The pork value chain in Vietnam: emerging trends and implications for smallholder competitiveness

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55th Annual AARES National Conference

Crown Conference Center, Melbourne, SA

9 February 2011

International Livestock Research Institute

Australian Government
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Outline of presentation

- Drivers of change in pork value chain in Vietnam
- Mapping the pork value chain
- Governance and power relations in the chain
- Conclusions and implications

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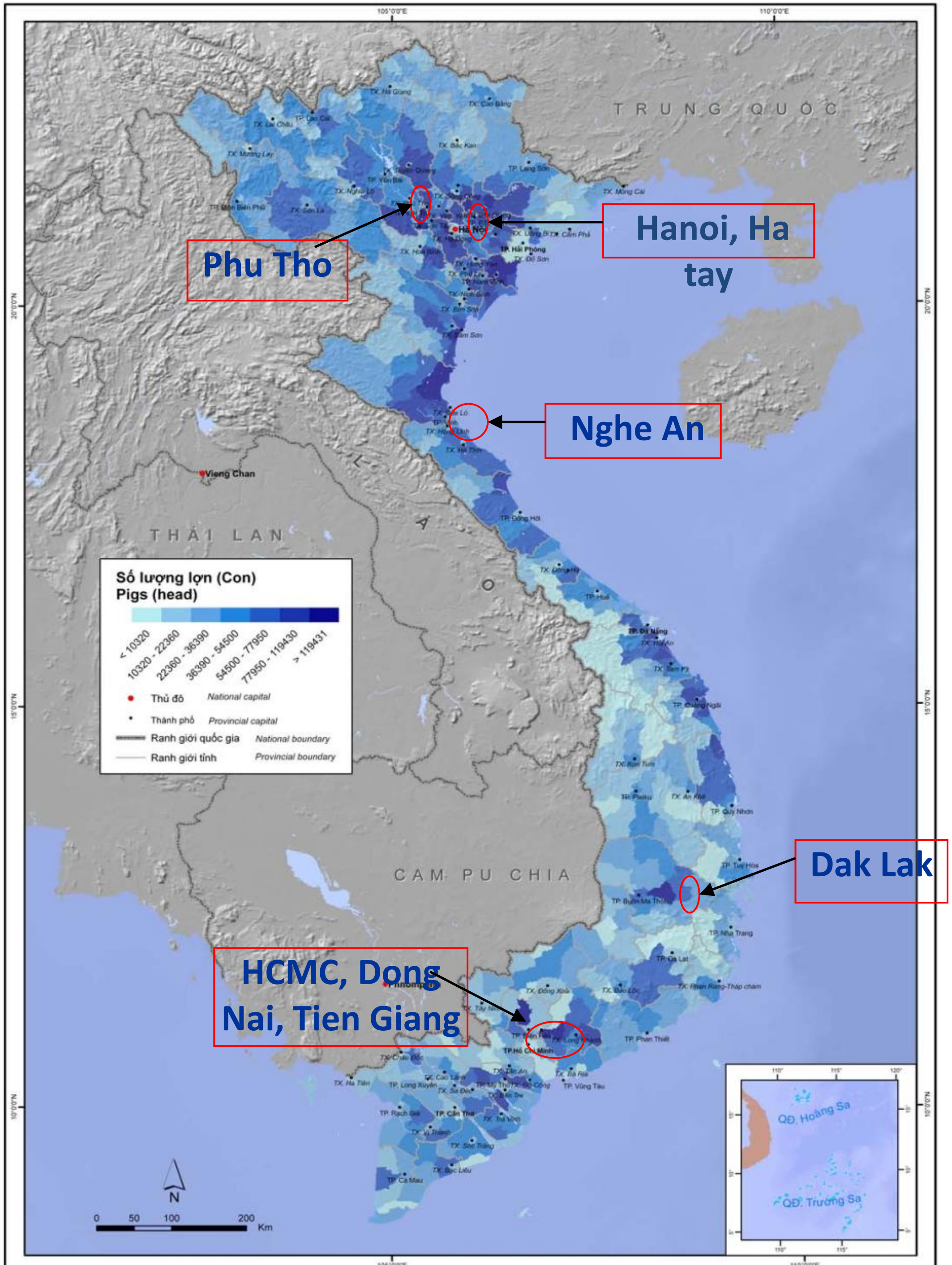

Improving competitiveness of pig producers in an adjusting Vietnam market Project: survey sites across 6 agro-ecological regions of Vietnam

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Objectives of the value chain study

Characterize the pork value chain in Vietnam.

Compare the linkages with different types of pig producers of each market actor in the chain.

Identify smallholder constraints to higher value markets emanating from these linkages.

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Type and number of market actor respondents interviewed

Stakeholders	Dong Nai	Dak Lak	Ha Tay
Feed traders level 1	2	2	2
Feed traders level 2	2	2	2
Other feed traders	1	0	2
Piglet traders	2	2	2
Combination of live pig, carcass traders and slaughter house operator/ butchers	3	4	6
Carcass traders	0	0	1
Meat retailers	4	4	2
Traditional meat processor	0	0	2
Total	14	14	19

Source: ACIAR-ILRI-CAP market actor survey, 2008.

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Drivers of change in the pork supply chain in Vietnam

