CHAPTER VIII

POOR CONSUMERS' ACCESS TO SUPERMARKETS IN HO CHI MINH CITY

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SUMMARY

The study investigates how the recent development of supermarkets in Ho Chi Minh City has affected poor consumers' choice of retailing outlets. The method is based on a comparison between poor and non-poor consumers' shopping behavior. Nguyen Cu Trinh Ward in District Number 1 of Ho Chi Minh City, was selected as it has diverse food retail points including traditional and modern ones. A total of 117 households were interviewed on their food purchasing behavior, including 52 poor and 65 non-poor. The results show that formal markets are the major source of food for the poor and the non poor alike: 75% of the non-poor and 54% of the poor shop there everyday. Hawkers represent the second source of food of the poor (23% shop there everyday). Supermarkets are the points of sale which are visited the less frequently, yet 67% of the poor and 98% of the non-poor have already purchased food there. The frequency of purchase in supermarkets is higher for the poor than for the non-poor: 37% of the non-poor (10% of the poor) shop there a few times a week, and 43% of the non-poor (37% of the poor) shop there a few times a month. The main items bought in supermarkets by the poor are non-food items, e.g., home appliances, and dry food, e.g., instant noodles or sugar. Reasons quoted for the poor not going to supermarkets include the perceived higher prices. Yet comparison between the prices of a list of 19 vegetables does not display any significant differences. Other factors include a lack of habit and reluctance to mix with wealthy people. Distance between house and supermarkets may also be a problem, all the more since transport and storage are limited for the poor: while the percentage of households with fridges is 83% for the non-poor, it is only 15% for the poor. While 69% of the poor use bicycles for transportation and none have cars, 88% of the non-poor have motorbikes and 5% have cars. Main factors quoted by the poor and the non-poor for going to supermarkets are diversity and quality of products.

INTRODUCTION

The rapid increase of supermarkets in many countries, as a type of modern retailer, has been enabled by the change in consumers' behavior. Consumption patterns and the consumers' well being in terms of purchasing power, food diversity and food quality are, in turn, affected by supermarkets' retailing services. These suggest a need to examine how big distribution and consumption patterns jointly evolved.

A survey conducted recently in Nairobi, Kenya, Africa, showed that within a half decade, "supermarkets have spread well beyond the richer consumers to derive more than a third of their sales and half of their customers from low income and poor consumers" (Neven and Reardon 2004). Sixty percent of the poor of Nairobi buy processed food mainly in supermarkets. The main reason for this choice is due to cheaper prices at supermarkets for processed food. However, the poor bought vegetables from kiosks and open markets because of cheaper prices and convenience for daily vegetables purchases at small values. These showed supermarkets had different rates of retail penetration over different product categories.

The consumer survey conducted in Hanoi

suggests that supermarkets have little effect on the poor as very few persons shop at supermarkets, except young peoples with a high income (Figuié and Truyen, infra). In Ho Chi Minh City, the situation is quite different. The development of supermarkets is more advanced and supermarkets, after focusing in a first stage on well-being households, are now targeting different income levels. They not only focus on non-food and processed food but also on fresh food, fiercely competing with traditional retailers (Cadilhon and al, 2006). A survey in Ho Chi Minh City has revealed that vegetable consumers who shopped at supermarkets were those who were concerned about food safety (Cadilhon and Giac Tam, 2004).

The present study is conducted to assess how the recent development of supermarkets in Ho Chi Minh City has affected the poor consumers' choice of retailing outlets. The method is based on a comparison between poor and non-poor consumers' shopping behaviors.

The paper proceeds as follows: a first section describes data and methods; a second section describes the study site followed by a third section on a socio-economic profile of the households surveyed; a forth section examines the issue of food insecurity; section 5 describes the food purchasing practices. The last part is devoted to conclusions and discussions.

METHODOLOGY

Site Selection

District number 1 in Ho Chi Minh City was selected as a place which has diversity of food retail points including both traditional and modern ones. There are ten wards in this district. The Ward of Nguyen Cu Trinh was chosen. This is a busy area, about 2 km away from Ben Thanh Market. The total area is 76,000 square meters. The entire ward is bordered by the boulevards of Tran Hung Dao, Nguyen van Cu, Nguyen Thi Minh Khai and the main road of Cong Quynh. Three supermarkets are concentrated in the western part of the area (Cong Quynh Co-Op Mart, Hanoi Supermarket and Citimart). In the East, there is a network of old and well-known traditional markets (Cau Muoi wholesale market, Nancy market, Thai Bình market, Cau Kho market, Cau Ong Lanh market, Co Giang market, etc.).

Method of Data Collection

The poor households were selected randomly from a list of 95 poor households provided by the Ward's People Committee. Non-poor households located in the same area were then selected.

A number of 125 households were interviewed, 8 were discarded due to data missing. 117 households remained of which 52 were poor and 65 were non-poor.

This method of sampling was aimed to assure that the difference in food purchase behaviors between the poor and the non-poor was not affected by the distance between their households and the food sale points. The two traditional markets (Thai Binh and So Rac markets) and the three supermarkets in place were about 50 - 200 meters apart from one another, they tend to cluster at the one end of the ward (See map 12).

Markets are concentrated on the eastern side of the main road of Nguyen Trai, supermarkets on the western side. The eastern side is also the side where most of the poor households are located.

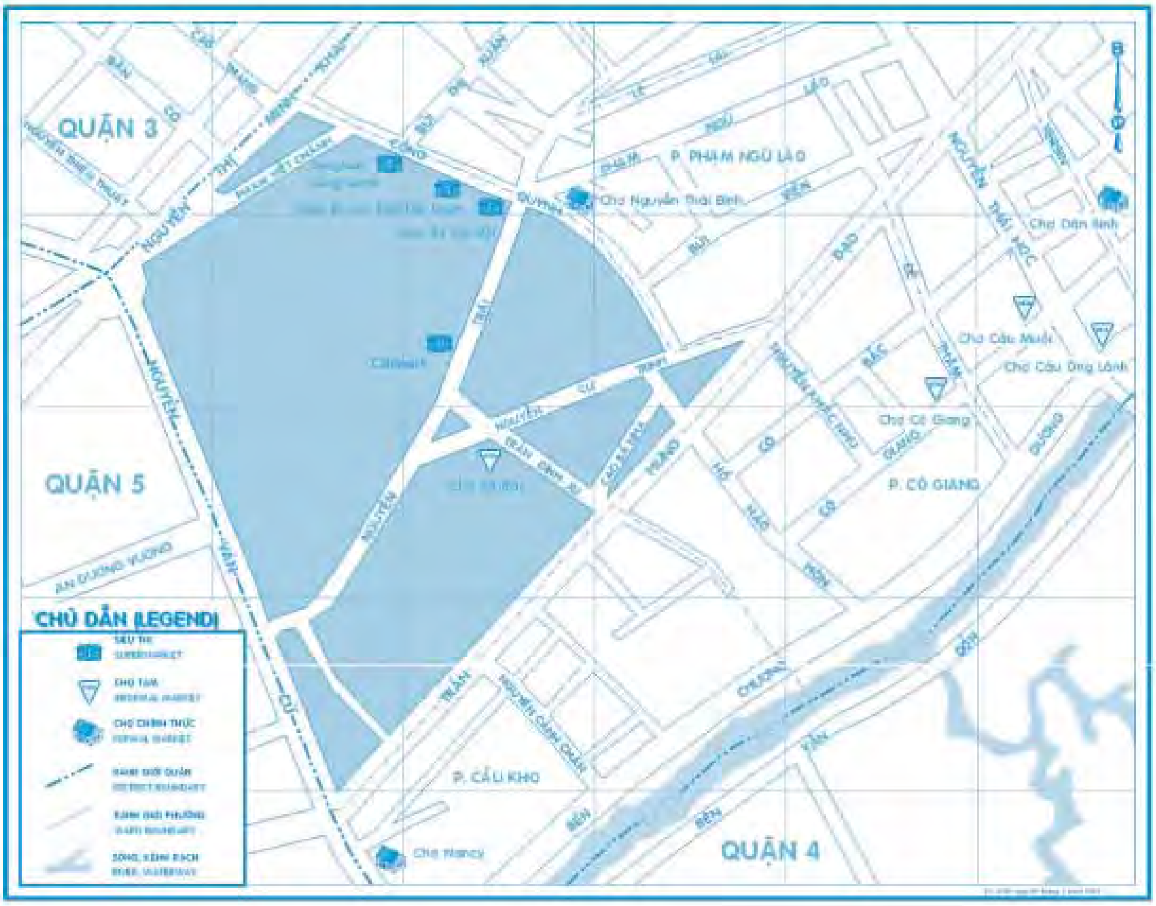
The interview was carried out with the guidance of the People's Committee and Women Union's members. We used the same structured questionnaire which was used in the Hanoi survey. The interviewees were the ones who were mainly responsible of purchasing food for their families.

In addition, we present in annex a comparison of wholesale prices and retail prices of fruits and vegetables in different points.

Data Analysis.

Data was processed using Excel and SPSS softwares.

Map 12 - MAP OF SUPERMARKETS AND MARKETS
NGUYEN CU TRINH WARD, DISTRICT 1
RATIO 1:10.000



DESCRIPTION OF THE STUDY SITE

Demography and Poverty

In the ward of the survey, Ward Nguyen Cu Trinh, there are 27,208 residents forming 6,200 households of which 95 are under the poverty line. The households whom average income per capita is less than 500,000 VND per month are considered as poor (from the Women's Union poverty line).

Business offices, stores, and supermarkets occupy the main roads (Pham Viet Chanh, Cong Quynh, Nguyen Trai, Tran Hung Đao streets, etc.). Behind these are densely populated residential areas. There are a few residential buildings for Army members. There is one area which was well known in the past for crimes, named "Ma Lang," but it has been greatly improved thanks to local government efforts. In this poor area, except for one part, most roads are very narrow, about 1 meter wide.

Food points of sale

There is a large, formal market (Thai Binh Market) adjacent to the ward, on Cong Quynh street. On the same street, there are two big supermarkets (Cong Quynh Co-Op Mart and Hanoi Supermarket). A department store of City Plaza, with a built-in Citimart supermarket, is located on Nguyen Trai street, in front of the poor area of "Ma Lang."

Another fixed market called, "So Rac market," is located near the middle of the ward. This market is actually a portion of a road crossing in a dense residential area. This market is about 100 meters long, 5-7 meters wide and it is occupied by around 100 traders displaying goods on stalls or on the ground. In the East, there is a chain of traditional markets, including the Cau Muoi vegetables wholesale market (it has been removed to Thu Duc area but there are still traders remaining there and selling illegally), Co Giang market (that sells fresh food mainly in the morning), Cau Ong Lanh market (that sells both fresh food and dry food, sold by many retailers at wholesale prices).

