in their areas. Products in five broad groups (timber, collected NTFPs, cultivated NTFPs, perennial tree crops and agricultural crops) were selected separately for the four districts (table 2). A glossary of products and their uses is given in annex 2. The selections were based on the following criteria:

- ◆ economic value of each commodity to the commune (and particularly to the poorer households);

Table 2. Products selected for study in each district				
	Ba Che	Hoanh Bo	Dam Ha	Binh Lieu
Timber	Plantation timber	Natural and plantation timber		
Collected non-timber forest products	Bamboo	Bamboo, morinda root, <i>reishi</i> mushroom and <i>Canarium</i> latex		
Cultivated non-timber forest products	Pine resin	Pine resin		Pine resin
Perennial tree crops	Cinnamon, lychee, longan		Cinnamon	Star anise
Annual crops			<i>Dia lien</i>	

- ◆ the number of households benefiting;
- ◆ and whether the commodity was likely to be of economic importance in the near future.

Market chains were then tracked through semi-structured interviews with stakeholders in the market chains for each product. The emphasis throughout was to identify the main constraints within the market channels that were limiting producers and small-scale traders. The following set of research questions guided the research process:

1 Scope

What are the market chains of the selected products? How many direct actors are involved in the chain? How were these chains formed and developed? What is the movement of the product through the chain, from producer to consumers?

2 Pricing

What is the product price received and offered at each link of the marketing chain? What are the key factors influencing the pricing of the product (for example demand and supply, competition, infrastructure, taxes, fees, local rules, policies and regulations) along the market chain? How do prices fluctuate?

3 Information

Are producers aware of the product's use, customers, market channel and price? Do they know the price of the same product in other areas? How does market information flow?

4 Constraints

What are the constraints at each link of the market chain (for example access to information, policies, taxes, infrastructure, resource management, technology, credit)? How can these constraints be overcome or reduced?

5 Assistance

What external assistance is needed to improve the marketing initiative of the farmers, their access to information, and product development for the market? How can this assistance be provided?

The field research was complemented by a study of national, provincial and district policies affecting the development of markets for upland products in Quang Ninh province². The policy analysis was based on information collection and interviews at provincial, district and commune levels. Particular policies are referred to in more detail where relevant in the text below and the most important are listed in annex 3.

Following fieldwork and analysis, the research team hosted three workshops at which the results were discussed with a range of stakeholders. The first two workshops were held in Hoanh Bo and Ba Che districts, and the final workshop was a provincial level meeting, held in Ha Long. These workshops were the first fora, as far as is known to the research team, to enable multiple stakeholders along the market chain to come together. Participants included producers, traders, middlemen, processors, representatives of district and provincial authorities, extension services and the SFE. At the provincial level workshop there was also a representative of each of the police, the trade department and the tax department, plus representatives of commune authorities.

The two aims of the workshops were to allow exchange of information and opinion among participants from a range of backgrounds and perspectives, and to provide a mechanism for feedback from grassroots to district and provincial policy levels. Prior to the workshops, participants were provided with summaries of the policy analysis and the field research reports. This information, added to their own direct experience, produced some very detailed and coherent statements about the problems faced by those involved in marketing upland products. The workshops were facilitated such that discussions were frank and open – so much so that the representative of the police left in the middle of the workshop after participants directed some ‘hard words’ at him about the misuse of police power.

Broadly, the participants, particularly producers and traders, endorsed the findings of the report, and used the workshops as a platform for information sharing and demanding action from district and province authorities. At the Hoanh Bo workshop, the provincial and district representatives responded extremely well to the comments of other participants, by acknowledging new information they had gained, by promising to simplify procedures, and to investigate the possible removal of illegal fee collection stations. Some of the discussion from the workshops is built into section 3 below, and a synthesis of the constraints and recommendations identified at the three workshops is given in annex 4. Participants reported that they found the workshops useful and would like to hold dialogue on a more regular basis.

2. This component of the research was contributed by Mr Phan Lac Vang, Head of the Planning Unit of the Department of Agriculture and Rural Development, Quang Ninh province.

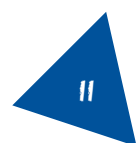




Photo: Elaine Morrison

Small-scale traders sell produce in towns throughout Quang Ninh

Key findings

The major findings of the field work and workshops can be summarised in terms of seven key constraints faced by those marketing products of small-scale upland farmers. The following section discusses each in turn. Wherever possible, the constraints are illustrated by market chain diagrams for specific products, but it should be noted that many of these constraints apply to many other cases, and the products used for illustrative purposes are subject to more than one constraint. The full report on which this report is based presents detailed information and market chain diagrams for each commodity studied.

3.1 Multiple formal and informal taxes

Upland products in Quang Ninh are subject to a heavy load of formal and informal taxes at commune, district and provincial level (table 3; figures 2 and 3). Producers do not pay taxes directly, but resource taxes, VAT and buy-from-afar taxes, payable by traders at district offices, have a direct negative impact on farmgate prices. These *formal* taxes are applied only to forest products that are bulky or have an important economic value, such as bamboo, cinnamon and timber. Traders are also subject to *informal* fees, without legal mandate, which in turn affect product prices. These may be based on existing policies and regulations, which are sometimes misused. Examples include the regulations on overloading, bulky product transportation and 'forest inspection'. Most traders who transport forest products on the roads such as bamboo, timber and rattan are obliged to pay fees to the officials on duty at the police stations or Forestry Inspection stations, regardless of whether their trucks are overloaded or not. They agree to pay fees to these stations as they do not want to be detained for a longer period of time, nor do they want to unload the products for checking as this incurs an extra cost.

Figure 2. Ba Che bamboo*: an example of multiple formal and informal taxes

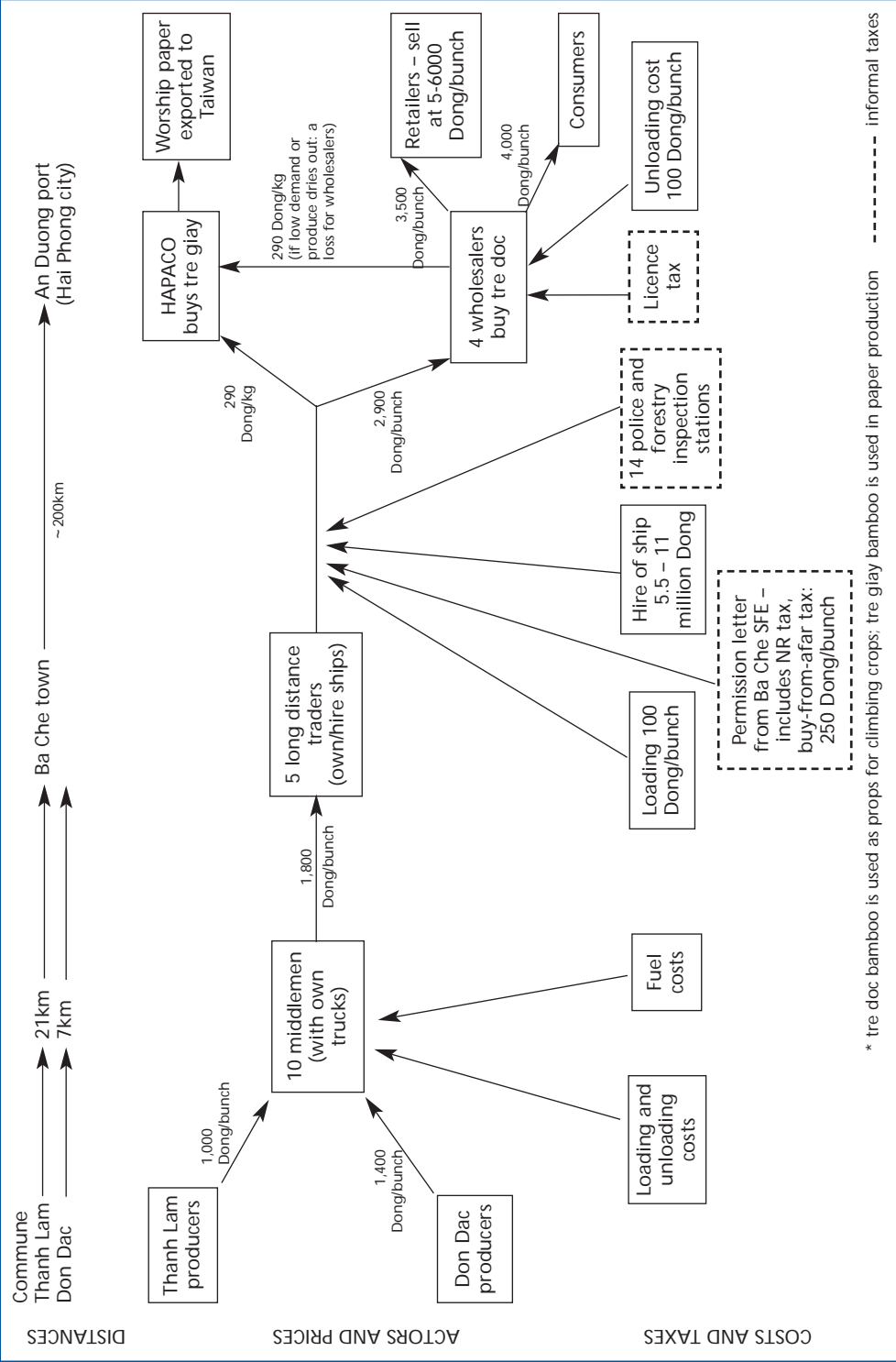


Figure 3. Hoanh Bo tre doc bamboo: an example of multiple formal and informal taxes

