GREAT Knowledge Series: Issue 3

Best practice in Inclusive Business
The Cinnamon Sector
Introduction

Aus4Equality|Gender-Responsive Equitable Agriculture and Tourism (GREAT) is an Australian aid initiative focused on improving the socioeconomic status of women living in north-west Vietnam by leveraging and enhancing their participation in and contributions to the growing agriculture and tourism markets.

GREAT works with businesses, government and research and community organisations to generate long-lasting benefits for ethnic minority women and their families in the ethnically-diverse rural communities of Son La and Lao Cai provinces.

Best Practice in Inclusive Business: The Cinnamon Sector is the third publication in the GREAT Knowledge Series. This Knowledge Series shares emerging lessons as the Program builds an understanding of opportunities and challenges relating to women’s economic empowerment within the Vietnamese context.

This paper builds on the second knowledge product, Bridging Gaps Between Businesses and Producers. In that paper, we outlined how GREAT is facilitating linkages between businesses and small-scale farmers (particularly ethnic minority women) through ‘inclusive business’ models that provide benefits to both sides and help strengthen the overall market system.

Emerging lessons from GREAT’s cinnamon sector experience are that a successful inclusive business approach should include:

- A strong business case based on market demand and potential for expansion and value-adding, including a compelling rationale for focusing on underserved groups such as women producers;
- A commitment from business for inclusion, and capacity to address issues as they arise;
- Business linkages with, and support for, effective and inclusive producer groups;
- Communication and transparency between all parties to build mutual trust and commitment;
- Clear incentives for producers (particularly women) to grow the product using recommended techniques as part of a production group, and to honour contracts;
- A gendered approach: tailoring support activities to meet the specific needs of target beneficiary groups, such as ethnic minority women – while also being inclusive of men;
- Empowering producer groups, including those led by and/or mostly comprising women, and fostering group cohesion and commitment;
- Involvement of a trusted and independent ‘third party’ to engage in policy dialogue, facilitate business-producer relationships, and help foster more inclusive approaches and practices; and
- Working to build an enabling and supportive policy environment.

1 Aus4Equality|GREAT (2021).
Growing cinnamon offers significant potential for income and employment generation in Bac Ha District of Lao Cai Province due to favourable growing conditions and strong international demand. Ethnic minority women in particular stand to benefit from further development of this sector. Women farmers, such as those pictured above, have grown cinnamon for generations using production techniques that have changed little over the years. While women and men both participate in the sector, their roles are gendered with women more active in planting, cultivation and harvesting but less visible in activities such as processing. These downstream activities are more typically seen as men’s work and the lower levels of literacy of women in Kinh language in some ethnic groups also limits women’s engagement.

Typically, between 75 and 80 per cent of local farmers’ income comes from cinnamon with the remainder coming from rice, maize and cassava production.

“Some years ago, we could not earn money from cinnamon so we mainly took extra work out of the village and were so tired. We stopped taking extra work last year. Now we focus on cinnamon planting. We can peel cinnamon when we need money. Life is getting more comfortable. Previously we had to borrow money from relatives and were not sure if they had money for helping us. We are no longer worried as we were before.”

- Dao ethnic minority woman, Bac Ha District

Selling cinnamon used to be very challenging. Mountainous terrain, poor road conditions and limited collection or purchase points meant farmers had to travel nearly 30 km to connect with buyers. This was a significant obstacle for some women that were less comfortable riding motorbikes. With variable quality and markets uncertain, local prices remained low (VND 18,000-20,000 per kg).³

Women, particularly ethnic minority women, are active in cinnamon cultivation and harvesting and stand to benefit from improved production practices and market connections. After almost three years of project activity, a sustainable cinnamon value chain has been established that meets the export standards of high-end markets, including the USA, EU and Japan. A collection and procurement network now includes trained purchase agents in many villages. This allows women to be more active in sales and has reduced the cost for travelling to sell produce. Even though some project activities slowed due to the COVID-19 pandemic, the market for organic cinnamon was not significantly affected and many households have continued to see their incomes increasing. Farmers, half of whom are women, can now sell their cinnamon at a higher and more stable price (up to VND 28,000 per kg). In addition, farmers and collection agents who rigorously follow organic cultivation practices are receiving substantial bonuses.

To date, the total organic cinnamon production area has been expanded to nearly 3,500 hectares and around 235 new processing jobs have been created for local women with a construction of a new factory in the province (with many more expected in the future once another new factory is built). Participating households and villages have noticeably higher economic wellbeing, with improvements to local infrastructure such as electricity and roads, many homes renovated, and new ones built. Greater income security, particularly for women, has also improved access to finance, with families, including women, now more confident in taking out loans to further expand production. An increasing number of cinnamon-growing households are now seeking to become involved in the project.

