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## The Participation of the Poor in Supermarket-driven chains in Vietnam

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## I ABSTRACT

In Vietnam, the marketing of fruits and vegetables is characterized by a diversity of distribution chains that includes formal markets, street vendors, shops and supermarkets. Presently, the government is promoting the expansion of supermarket distribution and eliminating all informal trade. The study investigates the hypothesis that due to the use of labor-saving and capital intensive technologies employed by supermarkets, poorer segments of the population may be excluded from potential benefits. Surveys of poor consumers' access to different retailing points were made in Hanoi and Ho Chi Minh City. Case studies built around vegetable, lychee and flavored rice chains based on in-depth interviews with representative samples of stakeholders along the chains investigated poor farmers' and traders' participation in distribution value chains. Markets and street vendors are still the dominant forces in food distribution when measured by absolute quantities sold and number of people employed. Street vending and markets generate substantially more employment by volume of business than supermarkets, especially for the poor. They are also the main points of sale for the poor consumers, who rarely purchase in supermarkets, because of price and distance constraints. Poor farmers have no direct access to supermarkets because of the requirements in terms of safety (for vegetables), quantities and conditions of delivery (for all products). Yet they can be indirect suppliers of supermarkets through belonging to (or contracting with) farmers' associations that are involved in quality development and control through training and credit programs. Policy recommendations aimed at maintaining the diversity of retail trade are finally made.

## II INTRODUCTION

Although Vietnam receives praise for its success in poverty alleviation; poverty and unemployment are still major concerns for the government and donors. In 2004, the poverty rate was estimated at around 20 percent (down from 58 percent in 1993). Vietnam would like to achieve the status of a middle-income country by 2010 in other words it would like increasing the present GDP of 600 dollars to a level in excess of 1,000 dollars per year (World Bank, 2007). Poverty in Vietnam is mostly rural - the rural poverty rate is 25 percent compared to 4 percent in cities. That being said, urban poverty is underestimated as most of the migrants are not registered and do not benefit from social services. Cities in the country are growing at a rate of 3 percent per year although urbanization remains constrained in comparison with other Asian countries: Vietnam recorded 25 percent in 2002 compared to an average of 36 percent for Southeast Asia. Reducing rural and urban poverty is one of the four pillars —termed social inclusion— in Vietnam’s 2006-2010 Socio-Economic Development Plan.

Diverse food distribution systems are well known to be a key factor in social inclusion of the poor, as they create small-scale business activities and impact on the access to food commodities of poorer people. Although the development of supermarkets is not as fast as in other countries in Asia, e.g., Thailand, change is occurring at a steady pace. In late 2001, Vietnam counted 70 supermarkets, 32 in Hanoi and 38 in Ho Chi Minh City, this is significant as there were none before 1990 (Loc, 2003). Consumers are expressing a growing concern for the quality – especially safety – of food products (Figuíe and Bricas, 2004). This demand has favored the development of supermarket food retailing and also new retailing enterprises operating at market stalls or shops, at these outlets efforts are invested in visual quality (attractive presentation; packaging) and communication regarding product safety are major promotional tools.

The official definition of supermarkets dates only from June 2004. The main criterion is size, more than 250 m<sup>2</sup> for specialized supermarkets and more than 500 m<sup>2</sup> for general supermarkets; other criteria include number of products. Before 2004, the department of trade registered the number of establishments calling themselves supermarkets (rather than using a formally defined criteria), which were commonly more than 200 m<sup>2</sup>. Based on this definition, the number of supermarkets increased quickly between 1990 and 2004 (17%/year in Ho Chi Minh City and 14%/year in Hanoi between 2000 and 2004), to reach 55 supermarkets in June 2004 in Hanoi (plus 9 trade centers, including Metro), and 71 supermarkets in Ho Chi Minh City by 2005. The three leading supermarket companies are: Coopmart, Vietnamese-owned, with 13 supermarkets, growing at 40% per in overall supermarket numbers; Metro, German-Vietnamese (4 hypermarkets, 30% per year), and Big C (French-Vietnamese, 4 hypermarkets).

The rapid rise of supermarkets in developed and developing countries has been extensively reported in the last decade, particularly by Reardon and Berdégúé (2002) for Latin America, and at a recent workshop organized by FAO in Malaysia with regard to the Asian context (Shepherd, 2004). In Asia, the first supermarkets emerged in the 1990s and it is reported that Malaysia is the most advanced in terms of supermarket development (Shepherd, 2004). In China supermarket development has been qualified as having a meteoric rise with annual growth rates of 40% for supermarket outlets and 80% for value of sales (Zhang, Yang and Fu, 2004).