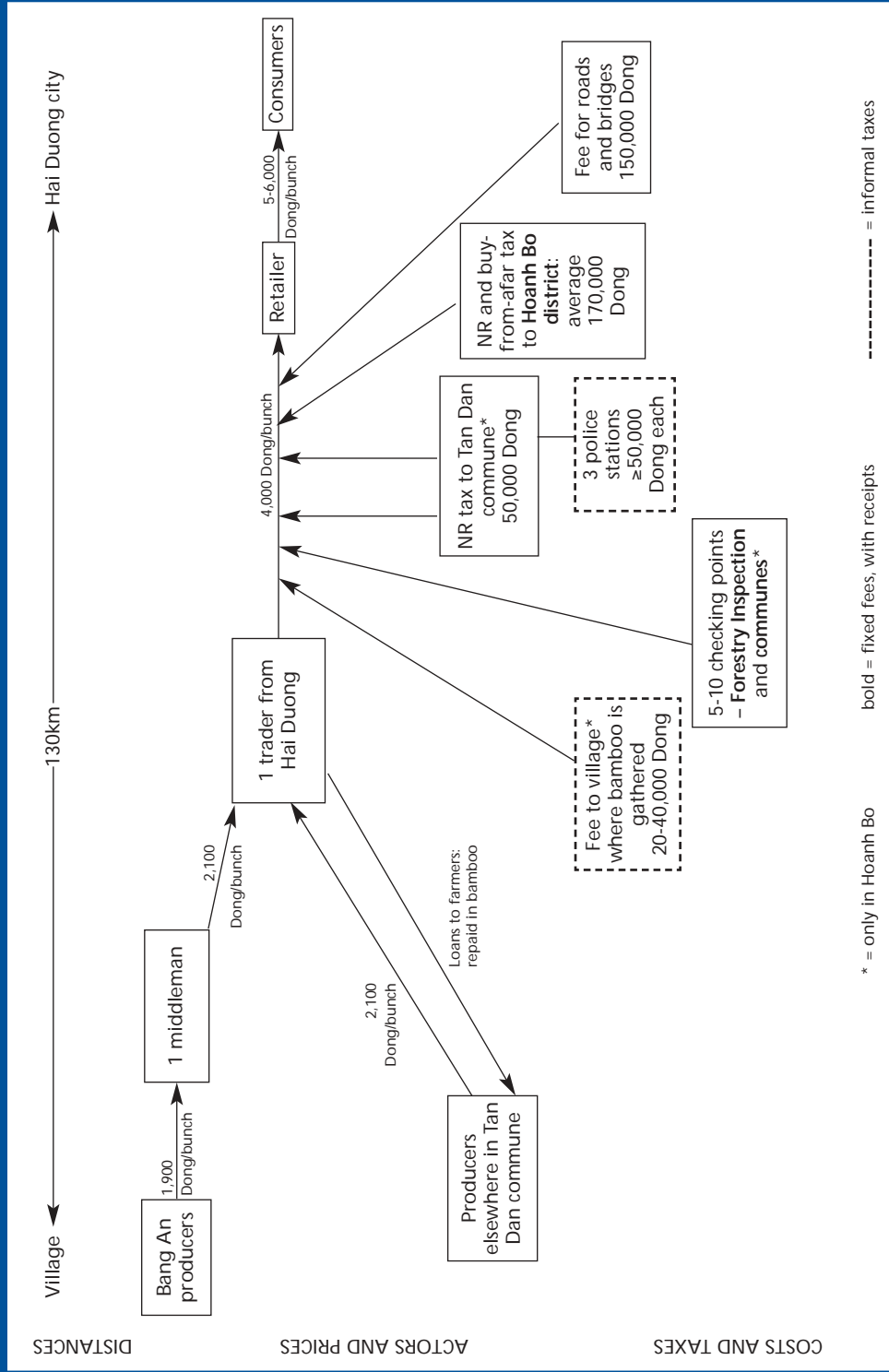


Table 3. Summary of fees and taxes paid by traders in Quang Ninh, indicating informal (no receipt) and formal (receipt) charges			
Types of fees and taxes	Who pays?	Who takes the fee / tax?	How much is the fee / tax?
Commune road fee	Truck owner	'Guard station' assigned by commune leader (no receipt)	10,000 - 50,000 Dong per truck (Hoanh Bo only)
Village fee	Trader and truck owner	Village head (no receipt)	20,000 Dong per truck (Hoanh Bo only)
Commune resource tax	Trader	Commune authorities (receipt)	50,000 Dong per truck (Hoanh Bo only)
Forestry Inspection fee	Trader	Forestry inspectors (no receipt)	20,000 (for trucks) -250,000 Dong (for boats at port) per station
Police fee	Trader	Police (no receipt)	20,000 -250,000 Dong per trader or truck per station
State Forest Enterprise	Trader	Fee to SFE (receipt)	Variable; applies only in Hoanh Bo and Ba Che
Value added tax	Trader	District financial unit (receipt)	5% (not paid if producers transport product to Hanoi themselves)
Resource tax	Trader	District financial unit (receipt)	4% for agricultural products; up to 13% for forest products
Buy-from-afar tax	Trader	District financial unit (receipt)	10%

The official function of the Forestry Inspection service is to protect the forest and to contribute to sustainable forest management, hence to supervise the exploitation and transportation of forest products out of areas under its control. Nonetheless, supervision by the Forestry Inspection Service and the police only applies to those products listed as forbidden for trading or under special management. When the traders calculate their transportation costs, they always add the cost of payments to the police and Forestry Inspection stations, and count how many checking points on the route will have to be paid. For example, one bunch of *tre doc* bamboo transported from Ba Che to Hai Phong less than 200km away bears a cost of 150-200 Dong, but if it is transported from Hoanh Bo to Hai Duong – only 120km – the figure is 350-400 Dong. These fees make up 15-30% of the farmgate price and 5-10% of the consumer price of most products (boxes 3 and 4).

On top of the taxes already mentioned, there are *local* rules and fees. Communes have the authority to make local rules, and these can contribute to increases in the transportation cost of produce. Communes learn from the experience of others to set fees. For example, all communes in Hoanh Bo district now have a transportation station, at which they collect a fee from the trucks entering their territory. The fee for each commune is not large, but if a car or truck has to pass several communes, the costs incurred can be considerable. Furthermore, a resource tax is paid to the commune and sometimes to the village as well. All these fees contribute to increases in the product price, which leads to lower competitiveness

and in the end it is the producers themselves who suffer. In addition to this, the fees are often collected without any receipts, raising the question of who benefits from these arrangements?

Box 3. Formal and informal taxes paid by bamboo traders in Ba Che

According to long-distance traders dealing in bamboo from Ba Che district, the price of bamboo at both ends of the chain has been stable for many years and they do not consider that they face any risk from unstable prices. On the other hand, transportation fees are a major challenge. Total expenditure for one trip from Ba Che to the port at Hai Phong is around 3-4 million Dong. First the trader must pay fees to the Ba Che State Forest Enterprise; these are considered reasonable and the SFE is efficient in providing the necessary permission letter.

The fees payable on the road to 14 police and forestry inspection stations are the real problem. To ensure a smooth passage, traders have to pay a fee to each station: the amounts are negotiable, and naturally there are no receipts! The traders say that if they refuse to pay the required amount, their vehicle will be retained for some reason such as overloading of bulky goods. For those traders who have sufficient experience and travel the route regularly, the total fees come to around 3 million Dong: 200,000-250,000 Dong for each inspection station. However if a less experienced member of their family conveys the cargo, the fee will be much higher, sometimes up to 4 million Dong. It is even more difficult for new traders trying to enter this market chain (of course, these kinds of disincentives can benefit both experienced traders and the producers who prefer to trade with them).

Trading conditions were much more favourable prior to Decision 40, which was issued by the government in 1988. This Decision provides for trucks and boats that have been overloaded to be fined; it has resulted in increased road fees and more difficulties for traders. Decision 40 is avoided by paying an illegal fee to the police.

Box 4. High taxes make cinnamon trade impossible in Ba Che

Ba Che district is currently subject to a Decision that delegates power for managing all forest product trade (including cinnamon) to the State Forest Enterprise (see section 3.7). But even prior to this Decision, cinnamon traders felt it was impossible to do business in Ba Che, due to the extent of bureaucracy and harassment for bribery, so they had to shift to other areas such as Dam Ha district. Traders are subject to three kinds of taxes: VAT at 5%, resource tax at 4% and buy-from-afar tax at 10% – in addition to illegal fees payable to police and forestry inspection stations.

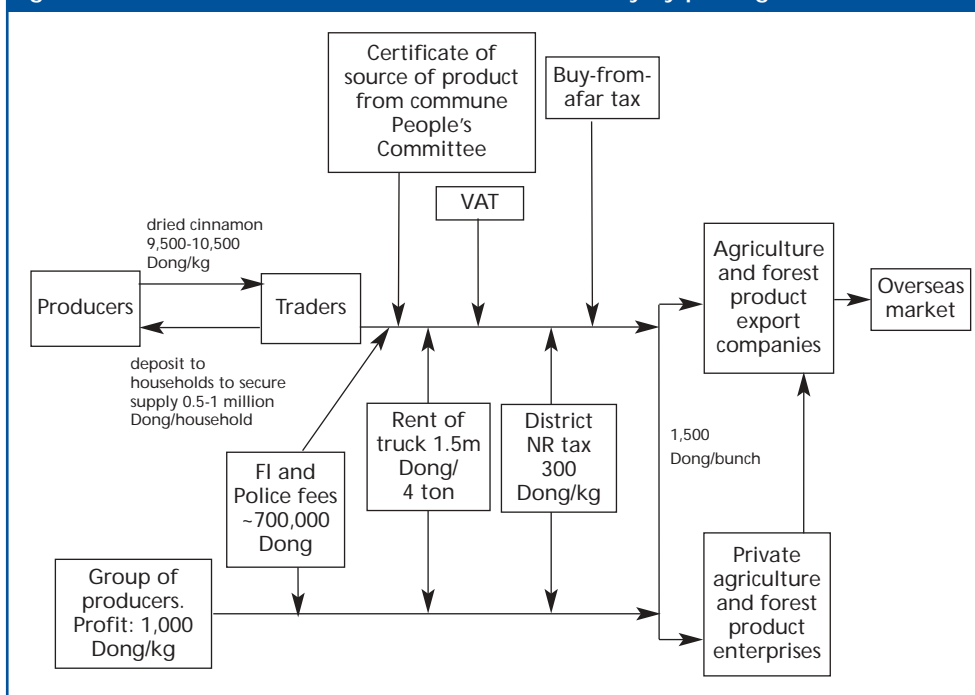
A Ba Che farmer summarised the difficulty in marketing from the perspective of the producers: "Whether we sell fresh or dried cinnamon, we have no bargaining power. We are not allowed to take our product out of the district to sell. The outside traders say that they are obliged to pay high fees so they cannot offer a good price. According to them, for each purchase, they have to pay 2 million Dong to the SFE, 500,000 Dong to FI, 500,000 Dong to the police. It is impossible for them to buy cinnamon at a higher price".

One cinnamon trader from Tien Yen said that in 2001, she bought from two producers in Ba Che because these were retired government staff, who had good influence in the district. They could get the required permission letter themselves to ensure that the trader was able to transport the cinnamon easily. In 2001, as no traders came to Ba Che, the SFE was obliged to ask for her help in purchasing one tonne of cinnamon.

