ANNEX A: MAJOR FINDINGS IN THE MARKETING STUDIES

Organic Rice in Indonesia

Organic farming was introduced in Indonesia against the failure of green revolution. Organic rice is developing in Indonesia especially influenced by the rising cost of inputs and the development of health conscious consumers.

Organic rice was selected as the focal commodity of LSFM in Indonesia. The decision was based on earlier consultations with different stakeholders and the members of Bina Desa network. The growth potential of organic rice. Rice is the main staple for Indonesians. With a population of over 215 million people that is still growing, there is no doubt that organic rice will have a market in the future in Indonesia. Production level shows an increase but there is no proper marketing channel yet, therefore many products still using conventional marketing system.

Rice is widely grown in Indonesia and is largely grown and produced by small farmers. The knowledge about natural farming has significantly reduced production costs and has mobilized the involvement of family and local labor, generating local employment opportunities. It has also provided specific roles of women in the agricultural production process and increased the capacities to earn more income for small farmers' families.

The Indonesian' government's program "Go Organik 2010" and the opening of premium rice export are part of opportunities of organic rice development. Reduction of outside agricultural input in natural farming avoids farmers from the dependence on subsidized chemical input. These things are expected to give impacts on government's support toward organic rice farmers.

Tea in Vietnam

Vietnamese people have planted tea for over three thousands years. Tea production is concentrated in the northern and central Vietnam spreading over the provinces of Tuyen Quang,Yen Bai, Phu Tho, Son La, Ha Giang, Lai Chau, Lao Cai, Thai Nguyen, Nghe An. There are about 6 million Vietnamese who are dependent on tea for livelihood. Interventions to improve production and marketing of tea would bring about meaningful solution at reducing rural poverty in Vietnam.

In recent years, the area of tea cultivation have increased rapidly, from an estimated of 5,400 hectares in 1975, the area of cultivation has reached more than 80,000 hectares in 2000. The output was about 40,000 tons in 1995, now stands at over 100,000 tons, of which export quantity is steadily rising.

Vietnam tea products have made their presence in more than thirty countries world-wide. Vietnam now ranked as the 6th among the 15 Asian countries exporting tea to the world market. The tea industry in Vietnam has excellent potential and prospects for future growth but there is a need to address the growing concerns about Vietnam tea quality resulting from the recent market changes and preferences that require higher quality, finer style and reasonable prices of tea products.

Calamansi in the Philippines

The Calamansi an evergreen trees of the genus *citrus* of the family *Rutaceae*, is a citrus fruit endemic in the Philippines. This plant is characterized by wing-like appendages on the leaf-stalks, white or purplish flowers and fruit with a spongy or leathery rind and a fruit with juicy pulps divided into star-like sections. It is rich in phosphorous, calcium, iron and Vitamin C. It is the most popular and most commonly used citrus fruit in the country. Its juice is nutritious and traditionally made into a fruit drink that helps prevent respiratory diseases. It also helps strengthen the bones and stimulate growth especially among growing children. It can be used as a flavouring ingredient and additive in various food preparations. Its pulp is used as a major ingredient in beverages, syrups, concentrates, and purees. The peel is made into jams, candies, and marmalade. With its alkalinizing effect, on the body, calamansi helps circulate blood evenly and facilitates normal digestion.

Recently, with the emerging new technologies in food processing, calamansi use is no longer exclusive to the food industry but has expanded into the cosmetics and industrial manufacturing as material to astringents, whitening creams and solutions, bath soaps, laundry detergents and cleaning solutions.

Calamansi is largely grown by poor small farmers. It is estimated that around 50,000 rural households depend on calamansi as the primary source of income. Calamansi is widely grown across the country but concentration of small farms growing calamansi are in the provinces of Mindoro Oriental, Nueva Ecija, Quezon in Luzon, Guimaras in the Visayas, Davao, Zamboanga Sibugay, Agusan del Sur and Compostela Valley in Mindanao.

