Linking Farmers to Processors and Service Providers for Improved Incomes

A Case Study of Coffee Sector in Quang Tri, Vietnam

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Abstract

Coffee is the main source of income for more than 90 percent of households in Huong Phung commune, Huong Hoa district, Quang Tri province, Viet Nam. The low quality of coffee cherry supply due to poor harvesting practices by farmers, soaking in water and the purposeful addition of foreign matter is harmful to the whole coffee sector. More importantly, this challenging situation is reducing the household income of farming families and the profits of processors. To resolve the situation, the Mekong Institute has introduced and promoted a mutual-benefit based business collaboration through which farmer groups link themselves directly to processors to sell their cherries. Key approaches for obtaining agreement among the two parties are negotiation and dialogue. At least one farmer group, with 42 members, has improved its commitment to and sustained collaboration until the end of the harvesting season. Through this collaboration, the farmer group has earned additional income of USD10,265 from the higher price associated with the sale of superior quality cherry. Simultaneously, the processor has gained an additional profit of USD14,967 which arose from the larger output of export quality coffee beans and lower production costs. In addition, a foundation has been established to facilitate the farmer group’s access to lower interest bank loans for the purchase of fertilizer at a lower price. Individual farmers have reduced their fertilizer cost by up to USD75.28 per ton: a 15 percent reduction. As all actors have enjoyed some benefit from the farmer-processor collaboration, the opportunity arises to upscale the initiative.
I. Introduction

Huong Hoa District is located in the west of Quang Tri Province, one of the poorest provinces in Vietnam. It borders with Savannakhet province of Lao PDR to the west. The district is the threshold of the East West Economic Corridor (EWEC) in Vietnam. Huong Hoa is one out of two mountainous districts of the province. Its population was 82,000 people almost half of which belongs to ethnic minority (2013). Poverty rate of the district was 21.5 percent, much higher than the country poverty rate of 9.6 percent (2012). Farmers and ethnic community account for a large proportion of the total poor. In Huong Phung commune alone, 46 percent of its population is ethnic people those who account for 80 percent of the total commune poor (Huong Hoa Statistical Book 2012).

Vietnam is the world biggest Robusta coffee producer and exporter. In 2014, Vietnam’s total coffee area was 653 thousand ha of which majority located in the Central Highlands area. Arabica cultivation was 45,000 ha, accounting for about 7 percent of total coffee area (USDA Foreign Agricultural Service, May 2014). Quang Tri province is a production hub of Arabica coffee. It is one of the only 5 provinces in whole the country producing Arabica coffee. Its total area of Arabica cultivation was about 5,000 ha out of which 4,765 ha was under the production period (Mekong Institute, 2014).

Coffee is an important source of income for about 6,000 farmers, of which majority is poor and ethnic minority groups of the Huong Hoa district. Coffee cultivation in Huong Phung commune accounts for one third of the total area. Coffee incomes are vital to about 90 percent of the commune population. In the district, there are totally 14 coffee processing companies of which there are two coffee exporters. Buyers of those processing companies are domestic coffee exporters and roasters locating in the Central Highlands, Hanoi and Ho Chi Minh City. The two coffee exporters sell almost of their products to foreign markets among which German market absorbs about 80 percent of their annual export volume. Those two companies also buy parchment coffee (semi-processed) from few Northern provinces and Champasak province, Lao PDR as supplement of their export volume due to its high quality.

However, the coffee sector has recently been facing different challenges leading to negative effects on farmers’ income and the processing companies’ profit. A quick survey conducted by provincial Department of Agriculture and Rural Development reported that some farmers had neglected their coffee gardens and few had sold their gardens and/or converted to cultivation of other crops since 2012 when the coffee market prices dropped. There are various challenges of different magnitudes and at different nodes of the coffee value chain. However, within the scope of this paper, we would like to emphasize on those that led to the project interventions that contributed to improvement of effective and efficient direct links between farmers groups and processing companies and with different development service providers. Some key challenges were: a) small sized coffee producers leading to high production costs; b) no existence of cooperation among farmers and collaboration between farmers and processing companies as well as break of information flow within the chain, particularly in quality requirements; c) overwhelming processing demand against the availability of coffee production; d) cheatings by soaking coffee cherries in the water and mixture of foreign matters leading to low quality of inputs for processing.