³Quotes are from the Midline Report of GREAT’s Longitudinal Study (University of Minnesota 2020).
Behind the Success – Market Issues to be Addressed

Context prior to GREAT

Lao Cai province is the second-largest cinnamon growing area in Vietnam and production areas have been expanding rapidly – over 40,000 hectares of cinnamon have been planted since 2000.4

While farmers in Nam Det Commune in Bac Ha District have a long history of cinnamon cultivation, before 2014 there had been limited investment in, or awareness of, new production and harvesting techniques, particularly among women. Awareness of potential high-value export markets and required standards for these markets was also limited, with marketing mainly focussed on the lower-value commodity end where prices and demand are more volatile.

Farmers faced high transport costs, had little direct interaction with large traders or export companies, and were unable to dry the cinnamon bark following required standards, leading to a poor-quality product. These factors significantly reduced their returns. Women farmers in particular lacked access to technical and market information, while traditional gender roles meant they had little involvement in processing and marketing.

Figure 1 illustrates the cinnamon market system in this period. Linkages were unstable and not formally established, with areas within the core value chain and supporting functions and rules that need to be strengthened coloured light blue. Most cinnamon products were not produced organically, were sold unprocessed to collectors, and then exported to China and India. There was no branding of Lao Cai’s cinnamon, despite the large volume sourced from the province.

Figure 1: Cinnamon sector before GREAT interventions5

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4 Official figures from Lao Cai Forest Protection Sub-Department, 2021.
5 Aus4Equality|GREAT (2021b).
In 2017, the Son Ha Spice and Flavorings Company came to Lao Cai Province aiming to expand its source area for organic cinnamon products. Son Ha began introducing organic production techniques on 200 hectares in Nam Det Commune, and sourcing organic cinnamon products through local traders.

Shifting to organic production provided an opportunity to increase the value-add for cinnamon products. However, several challenges and constraints still needed to be resolved, such as:

- Farmers’ limited knowledge of organic certification standards;
- Difficulties for women in accessing information and training, and engaging with markets;
- Inadequate quality control among farmers and collectors to ensure organic certified standards were met;
- Low farmer confidence in cinnamon’s income potential, due to their history of selling uncertified product for low and unstable prices through informal collectors;
- Lack of collaboration and information-sharing among cinnamon farmers; for instance, pesticide spraying by one household could contaminate surrounding areas; and
- Absence of local processing facilities.

Aus4Equality|GREAT (2021b).
GREAT’s Approach to Strengthen the Cinnamon Sector

GREAT recognised the important opportunities for women’s economic empowerment that a stronger cinnamon sector, with expanded organic production, could generate. In 2018, GREAT started to co-invest with Son Ha Spice and Flavorings Co Ltd and Vinasamex to address the challenges identified above. These partnerships aim to help establish Lao Cai as a cluster for sustainable and high-value cinnamon production with organic, Fairtrade and/or Rainforest Alliance certification. GREAT’s approach includes:

A. Mobilising and strengthening women-led producer organisations to be reliable suppliers to partner lead firms;

B. Supporting companies to invest in processing facilities in Lao Cai and expand sourcing of organic product, particularly from women’s production groups, to anchor the local higher-end market segment; and

C. Supporting the cinnamon sector steering and learning mechanisms to strengthen inclusive economic governance, to ensure the needs and interests of ethnic minority women and other marginalised groups are met.

As illustrated in Figure 2 below, a strengthened cinnamon sector now has more direct linkages between market participants as well as new services and functions (represented by the blue highlighted boxes). In sum, GREAT’s interventions have:

- Helped establish an organic cinnamon area by supporting new farmer groups or cooperatives, many led by women, to form and operate. GREAT’s partners are providing these groups with technical training on production techniques for organic cinnamon production, and ways to improve their cinnamon processing capacity;
- Linked these farmer groups or cooperatives more closely with the providers of agriculture extension and forest protection services and input material services;
- Worked with Son Ha and Vinasamex companies to create new, direct relationships with women’s farmer groups/cooperatives and collection groups;
- Built new connections from Son Ha and Vinasamex to the Non-timber Forest Product Center, certifying bodies and business support organisations;
- Engaged with policy-makers in support of the planned establishment of local processing factories in Lao Cai province; and
- The combined efforts of GREAT and its partners helped facilitate increased export of higher value organic cinnamon products with Organic, Fair Trade and Rainforest Alliance standards to high-end markets including USA, EU and Japan.

