

URBANIZATION AND THE CHANGING RETAIL FOOD SECTOR

THE CASE OF VIETNAM

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VIETNAM**

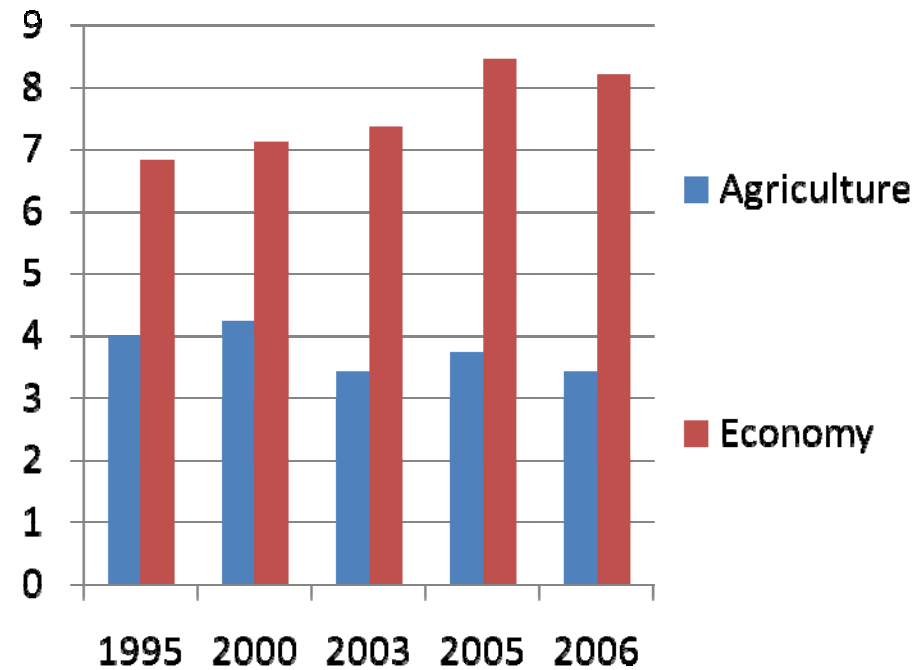
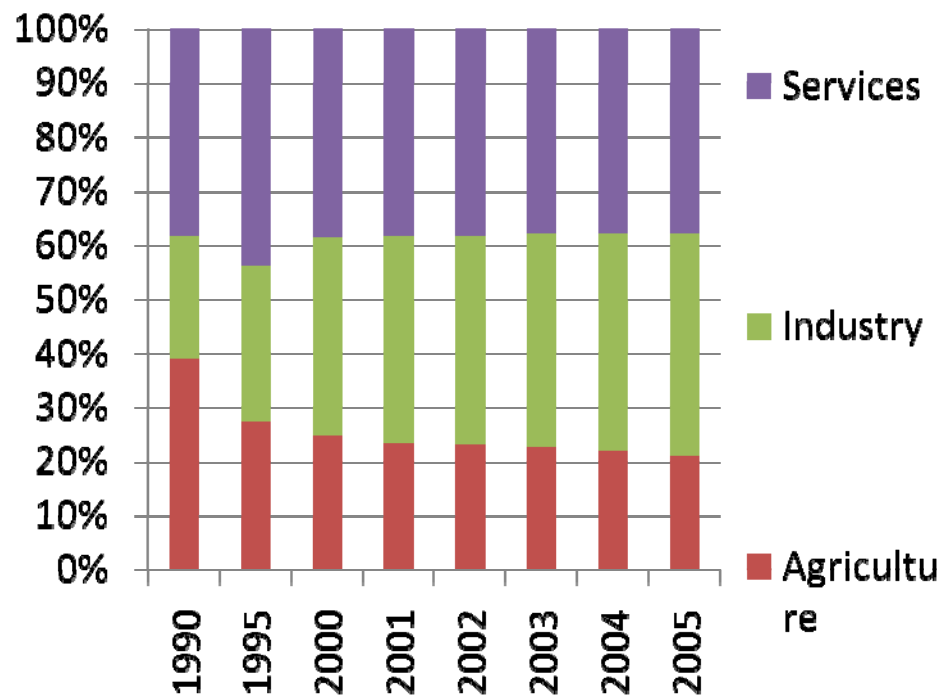
Content

