

**Vietnam Academy of Social Sciences  
Institute for European Studies ( IES)**

**Konrad-Adenauer-Stiftung (KAS)**

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## **EXECUTIVE REPORT**

**Project: Enhancing the quality of agricultural products by setting up  
Short Food Supply Chain under the EVFTA**

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## **List of Acronyms**

BSCI	Business Social Compliance Initiative
CSR	Corporate social responsibility
EVFTA	EU-Vietnam Trade Agreement
FTA	Free trade agreement
IES	Institute for European Studies
ILO	International Labour Organization
ISO	International Standard Organization
PMU	Project Management Unit
SA	Social Accountability
SFSCs	Short food supply chains
TOT	Training of trainers

## **1. Acknowledgments**

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## **2. Executive summary**

### **2.1. Background of this project**

The Vietnam-EU Free Trade Agreement (EVFTA) has now come into force which shall bring up tremendous opportunities to promote the export of Vietnamese agricultural products to EU's market. Accordingly, 71 percent of EU imports from Vietnam will be tariff-free from the moment the EVFTA takes effect, rising to over 99 percent across the next seven years. The reduction of import tariffs supports the expansion of the export market of Vietnam agricultural products such as rice, sugar, honey, vegetables and seafood, creating favorable conditions for Vietnamese agricultural products to access to the market of 27 EU member countries. However, Vietnamese enterprises and cooperatives will face many challenges related to requirements on food safety, animal and plant quarantine measures, Rules of Origin, Geographical Indication Protection, etc. Enhancing the quality of agricultural products through and by an effective food supply channel/chain is expected to support Vietnamese agricultural products to meet requirements stated in the EVFTA in relation to the food safety traceability...

Sustainable short food supply chains are defined as food systems with direct producer-consumer relations including different types of direct sales such as farm outlets, farmer's markets, local food shops or spatially extended for exporting. SFSCs are often perceived as a way to implement a more sustainable food system that provides healthier and better quality food with reasonable prices, more value added to the food producers and environmental protection. SFSCs can also be seen as means to restructure food chains in order to support sustainable farming methods and generate resilient farm based livelihoods.

Short Food Supply Chains (SFSC) is characterized by few intermediaries between producer and consumer; sometimes producers distribute products directly to consumers. The short food supply chain aims to provide consumers with products that reflect characteristics such as: local identity, nature, healthiness and trust worthiness (Luane et al., 2018) Policies and/or regulations to encourage the development of sustainable short food supply chains is so far still absent to a large degree in Vietnam. Also, the direct linkage among farmers and agricultural enterprises/cooperatives remains weak with lots

of intermediaries in between that lead to the missing of requirements for food safety and traceability.

A growing body of literature on food supply chains show that the influence of the free trade agreement (FTAs) from the past have a strong impact on the development of SFSC. This is especially relevant for the post-socialist countries and EU member's states. Several studies on SFSCs have been implemented in the European Union such as Poland, France and Germany, etc.

Currently, the SFSCs is almost a new concept in Vietnam and does not attract much attention. Vietnam has no policies to encourage the development of sustainable short supply chains of agricultural products. At the same time, the linkage among farmers and agricultural enterprises/cooperatives are still weak; Cooperatives and farmers - main actors in SFSC are often limited in getting access to knowledge of safety standard production, marketing products and advanced technologies, etc. As a result, households, cooperatives, and enterprises do not have stable conditions to meet requirements for EU's regulations. The distribution system of agricultural products is still inadequate and involves many intermediaries. Therefore, agricultural producers struggle with several problems including strong price fluctuations, financial constraints to implement technological innovations.

This project, therefore, targets four groups of SFSC that includes: first, those producing agricultural products such as households/ farmers in rural areas. Second, cooperatives, autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned enterprise will support and buy household's products. Third, competent authorities at both local and policy levels who will be in charge of providing technical support to farmers, cooperatives and enterprises in SFSC in the process of producing products and exporting to EU market under the EVFTA. They can also help farmers, cooperatives, and enterprises enhance their awareness regarding EU's food safety regulations. The support of competent authorities also increase the benefits for all actors and relevant stakeholders in the SFSC by promoting market development for local products and strengthen the competitiveness of farmers, enterprises, and cooperatives in agricultural chains. Fourth, consumers who are either domestic or abroad at final destination of the SFSCs.

