



Development of brand name strategies by producer groups. Final report

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**The Ministry of Agriculture and Rural Development of
Vietnam
Fisheries Sector Programme Support Phase 2
(FSPS II)
Post-Harvest & Marketing Component (POSMA)**

**Development of Brand Name Strategies by
Producer Groups**

Final Report

18 October 2007

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(Agreement No. KK2007/288/2)**

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Abbreviations

ACC	Aquaculture Certification Council
AOC	Appellation d'Origine Controlée
ASEAN	Association of Southeast Asian Nations
AusAid	Australian Development Aid Agency
BAP	Best Aquaculture Practices
BIM	Irish Sea Fisheries Board
BRC	British Retail Consortium
CIVC	Comité Interprofessionel du Vin de Champagne
DANIDA	Danish International Development Agency
DFID	Department for International Development
DOFI	Department of Fisheries
EU	European Union
EUREPGAP	European Retailer Protocol for Good Agricultural Practice
FSPS	Fisheries Sector Programme Support
GSO	General Statistics Office of Vietnam
Ha	Hectare
HACCP	Hazard Analysis Critical Control Point
HCMC	Ho Chi Minh City
INAO	Institut National des Appellations d'Origine
MOFI	Ministry of Fisheries
MOARD	Ministry of Agriculture and Rural Development
MSC	Marine Stewardship Council
NACA	Network of Aquaculture Centres in Asia
NADAREP	National Directorate of Aquatic Resources Exploitation and Protection
NAFIQAVED	National Fisheries Quality Assurance and Veterinary Directorate
NSEC	Norwegian Seafood Export Council

OECD	Organisation for Economic Co-operation and Development
QSP	Quality Seafood Programme
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
POSMA	Post-Harvest and Marketing Component (of FSPS)
RIMF	Research Institute for Marine Fisheries
SIPPO	Swiss Import Promotion Programme
SSPA	Scottish Salmon Producers Association
SQS	Scottish Quality Salmon
SUMA	Sustainable Marine Aquaculture
UK	United Kingdom
UKAS	United Kingdom Accreditation Service
UNDP	United Nations Development Programme
US	United States
VASEP	Vietnam Association of Seafood Exporters and Producers
VINAFIS	Vietnam Fishery Association
VND	Vietnamese Dong

Exchange rate (August 2007): 1 \$US = 16,200 VND (*Vietnamese Dong*)

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The contributions of the following organisations are thankfully acknowledged: FSPS II / POSMA, NAFIQAVED, NADAREP, RIMF, VASEP, and Provincial Departments of Fisheries.

Last but not least we would like to thank the Ministry of Foreign Affairs of Denmark for providing the funds for this project. The views expressed here are not necessarily those of the Ministry of Foreign Affairs or DANIDA.

SUMMARY AND RECOMMENDATIONS

The consultancy project “Development of Brand Name Strategies by Producer Groups” is an activity of the Fisheries Sector Programme Support Phase 2 (FSPS II) – Post-Harvest and Marketing Component (POSMA), which is based at the Ministry of Agriculture and Rural Development in Vietnam and funded by DANIDA.

The study was carried out between July and September 2007, with field work taking place in seven provinces, i.e. Ca Mau, Binh Dinh, Thua Thien Hue, Nghe An, Ben Tre, An Giang, Quang Ninh. In addition, interviews were held with stakeholders in Hanoi, Haiphong, and Ho Chi Minh City.

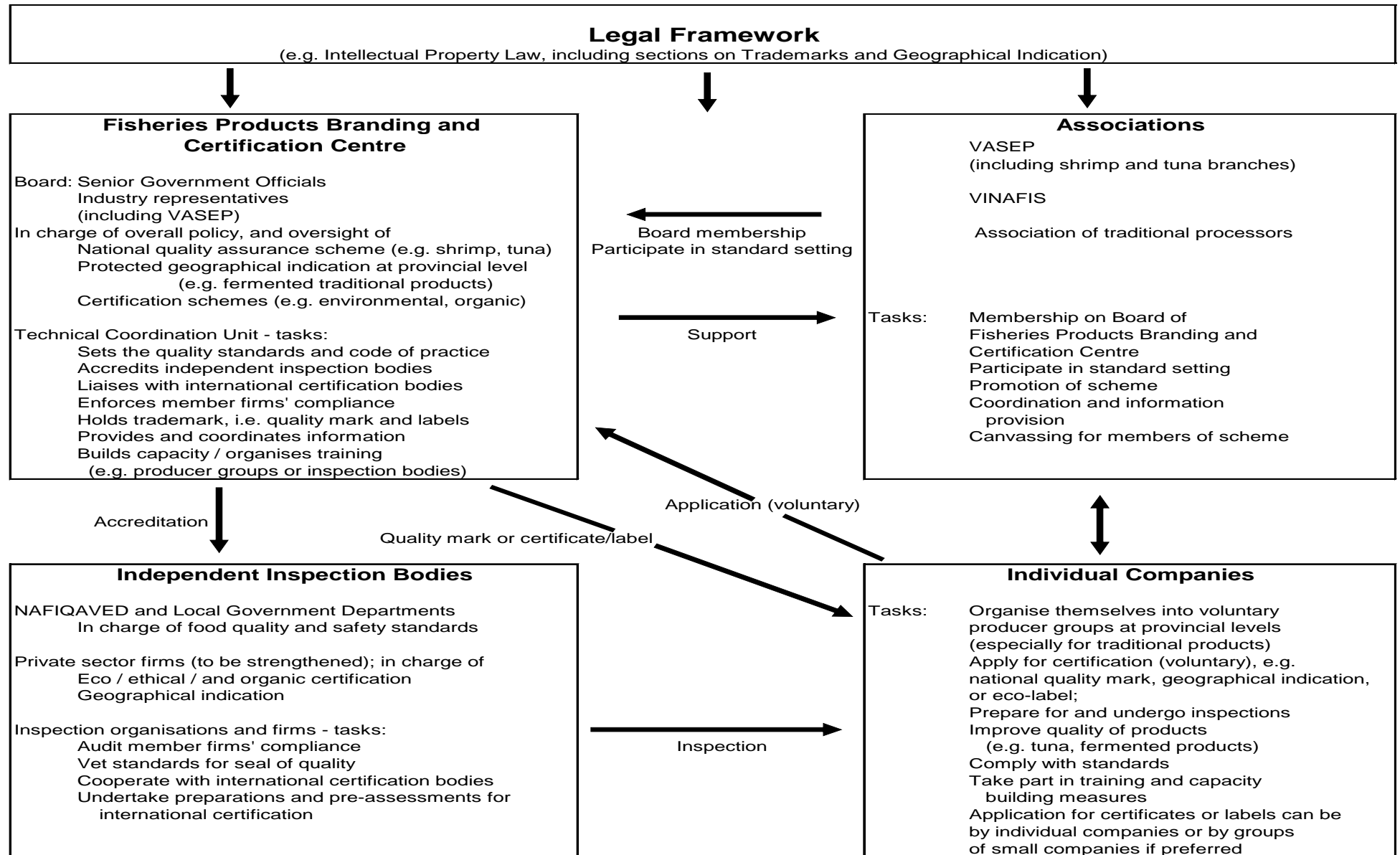
The focus of the study was on shrimp, tuna, and fermented products. To some extent, pangasius and clams were also covered.

During the first phase of field work in July 2007 it became apparent that the main issue related to the branding of Vietnamese seafood products was of an institutional nature. The majority of companies met, small or large, have already established their own brand names and are promoting them in one way or another. As a consequence, they are not keen on giving these up, and in light of this, the following options have been explored:

- At national level, a trademark or seal of quality guaranteeing high quality seafood (i.e. shrimp or tuna) from Vietnam. This would allow exporters to keep their own brands but use the national quality mark if they meet the requirements. At the request of stakeholders, international case studies have been prepared using material based on Greenland, Ireland, Scotland, and Norway.
- At provincial level, in particular for producers of fermented products, it seems appropriate to envisage some form of geographical indication distinguishing between provinces having a reputation for certain traditional products, but allowing producers to keep their brand. Given that associations at that level are barely existent, the provincial Department of Fisheries would have to take the lead on almost all aspects. International case studies have been prepared using Arbroath Smokie (A Scottish Speciality Fish Product), Black Forest Ham from Germany, and French wine as examples of how designation of origin and geographical indication is used in Europe.
- The promotion of organic, environmental and ethical certification was identified as a third option, in particular for those fisheries planning to target this niche market. Whilst some producers in Ca Mau Province have been certified as organic by SIPPO/Naturland/IMO others are also interested but are unclear as to how to obtain certification. At the same time, the Marine Stewardship Council (MSC) is preparing a clam fishery in Ben Tre province for certification. As yet, there seems to be no national body coordinating ethical and organic certification, and acting as a recognised information provider in this respect.

In view of this the establishment of a Fisheries Products Branding and Certification Scheme (Figure 1) is being recommended, and has been discussed at a national stakeholder workshop in HCMC on 12 & 13 September 2007.

Figure 1: Fisheries Products Branding and Certification Scheme discussed at Stakeholder Workshop in HCMC on 12 & 13 Sept. 2007



As outlined in Figure 1, The Fisheries Products Branding and Certification Scheme would be based on the following key elements:

- Legal framework
- Supervisory and Accreditation Authority
- Independent inspection bodies
- Producer associations
- Individual companies

The legal framework provides the overall legal environment within which to operate (e.g. Intellectual Property Law, including sections on trademarks and geographical indication), and takes into account other organisations with which to coordinate, e.g. National Office for Intellectual Property, under the Ministry of Science and Technology, and the National Trademark Programme, under the Ministry of Industry and Trade.

A Supervisory and Accreditation Authority would be at the centre of the scheme. This Authority would have to be:

- Independent, also financially
- Neutral and unbiased
- Sufficiently powerful to take action and enforce rules
- Technically competent

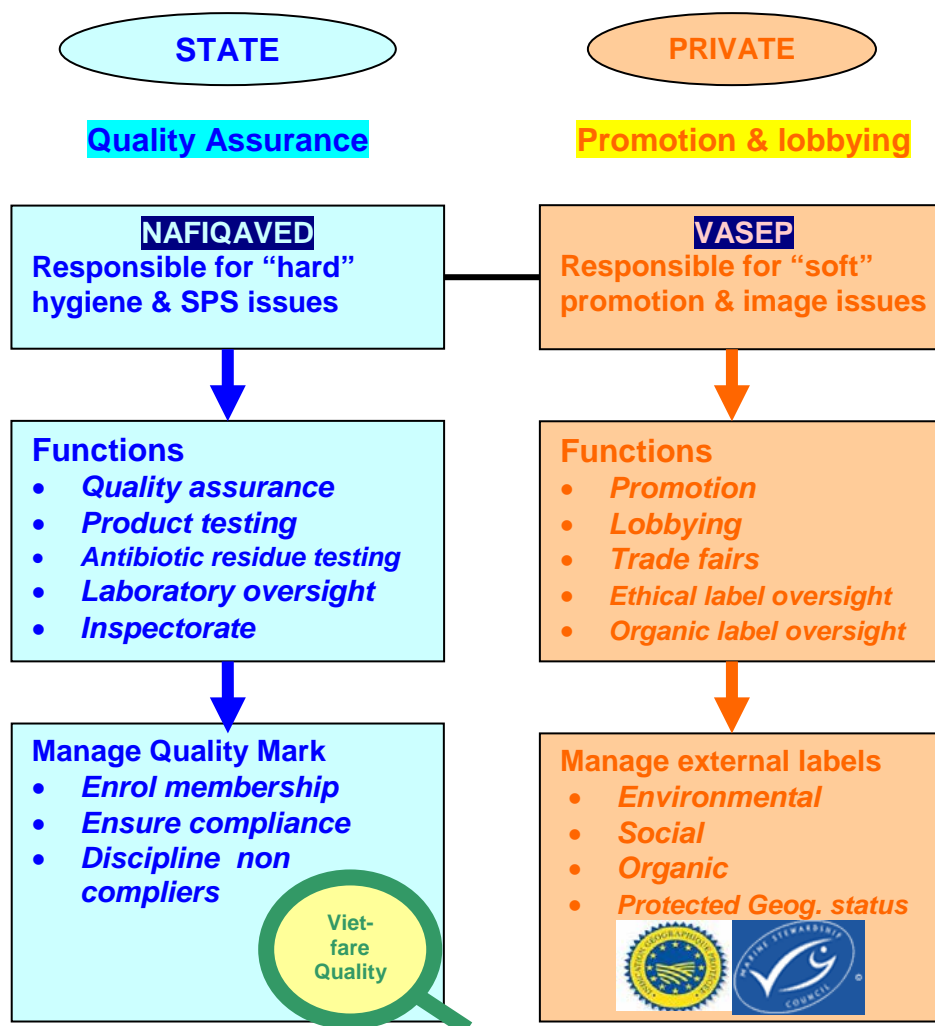
The question therefore was, where should the Supervisory and Accreditation Authority be based, i.e. at the Ministry, or should it be an independent third-party body, or form part of an Association (e.g. VASEP).

The other elements of the scheme and their functions are self-explanatory and shown in Figure 1.

Suggested national branding scheme

Feedback following the workshop suggests that a national branding scheme might take a form similar to that of the Irish model “Atlantic Fare”. This system, which incorporates a mix of state and private sector involvement in management of the scheme, is believed to be best suited for Vietnam. In this case the state entity manages the “hard” quality assurance aspects through a quality mark scheme, whilst the promotional and other “soft” aspects are managed by the industry. – i.e. a mix of public and private entities run the scheme. Figure 2 below suggests how this arrangement might be structured for a notional “Viet-Fare” equivalent to the Irish scheme.

Fig 2: “Viet-fare” an indicative quality brand for Vietnam seafood



Essentially this would mean “hard” quality assurance managed by NAFIQAVED (i.e. state) and “soft” image, ethical certification and promotional issues managed by VASEP (i.e. private). There would be a quality mark – probably a generic Vietnamese mark that covers all seafood products. This would preferably be a distinctive mark that reflects a positive aspect of Vietnam’s culture – e.g. perhaps a “lotus” logo as used by Vietnamese Airlines.

One key advantage of this approach would be that it plays to the strengths of the organisations involved and avoids duplication. NAFIQAVED already undertakes quality and HACCP inspections and compliance testing as part of its role as Competent Authority for EU seafood exports. VASEP, on the other hand, is well established as a promotional and lobbying body for the Vietnamese fish and seafood industries.

In sum, many of the activities the scheme would require are already undertaken by existing organisations. Additional activities may be required, though, and for NAFIQAVED these might include wider contamination testing, chain of custody certification and incorporation of small producers into the scheme through clubs.

Fig 3: Indicative Vietnamese quality assurance scheme

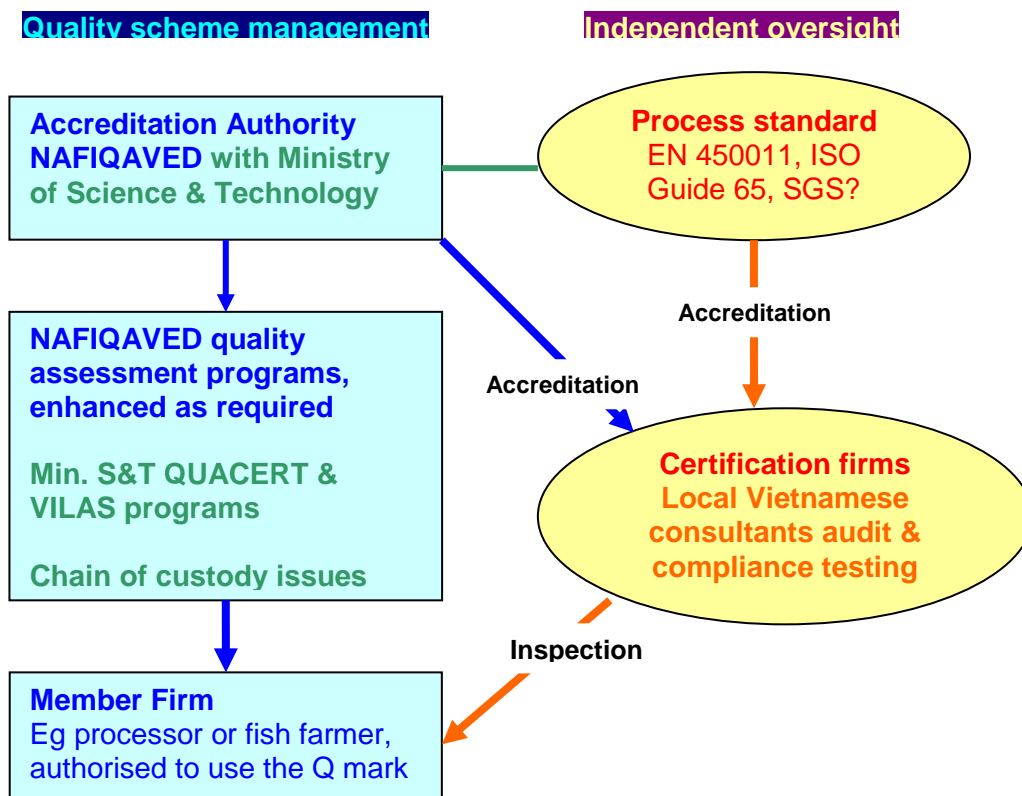


Figure 3 suggests how the quality assurance element of this scheme might be set up. This is based upon the generalised structures described for EU paradigm schemes from the case studies, but has been adapted to reflect the current institutional arrangements in Vietnam. It also reflects the structure of the overall scheme described in Figure 2. What should be stressed, though, is that it is indicative – provided to assist Vietnamese institutions and organisations to define the final version of a scheme that best suits their aspirations and circumstances.

As for the implementation of a quality assurance scheme, the following critical path can be envisaged:

- Stakeholders buy into the concept (to some extent achieved at national consultation workshop in HCMC on 12 & 13 September 2007)
- Feasibility study for setting up and funding quality assurance scheme;
- Set up scheme, establish board, train staff;
- Appoint / train independent inspection bodies;
- Promote the scheme to producers and buyers;
- Launch scheme;
- Continue implementing, expanding and promoting scheme;
- M&E activities to clearly understand and promote value of branding,

Geographical indication for small-scale processors

Since there is little institutional back-up support for fisheries related geographical indications at present, it appears necessary that a relevant structure is put in place. This can take the form of Protected Geographical Indication (PGI) or Protected Designation of Origin (PDO). In this context, it is important to:

- Identify an overseeing authority at national level, in accordance with the law on intellectual property;
- Establish an entity to manage the scheme;
- Decide departmental responsibilities at provincial level, and prepare guidelines for the implementation of the scheme in the provinces;
- Identify and accredit independent inspection bodies that have the relevant expertise to audit enterprises wishing to participate in the scheme;
- Ensure that established rules and regulations are respected by enterprises that join the scheme and those that remain outside (i.e. currently, enforcement of trade mark related rules appears to be lacking);
- Undertake capacity building measures that are required to achieve the above points.

Product descriptions need to be established, involving members of the processing communities, and should cover:

- Processing steps to be respected (i.e. steps that are not confidential and on which the processors can agree);
- Geographical features (i.e. areas where production and processing take place – most likely this should be based on provincial borders, possibly with the option that there is an additional indication of a location that has a reputation for quality products – e.g. Best Quality Fish Sauce from Nghe An Province plus name of district or commune where it has been produced);
- Physical attributes of product (e.g. product colour or weight);
- Chemical features (e.g. minimum protein content, maximum water content);
- Microbiological information (e.g. maximum presence of bacteria);
- Biological details (e.g. species, varieties used for processing);
- Organoleptic characteristics (e.g. flavour, odour).

Given that traditional seafood processor associations are barely present on the ground (perhaps with the exception of Phu Quoc Island) it seems important that the Department of Fisheries takes the lead, with POSMA support, to form and strengthen voluntary associations and register a number of smaller enterprises that have passed an inspection test. Only once associations are better established will they be able to play a stronger role in the application process and fully cover registration and inspection fees. In the short-term, they are likely to require support in this respect.

Processors should be given the choice to join the PGI/PDO scheme

- on an individual basis (e.g. Best Quality Fermented Shrimp from Thua Thien Hue – Home made by Co Ri enterprise), or
- as a group of processors who agree to work together (e.g. Best Quality Fish Sauce from Nghe An – Home made by Dien Chau Women's Group).

Those processors, who have decided to join the scheme, need to meet the requirements (e.g. quality standards, processing techniques, geographical rules) that have been established at national and provincial levels. At the same time, in

particular small-scale processors need to become better organised. The starting point should be common denominators, e.g. constraints faced by all of them, and which they could tackle as a group. Also, the scheme should be voluntary – those who wish to stay outside should be able to do so.

If a group has chosen a product which they want to produce or market as a village group, the following steps are necessary:

- If it hasn't been done so already, the group needs to register, establish its constitution, and elect leading members (e.g. President, Treasurer, Secretary);
- The group needs to agree on those activities they want to do together and those they want to continue to do individually;
- The group and its individuals need to establish a business plan, which includes production, branding, and marketing aspects (an appropriate format is required for this);
- The group needs to undergo inspection so that they can obtain a certification (e.g. Protected Designation of Origin);
- The group has to agree on a brand name for the product;

After all the planning – the group members have to carry out the actual production, marketing, and follow-up activities, bearing in mind that:

- The product always needs to be of good quality (including appearance, taste, shelf-life, etc);
- The product needs to be well packaged (e.g. packaging material, consumer information, appearance);
- The product needs to be marketed through well identified distribution channels – e.g. through shops, supermarkets, agents; (perhaps several groups can get together and hire shops in the main cities, where processed fish products can be sold);
- Advertising material needs to be prepared (e.g. leaflets, television adverts, visits to trade fairs, bearing in mind that continuous supply of good quality products is the best advertisement for the brand);
- Monitoring and evaluation by the group of sales figures and consumer perception.

Based on the findings from the field survey it is envisaged that for a start a geographical indication scheme will primarily target the domestic market. This is because currently the bulk of fermented fish products is destined for this market, and the quality of traditional small-scale processing often does not yet meet international standards. Nevertheless, areas that have a reputation for very good quality can also apply for international schemes (e.g. for example, applications for the registration of PDOs or PGIs can be made directly to the European Commission).

Environmental, social and organic certification

Producers and processors /exporters in areas that have a natural comparative advantage (e.g. Nam Can District of Ca Mau Province, which has large mangrove forests) are interested in organic certification in order to target this growing niche market (e.g. European Union, North America). Similarly, in Ben Tre Province a clam production scheme was encountered, which was getting prepared for certification by the Marine Stewardship Council (MSC). At the same time, some officials are of the opinion that organic or eco-labelled products may fetch a higher price but also have much lower productivity, and, as a result, are economically less interesting.

Given the interest of some producers and processors in ethical and organic labelling it appears appropriate to take the following measures:

- Set up a coordination and information centre. The centre would have the following tasks:
 - provide oversight in matters related to environmental, fairtrade, and organic certification of fisheries products;
 - liaise with international certification bodies and inspection agencies;
 - act as a recognised information provider (e.g. on standards, procedures, certification agencies, costs involved);
 - organise capacity building measures for Vietnamese stakeholders including producers and processors of fisheries products, and certification companies;
 - accreditation of national and international certification bodies.
- Decide if Vietnamese labels (e.g. eco-labels) should be developed or if it is more appropriate to subscribe to globally recognised labels.
- Build capacity of Vietnamese inspection firms. As a result, they should be able to act as counterparts of international agencies and prepare Vietnamese seafood producers and processors at least until pre-assessment stage (i.e. up to certification). The inspection firms have to be independent (i.e. free of conflicts of interest).
- Take into account the findings of the regional workshop on certification schemes for capture fisheries and aquaculture, which was organised by the Asia-Pacific Fishery Commission (APFIC) in Ho Chi Minh City in September 2007.
- Promote potential scheme to producers, processors and other relevant parties. This involves the identification of relevant issues for the target markets in concert with exporters.
- It is important that certification procedures (and related costs) take into account the size of the stock and the level of data that can realistically be expected to be available. In particular, a more flexible and less costly approach is required if the fishery is relatively small.