- Economic growth and economic integration
- Urbanization and demand changes
- WTO and domestic market
- The increasing tendency of modern retail sector in the urban areas
- Urban traditional retail sector facing competition
- Supply responses
- Challenges:

Agricultural sector in the economy

- Earlier of reform 1990
 - Achieved high growth rate, 4%/year
 - Export booming, accounts 30% of Agricultural GDP
 - Contributed significantly to overall GDP growth and sustainable development
- Since 2000
 - Reduction in GDP growth
 - Inequality
 - Un-employment and low income
 - Unsustainable development

Agriculture in the economy



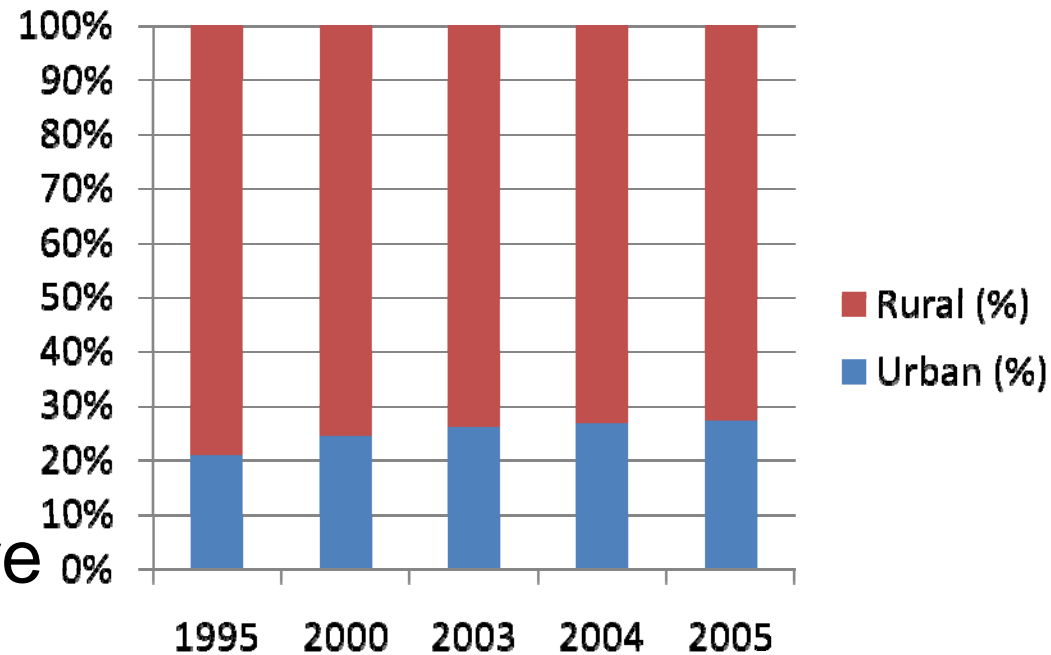
Facing WTO

- Joining 2007
- Tariff reduction and removal of non-tariff
- Domestic processing industry facing difficulties
- Consumers get benefit and domestic producers under pressure

Commodities	Before WTO	After WTO	Implementation (year)
Processed cashew nut	40	35	2012
Processed meat	30	25	2011
Milk products	30	25	2011
Cakes	34,4	25,3	2009-2011
Beer	65	35	2011
Wine	65	45-50	2011-2012
Processed fruits and vegetables	40	35	2011
Instant coffee	50	40	2010

