Marketing of upland products:

a study of the market structures for upland products in Quang Ninh province, Vietnam

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Contents

Acronyms

DARD	Department for Agriculture and Rural Development
FAO	Food and Agriculture Organisation of the United Nations
FSIV	Forest Science Institute of Vietnam
HAPACO	Hai Phong Paper Company
IIED	International Institute for Environment and Development
MDF	medium density fibreboard
NTFP	non timber forest produce
RECOFTC	Regional Community Forestry Training Centre for Asia and the Pacific
SFE	State Forest Enterprise
VAT	value added tax

Exchange rates (October 2002): £1 sterling = 22,000 Vietnamese Dong
US$ 1 = 15,400 Vietnamese Dong

1 Introduction

Thanks to the national initiatives which give preferential support to the development of mountainous areas, manifested in a range of programmes such as 327, 661, 135, the resettlement programme and various poverty alleviation projects, people's livelihoods in upland areas have improved noticeably in the last decade. However, there is still a big gap between the living standards of those in upland and lowland areas. Implementation of the programmes for development of mountainous areas has exposed a variety of weaknesses; for example greater focus is put on supporting farmers to develop products than to market them. These and other factors have resulted in the market becoming saturated for a range of products; consequently prices are very low and do not compensate for inputs made by the producers. On the other hand, the decentralisation policy allows local authorities to adapt the national mountainous development policies, and in particular those policies which relate to the trading of upland commodities. In some areas however, the old policies are still in force and hence the trading monopoly still exists. Furthermore, supervision of implementation of the law is poor and this causes problems to people involved in trading. All these constraints have impacts on the effectiveness of the national mountainous development programmes and the living standards of the beneficiary groups do not reach expected levels.

The research project "Land use and sustainable livelihoods in upland Vietnam" is funded by Sida and coordinated by the International Institute for Environment and Development (IIED) in collaboration with the Forest Research Institute of Vietnam (FSIV). Study of the marketing of upland products is one of the major research themes of the project. Research for this theme is carried out by the NTFP Research Center in collaboration with the Economics Department of FSIV. The objectives of this research theme are to identify the constraints in the upland market structure that impede the development of products, and based on the findings, to propose measures for improving the market system and for providing assistance to the beneficiary groups. The full workplan is given in Annex 1.

Quang Ninh province was selected for study (see Figure 1). This was based on existing background information and the researchers' knowledge of the province, the presence of an active market in upland products, accessibility from Hanoi, the presence of different ethnic minority groups in upland areas, and the presence of a relatively progressive provincial government, which is actively seeking better information on marketing as well as ways to reduce the gap in wealth between upland and lowland areas.

A methodology workshop was held in November 2001 with the participation of FSIV, IIED, the Quang Ninh Department for Agriculture and Rural Development (DARD), the NTFP Research Center, the Forestry College, and national and international marketing experts. The workshop participants discussed the objectives and scope of the study, activities and timing, and methods to be applied. A list of workshop participants is given in Annex 2.

Four of Quang Ninh's six mountainous districts were selected for survey: Ba Che, Hoanh Bo, Dam Ha and Binh Lieu. Taken together, these districts provide a thorough representation of the different upland conditions in Quang Ninh, in terms of the range of ecological conditions, land types and products sold (see Figure 2).

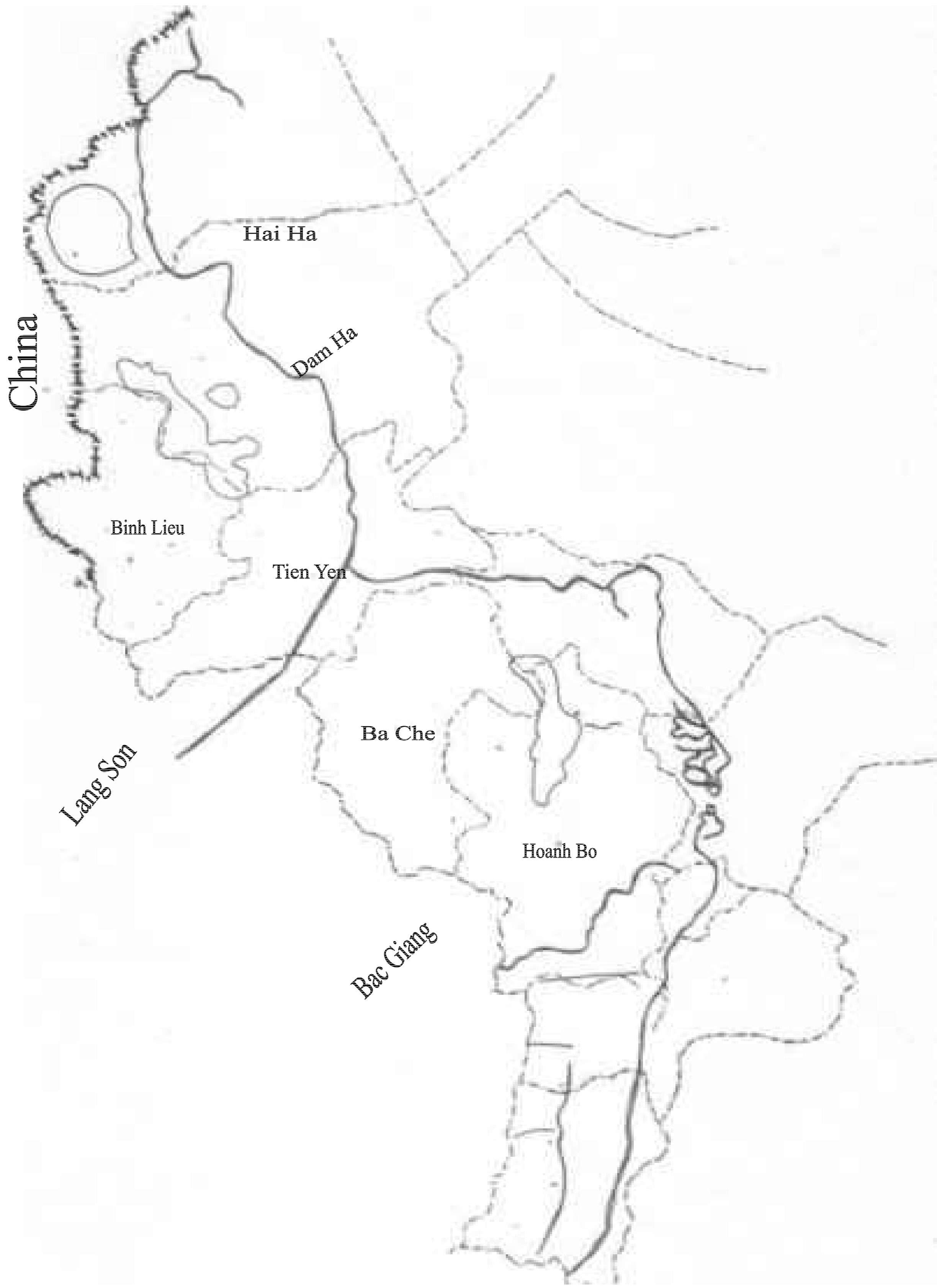
- *Ba Che* is very similar to Tien Yen district (and is taken as being representative of Tien Yen for the purposes of this study): both are the poorest mountainous districts of the province where forest products are major cash income sources for households and of these, bamboo is the most important. Ba Che includes significant areas of bare land.
- *Hoanh Bo* district has relatively complicated topography including a high plateau which is inaccessible by road. However it is located close to the tourist and industrial areas; consequently marketing of its products is more active and the number of marketed products is also more diverse. The main products are timber, bamboo and medicinal plants.
- *Binh Lieu* is a border district and is famous for its production of star anise; cinnamon is also an important crop.

- Finally, *Dam Ha* and Hai Ha are two newly established districts, derived from the former district of Quang Ha, and the former is selected as it represents the latter. These two districts share a range of mountains. Natural forest covers the higher altitudes and medicinal plants are grown at mid-altitudes.

The following sections present the study of the market system in the four selected districts. Section 2 describes the research methodology and the scope of the study. Section 3 presents the findings of field research in the four districts; it includes an overview of the socio-economic conditions of the selected districts and communes, their commodities and the market chain of each commodity. Section 4 analyses the findings, and discusses the factors affecting the pricing of products as well as the causes and constraints of the upland market system. Section 5 presents conclusions and recommendations for mitigating the constraints and promoting the marketing of upland products.

Figure 1: Map of Vietnam

Figure 2: Map of mountainous districts of Quang Ninh province



2 Methodology and scope of study

The field research was conducted over period of five months from January to May 2002 by a team of three researchers, two from the NTFP Research Center and one from the Economics Department of FSIV. The research questions are as follows:

Cluster one: Scope

- What products are produced and/or gathered for market in the study areas? For how long have these products been traded? What is the importance of these products to households' cash income?
- From the above, what are the market chains of the selected products? How many direct actors are involved in the chain? How were these chains formed and developed? What is the movement of the product through the chain, from producer to consumers?

Cluster two: Pricing

- What is the product price received and offered at each link of the marketing chain?
- What are the key factors influencing the pricing of the product (for example demand and supply, competition, infrastructure, taxes, fees, local rules, policies and regulations)? How do prices fluctuate? Can this be mitigated and if so, how?

Cluster three: Information

- Market intelligence: are the farmers aware of: the product's use, its customers, consumers, market channel, prices, and the way it moves through the channel? Do they know the price of the same product in other areas? How does market information flow?

Cluster four: Constraints

- What are the constraints at each link of the market chain (for example access to information, policies, taxes, infrastructure, resource management, technology, credit)? How can these constraints be overcome or reduced?

Cluster five: Assistance

- What assistance is needed to improve the marketing initiative of the farmers, their access to information, and product development for the market? How can this assistance be provided?

Scope of study

The study was conducted in four mountainous districts, as mentioned above. However tracing the market chain of the selected upland products meant the survey had to be extended to eight provinces and cities, namely, Quang Ninh, Lang Son, Bac Giang, Bac Ninh, Hai Duong, Thai Binh, Hai Phong and Hanoi. The team interviewed 118 people, including the direct and indirect actors in the market chain, such as farmers/ producers, commune authorities, district officials, middlemen, traders, wholesalers and exporters.

Selection of communes for survey

Within each district, two communes were selected for detailed survey, thus eight communes were surveyed in total. The criteria for commune selection were:

- Degree of poverty
- Presence of marketing activities

- Accessibility by road[1]
- Presence of products that are marketed across a large area of the district

The team interviewed district officials of the administration department, the agriculture and rural development department and the statistical department, to acquire an overview of the socio-economic conditions of each district. District officials were also invited to suggest suitable communes for survey. Based on the data collected and the opinions of those interviewed, the following communes were selected (specific reasons for selecting these communes are given in the appropriate places in section 3).

- In Ba Che district: Don Dac and Thanh Lam communes
- In Hoanh Bo district: Tan Dan and Dong Lam communes
- In Dam Ha district: Quang An and Quang Lam communes
- In Binh Lieu district: Hoanh Mo and Huc Dong communes

Selection of the products for study

The main criterion used to select the products was their importance to the cash income of the households, particular that of the poorer households. However, one of the main characteristics of the forest products, especially the NTFPs, is that they are seasonal and small in volume, therefore in some cases, groups of products were selected.

The selection procedure is as follows. The commune authorities were requested to list the products marketed in the area, their history and their contribution to household cash income. They were then asked to rank them in order to select about four products or groups of products that are most important in terms of:

- economic value – what is the annual revenue derived from the product to the commune (based on statistical data or if not available, estimation)?
- number of households benefited - how many households receive cash income from the product (by estimation)?
- emerging products – which products are currently not the most important income source, but will be in the near close future (based on planted areas)?

Although most people are aware of the economic importance of the group of medicinal products, this group comprises numerous species which are traded in small volumes, therefore it was difficult to decide which should be selected. Interviewing those middlemen trading in herbal medicines in the commune helped the team to select products from this group for market survey.

The following products or group of products were selected for the four districts:

- Ba Che - five groups of products: bamboos, cinnamon, pine resin, planted timbers and sugarcane.
- Hoanh Bo - four groups of products: timber (both from natural and planted forests), medicinal herbs (*Morinda* root, *Reishi* mushroom and *Dia lien*), resins (pine resin and *Canarium* latex), and bamboos (*tre doc* and *tre giay*).
- Dam Ha - four products: cinnamon, rice, *Dia lien*, groundnut.
- Binh Lieu - two products: star anise and pine resin.

These products are described in more detail in section 3, and Annex 3 presents a glossary of English and scientific names and the common uses of some of these species.

[1] Accessibility by road is not just a criterion to allow for relative ease of access by researchers, but is a key factor in making the marketing of upland products feasible.

Method for market study

A modified version of the “Market Analysis and Development” (MA&D) methodology was used. In brief, this methodology aims to enable local people to identify potential products and develop markets that will provide income and benefits without degrading the resource base. Given that this is a research project, rather than an implementation project, only the first two out of the usual three steps were followed: assessing the existing situation, and identifying products, markets and means of marketing (the third step is to plan enterprises for sustainable development). Farmers were asked to list their existing commodities and based on the criteria given above, to select commodities for further market study. The market structures and constraints for these commodities were then studied. A more detailed description of the MA&D methodology is given in Annex 4.

Data analysis

The data analysis was conducted by comparing the policies issued by the central, provincial and district governments (see below) with the realities; in other words, by considering the gaps between the promulgated policies and actual practices on the ground.

Policy analysis

The field research was complemented by a study of policies affecting the development of markets for upland products in Quang Ninh province. This study was made in parallel to the field research, by Mr Phan Lac Vang, Head of the Planning Unit of the Department of Agriculture and Rural Development, Quang Ninh province. This study included analysis of policies issued by central, provincial and district governments (summarised in Annex 5).

3 Findings of field research

3.1 Ba Che district

3.1.1 Overview of Ba Che social and economic conditions

Ba Che is a mountainous district with a population of 17,086, including eight ethnic minority groups - Dao, Tay, San chi, San riu, Cao lan, Hoa, Muong, Nung – as well as Kinh people. The district borders Hoanh Bo in the south, Lang Son and Bac Giang in the west, Tien Yen in the north and Cam Pha in the east. The total area of the district is 57,666 hectares, of which 1,337.42 hectares is agricultural land, 22,943.04 hectares is land with forest cover, and the remainder is barren land, urban areas, etc.

The infrastructure of the district is poor with the tertiary roads connecting the district town to the centre of its communes. This type of road is accessible to high-floored vehicles like trucks or army cars, and only when there is no rain.

All seven communes of the district are ranked as "poor" and six of these belong to the "particularly poor" category of Quang Ninh province, with a monthly per capita income below 100,000 dong[2]. In the past, logging and extraction of non-timber forest products were the main sources of income for the local people. Due to over-exploitation during the eighties and early nineties, high-value timber resources were almost exhausted. Since the logging ban was issued in 1992, income from timber decreased sharply. According to the district statistics dated 2000, the volume of timber exploited in 1992 was 4,540m^3, whilst in 1999 it was only 500m^3, most of which was from planted forests. In response to the effect of the logging ban, the local people adjusted their livelihoods in the following ways:

- *Expansion of agricultural land simultaneously with the intensification of cultivation*. Although crop production has increased three times compared to that of 1992, however, limited agricultural land and high population growth mean that the district is still unable to be self-sufficient in cereal.

- *Adjusting the mix of agricultural crops by planting new cash crops like sugarcane and fruit trees*. In the last five years, households living near Ba Che town have planted sugarcane to supply to the markets in big towns and cities like Cam Pha, Ha Long and Cua Ong. The area under sugarcane is expanding fast and Ba Che sugarcane is able to compete with the same products supplied from other areas of the province.

- *Intensive exploitation of NTFPs*. With the introduction of the logging ban, NTFPs became the main income source from the forest. According to district statistics, bamboo extraction increased 20 times by the year 2000 compared to the year 1992. However, some NTFP species which regenerate slowly - like rattan, medicinal herbs and wildlife – are no longer available, or resources have decreased to such an extent that production is insufficient to attract buyers.

- *Planting fruit trees and production forest*. For the last two decades, government programmes (such as the resettlement programme, programmes 327, 135, 661, the programme on generating job opportunities for youth and internationally supported projects) have assisted households to plant production forest (sandalwood), as well as cinnamon, litchi, longan and other crops for income generation. At first, households were provided with seedlings and money for planting, but currently the subsidy is restricted to free seedlings or loans. There are no statistics available for the exact area of planted forests in the district; however, in the last few years fruit trees, cinnamon, and sandalwood forest have started to provide cash income to households and the ratio of this source to overall household income is increasing.

[2] There are three national poverty categories applied to mountainous areas, of which 'particularly poor' refers to the poorest areas.

Ba Che Peoples Committee has taken various measures to improve living standards, such as assisting in the implementation of poverty alleviation programmes and resettlement programmes, and allocating agriculture and forest land to households and to organisations. Also, Ba Che district made some amendments to trade policies in April 2000. This does not affect the trade of agricultural products, and all economic sectors have the right to buy and transport commodities without paying any taxes. The amendment relates only to those forest products of economic importance like pine resin, cinnamon, bamboo and sandalwood. The amendment means that Ba Che State Forest Enterprise (SFE) is mandated to manage trade of forest products in the district. The reasons cited by the Ba Che Peoples Committee are to avoid illegal harvesting and tax evasion by households. However, after two years of implementing this policy amendment, a range of problems has arisen. These problems will be described in detail as part of the findings of the surveyed communes (see section 3.1.5).

Don Dac and Thanh Lam were selected for the survey as these are two of six communes which are ranked as the "particularly poor" of Ba Che district, which are representative of the district products for sale, and which have commune centres which are accessible to a Land Cruiser vehicle.

3.1.2 Don Dac commune

Don Dac is a big commune, 25km in length, one end of which borders Hoanh Bo whilst the other end borders Ba Che town. The total area of the commune is 13,161 hectares, including 328.26 hectares of agricultural land and 6,197.6 hectares of land with forest cover (comprising 4,837.5 hectares of natural forest and 1,359.2 hectares of planted forest).

The managing body of the commune is located in Tan Tien village, just 1km away from the district town. Currently, the commune is supported through Programme 135 to build a centre in the middle of the commune with infrastructure including a road, schools, a market and a health care centre. The main road connecting the villages of this commune is very bad and accessible only to trucks in the dry season. Even the research team's Land Cruiser failed to reach the commune centre, but managed to get only to Bac Cay village, which is 7km from Ba Che town. Communication in the commune is very difficult; to organise a meeting it usually takes 3-4 days for the commune leaders to inform the village heads.

The commune has 4,471 people living in 806 households, consisting of eight ethnic groups amongst which the Dao group is in the majority (73%).

The living standard of most people in the commune is very low; in 2001 the monthly per capita income was 80,000 dong. Agriculture and forestry provide the main sources of income. Agricultural crops produced are rice, maize, sweet potato, cassava, soybean, peanut, sugarcane and fruit (litchi, pomelo, longan). Out of these, only sugarcane and fruit are produced for commercial purposes, the rest are only for subsistence. The fruit trees have been planted recently so the produce is still small: for example in the case of litchi, an area of 50 hectares has been planted but only a few trees bear fruit and production is not sufficient to form a market attractive to outside traders.

Forestry is still the main source of cash income for the people of Don Dac commune. Besides the products extracted from the natural forest, the households benefit from the produce of planted forest such as cinnamon and sandalwood. The table below describes the cash crops of Don Dac commune.

Table 1: Marketed products of Don Dac commune

Products	Marketed since?	Importance of the product to household income	Rank
Agriculture			
Sugarcane	Last four years	At present the commune has 18 ha sugarcane. The area is expanding fast in the villages located close to the district town. For these villages, sugarcane brings highest income among all the commercial products. Some households have stopped going to the forest for NTFPs to reserve time for sugarcane business.	4
Livestock		Mainly for household consumption, some surplus for the local market	
Fruit			
Litchi Longan	Recent: 2-3 years	There are 55 ha, mainly under litchi. There has been some fruit harvested, but the production is very small and the local price is cheap - 2500 dong/kg. No outside buyers come to buy.	
Forestry			
Residues from previous logging Sandalwood	5-6 years 3-4 years	The residues from previous logging are gathered to sell to carpenters in the district town for making small items, which are easily transported to other furniture making centres. Timber from planted forest. In 2001, the commune sold 6,379 timbers, valued at 50,000,000 dong.	3
Bamboo	Traditional	This is the main product of the commune, which brings regular income to households, particular the poor ones. Except in Tan Tien village, farmers in all other villages extract bamboo when they are not busy with their agriculture crops.	1
Rattan	Traditional	The resource has almost run out. Rattan is often harvested when it is immature, leading to inferior quality and low price. The income from the rattan is small.	
Cinnamon	3-4 years	Product of planted forest. The commune has over 300 ha, some of which is ready for harvesting. Before April 2000, the farmers could sell their product to any traders, but following the policy amendment, they can sell only to Ba Che SFE. In the year 2001, only a few farmers harvested cinnamon and sold it to the SFE, the others are waiting in hope of better opportunities.	2
Medicinal herbs	Traditional	Among the products of this group, *Morinda* root is the most important. It is a special product of the district and a popular tonic herb. The resource is shrinking due to over-exploitation. Current exploitation of *Morinda* root is sufficient only for local consumption. The price of *Morinda* root at the forest gate is 8,000-10,000 dong/kg.	
Huong bai		This grass (whose root is used in incense making) was planted 3 years ago, and some households cultivate it on a large scale. The price has gone down sharply – 1,000 dong/kg fresh and few buyers come for product[3].	
Wildlife			
Gecko Snake	Traditional	In the past, these products were plentiful but have now become very rare. Hunting takes place in the warm seasons and products are for the Chinese market.	
Others			
Honey	Traditional	Production is small and available only during the flowering seasons. It is not even sufficient for the local market.	
Chewing bark	Traditional	This product is collected in leisure time to sell to Hai Duong and Hai Phong market. The economic value is low.	
Fern and others	Traditional	These products are gathered mainly by women and children. The resource is limited and total produce is small. The product is collected year-round and sold to traders in the district town.	

[3] See section 4.1: the impact of poverty alleviation programmes.

3.1.3 Thanh Lam commune

The commune has a total area of 8,356 hectares. Agricultural land is very limited and comprises only 2.11% (176.73 hectares) of the total area. The forest land is managed by the village as common property or by the households. 3,204 hectares of the total forest land has been allocated to households and the remainder (distant from the villages) has been allocated to the villages for management.

The centre of Thanh Lam commune is 21km. from Ba Che town. Thanks to a new road constructed in November 2001, transport from the commune to the district town is quite good; however, five villages in the commune are still inaccessible to vehicles.

The population is 1,386 people in 239 households, comprising four ethnic minority groups – Dao (the majority), San Chi, Cao Lang and Tay - and Kinh.

Similarly to Don Dac, poverty dominates the whole commune. Due to the limited agricultural land and under-developed cultivation practices, the commune is not able to support itself in food production. There are 109 households ranked as "poor" with food shortages year-round and monthly per capita income of less than 70,000 dong. That figure represents 45.6% of the total households in the commune. Common livestock species such as buffalo, cattle, pigs and poultry are kept, but livestock husbandry is poorly developed. Livestock production is mainly for subsistence use, but with some surplus for the local market. The cash income of Thanh Lam households derives from forestry activities. Whilst in the villages of Don Dac commune located close to the Ba Che town, households have changed the mix of agricultural crops from growing crops just for subsistence to planting commercial products such as sugarcane, in Thanh Lam this process has not started. Households in Thanh Lam do plant litchi and longan on a large scale for cash income, but this is a result of the support and heavy subsidies from the national forestry and poverty alleviation programmes rather than because of any awareness of the economic potential of these crops and investment by the households themselves. The products for sale in Thanh Lam are similar to Don Dac and also are representative to the entire district.

Table 2: Marketed products of Thanh Lam commune

Products	Marketed since?	Importance of the product to household income	Rank
Agriculture			
Livestock		Mainly subsistence with some surplus for the local market	
Fruit			
Pomelo Jack-fruit		Local varieties, produce is small with the poor quality, used only for local market with low economic value.	
Litchi Longan	Available for last 2-3 years	Small quantity, low price (2,500 dong/kg). No outside buyers come to trade.	
Forestry			
Residues of logging	5-6 years	Similar to Don Dac	
Sandalwood	3-4 years	Planted timber, the commune has over 100 ha of sandalwood forest.	2
Bamboo	Traditional	Similar to Don Dac	1
Bamboo shoot	Traditional	Collected seasonally, quantity is small, although there is high demand due to the special quality of the product.	
Rattan	Traditional	Resource is almost exhausted. Due to competition in harvesting, rattan is usually collected when immature therefore the quality is poor and total value is low. In 2001, the produce in the commune is estimated at 4-5 ton.	

Cinnamon	3-4 years	In 1989, 40 ha were planted. For the last decade, cinnamon has been planted on a large scale. Those planted in 1989 can be harvested. Since 1999, households started to harvest by thinning the trees. In the near future, it will become the most important cash crop of the commune. For the last two years, the farmers have been obliged to sell cinnamon to Ba Che SFE. In 2001, most of households in the commune did not harvest the product as they considered the offered price was not reasonable.	2
Pine resin	3 years	In 2001, the resin produce of the commune was 50 ton. SFE hires the farmers by piece for tapping resin with the price of 1800 dong/kg. Many people do not get involved in tapping as they consider that the price is too low.	3
Medicinal herbs	Traditional	Similar to Don Dac	
Huong bai		Was planted in the year 2000 with the assistance of the Youth Union project "Job Generation for the Youth". The loan was provided to buy seedlings from Dong Trieu district. Seven hectares have been planted in the commune. The price of seedlings was high, but now the product is very cheap and difficult to sell as there are few buyers who come for the product.	
Wildlife			
Gecko Snake	Traditional	Similar to Don Dac	
Others			
Honey	Traditional	Similar to Don Dac	
Chewing bark	Traditional	The product is collected in leisure time to sell to Hai Duong and Hai Phong market. The economic value is very low.	
Fern and others	Traditional	Similar to Don Dac	

3.1.4 Selection of products for market survey

Based on the data collected at district and commune levels and the opinions of those interviewed, the following products were selected as those most essential to household cash income as well as being representative for the selected communes and for the district as a whole:

- The products of the *bamboo* group like *tre doc*, *tre giay* (for making paper) and *nua* are a very important income source for most households. Ba Che district is famous nationally for its bamboo.
- *Cinnamon* is planted in all the communes and part of the crop is sufficiently mature for harvesting. Had there been no impediment in the district trade policy[4], this product might have brought good income to the households in the year 2001.
- *Pine resin* is another essential commodity of the district. Total production in 2001 was 239 tons and will be much higher in the following years (at present only 400 hectares of the 1,607 hectares of pine forest are exploited). Pine resin will become a regular and sustainable income source of the district.
- The area of *sandalwood* forest is not large and provides only one harvest. However, for the last three years, it has been an important cash product for the surveyed communes as well as the whole district, because this type of forest was planted with the assistance of national programme.
- Beside the cinnamon, bamboo and pine resin, there is a range of *NTFPs* like medicinal herbs, fibre, chewing bark, wildlife, etc. The economic value of each product is not high, but the total value of the whole group is quite considerable and can be compared to the bamboo group, especially as it is a regular source of income for poor households. Nonetheless, the trade of these products is small by volume and is conducted by the small petty merchants, hence there

[4] see section 3.1.1 on how the SFE is mandated to manage trade in forest produce

is no statistical data. Furthermore, resources of most of these products are shrinking. Some products like *Morinda* root are sufficiently available only for the district market; other products are extracted seasonally for export to the Chinese market or to other neighbouring provinces.

- Among the agricultural commodities traded in the last few years, *sugarcane* is the most noticeable, despite the fact that it is planted only in the areas adjacent to Ba Che town or close to the main road connecting Ba Che to Cam Pha and Ha Long cities. Ba Che sugarcane is of better quality than that from other areas and is therefore highly competitive. The area under sugarcane is expanding fast without any support from the government programme.

Based on the product selection criteria (namely representativeness of the commodity within a wider area and the economic importance of the product to households), five products were selected for market research in Ba Che district: bamboo, cinnamon, pine resin, sandalwood and sugarcane.

3.1.5 Result of the market study for Ba Che commodities

3.1.5.1 Bamboo

This group of products includes several bamboo species. For utilisation purposes, they are divided into two types: *tre doc*, which is used in agriculture as props for climbing crops; and *tre giay*, which is used for paper production. The products have been exploited for sale for many years. Especially after the closed forest policy[5] was issued, bamboo exploitation intensified and became the number one commodity of the district. The following is a description of the bamboo market chain.

a) Producers

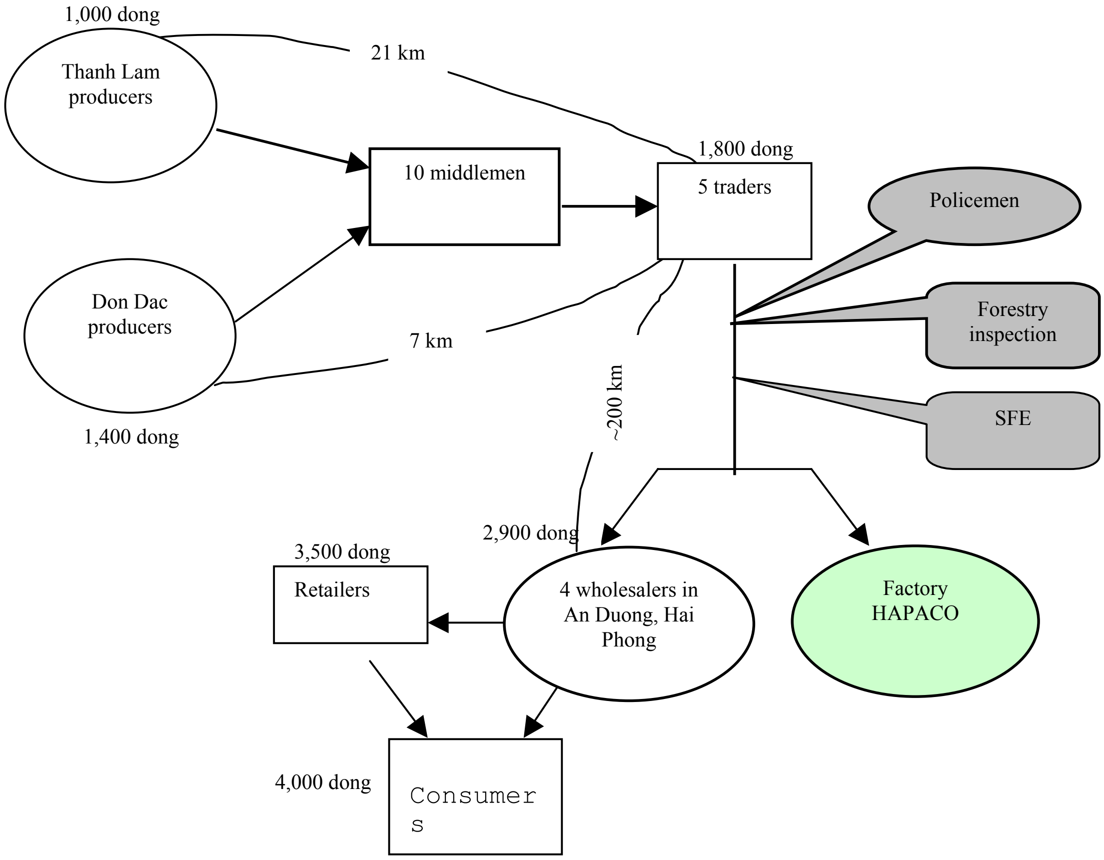
The producers collect and pack bamboo in bunches of 3, 5, 7, 10 and 20 trees, depending on their size. These bunches are then put in piles on both sides of the road so that the buyers are able to load them onto trucks easily, to transport them to Ba Che town. The selling price of bamboo is per bunch and is the same for all types of bamboo. The selling price in two communes is as follows:

- In Thanh Lam the price of one bunch is 1,000 dong. Sometimes the price goes down to 800 dong/bunch. If the collector sells by weight, the price is 70 dong/kg.
- In Bac Cay village of Don Dac commune, the price of a bamboo bunch is 1,400 dong. The product is sold to the same buyers from Ba Che town. Sometimes, buyers from Hai Duong province come and the farmers are able to sell at price of 1,600 dong/bunch.