In Dam Ha district however, the procedure for trading cinnamon is less complicated, although traders still require substantial capital to provide deposits to secure supplies, and to make payments to forestry inspection and police checking stations. The latter payments are made without hesitation, even when it is clear that they are unjustified, because cinnamon oils are volatile; if not transported quickly, quality diminishes and losses can be high.

3.2 Non-implementation of government policies

Figure 4. Dam Ha cinnamon: how households benefit by by-passing middlemen



Farmers and traders are subject to national, provincial and district policies. The *national* government has issued policies to promote the marketing of upland products, from harvesting to transporting produce to the end consumers, especially for exported products. One of the most important amendments has been to exempt traders of upland products from value added tax (5%), buy-from-afar tax (10%) and the resource tax for planted forest products. But national policy has not translated into local practice. In reality, these three taxes are applied in most of the areas surveyed, where they represent a source of income to local authorities. Executive bodies such as Forestry Inspection and transportation police have responsibility for proper policy implementation, but it is not well supervised. In some cases (e.g. box 5), police have retained a trader's goods without any legal justification, leading to a drawn-out process in which neither the trader nor authorities are clear where the responsibility for dispute resolution lies.

Non-implementation of favourable government policies inevitably reduces farmgate prices and competitiveness for producers. For example, Van Chan district in Yen Bai province and Dam Ha district in Quang Ninh province (figure 4) are similar distances from Hanoi, yet there is a big difference in the profit that farmers get for their cinnamon crops. This is due to the fact that the traders in Yen Bai are

exempt from taxes, following national policy, while those in Quang Ninh have to pass on these charges to producers (table 4).

Box 5. Heavy fines and losses put trader out of work

One trader interviewed by the research team claimed that she tried to pay fees, but was late reaching the office due to heavy rain that made travelling by road very difficult. The police subsequently turned up during the night and impounded her goods. The trader then had to spend 3 months going to various offices, trying to prove her case, and eventually found herself in court, with a fine of 8 million Dong. To make matters worse, the impounded goods had perished, so altogether she lost 20 million Dong. This woman will no longer bother trading, and will have to find an alternative livelihood.

Table 4. Quang Ninh's cinnamon crop is less lucrative to producers than that in Yen Bai

	Selling price (farmgate)	Selling price in Hanoi	Traders' margin (to cover tax, transport, profit)
Van Chan district, Yen Bai province	11,500 Dong/kg	11,800-12,000 Dong/kg	300-500 Dong/kg
Dam Ha district, Quang Ninh province	9,500-10,000 Dong/kg	11,500 Dong/kg	1,500-2,000 Dong/kg

Small traders are also disadvantaged by their limited knowledge of policies and laws regarding trading and transportation. They pay road taxes to the police and Forestry Inspection stations without any hesitation or argument. Usually, a trader learns from the experience of others, and pays simply because he or she is requested to: 'I pay because others do the same'. This was the answer given by all the long-distance traders interviewed by the research team. Meanwhile, the big agriculture and forest product export companies in Hanoi and Bac Ninh know that they are not obliged to pay certain fees.

3.3 Government focus on technical assistance

National agriculture and forestry programmes have tended to identify crops best suited to a particular locality and then to encourage and support farmers to plant those crops over a large scale, without proper market analysis or appropriate investments in post-harvest technology. There is little consideration of the balance between demand and supply, which has contributed to drastic price fluctuations for many crops and in many areas, not only in the districts surveyed by the research team.

Typical examples of how the market price has collapsed following the intervention of assistance programmes are the fruits lychee and longan. In most communes surveyed by the research team, households have been supported over the last few

years (through provision of seedlings or preferential loans) to grow lychee and longan on a large scale. In Ba Che alone, 400 hectares have been planted. Some of the trees bore fruit in 2001, but no outside buyers came to buy – and hence a market chain diagram cannot be given here. A few of the more enterprising farmers in Hoanh Bo have started replacing lychee with other, more promising crops. The harvest periods of these fruits are very short and the fruit spoils quickly. Ba Che is far from the big markets. Farmers in Ba Che told the research team: “The government gives seedlings to us to plant as it is afraid that if money is provided we will use it for another purpose. We want the government to support us in raising pigs, chickens and buffalo. Seedlings given to us will die without proper care. The training on how to plant lychee was provided to villagers, but frost often occurs in winter, and kills the plants. Furthermore, lychee is used only for self-consumption, there is no market for the product”.

Provincial government officials in Quang Ninh are quite aware that there is a need to develop fruit processing facilities and had hoped to establish a 10,000 tonne capacity factory for processing lychees (Quang Ninh currently produces 8,000 tonnes of lychees). However, they were told by central government that only a 40,000 tonne capacity factory would make a profit. It is not clear what this decision is based upon, and whether the advantages of obtaining *some* income from processing, part of which would be returned to producers, outweigh concerns about the immediate profitability of the processing facilities.

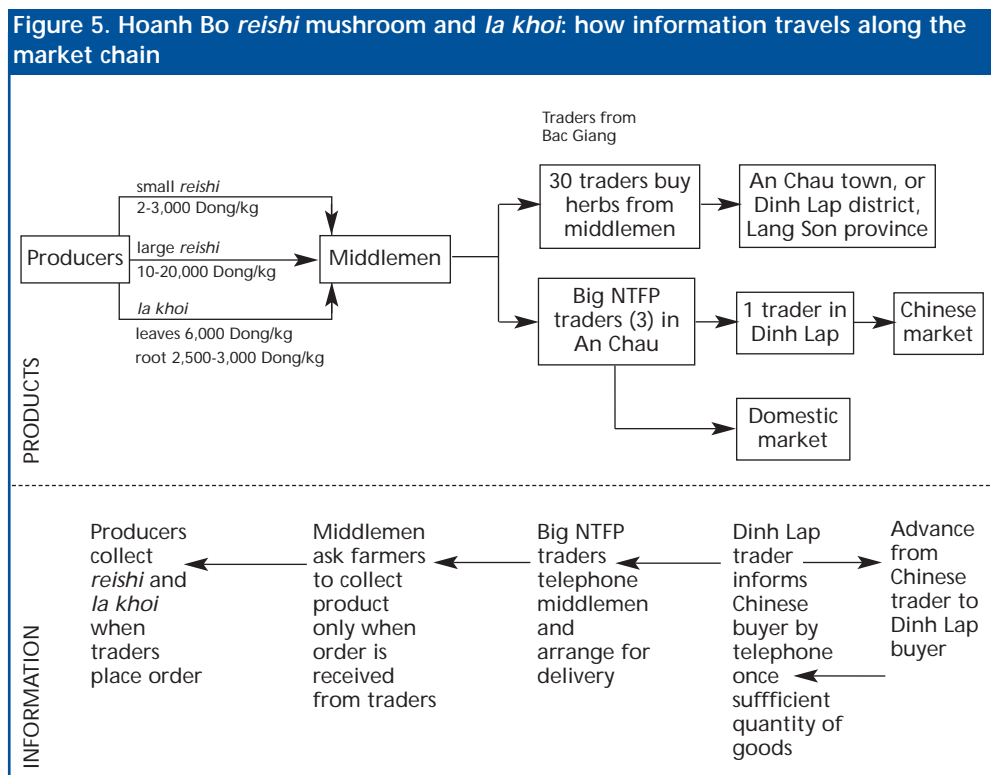
The low price of lychee over the last few years (2,500 Dong/kg or less) is a signal that the market is already stagnating. In 2002 the domestic market was saturated with longan and lychee, with prices one third of those three years ago. Other commodities that suffered the same fate of saturated markets and price crashes include apricot and plum, four to five years ago. However, there are no signs that lessons are being learnt from difficulties in marketing large production of single crops, and it is quite possible that similar problems will occur with other commodities. In Ba Che, for instance, *huong bai* has been promoted over unrealistically large scales (box 6).

Box 6. Huong bai grass: initial success leads to over-production

Huong bai is a species of grass, which grows easily and can be harvested after 8-10 months. In the past, the grass used to be collected for making incense. As the natural resource became exhausted, the price of the grass went up to 12,000 Dong/kg. The good price stimulated some farmers in Dong Trieu district of Quang Ninh to domesticate *huong bai* and to expand cultivation over a larger area: as a result they earned a very good income. News of their success spread quickly and various poverty alleviation programmes such as Youth Job Creation, Resettlement, Agroforestry Extension and so on assisted households to produce the grass in many areas of Quang Ninh. For example, under the Youth Job Creation project, Ba Che Youth Union provided loans to households to plant *huong bai*. But now the price has declined so sharply that many farmers do not even want to harvest the product for sale.

Agroforestry extension and agriculture and rural development department officials blame farmers for their lack of marketing initiative, and claim that this is one of the reasons for low farmgate prices. This is, however, just a consequence of the long-standing existence of a centrally planned economy: everything has been 'top-down' and farmers are not accustomed to thinking for themselves. The transition from a planned economy to a market economy has taken place too quickly for people in remote areas to adapt, and to change from being passive recipients of instructions to active participants in the economy. Farmers lack the confidence to be proactive participants in the market: for example, during fieldwork in Hoanh Bo district, the research team was told, "Nobody in the village takes products to market for sale. The women feel very shy when they have to sell their products." Overall, policies do not stimulate, but rather impede their initiative in seeking markets for their products. These policies are manifested in the control of trade at the district level, in the assistance given to farmers to grow single crops, and in the top-down approaches applied in the different poverty alleviation programmes. Farmers have not had the opportunity to develop the capacity to assess markets for themselves.

3.4 Limited market information and marketing skills



The research team found that in all the product market chains, *producers* had least market information. However, the degree of access to information by people in different locations depends greatly on infrastructure and on the cultural characteristics of each ethnic group. For instance, people in Hoanh Bo (figure 5) have better links to urban areas and hence access to market information than people in Ba Che, and as a result farmgate prices of all products studied were lower in Ba Che than in Hoanh Bo (box 7). Producers are unable to be sensitive to market and price fluctuations. This is illustrated by their tendency to keep products while waiting for better prices, without much idea of market trends (see box 10 on star anise). One international exporter of agroforestry products commented that market ignorance is a chronic characteristic of upland farmers, resulting from too little contact with the market and business environment.