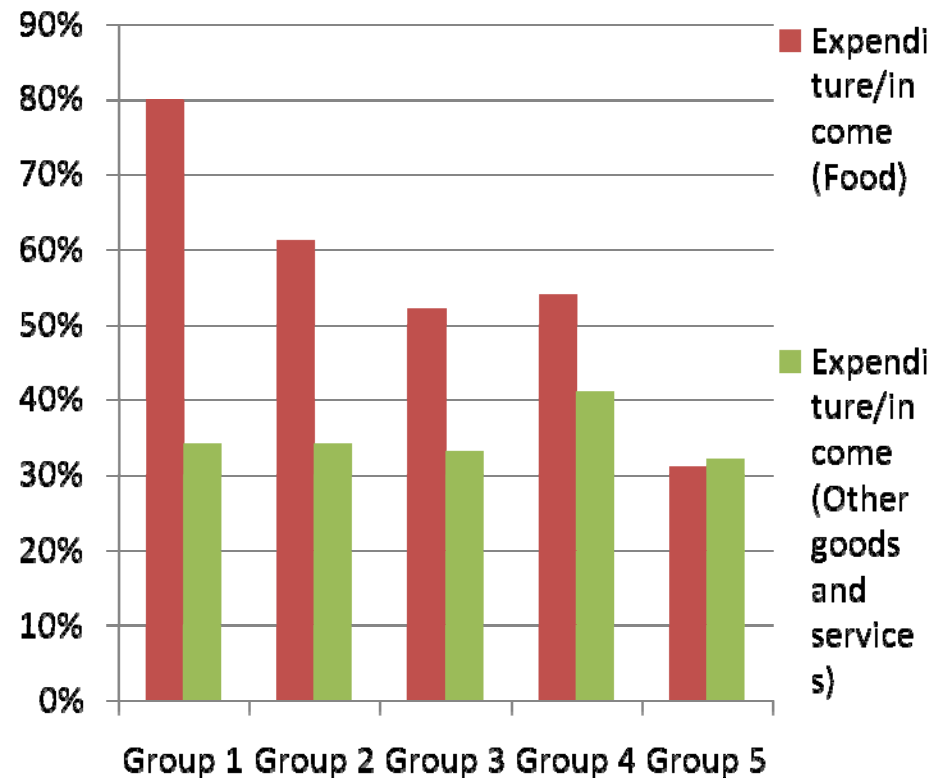
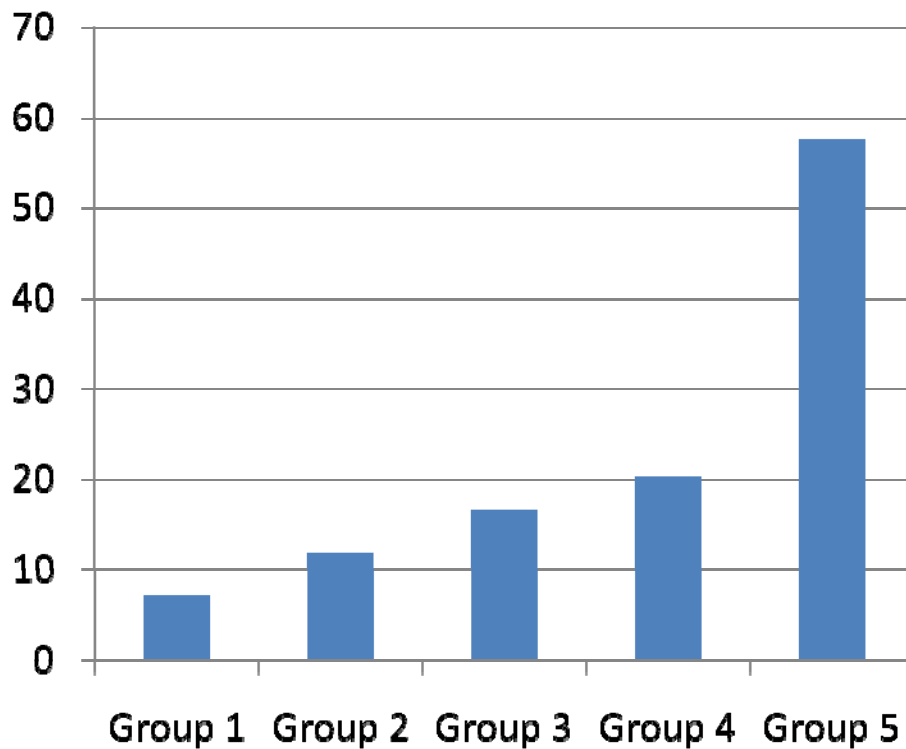
Urbanization and demand changes

- Urbanization process strengthening
- The rising of middle class
- Demand changes
 - Non-food use
 - Expenditure structure changes
 - Westernization



