

BACK TO OFFICE REPORT
Nutrition and Consumer Protection Division
Rural Infrastructure and Agro-Industries Division

From	Dennis Bittisnich (AGN) - Pilar Santacoloma (AGS) <i>Pilar Santacoloma</i>
Dates of travel	16-22 May 2010
Project title	MTF-VIE-046-STF: Strengthening Vietnamese SPS Capacities for Trade - Improving safety and quality of fresh vegetable through the value-chain approach
Country	Vietnam
Objective	To review project activities and agree institutional arrangements for project implementation
Follow-up	<ol style="list-style-type: none"> 1. Elaborate detailed work plan incorporating mission findings (AGS - <u>Completed</u>); 2. Prepare an LoA with FAVRI for the market survey at domestic level (AGS - <u>AGN Completed</u>); 3. Forward training materials on business management for farmer associations and quality management for agro-processors to FAVRI (AGS-<u>Partially completed</u>); 4. Advise on inception workshop programme which will present and discuss market survey results and project implementation (AGN- <u>AGS to be completed</u>).

Approved for technical distribution

Technical Clearance

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Background:

The overall project objective is to enhance the SPS capacity of the vegetable sector in Vietnam and help the country capture market opportunities for fresh vegetables in both domestic and international markets. The project is funded by WTO donor contributions under the STDF -Standard Trade Development Facility - with in kind contribution from FAO and FAVRI - Fruit and Vegetable Research Institute (under the Vietnamese Ministry of Agriculture and Rural Development - MARD). AGN and AGS divisions in Rome have jointly worked on the project's formulation and approval by STDF-WTO and FAO since 2008.

The mission was undertaken in order to initiate project activities and agree on institutional arrangements for project implementation. After two years of project formulation, there was the need to re-asertain the commitment of stakeholders and the resources they would provide to the project, and update information on targeted markets, standards and beneficiaries.

Activities :

The ROs held meetings with stakeholders from Vietnamese government agencies, retail chains, marketing companies, and managers of projects with close relationship to the project objectives (see Agenda in Annex 1 and List of Participants in Annex 2)

Findings

Supermarket demand for safe vegetable products is undersupplied

Independent interviews with Deputy Manager of Buyer Division of METRO Cash and Carry and FIVIMART and the Sales Manager of BigC revealed that these retail chains shared the view that the domestic vegetable market in Vietnam has been growing steadily in recent years (particularly in the formal retailer sector) and that this market will double in the upcoming year. All the three big retailers have plans for market expansion in Hanoi and other large cities. Main products are leafy vegetable, brassicas, tomato, potato and French beans.

The main food safety compliance requirement required by retail chains for wholesale purchase of vegetable products is the "safe vegetable produce certificate" issued by the Department of Crop Protection (DCP) of MARD. DCP issues the certificate based on inspection visits, and results of laboratory of samples analysis of soil and water. In addition, METRO Cash and Carry requires providers to have a simple traceability system in place. METRO Cash and Carry is also piloting QA guidelines based on quality specifications for fresh fruits and vegetables.

These retailers have also established contract farming with many of their providers, particularly those associated in legal cooperatives. Procurement conditions are described within purchase contracts, however prices are not fixed but are based mainly on current wholesale market. Prices therefore fluctuate according to seasons with the peak prices during the flooding season. METRO Cash and Carry usually pays 10 percent higher prices than the market prices to its providers under contract. Note also that prices are driven down by supply of significant volume of products from China. All retailers expressed willingness to participate in the STDF/FAO project and discuss conditions for contract farming with the project beneficiaries.

Institutional arrangements to support food safety and quality

MARD has two main departments to deal with food safety and quality: the Department of Crop Protection Division (DCP) and the Department of Plant Production (DPP). The DCP handles inspections, biosecurity and food hygiene practices at farm level. At the central level, DCP is responsible for establishing policies on biosecurity plans, safe agricultural zones (SAZ), crops protocols, and to advise on utilization and registry of pesticides according to international treaties. At the provincial level there are nearly 600 inspectors, who undertake on farm inspection and soil and water samples analysis, issue the "safe vegetable produce certificate". The analysis and inspection are free of charge though farmers must pay for secondary inspections where they fail to meet initial inspections. It is estimated 10 percent of the vegetable sold in the marketplace are produced under the "safe vegetable produce" certificate system. No price premium is appeared to derive from produce sold with the "safe vegetable produce" certificate.