There are numerous pop-and-mom stores inside the residential areas selling dried food and fresh food. These pop-and–mom stores range from a very small one that sells food to children (candy, crackers, etc.) to a medium one that sell both non-food (such as pens, tooth paste, etc.) and dry food items (instant noodle, rice, beans, cooking oil,etc.). Some even sell fresh food (vegetables, fruits). There are also family-run shops that are relatively large, selling dry food such as rice, cooking oil, sugar, etc. We refer here to these points as "shops."

Besides these stores, there are few on-street stalls that display meat, fish, and vegetables on the ground at the corners of populated areas. We refer to these stalls as "informal markets." It is surprising that informal markets still exist in an area close to supermarkets. Such informal markets are observed at a corner of the residential area behind the supermarkets, about 200 meters away from Cong Quynh supermarket and about 100 meters away from Citimart supermarket. At this place, there is a cluster of three medium scale mom-and-pop stores; four to six on-street stalls, each selling vegetables or meat or fish. Nearby is a three-wheel cart with a big umbrella displaying fruits for sale.

There are also many hawkers selling fresh food (meat, fish, vegetables and fruits) on motorbikes, three-wheel carts (Xe ba bánh) or bicycles around the area.

SOCIO-ECONOMIC PROFILE OF THE HOUSEHOLDS SURVEYED

General Features of The Households

More than 92% of the interviewees are female (table 70). The education level (table 71) of the non-poor interviewees is higher than that of the poor, and most of interviewees are more than 20 years old (table 72).

Gender	Sample of poor households (%)	Sample of non - poor households (%)
Male	7.7	3.1
Female	92.3	96.9

Table 70 - Classification of the interviewees by gender (n=117)

Education Level	Sample of poor households (%)	Sample of non - poor households (%)
no school	46.4	29.1
grade 1 to 5	22.0	11.7
grade 6 to 9	19.7	20.4
grade 10 to 12	8.3	19.9
Above grade 12	3.6	18.9
Total	100	100

Table 71 - Education level of the interviewees (n=117)

Age (year)	Sample of poor households (%)	Sample of non - poor households (%)
<20	3.8	0,0
20=40	36.5	33.8
40=55	38.5	32.3
>=55	21.2	33.9
Total	100.0	100.0

Table 72 - Age of the interviewees (n=117)

There are 185 and 225 persons in age of working in the poor and the non-poor groups respectively. The proportion of unemployment and unskilled labor in the poor group is remarkably higher than in the non-poor one (see table 73). The average per capita income of the poor is one-sixth of that for the non-poor (i.e. 254,000 VND/capita/month for the poor versus 1,522,000 VND for non-poor) (see table 74).

Table 73 - Occupation of persons in age of working in the sample (%)

Occupation	Sample of poor households (%) n=185	Sample of non -poor households (%) n= 225
Staff of foreign companies	0	4.4
Mom -and -pop store owners	1.1	0
Government Staff	3.2	15.6
Personal services, security guard	3.2	4.9
Skilled manual worker	5.4	7.1
Unskilled worker	25.4	12.0
Vendor, retailer	7.6	13.3
Unemployed	22.7	18.7
Others (motorbike drivers, students,...)	31.3	24.0
Total	100.0	100.0

Table 74 - Household Incomes

Income VND/month/capita (including children)	Poor households (%)	Non - poor households (%)
Average income	254,000	1,522,000
Maximum	700,000	25,700,000
Minimum	10,000	575,000
Number of households with income:		
Under 200,000	26	0
From 201,000 to 400,000	21	0
From 401,000 to 500,000	4	0
Above 500,000	1	65

Household Equipment

In Ho Chi Minh City, there is daily broadcasting of vegetable market prices on the radio, and some television shows on food safety to educate and raise public awareness. Such information availability could affect the behavior of buyers. Our survey (table 75) shows that less than half of the poor households posses a radio. While 94% of non-poor households have televisions, the figure for poor households is much less (69%). Likewise, the poor have less motorbikes and refrigerators than the non-poor. They tend to substitute these with bicycles and "freezers." A "freezer" of the poor is actually a foam box to keep ice (for sale) combined with perishable food.

% of households with	Poor households (%)	Non - poor households (%)
Radio	48.1	55.4
Television	69.2	93.9
Refrigerator	15.4	83.1
Freezer	21.2*	10.8
Bicycle	69.2	52.2
Motorbike	36.5	87.6
Car	0.0	4.6
Other means of travelling	5.7	9.2

Table 75 - Household Equipments (n=117)

* Most "Freezers" as reported by the poor are foam boxes to preserve ice and some food.

FOOD INSECURITY

Food Shortage and Diet Preferences

About 70% of the poor households declare that they are suffering from food shortages compared with only 3% of the non-poor households (Table 76). When interviewees are asked what they would like to improve in their present diet (see table 77), more than one-fourth of the sample declare to be satisfied with their present diet. For the others, both poor and non-poor households, the priority is to have more tasty food (about 54% in each group). This coincides with the result found in the North. The poor have more interest in having more food than the non-poor. However, in general, both groups pay more attention to food quality including tastiness, diversity, and more balanced diets. Better food safety is ranked lowest.

% answers	Poor households	Non -poor households
never	30.7	96.9
Occasionally	40.4	3.1
Regularly	28.9	0.0

Table 76- % of Households suffering from Food Shortage

% of answers	Poor households	Non- poor households
more quantity	21.1	7.7
more regularity	11.5	4.6
better safety	11.5	16.9
more balanced diet	15.4	4.6
more tasty food	53.8	53.9
more diversified diet	42.3	34.1
do not want to change	28.9	38.4

Table 77 - Priorities in Diet Improvement

Regarding the diversity of the diet, assessed in our survey through the number of dishes per meals (table 78), the poor households have from 1 to 3 different dishes per meal, (almost three-fourth of them have 2 dishes per meal). Most of them have the same dishes for the two main meals (lunch and dinner). Only one-fourth of the poor change their dishes within a day. The reason mostly quoted by the poor for not changing dishes is insufficient money.

The non-poor households have at least 2 dishes per meals with 57% of them having 3 dishes per meal. One-third of the non-poor change their dishes within a day. The reason mostly quoted for not changing dishes by the non-poor is insufficient time to do so. During the interview, some of the non-poor wished to have helpers for cooking or to eat out.

Table 78 - Diversity in the diet of poor and non-poor households

				Change dishes within a day		
				Yes	No	Total
Poor households	Number of dishes/meal	1	Count	7	1	8
			%	17.9	7.7	15.3
		2	Count	30	7	37
			%	76.9	53.9	71.2
		3	Count	2	5	7
			%	5.1	38.5	13.5
			Count	39	13	52
	Total		%	100	100	100
Non - poor households	Number of dishes/meal	2	Count	18	5	23
			%	43.9	20.8	35.4
		3	Count	22	15	37
			%	53.7	62.5	56.9
		4	Count	1	4	5
			%	2.4	16.7	7.7
	Total		Count	41	24	65
			%	100	100	100

Food Aid and Financial Support

Almost none of the surveyed households self-produce their food because there is no space for planting or animal rising. Government supports for the poor are in kind and in cash. Fifty-two percent of poor households report that they receive food aid, mainly from the government (about 74% of the ones who receive food aid). This governmental food aid is part of the program for hunger elimination and poverty reduction or a support for family of dead and wounded soldiers. It is mainly distributed for special events such as Lunar New Year. Another important source of food aid is from charity organizations (for 44% of the poor households who receive food aid) and in a small portion, the neighbors. The average value of received food aid is 19,365 VND per household per month (table 80).

Besides food aid, about 62% of the poor households receive financial support, about 200,000 VND per year, mainly from governmental agencies and from their relatives. Seventy-three percent of poor households use money from government support to buy food. In addition, one-fifth of the poor households have borrowed money to buy food during the month before the survey. (884,000 VND on average).

Only 14% of non-poor households say they receive food, mainly from government, support family and neighbor sources. Those who receive support from the government mainly receive it as gifts for civil servants or as support for being a relative of a dead or a wounded soldier. The average monthly value of food gifts per household is ten times higher than the average value received by poor households (i.e. 197,363 VND/household/month compared to 19,365VND/household/month). The financial support received by non-poor households, mainly from (overseas) relatives, is 16.8 times higher than the financial support received by poor households. Very few in this group (3%) had to borrow money for food purchasing.

Items	Poor households	Non-poor households
Average value of the food aid (VND/month/household)	19,365	197,363
% of households receiving food aid	51.9	13.9
Sources (%of households who received food aid from)		
Family	0	33.3
Government	74.1	33.3
Charity organizations	44.4	0
Neighbours	7.4	22.2
Other	11.1	0
% of households receiving financial supports	61.5	32.8
Average value of financial support (VND/year/Household)		
From government	75,865	16,461
From relatives	138,173	2,319,231
% of households using governmental financial support to buy food	72.7	33.3
% of households borrowing money to buy food	21.2	3.1
Average amount of loan used for food purchasing during the last month	883,636	1,100,000

Table 79 - Food aid and financial support

Food aid and gifts are mainly dry foods such as milled rice, sugar, MSG (monosodium glutamate), milk and cooking oil. Instant noodles are common gifts for poor households (see table 80).

Commodities (% on the total of households receiving food aid)	Poor households	Non-poor household
Rice	85.2	22.2
Vegetables	3.7	0
Meals	3.7	0
Fish	0	11.1
Fruits	0	11.1
Eggs	0	11.1
Meat	0	11.1
Instant noodles	51.8	11.1
Sugar	48.2	55.6
MSG (monosodium glutamate)	40.7	33.3
Cooking oil	37.0	33.3
Milk	25.9	11.1
Fish/soya sauces	18.5	11.1
Drinks	3.7	22.2
Dried shrimp/fish	0	22.2
Sweet (candy, cake..)	0	11.1

Table 80 - Commodities received as food aid

FOOD PURCHASING PRACTICES

Outlets attended to purchase food

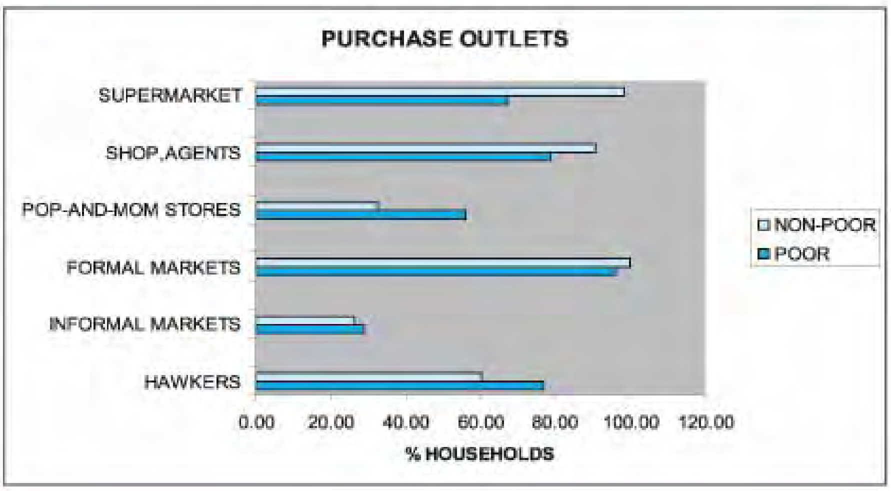
Nearly all the households (poor and non-poor shop in fixed, formal markets (see Table 81 and Figure 28). Supermarkets rank second for the non-poor (98% of total households shop there) while they rank fourth for the poor (67% of the poor households). Households also frequently purchase food in shops (79% of poor households and 90% of non-poor ones). Mom-and-pop stores are less common with only 56% of poor households and 33% of non-poor households. Seventy-eight percent of the poor and 60% of the non-poor households purchase at hawkers while informal markets are the least visited point (26-29% households). In terms of points of sale used everyday by the poor, formal markets come first (54% of households) followed by hawkers (23%), informal markets (13.5%), mom-and-pop shops (13.5%), shops (11%), and finally supermarkets (4%).

