

Integration of farmers in the shrimp value chain in mekong river delta, Vietnam. PhD. Thesis: Hồ Thị Minh Hợp. 2012.(Académie universitaire wallonie-europe ; université de liège – gembloux agro-bio-tech).Email: mhop75@yahoo.com

Abstract

The most important research findings relate to 1) the importance of vertical integration under contract farming from in agriculture in general and shrimp production in particular; 2) the shrimp production in the world, especially in Vietnam; 3) the flow of shrimp in MRD and farmers production affectivity; 4) the vertical integration of farmers under contract farming form with a providing of social and technical barriers that affect ability of farmers to integrate in the shrimp value chain;

Integration among actors is an inevitable tendency in sustainable value chain development. Integration means bringing together two or more parts into one. The most important advantages of vertical integration under contract farming form are found in transaction cost reduction, opportunities for innovation and product differentiation, gains derived from market information, risk reduction and market power increase. Contract farming is one of the most significant and powerful means by which farmers are integrated into national and international commodity markets and agro-industrial value chains. It is continually evolving process that has been applying worldwide though it is not a panacea to solve all problems of agricultural production in general and shrimp production in particular.

Demand for quality shrimp is rising in three main market including EU, US and Japan. In order to supply quality shrimps which meet safety standards, exporters have to comply all the requirements of food quality standards set up by FAO, ISO, WTO, NGOs and private sectors.

Shrimp cultivate in Vietnam are undertaken with four types namely extensive, improved-extensive, semi-intensive, and intensive cultivations. Shrimp cultivate mostly in MRD and black tiger shrimp is the main seed. In recent years, white leg shrimp has also developed strongly due to its high productivity.

Main problem of shrimp culture in Vietnam are disease, shrimp seed, environmental pollution, and management skill of farmers.

In MRD, the main flow of shrimp raw material is from farmers to collectors at level one with about 95% to total shrimp raw material production. These collectors buy shrimp from other collectors at level two and three to supply to processing plants a volume of about 97.5%. Processing plants occupied 97.5% of shrimp production in MRD to supply domestically or export.

Shrimp value chain in MRD currently consists both primary and secondary actors. Primary actors include input dealers, hatcheries, farmers, collector level 1, collector level 2, collector level 3 and processing plants. Of which collectors level 1 and processing plants are the leaders of the shrimp value chain in MRD.

Cultivated shrimp yield is unstable, which confirms that shrimp cultivation is a very sensitive sector that requires high production skills from farmers. Return from cultivated shrimp is not high, which confirms that farmers' strategy regarding shrimp cultivation is based on "income maximization" instead of "profit maximization".

Though vertical integration is very important for value chain development toward to a sustainable sector in Vietnam economy, the implementation was just limited at a very small part of farmers. Most of shrimp cultivation farmers stay out of integration while the rest joined in the game without success. Vertical integration under contract farming form seems not for small scale production farmers who account a large part of shrimp production in MRD.

The failure of contracts in Viet Nam is due in large part to coordination failures among parties that stem from the limited organization of producers and imbalances in market relationships. This issue suggests greater strengthening and tightening of the value chain through improved organization, particularly among producers. At the same time, this has implications for the poor in terms of their participation in contracting relationships and whether they can benefit from the development of such long-term relationships to raise quality and improve production practices.

The establishment and development of aquaculture production insurance can also constitute a solution to address the risk for all sides when participating in vertical integration under contract farming form. Batch-product insurance during processing and consumption has usually been applied for big plants producing for export. The farmers and small plants, however, have not been interested in this matter because of high insurance rate, or leaves open without implementation. Therefore, the establishment of aquaculture production insurance should determine an acceptable rate that all sides can bear with the view to reduce the risks.

The authority role should not be missed in the development of a vertical integration. This authority is the unique body to coordinate and link all the factors from input suppliers, farmers, collecting units, processing factories to the bank in the linkage chain. Creating a legal framework to enhance the position and the role of this body that they can solve the conflicts of interest between the factors is therefore indispensable.

The linkage establishment under vertical integration should first be carried out in a pilot model for some target products. Financial and technical supports with open conditions for participants are required for the farming contract success. The vertical integration extension to other locations should only be permitted once the pilot model success is achieved, in order to avoid the phenomenon of following the crowd, "one and all men take part in linkage, one and all houses take part in linkage", causing a negative impact on the thinks of the producers when linkage failing.

In brief, re-structuring the agricultural production organization through linkages is an indispensable process, not only in Vietnam. Linkages development

through the participant factors is necessary to improve the production efficiency and to evolve toward to a sustainable agriculture. The combination of legal farmer groups and collecting and processing units linked through contract farming is considered to be the optimal solution under Vietnam's current conditions. This scheme will enhance farmer's capacity, ensure the right and interests, increase household's income and maintain the dynamism and strength of Vietnam's agricultural products market. By such process, the product quality will also be controlled through an almost closed production cycle.