Progress in these and related projects is discussed in detail in the project-level midline assessments (Mekong Development Research Institute 2021).
Son Ha Spice and Flavorings Co Ltd and Vinasamex are working with women farmers on production techniques; building new purchasing and primary processing facilities in Lao Cai, installing modern drying and processing systems to improve quality; and engaging certifying services. The two companies are being supported by SNV Netherlands Development Organization, the Lao Cai Department of Agriculture and Rural Development and the Lao Cai Agricultural Extension Center to establish more producer groups involving women farmers, provide training for women in processing, and to address negative gender stereotypes and enhance women’s agency. SNV has also been sharing evaluations of market demand and global trends to support provincial planning processes.

This is an ongoing process. Construction of Vinasamex’s processing factory has just started. Land issues need to be resolved before Son Ha’s processing factory can be built. A network for the distribution of organic input materials still needs to be developed, and changing gender norms is a long-term endeavour.

Nevertheless, the approaches have proven successful especially at the grassroots level where organic cinnamon production has brought changes to producers’ lives, particularly the lives of ethnic minority women. Women in the project area have significantly benefited from their participation in production and project activities in terms of both income increases and broader empowerment, as outlined below.

“I had started growing cinnamon a few years prior but didn’t have the knowledge to cultivate it well. I attended seven or eight training courses on cinnamon cultivation. I was taught how to plant and cultivate cinnamon. If there is a cinnamon tree with disease, I have to cut off that tree and burn it so that the remaining cinnamon trees are not infected. We have to achieve organic cinnamon status, so we do not use fertilisers and spray pesticides...”

- Tay woman

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8 Aus4EqualityGREAT (2021b).
Women’s Economic Empowerment Benefits

Of the 5,624 people who had benefited from the project by December 2020, 2,633 were women, including 2,520 ethnic minority women.

Women have acquired access to information and training and have gained valuable skills and knowledge as a result, such as information on planting and processing organic cinnamon, and environmental protection. One company has introduced a mobile phone application that allows real-time updating of cinnamon-related activities and quick attention to any concerns.

With GREAT’s specific focus on women, many women now participate in grower groups where they can exchange experiences and learn from each other. This has helped to foster social networks of mutual support, assistance and learning among women. In addition, meetings of these groups, held in the local language, complement and reinforce the formal training and especially help those with less Kinh (Vietnamese) language fluency.

In addition, with women taking primary responsibility for growing and selling cinnamon, they now contribute more to household income and have greater economic agency.

“Now women are different from those in the past. Previously women did not have an opportunity for much social interaction, so they did not dare to make decisions. Now women in remote areas have more chances of social communication as they are able to drive motorbikes, to participate in some social events such as Karaoke singing... and attend the training courses where they can meet, learn and share with lots of people. As such, they broaden their mind and knowledge. They are getting more and more self-confident.”

- Tay woman, age 57

“The app is easy to use with many images to choose from rather than words. With the app, I just update the situation of my cinnamon trees, what I have done in the day and so on. If the trees get worms, we can take photos of the worms, update in the diary and ask the technical support what we should do to treat the worms. We can get the advice very quickly from experts.”

- Dao woman

“I am happy to be a member of cinnamon growing group as we can learn and share our experience in cultivating cinnamon in Dao language. If any member has a difficulty or problem in her life, like child rearing and cinnamon cultivating, we can speak with others to get their advice. When COVID-19 occurred, we were worried no one would buy cinnamon. So, we actively checked the price of cinnamon with purchasers in the village and [larger] market. Information related to cinnamon prices, outputs, and purchasers was often updated among group members.”

- Dao woman

9 Quotes in this section are from the Midline Report of GREAT’s Longitudinal Study (University of Minnesota 2020).
In particular, a shift has begun in decision-making roles within the household:

Increasingly, women keep money, hold bank accounts and are making their own decisions with regards to daily family expenses; Women have more control over discretionary spending including on themselves, e.g. accessing beauty services; and Women participate alongside men in major decision-making such as selling cinnamon, building houses and accessing inputs and loans to expand production.

Increased income is a strong incentive for couples increasingly sharing workload both in the fields and at home. As a result, social norms of women’s roles within and outside the home are also beginning to change. While women still generally take responsibility for housework and childcare, men helped with these tasks to enable women to spend more time on productive activities.

