Current Issues on Agriculture Products Marketing in ASEAN Countries

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Roughly **Marketing Channels are classified into two categories** in every country

Farmers

Secret Trading

Not through wholesale markets

* Middlemen
* Contract Farming
* Direct selling

Consumers

Ag Coop

Through wholesale markets

Transparency and fair pricing

Direct Selling from Farmers to Consumers
(This cannot become majority of marketing)

Farmers Market (Far from consumers)

Cheap

Rare Purchases

A lot of transportation cost

Risk; Farmers have to withdraw unsold products by their own cost.

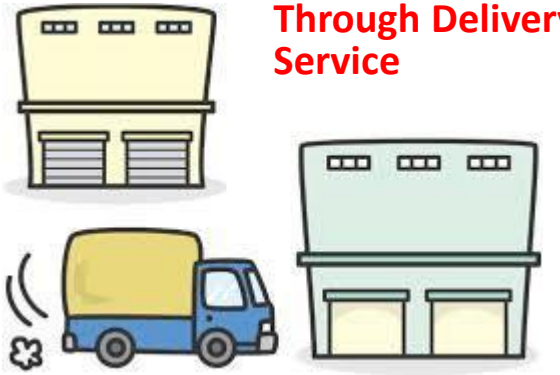
Frequent Purchases

Risk : Can farmers ensure payment from consumers ?

Near to Consumers

Expensive

Through Delivery Service



Small lot transportation requires high cost even through Internet linkage

Risk : Can consumers receive same products as products explained in advance ?

Contract Farming between Farmers and Buyers (Retailers, Processors)

(Only Contract Farming cannot solve all marketing problems)

Only Contracted Amount

If over production occurs,
farmers have to sell their surplus to other buyers or throw away them.
If shortage occurs, famers have to receive penalty.

Many Risks on implementing the contract for both sides

Pole vaulting sell

If higher price in market than the contracted price, farmers often sell the products to other buyers.

It is not easy for small farmers to join this farming without groups.

We can identify **many cases of failed contract farming.** It is difficult to realize successful contract farming due to fluctuating production.
Successful cases could be realized on strong mutual credibility and special commodities such as medicinal plants.

Even Normal Contract Farming always requires surplus products to be sold outside the contracts

In order to ensure consistent supply to buyers (processors), farmers always have to produce more products than the contracted amount in order to avoid products shortage, because all kinds of products production fluctuate under changing weather condition.

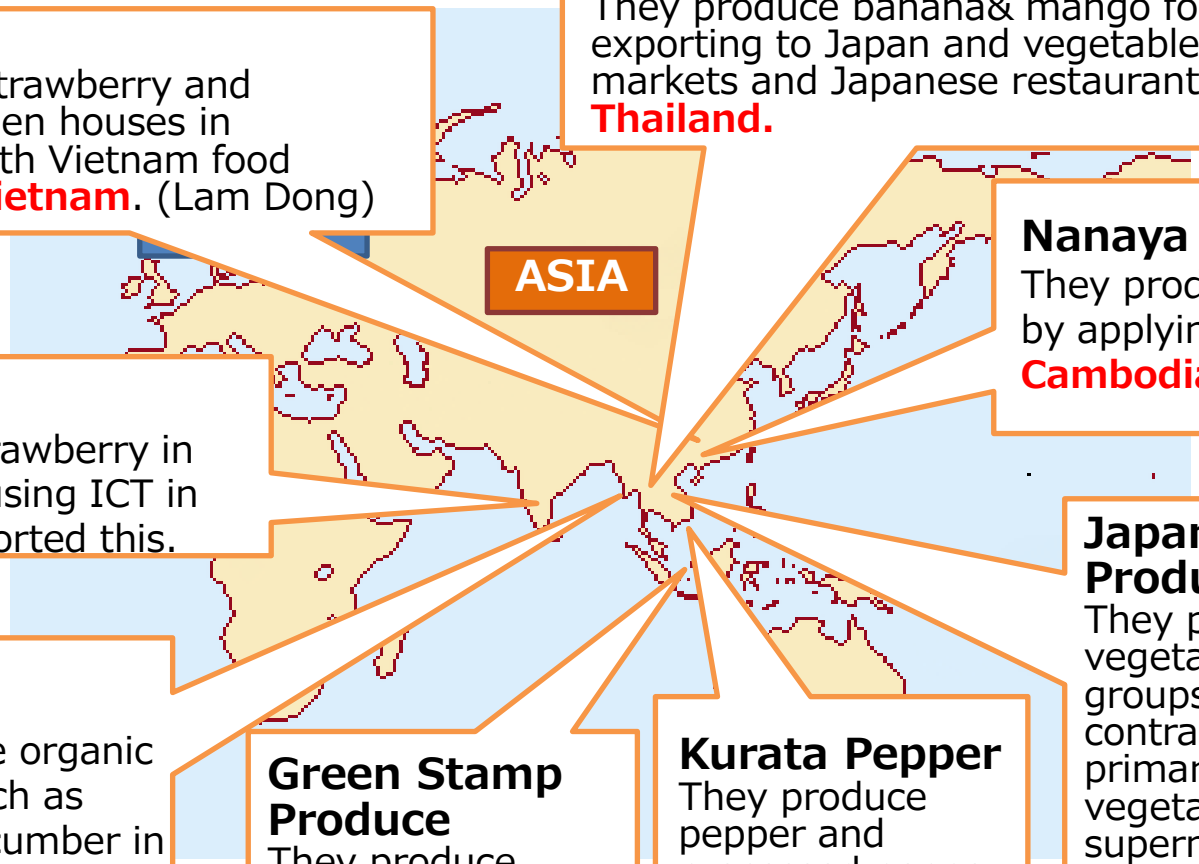
If shortage of contracted products actually happens, big penalty will come to farmers.
As a result, farmers have to sell the surplus to other buyers or markets at lower price every time. This would **add more cost to contract farming** for farmers.
This cost could not be ignored in the management.

Primarily **fluctuating fresh products are not suitable** for contract farming.

We can identify many failed cases of contract farming due to the above risks and additional cost.

Mild Contracts between Japanese Agricultural Corporations and Farmers Groups in Asian Countries (Can these become models ?)