In brief, one can see the change in purchase outlet patterns. Shopping by modern retailers (i.e. supermarkets) is getting common while traditional retailers such as mom-and-pop stores, informal markets are less common. However, purchasing in fixed markets is still prevalent and hawkers who deliver step-door services are still a choice for a lot of households.

Table 81 - Frequencies of visits by points

POOR (% of households)								
	Never	Some times	Details for "sometimes"					Total
			Few times/ Yr	Once a year	A few times/ Month	A few times/ week	Every day	
Formal Market	3.85	96.15	3.85	3.85	26.92	7.69	53.85	100.00
Informal market	71.15	28.85	1.92	1.92	7.69	3.85	13.46	100.00
Hawker, vendor	23.08	76.92	13.46	5.77	17.31	17.31	23.08	100.00
Mom -and -Pop Stores	44.23	55.77	3.85	7.69	15.38	15.38	13.46	100.00
Shop, agents	21.15	78.85	3.85	9.62	23.08	30.77	11.54	100.00
Supermarket	32.69	67.31	19.23	9.62	25.00	9.62	3.85	100.00
NON POOR (% of HOUSEHOLDS)								
Formal Market	0.00	100.00	4.62	0.00	4.62	15.38	75.38	100.00
Informal market	73.85	26.15	3.08	0.00	7.69	12.31	3.08	100.00
Hawker, vendor	40.00	60.00	10.77	3.08	15.38	20.00	10.77	100.00
Mom -and -Pop Stores	67.69	32.31	4.62	4.62	6.15	12.31	4.62	100.00
Shop, agents	9.23	90.77	6.15	7.69	43.08	24.62	9.23	100
Supermarket	1.56	98.44	4.69	12.50	37.50	37.50	6.25	100

Figure 28 - % of household buying in the different outlets (Q: do you sometimes buy food in the following places?)



Criteria for choosing a type of outlet

1. Formal markets

This is the most common place for buying food. Market places are visited daily (mostly in the case of the poor households) or a few times a week. Poor and non-poor quote, as reasons for buying in this place (table 82), diversity of supply, proximity, cheap prices and the presence of trustworthy sellers.

Only very few poor households never visit formal markets. The reasons quoted are that delayed payments are not accepted, prices are high, markets are far from their houses (these poor persons do not have bicycle or motorbike), and the sellers are unfriendly.

The products most commonly bought in formal markets are: tofu, vegetables, fruits, meat, fish and prawn, dry food and processed meat. Interviewees do not only visit the nearest markets (such as So rác and Thái bình) but also attend farther markets such as Cau Ong Lanh for dry food and Co Giang market for fresh food. Some go even farther, to Cho Lon (Big market) in District V to buy rice in large quantities (there is a wholesale market for rice in Cho Lon) or go to Ba Chieu market in Binh Thanh district to buy cassava and sweet potatoes.

POOR(n=52)	Hawker	Informal Market	Formal market	Pop -and - mom stores	Shop, Agents	Supermarket
Near home, on the way back to home	59.6	11.5	38.5	32.7	51.9	7.7
Delayed payment	7.7	2.0	3.8	17.3	25.0	0.0
High quality products	1.9	0.0	23.1	0.0	0.0	17.3
Diversity	3.8	3.8	48.1	7.7	11.5	17.3
convenient opening hours	3.8	0.0	1.9	0.0	3.8	1.9
Cheap prices	30.8	7.7	26.9	13.5	3.8	1.9
Trusted sellers	13.5	3.8	26.9	5.8	7.7	9.6
No fake goods	0.0	0.0	3.8	0.0	3.8	11.5
Pleasant places	3.8	0.0	1.9	1.9	1.9	3.8
In my habits	1.9	0.0	1.9	1.9	1.9	23.1
Transparent prices	0.0	0.0	1.9	0.0	0.0	1.9
Good security	0.0	0.0	5.9	0.0	0.0	11.5
Others	23.1	3.8	21.2	9.6	17.3	15.7
NON -POOR(n=65)						
Near home, on the way back to home	32.3	10.8	55.4	20.0	58.5	24.6
Delayed payment	0.0	1.6	1.5	7.7	6.2	0.0
High quality products	9.2	6.2	27.7	0.0	1.5	43.1
Diversity	1.5	3.1	43.1	0.0	9.2	29.2
Convenient opening hours	0.0	1.5	1.5	0.0	6.2	6.2
Cheap prices	13.8	12.3	32.3	1.5	10.8	4.6
Trusted sellers	0.0	3.1	38.5	4.6	13.8	30.8
No fake goods	0.0	0.0	7.7	0.0	3.1	55.4
Pleasant places	0.0	0.0	10.8	0.0	1.5	10.8
In my habits	0.0	0.0	12.3	0.0	6.2	49.2
Transparent prices	0.0	0.0	4.6	0.0	0.0	7.7
Good security	0.0	0.0	0.0	0.0	0.0	20.0
Others	20.0	1.5	23.1	17.3	15.4	27.7

Table 82 - reason for shopping in different outlets (% of households saying "yes' to the stated reason)

Table 83 - Reasons for not shopping in different outlets (% households answering "yes' to the stated reason).

POOR (n=52)	Hawker	Informal Market	Formal market	Pop -and - mom stores	Shop, Agents	Supermarket
Unacceptable payment delay	0.00	1.90	3.80	3.80	1.90	0.00
Low quality goods	13.50	1.90	0.00	1.90	0.00	3.80
No diversity	3.80	0.00	0.00	3.80	0.00	0.00
Inconvenient opening hours	0.00	1.90	0.00	0.00	0.00	0.00
High prices	15.40	5.80	3.80	5.80	9.60	26.90
Insufficient money	7.70	15.40	5.80	9.60	5.80	7.70
Unpleasant places	0.00	0.00	0.00	0.00	0.00	0.00
Not my habit	7.70	7.70	0.00	0.00	0.00	11. 50
No -trusted sellers	13.50	5.80	1.90	1.90	0.00	0.00
Fake goods	0.00	0.00	0.00	0.00	0.00	0.00
No price transparency	0.00	0.00	0.00	0.00	0.00	0.00
Insecurity	0.00	5.80	0.00	3.80	0.00	0.00
Others	19.20	32.70	11.50	11.50	26.90	73.10
NON -POOR (n=65)						
Unacceptable payment delay	0.00	0.00	0.00	0.00	0.00	0.00
Low quality goods	29.20	20.00	0.00	3.10	1.50	0.00
No diversity	12.30	1.50	0.00	10.80	6.20	0.00
Inconvenient opening hours	0.00	0.00	0.00	0.00	0.00	1.50
High prices	4.60	4.60	1.50	7.70	4.60	23.10
In sufficient money	3.10	18.50	0.00	6.20	1.50	1.50
Unpleasant places	0.00	0.00	0.00	0.00	0.00	0.00
Not in my habits	12.30	9.20	0.00	1.50	0.00	0.00
Untrustworthy sellers	15.40	15.40	0.00	6.20	0.00	0.00
Fake goods	4.60	0.00	0.00	0.00	0.00	0.00
No price transparency	0.00	1.50	0.00	1.50	1.50	0.00
Insecurity	0.00	0.00	0.00	0.00	0.00	0.00
Others	27.70	20.00	6.20	13.80	6.20	7.70

2. Supermarkets

Supermarkets are declared to be visited by 98% of non-poor households and 67% of poor ones. Visits are much less frequent than for formal markets: about three-fourth of non-poor households visit supermarkets a few times a week or a few times in a month while nearly one third of poor households visit supermarkets a few times per month. On average, the number of visits is 6.4 per month for non-poor households, twice more than the number of visits by the poor ones (i.e., 3.2 times/month). The reasons for visiting supermarkets are: high quality products, diversity, no fake goods (see Table 83). Surprisingly the reason, "it is my habit," has been quoted by 49% of the non-poor households and 23% of the poor ones. There are many other unexpected reasons expressed (Table 84) by the poor for visiting supermarkets: leisure, cool-air, playing ground for the children free of charge, places to sit, good place for strolling. Promotion is also an incentive for some visitors. Other less frequently cited reasons are: food being inspected; special commodities, which are difficult to buy elsewhere, good quality commodities at a competitive price.

	POOR (% responses) N=8	NON -POOR (%responses) N=18
Leisure	29.4	15
Food purchase	21.6	34.6
Promotion	11.8	13.1
Household appliance purchase	25.5	33.6
Others	11.8	3.7
Total	100	100

Table 84 - Other reasons to visit a supermarket.

The common reason for not visiting supermarkets quoted by both poor and non-poor households is high prices. Some claim that they once bought spoiled food from a supermarket. Other reasons expressed by the poor are: insufficient money to buy; a feeling of shame for poor clothing when visiting supermarkets; a fear of their children breaking things in supermarkets, a need to park, and unfriendly atmosphere. Common types of goods bought from a supermarket (table 85) include cosmetics, clothes, personal things, home appliances and dry food items such as instant noodles, cooking oil, sugar, processed meat, sauces, dairy products and sweets.

(% of responses by sub sample)	Poor households	Non -poor households
Cosmetics	12.9	15.7
Clothes	16.1	14.6
Personal things	19.4	15.7
Food	29.0	39.3
Others (home appliances..)	22.6	14.6
	100.0	100.0

Table 85 - Types of goods purchased at supermarkets ("What commodities did you already buy at SM?")

3. Shops and agents

These places are ranked second for the poor and third for the non-poor. However, both poor and non-poor usually buy a few times a month or a few times a week (more than 60% for each groups) from shops. They usually buy dry food (rice, dairy product, sugar, cooking oil, instant noodles, etc.) in larger quantities. The common reasons for buying at shop/agents are proximity, possibility of delayed payment (around 4 days), and finally, diverse and trustworthy sellers.