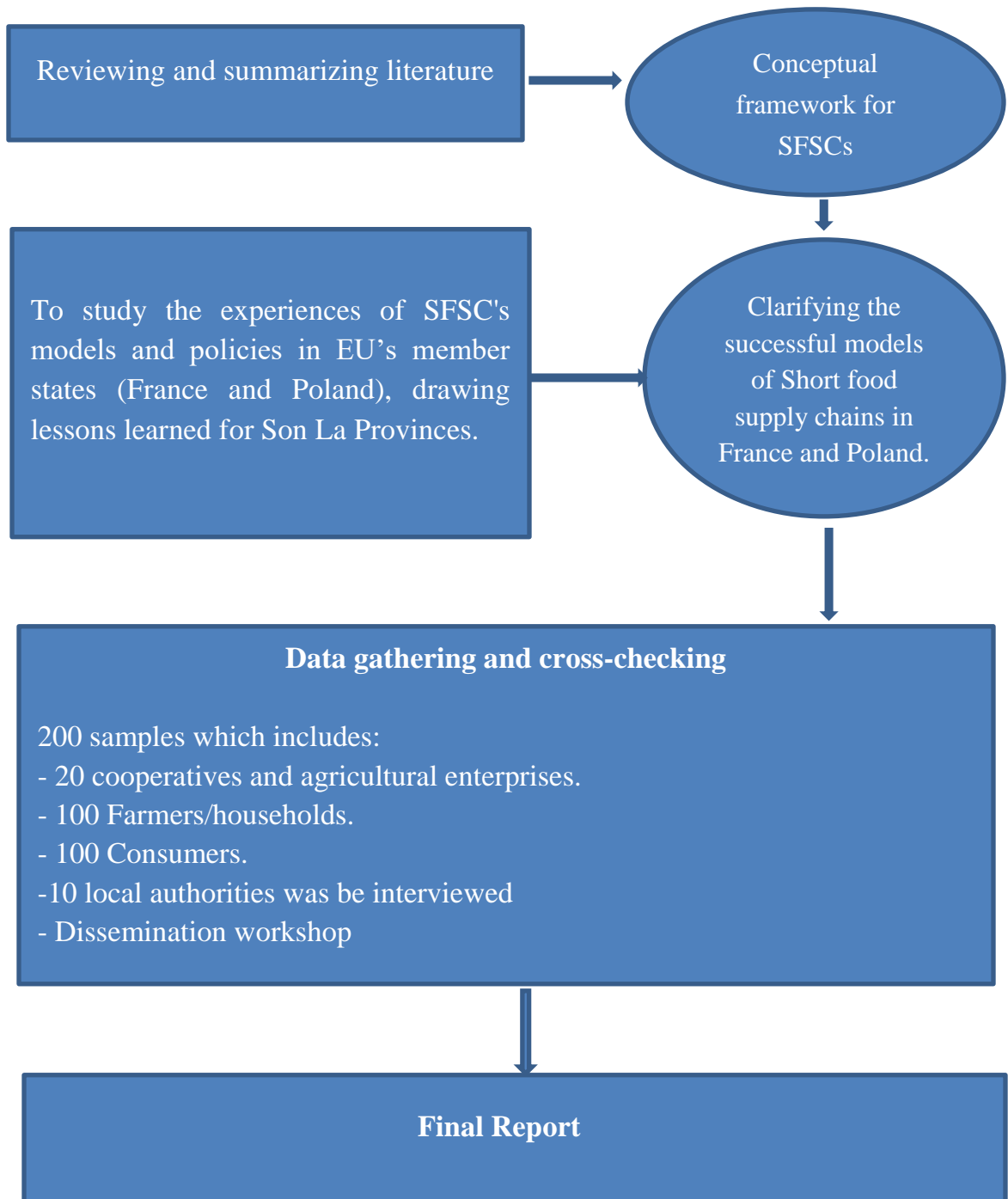
## **2.2. Goals and Objectives**

The project is aimed at enhancing the quality [and so as competitiveness] of agricultural products through setting up and implementation of a short food supply chains. Results generated from the survey research are also expected an important policy recommendation contributing to the sustainable short food supply chains in particular and agricultural sector strategic development at local level as well.

The project will choose Son La province as the pilot site.