Box 7. Harmonisation of prices impeded by lack of information

The research team was surprised to find that the *tre doc* (bamboo used for climbing props for crops) traders in Hoanh Bo have no information on the bamboo market in the neighbouring district Ba Che; and that conversely, the traders in Ba Che have no information on the *tre doc* market in Hoanh Bo. When the Hoanh Bo traders were informed that price of *tre doc* in Ba Che was two times cheaper, they refused to believe the price could be so low.

This lack of spread of market information impedes the harmonisation of prices between areas, and ultimately means that some producers receive only low prices while others, perhaps in neighbouring valleys, benefit. This goes some way to explaining the great variation in market conditions within even small areas in Vietnam's uplands.

Producers get most of their market information from private traders, because there is no access to mass media in areas with poor infrastructure. Producers in these areas continue to be regarded as “backward” in their farming practices, while in fact their products already fetch higher prices in city markets than more “modern” alternatives (box 8). Greater access to information about prices, and alternative market channels, could help them receive the premiums earned by traders for their high quality produce. Furthermore, preferential policies that favour local industry and delegate trade to one organisation (such as the Uong Bi Pine Resin Processing Factory) eliminate not only business competition, but the one source of information that producers can rely on: small-scale private traders.

Local traders and *middlemen* have more information than producers, as they usually know how the product will be used and to which market it will be sold. Most middlemen live in the same locality but belong to the Kinh majority by ethnicity, while many producers are members of ethnic minorities. In spite of this ethnic advantage, which plays out in a range of subtle ways, including being better linked to information sources in lowland and urban areas, most middlemen do not know how the product moves through the market chain, nor do they know the costs and profits at each stage of the market chain. Frequently they become middlemen because the traders select them as their partners or because they are their relatives. They buy products when they get an order or some deposit. Their

Box 8. Potential for organic farming

Traditional methods of animal husbandry involve low inputs and low productivity, and tend to be viewed as 'less developed' or 'backward' by both villagers and extension workers. On the other hand, the meat produced is of very high quality and fetches premium prices if it reaches the market in Hanoi, where there is a demand for fine meat raised without dietary or chemical supplements, similar to the demand for "organic" and "free range" meat in European countries. Unfortunately, farmers have to bear high risks and, on the rare occasions where they choose to sell outside the district, do not themselves receive the premium paid by the consumer for quality. Clearly there are constraints in the market chain that impede the premium on organic meat reaching the farmers, but nonetheless the demand in Hanoi does demonstrate the potential market for such high quality produce. Communities in other places, such as Mai Chau in Hoa Binh province (a tourist area about 140km from Hanoi), are reportedly already taking advantage of this premium market, raising organic pigs by traditional methods at about three times the industrial cost and selling them easily.

earnings from this business are low, and are often supplemented by other sources of household income.

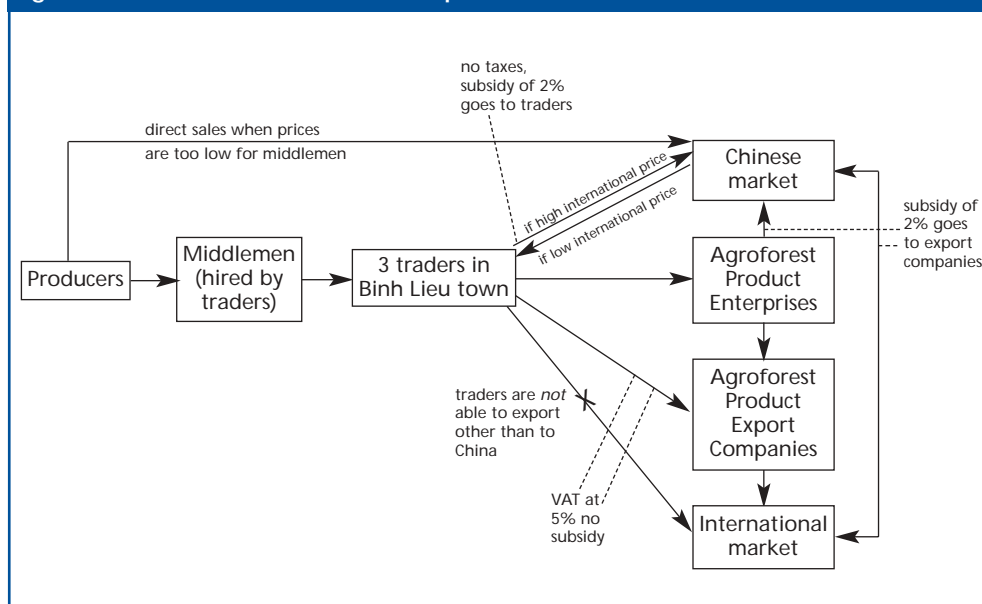
Most *long-distance traders* are private small businessmen who have more than ten years of trading experience (i.e. since the planned economy changed into the market economy). Prior to this, they were soldiers, youth pioneers or government staff who were retired under Decision 176 (see annex 3) and started trading on failing to find employment in state-owned organisations. Hence they did not have any training in the trade business, but simply learnt by experience. Consequently, there are many weaknesses in their business practices. On the other hand, long-distance traders have better access to market information, and they know the costs and profits at each link of the market chain, the capital needed for the business, and the risks faced. Their knowledge is limited to those areas in which they trade. Many of them have no market information on the same product traded in neighbouring areas: for example see box 7.

3.5 The international market: uncertain and difficult to access

National policy encourages all businesses, regardless of whether they are state-owned or private, to export agricultural and forest products. In the last decade, the number of export companies based in Hanoi and Bac Ninh dealing in cinnamon, star anise and *dia lien* has risen from a few to about twenty. However, there is no concrete statistical data on the volumes exported, the markets to which commodities are sold and the revenue earned. In summary, the export market is in much confusion, as is illustrated by the fact that many organisations export the same products, but there is no agency responsible for coordination, monitoring, forecasting demand and supply, providing assistance to exporters and advice to the government, or regulating monopolies (box 9). Each company has its own buyers and market, but overall, they have neither sufficient information nor the capacity to anticipate the world market for these products. Usually, they buy products only when they have an order from an overseas buyer.

Most agroforestry product processing enterprises, which have insufficient capacity to export their products directly to overseas buyers, are private. They obtain overseas market information through their partners (exporters; figure 6). Consequently, they face risks from two sides: from fluctuations in the world market for their product, and from their own partners. Big price fluctuations greatly affect their business, as has recently been the case for *dia lien* and star anise (box 10). The bankruptcy of some export companies has resulted in those enterprises that processed and exported commodities through this company closing as well, with knock-on effects for producers.

Figure 6. Binh Lieu star anise: an example of access to subsidies and markets



Box 9. Bamboo in Hoanh Bo: profits to be made by those with export monopoly

Quang Ninh is one of the largest areas in Vietnam that has good potential to produce the raw material for worship paper. Worship paper is manufactured from bamboo, and it is used in religious ceremonies. There is a big market for it in Taiwan. There are many shops and factories making worship paper for export to the Taiwanese market: for example, the Hai Phong Paper Company (HAPACO). Most of these shops and factories carry out all the processing from raw material to finished product. Each enterprise has its own partners, and there is much competition between the enterprises in seeking buyers and in finding cheap sources of raw material.

However, for those without connections to the export market, profits are limited. The Hoanh Bo Worship Paper factory (currently owned by the SFE) sells the semi-processed paper to the Hai Phong Chemical-Electric Material Company, which just reprocesses and packs the paper into the form required by the buyers, and exports it to Taiwan at US\$ 310 per tonne. The profit earned by the Company is much higher than that earned by the factory, even though the factory would be able to do this part of the work. What the factory lacks is the market, as it is not able to find an overseas buyer; consequently, it has little option but to sell directly to the Company.

Box 10. Fluctuating international markets for star anise

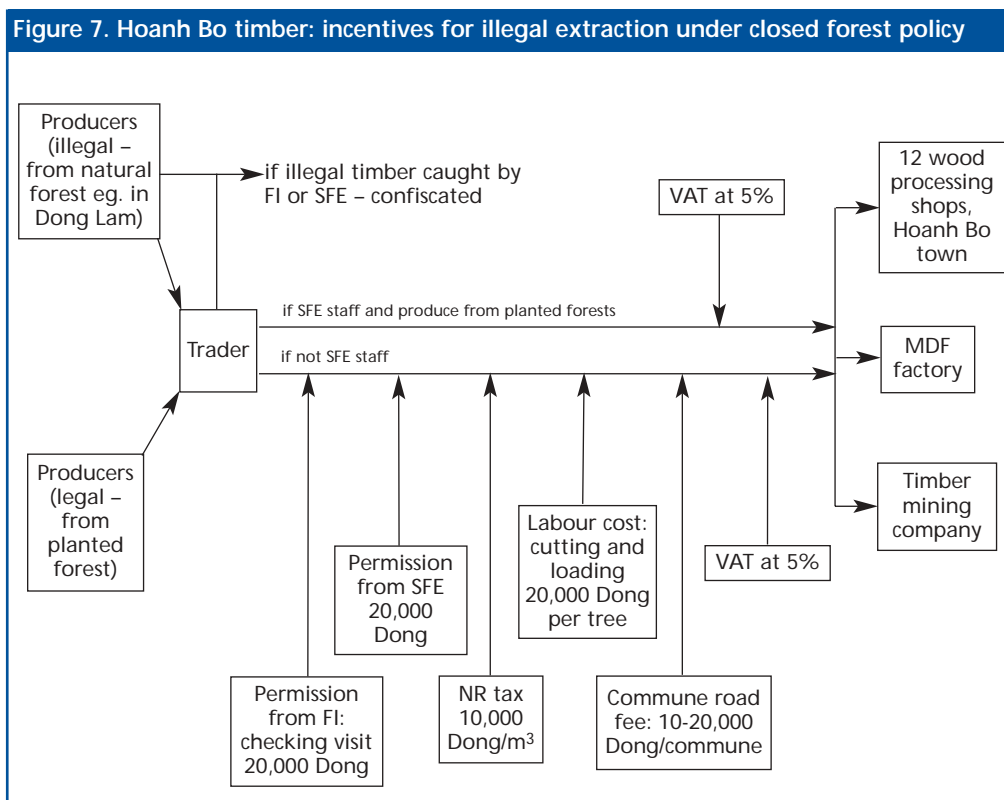
Star anise is produced only for the international market as very little is used as a spice within Vietnam. This tree species needs specific climatic conditions and in Vietnam, only limited areas in Lang Son and Quang Ninh province are suitable for its cultivation. Star anise is a prime example of a crop that requires a long-term investment and commitment. It has been planted for centuries in Binh Lieu district, and all the households in Hoanh Mo commune have star anise fields. Star anise trees do not bear fruit until 10 years after being planted; they then reach maximum productivity at 20 years and continue producing for 60-70 years. On average, a 20-year-old star anise tree provides 50kg of fresh fruit or 12kg of dried fruit per year.