While it is possible to achieve a whole year production, Calamansi prices are dominantly low the whole year round and if wholesale price is high, farmer's potential for more income is dissipated due to the layers of players along the supply chain (pls. refer to figure 1). Aside from that, knowing that the market is just there, it is difficult for the farmers to explore them and market their own produce. The tendency is they just leave off their produce hanging on its tree because it would cost them even more if they harvest them with no buyers available or prices are too low that it could not cover their production cost.

Free-range Native Chicken in Cambodia

In Cambodia, native chicken is an integral part of small farmers livelihoods. A small flock of native chicken is an asset that is easy to raise and maintain. Native chicken raising is one of the many activities in a diversified rural farming systems. More than half of Cambodian farming households keep native chickens. Revenues from native chicken production represent a very small proportion of total household revenues, but women accrue most of this income, which allows them to cover daily household requirements and education expenses.

Despite rising per capita incomes and dietary improvements in the last 10 years, malnutrition levels in Cambodia remain high. Native chicken meat and eggs are among the most and easily accessible sources of protein. Small farmers usually keep a small flock of native chicken for food and cash incomes.

In Cambodia, the rural poor are largely small farmers which depends on a small piece of land for rice production. Poverty reduction is a multi-faceted task. A much better integration of native chicken production into the small farm enterprise could contribute significantly to the improvements of food and cash incomes. With the increased attention to the production of rice and other crops, the existing value chain of native chicken that offers very small incentives, native chicken raising is given least attention by small farmers, yet the market demand for native chicken meat remained high. A study by CEDAC has indicated that about 11 tons of chicken meat per day are consumed in Phnom Penh and surrounding urban areas. About 80% are the free range native chicken.

Mapping of CSO Marketing Initiatives

The mapping results indicated that only a small number of CSOs are involved in marketing/market intermediation servicing small farmers and producers in the four pilot countries. Although there were other marketing initiatives, but these initiatives were focused on enterprises of micro-entrepreneurs involving handicrafts, food supplements, novelty items, etc. For details of the report please refer to Mapping of Marketing Initiatives by CSOs at www.asiadhrra.org or at www.smallfarmerstomarket.net.

Value Chain studies

Calamansi

The value chain study of fresh calamansi fruits have highlighted the following key information:

- Calamansi is widely grown in 16 provinces but there are only very few small associations of small calamansi farmers.
- Small calamansi farmers are largely unorganized.
- Demand for calamansi has been increasing in the last ten years. Calamansi products are now, not only exclusive for food, but expanding into the beverage industry, laundry and cleaning applications as well as cosmetics and other household and consumer use.
- Existing organizations of calamansi farmers are small and are operating at the barangay level. These organizations are not market oriented but largely organizations for "claim-making"/advocacy groups involving local government policies or self-help groups
- Some calamansi farmers are members of mixed-crop small farmers organizations
- The supply chain is made up of several layers of (dicers) at the local level including middlemen as consolidators at the regional levels. The large volume of fresh calamansi fruits are shipped to Metro-Manila and distributed to wet markets, supermarkets and processors through a few wholesalers. The multilayered supply chain affects farm gate prices of fresh calamansi fruits.
- Price curve is characterized by lows on months beginning April and highs beginning November until March of each year.
- Processing calamansi fruits into puree and then powder is the most profitable enterprise in the value chain. The price of 1 kilogram of fresh calamansi is between US$0.18 to US$0.26, the same 1 kilogram of calamansi will get a price of US$ 1.5 if sold as puree/extract but the same kilogram will have a price value of US$ 12 if further processed into powder.