Farming by Japanese Agricultural Corporation is increasing in Asian countries. This farming has strengths such as high quality and safe products by using Japanese techniques and materials.



Wago-En
They produce banana& mango for exporting to Japan and vegetable for super markets and Japanese restaurants in **Thailand.**

Salad Bowl
They produce strawberry and tomatoes in green houses in collaboration with Vietnam food companies in **Vietnam**. (Lam Dong)

Nanaya
They produce vegetables by applying GAP in **Cambodia** by using ICT.

GRA
They produce Strawberry in green house by using ICT in **India**. NEC supported this.

Japan Farm Products (Cambodia)
They produce vegetable with farmers groups on basic contracts and sell primarily processed vegetable to supermarkets and restaurants through distribution place.

Farm Doo
They produce organic vegetable such as tomato & cucumber in **Myanmar**.

Green Stamp Produce
They produce Okura in **Philippines**

Kurata Pepper
They produce pepper and processed pepper in **Cambodia**.

(Source; Press Release and HP of each corporation, and hearing from them by MAFF-JPN)

Establishing high end value chain in big cities of ASEAN countries

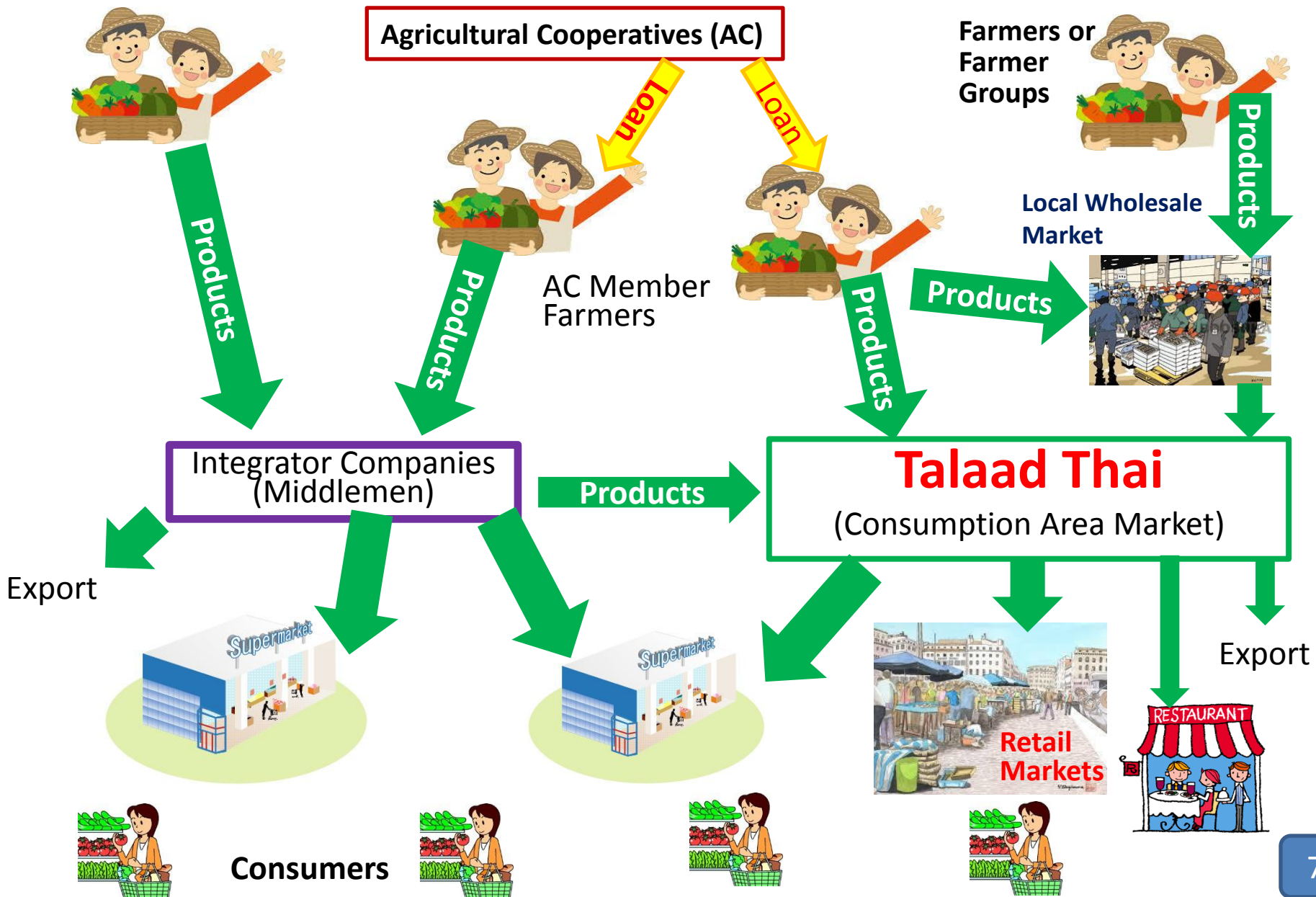
@ AEON Phnom Penh August 3, 2016

US$14.5/5kg
Japonica Rice
Produced in Anjiang Province Vietnam by ANJIMEX KITOKU (Joint Company between Japan and Vietnam)

JFP vegetables are sold at higher price in AEON Phnom Penh. They are produced by Cambodian farmers under special condition set by Japan Farm Products (Safety, Fresh, Well packed) (Pesticide residue checked in Japan)

We can identify similar examples in Yangon (G-7 Agri & City Mart), HCM, Bangkok, Jakarta super markets.
This **could benefit small scale vegetable farmers** near big cities.

Thai Fresh Products Marketing



Roles of Major Stakeholders in Thailand

- **Talaad Thai** : Wholesale Market collecting all kinds of fresh products including vegetable fruits, flower, fish and meat from normal grade to high grade.(12,000 ton/day traded)
  Trading ;No auction, one to one negotiation.
  Managed by Private Company.
  Facilities ; Cold Storage, Food Safety Laboratory.
  Buyers grade products after purchasing.

- **Integrator Company** : To collect products from farmers or farmer groups. To manage supply consistency and quality control of collected products. They have capitals. They have basic contracts with Supermarkets and other high end buyers.

- **Agricultural Cooperatives**; Organized by member farmers. To provide member farmers with loan, inputs. Their involvement in collective marketing is very limited.