Based on its understanding of the challenges in the coffee sector and expectations from different actors in the value chain, Mekong Institute (MI) under its project titled “Capacity Development for a More Inclusive and Equitable Growth in the Greater Mekong Sub-region” has been facilitating systemic and sustainable market changes aiming at improving the performance of the coffee sector in Huong Hoa district, Quang Tri province, Vietnam from which actors of the value chain particularly smallholder farmers and processing companies can enjoy their increased benefits. Among project interventions in different areas of the coffee sector, the project attempted to facilitate profitable and sustainable relationships...
between farmers groups and processing companies and service providers through capacity building to improve knowledge and skills of farmers in terms of farmer organization and management, market access, negotiation and dialogue processes where collaborating parties can voice up their needs and expectations from one another and vice versa and negotiate for agreements and commitments.

II. Coffee production, processing and marketing

2.1. Coffee production

With 4,765 ha of coffee cultivation under the production period, Huong Hoa district is producing an annual production from 40,000 to 60,000 tons of coffee cherry. The production varies from year to year due to seasonal effect that the coffee has bumper crop in one year, would be a losing crop in the consecutive year. The loss ranges from 30 percent to 50 percent of the bumper crop. The ratio of coffee bean and coffee cherry (milling rate) is from 12.5 percent to 14.3 percent (7 to 8 kg of coffee cherry to produce 1 kg of coffee bean). The higher quality coffee cherry as higher percentage of ripe cherry is, the higher milling rate is. Therefore, the annual production of coffee bean in the district is from 5,300 tons to 8,000 tons.

Harvesting season of coffee in Huong Hoa starts from early October and lasts till end of December. At the beginning and ending time of the harvesting period, farmers usually pick selectively since the percentage of ripe cherries is small. During the other two months of the period, farmers have to harvest intensively due to large number of ripe cherries. As a usual practice, farmers have to hire seasonal labors to complement with own family labors to harvest. Coffee is a labor intensive crop, particularly during the harvesting season. A survey on coffee farmers conducted by the project in March 2015 reported that labor cost accounts for almost 60 percent of the total production cost in 2013 and 2014, of which hired labor cost shares 30 percent to 50 percent of the total labor cost. It is a burden for coffee farmers. So that most of farmers allow hired labors to work hard to harvest as much as they can to reduce the number of working days. Accordingly, quality of coffee cherry is low due to high ratio of green cherry.

Input cost is another burden for coffee farmers, particularly fertilizer. Use of fertilizer in a proper practice significantly affects the productivity. However, cost of fertilizer is high, equivalent to 35 percent of the total production cost. Many poor and ethnic farmers cannot afford to apply fertilizer for their coffee garden. As a result, their coffee yield is far below the average yield in the district (2 to 5 tons/ha versus 10 tons/ha). Farmers can access to credit service by both commercial banks and social policy bank (only for poor households) for investment into the coffee business. The fact is that they have already got loans for not only coffee investment, but other purposes. Many of them are now not eligible for another loan. However, farmers can easily access to informal credit service provided by coffee collectors and agricultural input providers. There is an overwhelming majority of farmers are buying fertilizer on credit from these stakeholders and they always have to pay higher interest rate and are under the risk of dependence on the lenders.

Almost all coffee farmers are small sized. Average area of coffee per farming household was reported at 1.5 ha to 2 ha (Mekong Institute, June 2013). Furthermore, prior to the project intervention, there existed no cooperation among coffee farmers, no coffee farmers group. The situation led to high production cost and lack of the information sharing and support from one another. And there were only few farmers those who ever sold their coffee cherries directly processors since they had geographical and personal relationship advantages. The project’s coffee value chain report (Mekong Institute, June 2013) indicated that most of the coffee farmers sold their product to collectors who then sold to processing companies. Collectors or middlemen are important actors in the chain since they have means
of transportation, provision of inputs on credit, and immediate cash payment. Nevertheless, the middlemen were responsible for low quality coffee product due to their mixture of high and low quality of cherries and cheatings by adding foreign matters. The situation resulted in demotivation of farmers in producing and harvesting high quality cherries. Whereas, farmers had to sell their cherries to the middlemen since they provided them inputs on credit under a non-written agreement.

2.2. Coffee processing

There are 14 coffee processing companies operating in Huong Hoa district. The number varies and sees a decreasing trend due to loss in the business. One of the key challenges of the sector is that the processing demand overwhelms the availability of coffee production. Results from interviews with major coffee processing companies showed that in a losing season (once in every two years), they could feed their processing facilities from 50 percent to 70 percent of the built-in capacity. It created high and unfair competitions among processing companies in their efforts of cost reduction. Consequently, in the other hand it encouraged farmers to harvest cherries without careful consideration of required standard.

