Facilitating Trade and Market Access for Reduced-Input Crops

Case Studies out of Vietnam, Myanmar and Thailand

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Increasing Market Access and Facilitating Trade in GMS Agrifood Products

Pingxiang, Guangxi, People's Republic of China

Fresh Studio at a Glance

Professional services firm

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Value chain driven

- Multi-disciplinary teams
- 360° approach

Located in Asia

- Offices: Vietnam, Myanmar
- Working in Philippines, Vietnam, Thailand, Indonesia, Cambodia, Laos, China, Malaysia and Japan

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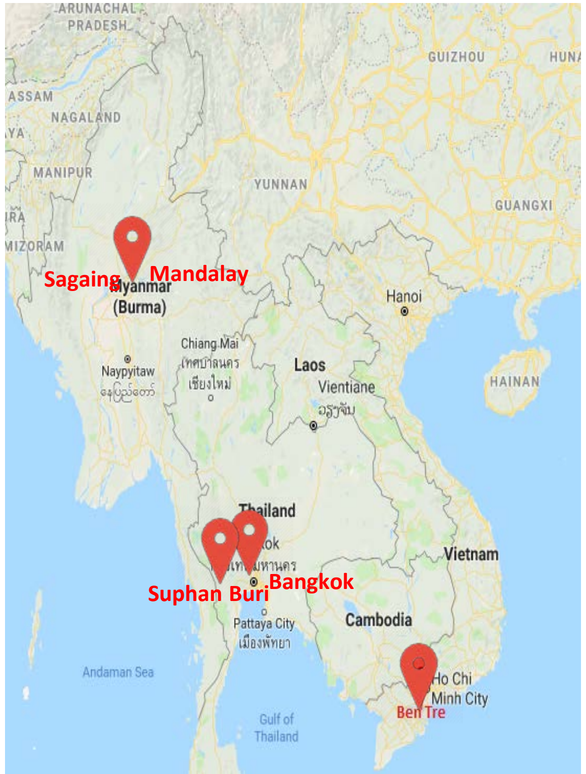
Project Introduction



- **Methods:** desk research and field surveys
- **221** farmers, collectors/traders, exporters, retailers, input suppliers, transporters, authorities, NGOs were involved

Organic coconut chain in Ben Tre, Vietnam

Myanmar GAP mango chain in Mandalay + Sagaing, Myanmar

PGS vegetable chain in Suphan Buri, Thailand

Retail Study in Bangkok, Thailand

Organic Coconut Trade and the Value Chain in Ben Tre

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Trade of coconut in GMS

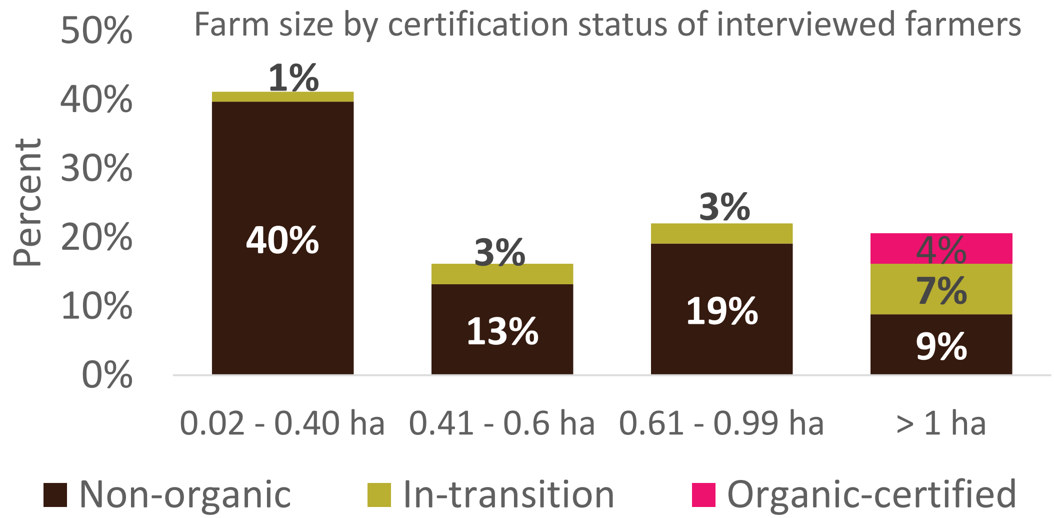
- 3-5% of worldwide coconut export
- 66% intra-GMS trade (fresh and dried forms)
- Increasing role in coconut production and processing

Trade of Vietnam coconuts

- 15% consumed fresh and domestically
- 85% processed into coconut chips, desiccated coconut, coconut milk, oil, fiber, charcoal or peat

Trade of the chain:

- >1000 ha of certified organic coconuts since 2012
- 30 importing countries (incl. Thailand)



Supporting actors

Organic farmers → Collectors/ Pre-processing facilities → Processors/ Exporters → Buyers Non-GMS/ GMS/Domestic