4. Hawkers

This type of retailer ranks fourth after formal markets, supermarkets, shops and agents. It is more visited by poor households than by non-poor ones. The main products bought there are fresh food (vegetables, fruits, eggs, etc.) and bread. The common reasons to choose hawkers, quoted by both the poor and the non-poor are doorstep services and cheap prices. Another reason is that hawkers sell in very small quantities. Interviewees expressed that they usually bought from hawkers when they have no time to go to markets or when they need to buy very few items. Reasons quoted for not buying at hawkers are the low quality and safety of the products, and the dishonesty of the sellers. High prices are another reason expressed by the poor. Some buyers complain that hawkers apply chemical substances to preserve their goods, and one case of poisoning due to beans being sold by a hawker was reported.

5. Mom-and-pop stores

These stores are mostly in residential areas, and operate all day long. They are more visited by poor households than by non-poor ones. This type of retailer is chosen mainly for the proximity, the possibility of delayed payments and to buy in very small quantities. The reasons quoted for not buying there is the lack of diversity, the high prices and the low quality of goods. Households purchases there are rice, dried food, soft drinks and ice.

6. Informal markets

Informal markets in the area of the survey are groups of 4 to 12 sellers displaying fresh food on the ground. This type of outlet is the least visited: less than 30% of the households of each group buy from informal markets. The poor buy at these places more frequently than the non-poor The main reason to buy from these places is their proximity to households. Most complaints are related to the low quality of the commodity and the dishonesty of the sellers. There are opposite opinions about the prices offered there: cheap for some, expensive for others. As a result, some claimed that they had insufficient money to buy at informal markets.

Table 86 - Commodities purchased according to the outlets (Q: Where you or your family usually buy these stated items?)

POOR(%responses)	Hawker	On -site Informal Market	On -site Formal market	Pop - and - mom stores	Shop, Agents	Super market	By Telephone	Buy at manufactory, wholesalers	Others	total
Rice	0.00	2.40	18.30	14.60	28.00	1.20	0.00	1.20	34.10	100
Dry Food	9.10	6.10	39.40	4.50	7.60	4.50	0.00	0.00	28.80	100
Vegetables	27.50	8.80	33.00	2.20	0.00	2.20	0.00	0.00	26.40	100
Fruits	18.90	6.80	37.80	0.00	0.00	4.10	0.00	0.00	32.40	100
Meat	22.80	7.60	38.00	0.00	0.00	1.30	0.00	0.00	30.40	100
Fish, prawn	20.80	5.20	42.90	0.00	0.00	0.00	0.00	0.00	31.20	100
Eggs	21.00	6.20	23.50	3.70	9.90	3.70	0.00	0.00	32.10	100
Tofu	14.10	5.10	44.90	2.60	1.30	1.30	0.00	0.00	30.80	100
Cooking oil	0.00	3.60	20.20	14.30	26.20	7.10	0.00	0.00	28.60	100
Fat	4.40	6.70	26.70	2.20	0.00	0.00	0.00	0.00	60.00	100
Bread	39.70		8.20		11.00	2.70		11.00	27.40	100
Canned food	0.00	0.00	10.00	8.00	18.00	12.00	0.00	0.00	52.00	100
Sugar	1.20	2.40	13.40	17.10	29.30	3.70		1.20	31.70	100
Processed meat	4.50	4.50	15.90	0.00	4.50	11.40	0.00	0.00	59.10	100
Sauces	2.50	0.0 0	7.50	13.80	35.00	7.50	0.00	3.80	30.00	100
Sweets	3.60	0.00	5.40	17.90	19.60	7.10	0.00	0.00	46.40	100
Milk and dairy products	0.00	1.70	10.00	10.00	18.30	11.70	0.00	5.00	43.30	100
Tea, Coffee	1.80	1.80	5.50	10.90	27.30	7.30	0.00	3.60	41.80	100
Soft drinks	1.80	0.00	9.10	14.50	21.80	5.50	0.00	1.88	45.50	100
Noodles	8.00	2.00	12.00	8.00	14.00	4.00	0.00	0.00	52.00	100
Instant noodles	3.40	0.00	11.40	12.50	22.70	13.60	0.00	1.10	35.20	100
Wine, beer	0.00	0.00	0.00	6.70	24.40	8.90	0.00	0.00	60.00	100
Cooked meals	0.00	0.00	3.20	3.20	3.20	3.20	0.00	9.70	77.40	100

Daily purchase and eating-out patterns

The last part of the questionnaires focused on households' daily purchase of food and eating–out activities. Interviewees were asked to report their activities related to food of the previous day.

1. Responsibility for food purchasing

Women are mainly involved in food purchasing (in 50% of all the samples, poor and non-poor households), children (25%), and men (20%), also take part in these activities (see table 87). The percentage of participants such as wife, child, and husband were almost the same for both groups. This suggests that the impact of urban life on the labor division between men and women and the role of men in food choice is growing. The importance with this trend of labor division in food purchasing pattern is that men tend to prefer modern retailers, more than women, because of their natural dislike or low ability in bargaining.

NON-POOR(%responses)	Hawker	Informal Market	Formal market	Pop-and-mom stores	Shop, Agents	Supermarket	By Telephone	Buy at manufactory, wholesalers	Others	total
Rice	0.00	0.90	18.60	4.40	32.70	6.20	12.40	1.80	23.00	100
Dry Food	2.10	2.10	41.20	4.10	3.10	6.20	0.00	1.00	40.20	100
Vegetables	10.80	5.80	43.20	1.40	0.70	11.50	0.70	0.00	25.90	100
Fruits	7.90	4.00	46.80	0.80	1.60	9.50	0.00	0.80	28.60	100
Meat	2.60	4.30	48.70	0.00	0.90	13.00	0.90	0.00	29.60	100
Fish, prawn	2.70	3.60	50.90	0.00	0.00	11.60	0.00	0.90	30.40	100
Eggs	14.70	2.60	34.50	0.90	3.40	12.10	0.00	0.00	31.90	100
Tofu	3.80	2.80	56.60	0.00	0.90	2.80	0.00	0.00	33.00	100
Cooking oil	0.00	0.80	23.00	1.60	18.00	27.90	0.00	0.00	28.70	100
Fat	1.70	0.00	18.60	0.00	1.70	0.00	0.00	0.00	78.00	100
Bread	14.30	0.80	3.40	0.80	31.90	4.20	2.50	16.80	25.20	100
Canned food	0.00	0.00	9.60	0.00	10.60	41.50	0.00	0.00	38.30	100
Sugar	0.00	0.00	19.50	3.40	22.90	24.60	0.00	0.00	29.70	100
Processed meat	0.00	0.00	20.60	1.00	13.40	26.80	0.00	2.10	36.10	100
Sauces	0.00	0.00	22.10	3.30	16.40	29.50	0.00	2.50	26.20	100
Sweets	0.00	0.00	7.80	1.00	15.70	38.20	0.00	0.00	37.30	100
Milk and dairy products	0.00	0.00	12.40	0.00	20.40	35.40	0.00	0.90	31.00	100
Tea, Coffee	0.00	1.10	12.20	1.10	17.80	20.00	0.00	7.80	40.00	100
Soft drinks	0.00	0.00	3.10	2.10	32.00	17.50	6.20	0.00	39.20	100
Noodles	2.00	1.00	27.70	2.00	11.90	17.80	0.00	1.00	36.60	100
Instant noodles	0.00	0.80	16.90	3.40	15.30	34.70	0.00	0.80	28.00	100
Wine, beer	0.00	0.00	0.00	1.20	34.90	3.60	8.40	0.00	51.80	100
Cooked meals	1.70	0.00	1.10	0.00	11.70	13.30	0.00	0.00	71.70	100

Table 87 - Household members and daily food purchase.

% Family member buying food daily		
Wife	Poor households	Non - poor households
	51.6	49.9
Children	24.0	26,1
Grand children	3.9	1.4
Husband	20.5	19.7
Helper	0	1.5
Brother and sister	0	1.4

2. Expenditure and frequency of food purchasing

The survey about daily food purchase was conducted only for one day. The result shows that the difference in daily food purchase values between the poor and the non-poor is statistically significant (significant level =0.001). The daily food expenditures are 20,586 VND/poor household and 42,573 VND/ non-poor household.

In terms of frequency of purchase, vegetables come first (more than 70% households buy vegetables daily in each group), followed by meat, fish/prawn, and fruits. Poor households are less likely to buy fish and meat daily than non-poor ones. (Table 89). Furthermore, the average values of these items tend to be higher for the non-poor than the poor. Alcohol purchase is reported by 4% of poor households while there was none for non-poor ones.

Table 88 - Average value of food purchased daily (expenditure for food the day before the survey)

Average value of food purchase VND/day (for households who bought the item)	Poor households	Non -poor households
Fruits	18143	13500
Alcohol	15000	0
Rice	13000	20000
Tofu	11333	4250
Fish, Prawn	10725	18962
Cooked food	9000	0
Meat	7656	21460
Cooking oil	725 0	12000
Eggs	7000	17800
Processed meat	7000	0
Sauces	6333	8357
Dried Food	5071	7444
Others	3438	13423
Vegetables	3032	5425
Fat	1000	0
Canned food	1000	0
Bread	0	0
Sugar	0	7000
Candy, sweets	0	0
Milk and dairy products	0	42000
Tea, coffee	0	0
Soft drinks	0	0
Noodles	0	5000
Instant noodles	0	14400
Average value (VND/day)	20,586	42,573

3. Outdoor consumption

About one-fifth of the members of the surveyed households had had one meal outside the day before the survey, mostly for breakfast (beef-rice noodle -pho, rice, noodles - hu tieu - and bread). Outdoor consumption is more important in the non-poor group (table 90). Food stalls are the place most attended by both poor and non-poor, followed by the factory canteen.

Table 89 - Daily purchased food items.

% Households buying daily the following item	Poor households	Non -poor household
Vegetables	73.1	70.8
Fish, prawn	38.5	61.5
Meat	30.8	70.8
Dried food	26.9	15.4
others	17.3	24.6
Fruits	11.5	23.1
Cooking oil	9.6	1.5
Eggs	7.7	12.3
Tofu	7.7	3.1
Rice	7.7	1.5
Sauces	5.8	12.3
Alcohol	3.9	0

Canned food	1.9	0
Cooked meals	1.9	0
Fat	1.9	0
Processed Meat	1.9	0
Milk, Dairy products	0	1.5
Instant Noodles	0	1.5
Noodles	0	1.5
Sugar	0	7.7

Table 90 - Eating-out places by groups (unit: persons)

Eating -out place	Total persons	Poor	Non -poor
Canteen	12	7	5
Food stalls	121	37	84
Restaurant	1	0	1
Friends' houses	0	0	0
Relatives' houses	0	0	0
Others	17	6	11
Total	**151**	**50**	**101**

CONCLUSION AND DISCUSSION

The results of this research show that supermarkets have been well adopted by both poor (67%) and non-poor consumers (98%). However, consumers mainly purchase there non-food items (clothes, home appliances, etc.) and non-fresh food items (dairy products, processed foods) and are looking for entertainment in this place (or "retailtainment" according to the expression used by Badot and Dupuy 2002), particularly for the poor. Supermarkets are seen as an outlet offering quality and diversity.