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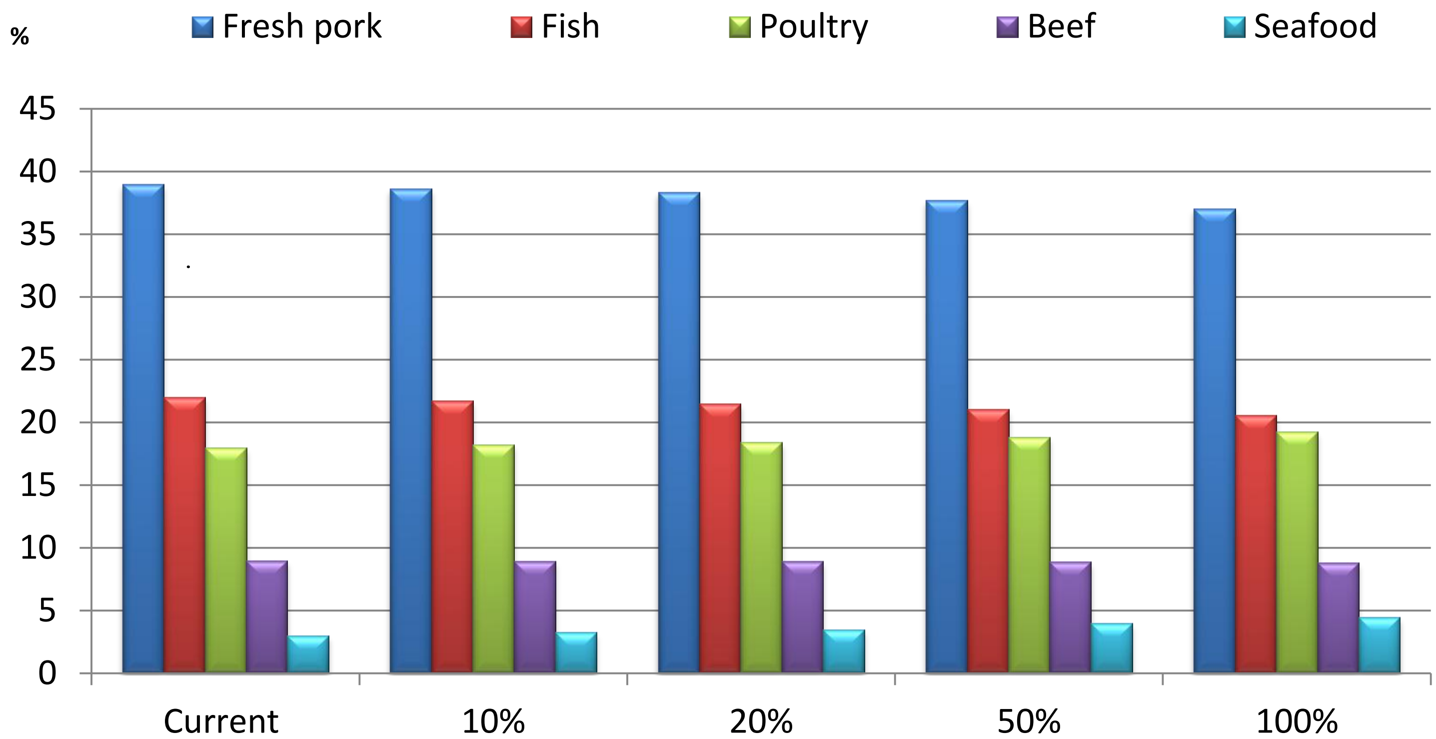
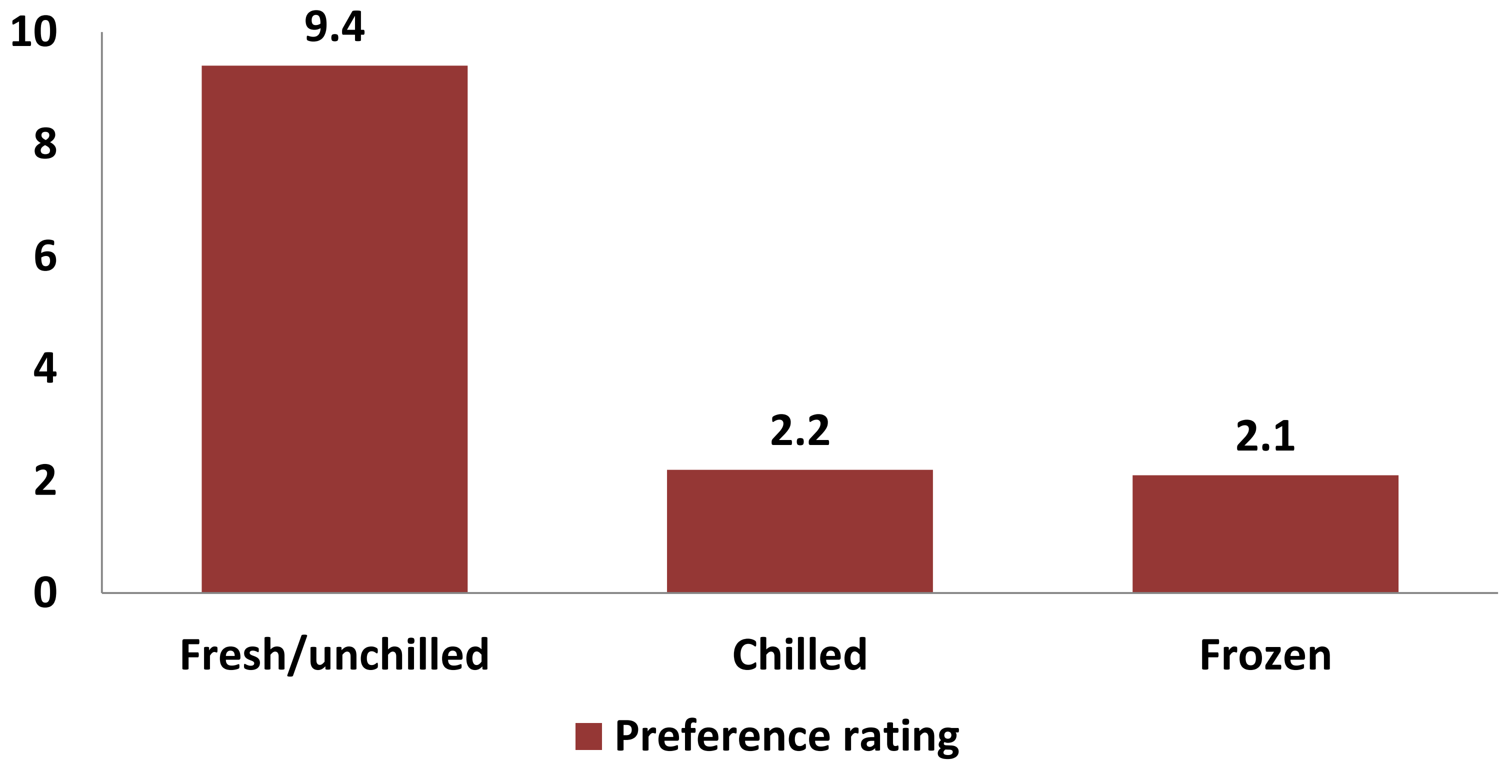
Dominance of pork in Vietnamese meat consumption