1. INTRODUCTION

1.1 Background

Vietnam's fisheries and aquaculture sectors has undergone rapid development during the last two decades. It is estimated that the sector accounts for approximately 3% of the GDP and that it provides employment for up to four million people (FAO/World Bank, 2005).

The rapid increase in fisheries production is reflected in Table 1, which indicates a total production of about 3.7 million tonnes and exports of the order of US\$ 3.3 billion in 2006. Nevertheless, despite the rapid increase of exports, it is important to remember that most fisheries and aquaculture products are consumed on the domestic market (FAO/World Bank, 2005).

Table 1: Fisheries production in Vietnam

	2000	2001	2002	2003	2004	2005	2006
Total (tonnes)	2,003,700	2,226,900	2,344,940	2,854,800	3,073,600	3,432,800	3,695,927
Capture (tonnes)	1,280,590	1,347,800	1,380,108	1,865,000	1,923,500	1,995,400	2,001,656
Aquaculture (tonnes)	723,110	879,100	964,832	998,300	1,150,100	1,437,400	1,694,271
Export value (US\$ 000)	1,402,170	1,777,486	2,022,821	2,199,600	2,397,000	2,650,000	3,310,032

Source: Ministry of Fisheries

The consultancy project "Development of Brand Name Strategies by Producer Groups" is an activity of the Fisheries Sector Programme Support Phase II (FSPS II) – Post-Harvest and Marketing Component (POSMA), which is based at the Ministry of Agriculture and Rural Development in Vietnam and funded by DANIDA.

Following contract signature by the Danish Ministry of Foreign Affairs, the study started on 2 July 2007 and lasted for 12 weeks. Ulrich Kleih and Nigel Peacock (NRI Fisheries Associate) are NRI's named project staff. In addition, Mr Ngo Hung and Mr Tran Cong Ich of the Hanoi based consulting firm Lacomis Ltd are the project consultants who have been directly contracted by POSMA in Vietnam.

The project focused on shrimp, tuna, and fermented seafood products (e.g. fish sauce and shrimp paste). Whilst shrimp and tuna were primarily analysed from an international export perspective, fermented products were analysed in the context of the domestic market. Also, it ought to be mentioned that during the last two years, attempts have been undertaken to establish a brand name for Vietnamese pangasius / catfish, which were still ongoing as of July 2007.

The project ought to be seen in the wider context of efforts by the Government of Vietnam to establish brand names not only for seafood producing and trading companies but also other sectors of the economy. Although seafood exports from Vietnam (VN) have seen high growth rates during the last decade, there are still sometimes question marks about quality – e.g. shrimp exports to Japan have declined in recent months as a result of more stringent quality checks in that country and antibiotics found in shrimp from VN.

1.2 Methodology

The timeframe of the study was July to September 2007. Field survey work was carried out in July and late August / early September.

The provinces visited during the course of the study include: Ca Mau, Binh Dinh, Thua Thien Hue, Nghe An, Ben Tre, An Giang, Quang Ninh. In addition, interviews were held with stakeholders in Hanoi, Haiphong, and Ho Chi Minh City.

As already indicated, the focus of the study was on shrimp, tuna, and fermented products. To some extent, pangasius and clams were also covered during visits to An Giang and Ben Tre, respectively.

The methodology was based on Value Chain Analysis, focusing on the following key elements:

- Semi-structured interviews using checklists to cover the following topics:
- Overview of value chain and different sub-channels;
- Identification of stakeholders, including the driving forces, and small-scale entrepreneurs in the chain;
- Impact of the fish processing sector on employment creation and poverty reduction;
- Analysis of issues related to branding of seafood products, including stakeholders' perceptions and institutional options.

A checklist used for the semi-structured interviews is attached in the annexes.

Preliminary findings were presented at a stakeholder workshop on 12 & 13 September 2007 in Ho Chi Minh City, which was organised by POSMA and Lacomis Ltd. The Consultants prepared presentations and handout material for the workshop (see Annexes).

According to the terms of reference, the following main outputs were expected from the consultancy:

- Product 1: An assessment of current products marketed by Vietnamese producers, particularly with raw material sourced from SMEs (i.e. poorer producers)
- Product 2: Identification of those species and raw material sources where productive advantages exist and appear to offer potential for the development of branded products
- Product 3: A strategy for increasing market penetration of Vietnam branded products in key existing and new markets
- Product 4: Provide technical input to a two-day national stakeholder workshop for up to 100 participants, for consideration of the findings of the Consultancy
- Product 5: A consultancy report presenting products 1 – 3.

2. SURVEY RESULTS

2.1 Organisations involved in the fisheries sector

2.1.1. Ministry of Fisheries / Ministry of Agriculture and Rural Development

Until July 2007, the Ministry of Fisheries had the overall responsibility of the fisheries sector in Vietnam. As such it was in charge of fisheries policy and its implementation. In August 2007, it was amalgamated into the Ministry of Agriculture and Rural Development.

2.1.2. NAFIQAVED

The National Fisheries Quality Assurance and Veterinary Directorate (NAVIQAFED) is the national centre for fisheries inspection and responsible for issuing seafood hygiene and health certificates for consignments destined for the international market. It is the Competent Authority for Vietnamese seafood exports to the European Union (EU), which requires a certificate for each consignment. As such they are responsible for quality assurance at processing level and are in charge of issuing qualifying companies with export licenses. The requirements of other countries vary. For products that are traded on the domestic market, the Ministry of Health is responsible for quality assurance (FAO/World Bank 2005).

NAVIQAFED has about 400 staff based at their headquarters in Hanoi and approximately 600 staff in various fish producing provinces throughout the country. Inspection fees to be paid by processing companies are as follows: 1st inspection: US\$150; 2nd and subsequent inspections: US\$100.

There are problems with exports to Japan over antibiotics residues which have been detected in Vietnamese consignments of shrimp and squid. As a result, some companies have been affected by a ban. Japan doesn't require traceability. Some problems were also reported over exports to Russia which were related to micro-organisms found in consignments from Vietnam.

NAVIQAFED are not involved in certifications related to BMP, GAqP (Good Aquaculture Practice, COC (Code of Conduct), or eco-labelling. "Standard of Vietnam" is voluntary, however a new law is being prepared proposing mandatory standards for fish processing factories.

There are attempts to build a traceability system in Vietnam, however there are difficulties due to the large number of small-scale fishermen and aquaculture producers involved in the industry.

2.1.3. NADAREP

The National Directorate of Aquatic Resources Exploitation and Protection (NADAREP) is in charge of managing marine fish stocks. This is primarily through the licensing of boats, and not through catch limits.

2.1.4 VASEP

The Vietnam Association of Seafood Exporters and Producers (VASEP) is a non-governmental organization, founded on June 12th 1998 based on the principles of volunteerism, autonomy and equality¹. VASEP's members include leading Vietnamese seafood producers and exporters and companies that service the seafood sector. The main roles of the association are to promote the growth of Vietnam's seafood industry and to facilitate the smooth export of Vietnamese seafood products internationally.

VASEP provides Vietnam's seafood industry with market information, and organizes trade-promotion and training activities. In addition, it assists its members in seeking financial and technical assistance from various sources to upgrade quality standards and add value to their seafood products.

VASEP's members comprise the majority of the Vietnamese seafood establishments that have been approved by the EU Commission to export to the EU. Many other members have HACCP in compliance with US FDA standards, allowing them to export their seafood products to the US market and others.



Figure 4: VASEP Members' Export value compared to Total Export Value

Source: Information on website www.vasep.com.vn on 17 August 2007

VASEP are members of:

- Intergovernmental Organization for Marketing Information and Technology Advisory Services for Fishery Products in Asia and Pacific Region (INFOFISH)
- United States National Fisheries Institute (NFI)
- ASEAN Aquaculture Federation (AAF)
- Vietnam Chamber of Commerce and Industry (VCCI)
- Seafood Industries Association Singapore (SIAS)

Since 2005, there have been attempts to establish a brand name for pangasius and to register a logo to this effect. As of July 2007, these attempts were still on-going and the latest proposal was being considered by the Executive Board of the Ministry of Fisheries.

¹ Information on website vasep.com.vn on 17 August 2007

VASEP sees the Norwegian salmon industry as a successful international case study in that they have managed to enter the Japanese and Chinese markets with their sashimi products. As a result, VASEP expressed interest in seeing how the Norwegian Seafood Export Council functions (i.e. its set-up and operational side).

VASEP has had contacts with the Marine Stewardship Council (MSC) in that MSC has given presentations at VASEP. Also, there is a MoU between the VN Ministry of Fisheries and MSC. Apparently, no fisheries have been MSC certified in Vietnam, as of mid-2007. A new MoU has been put in place with WWF in July 2007 to provide assistance.

In sum, VASEP are considered a success story in that they have been very successful in fulfilling their mandate as a promotional and lobbying body for the Vietnamese fish and seafood industries.

2.1.5 VINAFIS

The Vietnam Association of Fisheries (VINAFIS) has a very broad mandate, in that it is expected to cover the following:

- Development of the fishing sector nationwide in general and in each province;
- Promotion of government policies and to ensure compliance of rules and regulations in order to protect fisheries resources and the environment;
- Extension, including technology transfer and training in all aspects of fishing activities, including processing and service activities;
- Mobilisation of individuals and organisations in the fishing sector (capture fisheries, aquaculture, processing, and logistic service). Legal representative for its members and their communication channel to the government.

Source: IFM (2002)²

² IFM (August, 2002) An analysis and assessment of the Vietnam Association of Fisheries (VINAFIS), Final Report (STOFA) to Ministry of Foreign Affairs and Danida.

2.2 Shrimp value chain

2.2.1 Production

In value terms, shrimp is the principal seafood export from Vietnam. Exports of frozen shrimp during the first six months of 2007 were of the order of 58,644 tonnes (- 5.6% compared to the same period in 2006), worth US\$ 578.9 million (+2.7%).

The shrimp producing provinces visited during the course of the survey include, Ca Mau, Binh Dinh, Thua Thien Hue, Nghe An, Ben Tre, and Quang Ninh. Ca Mau is the country's principal shrimp producing province, which is underlined by total seafood exports of US\$ 576 million in 2006, most of which was shrimp, in particular *penaeus monodon* (black tiger shrimp). As a consequence, this section particularly draws on findings from Ca Mau, although data from other provinces have also been taken into account.

There are three levels of shrimp farming in Vietnam, distinguished by output intensity

- Extensive 0.5 tonne/ha/year – no inputs and tidal water exchange only;
- Semi Intensive 1-2tonnes/ha/year;
- Intensive 5-6 tonnes/ha/year for *penaeus monodon* (black tiger shrimp);
- Intensive 15-20tonnes/ha/year for *penaeus vannamei* (white shrimp).

Vietnam remains one of the few major black tiger shrimp producers, this accounting for 80-90% of total farmed shrimp output. The production of *Penaeus vannamei* is increasing though, mainly in the more saline waters in mid to Northern Vietnam. They are bringing in disease though (esp. WSSV). Concentrating on black tiger production is allowing Vietnam to get higher prices than those for smaller *penaeus vannamei*, and they are leaders in this field (vs Bangladesh and India – the other two major black tiger shrimp producers). Black tiger shrimp production still depends upon wild caught gravid females - these costing \$600 each.

2.2.2 Stakeholders

Figure 5 shows the stakeholders involved in three shrimp sub-chains:

- Traditional chain
- Industrial chain
- Organic chain

The first chain consists of the traditional chain which is based on small-scale aquaculture producers and fishermen. Agents (i.e. small and larger-scale intermediaries) play an important role in this chain, in that it is estimated that about 70% of aquaculture shrimp and 90% of capture shrimp are passing through this channel. The remainder is directly sold by the producers to the processing factories which are at the same time in charge of exporting the final product to overseas markets.

Although they still supply the bulk of raw material that goes into exports, the importance of the traditional chain appears to be declining when compared to the industrial chain. For example, some export companies have been encountered that have started intensive shrimp farming in large ponds during the last few years. The objectives behind this move are twofold, namely:

- (a) to increase productivity, in that far higher yields are possible, when compared to traditional farming methods (e.g. yields of 22 tonnes of *penaeus vannamei* per hectare were reported by one company in Quang Ninh Province).
- (b) better quality control of the supply chain, in that the export companies can directly control the inputs used for shrimp production. This reduces the risk of diseases and the use of antibiotics.

A third chain is based on certified organic shrimp production and export to niche markets in Europe and the US. The case study presented below is based on shrimp production in a mangrove forested area of Ca Mau Province.

The shrimp processing and exporting firms are the driving force in the shrimp export chain, and in direct contact with overseas buyers. In addition to them, agents also play an important role in that they have an assembly function and provide a crucial link between small-scale aquaculture producers or fishermen, and the processing factories. In some cases, smaller intermediaries collect the shrimp from producers and pass it on to large-scale agents who then sell to the factories. For example, there are 300 main agents and about 1,000 smaller ones active in Ca Mau province.

There are mixed opinions as to whether or not agents exploit fishermen and producers. To some extent this may be due to a lack of understanding of all the marketing costs they incur, and the role they play as credit providers. Whilst it is often claimed that producers have to go through certain market agents with whom they are locked into contractual obligations, some market observers have encountered producers who have relative freedom as to the point of sale of their products (personal communication: Paul Nichols). The increasingly easy access to mobile phones appears to have played a facilitating role in this respect. Nonetheless, despite changes in the value chains, for the time being traditional small-scale producers still rely heavily on agents for the sale of their products.

2.2.3 Income and employment

Shrimp is the main export product for some provinces (e.g. black tiger shrimp from Ca Mau) and therefore very important for employment. For example, in Ca Mau Province there are 27 processing factories belonging to 21 companies. It is estimated that on average each of the larger companies would employ about 3,000 people, whilst smaller enterprises would employ 700 each. The workers in the processing factories earn about US\$100 per month.

Agents also create employment. For example, a large agent encountered in Ca Mau City would employ 22 full-time workers, and about 100 on a part-time basis for jobs such as sorting the raw material, packaging, etc.

2.2.4 Organisations – the example of organic shrimp production

The production of certified organic shrimp in Ca Mau province provides an example of a producer organisation, which is based on a State company in charge of forest protection and aquaculture production. Company 184 covers a total area of 6,475 ha (forest covers 70% and water 30%), and is responsible for 1,140 farmers, 800 of whom are certified as organic producers. The company has 36 management and extension staff.

Company 184 and their farmers obtain support and certification through three European based organisations:

- SIPPO (Switzerland): Financial support;
- Naturland (Germany): provides organic standard and certificate;
- IMO (international): Inspections.

Each farmer has about 3 hectares, and the shrimp species grown include black tiger shrimp (40%), white shrimp (20%), and pink shrimp (40%). Although they have been into shrimp production since 1994, it was only in 1999 that international consultants have suggested to start organic shrimp production due to good production conditions in the area. The company would like that all the farmers are certified organic. If the remaining 340 farmers can 'increase' their forested area then they will also be recognised as organic.

The net income of organic shrimp farmers is estimated to be of the order of VND 23.8 million per hectare per annum. This is based on the following calculations:

- Gross income: 300kg/ha x VND 100,000/kg = VND 30 million per hectare per annum
- Costs: VND 6.2 million per hectare, of which
 - Pond preparation and maintenance: VND 3 million per hectare
 - Seed: VND 1.2 million per hectare
 - Depreciation: VND 2 million per hectare.
- Net income: 23.8 million VND per hectare per annum, or VND 71.4 million per 3-hectare farm. In addition, farmers obtain VND 4 million p.a. for forest products (i.e. mainly mangrove wood).

Company 184 supply their shrimp to CAMIMEX which processes and exports the product. As for prices, on top of the VND 100,000 per kg paid by CAMIMEX, Company 184 and their farmers obtain an additional 20% price premium from Naturland, which is split between company management (5%) and farmers (15%).

Company 184 and their farmers have managed to gradually increase their production from 17.5 tonnes of organic shrimp in 2002, to 131 tonnes in 2005, and 331 tonnes in 2006. They expect a similar result for 2007.

According to the management of Company 184, the advantages and benefits of organic shrimp production are as follows:

- Protection of the natural habitat, i.e. the mangrove forest;
- No more feed is required, because the shrimp eat natural material (e.g. plankton);
- Organic shrimp production is less risky, since lower investment is required, and also shrimp mortality rates are lower.
- Organic shrimp production gives them higher benefits in the longer term, since production is possible over many years;
 - However, other stakeholders argue that there are no economic benefits from organic production because yields tend to be 50% lower and the price premium is only about 20%;

As for challenges, as indicated, Company 184 would like to have all their farmers certified organic. Also, their certificates are currently valid only for one year, and they would like to have this extended to two years.

2.2.5 Markets

As shown in Table 2, Japan and the US are the main markets for Vietnamese shrimp followed by the EU, Canada, Australia, and South Korea.

Table 2: Exports of Frozen Shrimp from Vietnam (Jan – March 2007)

Markets	Volume (Tonnes)	Value (US\$ million)	Volume (compared to same period of 2006 (%))	Value (compared to same period of 2006 (%))
US	5,287	74.694	-24.1	-10.0
Japan	7,764	69.918	-23.4	-10.5
EU	2,930	21.898	-27.7	-21.1
Canada	1,050	13.053	40.5	80.2
South Korea	1,567	12.106	76.1	90.7
Australia	949	10.314	-30.6	-11.1
ASEAN	928	10.752	104	193.6
Others	2,896	24.125	29.7	30.9
Total	23,369	236.858	-12.9	0.3

Source: General Department of Vietnam Customs; in VIETFISH Magazine Issue 3, May / June 2007.

According to exporters, the following are key criteria in the main shrimp export markets:

- Japan: quality (freshness); good supply management; sustainability to some extent but low priority;
- EU: quality; organic/eco-labelled products preferred in some countries;
- US: Quality, sustainability also to some extent;
- China: price is main factor; substantial quantities exported to this market go through informal channels, i.e. without quality controls;
- South Korea, Taiwan, Hong Kong: price is important but also quality is becoming more important.

More information on export volumes, values, and buyers' criteria is contained in the section on international markets in the inception report (Annex 3).

2.2.6 Quality

The comparative advantage of black tiger shrimp from Ca Mau is its quality – i.e. colour, taste and size. According to exporters, overseas buyers prefer it more than black tiger shrimp from countries such as Thailand, Indonesia, or Bangladesh. Apparently, there is a 20% price premium for eco-shrimp; however, productivity was reported to be 50% lower compared to standard production.

There have been quality related problems faced in some export markets (e.g. Japan) due to more stringent quality controls in these countries and antibiotics residues found in shrimp from Vietnam. This explains slightly reduced export volumes compared to 2006 and more or less stagnating values.

There have been knock-on effects at provincial and company levels due to reduced shrimp exports to Japan. For example, some processing companies had to reduce the quantities of raw material purchased, which has led to lower producer prices in some areas. Also, many of the shrimp exporting companies have diverted their exports onto other markets (e.g. EU, US, other Asian countries).

2.2.7 Branding related issues

Individual export companies have well established brand names (e.g. CASES, SEANAMICO, INCOMFISH, SEAPRODEX, AQUAPEXCO). In addition to their company brand name, companies such as INCOMFISH have brand names for

different products (e.g. “Shrimp One”, “Saigon Pacific”, “Leader Fish”, and “Uncle Hundreds”), which they sell to customers around the world. The company also sells products under the customers’ brand name (Source: INCOMFISH Marketing brochure).

At the same time, some exporters feel that European buyers prefer their own brand names, which inhibits the development of Vietnamese brands. According to exporters, in Japan they can sell in boxes with their own name and logo on it.

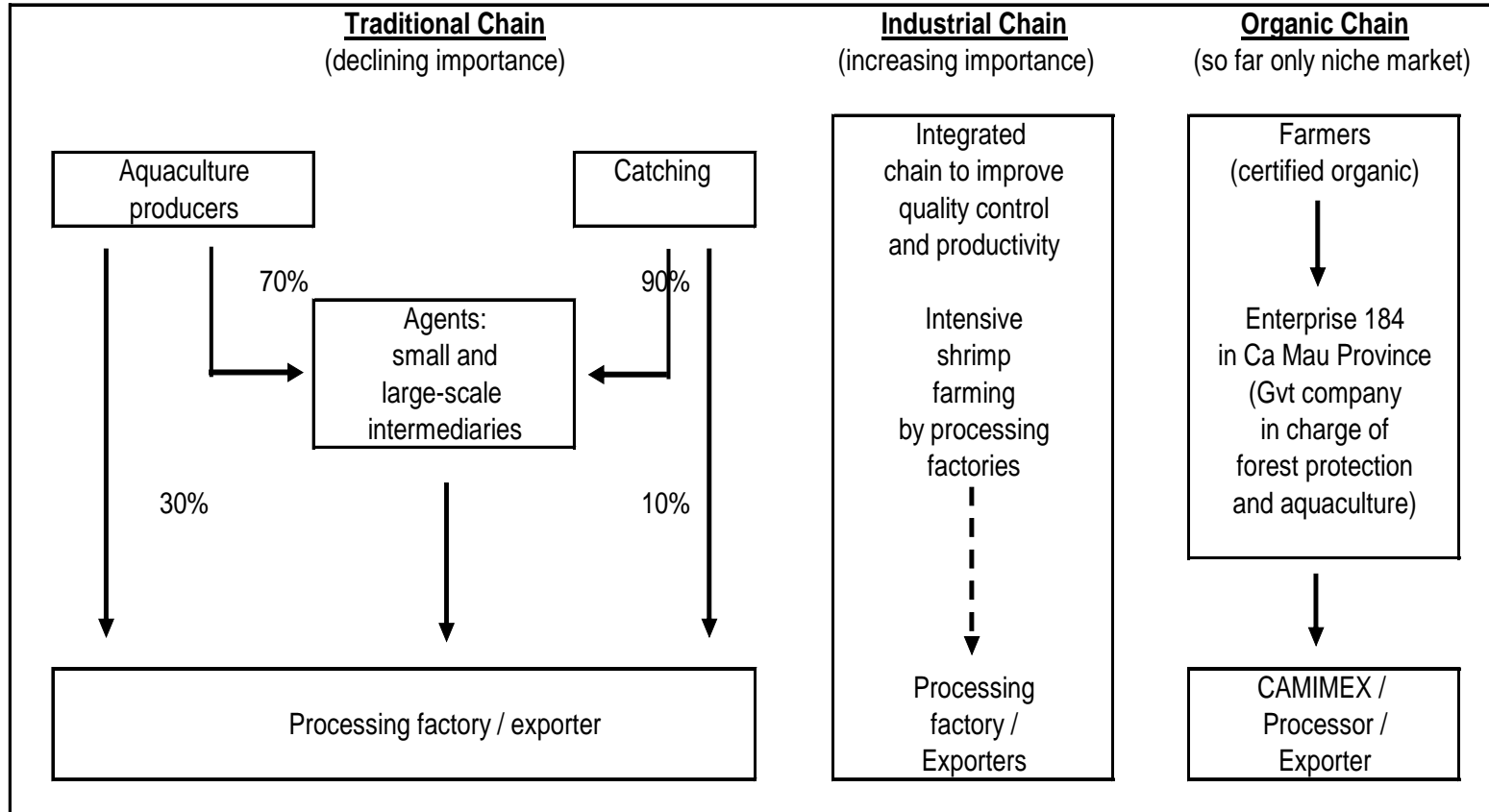
Stakeholders at provincial level (e.g. Association of Fisheries Producers and Traders, together with Department of Fisheries) have been working on brand name strategies for their respective provinces but have faced problems due to a lack of rules, and the fact that companies are not keen on giving up their brand names.