Bamboo is a species which regenerates very quickly, and as a result can be exploited every year. However, over-exploitation often results in an immature product that is not suitable for use as a prop. The mature small diameter bamboo (*tre doc*) are put in bunches of 20 culm for use in agricultural cultivation. All the other types, regardless of their size and maturity, are used for manufacturing paper. The bamboo extractors know the use of product, but no-one knows its market chain and how it moves in the chain, or even how much people in neighbouring communes get for the same product.

[5] The closed forest policy provides for a ban on collection of any forest products.

Market chain diagram of Ba Che bamboo



b) Middlemen

There are about ten people in Ba Che town involved in this activity. Some of them used to be on the staff of Ba Che SFE but retired according to Decision 176[6]. The middlemen have an agreement between themselves as to the villages or communes with which each will trade. Each middleman buys the product from the village or commune and sells to the traders in the town with the price of 1,700–1,800 dong/bunch. They all own their own trucks, and except for the cost of truck maintenance, they do not have to cover any other expenditure. They go to the field to buy bamboo almost every day of the year, resting only when there is heavy rain. Prices are based on negotiation, quality and route. In the case of bamboo which is bought from Thanh Lam commune 21km away, after paying for loading and unloading the product and petrol for the truck, middlemen's earnings are around 170,000 dong/day. If the product is bought in Bac Cay of Don Dac commune 7km away, their income is much lower as the buying price of bamboo is higher at 1,400 dong/bunch; also, whilst the road is shorter at only 14km, it is in a worse condition than the one connecting Thanh Lam.

c) Long distance traders

There are five traders who buy and transport bamboo from Ba Che to sell to Hai Phong. Usually, the whole family is involved in the business. Some of them own a ship that can carry a small load. When the volume of bamboo is big, they hire a 100-200 ton ship. The bamboo is transported by truck to Ba Che river, is then loaded onto the ship and from there it is taken by sea to An Duong, the port of Hai Phong city. The costs for each trip are as follows:

- Bamboo cost is 1,800 dong/bunch,
- Cost for loading is 100 dong/bunch.

[6] Decision 176 is the 'Renovation policy' of 1989. It enabled institutional reform in government which involved large losses of civil service jobs.

- Permission letter from Ba Che SFE including natural resource tax, "buy-from-afar" tax is 1,200,000 dong/ship, which come out to 250 dong/bunch.
- The rent for a ship with a load of 100 ton is 5.5 million dong, and with a load of 200 ton it is 11 million dong. The ship owner is responsible only for taking the commodity to the port, the trader has to cover all other costs.
- The total expenditure for one trip from Ba Che to Hai Phong is around 3-3.5 million dong. This sum is used to pay to fourteen police and forestry inspection stations. For smooth passage, the traders have to pay a fee to each station on the basis of negotiation, and naturally without any receipt! The traders say that if they refuse to pay the required amount, their ship will be retained for some reason such as overloading of bulky goods. For those traders who have sufficient experience and travel the route regularly, the total fees come to around 3 million dong, that is 200,000-250,000 dong for each inspection station. However if a less experienced member of their family conveys the cargo, the fee will be much higher, sometimes up to 4 million dong. The amount of money paid to these inspection stations is the same regardless of the size of the load, hence traders prefer to rent big ships for better profits. The cost of these fees according to the weight of goods comes to 20,000 dong/ton.
- In An Duong port, *tre doc* is sold to wholesalers at 2,900 dong/bunch and *tre giay* is sold to the Hai Phong Paper Company (HAPACO) factory at 290 dong/kg. The buyers bear the cost of unloading the bamboo from the ship.

According to these long distance traders, the price of bamboo at both ends of chain (buying and selling) has been stable for many years and they do not consider that they face any risk. The fee paid to Ba Che SFE is quite reasonable and the SFE is very efficient in providing them with the permission letter; nonetheless, the fee paid on the road is a real challenge for them. Prior to the Decision 40[7] of the government issued in 1988, the trading was much more favourable. Since the time of Decision promulgation, the road fees have increased and their business faces more difficulties. It is even more difficult for new traders who intend to enter this market chain. In order to increase their profit, the traders often rent a ship with large capacity (since taxes are not proportional to volume and the tax due on a large ship is only slightly greater than that on a small ship), overload the ship and cheat the natural resource and buy-from-afar taxes. Decision 40 is avoided by paying an illegal fee to police. The common earning from each business trip is 2-4 million dong and in one year, they manage to have 25-30 trips.

d) Factory HAPACO

The factory buys bamboo of all types at a price of 290 dong/kg and bears the cost for unloading. HAPACO makes worship paper[8] to export to Taiwan. In Hai Phong city, there is another factory producing worship paper, also for the Taiwanese market, but only from semi-processed material. No survey of the business of the factory could be made due to time limitations.

e) Tre doc *wholesalers in An Duong port*

Four wholesalers buy bamboo and sell to retailers or consumers in An Duong port. They buy *tre doc* at 2,900 dong/bunch, pay for unloading 100 dong/bunch and then sell at 4,000 dong/bunch to consumers or 3,500 dong/bunch to retailers. If the demand is low and *tre doc* is stored for a long time it often becomes too dry, particularly in the case of produce that has been harvested when immature, and no buyer will buy. In this case, the wholesalers have to sell the product to the HAPACO factory at a price of 290 dong/kg, and suffer the loss. Overall, excluding losses, they are able to get 300-400 dong/bunch as pure profit. Usually their sale volume is estimated to be 2,000-3,000 bunches per month, which makes their earnings over 1 million per month. Except the licence tax, the bamboo wholesalers do not have to pay any fees to the police and forestry inspection stations.

f) Retailers

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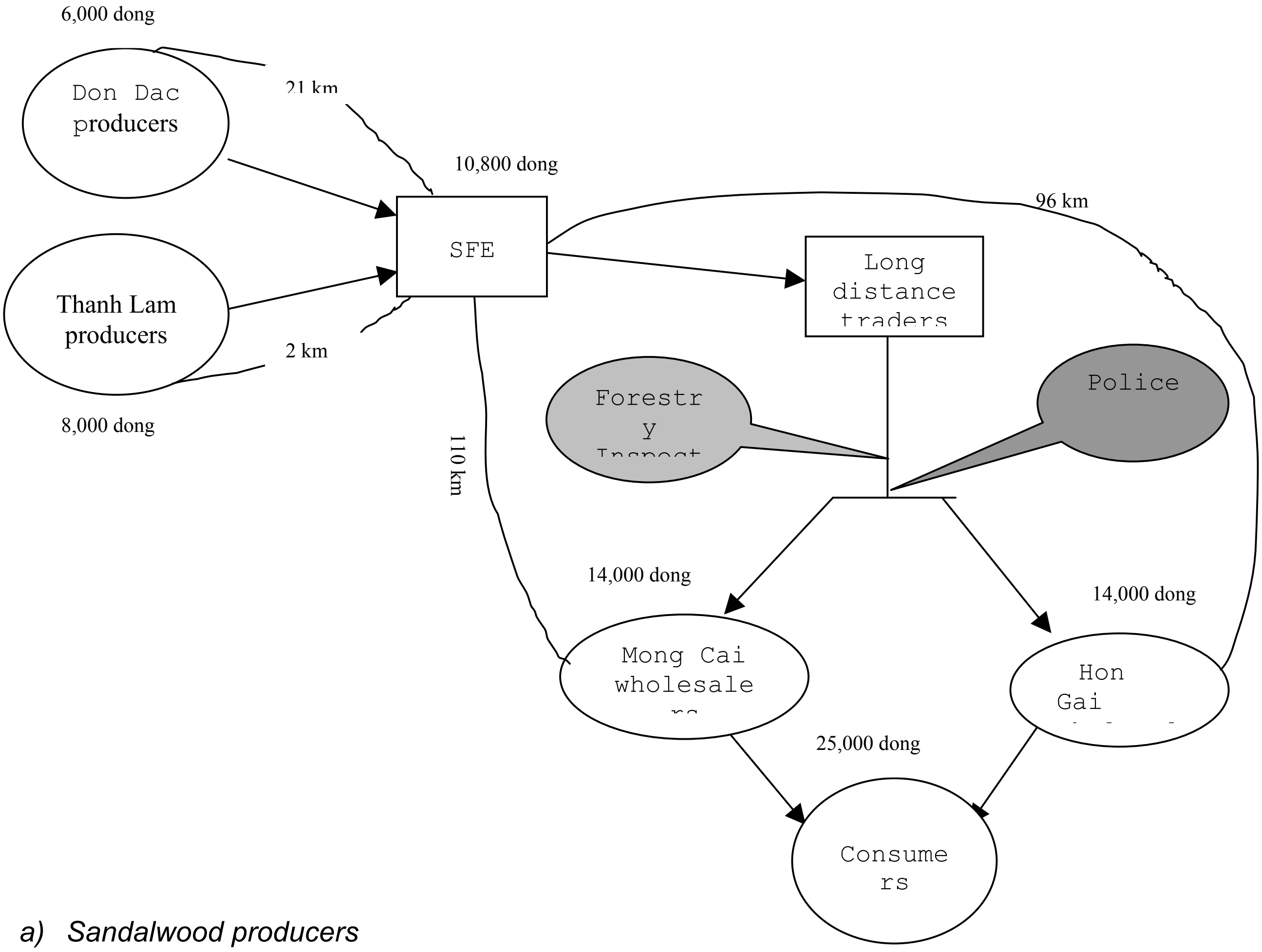
[7] Decision 40 provides for trucks to be fined for overloading.
[8] Worship paper is used in religious ceremonies; there is a big market for this in Taiwan.

Retailers buy *tre doc* from An Duong to sell to other areas of Hai Phong and even in Hai Duong province. The retail price of *tre doc* varies between 5,000-6,000 dong/bunch depending on the customers, quality of commodity and market place. These retailers often sell *tre doc* together with other commodities for construction, as sale of *tre doc* alone is very slow.

3.1.5.2 Sandalwood

According to an undocumented agreement of the People's Committee of Ba Che district, sandalwood is also a commodity that is under the management of Ba Che SFE. The sandalwood stands have been harvested in recent years and the market chain is illustrated in the diagram below.

Market chain diagram of sandalwood



a) Sandalwood producers

Prior to the district decision issued in April 2000, the farmers used to sell the timber to traders from Hon Gai and Mong Cai, but now they are obliged to sell to the SFE. The price of timber offered by Ba Che SFE varies and depends on the tree size and the collecting site. For example:

- In Tan Tien village, 2km from the SFE, timber with a length of 4.2m and a top diameter of 6-7cm is priced at 8,000 dong/timber; if the top diameter is 5cm, the price is 5,000 dong, and if the top diameter is 12 cm, it is 16,000 dong. In Bac Cay, which is 7km from the SFE, the price is even lower. Meanwhile, the price offered in the free market is 30 per cent higher. The research team was told of a household who sold their timber to a private trader, but that the trader's goods were then confiscated by the SFE.
- In Thanh Lam commune, 21km from the SFE, timber that would fetch 16,000 dong in Tan Tien could be sold for only 8,000 dong. Most farmers in Thanh Lam consider that price to be too low and feel reluctant to sell to the SFE.

b) Ba Che SFE

The SFE assigns its staff to buy timber in all the villages of the district and to transport it to its premises in Ba Che town, it then sells it to outside traders or to its own staff "on service" with the purpose of creating a favourable condition for them to earn extra income. The selling price is 520,000 dong/m^3 if the timber has a small diameter, and 540,000 dong/m^3 if the timber is bigger. If calculating the timbers by unit, the small size purchased from farmers at a price of 8,000 dong/ timber, is sold for 10,800 dong by the SFE which gains 2,800 dong per timber, including the transportation cost for the distance of 2km. In the case of timber that is bought from Thanh Lam, the profit is much higher.

c) Long distance traders

The traders often buy the sandalwood in Ba Che to sell to the towns of Hon Gai (96km away) and Mong Cai (110km away). In taking the commodity to these markets, they have to cover the following costs:

- The cost of renting a truck for a 7 ton load is 1,000,000 dong for the journey to Mong Cai and 900,000 dong for Hon Gai
- fees for the Police and Forestry Inspection stations on the way are 600,000-700,000 dong.

In Hon Gai the timber costing 8,000 dong is sold for 14,000 dong, and the timber costing 16,000 dong is sold for 22,000-25,000 dong. With a truck load of 384-390 timbers with a top diameter of 6-7cm, excluding all costs, they are able to earn around 1,400,000 dong for one trip. This trip would usually take them two days, including time for loading and unloading. The sum is quite good, but it is not easy to enter the market chain if the traders do not have a special relationship with the SFE or local authorities.

d) Wholesalers in Mong Cai and Hon Gai

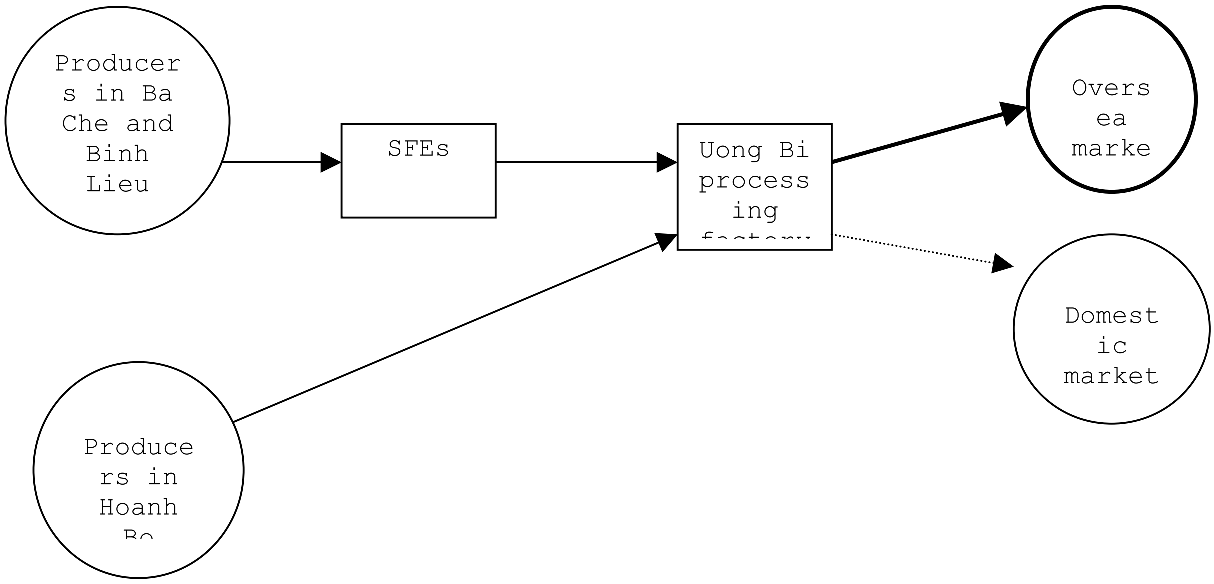
In Hon Gai timber market, there are 4 wholesalers – retailers who buy timbers not only from Ba Che, but other areas of the province as well. The buying and selling prices of all these traders are much the same. For instance, for timber with a length of 4.2m and top diameter of 6-7cm, the buying and selling prices are 14,000 dong and 25,000 dong respectively. The timber of big top diameter costs much more, up to 50,000 dong if the diameter is over 12cm. So after travelling a distance of about 100km, the consumer price of timber is 3-4 times higher than the farmgate price. However, these traders also have their own difficulties as in order to manage such business, they need to have significant capital, to pay for the rent of a shop, licence tax and sometimes small fees for the local police. In the case that the timbers are not straight or are infected by insects, they might have to sell at a price which is less than the buying price.

Consumers use the sandalwood mainly for construction. For many reasons, the price of sandalwood timber has risen steadily over the last decade. Traders in the timber market chain consider that the fees for the Police and Forestry Inspection stations have increased quickly and all that affects the price at both ends of the chain. They themselves do not suffer much because when they do manage to enter the chain, they always receive good earnings.

3.1.5.3 Pine resin

Pine resin is one of the most important products of Quang Ninh province. In order to promote the provincial industry, the Provincial People's Committee promulgated a policy that all the pine resin produced in the province should be sold to Uong Bi Pine Resin Processing Factory. For that reason, Uong Bi factory has been the sole buyer of pine resin in Quang Ninh province for many years.

Market chain diagram of pine resin in Quang Ninh province



a) Pine resin extractors

Ba Che district includes 1,607 hectares of pine forest which are managed by the SFE. The SFE allocates the forest to households for tapping and buys the product at a price of 1,800 dong/kg. Many farmers think that the price is so low that is not worthwhile spending time to tap resin, so the SFE hires people from Dinh Lap district of Lang Son province to do the job[9]. The resin is gathered at places convenient for trucks from the Uong Bi factory to collect and transport it to the factory.

b) Ba Che SFE

In 2001, the price paid to the SFE for resin was 3,300 dong/kg, though recently the factory raised the price to 4,000 dong/kg. Some traders offer a price of 4,400 dong/kg on condition that the SFE transports the resin to the port at Hon Gai. In this case, excluding the transportation cost of 150 dong/kg, the pure profit for the SFE is 250 dong/kg. However, the SFE prefers to follow the provincial policy (that all resin should be sold to the Uong Bi factory) than the profit offered.

c) Uong Bi pine resin processing factory

Uong Bi is one of the biggest pine resin processing units in Vietnam. Previously, the factory bought raw material only within Quang Ninh province, but recently it has established its purchasing branches in other pine resin producing areas of the country, from central provinces like Ha Tinh to the northern ones such as Lao Cai and Cao Bang. The buying price offered by the factory ranges between 3,800 dong to 4,200 dong/kg, depending on the sellers, collection points and quality of the resin. The factory has sufficient staff and facilities to buy the material and transport to it processing place and then transport to Hai Phong port for export.

Competition in purchasing the raw material presents the factory with a real challenge that requires it to adjust the pricing strategy and establish an efficient buying network. Currently, there are four pine resin processing factories operating in Vietnam. Besides these, 3-4 years ago, the government promulgated a new policy which allowed all economic sectors to buy and export pine resin as a raw material. Thus the factory has to compete with private traders of other provinces in

[9] Dinh Lap district has a large area of pine trees and people from Dinh Lap are highly skilled in resin-tapping. They are paid on a commission basis so can make a reasonable living from such work; remittances are sent from Quang Ninh to Lang Son province.

buying the raw material. In this competitive environment, the factory is often lags behind as the private traders offer a higher price to the producers than the factory does. At present, it is estimated by the factory that around 60-70% of pine resin is exported in its raw form. Only in Quang Ninh province does the factory have a monopoly buying the raw material. The factory realises that the price offered by the SFE to the farmers/ tappers is a bit low and as such, it might create a favourable opportunity for private traders to encroach the territory and buy the product illegally. In 2001, the factory bought 3,500 ton, sufficient for its equipment to run two shifts per day. Currently, it plans to buy more material so that the factory is able to operate three shifts per day.

The processed products of the factory are colofan (processed pine resin) and pine oil. The value of pine resin is low and the factory earns little profit from this product as its market is mainly domestic. Ninety per cent of the colofan is used for export and only about 10% is for use within Vietnam. The price of colofan in the world market is not stable and reached the peak of US$ 700 in 1997, but in 2001 went down to US$ 440. In the international market, the factory also faces fierce competition from big colofan exporters like China, particularly since the Chinese government has a policy to subsidise each ton of colofan that is exported by US$ 30-40. The colofan produced from Quang Ninh pine resin has a superior quality and is highly appreciated in the world market, therefore its price is higher than others by about US$ 30 per ton. However, the factory pays a higher rate for the pine resin bought in other provinces, up to 4200 dong/kg instead of 3000-4000 dong/kg as in Quang Ninh. That means that the profit the factory gets from processing Quang Ninh pine resin is much higher than from the other areas because of lower purchase price and lower transport costs, while the selling price for the processed product is higher.

3.1.5.4 Cinnamon

The statistics department has no data on the total cinnamon area of the district, however, according to the estimate of the head of Department of Agriculture and Rural Development, there is about 400 hectares of mature cinnamon for harvesting or thinning. Cinnamon has been a traded commodity in the district since 1999 and its market is described below.

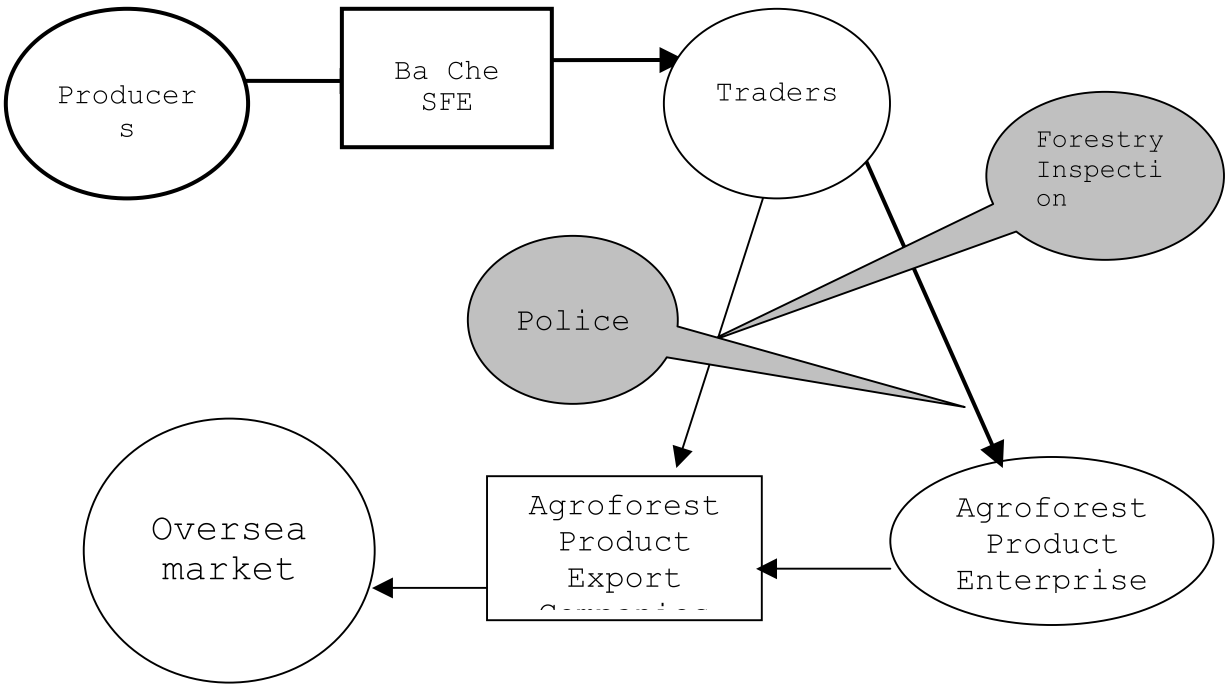
a) Cinnamon producers in Ba Che

Before April 2000, the farmers used to sell cinnamon to the private traders from Bac Giang province or from Tien Yen and Binh Lieu districts. The produce was sold either dried or fresh, straight after harvesting. The dried cinnamon was sold for 12,000 dong/kg. Since April 2000, Ba Che SFE has bought fresh cinnamon directly from households at a rate of 4,000 dong/kg. Most farmers consider that such a price is not reasonable and prefer to wait for better opportunities; only those few households in very urgent need have harvested and sold their cinnamon to the SFE.

b) Ba Che SFE

By the end of 2000, the SFE managed to purchase 25 ton of dried cinnamon from households, but in the year 2001, it was able to collect only 1 ton. The SFE complains that the selling price of cinnamon has gone down from 13,000 dong/kg in the year 2000 to 10,000 dong/kg 2001, but the farmers are not aware of this and assume that the rate is still stable, therefore they do not want to sell the product. The SFE pays 4,000 dong for 1 kg of fresh cinnamon, then dries and sells to the traders from Tien Yen and Binh Lieu. Given such buying and selling prices, the SFE suffered losses in 2001. When the SFE sells cinnamon to the traders, it takes full responsibility for providing the permission letter, including the certificates relating to Forestry Inspection and the payment of natural resource tax to the district financial department.

Market chain diagram of Ba Che cinnamon and actors participating in the chain



c) Cinnamon traders

Even prior to the district Decision which delegated power for managing all forest product trade to the SFE, the cinnamon traders faced much difficulty in getting permission to buy the product directly from households and transport it out of the town. Due to the complicated procedure - which required them to knock on many doors in the context of bureaucracy and harassment for bribery of the government officials - these traders felt that it was impossible to do business in Ba Che and had to shift to other areas like Dam Ha district. One cinnamon trader from Tien Yen said that in 2001, she bought the product only from two producers in Ba Che because these were retired government staff, who had good influence in the district. They could get the permission letter themselves to ensure that the trader was able to transport the cinnamon easily. In 2001, as no traders came to Ba Che, the SFE was obliged to ask for her help in purchasing 1 ton of cinnamon.

In order to buy cinnamon in Ba Che, the traders have to pay three kinds of taxes (excluding the fees for Police and Forestry Inspection stations): value-added tax at 5%, natural resource tax at 4 % and buy-from-afar tax at 10%. As usual, the traders do not know why they should pay this or that tax, they just pay as required.

The actors in the next links of the cinnamon market chain are similar to those in Dam Ha (see market chain of Dam Ha cinnamon, section 3.3.5.1) as the commodity is transported to Hanoi or Bac Ninh to sell to the same Agroforest Product Enterprises or Agroforest Product Export Companies.

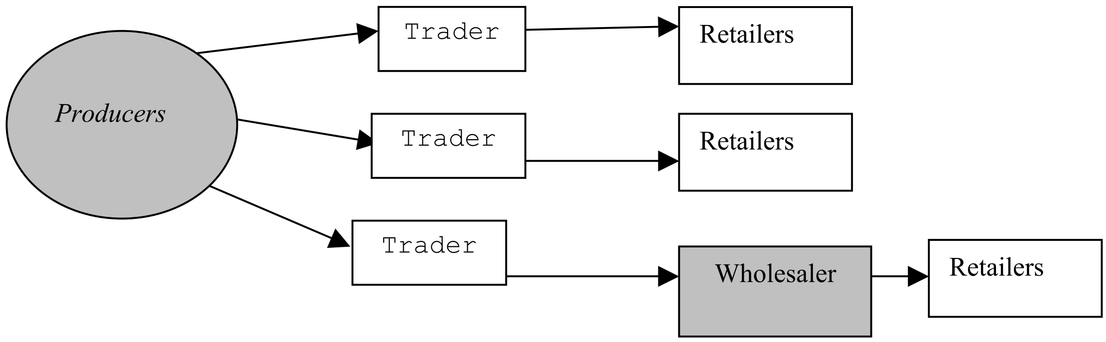
3.1.5.5 Sugarcane

Sugarcane is used within the province therefore its market chain is not long. The actors involved in the chain are described below.

a) Sugarcane producers

Sugarcane has been planted for commercial purposes only recently, since 1996-1997. At first it was planted on a small scale, then the farmers expanded cultivation to a much larger area as the profits earned from this commodity are much more than from other crops. Sugarcane is marketed very easily and households are able to earn a big sum from one harvest period, which makes it easier to save money. The price of sugarcane has decreased from 1600 dong at the beginning of trading to 800 dong currently. The product is sold to the traders at the harvest site and the producers do not care what happens to it at the next market links, although they know that it is for Cam Pha, Cua Ong and Hon Gai markets.

Diagram of Ba Che sugarcane market chain



b) Long distance sugarcane traders

There are five people who trade the sugarcane from Ba Che to the towns and cities in Quang Ninh. They used to take it to Cam Pha and Cua Ong towns, but recently they have expanded to Hon Gai city – a much bigger market. In this city, Ba Che sugarcane competes with the same product from Hoanh Bo and other areas. The city also has a good managed system of market places, which is convenient for the traders to sell their commodities. It usually takes them four days for one business trip to Sa To market in Hon Gai – two days for loading and unloading and two days travelling back and forth. Except for the cost of renting a truck, they are not obliged to pay any fees on the way. Their costs and profit are as follows:

- The buying price is 800 dong per cane
- Truck rental costs 600,000 dong for a 7 ton truck, which can load 7,000 sugarcanes
- Costs for loading and unloading are 50,000 dong
- The market fee is 5,000 dong
- The price sold to the wholesalers is 1,200 dong per cane

So in total, for one business trip the long distance traders earn about 2 million dong; if the cost of food and lodging is taken into account, about 1.5 million dong is left as pure profit.