The market for star anise is unstable and is subject to drastic price fluctuations. In the areas where it is produced, its price may range between 11,500-80,000 Dong/kg. In 2001, when prices were high, farmers could sell for 53,000 Dong/kg, but since then the price they receive has declined to 20,000 Dong/kg. Yet clearly, given the long-term nature of the crop, star anise farmers cannot react to rapid fluctuations in the market unless they have other sources of income to support them when star anise prices are low.

There are three traders who deal in star anise in Binh Lieu town. One of these is the state-owned Binh Lieu Trade Company, which has operated in Binh Lieu for many years; the other two are private and have been in operation for just over ten years. Star anise from Binh Lieu is sold to China or to the export companies in Hanoi and Bac Ninh. The star anise trade of these enterprises with China is two-way. When the international price of star anise is high, Vietnamese traders import the product from China to Binh Lieu for onward international export, but if the price in Vietnam is lower than in the Chinese market, they sell to China through Hoanh Mo border gate. Traders prefer to export directly to China, in order to take advantage of a government subsidy on exported agricultural and forest commodities, which means that they are not obliged to pay any taxes and they receive a subsidy of 2%. If, however, they sell to the export companies in Hanoi, the subsidy goes to the export companies.

The traders in Binh Lieu do not have much information about the international market, and sometimes they also suffer losses – as they were doing at the time of this research. All three traders were holding large quantities of star anise that they had bought at a high price, yet selling at the current rate would mean losing half the money they invested. The two private companies enjoy a comparatively greater advantage than the state-owned companies because they are able to make quick decisions on pricing when the market fluctuates drastically, and thus manage to buy and sell more star anise.

3.6 Effects of the “closed forest policy”



Vietnam’s closed forest policy, issued in 1991, bans harvesting of timber from natural forest that occurs on land designated as production and protection forest (see box 2 for an explanation of forest land use and cover categories). In designated special use forests, the ban extends to all forest products, including leaves, dead wood, non-woody plants, mushrooms and wildlife. In Quang Ninh, provincial administrators set 2003 as a target for the complete cessation of timber harvesting from natural woodlands – a target that is yet to be met.

The closed forest policy has had dramatic effects on land use and livelihoods. In the past, logging and extraction of non-timber forest products were the main sources of income for many people. Following the closed forest policy, income from timber decreased sharply. According to statistics from Ba Che district dated 2000, the volume of timber exploited in 1992 was 4,540m³, while in 1999 it was only 500m³, most of which was from planted forests. The closed forest policy has led to intensification of bamboo exploitation, so that bamboo is now the main product in Ba Che, with production in 2000 twenty times as high as in 1992. However, some NTFP species that regenerate slowly, such as rattan, medicinal

Box 11. Forests closed to local farmers – but not to illegal loggers

Villagers interviewed in Ba Che district stated: "During the early stages of the cooperative, our main source of income was logging for the Ba Che State Forest Enterprise. Men logged timber while women and children practised agriculture. High value timber was abundant. Before 1979, timber was sold only to the SFE. They would exchange one cubic metre of timber for 50kg rice."

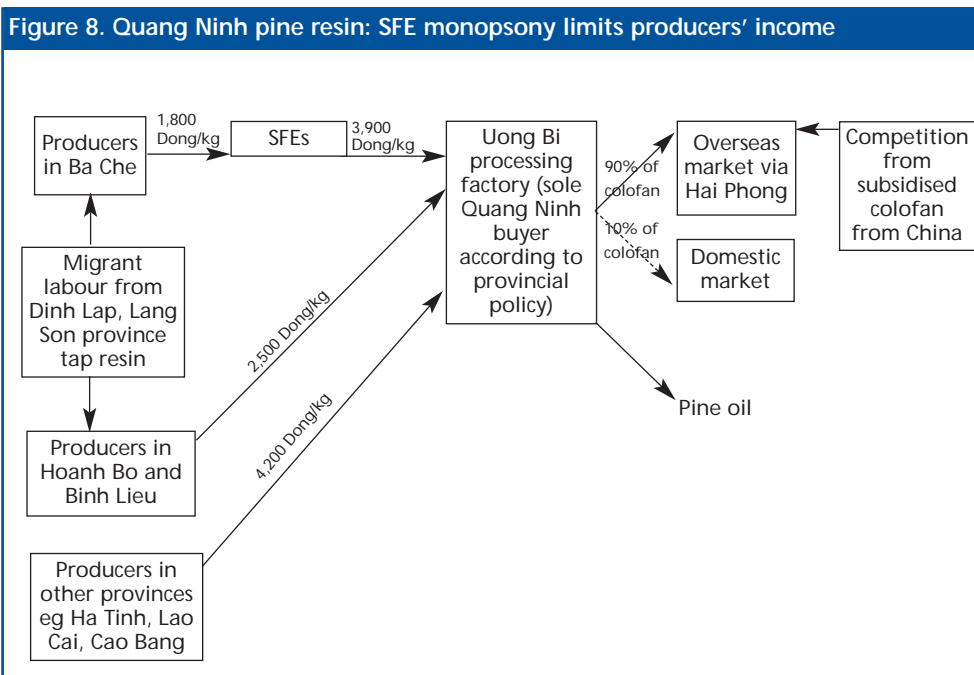
"Later, private traders came to buy as well. In the period between the late 1980s and early 1990s, a lot of people from other areas came for logging. They owned good tools. About 80% of timber was harvested by them. Local people managed to log just about a 20%. We raised this issue with the commune and district, but no intervention was made. Meanwhile in Hoanh Bo outsiders were forbidden to come for logging. The good timber disappeared after 1990. The logging ban policy has been applied since 1995, but currently, trucks transporting poor quality timber and residues from previous logging are still seen every day at 4 o'clock in the afternoon. They are permitted to log, but local people are forbidden".

herbs and wildlife, are no longer available, or only in such low quantities that buyers are no longer attracted.

Other responses related to the closed forest policy include intensification and changes in crop choices on agricultural land. Sugarcane has been a successful new crop in Ba Che district, supplying markets in big towns and cities such as Cam Pha, Ha Long and Cua Ong. Farmers have also finally begun to take a real interest in growing tree crops. Over the last two decades, several government programmes, including those targeted at resettlement, poverty alleviation and job generation, have encouraged households to plant production forest of species such as sandalwood, cinnamon, lychee, and longan. Initially, households were provided with seedlings and money for planting, but currently the subsidy is restricted to free seedlings or loans. There are no statistics available for the exact area of planted forests, but it seems that since the closed forest policy, these tree crops have finally started to provide cash income to households, accounting for an increasing proportion of household income in more successful areas.

Another impact of the closed forest policy has been criminalisation of those households that have continued to harvest timber from natural forest (box 11). Illegal logging is a diminishing source of income but remains important to some households, especially the very poorest. In Hoanh Bo district, the closed forest policy together with the growing open market economy has led to a rapid increase in extraction of produce from planted forest, but has not abated timber harvesting in natural forest (figure 7). Some communes have tried to tackle this problem through equitable allocation of forest land among villagers. Dong Lam commune allocated 2,922 hectares of natural forest to 405 households between 1994 and 1996, but this household-level tenure, made secure through household land allocation, has done little to stop illegal logging either in the areas controlled by households or in community forest.

3.7 Monopsony and other advantages enjoyed by the State Forest Enterprises



While national policy supports open and competitive trade, many provinces and districts in Vietnam maintain specific policies to favour local industry, in particular giving preferential rights over production, purchase and sale to state-owned enterprises. For example, Ba Che district made an amendment to its trade policy in April 2000 that gave the Ba Che State Forest Enterprise mandate to manage trade of all economically important forest products in the district (pine resin, cinnamon, bamboo and sandalwood). All producers are required by law to sell their produce to the SFE and, in addition, all pine trees are under the tenure of the SFE (figure 8). The justification for this amendment, cited by the Ba Che Peoples' Committee, was the need to avoid illegal harvesting and tax evasion by households. The low prices offered for pine resin by the SFE have rendered resin tapping an unprofitable livelihood for residents of the district (box 12).

The trade policy amendment has also affected cinnamon producers in Ba Che. Before April 2000, the farmers used to sell cinnamon to private traders from other provinces or districts. The produce was sold either dried or fresh, straight after harvesting. Dried cinnamon was sold for 12,000 Dong/kg. Now Ba Che SFE buys fresh cinnamon only, directly from households at a rate of 4,000 Dong/kg. Most farmers consider that such a price is unreasonable and prefer to wait for better opportunities; only those few households in very urgent need have harvested and

sold their cinnamon to the SFE. By the end of 2000, Ba Che SFE had managed to purchase 25 tonnes of dried cinnamon from households, but in the year 2001, it was able to collect only 1 tonne. The SFE complains that the selling price of cinnamon has gone down from 13,000 Dong/kg in the year 2000 to 10,000 Dong/kg in 2001, but the farmers are not aware of this and assume that the rate is still stable, so they do not want to sell the product to the SFE while they are legally prevented from seeking higher prices elsewhere.

Another outcome of SFE dominance in trade is preferential terms for members of SFE staff. The Ba Che SFE assigns its staff to buy sandalwood timber in all the villages of the district and to transport it to its premises in Ba Che town. It then sells the timber to outside traders or to its own staff 'on service' with the purpose of creating favourable conditions for them to earn extra income – at the expense of producers. Furthermore, the SFE is incapable of managing the trade in all products under its remit, and some products are controlled only on paper: the SFE provides a certificate and takes a management fee. For bamboo, private traders are responsible for buying from producers, then transporting and selling it to the next buyers. Thus the SFE is an unnecessary link in the market chain. It contributes not only to low farmgate prices, but causes complications, wastes time and incurs other extra costs to traders.