- **Local Wholesale Markets** ; Managed by Ag-cooperatives or farmers groups. Facilities construction subsidized by MOAC (Cooperative Promotion Department)
  Free trading. No auction.

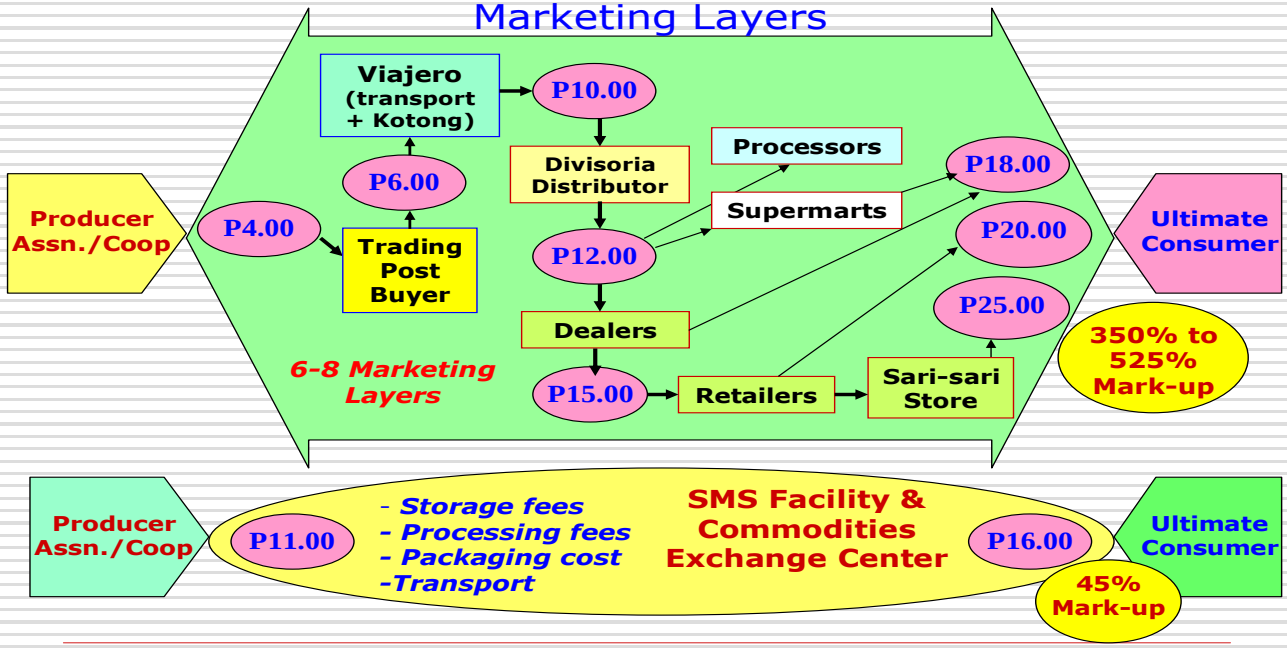
Market Changing in Philippines

Traditional Market
In La Trini Dad City, Benguet Province

In Jan 2016

Benguet is the largest production place for high land vegetables such as cabbage, lettuce, broccoli, Irish potato In Philippines

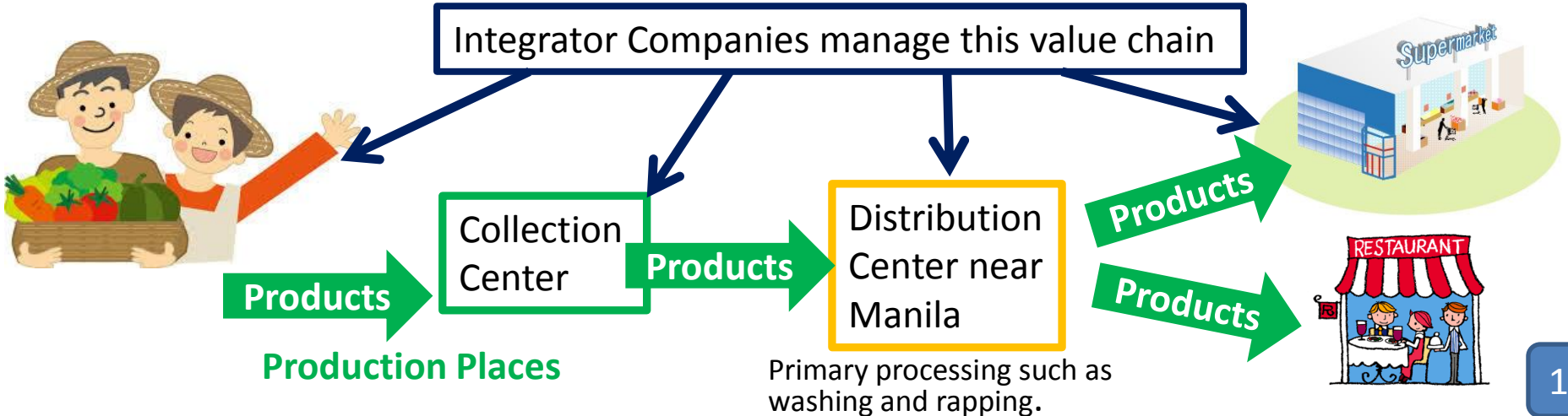
Present Marketing System



10 Dec '03

Cooperative Union of the Philippines
Supply Chain E-Network

Philippines



Sentro Pamilihang Market in Quezon Province
Semi-modernized system March 2016

Low land vegetable production places

* Sentro Pamilihang Foundation is managing this market.

- Member farmers consign their products to the Foundation to sell to buyers (wholesalers) from Manila.
- The Foundation receives the products from farmers at the market and records the amount (number and weight) of each kind of products.

- On behalf of the member farmers, the Foundation staff (selling agents) negotiate selling price with the buyers based on the other markets price on the same grade of products .
- This is one face to one face negotiation, but could eliminate price manipulation by buyers.
- Transaction Fee is 1PESO/kg (0.5PESO for the Foundation, 0.5PESO for deposit of farmers)

Transparency

Sold Price is indicated on this board after the negotiation.

The buyers pay the money at this box after the trade.

