

Longan Value Chain in Hung Yen Province

Value chain development activities: June 2006 until March 2009

BACKGROUND



The total area of longan cultivation in Viet Nam is approximately 60,000 ha, with both the north and the south occupying 30,000 ha each. The approximately 5,500 ha longan cultivation area in Hung Yen boasts some famous varieties such as the Long, Huong Chi and Duong Phen longans. Two popular types of longan occupy about 50% of the cultivated area:

- Sugar Candy (or Duong Phen) longan: a small fruit weighing an average of 7-12 grams with light brown skin. It has thick flesh consisting tiny sweet wedges, a typical fragrance and a small black seed. It takes about 10 to 15 days longer than other longan varieties to ripen.

- Huong Chi longan: a big fruit, weighing an average of 12-14 grams with thick flesh. It is however not as sweet as the Sugar Candy longan. The advantage of this variety is its high productivity of 14-15 tons / ha and given its several flowering seasons per year, there is rarely any crop failure.

The Long longan plays an important role in the social, economic and cultural life of Hung Yen's residents, especially those living in Hung Yen town, and the Tien Lu and Kim Dong districts where there are vast longan plantations.

Hung Yen's longans are famous for their outstanding and delicate taste due to the unique local weather, environmental conditions and special local cultivation practices. Hung Yen's Long longan has long been known for its outstanding aroma and good taste as well as for its health attributes. This is why the fruit was once offered to the feudal kings. Yet the question remains why Hung Yen's farmers have found it difficult to cash in on this crop.

One reason is that the absence of trademarks and labels made the fruit indistinguishable from longans of other regions within or outside Viet Nam. The lack of quality management is another reason. There was no quality control and supervision system along the value chain from production and processing to the selling of the fresh fruit. Longan quality was thus not homogenous and its quantity fluctuated as well. Without collective action among farmers, and between farmers and other stakeholders such as traders, cultivation, processing and selling was uncoordinated. This led to various deficiencies: lack of efficient plantation techniques, limited investments in trademark development, quality management systems and processing, and costly and time-consuming transactions with other business partners.

SMEDP's INTERVENTIONS

The MPI-GTZ SME Development Programme supports local economic development by increasing the competitiveness of agro-industrial sub-sectors in the Hung Yen province. The provincial authorities selected the longan as one of the products requiring support and a value chain approach.

GTZ decided to partner with the Hung Yen Department of Agriculture and Rural Development (DARD) to promote the longan value chain within the province, focusing on the Hong Nam commune in Hung Yen town.

The horizontal and vertical linkages among longan value chain players have been strengthened by the consultancy services of the Rural Development Center (RUDEC) under the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) and the Hung Yen Cooperative Alliance in Viet Nam (COOPSME). The MaiAsia consulting company supported the cooperative in market development, development of trademarks and labels for products and conducted training for the Hong Nam cooperative.

Key activities supported by GTZ included:

Organisational strengthening for the Hong Nam cooperative



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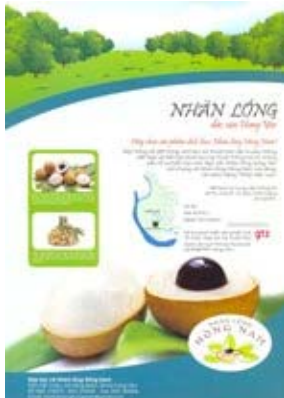
- Establishment of an organisation (Hong Nam cooperative) comprising growers, processors and traders to promote stronger vertical linkages amongst the value chain stakeholders.
- Quality registration announcement and food safety certificates for fresh and dried longan.
- Development and application of a collective cultivation technique of fresh longan based on Good Agricultural Practice (GAP) to ensure high productivity and quality.
- Development of quality management processes for fresh and processed longan through quality monitoring activities of the internal quality management system.
- Development of longan orchards to increase membership of the cooperative and production areas.