The rapid establishment of supermarkets all over the world is commonly interpreted according to the following trains of thought: (1) A positive approach to food modernization considered as an innovation benefiting all actors in the chain; (2) a negative approach considering the injection of foreign capital in the economy that may come at the expense of local actors; (3) a more balanced attitude that tries to analyze the impact on all the actors in the chain of supermarket development.

In Vietnam, it is mostly the first line of thinking that is used in documents and discourse by public officials and international experts. The public authorities have so far shown a positive attitude towards the development of supermarkets. The planned rapid increase of supermarkets and the elimination of temporary markets and street vendors are indicated in the strategy of the Domestic Trade Department of the Ministry of Trade from now until 2020, on the grounds of “modernization” and “civilization” (Vietnam Ministry of Trade, 2006). The Ho Chi Minh City People’s Committee has approved a plan for fifteen new supermarkets to be established between 2005 and 2010, which has been followed by a government call for investment. With Vietnam's entry into the WTO in 2007, foreign investment into food distribution will be made even easier. We will examine by what conceptual basis this positive approach may be grounded or debated. The idea that the modernization of food distribution is a positive innovation has convincingly been summarized by Hagen (2002). It is also conveyed by literature that centers on food distribution (termed here as a distribution value chain) in the sense of innovative distribution chains with activities that add value: investments in shelf presentation (packaging, storage), advertisement, transport infrastructure, the selection of suppliers according to criteria of quality and regularity. These investments, combined with economies of scale generated by volume distribution, add much value to the business of food distribution, relative to more traditional retail outlets which sell quite uniform, undifferentiated products, to the consumer (Goletti, 2004). Among the main features of large scale retailer innovation is self-service, which comes together with pre-packaging, affording the products some protection against damage by handling. Mass distribution enables economies of scale and market power, themselves a driver for cost reduction. According to Hagen, most of these innovations have a positive effect on cost

reduction, so if they are not spontaneously adopted by the private sector, it is mostly because of lack of external impetus.

Yet this may be quite a naïve appreciation of innovations. Innovations are rarely neutral relative to factors of production; they are generally biased in favor of capital (Ellis, 1988). Most of the innovations listed by Hagen involve quite substantial capital investment. Some are labor-saving, i.e. self-service, mass volume distribution, scanning cash registers. Others transfer labor from traders to consumers (this is the case with self-service), or from traders to employees (cash registers), or from traders (and consumers) to farm enterprises (pre-packaging, processed food). As food retailing has very high labor costs relative to profits, modern retailers, e.g. Wal-Mart have paid much attention to managing labor costs and increasing labor productivity (Fox and Vorley, 2004)

The problem with labor-saving and scale biased innovations is that they have a negative impact on employment of the poor, and that they may be less adapted to a country like Vietnam where labor is in excess supply relative to capital-saving or neutral innovations (unless massive credit programs focused on giving access to the poor are launched).

Indeed, an important approach to poverty reduction may be to develop capital-saving and scale-neutral innovations. Additionally, it may be found that the flexibility of street vending enables reaching consumers in a decentralized way; this can be regarded as an innovation that reduces cost (time and money) for the consumers with respect to more centralized distribution patterns like supermarkets.

In Europe and US, the development of a modern distribution system has coincided with a greater concentration of power in the hands of a few multinationals (such as Wal-Mart), less favorable working conditions, decreased salaries for employees and the creation of “food deserts” (areas

where it is difficult to purchase food without private transport). Numerous advocates of “alternative distribution food chains” claim that citizens should be able to access local neighborhood small-scale retail points –if possible run directly by farmers – rather than mass scale monopolistic distribution (Friedmann, 1994; Koc et al, 1999). It is true that supermarkets vary with regards to social objectives (a balancing act of ethical standards versus competitive pricing), “responsible” supermarkets should be at least promoted (Fox and Vorley, 2004). As for the impact of supermarkets on foodstuff prices, the situation is highly variable according to the stage of supermarket penetration and the nature of products they sell (Figuíé and Truyen, 2006).

Reports from other countries show that supermarkets have brought about a number of changes that are challenging for small-scale farmers to meet. Foodstuff quality standards are developed by supermarkets as substitutes for missing or inadequate public ones. They also serve as marketing tools enabling them to compete with the informal sector by claiming superior product attributes (Ménard and Valceschini, 2005; Reardon and Timmer, 2005). In addition, a large quantity requirement, daily delivery pledges, requests for deferred payments and the need to have a bank account all result in the exclusion of small scale farmers (Rondot et al, 2005). The characteristics of small-scale family agriculture with diverse farming systems and practices that result in disparity and a lack of uniformity in agricultural produce complicate matters for supermarkets that have exacting requirements and standards. This is the typical situation in Vietnam where tens of millions of farmers cultivate less than one hectare per household (Dao The Anh et al, 2003). The current environment creates a role for intermediaries such as wholesaler or farmer organizations that connect farmers and supermarkets, providing economies of scale and specialized skills in assembling, grading and the transfer of information between buyers and sellers (Rondot et al, 2005).