The farmers receive the proceeds at this box one day after the trade.

Ensured payment

JAEC Project (2017 -2019)

Marketing Techn. Improvement

Marketing Techn. Improvement

JAPAN

Marketing Techn. Improvement

JAPAN

Sort and Pack on farm

Directly send to store

Marketing Techn. Improvement

Buguias

JAEC Project Prospects

Now

Only 16 members in the JAEC Group in La Trinidad, Benguet

Supply Consistency is must
Thursday Night transportation by Refer-Van
Sell them Friday morning
(Weekly Supply)

Products

Products

Limited number of Shops and Restaurants in Manila

Future

More than 300 members in several groups In
La Trinidad
Tublay, Buguais
Benguet
(Establish production Network)

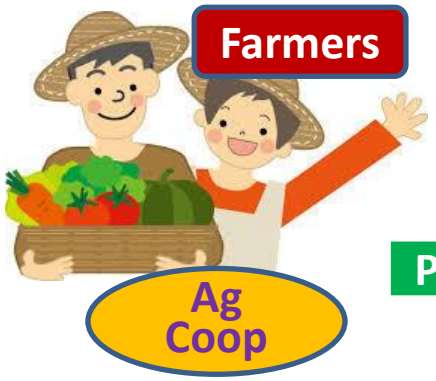
Products

Collection Center (BAPTC)

Products

A lot of Shops and Restaurant, Big Supermarkets in Manila

Fresh Products Marketing
in HCM and related area (Vietnam)

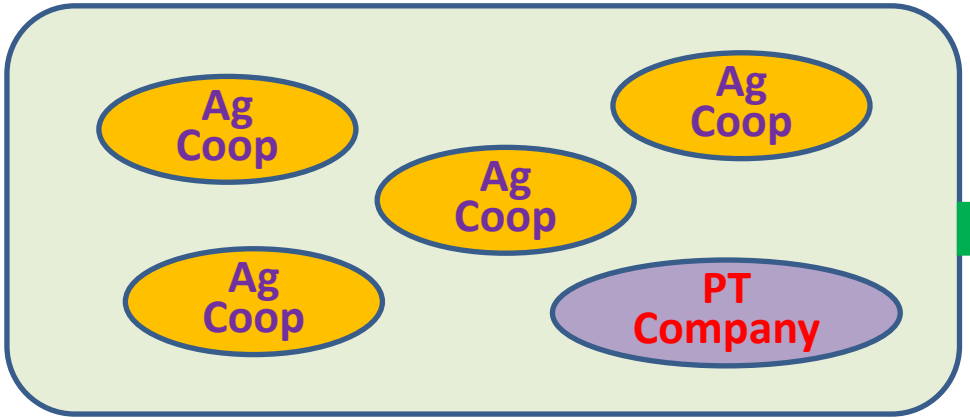


Products

>90%

Products

Lam Dong Province (2million ton vegetable production)



Not buy from WM

Viet GAP Products

Saigon Coop, AEON, other in HCM

1-2%

Ag Coop ; Members are around 20 big farmers.
PT ; Phong Thuy private company holding sorting machines

(Sources; Rapid Assessment by Dr.Dao The Anh, Nguyen Thia Ha (Phano/GRIPS in August 2016)

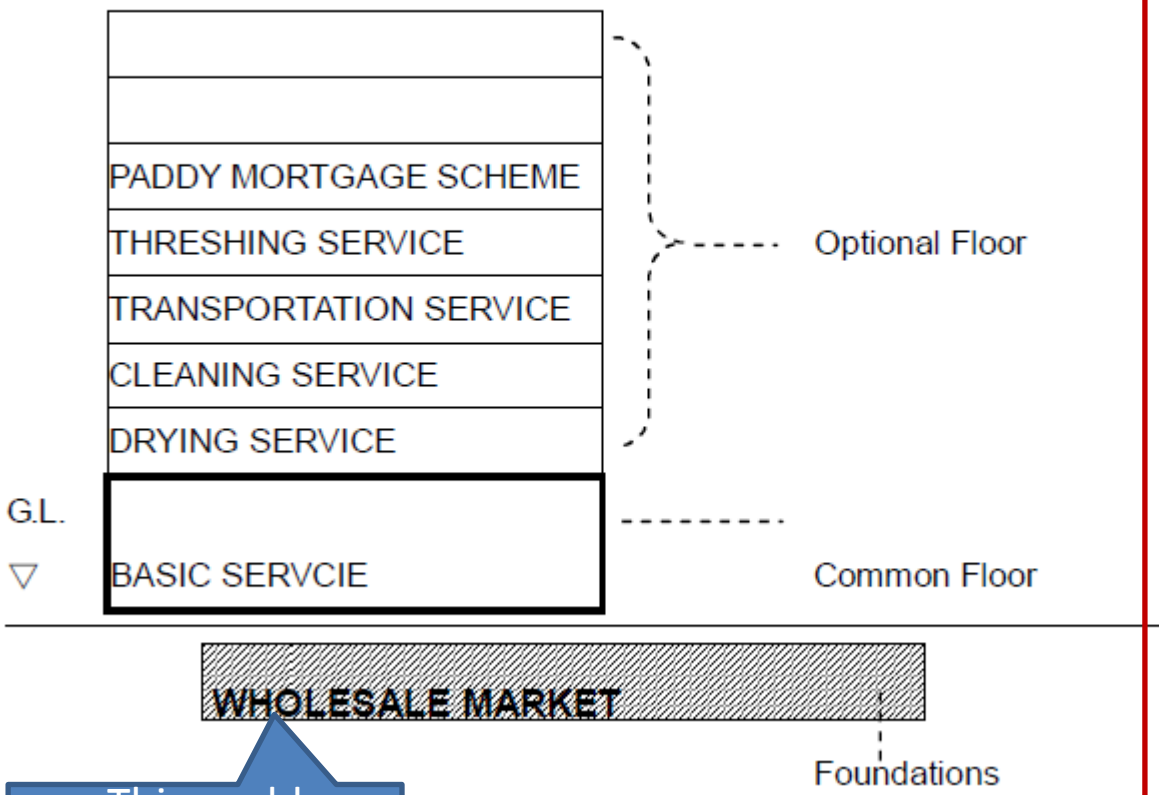
POSSIBILITY OF CAMBODIAN RICE EXPORT

Potentials and Constrains

Svay Antor Open Paddy Market

Open Paddy Market(OPM) in Cambodia

IMAGE OF OPM FUNCTIONS AS A BUILDING



This could eliminate dishonest trading (cheating scale, putting stone inside bags)

Transparency and fair pricing

○Paddy was openly traded in the market by Farmers and Millers, Wholesalers.

