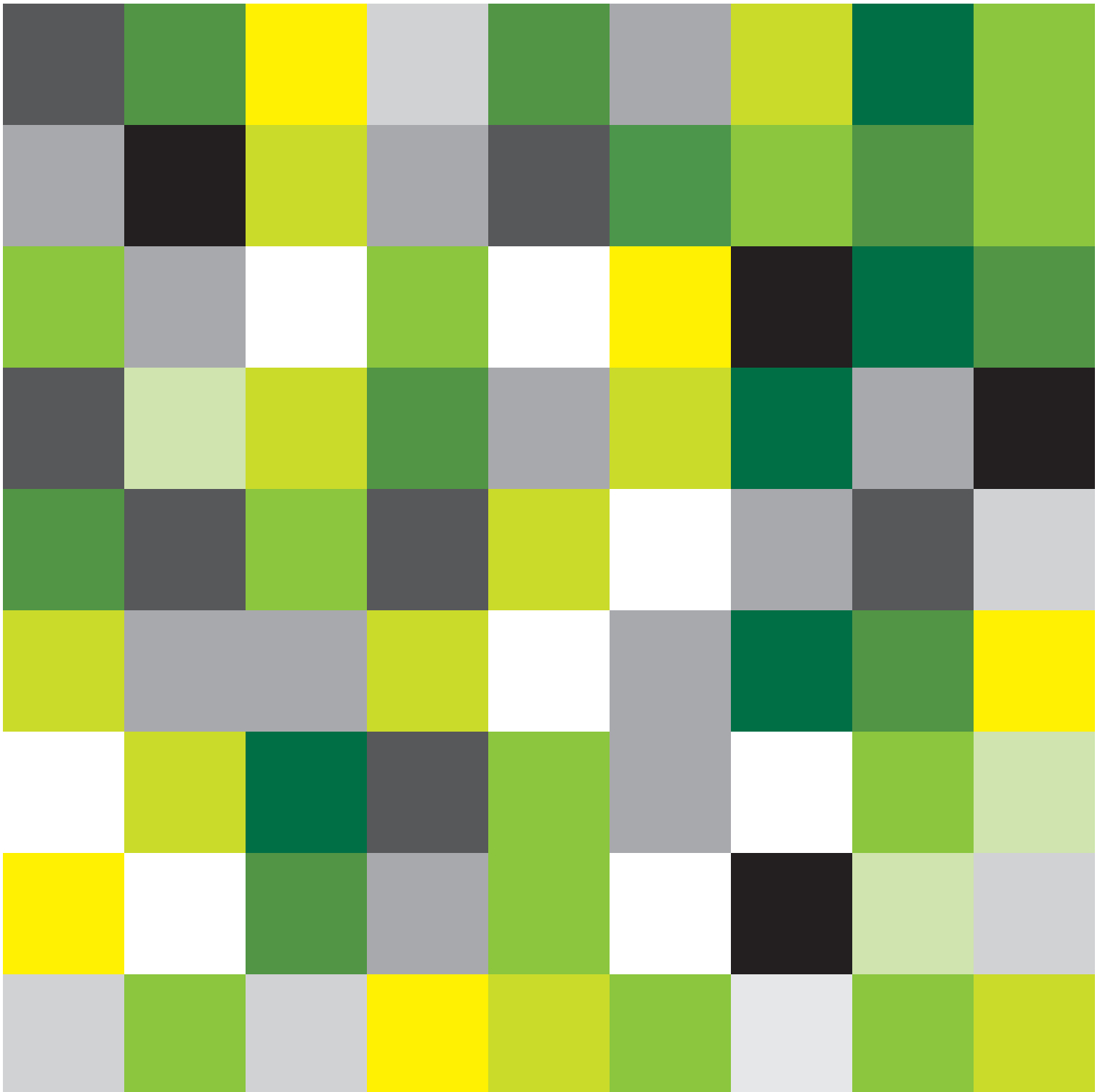


Case Study
**Partnership for Sustainable
Agriculture in Vietnam**
Coffee Working Group
The Journey



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Introduction

Grow Asia

Grow Asia is a multi-stakeholder partnership that aims to reach 10 million smallholder farmers by 2020, helping them access knowledge, technology, finance, and markets to increase their productivity, profitability, and environmental sustainability by 20%. Grow Asia brings together Southeast Asia’s smallholders, governments, companies, NGOs, and other stakeholders, to develop inclusive and sustainable value chains that benefit farmers. Value chain projects, or Working Groups (WGs), are locally-driven, often private-sector led, and bring together stakeholders from different disciplines to leverage their expertise.