The traders who go to Cam Pha market are able to sell sugarcane at a higher price - 1800 dong to consumers or retailers. However, they face more difficulty as the town does not have a good market place and they have to pay 17,000 dong as a market fee even though they sell for only two or three hours per day, from early morning up to 8 a.m. It often takes them three to four days just to sell one truck of sugarcane. So their profit is higher, but hardship and time taken to sell is longer.

c) Sugarcane wholesalers in Hon Gai

The traders in Hon Gai market prefer Ba Che sugarcane as it has a superior quality. Usually, two traders share the business, buying a whole truckload and then selling to both consumers and retailers at the same place. The sugarcane is sorted out into different grades according to size. The big sugarcane is sold for 2,200 dong and the smallest for 1,000 dong. On average the wholesalers can sell the sugarcane for 1,500 dong. It takes them two or three days to sell a truckload of sugarcane and they must pay rent for storage at night. For each truckload of sugarcane, after covering all costs, the wholesalers get 1.5-2 million dong as profit.

d) *Sugarcane retailers*

There are numerous sugarcane retailers in Hon Gai city. Even in Sa To market, many of these retailers buy and sell at the same place. Their earnings depend on their skill and position in the market. Often, each manages to sell 20-30 canes per day at a selling price 20% -30% higher than the buying price, including the costs of their labour for removing the bark, packaging costs and market fees. In general, their earnings range between 15,000-25,000 dong per day.

3.2 Hoanh Bo

3.2.1 Overview of social-economic condition of Hoanh Bo

Compared to Ba Che, Hoanh Bo enjoys a more favourable geographic location as the centre of the district is close to the national road 18, which connects it to big cities and towns like Hai Phong, Uong Bi and Ha Long. The district is bordered by Uong Bi in the south, Bac Giang province in the west, Ba Che in the north, Cam Pha in the north-east and Ha Long city in the east. Thanks to its location, conditions for the exchange of commodities between the district and other areas are favourable.

Hoanh Bo has a total area of 82,354.7 hectares, including 4,393.06 hectares of agricultural land. Unlike Ba Che, Hoanh Bo is very diverse in topography with lowland, midland and mountainous areas. Out of the district's twelve communes, five are mountainous and two are midland. The forest cover of the five mountainous communes is quite high. The total area under forest cover is 53,828.49 hectares; of this 45,083.75 hectares is natural forest and 8,744.3 hectares is planted forest. The natural forest is concentrated mainly in the five mountainous communes, especially in Ky Thuong, Dong Son and Dong Lam communes. A plan to establish a nature reserve in Ky Thuong and Dong Son has been approved.

Hoanh Bo's population of 36,951 reflects a relatively low population density. 2,770 (34.4%) of the 8,062 households in the district are ethnic minorities. Ethnic minority groups such as Dao, Tay, San Chi, San Riu, Cao Lan inhabit mainly the midland and mountainous areas. These are also the poorest areas of Hoanh Bo.

Despite the fact that Hoanh Bo is adjacent to big cities and towns such as Ha Long, Cam Pha and Uong Bi, the infrastructure within the district is poorly developed. The roads connecting the communes in the district are all tertiary and accessible only to good vehicles. At the end of 2001, there was a road suitable for cars to Dong Son commune, but Ky Thuong remains inaccessible.

As in most of the mountainous areas, where agricultural land is limited, the inhabitants of the five mountainous communes traditionally depended mainly on the forest for their livelihood. Thanks to both the large area of dense forest with high value timbers and NTFPs, and the low population, the people of these five communes earned their living mainly by logging up to the beginning of the nineties. All the households in Dong Tra village of Dong Lam commune exploited timber for Ba Che SFE and were provided with a ticket by the government so that they could buy subsidised rice. The local people began to adjust their livelihoods only when the government introduced the policy on closed forests. As in Ba Che, the people of these five communes also changed their livelihoods to intensify utilisation of NTFPs, to practice extensive and intensive agriculture, and to undertake forest planting with the assistance of the national and international programmes such as the Resettlement Programme, Programme 327, and the FAO/BEL project. However, the illegal extraction of forest products is still an important source of income for households, although the scale is diminishing as the resource shrinks and as the law is enforced.

Most households in these areas have three main income sources: agricultural crops, products extracted from the natural forest and products from the planted forest. As is common, income from agricultural sources is insufficient for subsistence. There are some communes where the food produced is sufficient for only three to four months per year. The income from planted forests (cinnamon, acacia, pine) and fruit trees started recently but the value is still low, although it is rapidly increasing. Extraction of products from the natural forest is still a very important source of cash income for households, especially the poor ones.

The forestry products can be divided into three groups. The first group comprises timber which is illegally exploited from the natural forest and residue from previous large scale logging. The second group comprises NTFPs which are also exploited from the natural forest, but legally – such as rattan, bamboo, medicinal herbs and wildlife. The third group includes timber and NTFPs from the planted forest. Local people estimate the income from the products of the natural forest to be much higher than that from the planted forest. However, the value of the latter group is growing and in the very near future will be an important source of cash income to households.

The two communes selected for survey are Tan Dan and Dong Lam as they are classified as poor but are actively marketing forest products and are accessible to cars.

3.2.2 Tan Dan commune

Tan Dan commune has a total area of 7,522 hectares, of which agriculture land comprises 122.63 hectares and land with forest cover, 5,341.6 hectares. As the forest in the commune is protection type, it is managed by the Hoanh Bo Watershed Management Board. The area under natural forest is 4,781.2 hectares: of this only 237.2 hectares have been allocated to households, the rest is under the control of the Board.

The population of the commune is 1,847, comprising 365 households living in eight villages. The Dao ethnic group is in the majority, making up 98% of the population, and the rest are Kinh people.

The centre of the commune is 30km from Hoanh Bo town and is connected to it by a very bumpy road. In the west, Tan Dan borders Son Dong district of Bac Giang province and is only 40km from An Chau town in Son Dong district. The road part from Tan Dan centre to the border (8km) is bad, but the remainder (on the Son Dong side) is good. Thanks to such a location, marketing activities in the commune are quite active all the year round.

Tan Dan's income sources are more diverse than those of the other mountainous communes, since besides the agriculture and forestry activities, many households in the commune are involved in off-farm activities like coal mining and services. Agriculture satisfies only 75% of the cereal needs of the commune and the gap is balanced by income from other sources. Forestry is still an important source of income for households, in particular for the poor ones. Reviewing the economic development of the commune for last two decades, the most salient characteristics are the following:

- As was the case for most communes in the mountainous regions in Vietnam, up until the nineties, people's livelihoods were mainly based on extraction from forests, with logging of timbers as the most important source of income; NTFPs were considered minor products.
- After the promulgation of the closed forest policy and with the development of the open market economy, households gradually changed their livelihoods. What distinguishes this commune is that change is happening at a faster rate.
- The change is obvious in the diversity of service businesses, in trading of forest products at the village level, and in the intensive investment in rehabilitation of farms and gardens by planting high value crops like fruit trees and forest trees. Agroforestry is also more developed in this commune. Some households have planted short term crops under perennial trees, for example Huong Bai under litchi. Many households plant cinnamon and acacia as the market for timber for coal mines is large. Unlike the households in Ba Che, people in Tan Dan themselves decided to take bank loans in order to invest in high value trees.
- Non-timber forest products are still an essential source of cash income. According to the statistical data of the commune, excluding the numerous products like medicinal herbs and many others that are collected and traded in small volumes and are therefore difficult to estimate, bamboo and cinnamon are two major products that make up 30% of the commune's total cash income.

The major traded products of Tan Dan are described in the table below.

Table 3: The commodities of Tan Dan commune

Products	*Marketed since?*	*Importance of the product to household income*	*Rank*
Livestock			
Buffalo Pigs Poultry		Small in quantity, buffalo are mainly for ploughing, the rest are for household consumption with some surplus for sale in the local market.	
Fruit trees			
Litchi	3-4 years	The production is still low: total income from litchi in 2001 was about 24 million dong. The fruit was sold to traders for Lang Son and Hai Phong markets.	
Forestry			
Timbers for coal mines	3-4 years	Timbers of planted forest: acacia and styrax, the private traders buy and sell to the coal mining company	3
Bamboo of small diameter (*tre doc*)	Traditional	Bamboo has been exploited for a long time and is a major commodity of the commune that brings regular income to households. Fifty per cent of households collect *tre doc* in their leisure time.	1
Rattan	Traditional	Slow regenerating species. Resource is small due to unsustainable harvesting in previous years. The income is small and irregular.	
Cinnamon	3-4 years	The product of planted forest. The total area planted over the last 10 years or more is large. Some of these have been ready for thinning or harvesting since 1997. In the near future it will be one of the principal commodities of Tan Dan.	4
Canarium latex	Harvested for sale since 1992	The natural resource has almost run out. A number of households manage the allocated area of natural forest where the Canarium trees are available. These are well protected and sustainably exploited. Many farmers have planted Canarium for the last few years without any external support.	5
Medicinal herbs			
Morinda root *La khoi* *Reishi* mushroom Other herbs	Traditional	This is a big group of products, which has a very important role in the household economy. The value of each product is not high and many of them are gathered seasonally. The most notable of this group are *Morinda* root and *Reishi* mushroom, which are common tonics used both for household consumption and commercial purposes.	2
Huong bai	Recently	Some households have planted it recently in gardens under fruit trees. The quantity is not big.	
Wildlife			
Gecko Snakes Others	Traditional	In the past products in this group were hunted extensively, and currently, the resource is in considerable decline. The animals are hunted throughout the year, except in the winter, and are sold to China or the tourist market in Ha Long city.	
Honey	Traditional	Low production, available only in the flowering season; the price is good but sufficient only for the local market.	
Fern	Traditional	Women and children gather the product in leisure time. Although there is high demand for the export handicraft market, the resource is limited and very scattered.	

3.2.3 Dong Lam commune

Dong Lam commune has quite good forest cover: 7,867.5 hectares of its total area (10,462 hectares) is covered by forest, of which 7,451.5 hectares is natural forest and 416.4 hectares is planted forest. Agricultural land covers only 93.87 hectares.

The commune has a population of 2,147 people in 435 households. The Dao ethnic group makes up 95% of the population, the rest are Kinh people.

The six villages of Dong Lam commune are located on the both sides of the main road running at the bottom of the mountain in the shape of a letter V. This makes administration of the commune difficult. Although Dong Lam is only 10km from Hoanh Bo town, the location is not as favourable for marketing activities as that of Tan Dan.

Cereal produced in the commune is able to satisfy only 30% of household needs. The whole commune has only 720 cows and buffaloes, which is 1.65 head/ household. Pig and poulty rearing is poorly developed with low investment in both improved breeding and disease prevention. The income from livestock is not much, and livestock products are used mainly for households' own consumption.

In the past as well as in the present, forestry is a major income source for the commune. As mentioned above, prior to the nineties, people in some villages such as Dong Tra earned their living by logging timber and selling it to Hoanh Bo SFE. In return the government provided them with tickets to buy subsidised rice. Since the introduction of the policy on closing the forest, these people have faced many difficulties. Currently, 45% of households in Dong Tra village have no water paddy fields. For that reason, beside the NTFPs and products from the planted forest, timber harvested illegally from the natural forest is still an important source of income for the poor households. The commune policy is to encourage farmers to receive forest land, so in 1994-1996, 2,922.2 hectares of natural forest close to the village was allocated to 405 households. However, the households received forest land (with red book), but paid little attention to their property in terms of protecting it from encroachment. Free exploitation of products takes place in the commune forest as well as on land allocated to households.

The products marketed in Dong Lam are similar to Tan Dan commune and are described in the table below.

Table 4: The marketed products of Dong Lam commune

Products	*Marketed since?*	*Importance of the product to household income*	*Rank*
Livestock			
Buffalo Pigs Poultry		Similar to Tan Dan: small in quantity, buffalo are mainly for ploughing, the rest are for household consumption with some surplus for sale in the local market.	
Forestry			
Timber from natural forest		Previously exploited legally to sell to Hoanh Bo SFE. Currently harvested illegally. The products harvested in the forest areas managed by the commune are sawn into pieces convenient for illegal transportation.	1
Timber from planted forest	2-3 years	Mainly acacia and styrax timbers. Production of commune in 2001 was 1,644.3 m^3. The farmers chopped down and sold to traders individual trees or whole stands.	

Bamboo group	Traditional	The volume exploited is not as high as in Tan Dan. Farmers extract bamboo to sell to local traders who transport it to Hoanh Bo paper factory located in the town (Troi).	4
Rattan	Traditional	Similar to Tan Dan: slow regenerating species. Resource is small due to unsustainable harvesting in previous years. The income is small and irregular.	5
Cinnamon	2 years	Planted at the beginning of nineties, the area is not big. For the last few years, planting has intensified. Since the year 2000, some households have started harvesting or thinning.	5
Pine resin Canarium latex	Since 1999 Since 1992	The commune has 10 hectares of pine trees that provide 7-8 tons of resin per year. The area is managed by the cooperative that hires the farmers by piece for tapping, and signs a contract to sell the product to Uong Bi Pine resin processing factory. The natural resource is exhausted. The exploited Canarium are from gardens or natural forest allocated to households. The area of Canarium planted recently is increasing rapidly.	3
Medicinal herbs			
Morinda root *La khoi* *Reishi* mushroom Amomum Fibraurea tinctoria Others	Traditional	Similar to Tan Dan: this is a big group of products, which has a very important role in the household economy. The value of each product is not high and many of them are gathered seasonally. The most notable of this group are *Morinda* root and *Reishi* mushroom, which are common tonics used both for household consumption and commercial purposes.	2
Wildlife			
Gecko Snakes Turtles	Traditional	The resource is shrinking. Many of these are strictly banned. Hunting is illegal and products are taken to the markets in tourist areas of Ha Long and China. It is difficult to estimate the value of this group. Some of them are exploited seasonally, some are year-round.	5
Others			
Honey	Traditional	Similar to Tan Dan: low production, available only in the flowering season; the price is good but sufficient only for the local market.	
Fern Broom grass Others	Traditional	The women and children harvest this group of products in their leisure time. The resource is limited and the economic value of the products is not high. For instance, broom grass costs 500 dong/kg.	6

3.2.4 Selection of products representative of Hoanh Bo for market study

The commodities of Hoanh Bo are similar to those of Ba Che, the differences lying only in the economic value and relative importance to local people’s income. The products or group of products that are most notable for the two communes and also for mountainous areas of Hoanh Bo are the following:

- *Bamboo* group (*tre doc* and paper bamboo) is an essential source of cash income for most households, especially those households in Tan Dan commune.

- *Timber*, both from planted and natural forests, is an important commodity for the communes and is the principal commodity in some villages. Thanks to the high demand for timber for the coal mining industry in Quang Ninh, and despite the natural resource shrinking and the natural forest being closed, fast growing species like acacia are used as a substitute. Without external support, many households plant acacia on a large scale; at the same time the national forestry programmes and projects backed by international organisations also assist farmers in planting the same.
- *Pine resin* also brings a regular income to the people of Hoanh Bo district.
- The *NTFP* resource is big, particularly the under-canopy species as the forest cover of the communes is relatively high. The NTFPs used for sale are very diverse but small in volume. Taking the group of medicinal herbs as an example, more than ten species can be listed. This group is also very important as an income source. The three most notable products are *Morinda* root, *Dia lien* and *Reishi* mushroom.
- *Cinnamon* is planted in most of midland and mountainous communes. There is no exact data on the planted areas as the farmers plant cinnamon themselves or with support from the different poverty alleviation programmes. Currently, only a very small area can be harvested and the income from cinnamon is still low, but in the coming years it will become an important commodity of the district.

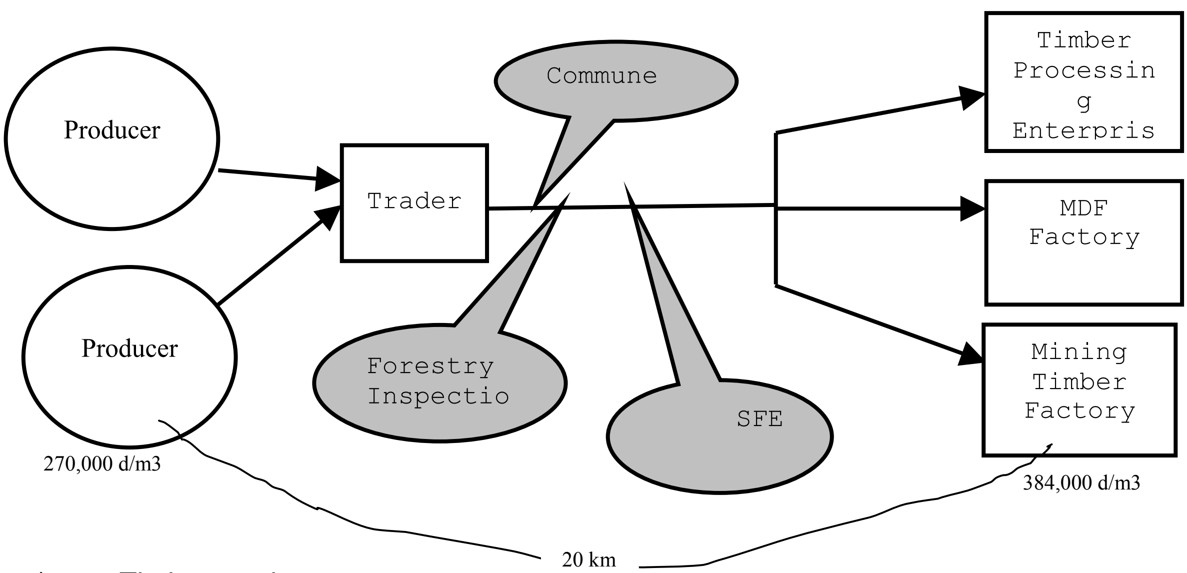
Based on the opinions of those interviewed and analysis of the products' role in household cash income, four groups of products are selected for further market survey, namely timber, bamboo, pine resin and *Canarium* latex, and medicinal herbs.

3.2.5 Results of the market survey for Hoanh Bo representative commodities

3.2.5.1 Timber

Timber is divided into two groups: that which is illegally harvested from natural forest and that from the planted forest. The market chains of the timber are described in the figure below.

Market chain diagram of Hoanh Bo timbers



a) Timber producers

Illegal timber exploitation in natural forest is very popular in Dong Lam commune. The trees are chopped down and cut into pieces suitable for transportation from the site, and are sold at the forest gate. The product is divided into two types: round timber and sawn timber. The price of the round timber is 200,000-300,000 dong/m^3; the price of the sawn timber is 800,000-1,000,000 dong/m^3.

Most households with the planted tree stands do not harvest the timber themselves and prefer to sell the whole stand. Selling in such way means that if the farmers are not sufficiently experienced, the price will not be in their favour. If the household has sufficient labour to cut the trees themselves, they can sell at a price of 270,000 dong/m^3. According to the statistical data of the commune, the total production of the commune in 2001 was 1,644.3 m^3, and on average each household earned 1,079,700 dong from selling timber.

b) Timber traders

Those who trade in illegal timber face very high risks, but earn big profits. If the Forestry Inspection or SFE catch them, their goods will be confiscated; if not, they sell the timber to the wood processing shops in Hoanh Bo town at the price of 920,000 dong/m^3 for round timber and 1,500,000 dong/m^3 for sawn timber. They transport the timber by different means (motorcycle, truck, cart and so on) and often at night. There is no reliable data on the cost and profit of this type of business.

As stated by the director of Hoanh Bo SFE, according to the policy of province, those households who have been allocated natural forest for management and who want to harvest timber should get permission from the SFE. However, there are still no concrete guidelines on this issue, and if the households harvest themselves and are caught by the SFE, their product will be confiscated.

Hoanh Bo SFE has been delegated with the power of management of timber exploitation and trade in the district. So those people who want to carry out business in trading timber should get permission from the SFE. Those traders who are on the staff of the SFE, and who buy timber from planted forests, have to pay only value added tax (VAT) at 5%. The procedure is more complicated for other traders. When they buy the planted timber which sold as the whole stand, they are supposed to get permission both from Forestry Inspection and SFE, and a staff member of the Forestry Inspection should be invited to the field for checking. So the trader has to pay the following items: natural resource tax at 10,000 dong/m^3, the cost of a checking visit to the Forestry Inspection staff 20,000 dong, another 20,000 dong/m^3 for a permission letter from the SFE, and 2,000 dong/tree to hire labour for cutting and loading it onto the truck. The selling price to the timber mining company is 384,000 dong/m^3. They also have to pay a road fee to the communes they pass through, which is 10,000 to 20,000 dong. If they have to hire the truck, after covering all the costs, the amount earned for one working day is just around 50,000 dong; those who own a vehicle earn more. All the traders consider the payment to the SFE to be unfair, but they are obliged to pay, according to the rules.

c) Wood processing shops

Twelve small scale wood processing shops operate in Hoanh Bo town, each with a capacity of 20m^3/month. Each shop hires five to twelve labourers. However, not all these shops are active all the year round as sometimes they fail to find a market for their products. The timber processed by these shops is from both sources - natural and planted. Their main processed products are wood casings for construction and only a very small proportion is for furniture production. From 1m^3 of acacia timbers with a diameter of more than 20cm and priced at 500,000 dong, they are able to process into casing wood valued 1,090,000 dong. In general, after covering all costs, each shop earns 2-3 million dong as pure profit. The competition between the shops is fierce, given that the market for casing wood is not increasing and all these shops make the same product. Besides these, the mining-timber company and MDF (Medium Density Fibreboard) factory consume large volumes of timber and also compete in purchasing the raw material. The SFE has signed a contract with the mining-timber company, such that the company provides a loan to the SFE for planting trees now and in eight years time the SFE will sell the timber to the company at a price of 384,000 dong/m^3.

3.2.5.2 Bamboo

Similarly to Ba Che, bamboo in Hoanh Bo is used for making worship paper and for props for agricultural crops. Consequently, bamboo moves through two market chains: paper (*tre giay*) and *tre doc*. The *tre doc* market has existed for a long time, but the paper market started four or five years ago.

Tre giay

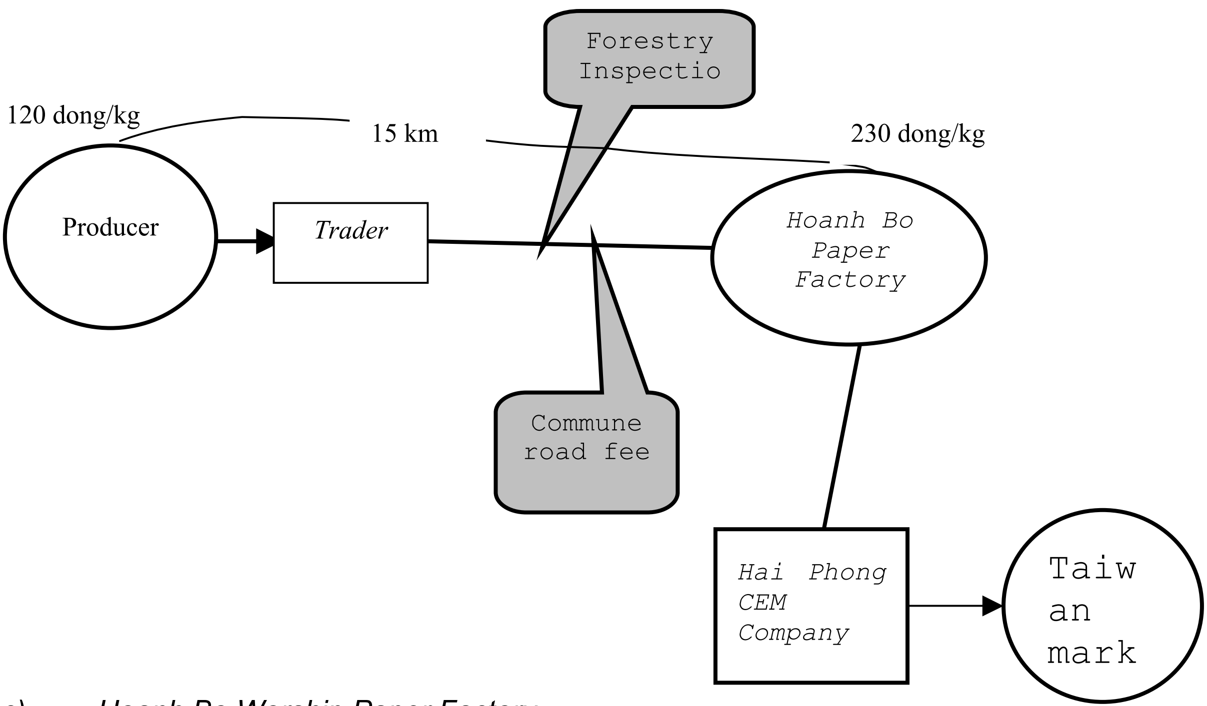
a) Bamboo extractors

In Hoanh Bo all species of bamboo are used for making worship paper regardless of quality. Bamboo is sold in bunches or by weight. If sold by weight, the cost is 120 dong/kg. The farmers collect bamboo all the year round, whenever they find time or are in need of cash. The income earned is not much, just around 15,000 dong/day for a strong man.

b) Bamboo traders

There are three traders who buy bamboo from the producers in the area to sell to the worship paper factory managed by Hoanh Bo SFE, at a price of 230 dong/kg. In order to buy bamboo in Khe Len village of Dong Lam commune, the traders usually have to pay for the following items: 8,000 dong as the road fee for Dong Lam commune, 20,000 dong to Forestry Inspection, and 14,000 dong/ton for loading and unloading. If they do not own a truck, they have to pay 500,000 dong for vehicle rental. So, for one trip they are able to earn 60,000-70,000 dong. However, most bamboo traders own their own truck and their income is more than 100,000 dong/day.

Market chain diagram of Hoanh Bo worship paper bamboo



c) Hoanh Bo Worship Paper Factory

The factory was built in 1996 as a joint venture between Hoanh Bo SFE and a Taiwanese businessman. However, due to many problems in the early stages, the Taiwanese partner abandoned the contract and currently, the SFE owns the factory itself. The capacity of the factory is 300 tons of bamboo per month. The factory buys the raw material at its gate at price of 230 dong/kg. In order to have 1 ton of paper, the factory need 2.5 ton bamboo plus chemicals like dye, sulphur, soda, oil for the equipment, etc. The total paper production cost is 2,950,000 dong/ton, excluding VAT. The cost for labour is hired by piece: 60,000 dong for 1 ton of paper and on average a worker's wage is 23,000 dong/day. The worship paper then is transported to Hai Phong Chemical-Electric Material (CEM) Company and sold at a price of 3,450,000 dong/ton. The transportation cost is 156,000 dong/ton including loading and unloading fees.

The factory knows that the Company in Hai Phong just reprocesses and packs the paper into the form required by the buyers, and exports it to Taiwan at US$ 310 per ton. The profit earned by Company is much higher although the factory would be able to do this part of the work. What the factory lacks is the market, as it is not able to find the overseas market. Consequently, it is obliged to sell the semi-processed product to the Hai Phong Company.

d) Hai Phong Chemical-Electric Material Company

The main function of the Company is to supply chemical and electric goods, but not to process and export worship paper. The company has one worship paper processing shop with about 100 workers working two shifts per day. The shop has been operating since 1993 with a capacity of 6,000 ton/year. The semi-processed product is bought from seven SFEs in Quang Ninh and from other provinces as well. The buying price is 3,000 dong/kg; if VAT is included it comes to 3,300 dong/kg. The Taiwanese partner is responsible for supplying all the equipment and other materials needed for reprocessing. The Company shares only housing infrastructure and labour. The exporting price is US$ 310 per ton, which comes to 4,500 dong/kg.

There are many shops and factories making worship paper for export to the Taiwanese market. Most of them produce paper from raw material to the finished product. Hai Phong HAPACO is one of these. Each enterprise has it own partners and between them there is competition in seeking the buyers and in finding cheap sources of raw material. Quang Ninh is one of the largest areas with big potential in worship paper material supply.

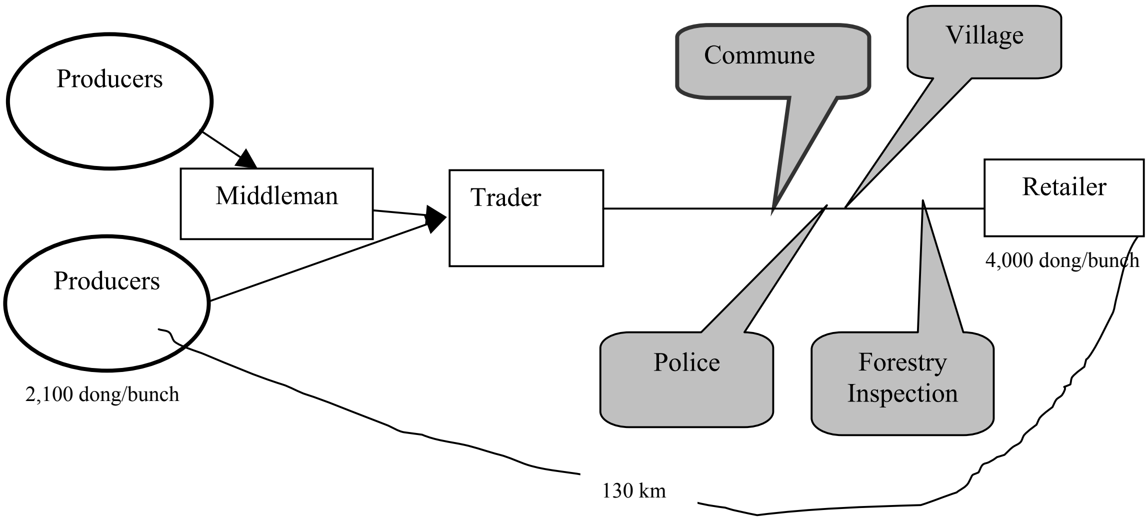
Tre doc

Hai Duong is a major market for Hoanh Bo *tre doc*. The market chain is similar to that of Ba Che.

a) Producers and middlemen

In Tan Dan commune, *tre doc* is collected all the year round, except during the rainy season and at harvest time. As in Ba Che, *tre doc* is packed in bunches of 3, 5, 7, 10 and 20 trees according to the size. The producers sell their product in two ways: directly to the traders or through the middlemen. In Bang An village, *tre doc* is sold to a middleman at 1900 dong/bunch and then it is re-sold to the traders at 2100 dong/bunch. On average, the middleman earns around 100-150 dong/bunch, as when *tre doc* is collected in small volumes the loss is higher due to the need to store it for a long time. In other villages, the producers often form a group and one person will take responsibility on behalf of all other members for selling the product to traders. Many of these farmers are very poor and they often borrow money from the traders and repay the loan in *tre doc* later. Between the trader and the sellers there is mutual trust.