○OPM management organization provided basic services for users such as farmers, millers.

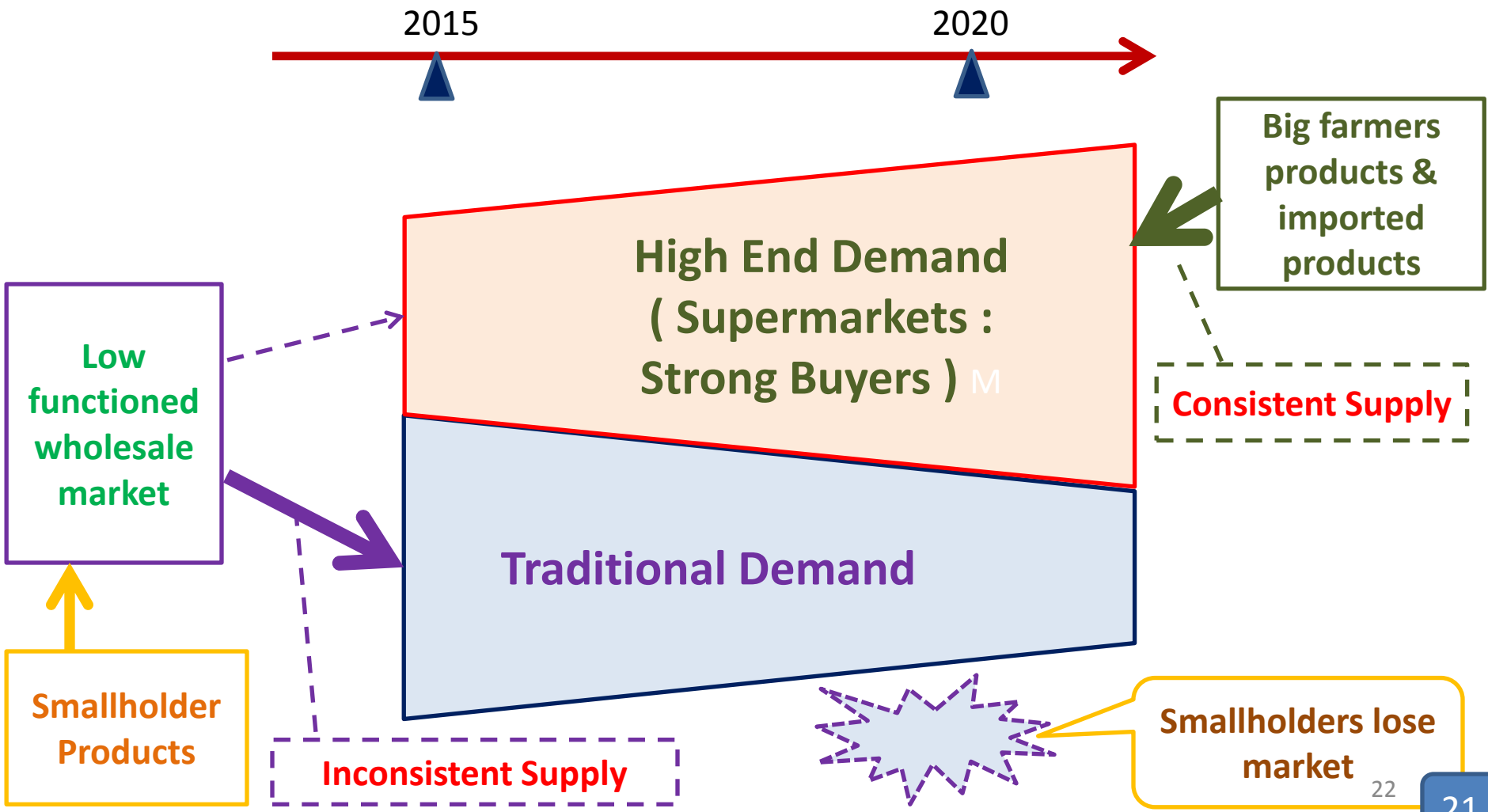
Services：Loading & unloading, Weighing, Quality Check (Price Setting, Settlement for payment)

○OPM Optional Service：Threshing, Drying, Transporting, Cleaning, Storing, Paddy Mortgage Loan, Fertilizer Sale in accordance with users requests.