For a more positive impact of supermarket development on local development, Reardon et al, (2002) recommend that policy-makers promote competition within the retail sector, by helping shops and market traders to improve the quality of services. Small-scale farmers should be assisted with training and access to credit to enable them to reach quality and volume standards. Good business practices should be promoted on both sides of the chain; for instance, a law was passed in Argentina in March 2002 to impose payment within 30 days.

Drawn from this review of the literature, the two main hypotheses tested in the study are summarized below:

- In order to build food distribution policies consistent with poverty reduction objectives the Vietnamese authorities should promote a balanced food distribution system, based on stakeholders of various scales rather than providing unidirectional support to supermarkets. This will benefit poor consumers, traders and producers.
- Poor producers are excluded from supermarket supply chains unless they join farmer associations which can support them in achieving the requirements established by supermarkets: large scale supply, quality insurance and delays in payment.

### III METHOD

To test our hypotheses we collected data about the access of both farmers and consumers to the various distribution points and the reasons determining their choice of distribution points, with a focus on the poor households. We have also estimated the impact on employment (that centralization will make) to the various distribution points by secondary data and census. The data collection methods are summarized in Table 1 and Table 2. Our results combine quantitative and qualitative data for simple descriptive analysis. Surveys on poor consumers' access to

different retailing points were made in Hanoi (the capital) and Ho Chi Minh City (the largest city in Vietnam) as well as a comparison of prices between the different points of sale in these cities.

**Table 1-Nature of data collection per issue**

Issue	Nature of information	Collection method
Trends in the nature of distribution points	Changes in retail points Policies on food distribution	Documents/interviews from Vietnamese department of trade and other administration
Consumer access	Where and what they buy and why they buy at certain places	Surveys of poor households: 110 in Hanoi, 52 in Ho Chi Minh City (+65 non-poor)
	Prices differences between supermarkets, markets and street vendors	Comparison for 10 products in Hanoi and Ho Chi Minh City between supermarkets, shops, street vendors and markets (3 points/type, 3 vendors/type, randomly selected).
Suppliers' access :	4 Value chain analyses (vegetables to Hanoi and Ho Chi Minh City, Lychee Bac Giang, rice Hai Hau)	
Impact on employment (retail)	# of persons employed by supermarkets, markets, shops and street vending	Census in 2 districts and extrapolation
Mapping of value chains	Nature and location of intermediaries	Cascade interviews from sample retailers to farmers
Organization of value chains	Relationships (horizontal + vertical)	In-depth interviews among a sample group of traders (retailers, wholesalers, collectors) and farmers
Performance of value chains	Constraints and opportunities in production and marketing	
	Distribution of costs and benefits	

Table 2-Sample interviews of farmers and traders

Sample	Commodities			
	Lychee: North	Vegetables: North	Vegetables: South	Rice: Hai Hau
Supermarket managers or purchasers (1)	13	13	8	19
Wholesalers (2)	3	4	4	6 Hanoi wholesalers 3 food companies 20 Hai Hau wholesalers
Market retailers (3)	6	8	6	10
Shop vendors (2)	6	11		10
Street vendors (4)	30 (all fruits)	30		10
Collectors (2)	3	5	4	13
Farmers	80 in Luc Ngan (randomly chosen from list given by local authorities) The head and five members of lychee association of Thanh Ha; 30 Thanh Ha farmers outside the association, 30 inside the association	Moc Chau: 32=16/village of randomly chosen from list given by collectors The head of Moc Chau farmer's association and five members of the association Soc Son: 4 farmers in the groups supplying supermarkets, 12 farmers outside the groups supplying supermarkets Dong Anh: the head of farmer association (Van Noi) supplying one supermarket	Lam Dong Province: 3 heads of farmer organizations 120 farmers, including one third members of organizations Cu Chi district: 2 heads of farmer organizations 5 members of the organization, 5 outside the organization	44 farmers in 2 communes (Hai Phong, Hai Toan) randomly chosen from list given by local authorities including 24 non members of the organization and 20 members Head of rice farmer's association

(1) This number accounts for more than 80% of the total of supermarkets selling the selected products and the choice of supermarkets is representative of their diversity in terms of scale and location

(2) This number accounts for more than 30% of the total of traders selling the selected products and they were chosen to be representative of the diversity of traders in terms of scale and location

(4) Street vendors were interviewed in two districts: one of medium to high income and one of low to medium income (randomly chosen in all the areas of these districts).

