

Fresh Studio seeks to create value chains in Vietnam

Siebe van Wijk of international consulting, R&D and trade company Fresh Studio Innovations reports on its efforts to create value chains in Vietnam by profiling two key initiatives with local producers

VIETNAM is booming. In recent years, the country has ranked as Asia's second fastest growing economy after China. Its entry to the WTO last year has opened the door to record high foreign direct investment in many sectors.

With Vietnam's commitment to allowing 100 per cent foreign-owned

participate in a value chain – farmers, traders and retailers – form a strategic alliance which focuses on the competitiveness of the overall chain and not just on their own short-term profit. Firms in a value chain realise that they need each other to be successful; if one fails, everyone in the chain suffers. They are aware that they're interdependent and

Cash & Carry. Since 2002, the retailer has invested US\$200m and opened eight large stores in all key regions of the country, with more stores planned for the near future. Within four years of operation, Metro has become the largest wholesaler in Vietnam. Fruit and vegetables are important for Metro. With no professional supply companies present in Vietnam that can control quality from field-to-fork, Metro decided it needed to move up the supply chain.

In order to do this successfully, Metro Cash & Carry requested Fresh Studio to



Harvesting butterhead lettuce in Dalat

investments in the retail sector by 2009, many companies are looking to tap into the large consumer market of over 85m people. But opening its markets also means more competition. One area where Vietnam is feeling the heat from competition is in the horticulture sector. An influx of products including carrots, potatoes, onions and tomatoes from China and durian and mangosteen from Thailand are threatening Vietnamese farmers in their own backyard.

With its 20 skilled professionals and two offices in Vietnam, Fresh Studio is working to transform the country's traditional fruit and vegetable distribution channels into more dynamic value chains. The key difference is that firms that

they are driven by consumer demands.

Fresh Studio is currently implementing value chain projects for a range of fruit and vegetables including avocados and watermelons for both the domestic and export market. A common factor in all these projects is that they align all crucial parties in the chain including seed companies (e.g. Rijk Zwaan), crop protection firms (e.g. Syngenta), farmers, traders, transport providers, packaging companies, finance companies (e.g. Rabobank), modern wholesalers (e.g. Metro Cash & Carry) and retailers to create win-win situations for every player in the chain.

One of the first modern distributors to see the potential in Vietnam was Metro



One of Metro Cash & Carry's produce sections develop a project for a new vegetable sourcing system that would assure quality and food safety. A key focus of the project was to become as close as possible to the farmers. To achieve this, Metro is investing in a fresh distribution centre (DC) in the heart of Vietnam's premium vegetable growing area named Dalat. Since this project will play a key role in linking small farmers to modern retail chains, the investment is co-funded by a special public-private partnership programme run by the Dutch government.

Thanks to its high altitude (1,000-1,600 metres above sea level), sunny weather and availability of water, Dalat has a suitable climate for the year-round cultivation of a wide range of fruit and vegetables. Fresh Studio strongly believes that Dalat has the potential to become the main year-round vegetable supply base for urban Asia. The Vietnamese government is also realising this, and is

upgrading the airport in Dalat and the road to Ho Chi Minh City, Vietnam's capital, which is home to 8m people.

Metro's presence in this unique production area allows it to source directly from farmers instead of working with a long chain of collectors and traditional wholesalers. The retailer can now move the traceable vegetables into the cold chain within one hour of harvesting. To achieve food safety and quality standards, Fresh Studio's quality assurance specialist has trained the Metro staff in preparing the DC for HACCP certification. At the same time, Fresh Studio's pre- and post-harvest specialists are developing production protocols under a system of Good Agricultural Practices (GAP) for every key vegetable required by Metro. Farmers will be selected, trained and monitored to ensure that the GAP standards are met and maintained. An extension system will be developed to support farmers in increasing their productivity, quality and meeting basic food safety standards.

Fresh Studio is also setting up a small experimental farm to test the newest vegetable varieties in close cooperation with leading vegetable seed companies. The experimental farm will be used to demonstrate the GAP systems and showcase different value-adding technologies to the farmers.



Harvesting avocados from one of the 180,000 trees in Dak Lak Province

The project will initially focus on meeting the surging demand from Metro stores in Vietnam, but down the line it will be possible to export directly from Dalat to Metro stores and clients in other countries.

Meanwhile, Fresh Studio is also developing an avocado value chain in Vietnam. Avocado is a relatively new product in the country, where the majority of consumers are not yet familiar with the product itself, its nutritional values and its uses. If consumed, avocados are mainly used as an ingredient for fruit shakes: the well-known 'Sinh To Bo'.

The Vietnamese avocado is produced in one of the world's most important coffee production areas, Dak Lak Province. At first, coffee farmers in this area only used avocado trees as wind-

breakers and sunscreens. But in the past five years Vietnamese consumers and traders have slowly begun to discover avocados. Prices have been going up, and farmers have responded by developing very small avocado orchards (10-100 trees). Fresh Studio estimates that currently about 250,000 avocado trees are cultivated in Dak Lak Province and during the main season around 200 tonnes of avocado are sold in the domestic market each day.

A special rural development programme between the German and Vietnamese government, which wanted a market-based intervention strategy, requested Fresh Studio to develop a master plan to upgrade the avocado sector of Dak Lak. With 20 per cent of Vietnamese children under five being too small for their age, avocado is seen as an attractive product that can bring cash to the farmers at the same time as providing Vietnamese consumers and poorer farmers with healthy, nutritious food.

The master plan, which was developed by Fresh Studio and the Dak Lak Centre for Science and Technology Application, focused on developing local market demand for avocados, introducing an avocado quality label and improving the very basic local production, post-harvest, packing and transport systems.

Fresh Studio marketing specialists have developed a consumer awareness campaign. Market demand is expected to grow substantially, once consumers are more aware of the considerable health benefits of avocados. The 'Discover the magic...' campaign is designed to encourage consumers to try new ways of enjoying avocados, both as a fruit and as a



Dakado project team inspecting avocados in Metro Cash & Carry Vietnam vegetable. Saigon Co.Op Mart, Vietnam's largest supermarket chain, and Metro Cash & Carry are partners in this campaign. In-store cooking demonstrations and special avocado promotion teams are being organised to target Vietnamese consumers during themed avocado weeks, which will also attract media attention.

Besides creating more market demand, the project is also seeking to develop close cooperation between farmers, collectors and traders in order to achieve a higher quality avocado. The focus is on 'quick wins' in harvesting and post-harvest operations. Fresh Studio has introduced new and simple avocado harvesting tools; developed Standard Operating Procedures (SOPs) for harvest and post-harvest operations; developed more homogenous avocado batches consisting of the same maturity levels; and piloted cold storage and improved packaging solutions.

In order to make these high-quality avocados identifiable in the market, an avocado quality label has been introduced called Dakado. In the coming year, this label will be further developed into a brand and institutionalised through the formation of a marketing board, which will use a levy to fund the market development and R&D. ■