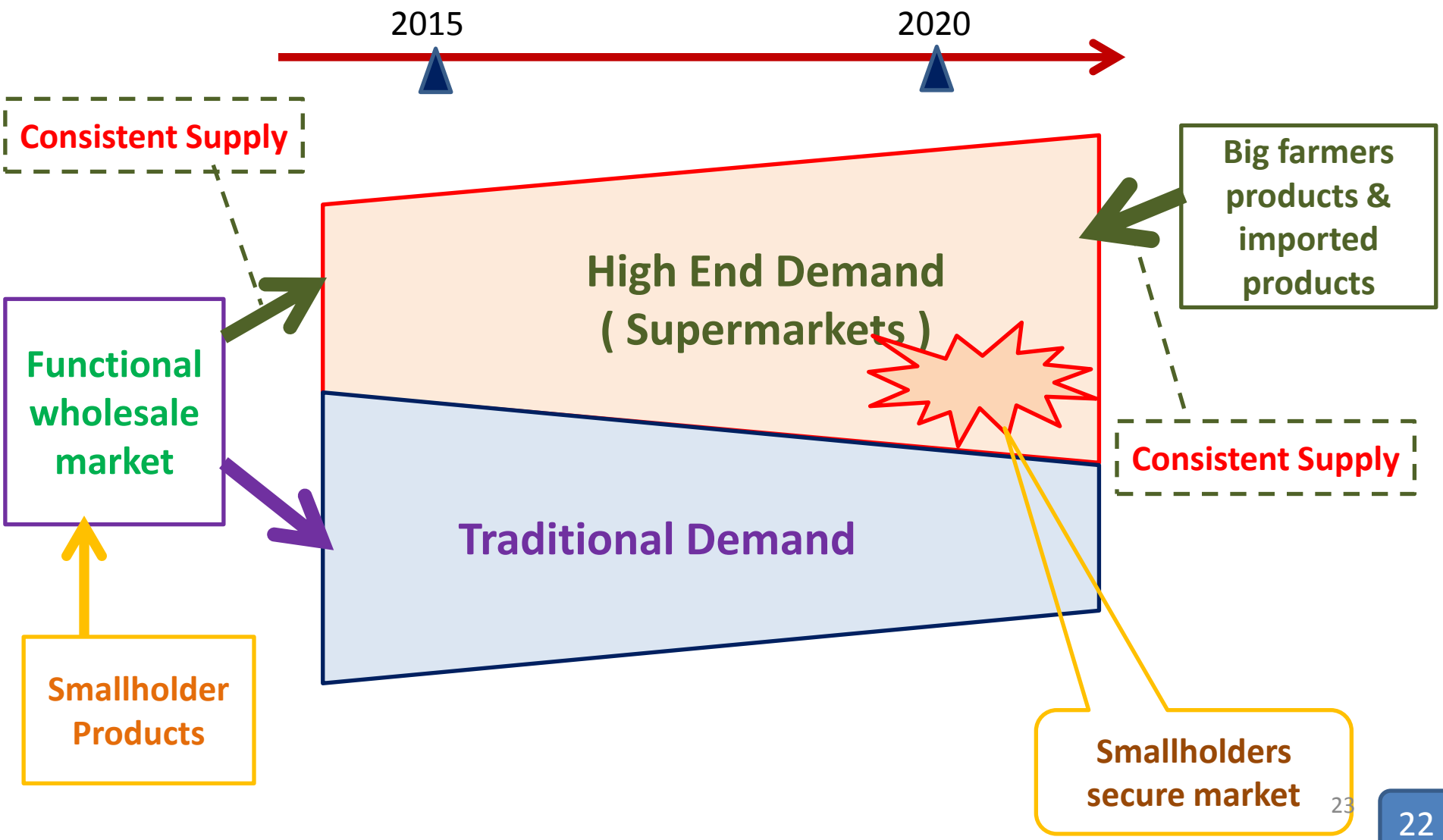
（Market Information Dissemination）

Similar markets are operated in Thailand.

It is likely that Smallholders will be excluded from food value chain under control of strong buyers in developing countries (This problem was raised by "The End of Foods" written by Paul Roberts)



High End Demand could rely on functional Wholesale Markets by ensuring consistent & many kinds of supply



Functional Wholesale Market

Five Functions

1. **Collecting Products**
   To collect all kinds and quality grades of fresh commodities from all over the country and the world

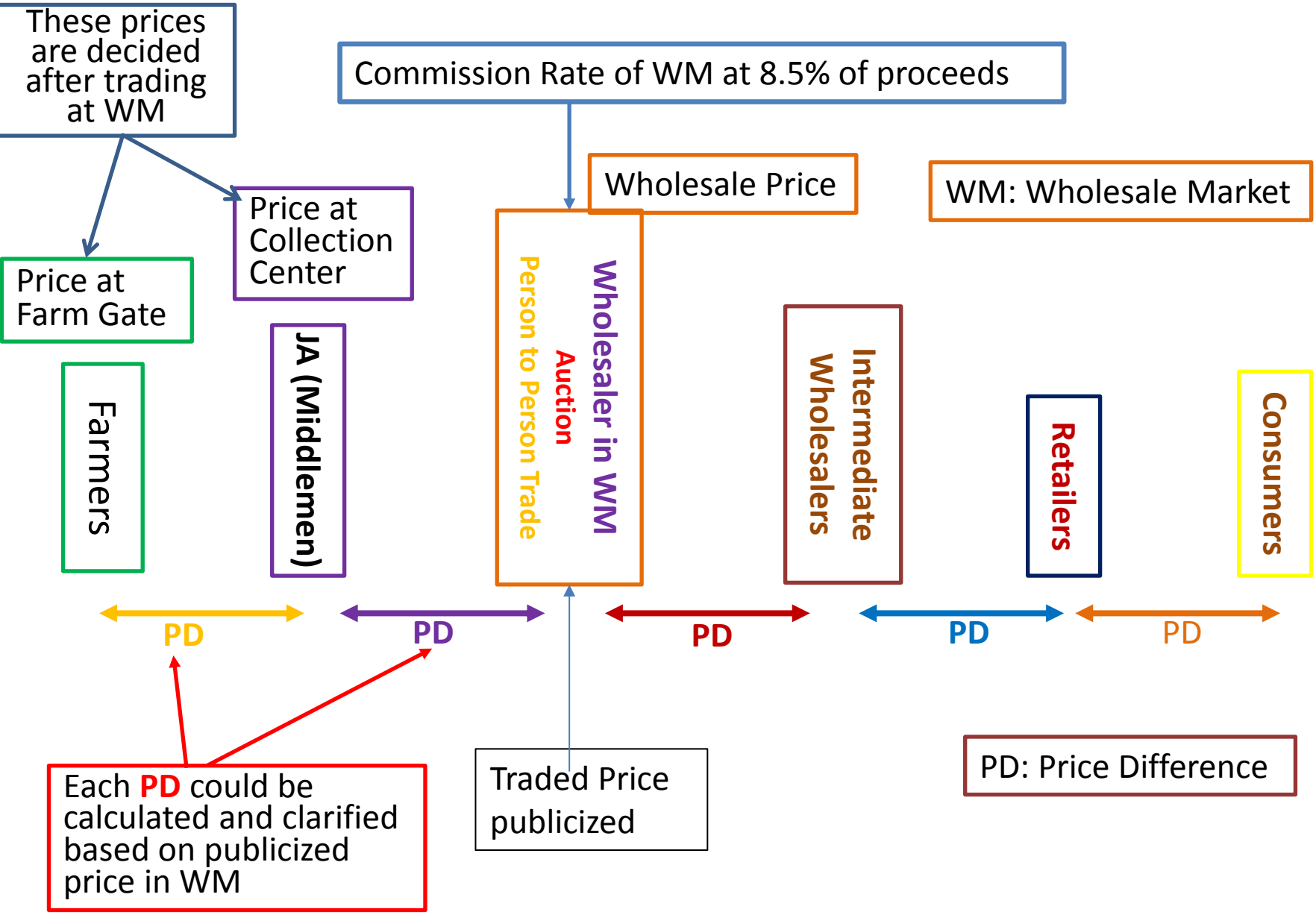
2. **Dividing products**
   To provide the necessary amounts on all kinds of fresh products for buyers within short time.