(3) The study also used the results from secondary studies on the organization of traditional fruit and vegetable markets in Hanoi that gives data on the source and nature of intermediaries of commodity chains based on a representative sample of traders (Moustier and Vagneron, 2006; van Wijk et al, 2005).

The poor are rarely considered as consumers. Most of the studies conducted in Vietnam on purchasing habits have aimed at assessing the potential for expanding modern distribution systems in Vietnam; thus they focus on middle or high income consumers. This study is the first one to analyze poor consumers purchasing habits. This presents some specific difficulties and limitations (such as accessing sufficient people for a representative sample). A choice was made to combine data on declared practices with observed practices through a follow up of 107 poor families during a week for this study. This approach works because the study mostly focuses on

describing constraints to consumer food purchases and because it overcomes the specific limitations and difficulties described above

The chosen survey area, Quynh Mai district, is poor district in Hanoi (Parenteau, 1997) populated by public factory workers' families (their official monthly income at survey time was \$40 for at least a 48 hour work-week). Effectively, this means families with a low but regular income and reflects the increasing number of factory workers in Vietnam. Although this sample group may be quite different from families that have illegally settled in Hanoi, are unemployed or without a regular income (and who maybe still have a dependant relationship with their village of origin for food provision), it nevertheless draws a comprehensive picture of the poorer strata of society. Similarly, the Ho Chi Minh City sample group, although small in absolute size (52 poor households and 62 non-poor household surveyed on a single occasion), provides interesting points of comparison.

Case studies of four value chains were conducted:

- (1) Vegetables supplied to Hanoi from Soc Son (in Hanoi Province) and Moc Chau (a secondary town in the north western mountains, in Son La Province)
- (2) Vegetables supplied to Ho Chi Minh City from peri-urban areas, Duc Trong and Don Duong districts in Lam Dong Province
- (3) Lychee from Yen The district in Bac Giang province in the North
- (4) Flavored rice from Nam Dinh (Hai Hau district) in the North.

The choice of case studies results from the following considerations: (i) involvement of the poor (even in small numbers) in production and trade; (ii) involvement of supermarkets and other quality chains in the marketing.

The identification of different supply and distribution chains is based on the representative samples of traders. In order to quantify farmers' access to the chains, data was gathered from interviews with commune and district leaders and in-depth interviews were carried out on a sample of poor and non-poor farmers in selected villages as well as with the heads of eight selected farmer organizations supplying supermarkets. The villages from which farmers were selected were chosen as representative of the diversity of farmers' profiles (even though the sample size used is too small to draw definitive scientific conclusions). Information was gathered from interviews with provincial authorities and a representative sample of farmers was taken in these villages by random selection based on a list supplied by the local authorities. In-depth interviews of stakeholders along the chains investigated three key interlinked conditions: Firstly, horizontal and vertical coordination that link the poor to the markets. Secondly, the distribution of costs and benefits between the farmers and the traders along the chains (incomes have been estimated by adding monetary incomes and the monetary value of self-consumption if any). Finally, the respective advantages and drawbacks involved in supplying different types of outlets as perceived by the stakeholders.

Prior to commencing the study a baseline poverty level was established. The national standard of poverty 100,000 VND<sup>1</sup>/month in rural areas/ 150,000 VND in urban areas (before 2006) and 200,000 and 260,000 respectively (after 2006) is defined at a general, national level. In fact, each province has its own standard for poverty. The Vietnam Consultative Group's 2004 Vietnam Development Report on Poverty acknowledges the fact that the national standard is useful for time comparison of poverty rates but is inadequate for practical purposes to conduct surveys on poverty or for aid allocation. This is why the standards given by the local administrations have

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<sup>1</sup> 1 USD=16,000 VND in 2005.

been used in the present study. For the survey on the poor consumers of Hanoi and Ho Chi Minh City the present study used the standard of the Women's Union. This organization is responsible for allocating support funds to poor households and they also guided researchers towards the studies ideal target group for surveying. The following definitions of poverty are baseline for the Women's Union: 80,000 VND/month (5 USD) in the rural areas of Northern Vietnam, 130,000 VND/month (8 USD) in the peri-urban districts of Hanoi, 250,000 VND/month (16 USD) in Lam Dong province; 300,000 VND/month (19 USD) in Hanoi and 500,000 VND/month (31 USD) in Ho Chi Minh City. Poverty criteria are based on the cost of obtaining a basket of food and non-food products in the respective locality and include self-consumption of foodstuffs that may be grown and not sold.