Free-range native chicken

- The raising of native chickens is an integral part of the farming systems of Khmer farmers as they are the supplementary source of protein (eggs and meat) and cash incomes.
- Most small farmers invest money for native chicken production because the amount of investment is very affordable. To start, one has to only have to buy very few chicken stocks and increase their population gradually according to their capacities.
- Demand for chicken meat have steadily increased in the urban and urbanizing areas in Cambodia. For example, around 11 tons of chicken meat per day are consumed in the Phnom Penh. The average demand of chicken per district town is 500 kgs per day which is comparable to the provincial town.
- The free range chicken meat (organic) is still largely preferred by local restaurant owners, Khmer consumers, grilled and roasted chicken vendors.
- Current farm gate price of live chicken is Riels 7,730 (US$1.93) while retailer price is Riels 19,500. (US$4.8) and fried chicken between Riels 24,000 (US$5.9) to Riels 30,000 (US$7.4).

- Middlemen buy chicken from small farmers, to minimize transportation costs they use motorbikes and haul live chickens without regard of safety and in the process stress them affecting quality. To gain weight, middlemen usually feed stressed chickens with large amounts of feed and inject water into chicken meat.
- Small farmers/native chicken producers are largely not organized in Cambodia.

Tea

- There are three different value chain flows of tea products in Vietnam, briefly described as those:

    a. from state farming groups to state enterprise
    b. from cooperatives to markets
    c. from farming households to assemblers/consolidators
    d. from freelance households to assemblers/ consolidators

- The value chain study showed that there are 4 major groups of farmers involved in the production of tea. These groups are the following:

    1) state farm households: these are farm workers who received land from the state farms when these state farms was converted into the state companies in accordance with the Decree 01 issued by the Government in 1995, and those households who have land and signed contracts with tea companies;

    2) cooperative households are members of cooperatives (including members of groups).

        a. In processing and marketing, there are processing establishments, production-cum-processing households, private tea companies, tea processing and exporting joint ventures, assemblers, wholesale traders.
        b. Supporting agents are the Ministry of Agriculture and Rural Development, Ministry of Trade, NGOs, mass organizations such as the Farmers' Union, the Women's Union, the Youth Union.

    3) Family farm households have smaller production scale and not members of cooperatives or state farms;

    4) Free-lance households have the smallest scale of production. They are not members of cooperatives or state farms;

- The family farm households and free-lance households are the most vulnerable groups of small farmers involved in tea production. They have been targeted by VNFU as the target groups for this project.

Organic rice

Production of rice in Indonesia was reaching 55 million metric tons in 2007. About 55 percent is produced in Java Island.

- Organic farming was introduced in Indonesia earlier against the failure of green revolution. Organic rice is developing in Indonesia and is especially influenced by the rising cost of inputs and the development of health conscious consumers.
- Coordination of organic rice trade system has not been specifically regulated by the government.
- Organic rice consumption in Java and Bali are larger compared to consumptions in Eastern parts of Indonesia. This is affected by condition of the regions, availability and access of consumers to organic rice and media promotion.

- Value chain at the local level has three types:
  a) pre-harvest purchasing system are farmers particularly common among very small farms with an average size of 0.3 ha.
  b) village collectors as middlemen who also own a rice mill so they can mix the rice according to what the consumer wishes.
  c) City-based big merchants with larger capital resources and provide loan to the village collectors and city retailers. City big merchants also own big warehouse to store large quantities of rice.

- Indonesian Bureau of Logistics (BULOG) a government agency tasked to manage rice rice supply and control prices. BULOG also exports rice when the national supply exceeds the national requirements. The mechanism the BULOG is done by absorbing the surplus marketed by the farmers during harvest period. Absorption of harvest surplus is done through various channels especially working partners that include middlemen, traders rural cooperatives and task forces. BULOGs capacity to absorb rice volumes varies, in Jakarta 91% of farmers rice harvest is absorbed by BULOG but in Central Java, only 23% of the total harvested volume pass through the BULOG mechanism.
- The emerging value chain of organic rice is short, removing the roles of brokers, agents and other opportunists in the value of chain. The basic difference of chain value of organic rice is the development of relationships between farmers/farmer groups and consumer groups.
- Retail price of organic rice range from RP2,000 to RP10,000. specifically select rice varieties such as *pandan wangi, mentik susu, rojolele.* Price range is higher than conventional rice.