A similar situation has arisen concerning the timber trade in Hoanh Bo – though in this case the SFE holds the power to grant permission to trade, rather than a trade monopsony. Those traders who are on the staff of the SFE, and who buy timber from planted forests, have to pay only value added tax at 5%. The procedure is more complicated for other traders. When they buy planted timber which is sold as the whole stand, they are supposed to get permission both from Forestry Inspection and the SFE, and a Forestry Inspection staff member should be invited to the field for checking. So the trader has to pay the following items: resource tax at 10,000 Dong/m³, the cost of a checking visit to the Forestry Inspection staff at 20,000 Dong, another 20,000 Dong/m³ for a permission letter from the SFE, and 2,000 Dong per tree to hire labour for cutting and loading it onto the truck. They also have to pay a road fee to the communes they pass through, which is 10,000-20,000 Dong. The selling price to the timber mining company is 384,000 Dong/m³. If the traders have to hire the truck, after covering all the costs, the amount earned for one working day is just around 50,000 Dong; those who own a vehicle earn more. All the traders consider the payment to the SFE to be unfair, but they are obliged to pay, according to the rules.

These costs adversely affect the producers: in one village in Hoanh Bo, farmers were receiving comparatively low prices for bamboo. They blame the SFE for depriving them of bargaining power as it grants buying permission to only one trader in that area.

Box 12. Case study of a State Forest Enterprise: Uong Bi pine resin processing factory

Uong Bi is one of the biggest pine resin processing units in Vietnam, owned by the Ba Che State Forest Enterprise. In the past, the factory bought raw material only within Quang Ninh province, but recently it has established purchasing branches in other pine resin producing areas of the country, from central provinces like Ha Tinh to the northern ones such as Lao Cai and Cao Bang. The purchase price offered by the factory ranges between 3,800-4,200 Dong/kg, depending on the sellers, collection points and quality of the resin. For example, Ba Che district includes 1,607 hectares of pine forest that are managed by the SFE. The SFE allocates the forest to households for tapping and buys the resin at a price of 1,800-1,900 Dong/kg. Many Quang Ninh farmers think that the price is so low that is not worthwhile spending time to tap resin, so the SFE hires people from Dinh Lap district of Lang Son province to do the job (Dinh Lap district has a large area of pine trees and thus many skilled resin-tappers who are able to earn a reasonable living on commission basis). As stated by farmers to the research team: "The price of pine resin paid to the farmers by the SFE is only 1900 Dong/kg. We do not know how much the SFE sells to the pine resin processing factory, but we repeatedly request it to increase the buying price. It refuses, saying that if we do not accept the offered price, labour from Dinh Lap will be recruited to do the job".

Competition in purchasing the raw material presents the factory with a real challenge, which requires it to adjust the pricing strategy and establish an efficient buying network. Currently, there are four pine resin processing factories operating in Vietnam. Competition was increased when, 3-4 years ago, the government promulgated a new policy to allow all economic sectors to buy and export pine resin as a raw material. Thus the factory has to compete with private traders of other provinces in buying the raw material. In this newly competitive environment, the factory often lags behind, as the private traders offer a higher price to the producers than the factory does. At present, the factory estimates that around 60-70% of pine resin is exported in its raw form. Only in Quang Ninh province does the factory have a monopoly buying the raw material. The factory realises that the price offered by the SFE to the resin tappers is a bit low and that there is a danger of this creating a favourable opportunity for private traders to encroach on the territory and buy the product illegally. In 2001, the factory bought 3,500 tonnes, sufficient for its equipment to run two shifts per day. At present, it plans to buy more raw material so that the factory is able to operate three shifts per day.

Conclusions and recommendations

This study started out by asking why the production ends of market chains for upland products are so poorly rewarded and uncertain? The results reported in section 3 show that the constraints are manifold – figure 9 recaps the interrelated range of problems in the market system, all of which contribute to low farmgate prices, and consequently to poverty among people living in upland areas. Of course, the degree of impact of these factors is different for each product and at each link of the market chain. Some constraints influence only the pricing of particular products, while others may affect the pricing of a wide range of products.

What can producers and small-scale traders do, and what external assistance would be most useful to them, in achieving better returns for their products? Moving from the scenario of low farmgate prices illustrated in figure 9 to one of higher and more predictable sales and prices could involve changes in some or all of the underlying problems in the market chains – figure 10 summarises the changes that could make a difference. The good news is that most of these changes are tractable through policy. Devising new policy statements at national or provincial level is not the main challenge, since existing policies are aimed at reducing upland poverty, and generally coherent and practicable. In most cases the challenge is policy in practice: working on the full set of actions and incentives that structure day-to-day market transactions.

To move from low product prices and high uncertainty (figure 9) towards reasonable and more reliable sales and prices (figure 10) requires actions around *implementation* of supportive policies, sharing of *information* about policies and markets, and changing the *culture* of support agencies working in the uplands. These three key areas of implementation, information and culture are discussed further below, summarising the constraints and recommending possible actions in each case. But as well as positive actions, there are negative *actions to avoid* – which are highlighted at the end of this section.

Figure 9. Causes of low farmgate prices for upland products

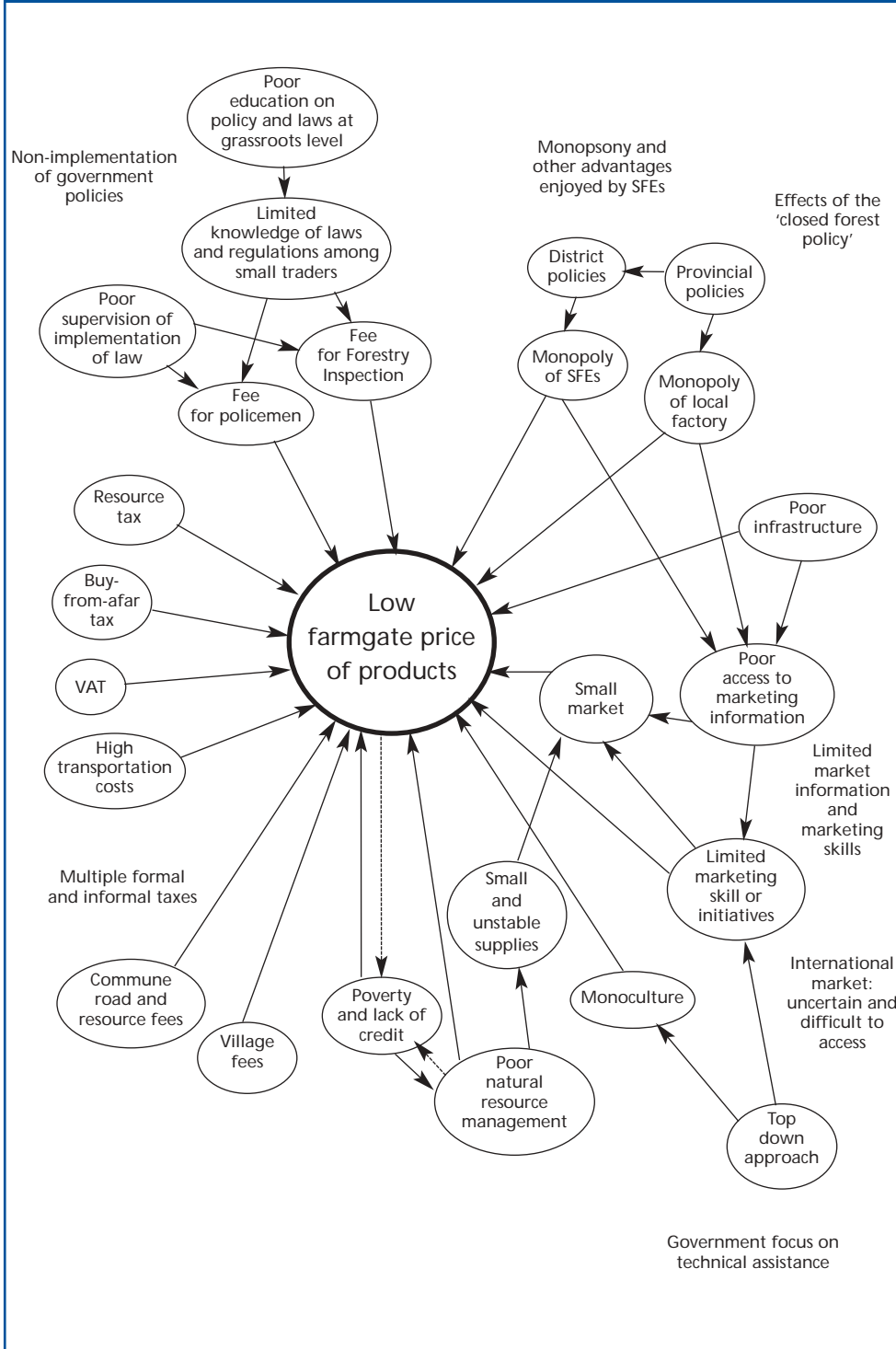
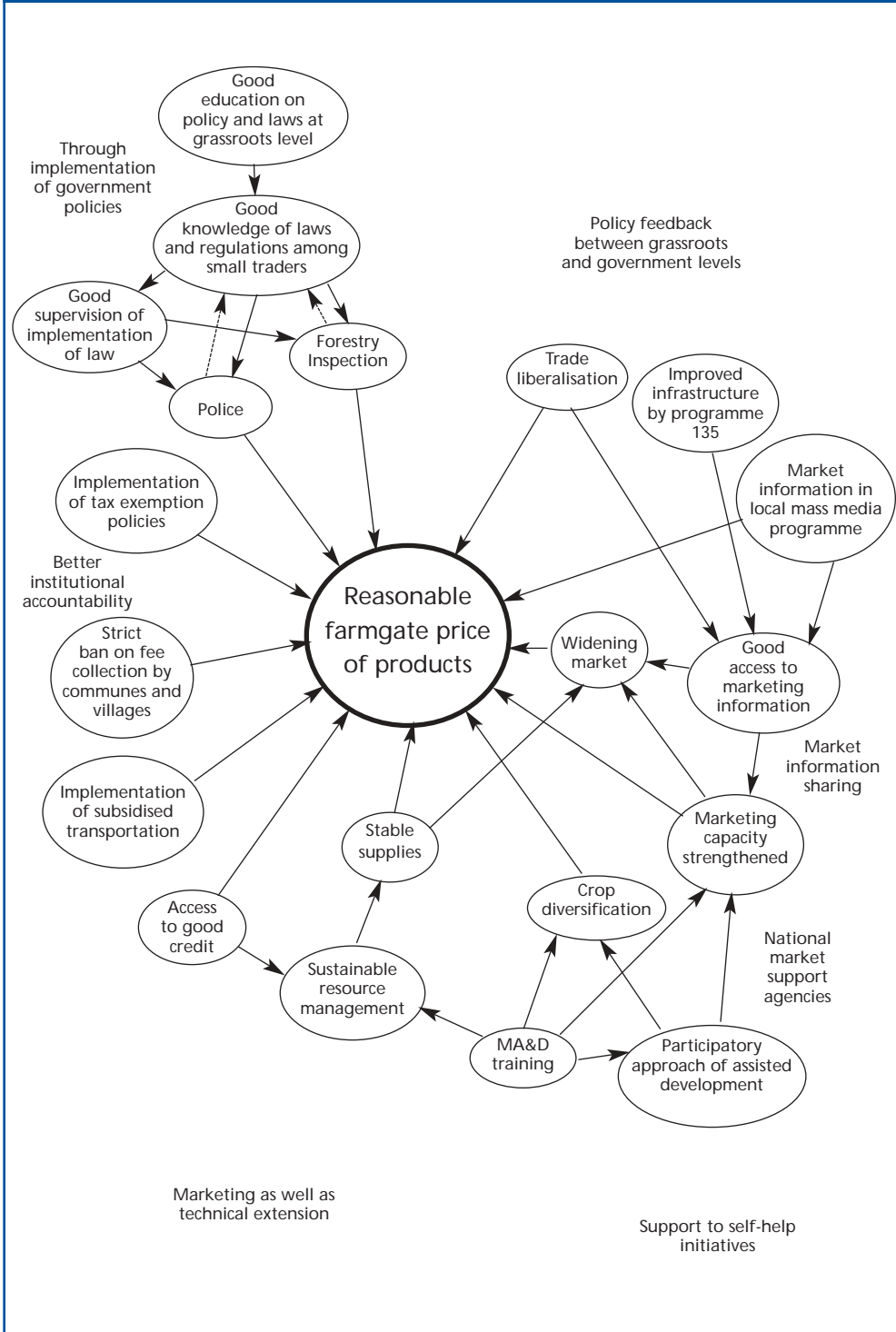