Links to markets:

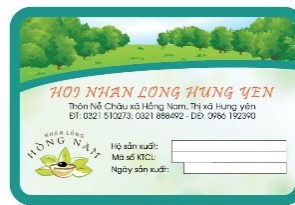
- The direct supply of big supermarkets and retailers in fruit markets to high-income consumers has helped improve the trading team’s skills in negotiating and contracting with big supermarkets and distribution companies.
- Training on negotiation and sales skills, market orientation and business skills such as defining distribution channels and price structure.

Marketing activities:

- Development of a movie to promote the Hong Nam cooperative’s longan production.
- Broadcasts on national television promoting the Hong Nam longan.
- A customer conference was held to introduce distribution and retailer companies in Hanoi and Hung Yen to Hung Yen’s longan in general and the Hong Nam cooperative in particular.
- The produce was presented in attractive packages to customers.



Development of professionally designed marketing materials such as labels, packaging, leaflets, posters and trademark registration distinguished the Hong Nam cooperative’s products from longans of other regions within or outside Viet Nam.



The other partners involved in the project are the provincial Department of Science and Technology (DOST) and the Hung Yen Association of Longan Producers.

RESULTS AND IMPACTS ACHIEVED

COOPERATIVE ORGANISATION

GTZ supported the establishment of a production and commercialisation cooperative with 41 households as members, of which 39 specialise in production and two in commercialisation. Most of the households have their longan orchards in the Hong Nam commune with a total area of 15 ha and an annual fresh longan production of 150 - 180 tons. Membership in the cooperative is voluntary while certain selection criteria such as production area, fruit quality and quantity, and a collective cultivation technique based on GAP of fresh longan are applied. The cooperative received support in setting up its own operation structure with a simple internal quality management system, a group of cultivation supervisors and an annual production and sales plan.



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Through the cooperative's simple internal quality management system, the Hung Yen longan was classified and promoted in fruit markets for high-income consumers as a premium fruit with a homogenous and authentic quality. A trading team was formed to promote the Hung Yen longan label.

MARKET DEVELOPMENT - With GTZ's support, the cooperative can sell its dried and fresh longan at higher value markets in Hanoi, and consider the Hanoi fruit market as having potential large buyers and retailers. A small quantity of the product was sold at supermarkets such as Metro and FiviMart at a higher price. However it proved high quality and food safety of product of Hong Nam cooperative. This has been a way of branding efforts in a long-term development strategy. The product's value is increased due to marketing activities. The most important outcome however, was that the cooperative members profited from a price increase.

HOMOGENOUS QUALITY - A set of collective cultivation procedures and practices for longan production was developed on a participatory basis involving farmers and scientists, and combining conventional plantation techniques with scientific applications. The widespread application of these techniques among farming households is expected to further increase fruit quality and quantity in the coming seasons. The approach proved to be profitable and will be multiplied in Hung Yen's different communes.

CAPACITY – The stakeholders' management capacity and business knowledge was strengthened by helping the management board develop a production plan, internal quality management system, coordinate distribution and marketing activities, and manage financial issues aiming to help them to generate new business on their own.

PROCESSING – Horizontal and vertical linkages among raw material processors and traders was strengthened. The professionally designed packages and hygienic dry processing created product innovations.



SUSTAINABILITY AND FURTHER STEPS

With the provided business knowledge, marketing tools and materials, the Hong Nam cooperative can better maintain the traditional distribution channels and find new distribution channels which allow for higher and stable prices to avoid dependence on collectors. Strengthening the cooperative's supervision system along with the value chain from production and processing to selling the fresh and dried longan products is important to ensure quality and food safety. The development of a trademark and geographical identification system will make Hung Yen's longans more competitive.

With DARD as a coordinating partner for the longan value chain and the success of collective action in production, processing, and promotion, DARD can proceed to upscale the Hong Nam cooperative model.

Hung Yen province is willing to provide the budget and DARD is capable of assisting stakeholder organisations of other value chains (for example, the province's vegetable value chain). Additionally, the local partners can also apply the value chain approach in other economic sectors besides agriculture.

For more information:

www.sme-gtz.org.vn

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