Chain characteristics

- USDA and EU organic certifications
- Small scale production

Analysis and Recommendations - organic coconut

Strengths	Weaknesses
• Farmers' experience • **Tightly integrated chain** • High quality product • Available on-farm resources • Strong government & donor support	• Labour shortage • Lack of organic inputs • Complicated standard requirements • **Fractured sourcing due to small-scale farming**
Opportunities	**Threats**
• Expandable organic sourcing area • Increasing demand • **Potential for value-added** • Organic may better adapt to climate change • Farmer cooperatives development	• Inability to intercrop • Uncertain 3-year transition • Aging farmers • **Strong competition from other Asian producers** • **Factories' capacity constraints**

Recommendations for market access & trade facilitation:

- Invest in R&D of high value-added products
  - Compared to other coconut processing countries in Asia, companies in Ben Tre have a small portfolio of value added products. Expanding this product portfolio could increase opportunities for trade
  - Higher value add products could ensure that companies remain competitive, despite higher input costs
- Invest in pre-processing and processing facilities
  - At high season coconut factories outsource pre-processing activities, as pre-processors do not have the same food safety standards in place there is a quality risk

Myanmar GAP Mango Trade and the Chain in Mandalay & Sagaing

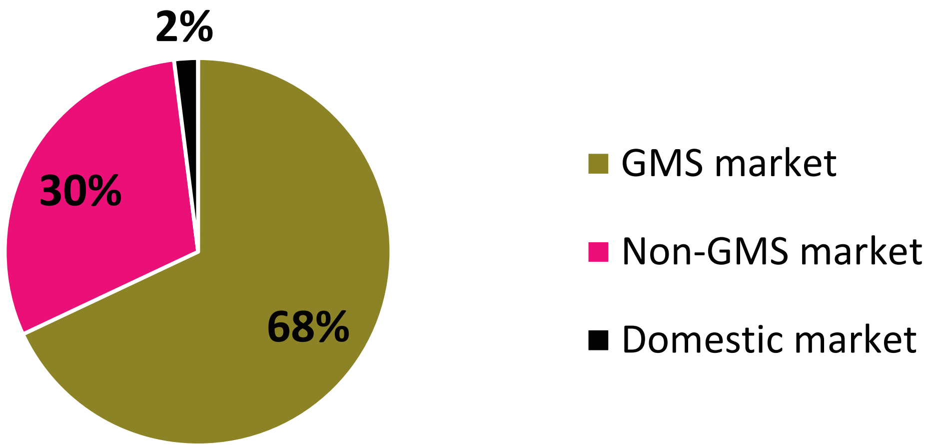
Trade of mango in GMS

- **21%** of total world mango export.
- **67-81%** mango exported Intra- GMS.

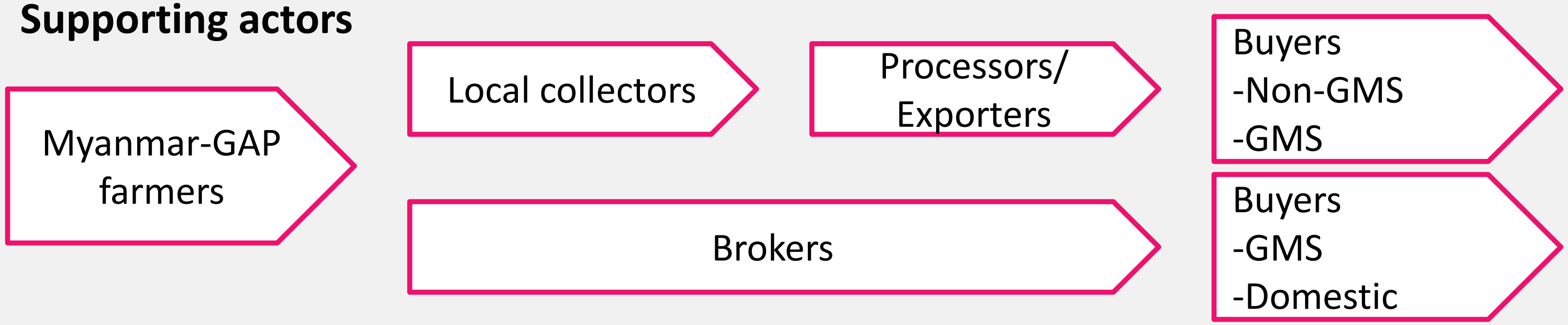
Trade of Myanmar mango

- **95%** are consumed domestically
- Export value of **10 M** USD (MVFP, 2017)
- **98%** of exports to China via “The North-South economic corridor”.