On top of this certificate, the Vietnamese government is also promoting the use of VietGAP as the recommended certification system for good agricultural practices. Besides requiring the application of safe production practices, VietGAP includes environmental and social issues and requires recordkeeping as the basis for traceability. Specific VietGAP protocols and GAP manuals have been produce under AusAID funded Collaboration for Agriculture and Rural Development (CARD) projects for cucumber, tomato, watermelon and mango. The first two manuals have been endorsed by MARD. The cost of VietGAP certification is equivalent to USD 2000 per ha. Only sponsored farmers are able to afford these costs and there are only a limited numbers of certified VietGAP producers. Both retailers and officers in MARD noted that VietGAP certification is seldom demanded by market operators, rather it is demanded by high end food service operators (e.g. 5 star hotels etc).

The DCP is responsible for the quality of seed, fertilizer and in general procedures for plant production. The DCP is also the certifying body for VietGAP (there are currently 11 certified auditing bodies) and approves GAP protocols for different commodities. The emphasis of DCP activities in terms of food safety concentrates on promoting Safe Agricultural Zones (SAZ), for which certificate are issued by provincial officers to individual or cooperated farmers. Market buyers can, and do, choose to accept SAZ certificates instead of the "safe vegetable produce" certificate.

Synergies with other projects targeting horticulture development through enhanced food safety

Food safety and quality has been identified as a key strategic issue in the Vietnamese's policy agenda. Consequently several projects are running with the aim to upgrade food safety institutional and policy environment and improve practices and skills at different levels in Vietnam. Discussions were held with managers of the most relevant projects in this area to identify synergies for project implementation.

The project proposal "Preparing the Quality and Safety Improvement of Agricultural Products Project (TA4972-VIE)" was funded by the Japan Special Fund to assist MARD in formulating a detailed investment scheme to improve quality and safety of agro-products to meet domestic and international requirements. This project is being extended by the Asian Development Bank through a loan negotiation of 110 million USD to be executed from 2009-2015. The project is designed to: (i) improve the regulatory framework and capacity for state management of agricultural food safety and quality; (ii) enhance production, processing, marketing and consumption of safe agro-products, including establishment of Safe Agricultural Zones with safe water, uncontaminated soil and production and marketing infrastructure; and (iii) reduce the negative impact of livestock waste through biogas development.

The Collaboration for Agriculture and Rural Development (CARD) Program is a component of the Vietnam-Australia Development Cooperation Program, administered by the Australian Agency for International Development (AusAID). The CARD projects have been implemented under sub-contract schemes for project services between the lead Australian institutions and Vietnamese institutions invited to present project proposals. A CARD project closely related project to this STDF/FAO project, is the 021/06VIE "Reducing pesticide residues, improving yield, quality and marketing of vegetables crops in Northern Central Vietnam through improved varieties, GAP principles and farmer focused". This CARD project mapped current domestic fruit and vegetable supply chains to determine customer and consumers preferences and needs. This information was then used to design training programs that focus on the total supply chain to implement quality management and Good Agricultural Practices (GAP) systems that provide benefits to Vietnamese farmer, supply chain participants and ultimately the consumer. A clear output of this project was establishment of high quality cabbages using GAP and the enthusiasm from Metro Cash and Carry to sell these products in the Hanoi store. This is a very positive step for developing an alternative supply chain for the beneficiary farmers which could be more reliable and profitable than existing market opportunities. The use of IPM and the development of record keeping systems in this project has been an important steps for the adoption of a QA system for the growers.

Project management suggestions from FAO

1. FAVRI nominate, Dr Nguyen Dinh Hung, is the national project coordinator for this project. The project document identifies four national consultants to be the key drivers for project activities: a Marketing and Branding Specialist; an Extension and Training Specialist; a Safety and Quality Control Specialist; and a Business Management Specialist. MARD initially recommended that it could provide all national consultants except for the Marketing Specialist and noted that the private company FreshStudio, nominated in the Project Document, could provide these services.