Stakeholders in some districts (e.g. Nam Can of Ca Mau Province) would like to have their own district-wide brand name because of special features such as black tiger shrimp from mangrove forests. For example, one processing company has requested MoFi to ask NAFIQAVED to give them a certification in this respect. However, apparently NAFIQAVED has difficulties to accept the slogan “natural breeding” because they are unfamiliar with the concept and cannot control it. NAFIQAVED only has the mandate to check on food safety and quality (i.e. they are the Competent Authority). To some extent, this reveals a lack of coordination and information flow at national level, as far as environmental certification and labelling are concerned. In this particular case the processing company did not know which route to take in order to obtain environmental certification.

Some companies lack funds to promote their brand names, or are not sufficiently aware of the need to advertise their brands in order to make them better known in their target markets and increase market shares. At the same time, the majority of export companies appear to be fully aware of the need to have certifications to support their brand. At present, the majority of these certifications³ are quality related with some being mandatory in certain markets. Relevant assessments are usually undertaken by international inspection firms such as SGS or Bureau Veritas, which all have offices in Vietnam.

³ For example: ISO (International Organization for Standardization), BRC (British Retail Consortium), IFS (International Food Standards), HACCP (Hazard Analysis Critical Control Point), SQF (Safe Quality Foods), and Halal (Food certified as Muslim – approved).

Figure 5: Shrimp Value Chains





Mangrove Forest in Ca Mau Province



Seafood Processing Factory in Ca Mau Province



Semi intensive shrimp farm in Quang Ninh Province - Note mangrove nursery to right of photo

2.3 Tuna value chain

2.3.1 Production centres

Vietnam's main tuna producing provinces include Khanh Hoa, Binh Dinh, and Phu Yen. Although quantities of tuna exported are relatively small compared to shrimp and pangasius, there have been significant increases of export quantities and values during recent years.

Table 3 provides an overview of the export quantities and values between 2000 and 2006, indicating that tuna exports were 44,822 tonnes in 2006, worth about USD 117.1 million. The main export markets for tuna products in 2006 were USA (40.7%), Japan (16.6%), New Zealand (9.6%), Germany (5.3%), and Taiwan (3.4%). (Source: MoFi – Dept. of Planning and Finance).

Table 3: Vietnam Tuna Exports, 2000 – 2006

Year	2000	2001	2002	2003	2004	2005	2006
Quantity (tonnes)	5,912	14,476	20,735	17,362	20,784	28,580	44,822
Value (000 US\$)	22,976	58,593	77,463	47,723	55,055	78,402	117,133

Source: Ministry of Fisheries – Department of Planning and Finance; NB: Values have been rounded

The following information is primarily based on interviews and discussions in Binh Dinh Province, which is the main tuna producing province visited during the field survey.

2.3.2 Products

According to the Department of Fisheries of Binh Dinh, the total fish production in the province is about 100,000 tonnes, and the annual tuna production is of the order of 3000 – 4000 tonnes (70% yellowfin, and 30% big-eye). In addition, there are 12,000 tonnes of skipjack caught. As for big-eye and yellow-fin tuna there are mainly two types of products produced here, i.e. fresh / sashimi (10 – 15%), and smoked or frozen products (about 85%).

2.3.3 Stakeholders

In total there are approximately 63,000 fishermen in the province, working on about 6,000 off-shore fishing boats. About 700 boats are for tuna catching (mostly long-liners). Although the average capacity of the boats was reported to be of the order of 60 - 90 hp, some fishermen were encountered who own boats with a capacity of 100 - 160 hp. It is estimated that about 10 fishermen are employed as labourers on one boat.

There is a scheme to form groups of tuna fishermen, with each group having 4 – 6 boats. They have been formed recently, and don't seem to be well established, as yet.

Apparently there were groups in the past which have stopped functioning, and now new ones are being formed (110 in total). When asked about collective marketing by groups of fishermen, they stated that fishing was their main business and they did not have much time to market their catch.

In sum, the tuna fishermen face the following constraints:

- Relatively small boats which limits their radius and catch;
- Lack of capital to expand fleet of bigger boats;
- Lack of preservation technology on boats (e.g. freezing equipment); this affects quality, and limits market for fresh tuna products (e.g. sashimi)
- Lack of organisation (i.e. groups are relatively new);
- Competition from other provinces.

There are five processing factories in the province, which process tuna but also other fish and seafood. They are the driving forces in the chain, which take risk (i.e. in the form of investments) and provide the link with export markets. They are also in charge of assuring the quality of products exported to other countries.

In addition, there are about 7 – 8 agents in the province that provide the link between small-scale tuna fishermen and processing factories. In addition to their assembly function, they also have a function of credit provider in the fishing communities. Agents are often portrayed in a negative light by market observers and analysts. To some extent this may be due to their market power and the fact that fishermen reportedly have to go through them to sell fish to processing factories, but it may also be the result of a lack of understanding of all their functions (e.g. credit provision in the absence of banks willing to lend money to the fishing sector). It can be concluded that agents will always have a role to play as long as small-scale fishermen are not sufficiently well organised to collectively market larger quantities of products directly to processing factories. This is reinforced by the agents' role as credit providers to fishermen, and in some cases to processing firms in which they also have stakes.

Local Government covers a range of services ranging from Department of Fisheries (DoFi) to harbour authorities in cities such as Quy Nhon. The Department of Fisheries lacks equipment to estimate tuna stocks. As a result, they can only analyse production figures on an ex-post basis without understanding the underlying trends in stock levels.

Although part of the harbour area has been modernised, it has been reported that a capacity increase is needed (e.g. to be able to deal with increased quantities of products traded through the port by Laos or the nearby mountainous provinces in Vietnam).

Some of the boat owners encountered in Binh Dinh Province were interviewed about costs and turnover of their enterprises, however due to the time available for data collection, the picture remained somewhat sketchy. As a result, figures collected by a team in a major tuna port further south are used for illustration. Nguyen Thi Kim Anh, Dang Thi Ngoc Tram and Ola Flaaten⁴ have carried out a case study on turnover and production costs of tuna long-liners in Nha Trang City, based on 2004 and 2005 data. According to the study, the average investment capital of a well-equipped long-liner was

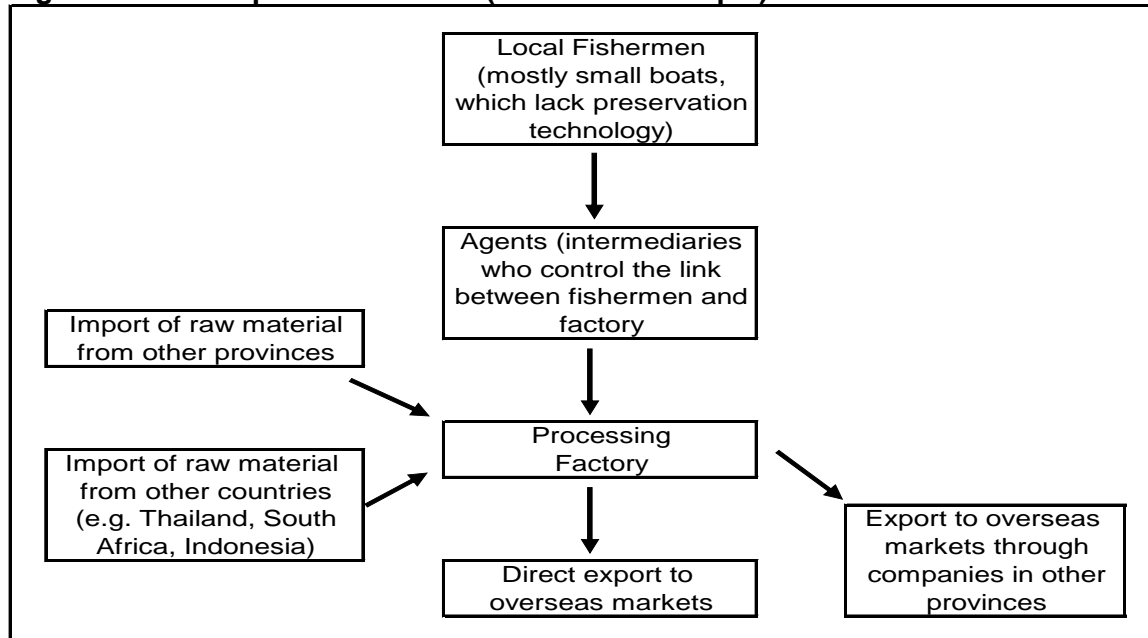
⁴ Nguyen Thi Kim Anh, Dang Thi Ngoc Tram and Ola Flaaten (2007), Turnover and production costs of ocean tuna long-liner fleet in Nha Trang City – A Case Study; pp28 – 31; in Vietfish International, Issue 3, May/June 2007; Magazine of the Vietnam Association of Seafood Exporters and Producers.

about VND 444 million (by the end of 2004), of which ship cover investment was VND 196 million. The annual fixed costs were about VND 58 million in 2004, compared to VND 61 million in 2005. The increase was mainly due to higher repair costs and interest. The average variable costs in 2004 were VND 527 million, compared to 579 million in 2005. Mainly higher fuel costs (+ 32%) but also increased costs for bait were responsible for the increase.

Compared with total annual costs of about VND 640 million in 2005, the average turnover of tuna long-liners was VND 727 million in 2005 (+ 4.1% compared to 2004) in Nha Trang. As a consequence, the average profit margin was about VND 87 million in 2005 (down from VND 113 million in 2004). Furthermore, financial analysis showed that the group of boats of a capacity of 90 – 140 hp had the highest profits and return on equity (RoE) compared to boats of a smaller or larger engine size.

According to Dr Nguyen Van Khang, Head of Fishing Technology Department at the Research Institute for Marine Fisheries (RIMF) in Haiphong, the technology used by the tuna fishing fleet in Vietnam is out of date (e.g. preservation equipment). He mentioned that modern Japanese boats with a capacity of 700 – 800 hp are available but only a few of them are in use so far. Apparently, a few years ago there was an off-shore programme to modernise the fleet which wasn't very successful. He suggests that if a support package was more comprehensive (i.e. including credit, technology, and training), fishermen might be better able to buy and use these larger boats. When asked about the possibility of a small group of fishermen buying such a boat, he agreed that this was an option.

Figure 6: Tuna export value chain (Binh Dinh example)



2.3.4 Markets

Export markets depend on the type of product. For example, whilst frozen seafood products from Binh Dinh province may be predominantly exported to the EU, US, and Asian countries, dried products are mainly exported to the latter⁵.

For example, one company visited in Quy Nhon would sell 70% to Europe, 20% to the US and 10% to Asian countries. The company sells frozen fillets, steaks, loins, seafood skewers, and also some sashimi. According to the company director, product diversification and increased value addition have played a positive role in increasing turnover from about US\$ 3 million in 2002 to an estimated US\$ 10 million in 2007. The internet and e-mail play an important role in the company's marketing activities.

The market criteria for fresh tuna (sashimi) were summarised as follows:

- Japan
 - High prices are paid for good quality (very fresh product);
 - Preferred size is about 30kg with head;
 - Catching and preservation methods are important.
- USA
 - Buyers ask for large volumes;
 - Smaller-size tuna preferred (i.e. about 25kg);
 - HACCP regulations need to be respected.
- EU
 - Some countries (e.g. Netherlands) look for environmental sustainability.

Lack of preservation technology and the resulting poor quality of raw material was indicated as a major constraint for the tuna fishery in Binh Dinh Province. As a consequence, in addition to local purchase of raw material, the company also buys fish from other provinces or imports from countries such as Thailand, South Africa and Indonesia.

Sashimi grade, fresh tuna fetches a much higher price on the international markets but small-scale fishermen don't have adequate preservation technology to meet the requirements. The company could export larger quantities of fresh tuna if the supply of good quality raw material was available.

2.3.5 Branding related issues

According to the Binh Dinh Department of Fisheries (DoFi), brand name development is difficult because every company wants their own brand name. DoFi would like to have their own brand name in the Province, with support from the Ministry and VASEP.

At the same time, private processors suggest that first of all preservation and quality need to be improved as a pre-requisite for a branding exercise. Also, the private sector

⁵ According to Vietfish Magazine (Issue 3, 2007), China & Hong Kong, South Korea and ASEAN countries were the principal buyers of dried seafood from Vietnam during the first three months of 2007. Other important markets include Russia, Taiwan, Japan, and the US. In particular, exports to Russia have increased significantly compared to 2006.

indicated that a tuna brand name should be developed for the whole country, and not just for the province. There is agreement that institutional aspects are important in that respect, and the Government has a role to play. A tuna brand logo should convey a message of “freshness” (i.e. bright, appealing colours are important).

According to Dr Nguyen Van Khang of RIMF, a national tuna brand is preferable given that there are no provincial differences between species and products. Also, he suggests that a brand name scheme with related quality criteria is likely to push up standards and technology in the industry.



Quy Nhon harbour, Binh Dinh Province

2.4 Fermented products value chain

2.4.1 Production centres

Vietnam has a long tradition in processing fish and seafood into traditional fermented products. Phu Quoc Island is arguably the best known centre of one of these products, (i.e. fish sauce/nuoc mam), which has led to the formation of numerous companies, some of which are large-scale.

Other centres, primarily along the long coastline of Vietnam, include Thua Thien Hue, Nghe An and Quang Ninh Provinces. Within these provinces it is often coastal districts or communes that have developed a reputation for good quality products. However, contrary to Phu Quoc, the enterprises in these provinces have remained in the majority of cases at small-scale level. This includes family-run micro-enterprises to medium-size fish sauce factories.

2.4.2 Products

The survey has concentrated on fermented products, including the following:

- fermented shrimp (*Tom Chua*),
- fish sauce (*Nuoc Mam*),
- fruit / chillie / fish mix (*Mam Ca*),
- fermented small shrimps (*Mam Ruoc*) and
- fish sauce cooked with fruit (*Mam Nem*).

Whilst the production of fish sauce and fermented shrimp has a long tradition, some of the other products are relatively new. Some of the small-scale processors are experimenting with the products, in order to create new mixes and flavours (e.g. cooking fish sauce with fruit). Apparently, the demand for these new products is increasing in consumption centres such as Hue City.

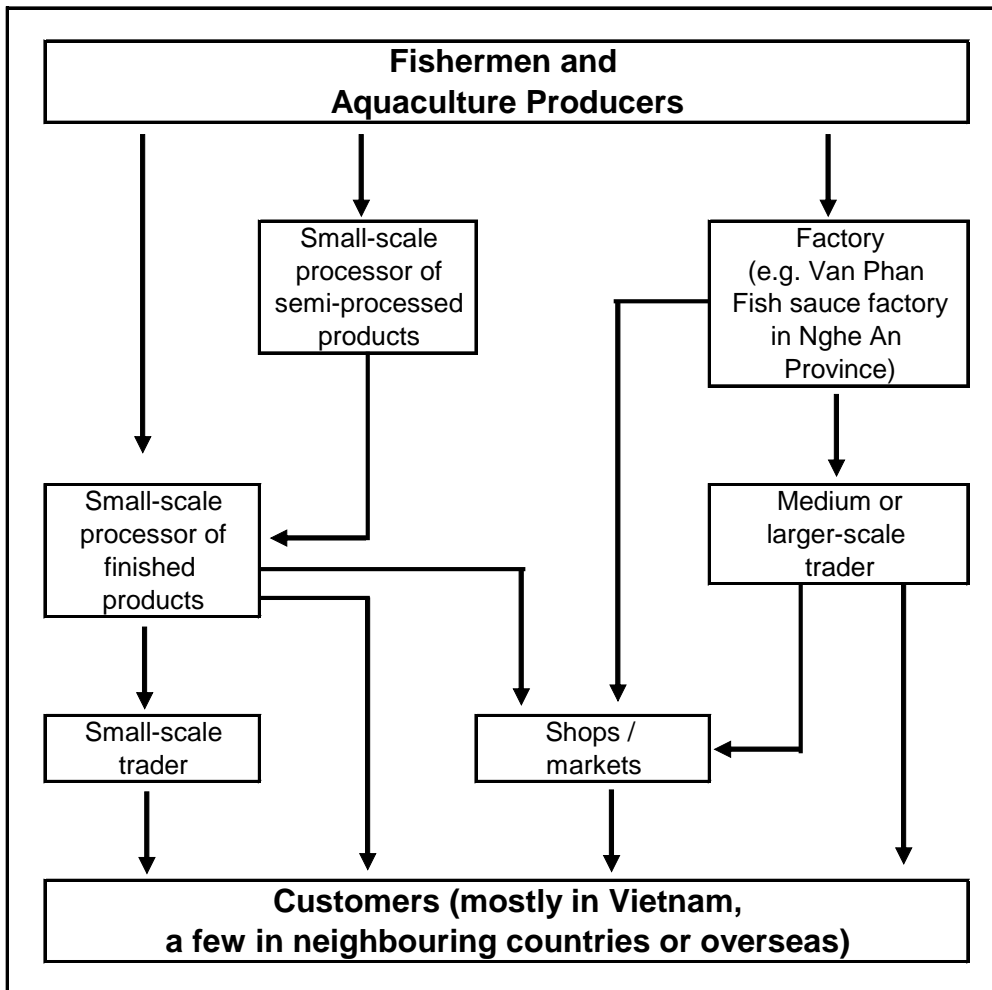
2.4.3 Stakeholders

Figure 7 outlines the stakeholders involved in the production and marketing of fermented fish products. Usually, the fish or shrimp is bought directly from the fishermen without involving agents. It then enters different channels, depending on whether the processor is the producer of a semi-processed product or the final product, and whether the enterprise is micro, small, or medium-scale. As mentioned above, the enterprises encountered range from household run businesses to medium-scale factories such as Van Phan fish sauce factory in Nghe An Province.

Semi-processed products (e.g. fermented shrimp) may be produced in a rural coastal area, and then sold to a processors or trader in a city such as Hue, where the final product is prepared. The final products are sold in a variety of outlets including shops, market stalls, and catering sector. Obviously, those processors and traders, who are based close to a large city have an advantage compared to processors located in more remote areas far from consumption centres.

The production of fermented fish products is dominated by women, and in most cases, the family enterprises encountered are being run by women. As for fish sauce factories, the management may be in the hands of men, but women also play an important role in the production process.

Figure 7: Value Chain of Fermented Fish Products



The stakeholders involved in processing have acquired their knowledge mainly through three different routes:

- Their parents have passed on the knowledge and tradition of fish processing to the next generation (i.e. often from mother to daughter);
- A processor may have worked in a factory or for another processor and then started her own business; and
- Some processors apparently have started from scratch during the last one or two decades and slowly developed their business.

When asked about the dominant forces and leading players in the value chain, the processors' responses may have been influenced by the size of their business. In particular, smaller processors would argue that agents (i.e. traders) and consumers are the driving forces in the system. On the other hand, large factories based in the South of Vietnam (e.g. Phu Quoc Island) are also able to influence the value chain through their marketing strategies (e.g. price setting and distribution system).

2.4.4 Organisations

At present, processors and traders of fermented fish products are not organised in associations. Apparently, there have been a few attempts to organise processors in some locations into groups (e.g. near Hue City, and in Dien Chau District of Nghe An Province), however it was reported that these attempts were not very successful. The reasons given for the lack of associations include lack of time to meet, disputes, and competition between processors. Nevertheless, some enterprise owners also said that they cooperate well with other processors despite the absence of an association.

Unsurprisingly, the processing methods and recipes used for certain products are closely guarded secrets, and processors are not keen on sharing them with other villagers or competitors. As for group organisation, it seems important to distinguish between those processing steps that are common knowledge (i.e. the basic steps), and those that are business secrets. It will be easier to agree on and set standards for those steps that are known to the majority of stakeholders.

2.4.5 Raw material

The raw material for the products is in most cases locally procured, depending on the local production conditions. For example, whilst fish sauce from Phu Quoc is primarily made from anchovies, fish sauce in Nghe An Province is made from fish caught by bottom trawling plus some anchovies. Although the fish often originates from local production, sometimes raw material is also bought from other provinces. According to processors, the type of raw material used influences colour and flavour of the end product. For example, fish sauce in Southern Vietnam is darker and sweeter, whilst in Northern Provinces it is more yellowish and less sweet.

As for the production of fermented shrimp, processors prefer pink shrimp from brackish water aquaculture. Although marine shrimp may also be used, it reportedly is of lower quality due to poor preservation, and the time spent until the product reaches the point of processing. As a result, the shell of the shrimps is already thick and fermentation takes considerably longer – e.g. pink shrimp from the lagoon in coastal Thua Thien Hue Province may take 20 days to ferment whilst poorly preserved marine shrimp may require up to 60 days.

Processors tend to pay the suppliers of raw material immediately when the fish or shrimp is purchased. By and large, no shortage of raw material was reported, although some processors complained about fluctuating prices of raw material.

2.4.6 Quality

Processors are aware of the importance of good quality ingredients to achieve good quality final products. In addition to fish or shrimp, this also includes other inputs such as salt and rice. For example, one processor reported that she only uses good quality ingredients from one trader, who she knows and who she can trust.

The quality of the product clearly influences its shelf-life. For example, according to the manager of Van Phan fish sauce factory, a low quality product would have a shelf-life of 3 months whilst high quality sauce can be kept for about a year, and superior quality for up to 4 years.

Some processors suspect that traders add chemicals or salt to the product in order to extend shelf-life, although it is recognised that this may be detrimental to consumers' health. By and large, the bulk of production and trade of fermented fish and seafood products appears to take place with little or no quality control. Apparently, this has led to consumer weariness about products they are not familiar with.

One company reported that about 10 years ago they had received technical assistance from the Ministry of Fisheries to improve their production. Unfortunately, the technology was not appropriate and the quality of the product (i.e. fish sauce) suffered. In particular, product quality deteriorated when temperatures were high.

Quality related constraints can also hinder small enterprises from expansion. For example, one owner of a relatively successful family business reported that she would like to expand her production but problems with quality control and hygiene are holding her back.

2.4.7 Employment and income generation

Undoubtedly, processing of fish and shrimp into fermented products generates employment and income in rural communities. Whilst some of the smallest business units are primarily run by families, those that have been able to expand require a small number of full-time staff and a larger number of seasonal part-time workers. For example, one of the larger family run businesses in Thua Thien Hue Province would employ 4 full-time workers and 15 – 20 part-time workers. Another one, which produces about 35 – 40 tonnes per annum, uses 8 workers. As already indicated, the majority of business owners and workers are female. As for larger production units such as a fish sauce factory, these may employ 50 – 100 staff and workers – for example one factory visited employs 60 people, about half of whom are working in the sales department.

The example of Nghe An, where an estimated 5000 workers are employed in about 500 family run businesses, illustrates the importance of the industry for rural development (Source: Nghe An Department of Fisheries).