Under the framework of the whole project (2021 – 2023), activities are designed to identify factors that support or deter the development of sustainable short food supply chains in Son La province. The first year of project will be focusing on a survey that helps analyzing and evaluating the current situation of SFSC. The survey shall receive participation of key stakeholders, not only the direct SFSCs related entities such as farmers, cooperatives, consumers but also local and central competent agencies and authorities.

### 2.3. Analytical Framwork





## **2.4. Contribution of this project**

Despite the difficulties caused by the Covid pandemic, the project ended on time, achieving its objectives and expected results.

This study contributes to the completion of the theoretical framework on short supply chains of agricultural products, including the clarification of the controversial issues between scholars and policy makers about the initiatives as well as models applied in the short supply chains such as: Weekend farmers' markets, farm sales, product sales at agricultural stores by farmer groups, sales through e-commerce sites in the European Union.

The results from the study of European Union's policies and the experience of implementing short supply chains in the Republic of France and Poland have provided the scientific evidences for the research team to make policy recommendations for the implementation of the short supply chain model in Moc Chau District - Son La, which also aims to exploit the effectiveness of the EVFTA.

By means of consulting authorities at central and local levels, scholars, researchers from universities (Vietnam National University of Agriculture) and research institutes (Vietnam Economic Institute, Institute of World Economy and Politics, Institute of Regional Development), this study analyzed the current situation of agricultural supply chains in Moc Chau in the context of the FTA as well as the impacts of the Covid pandemic on the supply chain.

Study and assessment about the current situation of the supply chain of agricultural products in Moc Chau (for some products such as mango, passion fruit, plum)... shows that the level of linkage in the chain is not tight; the agricultural products participating in the chain have not reached the target level due to the abuse of preservatives; manufacturers have not paid enough attention to product packaging design as well as advertising, they don't get the regulations on exporting products to the EU market...The chain's sustainability is still running low and the incentives of EVFTA haven't been exploited.

Policy recommendations are made based on theoretical framework, scientific analysis of the interactions between actors in the chain, lessons learned from the European Union, etc. Managers from Moc Chau district can apply these recommendations to promote and monitor effectively the local agricultural supply chains.

## **2.5. Summary of key findings**

The concept of a short supply chain for agricultural products is debated among researchers, scientists, and planners in the world. Short supply chains are seen as "alternative" or "supplementary" supply chains to the traditional supply chain, which is still a subject that requires further research and clarification. Additionally, advances in information technology have resulted in a significant shift in the product supply gap in the short supply chain, allowing local products to reach not only regional market but also the global market.

Short supply chains of agricultural products have been formalized in specific legislation and policies in rural development initiatives and programs throughout the European Union. This is seen as a critical instrument for disadvantaged and vulnerable groups (farmer households, small farms) to gain access to policy and financial resources that would help them develop their output and consumption of agricultural products not only in the local area, but also in regional and global markets.

Because of its favorable economic, social, and environmental effects, the short supply chain model is progressively being developed not only in wealthy countries, but also in developing countries. This tendency also fulfills policymakers' expectations in terms of helping to achieve the United Nations 2030 Agenda for Sustainable Development's goals. The projected consequences of SFSC activities, in particular, can contribute to responsible consumption and production, as well as social issues, such as poverty reduction, gender equality, and environmental pollution reduction. ...

An examination of the growth of local food short supply chains from the EU to Member States (particularly France and Poland) reveals the following: The successful of short supply chain models in these countries come from the coordination and clear delineation of the parties' responsibilities in which (1) the government is responsible for promulgating an institutional framework that clearly defines what short supply chain and

local products are, and policies have been directed to facilitate access to disadvantaged groups, such as policies on human resource training and development, financial policy to support infrastructure, and policy to support the development of local products; (2) at the local level, authorities must be actively involved in ensuring that agricultural products supplied to the market follow food safety and hygiene rules. (3) For actors in the chain, such as farmer households and cooperatives, a standard process from idea generation through implementation and completion must be followed. In which case, prerequisites such as compiling a list of local products in which the chain will function, identifying a suitable scope for product consumption, and adhering to supply chain regulations must be met.

In Moc Chau, the operation of agricultural supply chains bottlenecks:

The agricultural production method in the supply chain still has the features of the traditional supply chain model, with many intermediaries and poor added value for producers.

