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The Participation of the Poor in Supermarkets and other Distribution Value Chains

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SUMMARY

The study assesses conditions for an increased involvement of the poor in the food value chains driven by supermarkets and other value-adding outlets. The trends of the different distribution chains were analyzed through the gathering of secondary data. Surveys on poor consumers' access to different retailing points were made in Hanoi, Ho Chi Minh City, and Moc Chau, as well as comparison of prices between the different points of sale in these cities. Four case studies investigated poor farmers' and traders' participation in distribution value chains: (i) vegetables for Hanoi from Soc Son district and Moc Chau district; (ii) vegetables for Ho Chi Minh City from the peri-urban area of Cu Chi district, HCMC, and Duc Trong and Don Duong districts in Lam Dong province; (iii) litchi from Yen The district in Bac Giang province; (iv) flavoured rice from Hai Hau district in Nam Dinh province. In-depth interviews of stakeholders along the chains, as well as census of traders, investigated (i) the patterns of horizontal and vertical coordination that link the poor to the markets, (ii) the distribution of costs and benefits between the farmers and the traders along the chains, (iii) the respective advantages and drawbacks involved in supplying different types of outlets, and (iv) the employment impact of the different chains.

Markets and street vendors are still the major players in food distribution, when considering quantities sold, areas of sale, as well as employment. Yet supermarkets are growing fast all the more since the Government has a positive attitude towards them, in particular for reasons of food safety and modernization, in opposition to a negative attitude towards street vending and informal markets. Yet street vending and markets generate more employment by volume of business than supermarkets, especially for the poor. They are also the main points of sale for the poor consumers, who rarely purchase in supermarkets, because of price and distance constraints. This situation may change though if prices in supermarkets go down, as already reflected by the higher frequentation of supermarkets in Ho Chi Minh City as compared with Hanoi.

Poor farmers have no direct access to supermarkets because of the requirements in terms of safety (for vegetables), quantities, and conditions of delivery (for all products). Yet poor farmers can be indirect suppliers of supermarkets through belonging to (or contracting with) farmers' associations supplying supermarkets. Ten farmers' associations, which work in the form of commercial organizations with shares, are regular suppliers of supermarkets for the selected products. Some have poor farmers as members, e.g., a vegetable cooperative in peri-urban Ho Chi Minh City and the flavoured rice association in Hai Hau. Their ability to supply supermarkets is related to the combination of functions they supply to their members: technical training (e.g., as regards safe vegetable production), input supply, collective marketing, quality control, credit supply, for which they receive public and NGO support. Supermarket supply through farmers' associations generally generates increases in farmers' incomes when compared with traditional chains, with a lot of variations: (i) no difference for baby tomato chain, (ii) 42% increase for the litchi and rice chains, (iii) 25% for Soc Son vegetable farmers, and (iv) 400% for water convolvulus in peri-urban Ho Chi Minh City. The supply of supermarkets is mostly appreciated by farmers because of a higher stability in prices and quantities purchased than in traditional chains, yet the situation is reported to change with the increase in supermarket competition. Shops represent another type of outlet for which farmers' associations benefit from the same advantages than supermarkets with less constraining requirements. Small-scale suppliers can get more value added by the promotion of farmers' associations involved in quality development and control through training and credit programs. Propositions aimed at maintaining the diversity of retail trade are made, including tolerance of street vendors in defined areas.

OBJECTIVES, QUESTIONS, AND HYPOTHESES

The main objective of the study is to assess conditions for an increased involvement of the poor in the food value chains driven by supermarkets[1] and other value-adding retail outlets. The poor here are considered (i) consumers of food products, and (ii) suppliers of food products – the producers, traders, or employees of enterprises involved in production and trade.

Although it is not as fast as in other countries of Asia, e.g., Thailand, the development of supermarkets goes at a steady path. In late 2001, Viet Nam could count 70 supermarkets, 32 in Hanoi and 38 in Ho Chi Minh City, while there were none before 1990 (N.T. Loc, 2004). Consumers express a growing concern for the quality – especially safety – of food products (Figuié, 2004). This demand has favoured the development of the sale of food products by supermarkets, and also by new retailing enterprises operating at market stalls or shops, for whom efforts on visual quality (attractive presentation and packaging) and communication on product safety are major promotion tools.

The development of these innovative distribution chains goes together with value-adding activities: "modern" wholesale and retailing firms are characterized by investments in shelf presentation (packaging and storage), advertisement, and selection of suppliers according to criteria of quality and regularity. These investments, together with economies of scale generated by volume distribution, add much value to the business of food distribution, relative to more traditional retail outlets which sell quite uniform, undifferentiated products, to the consumer (Goletti, 2004). Thanks to economies of scale, they also have a potential for cutting distribution costs and sell more affordable products to consumers (although most supermarkets still sell at higher prices than marketplaces at present, the situation may change with their expansion, as it has in Latin America in the 1990s). Hence, it is legitimate to consider supermarkets, and other distribution outlets involved in quality efforts, as positive sources of income opportunities for a country like Viet Nam where poverty alleviation is a major policy goal. The challenge is how to ensure that the value added by these new enterprises can effectively be distributed to the poorest people rather than primarily remunerating the persons able to invest in this demanding business, and excluding the poor who cannot compete with them. Another objective is to promote alternative distribution chains which can generate more value to the poor: this may include direct retail marketing of their products by the poor (this is a strategy developed by Hanoi Organics), or upgraded and legalized street hawking.

So the main questions of the study can be summarized as follows:

- What are the trends in the development of value-adding wholesale and retail distribution in Viet Nam (including supermarkets) – these will be termed in the rest of the document distribution value chains (DVC)?
- What are the effects of new distribution chains on the poor as consumers and suppliers of food products?
- How can modernization of distribution better fit the demand for food and income of the poor?
- Among present and alternative distribution chains, which ones should be promoted and supported with more positive effects on the poor?

The main hypotheses tested in the study drawn from the literature are summarized below:

[1] Supermarkets are considered here in the Viet Nam definition of shops covering more than 500 m², with self-service. In Viet Nam they include retail supermarkets and wholesale supermarkets (metro chain).

- As consumers, the poor are excluded from supermarket access in the first step of supermarket (SM) development because of higher price and distance from home; the situation may change in a second step when prices go down and the outreach of SM widens (Reardon and Berdégué, 2002; Hagen, 2004).

Table 1: The Two Steps of Supermarket Development
(according to Hagen, 2002, Reardon and Berdegue 2002)

	Step 1	Step 2
Prices in supermarkets/other outlets	high prices	low prices
Type of supermarkets' customers	rich customers	poor and rich customers
Supermarkets' share of the market	low share	high share
Geographical distribution	main cities, rich areas	poorer and less urbanised areas

- As employees in trade distribution, the poor are excluded from SM development in the sense that SM are characterized by labour-saving and capital-intensive innovations (self-service, mass distribution, and cash registers).

- As farmers, the poor are generally excluded from supermarket development due to the requirements in quality assurance and large-scale supply, as well as delays in payment (Reardon and Berdégué, 2004, 2005; Rondot et al., 2005) The poor can have profitable access to supermarket-driven chains and other quality chains when they are able to supply niche products for which they hold comparative advantages in terms of labour availability, location in areas which can specialise in certain commodities, or production seasons due to specific conditions of climate, soil or savoir-faire (see the example of pineapple in Peru by Boucher, 2005). This ability is itself determined by the development of farmers' organization and the promotion of specific labels.

- The impact of supermarkets development on small-scale farmers depends on the strategies of supermarkets to balance ethical standards versus competitive pricing (Fox and Vorley, 2004).

METHOD

ANALYTICAL FRAMEWORK

A multidimensional framework of organization and performance of food commodity systems was used:

- Market performance was considered as multidimensional (consumer satisfaction in terms of quantity, quality, price, access; income generation and distribution in the commodity chain; and environmental and social sustainability).
- Patterns of stakeholders' organization are considered as crucial determinants of market performance: spatial organization (flows of commodities from different origins); socioeconomic organization: competition and power relationships; information flows and coordination mechanisms.
- Social values and perceptions are considered in addition to economic rationales in the analysis of people's behaviour. These are not necessarily immediately translated into market transactions, and possibly affected by public or private communication devices.

The study is organized into the following components:

Component 1: Assessing trends in the development of supermarkets and other distribution value chains. This component refers to the patterns of changes in the different distribution chains in Viet Nam (supermarkets, shops, markets, street vending), and the impact of policy on these changes.This was based on the collection and updating of available data, interviews with key-informants (especially from Department of Trade of Hanoi and Ho Chi Minh City; Mission Economique, a service of the French Embassy providing support to French companies in Viet Nam).

Component 2: Assessing poor consumers' access to distribution value chains. In-depth interviews were conducted on a sample of 110 poor households located in Hanoi, 117 households in Ho Chi Minh City (including 52 poor) and 110 poor households in Moc Chau (a secondary town located in north Viet Nam).

Table 2: Consumer and Price Surveys

	Hanoi	Ho Chi Minh City	Moc Chau
Sample	110 poor households in Quynh Mai area	52 poor households 65 non poor households in Nguyen Cu Trinh ward	110 poor households
Data collection	one week monitoring and focus group discussions	one visit survey	one visit survey
Price comparison	basic foodstuff	vegetables	no comparison
Responsible	CIRAD/IOS RIFAV (price collection)	Nong Lam University, Faculty of Economics	CIRAD/IOS

CIRAD = Centre de coopération internationale en recherche agronomique pour le développement;
IOS = Institute of Sociology
RIFAV = Research Institute of Fruits and Vegetables

Component 3: Assessing poor farmers' and traders' participation in distribution value chains for selected products.