Purpose of the Case Study

As part of a series, this case study is a tool to help new and prospective partners better understand how inclusive value chain partnerships are launched, evolve, and function. It documents the journey of how multi-stakeholders come together to co-create value chain projects on-the-ground. The case study also highlights partners’ contributions and leadership and provides anecdotal evidence of the benefits derived from working in partnership.

This case study explores the process of operationalizing the Partnership for Sustainable Agriculture Vietnam (PSAV) Coffee Working Group (WG), from its initial genesis to project implementation. This case study is meant as an accompaniment to the Business Model Overview on the PSAV Coffee WG, which presents the structure of the WG and the core activities of each partner. Grow Asia documents the Coffee WG’s journey by adapting the framework developed by the World Economic Forum’s New Vision for Agriculture (NVA) in *A Guide to Country-led Action*.

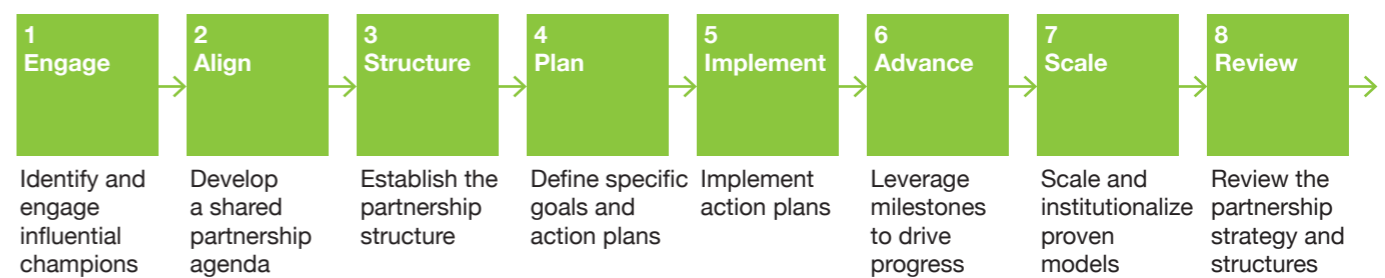
NVA’s 8-Step Framework for Action

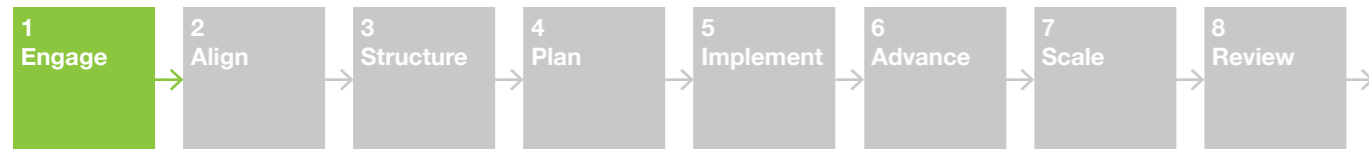
To meet the challenge of sustainably feeding 9 billion people by 2050, the agricultural sector will need to undergo major transformation. Achieving this transformation will require new approaches and extensive coordination among all stakeholders in the agricultural system. Market-based approaches, while not the only answer, will be an important tool in the “toolbox” to drive change – providing the efficiency, scalability and market-based incentives to power a large-scale effort.

The partnership models that have emerged from these efforts are diverse, but they are built upon a shared vision, a set of core principles, and series of key tactical steps that are similar across many countries. These elements have been captured here and described as the NVA Country Partnership Model.

Building on the thought leadership provided by the World Economic Forum, Grow Asia has organized this case study according to the NVA 8-step Framework for Action. While presented in a linear way, it is important to note that the partnership has and continues to evolve, with multiple steps occurring concurrently and at times re-occurring. These steps presented by the World Economic Forum are an excellent framework to better understand the core set of activities that this successful WG has undertaken during its journey.