When compared to the average age of the country, the average age of farming households participating in the supply chain is quite high; as a result, the ability to cope with crises and negative impacts is still low, and production households are unwilling to change production methods or apply science and technology in production. Furthermore, people's poor educational levels are a factor influencing the supply chain sustainability.

- Due to the high cost of arable land, the scale of cultivation can't be expanded, and production methods remain scattered and manual.
- Agricultural products in Moc Chau have met food safety requirements according to VietGap standards, but only a few products meet the European global gap standard (except passion fruit products have been exported to France).
- Although hard infrastructure (roads, irrigation systems) and soft infrastructure (information systems, internet) in Moc Chau's communes have improved in recent years, agricultural production continues to be hampered by some criteria.

- Although many households have attended numerous training courses on production procedures related to food safety and supply chain management, the training sessions have not resulted in efficiency.
- Households are dissatisfied with their income from cultivating because input costs are high, product consumption is still uncertain, agricultural product prices fluctuate seasonally and drop sharply while in season. Exporting products to foreign markets such as China, the European Union, Japan, and Korea are still full of challenges.
- Households have heard about EVFTA, but they do not completely comprehend the precise requirements on food safety, export packing.
- Most people believe that their products do not match the standards for exporting to the EU market, despite the fact that they are unaware of the regulations.
- The most common method of selling products of households is to traders. Other sales methods, such as selling on e-commerce platforms or selling to government organizations (schools, hospitals, and factories), have not been widely used.
- Agricultural products supplied to the market are fresh, unprocessed products. The application of preservation technologies to the production and storage has not been widely used.
- Due to selling raw products, the method of selling is mainly through traders, and the market is predominantly domestic, people have paid not much attention to packaging design and product promotion.
- People's awareness of supply chain is quite high, thus most people join cooperatives because they want to be able to consume their products.
- Local government support actions for the construction of supply chains have been carried out on a regular basis; nevertheless, some criteria, such as information technology infrastructure and pesticide support, have fallen short of expectations.
- Supporting people to better understand brand building, farming techniques, product communication, etc. are the wishes that farmers want to be fulfilled in the shortest time.

- Oral agreements are a popular type of affiliation; nevertheless, these agreements are still loose and easily broken when the market fluctuates.
- The COVID pandemic has had a strong impact on agricultural product consumption.

For consumers: Due to a lack of funding, the project is confined to evaluating the opinions of local and Hanoi consumers on products in the Moc Chau agricultural supply chain. As a significant contributor to the short chain's development. Some results were discovered:

Consumers' impressions of local products in the short supply chain are that they lack appealing designs, are not trademarked, and have no idea how agricultural products are made.

The financial ability to purchase local agricultural products is limited due to the average income. As a result, the demand for local agricultural products is low.

Because of the superior quality of Moc Chau products compared to other local and imported products, the majority of consumers are in favor of consuming local products. This is thought to have the potential to develop a short chain in the near future.

Before purchasing a product, consumers are particularly interested in the packaging design. The manufacturer, on the other hand, pays little attention to this element. This is a critical issue that the agricultural supply chain in Moc Chau must address in the near future.

Because most Moc Chau products are purchased through traders, wholesale centers, customers are unsure of the manufacturing process, the chain's influence on people's income, or whether their own role in the chain has a positive impact on the environment. The biggest desire is to have a convenient point of sale.

## **2.6. Policy implications**

Some lessons from short supply chain models in France and Poland that Son La can learn and apply:

Firstly, the agricultural cooperative in Moc Chau, which is comprised up of members of production households, will be in charge of supervising the production, preservation, and distribution of domestic agricultural goods to enterprises, industry, supermarkets, and final consumer. As a result, in order to grow the short supply chain in Moc Chau, the foundation for confirming the success of the short supply chain in Moc Chau is the adjustment of policies and regulations to increase the role of cooperatives in the supply chain.

Second, a "Code of Operation" for managing the short-term supply chain of local products is required. These principles must be concretized in the operational process of product manufacturing and consumption in the chain, as well as in the marketing process and interactions, by establishing image, origin, labeling, packaging, and behavior attitude. Production and distribution through the logistics system, as well as between producers and cooperatives.

