

QUANG NGAI RURAL DEVELOPMENT PROGRAM (RUDEP) - PHASE 2

Third Report of the Marketing Specialist



VIETNAM-AUSTRALIA

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CONTENTS

Acronyms	iii
Executive Summary	iv
1 Introduction	1
2 Background	3
2.1 Agricultural and Livestock Production	3
2.2 Socio-Economic Profile	5
2.3 Consumer Demand and Trade Opportunities	6
2.4 Local, National and International Trade Patterns.....	7
2.5 Transport, Storage and Processing Systems.....	10
2.6 Market Information	10
2.7 Input Supplies	11
2.8 Institutional and Regulatory Environment	12
2.9 Off-Farm Income Generation	12
2.10 Conclusions	12
3 The Enabling Environment	12
3.1 Conditions for Thriving Rural Commerce	12
3.2 Implications for RUDEP	14
4 Key Strategic Issues in Rural Commercial Development	14
4.1 Comparative Advantage.....	14
4.2 Specialisation Versus Diversification	16
4.3 Marketing Finance	16
4.4 People and Skills	17
4.5 Market Information.....	17
4.6 Marketing Myths and Realities	18
5 Commercial Zones and “Best Bet” Enterprises	19
5.1 Overview	19
5.2 Zone 1: Quang Ngai Urban and Peri-Urban Zone	20
5.3 Zone 2: Coastal and Commercialised Lowland Strip	20
5.4 Zone 3: Lowlands with Access to Commercialised Zone	20
5.5 Zone 4: Highlands with Road Access	21
5.6 Zone 5: Inaccessible Highland Areas.....	21
5.7 “Best Bet” Commodities	22

6	Conclusions and Recommendations	24
6.1	Overview	24
6.2	Marketing Strategy Objectives	24
6.3	Strategy Options	25
6.4	Recommended RUDEP Marketing Strategy	25
6.5	Recommended Marketing Initiatives	26
6.6	Possible Service Providers	28
7	Comments on Specific Enterprises	28
7.1	Cattle Breeding	28
7.2	Pig Breeding	29
7.3	Goats	29
7.4	Aquaculture	29
7.5	Cocoa.....	30
8	Effect of Livestock Disease Outbreaks	31
8.1	Avian Influenza	31
8.2	Foot and Mouth Disease	31

ANNEXES

- Annex 1: Marketing Workshop Material
- Annex 2: Marketing Extension Guide
- Annex 3: Socio-Economic Data by District and Commune
- Annex 4: Map of Commercial Zones

Acronyms

AEZ	Agro-Ecological Zone
BPSC	Business Promotion and Service Centre
BSE	Bovine Spongiform Encephalopathy
DARD	Department of Agriculture and Rural Development
DDO	District Development Officer
DFP	Department of Finance and Pricing
FMD	Foot and Mouth Disease
GDP	Gross Domestic Product
IPM	Integrated Pest Management
NGO	Non-Government Organisation
PDA	Participatory Development Adviser
RUDEP	Quang Ngai Rural Development Program
SMEs	Small and Medium Enterprises
VND	Vietnamese Dong
VSCF	Village Savings and Credit Facility

Exchange Rate (March 2004)

VND 12,000 = AUD 1.00

Executive Summary

Introduction

RUDEP provides the services of a Marketing Specialist to assist with the identification and analysis of marketing opportunities, and provide on-the-job training for Program staff in marketing and commercial analysis. This document reports on the third input of the Marketing Specialist between February 15th and March 14th 2004.

The report begins with an analysis of the marketing environment in Quang Ngai Province and the conditions required for successful rural commercial development. It then considers the marketing constraints and opportunities facing poor households in different parts of the Province and the options for dealing with these. This is followed by recommendations on a marketing strategy and implementation plan to be undertaken by RUDEP. The final part of the report considers some enterprise-specific commercial issues concerning cattle breeding, pig breeding, goats and aquaculture, and provides an assessment of the impact of recent animal disease outbreaks.

Background

Marketing is an integral part of all commercial activities. It is the purpose of production, not just a consequence of production, and cannot be viewed in isolation from other aspects of commerce. Therefore the conclusions and recommendations given here are about creating the conditions in which rural commerce can expand and evolve, and helping rural households, particularly in the poorer areas, to be active participants in this process. Helping people to be better rural entrepreneurs and better at marketing can make a significant contribution to RUDEP's poverty alleviation objectives.

The commercial environment in Quang Ngai is dynamic and expanding quite rapidly along with population and incomes. This provides solid local demand for most rural commodities, and linkages to national and international markets for others. However the Province lacks many of the features of a fully developed rural commercial sector including: (a) some aspects of the legal, regulatory and macroeconomic environment; (b) rural financial services; (c) markets and marketing systems; (d) institutional support; and (e) marketing infrastructure. Furthermore there are enormous differences in the commercial environment between different parts of the province. These differences are driven by population density, topography, land capability, poverty incidence, infrastructure, ethnicity, education levels and the many interactions between these factors. Such differences can be expected to diminish over time as the transport and communication network improves but will remain stark for the foreseeable future.

RUDEP Marketing Strategy

There are many aspects of the enabling environment which affect the ability of households to generate income and accumulate wealth from small-scale commercial ventures. However, there is not much RUDEP can do about most of these given the resources at its disposal and the underlying philosophy of the Program which emphasises direct engagement with poor rural households and support for activities which are feasible under prevailing conditions. However, where there are opportunities to enhance aspects of the enabling environment they should not be denied. Marketing finance and market information are two examples where the Program can make a contribution to the alleviation of intractable systemic constraints in the commercial environment.

It is also recommended that the Program adopt an intermediate strategy with regard to the degree to which it advocates or promotes particular commercial opportunities. This is the “best bet” approach whereby the Program identifies a number of actual or potential enterprises which make reasonable sense in each of the commercial zones but leaves it to individuals to decide which to pursue.

The recommended strategy recognises that whilst there are a number of things that the Program can do to help rural households to make better marketing decisions, there are also limitations as to how much it can achieve. Operating at Provincial level, RUDEP cannot have a significant influence on National issues affecting the enabling environment. This is part of a much broader process of policy and governance reform, and for the most part RUDEP will have to work within the constraints as it finds them.

The strategy also recognises that there are no complete or perfect solutions to the marketing problems experienced by rural households. There are a number of partial solutions which can all make a contribution, but no lucrative market opportunities awaiting discovery, no complete means of avoiding dependency on the middlemen, and no easy way of delivering better market information to farmers. Every product and market niche is subject to competition and will become increasingly exposed to competition over time as the rural sector becomes more closely integrated with the mainstream economy.

Recommended Marketing Initiatives

The following is a list of initiatives which could be undertaken or supported by RUDEP to help rural households with the marketing of good and services:

- Provision of market information
- Provision of marketing finance through the Village Savings and Credit Facility (VSCFs)
- Marketing study tours
- Cooperative or group marketing initiatives
- Brokering services to bring buyers and sellers together
- Training and extension in marketing skills
- Provision of marketing infrastructure and equipment
- Identification of new products and markets

Comments on Specific Enterprises

The report also recommends that pig and goat breeding should be supported by the project, although with some degree of caution in the case of goats, but suggests that cattle breeding, which is mainly asset accumulation exercise is not appropriate for funding by the VSCFs. The market for aquaculture products is in its infancy but appears to have sound prospects.

Cocoa is a good smallholder crop for isolated areas and there is potential to establish a cocoa industry in the province. However this would need to be undertaken on conjunction with a commercial partner which as an interest in and expertise to nurture the development of the industry.

Effect of Livestock Disease Outbreaks

The current outbreak of avian influenza has suspended all marketing of chicken, chicken meat and eggs. However, the disease has been effectively controlled and the long-term effects on the supply and demand of poultry products is expected to be minimal. Once controlled, the current outbreak of food-and-mouth disease is not expected to damage marketing prospects for the affected species (cattle, buffaloes, pigs and goats).

1 Introduction

RUDEP aims to assist rural households improve their standards of living through support to identify and implement new or improved income-generating enterprises, and by providing finance through newly created Village Saving and Credit Funds (VSCFs) to facilitate the necessary investments. The Program provides the services of a Marketing Specialist to assist with the identification and analysis of marketing opportunities, and provide on-the-job training for Program staff in marketing and commercial analysis. This document reports on the third input of the Marketing Specialist between 15 February and 14 March 2004.

The terms of reference for the Marketing Specialist cover a wide range of issues to be addressed over the first five years of RUDEP. Diagnostic surveys undertaken during the design phase of the Program identified livestock production, particularly cattle finishing as the spearhead income-generating activity, and a series of pilot cattle finishing trials was conducted during the final quarter of 2002. Issues concerning the marketing of cattle and beef were analysed during the first visit of the Marketing Specialist and the best strategies to adopt for purchase and sale of cattle were recommended.

Further diagnostic surveys during the first quarter of 2003 revealed considerable interest in the raising of pigs and chickens for income-generation. The second visit of the Marketing Specialist therefore focussed on the marketing of pigs, pork and poultry products and associated animal health and hygiene issues.

RUDEP has now expanded to service nine communes, with a further three to be included before mid 2004. The 12 communes cover a wide range of agro-ecological, socio-economic and infrastructural conditions with diverse marketing constraints and opportunities. Demonstrations have now been undertaken or initiated in production of cattle, pigs, chickens, aquaculture (ponds and rice/fish culture), rice (IPM demonstrations), goats, geckos, farming systems, ducks, peanuts, earthworms and mushrooms. Short term advisers have identified further income-generating opportunities in off-farm and small-scale agro-industrial enterprises.

The list of income-generating activities will very likely continue to grow over the coming year. Each enterprise presents different marketing opportunities and constraints, but there is also a set of broader marketing issues which affect the commercial viability of various ventures. This report addresses these broader issues with the aim of deriving an overall marketing and commercialisation strategy for RUDEP which can be applied to any income-generating opportunity that may be pursued.

The report begins with an analysis of the marketing environment in Quang Ngai Province and the conditions required for successful rural commercial development. It then considers the marketing constraints and opportunities facing poor households in different parts of the Province and the options for dealing with these. This is followed by recommendations on a marketing strategy and implementation plan to be undertaken by RUDEP. The final part of the report considers some enterprise-specific commercial issues

concerning cattle breeding, pig breeding, goats and aquaculture, and provides an assessment of the impact of recent animal disease outbreaks.

2 Background

2.1 Agricultural and Livestock Production

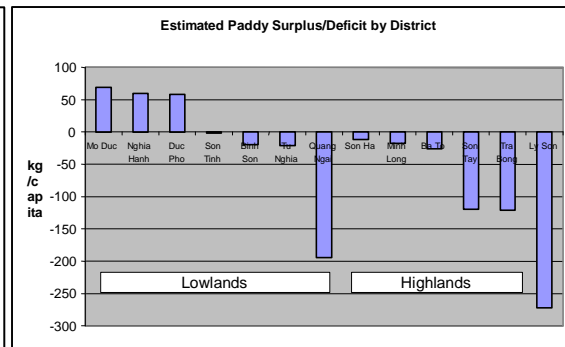
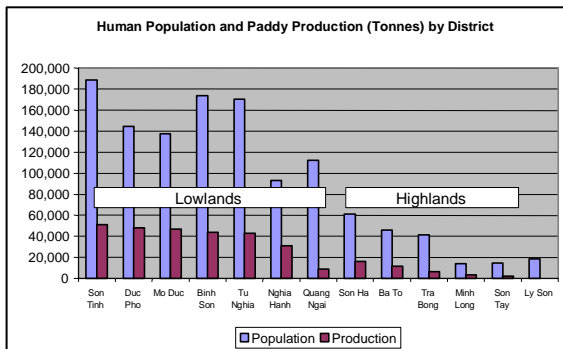
Production of rice is the key driver of supply and demand for food and other agricultural commodities in Quang Ngai. In economic terms paddy is by far the most important crop grown in the Province, and as shown in the table and charts below, human population tends to be concentrated in the lowland areas where most of the paddy is grown.

Production of Paddy by District: 2000 (Tonnes)

Plains Districts	Paddy Production			
	Production (tonnes)	Human Pop'n	kg Paddy Per Capita	Surplus/Deficit a/
Son Tinh	51,138	189,027	271	-1
Duc Pho	47,772	144,677	330	58
Mo Duc	46,871	137,329	341	69
Binh Son	44,023	174,116	253	-19
Tu Nghia	42,866	170,486	251	-21
Nghia Hanh	31,036	93,432	332	60
Quang Ngai	8,719	111,995	78	-194
Sub-Total	272,425	1,021,062	267	-5
Mountain Districts				
Son Ha	15,922	61,161	260	-12
Ba To	11,269	45,772	246	-26
Tra Bong	6,273	41,476	151	-121
Minh Long	3,543	13,889	255	-17
Son Tay	2,240	14,699	152	-120
Sub-Total	39,247	176,997	222	-50
Island District				
Ly Son	0	18,533	0	-272
Total	311,672	1,216,592	256	-16

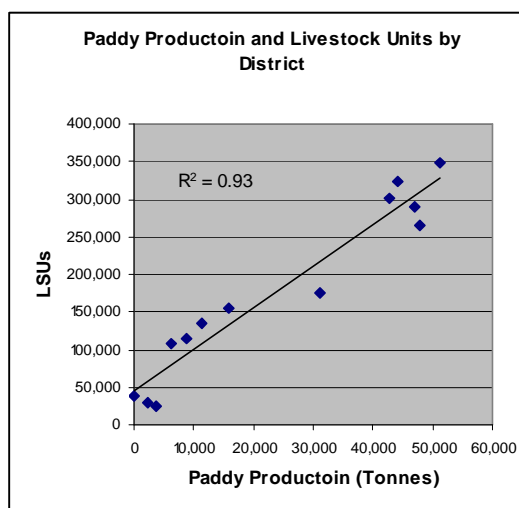
Overall Quang Ngai is roughly self-sufficient in rice, but there are large intra-provincial variations in self sufficiency levels. There are substantial rice surpluses produced in three of the lowland districts and small deficits in two others. Two of the highland districts, Tra Bong and Son Tay, and the island of Ly Son appear to run large rice deficits according to the definition used here¹. As explained below the agro-ecological conditions which determine the pattern of rice production also have major socio-economic implications which in turn influence the spatial distribution of demand for goods and services within the province.

a/ Self sufficiency 365 days x 0.5kg rice /.67 milling ratio = 272kg paddy per capita



¹ Based on the assumption of 272kg of paddy equivalent consumed per capita per annum.

The distribution of paddy production also influences the distribution of livestock, as shown here. The districts with the most paddy also have the most livestock since animals are both an input to rice production as draft animals, and a byproduct of rice as consumers of rice bran (mainly pigs) and rice straw (cattle and buffaloes).



We therefore have a situation in Quang Ngai where the people and the animals are heavily concentrated in the lowland areas where most of the rice is also grown.

These are also the areas where incomes are highest and demand for food and other commodities is strongest. This pattern is very common in South East Asia where people, animals, crops, and the buying power they generate is concentrated in the lowland areas where transport infrastructure is also generally better, and where the major urban centres are also located.

Production of crops other than paddy is summarised in the following table.