This component is based on four case studies: (i) vegetables supply to Hanoi from Soc Son and Moc Chau; (ii) vegetables supply to Ho Chi Minh City from peri-urban areas, Duc Trong, and Don Duong districts in Lam Dong Province; (iii) litchi from Yen The district in Bac Giang province in the North; and (iv) flavoured rice from Nam Dinh (Hai Hau district) in the North. The choice of the case studies results from the following considerations: (i) involvement of the poor (even in small numbers) in production and trade (Figure 1), (ii) involvement of supermarkets and other quality chains in the marketing. The four case studies of value chains investigate the following issues (Figure 2):

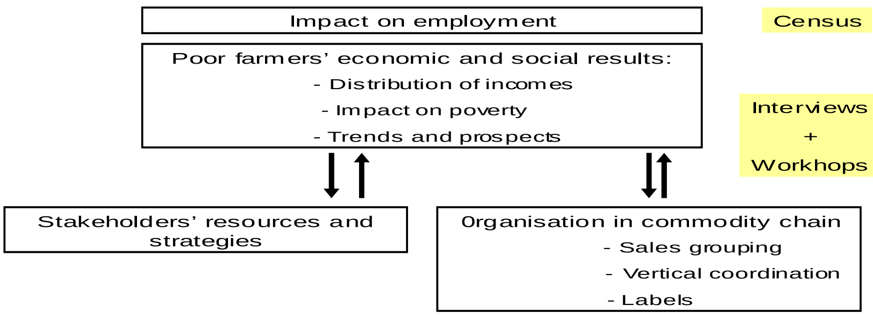
(i) Estimating the impact on employment of the poor as traders of the different distribution chains (see detailed method below for the census).

(ii) Evaluating the economic and social results of farmers and traders involved in litchi production and marketing, especially the poor (distribution of incomes and impact on poverty in the past, at present, and in the future).

(iii) Assessing the relationship between economic and social results, stakeholders' strategies and resources, and socioeconomic organization (in particular horizontal coordination, e.g., sales grouping, vertical coordination including contracts and vertical integration, as well as labels and brands)

The definition of the poor is based on the poverty lines in the different regions, the available assets, and the business size.

Figure 1: Nature of Information Looked for in C3



The details of data collection are provided in Table 3 and Table 4.

Table 4

Table 3: Traders' Census Method

	Litchi Hanoi	Vegetables Hanoi	Flavoured Rice Hanoi
Place of census	Hoan Kiem (old district) and Cau Giay (new district) 11 Hanoi retail markets making 23% of total traders	Hoan Kiem (old district) and Cau Giay (new district)	Dong Da and Hai Ba Trung districts
Method of census	Counting all street vendors, shops, supermarkets, and market retailers with indication of basic indicators of poverty (investment required, number of employees, gender).		
Method of extrapolation	Calculating average density of vendors/km² and multiplying by total Hanoi area.		

Data on economic costs and benefits, as well as supermarket strategies, are especially difficult to get. This explains that we have chosen to conduct in-depth interviews with stakeholders after having established good confidence relationships, instead of large sample surveys for which reliable data are more difficult to obtain. Costs include (i) expenses for all inputs involved in the activity, (ii) depreciation of used equipment, and (iii) paid labour costs (not family labour), while profits are the revenue of sales minus the costs incurred.

Component 4: Exploring future trends in the participation of the poor in DVCs.

The final part of the study is the summary and prioritization of constraints and opportunities for a more profitable involvement of the poor in the supply and distribution of supermarkets and other outlets, and the definition of policy options to relieve these constraints. This is done through the preparation of synthesis reports and the present summary presenting the salient results of the study and through two participatory workshops (one in Hanoi and one in Ho Chi Minh City) gathering selected interviewed private stakeholders as well as relevant officials involved in the support to agricultural and marketing development.

Figure 2: Summary of Investigated Issues on the Poor's Access to Supermarkets and Other DVCs

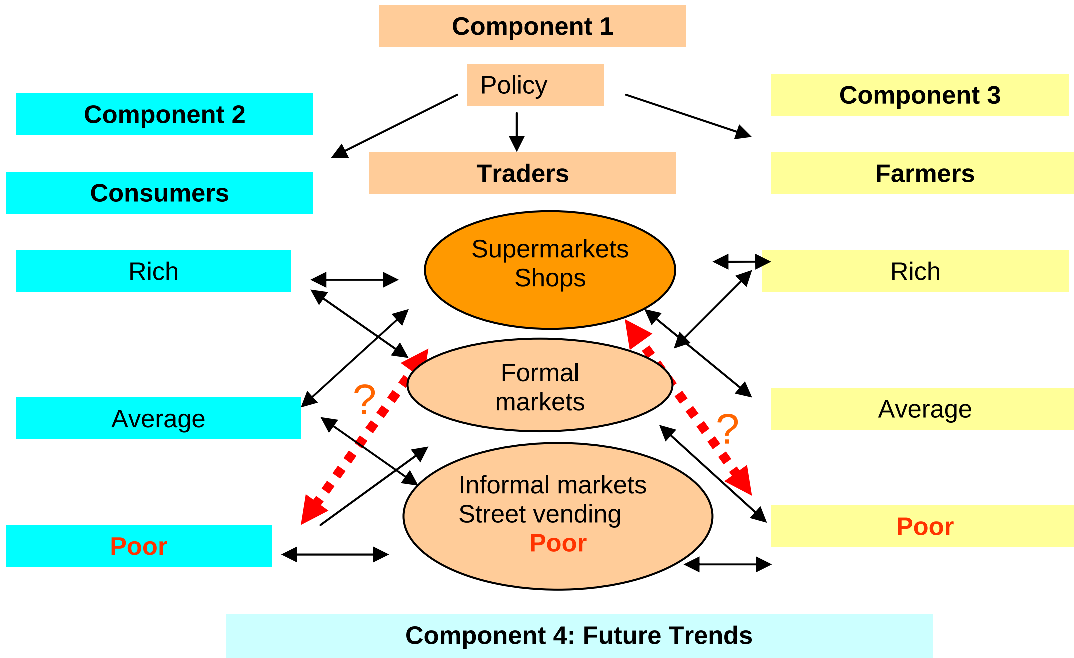


Table 4: Sample for In-Depth Interviews of Suppliers in DVCs

Sample	Commodities			
	Litchi, Bac Giang	Vegetables, North	Vegetables, South	Rice, Hai Hau
Supermarket managers or purchasers	13			19 rapid and 5 in-depth
Wholesalers	3	4 (2/village of Moc Chau)		6 Hanoi wholesalers 3 food companies 20 Hai Hau wholesalers
Market retailers	6	8		10
Shop vendors	6	11		10
Street vendors	6	12		10
Collectors	3 (1/3 communes in Yen The district)	5 (2/village of Moc Chau, Chien Ly and An Thai)		13
Farmers	80 including: - 10 poor/commune in 3 communes of Yen The district (Phon Xuong, Hong Ky, Dong Son) - 20 non poor in 2 communes of Yen The district(Phon Xuong, Hong Ky) - 10 non poor in Luc Ngan district	32=16/village of Moc Chau randomly chosen from list given by collectors	120 farmers in Don Duong and Duc Trong districts (Lam Dong province) 2 heads of farmers' organizations in Cu Chi district, 3 heads of farmers' organization in Lam Dong province 10 tomato farmers in Lam Dong province (7 in Duc Trong, 3 in Dong Duong), 2 farmers in Cu Chi district.	44 farmers in 2 communes (Hai Phong, Hai Toan) (randomly chosen from list given by collectors)

DVCs = Distribution Value Chains

Table 5: Issues Investigated in the Interviews

Actors	Investigated Issues
All actors	- Conditions of choice of different suppliers/buyers - Relationships with suppliers, including exchange of information, commitments between purchasers and buyers, conditions of payment, quality control - Problems in access to factors of production (land, labour, capital), markets, information, for entering the different value chains - Prospects of diversification or development - Quantities sold, all costs of production or marketing; waste, profits, prices
Farmers	Production specifications and procedures, as regards conditions for membership, organization of collective marketing, input supply and services, quality control
Officials	Trends in production and marketing, constraints and opportunities in the supply of the different outlets, recommendations for more beneficial marketing

MAIN RESULTS

A TRENDS IN RETAILING

1 - THE DIVERSITY OF FOOD OUTLETS

The following typology of distribution outlets can be derived from the inventory of retail places selling food in Hanoi and Ho Chi Minh City:

- **Supermarkets.** The present definition for Viet Nam[2] is diversified shops of more than 500 m² (or specialised shops of more than 250 m²), characterised by self-service, and services e.g. parking areas, guards.
- **Shops.** Shopping area of less than 500 m², with walls and cover; in Ho Chi Minh City it is possible to distinguish family shops and convenience shops, usually in chains (like coop shops).
- **Formal markets.** Markets planned by the state (covered or half-covered), with a management board. In these markets, retailers pay around D40,000/month for renting their place[3] plus taxes of D50,000/year (Gia, Cuong, Tru, and Huong, 2004).
- **Informal markets.** Markets not planned by the state (held in the open air); these include fixed, permanent, markets and not fixed, spontaneous markets (which can also be called toad markets).

Among market stalls, be they formal or informal, it is possible to distinguish open-air markets (or wet markets) and covered markets (all of them are formal).

- **Informal street stalls.** Individual stalls held in the street, with a table and sometimes cover.
- **Street mobile vending.** Vendors selling from baskets, bicycles, or motorbikes, moving from one place to the other, sometimes grouping themselves to sell on the street.

[2] Since decision 1371/2004/QD-BTM of the ministry of trade in 2004 (quoted by Hoang Bang An, forthcoming, Policy orientations on supermarket and market development in Viet Nam, MALICA-MMWB4P).

[3] The cost of purchasing a stall is higher than D10 million in some markets (Nguyen Duc Truyen, personal communication).