Figure 1
NVA’s 8-Step Framework for Action





1 Engage

Convene to establish the value chain working group

Direction setting by government

During the meeting organized by the NVA for partners engaged in agriculture development in Ho Chi Minh City in June 2010 at the World Economic Forum on ASEAN, the Government of Vietnam (GOV) urged participants to join forces in finding more sustainable ways to grow coffee. In response, a group of international companies and organizations (such as roasters, input suppliers, coffee traders, and NGOs) mobilized to establish a public-private partnership for the coffee sector in Vietnam. With strong GOV support, this initiative set out to develop a model for sustainable coffee production, focused on supporting smallholder farmers to sell their products on global markets. Under the leadership of Minister of Agriculture and Rural Development, Dr. Cao Duc Phat, the Ministry of Agriculture and Rural Development (MARD) officially launched what is now known as the Partnership for Sustainable Agriculture in Vietnam. At the same event, Minister Phat also announced five WGs (known as task forces in Vietnam), including the Coffee WG.

Ensuring multi-stakeholder representation

At the onset, champions within the WG (particularly from Nestlé) made strong efforts to broaden industry participation, in efforts to promote the WG as more than just a value chain project of any one company. Partners were engaged from the GOV (national and local authorities), farmer groups, academics, civil society, and others with field-based expertise and broad perspectives across the coffee sector. Starting out as an informal structure, the WG currently includes close to 30 core organizational members contributing to the multi-stakeholder model.

On the public side, MARD led overall policy making for the coffee sector. Agricultural research fell to WASI. IPSARD provided policy advocacy. Translating policy into farming practices, the NAEC and its local units, the PAEC, played an integral role in organizing farming households for WG trainings and provided an influential and authoritative voice within rural communities. In the Vietnam setting, the GOV plays an active role in monitoring rural activities.

As such, the Coffee WG would not have functioned well without the active engagement of its various administrative units (MARD, WASI, IPSARD, and NAEC). From the private side, WG membership comprised input suppliers (fertilizer by Yara, crop protection by Syngenta), traders, roasters, and exporters. These companies already maintained a fairly developed network of partnerships to promote their businesses in Vietnam, with many (Nestlé, Yara, Syngenta) having existing links with farmers (via demo plots to showcase the value of their products or control output quality).

Already engaged in the broader sector, non-governmental organizations (NGOs), research institutes, and think tanks played a supporting role, lending their technical expertise to influence the WG agenda, through such efforts as certification (4C), sustainability practices (IDH, Rainforest Alliance), and access to finance (BIDV, ACB, Agribank). NGO partners participated and contributed their technical expertise, particularly with sustainability practices that could benefit the sector as a whole.

Stakeholders

Government

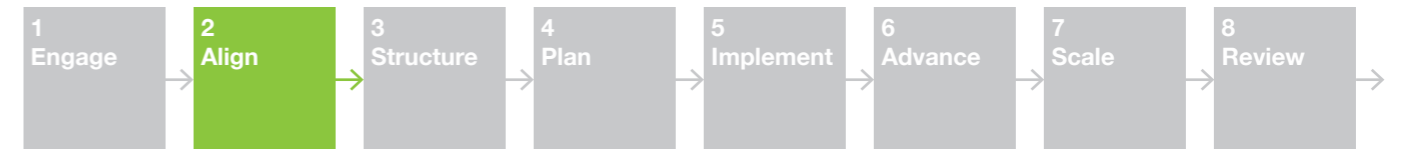
Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD)
 Ministry of Agriculture and Rural Development – Crop Production Department (MARD)
 National Agriculture Extension Centre (NAEC)
 Provincial Agriculture Extension Centre (PAEC)
 Western Highlands Agriculture and Forestry Science Institute (WASI)

Private Sector

Agribank
 Asia Commercial Bank (ACB)
 BaConCo Fertilizer
 Bank for Investment and Development of Vietnam (BIDV)
 Bayer
 Bhin Dien Fertilizer
 Louis Dreyfus
 Petrovietnam Fertilizer and Chemicals Corporation (PVFCCO)
 Nestlé
 Syngenta Vietnam Co. Ltd.
 Yara

Civil Society

4C
 EDE Consulting
 IDH
 IFC
 Rainforest Alliance (RA)
 SNV



2 Align

Brainstorm and prioritize challenges facing smallholder farmers, align expectations, and define common goals

Preliminary landscape analyses

Once engaged, coffee stakeholders in Vietnam moved methodically to determine WG priorities, which focused on making Vietnam the standard for Robusta coffee in the world. Yet, the sector faces challenges to coffee's long-term sustainability. During this phase, the Coffee WG identified potential threats to the long-term viability of the sector and livelihood of farmers:

- Ageing coffee tree stock (and an emerging replanting crisis).
- Depletion of groundwater supply (from unsustainable irrigation).
- Diminishing soil fertility (from excessive application of nitrogen-based fertilizers).