#### **IV MAIN RESULTS**

We will first present poor consumers' limited access to supermarkets and the role which informal markets play in their access to food. Secondly, we will outline the opportunities for inclusion of the poor as traders at informal markets. This will focus on the access of poor-farmers to supermarket chains and the argument that access is limited unless they are members of some farmer associations that promote special quality characteristics will be presented.

##### **A) Limited access to supermarkets by poor consumers**

Market retailers and street vendors are the main points of sale for the poor consumers, who rarely purchase in supermarkets (see Table 3). The food purchased in supermarkets is mostly dry processed food (such as sugar or milk powder for example). Three reasons have been suggested by respondents to explain this: purchasing practices, price and distance. Poor households in Hanoi purchase produce very often and purchase a small amount on average. These average out to 13 purchases a week of 17,000 dong per purchase. It has been suggested that this pattern

might be linked to the limited storage assets of the household (fridge/ freezer etc) and the inability to transport a large quantity of good. However, the importance of freshness for Vietnamese consumers (confirmed by many studies in Asia) might also explain this practice. Fresh food products are very important in the Vietnamese diet (especially vegetables) and buying food daily is seen by consumers as a guarantee of the freshness of the product and of its safety (Figuié 2004).

**Table 3-Purchasing behavior of Hanoi and Ho Chi Minh City poor households**

	Hanoi n= 110	Ho Chi Minh City n=52
Poverty line (local standard from women union)	<300000 VND/month	<500000VND/month
Food purchase places (for weekly purchases): % of households	1. Informal market (95%) 2. Street mobile vendors (32%)	1. Formal market (61%) 2. Street mobile vendors (40%) – shops (42%)
Purchase in supermarket, % of households using	61% never go 0% go every week	33% never go 13% go every week
Supermarket constraints given by more than 80% of consumers	High Price Distance « No habits »	High Price « No habits »
Supermarket advantages declared by more than 80% of consumers	Quality and diversity	

VND: Vietnam Dong –

Source: Surveys in 2005 by M. Figuié and Truyen in Hanoi (110 households) and Phan Thi Giac Tam in Ho Chi Minh City (52 households). See detailed results in Figuié and Truyen 2006

The less wealthy consumers listed the high price of products and the cost of parking their motorbike to explain their low attendance at supermarkets. Food shortages can be acute in these households (29% of the poor households in Ho Chi Minh City say they suffer regularly from food shortages as opposed only 2% in Hanoi) and these consumers are highly budget-conscious. This situation may change though if prices were to decrease in supermarkets. Indeed this is already reflected by the higher frequency of visitation to supermarkets in Ho Chi Minh City as compared with Hanoi: prices in Hanoi supermarkets are 10 to 40% higher than in informal markets while in Ho Chi Minh City prices are similar. There is a global vision that, in a way, supermarkets are not for poor people. A few poor respondents in Ho Chi Minh City remarked on

their shame for having poor clothing when visiting supermarkets. Similarly, a common remark made in Hanoi “poor do not shop in supermarkets” reflects this perception.

Distance from home is another main reason for not shopping in supermarkets. The households surveyed have a limited purchase radius (less than 2 km radius in Hanoi sample, while the nearest supermarket is at 2.5 km). This is partly due to lacking a means of transportation in these poor households. The question of distance is also related to the time spent obtaining goods: parking your motorbike (whereas you can shop from your motorbike in other outlets) depositing your bag at the security desk, waiting at the cashier etc. This is important considering that 47% of the persons who handled food purchasing in our study in Hanoi work more than 10 hours a day. Distance is also related to trust. Developing personal relationship with local retailers is important because this ensures (1) access to credit (one household out of four in our Hanoi sample had borrowed money to buy food during the month before the survey) and (2) having a guarantee not to be misled on the quality of the goods bought: “I have lived here a longtime, I am well-known, traders do not mislead me”. For poor consumers, who cannot afford the luxury of using high prices as an indicator of quality, this is particularly important.