Production of Other Crops by District: 2000 (Tonnes)

Plains Districts	Sugar Cane	Cassava	Vegetables	Sweet Potato	Peanut	Maize	Beans	Other Cereals
Quang Ngai	11,560	179	10,418	168	319	545	508	32
Binh Son	40,196	7,290	13,520	4,030	1,673	1,553	202	942
Son Tinh	113,888	12,352	14,468	3,805	1,758	1,187	337	959
Tu Nghia	70,128	3,920	15,440	2,675	372	1,028	775	0
Nghia Hanh	51,193	3,524	1,731	1,732	516	866	434	0
Mo Duc	20,405	1,803	5,769	1,418	1,236	1,185	305	0
Duc Pho	97,536	10,500	10,401	2,267	341	37	25	350
Sub-Total	404,906	39,568	71,747	16,095	6,215	6,401	2,586	2,283
Mountain Districts								
Tra Bong	18,032	16,813	1,798	770	147	358	158	169
Son Ha	60,922	15,801	634	145	653	245	274	231
Son Tay	0	3,810	610	88	2	211	29	0
Minh Long	0	3,925	46	151	15	28	4	0
Ba To	19,504	10,741	125	715	932	163	54	102
Sub-Total	98,458	51,090	3,213	1,869	1,749	1,005	519	502
Island District								
Ly Son	0	0	2,790	0	0	267	4	0
Total	503,364	90,658	77,750	17,964	7,964	7,673	3,109	2,785

Sugar cane is produced in significant amounts in three of the highland and most of the lowland districts. Cassava is the only crop where highland production outweighs production in the lowlands, although it is unclear how much of the highland production is used for food and how much is a cash crop. As expected, vegetable and root crop production tends to be concentrated in the peri-urban areas around Quang Ngai and in the districts which straddle the main north-south highway. Because of their transportability, peanuts are significant in two of the highland districts (Son Ha and Ba To) but overall lowland production is more important.

2.2 Socio-Economic Profile

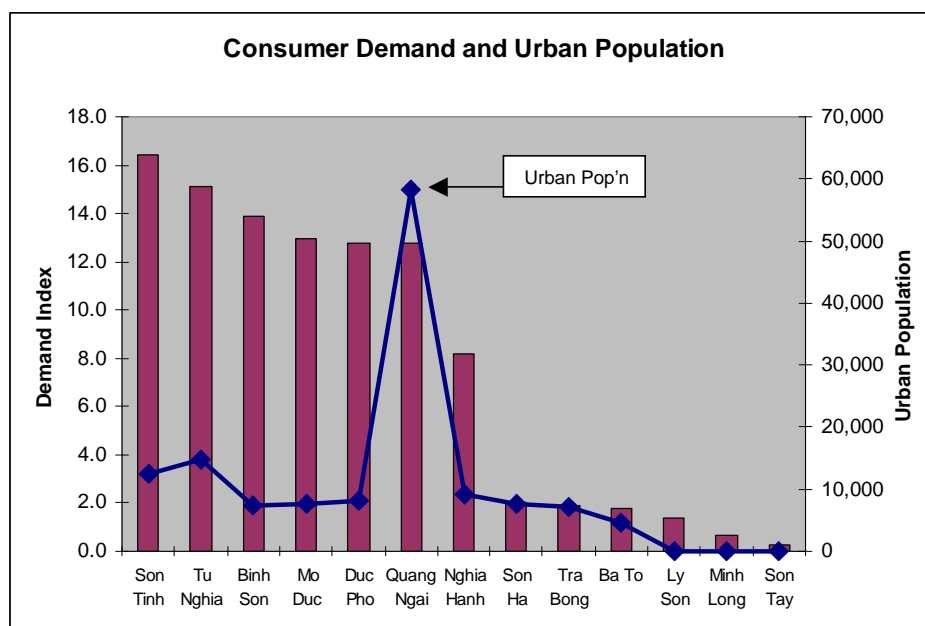
A recent study of poverty and inequality in Viet Nam² showed that agro-climatic variables and market access are able to explain about three quarters of the spatial variation in district-level rural poverty. Not unexpectedly, flat land, high road density and proximity to cities are associated with lower poverty, and poverty in remote areas is linked to low agricultural potential and lack of market access. This illustrates the importance of improving market access.

The following table and chart provide information on some of the key socio-economic variables by District. The table lists the Districts with the lowest poverty incidence at the top and the highest at the bottom. All of the lowland districts are in the upper half of the table and the consumer demand index³ shown on the right hand side of the table suggests that more than 90% of total consumer demand in Quang Ngai comes from the seven lowland Districts.

Incidence of Poverty, Other Socio-Economic Indicators and Consumer Demand in Quang Ngai Province

District	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	% Adult Literacy	Kinh %	% in Ag, Fish Forestry	% HH with Electricity	% HH with TV	% Urban	Consumer Demand Index	Cum Demand Index
Quang Ngai	16.6	16,595	37	99,900	2,700	67	99	13	99	72	58.4	12.7	12.7
Mo Duc	37.7	51,268	212	135,999	642	60	100	41	94	40	5.7	13.0	25.7
Tu Nghia	41.2	69,344	227	168,114	741	60	99	37	97	43	8.7	15.1	40.8
Duc Pho	41.5	59,090	382	142,515	373	61	100	38	87	42	5.7	12.8	53.6
Nghia Hanh	41.8	38,399	234	91,793	392	61	99	44	93	37	9.9	8.2	61.7
Son Tinh	42.7	80,029	344	187,295	544	60	100	41	77	34	6.7	16.4	78.1
Binh Son	47.3	81,458	464	172,353	371	60	100	40	53	19	4.2	13.9	92.0
Ly Son*	50.6	9,241	10	18,266	1,827	56	100	43	50	9	0.0	1.4	93.4
Tra Bong*	69.1	28,185	756	40,785	54	40	41	40	42	10	17.5	1.9	95.3
Minh Long*	70.2	9,631	216	13,716	64	34	28	42	46	14	0.0	0.6	96.0
Ba To*	74.4	33,543	1,122	45,113	40	30	17	44	22	10	10.4	1.8	97.7
Son Ha*	78.1	46,998	750	60,183	80	35	18	45	10	5	12.5	2.0	99.7
Son Tay*	88.0	12,419	381	14,112	37	26	6	41	12	3	0.0	0.3	100.0
Total/Ave	45.1	536,160	5,135	1,190,144	232	57	88	38	75	34	11.5	100.0	
Correlation with Poverty Incidence						-71	-96	-92	63	-92	-91	-50	

* Highland and Island Districts



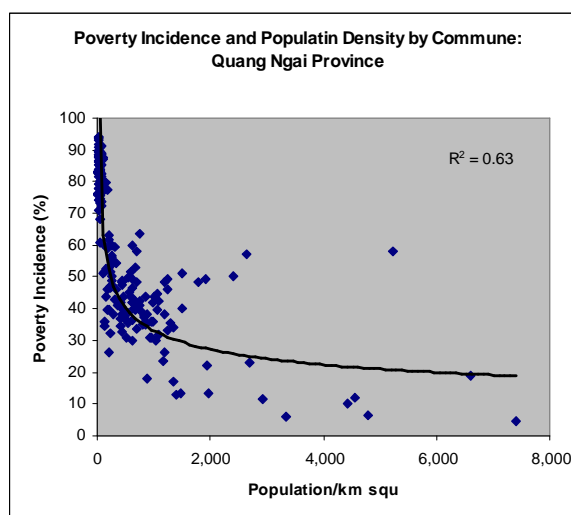
² Minot N. Baluch R. and Epprecht M. (2003). "Poverty and Inequality in Viet Nam: Spatial Patterns and Geographic Determinants" International Food Policy Research Institute and Institute for Development Studies.

³ Percentage of the Province's non-poor people resident in the District.

The table also indicates that whilst the poverty incidence is higher in highland areas of low population density, most poor people live in the densely populated lowland areas. This is consistent with the National poverty distribution where the incidence of poverty is highest in upland areas, but the absolute number of poor is greatest on the Red River and Mekong Deltas.

The correlation statistics at the bottom of the table provide some insights into the factors associated with poverty (or conversely wealth) in Quang Ngai. Population density, literacy and ethnicity are all strongly correlated with poverty incidence, and the percentage of households with TV and electricity are useful proxy measures of poverty incidence.

The relationship between population density and poverty incidence also holds at commune level, as shown in this chart. Communes with less than around 200 people per km² almost invariably have a high incidence of poverty.



Further details on socio-economic characteristics of each of the communes are given in Annex 3.

2.3 Consumer Demand and Trade Opportunities

Local trade patterns are strongly influenced by the spatial patterns of supply and demand discussed above as well as the road network. The seven lowland and coastal Districts produce most of the agricultural and livestock output and account for around 90% of the Provincial consumption of these items, and probably a similar percentage of non-farm products and services. There are abundant opportunities for trade within and between these districts and a competitive network of dealers in all of the major commodities.

In the highland Districts there is very weak demand for any surplus output and high transaction costs associated with marketing in the major lowland demand centres. This means that very little moves into the highlands because of weak demand, or outwards because people consume all or most of what they produce, and after transaction costs are deducted the incentive to produce for the market is weak. The major differences between districts in consumer demand and marketing opportunities are summarised in the following table.

District	Demand Index	Comments
Son Tinh	16.4	Demand concentrated in the Eastern half of the district with reasonable secondary roads feeding into the highway. Close to Quang Ngai and other high income Districts both north and south.
Tu Nghia	15.1	Eastern part of the districts has many high income communes and is very close to Quang Ngai. Western part is more distant from Quang Ngai and has no major demand centres but road access is reasonable.

District	Demand Index	Comments
Binh Son	13.9	A relatively wealthy district which straddles the highway. More distant from the major demand foci in the centre of the Province but opportunities to trade north into Quang Nam Province.
Mo Duc	13.0	All parts of the District have reasonable access to the main highway and are less than 30 km from Quang Ngai. Significant local demand as well.
Duc Pho	12.8	Contains a number of relatively wealthy communes lying on the main highway.
Quang Ngai	12.7	Quang Ngai City and the surrounding area out to about 10km radius account for around half of all consumer demand in the Province.
Nghia Hahn	8.2	Northern parts of the District have good access to the main highway and Quang Ngai city.
Son Ha	2.0	Weak local demand due to combination of moderate population and low incomes. Must transport produce to the coastal area to find markets.
Tra Bong	1.9	Even more difficult marketing environment than Son Ha due to weak local demand and greater distance from Quang Ngai.
Ba To	1.8	Similar situation to Tra Bong. Most commercial activity follows the main river valley.
Ly Son	1.4	Island district – all produce has to be shipped out. Low population and income levels.
Minh Long	0.6	Very low population and income levels but the Northern part of the District can access Nghia Hanh and Quang Ngai.
Son Tay	0.3	Small population of very poor people surrounded by Districts with similar characteristics.

2.4 Local, National and International Trade Patterns

Although there are no intra-provincial or inter-provincial trade data, the production statistics, poverty incidence and observations suggest the following trade patterns:

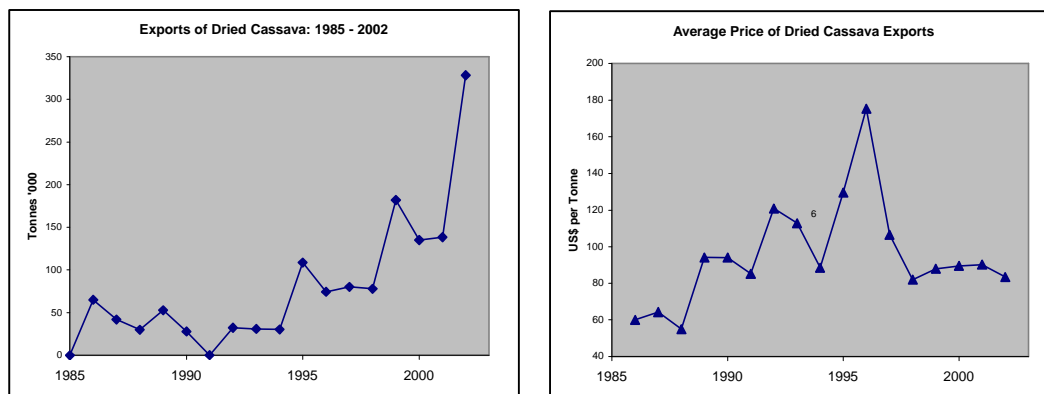
Paddy and rice: the majority of rice is not traded at all, but is consumed within the producing households. Only three Districts (Mo Duc, Duc Pho and Nghia Hanh) consistently produce surplus rice. Paddy and rice move around the Province via a network of millers and traders from the surplus to the deficit districts, although not to the extent suggested by the size of the surpluses and deficits. The Districts with large deficits are too poor to buy significant amounts of rice and people simply go hungry or get by on less desirable foods such as cassava.

Sugar cane represents the largest tonnage of agricultural production in Quang Ngai. This is purchased by the State-owned sugar enterprise with mills Quang Ngai and Duc Pho Districts. All districts other than Son Tay and Minh Long supply some sugar cane to the mill. Harvesting and crushing takes place during the dry season.

Cassava is the only agricultural commodity where highland production exceeds production in the lowlands. It is utilised in a number of ways. It can be consumed on-farm by humans and/or animals, it may be sold as fresh roots for processing into cassava starch or for slicing and drying produce cassava chips, or the farmers may produce dried cassava chips themselves.

There is believed to be a substantial amount of cassava consumed by humans and livestock in the highland areas where there is no flat land for paddy fields. Highland farmers also sell cassava for industrial use either as sun-dried cassava chips or as fresh root. Fresh cassava is processed into cassava starch by a State-owned enterprise (Tinh Phong Cassava Plant) in Son Tinh District, and a new starch plant is under construction at Son Trung in Son Ha District. Dealers also purchase fresh cassava root for slicing, drying and subsequent sale. Dried cassava chips enter the stockfeed trade, and a proportion is said to be exported to China.

The following charts show that Viet Nam's exports of dried cassava have risen steeply since the mid 1990s, but prices have been low for the last five years.



Fruit and vegetables produced within the Province are largely consumed within the Province. In addition the large Quang Ngai wet market, there are about 20 towns with significant fresh produce markets where a wide range for fresh fruit, vegetables and herbs is on offer seven days a week. All of the 20-odd town markets are either on the main highway or within about 5 kilometres from it. Produce is procured from the farmers by dealers using motorcycles and baskets for transport and is offered in the markets in fresh condition within a few hours. Fresh produce markets in towns more than about five km west of the main highway consist of a few vendors along the main street early in the morning. These markets have very limited absorptive capacity due to a combination of low population and low incomes. The following is a list of the major local market places ranked according to consumer demand index of the Communes in which they are located:

Major Local Fresh Produce Markets

Urban and Peri-Urban Markets			Principal Rural Town Markets		
District	Commune	Demand Index	District	Commune	Demand Index
Quang Ngai		12.74	Mo Duc	Duc Chanh	1.57
Son Tinh	Tin Ha	1.65	Mo Duc	Duc Phong	1.55
Son Tinh	Son Tinh	1.54	Duc Pho	Pho Thanh	1.45
Tu Nghia	Nghia Ky	1.49	Mo Duc	Duc Lan	1.41
Tu Nghia	Nghia Thuong	1.34	Mo Duc	Duc Nhuan	1.39
Tu Nghia	Nghia Ha	1.31	Duc Pho	Pho Cuong	1.34
Tu Nghia	Nghia Trung	1.26	Duc Pho	Pho Thuan	1.19
Tu Nghia	Nghia Hiep	1.17	Nghia Hanh	Hanh Phuoc	1.11
Son Tinh	Tinh Khe	1.15	Duc Pho	Duc Pho	1.07
Tu Nghia	Nghia Hoa	1.04	Duc Pho	Pho Van	1.02
Nghia Hanh	Cho Chua	1.04	Bin Son	Binh Trung	1.01
Tu Nghia	Nghia An	1.02			
	Total	26.75		Total	14.11

For a few commodities there are seasonal surpluses which attract long distance traders. The most notable of these is watermelons which are harvested in the spring (March-April) and are traded north into China targeting the early market. There are reports that this market is sometimes oversupplied during the seasonal glut resulting in very low prices and unsaleable surpluses.

Other root crops: sweet potato is the major root crop (apart from cassava) grown in the province, but it is mainly grown as a source of green fodder. The tubers are regarded as a byproduct and are marketed in the same way as fresh fruit and vegetables.

Other grains and pulses: (maize, peanuts, mungbeans, soyabeans etc) are produced in relatively small quantities although they are important cash crops on the riverine soils and in the upper river valleys where conditions are unfavourable for paddy. Some maize is consumed fresh and the remainder finds a ready local market for animal feed. Peanuts are a very important cash crop in some of the upland Communes where there are limited income generating options. Farmers sell nuts in shell to small traders who buy a few sacks at a time and feed them into a network of larger traders who eventually assemble truckloads for long distance transport to the major cities.