2 - SUPERMARKETS ARE DEVELOPING FAST

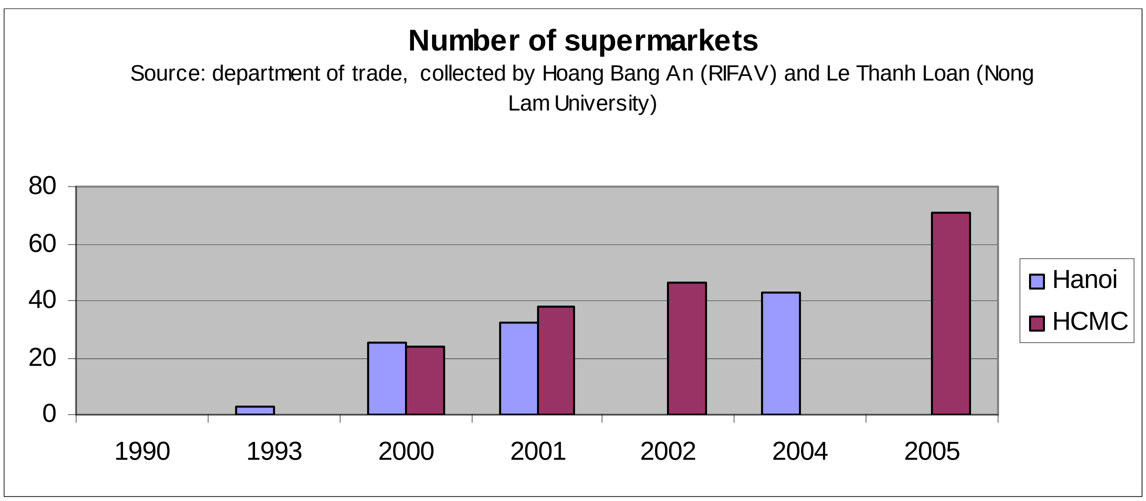
The official definition of supermarkets dates only from June 2004 (see next section: the main criterion is size, more than 250 m² for specialized supermarkets and more than 500 m² for general supermarkets; other criteria include number of products and presence of toilets). Before this date, the department of trade registered the number of establishments calling themselves supermarkets, which were commonly more than 200 m². Based on this definition, the number of supermarkets has increased quickly between 1990 and 2004 (17%/year in Ho Chi Minh City and 14%/year in Hanoi between 2000 and 2004, to reach 55 supermarkets in June 2004 in Hanoi (plus nine trade centres, including Metro), and 71 supermarkets in Ho Chi Minh City in 2005 (Table 6 and Figure 3).

Table 6:Trends in Supermarket Numbers

Year	1990	1993	2000	2001	2002	2004	2005
Hanoi	0	3	25	32		43	
HCMC	0	0	24	38	46		71

HCMC = Ho Chi Minh City.
Source: Department of Trade, collected by Hoang Bang An (RIFAV) and Le Thanh Loan (Lam Nong University), by using the census of this department, that considered the number of establishments calling themselves supermarkets, 90% of those were more than 200 m². The figures do not include supermarkets located in trade centers.

Figure 3: Trends in Supermarket Numbers



The rate of development is especially fast for the three leaders, Metro, Coopmart, and Big C, with the setting of hypermarkets (defined here as shops of more than 2,500 m²[4]). Twenty-five to 30 new shops are planned before 2008 for Coopmart (Saigon Times, 06/03/2004). The growth rate of Coopmart in terms of number of shops has been of 39% per year from 1996 to 2004, and is estimated to be similar between 1996 and 2008, reaching 50 shops. The rate of growth of revenue of Coopmart is estimated at 25% per year (from $1.5 million to $66.6 million) (source: Saigon Times, 06/03/2004). As for Metro, eight shops are projected in 2008, compared with three in 2002, i.e., a growth rate of 28% per year (Viet Nam Investment Review : 24.10.2004).

[4] According to the French terminology (Vernin, 1998). In the Vietnamese law definitions, there is no mention of hypermarkets.

Big C plans three more hypermarkets in Hanoi in the 5 next years (source: Economic Department of French Embassy). The determinants of supermarket development as presented by Reardon and Berdégué for Latin America are also relevant for Viet Nam: (i) fast urbanization; growing purchasing power, especially in the cities, which represent in value 40% of the domestic food market (Figuié and Bricas, 2002); other related factors include the growing access of women to labour, growing access of households to refrigerators and cars: the access to fridges has increased by 6.89% per year in Hanoi and 8.00% in Ho Chi Minh City between 1993 and 2002 (from GSO household surveys); increased freedom for private local and foreign investment; diversification of outlets by multinational retail companies.

The result documented by Reardon and Berdégué that supermarkets were first set in central districts, then developed in suburban districts, is also observed in Viet Nam.

Foreign and local investors are involved in supermarket development. The three major players in the supermarket distribution of fresh food are:

- Metro, the German-owned supermarket chain, open since 2002; theoretically a wholesale distribution chain targeting retailers and restaurant owners, but increasingly visited by individual customers; it has two shops in Ho Chi Minh City, one in Hanoi, one in Can Tho, and has planned to have five more shops in 2006 (one in Can Tho, one in Hanoi-approved to open in 2005), one in Hai Phong (opened in September 2005), one in Ho Chi Minh City, one in Danang (source: Viet Nam Investment Review, 24.10.04).
- Big C, a French-Vietnamese venture, in Viet Nam since 1999, with three trade centers in Ho Chi Minh City and one in Hanoi since January 2005 covering 6,500 m².
- Coop-Mart, a Vietnamese company, under Saigon coopmart, which still gets orientation from the Government of Viet Nam, and involves public as well as private shareholders. It accounted for half modern food retailing in 2001 (Hagen, 2002) and had 13 supermarkets in 2004 (12 in Ho Chi Minh City and 1 in Can Tho)[5]

Other Vietnamese supermarkets include Intimex (four supermarkets in Hanoi), Fivimart, Maximart. In relation with Hanoi Trade Department, and under the impulse of Intimex, the Hanoi supermarket association was created in March 2005, it gathers 17 out of the 65 operators working on modern distribution in Hanoi, including Intimex, Wincom, Trang Tien, Seyu. Its main objective is to promote supermarkets and assist Vietnamese companies to interact with the authorities[6].

3 - POLICIES ARE FAVORING RETAIL CONCENTRATION

In the two cities, policies have favoured the centralization of food distribution, in the form of planned wholesale and retail markets, support to private investment in supermarkets,[7] and planning of eviction of street vending and informal markets. The main reasons underlying these choices are traffic facilitation, food safety promotion, and a more abstract idea of urban modernization. Yet, the legislation also mentions the need for a balance between diverse types of trading, including markets, shops, and supermarkets. No mention is made on the impact of supermarket development on poverty and employment, or on provisions for restriction in the development of supermarkets to favour the balance between different distribution points.

[5] Viet Nam Investment Review, 22-08-2004

[6] Viet Nam Investment Review, 22-08-2004 and 20-03-05.

[7] The Ho Chi Minh City People's committee has approved a plan for the investment into 15 new supermarkets between 2005 and 2010, which has been followed by a government call for investment (see Tam and Loan, infra).

B - A LIMITED INVOLVEMENT OF THE POOR AS CONSUMERS IN SUPERMARKET CHAINS

Poor consumers are sensitive to changes in food distribution systems, mostly because food represents a very high share (70%) of the value of their consumption. The urban poor, having a low share of home production (less than 4% of self consumption in urban area, 32% in rural one) are much sensitive to food prices variations. After a period of stability, food prices have begun to increase since 2004: +17.7 % for the staple food, + 15.6% for the other foodstuffs, for the year 2004. Nowadays, in Ho Chi Minh City, supermarkets are more numerous than in Hanoi (respectively 71 and 55) but in proportion of the population, Ho Chi Minh City is less equipped (one supermarket for 78,000 dwellers in HCM City, but one for 55,000 in Hanoi). Nevertheless, households in Ho Chi Minh City are much more numerous to shop in supermarkets than in Hanoi:

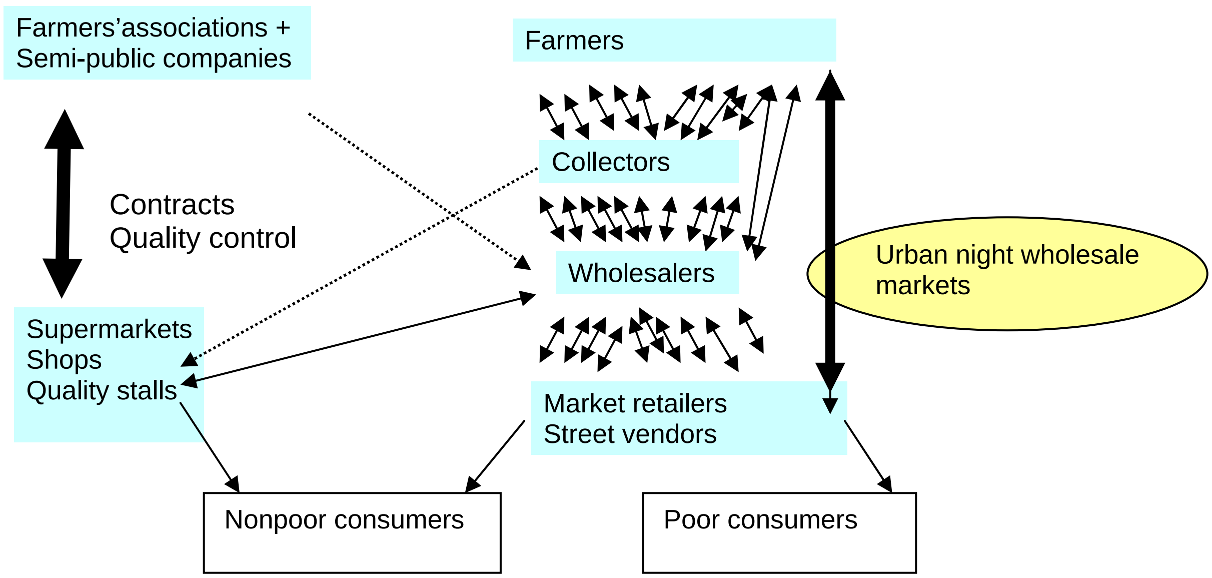
- In Hanoi, more than 60% of the poor households of our survey have never shopped in supermarkets and only 2.7% shop there regularly (from few times a month to few times a week). The first source of food purchases is the informal market (95% of poor consumers shop there weekly).
- In Ho Chi Minh City, only 33% of the poor households have never shopped in supermarkets (and 2% for non-poor households), and 38.5 % shop there regularly (81.2% in non poor households). The first source of food purchase for the poor is the formal market (62% of consumers shop there weekly).