The ROs held discussions with FreshStudio (Mr Siebe van Wijk) to determine the interest in this aspect of the project, however, Mr van Wijk noted that FreshStudio would not wish to be involved unless it undertook the majority of project management. Upon further discussion with MARD it was ascertained that marketing analysis capacity was available within FAVRI. It was subsequently agreed that all national consultants and related services would be supplied through MARD with the following staff identified to act as national consultants:

- Extension consultant; Dr Trinh Khac Quang, Director of FAVRI;
- Marketing specialist; Mrs Nguyen Thi Tan Loc, Economist at FAVRI;
- Food safety specialist will be Mr Pham Quang Toan, Deputy Director General of the Agricultural Projects Management Board - MARD; and
- Business management specialist will be Mr Binh vice-director of RUDEC.

These four civil servants will have the main responsibility for the implementation of each component of the project.

FAO highly recommended that the project will need support from the National Research Institutes and Provincial extension staff in order for the project to be effectively implemented in the selected project areas. Involvement of these local agriculture research and extension institutes has been a success factor in implementation of the CARD value chain projects. Arrangements with these institutions need to be developed as the project progresses and outlined in project progress reports. FAO also noted that eventually the main consultants will require support from private consultants particularly in matters where MARD may not have specific expertise, such as marketing and business management. These consultants could come either from Vietnam or internationally and the selection and contract process needs to be discussed as the market analysis and project progresses.

2. FAO suggested the International Consultant will have main role in the export market survey and international marketing strategy. The overall international marketing strategy needs to be revised during the inception workshop as the targets established during the project formulation have expired.
3. A detailed workplan was drafted (see separate Excel attachment) incorporating mission findings and has been forwarded to FAVRI for comment.
4. The inception workshop is planned to take place after the domestic market survey and the revision of statistics on domestic and export markets are drafted. If these surveys remain on track then the workshop could be held around middle September.
5. A FAO-FAVRI LoA has been drafted to commission a market survey for the local market to identify not only the demand for vegetables from the selected project areas but also the market linkages characteristics. The ToRs of the LoA have been accepted by FAVRI.

Follow-up

- Prepare the inception workshop in order to discuss the market survey results for further project implementation (To be completed; AGN/AGS);
- Elaborate a detailed work plan incorporating mission findings (AGS-completed);
- Prepare LoA with FAVRI for the market survey at domestic level (AGS- AGN completed);
- Send training materials on business management for farmer associations and quality management for agro-processors to FAVRI (AGS- partially completed);

Annex 1 – Agenda of the Mission

Date	Day	Ms. Pilar SANTACOLOMA Rural Infrastructure and Agro-industries Division (AGS)	Mr. Dennis Bittisnich Food Quality and Standards Service (AGNDC)
16/05		Arrival TG 560 J 16MAY BKKHAN HK1 0745 0935	
17/05	MON	Meetings with Nhat Nam Ltd. (Fivimart) METRO Cash & Carry Vietnam Ltd. Saigon Co-op	Arrival 17MAY BKKHAN 1750 1940
18/05	TUE	Meeting with FAO Representative Mr. Andrew Speedy Working with Department of Plant protection Afternoon Working with Department of Crop production Working with ADB Project	Meeting with FAO Representative Mr. Andrew Speedy Working with Department of Plant protection Afternoon Working with Department of Crop production Working with ADB Project
19/05	WED	8.30 – 17:00: Meeting with FAVRI and RUDEC	8.30 – 17:00: Meeting with FAVRI and Rudec
20/05	THU	Work plan designing / Meeting with Big C	8.30 Meeting with VFA Meeting with Big C
21/05	FRI	Work plan designing / Debriefing with FAO Vietnam Office Working with CARD project Final meeting with FAVRI	Debriefing with FAO Vietnam Office Working with CARD project Final meeting with FAVRI
22/05	SAT	Return to Rome	Return to Rome