Since the harvesting season falls into the rainy period, coffee cherries undergo the wet processing methodology. In comparison with dry processing, it is more costly, but it ensures higher quality of coffee bean and reduction of loss. Investment on the wet processing facilities is big. Due to this specific characteristic of the coffee sector in Huong Hoa district, there are only few household-scale processors.

As soon as possible after harvesting the cherries should be processed. Commonly, farmers do their harvesting work on the field during the day time, and then transport their cherries home or to the collectors. The cherries are then transported right away to the processing company for processing during the night time. Quality of cherries is significant to quality of coffee bean. Processing quality was reported to be well managed by companies. So that, quality of cherries is core factor; however, the processing company could not control because of lack of link with farmers. According to Vietnam Standards for coffee, for export quality the ratio of ripe cherries must be from 95 percent. From observation in the field in recent years, this requirement was not well met.

Since farmers had no business relationships with processing companies and they lack of truck as means of transportation, farmers are strongly dependent on selling of cherries to collectors within the day. While working with processing companies, the project found that all of them preferred to work with collectors, not individual farmers or groups of farmers since collectors could ensure reliable and huge supply. There existed also remarkable dependence on collectors among processing companies. The processing companies preferred to be in the safe side by announcing the buying price in a day to collectors those who then set the farm-gate prices to farmers at their own preference. Farmers have limited information for making decision and choices.

2.3. Coffee marketing

Out of the 14 processing companies, there are only two exporters. Other companies sell their parchment coffee and/or coffee beans to either local exporters or exporters and roasters in the Central Highlands, Hanoi and Ho Chi Minh City. There are normal two types of coffee bean simply classified as high quality and low quality. In Huong Hoa district, low quality coffee is majority and it is usually sold to bigger companies for making instant coffee, sorting and reclassifying for export, and blending. High quality coffee is sorted for export at higher prices. European Union (including Germany, Italy, Belgium and Spain) and the U.S are two major importing markets of Huong Hoa coffee.
Currently, there is not any specific quality standard applied for export coffee to those markets. Acceptance of the product and pricing are very much based on tasting of roasted samples. The fact is that coffee from Huong Hoa is always given minus price from the quoted prices by the London Stock Exchange due to its low quality. This deducted value was sometimes almost 30 cents per kilogram. One of the two local exporters had applied 4C (Common Code for the Coffee Community) and sold its products under this name. However, they did not continue pursuing the standard since 2013. The project sees a need for applying a certain quality standard by large processing companies for penetrating in new and high-end markets.

Coffee branding is somehow neglected. Reasons are that most of the processing companies’ end product is coffee bean, some are parchment coffee. They always bulk up their product and sell or export. There is no incentive for development of their brand. Two out of the 14 processing companies have been promoting their roasted coffee and selling to local and domestic markets and through their few and small coffee shops. Their current efforts are not significant to brand development of local coffee.

III. Project implementation

The project employs market systems approach to contribute to systemic, large scale and sustainable market changes that affect the beneficiaries in the coffee sector. In this approach, the project kept its facilitative and catalyzing role in the sector development. Even though, the project was mandated to help improving incomes of the smallholder coffee farmers, the project did not neglect the important role and contributions of private enterprises including processing companies and service providers. They were counted as both project beneficiaries and supporting actors to the sector development.

The project found that identification of root causes that affected the sector performance and delivery of proper capacity building and facilitative support were key to the sector market systems and sustainable changes. Therefore, thorough understanding of the sector by the project staff was significant to the effectiveness and efficiency of the project implementation. For project intervention design, the project had conducted various analyses and on-site assessments on the coffee sector, including value chain analysis, market scans, SWOT, stakeholders mapping in order to have best understanding of the sector performance and its environment.

In the scope of this paper alone that presents the collaboration enabling direct links between farmers groups and processing companies and the quadripartite cooperation for access to lower interest loans and lower price fertilizer, we wish to elaborate the project interventions leading to successes.

3.1. Farmers group formation and function

Since the fact that none of any collaboration among smallholder farmers existed, the project supported to form farmers into coffee farmers groups as a prerequisite of promotion of intra-cooperation and link to processing companies. Individual farmers were self motivated to join the groups that were at the beginning non registered and operating for common objectives of producing high quality coffee, higher selling prices and reduced production costs. There were totally 15 coffee farmers groups formed in 15 villages with 368 members in 2014.