As regards food purchased in supermarkets, poor consumers mainly buy processed food, i.e., milk and dairy products, sugar, instant noodle, canned food, and processed meat (in Ho Chi Minh City, non poor households buy the same main products, plus sweets). In Ho Chi Minh City, the price of sugar is similar between supermarkets and markets, while in Hanoi, the price of this product in supermarkets is 20 to 40% higher than in retail markets (except for Big C). Prices, habits, distance are the main reasons quoted by consumers for not shopping in supermarkets. Distance can also be related to the question of trust. Developing personal relationships with retailers is important because this ensures (i) access to credit (one household out of four in our Hanoi sample had borrowed money to buy food during the month before the survey), and (ii) the guarantee not to be misled on the quality of the goods bought. Poor consumers generally have a rather good opinion of their primary food outlets (formal or informal markets, shops). Supermarkets and street vendors stand apart of this global assessment, giving two specific and opposite images: good price and rapidity but low quality of the products for street vendors, high quality but high prices, and time spent for supermarkets.

C - SEGMENTATION OF QUALITY VERSUS ORDINARY VALUE CHAINS

The study shows the segmentation of the vegetable chains between supermarkets and quality food shops, mostly involving the middle- and high-income consumers, and supplied by farmers' associations and large-scale farms, successful in developing IPM production, versus traditional chains involving small-scale farmers, collectors, wholesalers and retailers (Figure 4). The organization of chains is similar for litchi.

Figure 4: Simplified Vegetable and Litchi Commodity Chains Supplying Hanoi and HCMC



D - A LIMITED INVOLVEMENT OF THE POOR AS TRADERS IN SUPERMARKET CHAINS

Supermarkets create less employment per unit of area or volume than markets and street vending. So the development of supermarkets is likely not to compensate the loss of employment in street vending and market places. The share of supermarkets in total employment by retail trade is estimated at around 6% - without taking account street vending nor shops, only retail markets, while the share in Hanoi retail business is around 15%. Figures are similar for food as compared with total business. Yet figures are much higher for supermarkets when taking into account indirect employment (11% instead of 6% of employment) – see Table 7 and Table 8. As regards the share of supermarkets in vegetable trade employment, it is less than the share in volume of business (Table 9).

Table 7: Employment in Markets and Supermarkets

	Supermarkets	Markets	Total Supermarkets + Markets
Direct employment	1917	29211	31128
%	6,2%	93,8%	
Indirect employment	3716	29876	33592
%	11,1%	88,9	

Source: C1 data.

Table 8: Employment in Markets and Supermarkets (Food)

	Supermarkets	Markets	Total Supermarkets + Markets
Direct employment	923	13145	14068
%	6,6%	92,4%	
Indirect employment	1015	13444	14459
%	7,1%	92,9%	

Source: C1 data; for markets we considered that the share of food vendors relative to non-food vendors is 45%, considering the data of JICA (1998) -

Table 9: Impact of Vegetable Distribution Points on Quantities and Employment

	% in Volume	% in Employment
	% in volume	% in employment
Street vending	46,5%	52,5%
Ordinary market stalls	39,4%	34,3%
Safe vegetable shops	7,0%	5,6%
Ordinary shops	6,2%	7,2%
Supermarkets	0,9%	0,4%

Source: Son et al. (2005); figures are similar when taking indirect employment.

The estimation of the employment generated by the retail sale of one ton of vegetables if sold by street vendors, retailers, shops, or supermarkets confirms the higher employment impact of the former relative to the latter (Table 10).

Table 10: Employment by Volume of Trade

Selling 1 ton of vegetables retail in a day gives employment to….
13 street vendors
10 retailers
8 shop vendors
5 employees of medium-scale supermarkets
4 employees of Big C

Source: Data on quantities traded and employment by sale points in Son et al.

Besides, while street vending and informal markets can employ the poor, as they do not require special qualifications nor investment (investment for street vending is limited to D400,000), entering formal markets is constraining in terms of finance (D12 million), and becoming an employee of supermarkets may be constraining in terms of qualification (a minimum of 1 year training in a school of the ministry of trade to work in the shelves, 2 years to work in supermarket administration for Intimex employees; Big C is not as constraining and mostly asks for good hygiene to work in the shelves). If we consider the 2004 threshold for poverty, we find that 18% of street vendors are poor.

E - A LIMITED INVOLVEMENT OF THE POOR IN SUPERMARKET CHAINS AS FARMERS

The results confirm that the poor have no direct access to supermarkets because of the requirements of the latter in terms of safety (for vegetables) and quantities (for all products). Supermarkets want to have vegetables suppliers: (i) able to display certificates of quality control – even if out of date, or evidence of regular quality control by DARD; and (ii) able to deliver vegetables daily at the supermarket step. The bulk of vegetables supplied to Hanoi supermarkets originate from “leader” peri-urban safe vegetable cooperatives (Van Noi, Van Tri, Duyen Ha) or semi-public companies (technical center for fruits and vegetables, Bao Ha). The safe vegetable cooperatives are made of voluntary farmers’ associations gathering farmers with neighbourhood and/or family relationships, with higher financial capacity and land size than the average (in Van Tri, the shares are $200/person and the size of farms is 0.45 ha on average, like in Van Noi, i.e. more than twice the average in Red River Delta). The cooperatives have small vans to transport vegetables to supermarkets.

Because of the requirements of supermarkets in terms of vegetable diversity and regularity, the cooperatives have to recourse to collection of vegetables outside their members, especially for off-season vegetables that cannot be grown in peri-urban areas. This gives some opportunities for the poor living in mountainous areas, e.g., Moc Chau and Dalat, as they have specific advantages for the production of off-season vegetables because of their favourable climatic conditions. Moreover, the poor of Hanoi peri-urban areas (the district with the highest percentage of poor being Soc Son, with 4.3% of poor with old poverty line and 20% with new poverty line of D170,000/cap/month since 10/2005), can become the suppliers of safe vegetable cooperatives and companies as is the case for Bao Ha, provided they got some preliminary training.

In Moc Chau, vegetables are mainly produced in two villages, Chieng Ly and An Thai, where poor households (defined as earning less than D70,000/month) represent 16% of households – see Table 11. But poor households are not spontaneously involved in vegetable production, because of the marketing risks associated with vegetables, the necessity to invest in agricultural inputs, e.g., fertilizer and pesticides and the necessary training. Hence the poor households are involved in subsistence rice production plus other staple crops e.g. sweet potato and cassava. The condition for poor households to get involved in vegetable production is: (i) the credit provision of inputs (seeds, fertilizer, pesticides); (ii) the provision of training; (iii) the guaranteed purchase of products at stable prices for the season; (iii): risk shouldering, by not claiming input credit in case of harvest losses. This has been done by Moc Chau cooperative in the two past years and has enabled the shift from staple crop to vegetable production and marketing of four poor families of Thai ethnic origin. This shift has enabled the families to earn enough cash to invest in improved housing and transportation. In addition to these four contracted farmers, two poor subsistence farmers are working for the cooperative as employees on land owned by the cooperative, to produce vegetables for which they have been trained. They get a monthly salary of D500,000/month, and also benefit from housing rented by the cooperative.

The advantages of poor households as suppliers according to the head of Moc Chau cooperative mostly relates to their labour ability. Safe vegetable production is quite adapted to the profiles of small-scale farmers as the economic data on production costs show that these are lower for Moc Chau farmers involved in the supply of the cooperative than those outside…on the other hand the labour requirements are higher.

Hence the involvement in Moc Chau cooperative supply has enabled six households to step out of poverty; this is a small impact in numbers, but can be seen as a model of poverty alleviation through contracts on inputs, labour and products.

As regards farmers supplying HCM supermarkets, they cannot be termed as poor in the sense of people earning less than D500,000/month (poverty line of the Committee of Hunger Elimination and Poverty Reduction of Ho Chi Minh City), but we can find 5% of small-scale farmers with land less than the average, i.e. less than 2900 m^2 (VLSS 1997–1998 data for northeast and south), in the Cu Chi cooperatives supplying Metro and Coopmart with leafy vegetables. On the other hand, poor farmers of Duc Trong district of Da lat are not supplying supermarkets, which are supplied by cooperatives whose members have to pay shares more than D1 million.

The involvement of the poor is higher in rice production than in vegetable production as they represent around 20% of rice farmers in the two communes of Hai Phong and Hai Toan of Hai Hau district (defined as earning D50,000–D80,000 and on 700–1000 m^2), while the percentage of the poor is 15%. They are more involved in the traditional supply chain of markets, while the supermarket-driven chain is supplied by companies buying from medium-scale to large-scale farmers, while the association-driven chain supplying supermarkets comprise around 20% of poor farmers.

As regards litchi in Yen The-Bac Giang, the poor (defined by local authorities as earning less than D80,000/month), represent 16% of households in 2004 – a percentage equivalent in litchi production. Litchi production has enabled a substantial reduction in poverty rate (it amounted to 36% in 2000). Thanks to litchi sale, the farmers earn more than D40,000/day, but this is only during 43 days due to small size of production and the short season of litchi), and still low yield due to lack of training. Litchi from Yen the/Bac Giang does not supply supermarkets, which are currently provisioned by Thanh Ha litchi in small quantities. As a pioneer area in litchi production, Thanh Ha litchi benefits from a reputation of quality – mostly in terms of sweet taste - which has not yet been obtained by Yen The litchi despite similar varieties grown. This shows the importance of quality promotion in the supply of supermarkets and other value-adding outlets.