Income and food expenditure

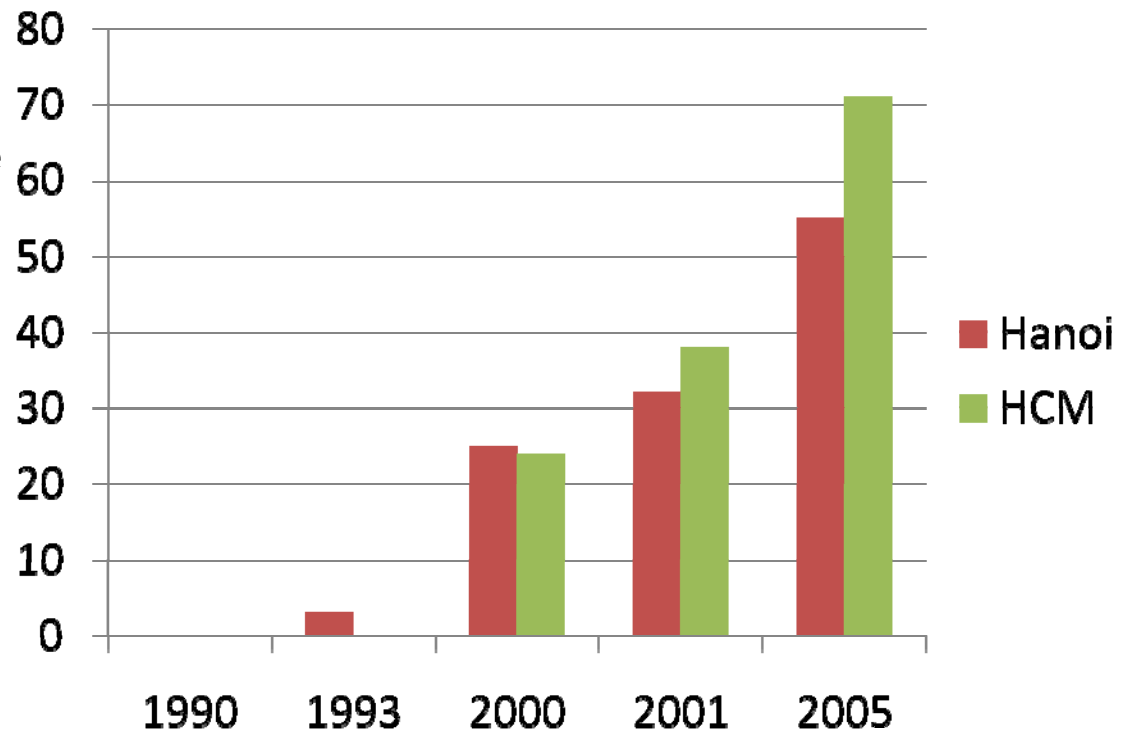
Income (1 person/1month)



Modern food chain rising

Number of supermarkets in Hanoi and HCM city

- The fast development of supermarkets
- Foreign companies are increasingly dominant
- The weak role of association
- Private companies are small scale
- Little access by poor consumers
- Farmers are fragmented and get little benefit in the value chain



