Chapter 1

Introduction

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Chapter 1
Introduction

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1. Background

Global value chain (GVC) can roughly be argued from the top-down and bottom-up viewpoints, according to the classification of Gereffi (2014). The top-down approach focuses on governance of firms vertically related in the GVC and tends to stress the importance of the lead firm's functions, such as a source of technological spillover, to realise higher competitiveness among industries and nations.

The bottom-up perspective of the GVC, centrally argued in this publication, puts more weight on activities of suppliers or producers and their upgrading [1] in domestic value chains and GVCs. It can be a core question for the bottom-up development of the food value chain (FVC) of how agri-food producers, mainly characterised by small-scale and unstable management, can improve their profitability by participating and utilising the chain. Such a question has also been associated with issues on poverty reduction and the development of small and medium-sized enterprises in agri-food industries and is actively argued in the literature of value chain development.[2]

For the ASEAN region, the development of the FVC is a key challenge to ensure food security and nutrition and to improve the livelihoods of farmers. ASEAN adopted the ASEAN Integrated Food Security Framework and Strategic Plan of Action – Food Security (SPA-FS) 2015–2020[3], and set strategic thrusts such as trade activation, dissemination of new technologies and practices, and investments in food and agri-based industry to develop the FVC in line with the ASEAN Economic Community Blueprint 2025. Similar strategic thrusts in the Vision and Strategic Plan for ASEAN Cooperation in Food, Agriculture and Fisheries 2016–2025 (VSP-FAF)[4], and Strategic Plans of Action for ASEAN Cooperation (SPA) on Crops

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[1] Humphrey and Schmitz (2002, p.3) define upgrading as increasing incomes of producers accompanied with an increase in 'the skill content of their activities and/or move into market niches'.
[2] Mainly argued by donor organisations such as GTZ (2007) and M4P (2008). See Stamm and Von Drachenfels (2011), Nang'ole et al. (2011), and Donovan et al. (2013) for more information.
[3] The ASEAN Integrated Food Security Framework (AIFSF) and Strategic Plan of Action – Food Security (SPA-FS 2015–2020) were developed based on the AIFSF and SPA-FS 2009–2013, which were adopted by the ASEAN Summit of 2009 to ensure long-term food security and to improve the livelihoods of farmers in ASEAN.
[4] The Vision and Strategic Plan for ASEAN Cooperation in Food, Agriculture and Fisheries 2016–2025 (VSP-FAF) was endorsed by the 37th ASEAN Ministers Meeting on Agriculture and Forestry (AMAF) in September 2015.

(SPAC), Livestock (SPAL), and Fisheries (SPAF).[5] Those strategic plans mention the necessity of FVC development which will contribute to food security and better nutrition, and higher competitiveness of small-scale farmers and small and medium-sized enterprises.

2. Aims and Scope

This study aims to contribute to economic development and poverty reduction in agri-food sectors of ASEAN countries by identifying the policy implications obtained from the case studies of selected FVCs. Different case studies commonly seek pathways by which agri-food producers and processors can increase their profit utilising the FVC. Each study focuses on the functions of various actors vertically linked with producers or processors, and of stakeholders supporting the construction of the FVC.

The major analytical method is the description of the FVC's structure, which includes the distribution channels of products and the functions of actors within and surrounding the chain. Some case studies focus on cost–benefit structure, product price, and explicit coordination of key players. Others emphasise the structural characteristics of the FVC and detect opportunities and chokepoints buried in the chain. Those analyses are based on primary data collected through interview or sampling and secondary data obtained from various sources.

3. Study Sites and Target Items

The study sites were selected from Thailand, Viet Nam, Malaysia, and Indonesia. Target items such as vegetable, livestock, and aquatic products vary by studied sites. Table 1.1 and Figure 1.1 show information on the study sites, target items, and the corresponding chapters in this publication.