The limits for consumers to purchase in supermarkets are related to the high prices. It seems that this opinion is not related to the present situation in Ho Chi Minh City, where supermarkets offer lower prices for some fresh food items (see appendix). The differences in prices should be more systematically investigated for a basket of dry food products, e.g., sugar, dry noodles, and cooking oil.

Another limit expressed by interviewees from poor households is their shame of poor appearance in showing up at supermarkets. Some also feel that they are not really welcomed by supermarket staff members.

Fresh food – which represents the major share of households' expenditure – is mainly purchased in wet markets and from hawkers. The most common reason for choosing these outlets is their proximity. This is backed up by the survey on consumers' preferences of vegetable purchasing outlets (Cadilhon and Giac Tam, 2004). Only a few rich households, concerned by food safety, regularly purchase fresh food in supermarkets. Freshness is important for Vietnamese consumers, and that is why they purchase food, particularly vegetables, daily, in small quantity. This is a limit for buying in supermarkets, particularly for the poor who have little access to refrigerators.

Who takes part in these purchasing activities is an important issue. A remarkable portion of children (25%) and men as husbands (20%) take part in the buying activities. And they are those who tend to favor buying at supermarkets.

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APPENDIX. COMPARISION OF PRICES BETWEEN OUTLETS

A. Price comparison between Metro and Tam Binh wholesale market

The prices were taken simultaneously at both Metro and Tam Binh wholesale market from Jan 13 to Jan 19 of 2005. At Tam Binh Market, the visits were made from 1-3 am when the market was most crowded.

The results show that in general the prices in Metro are higher than in Tam Binh wholesale market. However, even if we selected, as far as possible, products of the same grade and origin, the products offered by these two places are not exactly similar. For example, some vegetables in Metro are "safe vegetables" (from IPM production) supplied by the well-known farmers' group of Tan Phu Trung. The quality is higher and so is the price.

Wholesale prices for fruits and vegetables at Tam Binh and Metro

Products	Aver. Prices in Tam Binh (VND/kg)	Aver.Prices METRO (VND/kg)	METRO/TB (%)	DIFFERENCES (VND/kg)
Tomato (Dalat)	3000	4600	153.33	53.3
Headed Cabbage (Dalat)	1600	3050	190.63	90.6
Potato, Grade 1	6625	8300	125.28	25.2
Carrot	4200	5672.5	135.06	35.0
Water Lily (no root)	330 0	3300	100.00	0.00
Choysum	1312.5	3900	297.14	197.1
Leaf Mustard	1600	4050	253.13	153.1
Bean (Dalat)	4225	6550	155.03	55.0
Sweet potato (Dalat)	6000	4150	69.17	-30.8
Green Oranges	12000	9900	82.50	-17.5
Yellow Oranges	9500	8900	93.68	-6.3
Drag on Fruit	3937.5	6475	164.44	64.4
(Red) Water melon	2175	2825	129.89	29.8
(Yellow) Water melon	3000	4700	156.67	56.6

Note: Water Lily, Choysum and Leaf Mustard at METRO are safe vegetables supplied by Tan Phu Trung Farmers' group.

B. Price comparison between supermarket, traditional market and informal market

The prices were taken during two periods (Feb 4-7, 2005 before Lunar New Year celebration-Tet- and Feb 24-27, 2005 after the event). For convenience, the places chosen were Ba Chieu market, the nearby informal market and Dinh Tien Hoang co-op mart.

In Ba Chieu market, there are 4 large stalls selling Dalat vegetables (they both do whole-sale and retail). The prices at these competing stalls are nearly the same. Other stalls are just taking products from the large ones so the prices are higher for the same product grade (for Dalat products). For other products supplied by Ho Chi Minh peri-urban and neighbouring areas, the prices among stalls differ depending on the status of the seller (wholesaler or retailer) and on the quality. Traders at informal markets usually buy vegetables from wholesalers in or around Ba Chieu market (there are a few wholesalers selling vegetables illegally at night time around the area. In the past years, there used to be a spontaneous vegetable wholesale market in Ba Chieu which has been removed but some wholesalers still come there at night).

For daily price collection, we selected one stall, which sells both Dalat products and products from other origins. Likewise, we selected one of the sellers at an informal market. The prices have been recorded in co-operation with the selected traders to make sure the prices were "true" sold prices as there is no price transparency in the markets. If asking prices from these traders, we usually got a price that needed to be bargained.

The quality of the products among these places is not homogeneous, particularly the products at informal markets are usually of lower grade than the ones offered at Ba Chieu Market (mostly in terms of size). The products sold in Co-Op Mart are "safe vegetables" (from IPM production). Besides, the storage conditions are quite different between supermarkets and traditional markets: vegetables in the supermarket are displayed on shelves and in cool–air areas while vegetables in traditional markets are displayed on a table or even on the ground and exposed to sunshine and dust.

The results show that for about half of the products sold at traditional market the price is lower, for the other half the price is higher.

Compared retail prices for vegetables in supermarket, formal market and informal market

	Vegetables	Supermarket	Ba Chieu Market	Informal market
1	Tomato	100	12.50	
2	Dalat Bean	100	1.66	1.66
3	Headed Cabbage	100	-5.38	-1.08
4	Chinese cabbage	100	-11.69	14.29
5	Bitter Melon	100	-29.93	-3.65
6	Water Lily	100	39.13	26.09
7	Choysum	100	0.00	0.00
8	Potato Dalat	100	-22.58	-3.23
9	Cucumber	100	-15.04	-0.88
10	Eggplants	100	-11.93	17.43
11	Quarts	100	5.49	-3.30
12	Carot	100	-4.76	-4.76
13	Whi te Onion (Dalat)	100	10.34	-22.76
14	Sweet potato (Dalat)	100	20.75	-24.53
15	(Red) Water melon	100	9.09	-18.18
16	(Yellow) Water melon	100	-10.34	10.34

PART III - POOR SUPPLIERS' ACCESS TO SUPERMARKETS

CHAPTER IX

POOR SUPPLIERS' ACCESS TO SUPERMARKETS: SUMMARY OF MAIN FINDINGS FROM LITERATURE AND STUDY

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INSIGHTS FROM LITERATURE

Introduction

We will first present what the reviewed literature says on the impact of supermarket development on farmers in terms of the different requirements involved, especially in terms of quantity and quality, then we will investigate the impact on traders, and finally some recommendations for public intervention.

Impact of supermarkets on farmers

1. Favoring domestic sources versus imports

On one hand supermarkets may find easier to source from imports for convenience reasons, orders by fax, payment through bank transfers, and volumes regular in quantities and quality. On the other hand, selling domestic products may be good for their image. Shoprite, the largest main supermarket chain in South Africa, says on its website that it is committed to use locally produced South Africa products (Rondot et al, 2005). Carrefour Colombia enjoys an image of benefiting to the country (Sautier, 2005). Purranque provincial supermarkets in Chile developed the image of "local store benefiting your local community" by sourcing from local farmers (Reardon and Berdégué, 2004). Carefour Malaysia also claims they give priority to local production and want to guarantee a fair farmer's redistribution. Yet an official of the Federal Agricultural Marketing Authority states that there is an apparent bias in favor of imported products in supermarkets as 70% of shelves display imported products.

In Costa Rica, modern retailers are said to prefer local small-scale retailers rather than large farmers who may more easily shift from one customer to the other, especially to sell to exporters. Hortifruti is committed to buy beans locally, although import prices are lower: 70% of beans sold are bought from local small farmers (Balsevitch et al, 2004 and Rondot et al, 2005).

2. Indirect or direct supply from farmers

In China (Sichuan), three supermarkets out of six are supplied by contract by professional suppliers who either directly own farms or have contracts with local governments for them to organise individual farmers and quality control, while the professional supplier provides technical assistance and plant protection. Only one supermarket obtained vegetables directly from a farmers' vegetable association, although this is the solution that supermarkets prefer; the situation may change with growing public encouragement to form farmers' groups. Four supermarkets out of six get some of their supply in wholesale markets – with fixed wholesalers for two of them. Small-scale farmers, who are dominant in China, thanks to the Household Responsibility System (promoting an average size farm of 0.5 ha), enter supermarkets via wholesale markets, contracts with professional suppliers, and farmers' associations. Wholesale markets have actually established special zones for pollution free vegetables (Zhang and al 2004).

In Carrefour Malaysia, 18% of fruits and vegetables are purchased directly from farmers, while the rest are bought from whole salers; direct supplies from farmers are preferred because of the possibility to control cultivation methods and farmers' income, but on the other hand, it may create logistical and shortage problems compared to buying from only wholesalers. The Federal Agricultural Marketing Authority in Malaysia supports the establishment of contracts between farmers and supermarkets, especially through dialogue, negotiation, extension services (but the type of services provided is not specified), and infrastructures for distribution centres (including cold rooms). In 2004, 1,362 farmers were involved in contract farming, including 405 fruit farmers and 616 vegetable farmers (Julien, 2004).

3. Incomplete contracts

The dominant coordination mode in Africa and Latin America appears to be regular relationships: for instance, 80% of Shoprite South African suppliers have been with them for 12 years, and of the 300, they only delist 5-6 a year (Weatherspoon and Reardon, 2003). These relationships entail informal commitments on quality on the part of suppliers.

Formal contracts are rare. In a context of instability on supply, incomplete contracts with possible negotiation of trade conditions like prices and volumes are actually more adapted than formal contracts (Brousseau and Fares, 1998). In Costa Rica, Hortifruti has contracts with farmers, individual or groups (like the Centro Agricola Cantonal gathering 250 small farmers); these contracts specify volume, quality, safety standards and packing requirements, while prices are negotiated two weeks after the harvest (Rondot et al, 2005).

Little is said about the relations of dependence which contracts and integration agreements may create for farmers. For India, it is mentioned that the role of farmers is being reduced to producers of raw material by changing them into sub-contractors for food companies and retail chains (KIT/RIMISP/IIED, 2004).

4. Constraining requirements

Several requirements make it difficult for small farmers to supply supermarkets, and may lead to their exclusion from supermarket supply, and in the end from the economy as supermarkets gain the largest share in the total market.

a. Requirements in terms of regular volume

Farmers in Malaysia have to deliver products 365 days a year (Singh, 2004); cheese farmers in Northern Peru have to deliver cheese to supermarkets everyday, while pineapple growers have to supply 5,000 pineapples per day, a requirement they cannot fulfil (Boucher, 2005)

b. Requirements in terms of quality

Quality promotion and certification strategies are pushed by supermarkets, even though they can develop outside of supermarket development.

In China, all six interviewed supermarkets in Sichuan sold pollution free vegetables, a standard of quality promoted by the government, accounting for a range between 5 to 90% of their total sales. The supermarkets select suppliers whose vegetable production bases are certified by the pollution free production office at the provincial level. In-store quality inspection is also done by the Provincial Quality Inspection Bureau. Carrefour hires a private company for in-store quality inspection, and another supermarket plans to invest in their own lab (Zhang and al., 2004).