When asked about income and profits, unsurprisingly processors were somewhat reluctant to give full details. At the same time, it may also be possible that this was due to lack of accounting and book keeping in the enterprises. Nevertheless, one processor estimated her annual turn-over to be of the order of VND 100 million, leaving her family with an annual net income of approximately VND 40 million (i.e. USD 2,500). She

employs five labourers. Another small-scale entrepreneur estimated her profits to be of the order of 20% of the capital used for raw material and processing.

2.4.8 Markets

There were contrasting views regarding the market of fermented fish products. For example, processors in Thua Thien Hue, where a wider variety of products appear to be produced, seemed quite optimistic about the market outlook and their future sales. Different factors may influence this. In particular, the existence of a large consumption and tourist centre in the form of Hue City plays a positive role. In addition to local consumers, products from this area are also sold to tourists from other parts of the country and Vietnamese living overseas. The fact that processors in Thua Thien Hue Province produce a range of speciality products that are not competing head on with products from large-scale production (e.g. fish sauce) puts them in a favourable position.

On the other hand, small-scale fish sauce producers in Nghe An seem to be struggling to compete in their own province, let alone other parts of the country. It was reported, that fish sauce from the South is now also being sold in this province. As yet, most of the fish sauce produced in Nghe An is also sold in this province. For example, Van Phan reportedly sells 90% of their output in the Province, whilst 10% is destined for Hanoi. The company sells about half of its production through agents, and the other half through company sales staff.

Small-scale producers in Nghe An find it more difficult to know the final destination of their products. For example, processors would reply that 70% of the output is sold to consumers whilst 30% goes to traders. Apparently, some consumers prefer products made in the village, in particular if the village has a reputation for good quality (e.g. Phu Hai). Nevertheless, small-scale fish sauce producers in provinces such as Nghe An are at a disadvantage in that the majority of villagers produce the same product and on top of that they face competition from factories which may be based within or outside the province.

Table 4: Comparison of Products and Markets

Province	Products	Markets
Thua Thien Hue	Speciality products, mainly produced by small-scale entrepreneurs, e.g. fermented shrimp (<i>Tom Chua</i>), fruit / chillie / fish mix (<i>Mam Ca</i>), fermented small shrimps (<i>Mam Ruoc</i>) and fish sauce cooked with fruit (<i>Mam Nem</i>).	Markets in Hue City, which is important consumption and tourist centre (i.e. festivals); In addition, the products are sold to other parts of the country and Vietnamese overseas. Small amounts may also go to neighbouring countries (e.g. Laos)
Nghe An	Traditional fish sauce (<i>Nuoc Mam</i>), which is produced by a few middle-sized factories and many small-scale household businesses.	For the time being, the main market for fish sauce from here is Nghe An Province, with relatively small amounts going to other parts of Northern Vietnam. There is competition from other parts of the country.

2.4.9 Business constraints

Capital, quality, and market related issues were mentioned by the processors of fermented products as the main constraints to expanding their business. As for markets, it is important to remember that speciality products that have a niche market are doing relatively well, whilst traditional mainstream products such as fish sauce are more difficult to sell by producers in areas that are relatively far from consumption centres. Also, in some cases, stakeholders appear to confuse branding issues with wider marketing related issues, such as distribution strategy or advertising.

Both quality and market issues are also covered above, and will therefore not be covered here again in more detail (see related paragraphs above).

Although lack of capital was mentioned by several small-scale entrepreneurs as a constraint to their business, some were able to obtain loans from the Agricultural Bank and from the “Poor People Bank”. For example, one processor reported that she had obtained a total loan of VND 170 million from these banks. She had to get organised in a small group of five people who were in a similar position. The Local Government has helped her to prepare a business plan and obtain the loan on favourable terms (i.e. 0.8% interest per month). In addition, the District Government has assisted her to buy equipment and register her trade mark about four years ago. The same processor said that she could borrow more capital if she wanted to expand her business but would have to prepare a feasibility study.

Other issues which were not directly mentioned, but which may prevent businesses from expansion, could include the lack of book-keeping and strategic planning. Many of the enterprises are traditional family-run businesses which may thrive until they reach a certain limit. These entrepreneurs are likely to require some training in business development in order to expand their businesses.

2.4.10 Branding related issues

Several small enterprises were encountered which have developed their own brand name and logo. In particular, processors of speciality products near Hue City seem quite dynamic as far as branding is concerned. Medium-scale fish sauce factories also tend to have their own registered brand but family businesses operating at village level in Nghe An Province are unlikely to have one.

The registration process to obtain a brand name is as follows:

- Processor has to apply for support from the District;
- District agrees with concept;
- Trade mark registration in Hanoi at the National Office for Intellectual Property, which belongs to the Ministry of Science and Technology.

Details of laws, institutions, and practical steps involved in branding are outlined in Box 1 below.

Understandably, the owners who already have their own brand names are not keen on giving them up in order to become a member of a group scheme. In fact, the majority of small-scale processors who were interviewed would prefer to sell under their own family

or brand name. Nevertheless, there may be some processors who simply do not have the capacity to develop their own brand and logo. For them the only option would be either to get organised in a small group of businesses who are in a similar position, or continue to sell through their traditional network of agents. The latter includes the selling of semi-processed products to agents who then produce and sell the final product using their own brand.

Several of the processing enterprises which have their own brand names have been relatively successful in attracting free advertising (e.g. on local television or through newspaper articles). Also, they participate in regional or national trade fairs, where some of them have succeeded in winning medals. In addition, the companies have their own advertising material such as leaflets or banners. However, despite these efforts, the company owners or managers would also admit that their advertising efforts are not systematically planned and carried out.

Brand imitations were reported, in that a successful brand name may be copied by another business after a slight modification of the name in order to sell a similar product, but of inferior quality, on the market. This points to problems with trade mark law enforcement. Although the owner of the so damaged enterprise may be aware of the problem, it would be too costly and time consuming for her to take legal steps.

Protected geographical indication (or designation of origin) at provincial level is an option to be considered to protect processors from imitations, promote products, and at the same time enhance their quality. Processors met during the survey are agreeable to the idea as long as the related rules and regulations are followed by all stakeholders. Although much of the implementation of such a scheme would take place at provincial level, it would require coordination and guidance from the centre.

In sum, the above would leave small-scale processors of fermented fish products with the following three options:

- Processors that have developed their own brand and logo could continue to sell on an individual basis, using geographical indication or designation of origin as additional certificate to be obtained from the Local Government following a successful inspection of the enterprise.
- Those processors that find it difficult to develop their own brand and logo could be encouraged to organise themselves into groups that can sell their products using a collective name. The groups would also be eligible to obtain protected geographical indication provided their products meet the requirements.
- Those processors who prefer not to participate in the above schemes have the choice to continue processing and marketing their products using their traditional networks of customers. As highlighted above, this may include producers of semi-processed products which are sold to other processors or agent who prepare the final product.

Box 1: Laws, institutions, and practical steps involved in branding

The following laws are relevant in relation to trademarks and brand names:

- Law on Intellectual property;
- Decree No. 63/CP dated on October 24, 1996;
- Decree 06/2001/ND-CP dated on February 01, 2001 by the Government

The following institutions are dealing with trademark matters:

- Ministry of Science and Technology;
- National Office of Intellectual Property;
- Market control force (in case of infringement)
- Economic Police (in case of infringement and having signal of crime)

The general steps for filing registration of a trademark (by large or small companies) / collective mark, involve the following:

- Conducting pre-search
- Filing application at National Office of Intellectual Property
- Publication
- Registration (After paying grant fee)

The time frame of examination is 10 months counted from the date of filing. Trade mark registration Certificates shall have the validity beginning on the granting date and expiring at the end of 10 years counted from the filing date and renewable indefinitely for consecutive terms of 10 years.

The following documents are required:

- Sample of mark
- List of goods covering the trademark
- Information concerning applicant (address, name)
- The rule on using trademark (in case of collective mark)

The same steps have to be followed by large or small companies if they want to apply for trade mark or brand name registration. Groups of small-scale producers can apply for a trade mark and the steps are also the same.

Steps to be followed and documents required by companies or associations if they want to apply for geographical indication / designation of origin of their products:

Steps which have to be followed by companies or associations if they want to apply for geographical indication / designation of origin of their products are the same as the steps applied to trademarks.

Documents required:

- The name or sign that is the geographical indication;
- The product bearing the geographical indication;
- Description of peculiar characteristics of the product;
- The map of the geographical area corresponding to the geographical indication.

The time frame for examination of an application for geographical indication is 6-8 months. Geographical indication registration Certificates shall have indefinite validity beginning on the grant date. Companies, associations or groups of producers can file the application by themselves or authorize an Intellectual Property Representative.



**Producer of semi-processed fermented shrimp,
TT Hue Province**



**Workshop of Than Van fermented seafood products
Phu Vang, TT Hue**



Than Van, branded fermented seafood products, Small-scale family enterprise, Phu Vang, TT Hue



**Bottling of fish sauce at Van Phan fish sauce factory
Dien Ngoc District, Nghe An Province**



**Fermented fish processing, family business
Dien Chau Commune, Nghe An Province**

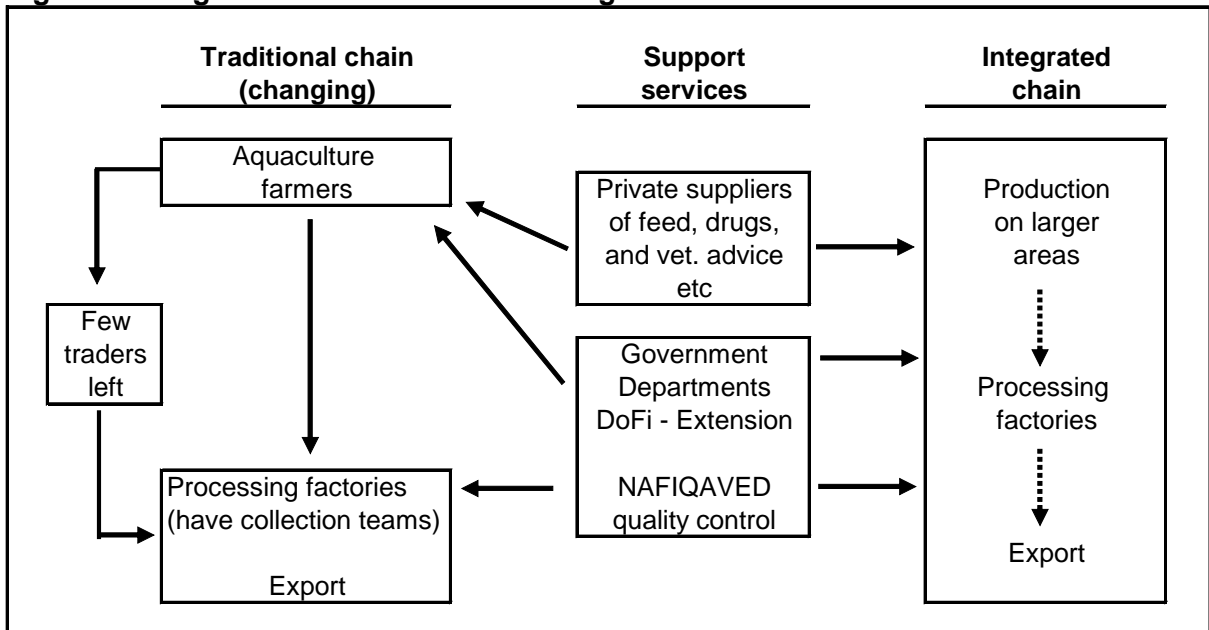
2.5 Other value chains and schemes

2.5.1 An Giang – Pangasius case study

The following summarises the information obtained during the course of the field trip to An Giang Province, which is considered the pangasius capital of Vietnam:

- Pangasius exports from Vietnam are a major success story, and companies are expanding rapidly;
- Over 100,000 people are employed in fisheries sector in the province, with about 20,000 in the processing sector;
- There has been a move away from river based aquaculture towards pond aquaculture;
- Companies prefer more integrated production of pangasius to be able to control quality of raw material; as a result there are fewer traders left in the system;
- There are fewer small-scale producers in the chain, and there is a trend to larger production areas (e.g. 10 hectares and more), leading to very high land prices in the province
- Yields of 300 tonnes of basa per hectare per season have been reported;
- Processors, who are also the exporters, are organising aquaculture farmers into clubs of about 20 producers; this is expected to facilitate extension and quality control, as well as supply of raw material.

Figure 8: Pangasius value chain – An Giang Province



Brand name related issues in the case of pangasius can be summarised as follows:

- As for branding, basa exporters have preferences similar to shrimp exporters in that they would like to keep their brand names, which are well developed. In particular, these are trade brand names (i.e. they are known to the buyers but not necessarily to consumers in overseas markets)
- Basa processors are aware of the need to have certifications (e.g. HACCP, BRC, Halal, IFS) in order to back up their brands
- Exporters acknowledge the usefulness of a national brand or quality mark but are not keen on the extra costs and burden, especially if buyers don't ask for it
- They agree that a brand name scheme should be run by an independent body to avoid bias. Associations are voluntary and don't have power to enforce rules.

2.5.2 Clam scheme in Ben Tre

In Ben Tre Province a clam scheme was encountered, which was being prepared for Marine Stewardship Council (MSC) certification in September 2007. The co-operative has 1,700 members who produce clams on 900 hectares. According to the Vice Director of the co-operative, the annual net profit was VND 2.8 million per member in 2006. The co-operative has its own brand name, i.e. Fisheries Co-operative Rang Dong.

The Vice Director of the co-operative is hopeful that the assessment by the inspection firm in September 2007 will be successful and that they will be able to use the MSC logo. They have plans to set up an association with a processing company to use the MSC label for exports. If the certification is successful, it can be expected that the MSC logo will strengthen the brand of the Fisheries Co-operative Rang Dong.

When a fishery decides to participate in the MSC programme, it first selects an accredited certification body to provide the independent assessment. A fishery evaluation is a two-phase project that first involves a pre-assessment of the fishery and then a full assessment. Once a fishery is certified, a chain-of-custody for the products made from certified fish must be evaluated and certified (this includes processors, traders, etc) – this provides proof that a product sold under the MSC eco-label originates from a certified fishery (Phillips et al, 2003)⁶.

Three principles of the MSC certification process:

- Principle 1: Stocks – A fishery must be conducted in a manner that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery. (Louis Botsford in Philips et al, 2003)
- Principle 2: Effects of Fishing on the Ecosystem – Fishing operations should allow for the maintenance of the structure, productivity, function and diversity of the eco-system (including habitat and associated dependent and ecologically related species), on which the fishery depends; (Trevor Ward; in Philips et al, 2003)

⁶ Eco-labelling in Fisheries – What is it all about ? Edited by Bruce Phillips, Trevor Ward, and Chet Chaffee, Blackwell Publishing, 2003, ISBN 0-632-06422-6

- Principle 3: Management systems – The fishery is subject to an effective management system that respects local, national and international laws and standards and incorporates institutional and operational frameworks that require use of the resource to be responsible and sustainable. (Bruce Phillips, in Philips et al, 2003).

Medley and Nichols (2003) caution that eco-labelling procedures (and related costs) should take into account the size of the stock and the level of data that can realistically be expected to be available. In particular, if the fishery is relatively small and located in a developing country, a more flexible and less costly approach is required.⁷

⁷ Paul Medley and Paul Nichols; Case Study 3: The Thames Herring Drift-net Fishery; pp136-144; in Phillips et al (2003).

3. BRANDING OPTIONS

3.1 Introduction

- The Inception Report (see Annex 3) discussed branding options, distinguishing between export brands aimed at consumers and those targeting traders who supply these markets. However during the field surveys it became apparent that branding (trader branding especially) has already been well developed by commercial players in Vietnam and so this is not the central issue for this assignment. It is **institutional support** for the plethora of brands (which apparently every operator wants to set up) that is required.
- This meant that our initial view that the study was concerned with helping commercial operators to devise brands needed to be re-orientated. It is actually the back-up systems that can provide blanket guarantees of quality, for example, that are the priority – **i.e. brand support schemes**.
- The target products for this assignment are tuna, shrimp and fermented seafood. Tuna and shrimp are mostly exported whilst fermented products (fermented shrimp & fish sauce) target domestic consumers and possibly some regional neighbouring countries. From the branding perspective **the product range then splits into two**: with tuna and shrimp export-marketed as “national” products whilst the fermented products are sold locally as “regional” items. Different approaches are required in each case.
- A serious generic problem in Vietnam’s seafood export markets has arisen recently: **contamination by antibiotic residues**. This is a quality issue and one that needs urgent attention as it has already damaged the Japanese market for Vietnamese shrimp, for example. There are also problems with Pangasius in the USA. It is a national rather than a company-specific issue, and this highlights the need for an effective independent national overarching response. There is also a political dimension in that contamination is providing those who wish to frustrate Vietnamese exports with a useful tool to do so (eg the Catfish farmers of the Southern USA)
- The preliminary conclusion was that, taken together, this all points to the need for an **independent “brand support” authority** of some sort that maintains the broad “Vietnamese seafood brand” to the benefit of all players in the industry.
- Consequently, what POSMA needs is guidance on how to structure this brand support entity. Key questions that this poses are:
 - What form should the entity take - a quality standard guarantor (kite mark or quality label), an inspectorate or some alternative arrangement?
 - Where should this entity reside – within the private sector (eg VASEP) or the public sector (eg the Ministry of Fisheries’ NAFIQAVED as the food hygiene competent authority) or perhaps the Department of Science & Technology which is responsible for standards)?

- What would such an institution need to do – set standards, select member firms, maintain inspection and disciplinary systems etc?
- What are the practical steps required to achieve this?
- Which technical areas should be covered by the scheme – hygiene and contamination (antibiotic & heavy metal) obviously - but also ethical (sustainability, fair-trade) or organics?
- Might this agency take on an intermediary role between international standards organisations (eg ACC, MSC, Naturland) and Vietnamese producers?
- A preliminary analysis of Vietnam's seafood export performance identified **the EU (and wider Europe) as the most promising prospect for branding campaigns** – both for its growth potential and for its receptiveness to some brand-orientated issues. The subsequent analysis then tends to be EU-orientated, but not exclusively so.

These questions became the priorities for preparation for the Hanoi stakeholder workshop, and so determined the subsequent research undertaken for this assignment. In short, **the key task has become the devising of an appropriate structure and operating parameters for a brand-support institution**. Or more, accurately, this task is to present a set of credible options for such an approach to the Stakeholder Workshop so that delegates can take the process forward on the basis of a fully informed view. That is the main purpose of this part of the report.

- The analysis starts out by assessing the broad potential within the branding arena, first rehearsing ideas already set out in the Inception Report (Annex 3), and subsequently highlighting aspects most relevant to Vietnam's situation.
- Relevant precedents elsewhere provide the obvious guidance, with European seafood systems seen as especially pertinent. Other food sectors can also provide relevant examples. Understanding these key paradigm brand support schemes has then been a priority.
- Alongside this, prospects for linkages with international accreditation agencies are considered as an alternative approach
- Based upon the findings of these inquiries, indicative options for Vietnamese brand support systems are devised

3.2 Branding

It became evident during preliminary field work that whilst there has been extensive development of private corporate brands in Vietnam there appears to be a lack of back up to ensure that the brands “keep their promise”. The task here is to devise a strategy that will address this situation especially regarding the quality/hygiene area where problems have arisen recently.

Our original Inception Report briefly explored the nature of brands from a theoretical perspective in order to set the scene. This section starts by expanding upon this so as to establish a sound base for defining potential options for Vietnam.

3.2.1 The branding context

Before attempting to define relevant options for Vietnam, some preliminary discussion is merited regarding the nature of a brand and what its development entails. This section accordingly starts by considering some underlying general aspects, starting with the question of what a brand actually is.

What is a brand? A brand tends to be thought of as a product, a logo, a name, even a distinctive form of packaging. In fact it is none of these things (although they can all contribute). A brand is actually something that resides in the collective consumers mind – and is fundamentally a form of recognition – recognition that a given item is an acceptable or better response to a given need. The wider the recognition, and the more hard-wired the message – the stronger the brand. Attaining this recognition – brand building – is the issue. Seen from this perspective, there are at least two types of brand:

- **Consumer brands** are widely recognised “household name” brands that depend upon widespread advertising and promotion. *This tends to be hugely expensive to both build and to maintain.* Image is crucial and media coverage, association with celebrity, product placement etc. are all essential brand-building tools. Indeed in some cases the actual substance of the product is far less important than the image (eg designer-label items). The very high cost of brand building results from the need for regular use of TV and other major media, though this can be targeted (eg women’s magazines, newspapers food sections for seafood) to help reduce these high costs
- **Trade brands** are much narrower concepts, targeted very specifically on those within the industry. *This means that only a few hundred or at most, thousands of people need to be influenced rather than millions.* The focus is accordingly much tighter, concentrating upon technical rather than image based aspects. Furthermore, the cost is of course far lower. The publicity vehicles employed tend to be industry-orientated, eg the trade press, seafood trade fairs and expos, targeted brochures and literature and direct approach to traders etc.

The distinction between trade and retail branding is partially a function of the stage along the value chain that is involved. Trade brands target the stages in the value chain that precede sale to the end user- whilst consumer brands target the end user of course.

Understanding the value chain is then important for this study, and this is one reason our proposal focused on this.

Indirect branding There are other approaches. One of current relevance is to link into a campaign by a major player in OECD markets. This can involve providing a “story” that matches the consumer preoccupations that major players are responding to in their markets. An example of this is the promotion of Vietnamese pangasius as a new sustainable healthy fish product, the story here being one of resource sustainability (farming versus over-stretched wild stocks) as addressed by Young’s current basa goujons campaign. The Vietnamese catfish producers benefit through having their product widely advertised in the UK market at little cost to themselves, although the name highlighted is of course the UK company footing the bill.

An alternative and probably more relevant example is the **use of international certification body’s brands** by subscribing to them (and meeting their criteria and standards). The Marine Stewardship Council (MSC) and Aquaculture Accreditation Council (ACC) are important examples, concerned with sustainability.

Generic branding where a **product rather than an individual company is promoted** is also highly relevant here. Where a number of similar small players are involved, this allows a joint approach from which they all should benefit. There are risks in that some members may not be able to support the brand adequately, and fail to meet the “promise” made, so letting down their partners. However, given adequate discipline, this coupled with the trade approach mentioned above may prove to be the most cost effective option for the stakeholders addressed by this study. The need for quality standards and systems to ensure reliable adherence within the group is obviously paramount in this case.

A variant of this is **national branding** where a product group from one country (or region) is branded by nationality, irrespective of the individual product specification or producers. In this case the products would be seafood sold under a Vietnamese brand – as is practised by Norway, Ireland and Scotland amongst others.

3.2.2 Potential Branding Options for Vietnam

Preliminary enquiry in Vietnam has highlighted a number of issues that the branding strategy needs to address. These fall into two categories – those related to **quality** and those responding to **consumer/buyer perceptions**. Priority aspects of both are dealt with in turn below.