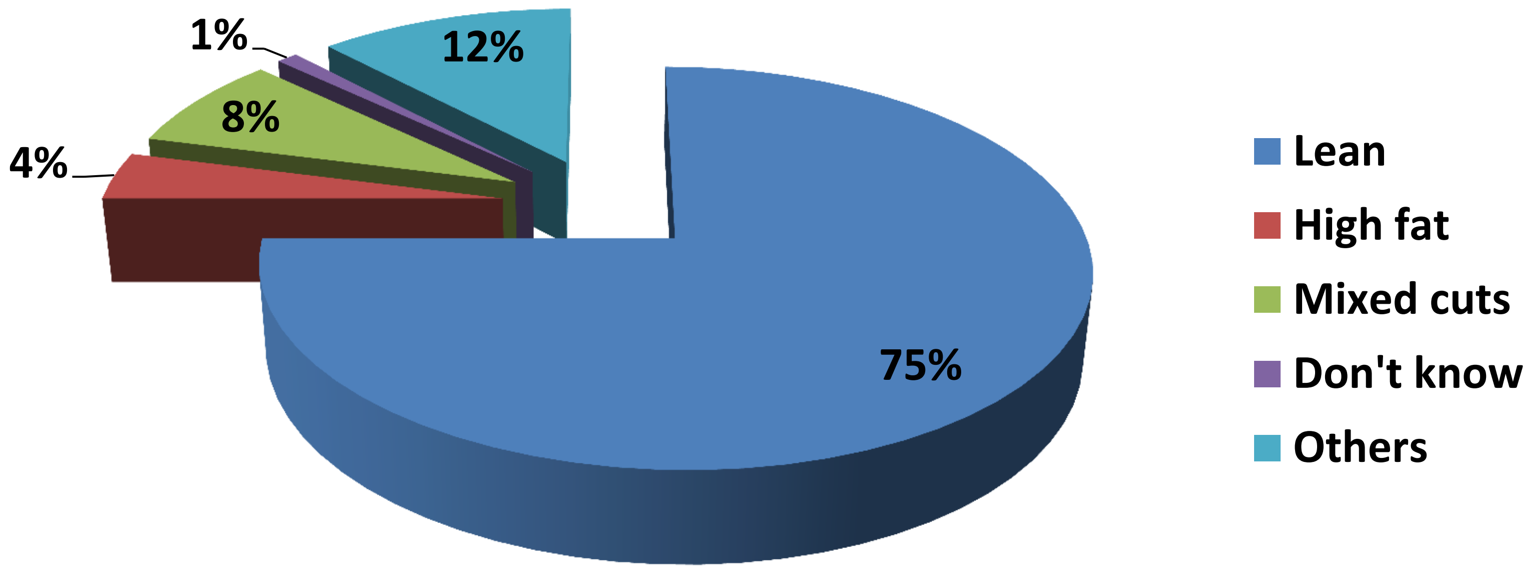
Pork accounts for the dominant share of meat consumption by Vietnamese consumers; per capita consumption increased 30% from 20 kg in 2003 to 26 kg in 2008 (estimates from ILRI survey).

Preference rating for pork



Vietnamese consumers have a strong preference for fresh, unchilled pork; this provides natural protection from imported pork.

Changing nature of demand for pork



The majority of Vietnamese consumers indicated preference for lean pork compared to other types of pork.

No significant change in lean meat consumption from 10 years ago, but significant reduction in consumption of high fat meat from 10 years ago.

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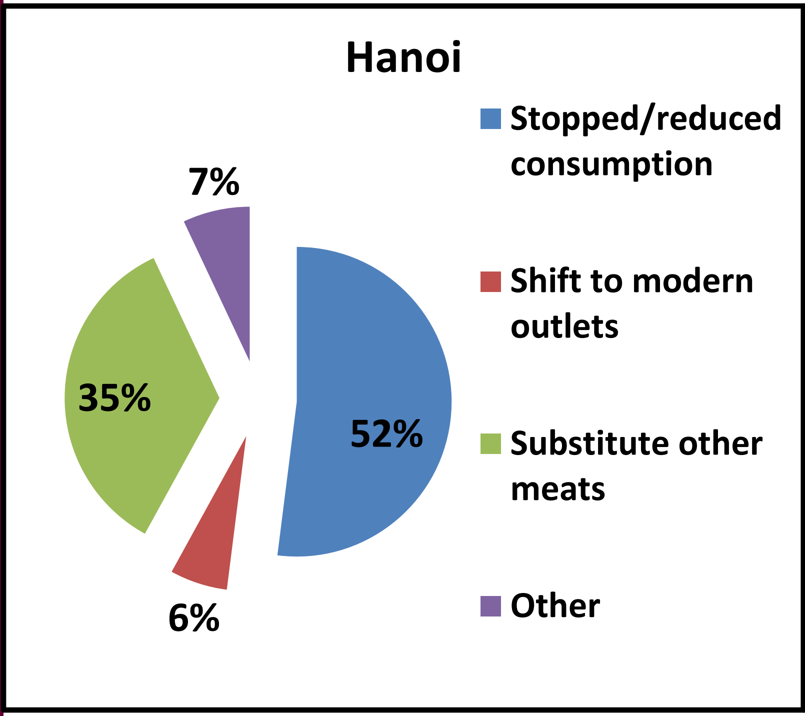
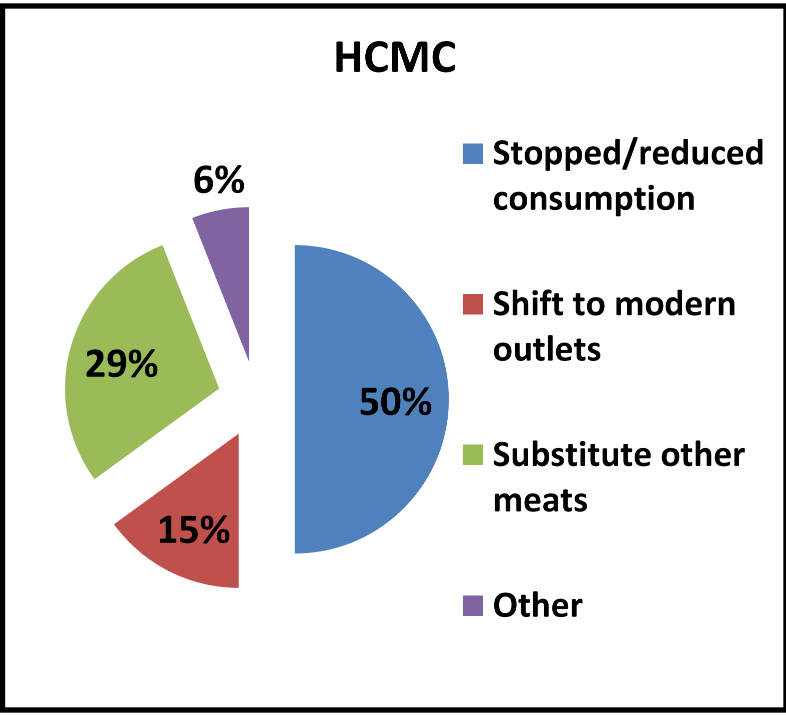
Food safety: consumer response to pig disease outbreak





- About half of consumers either stop or reduce pork consumption; about one-third substitute other meats.
- More consumers in HCMC than in Hanoi shift to modern outlets for pork.