Livestock and livestock products: the two previous reports of the Marketing Specialist have assessed the markets for livestock commodities. The great majority of meat produced and consumed in the Province (and in Viet Nam) is pork, followed by chicken and bovine (cattle and buffalo) meats. Quang Ngai contains about 400,000 pigs, 1.8 million chickens, 224,000 cattle and 43,000 buffaloes. It produces a surplus of pork and is an important source of cattle for beef production. Due to a combination of low incomes and low population Quang Ngai Province accounts for less than 1% of national consumer demand, and needs to target livestock product markets outside the Province in its efforts to help the rural poor increase their incomes.

As with agricultural products, the livestock and meat market is operated by an informal network of traders who buy animals in small numbers and pass down the chain to assemblers who eventually gather truckloads of live animals for transport to the larger cities, generally in a southerly direction, as far as Ho Chi Minh City. The marketing system is typical of a country at Viet Nam's stage of development. It is entirely informal, with undocumented cash transactions, numerous intermediaries, little product differentiation, no effective regulation, low animal welfare and hygiene standards, no quality assurance systems, limited market information, and imbalances in bargaining power between buyers and sellers. Transmission of consumer preferences down the marketing chain is hindered by the multiple transactions and lack of any grading or product description protocols. However the system works remarkably well and provides a ready market for all types of livestock at prices which broadly reflect the transaction costs down the long marketing pipeline from rural areas to the big cities where most of the meat is consumed.

Fishery and aquaculture products: there is considerable interest in, and potential for, various forms of aquaculture within the Province and several demonstrations are being undertaken in rice/fish culture and pond culture. Although aquaculture is at an early stage of development compared with the southern part of Viet Nam, the RUDEP aquaculture consultant considers that there are favourable conditions for expansion of the sector due to existence of the Thach Nam irrigation scheme, good transport infrastructure and a good supply of fish seed. The constraints identified by the consultant include flood risk during

the wet season, water shortages in the dry season, cool winter temperatures especially in the highlands, and competition from marine products in terms of abundance and price.

The supply of fish in Quang Ngai is largely dependent on the over-exploited coastal and inshore fisheries and the development of aquaculture has lagged behind other parts of Viet Nam. Even so, the Province is producing 60-70,000 tonnes of fish and shrimp per year (mostly marine fish). This represents about 43kg per capita of population which is two-and-a-half times the average per capita consumption. Given that per capita consumption is probably below the national average, Quang Ngai can therefore be considered a significant “fish surplus” province. This has obvious implications for aquaculture development. Moreover, the most suitable period for selling freshwater cultured fish is November-February when the marine fish supply is reduced by rough seas, but the most suitable period for production is in the warmer months of March-September.

2.5 Transport, Storage and Processing Systems

Almost all transport of rural products in Quang Ngai is by road. Primary collection is usually by motorcycle or bicycle followed by pickups and eventually trucks once a sealed road is reached. Marketing constraints and opportunities are strongly influenced by the road network with the strip along the main north-south highway enjoying very good market access, and the highland areas without all-weather roads experiencing severe problems and high costs of input supply and product marketing. The National and Provincial Governments are investing heavily in road construction and the road network is improving quite rapidly.

Apart from grains and pulses, there is very little product storage undertaken. Perishable produce is transported directly to market, usually without significant grading, packaging or refrigeration. Animal products are mostly transported in live form due to the absence of abattoirs or cold storage facilities. The overall lack of storage facilities for perishable products means that there is no way of smoothing out supply fluctuations leading to gluts and shortages from time to time.

State owned enterprises are involved in the processing of industrial crops. There are two sugar mills, two cassava starch plants (one of which is still under construction) and a cashew processing plant. All other agro-processing is undertaken on a very small scale, usually within individual households. The Agro-Processing and Post Harvest Technology consultant has recommended demonstration of some simple small scale processing equipment including maize shellers, cassava slicers, hammer mills and noodle extruders. These have the potential to add value to primary produce and expand marketing options.

2.6 Market Information

Markets only operate efficiently and fairly if the parties have equal access to accurate information about value. Traditionally farmers are disadvantaged in this regard, especially when there is an urgent need to sell things to raise cash for family emergencies.

Quang Ngai farmers complain that they lack the information needed to make good marketing decisions in terms of what to produce, where and how to sell it, and at what price. Generally they rely on informal sources of information such as the traders/dealers, friends and neighbours and other anecdotal sources. This information is often difficult to interpret for decision-making. It may give a true picture of prices at a particular time and place but it does not reveal the marketing costs and margins in the pipeline or the

premiums and discounts for quality, and the farmer is no wiser as to what is a reasonable farmgate price or the product specifications he should be targeting.

The large number of participants engaged in all parts of the marketing system ensures that information is continuously circulated and updated, particularly for those involved on a daily basis. Farmers are less well informed about market conditions and rely heavily on the opinions and advice of other farmers, intermediaries and traders. The balance of negotiating power therefore favours the buyers rather than the farmers, but there are limits as to how strongly this power can be wielded.

When farmers have something they wish to sell they usually seek offers from a number of buyers and select the most attractive offer. They may also consult with friends and neighbours to help determine what is a reasonable price. When buying feed, seed, fertilisers, pesticides and other inputs they usually “shop around” to find the best price. However most farmers are not skilled in evaluating the quality or composition of different inputs and this sometimes results in the purchase of cheaper but inferior items.

The Provincial Department of Finance and Pricing (DFP) does collect information on the price of some 60 items on a daily basis. This includes about ten food and agricultural commodities including paddy, rice (three grades) live pigs, beef (two cuts), marine fish, chicken eggs and duck eggs. Prices of other items may be collected from time to time if there are major fluctuations on the market. The list of items monitored is determined by the National Ministry of Finance and all Provinces are required to collect and report this information. Average monthly prices are calculated from the daily data and the information is shared with other parts of the Provincial Government but it is unclear to what use, if any, it is put. Other than calculating monthly averages the data are not analysed in any way and no reports are released for general use.

The official Quang Ngai TV and radio stations broadcast some market information for farmers. There are three daily radio sessions addressed to the rural communities at 5.30 am, 11.30 am, and 5.30 pm. The lunchtime (11.30) session provides some market information and stories about marketing. There is also a weekly TV program on Sunday evenings which provides some market information for farmers covering both input and product prices. The information is gathered by the TV/radio service from an informal network of contacts but it is understood that the data collected by the Department of Finance and Pricing is not normally used for this purpose. How many people listen or watch these broadcasts is unknown.

2.7 Input Supplies

Most inputs needed for agricultural production are supplied by rural merchants who operate warehouses and shops located along the main roads. These merchants will supply any item for which there is a demand, but there are concerns about the truthfulness of labelling and the quality of some items such as fertilisers, animal feeds and agrochemicals. Farmers who are not located near the main roads have to organise transport of inputs from these stores or buy from dealers, often under credit arrangements.

Department of Agriculture and Rural Development (DARD) is active in the supply of technical inputs such as improved seeds for rice and maize, animal health requisites such as vaccines and drugs, and artificial insemination services.

2.8 Institutional and Regulatory Environment

With the exception of sugar, cassava and cashews where state owned enterprises are active, and institutional involvement in supply of some technical inputs, rural commerce is largely unregulated. The Provincial, District and Commune authorities largely adopt a “hands off” attitude to rural commerce.

2.9 Off-Farm Income Generation

Many rural households generate part of their income from activities other than primary production (agriculture, livestock, fisheries and forestry). Younger family members may travel to the cities in search of employment in manufacturing or construction. Others engage in small scale cottage industries such as bread and cake making, broom making, clay bricks, fish sauce, fishnet manufacture, rice paper, wine etc. There are also small-scale service providers such as carpenters, barbers, metalworkers, retailers, butchers and rice millers. The proportion of households who are not involved in any form of primary production is probably less than 10% in the Province as a whole and most of those are in Quang Ngai city. In the most populous districts the urban population is only about 4-8% of the total.

2.10 Conclusions

Rural commerce to generate cash income complements subsistence production of crops, livestock and marine products for around 90% of the Province’s people. Outside the state-owned industries, the rural commercial sector is largely unregulated, informal and oriented to the demands of the domestic market. The supply and demand of goods and services is unevenly distributed within the Province with the more populous lowland Districts enjoying a vibrant and rapidly expanding commercial environment, and the highland districts suffering from serious poverty and marketing constraints.

3 The Enabling Environment

3.1 Conditions for Thriving Rural Commerce

The following is a list of the conditions needed for a vibrant and competitive rural commercial sector as seen in advanced countries. Clearly Quang Ngai, Viet Nam, and indeed most developing countries, are far from achieving these conditions. But in order to make significant inroads on rural poverty there is a need to address the key items on the list which override Quang Ngai’s natural competitive advantages in rural enterprises. Whilst it is clear that many of these are beyond the scope of RUDEP it is instructive to review the list to identify specific initiatives in which RUDEP could make a contribution.

A. Legal and Regulatory Framework

- A system of property rights, particularly a land tenure system which gives acceptable security for investors.
 - A predictable and transparent system of taxation and government charges and taxes/charges which are internationally competitive.
 - A law enforcement system which provides an acceptable degree of protection for personnel and property.

- Food safety regulations and practices which give consumers confidence in the product.
- Environmental regulations which are enforced to avert threats to the sustainability of production systems and/or adverse consumer response.
- Fully documented export and import protocols for food and agricultural commodities and established procedures which allow for free flow of goods.
- A system of licensing or permitting which does not present a barrier to investment or unduly inhibit investor interest.

B. Macroeconomic Framework

- The level of protection provided to the agricultural sector and its major sub-sectors, compared with other tropical developing countries.
- Responsible fiscal and monetary policy which provides a stable and predictable financial environment.
- Ability to import, export, invest, transfer capital and repatriate profits with minimal intervention under agreed “rules of the game”.
- An acceptable degree of stability in prices and exchange rates, or the means to deal with uncertainties in these areas (forward contracting, hedging etc).

C. Financial Services

- Banking, credit and insurance services which are accessible to agribusiness investors as well as small farmers and rural Small and Medium Enterprises (SMEs).
- Other financial services needed by larger enterprises such as leasing, warehouse receipting, commodity price hedging, forex transactions etc.

D. Markets and Marketing Systems

- Quality assurance and product trading systems which transmit price/quality signals along the value chain from end-user to farmer.
- An independent product certification service-provider which is trusted by the market.
- Well developed marketing systems including market infrastructure, roads, transport, storage and processing facilities, market information services, product grading systems etc.
- Open competition within the marketing systems with fair and transparent trading practices and a level playing field with regard to market information and bargaining power.

E. Input Supplies

- Ready access to input supplies such as labour, water, seeds, fertilisers and pesticides, together with the information needed to use them effectively and safely.

F. Institutional Support

- Agricultural research institutions which are responsive to the needs of the sector and have the resources needed to conduct high priority research.
- Agricultural extension or advisory services providing relevant information and training to farmers.

- A quarantine and inspection service which can protect the agricultural sector from exotic pests and diseases and control internal spread of these.
- Effective farmer organisations and/or cooperatives, including village level groups which can be engaged to disseminate improved agricultural practices.
- Statistical information necessary to monitor key trends and provide a sound basis for sectoral planning and policy analysis.
- Agricultural training and education services to generate the sector's needs for skilled personnel.

G. Infrastructure

- Satisfactory telecommunication services and electricity supply in rural areas.
- Transport infrastructure, especially roads, bridges and ports, and systems in place to ensure that these are maintained or improved in line with demand.

3.2 Implications for RUDEP

Many of the conditions for a vibrant and prosperous rural commercial sector are not currently present in Quang Ngai Province or indeed in other parts of Viet Nam, and it will take many years until the enabling environment evolves to the point where this is so. Whilst RUDEP works mainly at grassroots level with small groups of rural households, there are opportunities for the Program to make a contribution to improving some aspects of the enabling environment. These opportunities are considered further in the formulation of an overall Program marketing and commercialisation strategy.

4 Key Strategic Issues in Rural Commercial Development

4.1 Comparative Advantage

The concept of comparative advantage is critical to the formulation of a marketing strategy which will make the most of Quang Ngai's rural development opportunities. Comparative advantage is often confused with competitive or absolute advantage but the two have very different meanings:

- **Comparative advantage** is what a region or country does best relative to the other things it can or could produce. For example if Region A can produce VND 6 million worth of sugar per hectare, but only VND 5 million worth of cassava on the same type of land it would have a comparative advantage in sugar relative to cassava.
- **Absolute or competitive advantage** is how well a region does something relative to other regions. For example if Region B can produce VND 7 million worth of sugar per hectare it would have an absolute advantage over region A in sugar production. However, if it could also produce VND 8 million worth of cassava on the same hectare, it would have a comparative advantage in cassava.

Comparative advantage is measured in terms of **opportunity cost**. If region A produces cassava rather than sugar the cost in terms of income (opportunity) foregone is VND 1 million. Even though Region B can produce sugar at lower cost than Region A (by virtue of its competitive advantage) the decision to grow sugar rather than cassava also comes at a cost of VND 1 million per hectare.

Everyone is better off if each region or country concentrates on the enterprises in which it enjoys comparative advantage, and imports other items from countries or regions which have comparative advantage on those items, provided of course that the transaction costs do not outweigh the overall gains. This may not seem entirely logical⁴ - surely it is better for each region to produce the items for which it is most competitive relative to other regions. If Region B can produce sugar better than Region A, why not do so?

The following simplified example illustrates the principle. Of both regions have 100 ha of land available for sugar and/or cassava production they could both decide to produce both items, say 50 ha of each (without trade scenario), or they could both decide to produce the item for which they have comparative advantage and procure the other item from the other region (with trade scenario). The example shows that whilst Region A can produce both sugar and cassava more efficiently than Region B, both regions are better off by concentrating on their comparative advantage.

	Without Trade		With Trade	
	Region A	Region B	Region A	Region B
Sugar revenue/ha	VND 6m/ha	VND 7m/ha	VND 6m/ha	
Cassava revenue/ha	VND 5m/ha	VND 8m/ha		VND 8m/ha
ha of Sugar	50	50	100	
ha of Cassava	50	50		100
Total sugar revenue	VND 300m	VND 350m	VND 600m	
Total cassava revenue	VND 250m	VND 400m		VND 800m
Total revenue per Region	VND 550m	VND 750m	VND 600m	VND 800m
Total Revenue	VND 1,300m		VND 1,400m	

This example illustrates the basic principles of comparative advantage and opportunity cost which are the rationale for spatial differentiation of economic activity and trade. Resources used in producing one item cannot be used for producing another, and the cost of producing one item should be considered in terms of the opportunity foregone by not producing an alternative.

If we assume in the sugar/cassava example above that the revenue differences arise from yield variations between the regions it can be seen in the table below that the opportunity cost of producing sugar is 0.833 tonnes of cassava in region A and 1.143 tonnes of cassava in Region B. Therefore it is clearly better to produce sugar in Region A, even though the yield is lower. The opposite situation applies for cassava.

	Region A	Region B
Sugar yield	12 t/ha	14 t/ha
Cassava yield	10 t/ha	16 t/ha
Cost of Producing 1 tonne of Sugar	0.833 t Cassava	1.143 t Cassava
Cost of Producing 1 tonne of Cassava	1.200 t Sugar	0.875 t Sugar

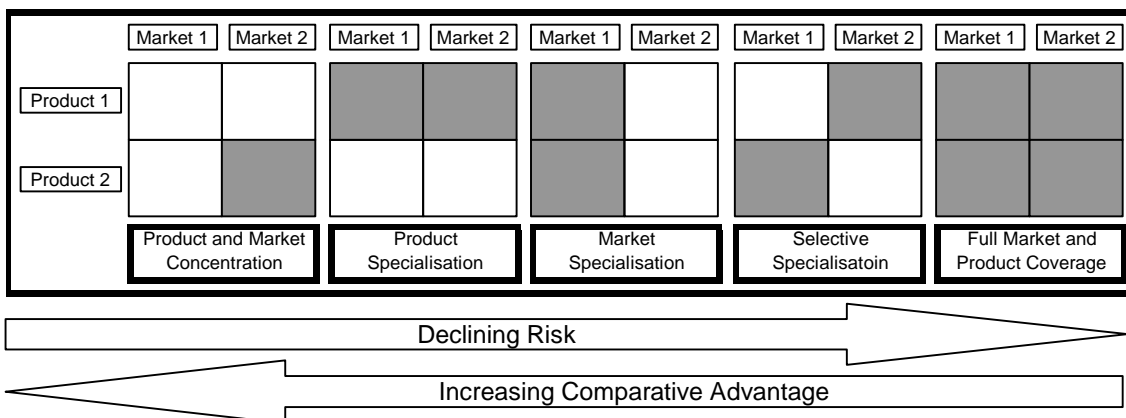
⁴ Comparative advantage has been described as the only principle of economics that is not intuitively obvious.