(1) The quality imperative – a quality assurance scheme

- There is clearly a crucial need to reassure export markets concerning **the quality of Vietnamese seafood**
- In particular, this concerns **antibiotic contamination of seafood** – especially farmed items currently. Tests in OECD markets are getting both more sensitive and

more stringent and problems here are beginning to threaten Vietnam's export trade. **Histamine contamination of tuna** is another key issue here

- The need to bring **effective discipline regarding quality standards throughout the industry** is particularly pressing and devising mechanisms to achieve this will be paramount
- This implies that what is required is an **external entity to impose discipline** with both authority and technical competence whilst being demonstrably free of both conflicts of interest and favouritism.
- The key questions that this then poses are (i) **what form should this entity take**, (ii) **where should the entity reside** – ie within the public or private sector (iii) **should the entity be “stand-alone” or located within another organisation** such as VASEP or Nafiqaved.
- There is also the matter of whether this should be a **sector or segment orientated system**? It should it cover Vietnamese seafood generically or be segmented to address basa, shrimp, tuna etc as separate groups
- **This is likely to be primarily export trade-focused**, as it is OECD importers who are most concerned about a quality guarantee system. The exporters' customers respond to the exporters' own brands and so whilst this initiative does require promotion to the trade, no expensive consumer brand building by Vietnamese producers is necessarily required

This is perhaps the most pressing issue, but it is not the only one. There is a fast expanding range of issues that can be loosely grouped as consumer concerns. There are two key categories here: on one hand the broad “ethical” group which includes environment, sustainability and “socio-economic justice” and on the other hand, healthy eating (eg organics and GMOs). There can be overlap between these categories – for example, some organic labels demand that a number of environmental standards must be met to achieve organic certification

The branding implications of these consumer perceptions are dealt with below

(2) Consumer perceptions – ethical and health labelling

The essential distinction between these issues and those concerned with quality mentioned above is **they are driven by consumer perceptions**. Whilst quality is a distinct and measurable “hard” concept, the degree to which reality actually underpins these “soft” categories is often questionable. For example, organic products can be completely indistinguishable from their non-organic alternatives, even with advanced analytical techniques. Ethical labels can be even more tenuous because there is frequently confusion in the customer's mind as to what they actually signify. Broad concerns about the environment and global poverty appear to be the principal drivers, but little focused thought is involved. **Consumer perception is then the critical factor, but this has a fully coherent reality of its own as far as the trade is concerned**, and thus the need to address it seriously.

However, the approach differs here because of the lack of measurable absolutes. **Process rather than product is what defines these categories** and thus the need for certification bodies able to assess the processes involved. The central issue here is then how should Vietnam respond to ethical and related certification. Box 2 lists some of the key issues that currently fall into this category

Box 2: Consumer perception brands relevant to Vietnamese seafood

Ethical labelling (*issues of conscience ie the consumer's mind*):

- **Environmental:** eg
 - **Sustainable aquaculture:** arguments supporting this include cultured seafood taking pressure off wild stocks, so generating a sustainability benefit. An alternative story is production of low protein feeders such as basa so as not to create an indirect drain on marine resources through use of fishmeal.
 - **Sustainable wild fisheries:** eg fisheries certified as exploiting the resource sustainably under an enlightened management regime
 - **Environmental impact:** Also a “best practice” aquaculture issue, preserving mangroves and reducing pollution in outflow water key determinants of acceptability
- **Socio-economic justice:**
 - Employment generating **fair incomes** for poor communities, especially in remote dispersed rural communities where alternatives are limited
 - **Social justice** – eg protection against exploitation by the powerful – preventing abuse of land rights or use of child labour.
 - **Fair trade** – ensuring that primary producers receive a fair proportion of the end-price.
- **Other: animal welfare:** increasingly a concern for northern EU consumers with key issues being crowding during rearing and humane slaughter procedures (eg for farmed salmon)

Health labelling (*concern about family health ie the consumer's body*)

- **Organic aquaculture** where production follows established organic principles - eg organic shrimp such as Camimex's “bio shrimp” certified by Germany's Naturland and supported by SIPPO. There is also organic basa now available from Agifish & Afiex. There is also often an overlap between organic and environmental labels (see above)
- **GMO-free.** Genetically modified organisms are banned from the EU food chain and of much concern to consumers globally. They are normally banned from organics anyway, but are an issue in their own right in some OECD markets

These various sets of branding criteria have a number of implications for the Vietnamese seafood industry. Chief amongst these are the following questions that they pose:

- **Which of the “perception brands” should the Vietnamese seafood industry pursue, if any?** This is a question of which markets are targeted and the particular preoccupations in these markets – especially the EU and US markets where both ethical issues and organics are growing in importance

- **Should Vietnam set up its own certification body(ies) or subscribe to emerging globally recognised systems?** The former approach would entail high start-up costs, especially for the gaining of wide acceptance in OECD target markets.
- **The alternative - “borrowing” the credibility of international ethical or health labels** would obviously be far cheaper, but would mean accepting the criteria of the leading international accreditation entities and achieving the standards they set. And these may not reflect the particular situations faced by Vietnam’s producers.
- This could involve a **domestic or international approach**: ie should Vietnamese organisations act as agencies for the international certification organisations or should these organisations act directly to certify Vietnamese producers and processors?
- Either way, **there could be a key role for a Vietnamese liaison/intermediary** to ensure that the industry is adequately policed. This again raises the question as to where such a function could be located: should it be within relevant private or public sector institutions? Should it be combined with the quality assurance scheme or a stand-alone entity? Roles that such a domestic entity might assume could be multi-function: eg coordination, information provider and pre-assessment (up to certification stage) prior to eventual involvement by international agencies.

What adds complication to decision making in this regard is the plethora of organisations involved in certification. Boxes 2 and 3 below list some of the more relevant of these – firstly listing entities concerned with ethical labels (Box 3) and subsequently those dealing with health and quality (Box 4).

Box 3: Key ethical labelling organisations relevant to Vietnamese seafood

- **Aquatic environment certifiers (Eco-labels)**
 - **Aquaculture Certification Council (ACC)** is the certifying body for the BAP (Best Aquaculture Practices) program of the Global Aquaculture Alliance (GAA) emerging as perhaps the most widely recognised aquaculture certifier covering environmental issues (pollution, mangrove destruction). The ACC also covers two other areas – fairtrade/ethical and contaminants including antibiotics – of particular relevance here.
 - **Friend of the Sea** is a new certification body whose remit is largely confined to the Mediterranean (Italy, Portugal) and the USA. Its USP is the claim to certify both wild fisheries and aquaculture products within a single all embracing system, covering sustainability and environment
 - **Marine Stewardship Council (MSC)** is currently the leading certifier of wild marine fisheries for sustainably managed exploitation. Key MSC requirements are adherence to their *Sustainable Fishery Standards* and maintaining a clear *Chain of Custody* that links retailed product to the original (certified) fishery. MSC has a global remit but currently does not cover aquaculture, nor has any immediate plans to do so
 - **Seafood Choices Alliance** is a global sustainable seafood trade association founded in the USA in 2001. SCA promotes sustainability through market forces, linking the commercial world to conservation through sourcing from sustainable capture fisheries and aquaculture
 - **Local alternatives**: there are also national schemes such as the Responsible Fishing Scheme of Seafish, the UK’s National Fishing Industry Authority. This certifies fishing vessels as using environmental responsible methods

- **Other ethical certification bodies and related entities**
 - **Environmental Justice Foundation (EJF)** links environmental issues to human rights, with a mission to protect environments and the people critically dependent upon those environments.
 - **Fairtrade Labelling Organisations International (FLO)** is an independent body that licences a consumer label (the Fairtrade mark) to producers certified by the Fairtrade Labelling Organisations International (FLO). This guarantees that primary producers in developing countries receive a fair proportion of the end price – ie one which more than returns sustainable production cost. Seafood is not covered as yet
 - **ECOCERT** is a French certification body accredited by COFRAC (the French Committee for Accreditation) to EN 45011/ISO 65 standards. It covers organic foods and other agricultural products as well as quality/safety and fair trade
 - **RSPCA**: the UK Royal Society for the Prevention of Cruelty to Animals who take an interest in farm practices and represent the more responsible element of the animal rights movement.

The organic movement is developing a coherent legal basis and now has arrangements in each major OECD region. This is most advanced in the EU where it has become part of mainstream EU legislation, and is being developed in the USA. Here acceptance of organics has lagged behind the EU but this is changing. The USDA (US Department of Agriculture) has institutional responsibility for organic certification within a system that is seemingly opting for state rather than private sector oversight. These arrangements are summarised below, as are their Japanese equivalents.

- **European Union:** organic standards have a legal basis embodied by **Regulation (CEE) 2092/91**. EU organic schemes must adhere to the general terms of this regulation, which sets standards that certifiers (mostly private firms) must adopt. Only products certified in accordance with this regulation can be deemed to be organic and display official organic labels in the EU. EU Organic Standards for aquaculture embody: no GMO or artificial pigment inputs, use of sustainable feed, limited use of agrochemicals, prophylactics and veterinary pharmaceuticals, low stocking densities and minimised environmental impact.
- **USA:** The USDA monitors US organic production under the **Organic Seal** system of National Standards for Organic Crop & Livestock Production & Handling. Aquaculture is not included as yet though the USDA **National Organic Program (NOP)** aims to develop a National Organic Aquaculture Standard by 2009
- **Japan** also has an organic standard – termed the **JAS standard** which is administered by the Ministry of Agriculture Forestry & Fisheries (MAFF).

Box 4: Key health & quality labelling organisations

- **Organic certifiers:**
 - **Agriculture Biologique AB (France)** is the main national organics standard/certifier. There is also **Aquabio (France)** a specifically organic fish farming body and **Qualite-France** who also certify to the French organic standard whilst **ECOCERT** is mentioned above.
 - **BioErnte (Austria)**
 - **BioGro (New Zealand)**
 - **BioSuisse (Swiss)** the organic standards agency in Switzerland, backed by Swiss Import Promotion Programme (SIPPO)
 - **Debio (Norway)**
 - **Demeter (Global)**
 - **Irish Organic Farmers & Growers Association (IOFGA Ireland)** now involved in aquaculture products
 - **Naturland Verband (Germany)** the German organic standards which has worked on fish culture since 1995 including that of shrimp since 1999
 - **KRAV (Sweden)**
 - **Red Label (Denmark)**
 - **Soil Association (United Kingdom)**

- **Quality certifiers**
 - **Label Rouge:** French guarantor of exceptional quality mostly applied to agricultural products but now encompassing aquaculture. High quality is important but flavour is crucial for this gourmet orientated standard
 - **EUREPGAP** The Good Agricultural Practices standard of the Euro-Retailer Producer Working Group (Eurep) is a very broad supermarket-backed retailers initiative covering value, quality assurance, employee health & safety, environmental standards & ethical trading with emphasis upon traceability. Originally concerned with Dutch and British horticultural imports it now has its offices in Germany. Since 2004 EUREPGAP has also operated a specific *Integrated Aquaculture Assurance* standard (IAA)
 - **Tartan Quality Mark:** of the Scottish Salmon Producers Organisation which now represents some 95% of all salmon farmed in Scotland and is tied in to Scottish salmon's EU Protected Geographic Indicator (PGI) status and its Label Rouge accreditation. The Code of Good Practice for Scottish finfish aquaculture (CoGP) is a key standard
 - **Red Tractor:** The mark of the Assured Food Standards (AFS) which is a guarantor of food quality from UK producers owned by "the food chain" ie farming bodies (National Farmers Union) processors and retailers.
 - **BRC Global Food Standard** is the food quality assurance system of the British Retail Consortium which is the major body representing British retailers. It acts for retailers as a guarantor of quality of food (and to help limit legal liability for negligence). The BRC's "√" mark is becoming a global standard for producers/processors supplying major retailers
 - **UKAS:** The UK Accreditation Service - a senior government body which grew out of the DTI's Food From Britain campaign and has become the oversight organisation for UK certification services

The schemes listed above all depend upon OECD based organisations. However, there are also precedents for the alternative – ie a Vietnamese national standard. Examples include:

- The new Malaysian Aquaculture Farm Certification Scheme (Skim Pensijilan Ladang Akuakultur Malaysia, SPLAM) set up under the Malaysian Department of Fisheries. This recognises good aquaculture practitioners (GAqP) and their use of environmentally friendly methods according to standards set by DoF. Key objectives are (i) to meet domestic and international food safety standards, (ii) to ease the process of gaining SPS (sanitary and phyto-sanitary) certificates by member farms and (iii) to reassure consumers of the quality and safety of aquaculture products.
- The Thai quality mark termed “Thai Top Quality Product” with a “Q” logo. This originated in the Thai agriculture sector where its focus was upon high quality and guaranteed food safety. It is certified under ISO 9000 (quality management) and ISO 14001 (environmental management) requiring HACCP, GMP (good management practice) and SQF (Safe Quality Food of the US FMI) to international standards and now applied to eligible seafood. EU seafood industry feed back on this label is instructive – whilst players question the robustness of some of the elements involved (eg questionable freedom from conflict of interest), in practice the scheme undoubtedly works as quality and contamination problems have greatly reduced.

In conclusion, both quality and consumer perception branding are clearly crowded and complex fields, a complexity that is at least partially a product of the rapid recent growth of quality, ethical and health certification. Two points that help to rationalise this complexity are as follows:

- Firstly there is a clear generic difference between the ethical and the health groups of certification organisations. The former are mostly sector-specific, targeting discrete parts of the industry (eg marine fisheries or aquaculture). The latter (ie organic certifiers) are in contrast far more fragmented and are organised geographically - ie standards tend to be national with each label recognised in its own market (eg Naturland in Germany, Soil Association in UK) but perhaps not beyond. An international champion might emerge (under EU pressure), as might a coordinating body able to rationalise this dispersed network of agencies, but the problem this poses for Vietnam is which organisation (or organisations) to choose. If an *ethical partner* is sought, then the choice will depend upon the production segment involved and the ethical issue prioritised, *ie it is a technical issue*. In contrast, if the choice involves an *organics partner*, then this would have to reflect the key markets targeted, ie it would require a *geographical decision*.
- Secondly, sense can be made of the systems by identifying the three key functions involved. These are (i) standard setting, (ii) certification of compliance with these standards and (iii) accreditation of the certifiers. Briefly this comprises the following:
 - (i) **Standard setting:** defining a set of mandatory operational parameters that achieve the defined objective – the standard – often set out as a code of best practice that governs the process in question. Standard setters reflect specific goals and examples include MSC, GAA or Label Rouge. Some are backed by

legislation (to which they must adhere - eg quality and organic standards), whilst others stand or fall by their reputation and relevance, eg MSC

- (ii) **Certification of compliance** requires establishing that a given operator (eg a farmer) complies with the standard and continues to do so. Approved specialised certifying organisations like the ACC or Ecocert undertake this role as do global generalists like SGS (Société Général de Surveillance of Switzerland) who can certify virtually anything tangible.
- (iii) **Accreditation of the certifiers:** there are also national and International standards that govern the way the certifier themselves practice. Again with a process focus, these standards define how key classes of professional activities should be conducted. They are set by bodies such as the International Organisation for Standardisation (ISO) or its EU equivalent (EN – European Standards in English). The two relevant standards for certifying entities are ISO/IEC Guide 65 and EN45011, the specific standards for certifying products.

Most of the organisations described here belong to one of the first two of these categories. Some have dual roles, both setting the standards and certifying client firms, ie belong to both categories (i) and (ii).

3.3 International case studies

Some OECD countries have been addressing these issues for some time now and their experiences can provide useful guidance. Relevant examples have been sought in Europe because firstly Europe is seen as the most promising market for further development and secondly because a range of successful schemes have been set up in Europe. Two arenas are addressed below: firstly the seafood sector - for obvious reasons - and then the wider food industry where this is instructive.

Accordingly a series of seafood case studies are set out below, with the countries chosen on the basis of their having sizable seafood export industries. That some of these industries have developed rapidly, driven by rapid growth of aquaculture, makes them that much the more relevant. Norway is an important example because its seafood trade is economically significant and, perhaps more importantly, because its export promotion organisations are seen as highly effective. Ireland and Scotland provide parallel examples, facing similar challenges as they developed seafood export industries, but responding in different ways. Royal Greenland provides the alternative perspective of a fully corporate approach.

Notably, Southern Europe countries do not figure amongst these case studies. There are two good reasons for this – firstly this region is mostly a net seafood importer with limited exports and so little reason to develop export branding. Secondly, where exportable surpluses have arisen (eg from Greece's seabass and seabream farming industry) no coherent export branding strategy was developed and trade relied upon traditional arrangements. The lack of such a strategy was blamed by some for the market turmoil that Greek producers experienced as output surged soon after the millennium – perhaps instructive in itself.

These schemes are all centred on quality assurance, and in most cases this is embedded in a wider export promotion organisation. However, they differ in many other ways, and so demonstrate alternative options. The way these organisations evolved varies, and this is also instructive as it shows how industries responded to different challenges and situations. Accordingly the analysis that follows is partially historic.

3.3.1 Norway

The FFSO – the early stages focused upon salmon

Early success in salmon farming led to Norway becoming an advance practitioner in the development of generic seafood brands. The salmon farming industry pioneered this with their **Fish Farmers Sales Organisation FFSO** (*Fiskeoppdretternes Salgslag*) which had responsibility for developing the market for farmed salmon. By the mid 1980s salmon output was enormously larger than that of traditional wild fisheries and the risk of a price collapse was high. This made the role of the FFSO critical, a role expressed through three central tasks:

- **Coordination of production and quality assurance:** setting and policing quality grades, amassing and disseminating market intelligence and helping to smooth the flow of fish to market so that damaging glut-led price declines were avoided

- **Regulation of first hand sale of salmon:** acting as “honest broker” in salmon transactions including setting mutually agreed minimum prices, registering approved buyers and handling financial transactions as a guarantor of good faith
- **Promotion of salmon in export markets:** This focused on generic promotion of Norwegian salmon, highlighting quality, under a national flag logo (displayed on a gill tag)

The FFSO was in effect owned collectively by producers and traders but funded through a levy (1.25% of sale price or turnover from both buyer and seller, totalling 2.5%). It grew out of Fishermen’s organisations originally set up to protect fishermen by adjusting the balance of economic power in their favour vis a vis the traders.

The NSEC – broadening the remit.

Subsequently Norway has adapted the FFSO approach by broadening its remit to cover most if not all Norwegian seafood. They have also moved the institution towards the public sector, so that whilst industry still covers the cost of the institution, it has come under the aegis of the Ministry of Fisheries and has some non-industry representatives on its supervising board.

The resulting **Norwegian Seafood Export Council (NSEC)**, which was established in 1991 and is based in Tromsø has largely taken over the FFSO’s role as a promoter of Norwegian seafood domestically and globally. Funding arrangements remain the same with the industry funding the organization through a levy on all Norwegian seafood export sales. The organization is governed by a board selected by the Ministry of Fisheries which reflects the Norwegian seafood industry – including primary producers (as well as the fishermen’s association), processors, exporters, aqua feed producers and the fishermen’s’ trade unions.

Key tasks for the NSEC are registration of exporters, dissemination of information to the industry, quality assurance and support for marketing Norwegian seafood nationally and internationally again reflecting FFSO activities. Representatives have been established in Germany, France, Spain, Brazil, Japan and China. The organisation’s key activities are now, above all, market focused:

- **Marketing:** support for marketing is segmented by key product category: salmonids, whitefish (fresh and frozen cod, haddock, etc.), prawns, traditional products (dried and salted fish) and pelagics (herring and mackerel). The underlying brief is to support private exporter’s initiatives in parallel to their own efforts, following strategies led by the industry.
- **Market information:** NSEC acts as an information clearing house, collecting data and disseminating analyses to the industry as well as relevant authorities and research establishments. This involves market research as well as collecting trade and production data.
- **Market access:** in a departure from the FFSO, the NSEC has taken responsibility for ensuring that Norwegian exporters are not discriminated against by unfair trade practices (ie levelling the playing field). NSEC oversees collection of evidence

concerning trade distortions and non-tariff barriers: import quotas and tariff rates and other aspects.

- **Promotion.** The NSEC also sees itself as a marketing agency for the Norwegian seafood industry. This involves setting standards and seeing that they are complied with (quality assurance), and then basing promotion upon the resulting reputation for reliably high quality. However, this is an oversight role – NSEC has no direct involvement in quality assurance unlike its EU counterparts.

Norway has a wealth of fisheries organisations, and an additional role of the NSEC has been to provide a foci for engaging these organisations assistance in marketing. The more important of these include:

- The Directorate of Fisheries (Fiskeridirektoratet).
- The Institute of Fisheries & aquaculture research (Fiskeriforskning).
- The Institute of Marine Research.
- The Seafood Federation FHL Fiskeri-og Havbruksnaeringens Landsforening)..
- Debio, the Norwegian organics certifying body.
- The Norwegian Institute for Water Research (NIVA).
- The Centre for Research based innovation in Aquaculture Technologies (CREATE).
- The National Institute for Nutrition and Seafood Research (NIFES)

3.3.2 Ireland

The development of a farmed seafood marketing organisation in Ireland lagged that of competing countries. This was partly because the salmon farming industry was initially dominated by some large foreign investors (Norwegian) that lacked common cause with their Irish colleagues. However by 1986 these competitors were able to muster sufficient support to launch the Irish Salmon Producers Group (ISPG) which was supported by the Irish Sea Fisheries Board (BIM) and the Irish National Development Corporation.

In order to create a more consumer orientated brand, the ISPG recently devised a new and more appealing trading name, **Atlantic Fare** with associated logo. This is now the flagship brand for Irish farmed salmon and sea reared trout, including organic products. Atlantic Fare is based in Connemara (Ireland's west coast where much aquaculture is based) is ISO 9001-2000 (production quality standard) accredited and is structured as a limited liability company from a legal viewpoint. Atlantic Fare sees its remit as

- **Quality assurance** for its member producers and processors
- Ensuring **traceability** for Atlantic Fare products and providing associated detailed product information
- **Promotion of Irish salmonids** through publicity, expositions, recipe development etc.

Where Atlantic Fare differs from some other schemes is its dependence upon a state agency for its quality guarantor. This is the **Irish Sea Fisheries Board (BIM)**, one of the organisations originally involved in setting up the ISPG, who manage their own BIM Quality Seafood Program (QSP). This is a quality assurance standard that covers the production chain from egg to processed end product. The QSP is independently audited

and EN45011 accredited (the EU standard for accreditation of bodies that certify products, which is endorsed by FSAI, the Food Safety Authority of Ireland).

The Irish Sea Fisheries Board (BIM)

BIM is an Irish state agency with a broad brief to support the whole Irish seafood industry (including both fisheries and aquaculture) for national social and economic benefit. Sustainability is a key concern, and services provided include advisory, financial, technical, marketing and training. BIM is funded by government, with support from the EU whilst some services are charged for. The **BIM Quality Seafood Programme (QSP)** has become an important element of their activities, backing producers and processors whilst targeting both traders and consumers (ie it is a national brand designed to appeal to all players along the food chain from intermediaries to end users). This means expressing both “hard” quality assurance messages for traders and a “soft” perception to consumers – ie a positive Irish image, bolstered by beautiful wild scenery.

BIM’s QSP identifies two critical issues - product safety (ie hygiene) and quality, distinguishing between the two, and seeing consumer information as a key adjunct. In this connection, key information concerns how and where food is produced, food safety issues, the nutritional value of food and the welfare aspects. QSP is an umbrella organisation which owns the Quality Seafood (QS) logo under which individual quality assurance schemes –eg Irish Quality Salmon (IQS) – operate. These logos can be used alongside those of the overarching organisation, Atlantic Fare, and of course the clients own corporate logo. The system is firmly based on **approved codes of practice**, tailored to the relevant product groups – eg salmon, trout, mussels - and these are independently audited and certified by an EN45011 accredited company (IFQC Ltd). Visibility is based on the QS logo which can only be used by accredited companies and denotes country of product origin (as required by EU labelling regulations).