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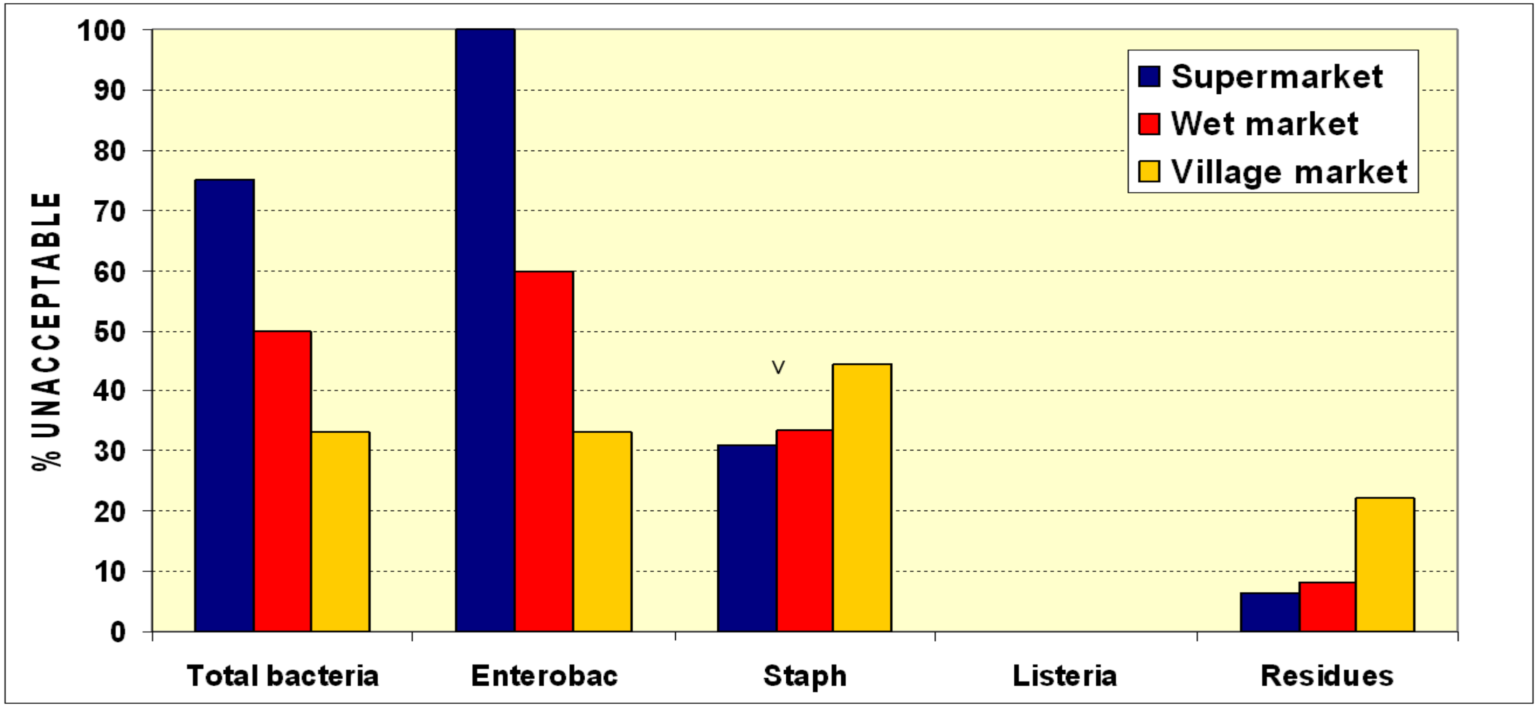
Food safety: pork risk assessment



Proportion of pork samples from peri-urban Hanoi with total bacterial count is higher in supermarkets than in wet markets;
Incidence of staphylococcus and residues higher in pork samples from wet markets than in supermarkets.

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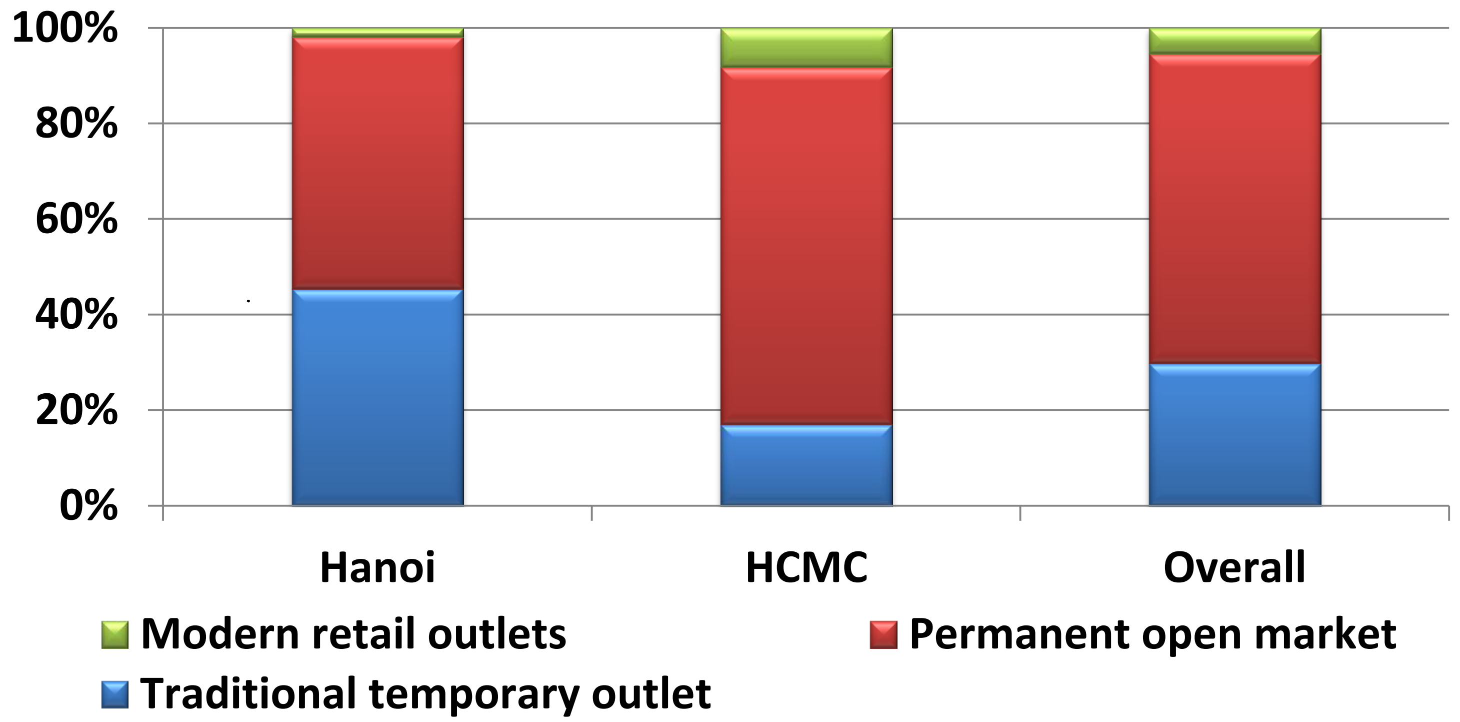
Preferred market outlets for fresh pork