Private standards are developed by supermarkets as substitutes for missing or inadequate public ones. They serve as tools in the competition with the informal sector by claiming superior product quality attributes (Ménard and Valceschini, 2005). In the case of Morroco and Turkey, supermarkets have not yet developed their own strategy and are waiting for the public authorities to develop standards (Codron J.-M. Z. Bouhsina F. Fort E. Coudel and A. Puech 2004); Rondot et al, 2005). In Nicaragua, milk farmers have to provide sanitary certification (Collion and Mendoza-Vidaurre, 2005).

c. Requirements in terms of investments (these are linked to volume and quality requirements)

Evidence of exclusion of small-scale farmers is provided by Reardon and Berdégué (2004) for the dairy sector who record that more than 100,000 producers have been drawn out of formal milk markets since the 1980s. This is mainly due to the low prices of UHT milk sold by supermarkets in parallel with private investments in large-scale processing units.

Supermarkets push suppliers into investments, e.g., trucks, cooling equipment and packing. These investments are worth if they make farmers enter the procurement lists of supermarkets (Reardon and Berdégué, 2005). In South Africa, producers selling to Freshmark, a wholesaler supplying supermarkets have to get involved in all post-harvest activities, i.e., washing, packing, labelling (Rondot et al, 2005).

Yet in Nicaragua, a milk cooperative of 141 members was able to adapt to the requirements of supermarkets, in particular sanitary certification, packaging with nutrient data and purchase date (Collion and Mendoza-Vidaurre 2005). Besides, for products for which supermarkets have high demand compared to supply, they are ready to share investment costs with farmers. This is the case with pineapples in Northern Peru where supermarkets supply disinfectant and cardboard boxes to farmers (Boucher, 2005).

Delays in payment (45-60 days after delivery is the common pattern in Latin America; up to 90 days were imposed to cheese farmers by a supermarket in Northern Peru (Boucher, 2005)) may create cash constraints for small-scale farmers. Yet for pineapple in Peru, supermarkets pay farmers within 5 days, due to their high demand of this product (Boucher, 2005).

d. Market instability

Market instability is created for suppliers as supermarkets can shift procurement rapidly. On the other hand, supermarkets can get involved in contracts that guarantee more stable prices for farmers as evidenced by Cadilhon (2005).

e. Decreasing prices offered to farmers

Oligopsonies may be detrimental in the long run for consumers as well as suppliers as they reduce the choices of outlets and leave the suppliers with "take it or leave it" conditions. Even wholesale markets can no longer play a role in competitive access to markets as their role is increasingly confined to a residual, low quality markets. "The systematic coordination of the supply chain using direct contracting, rather than competitive pricing structures, and the use of (or threat to use) imports, allows retailers to regularize farmgate prices against their precise targets of gross margins" (Fox and Vorley, 2004, p.7). The UK competition commission found an inverse correlation between the retailer market share and the price paid to suppliers.

Redistribution can be more tight because shelf fees may be charged to suppliers. This is mentioned by Singh (2004) for Malaysia: supplier listing fee, promotional and advertising fees have to be supported by farmers. Also for milk in Nicaragua, the cooperative has to rent supermarket shelf space (Rondot et al, 2005); it is also quoted for cheese in Northern Peru (Boucher, 2005). These fees are especially developed in Europe, particularly in England: listing fees (charging for shelf space for new products), supplier rebates (discounts based on the amount ordered or the time it takes to sell an amount of product, overriders (supplier gives back a percentage of sales if a certain annual level of business is achieved), and requests for promotion expenses (Fox and Vorley, 2004).

For milk in Nicaragua, it is mentioned that supermarkets provide lower prices than other outlets, and that discounts of 10-15% have to be made at Christmas time (while supermarkets keep a margin of 32%). In Northern Peru (Cajamarca), in addition to shelf fees, producers have to accept 7 types of discounts, an admission fee of 500 USD, and a first free delivery of 700 USD. These requirements, in addition to investments required for milk pasteurization, packaging and bar codes, plus the fact that prices are lower than in markets and specialized stores, explain that cheese farmers have still not been successful in supplying supermarkets (Boucher, 2005).

Yet supermarkets offer in some cases higher prices to their suppliers: Dunghuan Group is a professional vegetable supplier in Sichuan (China) who pays farmers 5-10% higher prices than the market prices. In Sichuan, supermarkets are ready to lose on the vegetable section in order to attract new consumers, and they sell vegetables 5 to 20% cheaper than those in open markets (Zhang and al., 2004). Besides, farmers appreciate the stability of prices guaranteed by supermarkets, both in China and in Southern Vietnam (Zhang and al, 2004, Cadilhon, 2005).

In fact, the main advantages reported for supermarket supply relate to secure prices and volumes: this is the case for milk in Nicaragua (Rondot et al, 2004).

Some supermarkets are developing efforts in terms of ethical remuneration of farmers, for instance Co-op and Migros in Switzerland have converted their bananas to ethically sourced material (Fox and Vorley, 2004, p.9) .

Indicators of fairness (or justice) towards suppliers are provided by Kumar (1986) quoted by Fox and Vorley (2004):

- distributive justice: price received, payment terms, distribution of costs, imposed charges
- procedural justice: bilateral communication

Other quoted requirements of supermarkets are:
- Entering a formal system of invoices, accounting and taxes
- High rate of product rejection

Changes transferred to farmers because of all the quoted requirements in terms of quantity and quality can be classified according to categories of Berdégué (KIT/RIMISP/IIED, 2004): (i) technological; (ii) managerial (capacity to keep records for examination by certification agencies); (iii) financial (for investments); (iv) organisational.

5. Varying impact according to products

Provision of "niche" products may be easier for small-scale farmers with comparative advantages in terms of location in a specific area, traditional savoir-faire and/or low production costs: vegetables are a typical product for which small-scale farmers have an advantage because of labor intensity, perishability and seasonality which also restrains economies of scale. In Colombia, palm hearts and beans from Putumayo were promoted by Carrefour as they represent specific local products (Rondot et al, 2005).

6. Role of farmers' organisations

The characteristics of family, small-scale agriculture (large diversity of farming systems and practices that results in diverse and non-homogeneous agricultural products) are a burden for supermarkets whose requirements and standards are precise (Rondot et al, 2005). There is therefore an important need and role for intermediaries (wholesalers, farmers organizations, others) to connect farmers and supermarkets and a window of opportunity for agricultural producers to organize themselves, in particular to aggregate and match supermarket demand for well qualified agricultural products coming from a heteroof geneous supply (Rondot et al, 2005).

Farmers' organisations reduce transaction costs implied by relationships with supermarkets because they centralize contracts with lower transaction costs than would be the case if separate contracts were negotiated with each farmer and also because they reduce risks of farmers contract default (peer pressure, joint collateral, good communication within groups) (Coulter J. et al. 1997, quoted by Rondot et al, 2005). They also enable the investment in collective assets (transport, storage, packaging) that may answer the requirements of supermarkets in terms of conditions of product delivery and vertical integration.

These organizations are subject to a number of conditions to operate well:

- a certain homogeneity in terms of farm structure and product quality
- good accountability and management; for instance, the veal cooperative in Aveyron comprises a board of 11 directors and 33 field managers, acting on a voluntary basis; for the cucumber cooperative in Turkey, 1% of the sales serve to pay 5 employees, taxes and office rental.

Examples of successful cooperatives supplying supermarkets include the following:

- The Milk Cooperative in Nicaragua made of 141 members, set in 1992, enabled to ensure regular supply of UHT milk and invested in packaging and quality certification (Collion, Mendoza-Vidaurre, 2005)
- The Aveyron Veal Cooperative, with a partnership with Auchan and Bigard Slaughterhouses since 1995, enforces animal conformation standards and ensures regular supply. The cooperative, slaughterhouse and supermarket have set up a tripartite charter, and have regular meetings to promote the product, including visits of purchasers to the cooperative, and visits of farmers to the supermarket (Bosc, 2005)
- The Cucumber Cooperative in Izmir (Turkey), made of around 100 small cucumber growers (around 2,000 m² each): it collectively set prices based on auction prices collected with mobile phones; it sells to supermarkets through an intermediary in charge of transport and contacts (Codron en al, 2004).

7. Need for public support

Successful examples of small-scale farmers supplying supermarkets imply the assistance the public sector or NGOs in the following directions:

- Technical training to reach quality standards (Purranque cooperative in Chile reported by Reardon and Berdégué, 2004) for: processing, packaging, and developing contacts with supermarkets (small-scale food processors, Fabrica do Agricultor program in Parana, Brazil; for quality control, logo development and marketing in general in the case of United Nations Program against illicit drugs in Colombia in partnership with Carrefour (Sautier, 2005)).
- Input credit

The investigation of tripartite arrangements between banks, supermarkets and their preferred suppliers is recommended by Shepherd (2004).

Other directions of policy support are indicated below:

- Provision of infrastructures including cold storage as distribution centres: see the example of FAMA in Malaysia mentioned before; it is also recommended that large wholesale markets, like the ones in Bangkok, supply logistics platform for smaller supermarket chains (Shepherd, 2004). In Korea, the government has supported the National Agricultural Cooperative Federation (NACF) to develop modern wholesale food distribution centers, which operate together with cooperative-owned supermarket chain distribution centers at the same location (Shepherd, 2004). The example of pollution-free vegetable areas in wholesale markets is also worth disseminating (Zhang and al,2004).
- Favoring contacts and contracts between farmers and supermarkets

Besides their role in developing contracts between farmers and supermarkets, FAMA in Malaysia has also established a pilot demand and supply virtual system to link farmers with modern retail outlets.

- Promoting fair trade

In addition to the release of the constraints faced by small farmers, a positive approach is to promote the unique values smallholder producers can add, the sustainable competitive approach as advocated by the Agrofair Company which sells "fair bananas" to a number of European supermarkets. The company is 50% owned by farmers, the other half is owned by NGOs (KIT/RIMISP/IIED, 2004). The companies face fragility as regards possible competition with multinationals that can also get involved in fair trade and organic goods; also small farmers are not represented in the definition of standards.

Impact of supermarket on traders

1. Impact on retailers

According to Reardon and Berdégué (2004), in Latin America, supermarket development had a positive influence on the modernization of specialty shops and street fairs, while they resulted in the recession of small traditional stores and plaza markets.

2. Impact on wholesalers

Traditional wholesalers are excluded from the supply of supermarkets due to a lack of standards and grades; hence supermarkets switch to new wholesalers able of providing graded products, or to direct procurement from farmers (Reardon and Berdégué, 2005). Hortifruit in Chile, is an example of new wholesaler with stringent quantity and quality standards, it is inspected by a third-party auditor based in California. This wholesale company has contracts with 500 fruit and vegetable farmers in Costa Rica and 200 farmers in Nicaragua. Professional wholesalers are also described in the case of Sichuan (China) as companies involved in direct farming or contracts with government for farmers' groups supervision, and who invest in cleaning, grading, packaging and trucks (without cool storage). One wholesaler, the Dunghuan Group, is also involved in direct delivery of consumers by orders and state that this activity is more profitable than supplying supermarkets (Zhang, Yang and Fu, 2004).