Latterly the QSP scheme has widened its remit to cover sustainability and environmental issues, ie it has crossed the divide between “hard” quality issues and “soft” consumer perception aspects. This ties in with its scope as a consumer as well as trade brand. This has involved a novel management approach termed the Co-ordinated Local Aquaculture Management System (CLAMS) which integrates aquaculture into wider coastal zone management (CZM). Alongside this, ECOPACT is a new initiative to promote the adoption of environmental management systems by Irish aquaculture through the CLAMS process.

The BIM assurance scheme is managed by a team of four, and they take responsibility for oversight of the scheme, and for maintaining its standards (through a Standards Technical Advisory Committee which sets the standards and ensures compatibility with EN45011). Their main challenge has been to get companies to accept the scheme’s value and sign on.

Costs for this scheme are divided between government and the industry. The state covers the central scheme, with staffing and annual audits by their standards oversight body (INAB the Irish equivalent of UKAS) the major costs. This means that the scheme costs around €250,000 annually. Separately, the industry covers all certification costs for their individual operations. Individual farm or processing plant audits are all carried out by authorised commercial certifiers at a cost of around €1,000/day. Fish farms normally

require 1 day per audit whilst processing plant audits take 1 to 2 days, with audits required annually or six monthly.

3.3.3 Scotland

Scotland also developed a salmon farming industry, and this led to a requirement for a marketing organisation. The **Scottish Salmon Growers Association (SSGA)** was the solution coupled with its parallel organisation, the **Shetlands Salmon Producers Association (SSPA)**. These organisations were funded by a levy, in this case based upon the number of smolts (juveniles) stocked in the farms. They had two major objectives, both focused solely on Scottish farmed salmon:

- **To maintain high quality standards:** setting very specific product standards which if met allowed use of the SSGA quality mark; policing the scheme to ensure compliance;
- **To promote sales** based upon the quality standards established by the scheme, involving employment of a public relations agency to promote to press, media, women's organisations and seafood foodservice.

In common with the other organisations described here, the SSGA went on to re-brand itself, adopting the name **Scottish Quality Salmon (SQS)** and by 2003 this accounted for 65% of Scottish production. Subsequently, by early 2006 SSGA/SQS had adopted a new identity as the **Scottish Salmon Producers Organisation (SSPO)**, now representing 95% of the industry and with SQS retained as the marketing arm. Its **Tartan Quality Mark** was claimed to be able to attain a premium of 10-15% - indeed SQS salmon became the only farmed salmon to qualify for the French Label Rouge quality standard.

Whilst quality and promotion have remained key concerns, the SSPO has widened its brief to include links to the European Union salmon Producers Group (EUSPG) a pressure group involving Scotland and Ireland which is particularly concerned with protecting EU producers from foreign (ie Norwegian and Chilean) competition. They have also played a role in lobbying successfully for **Protected Geographic Indication (PGI) status** for Scottish farmed Salmon, analogous to that enjoyed by products like champagne - ie salmon branded as Scottish must come from Scotland. As with its Norwegian equivalent, the SSPO also provides a link to associated aquaculture bodies such as the Federation of Scottish Aquaculture Producers (FSAP), the British Trout Association (BTA), the British Marine Finfish Association (BMFA) and the Shetlands Salmon Farmers Association (SSFA). Latterly, the SSPO has become more proactive in lobbying for the producers interests, participating in dialogue with the EU, local government and NGOs concerning development constraints, environmental issues and animal welfare concerns.

One key characteristic of the Scottish quality scheme is that it is a wholly private sector entity, reflecting the general exit from the commercial arena by the state in UK. This is carried through to the certification authority that SQS uses. **Food Certification Scotland Ltd (FCS)**: is a private sector third party inspection body that can certify product conformity and PGI status for Scottish farmed salmon. FCS was formerly owned by SSGA who set it up as a joint venture with Food from Britain, with its independence

dependent upon a governing board dominated by non-SSGA members. Latterly an MBO by FCS has removed any question of potentially conflicting linkages to the SSPO.

Accordingly FCS certifies for the Tartan Quality Mark for fresh and smoked salmon, Label Rouge for Scottish salmon destined for France and the Code of Good Practice for Scottish Fin Fish. They operate internationally through Food Certification International (FCI) which is currently seeking to become a certification body for MSC.

3.3.4 Greenland

Royal Greenland (RG) represents an entirely different approach to development of a national brand. It is in fact a fully commercial seafood production company that markets under their national identity. This is justified by their being based in Nuuk, Greenland and owned by the Greenland community (termed the Greenland Home Rule). RG's activities include fishing (it has a trawler fleet), processing, production, marketing and distribution of seafood products, and it claims to be the world's largest supplier of cold-water prawns. RG's assets are mostly not based in Greenland though, and whilst it does have a plant there, most are overseas - in Denmark, Norway, Germany and Poland (including a major fish smoking business) as well as sales offices in twelve countries in Europe, the USA and Japan. The company employs 2,500 and has an annual turnover of \$0.8 billion.

Royal Greenland's branding profile naturally reflects a commercial agenda, with profitability a clear priority. The company's key messages relate to reliability, quality and an attractive image of Greenland as a pristine and beautiful environment. There are some ethical priorities though, with (i) a social commitment to support local communities where they operate (ii) support for training and research through the establishment of a Danish Seafood Centre and support to the Royal Greenland Academy and (iii) promoting sustainable production of raw materials.

3.3.5 Traditional food products and geographical indication

Vietnam has a long-standing tradition in processing seafood products into a range of fermented and other traditional products that have a shelf-life of several weeks or months. There are different centres for the production of processed products (e.g. Hue, Phu Hai in Nghe An Province, Phu Quoc)

As outlined above, there are different products on the market, e.g.

- fermented shrimp (*Tom Chua*),
- fish sauce (*Nuoc Mam*),
- fruit / chillie / fish mix (*Mam Ca*),
- fermented small shrimps (*Mam Ruoc*) and
- fish sauce cooked with fruit (*Mam Nem*)

There are many small-scale players involved, some of whom sell directly to consumers, others sell semi-processed products to traders. Only a few larger players were encountered, e.g. Van Phan Fish Sauce company in Nghe An Province.

Issues regarding branding:

Several players, also smaller ones, were encountered which have developed their own brand name and logo. They are not keen on giving up their brands and logos to the benefit of a national or provincial brand.

There seems to be little in the form of associations, i.e. players have not got along in the past, or do not find time to get together. Part of this may be due to sense of competition between players but also to some extent lack of co-ordination.

Geographical Indication, based on provincial denomination seems to be an avenue to be explored. The following overviews and case studies provide examples from Europe in establishing geographical indications to the benefit of food producers and processors. Although a study of the fisheries sector of Phu Quoc Island has not been part of the terms of reference for this assignment, it is understood that a few years ago a geographical indication scheme has been promoted in order to protect fish sauce producers from the island.

Table 5: The Main Arguments for and against Geographical Indications (GIs)

Arguments for GIs	Arguments against GIs
<p>GIs are an excellent means to promote rural development, because they:</p> <ul style="list-style-type: none"> • Help producers to obtain a premium price for their products in exchange for guarantees offered to consumers on production methods and quality; • Allow for a better redistribution of the added value in the production chain, from the raw material producer to the manufacturer; • Bring value to the region of origin; • Increase production, create local jobs, and prevent rural exodus. <p>GIs are an effective market-access tool, as they:</p> <ul style="list-style-type: none"> • Encourage variety and diversity of production; • Allow producers to market differentiated products with specific characteristics that are clearly identifiable. • GIs are a tool to preserve local know-how and natural resources; • Prevent the standardisation of food; • Ensure that producers can offer consumers unique and different products. <p>GIs are an important part of our culture, since they:</p> <ul style="list-style-type: none"> • Contribute to social cohesion as they can help local producers to work together and solve common problems; • Play a positive role in raising local and national identity by making producers and consumers proud of their unique traditional products; • Have other positive indirect effects, for example on tourism. 	<ul style="list-style-type: none"> • GIs can be so complex that their protection could be used to block imports; • On cultural grounds, many names have travelled with migrants (such as European migrants going to Australia), who naturally want to continue to make the same products as they did before and to use the same terms to identify those products; • A better protection of GIs would constitute a barrier to trade because ensuring better protection of GIs would close markets or affect the producers' activities since certain products would have to be relabelled; • The extension would involve extra costs for governments (administrative and financial burden of implementing the extension), producers (costs due to trade and production disruption) and consumers (costs associated with consumer confusion).

Source: O'Connor and Company (2005) Geographical Indications and challenges for ACP countries – A discussion paper; agritrade, CTA.

Geographical Indication of Food Products in Europe

Throughout Europe there is a huge range of different foods. However, when a product acquires a certain reputation, sometimes extending beyond national borders, it can find itself in competition with products which pass themselves off as the genuine article using the same name. This unfair competition not only discourages producers but also misleads consumers. As a result, in 1992, the European Union created a system of product designation using the labels PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed).

A *PDO (Protected Designation of Origin)* covers the term used to describe foodstuffs which are produced, processed and prepared in a given geographical area using recognised know-how.



Protected Designation
of Origin (PDO)

In the case of the *PGI (Protected Geographical Indication)* the geographical link must occur in at least one of the stages of production, processing or preparation. Furthermore, the product can benefit from a good reputation



Protected Geographical
Indication (PGI)

A *TSG (Traditional Speciality Guaranteed)* does not refer to the origin but highlights traditional character, either in the composition or means of production.



Traditional Speciality Guaranteed (TSG)

Efforts to improve food quality have been part of EU agricultural policy from the development of wine quality labelling in the 1980s onwards. In 1992 the EU introduced a system to protect and promote traditional and regional food products inspired by existing national systems, for example the French AOC (*Appellation d'Origine Contrôlée*) and the Italian DOC (*Denominazione d'Origine Controllata*) systems.

To capitalise on the value of certain products, the EU decided to protect their names, and to establish the conditions under which they could be used so that their specific and traditional character could be preserved. The EU's quality policy for agricultural products and foods aims to: Encourage diverse agricultural production, protect names from misuse and imitation, and help consumers to understand the specific character of the products.

Generally, groups of producers make an application as an association. The EU's rules have always precluded any product specification being drawn up in a way that would give one producer a quasi monopoly on production of the foodstuff.

The product description should cover:

- Physical attributes (e.g. shape, colour, weight)
- Chemical features (e.g. minimum fat content, maximum water content)
- Microbiological information (e. g. any bacteria present)
- Biological details (e.g. species, variety etc.)
- Organoleptic characteristics (taste, flavour, colour, odour etc.)

The description essentially establishes the ways in which a product is specific, and details how it is to be differentiated from other products in the same category. Specification of processing, packaging and presentation may also be important, because methods of cutting, slicing, grating or packaging may be essential in maintaining the characteristics and value of the product.

EU Registration process for quality designations:

- A group of producers must define their product according to precise specifications.
- An application, including the specifications, must be sent to the relevant Member State body (e.g. Department for Environment, Food and Rural Affairs in the United Kingdom)
- The national authorities study the application, decide whether to accept the registration application and then transmit their decision to the Commission.
- The application undergoes a number of control procedures at EU level.
- If it meets the requirements, publication in the European Union's Official Journal will inform those who are interested.
- The European Commission must publish (for example on its website) an up-to-date list of the product names which have been submitted for registration, together with specification information about them.

A clear advantage of the EU's quality designation systems is that the right to use a product name is granted to the producers who made the original application for registration of the product name, plus any other producers who can meet the requirements of the specification. Under the PDO and PGI systems producers outside

the geographical area and/or not meeting the requirements of the specification are explicitly excluded from using the registered name.

Enforcement of EU quality systems is carried out by Member State authorities, acting within rules laid down at EU level. Member States are obliged to set up the necessary control bodies to ensure compliance with EU rules. The costs of this are covered by the producers involved, not by the state.

Source: http://ec.europa.eu/agriculture/foodqual/quali1_en.htm

Case studies

Arbroath Smokie – A Scottish Speciality Fish Product

The story of the speciality smoked fish produced in Scotland – the Arbroath Smokie – illustrates how valuable a quality designation is to producers. The key points are:

Existing producers/processors of Arbroath Smokie noticed the arrival on the market of a competing, similar product. The competing product had neither the correct taste nor the same look as the genuine product (they were not produced in the same way).

Having formed a producers' association and applied for and achieved a PGI (Protected Geographical Indication), products may now only carry the name Arbroath Smokie if they have been produced locally (within eight kilometres of Arbroath town centre) and according to a strict set of specifications.

Not only does the PGI give producers of genuine Arbroath Smokies the protection they need for the product name, allowing them to maintain a price premium, but it also increases the opportunities for producers to qualify for promotional assistance for high quality foods.

Source: Fact Sheet – European Policy For Quality Agricultural Products

Black Forest Ham - Germany

Black Forest ham, or *Schwarzwälder Schinken* in German, is a variety of smoked ham produced in the Black Forest region of Germany.

The production of Black Forest ham takes about three months. In a first step, raw ham is salted and seasoned with spices such as garlic, coriander, pepper, and juniper berries. After curing for two weeks, the salt is removed and the ham cures for another two weeks. Then, the ham is cold smoked at a temperature of 25° for several weeks, during which time the ham acquires its deep red color, and much of its distinctive flavour. The smoke is created by burning fir brush and sawdust. Black Forest ham is common in German cuisine and may be eaten fresh, for example on bread or with fruit, or used as an ingredient in cooked dishes.



Packaged Black Forest Ham, with PGI logo.

The Association of Black Forest Producers was founded in 1989, in order to guarantee traders and consumers prime quality products. The fact that one of the association's main objectives is to protect producers of the region from imitations is reflected in the naming of this type of association, i.e. 'protective' association (Schutzverband). In 1997, the association succeeded in obtaining the PGI (Protected Geographical Indication) certificate for their products at EU level. The regional government in Karlsruhe is in charge of ensuring that the respective EU regulations are respected and implemented. Since the local government does not have sufficient staff of their own they use independent bodies such as the Lacon Institute to undertake quality inspections. In addition to the independent institute, which covers more areas ranging from product quality to production methods, the association itself also undertakes controls amongst its members, in particular related to product quality.

Source: <http://www.schwarzwaelder-schinken-verband.de/verband/index.html>

The task of the Black Forest Ham Association is to protect traditional Black Forest products from imitations and the misuse of the name in accordance with the RAL Standard RG 0102 which has been valid throughout Germany since 1972.

The RAL Standard stipulates the following production regulations:

- The ham must be taken from the rear flank of pigs from breeding farms which are regulated as to methods of feeding, raising and type.
 - The cutting of the ham must be carried out by an expert.
 - The ham must be well pickled throughout. The salt content must not exceed 15%.
 - The ham must be of a deep red colour and the fat content must not exceed 1/5.
 - The drying-out ratio must lie between 20 – 25%. This corresponds to a water-protein ratio of 2.2 : 1.
 - The ham must have a specific ham flavour and a typical smoked aroma.
- Source: <http://www.tannenhof-schinken.de/english/schutzverband.html>

Institut National des Appellations d'Origine (INAO) - France

Appellation d'origine contrôlée (AOC), which translates as "term of controlled origin" is the French certification granted to certain French geographical indications for wines, cheeses, butters, and other agricultural products, all under the auspices of the government bureau *Institut National des Appellations d'Origine* (INAO).

The Institut National des Appellations d'Origine is the French organization charged with regulating controlled place names. Controlled by the French government, it forms part of the Ministry of Agriculture.

Source: http://en.wikipedia.org/wiki/Institut_National_des_Appellations_d%27Origine

Government control of agricultural products began with a law passed in 1905, granting the government authority to define the official boundaries for the production of certain agricultural products. At first, the appellations were not designed as measures of quality of the produce and failed to resolve the problem of over-production of wine, a problem that continues to this day. A second law, passed in 1919, gave the courts power to act in cases where the regulations were not being followed. This once again was an initial failure, as the resulting prosecutions proved to be long and fraught with difficulty. In a further attempt to address problems in the wine industry, the INAO was created in 1935 to cover all administrative, judiciary and professional aspects of appellation control in relation to wine.

In 1990, the economic success of the appellations led parliament to pass a law to extend the powers of the INAO to cover all agricultural produce.

Since January 1st, 2007, the Institute is renamed *Institut National de l'Origine et de la Qualité* and also guarantees organic and *Label Rouge* certifications.

The origins of appellation d'origine contrôlée (AOC) date back to the 15th century, when Roquefort was regulated by a parliamentary decree. The first modern law dates back to 1919, when the Law for the Protection of the Place of Origin was passed, specifying the region and commune that a given product must be manufactured in, and has been revised on many occasions since then. The AOC seal was created and mandated by French laws from the 1950s onwards.

AOCs vary considerably in size. Some cover vast expanses with a variety of climatic and soil characteristics, whilst others are small and highly uniform. The INAO guarantees that all AOC products will hold to a rigorous set of clearly defined standards. The

organization stresses that AOC products will be produced in a consistent and traditional manner with ingredients from specifically classified producers in designated geographical areas. The products must further be aged at least partially in the respective designated area.

Under French law, it is illegal to manufacture and sell a product under one of the AOC-controlled geographical indications if it does not comply with the criteria of the AOC. AOC products can be identified by a seal, which is printed on the label or, in the case of cheeses, on the rind. To prevent any possible misrepresentation, no part of an AOC name may be used on a label of a product not qualifying for that AOC.

This strict label policy can lead to confusion, especially in cases where towns share names with appellations. Also, legislation concerning the way vineyards are identified makes recognizing the various AOCs very challenging for wine consumers not familiar with the system.



French Wine with Appellation D'origine Contrôlée

Champagne

The Champagne region in Northern France is best known for the production of the sparkling white wine that bears the region's name (www.wikipedia.org). The region is located about 100 miles (160 kms) east of Paris and split into five wine producing districts, i.e. Aube, Cote de Blancs, Cote de Sezanne, Montagne de Reims, and Vallee de Marne. The principle grapes grown in the region include Chardonnay, Pinot Noir, and Pinot Meunier.

The reputation of the Champagne region for wine production dates back to the Middle Ages and the centuries old rivalry with Burgundy about which region produced the best wines strongly influenced the development of the Champagne region. A turning point came when several Champagne wine producers abandoned efforts to make red wine in favour of harnessing the effervescent nature of sparkling Champagne wine (www.wikipedia.org).

In 1927, the viticultural boundaries of the Champagne wine producing region were legally defined and split into the aforementioned five districts, which comprise a total area of 76,000 acres (310 km²) of vineyards around 300 villages that are home to 5,000 growers who make their own wine and 14,000 growers who only sell grapes.

In 1942, the Comité Interprofessionnel du Vin de Champagne (CIVC) was formed with the objective of protecting Champagne's reputation and marketing forces as well as setting up and monitoring regulations for vineyard production and vinification methods. At the same time, the Champagne is the only wine region which is allowed to exclude AOC (Appellation d'Origine Contrôlée) from their labels.

The Comité Interprofessionnel du Vin de Champagne (CIVC)
(http://www.champagne.com/en_civc.html)

The CIVC is a joint trade association representing the Champagne growers and traders (i.e. houses), who themselves are organised in two different associations (or syndicates).

A decision structure defines the policies applicable to both Growers and Houses alike, notably:

- Organisation and transparency of relations.
- Quality control.
- Protection and promotion of the Champagne appellation.

The CIVC's Standing Committee comprises of two Co-Presidents:

- The President of the Champagne Growers;
- The President of the Champagne Houses (i.e. Traders).

The Advisory Board provides equal representation with 6 representatives from each profession. The Government Commissioner, appointed by the Minister of Agriculture, represents the Government's interests within the CIVC.

The Special Commissions are made up of experts from the two Champagne families:

- The Viticultural and Oenological Commission.
- The Commission of Champagne Communication.
- The Vineyard Amenities Commission.
- The Champagne Social and Health Commission.
- The Quality Assurance Commission.

An operational organisation, made up of about 100 full-time employees, ensures the application and follow up of all decisions.

The Economic Missions are dealt by:

- The Ownership and Vineyard Department.
- The Export Department.
- The Trade Department.
- The Economic Observatory.

They put into place the joint-trade decisions ensuring the transparency of production and the market, register wines placed in the quality reserve, supply a support service to exporters, enforce regulations and compile statistical information.

The Technical Services, under the control of The Viticultural and Oenological Commission, manage 2 experimental vineyards, as well as vinification equipment and laboratories of the highest level. They develop viticultural and oenological research programmes. They provide professionals with a permanent technical support service.

The Communication Missions. These are divided into two areas - the defence and the promotion of the Champagne Appellation, and are the responsibility of The Commission of Champagne Communication and Appellation.

- The Commission of Champagne Communication and Appellation is responsible for: The promotion of Champagne Wines in France and the top ten export markets, via: The distribution of information on Champagne wines, The creation and application of communication campaigns, Media and public relations.
- The Judicial Protection of the Champagne Appellation. In co-operation with the Institut National des Appellations d'Origine (INAO), action is taken on two levels: The creation or broadening of laws and regulations that protect the appellation, Legal action against all forms of abuse, detected in all major markets as part of a systematic surveillance operation.

The Champagne Appellation was first marked out over 15,000 hectares in 1908. In 1927 the appellation was defined conclusively, respecting the history of each commune and plot of land. The AOC is administered by the Institut National des Appellations d'Origine. As well as the delimitation of the area, the Appellation carries 35 rules to uphold the quality of Champagne wines: only 3 grape varieties are permitted, yields in both the vineyard and during pressing are limited, the pruning of vines, their height, spacing and density, harvest by hand, minimum ageing periods, are all controlled.

The Champagne Appellation is the object of many counterfeiting operations, and one of the missions of the CIVC is to defend the Appellation against any attack on its exclusivity, anywhere in the world. Source:
http://www.champagne.com/en_aoc_resume.html.

3.3.6 Conclusions

Whilst none of the examples described in these case studies may apply directly to the Vietnamese situation, they do provide a range of possible pointers. These are analysed below in order to identify common features as well as aspects specifically relevant to Vietnam.

(1) Seafood brand support systems

Four northern European seafood brand support schemes are briefly described above, and some of their characteristics are summarised in Table 6 below.

Table 6: European seafood brand support schemes

Country	Quality assurance	Label logo	Promotion	Market support	Lobbying	Ethical Label	Health Label	Sector
Norway	*	√	√	√	√			Public
Ireland	√	√	√			√	√?	Public
Scotland	√	√	√		√			Private
Greenland	√	√	√			√		Private

* Quality assurance under the EurepGAP system independent of NSEC

- These seafood schemes are essentially similar (if Royal Greenland is ignored) but all differ to some degree in both approach and operation.
- Their common features include: (i) mostly priority focus on quality assurance, (lii) high importance given to generic promotion and marketing assistance, (iii) the development of quality marks or logos and (iv) in most cases, the incorporation of independent certification arrangements/oversight of some sort.
- They vary in affiliation, ranging from being mostly public sector orientated (Norway) to fully industry based (Scotland).
- Alongside this, they also vary in their inclusively – some narrowly producer industry-orientated, whilst others involve downstream entities and wider stakeholders including trade unions and state bodies.
- Product coverage ranges from single species (eg Atlantic salmon) to across-the-board seafood, with the trend being to widen the remit as the schemes evolve – ie they start as single species organisations, usually driven by a dynamic flagship industry (salmon farming) and then widen to encompass other exported seafoods.
- Another emerging trend has been the assumption of a lobbying role by these organisations where they promote their industries’ interests to their national governments and within the international arena

- They also vary in their other attributes: some systems include soft ethical issues, whilst others focus on narrow commercial priorities. Similarly some solely target traders whilst others have broadened into trader and consumer brands.
- Scheme costs in Europe are indicatively €0.25 to €0.5 million/year for the central organisation and €1-2,000 per annual audit per company. In Ireland, for example, the state covers the former, whilst Industry pays for the audits. Vietnamese costs would be lower, and so a more useful cost indicator would be staffing requirements – these being typically four professionals for scheme management and 1-2 days input by trained evaluators for each farm/ processing plant audit.
- Finally, a new scheme should take care to avoid duplicating systems already in place, where these are demonstrably adequate. For example, EU requirements for food safety measures such HACCP means that essential standards are already in place for firms eligible to export to the EU. Planning for a new scheme should incorporate these existing systems, identifying areas where they are deficient for the scheme through gap analysis. Norway’s NSEC highlights this point - NSEC actually has no formal quality assurance element itself as this is already in place through alternative corporate arrangements.