3. **Price Formulation**
   To set suitable price for each commodity through comparison between daily supply and demand at one point.

4. **Settlement (Sure Payment)**

5. **Collection and Dissemination of the information**

Appropriate Profit Allocation could be realized to some extent through Transparent Wholesale Market System in Japan



Nationwide Grading System

○Each Kind of Commodity has its own grades in terms of size, quality, production place.

(Example)

Product : Cucumber

Size : LL, L , M, S, SS

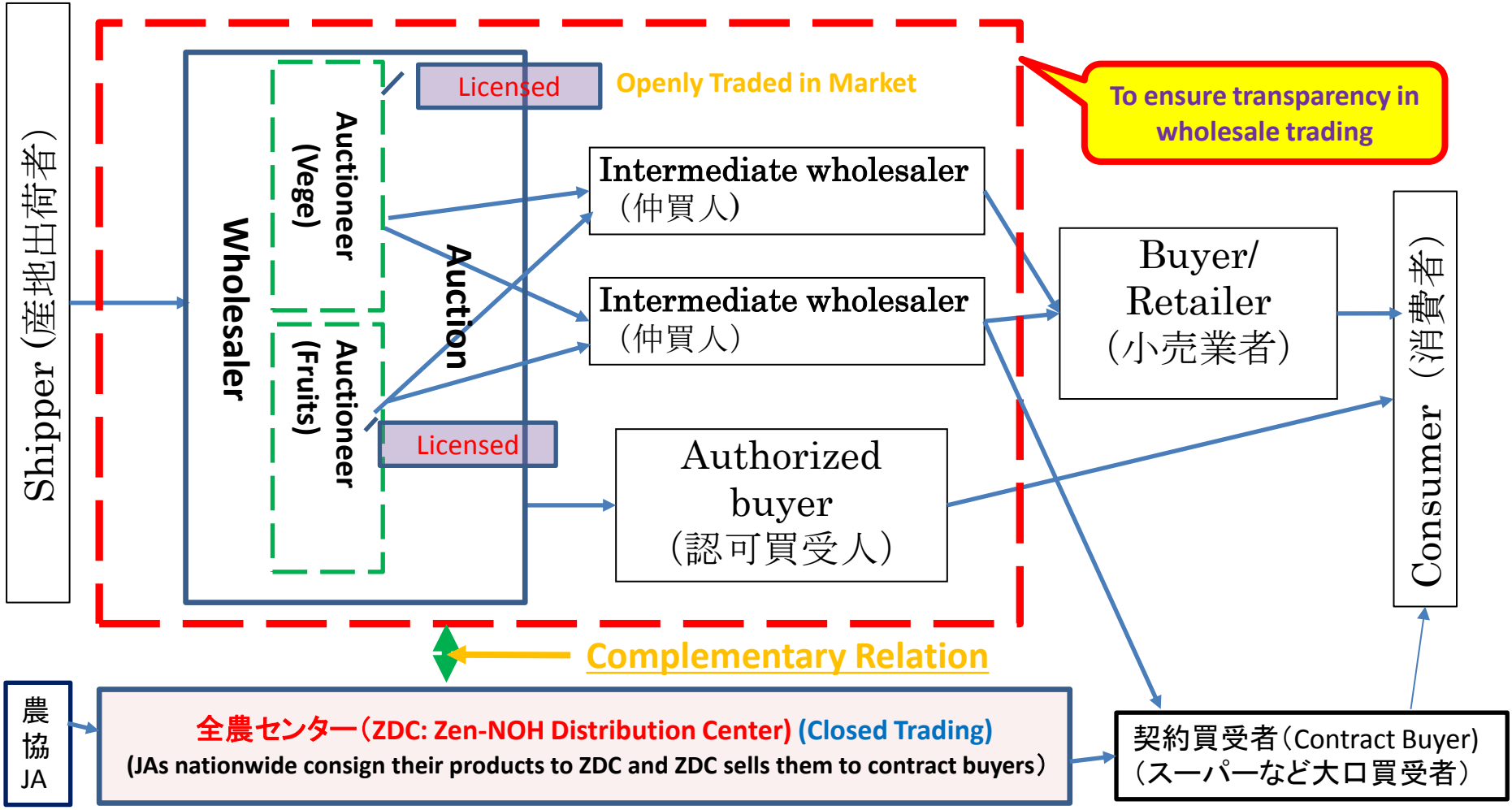
Quality : Excellent, Good, Medium, Non-Standard

Place : JA Fukushima

○ Based on the above information, all stakeholders could know actual grade of each kind of commodity nationwide.

○ The price of representative one become the target price of the commodity and formulate reasonable price for each grade nationwide.

Mechanism of Wholesale Market & Zen-NOH Distribution Center in Japan (Wholesale Market Law)



Farmers consign their products to JA and Wholesale Market to decide price. Farmers could receive their proceeds within one week.

