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**Development of Inclusive Food Value Chain
in the Mekong Region**

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Edited by

Shozo Sakata

**Institute of Developing Economies,
Japan External Trade Organization (IDE-JETRO)**

Bangkok Research Center, JETRO Bangkok / IDE-JETRO
127 Gaysorn Tower, 29th Floor, Ratchadamri Road, Lumpini, Pathumwan, Bangkok 10330,
Thailand

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Preface

In the literature on economic development, the role of agriculture has long been discussed in the context of countries' subsistence and poverty reduction. More recently, because of continuous economic development in developing countries, the development of the agricultural sector came to be recognized as part of the transformation of the “agri-food system,” which is interlinked with supply chains, dietary patterns, urbanization, and rural factor (labor, land, and capital) markets (Reardon and Timmer, 2014). Consequently, the importance of the agricultural sector has been stated in the arguments of national and international economic development and has become an important subject for studies on, for example, the global value chain, innovation, intellectual property rights, and climate change.

This report, consisting of four chapters, presents the transformation of agri-food systems in three countries in the Mekong Region, namely Laos, Thailand, and Vietnam. While the proportions of the agricultural sector in their national economies differ—with 15% of GDP in Laos, 14% in Vietnam, and 8% in Thailand in 2019¹—these countries have experienced similar transformations of agri-food value chains during the last decade. First, as the exports of fresh fruits and vegetables increased rapidly, particularly those to China since the early-2010s, the productions in accordance with the requirements from the buyers, such as cultivation of foreign varieties, use of designated chemicals, and production under written contract with buyers, have become widespread practices (Pritchard ed., 2021). Second, domestic distribution through supply channels led by supermarkets has been growing in these countries. “Wave” of “supermarketization” hit Thailand earlier in the 1990s (Reardon et al., 2012), whereas it came to Vietnam and Laos as late as the 2010s. In addition, due to the restrictions on people's mobility since the early-2020 in order to curb the COVID-19 pandemic, purchasing agricultural products through e-commerce platforms has become quite popular among urban consumers.

One of the major challenges these countries face, to which this report pays special attention, is the inclusiveness of agri-food value chains formulated in association with these changes. An increase in export and domestic sales through modern distribution channels requires the standardization of those products, efficiency of their postharvest management and delivery, and their quality and safety control. On the one hand, these

¹ World Bank, World Development Indicators (<https://databank.worldbank.org/source/world-development-indicators>). Accessed February 2022)

new requirements provide producers with opportunities to adopt new production techniques, which, as a result, potentially increase the value-added of their products. On the other hand, however, participating in the export or modern domestic value chains incurs additional costs to the producers and requires skills and knowledge outside the scope of agricultural production. In these three countries, where the majority of farmers are smallholders, these changes may lead to unfavorable social changes, such as farmers' excessive indebtedness and stratification of rural populations.

Each chapter of this report, based on the analyses of the authors' own survey results, explores the coping strategies of the producers and the policy responses to the transformations of value chains in these countries. Chapters 1 and 2 focus on the changes in organizational arrangements for the production and trade of agricultural products in Laos and Vietnam, respectively, in response to the rapid increase in their exports to China. Chapter 3 assesses the impact of the increasing presence of supermarket-led value chains and the changing roles of cooperatives in Vietnam. Chapter 4 provides qualitative information on the burgeoning trade through e-commerce platforms and farmers' coping strategies for the new trading formula. The authors hope that the findings in this research project will expand readers' understanding regarding the development of the agricultural sector and the course of economic development in developing countries in order to draw important policy implications.

Shozo Sakata

Institute of Developing Economies, JETRO

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