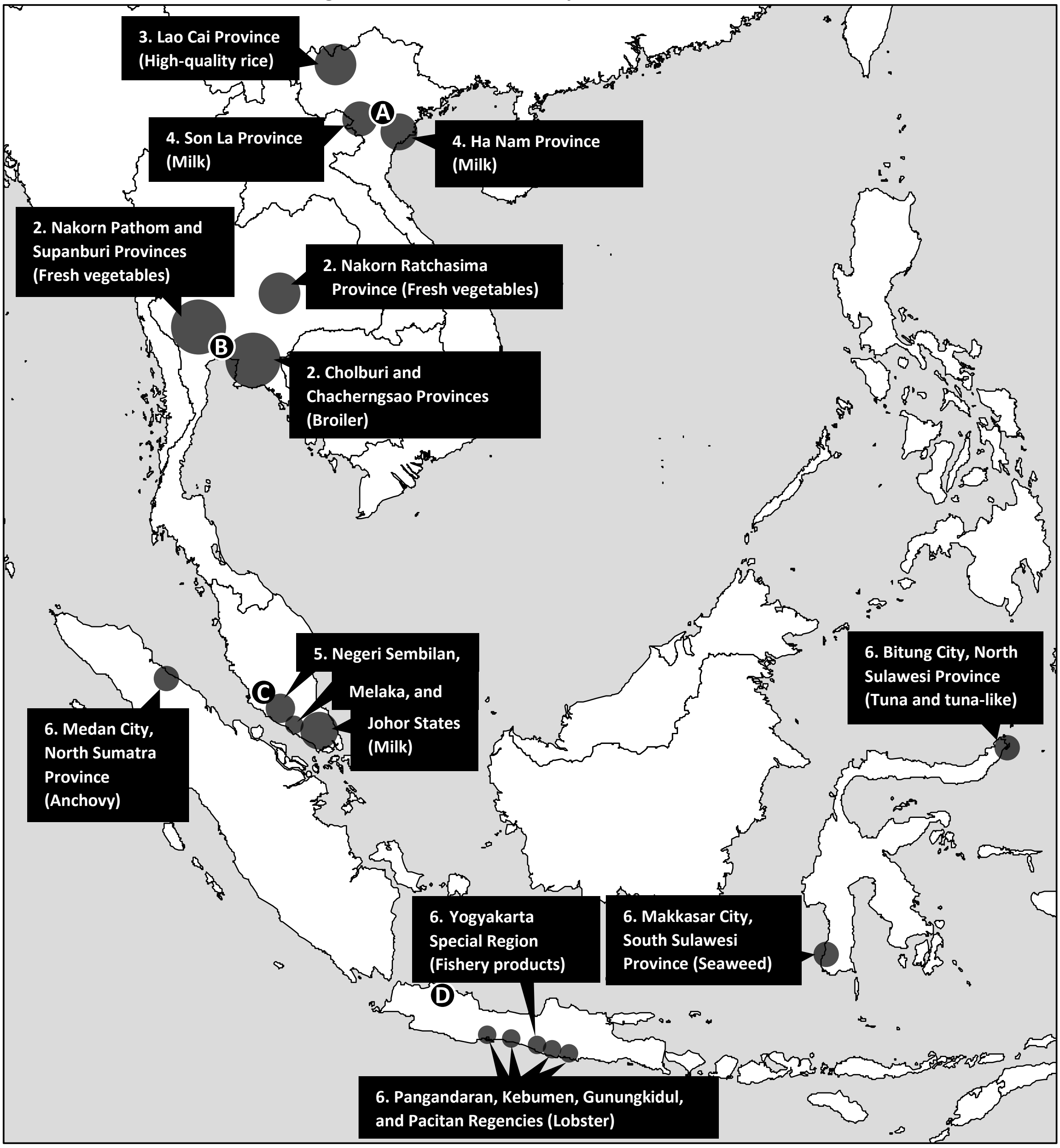
[5] Strategic plans of action (SPAs) were developed for the implementation of the VSP-FAF and adopted by the 38th AMAF in October 2016.

Table 1.1: Study Sites in Each Chapter

Country	Chapter	Study Site	Industry	Characteristics of the Industry
Thailand	2	Nakorn Pathom, Supanburi, and Nakorn Ratchasima Provinces	Fresh vegetables	Dominated by traditional value chain (VC); gradually transitioning to modern VC
		Cholburi and Chacherngsao Provinces	Broiler	Vertically integrated large-scale export-oriented industry
Viet Nam	3	Lao Cai Province	High-quality rice (Seng Cu rice)	Typical high value product contributing to poverty reduction in the Northern Midlands and Mountains
	4	Son La and Ha Nam Provinces	Fresh milk	Significantly growing demand, although new industry in Viet Nam; heavily dependent on import
Malaysia	5	Southern Zone of Peninsular Malaysia (Johor, Melaka, and Negeri Sembilan)	Fresh and processed milk	Significantly growing demand, although production is stagnating; heavily dependent on import
Indonesia	6	Regencies of Pangandaran, Kebumen, Gunungkidul, and Pacitan; Southern coasts of Java	Lobster	High-value product captured by small-scale fishery using fishing fleet; expanding market
		Medan City, North Sumatra Province	Anchovies	High-value processed product; decreasing production after the prohibition of trawling in 2015
		Makassar City, South Sulawesi Province	Seaweed	Major and rapidly growing industry as raw materials of carrageenan extraction in South Sulawesi
		Yogyakarta City, Yogyakarta Special Region	Fishery products	The largest traditional wholesale market of raw materials, including fishery products
		Bitung City, North Sulawesi Province	Tuna and tuna-like	The main commodities landed at the Bitung port; production dropped after the regulation in 2015

Source: Author.