What do these principles mean for rural development in Quang Ngai Province? The reality is of course far more complex than the (two region x two commodity) example given here. Over time, in an unregulated, open and competitive environment there is a tendency to move towards enterprises which have a strong comparative advantage. But changes in costs, prices and technologies mean that the optimum is always moving. RUDEP does not prescribe what people should or should not produce, but it does facilitate a decision-making process which leads to such decisions. In doing so the principles of comparative advantage pose the following key question: “what is the best use of local resources at each location under the given agro-ecological and market conditions?”

Every region has a comparative advantage in something – what it does best relative to other things it can or could do - even though it may not have an absolute/competitive advantage in anything. Consider for example a remote upland area which has poor soils and high marketing costs. The cost of producing almost everything will be higher in such an area than in a more favoured location nearer to the market. But there are some enterprises the upland area does better than others in terms of the value of output per unit of resources used. The challenge for RUDEP is to identify those enterprises by helping people to review and evaluate the full range of options. This is in fact a more difficult task in the more favoured lowland areas where the options are much more numerous.

4.2 Specialisation Versus Diversification

The principles of comparative advantage dictate that every region and individual should concentrate on a small number of enterprises and markets and purchase other items. Farmers are also intuitively aware of this principle which is why there are large differences in the product mix between the different commercial zones in the Province. But farmers are also risk averse and poor farmers have a strong self-sufficiency mindset which makes them reluctant to specialise. The chart below illustrates the declining risk exposure associated with product and market diversification even though this means moving away from areas of strongest comparative advantage.



4.3 Marketing Finance

Finance and marketing issues are intertwined through the common practice of traders providing credit to farmers. The lending procedures are informal and unsecured with repayments deducted from the sale proceeds. In the absence of institutional credit most farmers have no other options to finance the growing of a crop or household expenditure

needs. Interest rates are high but this is not surprising in view of the risks of unsecured lending to poor households, and the small transaction amounts. The major complaint about this form of finance is that it biases market power in favour of the trader/moneylender. Farmers complain that they are forced to sell to the trader/moneylender and cannot seek alternative buyers, or that they are forced to sell immediately after harvest when prices are lowest.

The trader/moneylender is central to rural commerce throughout Viet Nam, and in fact throughout the rural areas of Asia except in areas where formal microfinance systems are in place. The practice is universally condemned as being exploitative particularly in outlying areas where farmers have fewer choices and competition between the trader/moneylenders is weaker. However, attempts to curtail or regulate it are usually ineffective or counterproductive. The only real solution is an effective microfinance system which can deliver reasonably priced credit to finance investment costs, seasonal operating costs and/or household needs. This allows a farmer to seek alternative markets for produce, to consider ways of adding value by storage and processing, or to simply defer sales until prices improve⁵.

RUDEP has the potential to help farmers achieve better marketing outcomes through operation of the Village Saving and Credit Facilities (VSCFs). The VSCFs generally advance funds for investment purposes in new or enhanced enterprises with good commercial potential. The use of VSCFs to finance crop production costs and/or household expenses could also help to break the connection with the trader/moneylender which currently constrains marketing options. Seasonal loans of this type need only be for a short term (say 3-4 months) and would not tie up VSCF resources for too long.

4.4 People and Skills

There are large variations within the Province in technical and commercial skill levels. These variations are strongly correlated with topography and infrastructure with the best educated and more commercially oriented people located in Zones 1 and 2 and those at the opposite end of the spectrum in Zones 4 and 5. Not unexpectedly, there is a high correlation between adult illiteracy and poverty levels, with the most severe poverty found amongst ethnic minorities who are unable to speak Vietnamese and are cut off from the commercial economy by both communication and transport factors. Against this background it is vital to consider ethno-social and educational factors in formulating commercial strategies for different parts of the Province.

4.5 Market Information

Markets can only be fair and efficient when buyers and sellers make decisions based on accurate and timely information. Such information comes in two categories: strategic and tactical.

⁵ Large seasonal price variations are a consequence of high interest costs. The difference between pre and post harvest prices for storable commodities such as grains is roughly equal to the interest cost plus direct storage costs. Where interest rates are high, immediate post-harvest prices are usually very low as the market is glutted by sellers eager to avoid paying interest.

- **Strategic Market Information** helps farmers decide what to produce, when, in what quantities, which markets and market channels to target and so on. It is all about making production decisions on the basis of a sound understanding of what the market wants, and the premiums and discounts which apply to different product attributes. Examples of strategic market information were given in the two previous reports of the Marketing Specialist which provided an analysis of quality characteristics and prices for cattle and pigs as a guide to optimal production and trading strategies. Strategic market information requires formal or informal research to help establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices can be realistically accepted. Poor farmers in isolated areas rarely have access to information of this type, and often attempt activities which are inappropriate for their circumstances.
- **Tactical Market Information** is needed to make day-to-day commercial decisions such as when to buy and sell and where the best prices can be obtained. In Quang Ngai the tactical market information is almost entirely the possession of the trader/moneylenders and this accentuates the already weak bargaining possession of the farmer/borrower.

The costs of gathering and analysing market information need not be borne by individuals since many farmers have the same needs, and in any case small farmers lack the resources to do this work. Therefore there is a strong case for external support in both the strategic and tactical aspects of market information, and a number of ways in which RUDEP can contribute.

4.6 Marketing Myths and Realities

The following is a list of general points about marketing which are relevant to the formulation of a marketing strategy for RUDEP.

- **Undiscovered opportunities are rare.** It is extremely unusual to unearth lucrative market opportunities just waiting to be exploited. In open market economies, if a need exists it is almost certain that someone will already be supplying it. Others can only win a share of the market by offering a better price of a more attractive product.
- On the rare occasions where new products or markets are discovered **“first mover” advantage is transitory.** First mover advantage occurs where someone comes up with a new product or service or identifies a new market niche where the competition is weak. In agricultural markets it is usually impossible to protect first mover advantage for very long as others soon learn about the product or market and competition quickly increases.
- It is **better to be in a growing market** than a shrinking one, but growing markets also attract strong competition and profit margins come under pressure. Supplying a growing market also calls for investment in production and marketing capacity.
- **Selling more doesn’t necessarily mean demand is increasing.** A market may be growing in volume, but only because prices are declining – this is not an increase in demand. A true increase in demand occurs where the market absorbs more of a product at the same or higher prices.
- **Markets become more discriminating** over time and customers demand continuous improvement in quality without paying more.

- **Middlemen are unnecessary** and cream off all the profit without contributing anything. This perception is ubiquitous in the rural areas of Asia, but middlemen are equally so. Whilst most farmers would prefer to bypass the middleman, they recognise that they cannot eliminate the middleman's functions of intermediation and financing. Clearly the middlemen do make a worthwhile contribution or nobody would use them. However, breaking the nexus between the trading and money lending functions would help to equalise bargaining power.
- **Everyone has a comparative advantage in something.** Comparative advantage (see definition in Section 4.1) is what can be done most profitably relative to the alternatives. Even the most remote and underdeveloped areas have some things which they do better than others. The key to commercial development in any rural area is for farmers to acquire the skills to identify where their comparative advantages lie and to respond to changes over time.
- **Information is critical to good marketing decisions.** True, but only up to a point. Strategic information about what the market wants, where, when, etc is certainly important. But tactical information on current prices is only useful if the seller has a choice. If a farmer has to sell today to repay a debt, or cannot process the product or transport it to alternative markets, the knowledge does little to improve his bargaining power.
- **Farmers are “price takers”** and have to accept whatever price is offered for their produce. This is generally true in the short-run, because there are many sellers and few buyers and a farmer who holds out for a higher price will end up not selling at all. But in the long-run most farmers do have options which influence the prices they receive. They can try new enterprises, upgrade quality, add value by processing, explore new market outlets, embark on cooperative marketing ventures etc.
- **Prices can be accurately predicted by experts.** Analysis of agricultural prices is a complex and specialised skill which also requires large amounts of accurate information. Some things like seasonal price cycles are repeated from year to year, but price forecasts, even by the most highly experienced market analysts, are often wrong. RUDEP does not have the resources to provide high quality market analysis and forecasting services and should avoid the temptation to become involved in this area. It is better to focus on getting the marketing fundamentals right without trying to “outguess” the market.

5 Commercial Zones and “Best Bet” Enterprises

5.1 Overview

Quang Ngai Province can be divided into five commercial zones on the basis of market opportunities and constraints. These are shown in the map in Annex 4. The more favoured zones have flat topography suited to irrigated paddy production, good infrastructure, high population density, and a relatively low incidence of poverty. The least favoured zones are the sparsely populated upland areas. However, all zones have a comparative advantage in some form or rural enterprise. The following sections provide a description of the five commercial zones which have been identified, the major market opportunities they are presented with and suggestions as to “best bet” commodities or enterprise best suited to each.

5.2 Zone 1: Quang Ngai Urban and Peri-Urban Zone

Description: Quang Ngai District and the surrounding area to a distance of about five kilometres including the southern part of Son Tinh, eastern and near western parts of Tu Nghia, and the north-western part of Nghia Hanh.

Market Opportunities: More than half of the Province's total consumer demand is concentrated in this Zone, and a relatively low percentage of population is engaged in agriculture or fisheries. Rural people in this Zone have ready access to the major urban markets and enjoy low transport costs, good availability of market information and relatively strong bargaining positions. The Zone is well linked to national and international markets.

Best-Bet Products: This Zone's main comparative advantage is in the production of high value bulky perishable items for the domestic market.

5.3 Zone 2: Coastal and Commercialised Lowland Strip

Description: A strip running the length of the Province and covering all of the area between the coast and the main highway, and a five kilometre strip west of the highway. Includes most of Binh Son, about half of Son Tinh (parts also included in Zone 1), the northern half of Nghia Hanh, and most of Mo Duc and Duc Pho. The Zone is also well linked to national and international markets and there is an active and competitive network of dealers seeking to procure items for transport north and south along the highway.

Market Opportunities: Zone 2 is favourably located for marketing of commodities destined for the major urban areas north and south of the Province, as well as Quang Ngai city and the larger towns along the highway.

Best-Bet Products: Zone 2 has a wide range of product options in view of its land and marine resources and proximity to the main north-south highway. The Zone's main comparative advantage is in production of paddy and other products of the rice-based lowland farming system, marine products (on the coast), livestock (pigs, cattle and poultry), fruit and vegetables.

5.4 Zone 3: Lowlands with Access to Commercialised Zone

Description: The area between Zone 2 and the foot slopes of the highlands. This is flat or gently undulating land of high agricultural potential and extends for considerable distances up some of the river valleys, for example along the Tra Khuc valley as far as Di Lang and beyond, or up the Tra Bong valley as far as Tra Xuan. It includes the most western part of Binh Son, several of the river valleys in Tra Bong and Son Ha, the western margins of Tu Nghia and Nghia Hanh, part of Minh Long and the Song Lien river valley of Ba To.

Market Opportunities: This Zone experiences weak local demand which declines from east to west, but generally has all-weather road access to Zones 1 and 2. However, transport and other marketing costs can be high, particularly in the more distant areas. Farmers are heavily dependent on intermediaries and have weak bargaining power.

Best-Bet Products: The natural resource base of Zone 3 is similar to Zone 2 (without the marine resources) but travel distances to markets are much greater. The preferred crop on flat land will always be paddy and the alluvial soils are well suited to easily transported crops such as maize, peanuts and Mungbeans. There is considerable scope for aquaculture and ruminant livestock.

5.5 Zone 4: Highlands with Road Access

Description: Areas with no or very limited flat land but with a road or track capable of carrying four-wheeled vehicles at least in the dry season. Zone 4 is generally interspersed with Zone 5 areas which together make up about two thirds of the Province by area, but with only about 10% of the population. Zones 4 and 5 cover most of Tra Bong, Son Ha, Minh Long and Ba To, and all of Son Tay.

Market Opportunities: Local demand is severely limited by low population density, low urbanisation, and the high incidence of poverty. Village and town markets are very small or non-existent, but there are some opportunities to transport produce to markets in Zones 2 and 3. Generally high value non-perishable commodities are favoured.

Best Bet Commodities: There is considerable scope for aquaculture and ruminant livestock. Commodities such as cocoa and coffee could be developed in Zone 4 as well as aquaculture and forest products. However most production activity in the Zone is oriented towards basic subsistence needs.

5.6 Zone 5: Inaccessible Highland Areas

Description: Remote highland areas only accessible by motorcycle, foot or boat. These areas are sparsely populated, generally by minorities, and extremely poor. Literacy levels are low and telecommunications and electricity are generally absent. The Zone covers an arc of 10-20 kilometres width from the north-west to the south-west of the Province in the Districts of Tra Bong, (including most of the new District of Cay Tra), all of Son Tay, the highlands of Son Ha, and most of Ba To other than the major river valley.

Market Opportunities: The Zone is extremely limited in terms of market opportunities. Local consumer demand is virtually zero due to low population density and very high poverty incidence. Almost everything produced is consumed within the household, and there is great difficulty and high costs associated with transporting commodities to Zones 1 and 2.

Best Bet Commodities: Items which meet basic needs such as staple food crops and vegetables, or high value non perishable commodities which can be stored for long periods and transported at low cost by foot, motorcycle or boat. In the latter category spices (eg pepper and cinnamon), coffee and cocoa are possible candidates.

Suitability of Various Commodities to Marketing Zones

Commodity	Zone 1 Urban & Peri Urban	Zone 2 Coast & Commerc. Lowlands	Zone 3 Lowlands With Access	Zone 4 Highlands With Access	Zone 5 Inaccess- -ible Highlands	Comments	
Livestock							
Buffalo						Most buffaloes found in Zones 3 and 4	
Cattle						Zones 2 and 3 have best supply of rice straw and near markets	
Chicken (eggs)						Demand concentrated in Zones 1 and 2	
Chickens (meat)							
Ducks (eggs)							
Ducks (meat)							
Earthworms							Complements chickens
Geckos						High value product, easily transported	
Goats						Easy to produce in highlands and transport to markets	
Honeybees							
Pigs						Need to be close to major demand centres and transport	
Rabbits							
Silkworms							
Major Field Crops							
Cassava						Can be a cash or subsistence crop	
Lowland rice						Preferred cash and subsistence crop wherever it can be grown.	
Maize							
Mungbeans							
Peanuts						Good cash crop for less accessible areas	
Sugarcane							
Sweet potato						Mainly grown as a source of fodder for livestock	
Upland rice						Source of food in highland areas - not a cash crop	
Secondary Crops							
Forage						Forage plots suitable wherever there are ruminant livestock	
Cotton						Good crop for isolated areas	
Lotus						Needs good supply of water	
Mushrooms						Best grown close to markets	
Soybean							
Taro							
Vegetables						Suitable for all Zones for subsistence consumption.	
Estate Crops							
Arabica coffee						Well suited to isolated high altitude areas	
Cocoa						Good smallholder crop for isolated areas	
Robusta coffee						Grows at lower altitudes than arabica	
Rubber						Needs reasonable road access	
Fruit and Nut Crops							
Betelnut						Very important cash crop in remote upland areas	
Cashews						Cashew industry being stimulated by DARD	
Bananas						Soft perishable fruits will grow over much of the Province but best suited to areas near demand centres in Zones 1 and 2	
Coconuts							
Jackfruit							
Mangoes							
Papayas							
Pineapples							
Plantains							
Pomelos							
Watermelons							Important seasonal cash crop on alluvial soils in river valleys

Most suitable
 Partly suitable

5.7 “Best Bet” Commodities

The following charts lists around 90 products or enterprises and their suitability for each of the five commercial zones. The shaded cells in the chart indicate “best bet” items for each zone.