Traditional market outlets remain the most preferred purchase outlets for fresh pork by Vietnamese consumers.

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Supply of pork in Vietnam

	2001	2002	2003	2004	2005	2006	2007	2008	Average
Pig head (1000 heads)	21,800	23,170	24,885	26,144	27,435	26,855	26,561	26,702	**25,44**
Growth rate (%)	8.0	6.3	7.4	5.1	4.9	-2.1	-1.1	0.5	**4.0**
Pig sale (1000 tons)	1,515	1,654	1,795	2,012	2,288	2,505	2,663	2,771	**2,15**
Growth rate (%)	6.9	9.1	8.6	12.1	13.7	9.5	6.3	4.1	**8.8**

Source of data: General Statistics Office of Vietnam.

Pig production has increased in response to the rise in demand; 4% growth rate in pig numbers; almost 9% growth rate in pig sales.

Dominance of pork in livestock total output

Year	*Pig*	*Chicken*	*Cattle*	*Others*	*Total*
1990	**65**	**11**	**14**	**10**	**100**
2000	**68**	**14**	**9**	**9**	**100**
2005	**72**	**12**	**8**	**8**	**100**
2009	**62**	**13**	**11**	**14**	**100**

Source of data: FAOSTAT 2009.

Household pig production supply at least 80% of Vietnam's pork.

But growth in supply has failed to keep pace with rising demand, resulting in accelerated increase in real pork prices.

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Changing structure and actors

Growth in number of industrial feed producers in response to growing demand for pig food; some consolidation to generate economies of scale, e.g., integrators.

Growth in number of pig traders, butchers, and retailers in line with rising pork demand; dominance of large traders who also play coordination role.

Pig supply has evolved from being intra-village or intra-province chains to longer and more complex linkages involving modern pig producers and modern retailing outlets.

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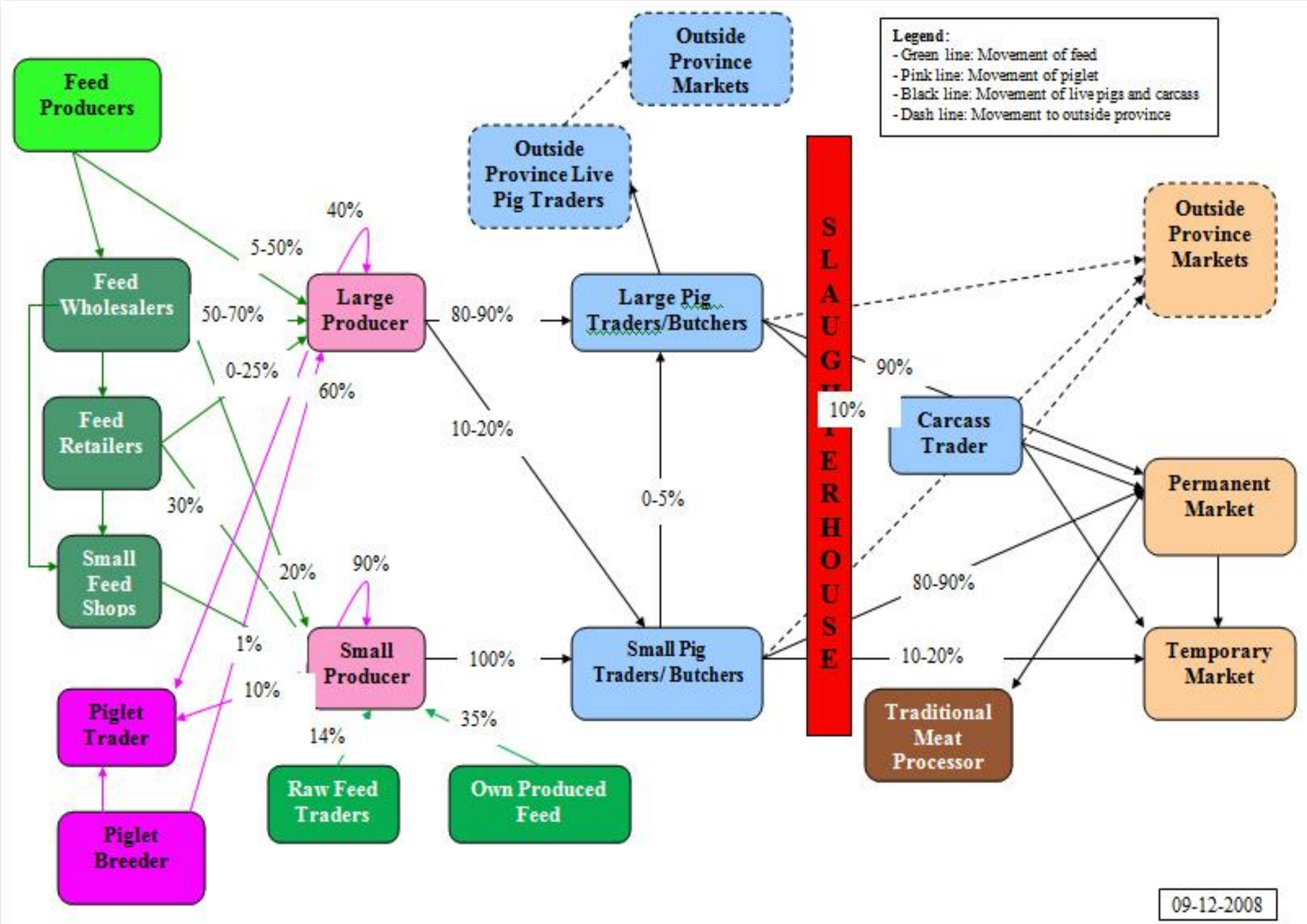
Mapping the pork supply chain



A typical pork supply chain in lowland areas in Vietnam.