Table 11: Summary of Participation of the Poor in the Investigated Value Chains

	Vegetables Moc Chau	Vegetables Soc Son	Vegetables for HCMC	Rice Hai Hau	Litchi Bac Giang
Poverty line (from local authorities)	D70,000/month	D130,000/month	In Cu Chi district: n.y.a. In Lam Dong: D250,000/month	D50,000–D80,000/month, 2–3 sao (700 to 1,000 m²)	D80,000/month
% of poor in 2005 in the selected districts	16% (Chien Ly, An Thai communes)	4,3 %	In Cu Chi district: n.y.a. In Donc Duong district: n.y.a. In Duc Trong district: n.y.a.	20% (Hai Phong, Hai Toan communes) –	16% in Yen The 5,4% in Thanh Ha
% of poor in 2005 for the selected products in the selected districts	0 at the moment but 6 families stepped out of poverty through Moc Chau cooperative contracting or employment	32%	In Cu Chi district: 5%	20% (Around 520 poor rice farmers)	16%
Number of poor participating in supermarket-driven chains, and other high value-adding chains	6 families stepped out of poverty through Moc Chau cooperative contracting or employment, this cooperative selling indirectly to Hanoi shops and supermarkets	32%	None In Cu Chi cooperatives supplying Metro and Coopmart, 5% of small farmers (<2900 m²) 60% of farmers supplying vegetables to Dung Thao company (60 farmers)	20%: All 520 poor rice farmers indirectly supply supermarkets through food companies	0%

Note: The involvement of the poor in the chains where final buyers include supermarkets is considered, whatever the "quality" of this participation.

F CONDITIONS FOR THE POOR TO BE INVOLVED AS SUPPLIERS: ASSOCIATIONS AND QUALITY

As regards vegetables, safe vegetable programs launched in 1995 in Hanoi and 1997 in HCMC have played a crucial role to revive farmers' organizations. Public administrations in HCMC have intervened in various areas to promote farmers' associations involved in safe vegetable production: training on cooperative management; training on safe vegetable production (several days per month), support on interest rate from 4 to 7%; organization of vegetable fairs; quality control organised 1 to 2 times per month in Cu Chi district, and once a year in Dalat area. Vegetable farmers' organizations in Hanoi and HCMC are in the form of commercial cooperatives with shares, with a legal form in Viet Nam since 1996 (Dao The Anh, 2005), except in the case of Ap Dinh which is an association.

Farmers' organizations, in Hanoi like in HCMC, are vehicles of government support to farmers in HCMC and Dalat, in particular in the area of quality development; in addition, they are involved in input supply and collective marketing (by using salaried traders, collective transportation, joint negotiation with purchasers, which enables economies of scale and joint reputation for quality. In Northern Viet Nam, Hai Hau and Thanh Ha associations have been set with the help of VASI-DSA in 2003 to answer marketing problems expressed by farmers; they play a crucial role in rice processing, technical training and the building of reputation on taste and label on origin.

The functions of the different investigated farmers' organizations are summarised in Table 12.

D THE IMPACT ON INCOME OF SUPPLYING QUALITY RETAILERS

The study shows that selling commodities to retailers with strategies of quality promotion generates additional incomes for farmers, especially those organised in associations. Retailers with quality promotion do not only include supermarkets, but also shops and stalls (individual or in markets), which are easier to attain for small-scale farmers than supermarkets. It should also be highlighted that income increases generated by supermarket supply compared with traditional chains are not systematic, and are in no cases dramatic (Figure 5–8).

In Ho Chi Minh City, profits per kilo of farmers are higher in supermarket-driven chains than in traditional chains, especially as regards ordinary tomato supplied from Anh Dao cooperative in Dalat area to Coopmart (D890/kilo=21% of final price relative to D176/kilo=5% of final price, that is a 400% profit difference). Production costs are higher in the supermarket chain because of harvest and postharvest cost to deliver grade 1 tomato (mostly labour costs). For water convolvulus profits are also higher while farmer costs are the same (D869/kilo = 25% of final price, relative to D769/kilo=21% of final price, i.e. a 13% profit difference). For baby tomato, there is no difference in farmers' profits despite higher final price in supermarkets than in traditional outlets. Farmers owning production land area of 1000 m^2, have almost doubled their vegetable income to about D950,000 compared with D500,000 before 2002. This achievement has derived from a little increase in price and, more importantly, an increase in their supply capacity of vegetables.

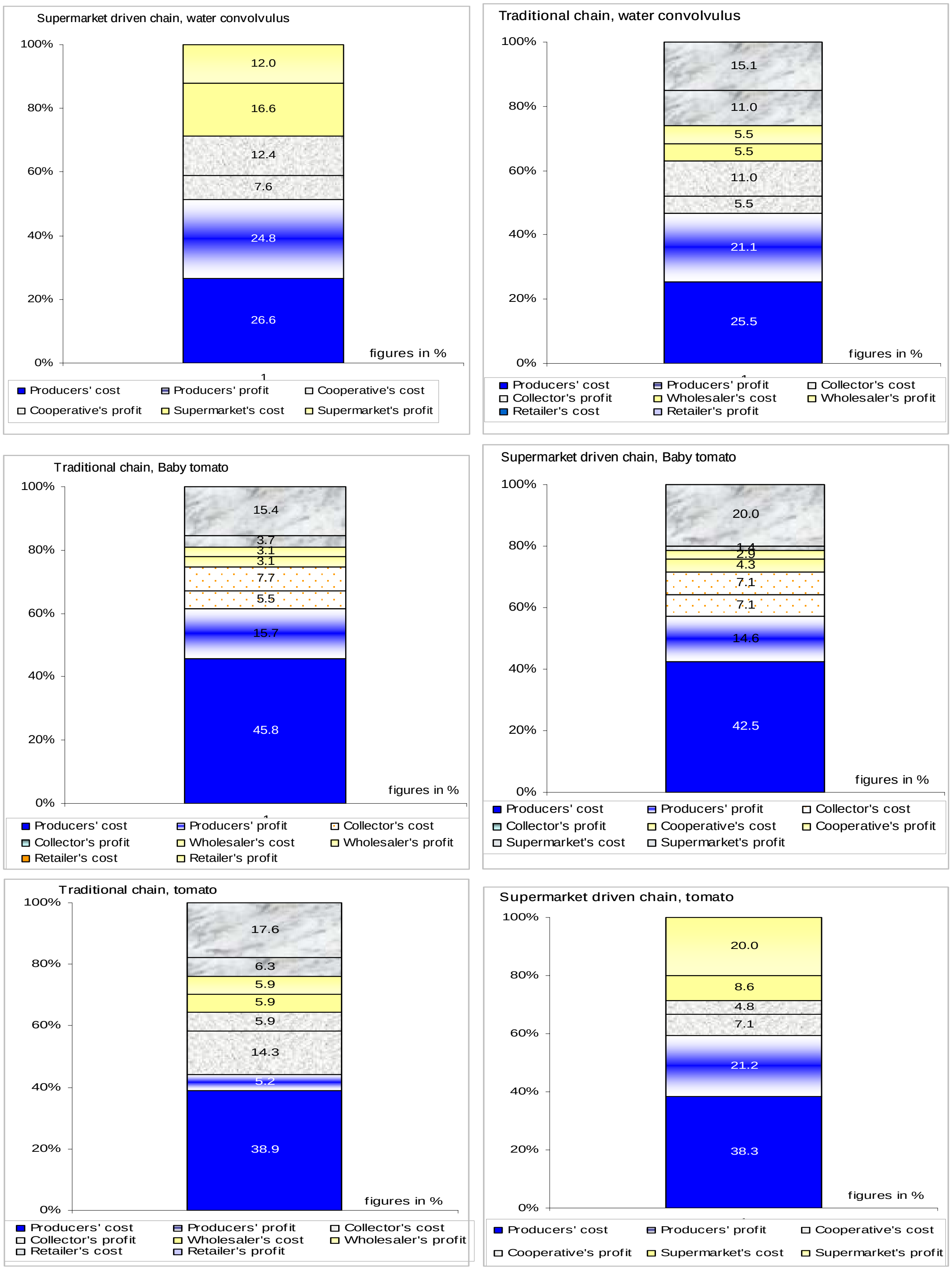
In Hanoi, Soc Son farmers involved in the supply of Bao Ha, itself supplying supermarkets, get slightly higher profits than the other Soc Son farmers (D2,121/kilo instead of D1,727/kilo, which corresponds to 49 and 48% of final price – i.e. a 23% profit difference); the difference of profits for Moc Chau farmers supplying Moc Chau cooperative (itself a supplier of shops and supermarkets) is similar: D949/kilo relative to D881/kilo, 23% and 25% of final price respectively. When the cooperative is supplied by collectors rather than directly buying from farmers, the profits are even lower for farmers (D699/kilo). The fact that income increases are little is due to: (i) the lack of differentiation in vegetable safety because of lack of rigorous quality control; (ii) the length of the chain of supermarket supply, with three cooperatives acting as intermediaries (Moc Chau, Van Tri and Van Noi).