Suitability of Various Commodities to Marketing Zones

Commodity	Zone 1 Urban & Peri Urban	Zone 2 Coast & Commerc. Lowlands	Zone 3 Lowlands With Access	Zone 4 Highlands With Access	Zone 5 Inaccess- -ible Highlands	Comments
Marine Harvest Products						
Fish						
Crabs						
Seaweed						
Shrimp						
Squid						

Marine Culture Products						Comments
Crabs						
Salt						
Seaweed						
Shrimp						

Aquaculture Products						Comments
Carp						The most suitable aquaculture sites are near springs and small streams coming off hillsides
Grass carp						
Mud carp						
Shrimp						
Tilapia						

Forest Products						Comments
Bamboo						
Bamboo shoots						
Charcoal						
Cinnamon						
Firewood						
Poles						
Woodchips						
Broom grass						

Non Farm Products						Comments
Cakes						Best to produce most of these items near the main centres of consumer demand
Bread						
Brooms						
Clay bricks						
Coal briquettes						
Coconut oil						
Coir products						
Fish sauce						
Fishnets						
Garments						
Noodles						
Rice Paper						
Wine						

Services						Comments
Carpentry						These services need to be offered in areas where consumers are willing and able to pay
Barbers						
Butchering						
Convenience stores						
Farm supplies						
Feed processing						
Metalwork/welding						
Motor cycle repair						
Restaurants						
Rice milling						

Most suitable
 Partly suitable

6 Conclusions and Recommendations

6.1 Overview

Marketing is an integral part of all commercial activities. It is the purpose of production, not just a consequence of production, and cannot be viewed in isolation from other aspects of commerce. Therefore the conclusions and recommendations given here are about creating the conditions in which rural commerce can expand and evolve, and helping rural households, particularly in the poorer areas, to be active participants in this process. Helping people to be better rural entrepreneurs and better at marketing can make a significant contribution to RUDEP's poverty alleviation objectives.

The commercial environment in Quang Ngai is dynamic and expanding quite rapidly along with population and incomes. This provides solid local demand for most rural commodities, and linkages to national and international markets for others. However the Province lacks many of the features of a fully developed rural commercial sector including: (a) some aspects of the legal, regulatory and macroeconomic environment; (b) rural financial services; (c) markets and marketing systems; (d) institutional support; and (e) marketing infrastructure. Furthermore there are enormous differences in the commercial environment between different parts of the Province. These differences are driven by population density, topography, land capability, poverty incidence, infrastructure, ethnicity, education levels and the many interactions between these factors. Such differences can be expected to diminish over time as the transport and communication network improves but will remain stark for the foreseeable future.

6.2 Marketing Strategy Objectives

RUDEP's Goal is to contribute to rural development, governance and poverty reduction in the Province. The Purpose is to empower poor households in selected to improve livelihoods sustainably through increased incomes within the risk framework of poor people.

RUDEP's marketing strategy relates to Component 1: Household Initiated Rural Income Generation. The objectives of component 1 are to assist households improve existing, and adopt new, income generating activities both on and off farm within the resources they are prepared to commit, in order to: use assets more productively; adopt modern technology and techniques; diversify their income base and support the opportunistic development of micro enterprises. In order to address these objectives Component 1 includes four outputs:

- Output 1.1** Stakeholders have the capacity to actively participate in activity planning processes.
- Output 1.2** Stakeholders with capacity to plan appropriate income generating activities considering technical, gender, and environmental issues; as well as off-farm income generating options and identify sources of funding for financial shortfalls.
- Output 1.3** Stakeholders with capacity to implement income generating and remunerative activities that add to livelihood diversity, stimulate the service sector, and make use of appropriate technology, financial management and sources of credit.
- Output 1.4** Stakeholders learn lessons from implementation and reflect these in subsequent annual activity plans prepared by them.

6.3 Strategy Options

In considering the options for pursuing the objectives and outputs of Component 1, two key questions arise. The first relates to whether RUDEP should address some of the big issues affecting the enabling environment for rural commerce (see Section 3.1) or whether it should confine itself to working with activity groups at grassroots level within the current systemic constraints.

The second question concerns the degree to which the Program should prescribe, recommend, promote or suggest commercial opportunities to households. Here there is a spectrum of choice from strongly prescriptive (“picking winners”) to a non-prescriptive or passive approach in which the Program facilitates a commercial decision-making process and helps households to implement whatever they choose. There is also an intermediate approach in which the Program makes “best bet” suggestions regarding the most suitable commercial activities and markets and leaves it to individual households to decide how to proceed.

6.4 Recommended RUDEP Marketing Strategy

As discussed in Section 3.1 there are many aspects of the enabling environment which affect the ability of households to generate income and accumulate wealth from small-scale commercial ventures. There is not much RUDEP can do about most of these given the resources at its disposal and the underlying philosophy of the Program which emphasises direct engagement with poor rural households and support for activities which are feasible under prevailing conditions. However, where there are opportunities to enhance aspects of the enabling environment they should not be denied. Marketing finance and market information are two examples where the Program can make a contribution to the alleviation of intractable systemic constraints in the commercial environment.

It is also recommended that the Program adopt an intermediate strategy with regard to the degree to which it advocates or promotes particular commercial opportunities. This is the “best bet” approach whereby the Program identifies a number of actual or potential enterprises which make reasonable sense in each of the commercial zones but leaves it to individuals to decide which to pursue.

The recommended strategy recognises that whilst there are a number of things that the Program can do to help rural households to make better marketing decisions, there are also limitations as to how much it can achieve. Operating at Provincial level, RUDEP cannot have a significant influence on National issues affecting the enabling environment. This is part of a much broader process of policy and governance reform, and for the most part RUDEP will have to work within the constraints as it finds them.

The strategy also recognises that there are no complete or perfect solutions to the marketing problems experienced by rural households. There are a number of partial solutions which can all make a contribution, but no lucrative market opportunities awaiting discovery, no complete means of avoiding dependency on the middlemen, and no easy way of delivering better market information to farmers. Every product and market niche is subject to competition and will become increasingly exposed to competition over time as the rural sector becomes more closely integrated with the mainstream economy.

6.5 Recommended Marketing Initiatives

The following is a list of initiatives which could be undertaken or supported by RUDEP to help rural households with the marketing of goods and services.

Provision of Market Information

RUDEP does not have the resources to collect and disseminate market information, and in any case such an approach would be unsustainable. However, there are several possible ways in which RUDEP could make a contribution.

It would be feasible to support and improve the market information service (see Section 2.6) provided by the Provincial Department of Finance and Pricing (DFP). RUDEP could provide computer hardware, software and training to facilitate analysis, reporting and timely dissemination of the information. The information could be posted on the RUDEP website where it would be available for anyone to use, including the Quang Ngai TV and radio services. Historical data held by DFP could also be entered into computer databases to analyse seasonal and long-term price trends which would be of value in recommending marketing strategies to rural households. In return for providing support RUDEP could request that the number of items monitored be expanded to cover all of those enterprises which are the subject of demonstrations or trials. This possibility has been discussed with DFP which has expressed interest in some form of collaboration.

The flow of market information could also be improved under some form of collaboration with Quang Ngai TV and radio. RUDEP could sponsor a regular market reporting service for selected products with information obtained either from an enhanced DFP service or collected directly by the station from their usual sources. In addition, RUDEP could consider sponsoring documentary stories about interesting or innovative marketing initiatives. Both the market reporting and documentaries could form part of a wider media relations program currently being discussed with the TV/Radio service.

Marketing Finance

RUDEP has the potential to make a significant contribution to breaking the link between moneylenders and traders which severely constrains marketing options (see Section 4.3). Whilst the VSCFs are mainly intended to advance loans for investment purposes including both fixed and working capital, there is no valid reason why they should not also be used to finance household expenditure or stockholding costs to enable households to avoid the need to sell produce immediately after harvest when prices are at their lowest. This applies particularly to grain crops (paddy, maize, peanuts etc) which can be easily stored and which exhibit a strong and fairly predictable seasonal price pattern. The ability to defer sales by 2-3 months can make a big difference to prices for these commodities and would easily cover the 1% monthly interest cost.

The short term nature of marketing loans means that VSCF resources would not have to be tied up for too long. However, a possible problem is that all of the fund members would tend to be seeking such loans at the same time, which is also the time when savings balances are likely to be at their lowest.

Marketing Study Tours

Study tours are an effective way of raising commercial awareness and are already in regular use for this purpose. They present an opportunity for farmers to develop a better understanding of what happens to their produce after it is sold, what customers want at

different stages in the marketing pipeline, and the costs and margins incurred. This information places them in a stronger position to evaluate alternative products and marketing strategies.

Cooperative or Group Marketing

There is potential for members of an activity group or VSCF to join together in collective marketing initiatives. These could include simple *ad hoc* measures such as joining together to hire a truck for transporting produce to market, thereby reducing the unit costs of transport and possibly bypassing a middleman as well. RUDEP could easily help in organising such arrangements.

A more complex and potentially risky initiative would be the formation of marketing associations or cooperatives to purchase produce from their members (and possibly others) for subsequent storage, processing or marketing. This involves farmers taking over the functions currently provided by moneylenders and traders and calls for a much higher level of managerial expertise as well as formally constituted farmer organisations. The VSCFs could evolve into such organisations over time but it would not be wise to move too quickly in this direction, at least until the credit functions are working smoothly.

Brokering Services

Brokers are intermediaries who bring buyers and sellers into contact with each other, and charge a commission on the value of business transacted. In some situations RUDEP can perform a valuable (free of charge) brokerage function to improve prices received by farmers. Where an activity group has a significant amount of produce for sale, RUDEP can alert potential customers to the existence of a buying opportunity and thereby increase competition for the produce. These arrangements have benefits for buyers too as it reduces their procurement costs. For some items like cattle buyers spend a lot of time and money finding and buying individual animals.

Training and Extension in Marketing Skills

Most rural people, but particularly those in the less accessible areas, would benefit from training and extension support to improve their commercial awareness and marketing skills. The most important skill is the ability to analyse marketing options and make informed marketing decisions. A marketing extension guide (see Annex 2) has been prepared to assist extension workers and others in regular contact with rural communities, help rural people to make better marketing decisions in terms of what they produce and how and where they choose to sell it. The guide explains how prices are determined and why prices change, how marketing costs and margins are estimated, how to compare alternative approaches to marketing, and some of the ways in which farmers can be helped to obtain better prices and select the best marketing options.

The ethnic minorities in remote highland areas are disadvantaged by their inability to speak the language of commerce, and in many cases by their poor literacy and numeracy skills. In these circumstances there is a case for providing more basic commercial awareness training which includes literacy and numeracy.

Marketing Infrastructure and Equipment

When roads are created or improved, production and marketing options proliferate. RUDEP has supported some construction of feeder roads, but does not have the financial resources to make a significant contribution to the problem of road access in isolated areas.

RUDEP can however assist in financing the purchase of processing and marketing equipment via the VSCFs. A number of opportunities for income generation have been identified by the off-farm enterprise consultant. These are all enterprises which currently exist somewhere in the Province and generally involve adding value to locally produced raw materials such as grains, fish, wood etc. It is noted however that small-scale enterprises of this nature will come under increasing competitive pressure from industrially produced goods as rural areas integrate more closely with the mainstream economy. A number of traditional village industries have already disappeared (eg pottery, weaving and furniture making) due to the ready availability of cheap industrial goods.

Opportunities to add value to primary products or invest in other off-farm enterprises should be handled in the normal way by careful investigation and demonstration before wider adoption. Where such enterprises are reliant on a local market RUDEP should avoid establishing too many units in a particular neighborhood.

Identification of New Products and Markets

It is extremely rare to find un-exploited market opportunities, and most new product launches fail. These generalizations apply across a wide range of product and market categories. However, because of poor communications and education standards some rural communities may be uninformed about profitable product and market opportunities, and RUDEP can play a useful role in raising awareness of such opportunities. RUDEP is already doing this and has initiated trials or demonstrations in some new/unconventional enterprises such as gecko raising and earthworms and has identified a potential market for coconut fibre (coir).

Because of the risks involved in new products and markets, RUDEP should exercise caution in this area by ensuring that opportunities are only introduced to communities with an appropriate level of skills, that technical and financial feasibility studies are completed, and trials or demonstrations are undertaken before advocating further adoption. In the majority of situations it will be preferable to work with existing products and markets by improving production technology and marketing efficiency.

6.6 Possible Service Providers

RUDEP has had discussions with the Business Promotion and Service Centre (BPSC) from Hanoi regarding the conduct of training courses in farm business management which include aspects of marketing. BPSC's short courses use a farm management game known as Entrefarm to provide practical experience in commercial skills. These courses would appear to be appropriate for RUDEP staff and Provincial/District extension workers, and it would be worth running a few courses to see how they go.

7 Comments on Specific Enterprises

7.1 Cattle Breeding

There is strong interest among rural households in acquiring cattle for breeding purposes. Generally farmers are more interested in breeding than finishing cattle. The two ventures have very different objectives. Cattle finishing is a short-term income generating activity, whereas cattle breeding is a long-term asset accumulation exercise. Households place great value on cattle as a store of wealth that can be liquidated in times of need.

In view of the strong interest the question has been raised as to whether RUDEP should support investments in cattle breeding via loans from the VSCFs. This would not be an appropriate use of VSCF resources as it would tie up VSCF funds for too long. If the loan was to be repaid from sale of calves at say one year old, it would take a somewhere between three and four years to produce and raise two calves to the age of one year. At 1% per month the accumulated interest over this period would very likely render the exercise marginal and in any case would deny other members the opportunity to use the funds for quick maturing investments.

7.2 Pig Breeding

The breeding of pigs for sale to people who grow them out to slaughter weight is a popular activity and is well suited to households which are away from man roads, because small pigs are easy to transport on motorcycles. The usual approach is to purchase a Mong Cai sow for crossbreeding with an improved breed to produce F1 hybrid piglets. The piglets can be sold in one of the many markets at anywhere between about 5kg and 30kg. Mong Cai sows are easy to manage and produce large litter sizes. Sows purchased at say 20 kg would require about three months to reach mating age, a further four months for gestation, and say one month until the piglets are ready for sale. Therefore the first cycle would take eight or nine months to complete and subsequent cycles would take about six months, assuming two litters per year.

VSCF finance would be needed to acquire the young sow and purchase feed and animal health requisites. This is an activity which is very suitable for poor rural households since it does not involve large financial outlays and entails relatively low risk. It would appear to be a sensible use of VSCF resources.

7.3 Goats

Although goats are quite uncommon in the Province there is currently strong interest in goat breeding and young breeding females are selling for VND 2-3 million. Young males sell for much lower prices. The large difference in prices between males and females indicates that there is very strong demand for breeding stock versus meat. A few restaurants specialise in goat meat dishes, but it is difficult to judge how large the market for goat meat really is. In the immediate future there appears to be good money in breeding goats for sale of breeding stock to other aspiring goat breeders. This is fine as long as there is a stream of new people coming into the industry, but at some point in the future goat raising will have to be justified on the basis of meat value.

The current initiatives in goat raising should be supported by RUDEP as goats are well suited to income generation in poor rural households. However a close watch should be kept on the capacity of the local market to absorb increasing offtake of male goats for slaughter.