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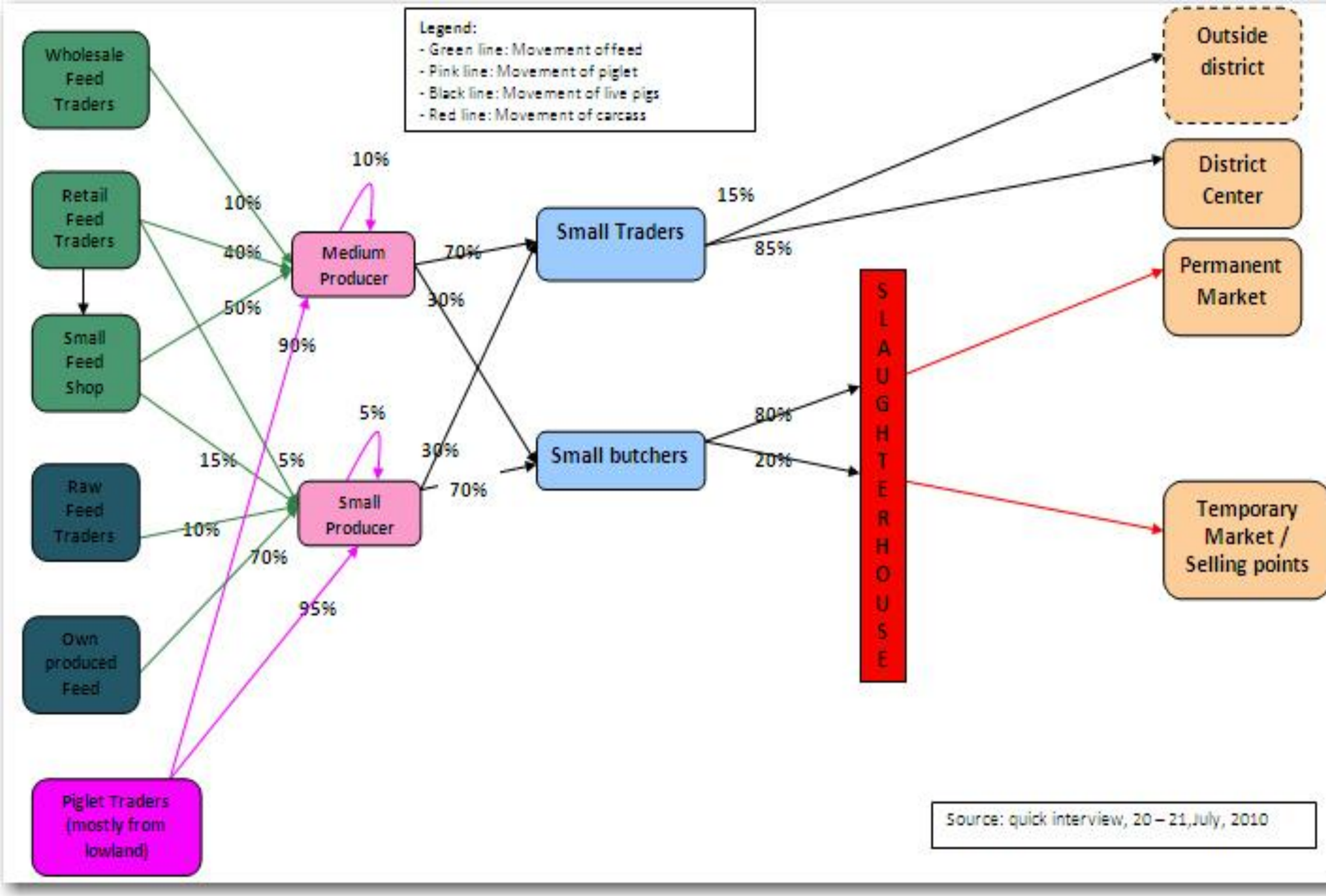
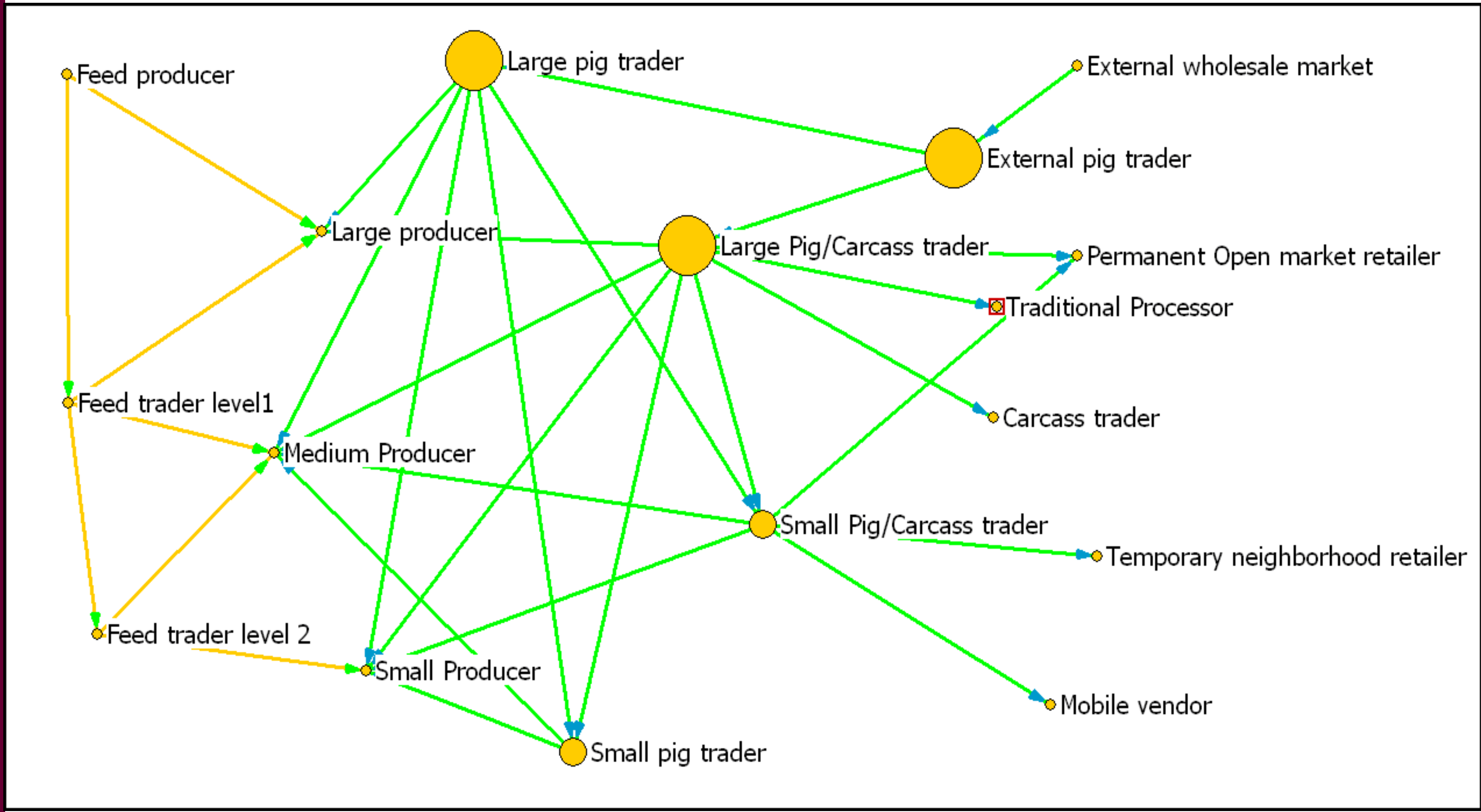
Mapping the pork supply chain