Annex 2 – List of People Met

No	Names	Institutions
	Meeting at FAVRI	
1.	Trinh Khac Quang, PhD	Director, FAVRI
2.	Tran Khac Thi, PhD	Deputy Director, FAVRI
3.	Nguyen Dinh Hung, Mr.	Deputy Head , Division of Science Management and International Cooperation, FAVRI
4.	Chu Doan Thanh, PhD	Head , Division of Science Management and International Cooperation, FAVRI
5.	Hoang Bang An, PhD	Head , Division of Economics and Marketing, FAVRI
6.	Nguyen Thi Tan Loc, Mrs.	Deputy Head , Division of Economics and Marketing, FAVRI
7.	Le Thi Ha, Mrs.	Researcher, Division of Science Management and International Cooperation, FAVRI
8.	Vu Thi Tinh, Mrs.	Deputy Head, Division of Vegetable and Spicy Crops
9.	Do Dinh Ca, PhD	Head, Division of Fruit and Vegetable Quality Control
10.	Hoang Vu Quang, Mr.	Deputy Manager, RUDEC
11.	Nguyen Thi Mai Huong, Ms	Researcher, RUDEC
	Meeting at FIVIMART	
12.	Vu Thi Hau, Ms.	Deputy Director General, FIVIMART
	Meeting at Big C Thang Long	
13.	Nguyen Trong Tuan, Mr.	Store Manager, Big C Thang Long
14.	Nguyen Thuy Quynh, Mrs.	Food Hygiene Responsible, Big C Thang Long
	Meeting at Metro Cash & Carry	
15.	Nguyen Thi Thu Huong, Ms.	Vegetable commodity Responsible
	Meeting at Department of Crop Production, MARD	
16.	Nguyen The Tuong, Mr.	Food Crop Division, Department of Crop Production
	Meeting at Plant Protection Department, MARD	
17.	Trinh Cong Toan, Mr.	Chief Inspectorate
18.	Phan Thanh Hang, Mrs.	Deputy Division of Plant Quarantine
19.	Le Son Ha, Mr.	Inspectorate
	Agricultural Project Management Units, MARD	
20.	Pham Quang Toan, Mr.	Deputy Head

	Responsible person(s)	What's to do?	Responsible	Support from	deliver info to	(until) target	actual
Planning and organizational activities							
Appointment of the NPC	MARD						done
Identification of the Project partners	NPC, LTO, AGS						
Selection of the national and international consultants	LTO-AGS	contracts are prepared	LTO-NPC	FAO Viet-AGS		2010-06-15	
Inception planning workshop	NPC, LTO, AGS	Planning of the work shop in the week from July x to x - Program and time schedule, input needed from the partners, location	LTO-NPC	AGS -FAO Viet	Stakeholders	july 15 2010	
Progress evaluation workshops	NPC, LTO, IC, AGS		NPC	LTO			
Preparation of the terminal statement	NPC, LTO		NPC	LTO			
Output 1: Market Assessment							
Output 1.1 Market Assessment							
1.1.1. Review of existing statistics	NC1		NC1	AGS -FAO Viet			
1.1.2. Domestic market survey	NC1	supermarkets in Hanoi, Dalat, HCMC,	NC1	AGS -FAO Viet			
1.1.3. International market survey	IC	To be defined according to 1.1.1	NC1	AGS -FAO Viet			
Output 1.2 Producer partner selection							
1.1.1. Producer partners	NC1	Define Selection criteria- Identify candidates for site visits	NC1	NPC	LTO +AGS	2010-10-01	
1.1.2. Market partners	NC1	Define Selection criteria- Identify candidates for site visits	NC1	NPC	LTO +AGS	2010-10-01	
Output 1.3 Assessment of current practices							
1.3.1 Producer partners	NC 1 + National research institute		NC1	NPC	LTO +AGS	2011-01-15	
1.3.2 Market partners	NC 1 + Consultant private sector		NC1	NPC	LTO +AGS	2011-01-15	
Output 2: Capacity Building							
Output 2.1 Development of Intervention Plans							
2.1.1. GAP Training Preparation	NC2		NC2	Research institutes			
2.1.1.1. Formation of technical team from research institutions and private sector		Selection partner in the targeted producer's regions		Research Institutes + extension service			
2.1.1.2. Revision of existing material and protocols	NC2	Existing training material validated-	NC2	Research Institutes + extension service	LTO - NPC		
2.1.1.3. Development of training materials	NC2	Training curriculum developed	NC2	Institutes + extension services	LTO - NPC		
2.1.2. Safety and Quality control system preparation	NC2 + Research institute	Support from consultant (?)	NC2	Consultant /Research institute	LTO - NPC- AGN Rome		
2.1.2.1. Formation of technical team from research institutions and private sector	NC3		NC3	Consultant /Research institute	LTO - NPC- AGN Rome		