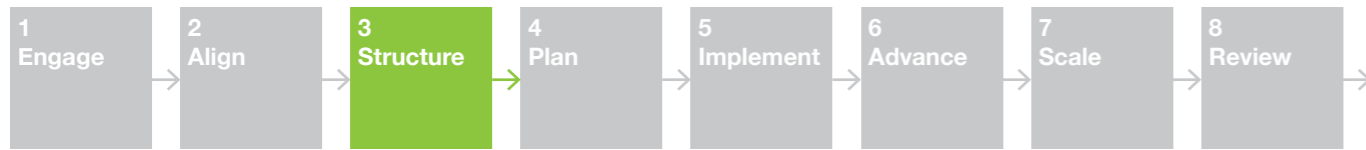
Vietnamese farmers are known as experienced fertilizer users. However, the WG realized early on that adjustments to their practices offered potential benefits.

Setting reasonable targets

Working together, the group set objectives that aligned with the GOV's 10-year national agriculture strategy. These objectives rest on four key pillars and priorities: coffee quality, coffee output, coffee sustainability, and farmer income. Leading the meetings, the WG co-leads (initially Nestlé for the private sector and its GOV counterpart, the Crop Production Department at MARD) guided WG discussions. Eventually, the WG reached consensus on high but realistic targets, to engage 20,000 Vietnamese coffee farmers by 2020. By some accounts, coming to agreement on the objectives proved relatively straightforward, given their mutual interest in promoting sustainable farming practices in the coffee sector. Nestlé alone accounts for some 20-30% of coffee exports from Vietnam, so by all accounts the targets seemed reasonable.

Defining WG Objectives

1 Enhance quality, productivity, environmental and farmer economic sustainability within the coffee sector	2 Focus on the coffee value chain in designated provinces	3 Demonstrate effective collaboration between partners to fulfill aims of PSAV	4 Enhance farmer incomes and sustainable livelihoods through improved farming and business practices	5 Ensure farmers have access to best practice in plant nutrition and profitable output markets	6 Promote best practice model for tree rejuvenation
7 Provide for improved crop nutrition to increase yield and quality	8 Develop farmer aggregation and cooperation practices as relevant to harnessing market efficiencies	9 Support environmentally sustainable crop management practices (such as water management)	10 Establish linkages with relevant financing institutions to support farmer development	11 Improve farmer knowledge and choice regarding new technologies	12 Align geographic clustering opportunities with the scope for improved efficiencies and address key VC constraints



3 Structure

Determine organizational structure (including leads for working groups), how information will be shared, and other details

Establishing a pre-competitive structure

The Coffee WG was structured as a pre-competitive model in which the WG offered a package of services and market benefits to coffee farmers along a value chain ecosystem. After objections from NGO partners, Coffee WG members came to consensus that they would not brand or promote any one company or organization in project activities. Logos and overt marketing were not permitted in project activities. Product agnostic, the value chain project offered purchase choice to farmers, subject to certain conditions that the WG refined over time. Orchestrating this process required strong leadership, constant coordination, time commitment, negotiation skills, and patience.

Initial phase of partnership

In the initial years of its existence, the WG functioned without structured co-leads and relied instead on champions (particularly Nestlé) to propel the multi-stakeholder agenda. Those initial years provided an opportunity to build trust and working relationships across various organizations and competing interests. Members assigned technical teams to figure out activities relevant for the WG. This informality gave way to more structured interactions, as WG members agreed on the need for strong management and coordination to promote and realize a shared agenda, especially considering the different (and sometimes competing) interests of member organizations.

