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Strengthening the Linkages Between Farmer Producer and Manufacturer in the Coffee Value Chain of Daklak, Vietnam

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Abstract

The international coffee price volatility and pressurisation of multinational coffee corporations on the local exporters/manufacturers demand the better linkage among production, processing, and marketing in the Daklak coffee sector. Beside the commitment, responsibilities, and share of risk, the development of trust between the company and the farmer depends on the continuous flow of significant economic gain. This study attempted to analyse the relationship between coffee farmer producers and manufacturers as well as the problems and constraints that impede these stakeholders benefit from the system. The Pearson's chi-square test was employed to assess the statistical significance of farmer responses across the study sites. The results revealed that coffee farmer producers and manufacturers are vertically linked through contracting, providing, supporting, collaborating, and mostly buying and selling transaction. The relations are typically based on a written contract, which defines quantity procured, supply of input, extension advice, and technical support. Contracts mostly are seasonal and carried out by the manufacturer with each farmer household who commit the quantity they can supply in specific farming areas. Contract also terms in particular coordination activities between both parties to guarantee the production outcome, purchasing price, time delivery, payment method, and both parties' responsibility for risk in production and market price fluctuation. The capital shortage, water scarcity, small scale production, lack of collective action in quality control, and obsolete local infrastructure have long been the problems and crucial challenges for coffee farmer in order to secure their participation in this sector. In fact, the government's discontinued intervention in the last decade has left the Daklak coffee industry now operating primarily through private sector.

Keywords: contract farming, linkage, value chain