Figure 10. Causes of reasonable farmgate prices for upland products



Implementation of enabling and supportive policies and structures for effective market chains

- ◆ *Thorough implementation of government policies:* In most of the districts surveyed, the national policies which provide for planted forest products to be exempted from resource tax, and for agricultural and forest products produced in zone 3 to be exempted from VAT and buy-from-afar tax, are not applied. Thus farmgate prices are lower than in other producing areas, where the tax exemption policies have been applied. Tax exemption policies promulgated by the national government for agriculture and forest products in mountainous areas, especially in zone 3 areas, for the benefit of upland people, should be applied fully. Information and accountability are key to achieving better application of national policy.
- ◆ *Better institutional accountability:* Currently, policymakers and service providers are accountable to their seniors, but there are no mechanisms for ensuring accountability to the intended beneficiaries. Nor do those beneficiaries – in this case the upland poor – have any means whereby they can give feedback on the implementation of policies and programmes, nor indeed seek recourse when they are charged informal and illegal taxes by commune officials, forestry inspectors and police. A key challenge to government at local and national levels is to build a more responsive system of governance to provide accountability to small-scale traders and producers. Small claims courts, transparent complaints procedures and targets for local service provision could all help. Accountability could be better achieved by closely supervising the implementation of law by executive bodies such as SFEs, commune offices, police and local forest departments, and strictly punishing violations. This would protect the interests of the direct actors consequently allow markets to function properly – but is easier said than done. Better supervision of tax collection would entail long-term investment in watchdog agencies, coupled with a radical change in bureaucratic culture away from “repaying initial investment” (compulsory bribes paid to secure positions in executive bodies) towards “social service” without personal gain.
- ◆ *National market support agency for upland products:* An agency to monitor and coordinate the export market of NTFPs could be set up at national level, to assist rather than to control the export opportunities for both large and small businesses. Useful models already exist: national-level organisations for international trade issues for coffee, tea, shrimp and rice. In time, this type of agency could reveal market problems as well as opportunities, and provide relevant advice to policymakers or other participants in the market chain. Of course, market support agencies of this sort are expensive to establish and maintain, raising the question of where funding should be sourced. The best source of funding is the producers and traders themselves, since the onus is

then on the relevant market support agency to prove itself useful and value-for-money in order to attract further support. This funding option is more feasible for high value / high volume products than for lower value NTFPs. One possibility then in the Vietnamese context is a public-private joint venture to cover the costs of the agency.

Improved sharing of information between grassroots and policy levels

- ◆ *Market information sharing:* Many producers and small-scale traders have few opportunities to access market information or to know how market chains operate. As a result, their power to negotiate prices is weak. Poor information flows are rooted not just in poor infrastructure and communication networks, but also in the long history of the planned economy. Central directives, and associated subsidies and trading monopolies, have reinforced among producers a sense of powerlessness and a reluctance to seek out market information. Government at district and provincial levels, governmental and non-governmental support agencies, and national media could take action to improve information flows. Market information could be included in the daily or weekly local mass media (broadcasting, television, newspapers) programmes of every locality. Useful information could include buying and selling prices of products in the local, provincial, national and even international markets, quality concerns, customers, demand and supply of particular products, and so on. Less formal channels could also be utilised more fully. For example, regular telephone contact between larger and smaller traders has proved useful in the market chains for *reishi* mushrooms and *la khoi* (figure 5).
- ◆ *Policy feedback between grassroots and government levels:* Information on policies is not easily available at the district and village level or along market chains, and this lack of information creates space for misuse of policies and the spread of illegal practices. Small-scale traders know little about trade policies and transport laws, so they are poorly equipped to challenge illegal taxes. Government could take action to disseminate relevant policy to people at grassroots level in general and to small traders in particular, more effectively – with a focus on explaining policy in terms of people’s day-to-day lives rather than reporting Programmes and Decisions from a government perspective. At the same time, policymakers and managers do not have sufficient information about constraints in real market chains. In other words, the shortcomings that occur in the process of policy implementation are not fed back to the higher, decision-making levels effectively. Meetings to bring together producers, traders and policymakers could be one way of tackling this lack of two-way information, for those in the market chain to share market information, to describe the obstacles they face in trading, to express their needs and to propose amendments to policies in order to promote market development. The series of workshops held under the auspices of this project provided this kind

of forum, and were considered most valuable by participants (see section 2.4 for details of how the workshops were organised and annex 4 for a synthesis of the constraints and recommendations from the workshops).

A change in culture among government policymakers and service providers from top-down directives and replication of models, to collaborative, responsive approaches based on local needs and conditions

- ◆ *Marketing as well as technical extension:* Poverty alleviation programmes for mountainous areas have done well in providing credit to farmers. However the agroforestry extension programme focuses only on activities which are designed to provide technical support to farmers, such as setting up demonstration models, organising visits to model farms, and providing training on cultivation techniques for particular crops – all without complementary support on how to market the produce. In addition, specific crops have been promoted widely, often with centrally decided hectare targets. This has contributed to over-production of certain commodities and the market becoming saturated. Consequently many products cannot be marketed or are sold at low prices that do not compensate for inputs made by the farmer. Product marketing could be included in projects and programmes that aim to improve upland livelihoods. Groups of beneficiaries from these programmes could actively take part in programme implementation, making decisions on selection of crops for development and marketing their products. Through participating in the whole process, the beneficiary groups' business and market development capacities will be strengthened. The "Market Analysis and Development (MA&D)" tool (annex 2) has proven a useful tool where it has been pilot-tested, and could be applied more widely. Further, support should be provided to establish farmer interest groups, especially those who plant or gather the same products, in order to assist them in resource management and market development for a good sustainable income. Farmer interest groups may work as an effective channel for loans for processing and storage so that farmers are able to sell their produce at better prices.
- ◆ *Support to self-help initiatives:* It is easy to assume that poor transport links and lack of credit facilities are constraints on an efficient marketing system, and this is often the case. However, the research team found evidence of communes who had managed to overcome these constraints. Quang An and Quang Lam communes of Dam Ha district, and Hoanh Mo commune of Binh Lieu district are in very remote locations and yet people living in these communes produce traditional commodities with relatively stable, big markets. As a result, their standard of living is quite good and their households do not rely on extraction of forest products for cash income. Meanwhile, the mountainous communes of Ba Che and Hoanh Bo districts enjoy a much better location, favourable for economic activities, and they also receive more

assistance from national development programmes, but still most of their households are poor and forest dependent. The research team found one example of marketing success being dependent on an influential person taking the initiative and his community trading as a group (box 13). This may be an isolated case, or may indicate what can help lift the constraints faced by remote communities. It would be useful to study how people in some communes in Dam Ha and Binh Lieu were able to identify the right products to cultivate for the market, while people in other areas failed. What was the initial motivation or stimulation for this innovative self-help solution and how did the process of development take place? This has been developed as a further area of study by the research team, looking into the relative role of assistance programmes versus other factors, such as strength of local institutions, in allowing for improvements in the living standards of upland households. Further details of this research are available from the authors of this report.

Box 13. Group marketing and the importance of initiative and contacts

Some cinnamon producer households in Dam Ha have come together to hire a truck to transport their cinnamon to Hanoi or to Bac Ninh to sell directly to the Agriculture and Forest Product Export Companies or to the Private Agriculture and Forest Product Enterprises. They have established a good relationship with some of these enterprises, so when they are not able to transport the cinnamon to Hanoi themselves, their partner will send a lorry to collect the produce. The money is paid immediately after the goods are delivered.

Credit for finding a market for the cinnamon in Hanoi is given to the former chairman of Quang Lam commune, who is a person with initiative, and who always acts for the benefit of the community. As he is a man of great prestige in the district, he has been selected to attend meetings in Hanoi many times. He takes these opportunities to look for a market for cinnamon, then comes back and forms a group of households to sell the product to the Hanoi market directly.

Avoiding actions that will not contribute to, or will take away from, improved market opportunities for upland products

As well as the positive actions described above, there are some approaches that do *not* contribute to improving the livelihoods of upland farmers and traders:

- ◆ Sweeping policy reform (though specifics such as lifting SFE monopolies and monopsonies would be useful)
- ◆ Greater restrictions on marketing of products by individual traders
- ◆ Further programmes to promote wide-scale growing of “miracle crops” (e.g. coffee, fruits such as lychee and plum, *huong bai* grass)
- ◆ Attempts to cut out “middlemen” – who are in most cases effective contributors to market chains
- ◆ Construction of market places without clearly demonstrated local need

There are also some dangers: for example the danger of producers sharing market information and thereby losing their niche. Market information itself has a value, and there is a risk that some may choose to withhold information in order to boost profits. Already we have seen examples of widely differing prices for the same commodity within a small area, which is maintained due to producers' lack of knowledge of current market prices. While we recommend improved information at the grassroots level, there are some dangers when market information moves from the private to the public domain. More available market information could lead to more regulation, and it could also enable 'outsiders' to access valuable natural resources, particularly in remote areas, which were formerly key sources of household income to the local communities. An illustration of the value of market information is given in box 14.