7.4 Aquaculture

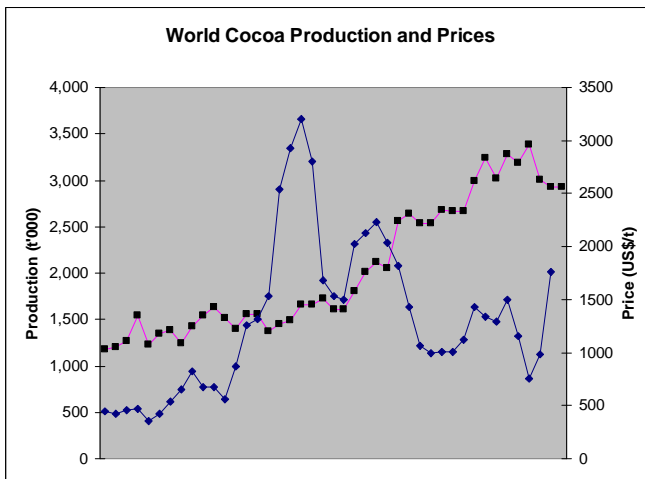
In considering the potential for marketing aquaculture products it is worth a brief review of the fishery and aquaculture sector in Viet Nam. Viet Nam produces about 1.5 million tonnes of marine and freshwater products per year of which around 72% comes from marine fishing, 20% from aquaculture and 8% from freshwater fishing. After deducting exports of about 140,000 tonnes this leaves about 17.0 kg per capita of domestic consumption which is a little less than the level of pork consumption.

The marine fishery consists of four sectors: coastal (beaches, estuaries and lagoons), inshore (up to 5km to sea), shallow offshore and deep offshore. The coastal and inshore sectors are very heavily exploited and mainly provide subsistence and low value catch for local markets. The shallow offshore sector supports about 20,000 wooden trawlers and provides 90% of the commercial catch. There are only about 100 Vietnamese vessels working the deep sea resource although illegal foreign vessels are also believed to be present. The marine catch is believed to be at or above its sustainable level and catch per unit of fishing effort is declining.

Freshwater aquaculture is concentrated in the Mekong and Red River deltas and has developed rapidly during the last decade. About 75% of production is carp with most of the rest being catfish. Brackish water aquaculture is also expanding rapidly and is said to have potential to produce over 100,000 tonnes per year.

The few farmers who currently produce freshwater fish in Quang Ngai report no problems in selling them, but the current output is very small, and it is difficult draw conclusions about the future level of demand. The efforts of the Fisheries Department working in partnership with RUDEP will increase the supply of freshwater fish in the coming years, but this is likely to be outweighed by the decline in the marine catch. Real prices for fish will probably increase nationwide in response to demand growth and supply shrinkage. Prospects for profitable production and marketing of freshwater fish in Quang Ngai are therefore sound, but there is much to be learned about the marketability of various species, the optimal seasonality relative to the marine catch, and the methods of distribution and sale, particularly from the more remote inland sites.

7.5 Cocoa



Some cocoa is grown in the Province, but mainly for consumption of fresh beans, and there is no cocoa industry which produces the fermented and dried product which is the internationally traded commodity. As shown in the chart, World trade in cocoa is growing steadily although prices are in long-term downtrend. Viet Nam is a very small producer of cocoa although several of the major cocoa/chocolate

multinationals are considering initiatives to develop Viet Nam as a major supply source. The World Cocoa Foundation, which represents the American chocolate industry, Masterfoods (the manufacturer of Mars Bars and M&Ms) and ED&F Man (a major commodity trader) are among the organisations involved in development of the industry. The Viet Nam Coffee and Cocoa Association (Vicfoa) has announced plans to expand the nations cocoa growing area from the current 10,000 ha to 100,000 ha by 2010 which would make Viet Nam the fifth largest producer behind Cote D'Ivoire, Ghana, Brazil and Cameroon. These countries jointly produce about 1.7 million tonnes of cocoa.

Viet Nam's success in becoming a major world player in the coffee industry gives every reason for confidence that it could also do so with cocoa. Cocoa is a good smallholder crop and is very easy to market provided it is correctly fermented, dried, graded, packed and stored. However, the establishment of a cocoa industry in Quang Ngai would be a major undertaking which is probably beyond the resources of RUDEP. It would require the establishment of nurseries, farmer training, credit to finance plantation establishment, and the creation of a cocoa collection and storage system which links individual smallholders with the international commodity trade. RUDEP could however contribute by helping to forge a relationship with one of the major multinationals which has an interest and expertise to nurture the development of the industry.

8 Effect of Livestock Disease Outbreaks

8.1 Avian Influenza

The current outbreak of a strain of avian influenza which is lethal to humans has been effectively contained by a ban on the movement and marketing of chickens and eggs. Affected commercial poultry flocks have been destroyed, but there has been no attempt to eliminate village chickens. These measures have been successful in controlling the disease in poultry and preventing significant spread to humans, and are expected to be lifted within a few weeks. The question has been raised as to what effect the outbreak is likely to have on the market for poultry and eggs.

During the course of the outbreak the non-availability of poultry products had boosted demand for other products such as seafood, freshwater fish, beef and pork with the result that prices of these products have risen. It is expected that demand for poultry products will fairly quickly return to normal once the movement and marketing bans are lifted. There are two reasons for this assessment. Firstly, there is no evidence that consumption of chicken meat or eggs can transmit the disease to humans provided these are properly cooked, and therefore no valid reason why people should be wary about eating poultry products after the outbreak has passed. Secondly, the evidence from other food safety scares, even where there have been valid reasons for concern, is that confidence in the product is restored once the matter has been dealt with. Examples include Bovine Spongiform Encephalopathy (BSE) in cattle, salmonella in eggs, and *E.coli* in processed meat products and oysters. In all cases there was a sudden drop in consumption followed by a recovery as people weigh up the risks of consumption relative to other risks.

8.2 Foot and Mouth Disease

Quang Ngai has also experienced a recent outbreak of foot and mouth disease (FMD). This affects cattle, buffaloes, pigs, sheep and goats but it rarely causes mortalities and affected animals usually recover completely after a month or so. It is not transmissible to humans and there is no human equivalent of the disease. Even though it is usually a mild disease in animals, FMD is extremely infectious and countries which are free of the disease will not import animals or animal products from countries where FMD is present or suspected of being present or which vaccinate against the disease⁶. Control of the disease in countries where it is normally present can be by vaccination and/or control of livestock movement. Outbreaks of exotic FMD in countries where it is not normally

⁶ Vaccination will prevent disease symptoms appearing but can also conceal the presence of the virus. FMD free countries therefore consider vaccination as equivalent to the presence of the disease.

present and which do not vaccinate against it, is usually by slaughter of infected or suspect animals.

The huge outbreak of FMD in the UK during 2002 was controlled by destroying vast numbers of livestock and freezing the movement of animals. This followed on from the mismanaged BSE crisis which eventually required the slaughter of all cattle older than two years. These events triggered a widespread consumer backlash against red meat consumption and completely blocked all exports of meat and livestock.

There are no reasons to expect a similar response to the recent FMD outbreak in Quang Ngai. Firstly, FMD is endemic in Viet Nam and there is nothing really unusual about the current outbreak. Secondly, the control methods employed do not involve destroying infected or suspect animals, and thirdly the outbreak does not change Viet Nam's FMD status from an international trade perspective.

Limitations

URS Australia Pty Ltd (URS) has prepared this report for the use of AusAID Quang Ngai Rural Development Program in accordance with the usual care and thoroughness of the consulting profession. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the Program Design Document.

The methodology adopted and sources of information used by URS are outlined in this report. URS has made no independent verification of this information beyond the agreed scope of works and URS assumes no responsibility for any inaccuracies or omissions. No indications were found during our investigations that information contained in this report as provided to URS was false.

This report was prepared during March 2004 and is based on the conditions encountered and information reviewed at the time of preparation. URS disclaims responsibility for any changes that may have occurred after this time.

This report should be read in full. No responsibility is accepted for use of any part of this report in any other context or for any other purpose or by third parties. This report does not purport to give legal advice. Legal advice can only be given by qualified legal practitioners.

Annex 2: Marketing Extension Guide

Introduction

This guide has been prepared to assist extension workers and others in regular contact with rural communities, help rural people to make better marketing decisions in terms of what they produce and how and where they choose to sell it. The guide explains how prices are determined and why prices change, how marketing costs and margins are estimated, how to compare alternative approaches to marketing, and some of the ways in which farmers can be helped to obtain better prices and select the best marketing options.

These issues are already very important in the more commercialised areas of Quang Ngai Province where farmers are buying and selling items on a regular basis and where there are numerous options as to how and when this is done. In the more isolated areas households are more concerned with subsistence activities, but as the transport and communications network is improved, they will be increasingly exposed to the market economy, and need to acquire greater commercial awareness in order to reap the potential benefits. Throughout the Province, farmers need to become more market oriented in order to make informed decisions about when, what and how to market.

As the economy develops and modernises farmers have the opportunity to supply a wider range of products but they need to have more information about product specifications, markets and prices, in particular:

- Who and where the buyers are, how they can be contacted, what their terms of business are, and what are the products they are seeking.
- Current prices and supplies which help farmers decide whether to sell their produce on a particular day, or wait in the hope that prices will improve, and to know whether prices offered are fair and reasonable.
- Long-term or historical price data which provides and insight into price trends and seasonal patterns.

What is Marketing?

Marketing is a process whereby the supplier of a product or service finds out what the consumer wants and supplies it at a profit.

What is Supply?

Supply is the amount producers are prepared to sell at a certain price. The amount that producers supply depends on:

- The price of the item in the market
- The cost of producing the item
- Technological factors (especially crop yields)
- The weather
- Storage possibilities

The lower the price, the less which will be produced by farmers and the higher the price the more that will be supplied.

Supply is not always equal to production as farmers may decide not to harvest and sell a crop if prices are too low to cover harvest and marketing costs. If farmers believe that prices will rise they may harvest and store a crop thereby withholding supplies until better prices are available.

What is Demand?

Demand is how much consumers are prepared to buy at the market price. For agricultural products the amount consumers are prepared to buy depends on:

- The price of the items
- Tastes and preferences of consumers
- The number of consumers
- Incomes of consumers
- Prices of related items
- The range of goods available.

The lower the price the more will be purchased and the higher the price the less will be purchased.

Demand is not how much people would like to buy or need to buy for a healthy diet. It is how much they are prepared to buy at the market price.

How are Prices Determined?

In an open market system where Government does not intervene in determining prices the price of a product is determined by supply and demand. A balance is achieved between what farmers and dealers are prepared to supply and how much consumers are willing to pay. If prices are rising farmers and dealers try to produce and supply more, but consumers are willing to buy less, so prices fall until a new equilibrium is reached.

Why Do Prices Fluctuate in the Short Term?

Some items, especially perishable produce such as fish, fruit and vegetables experience large short term price fluctuations. The main causes of these fluctuations are:

- **Quantities available:** changes in the supply on offer on a particular day and the quantities sold in the previous few days. This can be affected by seasonal factors, weather, imports and exports from/to other areas etc. If a large amount has been sold on preceding days there may be shortages until new supplies can be arranged.
- **Competing products:** if only one type of fruit (say mangoes) is available consumers will have no choice but to pay more when supplies are scarce. But if oranges, pineapples and apples are also available consumers have more choice and will refuse to pay more for mangoes. And even though mango supplies may be the same from day to day, changes in the supply of other fruits will influence the price of mangoes.

What Causes Longer-Term Price Changes?

In addition to day-to-day price fluctuations there are supply and demand factors which influence the long-term price trends and cycles. For a perishable seasonal crop such as

tomatoes the price trend will depend mainly on when the crop is ready for harvest in the main producing area. For staple grains such as cereals and pulses which can be stored for long periods, prices depend on how much is produced in a season or a year, as well as international supply and demand factors.

Supply to the market can be influenced by:

- **Price expectations** – if prices in one year are bad farmers will often produce less in the following year, or will produce more in a year following good prices. This leads to cyclical prices - up one year and down the next. The amount planted basically depends on price expectations, which are strongly influenced by recent experience.
- **Weather** – exceptionally wet, dry, hot or cold conditions often influence supply.
- **Imports and exports** – if prices rise to much higher levels than world markets, imports may be attracted, and low prices may entice exporters to buy in the local market.
- **Storage decisions** – these depend on the nature of the commodity and farmers' need for money in the post harvest period. Often farmers know they will receive more if they defer sales by storing the product but cannot do so because they need to repay loans or meet other urgent family needs.

Changes in **Demand** can arise from:

- **Price changes** – demand always falls as prices rise, but for some items more than others. If the price of food staples rises people will tend to reduce expenditure on less essential items and the amount of food staple purchased may not decline very much. Likewise if prices fall people may buy a little bit more, but they can only eat so much staple food and will tend to use the savings on buying other things. For non-essential or “luxury” foods such as meat and fish price changes generally have a larger effect on demand.
- **Holidays and festivals** – demand for some items is particularly high at certain times of the year. However this does not necessarily mean higher prices as supply may also be higher.
- **Consumer incomes** – for most items increasing consumer incomes means increasing demand, although the effect is less evident for staple foods than for high value and “luxury” foods.
- **Consumer tastes** – likes and dislikes change over time as peoples lifestyle changes and they become exposed to new products and services.

Marketing Costs

The stages involved in transferring produce from the farm to the consumer is known as the **marketing chain**. All of these stages involve costs, which someone has to pay for.

At the simplest level the costs may just be the time taken by a farmer to transport his goods to market, and stay there until his/her vegetables are sold. Marketing chains can also be very complex involving multiple stages of storage, transport, processing, grading and packaging.

Why are prices in the shops so much higher than prices paid to the farmer? The costs involved with marketing are not always fully understood because the costs are not always visible. For this reason those doing the marketing are often accused of making unreasonable profits. People look at the difference between prices received by farmers and retail prices and assume that farmers are being exploited by dealers. Sometimes this is true, but on other occasions it is not. At times the dealers may actually lose money.

The more complex and lengthy the marketing chain the higher the marketing costs. If a farmer lives 20 km from market he/she will generally receive a higher share of the final price than one who lives 60 km away because of lower transport costs. A producer of a perishable crop is likely to receive a lower share of the final price than the producer of a non-perishable crop because transport costs are high and some of the crop may be unsaleable by the time it reaches market. Thus in comparing farmer and consumer prices we need to be fully aware of all the costs involved. These include:

- **Production, Preparation and Packaging Costs:** these include the cost of harvesting the produce and packaging it in a form suitable for transport to the next stage in the marketing chain. Attempts to save money on packaging can actually reduce profitability if they cause product damage or deterioration.
- **Handling Costs:** these may include loading and unloading, placing in a storehouse and removal from the storehouse. Individually these costs do not amount to much but over the length of a complex marketing chain they can be significant.
- **Transport Costs:** sometimes transport costs are simple to estimate because the farmer or trader plays a set price per kilogram to the transporters. At other times the produce is carried in sacks or baskets and farmers or traders may hire a vehicle (motorcycle or truck) to transport a variety of items. This makes it difficult to estimate the actual per kilogram costs.
- **Product Losses:** these are common in agricultural produce marketing. Even if nothing is actually thrown away products may lose weight and quality during storage and transit.
- **Storage Costs:** these are important for many products. The main purpose of storage is to extend the availability of produce over a longer period. Storage costs depend on the costs of constructing and operating a storage facility, losses which may be incurred (eg due to rats or insects) and the cost of interest on the purchase price or value of the goods stored.
- **Processing Costs:** grains such as wheat and maize have to be milled, sugar crushed, cassava dried etc. In estimating processing costs we need to know the conversion factor from raw weight to processed weight and also the value of any by-products (eg rice bran). Processing costs can vary according to processing efficiency (conversion factor) as well as the direct costs per kg processed.
- **Capital costs:** these may not be very visible but can be important. Traders need money to buy produce, and the cost of that capital, whether borrowed from a bank or the trader's own funds has to be considered. The longer produce takes to pass along a marketing chain, the higher the capital costs.
- **Fees and Commissions:** in some cases there may be agent's commissions to pay or municipal market fees.

Prices and Margins

The price paid by the eventual consumer includes the amount of money paid to the farmer, plus all of the costs involved in transporting it to the consumer and processing, packaging

etc, plus the profit margins earned by everyone in the marketing chain. Consider the following example where a farmer sells mangoes to a trader for VND 4,000 per kg, the trader transports the fruit a short distance and sells to a second trader for VND 5,200 per kg who sorts and packs the mangoes into baskets and transports them to a city market where they are sold to a retailer, who subsequently sells them to a consumer for VND 10,000 per kg.