Leadership role of the private sector

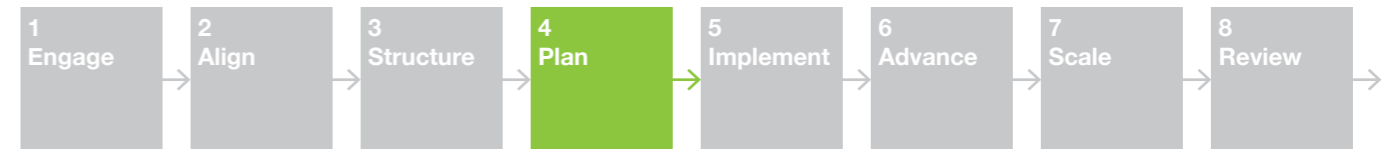
The Coffee WG currently looks to Nestlé as the lead private sector advocate to set the agenda, convene regular meetings, monitor project activities, and report on performance. As WG co-lead, Nestlé played a pivotal role in moving the partnership agenda forward. Early on, coffee stakeholders interacted frequently, through regular meetings and periodic study tours to select farming areas. The WG lead maintained the group contact list and informed members when events would take place. Members wishing to participate in WG events would simply coordinate their participation, depending on availability and organizational interest. These gatherings served not only to assess traditional farming practices and collect baseline metrics, but also to build trust and a working relationship among industry players, particularly in co-branding their activities.

Articulating a value proposition

Over time, membership in the WG naturally coalesced around core members most engaged, and they began tackling problems collectively. GOV partners in agriculture and rural development (MARD, WASI, IPSARD, and NAEC) remained engaged and active members. Private companies that stayed active in the WG expressed a vested interest in the partnership, as articulated in their broader corporate strategy and sustainability goals for the coffee sector. This alignment strengthened organizational buy-in and staying power for multi-stakeholder engagement. In particular, Nestlé, the private sector co-lead committed personnel (with dedicated staff working 40% on WG activities) and other resources (including financial) to the WG.

Determine project management

With the focus placed squarely on supporting farmers, activities involved demonstration plots and a package of agricultural services, inputs, and trainings. Chosen for their close interaction and relationship with farmers, PAEC acted as project manager and reported to the WG co-leads. WG members would provide project funds, which would then be managed by the NAEC and distributed to the PAEC for its activities. PAEC staff would organize quarterly farmer training, with technical inputs from WG members; coordinated with farmers and private companies on the demo plots; and managed project funds. To release funds, both WG co-leads needed to sign off on disbursements, which covered management fees for PAEC and farmers, trainings, and other technical support for demo plots.



4 Plan

Co-design projects, including target setting and responsibilities

Defining project parameters

With the goal and objectives determined by consensus, stakeholders mapped their current activities in Vietnam, in order to suggest potential pilot areas for WG projects. Led by the private sector co-lead, the WG carried out site surveys (size, elevation, and location of farms; their accessibility to transport; and other technical criteria) to determine the most appropriate demonstration plots for initial activities. Eventually, the group focused on coffee value chains in two initial regions of Vietnam (Dak Lak and Lam Dong).

The WG also worked to determine how to engage farmers; criteria for farmer selection; and obligations for inclusion in project activities. For example, farmer groups needed to include 20-30 members with at least 20 Ha of land. To entice farmers to take part in project activities, the WG developed a package of benefits (such as partial subsidies for seeds, inputs, agro-tools, and trainings on sustainable practices). In line with the pre-competitive nature of the WG, farmers were free to sell their coffee beans to any buyer.

In total, the WG outlined a series of sophisticated arrangements for the rights and responsibilities of farmers. At the same time, the WG also depended on commitments from its members, such as support for hosting meetings; logistics arrangements to the WG; in-kind contribution for project activities; and efforts to expand their delivery channels to farmers within the WG network.

Core activities of WG members

The Coffee WG emphasized collaboration across multiple companies and organizations, even among private sector players with competing business interests. To achieve its goals, the Coffee WG carries out a series of project activities with key partners, such as:

- Engaging research institutes to identify seed varieties adapted to local conditions, with trees producing high yield and farming practices having minimal environmental impacts.
- Partnering with the National Agriculture Extension Centre to organize trainings across all demo plots.
- Setting up farmer cooperatives and farmer groups to reach farmers at scale, with:
 - Financing solutions.
 - Direct linkages with input suppliers and eventual market buyers.
 - Dissemination of innovative farming practices.
- Working with provincial and national governments to:
 - Reach farmers effectively: inspection of coffee seeds, labels of origin.
 - Create preferential policies: planting of new trees, infrastructure investments, and access to financial services.