Women’s social participation has also expanded:

- Increasingly, women participate actively and speak out in village meetings;
- A greater representation of women among group leaders and local buying agents;
- More women have access to modes of transportation such as motorbikes and are comfortable using these so that they can access markets;
- With increased income, families can buy more household appliances that help to reduce manual work and increase leisure time for women;
- Women face less sociocultural barriers to movement with more women going shopping, participating in entertainment activities and sightseeing within Lao Cai; and
- Women are more engaged in online social networks (Zalo, Facebook, etc.) and have improved digital literacy.

“I used social media... I posted some pictures of cinnamon on Zalo for fun. We could also update about cinnamon prices via the online network.”

- Dao woman, age 26
Key factors for Success so far

All the agricultural sub-sectors that GREAT works on are chosen because of their growth potential, feasibility and relevance for ethnic minority women, but cinnamon has proven especially successful. Some pointers on key success factors have come to light through detailed project-level reporting and assessments. Others have emerged through GREAT’s longitudinal study, which has so far involved baseline and midline discussions with women and men participating in project activities. These factors can loosely be described as ‘The What’ and ‘The How’.

‘The What’: Product Characteristics; Support Provided

The cinnamon sector was well-placed for further development, given existing engagement from committed agribusinesses and cooperatives, a supportive policy environment and recognised credentials in the market. The weather and soils in the selected regions are favourable for cinnamon production, and constraints of available arable land and farm size that have impeded some other agricultural commodities have not arisen in the case of cinnamon.

Farmers, including women, are already familiar with cinnamon and have a ‘business mindset’ since it is grown exclusively for sale. This contrasts with newer cash crops like vegetables, where many farmers lack skills and confidence. For crops such as rice, primarily grown for food, it can be more of a struggle to introduce business-like approaches and modern production techniques.

The likelihood of benefitting ethnic minority women was strong given they were already active in cinnamon cultivation and harvesting. In contrast with some other products, caring for cinnamon trees has the advantage of not being overly onerous or time-consuming, so there is ample time for other income-generating or household activities that might otherwise have constrained women’s involvement.

The financial incentives for participating in cinnamon project activities are strong. With market demand remaining buoyant and stable – even during the COVID-19 pandemic which seriously disrupted many other commodities – prices have remained high. Son Ha also offers a small bonus to farmers who adhere to organic cultivation requirements. As of early 2021, VND 550 million in bonuses had been paid to members of the organic cinnamon supply chain in Nam Det Commune, with VND 400 million being paid to the farmers and VND 150 million to collection agents.

“The bonus money is the visible benefits women obtain so it encourages them to commit and participate in the project.”

– Cinnamon growing group representative

10 Mekong Development Research Institute (2021); Aus4Equality|GREAT (2021c).
11 University of Minnesota 2020.
12 Quotes in this section are from Mekong Development Research Institute (2021) and Aus4Equality|GREAT (2021d), respectively.
The support provided to farmers has been tailored to their needs and capacities, and particularly to the needs and daily realities of women farmers. Son Ha Company, for example, first carried out a survey and needs assessment. Son Ha and Vinasamex both provide training on organic production requirements including planting density, tending the plants, harvesting, storage and transportation practices. The combination of gender-sensitive and inclusive training, peer-learning and hands-on experience has provided sufficient knowledge for women to engage in organic production. Producers now appreciate the risks to human and environmental health posed by pesticides and other chemical products and have stopped using chemicals on their farms.

In addition, Son Ha has established a collection and procurement network to buy good quality cinnamon. To date, Son Ha has 37 purchase agents, both large and small, in different villages. All of its purchase agents were trained in procurement methods, organic standards and classifying product according to the standards.

**‘The How’: Building Commitment and Trust**

GREAT’s interventions in the cinnamon sector have benefited from the capability and strong commitment of all those involved, and mutual respect between them. There is good collaboration between the project team, project partners and village and commune authorities. GREAT’s business partners are both relatively large and well-established locally, and they have demonstrated an ongoing commitment to expand production areas, purchase farmers’ outputs and achieve organic certification.

Communication and transparency are critical to build trust and avoid misunderstanding. Transparency and responsible business practices at all stages of the supply chain – including attention to human rights and gender equality – are also key requirements of the Organic, Rainforest Alliance and Fairtrade certification standards. GREAT’s Midline Longitudinal Study identified that farmers respond better to business requests when they are well informed. Project partner SNV, as an independent third party, has been a valued source of information for farmers about organic certification and, more broadly, has created a forum for dialogue.

“One of the most critical lessons learnt is to clearly communicate with the beneficiaries and inform them of the benefits as well as responsibilities when participating in the project. Only by understanding [Son Ha] company’s long-term vision towards sustainable business and seeing the future values of the cinnamon products can households keep their commitment to the company, even after the project ends. Otherwise, [they may] believe that all they can get out of the project is the participation allowance worth VND 75,000.”