Seeing the importance of good management is fundamental to the successful group operation, the project provided capacity building to all group members for improvement of their knowledge and skills in collective working and group management. Along with the capacity building for the groups, the project also assisted them in selection of group management teams those who will represent the whole groups to negotiate with partners and...
make group decisions. In a year working with farmers groups, we found that a strong management team, particularly the group leader is a very important factor to the success of the group performance. The leaders need to be smart enough to negotiate and convince both members and partners and make collective decisions.

Development of a group business plan is an integral factor in group management. The business plan must represent the group collective will and agreements toward a brighter future for all members and the group itself. In other words, a business plan must be able to interpret the group vision into specific commitments and activity implementation and become guidance for implementation. The project was aware that coffee farmers are fairly new to a format of business plan. So that, we assist them to jointly develop a simple business plan of their own that includes fundamentals of working in group, joint efforts, collective actions, commitments and sharing of responsibility. Group members were also explained that development of a business plan is a continuous process that allows changes and adaptations to the fact and real collaborations happened during the existence of the group.

3.2. Farmers group and processing company collaboration

Once the farmers group formation and operation were recognized and improved as a prerequisite, the project started facilitating the collaboration between farmers group and processing company. It was a core intervention of the project. The project organized dialogue as a platform where farmers group and processing company can voice up their expectations and explore potentials for collaboration. The dialogue was set up as an open negotiating session to encourage frank and honest sharing and commitments. The dialogue is an endless process till agreements between two parties are reached and recognized. Experiences from the project work in 2014 indicated that the group management team alone continued the discussions and negotiation with the processing company to ensure there remained no conflicts and disagreements. One of the key factors to the success of the dialogue was that the dialogue should be organized for only farmers group and processing company those who expressed their interest in collaboration with each other. This trick ensures the negotiation to the point and consideration of real cases.

Under the collaboration farmers group members collectively sell their coffee cherries to their collaborating processing company. Various commitments from both sides were set up and agreed among farmers group and processing company in an agreement contract that governs the collaboration. Amongst all commitments, there were three key ones, including required quality of coffee cherries, higher price paid to a kilogram of high quality coffee cherries, and financial support to transportation to farmers group. Specifically as shown in the signed contract in 2014, farmers group had to commit to supply coffee cherries with a ripe cherry ratio of equal to or over 95 percent in a reliable manner. From the processing company side, it had to commit to pay additional price of USD0.0117 per kilogram of required quality cherries to that it paid to collector at the same time. Furthermore, the company agreed to provide financial support of USD0.0117 per kilogram to farmers group’s transportation of coffee cherries from their farm to the factory.

A successful direct collaboration between farmers group and the processing company is means to mitigate effects from above mentioned challenges of the sector.

3.3. Access to credit and fertilizer

There was a fact that farmers those who got input, particularly fertilizer, on credit from collectors were conditioned to sell their coffee cherries back for return of loans. It was the practice by almost all farmers in the district since the coffee is a high investment crop. Removal or lessening the farmer dependence on collectors could help ensure the well functioning of the collaboration and avoid disturbance and side-selling.
By seeing that, the project initiated and facilitated the implementation of a so-called quadripartite cooperation among farmers group, fertilizer company, bank, and processing company. Figure 1 illustrates the cooperation mechanism among four stakeholders. To promote this cooperation, the project facilitated the discussions of possible challenges and solution proposal, the setting up of commitments from every single stakeholder as well as their roles in the cooperation. Under this cooperation, the bank agreed to technically support to farmers in completion of loan application based on availability of assets. For those farmers who had no asset guaranteeing loans, the bank assisted to make them eligible for credit with maximum amount of USD2,500 per household (in the case that they were not getting credit from other banks). Interest rate applied to these loans was 7 percent per year, almost half of the interest applied by local collectors and input providers. Whereas, fertilizer company committed to sell fertilizer to farmers at the same price the company sold to its first level agents. Farmers groups were responsible for transportation of bought fertilizer from the factory to farms to reduce the sharing cost.