Box 14. Market information is easier to access when there is less at stake

Canarium resin produced in Hoanh Bo is traded in small volumes, so the traders do not have to pay any taxes or fees to police and Forestry Inspection. The price at all the links of market chain is based on negotiation. Except the producers, all the other actors of market chain know how the product moves through the chain, the capital that is needed and the profit earned at each link of the chain.

Compared to many other goods that are traded in upland areas, volumes are smaller and prices are lower. *Canarium* resin traders are not subject to illegal fees, and so market information is more transparent as there is little to be gained by withholding it. Thus there is less at stake and all parties are willing to share information.

In contrast, high volume, high value products such as timber attract much greater levels of illegality. Market information surrounding timber prices and trading practices has a greater value and is much less transparent. In this case, there is much at stake, and the potential gains to be made are substantial.

Annex I. Market analysis and development methodology (MA&D)

MA&D is an internationally recognised methodology developed by FAO and RECOFTC to assist people in achieving a sustainable livelihood system, in which their household and community assets are increased and local forest management is improved. It enables local people to identify potential products and develop markets that will provide income and benefits without degrading the resource base. It is a step-by-step process, arranged in three phases, which break into logical sequence steps, and it uses a series of general tools that have been, or can be, adapted to achieve specific results in the development of business ideas.

Summary of MA&D process	
Phase 1: Assessing the existing situation	Step 1: Identify the target group Step 2: Determine the financial objective of the target group Step 3: List existing resources and products Step 4: Identify key constraints of the existing market system Step 5: Shortlist a range of products Step 6: Raise awareness of the benefits of working together
Phase 2: Identify products, markets and means of marketing	Step 1: Analyse the four areas of enterprise development Step 2: Select the most promising products Step 3: Create interest groups for the selected products
Phase 3: Plan enterprises for sustainable development	Step 1: Examine the business environment of the selected products/ enterprise Step 2: Define the enterprise mission, goals and objectives Step 3: Develop strategies in each of the four areas of enterprise development Step 4: Formulate the action plan to implement the strategies Step 5: Calculate financial projections for the enterprise Step 6: Obtain financing as specified in the capital needs statement of the financial plan Step 7: Initiate the pilot phase and training Step 8: Monitor progress and deal with change

MA&D is not only a powerful method used to support local people in developing sustainable enterprises for improvement of their livelihood, but can be an effective method for market research if simple adaptations are made. For this research on markets in upland Quang Ninh, only particular steps from phases 1 and 2 of MA&D were used, and researchers rather than farmers remained the main drivers of the work.

Annex 2. List of scientific, local and common names of products and their uses

Local name	English name	Scientific name	Use
Ba kich	Morinda root	<i>Morinda officinalis</i>	A very common kidney tonic herb used in Chinese medicine to improve health
Nam lim	Reishi mushroom	<i>Ganoderma lucidum</i>	Popular worldwide commodity used as herbal tea or powerful tonic for various ailments
La khoi		<i>Ardisia sylvestris</i>	A herb used in Chinese medicine to cure stomach problems
Sa nhan	Amomum or Thai cardamom	<i>Amomum xanthioides</i>	A spice produced mainly for export
Hoang dang		<i>Fibraurea tinctoria</i>	A common herb used to treat infections of the digestive system and liver
Tram	Canarium	<i>Canarium album</i>	Multi-purpose tree: fruit is used for food and resin in the incense industry
Vo chay	Chewing bark	<i>Artocarpus tonkinensis</i>	Bark used together with betel to chew
Co lau	Broom grass	(several species)	Used to make brooms
Giang giang	Fern	<i>Dryopteris filix-mas</i>	High quality fibre used to make baskets and other small items for export markets
Huong bai	Flax lily	<i>Dianella ensifolia</i>	Root is used in the incense industry
Tac ke	Gecko	<i>Gecko gecko</i>	Superior tonic in Chinese medicine
Ran	Snake	(many species)	Used as a tonic and food in expensive restaurants
Rua dat	Turtle	(many species)	Used as a tonic and food in expensive restaurants
Gung	Ginger	<i>Zingiber officinale</i>	A widely used spice
Dia lien	Variety of galangal	<i>Kaempferia galanga</i>	A common tonic, though not used as a spice
Dong rieng	Canna	<i>Canna edulis</i>	Tuber used to make noodles (vermicelli)
Trau	Tung oil	<i>Aleurites montana</i>	Fruit is harvested to extract oil, which is used in the chemical industry
Tre doc	Bamboo	(many species)	Used as props for climbing crops
Tre giay	Bamboo	(many species)	Paper making – most sizes and quality adequate
Nua	Bamboo	(many species)	Used to make paper and small items such as baskets

Annex 3. Main provisions of selected Government of Vietnam policies

Programme 133	'Hunger Eradication and Poverty Alleviation Programme' of 1998-2000. Included extension of credit, resettlement and investment in infrastructure.
Programme 135	'Support for the Most Difficult and Remote Communes Programme' of 1988. Target to reduce 'poor' households from 40% to 25% by 2005. Activities include investment in infrastructure, training and assisted planning.
Programme 327 and Programme 661	'Regreening the Barren Hills' of 1992 replaced in 1998 by 'Five Million Hectare Programme 661'. As the name suggests, large-scale rural plantation project.
Decision 40	Issued in 1988. Provides for trucks and ships to be fined for overloading.
Decision 176	'Renovation Policy' of 1989. Enabled institutional reform in government, which involved large losses of civil service jobs.

Annex 4. Synthesis of constraints and recommendations identified at district and provincial workshops

The table opposite presents an aggregation of the constraints and recommendations made at two district workshops, and one provincial level workshop. Some of the recommendations are therefore specific to districts but overall the points reinforce conclusions drawn as a result of fieldwork. For the purposes of small group discussion, workshop participants were divided into two groups: producers and gatherers, and traders and processors. Further details of the workshops are available from the authors of this report.

<i>Producers/gatherers</i>	<i>Traders/processors</i>
<p>Policies issued by government are not known by households. Policy implementation is not the same in different localities. Many preferential policies are not applied.</p> <ul style="list-style-type: none"> ◆ Disseminate policies to households and apply them appropriately. 	<p>Poor knowledge of government policies and laws on trading and transporting products. Poor business skill of small enterprises.</p> <ul style="list-style-type: none"> ◆ Disseminate policies and laws to the people, to improve the skills of those in small private enterprises.
<p>Harvesting permission procedures are too complicated, which impacts negatively on marketing of products. There is still a monopoly in trading.</p> <ul style="list-style-type: none"> ◆ Simplify harvesting permission procedures. Permit all traders to compete in buying products. 	<p>The procedure for getting permission to buy is too complicated, costly and time-consuming.</p> <ul style="list-style-type: none"> ◆ Simplify and shorten the procedure.
<p>Lack of market information, difficulty in selling products, prices too low.</p> <ul style="list-style-type: none"> ◆ Local authorities could assist in marketing products and provide up-to-date market information to producers. 	<p>Many difficulties on the roads: too many Forestry Inspection and police checking points. In Hoanh Bo, there are also many road fee collection points at commune level.</p> <ul style="list-style-type: none"> ◆ Review Decision 40 on transportation of bulky products. Remove fee collection points from Hoanh Bo communes.
<p>Too many fee collection stations.</p> <ul style="list-style-type: none"> ◆ Reduce the number of fee collection stations. 	<p>There is a monopoly in trading NTFPs.</p> <ul style="list-style-type: none"> ◆ Permit free enterprise in all areas.
<ul style="list-style-type: none"> ◆ Resource tax and other policies should be spelt out more clearly so that they are not open to multiple interpretations. 	<p>The checking procedure for harvesting planted timbers is complicated, time-consuming and expensive to the producers who pay for it.</p> <ul style="list-style-type: none"> ◆ Forestry Inspection should do only pre-harvesting stump measurements, not an additional post-harvest measure.
<ul style="list-style-type: none"> ◆ Market and technical advisers in each locality would help products to be marketed more easily. 	<ul style="list-style-type: none"> ◆ Better provision of market information to help standardise prices across districts.
<p>Getting loans takes time and interest rates are high.</p> <ul style="list-style-type: none"> ◆ Need for easy access to loans with preferential interest rates and longer terms. 	<ul style="list-style-type: none"> ◆ Wood processing: illegally harvested wood retained by Forestry Inspection should be sold by bidding, with preference given to local wood shops.
<p>Forest land allocation is not fair. Many households have no land, while others own a lot of land but fail to use it.</p> <ul style="list-style-type: none"> ◆ Review forest land allocation so that all households are able to benefit. 	<p>Bamboo harvesting is not sustainable and there is a monopoly in trading.</p> <ul style="list-style-type: none"> ◆ Ba Che district should take measures to stop over-exploitation of paper bamboo.
<ul style="list-style-type: none"> ◆ Subsidise transportation to help traders with costs. 	<ul style="list-style-type: none"> ◆ Take measures to ensure that small private traders in the highest areas (zone 3) can access subsidies.

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William T Vorley

In 1996 IIED initiated a multi-country, collaborative research project entitled Policies that Work for Sustainable Agriculture and Regenerated Rural Economies (PTW). The PTW project aimed to identify policies and policy processes that support sustainable agriculture and rural regeneration. It examined a cross-section of case studies across a range of agroecological and socioeconomic environments, and commissioned a number of 'Think Pieces' to make the connections between local policy and transnational economic, trade and business institutions. The research started by identifying 'islands of success' of sustainable agriculture and then observing the different forces, power dynamics, policies and institutions that impacted on those successes. This report draws on the various findings to build up a picture of the policy environment for sustainable agriculture at the levels of local community, local government, national government, the private sector, and global institutions. It makes recommendations for each of these levels

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Global Restructuring, Agri-Food Systems and Livelihoods. Gatekeeper No. 100

Michel P. Pimbert, John Thompson, and William T Vorley with Tom Fox, Nazneen Kanji and Cecilia Tacoli

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Earthprint,

P.O. Box 119, Stevenage, Hertfordshire SG1 4TP, United Kingdom

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