Table 12: Functions of the Investigated Farmers' Organizations

	Peri-urban HCMC (vegetables)		Lam Dong province (vegetables			Peri-urban Hanoi (vegetables)		Moc Chau (vegetables)	Nam Dinh (rice)	Hai Duong (litchi)
	Ap Dinh association	Tan Phu Trung cooperative	Xuan Huong coop	Phuoc Thanh coop	Anh Dao coop	Van Tri coop	Van Noi coop	Moc Chau coop	Hai Hau association	Thanh Ha association
Training :										
Production techniques	X (safe vegetable production with DARD)								X (quality rice production with DARD and VASI)	X (quality litchi production with DARD and VASI)
Organization of labelling/marketing									x	X
Processing and packing									x	X
Credit supply			x	x					X (on input)	
Input supply	x	x		x		X		x	X	X
Marketing: joint name; contact with traders, transport, pricing, salaried traders	x	x	x	x	x	X Individual access to shops	x	x	X Processing and packing	X Packing
Quality control (specific aspects detailed below):	X	x	x	x	x	x	x		X	X
External safety control	Organization of inspections by DARD					Certificate from department of science and technology(out of date)				Only for sanitary certification
Internal safety control						x				Control of pesticide use
Internal control on physical quality/origin									Control of origin/soil farmers' commitments to follow procedures	Control by association
External control on physical quality/origin									Tests with department of science and technology	

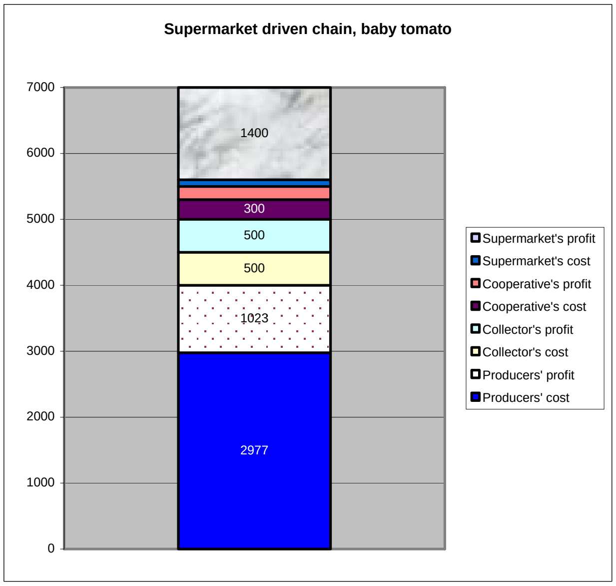
DARD = Department of Agriculture and Rural Development
HCMC = Ho Chi Minh City
VASI = Viet Nam Agricultural Science Institute

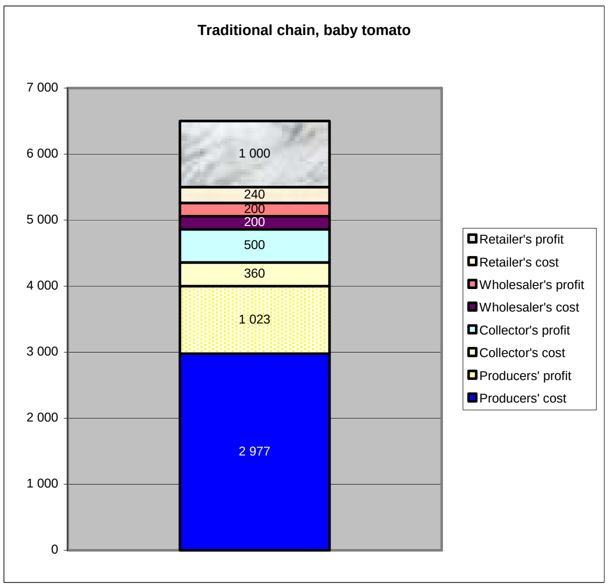
Figure 5: Costs and Profits Relative to Final Vegetable Retail Price in HCMC (%)

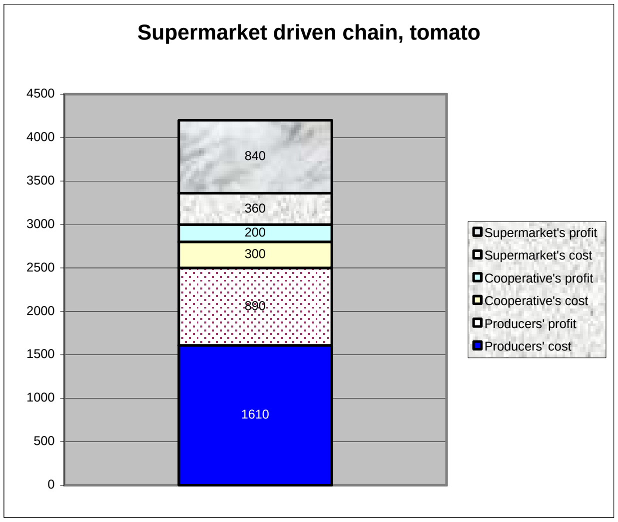


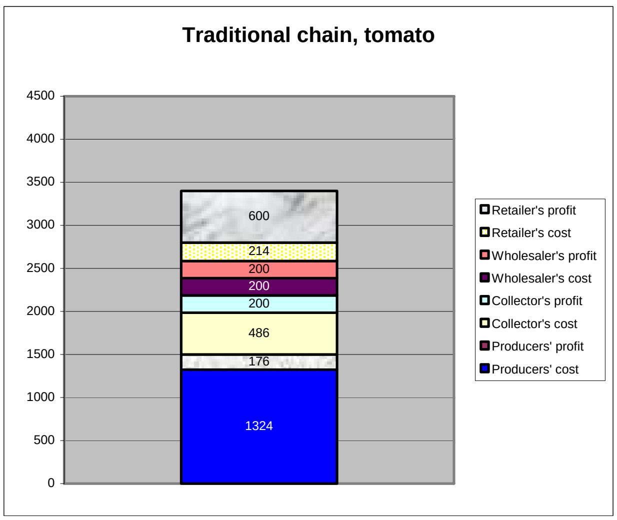
Source: Nong Lam University surveys, MALICA/MMWB4P, 2005.

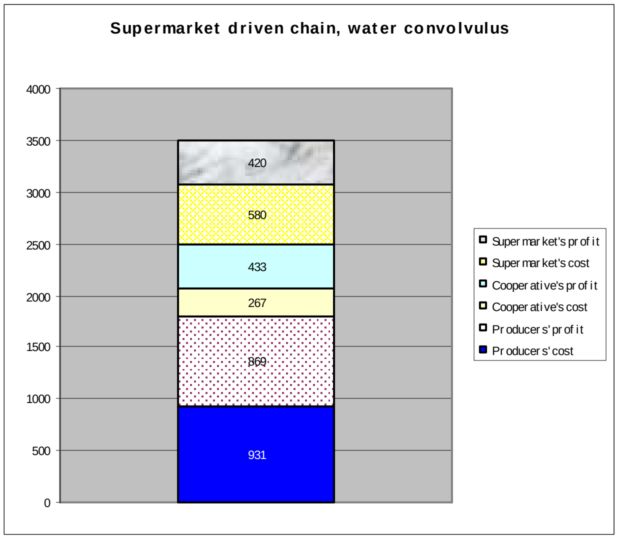
Figure 6: Costs and Profits Relative to Final Vegetable Retail Price in HCMC
(values)

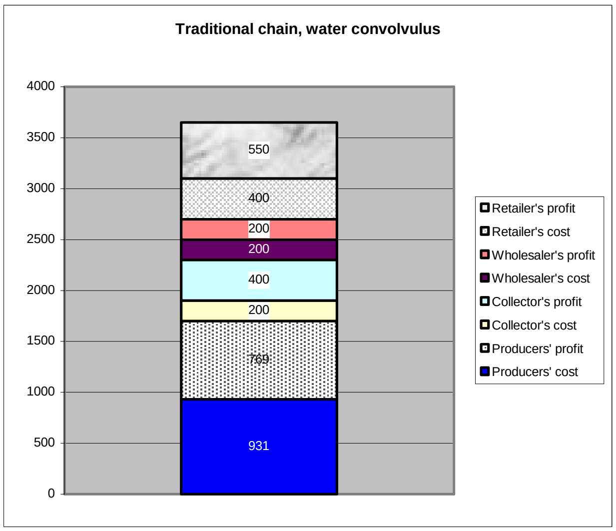





Supermarket driven chain, tomato
4500
4000
3500
3000
2500
2000
1500
1000
500
0
840
360
200
300
890
1610
Supermarket's profit
Supermarket's cost
Cooperative's profit
Cooperative's cost
Producers' profit
Producers' cost