Market chain diagram of tre doc *from Hoanh Bo*



b) Long distance traders

Previously, five *tre doc* traders were active in Tan Dan, but currently there is only one regular trader from Hai Duong. Two others from Hoanh Bo also buy in Tan Dan, but not regularly. According to the traders, their business is more difficult than before because, although the buying and selling price at both ends of the market chain has been stable for the last 5-7 years, transport costs are steadily increasing. The costs to be covered for transporting one truck of *tre doc* from Tan Dan to Hai Duong city are as follows:

- Fees for 13 checking points (including Forestry Inspection and the checking points of the communes). The amount due at each point varies between 5,000-20,000 dong depending on its position in the hierarchy – for example at the commune level the fee is lower than at the district level. The total amount for these 13 checking points is about 200,000 dong.
- Fees for three police stations at 50,000 dong each as the lowest rate, but an unlucky trader might have to pay double this.
- The natural resource tax and buy-from-afar tax paid to the financial unit of Hoanh Bo district are 170,000 dong on average.
- The natural resource tax payable to Tan Dan commune is 50,000 dong.
- The fee to the village where the bamboo is gathered for loading is 20,000-40,000 dong, depending on the quantity of the product.
- The fee for the road and bridges is 150,000 dong.

Out of all the above items, only the fees for the commune, the financial unit of the district and roads and bridges are fixed and receipts are given.

The profit earned for one trip excluding the cost of fuel for the vehicle is 500,000-600,000 dong. The fastest time spent on one trip is three days, but sometimes when the product gathered is of insufficient quantity or if the weather is poor, the trip might last up to seven days. In order to compete with other traders in buying the product, the Hai Duong trader often advances money to the collectors and keeps the commitment to buy the product regularly.

It is surprising that the traders in Hoanh Bo have no information on the Ba Che bamboo market. When they are informed that price of *tre doc* in Ba Che is two times cheaper, they do not even believe in such low price.

c)   Retailers

The long distance trader sells *tre doc* to the retail agencies in Hai Duong province. The retailers buy it for 4000 dong/bunch and sell it to consumers at 5,000–6,000 dong/bunch. The difference between the selling and buying price is big, but still they do not earn much profit as the bamboo is often harvested in an immature state when sales are slow, therefore losses are high.

3.2.5.3   Pine resin and Canarium resin

Pine resin

In Dong Lam commune, the pine forest is managed by the cooperative. The cooperative signs a contract with the Uong Bi factory, with the conditions that the factory provides training on tapping technique to the farmers and the cooperative is obliged to sell resin to the factory at price of 2,500 dong/kg. The cooperative hires the farmers by piece work for tapping and buys the product at 2,000 dong/kg. Again the local farmers refuse to take the work due to the low wages. One farmer in the commune hires people from Dinh Lap district of Lang Son province to tap resin (see section 3.1.5.3). The price of pine resin has been relatively stable in recent years and the cooperative feels obliged to follow the Decision of the provincial People’s Committee in selling the product to the factory. It has no information on how much the factory pays for the same product in other areas.

The market chain of the pine resin in Hoanh Bo is similar to that of Ba Che as it is sold to the same buyers (see section 3.1.5.3).

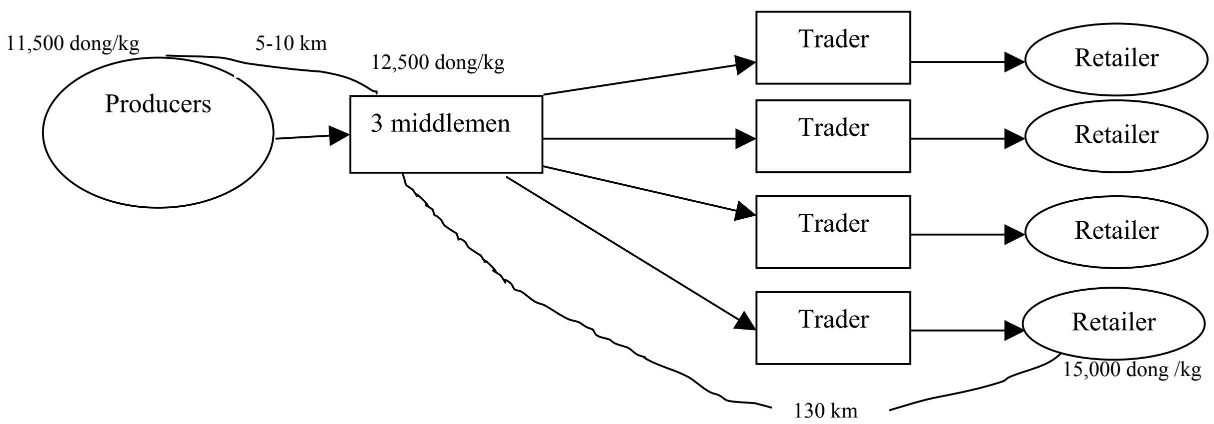
Canarium resin

Hoanh Bo Canarium resin is sent to the market in many provinces and cities (Hai Phong, Thai Binh, Hai Duong, Hon Gai) for using in the incense industry.

a)   Canarium producers

The farmers tap Canarium resin all the year round and sell the product to the traders from home. At the time of the survey, the selling price was 14,000 dong/kg. The resin price has tended to increase in the last decade: in 2001 it was 12,000 dong/kg. As the earnings from Canarium are very good and regular, many farmers plant the trees in their home gardens or on the allocated forest land, but it takes over ten years before the trees are mature for tapping.

The market chain diagram of Hoanh Bo Canarium resin



b) Canarium middlemen

Three middlemen buy Canarium resin in Hoanh Bo territory. They have to go to each household to make a deposit for the product. Each of them supplies to one or two market chains. They sell the resin to the long distance traders at their house and for each kilogram they earn 1,000 dong as profit. Sometimes, they take the product by motorbike to sell to the retail agencies in the nearby market (Hon Gai). For a volume of 100 kg of resin, they may earn 80,000 dong for one day's work. In this case, the difference between the selling and buying price is 1,800 dong/kg. The Canarium middlemen do not face any risk in this business, as the price does not fluctuate much, and storage of the product is not complicated. Furthermore, they do not keep the product for a long time and buy only when they already have an order and are sure of the profit they will earn. However, the resin resource in Hoanh Bo is limited and it is usually take them a long time to gather a few hundred kilograms.

c) Long distance traders and retail agencies

Traders come from other provinces and cities to Hoanh Bo to buy resin and then sell it to retail agencies or incense manufacturers in their home areas. The difference between the selling and buying prices is 1,500–2,000 dong/kg depending on time and place. For example, in October 2001 one trader from Thai Binh province bought resin at a price of 12,500 dong/kg and sold it for 15,000 dong/kg. For each trip, they transport 200-300 kg of resin, so after covering all the transportation costs they earn about 200,000 dong.

The big incense manufacturers are often the retail agencies of Canarium resin. They sell the product to the incense makers on a small scale. The difference between buying and selling prices is 1,500–2,000 dong/kg.

As the Canarium resin is traded in small volumes, the traders do not have to pay any taxes or fees to police and Forestry Inspection. The price at all the links of market chain is based on negotiation. Except the producers, all the other actors of market chain know how the product moves through the chain, the capital that is needed and the profit earned at each link of the chain.

3.2.5.4 Medicinal herbs

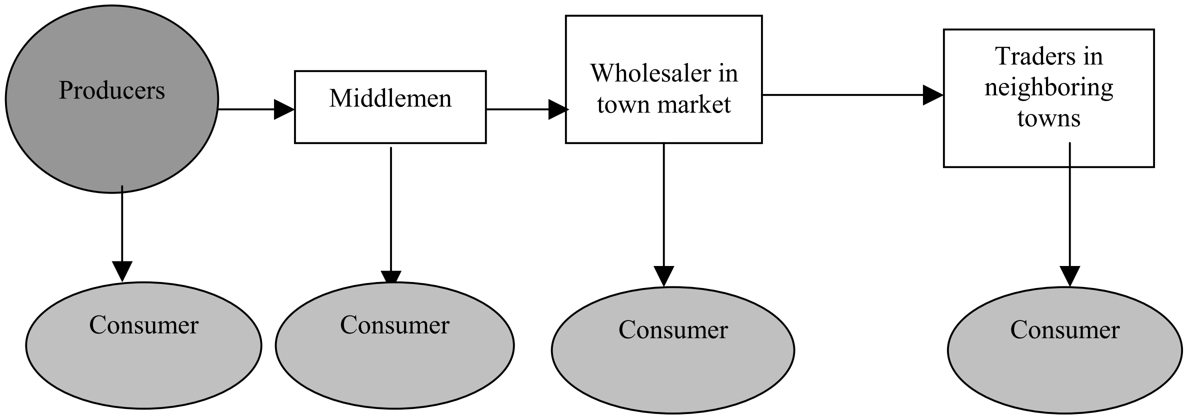
The products of this group are a very important income source to people in mountainous areas of Hoanh Bo. There is no exact data for the earnings from this product group, but according to the ranking of those interviewed, it is the most important source of cash income for the poor households. The variety of products in both Dong Lam and Tan Dan communes is similar, but the volume is bigger in the former as the forest cover is higher. The list of herbs collected for sale is long, but the most important are *reishi* mushroom, *Morinda* root and *la khoi*. For the most herbs, the farmers go to collect only when they have an order from the middlemen, and they then sell on the same day without any primary processing. The price is often the same in all the communes. The product is sold by weight, piece or just by estimation.

Morinda root

a) Collectors

Morinda root is gathered all the year round, whenever the farmers have time. It is a very popular tonic herb therefore people gather for sale as well as for household use. The resource of *Morinda* is shrinking considerably due to unsustainable overharvesting. The price offered for a root depends on its size and varies from 13,000-15,000 dong/kg (for a big root) to 7,000-10,000 dong/kg (for a small root). The product is often sold to the middlemen at the forest gate. Only a few farmers take it to the market in the neighbouring commune, 4-5km. away.

Market chain diagram of Hoanh Bo Morinda *root*



b) *Middlemen and wholesalers*

In each commune there are two or three middlemen who buy all kinds of medicinal herbs and wildlife (wildlife is also used for medical purposes). They buy the *Morinda* root and sell it in the same market as mentioned above, or in the town market (Troi) 10km away, at a price of 17,000-18,000 dong/kg for a big root. So they get 4,000 dong/kg as the difference between buying and selling price; however the quantity collected is very small and is counted only in kilograms, so their earnings from this business are not high.

All the wholesalers of *Morinda* root are based in Hoanh Bo town and they sell a part of root to the local people, the rest to traders who come from Hon Gai, Hai Phong and Hai Duong and some other provinces. *Morinda* root is bought by consumers for their own use or as a gift for their relatives and friends. The retail price in Hoanh Bo town ranges between 80,000-120,000 dong/kg dried (4kg fresh root is equivalent to 1kg dried). The common herbalist does not use this type of *Morinda* root for treatment as it is too expensive. Consequently, the root that is sold in the herb shops in big cities like Hanoi is brought from China, where the price is two times cheaper.

Reishi *mushroom and* la khoi

The local name for *Reishi* mushroom is Nam Lim, as it grows on the stump of the lim tree. It has been collected for sale since 1984, when trade between Vietnam and China resumed. Prior to this, the mushroom was left to grow and perish in the forest.

Until now, the local people are unaware of the high tonic value of this mushroom. They think that it is poisonous mushroom which Chinese traders buy to make into insecticide. In the late eighties and early nineties, the volume collected was big, but now the resource has declined considerably and it comprises one fifth to one seventh of what it used to be. The harvest season of this mushroom lasts from April to October. The farmers collect the mushroom of all ages and sizes. The young, small mushrooms are sold for 2,000-3,000 dong/kg, whilst the large, mature ones fetch 10,000-20,000 dong/kg, depending on what time of year they are harvested.

La khoi is collected for sale at the same time as the *reishi* mushroom, when traders come to place the order. All parts of the plant are gathered: the root is sold to the Chinese market and the leaves to the domestic market. The producers also do not know the use of this plant. The leaves are sold for 6,000 dong/kg and the fresh root for 2,500-3,000 dong/kg. Although it is a very fast regenerating species, overexploitation and unsustainable harvesting methods have resulted in its rapid decline of this resource.

a) Middlemen

Most medicinal herbs are sold to traders who come from Bac Giang province. The middlemen in the commune ask the farmers to collect the product only when they receive an order from the traders and once the quantity is sufficient, they inform the traders. Usually, the traders come to the commune every two or three days for herbs and wildlife. Most of the products are sold in their fresh form. Their earnings from *la khoi* are 1000 dong/kg for both leaves and root (leaves are bought at 6,000 dong and sold at 7,000 dong). The products are kept for only a short time, therefore the storage losses are not much. Furthermore, when they buy by weight they always weigh in such a way that it is to their advantage. As the products are traded in small volumes, no local authority controls are applied and neither the middlemen nor the traders are obliged to pay any fee, including the natural resource tax. Their income is limited only by the decline in resources.

b) Traders

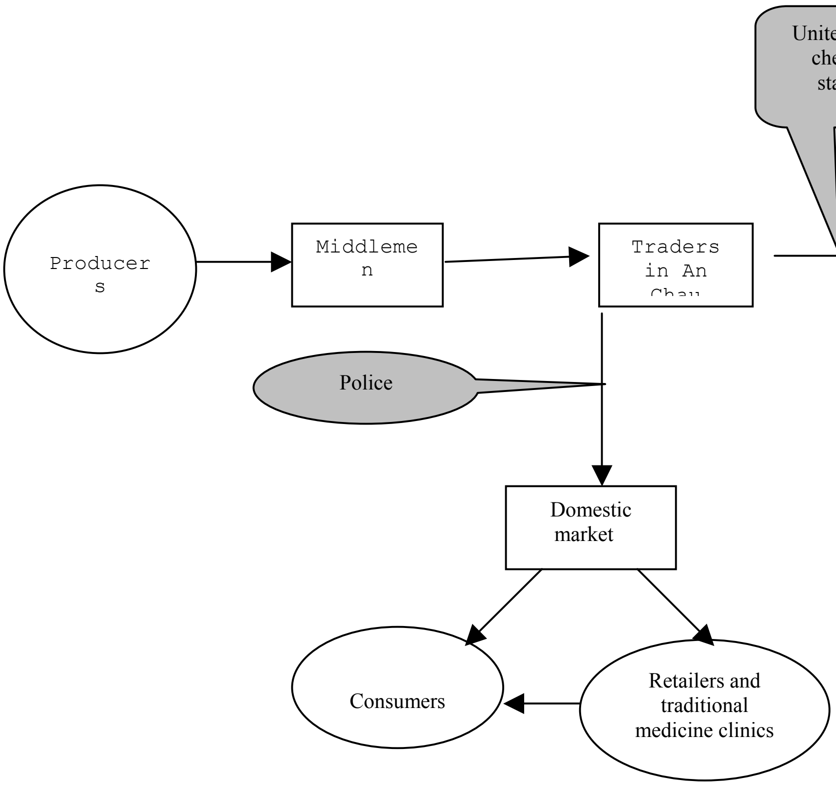
Most of the traders who buy medicinal herbs in Hoanh Bo are from Son Dong district, Bac Giang province. These traders can be divided into two types.

- *Traders going to Hoanh Bo to buy herbs from the middlemen*. These traders are actually another type of middlemen. There are about thirty people in Son Dong who are involved in this business, and each buys the produce in a certain area. They carry the goods by motorbike, taking chickens and wildlife from Son Dong to Ha Long tourist market, and buying herbs from Hoanh Bo to sell to the bigger traders in An Chau Town or those from Dinh Lap district of Lang Son province. In this way, they are not obliged to pay any fees to Forestry Inspection or police station or communes. They buy the herbs fresh and then, depending on the situation, may sell on the same day or dry them. *La khoi* is often dried and sells for 40,000 dong/kg, the ratio is 5:1, so they get a profit of 5,000 dong. The fresh root is sold to the big traders based in An Chau town for 4,000-4,500 dong/kg. In the case of *reishi* mushroom, they dry them and sell to the trader from Dinh Lap at price of 28,000 dong/kg. The distance from An Chau to Tan Dan and Dong Lam is 40km and 70km respectively. Usually, it takes them two days for one business trip; they are not always able to buy sufficient quantity of goods as the competition to purchase them is fierce. The profit obtained for each two-way business trip is only about 100,000-150,000 dong.

- *The big NTFP traders*. There are three traders of this type based in An Chau. They buy not only medicinal herbs but also all kinds of NTFPs available in Son Dong and Hoanh Bo. Sometimes, they also go to Hoanh Bo to buy from the local middlemen, but more often they communicate with the latter by telephone and arrange for the goods to be sent to them by some suitable means at low cost. Besides buying and selling the NTFPs, they also fulfill the role of primary processing and storage. Some of these products, like *reishi* mushroom and *la khoi* root, are sold to the trader who comes from Dinh Lap and goes to the border gate, to access the Chinese market. The other NTFPs are for the domestic market; as for the leaves of *la khoi*, they are sold to traders or herbalists in Ninh Hiep or in Bac Ninh. For the last three years, a small amount of *reishi* mushroom has been used for in the domestic market as some people are aware of its value. The buying and selling prices of *reishi* mushroom and *la khoi* in An Chau are as follows:

  - *La khoi* root: buying price 7,000-8,000 dong/kg, selling price 8,500-9,000 dong/kg. Dried leaves are sold at 42,000-43,000 dong/kg.
  - *Reishi* mushroom: the buying price depends on the quality, like colour, dryness and size. The young mushroom costs 6,000 dong/kg, but the large size is valued at 27,000 dong/kg. The selling price of the large size is 28,000-30,000 dong/kg. The biggest size is selected to sell to Hanoi at a price of 50,000 dong/kg, however, this type comprises less than 10% of the total amount traded.

Market chain diagram of Reishi *and* La khoi



c) *The traders to the Chinese market*

There is only one trader in Dinh Lap town who buys products in An Chau to sell to China. The history of *la khoi* root and *reishi* mushroom market formation is tracked back to 1984, when a trader from Quangxi of China first came to Vietnam to investigate the resources of these products, and then placed an order with an acquaintance to buy for him. When the products are gathered in sufficient quantity, the Quangxi trader is informed by telephone and goes to the Ban Chat border gate to receive the goods. In this business, the Dinh Lap trader does not face any risk as a sum sufficient to buy the goods for several months is advanced by the Chinese trader and the buying price set by him in advance as well. On the other hand, she is the only trader buying *reishi* mushroom and *la khoi* root. She buys the produce from all the traders in An Chau and transports it to Dinh lap by public bus as the quantity purchased is small. In addition, some herbs are bought from Thanh Hoa province. Previously, when there were more plentiful resources, she used to hire a small truck for transportation, but now as the amount gathered each time declines considerably, public transport is used. The cost of transporting 1kg of goods to the border gate is about 2,000 dong, of which the transportation fee is 200-250 dong, and the remainder is for three united sectors checking stations. The goods are sold at the Ban Chat border gate of Luc Binh district, which is very small, and therefore the fee for the customs officials is not much and the trading is quite smooth. At the border gate, the price of *Reishi* mushroom is 38,000 dong/kg, and *la khoi* root is 10,000 dong/kg. So after accounting for losses and fees, this trader get 1,500-3,500 dong/kg as profit.

Reishi mushroom and *la khoi* resources are declining fast. At first, this trader could collect 40-50 tons of each product per year, just from Quang Ninh and Bac Giang provinces. Currently, the collecting areas have expanded to Thanh Hoa province, but she manages to buy only about 10 tons of each product.

d)　　Domestic market

La khoi is used by the traditional medicine clinics or herbalists to treat stomach problems. Due to shrinking resources, the price of *la khoi* is increasing steadily and the retail price ranges between 50,000-55,000 dong/kg.

Reishi mushroom consumed by the domestic market are artificially cultivated and are mainly imported from South Korea and China. Previously, the price was very high and only those on a high income could afford to use it. At present, the price has dropped to 500,000-700,000 dong/kg, depending on quality and sources of production. The wild *reishi* mushroom gathered in Hoanh Bo is unknown to the most Vietnamese people. However, the traders in An Chau began to realise the high value of this mushroom three years ago and have used it themselves as a tonic. They have made some attempts to sell the mushroom to the Hanoi market, but failed. Currently, only a few people have understood the value of *reishi* and have placed orders with the traders in An Chau for large sized mushrooms, which they then sell to the herb shops under the name of the Chinese one.

3.3 Dam Ha

3.3.1 Overview of social economic conditions of Dam Ha

In August 2001, Quang Ha district was separated into two: Dam Ha district and Hai Ha district. Due to this recent separation, the market place and other services for goods exchange are poorly developed in Dam Ha town.

Dam Ha is a small district but has very diverse topography; its geographical location as well as its soil conditions are more favourable than those of Ba Che. The district is divided into three regions with eight communes and one town. Two communes and one town are in the lowland area, four communes are in the midland area, and two communes are in the highland area.

The total area of the district is 29,000 hectares, with 22,800 hectares of forest land and 3,340 hectares of agricultural land. The area of land under forest cover is 13,148 hectares, of which 8,681 hectares is natural forest and 4,467 hectares is planted. Most of the natural forest has been allocated to households.

The population of the district is about 30,000 people, consisting of five ethnic groups - Dao, San Riu, San Chi, Tay and Hoa – as well as Kinh people.

The income of the district derives mainly from three sources: agriculture, aquaculture and forestry. The first two are concentrated in the lowland and midland, and forestry is in the upland area. Dam Ha is considered to be granary of Quang Ninh province. The district is able not only to be self-sufficient in rice, but produces surplus for other parts of the province. Besides rice, the other crops like maize, sweet potato, cassava, groundnut and bean also are cultivated, but on a smaller scale. In 2001, cereal production of the district was equivalent to 500 kg/year rice per capita. Despite the surplus in cereal production, the livestock husbandry of the district is less developed than elsewhere (in terms of inputs and productivity, although the quality of the meat is excellent) and is sufficient only for consumption within the district. The forestry activities focus mainly in the upland areas. The district has 2500 hectares of cinnamon planted mostly in two mountainous communes; and recently some areas of eucalyptus, star anise and pine forest have been planted.

Possibly because the district is self-sufficient in foodstuffs, Dam Ha receives less assistance from the national poverty alleviation and rural development programmes than the other districts of Quang Ninh province (apart from some small scale projects of the resettlement and agroforestry extension programmes). Cinnamon, one of the famous traditional products of Quang Ninh, is planted by the farmers themselves; star anise has been planted only since the beginning of the nineties.

Both communes which are considered by the district authorities as the most ‘difficult’ are situated in upland areas. These are Quang An and Quang Lam communes: these were selected for study.

3.3.2 Quang Lam commune

Quang Lam commune borders Binh Lieu in the west and Quang An in the south. It is the biggest commune of Dam Ha district, with an area of 8,911 hectares, including 5,076.1 hectares of land under forest cover, 3,591 hectares of barren land, and 214 hectares of agricultural land. The land under forest cover includes 3,851.4 hectares of natural forest and about 1,500 hectares of planted forest.

The five ethnic groups living in the commune are Dao, San Riu, San Chi, Tay and Hoa; Kinh people also live there. Dao make up 79.11% of the population. The total population of the commune is 2,350, in 377 households.

The centre of the commune is 10km from Dam Ha town and although the road connecting two centres is tertiary, it is accessible by vehicle. Only some villages adjacent to Huc Dong commune of Binh Lieu district are inaccessible to vehicles. In general, the location and infrastructure of the commune is not so difficult for exchange of goods.

Four years ago, forestry was a major source of income to the commune as the annual cinnamon production was 250 ton. The income from selling cinnamon alone was more than 3 billion dong, (and the population of the commune was lower at that time). But since 1998, the production of cinnamon has declined, and the price has gone down, so the income from this source has decreased sharply. In 2001, the commune sold 150 tons of cinnamon and earned 1.5 billion dong, half the income of earlier years. Thanks to the use of intensive cultivation techniques, the productivity of agriculture crops has increased. Despite the fact that commune has only 214.14 hectares of paddy fields, the average annual production of rice is 324kg per head. This amount is not only sufficient for home consumption and livestock husbandry, but provides some surplus for the market. In the lower areas, people grow ginger, dia lien and groundnut for commercial purposes, but the volumes produced are not large. Livestock husbandry is less developed than elsewhere and the production is mainly for subsistence.

The natural forest area of the commune is quite large and some of it has been allocated to households. There are no farmers in the commune who go to the forest to exploit products for sale.

The commune has 1,450 hectares of cinnamon, planted together with star anise. This type of combination has been developed in the last decade, as the farmers found that after harvesting the cinnamon, the star anise will start to provide a regular income for sixty years. The cinnamon is a traditional crop of the commune. All households manage cinnamon stands and are able to produce seedlings for planting themselves. Cinnamon harvesting is labour-intensive, so outside labour is hired at harvest times in April and September. (This hired labour is principally provided by people from lowland areas of Quang Ninh who have little land). Some households prefer to sell the whole cinnamon stand to traders and let them hire labour for harvesting themselves.

Table 5: The marketed products of Quang Lam commune

Products	*Marketed since?*	*Importance of the product to household income*	*Rank*
Cinnamon	Traditional	Total area of cinnamon in the commune is 1,450 hectares, on average 3.85 hectares/ household. Annual production is 150-250 ton. The major product is cinnamon bark. Some households even own oil distillation equipment to extract the cinnamon oil from the residue.	1
Star anise	2 years	Star anise has been planted over the last decade, mixed with cinnamon. For the last 2 years, some areas of star anise have started to flower and bear fruit, but production is small. In 2001, the whole commune harvested only about 1 ton.	
Ginger	Traditional	Planted on a small scale with an estimated production of 10 ton/year. The total value is not much as the price is low: 1,500-2,000 dong/kg. The product is harvested at the end of the year and is sold to traders in the town market for making candy.	
Dia lien	Traditional	Annual estimated production is 20 ton.	
Rice	For last few years	In 2001, it was estimated that the surplus for sale of the whole commune was 30 ton. Rice is sold in the commune market or in the town market.	
Groundnut	For last few years	The production of groundnut is small, and is estimated at 10 ton. Usually, at harvest time, the buyers from Dam Ha come to each household to ask for the product.	

3.3.3 Quang An commune

Quang An is also a large commune of Dam Ha district, the second biggest after Quang Lam. The total area of the commune is 5,900 hectares including 2,800 hectares of land with the forest cover and 440 hectares of agricultural land.

The communities living in the commune consist of four ethnic groups with the Dao majority making up more than 50%; the others are San Riu, San Chi and Hoa – as well as Kinh people. The total population of the commune is 3,600 people living in 707 households.

The centre of the commune is only 8km from Dam Ha town and most villages are accessible to vehicles.

Quang An's main source of income is agriculture, namely rice and groundnut. Food production in 2001 was the equivalent of 510kg rice per person. It is estimated that every year, the commune has 500 tons of rice surplus for sale. Groundnut is cultivated mainly for commercial purposes. The quantity of groundnut marketed every year is about 100 tons. As well as rice and groundnut, there are other crops like ginger, Dia lien, maize, cassava, bean, etc.

Forest products are considered to be a secondary source of income for the commune. 1,500 hectares of the 2,800 hectares of land under forest cover has been allocated to households and is mainly planted with cinnamon. The commune has eleven villages and eight of these have cinnamon fields. The total area of cinnamon stands is 800 hectares, 300 hectares of which is mature for harvesting. The commune has no statistical data of annual cinnamon production as in most cases, households sell their produce directly to the traders and they do not need the certificate provided by the commune. Only those households which sell their produce to Hanoi themselves need this certificate; the quantity of cinnamon traded in this way was around 35 tons in 2001. Except cinnamon, the commune produces no other forest commodities. The farmers do not go to the natural forest for to earn income as on the one hand, the resources of high value timber have run out, and on the other hand, they need to invest their labour in cultivating the land allocated to them. Most of the households in the commune face a labour shortage at harvest time.

Table 6: The marketed products of Quang An

Products	*Marketed since?*	*Importance of the product to household income*	*Rank*
Rice	Last decade	Productivity of rice has increased steadily and the surplus for sale has gone up. Quantity of rice sold in 2001 was 500 ton.	2
Groundnut	Many years	In 2001, the commune sold 100 ton in the market.	4
Ginger	Many years	Production is small with a low price. Only some households in the lowland area of the commune grow ginger for commercial purposes.	
Dia lien	Many years	This is a traditional product. The households in lowland areas of the commune grow it on a large scale. Currently it is estimated that if harvested, the production will be over 200 tons.	3
Maize		Production is small. Maize is cultivated for subsistence purposes and there is limited surplus for sale.	
Cassava and sweet potato		Small production, cultivated mainly for livestock husbandry purposes.	
Cinnamon	Traditional	The commune has a long tradition of planting cinnamon. There are 800 hectares of cinnamon in the commune; on average about 1.5 hectares per household.	1

3.3.4 Selection of products representative of Dam Ha for market study

Based on the data collected in the district agriculture department and in both communes, and on the opinions of those interviewed, the following conclusions can be drawn on the products in terms of their role in the household economy and their representativeness of the district:

- *Cinnamon* is planted traditionally in both communes for commercial purposes. The planted area is large and cinnamon has been the most important source of cash income for households for many years.
- *Rice* is cultivated, not especially for commercial purposes, but for subsistence with only some surplus for sale. Thanks to improved techniques of intensive cultivation, the productivity of rice has increased quickly, such that the surplus quantity available for marketing is quite large. As a result, rice has become the second most important commodity in terms of its importance to household income.
- Similarly to cinnamon, *dia lien* is cultivated only for commercial purposes. Its market is currently stagnant, but previously, it brought quite a good income to many households in the commune.
- *Groundnut* is planted both for household consumption and for commercial use, with priority given to the latter. The total value of groundnut in cash is lower than the first three products; it rank as the fourth most important as a source of cash income for households.

3.3.5 Findings of the market study of the selected products

3.3.5.1 Cinnamon

Cinnamon trading in Dam Ha is less complicated than in Ba Che (the latter being subject to an amendment in district trade policy since April 2000, as described in section 3.1.1). A description of the market chain of Dam Ha cinnamon is given below.

a) Producers

Prior to the separation of Quang Ha district into Dam Ha and Hai Ha, the Quang Ha Trade Company had a monopoly over the purchase of cinnamon from all the areas of the district, including Quang An and Quang Lam. As the price offered by the company was much lower than the free market price, farmers often sold their products illegally to traders from Binh Lieu district. For example, in 1997, the company bought cinnamon for 8,000 dong/kg in Dam Ha and sold it in Hanoi for 17,000 dong/kg. The traders from Binh Lieu offered 10,000 dong/kg to the producers, then they hired labourers to carry the cinnamon by the mountainous route to Huc Dong commune of Binh Lieu at a cost of 1,000 dong/kg for a distance of 26km. From there, cinnamon was transported by truck to Binh Lieu town and then to Hanoi.