The quadripartite cooperation had put forward two interesting points. Firstly, farmers were not allowed to get loans in cash to avoid unplanned purchase of facilities that often led to inability of return. The bank could, under approval of farmers, transfer money to the fertilizer company as actual costs of fertilizer. At the time of coffee harvesting, loan farmers would authorize their collaborating processing company to pay back the loans to the bank. It is another method of securing the pay-back to the bank and for their eligibility for next time loans. Secondly, all four cooperating stakeholders enjoyed their benefits. Coffee farmers could reduce their fertilizer cost from lower interest rate and lower fertilizer price. Fertilizer company could sell more products and expanded its market to the coffee sector. Meanwhile, the bank could enjoy profit from financial services to farmers. Last but not least, by helping farmers paying for the loans, the processing company could improve trust and reliable supply from farmers.

IV. Project achievements

In 2014 harvesting season, there were totally four farmers groups developed and implemented collaboration with one processing company by supplying coffee cherries. However, only one farmers group out of them could sustain the collaboration since it managed to supply coffee cherries at committed quality standard.

Table 1 indicates details of benefit and cost for group farmers those who joined the collaboration. Under the collaboration, the farmers group of 42 members had sold totally 310,365 kg of coffee cherries directly to the processing company. As agreed in the signed contract, the company had paid additional price of USD0.0117 per kg to the price it paid to
collectors at the factory. Therefore, by neglecting the sale of coffee through middleman farmers also earned an additional amount of USD0.0234 (averaged) as profit of middleman. From the financial support provided by processing company to the group transportation of coffee cherries, the group had saved USD798 which was then supplemented to the group fund. However, farmers reported that if they harvest more ripe cherries to meet quality requirement by collaborating company, the quantity of harvesting cherries by a labor in a day would decrease by about 5 percent. With a given of sales volume of cherries, 5 percent reduction of harvesting quantity had increased 233 more working days; as a result additional cost for higher number of working day was USD1,461 totally. Nevertheless, at the end of the season, the farmers group earned an additional income of USD10,265 as compared with other farmers who sold coffee cherries through middlemen and did not join the collaboration with processing company.

<table>
<thead>
<tr>
<th>Sales amount by group in 2014 (kg)</th>
<th>Additional price given by processor (USD/kg)</th>
<th>Earning from direct link to processor (middleman’s profit) (USD/kg)</th>
<th>Sub-total additional income (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>310,365</td>
<td>0.0117</td>
<td>0.0234</td>
<td><strong>10,928</strong></td>
</tr>
</tbody>
</table>

Savings from financial support for transportation by the processing company (USD11.74/ton) **798**

Additional cost on farmers derived from more hired/own labor days for harvesting quality cherries (USD) **-1,461**

- Reduction of harvesting quantity per day 5 percent (from 70 kg to 66.5 kg/day)
- Additional number of hired/own labor days 233
- Cost including meals per hired/own labor day (USD) 6,259

**Total additional income of 42 group farmers (USD) 10,265**

Table 1: Farmer - Processor collaboration: Benefit for farmer group

On the other side, the collaboration processing company also obtained additional profit of USD14,966 from reduction of processing costs, higher ratio of good quality production with higher price and higher milling rate with consideration of higher cherry price paid to farmers and financial support to transportation to the group. According to owner of the company that processing of high quality product would help reducing significantly the processing cost up to 30 percent. The company could save more cost from utilization of less water and electricity and particularly labors for sorting and operating the machines. He also mentioned that high quality cherries normally gave higher rate of good quality bean of 85 percent compared with 60 percent of normal quality cherries. The good quality beans were sorted for exporting at higher price than that in the domestic market. Even though the cost for exporting was higher that cost for selling to domestic markets, owner of the company enjoyed additional profit from direct collaborating with famers group. Table 2 shows details of calculation of profit.

<table>
<thead>
<tr>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30% lower cost of processing (less use of water, electricity, labor…)</strong></td>
</tr>
<tr>
<td><strong>Additional profit from higher selling bean price, higher milling rate, higher ratio of good product</strong></td>
</tr>
<tr>
<td><strong>Additional payment (higher price) to farmers (USD11.74/ton)</strong></td>
</tr>
<tr>
<td><strong>Financial support on transportation to farmers (USD11.74/ton)</strong></td>
</tr>
<tr>
<td><strong>Total additional profit for processing company (USD)</strong></td>
</tr>
</tbody>
</table>

Table 2: Farmer - Processor collaboration: Benefit for processing company
In the first time piloting the quadripartite cooperation of access to credit and fertilizer, there were 24 out of 42 group members were eligible and applied for bank loans and fertilizer purchase. Amongst those who could not get bank loans, some of them had already bought fertilizer prior to the cooperation and some did not have asset guaranteeing loans.