Fig 9: Generalised European quality assurance scheme structure

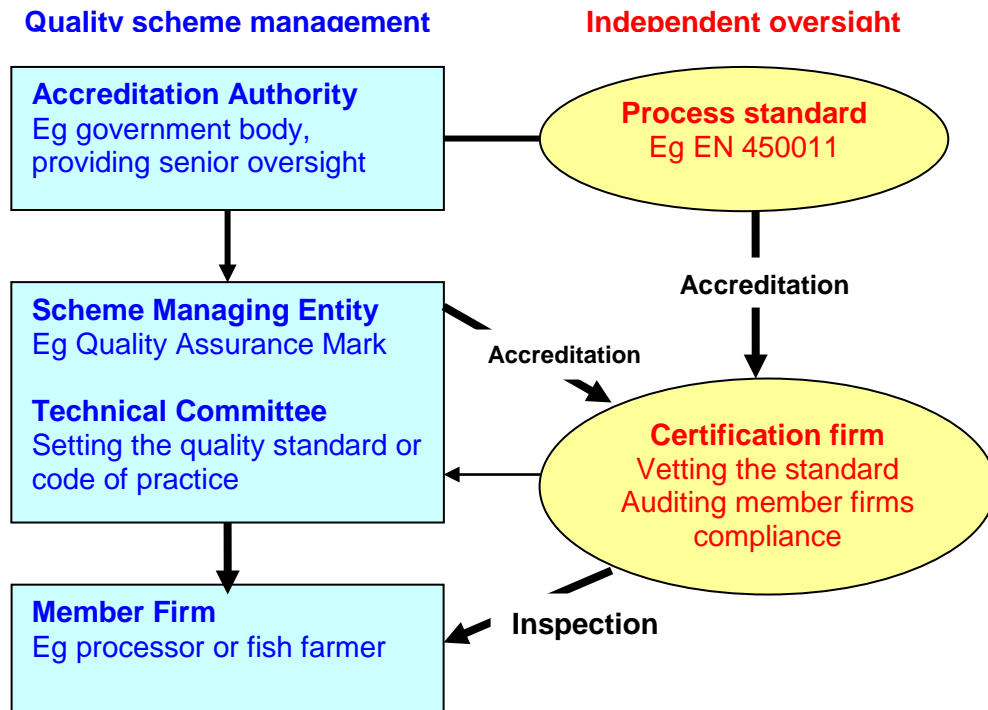
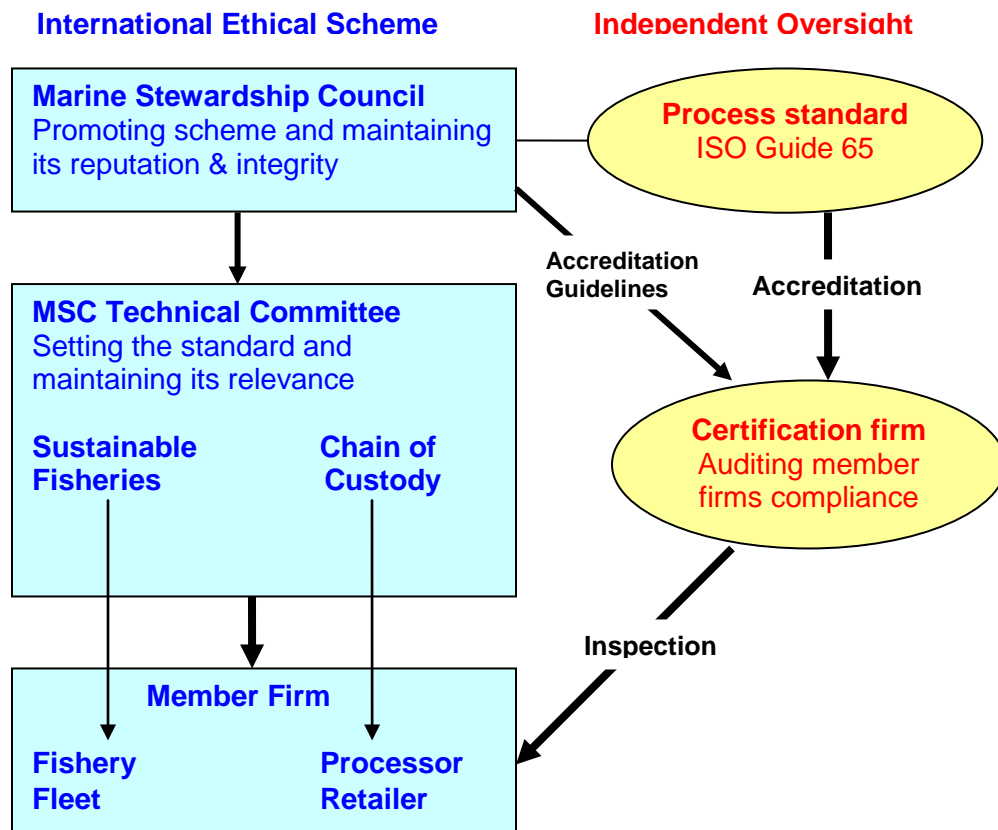


Figure 9 summarises the core elements of the schemes described above in what could be described as the “European model” for quality assurance. The essential elements are

transparently independent certification systems, themselves accredited to exacting professional standards. Accreditation involves a dual process – with the certification firm accredited (i) to the certification process standard (eg EN45011 of ISO 65) and (ii) by the assurance scheme (eg BIM, SQS), with the latter accreditation dependent upon the former. Separation of management of the scheme from certification of member firms is seen as a key guarantor that conflicts of interest, commercial pressures or cronyism do not undermine the scheme’s integrity.

Figure 10 provides a similar diagrammatised description of an ethical scheme as a contrast to the quality assurance alternative. In this case, a specific example (MCS) is used rather than a generalised version. This scheme’s structure is similar to that for a quality assurance scheme but there are differences. Firstly the top oversight body is the scheme manager itself, not a state organisation. Secondly, as physical testing is largely irrelevant (there are no tangible qualities to test) maintaining the integrity of the “process” is crucial. This is borne out by the importance given to both regular certification audits and issues such as full traceability (chain of custody).

Fig 10: Ethical scheme example – the Marine Stewardship Council (MCS)



In this case there is a clear divide between certification of the fishery as sustainable and certification of the chain of custody by downstream operators – processors and retailers – who wish to participate (ie use the logo). The intention is to ensure that the link

between concerned consumer and sustainable fishery is fully reliable – without this the scheme loses credibility and risks eventual collapse.

(2) Geographical Indications for Traditional Processed Products

Protected geographical indication appears appropriate for traditional, fermented seafood products in Vietnam. Small-scale producers and processors in areas with a long-standing history of manufacturing these products are expected to benefit from better protection of their products from imitations.

The case studies above demonstrate the advantages of geographical indications for a range of fisheries and agricultural products in Europe. Although Champagne wine may seem a far-fetched example, it shows to what extent a strong association involving both producers and processors can create and also protect a strong geographical brand.

3.4 Relevant Options for Vietnam

The intention in this report is to present options rather than make structured recommendations. That is seen as a key objective for the stakeholder workshop with decisions on prioritisation very much a matter for the Vietnamese delegates during the workshop, and subsequently. However, where this report can be helpful is in presenting conclusions reached above concerning both theoretical evaluation of relevant branding issues and the national examples presented as case studies.

This section does this through presenting these conclusions as a series of options, summarised in Box 5 below. These options pose a series of key questions that the workshop must address, and these need to be explored in more detail. This is done below, with the distinction between “hard” quality/food safety issues and “soft” ethical and health issues - a distinction made repeatedly above - maintained. Not least of the reasons for maintaining this distinction is the difference in importance of the two issues: quality assurance is seen as critical and urgent given recent trading difficulties, whilst ethical and health aspects are not. The latter are more a matter for pragmatic decision by industry players, based upon the purely practical marketing value of such schemes. This distinction is then the all important one between “need-to-have” and “nice-to-have”.

Box 5: Summarised options

Quality assurance scheme

- Narrowly focused quality scheme
- Or a wider scheme also involved in promotion and other industry support
 - Applied to one, several or all key export species
 - Involving processors only or processors and primary producers
 - Involving processors who take responsibility for primary product
- Institutional location: either government or private entity
- Certification either in-house or contracted out
- Oversight accreditation either national or international

Ethical and health labelling

- Narrow scheme that focuses on one aspect eg organics
- Or a wider arrangement encompassing a mix of ethical & health categories
- National scheme(s) under a specifically Vietnamese label
- Or scheme(s) based on recognised international bodies, either:
 - Directly linking Vietnamese firms to these bodies
 - Or setting up a local agency as a coordinating intermediary
- Combining the local element of such a scheme with the quality assurance scheme
- Or keeping the ethical/health elements as a stand-alone scheme(s)

3.4.1 Options for a quality assurance scheme: key points to address

- What general type of scheme should be chosen: narrow quality assurance or a wider promotion-orientated body on the EU model ?
- What affiliation should the scheme have: government, private or would a mix be possible?
- What institutional arrangements would this imply: if government affiliated, should thus be with the Ministry of Fisheries, Nafiqaved or some alternative? If private sector might VASEP play a role or should this be a new body?
- Should the scheme be product-specific or multi-species and should it be combined with any partner scheme that is devised to cover pangasius for example?
- How should independent oversight be devised, remembering that this will probably be a critical requirement by OECD importers? The possible options include
 - Setting up a Vietnamese quality umpire
 - Choosing an international alternative (eg SGS)
 - If the latter, setting up a Vietnamese respondent to the intentional agency.
 - Or relying on the external agency to do so
- Alongside this, how can independence, rigour and discipline be assured so that the scheme is fully effective as a guarantor of continued export success?
- And is the industry prepared to accept the consequences – ie a degree of control must be delegated to the scheme managers, and some decisions made may be highly unwelcome and expensive for firms that fail audits?
- What testing and inspectorate backup will be required and what is available: eg are there government or private laboratories equipped to do so, or will this entail de novo investment?
- How should specific issues of Vietnam's industry structure be addressed – especially problems of applying schemes to groups of small producers: ie the nucleus-satellite model or through the formation of marketing “cooperatives” for example?
- How should it be paid for – by the industry (eg export sales levy, input tax on seed stocked, levy on output or turnover) or by government (ie from taxes, hypothecated or otherwise)?

3.4.2 Ethical and health labelling: key points to address

- Is this a priority for Vietnam at all – ie does such a scheme need to be set up now or indeed in the future? Market feedback would clearly be critical in this regard – ie canvassing the industries involved is essential

- If it is important, which broad areas should be chosen – ethical or health or both?
- If the former, ie ethical, which categories are important – environmental or social - and which aspect of these in particular – eg sustainability, child labour, land rights etc?
- What approach should be adopted – local or international accreditation? This poses some additional questions:
 - If international accreditation is chosen, should there be a local partner?
 - If so, where should this be located institutionally, public or private sector?
 - Or should there simply be light coordination by Vietnamese authorities?
 - Or – as a complete alternative - should industry players simply be allowed to act separately – the “do-your-own-thing” option?
- Could or should this scheme be combined with a Vietnamese quality assurance institution?
- And again, is the industry ready to accept the loss of control implicit in these schemes, especially those based externally (ie international bodies)
- Again, how should it be paid for – by the industry taking on accreditation costs themselves or by government covering some costs (eg as a coordinator or as an instigator in the cases where a group approach is essential – such as getting a whole fish stock certified as sustainable by the MSC)

In effect this is a checklist of the issues involved and possible options for addressing them. It is then put forward to prompt workshop discussion and as the first step in the process of defining priorities for action.

3.4.3 Geographical indications for traditional products

The following steps can be envisaged for the geographical indications of traditional seafood products in Vietnam:

- Since there is little institutional back-up support for fisheries related geographical indications at present, it appears necessary that a relevant structure is put in place. In this context, it is important to:
 - Identify overseeing authority (most likely a Government department), in accordance with the law on intellectual property rights including geographical indications;
 - Establish an entity to manage the scheme (e.g. Unit in charge of protected geographical indications);
 - Identify independent inspection bodies that have the relevant expertise to audit enterprises participating in the scheme;
 - Undertake capacity building measures that are required at various levels in this respect.

- Given that traditional seafood processor associations are barely present on the ground (perhaps with the exception of Phu Quoc) it seems important that the Fisheries Department takes the lead, with POSMA support, to form and strengthen voluntary associations and register a number of smaller enterprises that have passed an inspection test. Only once associations are better established will they be able to play a stronger role in the application process and fully cover registration and inspection fees. In the short-term, they are likely to require support in this respect.
- Product descriptions need to be established, involving members of the nascent associations, and should cover:
 - Physical attributes (e.g. product colour or weight)
 - Chemical features (e.g. minimum protein content, maximum water content, nitrogen content)
 - Microbiological information (e. g. maximum presence of bacteria)
 - Biological details (e.g. species, varieties used for processing)
 - Organoleptic characteristics (taste, flavour, colour, odour etc.)
 - Geographical features (i.e. locations where production and processing take place).
 -

3.5 Practicalities of implementation

If the decision by Vietnamese stakeholders is to adopt either or both of these brand support initiatives, then the implementation implications differ between the “hard” and “soft” categories (ie quality/food safety vs ethical/health). In both cases, there are some common essential prerequisites:

- Dialogue with key stakeholders regarding the broad nature of the scheme
- Decisions regarding an entity to oversee the scheme
- Detailed definition of the scheme
- Enlisting support for the scheme from key stakeholders
- Wider promotion of the scheme
- Enrolling qualifying members
- Managing the scheme and policing compliance

The main difference between the two types of scheme is likely to relate to where they are centred. Quality schemes will probably need to be national, backed up by technical support (testing, inspectorate etc) whilst ethical/health schemes are likely to be linked to either global entities (MCS, ACC) or to targeted export markets (eg Naturland for sales to Germany). This means that the former will require more initiative by both the authorities and the industry in Vietnam. The box below sets out the procedures for setting up a quality assurance scheme in more specific detail.

Box 6; Quality assurance scheme – action checklist

- Establish preliminary body (private sector, public sector legal basis and constitution)
- Promote potential scheme to producers processors and overseas buyers
- Canvass producers processors and overseas buyers about the scheme
- Establish remit (species, products covered etc) following stakeholder consultation
- Establish the **standards** (codes of practice) in concert with producers and traders
- Devise an overtly **independent certification** system to ensure robust reliability
- Assess support available in-county – analytical laboratories, inspection systems
- Duplication: Investigate parallel standards already in-place that can be incorporated
- Produce operating manual to define criteria and standards for the scheme
- Establish a compliance inspectorate (auditors) for potential participating firms
- Canvass firms and enrol them to the now fully defined scheme
- In parallel, promote the scheme to buyers in export markets
- Operate the scheme: widening membership and policing compliance

The enrolling procedure can be formalised by devising standard forms that embody the key criteria and set out both standards that have to be met and formal compliance requirements. However, the development of a detailed **manual** including the codes of practice required is normally the crucial step in defining these requirements. The scheme must also have a formal defined right (and procedure) to disqualify members who fail to comply.

As mentioned above, “soft” ethical and health schemes are likely to rely essentially on foreign entities for their credibility. This means that implementation procedures differ, with choice of which ethical “brand” or brands to adopt the critical first step. This has to be market driven and so has to be intimately linked to industry – their views on which issues are priorities will be critical. When this has been decided the crucial requirement is the mechanism that will allow Vietnamese firms to participate. This might involve direct accreditation of qualifying Vietnamese firms by these schemes or the involvement of a Vietnamese intermediary. Whichever route is taken, negotiation with the scheme will be required as will acceding to its criteria. An additional consideration here will be whether Vietnam’s ethical/health programme can be combined with the quality assurance scheme, or whether the two should be kept separate.

Box 7: Ethical and health labels – action checklist

- Select the most relevant issues for the target markets in concert with traders
- Promote potential scheme to producers, processors & other relevant parties
- Select a certification agency for the issue in question from the potential candidates
- Decide upon the overall arrangement and role of national entities – if any
- Negotiate an agreement with the certification agency
- Define the criteria that must be achieved by the firms or industry segment concerned
- Set up a programme for achieving these criteria
- Set up a monitoring program to overseas compliance
- Establish reporting regime to inform the certifying agency on progress & compliance
- Operate the scheme: widening membership and policing compliance through audits

Development of the manual is clearly a central task for development of the quality assurance scheme (for ethical/health schemes, this should be provided by the chosen international partner – eg MSC). An indicative content for a manual is set out below as preliminary guidance as to what is entailed. Needless to say this is a generalised account and in practice manuals have to reflect the particular activities and conditions that they address very closely and specifically.

3.5.1 Quality assurance scheme manual – indicative contents

General

- Brief overall description of the system, its context and benefits for members
- Definition of the scope of the scheme: ie primary producers, processors, product range etc
- Description of the supervising body – its organisational structure, key staff, constitution, legal basis, mission statement and linked organisations
- List of oversight organisations: eg accredited certifiers, auditors and global standards they and the system adhere to

Standards

- Segmentation of the scheme into elements covered eg primary production (farming), hatcheries, harvesting, processors etc
- Fully detailed specification of the code of practice for each segment: eg
 - Management responsibilities
 - Staff/workforce roles
 - Product handling procedures
 - Size grading and quality grades
 - Hygiene procedures: eg HACCP plan
 - Tolerance levels
 - Quality, contamination & hygiene checks
 - Laboratory facilities required
 - Response to disease occurrence and prophylactic routines
 - Reporting and recording requirements
 - Packaging and labelling requirements
 - Transport conditions, time limits and risk control measures

Above all the manual should be comprehensive covering all relevant aspects where quality or food safety – in this example – could be at risk (ie reflecting the ethos of the HACCP – hazard analysis at critical control points – approach)

Annexed: Forms and questionnaires

- Application forms
- Technical schedules and check lists relating to maintaining standards and good practice

- Examples of reporting/recording forms required
- Formal notification procedures for non-compliance

Annexed: Supporting material

- Colour charts/photos defining grades eg fillet colour or appearance
- Tables showing grading or quality classifications
- Key relevant reading
- Links to key relevant organisations and programs

ANNEXES

Annex 1: References

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Annex 2: People met or contacted in Europe and Vietnam

Date	Persons / organisations met or contacted
24 & 25 April 2007	<p>Brussels, European Seafood Trade Exhibition</p> <p>Mr Truong Dinh Hoe, Vice Secretary General, VASEP Management and Marketing Staff of the following VN fish and fish products export companies: CAMIMEX, INCOMFISH, HUNG VUONG, TUAN ANH CO, BENTRE SEAFOOD, QUOC VIET CO. LTD, KIM ANH CO, QUOC VIET CO.</p> <p>Ian Frostick, Lyons Seafood, UK; M. Bammert, Marine Stewardship Council, UK; Paolo Bray, Friend of the Sea, International Certification Body; G Forman, Seafood Importer, Netherlands Dan Lee, Best Aquaculture Practices Coordinator, Global Aquaculture Alliance. Cathy Herzig, Marketing Manager, Global Aquaculture Alliance (GAA), St Louis, Missouri, USA John Butler, Assistant Manager, Diamond Seafoods (UK) Ltd (Mitsubishi Corp), London Patrick Butter, Sales Manager, Heiploeg BV, Zoutkamp, The Netherlands Dorota Straszewska, Import Export Specialist, Abramczyk Ltd, Witebska, Poland.</p>
<p>7 June 2007</p> <p>12 June 2007</p> <p>June 2007</p>	<p>Organisations contacted or visited in the UK</p> <p>Phone conversation with Ms Melanie Sachdeva – Category Manager (Fish); Sainsbury’s Supermarket Chain</p> <p>Visit to Billingsgate Fish Wholesale Market, London, UK Meetings with Mr Chris Leftwich (Chief Inspector), and several fish importers and traders</p> <p>Phone conversation and e-mail exchange with Dr Yemi Oloruntuyi and Mr Duncan Leadbitter, Marine Stewardship Council.</p>
August 2007	<p>Organisations contacted in Europe</p> <p>Ms Marie-Pierre Collet, Comite Interprofessionnel du Vin de Champagne (CIVC), France ; Manager, Black Forest Ham Association, Germany; Mr Paul Wright, Product Authentication Inspectorate, West Sussex, United Kingdom; Neil Auchterlonie, Scottish Salmon Producers Organisation SSPO. Perth, Scotland; Willie Crowe, Former Chief Executive, SSPO and SSGA, Perth Scotland; Iain Shone, Purchase Controller, Lyons Seafood, Warminster,</p>

	<p>Wiltshire UK; Martin Gill, Director, Food Certification Scotland, Food Certification International (FCI), Inverness, Scotland; Crick Carleton, Nautilus Consultants, Peebles Scotland; Pat Keogh (Former Chief Executive), Majella Fitzsimons, Catherine Morrison; (BIM Quality Assurance). Bord Iascaigh Mara (BIM) Irish Sea Fisheries Board, Dun Laoghaire, Dublin, Ireland; Chris Ninnnes, Director of Operations, Officer, Marine Stewardship Council (MSC), London.</p>
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People and Organisations met in Vietnam

3 July 2007	Mr Vo Van Son, Senior Specialist / Deputy Director, Post-Harvest Technology (FSPS II), Ministry of Fisheries, Hanoi
4 July 2007	Mr Ngo Hung, Director, Lacoms Ltd., Hanoi Mr Tran Cong Ich, Fisheries Adviser, Lacoms Ltd., Hanoi
5 July 2007	Mr Minh, NAFIQAVED, Ministry of Fisheries, Hanoi Mr Nguyen Cong Dan, Deputy Director General, Department of Aquaculture, Ministry of Fisheries Mr Duong Long Tri- Director - Fisheries Informatics Centre, Ministry of Fisheries.
6 July 2007	Dr Chu Tien Vinh, Director, National Directorate of Aquatic Resources Exploitation and Protection (NADAREP); Mr Hoang Dinh Yen, Vice Director, National Directorate of Aquatic Resources Exploitation and Protection (NADAREP); Ministry of Fisheries; Ms Nguyen Thai Phuong, Deputy Director, VASEP Training and Trade Promotion Centre .
9 July 2007	Mr Nguyen Thong Nhan, Vice Director, Ca Mau Fisheries Department; Mr Nguyen Hoang An, Vice Director, FSPS II, Ca Mau; Mr Tran Van Bo, Ca Mau Trade, Tourism, and Investment Promotion Centre; Mr Ngo Minh Chan, Big Agent / Chief of Camau Office, CADOVIMEX; Mr. Huynh Thanh Tan; Chairman / Director; Ca Mau Seafood Processing & Service Jointstock Corporation (CASES), Ca Mau City; Mr Tran Cong Danh, Chief of Sales Im-Export Department, CASES, Ca Mau City.
10 July 2007	Mr Hung, Vice Director, Forestry Company 184, Nam Can District, Ca Mau Province; Mr. Dung -Technical Manager, Forestry Company 184; Ca Mau Province. Shrimp Farmer: Mr. Linh- Nam Can District (Mangrove area), Ca Mau Province Mr Nguyen Ba Dan; Vice General Director; Nam Can Seaproducts Import – Export Joint Stock Co., SEANAMICO, Ca Mau Province. Two other managers of SEANAMICO.
11 July 2007	Mr Pham Van Son, General Director, Vietnam National Seaproducts Corporation – SEAPRODEX, Ho Chi Minh City
12 July 2007	Mr Dinh Van Tien, Vice Director, Binh Dinh Department of Fisheries; Quy Nhon City, Binh Dinh Province.