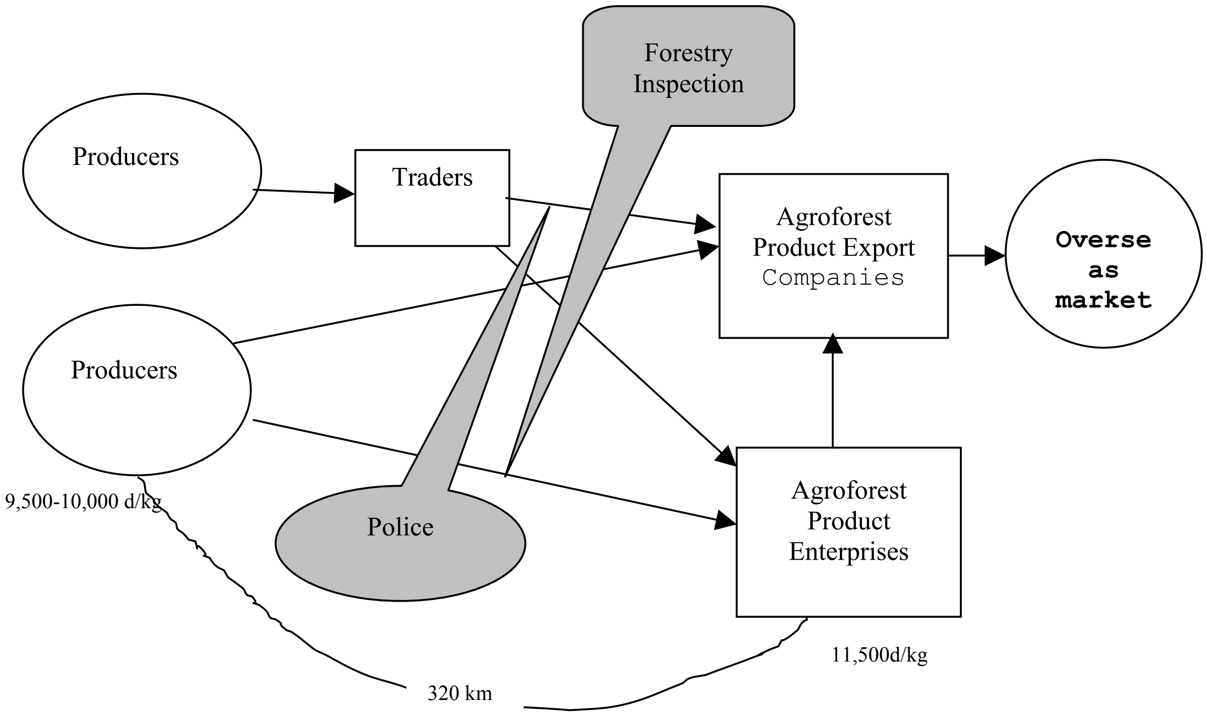
After the establishment of the new district, the Trade Company closed following heavy losses and as a result, the control on trading forest products in Dam Ha has been removed. Since April 2001, the traders in all economic sectors have equal rights to buy cinnamon in the district.

Cinnamon is harvested twice a year – in April and September, according to the lunar calendar. The cinnamon producers sell their product in two ways:

- Some sell cinnamon to the traders that visit the villages. They may harvest and then sell cinnamon bark in dried or fresh form, or they even sell the whole cinnamon field and let the traders hire labour to harvest it themselves. The common price of dried cinnamon by the end of year 2001 was 9,500-10,500 dong/kg, depending on the time and the quality of cinnamon.
- A group of households hires a truck to transport their cinnamon to Hanoi or to Bac Ninh to sell directly to the Agriculture and Forest Product Export Companies or to the Private Agriculture and Forest Product Enterprises. The costs of such a business trip are:

- Natural resource tax paid to the district financial unit: 1,200,000 dong/ truck load (300 dong/kg)
- Rent for the truck with the loading capacity of 4 ton: 1,500,000 dong
- Fees paid to the police and Forestry Inspection on the way: about 700,000 dong.

Market chain diagram of Dam Ha cinnamon



In Hanoi or Bac Ninh they are able to sell at 11,500 dong/kg, so after taking into account all costs, their profit is 1,000 dong/kg. They have established a good relationship with some of these enterprises, so when they are not able to transport the cinnamon to Hanoi themselves, their partner will send a lorry to collect the produce. The money is paid immediately after the goods are delivered.

The cinnamon producers in Dam Ha were able to find the market for their products in Hanoi because the former chairman of Quang Lam commune is a person with initiative, who always acts for the benefit of the community. As he is a man of great prestige in the district, he has been selected to attend meetings in Hanoi many times. He takes these opportunities to look for a market for the cinnamon, then comes back and forms a group of households to sell the product to the Hanoi market directly.

b) Traders

Most traders in Dam Ha are private and are based in the same communes as the producers or are from Binh Lieu and Tien Yen districts. Due to fierce competition in buying the product, the traders often make a deposit to the households. The price of cinnamon is always same in both communes and that means that information dissemination in the community is very fast.

The procedure for trading cinnamon in Dam Ha is less complicated than in Ba Che and Hoanh Bo. The trader has to get a certificate about the source of the commodity from the commune People's Committee and Forestry Inspection, then has to pay the natural resource tax, VAT and buy from afar tax to the district. The transportation cost and road taxes are the same as mentioned above.

Trading in cinnamon requires much capital, as besides funds for deposits (500,000-1,000,000 dong for each household), the trader needs 50-60 million dong to buy and transport 4 tons of cinnamon to Hanoi. The traders described how transportation losses are high, especially for fresh cinnamon, because it is an oily product. This one of the reasons that they often try to make payments to the Forestry Inspection and police checking stations on the way as quickly as possible, even though they know that their vehicle is not overloaded. The total cost of transporting 4 tons of cinnamon to Hanoi is 2,500,000-2,600,000 dong.

c) Processing and exporting enterprises

Cinnamon from all the producing areas in the northern provinces is sold to the processing and exporting enterprises in Hanoi and Bac Ninh. These enterprises can be divided into three types:

i *Agricultural and forest product processing enterprises*. There are numerous such private enterprises based in Bac Ninh, Gia Lam and Dong Anh districts of Hanoi. They buy the raw material, and process, package and transport it to Hai Phong port for export. The processing of cinnamon is simple. The bark may be cut into pieces of different sizes or kept whole, then packaged as required by the customers. These enterprises do not export the commodity directly but through export companies. They do not even know who the overseas buyers are, or the price offered by them to the export companies. They just sell their commodities to those companies. The prices of processed cinnamon at Hai Phong gate offered by the companies to these enterprises vary and depend on quality and the form in which it is processed. On average, the price is 17,000 dong/kg.

At the beginning of the nineties, most households in village 8 of Ninh Hiep commune, Gia Lam district were involved in this kind of business. But then many of them suffered losses and currently there are just ten enterprises operating. Usually, these enterprises just buy the raw material at their shops and communicate with the traders by telephone. They do not have any difficulty in obtaining sufficient raw material for processing. However, as they are not able to export the commodity themselves and have no access to international market information, their risk in the business is high, particularly when the prices fluctuate a lot. In the case of cinnamon, the international market has been relatively stable during the last decade, so their business has been quite profitable.

ii *Entrusted export companies*. Some state-owned foreign trade companies (such as NAFORIMEX, UNIMEX) export the commodity for the above enterprises. In the past, these companies were the only agencies to which the government delegated the power to export agriculture and forest commodities, consequently, they have good overseas partnerships and professional skills. Since the introduction of the market economy, they have not been able to compete with the private traders in buying the raw material from the producers, and their function has become one of buying finished products from them and exporting them. They provide guidelines to the enterprises for processing and packaging the commodities as required by each overseas buyer, and buy their products at the Hai Phong gate. Doing business in such a way, they face less risk than any other actors in the market chain.

iii *Agricultural and forest product processing companies*. These are big agencies with considerable facilities and infrastructure, as well as human resources with foreign trade expertise. Some of these are private. They may buy the raw material at their premises or in the production areas. Some of these companies have staff based in the important production areas like Yen Bai province, so that they can buy cinnamon directly from the farmers. This means that the market chain has less actors, as they buy the raw material from the producers and export it directly to the buyers.

All the people of these enterprises and companies who were interviewed said that the procedure for trading cinnamon in Quang Ninh is complicated compared to other cinnamon production areas, despite the fact that Quang Ninh cinnamon is of inferior quality. For example, it takes them only one or two hours to get a certificate for transporting a truck of cinnamon in Yen Bai, whilst the same procedure may take from half to a whole day in Dam Ha. In Yen Bai, the only certificates needed are from the commune and the closest Forestry Inspection station, but in Quang Ninh, even in Dam Ha, beside the commune and Forestry Inspection, they have to visit the financial unit of the district to pay natural resource and value added taxes. For that reason, they do not go to Quang Ninh themselves, but buy only at the companies. However, the Bac Ninh Agriculture and Forest Export Company sometimes goes to Quang Lam commune in Dam Ha to transport cinnamon, on condition that the producers bear responsibility for getting the certificate from the related bodies.

Unlike the Quang Ninh cinnamon traders, these companies pay a much lower cost for cinnamon transportation from Dam Ha as well as from Yen Bai and other areas of similar distance. They just hire drivers for each job, at a set rate regardless of any extra costs (*khoan*). The rate for a lorry carrying 12 tons of cinnamon bark from Dam Ha is 1,800,000 dong. That means there is no fee paid to Forestry Inspection and police stations on the way. The company's transport costs make up only 1.3% of the cinnamon price in Hanoi (11,500 dong/kg), whereas the transport costs of the small traders in Quang Ninh make up 5.4%.

The quality of Quang Ninh cinnamon is inferior to that from other areas such as Yen Bai and Thanh Hoa. However, the buying price does not differ much between the superior and the inferior quality, and ranges from 11,500–12,000 dong/kg for dried and 5,500–6,000 dong/kg for fresh cinnamon. The cinnamon from Quang Ninh is bought to mix with the Yen Bai cinnamon for sale to the "easy buyers"[10]. Some companies complain that nowadays, cinnamon is planted on a large scale and that cultivation has expanded to areas that are ecologically unsuitable. Besides this, the selection of varieties is not done properly and inappropriate planting techniques are used. All this results in very poor quality cinnamon bark and up to now, Vietnamese cinnamon products have no commercial name in the international market. Cinnamon bark sourced from Ba Che and Hoanh Bo is said to be the worst, and companies usually pay 11,000 dong/kg for Ba Che product.

Cinnamon is exported to many countries like India, Taiwan, Korea, Japan, Europe and so on. The price of cinnamon varies greatly, from US$1.1 to US$12 per kg, depending on the quality (as measured by oil content, age at harvest, and thickness of the bark), buyers and export time. The cinnamon bark harvested at the age of 20-30 years has superior quality and as a result, a high price. Quang Ninh cinnamon is usually harvested at a young age therefore the bark is thin with a low oil content; however, the enterprises have to pay a price which is just a bit lower than for the superior quality from Yen Bai.

Each export company has its own customers and competition finding buyers is fierce. Some of the people interviewed complained of the confusion surrounding the NTFP export market, prices and quality. At present, there is no intermediary agency responsible for coordination of export activities, for monitoring the volume exported annually and the revenue accrued, as well as the market forecasts that might contribute to lessening the risk for the enterprises involved.

3.3.5.2 Rice

Rice grown in Dam Ha is sold within the province, mainly to Mong Cai town, hence its market chain is short. The route of Quang An and Quang Lam rice is as follows:

a) Producers

Farmers sell rice in two forms - unprocessed and processed - at the commune or at Dam Ha town market. At the time of the survey, the price of unprocessed rice was 2,400 dong/kg and the price of processed rice was 3,600 dong/kg. Usually, the unprocessed rice is bought by the people in Dam Ha town for their own consumption and the processed one is for the outside market.

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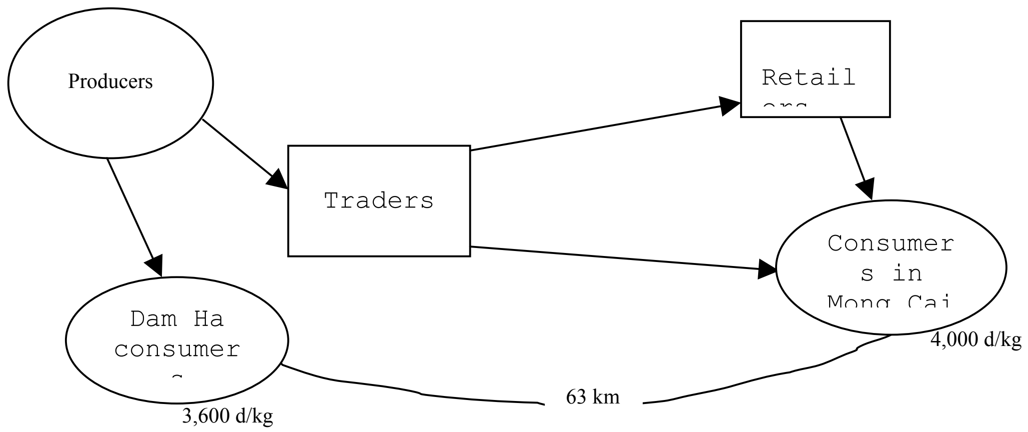
[10] This term may be used to imply good contacts, lower quality demands, less demand for consistency of produce, fewer barriers to trade, etc. For example Russia is perceived to be an easy buyer compared to the UK.

b) Traders

There are many traders who buy rice in Dam Ha to sell to the neighbouring towns, namely Mong Cai, Tien Yen. They are small traders who buy the product directly from the producers, then transport it in small volumes by public bus to sell to the consumers or retailers in these towns. For example, to sell rice to Mong Cai town 63km away, a trader should pay 5,000 dong for 100kg as the vehicle fee and 10,000 dong for her own ticket. In Mong Cai market, if they sell rice to the consumers their earnings are 400 dong/kg, but if they sell to retailers, it is 300 dong/kg. For this type of commodity, they are not obliged to pay for any kind of taxes or fees. Their earnings are not much and range between 40,000-50,000 dong for one business trip, carrying 300-400kg of rice.

Market chain diagram of Dam Ha rice



3.3.5.3 Dia lien

a) Producers

Dia lien has been cultivated in the two communes for a long time, since the time when the Hoa (Chinese) ethnic group was dominant. It is thought that the tradition of growing Dia lien comes from the Chinese ethnic group, and before the border war in 1980, Dia lien was planted for the Chinese market only. Quang An grows Dia lien on a larger scale than does Quang Lam as the former has a larger area of lowland. The technique of Dia lien cultivation is simple with low investment and a short rotation of one year, therefore as the farmers see that the price is good, most of them rush to grow it on a larger scale. The price of Dia lien fluctuates greatly, sometimes reaching 10,000 dong/kg. In 2000, Dia lien was sold for 2,500–5,000 dong/kg, but in 2002, the price went down sharply and in fact no buyer came to the communes. At present, Dia lien is left in the field and the unharvested volume is estimated to be more than 200 ton.

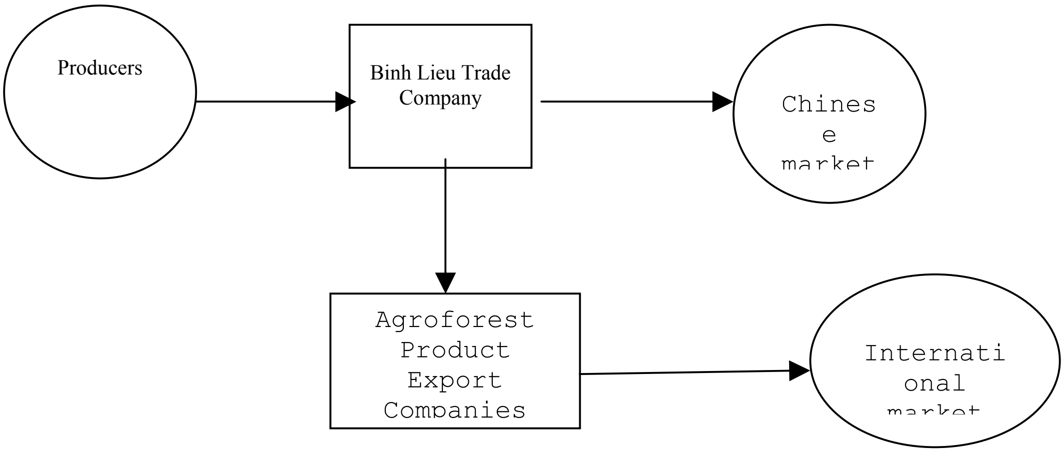
Previously, Dia lien was generally sold in Dam Ha market. The harvesting time is in February and March and traders from outside come to buy. The producers are not aware of what happens to the product after they have sold it; neither do they know the names of the buyers.

b) Binh Lieu Trade Company

This is a state-owned company of Binh Lieu district, which does business with all agricultural and forest products like Dia lien, cinnamon, star anise and ginger. The company staff buy Dia lien in Dam Ha, transport it to Hung Yen province over 200km away for processing, then transport it back to Binh Lieu for export to China through Hoanh Mo border gate. Dia lien processing is simple. It is just cleaned by washing, cut into slices and dried in the sun. The ratio of raw material to finished product is 5:1. The company used to have Dia lien processed in Hung Yen because the processing costs are low there, at 200 dong/kg.

Dia lien is used only for export, mainly to Chinese market, as well as to Taiwan, South Korea and some other countries. The company is able to export directly only to the Chinese market. The company has no access to markets in other countries, and has to sell Dia lien to the export companies in Ha Noi and Bac Ninh.

Market chain diagram of Dia lien in Dam Ha



In 2001, a Chinese trader paid 19,000 dong/kg for Dia lien, however, in 2002 they are offering only 7,300 dong/kg. At the time of the research team's visit to the company, 30 tons of Dia lien was in its store, going mouldy. If the company sells at the price it is being offered, it will suffer a big loss, but in order to keep the product whilst it waits for the price to go up, it needs labour to protect Dia lien from going mouldy and the cost of that has to be covered as well. As the company director says, with such an export price, the buying price that can be offered to producers is only 6,000 dong/kg. As the price of Dia lien declines sharply and the farmers do not have sufficient market information, they also keep their product whilst they wait for a better price.

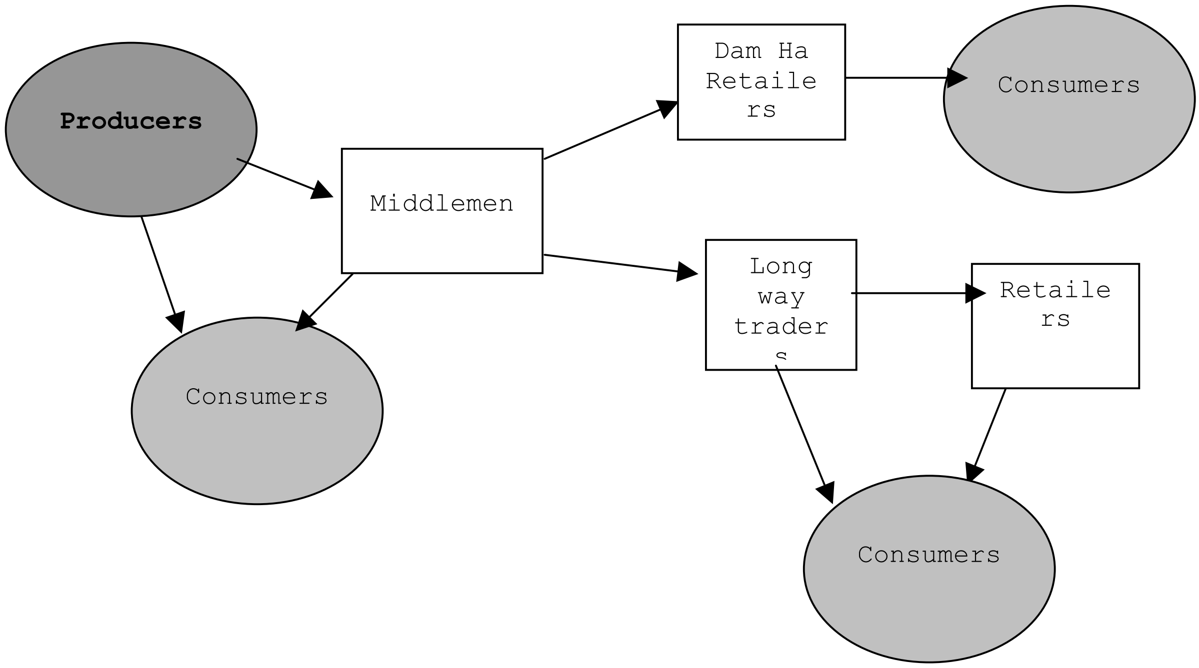
c) The Dia lien exporting companies in Hanoi and Bac Ninh

According to information from these companies, Dia lien is planted in many areas of Bac Ninh, Thai Binh, Nam Ha, Hung Yen and so on. When the price of Dia lien goes up, farmers immediately expand the area under cultivation. Meanwhile, the export companies are not certain of the overseas market and its demand, as well as the sources of supply. In 2001, the companies received good revenue from export of Dia lien, but currently no one is buying and exporting Dia lien. The overseas buyers still ask for the product, but the price they offer is too low. With this export price, the companies can pay only 6,000 dong/kg to the producers, which is not acceptable to the farmers.

3.3.5.4 Groundnut

Similarly to rice, the volume of groundnut in Dam Ha is small and the quality worse than from other areas, therefore it is marketed only within the province. The market chain of the groundnut is short with few actors and the price difference between the links is small. The actors involved in the chain are small traders with little capital. Except for the transport costs, no extra fees are paid to the police or to anyone else. The summary of the groundnut route from producers to customers is described below.

Market chain diagram of Dam Ha groundnut



a) Producers

Producers sell the product at home or in the town market. In most cases, after harvesting and drying, the farmers immediately sell groundnut to the traders and only a few households store it, to sell later when the price goes up or when they are in urgent need of cash. The price of groundnut at during the harvest season is around 4,000-4,500 dong/kg, and during the pre-harvest period (e.g. in April 2002), 6,000 dong/kg.

b) Traders

There are many traders based in Dam Ha town. Most of them are not professional traders and have no permanent jobs but own some capital. At harvest time, they go to the households to buy groundnut and store it. After the harvest period, they peel the shells and sell the groundnut in small quantities to the traders in Dam Ha or to those from Mong Cai and other areas. So their function is not only in trading, but also in storing and processing the product. The current price of the processed groundnut in Dam Ha is about 9,000 dong/kg and in the neighbouring towns it is a bit higher, varying between 9,500–10,000 dong/kg.

3.4 Binh Lieu district

3.4.1 Overview of social and economic conditions of Binh Lieu district

Binh Lieu is a border district and includes the Hoanh Mo border gate with China. It also shares a border with Dam Ha and Hai Ha districts in the east, with Tien Yen in the south and with Lang Son in the west. Nonetheless, there is only one road connecting the district to the outside. This road passes through Tien Yen district and all the goods transported to Binh Lieu by vehicle have to go through this route.

The natural area of the district is 46,084 hectares including 33,380 hectares of forest land; however of this, natural forest occupies only 6,043 hectares. The topography of the district is relatively diverse and the agricultural land, especially the paddy fields, is mainly in the lowland areas, while the special product forests are located in the uplands.

Binh Lieu has a total population of 24,082, consisting of four ethnic groups - Tay, Dao, San Chi and Hoa – as well as Kinh people. As Binh Lieu is a border district and most of its inhabitants are ethnic minority, it receives more assistance from the government. However, the living standard of most people is still low. Five of the seven communes in the district are ranked as poor. Hoanh Mo and Dong Van are the better-off communes, for they enjoy a microclimate which is favourable for the cultivation of star anise.

The most important sources of household income are agriculture and forestry:

- *Agriculture*. Binh Lieu has 1,650 hectares of paddy fields, as well as 4,800 hectares planted with other food crops. In 2001, the production of cereal attained the equivalent 410-420 kg or rice per capita, however, this was distributed unequally with a surplus in the lowland areas and shortages in the highland areas. Overall, the district is able to be self-sufficient in food.
- *Forestry*. Binh Lieu has a large area of special forest product plantation with pine covering the largest area (6,247 hectares) and star anise the second largest (2,641 hectares), followed by cinnamon and tung oil. The annual production of star anise ranges from 350-500 tons and is concentrated mainly in two communes, Hoanh Mo and Dong Van. In 2001, when the price of star anise was good, the district revenue from this product was over 20 billion dong. Pine resin is the second product in terms of revenue, with annual production ranging from 200-350 tons. In the past, tung oil was planted on a large scale with the support of a government programme, but it has mostly been destroyed as its market shrinks and the price of tung oil fruit is very low. Cinnamon and fruit trees have been planted recently but the revenue derived from them is still small.

Based on the criteria of poverty and extent of marketing activity, and on the suggestions of the officials of the district Department of Agriculture Rural Development, the two communes selected for survey were Hoanh Mo and Huc Dong. Hoanh Mo is not among the five poor communes, but it produces a commodity that is representative to the district.

3.4.2 Hoanh Mo

Hoanh Mo commune borders China. Its centre is 17km from Binh Lieu town and only 1km from Hoanh Mo border gate. Goods are exchanged between the people living along the border daily, and even continued during the period when trade was frozen between the two countries.

Most inhabitants of the commune are of three ethnic minority groups: Tay, Dao and San Chi. The population of the commune is 3,210, living in 589 families. Although there is a good road connecting the commune to the town and the border gate, seven of the fourteen villages of the commune are not accessible to vehicles.

The total area of the commune is 8,700 hectares, of which only 314 hectares are agricultural land and the rest is forest land.

The two major sources of income sources in the commune are agriculture and star anise. The agricultural crops are rice, cassava and maize. In 2001, the cereal production reached the equivalent of 350 kg of rice per capita, which is sufficient for household consumption. Livestock husbandry is poorly developed and mainly for subsistence. The whole commune has 1,225 hectares of star anise and 200 hectares of this is bearing fruit. Star anise has been planted for centuries and all the households in the commune have star anise fields. Only very few households have fields of star anise which was planted recently and hence does not yet provide income. The star anise trees do not bear fruit until ten years after being planted, they reach maximum productivity at twenty years of age and continue for sixty to seventy years. There are two star anise crops a year, in April and September. Production of September crop is much higher than the April crop. On average, a twenty year old star anise tree provides 50kg of fresh fruit or 12kg of dried fruit per year. The productivity of one hectare of star anise is 1.5 ton per year. For the last few years, the commune's annual production of star anise has been around 200 tons. So it is clear that the households' main source of cash income is from star anise.

3.4.3 Huc Dong commune

Huc Dong has a total natural area of 4,718 hectares, consisting of 2,646 hectares of land with forest cover and 217.8 hectares of agricultural land. Of the commune's natural forest, an area of only 414.7 hectares has been allocated to households for management. The commune has over 1,000 hectares of forest planted with cinnamon, pine, star anise and tung oil.

There are 2,148 people living in the commune, from three ethnic minority groups: Tay, Dao and San Chi.

The infrastructure of Huc Dong is rather poor. Although the commune is only 20km. from Binh Lieu town, the main road connecting the centre of the commune to the town has been constructed only recently, and still many of its villages are not accessible to vehicles.

Though adjacent to Quang Lam and not far from Hoanh Mo, Huc Dong is much poorer than these two communes. Out of 401 households in the commune, sixteen households suffer food shortage all the year round and 76 households are ranked as very poor. Forestry and agriculture are the two major sources of income for households.

- *Agriculture*. The main agricultural crops are rice and maize. Due to the limited agricultural land and low crop productivity, annual food production is low and reaches only 250kg per head. This means that the commune is still not self-sufficient in food. There is a similar situation concerning animal husbandry, which is very poorly developed[11] and provides no surplus for the external market.
- *Forestry.* The natural forest area is not large and the resource has almost run out. It has been allocated to households but their income from the natural forest is meagre. Binh Lieu SFE manages large areas of the planted forest within the territory of the commune, for pine and tung oil production. In the past, the commune received support from the SFE and national poverty alleviation programmes to plant cinnamon, pine and tung oil trees. The small area of cinnamon planted in the eighties was harvested, and the tung oil forest has been mostly destroyed. In the last decade, without external support, many households have planted cinnamon mixed with star anise, as in Quang Lam. Besides this, some areas of fruit trees (mainly litchi and longan) were planted with the assistance of the different national programmes. Overall, the forestry products of the commune are still small in volume with low productivity.

[11] In this and other areas, traditional methods of animal husbandry, which are free range and involve little or no provision of supplements, essentially produce organic meat which fetches high prices in the Hanoi market. However, farmers have to bear high risks and do not receive the premium paid by the consumer for quality.

Given that most households are poverty-stricken, the commune authorities are trying to identify potential cash crops to generate income for the people. In 2001, the commune People's Committee persuaded the households to plant edible canna for making canna vermicelli. Currently, the area planted in the commune is 20 hectares, but the farmers are not certain of the market and also have no skill in making canna vermicelli.

Table 7: The commodities of Huc Dong

Products	*Marketed since?*	*Importance of the product to household income*	*Rank*
Pine	Many years	There are 171 hectares in the commune allocated to households for tapping resin. The annual production of resin is 100 ton.	1
Star anise	Since 1997-1998	The commune has 1,000 hectares of cinnamon planted, mixed with star anise, on average 1-2 hectares per household. At present, only a small area bears fruit. In 2001, total production of the commune was 50 tons of fresh fruit. In April 2002, the farmers harvested star anise and sold it in the village at 3,500 dong/kg.	2
Cinnamon	Over 10 years	The small area of cinnamon planted with the support of the national programme in 1980 was harvested and at present only 4 hectares is left. For the last decade, the large area has been planted mixed with star anise and only a small part of this is ready for thinning. In 2001, the production of the whole commune was 3-4 ton cinnamon bark.	3
Tung oil	Many years	Since 1965, it was planted in large scale with the support of the national programme. During the last decade, the price of tung oil fruit was very low therefore the farmers cut it down or left it without any maintenance. It is estimated that there are 34 hectares of tung oil left in the commune.	
Longan	Recently	Small area, each household has only few trees planted with the support of different poverty alleviation programmes. Since 2000, the households have harvested some and sold it at 9,000 dong/kg, however the revenue from longan is very small as the volume is small.	

3.4.4 Selection of the commodities representative of Binh Lieu for market study

From the above data and analysis, it is clear that star anise and pine resin are two commodities that bring the highest income to households as well as to the district as a whole.