Third, there should be coordination between state management agencies in developing and promulgating a policy framework on short supply chains, thereby allowing smallholders to sell their products directly to consumers. Besides, facilitating support for marketing information networks, technical infrastructure, and initial capital investment in branding, product promotion, logistics, training, and coaching for producers will also play a key role.

Fourth, farmers must better implement VietGap regulations by documenting the entire production and preservation process. In order to export products to the European Union, a number of international certificates, including as Global GAP, Fair-trade, and UTZ, must also be considered for application.

Fifth, technology must be applied to the supply chain, particularly information technology, in order to provide favorable conditions for customers to quickly identify product origins and enhance the effectiveness of product communication.

Sixth, as a way for stakeholders in the supply chain to interact with one another, develop the idea of cultural and food festivals to attract domestic and international tourists.

Finally, there are several stages to developing a short agricultural supply chain such as idea development, implementation, performance review, and improvement. As a result, agricultural cooperatives in Moc Chau must devise a plan and a long-term vision for this supply chain.

### ***Some policy suggestions***

To improve the planning for the development of fruit tree production areas for the short supply chain, Son La province and the People's Committee of Moc Chau district needs to review and complete the regulations on agricultural production planning on the basis of analyzing market demand, promoting the advantages of each region, effectively using land, as well as improving the quality of planning, meeting the requirements of production, processing and consumption of agro-forestry-fishery products in the context of integration in order to promote comparative advantages and quickly improve product competitiveness.

Review and issue financial support regulations for short supply chains. Son La needs to have appropriate regulations to be able to apply to the short supply chain model, in which the major participants of the production process are farmer households, small farms, and cooperatives linked along the value chain and associated with product consumption.

Improve the policy on credit availability for farmers and other economic operators. In fact, the research and in-depth interviews with famers and cooperatives in the study areas show that most of people, farms, and cooperatives have difficulties in accessing preferential finance.

Complete regulations ensure the uniformity of traceability management; unify; standardize the form, content, and format of tags, stamps, labels, or format with an appropriate method.

### ***Some solutions for implementation***

Propaganda and awareness-raising strategies for farmer households and cooperatives. First of all, effective propaganda and advocacy work is required to ensure that all important stakeholders (government, functional agencies, cooperatives, enterprises, farmers, consumers, etc.) are aware of the contents of innovation and the efficiency of

short supply chain model. It is critical to emphasize the responsibilities of each entity as well as the close collaboration among entities in the short supply chain (supply chain vertical and horizontal linkage of supply chain). Furthermore, effective propaganda activity, particularly rules on food safety and traceability for agricultural goods in accordance with EVFTA provisions, will transform farmers' perceptions of safety supplying agricultural products not only for the local market, but also for international markets such as the EU, the United States, and Japan.

Training and capacity-building solutions for members of the agricultural product supply chain. (1) training farmers to participate in short supply chains; (2) training to improve the level of the management board of cooperation on the management of short supply chain; (3) developing training materials on chain, logistics, marketing, farming, preservation, and packaging methods; (4) diversifying forms of propaganda, disseminating the benefits of short supply chains of agricultural products to all levels of government and the general public; and (5) perfecting the management model of food safety for food and agricultural products.

A group of solutions for using information technology and logistics in the short supply chain of agricultural products, including: (1) enlisting the help and participation of state management agencies; (2) implementing information technology in each production household; and (3) implementing block chain technology in short supply chain operations.

A group of logistical solutions for short supply chains of agricultural products: (1) standardizing the packaging; (2) boosting investment in cold supply chain technology, connect information technology between the cooperative and the customer, form an internal logistic information network and in the supply chain, assists the entities in the chain in controlling the temperature, knowing the status of the goods, thereby tracking the transit time and the “input, output” temperature, and handling all problems arising during the transportation of cold boxes; (3) creating a highly specialized logistics team, including groups of cooperative members specializing in transportation, storage, and product packaging; (4) The Son La province needs to have a support mechanism for the short supply chain, such as the rental of a warehouse to collect qualified agricultural products in order to provide clean and safe agricultural products, with the costs partially



supported by the state budget and new rural development programs; (5) establishing a website for sales management, where products are managed by barcodes corresponding to the farming households; (6) The authorities, especially the agricultural sector of Son La province, coordinate with the provincial press, radio and television stations to propagate the benefits of consuming agricultural products provided by the chain..