Figure 1.1: Location of Study Sites



Notes: Location of capitals: A = Ha Noi, B = Bangkok, C = Kuala Lumpur, D = Jakarta.
Source: Author.

Thailand

Chapter 2 describes the theoretical background of the FVC and its transition in Thailand, mainly focusing on fresh vegetables and broiler value chains. The first part of this chapter summarises the theory of the FVC in the context of the arguments of the GVC. Then the chapter presents an overview of the characteristics of the modern and traditional FVCs in Thailand. It is argued from multiple aspects how farmers can reap the benefits through the modernisation, strengthening, and stabilisation of the FVC. Two case studies of the FVC of fresh vegetables and broiler are employed.

- Fresh vegetables (Chapter 2 [2.5]): The transition from the traditional FVC to the modern FVC is 'gentle' in the fresh vegetables sector where the traditional chain is dominant. This section specifies obstacles during the transition and seeks ways to boost it by involving small-scale producers. Surveys on vegetable farmers, contractors, and producer groups were conducted in the central plains provinces, Nakorn Pathom and Supanburi, and a northeastern province, Nakorn Ratchasima.
- Broiler (Chapter 2 [2.6]): Broiler is a vertically integrated and export-oriented 'star' industry in Thailand. The dynamism of the FVC structure mainly driven by external shocks, such as bird flu, are highlighted in this section. This study stresses the importance of resilience in FVC actors against external shocks. Study sites are two eastern provinces, Cholburi and Chacherngsao.

Viet Nam

Chapters 3 and 4 explore feasible solutions to generate more value added and allocate more suitable benefits among actors in the chain through case studies of high-quality rice and fresh milk in Viet Nam. Both studies focus on functions and cost–benefit structures of FVC actors around producers in line with the methodology of value chain development analysis.

- High-quality rice (Seng Cu rice) (Chapter 3): Seng Cu, a high-quality aromatic rice in the Northern Midlands and Mountains (NMM) of Viet Nam, is a typical high value-added product contributing to poverty alleviation. This chapter highlights the functions of FVC actors mainly linking with Seng Cu rice farmers by comparing the FVCs in different geographical environments in Lao Cai Province, NMM.
- Fresh milk (Chapter 4): The demand for milk has been rapidly growing in Viet Nam, although most of its supply depends on foreign countries. The milk industry, which has a short history in Viet Nam, is facing challenges in production quantity and quality, attributed to the loosened linkages of stakeholders in the chain. Case studies of fresh milk value chains were done in Moc Chau district of Son La Province which is dominated by a large milk company, and Ly Nhan and Duy Tien districts in Ha Nam Province where no dominant company exists.

Malaysia

Chapter 5 summarises milk value chain in Malaysia, which depends more on foreign sources for milk than Viet Nam. Dairy products have been consumed more and more in Malaysia, although its domestic production has stagnated. This study looks into how to improve the profitability of dairy farmers by investigating their marketing channels of fresh and processed milk.

- Fresh and processed milk (Chapter 5): This chapter summarises the transition of policies relating to dairy production in Malaysia and describes the marketing channel and ex-farm price of fresh milk, yoghurt, and other dairy products. The study site is the Southern Zone of Peninsular Malaysia comprising the states of Johor, Melaka, and Negeri Sembilan.

Indonesia

Chapter 6 seeks opportunities and challenges in the seafood value chain of Indonesia, which is the second-largest producer of marine fish in the world. The first part of this chapter explains the whole picture of seafood value chain from consumption, retail markets, and food regulation in Indonesia. Then different types of seafood businesses including capturing fishery, mariculture, and wholesale markets are summarised through maps of the distribution channels based on interview surveys.

- Various seafood (Chapter 6): Different actors comprising the seafood value chain are emphasised depending on the items and locations, such as fishermen of the lobster chain, fishermen and fishing companies producing anchovies, a processing company of seaweed, a traditional wholesale market of raw materials including fishery products, and large-scale fish-processing companies mainly dealing with tuna and tuna-like products. Study sites are widely distributed in the southern coasts of Java, North Sumatra, Yogyakarta Special Region, and North and South Sulawesi.

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