Under the cooperation, participating farmers had two different sources for reducing the fertilizer costs as compared with buying fertilizer on credit at the local (Table 3). Firstly, farmers who got loans from the bank had to pay lower interest rate of 0.58 percent per month versus 1 percent by local lenders. In some cases, buying fertilizer from local providers on credit farmers were charged an additional cost of USD3 to USD4 per time. Secondly, farmers could buy fertilizer at the same price that the fertilizer company used for its first level agents. In the first time pilot, the fertilizer company even lowered the price for participating farmers by deducting an amount equivalent to additional benefits that its first level agents could have from promotion programs during a year. Adding up these two sources for cost reduction, participating farmers could reduce USD75.28 for each ton of fertilizer, equivalent to 15 percent drop. 24 participating farmers in the first time pilot had gained a total of USD3,907 reduction from the fertilizer cost.

The model was highly appreciated by all joint stakeholders and it proved a promising and large scale replication since many farmers wish to copy the practice. The cooperation model was also seen to have high level of sustainability due to its benefit-for-all effect. Both fertilizer company and bank expressed their wishes to duplicate the same practice to 1,000 coffee farmers in the district.

<table>
<thead>
<tr>
<th>Price difference</th>
<th>Unit</th>
<th>Quantity</th>
<th>Participating farmers</th>
<th>Difference</th>
<th>Non-participating farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory-price fertilizer</td>
<td>Ton</td>
<td>1</td>
<td>446</td>
<td>61</td>
<td>507</td>
</tr>
<tr>
<td>Transportation cost</td>
<td>Ton</td>
<td>1</td>
<td>10</td>
<td>-10</td>
<td>-</td>
</tr>
<tr>
<td>Amount of fertilizer bought by the farmers group</td>
<td>Ton</td>
<td>51.9</td>
<td>23,660</td>
<td>2,656</td>
<td>26,315</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest rate difference</th>
<th>Unit</th>
<th>Loan duration</th>
<th>Participating farmers</th>
<th>Difference</th>
<th>Non-participating farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate difference between bank and local lender</td>
<td>%</td>
<td>Month</td>
<td>0.58%</td>
<td>0.42%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total expenses with different interest rates between bank and local lender</td>
<td>10 months</td>
<td>1,380</td>
<td>1,251</td>
<td>2,632</td>
<td></td>
</tr>
<tr>
<td>Cost reduction in value (USD/ton) and percentage</td>
<td>USD75.28/ton</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Cost and benefit of the quadripartite cooperation on access to credit and fertilizer

V. Challenges and lessons learnt
- Capability and commitment to collective power of the farmers group management team, particularly group leader are crucial to the successful performance of the group. At the beginning period, the project faced the malfunction of some farmers groups due to ineffective management of the group leading to no continued support from the project such as linking to the processing companies and business service providers.
While working to link farmers groups with processing companies, the project identified only one out of 14 companies was willing to collaborate with farmers group for better quality control of cherry input for processing. Other companies tended to wait and see because they had little confidence on the success of the collaboration. The situation had led to small impact from the project in 2014. So far, there are totally 4 processing companies were supported to link with at least one farmers group.

Facilitation the changes in working tradition toward more collaborative among ethnic minority coffee farmers was challenging. However, they deserve to assistance for taking off. Learning from sharing among farmers (both Kinh majority and ethnic minority) could be the best solution so far.

Market system approach was found to be appropriate to create and facilitate large scale and sustainable market changes in such a little advanced value chain like coffee in Quang Tri province where actors were well organized but lack of collaborations. The market system approach also encourages and appreciates the important roles of key private enterprises to promote them as change agents in the market system. Spread of successful practices has significant and unforeseen pervasive impact on other stakeholders.

Facilitation and catalyzing roles of the project should be seriously considered rather than focusing on investment of resources to make a successful practice. Integration of “Who Pays” and “Who does” in the project interventions table in order to properly position the project in the sector development is an important factor ensuring sustainably market changes. A good practice is that the project could take the responsibilities of facilitation, catalyzing, connecting the stakeholders rather than being an implementer and grant provider.

Last but not least, identifying and connecting the needs for cooperation and development, showing proof of benefits, and developing concept note are three integral steps to establish and promote a sustainable market change.

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