- Project-level midline assessment (Mekong Development Research Institute 2021, p.80)
The transparent production and selling process for organic cinnamon products has helped build strong trust and commitment between the companies (and purchase agents), local authorities and the women and men involved in production. Clear contracts between the company and producers ensure participation and investment and provide economic stability. The incentive or bonus schemes and the issuing of certificates for organic cinnamon products have been applied consistently.

“"My household so far has received a bonus four times at the value of more than VND 7 million. Now our group members are very careful and we follow the principles of cinnamon production without needing to be monitored or reminded by the Son Ha field staff. We now monitor each other as we know that if we do not follow the organic production principles, we will not get the bonus, and our cinnamon will not be certified which would mean we cannot sell it, or we can only sell at a cheap price.”

– Cinnamon group member, Nam Det Commune (quoted by University of Minnesota, 2020)

Producer groups are an integral part of organic cinnamon production in Lao Cai. Rainforest Alliance certification for small-scale farmers is managed on a group basis, and each of GREAT’s partners has been supporting group establishment and strengthening. To support the company to meet the gender equality standards under this certification, SNV provides gender equality training as well as community awareness campaigns. The combination of business and NGO support to the cinnamon groups has proven very effective.

A key feature of Son Ha’s producer groups is self-monitoring of compliance with organic standards, reinforced through random spot-checks by company staff or local authorities. If even one household is found non-compliant, the whole group will not receive organic certification. This gives farmers within a group a very strong incentive to monitor each other’s cultivation practices and remind others not to use chemicals such as pesticides or herbicides. The robust self-monitoring helps ensure that the whole area meets organic standards and all the farmers can benefit from the resulting price premium. This approach has also been very effective in promoting accountability and transparency, empowering group members and fostering group cohesion and commitment.

A gendered approach

As outlined above, all the cinnamon sector activities have had a central focus on empowering ethnic minority women. Women take the lead in organic cinnamon production and have benefited from the projects in terms of increased access to economic opportunities and greater economic and social agency. Their strong participation and leadership in production groups have also had spin-off benefits such as fostering social connections and networks of mutual assistance and support which are critical to overall well-being.

Project activities have been deliberately tailored to meet the needs of the target beneficiaries at the household, community, business and policy levels. At the same time, acknowledging the fundamental role that intra-household power dynamics play in women’s economic empowerment (WEE) and gender equality among the ethnic minority population, GREAT has also ensured an active and strong involvement of other family members, particularly men. This all-inclusive and pioneering gendered approach has helped produce significant impacts in terms of reaching, benefitting, and empowering ethnic minority women.
Conclusion: Good Practices in Inclusive Business

This paper has identified several factors that have helped GREAT’s interventions in the cinnamon sub-sector achieve strong results in empowering women – particularly ethnic minority women – in Lao Cai Province. Some of these factors pertain to the nature of the product itself and its market (“the What”). Others relate to the manner GREAT’s partners are engaging with ethnic minority women and other targeted producer-beneficiaries, through inclusive business models (“the How”).

GREAT’s experience in supporting the cinnamon sector in Lao Cai suggests that a successful inclusive business approach should include the following:

- A strong business case based on prospects for sustained (preferably growing) market demand and potential to expand available supplies of quality product, and add value through processing;
  - Including clearly articulating the rationale and benefits to all parties from engaging and supporting previously-underserved groups such as ethnic minority women producers;
- Business commitment to an inclusive approach, and capacity to address issues as they arise;
- Business linkages with, and support for, effective and inclusive producer groups that provide a ‘bridge’ between the businesses and individual farmers;
  - Such groups will likely need both managerial and technical capacity development;
- Communication and transparency between all parties to build mutual trust and commitment, both in terms of formal contractual relationships and more broadly;
- Clear incentives for producers (particularly women producers):
  - to grow the product
  - to use recommended cultivation, harvest and storage techniques
  - to collaborate as part of a production group, and
  - to honour contractual agreements
- Tailoring of supporting activities to meet the specific needs of target beneficiary groups, such as ethnic minority women – while also being inclusive of men;
- Empowering producer groups, including those led by and/or mostly comprising women, and fostering group cohesion and commitment, for instance through peer supervision of organic production standards;
- Involvement of a trusted and independent ‘third party’ such as an NGO, to engage in policy dialogue, facilitate business-producer relationships, and help foster more inclusive approaches and practices; and
- Working to build an enabling and supportive policy environment, including at the provincial and local level.

Đặng Thị Diện working in the cinnamon forest.
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