Graded products and quality standards can be termed as specific assets for which supermarkets need to develop specific relationships with suppliers in line with predictions of transaction cost economics (Williamson, 1985).

Supermarkets develop their own distribution centers which serve the supply of local outlets and may serve for exports at the same time. In China, all supermarkets with more than one store have a procurement center for vegetables which centralizes orders (Zhang, Yang and Fu, 2004).

Concluding remarks

The processes of exclusion of the small farmers from supermarket supply are quite well explored by the literature, as well as, the conditions for improved and more profitable access to supermarkets, in particular, participation in farmers' organization; yet, these appraisals are mainly qualitative; little is known on the actual financial gains and losses of the access to supermarkets for small-scale farmers relative to other outlets, which is certainly due to the delicate nature of such information.

METHOD OF CASE STUDIES

For each case study, the framework of data collection was as follows (see Tables 3 to 5 in Chapter 1):

1. Literature review on the organization and performance of the commodity chain
2. Estimating the impact on employment of the poor as traders of the different distribution chains:
   1. Making a census of all the retail outlets where the products are sold (supermarkets, quality shops and stalls, retail markets, street vending).
   2. Comprehensive census and positioning of all the supermarkets and markets selling the selected products (in relation with Component 1, in particular using the documents from the Departments of Trade of Hanoi and Ho Chi Minh City which give a census of the different points of wholesale and retail trade in the two cities).
   3. Enumeration of all the traders selling the selected products in the identified markets (wholesale and retail) with indication of their functions (wholesalers, collectors, retailers, hauliers) and a score of poverty according to the nature of visible investments in the business (nature of stall, transport mode).
   4. Estimation of the people employed by supermarkets for fruit and vegetable distribution and their qualifications.
   5. Selection of two districts in the city (one with high density of traders, one with low density) and enumeration of all the traders selling the selected products in shops or as street vendors with indication of a score of poverty according to the nature of visible investments in the business (nature of stall, transport mode).
   6. Synthesis on the number of the poor employed in the marketing of the selected products operating in the different outlets (supermarkets, shops, wholesale markets, retail markets, street vending).
3. Tracing back the commodity chain from selected DVCs in Hanoi and Ho Chi Minh City up to selected production areas to identify the places of transaction, the different marketing, processing, sorting and packaging stages, and the different intermediaries. This has been done through cascade interviews starting from retail traders and continuing with a sample of their suppliers and the suppliers of the suppliers.

Estimating the share of the poor farms in the supply of selected DVCs through interviews of DVCs managers and farmers' interviews, and, reciprocally estimating the share of DVCs in the marketing of the poor farms relative to other – traditional – outlets, through farmers' interviews

4. Analysis of the institutional factors explaining the development of the marketing of the selected products (provision of agricultural services, promotion of new farmers' associations, etc.), through group interviews with province, district and commune leaders, as well as key-informant farmers.
5. In-depth analysis of the patterns of horizontal and vertical coordination linking poor farmers to DVCs :
   - In regard to the horizontal coordination: the emergence and role of farmers' associations, product labels – this is gathered through group interviews of farmers and community leaders.
   - In regard to the vertical coordination: the relationships between farmers and their purchasers in terms of exchange of information (market and technical information), credit, inputs, quality control, training, pricing strategies and bargaining power, and possible conflicts and sanctions. This is gathered through farmers' and traders' interviews.
6. Analysis of the social and economic costs and benefits of the involvement of the poor in DVCs :
   i. Historical analysis of the involvement

of farmers in the supply of DVCs and other outlets, and gathering indicators of the social and economic changes brought by this involvement (changes in the volume of sales; changes in the number of poor households; investments in housing, education, health; diversification of economic activities). This is done through in-depth interviews of province, district and commune authorities as well as selected farmers.

ii. Qualitative assessment (through farmers' interviews) of the advantages and drawbacks of the different types of outlets for farmers (sale to collectors, sale to town-based wholesalers, retailers or consumers, sale to supermarkets, sale to shops): volumes, prices, conditions of payment, flexibility versus dependence, conditions imposed on quality and regularity. Reciprocally we have to establish a qualitative assessment of the advantages and drawbacks of different types of suppliers, including the poor of the selected areas for the DVC managers, through traders' interviews.

iii. Disagregation of costs and benefits along the commodity chain through traders' and farmers' interviews. The identification of the cost structure by supermarkets will be especially difficult to get: (i) first because of the reluctance of supermarket managers to make economic data transparent in a context of sharp competition between supermarkets; (ii) second because it is difficult to affect to one given commodity marketing costs which are covered for the whole shop. Hence our strategy will be as follows: (i) trying to be as convincing as possible with supermarket managers as regards the usefulness of our study for the development of quality food production in Vietnam, (ii) gathering farmers' purchase prices from farmers, (iii) gathering supermarket resale prices by direct observations in the shops, (iv) getting information on the share of different costs in the price differential from supermarket studies in other countries and asking Vietnamese supermarket managers if this cost structure is the same in Vietnam.

The disagregation of costs and benefits has two major purposes: (i) measure and compare the impact on farmers' incomes of different marketing outlets, (ii) measure and compare the impact on the final consumer price of different marketing outlets (in relation with Component 2).

7. Prioritization of constraints and policy options to improve the benefits of poor farmers through the supply of DVCs. This is done through a synthesis of gathered information and with a participatory workshop with selected interviewed farmers and officials.

So this component is mostly based on the following modes of data collection:

- Census of traders (for task 2)
- Farmers' interviews (for tasks 3, 6, 7b and 7d presented above). A minimum of 20 poor farmers are interviewed for each case study.
- Traders' interviews (for tasks 3,4,7c and 7d). A minimum of 3 traders for each type of possible outlet are interviewed (so this makes a total of 10 to 20 traders).
- Group interviews with community leaders and farmers: for tasks 5, 6a, 7a and workshop for task 8.

Individual farmers' and traders' interviews are preferred to group interviews to gather sensitive data such as relationships in the marketing chain, and economic data. Group interviews are used for topics of common interest, including historical information, and the nature of farmers' organizations. The workshops also help to validate, synthesise and debate the gathered information. Participants to group interviews and workshops are carefully selected to enable balanced expression among the participants (a maximum of 10 participants in order to avoid excessively talkative or silent participants).

The method had some slight adjustments according to the case studies, these will be given in the following chapters.

MAIN RESULTS

A. A limited involvement of the poor as traders in supermarket chains

The figures given in Part 1 show that supermarkets create less employment per unit of area or volume than markets and street vending (see Tables 91and 92). This is confirmed by the case studies of vegetables and litchi (see Tables 93 to 95). The share of supermarkets in total employment by retail trade is estimated at around 6% - without taking into account street vending or shops, only retail markets, while the share in retail business is around 15%. Figures are similar for food as compared with total business. Yet figures are higher for supermarkets when taking into account indirect employment (11% instead of 6% of employment). As regards the share of supermarkets in vegetable trade employment, it is less than the share in volume of business.

Besides, while street vending and informal markets employ mainly the poor, as they do not require special qualifications or investment (investment for street vending is limited to 400,000 VND), entering formal markets is constraining in terms of finance (12 M VND) –

	Supermarkets	Markets	Total supermarkets + markets
Direct employment	1917	29211	31128
%	6,2%	93.8%	
Direct and indirect employment	3716	29876	33592
%	11.1%	88.9	

- source: C1 data -

Table 91- Employment in markets and supermarkets

	Supermarkets	Markets	Total supermarkets + markets
Direct employment	923	13145	14068
%	6.6%	92.4%	
Direct and 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 92- Employment in markets and supermarkets (food)supermarkets

	% 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 and al , infra; the percentages are given for urban Hanoi as defined after June 2004.

Table 93 - Impact of vegetable distribution points on quantities and employment

	% in volume	% in employment
Street vending	78.1	52.3
Ordinary market stalls	8.4	15.8
Shops	13.3	31.9
Supermarkets	0.2	0.07

-source: Loc , infra; the percentages are given for urban Hanoi as defined after June 2004.

Table 94- Impact of litchi distribution points on quantities and employment

Table 95 - 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 and al.

Table 96– Capital necessary to invest in a vegetable business

	Amount
Street vending (basket)	400,000
Street vending (bicycle)	640,000
Ordinary market stall	11,950,000
Safe vegetable shop	15,600,000

see Table 96, and becoming an employee in a supermarket may be constraining in terms of qualifications needed. Eighteen percent of street vendors can be termed as poor along the 2005 threshold of poverty in Hanoi (500,000 VND/month).

The profiles of the Hanoi street vendors are detailed below:

- 60% of the interviewed vegetable street vendors are peri-urban farmers with limited land area, who come to sell in Hanoi around 10 months a year; the rest are made up of male farmers who sell by bicycles (25%), and basket farmers who come more seasonally (6 to 9 months in the year). As vegetable selling is the main source of income of these street vendors, and that they work from 3 am until 7 pm, we consider this employment as full-time.

The litchi street vendors are also peri-urban farmers with limited land area, where they grow rice for subsistence. They work as street vendors all year, changing products according to the season.

The fact that supermarkets create less employment per volume of business than other forms of distribution is a logical consequence of the labor-saving innovations used, e.g., self-service (see Part 1). So the development of supermarkets is likely not to compensate the loss of employment in street vending and the market place. Though, it should be noted that the salaries paid by supermarkets to their employees (around 1,7 M VND for a cashier) are higher than the incomes of the food retailers in Hanoi, around 600,000 VND/month for vegetable retailers- see Son and al (infra).

B. 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 their requirements 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; (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 vegetables cooperatives are made of voluntary farmers' associations which gather farmers with, neighborhood and/or family relationships, higher financial capacity, and land size than the average. In Van Tri, the shares are 200 USD/person and the size of farms is 0.45 ha on average, like in Van Noi, i.e. more than twice the average in the Red River Delta. The cooperatives have small vans to transport the vegetables to supermarkets.

Because of the requirements of supermarkets, in terms of vegetable diversity and regularity, the cooperatives have to collect vegetables outside their member farms, especially for off-season vegetables that cannot be grown in peri-urban areas. This gives some opportunities for the poor living in the mountainous areas, e.g., Moc Chau and Dalat, as they have specific advantages for the production of off-season vegetables because of their favorable 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), can become the suppliers of safe vegetable cooperatives and companies as is the case for Bao Ha, provided they receive 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 70,000 VND/month) represent 16% of households. 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 and other staple crops, e.g., sweet potato and cassava. The condition for poor households to get involved in vegetable production are: (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) and risk shouldering, by not claiming input credit in case of harvest losses. This has been done by the Moc Chau cooperative during the past two years and has enabled the shift from staple crop to vegetable production and the ability of marketing of four poor families of Thai ethnic origin. This shift has enabled the families to earn enough cash to invest in the improvement of their 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 500,000 VND per month, and they also benefit from housing rented by the cooperative.