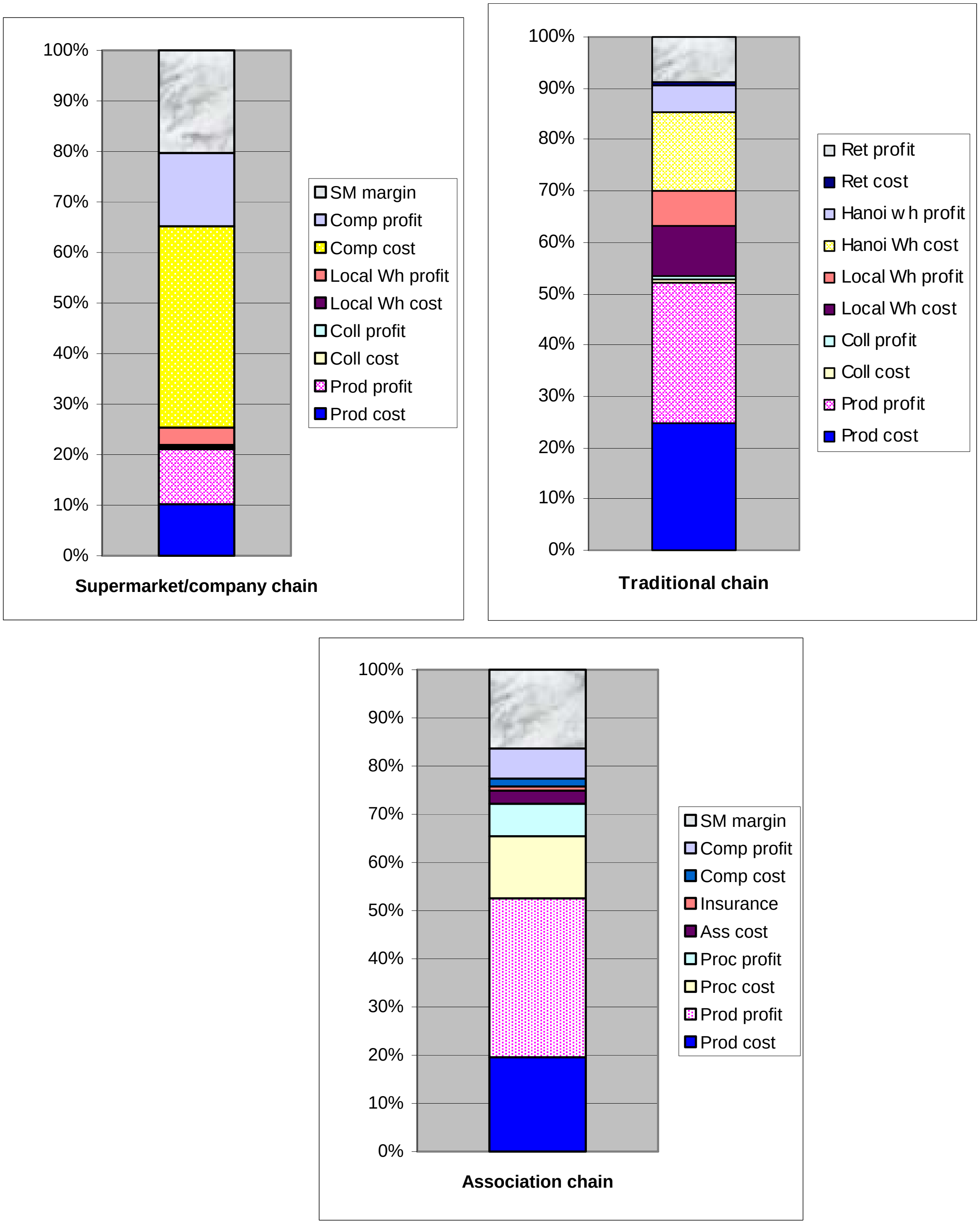

Traditional chain, tomato
4500
4000
3500
3000
2500
2000
1500
1000
500
0
600
214
200
200
200
486
176
1324
Retailer's profit
Retailer's cost
Wholesaler's profit
Wholesaler's cost
Collector's profit
Collector's cost
Producers' profit
Producers' cost





Source: Nong Lam University surveys, MALICA/MMWB4P, 2005.

Figure 7: Costs and Profits Relative to the Flavoured Rice Retail Price in Hanoi
(percentage)

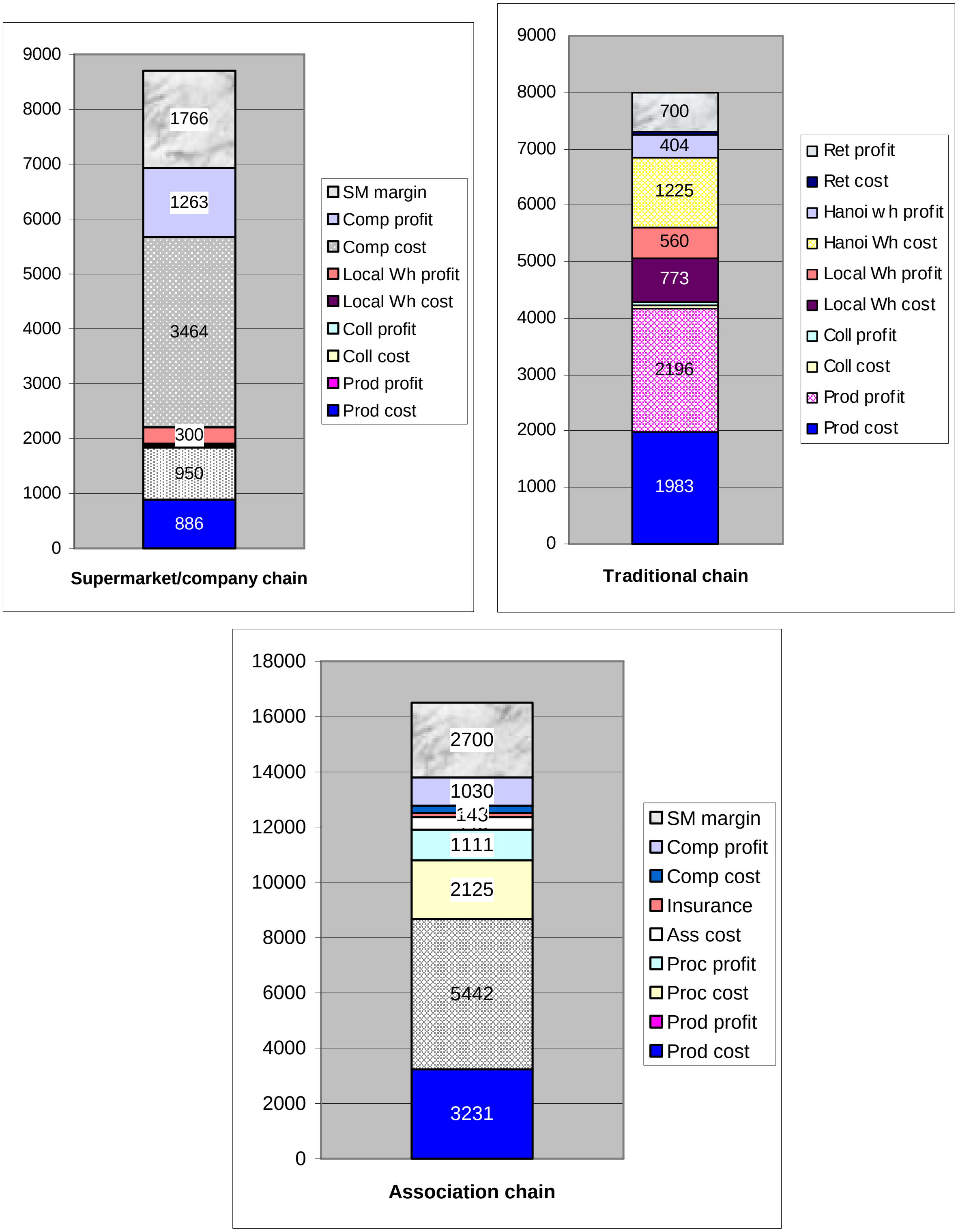


Source: Nong Lam University surveys, MALICA/MMWB4P, 2005.

Prod = producer, Coll = collector, Wh = wholesaler, Comp = Food Trade Company, Ret = Retailer, SM = supermarket

Source: VASI/MALICA/MMWB4P survey, 2005.

Figure 8: Costs and Profits Relative to the Flavoured Rice Retail Price in Hanoi
(values)



Source: VASI/MALICA/MMWB4P survey, 2005. The costs and profits for farmers in the supermarket chain are for 1 kg of mixed rice, that is for 300 g of flavoured rice, while they correspond to 700 g of flavoured rice in the traditional chain and 1kg of flavoured rice in the association chain. So the farmer costs differences presented between the three chains mostly correspond to differences in quantities of flavoured rice sold by farmers for 1kg of retail rice. For 1 kg of flavoured rice, the production costs are D2,833/kilo in the traditional chain, D2,953/kilo in the supermarket chain, and D3,231/kilo in the association chain, the differences relating to higher use of fertiliser, higher cost of seeds and labour.

In the rice chains, selling to supermarkets through the association generates the highest profits per kilo of flavoured rice (D5,442/kilo compared with D3,167/kilo in the traditional supermarket chain, and D3,140/kilo in the traditional chain, i.e., a 42% profit difference).

Litchi farmers involved in the association chain from Thanh Ha and selling to supermarkets are those who earn the highest profits per kilo: D3,545/kilo in 2004, compared with D2,567/kilo for Thanh Ha farmers outside the association, i.e., a 38% profit difference, D2,151/kilo for Luc Ngan litchi sold in shops and D1,766/kilo for Yen The litchi sold by street vendors. Yet, the situation of the association is fragile, as the collector is also the one who get the highest costs (D2,690/kilo for collecting costs and D,4500/kilo for purchase price), and litchi is a highly perishable product, so losses can be high at retail and wholesale level: collectors get income losses when product losses are higher than 10% (which commonly happens twice a month). In 2005, due to high losses at the retailing stage, supermarkets could only pay the association D7,000/kilo (instead of D8,000/kilo), and the collector purchased the litchi at D3,000/kilo (compared with D4,500/kilo in 2004) – which is still higher than the price of farmers outside association (D2,500/kilo). In the litchi chains, prices increase between Yen The, Luc Ngan and Thanh Ha litchi, due to the increased reputation as regards quality (in particular, sweetness, sorting). Yet, the varieties grown are generally the same between the three locations (*thieu*). There are still technical improvements to be done in Yen The as regards yield and quality, in particular in terms of choice of plants (with credit support) and tree care.

Finally, farmers close to roads have the possibility to sell directly in Hanoi with their motorbikes and develop regular relationships with retailers in Hanoi while isolated farmers in Bac Giang have to sell to collectors at lower prices.

F - FARMERS' BENEFITS AND CONSTRAINTS IN THE SUPPLY OF SUPERMARKETS

While the main advantages of supermarkets relate to stability in prices and quantities bought, the disadvantages relate to their requirements in terms of quality, diversity, delivery, as well as less favorable conditions of payment, and possible opportunistic behaviour (Table 13).

1 - ADVANTAGES OF SUPERMARKETS

- **Higher prices**

In Ho Chi Minh City, vegetable prices paid by supermarkets are 10 to 20% higher than prices paid in traditional chains. As regards Hai Hau rice, farmer gate price is slightly higher (by 2%) in the supermarket chain than in the traditional chain, while it is 45% higher in the association chain selling pure flavoured rice. The difference for litchi farmers' price between supermarket and traditional chain is around 20% (and more than 50% for farmers inside the association). The price difference between supermarket and traditional chains is also around 20% for Soc Son farmers; for Moc Chau, there is no price difference.

- **Security of outlets**

In Ho Chi Minh City and Hanoi, supermarkets purchase weekly stable quantities of vegetables, at prices more stable than in the traditional chains. This is translated into a yearly contract with estimated quantities and prices – which are more precisely negotiated every week.

The stability in prices and quantities are variable according to the supermarkets and are diminishing with supermarket competition and development (see below). In Ho Chi Minh City, the stability of offred prices has decreased from seven to three days.

2 - DRAWBACKS OF SUPERMARKETS

- **Quality requirements**

Supermarkets have requirements in terms of physical quality, especially in HCMC where they impose a system of grading and buy only grade 1. In Hanoi, physical quality requirements are limited to little damage and size homogeneity, plus packaging (except in the case of Moc Chau tomato as well as leafy-vegetables of Ha Tay sold in Big C). As regards rice, the requirements in terms of quality mostly refer to packaging. Quality as regards the percentage of flavoured rice in what is sold as flavoured rice is actually lower in supermarkets (30%) than in traditional chains (70%) except for those which buy from the association chain (100%). Litchi can be sold packaged or unpackaged. Supermarkets express preferences for packaged litchi, with indication of origin.