— Streamlining farmer training activities across companies and their value chain networks.

— Expanding certification programs for sustainable coffee production (by engaging NGOs).

— Sharing best practices across all stakeholders and constituents.

As a true partnership, not everyone takes part in all aspects of project activities. Members contributed when and where they could. A division of labor evolved, depending on organizational strengths and value-added. GOV agencies provided inputs on policy (MARD, IPSARD), research (WASI), and extension services (NAEC) to mobilize farmers (PAEC). Private sector companies (Yara, Syngenta, Nestlé) and other members provided technical inputs for trainings; in-kind contributions (seeds, fertilizer, irrigation, agro-tools, labor); and funds to carry out project activities.

Actual commitments evolved over time and were revised annually. Some organizations, active early-on, became less so over time, depending on how WG activities aligned with their organizational needs. Leading WG members (such as Nestlé and Yara) developed cost estimates and secured co-financing arrangements from numerous stakeholders. The overall cost of project activities and logistics for WG meetings were split 50/50 between the public and private sectors. IDH provided significant funding to support the project.

Snapshot of proposed WG support to farmers	Training 4C and/or WASI	Fertilizer Yara (in kind)	Purchase price Off-takers (including Nestlé)	Record and traceability system Trung Nguyen	Build model and legal framework MARD
	Training materials Yara Syngenta WASI	Seed Syngenta (in kind)	Market information and communication Trung Nguyen IPSARD VICOFA	Subsidy for leader of farmer team Cash (from WG members through PAEC as project manager)	Coordination cost Nestlé
		Village collector All WG members (excluding Yara and Syngenta)			



5

Implement

Determine how implementation should occur

At this stage, key partners carried out their action plans for the Coffee WG. In an iterative process, project activities progressed from initial pilot activities (two demo plots) to more structured (and scaled) interventions, as the WG gained confidence in their working relationship with each other.

Pilot activities with competitors in a pre-competitive space

Companies such as Yara and Syngenta provided in-kind inputs of fertilizers and chemicals. WG members would determine their own demo plots, in consultation and negotiation with other stakeholders. Private companies determined the business case for their involvement in specific activities and looked after their own interests. For example, each demo plot required inputs of fertilizer, crop protection, seeds, and eventual off-takers, among other farming requirements. At the beginning, with only two demo plots, this arrangement appeared straightforward. However, as the scale of demo plots expanded, companies negotiated their own arrangements. No companies working in the same industry (such as fertilizer) would share a given demo plot. Such a comingling of inputs would fail to serve their business interests in distinguishing their products from competitors.

Select farmer champions

Integral to project activities was the careful selection of farmer leaders, who provided their time, reputation, and farmland to support demo plots. The WG private lead played a strong role in identifying these farmers, who ideally needed to exhibit (i) strong commitment to the project; (ii) general understanding of technical farming practices; and (iii) openness to adapting new technologies. The selection of demo sites depended on technical requirements as determined by the WG (e.g. road access, slope, quality of existing coffee fields). To show progress over time, demo plots for coffee fields were generally of average quality at the onset.

Technical expertise and industry knowledge from WG members

With deep industry knowledge, various organizations provided technical inputs to a package of training materials, including participating in technical tours and demo plots, organizing training-of-trainer activities, and supporting farmers with value chain resources. NGO partners also shared best practices in sustainable coffee farming and certification (4C and Rainforest Alliance). Farmer leaders then played a key role in transferring knowledge to other farmers in their networks.

Pham Viet Dai

A farmer leader for the Coffee WG. From his demo plot, he transfers best practices 4x/year to 102 farmers in his community. Farmers learn stronger financial management skills by maintaining a farmer field book, which helps them track and monitor not only their coffee fields but also household expenses.