The importance of a consumers’ income in the choice of retailing points is confirmed by a survey conducted in 2006 (Maruyama and Trung, 2006). This survey was conducted on a larger sample than ours of dwellers in Hanoi (409) but, the survey group also had a higher income (1.5 to 3 million a month/capita). It shows that 34% of the sample goes at least once a week to supermarkets (1% never went) and that of this sample, respondents with a higher income are likely to shop more frequently in supermarkets. Freshness, price levels and convenience (distance) were the key factors that attracted respondents to traditional markets whilst

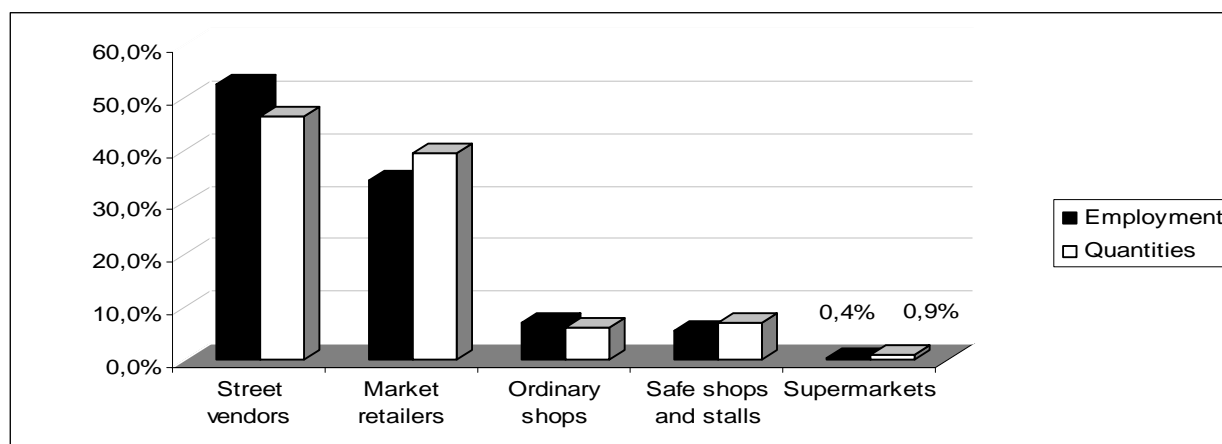


supermarkets were rated highly in terms of the quality and variety of products, cold storage equipment and air conditioning.

## B) The social role of markets and street vending

Markets and street vendors are still the major players in food distribution chains when considering quantities sold, geographical areas covered and general employment. Supermarkets create less employment in a geographical area and per unit of volume sold than markets and street vending. So the development of supermarkets is unlikely to compensate for the loss of employment in street vending and market places. Supermarkets share of total employment by retail trade is estimated at around 6% in Ho Chi Minh City while the share in the Hanoi retail business is around 15%. Notably figures are higher for supermarkets when taking into account indirect employment (11% instead of 6% of employment in Ho Chi Minh City). Specifically related to the vegetable trade we can look at the share of employment in supermarkets and note that it is less than the share of volume of business (see Figure 1). The same volume of vegetables retailed informally generates more than 3 times the number of gainfully employed workers than supermarket employees (see Table 4).

**Figure 1-Share of Hanoi vegetable retail points in employment and quantities**



Source: Son et al, 2006

Note: this is based on a census of retail points in two districts (Cau Giay and Hoan Kiem) and then extrapolated to the whole of urban Hanoi as defined in 2004 (with Long Bien and Hoang Mai as new urban districts). When using only the urban districts as defined before 2004, we find a lower share for street vending than for retail markets: 38.5% for street vending in terms of employment (32% for quantities), 51.5% for market retailers (quantity = 56.4%), 5.3% for ordinary shops (quantity = 4.3%), 4.1% for safe shops (quantity = 5.4%), 0.64% for supermarkets (quantity = 1.4%). In safe vegetable shops and stalls there is a mention of the origin of vegetables from “safe vegetable” production areas, where farmers have received training on safe vegetable production.

**Table 4-Employment by volume of trade**

<b>Retailing one ton of vegetables in a day gives employment to....</b>
13 street vendors
10 retailers
8 shop vendors
5 employees of medium-scale supermarkets
4 employees of Big C

Source: Son et al., 2006 (taking indirect employment into account).

Street vending and informal markets do not require special qualifications nor investment (a capital investment for street vending is limited to 400,000 VND or \$25 USD). On the other hand entering a formal market is constrained by the higher entry level capital required (12 M VND, i.e. 750 USD) and becoming an employee of a supermarket may be constrained in terms of holding the appropriate qualifications. In our sample of 60 street vendors, 18% can be termed as poor using the 2005 threshold of poverty in Hanoi (500,000 VND per month) and due to the constraints mentioned the other forms of food distribution do not employ the poor.