The advantages of poor households as suppliers, according to the head of the Moc Chau cooperative, mostly relates to their labor ability. Safe vegetable production has easily been 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 on the outside. On the other hand, the labor requirements are higher.

Hence the involvement in the 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 – labor and products.

In regard to farmers supplying HCM City supermarkets, they cannot be termed as poor in the sense of people earning less than 500,000 VND/month (poverty line of Committee of Hunger Elimination and Poverty Reduction), but we can find that 5% of small-scale farmers with land less than the average, i.e. less than 2900 m² (VLSS 1997-1998 data for North-East of South), in the Cu Chi cooperatives supplying Metro and Coop Mart with leafy vegetables. On the other hand, poor farmers of the Duc Trong District of Dalat are not supplying supermarkets, which are supplied by cooperatives whose members have to pay shares more than 1 M VND.

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 50 000 to 80 000 VND, and 700 to 1000 m²), while the percentage of the poor in the area is 15%. The supermarket-driven chain is supplied by companies buying from medium-scale to large-scale farmers, while the association-driven chain supplying supermarkets comprise of around 20% of poor farmers.

In regard to Yen The-Bac Giang, the poor (defined by local authorities as earning less than 80,000 VND/month), represent 16% of households in 2004 – a percentage equivalent to litchi production. Litchi production has enabled a substantial reduction in the poverty rate (it amounted to 36% in 2000). Thanks to litchi sales, the farmers earn more than 40,000 VND per day, but this is only during 43 days, due to a small size of production and low yields caused by a lack of training. At the moment, Bac Giang's litchi do not supply supermarkets which are supplied by Thanh Ha's litchi in small quantities. Thanh Ha's litchis benefit from a reputation of quality (as well as Luc Ngan, Bac Giang) which has not yet been obtained by the Yen The litchi, despite similar varieties grown. This shows the importance of quality promotion in the supply of supermarkets and other adding-value outlets.

Table 97- The role of public administrations in the promotion of farmer's organizations in Southern Vietnam

	DARD	DoT	Cooperative alliance	Other
Training				
- Management			X	
- Production	X			
Supported interest rate	X			Vietnam Bank for sodal policy
Vegetable fairs		x		
Quality control	x			

C. Conditions for the poor to be involved as suppliers: associations and quality

In regard to vegetables, safe vegetable programs, launched in 1995 in Hanoi and 1997 in HCM City, have played a crucial role to revive farmers' organizations. Public administrations in HCM City have intervened in various areas to promote farmers' associations involved in safe vegetable production (see Table 97): training on cooperative management, training on safe vegetable production (several days per month), support of interest rate increases from 4 to 7%, organization of vegetable fairs, and finally, quality control organized one to two times per month in Cu Chi district, and once a year in Dalat area. Vegetable farmers' organizations in Hanoi and HCM City are in the form of commercial cooperatives with shares, leagalized in Vietnam in 1996 (Dao The Anh, 2005), except in the case of the Ap Dinh group which is an association.

Farmers' organizations, in Hanoi like in HCM City, are vehicles of government support to farmers in HCM City 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, and joint negotiation with purchasers, which enables economies of scale and joint reputation for quality. In Northern Vietnam, Hai Hau and Thanh Ha associations have been set with the help of VASI-DSA in 2003 to answermarketing problems expressed by farmers and they play a crucial role in rice processing, technical training and the building of their reputation and label on origin.

The functions of the different investigated farmers' organizations are summarised in Chapter 1.

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 organized 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.

In Ho Chi Minh City, profits per kilo of farmers are higher in supermarket-driven chains than in traditional chains, especially as regards to ordinary tomatos supplied from the Anh Dao Association in Dalat area to Coop Mart (890 VND/kilo=21% of final price relative to 176 VND/kilo=5% of final price, i.e., a 400% profit difference). Production costs are higher in the supermarket chain because of harvest and postharvest costs to deliver grade 1 tomatos (mostly caused by labor costs). Water convolvulus profits are also higher while farmer costs remain the same (869 VND/kilo = 25% of final price, relative to 769 VND/kilo=21% of final price, i.e. a 13% profit difference); for baby tomatos, there is no difference in farmers' profits despite a higher final price in supermarkets than in traditional outlets.

Farmers which own production land areas of 1000 m2 have almost doubled their vegetable income to about 950,000 VND compared to 500,000 VND before 2002. This achievement has derived from a little increase in the price and, more importantly, an increase in their vegetable supply capacity.

In Hanoi, Soc Son farmers, who are involved in the direct supply of Bao Ha, get slightly higher profits than the other Soc Son farmers (2,121 VND/kilo instead of 1,727 VND/kilo, which corresponds to 48% and 49% of final price, and 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: 949 VND/kilo relative to 881 VND/kilo, 23% and 25% of the final price, respectively. When the cooperative is supplied by collectors rather than directly from farmers, the profits are even lower for farmers (699 VND/kilo). The fact that income increases are small 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).

In the rice chains, selling to supermarkets through the association generates the highest profits per kilo of flavored rice (5,442 VND/kilo compared with 3,167 VND/kilo in the traditional supermarket chain, and 3,140 VND/kilo in the traditional chain, i.e., a 42% profit difference).

Litchi farmers involved in the association chain from Thanh Ha,which sell directly to supermarkets, are those who earn the highest profits per kilo: 3,545 VND/kilo in 2004, compared with 2,567 VND/kilo for Thanh Ha farmers outside of the association (i.e., a 38% profit difference), 2,151 VND/kilo for Luc Ngan litchi sold in shops and 1,766 VND/kilo for the Yen The litchi sold by street vendors. Yet, the situation of the association is fragile, as the collector is the one which has the highest costs (2,690 VND/kilo for collecting costs and 4,500 VND/kilo for purchase price), and the litchi is a highly perishable product, so losses can be high at the 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 7,000 VND/kilo (instead of 8,000 VND/kilo), and the collector purchased the litchi at 3,000 VND/kilo (compared with 4,500 VND/kilo in 2004) – which is still higher than the price of farmers outside association (2,500 VND/kilo). In the litchi chains, prices increased between Yen The, Luc Ngan and Thanh Ha litchi, due to the increased reputation as regards to quality (in particular, sweetness and 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 in regard to yield amounts and quality, in particular, in terms of choice of plants (with credit support) and tree care. Finally, farmers near to roads have the possibility to sell directly in Hanoi from their motorbikes and to develop regular relationships with retailers in Hanoi, while isolated farmers in Bac Giang have to sell to collectors at lower prices.

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

The costs and profits for farmers in the supermarket chain are for 1 kg of mixed rice, that is for 300 g of flavored rice, while they correspond to 700 g of flavored rice in the traditional chain and 1kg of flavored rice in the association chain. So the farmer costs differences presented between the three chains mostly correspond to differences in quantities of flavored rice sold by farmers for 1kg of retail rice. For 1 kg of flavored rice, the production costs are 2,833 VND/kilo in the traditional chain, 2,953 VND/kilo in the supermarket chain and 3,231 VND/kilo in the association chain, the differences relating to higher use of fertilizer, and higher cost of seeds and labor.

E. Farmers' Benefits and constraints in the supply of supermarkets

While the main advantages of supermarkets relate to the stability of 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 behavior.

1. Advantages of supermarkets

a. Higher prices

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

b. 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 more 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

a. Quality requirements

Supermarkets have requirements in terms of physical quality, especially in HCM City where they impose a system of grading and buy only the best grade. In Hanoi, physical quality requirements are limited to slight damage and size homogeneity, plus packaging (except in the case of the Moc Chau tomato as well as leafy-vegetables of Ha Tay sold in Big C). In regards to rice, the requirements in terms of quality mostly refer to packaging. Quality as regards the percentage of flavored rice in what is sold as flavored 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.

In regards to 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 Coop Mart also perform 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 are then jointly identied as the source of the problem and most find solutions.

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

b. Diversity requirements

Supermarkets cause pressure on suppliers to increase the diversity of supplied vegetables. The Anh Dao Association supplies 32 varieties, 4 of those are less than 10 kg.

c. Transport requirements

Supermarkets ask to be delivered daily by their suppliers; this is usually done by small vans in the case of vegetables, or motorbikes for Thanh Ha litchi.

d. Payment conditions

While in traditional chains, farmers are paid immediately, or after one to three days, supermarkets pay 15 days after the sale in HCM City. Supermarkets deal with suppliers as legal entities who have bank accounts, can provide bank accounts, and, in some cases, can provide invoices and pay the VAT.

In HCM City, 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% of the value of the non-sold product. When litchi is unsold, the producer gets back the unsold product for drying.

e. Variable loyalty

Not all relationships with supermarkets guarantee the 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, Dalat 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 98- Summary of advantages and constraints of supermarket chains

	Supermarket chain	Traditional chain
Advantages of supermarkets		
Prices	10 to 20% higher	
Security	Regular weekly purchases in quantities and prices	More variable demand in quantities and prices
Drawbacks of supermarkets		
Quality requirements	Physical quality requirements Safety requirements	Lax requirements
Diversity	More than 10 varieties required in HCMC (check)	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

RECOMMENDATIONS

The listed recommendations aim at helping small-scale farmers to better benefit from the development of supermarkets and other adding-value outlets.

1. Promotion of farmers' associations selling labelled products

Farmers' associations in southern Vietnam (Cu Chi district and Lamdong 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 their public support is less sustained than in HCM City. 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.

2. Development of pro-poor 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 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 positive results are shown, there is no system of sanctions if there are negative results; in Hanoi and Moc Chau, there has been 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 at all the production and selling points, but there should be at least some unexpected controls in the fields and selling points to make sure that toxic food is not sold, by producing an appropriate warning and sanction system; besides there is a need for accreditation of private laboratories in 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 needs to be technical training delivered to improve the physical quality of products:

- for litchi, in regard to choice of plants and care of trees
- for fruits and vegetables in general, in regard to produce sorting and choice of varieties in accordance with consumers' needs
- for flavored rice, practices related to manure and fertilizer use, quality of seeds, date of harvesting, and care in processing need to be improved to improve the rice taste.

Training on off-season production, 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 Bac Giang farmers as they do not use much chemicals 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 the quality, i.e., litchi plants. Investments in joint marketing facilities can also be encouraged by credit programs. Van Tri direct retail sales to 12 -19 markets 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.

5. Enhancing knowledge on contract performance

The success story of the Moc Chau Cooperative in developing contracts with farmers for the delivery of inputs, output marketing and risk support should be widely disseminated. In regard to contracts linking supermarkets and suppliers, they are not entirely satisfactory at the moment for suppliers because they do not provide any security during price fluctuations and do not prevent supermarkets from shifting to other suppliers if more price competitions develop. On the other hand, suppliers may not always be possible to supply 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.

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, could be tested in some areas which concentrate in vegetable production, e.g., Van Tri-Dong Anh, and Duc Trong-Lam Dong. In regard to 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 Vietnam, 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, or medicinal plants, etc., and then support to marketing could be organized.

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