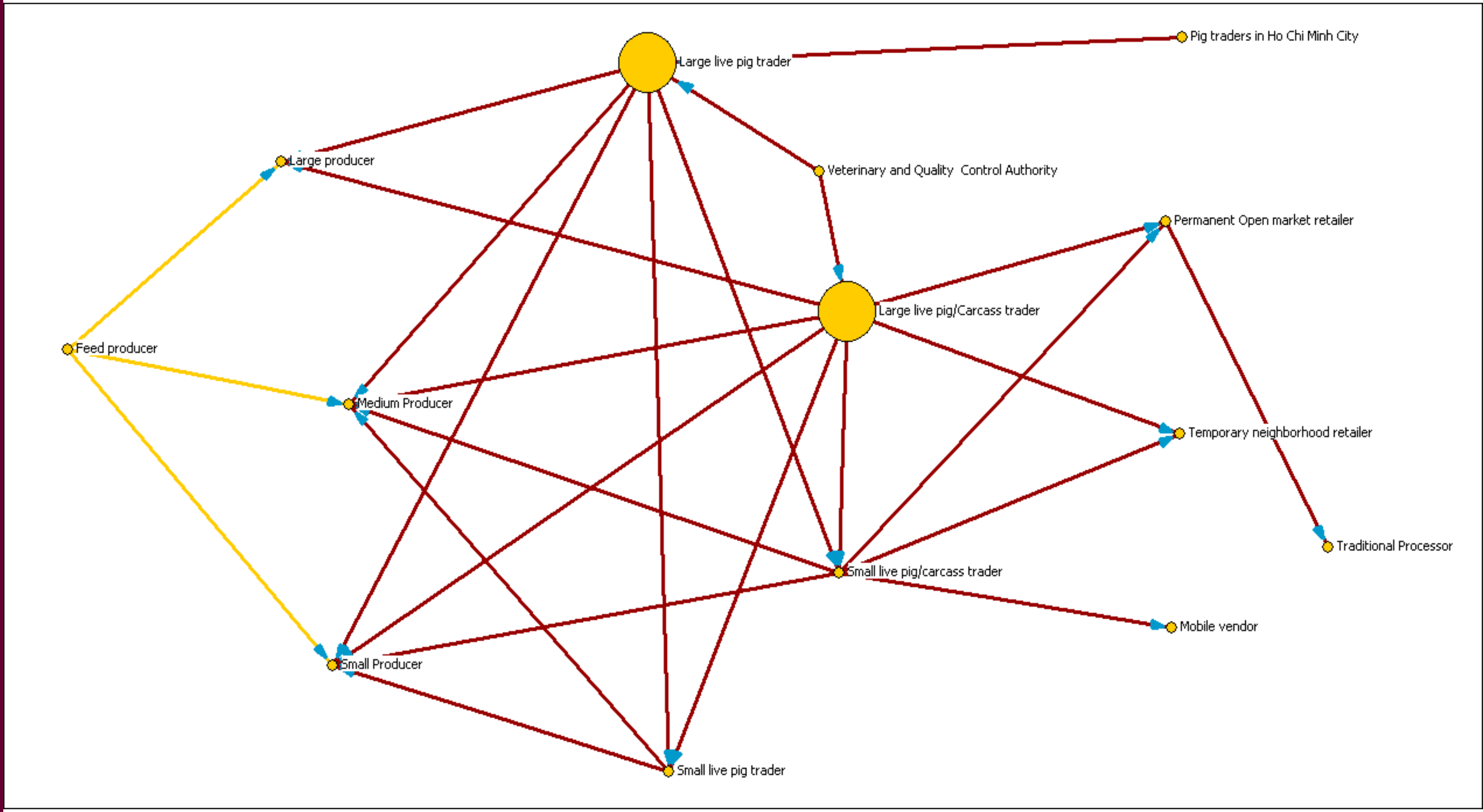
A typical pork supply chain in upland areas in Vietnam

Governance and power relations in the pork supply chain: price information



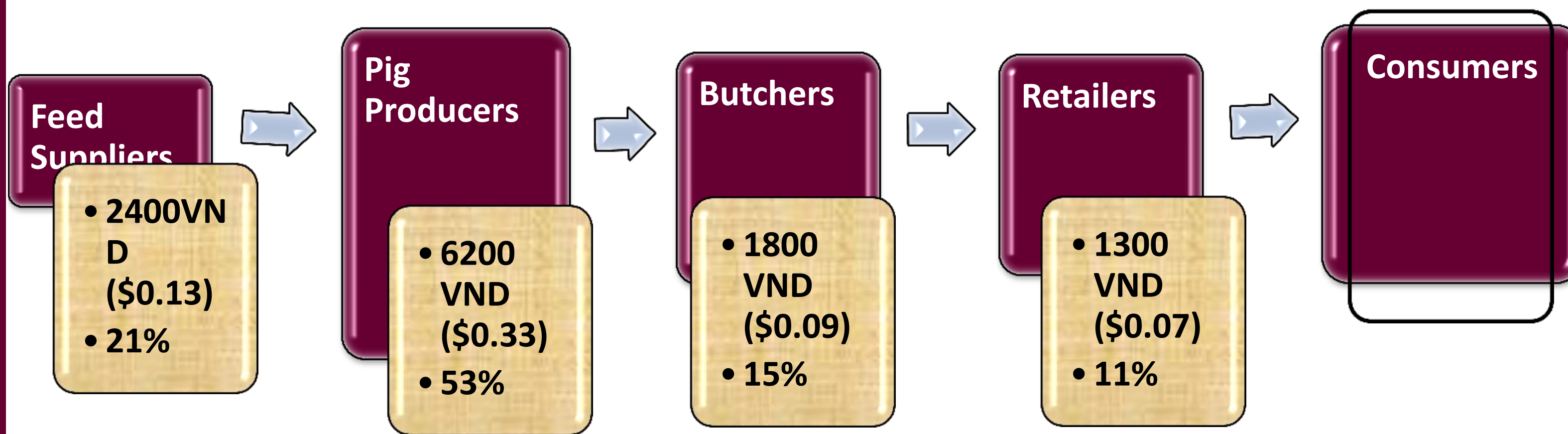
Large traders (live pigs and carcass) are dominant sources of price information and also exert significant influence in price setting along the chain.