3.4.5 Findings of the market study

3.4.5.1 Star anise

Star anise is produced only for the international market as very little is used as a spice within Vietnam. This tree species needs specific climatic conditions and in Vietnam, only limited areas in Lang Son and Quang Ninh province are suitable for its cultivation. The market for star anise is not stable and is subject to drastic price fluctuations. In producing areas its price may range between 11,500-80,000 dong/kg. In 2001, at the peak time, the farmers could sell for 53,000 dong/kg, but since then it has declined to 20,000 dong/kg. A detailed description of the market chain of star anise follows.

a) Star anise producers

The producers sell star anise to the middlemen based in the commune in both forms, fresh and dried. As the price of star anise has declined considerably, many households still keep the product to wait for better marketing opportunities. No middlemen wanted to buy the April 2002 crop, so those farmers who were not able to wait for a good price sold to Chinese traders at the border gate at 4,000-4,500 dong/kg for fresh star anise. According to the star anise producers, the price fluctuation does not affect them much as their business is always profitable, even when the price goes down to lowest rate (11,000 dong/kg). In 2001, the price of star anise was quite high and most households earned very good revenue.

b) Middlemen

Hoanh Mo's star anise middlemen are based in the commune, in places convenient for truck transportation. Usually, they do not go to the households for the product, but the farmers bring it themselves. Usually, the middlemen make a deposit to the producers. For 1kg. of product they earn 3,000-4,000 dong from the buying and selling price difference. However, the essential oil content of star anise is high, therefore losses due to long storage are also high. As a result, any carelessness and delay in delivering the commodity may affect their earnings. Each middleman collects star anise for one trader based in Binh Lieu town. The competition in buying star anise is fierce, as just small differences of 100-200 dong/kg are sufficient to attract the sellers. These middlemen are in fact just hired by piece by the traders in Binh Lieu town.

c) Traders in Binh Lieu town

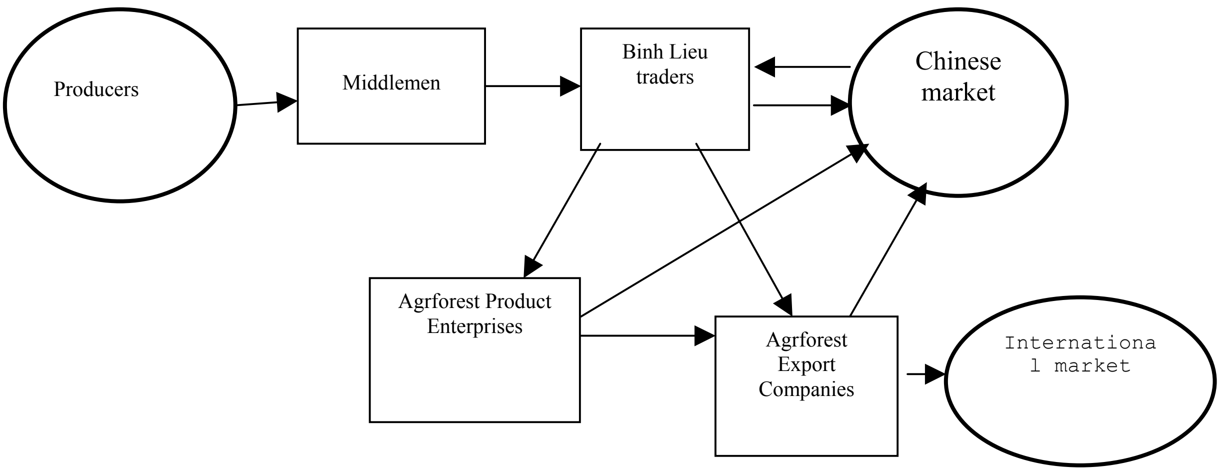
There are three traders in Binh Lieu town. One of these is the Binh Lieu state-owned Trade Company, which has operated in Binh Lieu for many years, the other two are private and have been in operation for just over ten years. The star anise of Binh Lieu is sold to China or to the export companies in Hanoi and Bac Ninh. The star anise trade of these enterprises with China is two-way. When the international price of star anise is high, Vietnamese traders import the product from China to Binh Lieu for onward export, and in reverse, if the price in Vietnam is lower than in the Chinese market, they sell to China through Hoanh Mo border gate.

The traders in Binh Lieu do not have much information about the international market, and sometimes they also suffer losses - as they are doing at the time of writing. All three traders have a big quantity bought at high price and if they sell at the current rate they will lose half of the money they have invested.

The government has a policy for subsidising exported agricultural and forest commodities. When traders export star anise to China they are not obliged to pay any taxes and they receive a subsidy of 2%, but if they sell to the export companies in Hanoi, the subsidy will go to the export companies.

According to the compliance of the state-owned trade company of Binh Lieu, the two private companies enjoy a comparatively greater advantage as they are able to make quick decisions on pricing when the market fluctuates drastically, therefore they manage to buy more star anise.

Market chain diagram of star anise



The traders are not able to export directly to markets other than China, and have to sell to the buyers in Hanoi or Bac Ninh.

d) The trade enterprises and export companies in Hanoi and Bac Ninh

These are the same Agroforest Product Enterprises and Agroforest Product Export Companies that trade in cinnamon and dia lien.

Similarly to the case of cinnamon, there are three types of enterprises. One of these buys star anise from the producing areas then exports it through the export companies. The second buys the product and exports it directly to the overseas buyers. The third just exports the product for the enterprises of the first type.

In the context of great fluctuation of star anise market, the export agencies face a lower risk than the non-export enterprises as through the direct contact, they have better market information and more experience in business. Most of these companies do not store the star anise. Meanwhile, the trade enterprises face very high risk. In 2001, when the price of star anise increased sharply, they earned high profits, but at the beginning of 2002, they were operating at a loss, buying star anise at 55,000-60,000 dong/kg and selling it to the Chinese market at a price of 30,000 dong/kg.

Some of the big star anise export companies consider that the climate has a great influence on productivity, and consequently on price fluctuations. The average price of star anise is 20,000 dong/kg. In 2000-2001, due to a bad crop, the star anise price peaked at US$8-9. After that, not surprisingly, the price declined drastically. There are many orders from overseas buyers, but the price offered is low. In this context, export companies are able to pay only 25,000-26,000 dong/kg to the producers. However, neither the producers nor the local traders want to sell the product and the quantity of star anise stored in the producing areas is quite big. These companies say that it is the inherent habit of the farmers that they will store the product until the next harvest, or until they are not able to wait longer. All of the big exporters who were interviewed considered that such behaviour originates from lacking daily access to market information and the business environment.

3.4.5.2 Pine resin

Similarly to pine resin in Ba Che, Hoanh Bo and other districts in Quang Ninh province, in Binh Lieu the farmers tap the resin and sell it to the Binh Lieu SFE at a price of 2,500 dong/kg. The SFE sells resin to the Uong Bi factory at 3,980 dong/kg. The system of purchasing and delivering the commodity is similar to the case described in section 3.1.5.3.

4 Analysis of the findings

Over the last decade, the market system of the four surveyed districts - as well as the whole of Quang Ninh province - has developed quickly and the changes have been noticeable. Nonetheless, the results of this study reveal a variety of constraints on the market system. These constraints are shown in the inappropriateness of pricing mechanisms, the extent of opportunities and rights of access to market information, the right to enter the market chain, and so on (see the 'causal-consequence diagram', Figure 3, for other constraints). These constraints are the consequences of a range of problems related to different aspects of the market system, such as policies, their dissemination to the grassroots level, supervision of policy implementation, the local rules, infrastructure, approaches applied in the poverty alleviation programmes and so on. All these constraints contribute to low farmgate prices, and consequently to poverty of people living in upland areas. In order to have a better understanding of these constraints, it is essential to carry out a thorough analysis of the factors influencing the pricing process at each stage of the market chain, and of the way information flows through market channels.

4.1 Factors influencing product price

The product price at each link of the market chain is influenced by a variety of different factors such as supply and demand, taxes, fees, national and local policies, infrastructure and so on. The degree of impact of these factors is different for each product and at each link of the market chain. Some factors influence only the pricing of certain groups of products, whilst other factors may affect the pricing of many products. Below we analyse the factors which influence the product prices in the four districts surveyed, the ways in which those factors have an impact and the group of products affected.

Demand and supply

In a liberated market, the law of demand and supply is an important factor in deciding the price of the product. If supply exceeds demand the price goes down, and conversely, when demand is greater than supply, the price increases. This factor contributes to production being adjusted such that there is a balance between demand and supply and in this way, the risk to producers is mitigated. Nonetheless, the survey in four districts reveals that this factor has an impact on only some products, which usually have the following characteristics:

- The product has been marketed for long time or the market chain has been established a long time.
- There is competition at each link of the product market chain – for example there may be many middlemen buying the same product in one producing area, or many long distance traders, and finally the consumers have the opportunity to buy the product from many wholesalers.
- The product is not bulky, therefore is not affected by transportation regulations.
- The product is not in the list of the commodities controlled by the national or local government (controlled products are those which have high economic value to the entire region or which are on the list of endangered species).

Usually, products with these characteristics are agricultural products such as sugarcane, rice, and groundnut, or forest products traded in small volumes such as medicinal herbs, canarium latex, and so on. Analysis of the market chains of these products shows that at all the links of the chain, there is competition between the actors involved in the chain (see section 3.2.5). The price of canarium latex has increased steadily for at least the last ten years, as the demand for material for incense making has climbed; meanwhile the natural canarium resources have declined drastically and the newly planted canarium is still too young to be harvested.

A summary of how the products surveyed match these characteristics is given in the table below.

Figure 3: Causal-consequence diagram of low product price

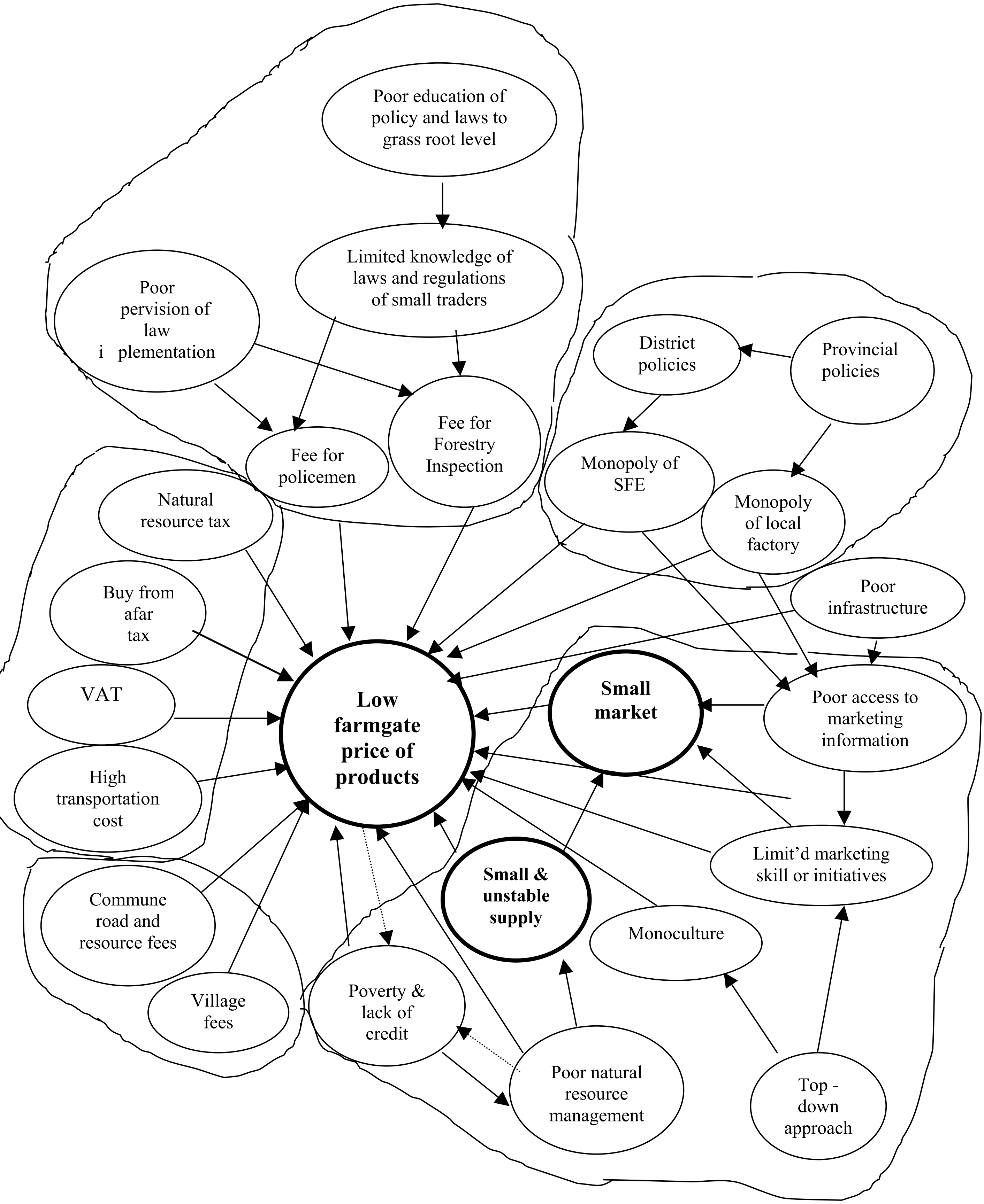


Table 8: Response of products to the four characteristics

Products	***Characteristics***			
	Marketed for a long time	*Competition at each link of the chain*	*Product is not bulky*	*Product is not government controlled*
Rice	X	X	X	X
Groundnut	X	X	X	X
Dia lien	X	X	X	X
Sugarcane	X	~	X	X
Medicinal herbs and some wildlife used for medicinal purposes	X	X	X	X
Canarium	X	X	X	X
Star anise	X	X	X	X
Cinnamon	X	X	X	Except Ba Che
Pine resin	X		X	
Bamboo	X	X		
Timber planted		~		
Timber from natural forest	X			

Policies

Policies are very important factors influencing product prices. Some policies have direct impacts and some policies have an indirect influence or create space for negative phenomena such as embezzlement and bribery, consequently leading to an increase in the price of the product at the relevant point of the market chain. The policies considered here are those at national, provincial and district level, as well as the rules and stipulations set by communes and villages. Besides the promulgation of these policies, it is very important is to disseminate them to the people affected and to supervise how these policies are applied by the executive bodies. For that reason, it is essential to make a thorough analysis of this issue at the different levels.

a) National policies

In order to promote upland development and raise the living standards of ethnic minority people, the government has issued a range of preferential policies including those that relate to production and marketing. Some of these policies are cited below:

- Forest owners have the right to harvest and sell their products (they should inform only the commune People's Committee and the nearest Forestry Inspection station) (Decision number 145/1998/Q§-TTg, dated 15 August 1998).
- The households who have been allocated natural forest or contracted watershed forest for protection have the right to harvest products from thinning and NTFPs, to tap resin, and to use 100% of the harvested agro-forest produce if they make investments in planting. (Decision number 08/2001/Q§-TTg, dated 11 January 2001).
- To stimulate the development of trade in mountainous areas, there are provisions that all business carried out in zone II and zone III areas is exempt from land rent, reduction of turnover

tax and income tax, and is subject to provision of loans with preferential interest (Decree 20/1998/N§-CP, dated 31 March 1998)[12].

- The government applies a subsidy to the transportation costs for those traders who buy agriculture and forest products directly in the particularly difficult communes in zone III (Decree 02/2002/N§-CP, dated 3 January 2002).
- Cultivated unprocessed products (including products from the planted forest) produced by the individuals themselves are exempted from value added tax, and the processing unit receives a deduction from the input tax[13] at a ratio of 2% of the buying price (Decree 79/2000/N§-CP, dated 29 February 2000).
- Organisations or individuals who trade agriculture and forest products are exempted from value added tax and buy-from-afar tax (Decision 09/2000/NQ-CP, dated 15 June 2000).
- When products from planted forests and other NTFPs are transported to other areas for commercial purposes, only a certificate from the nearest Forestry Inspection station and a receipt from the farmers/ sellers are required (Decree 47/1999/Q§-BNN-KL, dated 12 March 1999).
- The cost of transporting fertilisers and seed materials from the centre to the district or from the province to the centre of the communes is subsidised (Decree 4318/2001/Q§-UB, dated 16 November 2001).

So, the government has issued policies to promote the marketing of upland products, covering harvesting to transporting the products to the end consumers, especially for exported products. Households who own planted forest have the right to harvest and sell the products to any buyers. When harvesting they only need to inform the nearest Forestry Inspection station and the commune People's Committee, and do not have to pay natural resource tax. Traders who buy products from farmers are exempted from paying VAT and buy-from-afar tax. However, in reality, these taxes are applied in most of the surveyed districts and the traders are obliged to pay.

The policies relating to natural resource tax, VAT and buy-from-afar tax have a direct impact on product prices, but only on a certain group of products, namely forest products that are bulky or have an important economic value like bamboo, cinnamon, timber and pine resin. On the same land, if farmers plant fruit trees or agricultural crops, their products will be exempted from these taxes; if they plant cinnamon and timber trees they do not have to pay the taxes themselves for these products, but the buyers have to pay. But with careful consideration it appears that, in the end, it is the *farmers* who pay for these taxes, as their product competitiveness is lower than for the same products in other provinces. In other words, taxes are so high in Quang Ninh that farmers simply cannot compete – cinnamon is a good case in point. Furthermore, some commodities can no longer compete with substitutes e.g. timber cannot compete with alternative building materials such as iron.

There are laws that appear to have no impact on product pricing, but which indirectly have a great influence and lead to considerable price increases. The regulation on overloading and bulky product transportation and the forest inspection regulation are concrete examples. Most traders who transport forest products on the roads like bamboo, timber and rattan are obliged to pay fees to the officials on duty at the police stations or Forestry Inspection stations, regardless of whether their trucks are overloaded or not. They agree to pay fees to these stations as they do not want to be detained for a longer period of time, nor do they want to unload the products for checking as this incurs an extra cost. The owner of the truck transporting *tre doc* from Hoanh Bo to Hai Duong (120 km) has to pay a minimum amount of 200,000 dong to three police checking stations. The function of the Forestry Inspection service is to protect the forest and to contribute to sustainable forest management, hence to supervise the exploitation and transportation of forest products out of areas under its control. Nonetheless, the supervision only applies to those products which are listed as forbidden for trading or are under management. These are also the products with which the police are concerned. When the traders calculate the transportation costs, they always add the cost of payments to the police and Forestry Inspection stations, and count how many checking

[12] Zones I, II and III signify poor areas, where Zone III is the poorest (see also section 3.1.1).
[13] Input tax is a kind of sales tax payable by the processing unit when it purchases raw materials.

points on the route will have to be paid. Timber which is transported from Ba Che to Hon Gai, or to Mong Cai about 100km away, has to bear a cost of 2,000-2,500 dong for negative fees. Similarly, a bunch of *tre doc* transported from Ba Che to Hai Phong less than 200km away bears a cost of 150-200 dong, but if it is transported from Hoanh Bo to Hai Duong (120km), the figure is 350-400 dong. These fees make up 15-30% of the farmgate price and 5-10% of the consumer price of the product.

There is nothing wrong with the promulgation the regulations discussed above, but the supervision of their implementation is an issue and big weaknesses are exposed. On one hand, these regulations are not well disseminated to the people. The farmers just try to sell their products, and the buyers should be responsible for all other items. The small traders are not aware of government policies. Their answers to the questions raised by the survey team as to why they pay this or that tax or fees are similar: they pay because they are requested to pay. On the other hand, the supervision of the implementation of the law by executive bodies like Forestry Inspection and transportation police is not enforced, and leads to negative events. There have been cases in which the police have retained a trader's goods without any reliable justification, but the affected trader did not know to which body to send his or her claim. In one example, the case lasted for several months, incurring big losses of goods; in the end the trader managed to get back his belongings but no compensation for the losses was made.

b) Provincial policies

Giving priority to local industry is an appropriate policy. However, this priority should be based on fair benefit sharing amongst all people concerned in the community, and not on some enjoying privileges at the expense of others, especially poor ones. Quang Ninh People's Committee issued a decree, according to which all pine resin producers within the provincial territory are compelled to their produce to Uong Bi pine resin processing factory (Decree number 298/CT-UB, dated 20 March 1999). Thanks to its monopoly position, the factory buys resin from the producers at a price which is cheaper than that of other provinces (~4,000 dong/kg instead of 4,200 dong/kg). Even within Quang Ninh province, the factory offers different prices to different kinds of sellers: for example the price offered to farmers is only a bit more than half of that offered to the SFEs (2,500 dong/kg to Dong Lam commune and ~4,000 dong/kg to SFEs). Meanwhile, the quality of Quang Ninh pine resin is the best and the factory is able to sell the product for a price which is US$30/ton higher than that of other pine resin. Thus the policy of Quang Ninh province creates an opportunity for the factory to earn more income at the expense of the pine resin producers.

c) District policies

The trade monopoly impedes market development and causes losses to producers and consumers. In the context of the surveyed areas, only the producers/ gatherers are suffering as the policies are applied only in some localities. The Ba Che authorities delegate power to the SFE to manage the trade in forest products, which leads to its monopoly in buying cinnamon, sandalwood and so on. Through this policy the district authorities create a favourable business environment for the SFE and its cronies, at the expense of the farmers-producers. Furthermore, the SFE is not capable of managing the trade in all these products, and some products are just controlled on paper. That means it provides a certificate and takes a management fee. Private traders are responsible for buying bamboo from producers, and transporting and selling it to the next buyers. So, the SFE is an unnecessary link in the market chain, as it does not have any market function (a similar case is that of Hoanh Bo SFE concerning planted timber). It contributes not only to low farmgate prices, but causes complications, wastes time and incurs other extra costs to traders.

As mentioned above, despite the fact that the government has issued policies exempting VAT (5%) and buy-from-afar tax (10%) for the traders buying agroforestry products in zone III, and exempting the natural resource tax for planted forest products, in reality, these three kinds of taxes are applied in the most of the areas surveyed. So in the end, the traders do not bear all these taxes (as they do not do business unless it is profitable), but the producers themselves have to bear them, as their products have to compete with the same products from other areas. The following example demonstrates this. The price of cinnamon in Van Chan district, Yen Bai province (which is as far from Hanoi as is Dam Ha) is 11,500 dong/kg and is sold in Hanoi at 11,800-12,000 dong/kg, a price mark-up of 300-500 dong/kg. The price of cinnamon in Dam Ha is 9,500-10,000 dong/kg and in Hanoi, 11,500 dong/kg, so the price mark-up is 1,500-2,000 dong/kg. This big difference is due to the fact that the traders in Yen Bai are able to buy cinnamon directly from growers and do not have to cover any other fees, except the transportation cost.

Local rules and fees

The local rules made in many communes also contribute to increases in the transportation cost of produce. One commune learns from the experience of others, added to which some villages have their own regulations as well. All communes in Hoanh Bo district have a transportation station, at which they collect a fee from the trucks entering their territory. The fee for each commune is not big, but if the car passes several communes, the amount will be considerable. Furthermore, a natural resource tax is paid to the commune and sometimes to the village as well. All these fees contribute to increases in the product price, which leads to lower competitiveness and finally it is the producers themselves who suffer. In addition to this, the fees are often collected without any receipts, so who will manage and benefit from this affair?

Table 9: Summary of fees and taxes paid by traders

Types of fees and taxes	*Who pays?*	*Who takes the fee/ tax?*	*How much is the fee/ tax?*
Commune road fee	Owner of truck	(Officially and actually) Individual (or 'guard station') assigned by commune leader (no receipt)	10,000 dong (Hoanh Bo only)
Village fee	Trader and truck owner	Village head (no receipt)	20,000 dong (Hoanh Bo only)
Commune natural resource tax	Trader	Commune authorities (receipt)	50,000 dong (Hoanh Bo only)
Forestry Inspection fee	Trader	Illegal fee to forestry inspectors	
Police fee	Trader	Illegal fee to police	
SFE	Trader	Fee to SFE (receipt)	Only in Hoanh Bo and Ba Che
Value-added tax	Trader	District financial unit (receipt)	5% (not paid if farmers/ producers transport product to Hanoi themselves)
Natural resource tax	Trader	District financial unit (receipt)	4%
Buy-from-afar tax	Trader	District financial unit (receipt)	10%

Infrastructure

Inconvenient transportation has impacts on product pricing in two ways. On one hand, the poor roads increase transportation costs, resulting in high consumer prices and lower production prices. On the other hand, unfavourable transportation impedes the exchange of goods and of communication, and the local inhabitants have very limited access to market information. For that reason, their bargaining power is poor and prices tend to favour the buyers. This can be illustrated by the example of the *tre doc* price in Don Dac and Thanh Lam communes. Before November 2001 the road connecting Ba Che town with Thanh Lam centre (21km away) was worse than the road to Bac Cay village of Don Dac commune (7km away). So the price of *tre doc* in Bac Cay was 1,400 dong/bunch and in Thanh Lam, only 800-1,000 dong/bunch. This price seemed to be reasonable. Now that the road to Thanh Lam is much better than the road to Bac Cay, the prices in both areas stay the same. In this case, only the traders-middlemen benefit as they earn higher profits. This is due to the poor access to market information: farmers became used to selling the products at such prices for many years and they are not aware of the prices that people in other areas receive for the same product. They do not have sufficient information on the transportation costs and profits earned by buyers in different areas in order to make a comparison that would allow them to negotiate higher prices. However in Don Dac, more traders came, both local traders and those from other areas, and this enabled the producers/ sellers to bargain for better prices.

The impact of poverty alleviation programmes

Encouraging and supporting farmers to grow certain crops without considering market demand for the products or the balance between demand and supply is one factor which leads to drastic price fluctuations. This situation is very common in many areas, and not only in the surveyed districts. In Ba Che, Huong bai is one example which illustrates this point. Huong bai is a grass species which grows very well and can be harvested 8-10 months after planting. In the past, the grass used to be collected in the shrub hills for making incense. As the natural resource became exhausted, the price of the grass went up to 12,000 dong/kg. The good price stimulated some farmers in Dong Trieu district of Quang Ninh to domesticate this species and to expand cultivation over a larger scale: they earned a very good income. The information was disseminated quickly and the different poverty alleviation programmes like Youth Job Creation, Resettlement, Agroforestry Extension and so on assisted households to produce the grass in many areas of Quang Ninh. Under the Youth Job Creation project, Ba Che Youth Union provided loans to households to plant Huong bai, and now the price is declining so sharply that many farmers do not even want to harvest the product for sale.

Huong bai is not the only case. A similar situation will happen to litchi and longan in the very near future, if the district authorities do not take measures to find a market for 400 hectares of these crops. In particular, the harvest periods of these fruits are very short and the fruit spoils quickly, whilst Ba Che is far from the big markets. The low price of litchi over the last few years (2,500 dong/kg) is a signal that the market is stagnating.

Small and unstable volume of products

At first glance, low supply of a product should push prices up, according to the law of demand and supply acts. However, this law applies to the market as a whole. In the context of the studied area, a small and unstable supply contributes directly to *low* farmgate prices because in this case, Quang Ninh is not the only region producing these commodities. Most of the commodities available here are also available in other parts of Vietnam and in many tropical countries with similar climatic conditions. For that reason, high productivity, good quality and stable supply are the criteria which make the product competitive. Most products in the mountainous districts of Quang Ninh, however, are small in volume, and scattered over a large area with difficult terrain. All these conditions lead to high transportation costs. Unstable supply and poor quality products are the other characteristics which contribute to low prices, especially those products harvested in natural forest. These are a consequence of competition in collecting the products in common property forests, of limited technical knowledge, and finally of urgent daily needs.

Lack of savings

The urgency to satisfy daily needs makes households sell their crops before they are mature for harvesting, as welll as borrowing in advance and paying later. Consequently, they are always in a disadvantaged bargaining position. Export companies complain of the poor quality of the cinnamon: the bark is thin due to harvesting at a young age. This type of cinnamon bark can be sold for only US$1-1.5/kg, while the good quality bark harvested from 30 year old trees fetches US$8-12/kg.

4. 2 Market information

Market information is an important factor which directly influences the prices of products and indirectly influences production development. In order to have a good market system, it is essential that market information flows smoothly through the market channels, and that all the actors of the market chain should have good access to it. Analysis of the communication of market information through product market channels in the surveyed areas exposes a range of weaknesses. The constraints in the market channels of different products are not the same and the actors of the market chain access information in many ways, therefore the degree to which they can access such information varies.

Producers/ gatherers

In all the product market chains, the producers/ gatherers are the actors who have the least amount of market information. However, the degree of access to information by people in different locations depends greatly on infrastructure and on the cultural characteristics of each ethnic group. For instance, people in Hoanh Bo have better access to market information than people in Ba Che and the farmgate price of the same product is always lower in Ba Che than it is in Hoanh Bo (see sections 3.1.5 and 3.2.5). This can be explained by the fact that Hoanh Bo enjoys a more favourable geographic location for cultural and goods exchange as well as a higher degree of market liberalisation.

The existence of a monopoly in buying commodities in producing areas increases the difficulties farmers face in accessing market information. In areas with poor infrastructure, where most local people have no access to mass media, the involvement of private traders in purchasing products is a good source of market information. Preferential policies favouring local industry (such as the Uong Bi Pine Resin Processing Factory) and the Decision to delegate powers to one organisation for management of trade (as in Ba Che) eliminates business competition, which is equivalent to losing the opportunity to access market information by farmers. Dong Lam commune is only 30km. from Uong Bi town, but the commune is able to sell pine resin at only 2,500 dong/kg, whilst the Binh Lieu and Ba Che SFEs are over 200km. away and sell at about 4,000 dong/kg.

Lack of marketing initiative by the farmers is one of the reasons for low farmgate prices. The officials of the agroforestry extension and agriculture and rural development departments blame farmers for their lack of initiative. However, thorough analysis of the reasons reveals that this is just a consequence of the long existence of a centrally planned economy. The transition from a planned economy to a market economy has taken place too quickly for people in the remote areas to adapt, and to change from being passive to active participants in the economy. Overall, policies do not stimulate, but rather impede their initiative in seeking markets for their products. These policies are manifested in the control of trade control at the district level, in the assistance given to farmers to grow single crops and in the top-down approaches applied in the different poverty alleviation programmes.

The lack of sensitivity of producers to the market and price fluctuations is also illustrated by the way they tend to keep products whilst waiting for better prices, without thoroughly analysing the situation (this applies to star anise and other commodities). One exporter of agroforestry products considers that this demonstrates a chronic characteristic of farmers, resulting from too little contact with the market and business environment; therefore the solution is to create conditions whereby they are able to have better access to market information.