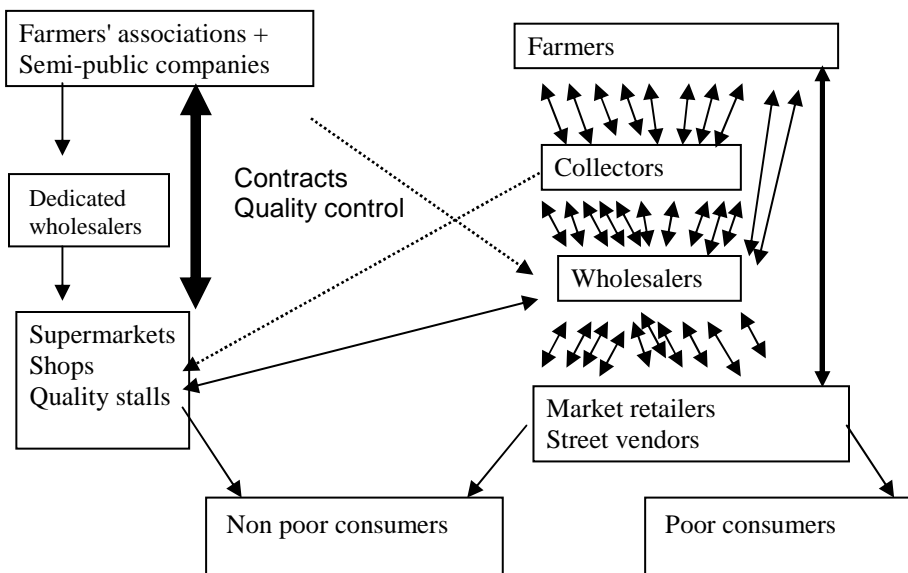
A majority of street vendors (89 percent) come from rural areas around the periphery of Hanoi. They cannot generate enough income from their farms to feed their families and street vending is their main source of income. It supplements home-grown food and income generated by their farm. The remaining street vendors (11 percent) are Hanoi residents of limited income, such as retired women. For these women also street vending is a means of subsistence. On the whole, 60 percent of street vendors rent a room in Hanoi (mostly near Long Bien Market) while 28 percent go back to their villages every day and the rest are urban residents. Vendors work a farm that has an average size of 1,300 m<sup>2</sup> and the average size of the household they support is 4.5 people. This fact is significant because it is similar to the average for peri-urban areas of the Red River delta. Previous research in the Red River delta has shown that small-size farms do not provide sufficient income for households and thus these households remain dependant on off-farm incomes to survive"] (D.T. Anh, 2005). Moreover, the street vendors interviewed generally grow two crops of rice and their land is basically unsuitable for growing vegetables (only 470 m<sup>2</sup> on average is suitable for seasonal vegetable production). In contrast with the rural background of street vendors, fixed market retailers interviewed by Wijk et al (2006) have a background either as industrial workers or as small traders.

### C) Limited access of the poor-farmers

The study shows the segmentation of food chains between supermarkets and quality food shops that generally involve middle and high income consumers and are supplied by farmers' associations and large-scale farms (including semi-public companies). These operations have been successful in developing production with reduced chemicals (in the case of vegetables) or specific taste characteristics (in the case of Lychee and rice). This stands at odds to conventional chains that involve numerous small-scale farmers, collectors, wholesalers and retailers (see

Figure 2). Supermarkets are either supplied directly by farmers' associations or through dedicated wholesalers. While transactions in conventional chains are characterized by competitive pricing and low net marketing margins (less than 50%), transactions in supermarket chains are regulated by contracts (written in 80% of cases) with specifications on quality and delivery. (See figure 2)

**Figure 2-Simplified food commodity chains supplying Hanoi and Ho Chi Minh City**



Ten farmers' associations (which operate as commercial organizations with shares) are regular suppliers of supermarkets for selected products. Their ability to supply supermarkets is related to the combination of functions they bring to their members: technical training (for example their understanding of safe vegetable production), input supply, collective marketing, quality control, labeling that indicates product origin and finally credit supply. Farmers' organizations are vehicles of government support to farmers; in particular in the area of quality development, where the municipal departments of agriculture, trade, science and technology are particularly involved (Moustier et al, 2007).

The present study investigated value chains and found that the inclusion of poor farmers in the supply of supermarkets is limited to some members of farmers' associations that supply supermarkets with specialty products in addition to individual flavored rice farmers supplying food companies. Of the 3000 farmers producing Hai Hau rice, around 20% (600) are poor (earning 50,000 to 60,000 VND/month). 103 of them (3%) have their products sold in supermarkets either through the farmers' association (52) or through food companies. In the Moc Chau region, 102 farmers are growing tomato and 20 of this group are selling to one cooperative that supplies "safe vegetable shops". Among these farmers, four have contracts with the cooperative and two are salaried by the cooperative. These six farmers are from the Thai ethnic minority. They have stepped out of poverty thanks to their involvement in the cooperative vegetable supply in the ten past years. They were previously involved in rice and maize production for self-consumption and it is the commitment of the cooperative to endorse the risks in case of production losses and the guaranteed purchase of all the outputs by the cooperative that convinced them to get involved in commercial tomato production. Signs of graduating away from poverty include the extensions to and improvements of the house and the possibility to invest in a motorbike..

