VIETNAM

# Organic marker for Vietnam

Sigrid Wertheim-Heck of Fresh Studio Innovations Asia discusses a new organic vegetable initiative in northern Vietnam, which marketed its first product in Hanoi at the end of May

**JOHN HEY**
john@fruitnet.com

Please can you give us some background information to your organic production and marketing efforts in northern Vietnam?

**SWH**: The ADDA VNFU Organic Project in Northern Vietnam, initiated by the Danish NGO ADDA, has been operational since 2004. The activities were at first mainly focused on training farmers in organic cultivation methods. Although these activities delivered some nice organic supply initiatives, the actual organic supply chain remained limited to direct home delivery sales on a very small scale. An important hurdle in realising a commercial organic vegetable sector thus far was the missing link with the market. Farmers felt insecure they could obtain higher margins for their organic produce as they lacked a transparent connection with the consumer market. The lack of a clear market incentive and the higher cultivation risks hampered serious organic cultivation development.

In June 2009 ADDA approached Fresh Studio Innovations Asia to assist them in the creation of market access for the organic farmers on the Hanoi market. Fresh Studio's assistance, was not, however, limited to market access creation and marketing. On one level, it entailed creating a distinct market positioning for organic vegetables; matchmaking between value chain partners; developing the organic vegetable sales through the creation of stable relationships with buyers; and creating consumer awareness and preference for the organic vegetables produced in the ADDA Organic Project. On another level, it involved developing a more professional organic supply chain, creating a professional farmer organisation structure, the realisation of strict quality assurance and the standardisation of post-harvest operating procedures.

Is there much area planted to organic fruit and vegetable production in Vietnam and if so what percentage of this is certified to international organic standards?

**SWH:** In fact there is no official organic agriculture in the Western sense. One of the main obstacles in developing an organic sector is the absence of an official government-acknowledged organic standard and certification scheme. As such, organic farming remains limited to small-scale and scattered initiatives. And because of this dependency on small-scale private initiatives there is no common denominator for organic farming. Due to the absence of a formal standard and certification scheme, consumer product communication is not uniform. Multiple names and labels are being applied to 'organic' products and the 'bio' label is used for products that have no relation to organic cultivation at all. The result is consumer confusion rather than awareness building.


The lack of an official organic standard and certification scheme in Vietnam is hindering development

What is consumer awareness of organic production like in Vietnam and what are the key challenges here?

**SWH:** Consumer awareness of organic vegetables in Vietnam is low. In September 2009 we conducted a survey among consumers at modern supermarkets and so-called 'safe vegetable' shops in Hanoi. In the survey we studied two concepts – firstly, having heard of organic vegetables, and secondly, knowing what organic vegetables are. In the survey 33 per cent of the respondents said they'd heard of organic vegetables. However, when asked about their definition of organic vegetables, 40 per cent of respondents said that organic cultivation is industrial, artificial cultivation in which chemicals are used – quite the opposite of organic farming! Because the consumers surveyed were already so-called 'safety seekers' (with higher educational backgrounds), the percentage of the total urban population that has heard about organic vegetables is expected to be much lower. It seems realistic to assume that around 5-10 per cent of the Hanoi population has a basic understanding of organic vegetables; still only 400,000-800,000 people. And when the awareness of organic vegetables rises, the demand for organic vegetables is set to expand in tandem, but only when the products are really trusted to be organic.

With organic being largely unknown by Vietnamese consumers, the key challenges in the market are how to overcome the general distrust in the safety of fresh vegetables with the main concern centering on agro-chemical abuse. This is difficult since Vietnamese consumers distrust claims and labels because of multiple scandals with agro-chemical residues, fake labels and brands. The lack of a clear and uniform recognised organic standard by the authorities is complicating educational consumer communication. With the multiple brands and logos in the market, organic has 'no face' in the market yet. Current suppliers of 'organic vegetables' try to increase their market share through telling bad stories about other organic suppliers, which is undermining the trust in organic vegetables. A professional market approach in Hanoi is lacking.

Is demand for organic fruit and vegetables growing in Vietnam and if so what is driving this?