Middlemen

Most of the middlemen live in or near the same locality and many of them are from the Kinh group. Compared to the producers, middlemen have more information, as they usually know how the product will be used and to which market it will be sold. However, like the producers, they do not know how the product moves through the market chain, nor do they know the costs and profits at each stage of the market chain. Most of them are not very enterprising in marketing. Frequently they become middlemen because the traders select them as their partners or because they are their relatives. They buy products when they get an order or some deposit. Their earnings from the business are low, and this constitutes just one of the sources of their household income.

Long distance traders

Most long distance traders are private small businessmen who have over ten years of trading experience (i.e. since the planned economy changed into the market oriented economy). Prior to this, they used to be soldiers, youth pioneers or government staff who were retired under Decision 176 (see footnote 6 in section 2). They went into trading as they failed to find employment in the state owned organisations. They started trading without any training in the business, but just learning by doing, consequently, there are many weaknesses in the way they do business. Although the long distance traders have better access to market information, and they know the costs and profits at each link of the market chain, the capital needed for the business, and the risks faced, their knowledge is limited to those areas in which they do business. Many of them have no market information on the same product traded in neighbouring areas. For example, the *tre doc* trader in Hoanh Bo does not know about the market for this product in Ba Che and in reverse, the traders in Ba Che have no information on the *tre doc* market in Hoanh Bo. This also impedes the harmonisation of prices between areas.

Another weakness in the business conducted by these small traders is due to their limited knowledge of policies and laws issued by the government regarding trading and transportation, therefore they pay road taxes to the police and Forestry Inspection stations without any hesitation or argument. Usually, a trader learns from the experience of others: “I pay because others do the same”. This was the answer given by all the long distance traders interviewed by the research team. Meanwhile, the big agriculture and forest product export companies in Hanoi and Bac Ninh are not obliged to pay these fees. This exposes the weaknesses in policy dissemination to the grassroots level and in supervising the implementation of laws.

Agriculture and forest processing enterprises and export companies

These organisations certainly have much better information on the business environment than the other actors in the market chain. They have quite good information on the areas producing raw material, such as the production capacity of each area, the quality, possible price, trade services and infrastructure. However, they also have difficulty in gaining access to international market information and in finding overseas buyers. In this field, the degrees of access of different enterprises vary.

Most agroforestry product processing enterprises, which have insufficient capacity to export their products directly to overseas buyers, are private. They obtain overseas market information through their partners (exporters). Consequently, they face the risks from two sides: from the world market fluctuation of the product and from their own partners. Big price fluctuations greatly affect their business, as was the case for Dia lien and star anise in 2001. The bankruptcy of some export companies has resulted in those enterprises that processed and exported commodities through this company being ruined as well.

The national policy encourages all economic sectors, regardless of whether they are state-owned or private, to export agricultural and forest products. In the last decade, the number of export companies based in Hanoi and Bac Ninh dealing in cinnamon, star anise and dia lien has risen from a few to about twenty. Each company has its own buyers and market, but overall, they have neither sufficient information nor the capacity to anticipate the world market for these products. Usually, they buy products only when they have an order from overseas buyers. Some companies forecast the market based on their experience. For instance, they know that the productivity of star anise depends very much on the weather, hence after a bad crop the price goes up and when the crop is good, the price declines. For this reason, even when the price of star anise decreases considerably, they sell the product, and do not wait for a better price (unlike the producers or small traders).

The number of companies exporting agroforestry products appears to be increasing and the volume of commodities exported is also increasing. However, there is no concrete statistical data on the volumes exported, the markets to which commodities are sold and the revenue earned. There is no organisation whose function it is to count and supervise the export of these products. In summary, the export market is in much confusion, as is illustrated by the fact that many organisations export the same products, but there is no agency responsible for coordination, monitoring, forecasting demand and supply, or providing assistance to exporters and advice to the government.

4.3 Price fluctuation

As mentioned above, the law of supply and demand has a great influence on product prices. A well-maintained balance between supply and demand stabilises prices, and the degree of price fluctuation is very dependent on this relationship. The balance of supply and demand is affected by a range of factors, both objective and subjective.

- *Objective factors*. Some crops are very sensitive to fluctuations in the weather, for example the star anise productivity is affected this way. The bad weather causes a poor crop and pushes prices up; conversely favourable weather brings a good harvest and prices go down. However, star anise producers claim that they always have a reasonable income, and are not dependent on whether the crop is poor or good. Fluctuations in the price of star anise affect only the traders.
- *Subjective factors*. A noticeable characteristic of the agroforestry product market over the last decade is the big fluctuation in prices of a variety of commodities. This is a result of the national agriculture and forestry programmes, which have encouraged rural areas to plant a range of crops on a large scale without careful market survey and appropriate investment in post-harvest technology. Examples include apricot and plum 4 to 5 years ago, and currently longan and litchi. The domestic market in 2002 is saturated with longan and litchi, and prices are one third of those three years ago. In Quang Ninh, huong bai is just one example that illustrates how market price has collapsed following the intervention of assistance programmes. In most communes surveyed by the research team, households have been supported over the last few years (through provision of seedlings or preferential loans) to grow litchi and longan on a large scale (in Ba Che alone, 400 hectares have been planted). Some of these crops bore fruit in 2001, but no outside buyers came to buy. A few of the more enterprising farmers in Hoanh Bo have started replacing litchi with other, more promising crops.

5 Conclusions and recommendations

Market development should be considered to be one of the important measures for raising the living standard of people in the uplands. If assistance is provided to the farmers just to plant crops without considering the outlet for these products, the effectiveness of poverty alleviation efforts will be greatly affected. The findings of this study show that during the last decade, the provincial policies have focused more on production than on marketing. There is a range of constraints in the market system which hamper the effectiveness of programmes designed to support upland people's livelihoods. In order to create favourable conditions for market development of upland products, it is necessary to remove the constraints at each link of the product market chain, so that market information flows quickly through the market channel and all the actors in the market chain can carry out their market functions well. Analysis of the findings allows us to make the following conclusions and recommendations.

5.1 General conclusions and recommendations

Conclusion 1: The national policies which provide for planted forest products to be exempted from natural resource tax and for agricultural and forest products produced in zone III to be exempted from VAT and buy-from-afar tax are not applied in most of the districts surveyed. Thus the farmgate prices are lower than in other producing areas, where the tax exemption policies have been applied. Furthermore, the need for traders to obtain a permit to buy a product from farmers entails a complicated procedure which has many steps and takes up much time. These complications prevent the agriculture and forest enterprises or export companies from buy products directly from the producers in Quang Ninh.

Recommendation 1: It is necessary to strictly apply the tax exemption policies promulgated by the national government for the agriculture and forest products in the mountainous areas, especially in zone III areas, for the benefit of upland people.

Conclusion 2: There is a big gap between the policies issued and reality on the ground. The policy makers and managers do not have sufficient information on the constraints in the market structure; in other words, the shortcomings which occur in the process of policy implementation are not fed back to the top level effectively.

Recommendation 2: A workshop on the theme of marketing upland products should be organised at the district and provincial levels, with the participation of actors in the market chain such as producers, middlemen, traders, processors and local authorities. The workshop will provide a forum for those in the market chain to share market information, to describe the obstacles they face in trading, to express their needs and to propose amendments to policies in order to promote market development.

Conclusion 3: The road taxes paid by the small traders to the transportation police and Forestry Inspection stations are quite large, and consequently contribute to lowering farmgate prices. Study findings also reveal that the small traders' knowledge of trade policies and transportation laws is very poor.

Recommendation 3: On one hand, government policies and laws should be well disseminated to the people at grassroots level in general and to small traders in particular. On the other hand, it is necessary to closely supervise implementation of the law by the executive bodies and to strictly punish violations, so that the interests of the direct actors are protected and consequently the market structure functions properly.

Conclusion 4: Information does not flow well along the product market channels. Producers have few opportunities to access market information or to know how market chains operate, and as a result, their power to negotiate reasonable prices is weak. This weakness is rooted in a variety of causes such as poor infrastructure, the long history of a planned economy and subsidies, trading monopolies and so on.

Recommendation 4: Market information should be included in the daily or weekly local mass-media (broadcasting, television, newspapers) programmes of every locality. This information should include buying and selling prices of products in the local, provincial, national and even international markets, quality concerns, customers, demand and supply of particular products, and so on.

Conclusion 5: The poverty alleviation programmes for mountainous areas focus more on supporting farmers in product development through provision of loans, seed materials, and technical support, than on seeking markets for the products. Therefore many products cannot be marketed or are sold at a low price that does not compensate for inputs made by the farmer.

Recommendation 5: Product marketing should be included in projects and programmes that aim to improve upland livelihoods. The beneficiary groups of these programmes should be actively involved in implementation, making decisions on selection of crops for development and marketing their products. Through participating in the whole process, the beneficiary groups' business and market development capacities will be strengthened.

Conclusion 6: Currently, the agroforestry extension programme focuses only on activities which are designed to provide technical support to farmers, such as setting up demonstration model, visits to the model farms, training on cultivation techniques for certain crops, all without complementary support on how to market the produce.

Recommendation 6:
- *The staff working in agroforestry extension or agriculture and rural development should become familiar with the "Market Analysis and Development (MA&D)" methodology, so that they are capable of providing training to farmers in identifying suitable crops and in marketing their products.*
- *Support should be provided to establish farmer interest groups, especially those who plant or gather the same products, in order to assist them in resource management and market development for a good sustainable income.*
- *Lack of savings is one of the factors leading to immature crops being harvested or products being sold without any primary processing. At the same time as providing support in establishing interest groups, loans should be provided to the interest groups for processing and storing commodities so that farmers are able to sell their produce at better prices.*

Conclusion 7: Quang An and Quang Lam communes of Dam Ha district, and Hoanh Mo commune of Binh Lieu district are very remote areas. However, people living in these communes produce traditional commodities with relatively stable, big markets and thanks to this, their standard of living is quite good and their households do not rely on extraction of forest products for cash income. Meanwhile, the mountainous communes of Ba Che and Hoanh Bo districts enjoy a much better location, which is favourable for economic activities, and they also receive more assistance from national development programmes, but still most of their households are poor and forest dependent. What reasons lead to these differences?

Recommendation 7: It is useful to study how people in some communes in Dam Ha and Binh Lieu were able to identify the right products to cultivate for the market, while people in other areas failed. What was the initial motivation or stimulation for this innovative self-help solution and how did the process of development take place? The results of such a study will provide useful recommendations as to how assistance should be provided to farmers by rural development programmes.

Conclusion 8: The NTFP export market operates without any monitoring or coordination. No agency is responsible for the study of overseas market, for keeping statistical data on the volumes and revenue exported for each commodity, or for recording how many organisations are involved in the export business. This situation results in confusion in the export market and the commodities traded have no commercial reputation in the world market (this even applies to the traditional products which are exported in large volumes, such as cinnamon).

Recommendation 8: It is necessary to establish an agency responsible for coordinating the export market of NTFPs at each link of the product market chain.[14] In time, this will reveal the problems as well as the opportunities, and will provide advice to policymakers or other actors in the market chain for finding solutions to the problems and for taking advantage of the opportunities.

5.2 Specific conclusions and recommendations

Conclusion 9: Decree number 298/CT-UB dated 20 March 1999 of the Quang Ninh People's Committee, which states that all the pine resin produced by the pine forest owners in Quang Ninh province must be sold to Uong Bi processing factory, is appropriate in that it promotes local industry. However, the consequence of this policy is the monopoly in purchase and processing of pine resin and consequent unfair buying prices for the producers, especially those who have little access to market information.

Recommendation 9: Additional provisions under Decree 298/CT-UB should be considered in order to ensure fair benefit sharing between the pine resin producers and the Uong Bi processing factory.

Conclusion 10: The Ba Che district policy of delegating the power to manage trade to one business organisation is not appropriate since it eliminates competition, resulting in unfavourable selling prices for the producers, and it takes an approach opposite to those of national policies.

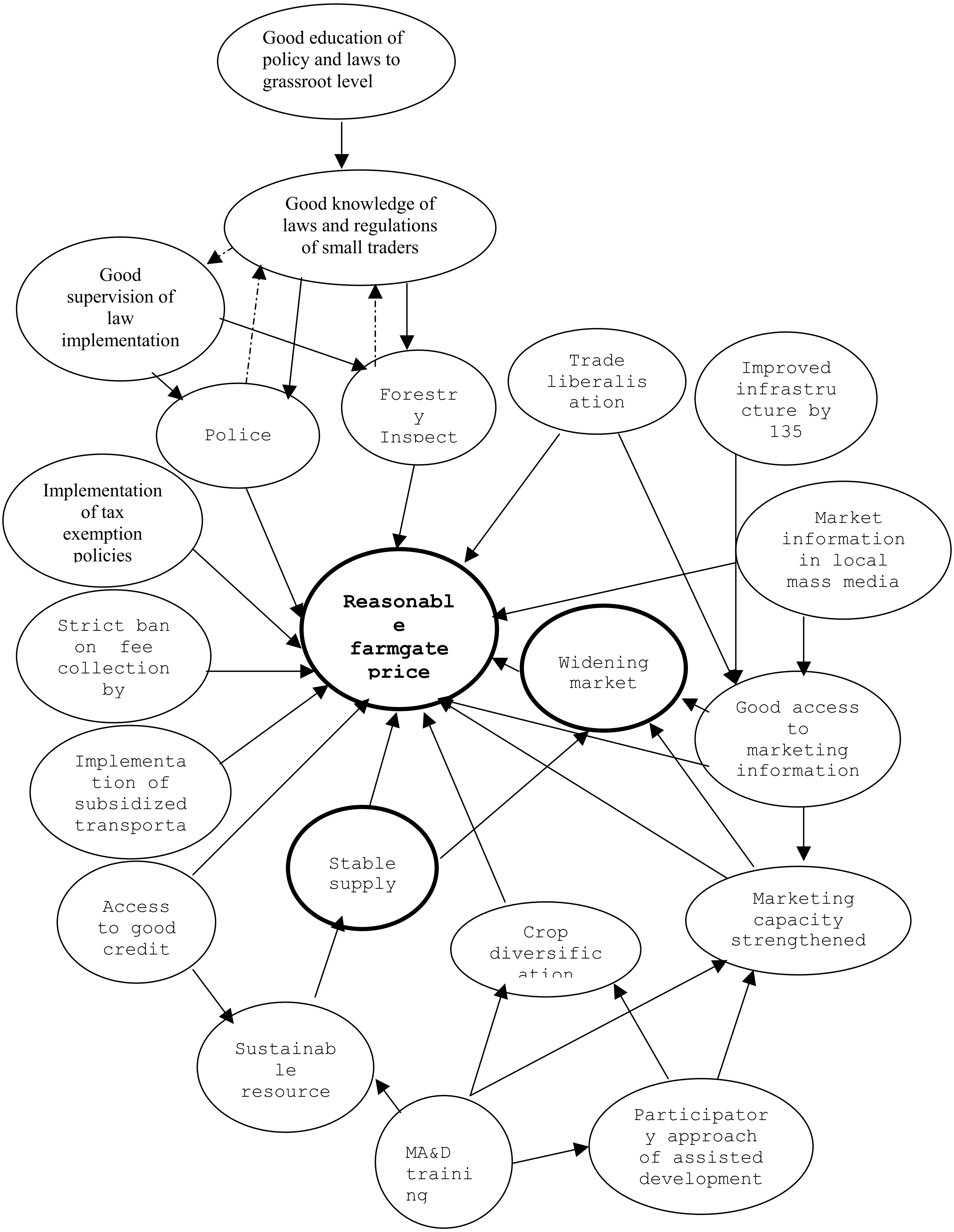
Recommendation 10: it is necessary to allow all economic sectors to participate in buying forest products directly from the producers, so that product owners have the power to negotiate better prices. This also means removing the unnecessary links which do not have any useful function in the market, and contributing to increased profits for the other direct actors of the market chain, in particular the producers.

Conclusion 11: In Hoanh Bo district, the guard stations of the communes which collect fees from trucks are a waste of labour, obstruct trade and increase transportation costs, which lead to products from that areas being less competitive.

Recommendation 11: Hoanh Bo district should consider and request the communes to remove these guard stations.

[14] Such organisations already exist for some other commodities, e.g. coffee, tea, shrimp, rice.

Figure 4: Causal-consequence diagram of reasonable farmgate price



Annex 1: Research project workplan

Land use and sustainable livelihoods in upland Vietnam

Marketing of upland products

A research project of:
the NTFP Research Centre of the Forest Science Institute of Vietnam, Hanoi
in collaboration with
the International Institute for Environment and Development, London
supported by Sida

Workplan for period December 2001-June 2002

Summary

The NTFP Research Centre and IIED, supported by Sida, are carrying out a research project on how markets for upland products are structured and how they function in Vietnam. The purpose of this research is to inform policymakers about how market incentives might be set up to favour the livelihoods of poor upland producers. In the present stage of the research, the market structures of three sub-sectors of upland products (agricultural commodities, timber and non-timber forest products) will be examined in detail for one province, Quang Ninh. The research will be carried out in close collaboration with the Planning Division of the Department of Agriculture and Rural Development. The policy-relevant results of this first stage of research will inform subsequent research within this theme.

Introduction

The research described in this workplan forms a component of a wider project coordinated by IIED. The overall project runs from April 2001 to March 2003 and is supported by Sida. Research issues addressed in the overall project were developed following production and discussion of an issues paper[15] and broad consultation on the research questions suggested by that paper. A workshop and provincial level consultations refined and added to the potential research issues. An IIED visit to Hanoi in August 2001 further refined research issues in terms of current priorities, and the marketing of upland products emerged as a key issue warranting research[16]. This workplan describes activities to be carried out during the first six months of the research, by the NTFP Research Centre in collaboration with IIED. Further activities will be planned towards the end of this six month period.

Why focus on marketing of upland products?

Many of the Vietnam's poorest communities live in upland areas. Whilst subsistence agriculture is the mainstay of their livelihood, it is widely acknowledged that cash income from marketing upland products is a vital component in the livelihoods of many people. There is a wide range of upland products marketed locally, nationally and, for some products, internationally, but at present very little is known about the actual structure of markets for upland products.

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[15] Morrison, E. and Dubois, O. 1998. Sustainable livelihoods in upland Vietnam: land allocation and beyond. IIED, London.

[16] Originally the programme of research was to include five 'themes', of which the marketing of upland products was one. Following discussions in August 2001 it was decided to combine research themes looking at issues of equity and the sharing of rights of responsibilities with the theme on marketing, and this will be developed in later stages of the research on marketing. The theme focusing on the role of SFEs was dropped as very similar research is already being conducted by other organisations. The theme focusing on the links between land use and watershed functions is being carried out by FSIV: a separate workplan relating to that theme is available from IIED.

While market development can deliver substantial benefits to the economies of poor upland communities, improved marketing may not necessarily improve the livelihoods of all members of those communities. Issues concerning equity and the sharing of benefits become key as markets develop, particularly in cases where the poorest and marginalised members of communities are unable to take part in commercial transactions. Furthermore, increased marketing of certain products may lead to over-harvesting and scarcity of particular species, as has happened in other parts of the world. Thus certain types of markets can lead to tensions between livelihood needs and conservation concerns.

This research aims to determine how markets for upland agricultural and forest products can be improved in order to support producers' livelihoods. Later stages of the research (beyond the scope of this workplan) will consider equity issues, in particular looking at the opportunities for the poorest and most marginalised members of communities to benefit from improved marketing.

The need for research on marketing of upland products has been expressed by various groups. Policymakers see the development of such markets as a possible means to help relieve upland poverty, to stabilise prices, and to reduce the need for subsidies. Marketing of upland products was identified as an important issue for research at the recent FSSP workshop on 'Setting research priorities for the 5 million hectares reforestation programme' (Dalat, 20-22 November 2001). Furthermore, the Government of Vietnam has requested MARD to focus on trade issues as a matter of priority during the coming year. Consultations with government officers, donors and researchers based in Vietnam suggest that there is broad agreement that the potential for marketing of products as a means of improving upland livelihoods merits detailed research.

Key issues concerning marketing of upland products

Key issues concerning the marketing of upland products in Vietnam include:

- Need for improved information and broader *understanding of market structures* in upland Vietnam. The type of information is needed is both descriptive – on the structure of market channels for particular sub-sectors (e.g. agricultural products, timber, non-timber forest products), including the various actors and prices at each stage of the supply chain – and analytical, such as estimation of demand, price analysis and reasons for distortions, and analysis of constraints and opportunities for improving the market at various points along the chain.

- Concerns about the *impacts of current strategies*, and how they may be remedied. Currently there is a tendency for market development in Vietnam to focus on transport and distribution, and the promotion of single crops (which has led to over-production of particular crops and subsequent price crashes). Less attention has been paid to developing the capacity of farmers to make their own choices about what to grow or sell.

- Debate as to whether the provision of *better market information* to farmers would facilitate market development, or whether such information is already adequate at the village level. There are instances of producers/ collectors experiencing increasing scarcity of resources yet not being able (through lack of power to negotiate, or lack of market information) to reflect that scarcity in the prices charged to the traders/ middlemen.

- Partly due to the fact that prices do not always reflect *scarcity of resources*, there is little information on which upland products – perhaps particularly those that are harvested from the wild – are coming under severe market pressure. Markets for some products – such as certain medicinal herbs and fuelwood – are increasing but the real impact on the resource base is not yet apparent. Hence strategies to conserve dwindling resources are not developed, or are not based on accurate local level information.

- Different upland products have very *different market structures* – some are well established and highly regulated, while others may be far more informal and opportunistic. Contrasting different products or groups of products should give insights into the types of policies, especially the extent of government regulation, that best favour market opportunities for upland producers.

In conducting this research a number of assumptions are being made, namely that marketing of upland products will be helped by:

- diversification of products
- provision of better market information
- reducing constraints in the supply chain
- assistance with developing and processing certain products.

These assumptions will be considered and, to the extent possible, confirmed or refuted during the research.

Research approach

The research covered by this workplan will focus on one province rather than attempt to span a number of northern upland provinces. The main reason for this is that scattered information about market channels in Vietnam exists, but there have not been any systematic investigations of overall market structures for upland products. In addition the opportunity to conduct the research in collaboration with provincial authorities is more realistic if focused on just one province.

Quang Ninh province was selected for the current six month period of fieldwork. This selection was based on existing background information and researchers' knowledge of the province, presence of an active market in upland products, accessibility from Hanoi, and presence of a relatively progressive provincial government which is actively seeking better information on marketing as well as ways to reduce the gap in wealth between upland and lowland areas.

The study aims to provide a broad-based description and analysis of the market structure of three sub-sectors of upland products: agricultural products (e.g. soya beans, fruit), timber (e.g. pine, acacia), and non-timber forest products (e.g. bamboo, medicinal plants).

The specific objectives (questions) for this six month period of research are as follows:

1. Scope
- What products are produced/ gathered for market in the areas under study?
- How long have these products have been traded?
- What is the importance of the products to cash income of the households?
- From the above, what are the market chains of the selected products?
- How many direct actors are involved in the chain?
- How were these chains formed and developed?
- What is the movement of the product though the chain, from producer to consumers?

2. Pricing
- What is the product price received/ offered at each link of chain?
- *What are key factors influencing the price (demand-supply, competition, infrastructure, taxes, fees, local rules, policies and regulation…)?*
- *How do prices fluctuate?*
- *Can fluctuation be mitigated, and how?*

3. Information

- Market intelligence: are the farmers aware of: the product's use, the customers, consumers, market channels, prices, the way the product moves through the channel?
- Do they know of the price of the same product in other areas?
- What are the flows of market information?

4. Constraints

- What are the constraints at each link of the market chain (information access, policies, taxes, infrastructures, resource management, technology, credit . . .)?
- How can these constraints be overcome or lessened?

5. Assistance

1. What assistance is needed to improve farmers' market initiative, their access to information and product development for market?
2. How can such assistance be provided?

Activities and methodologies

1. Methodology workshop*: the objectives of this workshop, held in November 2001 and attended by the research team, project advisers and IIED, were to make detailed preparations for the first six months of fieldwork and analysis on the development of markets for upland products. The workshop focused particularly on selection of methodologies.*
2. Analysis of existing information at the provincial level*: to give an overview of the province of Quang Ninh in terms of poverty, existing marketing of upland products and policy – in terms of statement, implementation and impacts on the lives of upland residents. The methodology workshop included initial sharing of information by the head of the provincial Planning Department, and detailed discussions regarding selection of field sites and possible commodities for research.*
3. Selection of sites for field research*: following discussions at the methodology workshop, it was decided to focus on Ba Che, Binh Lieu and Dam Ha districts. Some additional information may be collected from Hoanh Bo district. Together, these districts provide a thorough representation of the different upland conditions in Quang Ninh, in terms of ecological conditions, land types and products sold. Within these districts, the team will select communes for detailed field research. Selection criteria will include degree of poverty, presence of market activity, location in upland area, and tenure situation.*
4. Field research *in the four districts will be carried out sequentially, using an adapted version of the 'market analysis and development' (MA&D) methodology. In each case, commodities for study will be selected as part of the field research. Initial criteria for selection of commodities are that they should be economically important to the local (poor, upland) community, and that they should be 'policy relevant'. Specific commodities will be chosen as examples of each of the three groups i.e. agricultural products (short market channel), timber products (longer market channel) and NTFPs (longest market channel).*
5. Analysis of findings. *Following each stage of fieldwork (three or four stages depending on the number of districts covered), findings will be analysed and written up. Feedback to the provincial government, via the Department of Agricultural and Rural Development, will accompany each short phase of analysis.*
6. Preparation of draft report. *Synthesis of all results and an analysis at the provincial level will lead to production of a draft report. Efforts will be made to keep this report concise and immediately relevant, in order to reach a wide audience. The draft will be translated into both Vietnamese and English.*
7. Feedback on draft report. *In addition to comments from IIED and project advisers, a workshop will be held to review progress so far, discuss the draft findings and plan the next phase of*

research. This will include participants from the methodology workshop and provincial representatives.

8. Finalisation of report. *Following the workshop, the NTFP research centre will finalise, print and distribute the report to a wide audience in Vietnam and internationally.*
9. Planning further research*, to follow the activities presented in this workplan, will be undertaken towards the end of the six month period. The planning stage will also consider whether to broaden the scope of the study geographically or to deepen research within Quang Ninh province. Further research will include a focus on issues of equity within communities; for example the following questions are likely to be considered:*

- *how are benefits from improved marketing of upland products distributed within communities?*
- *what are the impacts of market development on the poorer, more marginalised members of those communities?*
- *What, if any, potential is there for marketing of upland products to improve the livelihoods of the poorest and most marginalised?*
- *how best can opportunities for all to benefit from improved marketing be promoted – whilst minimising risks for the poorest?*

Schedule and inputs

Time schedule for project activities is given in an appendix.

Whilst the project extends over a two year period, detailed plans are made, and progress reviewed, on approximately a six monthly basis. Hence this workplan covers activities to be carried out between December 2001 and June 2002.

Required inputs are anticipated as follows:
1. Methodology workshop (12 participants, 3 days)
2. Activities carried out by NTFP Research Centre:
    - synthesis of existing policy information (sub-contracted to the provincial Planning Department)
    - fieldwork
    - analysis, review and feedback of fieldwork findings
    - travel and subsistence
    - field costs for farmer interviews
    - coordination, and drafting and finalisation of report
    - communications and materials
    - translation of draft reports etc
3. Advice on planning research and review of results: (project advisers, as needed)
4. Workshop to review results (12 participants, 3 days)

The budget attached to this workplan covers just those activities to be carried out by the NTFP Research Centre, and provides more detail on the individual inputs. The terms of reference for the synthesis of existing policy information, sub-contracted to the Quang Ninh Planning Department, are attached as an appendix.

Research partners

NTFP Research Centre: part of the Forest Science Institute of Vietnam, the NTFP Research Centre will lead the fieldwork and analysis, and coordinate other inputs to the project (for example from representatives of Quang Ninh province).

Planning Department of Quang Ninh province: *the Planning Department will undertake synthesis of relevant background information concerning markets for upland products in Quang Ninh province.*

Advisers to the project: Dr John Raintree and Mr Hoang Xuan Thanh will provide periodic inputs to include guidance on research plans, comments and feedback on fieldwork analysis and draft reports, attendance at workshops, etc.

International Institute for Environment and Development (IIED), a London-based policy research institute, will support and backstop the research, and facilitate information flow and links with other activities under the wider project

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Sonja Vermeulen (Sonja.vermeulen@iied.org) and Elaine Morrison (Elaine.Morrison@iied.org), Forestry and Land Use programme, IIED, 3 Endsleigh Street, London WC1H 0DD, UK. Tel. +44 20 7388 2117. Fax. +44 20 7388 2826.

Appendix : Time Schedule

Activities	***Time schedule***																							
	Dec.				**Jan**				**Feb.**				**March**				**Apr.**				**May**			
Contact Mr. Vang, translation of TOR and contract, outline of report, field work planning and budgeting																								
Field work preparations																								
Field work in first district Analysis and feed back to province																								
Field work in 2nd district Analysis and feed back to province																								
Field work in 3 rd district Analysis and feed back to province																								
Field work in 4th district Analysis and feed back to province																								
Policy review and analysis and draft report (Mr. Vang)																								
Workshop for comment on report																								
Final report																								

Appendix 3: terms of reference for policy analysis in Quang Ninh province.

Land use and sustainable livelihoods in upland Vietnam

Marketing of upland products

A research project of:
the NTFP Research Centre of the Forest Science Institute of Vietnam, Hanoi
in collaboration with
the International Institute for Environment and Development, London
supported by Sida

Policy analysis in Quang Ninh province: Terms of reference

Introduction

This document gives the terms of reference for an analysis of policies affecting trade in the commodities sold by small-scale upland producers in Quang Ninh province, Vietnam. Broadly, this policy analysis will answer the question of how government policies impact on marketing of upland products by small-scale producers. Which policies constrain markets for these commodities, and how? Which enable them?

Background

Many of the Vietnam's poorest communities live in upland areas. Whilst subsistence agriculture is the mainstay of their livelihood, it is widely acknowledged that cash income from marketing upland products is a vital component in the livelihoods of many people. There is a wide range of upland products marketed locally, nationally and, for some products, internationally, but at present very little is known about the actual structure of markets for upland products.

While market development can deliver substantial benefits to the economies of poor upland communities, improved marketing may not necessarily improve the livelihoods of all members of those communities. Issues concerning equity and the sharing of benefits become key as markets develop, particularly in cases where the poorest and marginalised members of communities are unable to take part in commercial transactions. Furthermore, increased marketing of certain products may lead to over-harvesting and scarcity of particular species, as has happened in other parts of the world. Thus certain types of markets can lead to tensions between livelihood needs and conservation concerns.