Mandalay & Sagaing Myanmar GAP mango markets



Supporting actors



Chain characteristics

- No segregation between GAP or non-GAP mango in the value chain
- No recognition of SPS/MRL tests done for Myanmar GAP certification when exporting/importing
- **10-40%** rejection and loss rates for fresh mango

Analysis and Recommendations – Myanmar GAP mango

Strengths	Weaknesses
• Experienced farmers • Government and donors support • Favorable production conditions • **Different mango season from PRC**	• Insufficient training to farmers • Lack resources to support the program • Lack of transparency in certification process • **Buyers unaware of standard**
Opportunities	**Threats**
• **Educate the chain to increase demand** • **Harmonization of standards and testing** • Higher productivity • **Invest in infrastructure to increase quality** • **Develop high value added products**	• **Lack of recognition, price differentiation** • **Rejection rates high when strict food safety standards applied** • Increasing extreme weather events

Recommendations for market access & trade facilitation:

- Harmonize the Myanmar GAP standard with other regional GAP standards
  - Neither domestic nor international buyers are aware of the Myanmar GAP standard and its potential benefits for food safety. Harmonizing the standard with more recognized standards could drive demand for the product.
- Harmonize national SPS measures with measures in target import markets
  - To reduce rejection rates and ensure access to markets, local SPS measures can be aligned with those of importers. Upgrading inspection and testing facilities to support this harmonization can also decrease costs.
- Invest in infrastructure to ensure the quality of mangoes
  - Developing a cold chain would increase shelf life and reduce rejection rates

PGS vegetables in Suphan Buri, Thailand

Trade of vegetable in GMS (2016)

- **19%** of world export, $13.5 billion
- **27%** of exports traded within GMS

Trade of Thailand vegetable

- **79-86%** export to other GMS countries
- PRC most important importer **~ 98%**
- Increasing export of vegetables by **32%** (2010-2015)

Trade of the chain

- **30-40 tons** of PGS vegetables sold by 2 studied groups
- 13 retail stores in Bangkok, ~**60,000** domestic buyers
- The social enterprise commits to buy all farmers' PGS products.
- **50%-100%** premium price.

Supporting actors

PGS groups → PGS group's pack house/ DC → The social enterprise's stores → Buyers -Domestic

Chain characteristics

- Assessment of adherence to standards occurs across the chain, instead of being done by a third-party
- Social enterprise contracts to purchase all production if standards are met

Analysis and Recommendations – PGS vegetables

Strengths	Weaknesses
• Reduced certification costs • Good knowledge sharing among PGS members • Able to attract experienced farmers • A tight value chain • Strong internal quality control system	• **Limited access to markets** • Location specific model • Complex transition procedure • Lack of organic input supply • Heavy labor required • Low yield • **Low level of postharvest technology, storing and transportation**
Opportunities	**Threats**
• **Increasing demand for organic products** • Increased consumer awareness of food safety • **Improve recognition of PGS as organic system**	• Outbreak of foodborne illness • Economic penalties - low yield, low income • **Lack of recognition of PGS** • Insufficient technical support

Recommendations for market access & trade facilitation:

- Adopt regional/ internationally recognized organic standards when setting up national organic standards
  - This alignment would allow PGS to be recognized as a certification alternative, increasing its recognition in the market
- Invest in the PGS distribution centers and transportation systems to improve post-harvest handling and reduce rejection rates
  - Improved post-harvest techniques would increase availability, which is currently too low to meet even domestic demand.
- Increase awareness of PGS as an organic system
  - PGS's system of involving all actors in standard setting could make it an interesting option for tight value chains, but few buyers are aware of it as an organic option.

Retail Study in Bangkok, Thailand

- Modern food retail accounted for 59.1% of total retail sales in 2016
- 53% of organic products sold in modern retailers vs. 7% for wet markets (Kongsom and Panyakul, 2016)
- 70-100% local products directly sourced by modern retailers from farmers or a consolidator
  - Separation between organic vs non-organic
  - No distinction among the certifications/ standards
- <2% of organic products are imported

Factors influencing the purchase of reduced-input/ imported products:

- Customer preference – taste, smell, quality
- High rejection and loss rates (20-100%)
- Offering variety to customers
- Contribution to bottom line is an important factor in resource allocation
- Knowledge gap in GMS's available products
- Non-tariff measures place barriers and reduce transparency around imports

Recommendations for Trade Facilitation

1- Harmonize local GAP and food safety standards and develop a regional standard

- **Short- term:** Develop an inventory of local standards and showcase internationally recognized standards to develop a process and objectives for harmonization that includes input from all stakeholders (retailers, traders, growers, government, etc).
- **Long-term:** Develop and implement a harmonized standard in each GMS country; Develop accredited testing facilities for SPS/MRLs in the region.

2- Facilitate trade and develop export coaching program

- **Short- term:** Connect importers, exporters and other stakeholders via marketplace events that showcase regional products. Discuss import/export barriers with and identify steps to remove the barriers.
- **Long-term:** Work with governments and industry to implement steps to reduce the trade barriers. Coach high potential companies on exporting within the region.

Recommendations for Trade Facilitation

3- Increase transparency and accessibility of government regulations about food safety and quality to the public

- **Short-term:** Make import/export requirements available online
- **Long-term:** Harmonize SPS measures within the region and assess the necessity of Non-Tarif Measures (NTMs) affecting the imports of fruits and vegetables with the aim of reducing the number of NTMs applied to the sector.

Thank you!

Questions Your challenges Ideas Next steps

Contact Business Development Director (HCMC)

- Dana Roelofs
- dana.roelofs@freshstudio.vn

Contact Managing Director (HCMC):

- Mr. Siebe van Wijk
- siebe.van.wijk@freshstudio.vn

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