Tran Quoc Phong

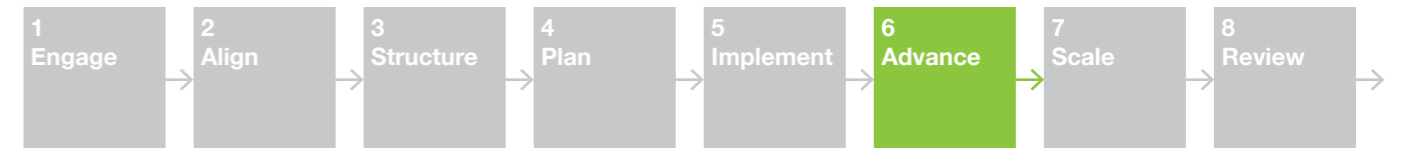
Grows Robusta coffee for a living in the Chu Se district of Gia Lai Province. Working with Yara and the Coffee TF, he developed higher quality trees (stronger, with more branches and leaves, and less cherry drop). "I increased my yield from 0.39 to 5.63 tons/hectare, compared to our traditional practices. Profits have increased 15,892,000 VND/hectare (more than 700 USD/hectare)."

Farmer aggregation and cooperatives

Cooperatives formed a key pillar of the WG's approach – what the WG termed the "flower model". Each province would have a central cooperative, which would then work with smaller farmer groups who effectively functioned as satellite groups. The central cooperative would then coordinate functions such as input distribution, collection, sales and payment on behalf of the satellite groups. Cooperatives would also be reviewed by WG members every three years in order to ensure that standards are met. If a particular cooperative failed to meet the requirements, the WG would then decide to terminate the relationship.

Expanding scope of WG activities

Over time, the project activities became even more sophisticated, with an expanded package of services to farmers, such as advanced technical trainings and financial repayment options. At the same time, the WG began to experiment with ways to expand the scale of its reach, through cooperative arrangements for farmers and inclusion in broader industry initiatives to support the coffee industry. The WG recognizes that in the Vietnam context, the value proposition of cooperatives is yet to be determined, given the country's failed history of collectivization. But they continue to experiment and explore options to reach farmers on a wholesale basis that builds the business case for project activities, such as with larger farms and communities to achieve greater scale.



6

Advance

Celebrate success and progress, moving project agenda forward, share information across Country Partnership, assess progress and adapt

Factors determining project success

Project success derives in part from (i) how best practices filtered down to influence farming behavior and (ii) performance results trickled across the Coffee WG, within the coffee industry, and upwards to PSAV to advance agricultural objectives in Vietnam. Indeed, achieving collaboration with varied private sector players is uncommon. Some key factors that contributed to the success of this multi-stakeholder model include:

- Strong commitment from GOV (starting at the central level and filtering to the provincial and local levels).
- Mix of input and output companies for risk-sharing on a pre-competitive basis.
- Strong relationship with farmers on the ground, including frequent site visits and interactions to reinforce sustainable best practices.
- Constant communication and coordination among WG members.
- Strong commitment from private sector companies already extensively active on the ground (e.g., Nestle, Yara), with their technical teams spending a large portion of their time on WG activities (in some cases upwards of 40% for staff of the private sector co-leads).

Nguyen Khac Hiep

The chairman of a cooperative supported by the Coffee WG. The farming group comprises some 186 members, with 200 Ha of fields producing over 600 MT of coffee/year. Coop members benefit from better networks across the VC and improved pricing on inputs/ outputs.

- Support from NGOs, (e.g. Rainforest Alliance and IDH) in the form of monitoring and alignment with international standards.
- Strategic and careful selection of farmer leaders and geographic location of demo plots that aligned with existing delivery channels of private companies (if possible).
- Focus on farmers, providing meaningful extension services to them and coordinating technical teams in the field.

Communication and reporting

With clear roles and responsibilities determined for project implementation, the Coffee WG continued to monitor and track progress against applicable baseline metrics. The WG leads communicated (via telephone, emails, meeting) often and frequently (sometimes weekly) with project managers and WG staff in the field with farmers. As project manager, the PAEC compiled data metrics (e.g., average yield, water consumption, fertilizer usage, coffee bean size, profit) from farmers in demo plots and controlled areas. Through their demo plots, farmer leaders shared best practices (via trainings) with other farmers. On a monthly basis, PAEC sent performance results to the Coffee WG leads, who compiled the information into key performance indicators for quarterly reporting to the entire WG.