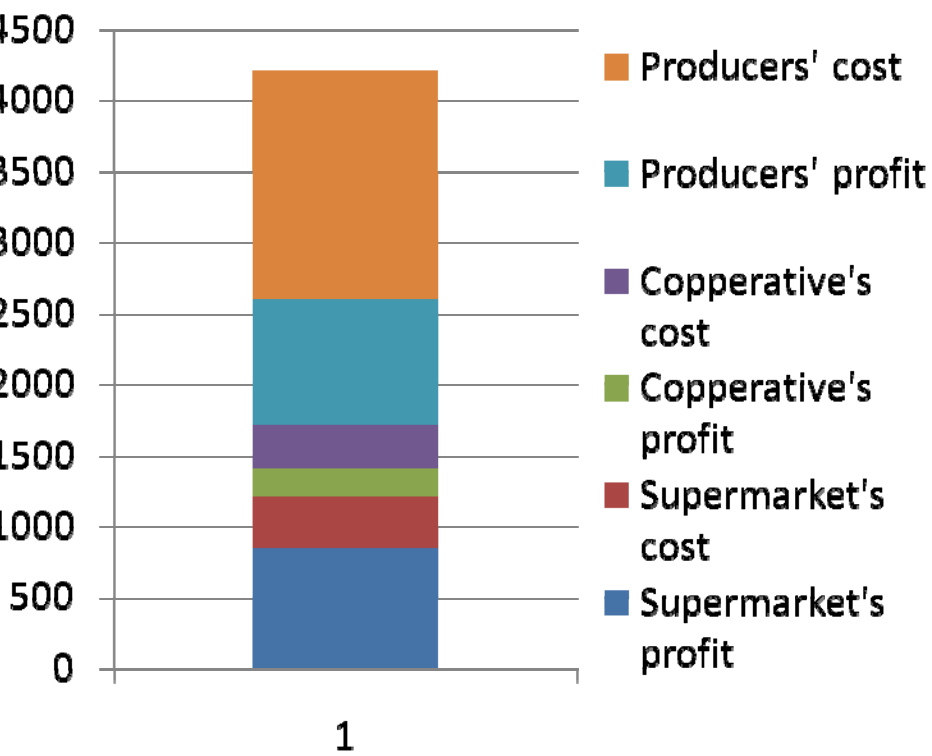
Food supply and employment generation

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

ADB. 2005

Supermarket driven chain,
tomato (VND/kg)



Traditional chain tomato
(VND/kg)



Purchasing behavior of Hanoi and HCM poor household

	Hanoi	HCM
Income/head	<20 USD/month	<35 USD/month
Food purchase places (weekly)	1. Informal market (95%) 2. Street vendors (30%)	1. Formal market (62%) 2. Street vendors (40%)
Purchase in Supermarket	61% never go 0% go every week	33% never go 15% go every week

Sanitary and Phytosanitary (SPS) and food safety

- Food safety is becoming a major issue for Vietnamese food in domestic market and export
- Vietnam lacks of regulations applied by the international standard
- The enforcement system is weak
 - Overlapping functions among agencies
 - No central agency responsible to the food safety issues

Standards for fresh meet of Vietnam and CODEX: MRL-maximum residual limit

Item	Codex	VN
ABAMECTIN (mg/kg)	0.01	-
AMITRAZ (mg/kg)	0.05	-
BIFENTHRIN (mg/kg)	0.5	-
CHLORPYRIFOS (under–mg/kg)	1	0,1
CHLORPYRIFOS-METHYL (mg/kg)	0.05	-
CLOFENTEZINE (mg/kg)	0.05	-
DICOFOL (mg/kg)	3	-
DIPHENYLAMINE (mg/kg)	0.01	-
FENARIMOL (mg/kg)	0.02	-
FENBUCONAZOLE (mg/kg)	0.05	-
FENPROPATHRIN (mg/kg)	0.5	-
FENPYROXIMATE (under)	0.02	-
FIPRONIL (mg/kg)	0.5	-
FLUMETHRIN (mg/kg)	0.2	-
FLUSILAZOLE (mg/kg)	0.01	-
GLYPHOSATE (under)	0.1	-

Item	Codex	VN
MYCLOBUTANIL (mg/kg)	0.01	-
PENCONAZOLE (mg/kg)	0.05	-
PIPERONYL BUTOXIDE (mg/kg)	5	-
PYRIPROXIFEN (mg/kg)	0.01	-
SPINOSAD (under)	3	-
TEBUCONAZOLE (mg/kg)	0.05	-
TERBUFOS (under)	0.05	-
THIABENDAZOLE (mg/kg)	0.1	-
TRIAZOPHOS (mg/kg)	0.01	-
VINCLOZOLIN (mg/kg)	0.05	-
Cabaryl (mg/kg)	-	0,0
DDT (mg/kg)	-	0,1
2, 4 D (mg/kg)	-	0,0
Lindan (mg/kg)	-	0,1
Triclorfon (mg/kg)	-	0,0
Diclovos (mg/kg)	-	0,0
Diazinon (mg/kg)	-	0,7
Fenclophos (mg/kg)	-	0,3
Cuomaphos (mg/kg)	-	0,2

Conclusions and policy implications

- Support the poor to participate in the modern market chain
- Stimulate domestic companies to improve processing capacity
- Revisit the role of associations and cooperatives
- Strengthen regulations and implementation on food safety
 - Law on food safety
 - Institutional adjustments
 - Communication campaigns