	Buying Price	Costs	Margins	Selling Price
Farmer				4,000
First Trader	4,000	800	400	5,200
Second Trader	5,200	2,000	800	8,000
Retailer	8,000	500	1,500	10,000

In this case the farmer would receive 40% of the eventual retail price. Marketing costs (handling, transport, storage, losses etc) amount to 33% of the retail price, and profit margins for the traders and retailers are the remaining 27%.

When farmers are considering their marketing options they need to have a good understanding of the marketing costs and margins as shown in this example. It is tempting to believe that by eliminating the traders or middlemen the farmer can improve the price received, but this is only true if the farmer can perform the functions of the traders at a similar or lower cost. This is often difficult because the farmer only has small amounts of produce to sell, and cannot procure transport or other services as cheaply as the trader.

It is also important to understand that when a trader pays a farmer a fixed price, the trader is accepting the downstream price risk. Sometimes prices will move against the traders and sometimes they will move in their favour. In seeking to cut out the middlemen farmers need to realise that they must bear the price risks previously borne by the middlemen.

Adding Value

Eliminating middlemen does not add value, it just transfers the marketing costs and margins, and associated risks, from the middlemen to the farmer. However there are often ways in which the farmer or other participants in the marketing system can add value to produce so that the final selling (retail) price is higher. The following are some examples of value adding for farm products:

Product	Value Adding Activity
Fruit	Grading and packing, juicing
Meat	Cooking or drying
Eggs	Grading, cleaning and packing
Chickens	Slaughtering and cutting into convenient pieces
Vegetables	Grading, packing, drying, pickling
Cassava	Chipping and drying
Grains	Milling, bagging, mixing into livestock feeds
Paddy/rice	Drying, storage and milling
Cocoa	Fermentation, drying, grading and bagging

Value adding can increase the prices farmers receive, but each value adding opportunity needs to be carefully evaluated and tested because there will always be costs involved in processing, storage, grading, packaging etc. Here again it only makes sense for farmers add value if they can do so at a competitive price. If they cannot, it is better for them to concentrate on improving their production activities and leave the value adding to others.

To evaluate a value adding opportunity the following questions need to be considered:

- What are the characteristics of the product to be produced and what is the size and value of the market?
- Who else is producing similar products and at what prices are they selling?
- What is involved in producing the product – raw materials, labour, equipment, ingredients, packaging materials etc?
- What is the cost of producing the value added item, including both capital and operating costs?
- What is the likely profit?
- What are the risks?

Marketing Channels

Most farmers have some degree of choice in how they market their products. The following are some examples of different marketing channels a farmer may decide to use:

- Selling unprocessed produce locally to neighbours, relatives or anyone else who wishes to buy.
- Selling unprocessed produce to traders, dealers, middlemen etc – this is the most common marketing channel currently used by farmers in Quang Ngai Province.
- Processing or value adding on-farm and subsequent sale to consumers or middlemen.
- Sale in a local village market.
- Direct selling in a larger town or city market.
- Supply to processing plants (eg sugar and cassava processing facilities).
- Contract selling whereby there is an agreement to sell the produce at a fixed price before production is carried out.
- Selling through a marketing cooperative or some other form of farmer organisation.

In selecting which marketing channels to use the important question is: **“how much money can the farmer expect to receive for a given amount of produce?”** This is not the same as asking what percentage of the final retail price the farmer is likely to receive. It is quite possible that value adding, transporting, storing etc may mean that the farmer receives a lower percentage of the final price but a higher actual price per kilogram. Consider the following example:

Here the best option is clearly the city market even though the farmer’s share of the retail price is lower.

	Local Market (VND/kg)	City Market (VND/kg)
Farmgate Price	4,000	5,000
Marketing Costs	3,000	5,000
Marketing Margins	1,000	2,000
Retail Price	8,000	12,000
Farmer Share of Retail Price	50%	42%

Financing Marketing Activities

Marketing is part of the production process and always incurs costs including the time of the people doing the marketing tasks plus some or all of the marketing costs listed above. Since the marketing costs are incurred before the income is received, farmers have to decide how to finance these costs. This usually has two important consequences:

- since farmers are often very short of money at the time of harvesting their crops, selling their animals etc, they are forced to choose the marketing channel which minimises their marketing costs, even though this may also reduce their net financial returns; and
- because farmers do not have access to bank loans they are forced to borrow from informal moneylenders to finance marketing and other costs. Such loans incur very high interest charges which necessitate selling immediately after harvest when prices are at their lowest. The credit may also be tied to a marketing arrangement in which the moneylender buys the produce at a price and time of his own choosing.

Farmers who have a source of low-cost finance for marketing their produce have much wider choice of marketing channels and value adding options. Storing grain for a few months after harvest, holding livestock until a festival or holiday period, or hiring a truck to transport produce to a city market, may achieve much better prices. But these things can only be done if the farmer has access to finance.

Common Marketing Problems

Small farmers frequently encounter a number of common problems in marketing, which are usually more severe in the sparsely populated and remote areas. These include:

- Lack of market information to assist in deciding what to produce, how and when to sell and what prices to expect.
- Lack of appropriate harvesting, storage, processing and packing facilities.
- Lack of marketing finance.
- Seasonal price fluctuations with very low prices during the harvest period.
- Inability to organise or pay for transport which necessitates selling at lower prices to dealers and middlemen.
- Lack of technical knowledge in packaging, grading or processing.
- Inadequate understanding of the quality characteristics demanded by consumers.
- Production of low volumes and with poor quality.
- Lack of local marketing infrastructure.
- Weak bargaining power relative to buyers and collusion amongst dealers and traders.
- Low managerial capacity in marketing boards and marketing cooperatives.

Evaluating Marketing Alternatives

Most farmers and some extension officers believe that they are powerless when it comes to marketing decisions and just have to accept whatever price is offered to them. Whilst it is true that individual farmers usually have rather weak bargaining power, there are nearly always alternative products, markets and marketing methods which can be explored in order to make an informed decision on what to produce, which markets to target and the prices to be expected. However, poor farmers lack the information and analytical skills to evaluate these alternatives.

The first step in evaluating marketing alternatives is analysis of the present marketing costs and margins. This defines the baseline situation against which alternatives can be compared. Remember that the key criterion for decision making is the actual amount of money paid to the farmer, not the farmer's percentage share of the retail price. Alternatives to be considered can be grouped into several categories:

Product Alternatives

- New or modified products which are closer to customer needs
- Add value by processing
- Improve quality and/or product grading
- Invest in processing, storage and transport facilities
- Improve packaging and presentation of products

Positioning Alternatives

- Try different selling locations
- Produce and sell at different time
- Store and sell later

Alternative Marketing Channels

- Find new buyers who are prepared to offer better prices
- Try group or cooperative marketing
- Direct marketing to bypass one or more middlemen
- Contract marketing arrangements

Helping Farmers with Marketing

The following are some examples of how farmers can be assisted to improve their marketing activities.

- Helping farmers to organise to bring produce on a specific day to a specific spot so that it can be bulked together and hire a truck to reduce transport costs.
- Provision of market information which may be readily available but inaccessible to individual smallholders.
- Assisting farmers to organise themselves into marketing groups.
- Organising marketing study tours for groups of farmers.
- Helping to form strategic partnerships between farmers, service providers (eg fertiliser suppliers) value adders, training institutions, NGOs etc.
- Reducing transaction costs through bulk buying of inputs for use by individual members of a group.
- Advising on the product specifications needed to obtain the best prices in different markets.
- Investigating options for contract production to provide greater certainty in prices.

Marketing Extension Skills

In order to assist farmers address their marketing problems and opportunities extension staff should try to develop a full understanding of production and marketing possibilities in their area. They should know and keep up-to-date on:

- The main items produced by rural families in their local area.
- Where are the markets and what is being supplied from their local area.
- What are the best and most reliable sources of input supplies.
- Sources of market information.
- Local, regional and national market opportunities.
- Typical prices that farmers can expect at different times of the year.
- What products are most profitable to produce.
- Major marketing problems that farmers may be experiencing.
- Who are the major participants in the marketing chains in the area.

Extension staff should also be prepared to conduct market research for items which are or could be produced by small-scale farmers and provide information to them which will help them market their produce more profitably. They should liaise with District, Provincial and National authorities with responsibilities for agricultural marketing as well as marketing businesses, consumers and farmers to gather and analyse relevant market information. The duties of extension officers in relation to marketing support may include some or all of the following:

- Become familiar with the way the marketing systems work for the different products so they are able to advise farmers on the best ways of marketing their products and the prices they can expect to receive.
- Subscribe to any market information reports provided by service providers.
- Identify and make contact with other possible sources of market information such as traders and processors.
- Identify local buyers, find out how much they are paying and under what terms and conditions, and document this information listing who the buyers are, how they can be contacted, where they operate, prices offered and payment terms, and other information useful to farmers.
- Introduce farmers to potential buyers for their produce.
- Provide training to farmers to improve their commercial awareness including the ability to estimate the costs and margins associated with different production and marketing alternatives.
- Assist local communities to establish their own local market information services and encourage farmers to see themselves as collaborators rather than competitors.
- Organise visits for groups of farmers to markets and processing facilities to show them how their produce is sold and the condition in which it arrives at the market. This gives farmers the opportunity to better understand the marketing system and the traders who work within it.
- Make estimates of marketing costs and margins and explain these to farmers, so that they can make informed decisions on the best products, markets and marketing channels.

- Understand why prices change in both the long and the short term, and be able to explain this to farmers.
- Advise farmers on production technologies, crop varieties, and livestock breeds which are best suited to the needs of the market.
- Help farmers to evaluate marketing alternatives by assessing the costs, margins and risks associated with all of the feasible options.
- Work with local media, including radio, television and newspapers to see that market information is disseminated as widely as possible and that interesting stories about marketing are published.
- Organise visits from traders and wholesalers so that they can explain the types of products they are seeking and how much they are prepared to pay.
- Help farmers to form themselves into groups to bulk their produce together and reduce transport costs, and provide training to such groups.
- Assist farmers and small-scale agribusiness enterprises to lobby local Government to provide adequate transport, marketing and communications infrastructure.

Annex 3: Socio-Economic Data by District and Commune

Socio-economic data by District and Commune taken from the National Poverty Survey. Districts are listed in order of population and communes are listed in order of poverty incidence. Consumer Demand Index for each Commune is the percentage of the District's non-poor population resident in that Commune. Shaded communes are those currently engaged in the Program.

District: Son Tinh										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Son Tinh	17.2	2,095	9.0	12,175	1,357	100.0	97.7	60.3	9.4	9.4
Tinh an Tay	30.1	2,124	6.9	7,045	1,028	100.0	98.9	47.0	4.6	14.0
Tinh Chau	32.0	2,180	6.3	6,820	1,078	97.5	92.3	43.3	4.3	18.3
Tinh Bac	32.6	1,422	9.7	4,362	449	99.2	98.2	40.2	2.7	21.1
Tinh Son	33.7	3,174	13.5	9,417	697	98.7	98.3	36.6	5.8	26.9
Tinh Ha	35.3	5,891	19.1	16,683	875	100.0	98.6	45.9	10.1	36.9
Tinh Minh	36.3	2,182	9.5	6,005	630	97.6	97.8	34.0	3.6	40.5
Tinh an Dong	38.5	2,083	10.1	5,406	536	100.0	98.8	34.2	3.1	43.6
Tinh An	42.1	3,616	8.8	8,592	980	100.0	95.2	44.2	4.6	48.3
Tinh Thien	42.2	3,459	12.1	8,201	676	97.8	68.7	27.1	4.4	52.7
Tinh Khe	43.7	5,830	15.7	13,337	852	99.5	79.6	36.7	7.0	59.7
Tinh Long	44.6	4,040	8.5	9,056	1,069	99.1	97.6	37.8	4.7	64.4
Tinh Phong	45.9	4,343	27.7	9,463	342	100.0	70.0	30.7	4.8	69.1
Tinh Tra	46.4	2,344	21.4	5,051	236	100.0	70.6	21.6	2.5	71.7
Tinh Giang	47.6	3,656	17.4	7,677	440	99.5	86.3	30.7	3.7	75.4
Tinh Binh	48.5	5,444	25.3	11,219	444	99.8	85.6	25.8	5.4	80.8
Tinh Hoa	48.6	6,018	17.8	12,383	697	100.0	18.6	28.7	5.9	86.7
Tinh Dong	55.3	3,495	24.7	6,320	255	99.9	87.6	22.4	2.6	89.4
Tinh Ky	57.2	4,786	3.2	8,363	2,650	100.0	61.4	27.8	3.3	92.7
Tinh Tho	59.2	7,227	39.7	12,198	307	99.4	21.3	12.8	4.6	97.3
Tinh Hiep	61.9	4,659	36.3	7,522	207	98.8	35.9	14.4	2.7	100.0
Total/Average	42.7	80,068	342.5	187,295	547				100.0	

District: Bin Son										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Chau o	12.2	874	1.6	7,167	4,551	100.0	98.8	64.1	6.9	6.9
Binh Duong	34.8	2,695	8.9	7,736	867	98.5	99.1	30.0	5.5	12.5
Binh Trung	35.3	3,610	18.9	10,218	542	99.6	94.3	26.8	7.3	19.7
Binh Long	38.3	2,396	13.8	6,257	453	98.7	92.9	29.8	4.2	24.0
Binh Thanh Dong	39.4	997	12.9	2,529	196	100.0	92.3	26.9	1.7	25.7
Binh Chuong	39.5	2,787	15.5	7,054	454	100.0	89.2	27.0	4.7	30.4
Binh Hiep	40.7	2,364	14.1	5,815	412	98.9	85.7	28.7	3.8	34.1
Binh Thoi	40.8	1,828	5.9	4,477	763	100.0	96.4	29.8	2.9	37.1
Binh Nguyen	40.9	4,053	27.9	9,899	355	99.8	90.0	27.1	6.4	43.5
Binh Thanh Tay	42.7	1,812	13.5	4,246	314	100.0	90.0	20.8	2.7	46.2
Binh Chanh	44.0	5,018	11.3	11,408	1,007	100.0	87.5	24.4	7.0	53.2
Binh Phu	45.9	1,247	14.1	2,718	193	99.3	0.0	9.3	1.6	54.8
Binh My	46.7	3,417	12.0	7,320	611	100.0	91.3	24.3	4.3	59.1
Binh Tri	48.9	2,368	18.3	4,845	265	97.0	2.1	3.1	2.7	61.8
Binh Phuoc	50.3	2,999	23.6	5,965	252	98.2	33.3	13.7	3.3	65.1
Binh Thanh	51.6	4,856	15.5	9,418	608	100.0	21.4	9.7	5.0	70.1
Binh Minh	54.1	5,122	37.7	9,464	251	100.0	43.2	16.2	4.8	74.9
Binh Thuan	54.4	3,427	18.9	6,304	334	100.0	2.5	4.1	3.2	78.0
Binh Hoa	56.2	3,106	21.8	5,525	253	100.0	1.3	7.0	2.7	80.7
Binh Chau	58.0	7,752	18.8	13,371	710	100.0	9.2	13.9	6.2	86.9
Binh Tan	58.8	2,743	24.8	4,661	188	100.0	0.0	7.8	2.1	89.0
Binh Dong	59.9	5,256	14.3	8,780	616	100.0	0.7	3.1	3.9	92.9
Binh Khuong	60.5	2,553	39.3	4,220	107	100.0	0.3	8.3	1.8	94.7
Binh An	60.8	1,819	51.6	2,989	58	82.7	1.7	12.2	1.3	96.0
Binh Hai	63.4	6,320	13.1	9,967	760	100.0	25.7	4.3	4.0	100.0
Total/Average	47.2	81,419	468.0	172,353	368				100.0	