The overall research project, of which this policy analysis forms a part, aims to determine how markets for upland agricultural and forest products can be improved in order to support producers' livelihoods. Later stages of the research will consider equity issues, in particular looking at the opportunities for the poorest and most marginalised members of communities to benefit from improved marketing.

Some key concepts

- **Need for a complete commodity chain (market channel) analysis**. Upland producers' opportunities for trade may be affected by barriers and support anywhere along the commodity chain – from the point of first sale to ultimate purchase by a consumer – because trade involves passing on of prices, availability, quality and so on from one purchaser to the next. Therefore this policy analysis will take into account not only direct policy effects on small-scale upland producers, but also all the steps in the market channel as far as the consumer (or, for exported products, the national border).

- **Three sub-sectors of upland commodities to consider: agricultural, timber and non-timber forest products (NTFPs)**. These three sub-sectors have distinct market characteristics. Most importantly, agricultural commodities (soy beans, fruit etc), timber (pine, acacia, eucalyptus, indigenous species) and NTFPs (rattan, bamboo, medicinal plants, wildlife, honey etc) tend to have short, medium and long commodity chains respectively.

- **Consideration of losers, winners and unaffected (marginalised)**. Any government policy will help some people gain, while others lose and the rest are left unaffected by the policy. Since the ultimate aim of the research is to contribute to the livelihoods of the poor – and among these the poorest – in the Vietnamese uplands, the policy analysis will consider how the effects of policies are distributed among different groups, especially the poorest upland people – are they winners, losers or marginalised?

- **Focus on Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts**. These districts have been chosen for their different characteristics, especially in terms of the major upland products traded out of each. The policy analysis will cover the whole province, but with particular reference to the above four districts.

- **Concentration on relevant and active policies**. All too easily, analyses of government policy can become long lists of all the statements and legislation ever devised. To be fresh and pertinent, this policy analysis will be limited to those policies that make real differences to peoples' livelihoods in Quang Ninh at the present time. Where the province of Quang Ninh has modified national policies to suit provincial conditions, or has developed its own policies, this should be stated clearly.

Content and questions

Under these terms of reference, the policy analysis will cover the following four topics and answer relevant questions for each:

- **Overall provincial trade policy for upland products**. Which sub-sectors (agricultural, timber, NTFP) and which exact commodities are regulated? How is trade regulated? Does the government control prices at any point? Monitor prices? Impose charges? (including road / toll taxes) Restrict who is involved in trade? (e.g. some commodities always pass through SFEs) Require licences for producers or traders? Enforce quality standards? Who benefits, who loses out and who is marginalised by provincial trade policy? What are provincial intentions – towards more regulation or deregulation?

- **Policies expressly aimed at improving marketing opportunities for upland people** (e.g. Decree 20). For each policy, what is the stated policy, how far has implementation gone in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts, and what are the impacts of the policy on market chains for small-scale upland products? Is the policy effective – are people making use of what policy provides? Who benefits? Who doesn't? Who is marginalised? (e.g. Does the policy favour landowners in particular, or producers of certain commodities? Are there different effects on men and women?) What are the (recorded and speculated) effects on the poorest groups in upland communities?

- **Policies not intended primarily to have impacts on marketing by upland people, but which do have direct or indirect effects** (e.g. sedentarisation policy). For each policy, what is the stated policy, how far has implementation gone in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts, and what are the impacts of the policy on market chains for small-scale upland products? Who benefits? Who doesn't? Who is marginalised?

- **Key institutions** involved in policy and marketing at the provincial level and in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts. For each institution, briefly explain its roles, e.g. those providing support/ poverty alleviation/ assistance during food shortages etc; extension agencies; those enforcing regulations of various sorts; trading organisations (SFEs etc); tax authorities and so on. The role of international projects could also be mentioned as these might 'distort' - hopefully in a positive way - local conditions in particular areas.

Outputs

The main output of the policy analysis will be a report to contribute to the ongoing research. The report will be a maximum of 20 pages and will, where possible, use diagrams and other visual material to supplement the text. Tables may be used instead of text where appropriate. The report should concentrate on policy questions and should not include background information.

The report will have four sections corresponding to the content outline above:

1. Provincial trade policy
    - Types of trade regulation for each sub-sector (agricultural, timber, NTFP)
    - Impacts on small-scale producers and traders, identifying in particular which groups of district residents gain, lose, or are not affected by the policy
    - Trends in provincial policy, identifying in particular trends towards greater regulation or deregulation for each sub-sector (agricultural, timber, NTFP)
2. Policies to improve marketing opportunities for upland producers

    For each current, relevant policy in turn:
    - Summary of stated policy
    - Implementation in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts, including amendments or other special features for each district
    - Impacts of policy, identifying in particular how effective the policy has been, local constraints, and which groups of district residents gain, lose, or are not affected by the policy
    - Impacts, if any, of policy on the poorest communes and poorest households within communes in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts
3. Other policies than impact on marketing opportunities

    For each current, relevant policy in turn:
    - Summary of stated policy
    - Implementation in Ba Che, Binh Lieu, Dam Ha and Hoanh Bo districts, including amendments or other special features for each district
    - Impacts of policy, identifying in particular which part of the market chain is affected by the policy, and which groups of district residents gain, lose, or are not affected by the policy
4. Key institutions

    For each institution:
    - Roles
    - Relationships with other institutions

    (This section might be done best as a table or diagram)

Timing and payments

This study will be carried out by Mr Vang, Head of the Planning Division of the Department of Agriculture and Rural Development, Quang Ninh province, under a sub-contract from the NTFP Research Centre. The NTFP Research Centre will provide a budget of $2000 to Mr Vang to complete this work, as agreed with IIED.

A first draft report will be circulated to the NTFP Research Centre and IIED by the end of February 2002. A final draft will be produced upon receipt of comments from the NTFP Research Centre and IIED, at the latest by May 2002.

Annex 2: Project methodology workshop: List of participants

Mr. Phan Lac Vang	Head of the Planning Unit, Quang Ninh Department of Agriculture and Rural Development
Dr. Le Thi Phi	NTFP Research Centre of FSIV
Mr. Chung	Economics Department, FSIV
Nguyen Van Duong	
Mr Nguyen Ngoc Quang	NTFP Research Centre of FSIV
Mr. Thiet from Forestry College	Forestry College, Xuan Mai
Hoang Xuan Thanh	Independent researcher and consultant
Dr. John Raintree	Independent researcher and consultant
Dr. Sonja Vermeulen	Research Associate, IIED
Elaine Morrison	Research Associate, IIED

Annex 3: List of scientific, local and common names of products and their uses

Local name	*English name*	*Scientific name*	*Use*
Ba kich	*Morinda* root	*Morinda officialis*	A very common kidney tonic herb used in Chinese medicine to improve health
Nam Lim	*Reishi* mushroom	*Garnoderma lucidum*	Popular worldwide commodity used as herbal tea or powerful tonic herbs for various ailments
La khoi		*Ardisia sylvestris*	A herb used in traditional medicine to cure stomach problems
Sa nhan	Amomum	*Amomum xanthioides*	Used as herb and spice. Amomum is produced mainly for export
Hoang dang		*Fibraurea tinctorea*	A common herb used to treat infections of the digestive system and liver
Tram	Canarium	*Canarium album*	Multi-purpose tree, fruit is used for food and its resin is used in incense industry
Vo chay	Chewing bark	*Artocarpus tonkinensis*	A bark used together with betel to chew
Co lau	Broom grass		
Giang giang	Fern	*Dryoteris filix-mas*	High quality fibre used to make baskets and others small items for export markets
Huong bai		*Dianella ensifolia*	The root part of the grass is used in incense industry
Tac ke	Gecko	*Gecko gecko*	A wildlife used as superior tonic herb in Chinese medicine
Ran	Snakes	*(many species)*	Used as tonic herb and food for expensive restaurants
Rua dat	Turtles	*(many species)*	Used as tonic herb and food for expensive restaurants
Gung	Ginger	*Zingiber officinale*	A common spice and herb
Dia lien		*Kaempferia galanga*	Used mainly as flavour material
Dong rieng	Canna	*Canna edulis*	Used to make noodle (vermicelli)
Trau	Tung oil	*Aleurites montasna*	The fruit is harvested to extract oil, which used in chemical industry
Tre doc	Bamboo	*(many species)*	Used as props for climbing crops
Tre giay	Bamboo	*(many species)*	Used to make paper
Nua	Bamboo	*(many species)*	Used to make paper and small items such as baskets

Annex 4: Market analysis and development methodology (MA&D)

MA&D is an internationally recognised methodology developed by FAO and RECOFTC specifically to assist people in achieving a sustainable livelihood system, in which their household and community assets are increased and local forest management is improved. It enables local people to identify potential products and develop markets that will provide income and benefits without degrading the resource base. It is a step-by-step process, arranged in three phases, which break into logical sequence steps, and it uses a series of general tools that have been, or can be, adapted to achieve specific results in the development of business ideas.

Summary of MA&D process

Phase 1: Assessing the existing situation	Step 1: Identify the target group Step 2: Determine the financial objective of the target group Step 3: List existing resources and products Step 4: Identify key constraints of the existing market system Step 5: Shortlist a range of products Step 6: Raise awareness of the benefits of working together
Phase 2: Identify products, markets and means of marketing	Step 1: Analyse the four areas of enterprise development Step 2: Select the most promising products Step 3: Create interest groups for the selected products
Phase 3: Plan enterprises for sustainable development	Step 1: Examine the business environment of the selected products/ enterprise Step 2: Define the enterprise mission, goals and objectives Step 3: Develop strategies in each of the four areas of enterprise development Step 4: Formulate the action plan to implement the strategies Step 5: Calculate financial projections for the enterprise Step 6: Obtain financing as specified in the capital needs statement of the financial plan Step 7: Initiate the pilot phase and training Step 8: Monitor progress and deal with change

MA&D is not only a powerful method used to support local people in developing sustainable enterprises for improvement of their livelihood, but can be an effective method for marketing research purposes if some adaptations are made. In the context of research on markets in upland Quang Ninh, only phases 1 and 2 of MA&D are used.

In phase 1, steps 1, 3 and 5 are taken and modified to suit the objectives of the research. In the original MA&D, the facilitator assists farmers to list the existing and potential products of the locality, and then to identify their major constraints in enterprise development. Based on a set of product selection criteria, which are related to four areas of product enterprise development, in step 5 they will eliminate the non-economically viable products to have a shortlist of the promising products for market study in the next phase. In the research in Quang Ninh, the farmers were requested to list only their existing commodities and then, based on 3 criteria mentioned in section 2, to select 4 commodities for further market study. The process of conducting steps 3 and 5 of the original MA&D is much more complicated and time-consuming, as the lists of existing and potential products are often very long. Meanwhile, for this research case, the number of commodities are not diverse, in some areas like Hoanh Mo and Quang Lam there are only a few commodities existing for many years.

Similarly, step 1 of phase 2 is used, but without much adaptation. In this step, the market chain of products is surveyed, starting from producers/ gatherers to consumers or exporters to answer the research questions described in the section 2.

Annex 5: Policy analysis in Quang Ninh province: Mr Phan Lac Vang

Group 1: Group of policies relevant to production in the uplands

A Character

The group of policies relating to product creation includes Decrees, Decisions and Resolutions promulgated by central and provincial governments on mechanisms and policies stimulating land allocation, hiring and use and the development of business, production, etc. to create employment and new goods.

B Introduction of group of policies on product creation

Documents classified to product creation group	***Main related contents***
Promulgated by Central Government	
Decree No.64/ND-CP dated 27 September 1993 on allocation of agricultural land to farmer households.	• Households and individuals are issued certificates of right to use the land for a stable period of 20-50 years; they do not have to pay land use fees for limited areas. • In limited areas: Annual trees: 2 ha; Perennial trees: $\leq$ 30 ha; wasteland and bare hills: decided by provincial people's committee. If a household produces for multiple purposes, the limit areas will be measured based on each type.
Decree No.85/1999/ND-CP dated 28 August 1999 on readjustment supplements some articles on allocation of land to households and individuals for long term and stable agricultural production.	• Households and organisations with land outside the locality are permitted to hire land for a stable period of 20 years if they want.
Decree No.74/ND-CP dated 25 October 1993 on detailed regulations on implementation of the agricultural land use tax.	• For ethnic minorities living in high mountainous areas: if a householder is disabled; weak and feeble; a war invalid graded 1/4, 2/4; a sick soldier graded 1/3 and 2/3; or the household included a soldier who died for liberation, the household will be exempted from tax. • A maximum reduction of 50% tax is made to other ethnic households in high mountainous areas and sick soldier households. • The areas, which are exempted, should not exceed the limit area regulated by Land Law.
Decree No.163/1999/ND-CP dated 16 November 1999 of the Prime Minister on allocation and lease of forest land to organisations, households and individuals for stable and long term forestry production.	• Households, individuals and organisations are allocated land for stable and long term use for a period of 50 years, are issued land use rights certificates and do not have to pay land use fees for limit areas. • Limit area: Household: <30 ha; organisation: depends on project scale. • Rights: Recipients have rights to land use and obligations according to the Land Law and are exempted tax, capital contribution and property mortgage, etc. • Additionally, they are allowed to hire land, sign a contract on protection and utilisation of all forest types and forest lands.

Decree No.14/ND-CP dated 2 March 1993 of the Government on policies for producing households to get a loan for development of agro-forest-aquatic-salt production and rural economy.	• The loan period may be 12 months, 36 months or over 36 months • Loan condition: must have guarantee or mortgage or faith security. • Households living in high mountainous areas get a 15% reduction on the interest rate of the same loan type.
Decision No.199/2001/Q§-TTg dated 28 December 2001 on remitting tax of agriculture land use.	• Tax exemption: To completely exempt tax on production land, including area excess limit area for poor households who are classified based on decision No. 1143/QD-LDTBXH dated 01 November 2000 of the Ministry of Labour, War Invalids and Social Affairs. Households having agriculture land in communes under Programme 135 are exempted for limit areas. • Tax reduction: Other agricultural households get 50% reduction of tax on agriculture land use rest after minus exempted tax according to policy (if any). • Timing: applicable from 2002.
Decree No.13/CP dated 2 March 1993 on agriculture extension.	• To popularise advanced techniques on crops, livestock, processing and preserving agro-forest-aquatic products. • To improve knowledge on techniques and economic management for farmers. • To provide information on market and price of agro-forest products.
Official letter No.2698/TC-NLTL dated 19 October 1994 of Finance Ministry on expenditure norm for agriculture and forest extension activities.	• Budget for establishing demonstration model: - To support 40% budget for variety (for mountainous area: to support mountainous 60%) - To support 20% budget for materials (food, fertiliser, plant and livestock protection chemicals; mountainous areas are supported 40%). - Maximum budget for model implementation not excess VND 3 million.
Official letter No.10045/TC-HCSN dated 23 October 2001 of Finance Ministry on support budget for plant and livestock varieties.	• Beneficiaries are poor and poverty households under 135 program. • Support amount: - Poverty household get 100% support - Poor household get maximum 70% support - must repay 30% of price for variety to providers. • Supported budget: 21.5 million dong/ commune.
Resolution No. 03/2000/NQ-CP dated 02 February 2000 of Government on farming economy.	• To stimulate allocating, hiring land and issuing land use right certification. • To exempt tax on farm revenue for the maximum period regulated by Decree No.51/1999/ND-CP dated 8 July 1999. • To remit hiring fee for waste land and bare hill. • To invest in infrastructure in farming development areas. • To get loan from Investment and Development assistance Fund, Investment and Development credit capital, commercial credit capital, capital resource for poor alleviation and poverty eradication and employment, etc. - *No limit labour recruitment; assist occupation training and support plant variety development.* - *Market information - build up processing bodies* - *Develop markets - stimulate export and invested property protection.*
Decision No. 23/2000/Q§-NHNN1 dated 22 September 2000 by Governor of Sate Bank on policy on bank credit for farming economy.	• Beneficiary: Farmer households, retired persons, and individuals specialising in agriculture, forest, aquatic, etc. production. • Interest rate: - Farms located in area III of mountainous and island areas get 30% reduction of interest rate compared to normal interest rate of credit organisations. - Farms located in area II of mountainous area get 15%

	reduction of interest rate compare to normal interest rate of credit organisations. • Period of loan: - Short-term: up to 12 months - Medium-term: from 12 months to 60 months - Long-term: over 60 months.
Joint circular No.28/1999/TT-LT dated 3 February 1999 on guideline implementation of Decision No. 661/QD-TTg dated 29 July 1998 of the Prime Minister on objectives, policies and implementation organisation of 5 million hectare afforestation project.	• Circular regulated specific policies on investment in establishment of protective, special use and productive forests. • Defined beneficiary system of people participating in project implementation.
Promulgated by Quang Ninh people's committee	
Decision No. 2515/2000/QD-UB dated 02 October 2000 by Quang Ninh People's committee on "temporary definement limit area and period of allocating land in terms of residential land, aquaculture land and forest land to households and individuals".	• Residential land: Communes in midland and mountainous areas: not excess $400m^2$; for long-term. • Aquaculture land: 1 ha/household - period of 20 years. • Forest land or agriculture land for growing perennial tree. - Forest land: not excess 30 ha/household - Agriculture land for growing perennial trees: not excess 10 ha/household - Period of allocation: 50 years • If forest land, aquaculture land and land for perennial tree growing larger than limit area, owner (households or individuals) must hire land.
Decision No. 1169/2000/QD-UB dated 9 May 2000 by Quang Ninh people's committee on numbers of policies and measurements to stimulate development of occupations attracting labour.	• Organisations, households get remission of land use fee, land use tax and land-hiring payment. • To get favourable investment capital: - For households, individuals: To get preferential loan, post investment-interest compensation and, investment capital aid from State budget; to be mortgaged and faith security for loan. - For investors: To be allowed to get loan from Fund of Investment and development assistance, Employment program; to be mortgaged, get guarantee consideration, interest support and support in infrastructure construction. • Stimulate exported products: To be rewarded 2-5% of revenues, and to be supported budget for commercial promotion with the amount of 10-100 million dong. • To stimulate training occupation, tuition remission and support occupation training budget.
Circular No.328-UB dated 10 April 2001 by Quang Ninh people's committee on investment by capital from State budget in establishment of forest extension models in mountainous communes, districts.	• To establish forest extension models in mountainous communes and districts: - Support 100% budget for varieties - Support 60% budget for fertiliser and materials.

Group 2: Policies on agro-forest product exploitation and processing.

A Character

Group of policies on agro-forest product exploitation and process includes Instructions and Decisions promulgated by Central and provincial Governments on utilisation of forest products from natural forests and plantation forests, etc. All these activities are integrating to responsibilities of sustainable forest establishment, management and protection to facilitate the forest utilisation.

B Introduction of policies on agro-forest product exploitation and process

Documents	**Related content**
Promulgated by Central Government	
Decision No. 145/1998/QD-TTg dated 15 August 1998 by the Prime Minister on management and utilisation of plantation forest by fund of PAM.	• Forest owner is responsible for reforestation as exploiting PAM-funded forest. • Forest owner has a right to positively exploit and trade products from forest (he must inform the commune Forest Protection or Commune People's committee)
Instruction No.19/1999/CT-TTg dated 16 July 1999 by the Prime Minister on implementation of measurements of trading promotion of timber exploited from plantation forests.	• To stimulate utilisation and export of timber exploited from plantation forests. • Forest owners positively exploit plantation forests.
Decision No.132/2000/QD-TTg dated 24 November 2000 by the Prime Minister on stimulating development of rural occupations.	• Beneficiaries are households, individuals, groups, cooperatives and enterprises. • Content: - Government directs, stimulates development and protects ownership, support information, consultation, occupation training and land allocation. - To be allowed to apply for a loan from Fund of Investment and Development assistance; to be supported post-investment interest, credit guarantee, to get preferential investment and preferential tax. - To be provided market information, and permitted to join a joint venture with domestic and foreign partners.
Decision No. 02/2001/QD-TTg dated 02 January 2001 on support investment by Fund of Investment and development Assistance for projects of production, processing goods for export and agriculture production projects.	• Objects: Production and processing goods for export projects, projects on perennial tree growing, livestock and processing. • Loan amount: For projects of group A as classified in Decision No.43/1999/ND-CP dated 29 June 1999. • For other projects, loan amount not excess 90% of total project investment capital.
Decision No. 08/2001/QD-TTg dated 11 January 2001 on regulations of management of special use, protective and productive forests.	• Households are allowed to sign contract on regenerating and protecting protective forests: 1 - To be allowed to prune, collect fruits, resin and non-timber forest products under forest canopy. 2 - To be allowed to exploit 100% of agro-forest products if they invest by themselves in forestation.
Promulgated by Provincial People's committee	
Instruction No. 298/CT-UB dated 20 March 1999 on pine resin management within Quang Ninh province.	Content: Quang Ninh People's committee instructed forest owners who exploiting pine resin throughout Quang Ninh province that they have to sell their produce to the Uong Bi pine resin processing factory.

Group 3: Policies on product trading

A Character

Group of policies on products trading include Decrees, decisions and tax Laws, etc. To stimulate commercial development in high mountainous areas, regulations on inspection of forest product transportation and implementation of Tax Law on agro-forest products.

B Introduction of policies on product trading

Promulgated by Central Government	
Decree No.20/1998/ND-CP dated 31 March 1998 on commercial development in mountainous, island and ethnic minority areas.	• To stimulate mountainous commercial development - To apply on all economic sectors: to be allocated land, hired land and issued Land use right certification - To build up markets and exempt land use fee - Regarding to business in areas II, III to get exemption of land use fee, reduction of revenue tax, and exemption of profit tax and reduction of credit interest. • To support price, freight and product trading in mountainous areas of II, III. • For State Owned Enterprises operating in high mountainous areas: to secure 50% floating capital; provide fully budget for policy goods for 2-3 months.
Decree No.02/2002/ND-CP dated 3-1-2002 on readjustment and supplement Decree No. 20/1998/ND-CP.	Government implement policies supporting freight based on trading results of traders who directly collect agro-forest products from specially hard communes and give priorities to collect agro-forest products from specially hard communes of area III.
Decision No.133/2001/QD-TTg dated 10 September 2001 on promulgation of regulations on export-supporting credit.	• Beneficiaries: enterprises and households having business registration. • Form of export-supporting credit: - Provide loan for medium and long term - Support post-investment interest - Guarantee investment credit - Provide short-term credit - Guarantee bidding application and contract implementation.
Laws on Value added tax No. 02/1997/ QH9 promulgated by Viet Nam National Assembly, course IX.	• Producers purchase non-processed agro-forest products will get tax exemption of inputs with amount of 1%-5% of agro-forest products price. • Tax on agro-forest products will be calculated based on purchasing report.

Circular No.122/2000/TT-BTC dated 29 December 2000 promulgated by Finance ministry guideline implementation of Decree No.79/2000/ ND-CP dated 29 December 2000 of Government on detailed stipulation of VAT law implementation.	• Crop products (including products from plantation forests) livestock and aqua products those were non-products or preliminary treated of organisations, individuals are non-VAT objects. • Producers collect non-processed agro-forest products without invoice will get reduction of tax on inputs with the rate of 2% of cost.
Circular No.91/2000/TT-BTC guideline implementation of Resolution No. 09/2000/ NQ-CP dated 15 June 2000 of Government on remission of VAT and Enterprise income Tax to stimulate agriculture product trading.	• Organisations and individuals buy from afar will get remission of VAT and income tax. • Goods getting remission of VAT and enterprise income tax, including: - Agriculture products: cereals, fresh vegetable and fruits - Products from plantation forests of timber and oil - Livestock products: cattle, poultry, eggs, and aquaculture products. • Procedure: Must have invoice or purchasing report.
Decision No.47/1999/QD-BNN-KL dated 12 March 1999 by Minister of Agriculture and Rural development on regulations on inspection of Timber and Non-timber forest products transportation, production and business.	• As transport products from plantation forest and other forest products for commercial purposes it must have: - The nearest Certification form of Forest protection - Invoice or purchasing report made by people. • For wild animals origin from multiplication, it must have: - Certification of Forest Protection department - Invoice or purchasing report made by people. - Transportation license issued by local Forest Protection station.
Promulgated by Locality	
Decision No. 381/QD-UB dated 22 May 2001 by Ba Che district People's committee on price norm for natural resource tax on non-timber forest products.	Stipulation of price for natural resource taxing on non-timber forest products.

Group 4: Indirect impact policies

A Character

Group of indirect impact policies includes decision on capital investment in residential, infrastructure, cultural, education, health care, commercial, etc. Constructions; decisions on poor alleviation and poverty eradication, supporting price and freight, supporting hard households, compensating loan interest for farmers, etc to create advantage environment for production development and improvement of socio-economic status in high mountainous areas.

B Introduction of indirect impact policies

Documents	***Related contents***
Promulgated by Central Government	

Instruction No.393-TTg dated 10 June 1996 by the Prime Minister on planning residential areas, strengthening infrastructure and arranging production in ethnic and mountainous areas.	• To plan and arrange residential groups for 5-15 coming years. • To build up infrastructure to meet requirements of socio-economic development. • Re-arrange production to exploit strengths of mountainous areas, shifting cultivation structure and establishment of fixed residential and stable production in areas of III and II.
Decision No.960-TTg dated 24 December 1996 by Prime minister on long-term orientation and 5-year plan period 1996-2000 on socio-economic development in mountainous provinces of Northern of Vietnam.	• To invest in irrigation schemes, safe water and electric constructions • Planning residential areas and alleviating poor- eradicating poverty • Develop agro-forest production and animal husbandry.
Decision No.35-TTg dated 13 January 1997 by the Prime Minister on approval of establishment of centre of mountainous commune group.	• Object: Mountainous communes. For period of 1997-2005, to establish of approximately 500 groups of communes classified as area graded III. • Investment items: 1- Transportation system within commune group centre 2- Electric for production and living 3- Water supply and drainage for commune group center 4- Administrative area 5- General consulting-room 6- Education (semi-boarding primary school) 7- Commercial-service (market- bank- post office) 8- Agriculture and forest extension (working office- nursery- varieties) 9- Industry units (processing- construction materials- forge- carpenter- knitting, etc.) 10- Information area (broadcasting- television)
Decision No.135/1998/QD-TTg dated 31 July 1998 by the Prime Minister on approval of socio-economic development program in especially hard communes in mountainous and remote areas.	• Programme area: 1000/ 1715 communes belonged to especially hard districts. - Programme timing: 1998-2005 • Programme tasks: - Planning residential areas - Strengthen agro-forest production - Develop rural infrastructure - Build up commune group centre and train commune officials
Decision No.138/2000/QD-TTg dated 29 November 2000 on merging projects on fixed residential and stable production, projects supporting hard ethnics, programs on establishing mountainous commune group center and programs on socio-economic development of especially hard communes in mountainous and remote areas (briefly called Programme 135).	• Programme content: - Project on infrastructure construction - Project on establishment of commune group center - Project on planning residential areas - Project on stabilising production, developing agro-forest production combining to product trading. - Project on training commune and village officials
Decision No.143/2001/QD-TTg dated 27 September 2001 by the Prime Minister on approval of targeted national programme of poor alleviation-poverty eradication and employment	• Programme content: total budget of 22.580 billion dong - Poverty alleviation-poverty eradication: spend 16.245 billion dong. - Employment creation: spend 6.335 billion dong.

creation, period of 2001-2005.	
Joint circular No.912/2001/ TTLT-UBDTMN-BTC-BKHDT dated 16 November 2001 guideline implementation of policy on supporting especially hard ethnic minorities.	• To support households classified as under poor-poverty level (income <80.000dong/month + lack of production land, rudimentary production tools + average property <1 million/ person) and living in communes under Programme 135 or villages under areas typed III within communes typed I, II. • Supporting items: food + clothes, bedding + living tools + production tools + seedlings.
Decision No.245/1998/QD-TTg dated 21 December 1998 by the Prime Minister on decentralising administration of forest and forest land.	• Content: Government stipulated administrative responsibilities of such levels as central- provincial- district- commune. Of which commune is basic level
Circular No.44/1999/TT-BTC dated 26 April 1999 of Finance ministry guideline preferential tax for cooperatives.	• Cooperatives who operating production and business in hard ethnic areas or mountainous areas will get exempted enterprise income tax for 1-2 years and remitted enterprise income tax for 3-4 years since having income for taxing.
Promulgated by provincial People's committee	

Decision No.1491/QD-UB dated 29 May 1998 by Quang Ninh people's committee on programme of agriculture and rural development, period 1998-2005; and implementation of Resolution of Central Party executive board, 4th (course VIII).	• To remit import duties on new variety seedlings/saplings and specialized materials for production. To remit tax on reclaiming and restoring virgin land, revenue tax, profit tax, goods and services. • Provide preferential credit, timing based on growing cycle. • To spend 100% of watered rice tax for constructing infrastructures and based agriculture extension.
Information form No.476/TB-TU dated 31 July 1999 on conclusion by Provincial Party Standing board on commercial development in mountainous and island areas, period of 1999-2005.	Up to 2005: • To stimulate and facilitate all economic sectors, develop mountainous commerce to provide fully essential policy goods and support agro-forest products trading. • To invest in development of market systems in mountainous and island areas. • To extend commercial net • Implement policies accordingly Decree No. 20-CP of Government.
Decision No.296/QD-UB dated 9 February 2001 of Provincial people's committee on extracting 356 million dong from provincial Budget for compensating loan interest for poor alleviation and poverty eradication to poor households over province in 2000.	• To extract 216 million dong for compensating 50% interest of loaning for poor alleviation and poverty eradication to poor households in 32 communes. Of which: Ba che- 7 communes, Binh Lieu- 4 communes and Hoanh Bo- 2 communes. • To extract 140 million dong to compensate 30 interest of loaning for poor alleviation and poverty eradication to poor households in 21 communes. Of which, Binh Lieu- 3 communes, Hoanh Bo- 5 communes and Dam Ha- 2 communes.
Decision No.4318/2001/QD-UB dated 16 November 2001 on amount of supporting freight of policy goods for ethnics, mountainous and island areas.	• To support freight of fertiliser and seedlings/ saplings from Central to district centre. • To support freight of fertiliser and seedlings/ saplings from province to commune centre.
Resolutions No.07/NQ-TU dated 29 November 2001 of Provincial party executive board on strengthening investment and development of socio-economic in mountainous and island areas, period 2001-2005.	Some main indicators up to 2005: • Regarding to agriculture production: - Self-balance food - Increase forest coverage to 45% in 2005 • Industry and home craft production - To build up agro-forest product processing units with suitable scale - To develop handicrafts, construction material and tools production. • Commerce-services: - To expand market system, shops and agents. - Try to reach goods retail trading in mountainous areas to 35% of goods retail trading over province.