As regards vegetable safety, suppliers are selected according to their ability to produce a certificate of safe vegetable production in Hanoi (although out of date). But supermarkets admit that in times of scarcity of vegetable supply, i.e., during the rainy season, they buy vegetables from collectors buying from Moc Chau or even China without proof of vegetable safety. In Ho Chi Minh City, suppliers are inspected by DARD (every month in Cu Chi, every year in Dalat); Metro and Coopmart perform also their own inspections on an occasional basis; Coopmart charges farmers the cost of inspection when problems are identified. In Hanoi, there is a commitment that in case some consumers complain of having been poisoned by vegetables sold by supermarkets the supplier and vendor should jointly identify the source of the problem and find solutions.

As regards rice, the requirements in terms of safety mostly refer to the registration of suppliers in the department of health.

- **Diversity requirements**

There is a pressure of supermarkets on suppliers to increase the diversity of supplied vegetables. Anh Dao cooperative supplies 32 varieties, 4 of those are sold less than 10 kg.

- **Transport requirements**

Supermarkets ask to be delivered daily by their suppliers; this is usually done by small van in the case of vegetables, or motorbike. ..

- **Payment conditions**

While in traditional chains, farmers are paid immediately or after one to three days, supermarkets pay 15 days after the sale in HCMC.

Supermarkets deal with suppliers as legal entities who have bank accounts and can provide bank accounts.

In HCMC, some supermarkets, e.g., Coopmart reduce 1 to 2% of the final price for promotion expenses. In Hanoi, contracts with some supermarkets (Intimex and Fivimart) stipulate that vegetable suppliers have to endorse the risk of 50 to 100% value of the non sold product. When litchi is unsold, the producer gets back the unsold product for drying.

- **Variable loyalty**

Not all relationships with supermarkets guarantee security of outlets. While the relationships between Ap Dinh-Coopmart and Van Noi-Intimex are described by suppliers as long term and loyal, in Ho Chi Minh City, Da lat cooperatives supplying Metro complain of the frequency in the change of suppliers to get the lowest possible prices, sometimes at the expense of vegetable safety.

Table 13:Summary of Advantages and Constraints of Supermarket Chains

	Supermarket Chain	Traditional Chain
Advantages for supermarkets		
Prices	10 to 20% higher	
Security	Regular weekly purchases in quantities and prices	More variable demand in quantities and prices
Drawbacks for supermarkets		
Quality requirements	Physical quality requirements Safety requirements	Lax requirements
Diversity	More than 10 varieties required in HCMC	No requirement
Payment conditions	15 days Unsold products have to be paid back for 2 SM	1 to 3 days
Transport	Daily delivery to supermarket	On farm collection

HCMC = Ho Chi Minh City
SM = Supermarket

RECOMMENDATIONS

The listed recommendations aim at helping: (i) small-scale farmers to better benefit from the development of supermarkets and other adding-value outlets (1–7); (ii) the poor to find employment in retail trade distribution (8–11); and (iii) poor consumers to have access to diverse retail outlets (8–11).

1-PROMOTION OF FARMERS' ASSOCIATIONS OR COOPERATIVES SELLING LABELLED PRODUCTS

Farmer's organization helps the poor to participate in a more professional production. The key point is that these organizations should build from farmers' initiatives rather than from administrations. Farmers' associations in southern Viet Nam (Cu Chi district and Lam Dong province) provide particularly striking examples of the efficiency of the combination of a number of functions to increase product quantity and quality and have access to supermarkets. These functions include activities provided by the provincial administrations and for which the association acts as a vehicle: (i) technical training; (ii) credit in particular to invest in nets and tunnels; (iii) safety control; and economic functions performed by the association board, i.e., the marketing of inputs and outputs, the labelling of products with indication of origin and quality characteristics. In the North, Hai Hau, Thanh Ha and Moc Chau associations are other good examples but they are more fragile because public support is less sustained than in HCMC. The role of an advisory service provided by research body is crucial for the emergence of these organizations and the stimulation of public support. A dissemination of "success stories" of farmers' associations as identified by this study, among farmers and administrations of the south and the north is recommended. An advisory service can assist in the promotion of farmers' organizations and value chain development.

2-DEVELOPMENT OF FOOD SAFETY CONTROL

The fact that supermarkets are mostly supplied by farmers' associations and agricultural centers which have gone through training on safe vegetable production shows how important a criteria food safety is for supermarkets. Yet the system of control is fragile, especially in Hanoi; when controls are performed by DARD in shops and in the fields and that positive results are shown, no system of sanctions is applied; in Hanoi and Moc Chau there is no system of vegetable control and certification in the field since 2002 (but it is slowly coming back with the Department of Plant Protection having certified two cooperatives in 2004). It is impossible for the public as well as the private sector to entirely support food safety control in all production and selling points but there should be at least some unexpected controls in the fields and all selling points to check that toxic food is not sold, with appropriate system of warning and sanctions; and the accreditation of private laboratories controlling private and public standards. This may not be adapted to poor farmers though, for which there can be more poor-friendly systems of participatory certification (PGS=participatory guarantee systems, the philosophy of which has been developed by the international organic movement), based on joint commitments of farmers to follow production protocols, internal procedures of unexpected inspection, warnings and sanctions, with the participation of farmers and consumers in the definition of protocols and procedures.

3-TECHNICAL TRAINING

In addition to regular farmers' training on fruit and vegetable safety, there is technical training to be delivered to improve the physical quality of products:

- for litchi, as regards choice of plants and care of trees

- for fruits and vegetables in general, as regards produce sorting and choice of varieties in accordance with consumers' needs

- for flavoured rice, practices related to manure and fertiliser use, quality of seeds, date of harvesting and care in processing, need to be improved to improve rice taste.

Training on off-season production, be it for vegetables or litchi, can provide farmers with new marketing opportunities. A technical and economic evaluation of organic litchi production, which is of interest for Yen the farmers as they do not use much chemical at the moment, is also recommended.

4-CREDIT PROGRAMS

Credit programs can help the poor to get access to the inputs necessary to diversify their production and improve quality, i.e., litchi plants. Investments in joint marketing facilities can also be encouraged by credit programs. Van Tri direct retail sale in 19-12 market is considered by the participating farmers as more profitable than sale to supermarkets, but it requires preliminary investment that many associations cannot afford if not supported by credit schemes.

The credit institution should be adapted to farmers' organizations and not only to households.

5-ENHANCING KNOWLEDGE ON CONTRACT PERFORMANCE AND INSTITUTIONAL CONTEXT FOR CONTRACT BUILDING

The success story of Moc Chau cooperative in developing contracts with farmers for the delivery of inputs, output marketing and risk support should be widely disseminated. As regards contracts linking supermarkets and suppliers, they are not entirely satisfactory at the moment for suppliers as they do not provide any security as regards price fluctuations and do not prevent supermarkets to shift to other suppliers if found more price competitive. On the other hand, suppliers may not always be able to provision supermarkets with the regularity and diversity that they require. Hence it is recommended to raise the awareness of the heads of farmers' associations on the advantages, drawbacks and responsibilities involved in different kinds of contractual arrangements with their purchasers, with varying degrees of flexibility in price variation and purchasing commitments. Besides, supermarkets need to develop a clear quality strategy when they buy agricultural products from farmers. The VAT system for farmers' associations needs also to be clear in order to facilitate contracts with supermarkets.

6-PROVIDING STORAGE AND WHOLESALE FACILITIES ACCESSIBLE FOR SMALL-SCALE FARMERS

The example of FAMA in Malaysia providing distribution centers with cold storage near production areas is worth replicating (Singh, 2004), it could be tested in some areas concentrating vegetable production, e.g., Van Tri-Dong Anh, and Duc Trong-Lam Dong. As regards wholesale markets they are more accessible to small-scale farmers than supermarkets, and the inclusion of "safe vegetable areas" could be considered like in China, but in Viet Nam, supermarkets do not commonly purchase vegetables from wholesale markets, they prefer to get direct delivery from farmers or collectors.

7- IDENTIFYING NEW MARKET NICHES

In mountainous areas, some special products, grown by the poor could be promoted in Hanoi outlets, e.g., special races of pigs, fruits, local vegetables or medicinal plants…and then support to production organization and marketing could be organised.

8-SUPPORTING STREET VENDORS' INVESTMENT IN NEW BUSINESS

Given the employment role of street vending for the poor, that cannot be easily compensated by supermarket development, it is recommended that credit and training programs help street vendors to upgrade their business, i.e., through the investment in carts and hygiene training, or to invest in retail market stalls.

9-CODES OF GOOD PRACTICE FOR SUPERMARKETS

The government could design codes of good practice related to conditions of payment and pricing of suppliers, conditions of production related to health and environment, in collaboration with supermarkets, supermarket suppliers, and consumer's association

10-TRADERS' CONSULTATION SYSTEMS FOR NEW MARKET DEVELOPMENT

The design of new wholesale and retail markets has not involved consultation with traders as regards their location and the increase in fees. New markets should provide for such consultation, to avoid problems of under-use and increasing costs for small-scale traders.

11-MAINTAINING RETAILING DIVERSITY

Given the trends in concentration and oligopsonies of supermarket businesses in most countries of the world, with negative impact on prices and employment, policy to limit such concentration are recommended, in the way of limitation of the authorization of new supermarkets in areas already equipped (like in some European countries), encouragement of diversity in supermarket chains, credit support to the opening of quality food shops, upgraded street vending. The operation of street vendors could be tolerated in most streets to the exception of the very busy ones. Farmers' direct retail selling could be encouraged through the organization of farmers' markets with limited entry fees for farmers, which could be held in some areas of the cities one day of the week.

Acknowledgement

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