Business Operation of Tokyo Center

New Computer System to Control information from Both Side

Production Site | **Shipping Info** | **Tokyo Center** | **Orders** | **Customers**

Harvest

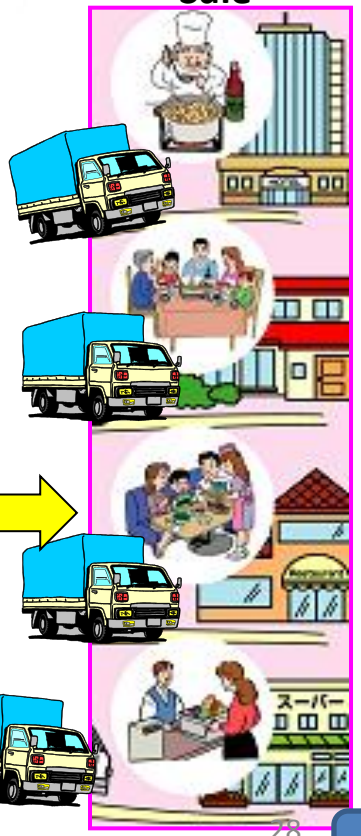
Purchase

Sales Activities

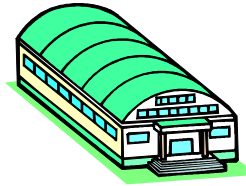
Check Arrival Conditions

Shipping Instructions

Sale



Local JA



Sized
Graded
Boxed
Precooled

Source ; ZEN-NOH & IDACA

Nationwide Collection Network established by Zen-NOH Efforts in the case of Onion

Basic Contract
Between AEON & Zen-NOH.
Weekly price set by Zen-NOH referring to nearby Wholesale Market Price

Autumn to Winter

JAふらの

Hokkaido

More than 30 JAs involved in this network

JA Aichi

Spring

Big Retailers like AEON

Big Buyer

全農

JA Awaji

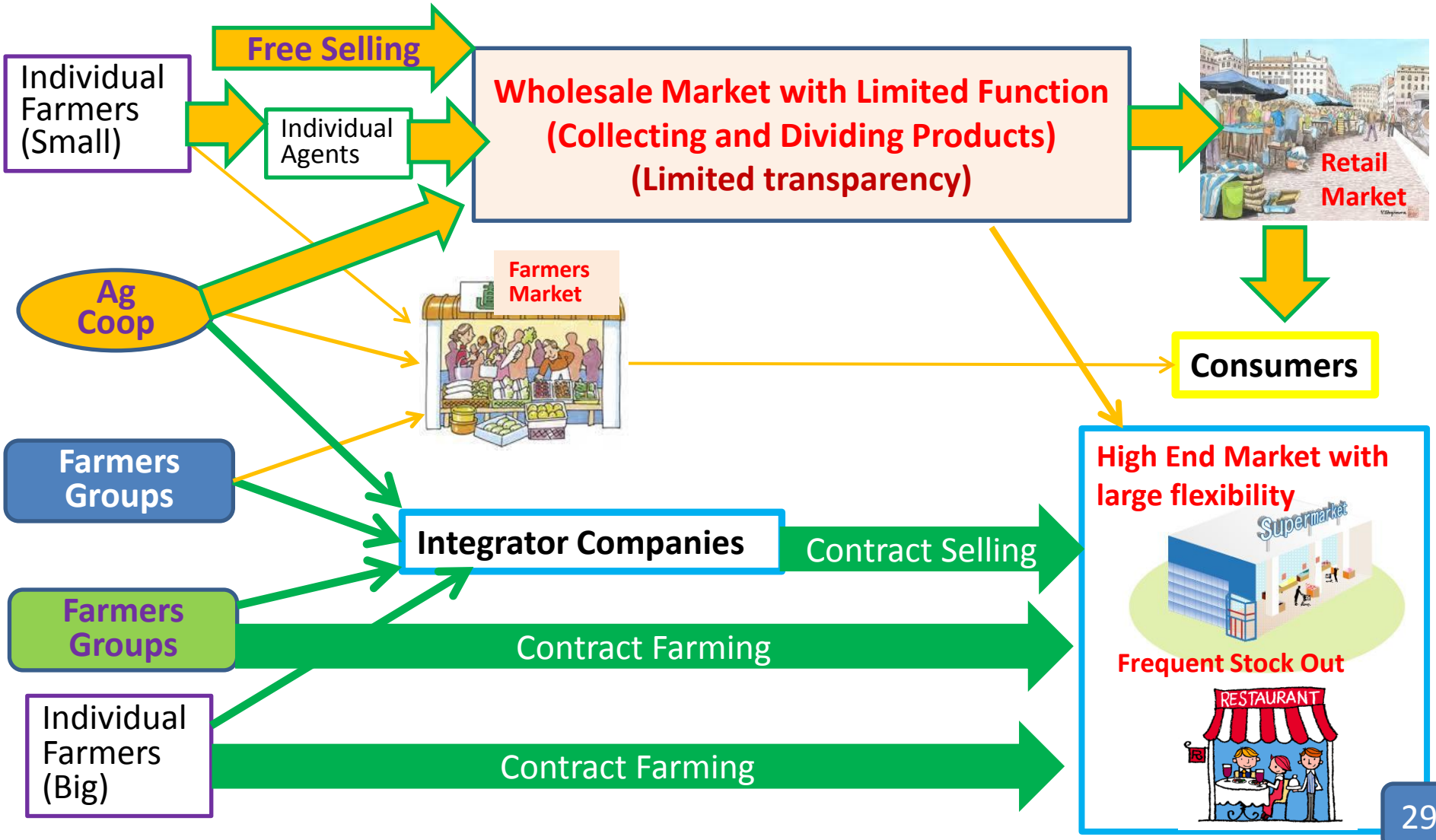
Summer

Year Round Supply
realized through Nationwide Collection Network operated by Zen-NOH Centers

Summer to Autumn

JA Toyama

Summarized Current Situation on Agricultural Products Marketing in ASEAN



Points to be discussed later

○Need to identify appropriate positions of Farmers Markets in agricultural products marketing (Not Lead Actors, but Supporting-Actors)

○Contract farming is one solution, but it cannot solve all marketing issues. (Most small farmers are outside contract farming)
Under current large flexibility of supermarkets, frequent cases of stock-out can be accepted by them. But in future this flexibility will be minimized.
Inconsistent supply by contract farming cannot be accepted by processors.

○Heavy reliance on FDI is difficult. They could cover export business mostly. Japanese Agricultural Corporations (JAC) activities could become models for high end value chain development, but only JACs cannot extend these models to wider areas covering small farmers.

○<u>Most small farmers have to rely on wholesale markets with limited function.</u>
It is difficult for them to sell their products to high end markets and export.

- How to strengthen collective marketing by small farmers groups
  （sale to domestic wholesale market or specific buyers）
- How to establish consistent supply through networking among several groups (Uneven profit sharing between diligent farmers and lazy farmers)

THANK YOU FOR YOUR ATTENTION

A member of the organizers of the ASEAN CB Project Seminar

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