**SWH:** Yes, with food safety concerns as the main driver. Vegetables are indispensable in the Vietnamese diet, whether for breakfast, lunch or dinner. Already year in year out multiple food safety scandals related to agro-chemical abuse on fruit and vegetable products have sharply undermined the basic trust in daily fruit and vegetable consumption. In the light of the abuse of agrochemicals like chemical fertilisers, pesticides, growth enhancers and preservatives, consumers actively seek out vegetables that are not poisonous. The organic message of no chemical fertilisers and pesticides used is easy to understand and comforting, again when the source is trusted.

A wide range of products are being grown

In terms of your own organic value chain, how did this come about and what are the main challenges you faced with the project?

**SWH:** Despite the fact that farmers are interested in organic cultivation methods and consumers are interested in purchasing organic vegetables, until now the actual market penetration of organic fresh produce has been very limited. With this project, we faced three core challenges.

Firstly, how to break through the vicious chicken-and-egg reasoning. For instance, farmers are willing to cultivate organic vegetables if there is a demand, and retailers are interested to source organic vegetables if they are sure about the quality and consistency in supply of organic vegetables, but who is waiting for who?

The second challenge was identifying an intermediary that takes organic vegetable distribution seriously. Farmers don't talk the language of the retail, neither do they understand the modern retail business. On the other hand, retailers are not so much into farming as their core business is in selling rather than cultivating fresh produce. Retail channels are actively searching for trustworthy sources of vegetable supplies, these not being groups of farmers but professional intermediaries than can bridge the gap between retailer and farmer. In this project a lot of effort was put in the identification and matchmaking of value chain partners: farmer groups, intermediaries and retailers.

The third challenge was how farmers could overcome the transition period from conventional to organic cultivation. The land has been in conventional production over a period of many years, during which agro-chemicals were applied abundantly. The soil is deprived from its nutritional content and needs some years to recover. During this conversion period the soil does not supply enough nutrition and mineral substrates to the plants, which leads to low productivity and diminished resistance to diseases and as such results in lower quality produce. In this project the challenge was to assist the farmers in market access during this period. The farmers should not be 'punished' for the conversion but rewarded. The challenge was to provide the farmers with a market incentive to overcome the conversion hurdles and seriously pursue organic cultivation.

Food safety concerns are a driver for organics

What products are you growing?

**SWH:** In this project we concentrated on a wide range of vegetables, but other products short-listed for organic production are fruit (oranges, lychees and pomelo), tea, rice and fish. In the consumer survey we conducted, we measured the sensitivity for organic marketing across product categories: Vietnamese consumers are mostly interested in organic vegetables and fruit and substantially less in rice, tea and coffee. This can all be explained by the urgency for food safety in fresh produce.

How did you go about getting organic certification?

**SWH:** ADDA introduced the Participatory Guarantee System (PGS) in Vietnam for two reasons; firstly, because the Vietnam authorities have not yet acknowledged an official standard for organic cultivation and secondly, because third-party certification is rather costly for farmers.

To explain the PGS certification, as the organic produce cultivated in the project is targeting the domestic market, an alternative participatory network certification was developed. The PGS is based on an assurance by a network of people and organisations involved in the production, distribution and consumption or use of the product with co-responsibility for guaranteeing the quality system. This system is not suitable for export, but in many countries it is used for local market certification. PGS is acknowledged by the International Federation of Organic Agriculture Movements to be a reliable system for organic products. The Vietnam PGS standards are guided by the National Standard for Organic Production and Product Processing (10TCN 602-2006) as issued by MARD on 30 Dec 2006. PGS certification covers all aspects of the production chain, including inputs, production, harvesting, processing, transport and storage.

How are the products sold or marketed?

**SWH:** Since early 2010 we have been working on a pilot with two farmer groups, a professional trading company and a modern supermarket channel. In May the first PGS-certified organic vegetables are being harvested, packed and marketed – they will be launched at the end of the month in a modern retail channel in Hanoi. Each pack of PGS-certified organic vegetables contains information on the origin of the vegetables right back to the farmer and a code to trace back the product cultivation history.

What kind of a price premium can these organic products command?

**SWH:** They can fetch a 10-20 per cent premium over conventionally grown safe vegetables, which in turn already have a 25-30 per cent premium over the bulk vegetables.