District: Tu Nghia										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
La Ha	13.4	957	4.9	7,135	1,464	99.5	98.3	64.0	6.3	6.3
Song Ve	22.9	1,675	2.7	7,326	2,685	100.0	97.6	55.5	5.7	12.0
Nghia Phuong	34.1	2,957	6.5	8,681	1,340	100.0	97.2	49.3	5.8	17.8
Nghia Trung	35.8	4,608	13.0	12,875	988	99.5	98.9	47.2	8.4	26.1
Nghia Thuong	36.0	4,924	14.3	13,678	959	100.0	98.5	47.9	8.9	35.0
Nghia Thang	36.8	3,245	21.8	8,810	404	100.0	94.7	42.3	5.6	40.7
Nghia Hiep	38.2	4,730	10.5	12,381	1,183	100.0	94.4	51.8	7.7	48.4
Nghia Thuan	38.4	2,618	14.6	6,825	468	100.0	97.4	37.8	4.3	52.7
Nghia Ky	42.0	7,068	27.1	16,813	620	98.6	97.8	37.4	9.9	62.5
Nghia Dien	42.5	3,126	6.7	7,347	1,100	98.9	95.3	37.1	4.3	66.8
Nghia Lam	43.9	2,921	14.5	6,658	459	100.0	92.6	40.5	3.8	70.6
Nghia Hoa	46.1	5,790	10.1	12,568	1,247	100.0	95.8	44.3	6.9	77.5
Nghia Ha	48.3	7,980	13.8	16,530	1,198	100.0	98.2	40.8	8.7	86.1
Nghia Phu	48.3	3,338	3.9	6,915	1,784	100.0	97.4	42.0	3.6	89.7
Nghia My	49.1	2,846	4.6	5,797	1,254	99.6	94.5	38.5	3.0	92.7
Nghia An	58.2	9,309	3.1	16,002	5,240	99.3	98.4	26.7	6.8	99.5
Nghia Son	71.1	593	38.0	834	22	0.0	88.9	31.5	0.2	99.7
Nghia Tho	73.4	689	18.0	939	52	3.2	62.5	21.9	0.3	100.0
Total/Average	41.3	69,375	228.0	168,114	737				100.0	

District: Duc Pho										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Duc Pho	13.0	1,046	5.8	8,062	1,393	100.0	96.1	66.8	8.4	8.4
Pho Hoa	32.3	1,298	16.6	4,011	242	98.9	91.1	46.8	3.3	11.7
Pho Thuan	35.0	4,187	14.9	11,979	806	97.0	97.3	48.6	9.3	21.0
Pho Van	30.8	2,974	10.5	9,652	922	100.0	97.5	55.7	8.0	29.0
Pho Phong	36.1	3,202	65.2	8,864	136	100.0	89.1	47.5	6.8	35.8
Pho An	49.1	5,497	18.0	11,190	622	100.0	89.9	35.9	6.8	42.6
Pho Quang	39.6	2,922	11.1	7,372	666	98.4	92.3	44.8	5.3	48.0
Pho Ninh	34.8	3,297	22.6	9,481	420	100.0	90.6	45.0	7.4	55.4
Pho Minh	30.9	1,477	9.3	4,778	512	100.0	96.6	48.3	4.0	59.3
Pho Nhon	52.8	3,501	41.4	6,637	160	96.8	48.6	17.4	3.8	63.1
Pho Cuong	38.3	5,449	49.2	14,225	289	100.0	89.3	47.8	10.5	73.6
Pho Khanh	51.4	6,732	53.8	13,089	243	99.2	84.6	33.1	7.6	81.3
Pho Thanh	53.0	10,681	29.8	20,135	676	99.4	88.9	34.8	11.3	92.6
Pho Vinh	48.2	3,943	18.6	8,175	440	100.0	84.7	32.3	5.1	97.7
Pho Chau	59.9	2,916	19.5	4,865	250	100.0	28.3	12.0	2.3	100.0
Total/Average	41.5	59,121	386.2	142,515	369				100.0	

District: Mo Duc										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Mo Duc	17.8	1,394	8.8	7,831	892	98.1	93.7	48.9	7.6	7.6
Duc Tan	30.0	2,165	11.7	7,205	617	100.0	96.3	45.0	5.9	13.5
Duc Thanh	31.0	2,821	9.5	9,087	956	100.0	95.8	44.1	7.4	20.9
Duc Nhuan	33.1	4,511	11.0	13,629	1,240	99.7	97.3	48.3	10.8	31.7
Duc Lan	36.8	5,365	29.3	14,570	497	100.0	96.0	48.7	10.9	42.6
Duc Chanh	37.9	6,253	19.8	16,516	835	100.0	95.1	39.6	12.1	54.7
Duc Hiep	38.2	2,987	8.9	7,822	884	100.0	95.5	42.4	5.7	60.4
Duc Hoa	39.0	4,113	13.5	10,547	781	100.0	92.5	37.9	7.6	68.0
Duc Phu	39.7	3,122	42.9	7,858	183	99.3	90.9	34.8	5.6	73.6
Duc Phong	41.8	7,268	27.5	17,388	633	99.1	95.5	36.3	11.9	85.5
Duc Thang	43.8	3,090	11.7	7,052	602	100.0	93.2	33.5	4.7	90.2
Duc Loi	49.4	3,984	4.2	8,072	1,925	99.5	92.2	34.9	4.8	95.0
Duc Minh	49.6	4,179	15.7	8,422	536	100.0	88.6	23.2	5.0	100.0
Total/Average	37.7	51,252	214.4	135,999	634				100.0	

District: Quang Ngai										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Tran Hung Dao	4.6	389	1.1	8,401	7,402	100.0	99.9	85.0	9.6	9.6
Nguyen Nghiem	5.9	505	2.5	8,510	3,346	99.5	99.5	85.2	9.6	19.2
Tran Phu	6.6	748	2.4	11,391	4,792	99.3	99.8	80.1	12.8	32.0
Chanh Lo	10.3	1,144	2.5	11,108	4,423	98.5	99.6	72.5	12.0	44.0
Nghia Lo	11.4	1,359	4.1	11,880	2,932	100.0	98.8	75.0	12.6	56.6
Le Hong Phong	13.6	950	3.6	7,004	1,955	99.9	99.4	69.4	7.3	63.9
Nghia Chanh	18.7	1,969	1.6	10,543	6,614	98.5	98.8	75.0	10.3	74.2
Quang Phu	22.3	3,201	7.4	14,357	1,939	97.9	98.5	67.4	13.4	87.5
Nghia Dong	35.3	2,763	6.0	7,832	1,299	100.0	96.3	53.8	6.1	93.6
Nghia Dung	40.2	3,566	6.0	8,874	1,491	100.0	94.9	45.8	6.4	100.0
Total/Average	16.6	16,594	37.2	99,900	2,687				100.0	

District: Nghia Hanh										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Cho Chua	23.5	2,097	7.6	8,914	1,174	100.0	98.8	48.7	12.8	12.8
Hanh Thuan	37.3	2,603	8.4	6,977	831	100.0	95.4	40.0	8.2	21.0
Hanh Trung	39.7	3,422	8.2	8,617	1,051	99.7	95.5	40.3	9.7	30.7
Hanh Duc	40.2	4,217	16.5	10,500	637	99.9	94.1	36.0	11.8	42.5
Hanh Thinh	41.8	3,597	20.5	8,610	420	100.0	96.5	39.5	9.4	51.9
Hanh Phuoc	42.2	5,332	16.7	12,620	757	98.5	97.2	41.3	13.7	65.5
Hanh Minh	45.4	2,463	9.6	5,427	565	99.1	94.5	33.7	5.6	71.1
Hanh Dung	47.0	3,252	30.4	6,923	228	99.0	90.4	35.8	6.9	78.0
Hanh Thien	47.3	3,188	25.5	6,734	264	100.0	95.3	34.0	6.6	84.6
Hanh Nhan	48.8	3,882	18.3	7,946	434	100.0	88.4	28.5	7.6	92.2
Hanh Tin Dong	51.1	2,080	36.0	4,072	113	95.6	71.8	25.6	3.7	96.0
Hanh Tin Tay	51.5	2,294	37.8	4,453	118	89.7	82.1	26.2	4.0	100.0
Total/Average	41.9	38,426	235.5	91,793	390				54.0	

District: Son Ha										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Di Lang	34.5	2,624	58.3	7,615	131	47.3	61.8	29.4	37.7	37.7
Son Trung	76.8	1,924	22.7	2,507	110	19.1	5.5	1.1	4.4	42.1
Son Ha	77.3	5,681	38.9	7,350	189	21.2	3.7	2.8	12.6	54.8
Son Thanh	79.8	5,092	49.4	6,379	129	22.5	0.2	0.9	9.7	64.5
Son Giang	79.9	3,015	26.2	3,774	144	19.4	4.3	3.2	5.7	70.2
Son Nham	83.0	2,713	60.1	3,270	54	12.9	2.6	4.7	4.2	74.5
Son Linh	85.0	3,178	82.6	3,739	45	14.2	1.1	1.4	4.2	78.7
Son Thuong	86.8	3,054	44.9	3,520	78	8.7	0.4	0.9	3.5	82.2
Son Cao	87.1	3,424	41.3	3,931	95	4.8	1.2	2.3	3.8	86.1
Son Hai	87.6	2,069	21.5	2,363	110	9.6	0.0	1.8	2.2	88.3
Son Thuy	88.9	3,490	48.1	3,925	82	13.5	7.1	0.8	3.3	91.6
Son Bao	89.6	2,724	68.9	3,040	44	4.0	0.0	0.5	2.4	94.0
Son Ky	90.8	4,842	147.7	5,334	36	7.9	2.4	1.2	3.7	97.7
Son Ba	91.1	3,130	45.3	3,436	76	6.3	0.0	1.4	2.3	100.0
Total/Average	78.0	46,961	756.0	60,183	80				100.0	

District: Ba Tho										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Ba To	26.3	1,213	23.3	4,618	199	56.0	90.0	49.0	29.6	29.6
Ba Dong	43.7	1,072	14.7	2,454	167	99.5	85.9	33.5	12.0	41.6
Ba Cung	68.1	1,136	31.1	1,667	54	16.0	60.6	15.7	4.6	46.2
Ba Chua	73.5	884	16.3	1,203	74	0.0	68.4	14.7	2.8	49.0
Ba Thanh	74.7	1,686	47.5	2,256	48	4.0	33.9	7.7	5.0	53.9
Ba Dien	77.8	957	44.6	1,231	28	3.4	2.2	0.0	2.4	56.3
Ba Vi	78.5	2,652	43.6	3,379	78	22.6	1.6	1.2	6.3	62.6
Ba Lien	79.1	680	31.1	859	28	0.0	0.0	0.0	1.6	64.2
Ba Vinh	82.3	2,874	70.7	3,493	49	0.3	0.0	1.2	5.4	69.5
Ba Xa	82.6	3,047	101.0	3,687	37	2.0	0.0	1.6	5.6	75.1
Ba Nam	82.7	592	121.0	716	6	2.5	0.0	0.0	1.1	76.2
Ba Dinh	83.0	3,516	89.8	4,235	47	11.8	0.3	1.0	6.2	82.4
Ba Ngac	83.3	1,973	41.6	2,368	57	3.7	0.0	0.0	3.4	85.8
Ba Tieu	83.7	1,540	41.5	1,839	44	9.8	0.0	0.8	2.6	88.4
Ba Bich	83.8	1,292	59.4	1,542	26	1.4	0.0	0.0	2.2	90.6
Ba Le	88.0	1,189	95.5	1,352	14	0.0	1.2	0.0	1.4	92.0
Ba To	88.3	4,470	58.9	5,063	86	2.4	4.6	0.3	5.1	97.2
Ba Kham	89.4	948	67.2	1,061	16	0.0	0.0	3.4	1.0	98.2
Ba Trang	89.8	1,878	133.3	2,090	16	0.4	0.0	1.6	1.8	100.0
Total/Average	74.5	33,600	1131.8	45,113	40				100.0	

District: Tra Bong										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Thi Tran Tra Xuar	26.1	1,869	6.0	7,153	1,192	97.3	94.2	35.8	42.0	42.0
Tra Phu	56.5	2,345	15.9	4,152	261	100.0	88.0	10.5	14.4	56.4
Tra Binh	63.3	2,909	21.9	4,593	210	100.0	2.4	5.4	13.4	69.7
Tra Giang	75.8	240	36.8	317	9	3.8	0.0	0.0	0.6	70.3
Tra Thuy	77.8	1,696	75.8	2,180	29	9.4	45.3	3.6	3.8	74.2
Tra Son	79.6	2,998	57.3	3,764	66	8.0	50.8	9.4	6.1	80.3
Tra Tan	81.6	1,023	71.0	1,255	18	15.3	0.0	2.0	1.8	82.1
Tra Nham	82.5	1,207	21.0	1,462	70	1.0	18.9	0.0	2.0	84.2
Tra Phong	85.0	2,355	40.5	2,770	68	1.7	12.6	0.0	3.3	87.4
Tra Lam	85.3	1,154	34.9	1,352	39	3.8	22.5	3.4	1.6	89.0
Tra Lanh	85.5	1,198	27.8	1,401	50	1.3	1.0	0.0	1.6	90.6
Tra Hiep	86.1	1,277	48.5	1,484	31	2.2	36.8	2.1	1.6	92.3
Tra Trung	86.6	575	20.6	664	32	0.0	4.3	0.0	0.7	93.0
Tra Quan	87.3	1,337	17.4	1,531	88	4.1	44.8	5.2	1.5	94.5
Tra Khe	87.5	1,039	33.1	1,187	36	4.0	29.5	1.3	1.2	95.7
Tra Tho	88.4	1,410	49.0	1,594	33	0.6	11.0	1.0	1.5	97.2
Tra Thanh	88.7	1,384	48.2	1,561	32	1.5	21.8	5.9	1.4	98.6
Tra Bui	91.6	902	51.7	985	19	1.8	0.0	0.0	0.7	99.2
Tra Xinh	93.1	1,285	80.6	1,380	17	1.3	0.0	0.0	0.8	100.0
Total/Average	69.1	28,202	758.0	40,785	54				100.0	

District: Ly Son										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Ly Vinh	50.2	5,404	4.5	10,769	2,410	98.4	51.5	9.1	59.4	59.4
Ly Hai	51.2	3,837	5.0	7,497	1,495	99.9	47.0	8.8	40.6	100.0
Total/Average	50.6	9,241	9.5	18,266	1,926				100.0	

District: Son Tay										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Son Dung	80.0	3,657	88.2	4,568	52	11.5	30.5	7.9	54.1	54.1
Son Mua	89.4	1,971	69.4	2,203	32	3.8	0.7	0.0	13.8	67.9
Son Tan	90.8	2,757	74.6	3,037	41	4.0	3.4	0.0	16.6	84.5
Son Tinh	93.7	986	45.0	1,052	23	2.9	0.0	0.0	3.9	88.4
Son Bua	93.9	1,803	53.5	1,919	36	0.5	1.0	0.0	6.9	95.3
Son Lap	94.1	1,254	53.1	1,333	25	4.3	0.0	0.0	4.7	100.0
Total/Average	88.1	12,427	383.9	14,112	37				100.0	

District: Minh Long										
Commune	% Poverty Incidence	No of Poor	Area Squ km	Pop'n	Pop'n/ Squ km	Kinh %	% HH with Electricity	% HH with TV	Consumer Demand Index	Cum Demand Index
Long Hiep	53.0	1,846	17.1	3,480	204	56.9	78.3	26.0	39.9	39.9
Long Mai	72.2	2,049	37.4	2,840	76	16.9	50.5	13.6	19.3	59.2
Long Mon	74.3	723	59.1	974	16	0.0	0.0	0.0	6.1	65.4
Long Son	75.5	2,864	66.7	3,792	57	28.6	43.9	7.8	22.7	88.0
Thanh An	81.4	2,140	37.5	2,630	70	4.4	5.1	2.9	12.0	100.0
Total/Average	70.2	9,623	217.8	13,716	63				100.0	

Annex 1

Marketing Workshop Material

Annex 2

Marketing Extension Guide

Annex 3

Socio-Economic Data by District and Commune

Annex 4

Map of Commercial Zones