Governance and power relations in the chain: quality information



Large traders (live pigs and carcass) are dominant sources of quality information

Distribution of value added along the pork supply chain where household producers participate



Value added generated in pork value chains where household pig producers participate is about 11,700 VND per kg liveweight (or $0.62)

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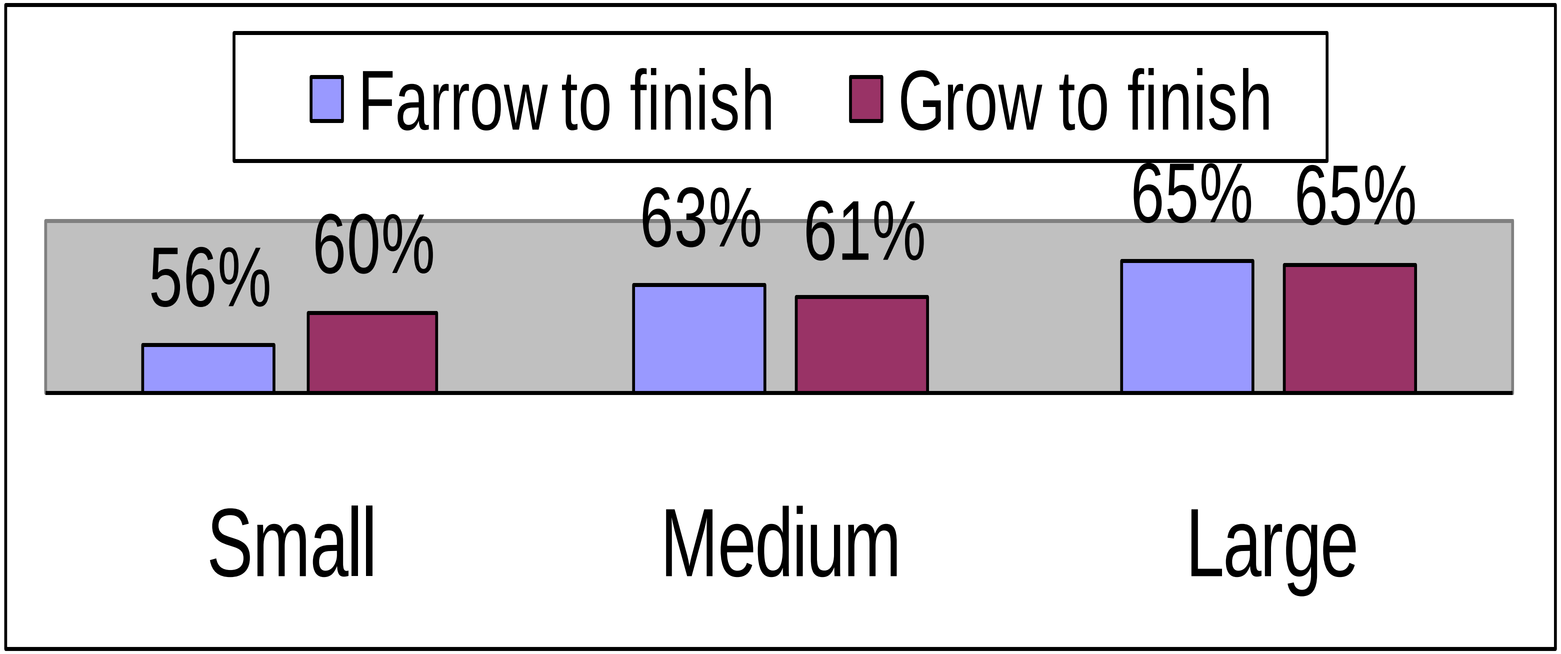
Share of retail price that accrues to producers (based on average pork retail price of 40,000VND/kg in 2007)



Producers receive at least half to two-thirds of the retail price of pork. This share slightly increases with scale.

Implications for smallholder competitiveness

Prevailing consumer preferences present bright opportunities for continued participation of smallholders.

Feed cost efficiency can be fostered by access to low-cost feed rations and more efficient markets for both locally produced and externally procured feed.

Transaction costs can be reduced by fostering efficient flow of information (price, quality) among actors along the chain.

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Implications for smallholder competitiveness

Emerging demand for food safety creates uncertainty and also barriers to continued participation by smallholders in the pork value chain.

Investments in upgrading of slaughterhouse facilities (infrastructure and human resources) and traditional retail outlets will facilitate improved hygiene and safety and help erase misconceptions about the safety of pork sold in traditional market outlets.

Repeated transactions over time build personal relationships and trust (a form of informal certification) between consumers and butchers/retailers in wet markets that are naturally linked with supply chains involving smallholders.

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Proposed actions

- Invest in upgrading slaughterhouse and market facilities to improve hygiene and food safety standards in pork.
- Undertake a comprehensive pork risk assessment to inform policy, improve consumer safety, and safeguard participation of smallholders in the pork supply chain.
- Pilot test strategies for collective action and other forms of organization that will reduce transaction costs of input procurement and output marketing. Need supporting policies to foster an enabling environment for their propagation.
- Set up pilot schemes for testing the viability of a quality assurance system that is feasible in smallholder context and its cost-effectiveness in delivering safe pork.

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Acknowledgments

ACIAR for the funding support

Project partners

- CAP-IPSARD
- IFPRI
- University of Queensland
- Oxfam

Stakeholders

- MARD
- DARDs
- Household respondents
- Pig producers
- Market actors

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