Plans for WG outreach and communication in 2016 include: leaflet materials for farmers, an agriculture newsletter, and documentary film on the project activities. As project activities continue to expand, communication efforts also expect to scale commensurately, perhaps with mass media and awareness campaigns.



7 Scale

Decide when and how project scaling should occur

Systematic improvements and outcomes achieved

Within five years, this multi-stakeholder WG has resulted in notable achievements toward the goals of PSAV and the regional Grow Asia goal of reaching 10 million smallholders to improve farm productivity, profitability, and environmental sustainability by 20% by 2020. The training package developed by WG members on sustainable coffee farming eventually evolved into a draft National Sustainability Curriculum. The curriculum was made available throughout the country's agricultural extension service, contributing towards systemic change in the Vietnamese coffee industry.

Other intangible results were also noteworthy, especially in strengthening farmer skillsets (management, bookkeeping, and financial accounting) that moved agricultural practice away from the indiscriminate use of water and fertilizers. With growing confidence and established working relationships among members, the Coffee WG looks to maximize its development outcomes, expanding both the scope and breadth of its activities. Starting from a retail approach (with demo plots), project activities have begun to incorporate more systematic efforts (through cooperatives) to reach farmers.

Influencing policy and improving enabling environment

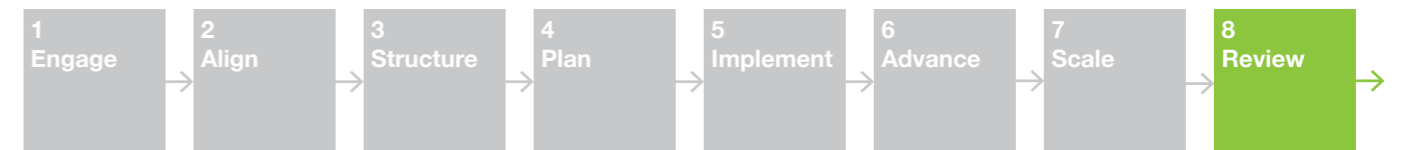
The Coffee WG has achieved great success in terms of institutionalizing its work at the policy level. For example, the Vietnam Coffee Coordination Board (VCCB) is an industry-wide initiative that grew from the Coffee WG's activities, after the WG sought to increase engagement with local companies. The PSAV Coffee WG now plays an integral role in the VCCB as the Production Sub-Committee of the Board.

Vietnam Coffee Coordination Board (VCCB)

Established in 2013, the VCCB comprises members from across the coffee industry. Meeting every six months, the entity carries out four broad functions:

- 1 Coordinating coffee production processing, and trade programs.
- 2 Studying and recommending policies and strategies for the sector.
- 3 Supporting the organizational restructure process for coffee stakeholders.
- 4 Representing the GOV in various international, industry events.

The board looks to expand its membership base and increase the voice of different stakeholders in policy formulation and implementation.



8 Review

Review strategy and identify new opportunities

Expanding scope

During project implementation, the WG continuously explored ways to expand services to farmers, while bringing more stakeholders into this coffee industry partnership on a pre-competitive basis. In particular, farmers expressed a need for more flexible financing options, especially with deferred payments for inputs. In response, the WG linked up with Agribank to consider microfinancing options for farmers. More broadly, the GOV launched the Coffee Development Fund in 2015 to support efforts to sustain and scale promising approaches in the sector, including incentives to replant old coffee areas.

Improved farmer engagement

WG members have found scaling the project to be a challenge and identified improved engagement with farmer cooperatives to be critical in order to build on the project's initial success. The WG is exploring bringing in new partners to train and build capacities of cooperatives. Local government can potentially play a key role in communicating the value proposition of cooperatives to farmers as well.

Conclusion

Leveraging interdependent relationships and cross-disciplinary strengths of members, the multi-stakeholder approach strengthened public-private cooperation for the Coffee WG. Strong commitments and engaged members guided this diffused, yet cross-functional team of coffee champions. The comprehensive yet decentralized approach achieved significant results, reaching over 8,300 farmers. In the 2014/15 growing season, farmer yields increased by 21%, net profit grew by 14%, and carbon emissions decreased by 63%. A platform to promote shared value, this public-private alliance focused on developing synergies, increased efficiencies, risk-sharing, and co-financing to create stronger outcomes in the coffee sector than would have otherwise occurred in isolation.