In the Soc Son district of Hanoi province, eighty farmers belong to "safe vegetable groups". This includes twenty farmers supplying supermarkets through a wholesale company, among whom six farmers are poor. No vegetable farmer supplying Ho Chi Minh City supermarkets was found to be poor.

The consensus derived from farmer's survey responses on the perceived advantages and constraints of supplying supermarkets and the examination of the contract documents between supermarkets and producers, provides some explanation to the limited involvement of poor

farmers in the supply of supermarkets. Supermarkets, declared farmers, bring advantages for producers in terms of stability in prices and quantities bought but also disadvantages related to their requirements in terms of quality, diversity, delivery, less favorable conditions of payment and possible opportunistic behavior (see Table 5). These results are in line with the findings from the literature review that indicates the exclusion of small-scale farmers in supermarket supply in Latin America and Asia. The relationships between one farmers' association and Coopmart (in Ho Chi Minh City) and Van Noi farmers' cooperative and one supermarket chain (in Hanoi) are described by suppliers as long term and loyal. However, Da lat cooperatives supplying one big Ho Chi Minh City supermarket chain complain of the frequency in changing suppliers to get the lowest possible prices, sometimes at the expense of vegetable safety.

Table 5-Summary of advantages and constraints of supermarket and traditional chains

	<b>Supermarket chain</b>	<b>Traditional chain</b>
<i>Advantages of supermarkets :</i>		
Price	10 to 20% higher	
Security	Regular weekly purchases in quantities and prices	More variable demand in quantities and prices
<i>Drawbacks of supermarkets :</i>		
Quality requirements	Physical quality requirements Safety requirements	Lax requirements
Diversity	More than 10 varieties required	No requirement
Payment conditions	15 days Unsold products have to be paid back for 2 supermarkets in Hanoi	1 to 3 days
Transport	Daily delivery to supermarket	On farm collection

Source: Contract documents between farmers and supermarkets and farmers' interviews (see Table 2)

## V DISCUSSION AND CONCLUSION

The results show that poor consumers have limited access to supermarkets mostly because of price and transport factors. Additionally the poor have access to food mostly through informal market retailers (in fixed markets or in the street). Informal markets and street vending are also the type of trade which generates more employment opportunities for the poor. Finally, poor

farmers have no access to the chain of supply for supermarkets except in some cases where farmers' associations promote specialty products. Yet policy in Vietnam is aimed at the development of supermarkets and the progressive disruption of informal trade. Hence we can conclude that food distribution policies are not presently poor-friendly in Vietnam, out of concerns for "modernization", private investment fostering and reputations of poor food safety conveyed by supermarkets about produce from informal markets. To be more poor-friendly, policies should target the diversity of present distribution systems and promote farmers' associations which include small-scale farmers developing quality products. This is in line with the hypotheses of the literature review.

The experiences of other countries; Korea, India and Singapore show cases of the successful integration of street vending in urban planning thanks to the organization of street vendors and dialogue with authorities (Bhownik, 2005). Instead of outright banning street vending and informal markets, authorities could give support for the "formalization" of this sector: it could allow street vendors to operate in designated areas (outside main streets). Additionally, credit support should be provided to those vendors who make an effort to upgrade their businesses. Decisions on relocating markets should be made after consultation with the traders that may be affected.

With regard to supermarkets, support should be provided to facilitate access to them for small scale producers. This support could be provided through farmer's associations. The reported case studies have shown that this association can efficiently support the technical and institutional innovations required from supermarkets suppliers. Following this, greater public support should be given to farmers' associations that are involved in improving the quality of production. Specifically, this can be achieved through dissemination of success stories, provision of advisory

services (with a particular focus on technical training in the areas of physical quality and food safety) and better access to credit.

In a broader perspective, improving food safety should be a major objective of food policy. Health being a public good, food safety should be accessible for all consumers in all type of outlets. This will facilitate the avoidance of some kind of “food apartheid” through a segmentation of the market, the results of which could be two chains. Firstly, a supply chain of substandard quality food for poor consumers, sold through informal markets, produced by farmers who will consider any possibility to increase their income. The consumers of these products will be poor consumers who have no option but to consume cheaper, less sanitary produce. The other side could be a chain for high sanitary quality products sold through supermarkets for rich consumers only, not accessible to the poor.

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