	Responsible person	What's to do?	Responsible	Support from	deliver info to	(until) target	actual
2.1.2.2. Revision of existing material and protocols	NC3 + Research Institute or private consultant			Consultant /Research institute	LTO - NPC- AGN Rome		
2.1.2.3. Development of intervention plans	NC3 + Research ins or consultant postharvest	Analysis of the producer partner and market partner assessment	NC3	/Research institute	LTO - NPC- AGN Rome		
2.1.3. Business Management Preparation	NC4 + consultant private sector						
2.1.2.1. Formation of technical team from research institutions and private sector	NC4 + ???		NC4		LTO - NPC- AGS Rome		
2.1.2.2. Revision of existing material and protocols	NC4 + consultant private sector or Research Institute		NC4		LTO - NPC- AGS Rome		
2.1.2.3. Development of intervention plans	NC4 + consultant private sector or Research Institute	Analysis of the producer partner and market partner assessment	NC4		LTO - NPC- AGS Rome		
Output 2.1 Development of GAP training							
2.2.1 On-site training to producers		Trials + Farmers Field School approach		Research Institutes + extension service			
2.2.2 Establishment of extension system	NC2 +RI+NGO		NC2	Research Institutes + extension service	LTO - NPC		
	NC2 +NES		NC2		LTO - NPC		
Output 2.2 Establishment of safety and quality control system							
2.2.1 Establishment of producers' management structure	NC3 + consultant postharvest		NC3	Consultant /Research institute	LTO - NPC- AGN Rome		
2.2.2 Training in harvesting and post-harvest handling procedures	NC3 + consultant postharvest		NC3	Consultant /Research institute	LTO - NPC- AGN Rome		
2.2.3. Establishment of a system of production monitoring, recordkeeping, quality check, safety monitoring and traceability	NC3 + consultant postharvest		NC3	Consultant /Research institute	LTO - NPC- AGN Rome		
Output 2.4 Business management training							
2.4.1 Improvement financial management skills of producers groups	NC4 + consultant private sector		NC4		LTO - NPC- AGS Rome		
2.4.2. Establishing contractual agreements	NC4 + consultant private sector		NC4		LTO - NPC- AGS Rome		

	Report period	What's to do?	Responsible	Support from	deliver info to	(until) target	actual
2.4.3 Establishing a business plan and marketing strategy	NC4 + consultant private sector		NC4		LTO - NPC- AGS Rome		
2.5 Mid-term evaluation			NPC+LTO				
2.6 Up- scaling							
Output 3: Marketing							
3.1. Domestic marketing							
3.1.1 Design branding and marketing strategy of the vegetables.	Contract	in partnership with supermarkets		AGS	LTO - NPC- AGN Rome		
3.1.2 Printing of packaging materials and other promotion materials.	Contract			AGS	LTO - NPC- AGN Rome		
3.1.3 Preparation for the campaign.	Contract	in partnership with supermarkets		AGS	LTO - NPC- AGN Rome		
3.1.4. Launch the campaign in supermarket chains	Contract	in partnership with supermarkets		AGS	LTO - NPC- AGN Rome		
3.2. International marketing		To be decided at latest stage as the target is over					
3.2.1 Registration for the Asia Fruit Congress.				AGS			
3.2.2 Selection of the commodities to be presented and representatives to be sent.				AGS			
3.2.3 Preparation of the booth before the Congress.				AGS			
3.2.4 Exhibition of the vegetables and meetings with international buyers at the Congress				AGS			
Output 4: Project Management							
4.1. Reports/Documents preparation							
4.1.1 Progress reports.	NPC		NPC	NC1-NC2-NC3-NC4	LTO + STDF		
4.1.2 Interim financial reports	NPC		NPC	FAO Vietnam	LTO + STDF		
4.1.3 Final project report.	NPC		NPC	NC1-NC2-NC3-NC4	LTO + STDF		
4.1.4 Final financial report.	NPC		NPC	FAO Vietnam	LTO + STDF		
4.2. Project website							
4.2.1 Development of project website.	NPC + Contract		NPC	LTO			
4.2.2 Constant update of the project activities, survey reports, assessment reports, training materials, workshop reports and pictures.	NPC + NC1-NC2-NC3+NC4		NPC				