	<p>Mr Vinh _ Vice Director - Binh Dinh Department of Fisheries; Quy Nhon City, Binh Dinh Province.</p> <p>Mr. Hoang – Technical manager – Binh Dinh Department of Fisheries; Quy Nhon City, Binh Dinh Province.</p> <p>Mr. Binh – Staff – Binh Dinh Department of Fisheries; Quy Nhon City, Binh Dinh Province.</p> <p>Mr Hung, Director, Fishing Harbour, Quy Nhon City.</p> <p>Three fishermen- Fishing Harbour office, Quy Nhon City: Mr. Tin – Dong Da district – Quy Nhon City; Mr. Phan Tuan – No.7, 9 Ward, Quy Nhon City;</p> <p>Ms Cao Thi Kim Lan, Director, Binh Dinh Fishery Joint Stock Company – BIDIFISCO, Quy Nhon City</p>
13 July 2007	<p>Mr Nguyen Phat Quang, Vice Chairman, INCOMFISH, HCMC, Binh Tan District;</p> <p>Mr Trinh Ba Hoang, General Director, INCOMFISH, HCMC, Binh Tan District;</p>
15 July 2007	<p>Mr Pham Quyen, Vice Director, FSPS II, Department of Fisheries, Hue City;</p> <p>POSMA Technical Officer, FSPS II, Hue City;</p>
16 July 2007	<p>Ms Nguyen Thi Beo, Fermented Shrimp and Fish Processor; An Hai village –Thuan An Commune - Hue City;</p> <p>Ms Thanh Van, Fermented Shrimp and Fish Processor; An Hai village –Thuan An Commune - Hue City;</p> <p>Ms Co Ri, Fermented Shrimp and Fish Processor; 184 Tang Bat Ho, Phu Nhuan Ward, Hue City.</p>
17 July 2007	<p>Mr Tran Quoc Thanh, Director, Nghe An Fisheries Department, Vinh City;</p> <p>Mr Tran Huu Tien, Director, Nghe An Fisheries Sector Programme Support (Phase II), Vinh Cith;</p> <p>POSMA Technical Officer, Nghe An FSPS II, Vinh City;</p> <p>Mr Vo Van Dai, Director, Van Phan Fish Sauce Company, Dien Chau Village, Dien Ngoc District, Nghe An District;</p> <p>Two women fish sauce processors, Dien Chau Village, Dien Ngoc District, Nghe An District;</p>
18 – 20 July 2007	<p>Group work and report writing at POSMA, Ministry of Fisheries, Hanoi.</p> <p>In the evening of 20/7/07: Return flight to United Kingdom.</p>
26 August 2007	<p>Mr Ngo Hung and Mr Tran Cong Ich, Lacomis Ltd., Meeting at HCMC Airport; Travel by car to Ben Tre Province;</p>
27 August 2007	<p>Mr Doan Van Danh, Vice Director, Ben Tre Fisheries Department, Ben Tre Town;</p> <p>Mr Nguyen Tan Phat, President, Ben Tre Fisheries Society;</p> <p>Meeting with a group of ten fisheries sector stakeholders, including the above, plus processors, input suppliers, other DoFi representatives and the manager of a clam producing commune</p>
28 August 2007	<p>Travel to An Giang Province;</p> <p>Meeting with Mr. Giau - Deputy Director and Marketing Manager of ANVI Fish Limited, An Giang City.</p>
29 August 2007	<p>Vice Director, An Giang Fisheries Department, plus two other staff of An Giang DoFi;</p> <p>Pangasius farm manager, outside An Giang City.</p>
30 August 2007	<p>Mrs Tran Bich Nga, Director, POSMA, FSPS II, Hanoi</p> <p>Mr Vo Van Son, Deputy Director, POSMA, FSPS II, Hanoi</p>
31 August 2007	<p>Report writing</p>

1 – 3 September 2007	Report writing, Preparation of workshop presentations; National Independence Day
4 September 2007	Deputy Director, Quang Ninh Fisheries Department, Halong City; POSMA Technical Officer, FSPS II, Quang Ninh Fisheries Department, Halong City; Mr Pham Ngoc Quang, Sales Manager, Quang Ninh Aquatic Products Export Joint – Stock Company No 2 (AQUAPEXCO), Yen Hung District, Quang Ninh Province. Manager of shrimp farm belonging to AQUAPEXCO, Yen Hung District, Quang Ninh Province. Dr Nguyen Van Khang, Head of Fishing Technology Department, Research Institute for Marine Fisheries (RIMF), Haiphong City.
5 September 2007	Mr Paul Nichols, Senior Adviser, POSMA, FSPS II, Hanoi
6 September 2007	Report writing, workshop preparations, Meeting with Mrs Nga, Mr Nichols, and Mr Hung at POSMA;
7 September 2007	Embassy of Denmark, Hanoi: Ms Dorte Chortsen, Counsellor; Ms Nguyen Phuong Lien, Desk Officer; Ms Kathrine Hee Nielsen, Trainee.
10 September 2007	Morning – work at POSMA; afternoon travel to HCMC
11 September 2007	Arrival Mr Nigel Peacock in Ho Chi Minh City Meetings with Messrs Peacock, Hung, and Ich for workshop preparation
12 & 13 September 2007	National Workshop in HCMC, Chancery Hotel
13 September 2007	Ulrich Kleih - Return flight to United Kingdom
15 September 2007	Messrs Tran Cong Ich and Nigel Peacock, visit to Simexo Fish Processing plant, Haiphong (Halong Service & Import Export Joint Stock Company). Mr Trinh The Hiep, Vice General Director.
16 September 2007	Nigel Peacock – Return flight to United Kingdom

Annex 3: Inception report

**The Ministry of Fisheries of Vietnam
Fisheries Sector Programme Support Phase 2 (FSPS II)
Post-Harvest and Marketing Component (POSMA)**

Development of Brand Name Strategies by Producer Groups

**INCEPTION REPORT
26 June 2007**

1 INTRODUCTION

This is a preliminary report that has been written to set the scene for subsequent research. It sets the broad scope for the work prior to discussion with MoF personnel to establish their key priorities and aspirations for the study. It is then general in approach and more concerned with broad parameters than specific detail. Three species groups have been mentioned during initial discussion about this assignment.

- **Tuna:** fresh and frozen high value species for sale as such (rather than commodity tuna for canning)
- **Shrimp:** frozen shrimp in all forms from whole shrimp to peeled tails and fancy added value items
- **Fish sauce** and similar seafood-based Asian culinary specialities

The key product group that is not included is of course *pangasius* **catfish** (termed basa hereafter). This is perhaps Vietnam's most impressive success, a success that is transforming the OECD whitefish market from dependency upon wild marine sources to a sustainable farmed freshwater alternative. This is so significant that we feel it should be covered at this stage at least as part of a coherent coverage of Vietnam's position in the global seafood market.

The specific purpose of this report is to gain a preliminary understanding of three areas, each of which is directly related to the market. This is then a market led stage in the study where the purpose is to start the enquiry deliberately in the marketplace

- Segmentation of Vietnam's key export markets geographically and assessing the broad potential in each market
- Understanding the performance of key Vietnamese seafood products in these markets

- Exploring the practical potential for branding and understanding how this (i) can be interpreted in terms of the value chain for key products and (ii) relates to Vietnam's product offering, and their advantages and weaknesses

This can then be seen as an initial screening stage with a clear market focus embodying the Market Assessment (Product 1) stage of our workplan and leading to Identification of products for Branding (Product 2). This then prepares the way for Development of a Branding Strategy (Product 3). This stage is then part of the first two elements of our workplan, that is "Defining the Product" and "Understanding the Market" coupled with preliminary work on the third, "Understanding the Value Chain".

2 MARKET SEGMENTATION

Vietnam has become a global player in seafood trade and is now a leading producer and exporter of a number of major seafood products. These include shrimp where Vietnam is one of the top three producers and has a specialised role as the leading producer of *Penaeus monodon*, the larger species that formerly dominated Asian shrimp culture. The emerging impact of farmed basa upon global whitefish markets has already been mentioned above, and the growing sophistication of the Vietnamese added value sector is now adding a new dimension to the industry. These are key factors to be taken into account by the research, but first, the global market is assessed in very broad terms to identify prospects for Vietnamese branding from first principles.

2.1 Regional segmentation

There are essentially four key export markets for seafood for Vietnam: the three major OECD blocks (North America, Europe and Japan) and an emerging regional market (ie ASEAN members and China). Currently regional neighbours are mostly competing exporters of seafood, but this is likely to change as growth-driven wealth increases and some of these markets change from net exporter to net importer of seafood. China is a case in point.

North America: This essentially means the USA and this market presents Vietnam with a paradox. On the one hand Vietnamese seafood has been very successful in the USA with shrimp and basa making major inroads. On the other hand, this market has proven increasingly hostile to Vietnamese imports with the erection of numerous trade barriers. For example, Vietnamese success in expanding the US market for basa (*Pangasius*) catfish in competition with the local channel catfish (*Ictalurus*) led to a first a ban on use of the “catfish” name for basa and then an antidumping charge.

Vietnamese shrimp has also suffered from discriminatory tariffs in the USA on antidumping grounds (along with that of five other major producers of farmed shrimp). American objections to Vietnamese seafood arise in part from the clear threat that these competitive imports pose for US producers, but also no doubt reflect history – both the war and Vietnam’s communist heritage. This is then not a market where promotion based upon national branding is likely to be effective. Indeed the highly price competitive challenge that Vietnam has successfully targeted on the US commodity market seems more likely to succeed than one that highlights Vietnamese origin. In short branding will tend to be, if anything, counter-productive in this market.

Japan: Vietnamese seafood has been very successful in Japan and Vietnam is now their leading shrimp supplier. This is telling in itself because the Japanese market is very highly quality focused. This quality tends to be product rather than process driven, with the emphasis on producers able to demonstrate extreme freshness and other quality attributes. Less importance is attached to national quality management systems, and this suggests a problem where branding is concerned. As this trade depends so much on producers performance and trade relationships with Japanese importers, scope for brand development may be limited – the trade simply bypasses this, selecting sources on purely quality and price grounds, with individual trading relationships crucial. This market then has attributes in common with the US market from a branding viewpoint but

for very different reasons. Here it is the purely practical value of the offer that matters rather than any of the sort of mental associations that branding seeks to build upon

The European Union: This market is different again from the other OECD groups considered. Firstly the EU markets are relatively new territory for Vietnamese exporters. These firms had formerly concentrated on Japan and the USA, but realised the need to re-orientate a few years ago. Firstly, some former markets had begun to look rather mature, especially as far as Vietnamese products were concerned with their high market share. Then the discriminatory problems in the US market focused minds further and by 2004 Vietnam had begun to refocus on the EU (and its emerging neighbours like Russia).

This is then a nascent situation, and it makes the EU potentially fertile ground for the sort of campaign that goes along with brand development. There are other reasons for believing that the EU might be a more promising prospect in this regard.

- Firstly there is none of the relict hostility to Vietnam exhibited by some segments of American society.
- Secondly, the EU is a diverse market – more a mix of niches than a homologous commodity market.
- Thirdly, amongst this diversity, there are wealthy segments who are open to issues that Vietnamese producers could be well placed to respond to. Exemplars of these issues are suggested by the following name tags: ethical (fair trade), environmental (resource sustainability), exotic – Indo Chinese, organic, hand processed, novel species and eating experiences and last but not least - healthy.

For all these reasons we would suggest that the EU is likely to be the OECD market that will best respond to the branding approach, and so propose to concentrate on this market in particular.

2.2 Product segmentation

The other market segmentation covered by this brief overview focuses on products. Two key products play a major part in Vietnamese foreign trade – shrimp and basa catfish and trade in both is briefly reviewed here. Subsequently the global tuna market is added to the coverage as this is understood to be a target product for this study. The other target product group (fish sauces and other traditional products) is believed to be exported in small quantity and apart from some ethnic niche markets, may be better assessed in a domestic or regional context.

Shrimp

The global shrimp market has been growing rapidly recently in response to the sharply lower prices that have accompanied shrimp farming's success. OECD demand has accordingly been growing by over 4% annually recently. America dominates this market (44% of the OECD total) with the EU the next largest importer (36%) whilst Japan imports the remaining 20%. These markets have been performing differently, and the

Japanese market, which used to account for 30% of OECD demand, has been static, whilst EU and USA markets have been growing rapidly at over 5% annually.

Table 5: Shrimp supplies to main OECD markets. Units: 000 tonnes, live weight

Units: 000 tonnes	USA Total	Europe EU*			Japan Imports	Total OECD supply
		Imports	Landings	Total		
2000	753	541	83	624	466	1,843
2001	808	578	84	662	450	1,920
2002	825	572	71	643	466	1,934
2003	959	680	79	760	450	2,169
2004	1,010	676	92	768	479	2,257
2005	932	723	90	813	468	2,213
2006	1,038	752	87	839	478	2,355

Sources: NMFS, Eurostat, Infofish, forecasts. * Net imports (ie consumption).

Table 6 shows Vietnam's position in the OECD shrimp market, describing Vietnamese exports to the three main global markets, Japan, The USA and the EU. In each case exports are first stated in product weights terms. This is followed by an estimate of Vietnam's contribution to the market in question. In 2006, Vietnamese exports represented 22% of Japan's total shrimp import. Finally the export quantity is restated in live weight terms after being adjusted by the appropriate factors in each case. This allows like to be compared with like in meaningful manner.

Table 6: Vietnamese shrimp exports to main OECD markets. Units: tonnes.

Units: tonnes	2001	2002	2003	2004	2005	2006
Japan						
Import	35,664	41,516	47,626	55,506	54,511	51,133
% total import*	15%	17%	20%	23%	23%	22%
Round wt	54,868	63,871	73,271	85,394	83,863	78,666
USA						
Import	32,743	44,008	57,020	36,810	42,823	36,504
% total import*	8%	10%	11%	7%	8%	6%
Round wt	59,781	81,937	104,935	68,769	74,718	64,643
EU						
Import	9,976	3,100	6,053	8,677	17,623	19,419
% total import*	3%	1%	1%	2%	4%	4%
Round wt	15,348	4,769	9,312	13,349	27,112	29,875
Total	129,996	150,577	187,518	167,512	185,693	173,185

* Vietnamese contribution to total imports by the country/region in question

Vietnam is clearly already a major contributor to global shrimp supplies. It is now a significant player in each major OECD market as the following shows

- Vietnam is a major exporter of shrimp to Japan, emerging as the leading supplier recently. This says good things about the quality of Vietnamese shrimp, as Japan is highly quality conscious.
- However, the lack of growth in this market is evident – despite becoming the leading supplier, Vietnam's exports to Japans have actually dropped in quantity in 2006.

- The USA was formerly another major market for Vietnamese shrimp, but the antidumping duties imposed in 2004 have clearly sent this market into retreat.
- The combined total of 150-180,000 tonnes (live weight) exported represents about 65% of Vietnamese farmed output – down from 80% previously so domestic and regional markets are becoming more important
- The market that is growing fastest is clearly the EU. From a small base in 2001, annual growth of 14% has increased Vietnamese exports to almost 20,000 tonnes now. This is still less than those of Japan or the USA, but as it is growing at more than twice the average OECD rate seems set to catch up with the former leaders within a five years

Table 7: EU import of Vietnamese shrimp by product type

Units: tonnes	2001	2002	2003	2004	2005	2006
Fresh shrimp	5	0	13	8	1	21
Frozen shrimp	7,927	2,477	4,851	6,452	12,984	14,012
Processed shrimp	2,044	623	1,189	2,217	4,638	5,386
Total	9,976	3,100	6,053	8,677	17,623	19,419

The conclusion must be that the EU is the market to target as it combines both fast growth with scope for expansion. As table 7 shows, the bulk of Vietnamese exports are currently frozen raw shrimp but the added value/processed component is increasing disproportionately. This may then be the market segment of most interest for future exporters

Table 8: EU import of Vietnamese shrimp Frozen, Canned & added value by country

Tonnes	France	Netherlands	Italy	UK	Spain	Belgium	Other	Total
2001	1,556	907	781	2,426	204	2,116	1,982	9,972
2002	117	360	290	513	206	1,238	376	3,100
2003	387	324	459	1,748	303	1,797	898	5,916
2004	1,201	356	647	1,988	250	2,122	1,816	8,380
2005	2,611	1,125	2,906	3,277	271	3,222	4,210	17,622
2006	3,017	1,701	3,252	2,966	364	2,995	5,103	19,398

Exports of Vietnamese shrimp are spread widely across the EU with France, Italy, the UK and Belgium key destinations. There is then a mix of Latin and northern EU markets, displaying wide acceptance of Vietnamese shrimp. This does though also mean that a variety of cultures would have to be addressed in any brand building process

Catfish:

Basa (Pangasius) catfish farming and export have been an exceptional success for Vietnam. As table shows growth in trade has been exceptional with basa now accounting for 75% of OECD catfish supplies, up from 14% only six years ago

Table 9: Catfish supplies to main OECD markets. Units: 000 tonnes, live weight

Units: tonnes	USA			EU Imports	Russia Imports	SE Asia Imports	Other Imports	Total Basa	Total All	% Basa
	Imports	Farmed	Total							
2001	37	271	309	7				44	315	14%
2002	58	286	345	10				68	354	19%
2003	47	306	353	22				68	374	18%
2004	12	286	298	59				71	357	20%
2005	34	273	307	110	4	115	115	378	651	58%
2006	91	252	343	290	113	119	129	741	993	75%

The USA was initially the leading importer of Vietnamese basa, but this led to a conflict with domestic suppliers of channel catfish. Discrimination against the Vietnamese competitors, first requiring their product to be renamed and latterly involving an antidumping campaign, sent this into reverse (although US basa imports have latterly revived). However it has been imports elsewhere that have made the running with markets developing very rapidly in SE Asia, the former Soviet Union and the EU.

Growth has been particularly rapid in Russia, but it is the EU that has emerged as the major market for Vietnamese basa, with imports of 7,000 tonnes increasing over 40 fold to nearly 300,000 tonnes (live weight) in 2006. This was a very deliberate response to the problems faced by basa exporters in the US market, and followed a concerted marketing campaign in the EU. Problems with traditional EU sources of whitefish such as cod presented the opportunity, an opportunity that was capitalised upon very effectively.

Table 10: EU imports of Vietnamese basa

Units Tonnes Product/live wt	Frozen whole Product wt	Fresh fillet Product wt	Frozen fillet Product wt	Total live wt
2001	524	55	2,081	6,516
2002	663	18	3,198	9,670
2003	833	2	7,417	21,534
2004	2,619	314	19,858	58,943
2005	1,468	902	38,016	109,737
2006	1,708	737	102,872	289,707

As table 10 shows, frozen fillets have been the product that has spearheaded this highly successful assault on EU markets. This has succeeded widely across the EU, moreover, with large exports to Latin Spain and Italy as well as northern Germany, the Netherlands and Poland. The UK has surprisingly remained a relatively minor market but basa is now making inroads into this market as well now.

Table11: EU imports of Vietnamese frozen Basa fillets by main importing country

Unit tonnes	Netherlands	Germany	Italy	Spain	Belgium	Poland	Other	Total
2001	198	1,589	0	0	200	0	94	2,081
2002	485	1,766	34	121	704	0	88	3,198
2003	1,187	2,536	343	528	2,661	0	162	7,417
2004	3,303	4,453	1,158	5,785	3,753	503	903	19,858
2005	5,873	7,254	2,661	9,252	6,666	3,778	2,532	38,016
2006	20,932	12,115	7,625	21,935	9,531	23,381	7,353	102,872

Tuna.

The world market for tuna has grown to over 2.8 million tonnes (live weight) and in the OECD markets is dominated by the canned product. Tuna that is not traded in canned form is either frozen whole or tuna loins mostly destined for canning. Tuna consumed in other forms – ie fresh or frozen is very much in the minority.

Table 1: Tuna supplies to main OECD markets. Units: 000 tonnes, live weight

Units: Tonnes Live	USA Total	Europe EU			Japan Total	Total OECD Supply	
		Imports* Whole	Imports* Canned	Landings EU fleet			
2000	647	86	319	453	859	819	2,325
2001	578	84	361	406	852	708	2,138
2002	623	160	474	460	1,094	810	2,526
2003	693	122	503	511	1,136	837	2,666
2004	638	14	508	466	988	753	2,379
2005	636	133	559	499	1,191	846	2,674
2006	634	85	610	526	1,221	758	2,612

Sources: NMFS, Eurostat, Infofish, forecasts. * Net imports (ie consumption).

Fresh tuna represents a very small element of this sector, with OECD demand totalling 95,000 tonnes or less (ie 3% of the total tuna supply). It is also a market that is showing few signs of growth – indeed if 2006 data is accurate, it is in decline

Table 2: Fresh tuna imports by main OECD markets from all sources.

Units: Tonnes, product weight

Units Tonnes	2001	2002	2003	2004	2005	2006
USA total	21,909	24,704	25,262	26,425	25,479	25,092
Japan total	68,887	63,331	60,489	56,481	50,873	44,328
EU total	5,306	6,280	4,125	6,719	15,468	5,819
OECD total	96,102	94,315	89,876	89,625	91,820	75,239

Japan is the leading importers of fresh whole tuna, driven by the high value sashimi market that prefers the best quality species (bluefin especially as well as large bigeye and yellowfin). Like many segments of the Japanese seafood sector, this is a declining market, dropping by some 8% annually over recent years

Table 3: Fresh tuna imports by the EU. Units: Tonnes, product weight

Units tonnes	2001	2002	2003	2004	2005	2006
Netherlands	578	826	53	74	8,789	6
France	636	651	1,799	2,576	2,187	1,921
Spain	1,470	1,590	1,860	3,101	3,117	3,124
Italy	32	178	206	545	435	385
UK	987	1,067	29	51	142	83
Germany	862	680	130	343	631	241
Others	741	1,288	48	29	167	59
Total	5,306	6,280	4,125	6,719	15,468	5,819

The EU market for fresh tuna is small and seemingly erratic. 2005 data appears to be anomalous and may reflect a misclassification of Dutch imports (the Netherlands not being a great tuna specialist). Thus this looks like a market where demand for fresh tuna imports is only 4-6,000 tonnes

Table 4: EU Imports of Vietnamese tuna in all product forms

	2001	2002	2003	2004	2005	2006
Fresh tuna	1	0	0	0	0	0
Frozen tuna	11	133	34	144	116	129
Tuna fillet	50	136	52	155	260	528
Tuna loins	95	124	51	78	128	103
Canned tuna	476	1,052	707	1,013	2,966	6,075
Canned in oil	226	667	627	576	1,156	2,528
Canned in brine	250	385	80	193	1,159	2,816
Flake pack	0	0	0	244	651	731
Total	633	1,445	844	1,390	3,470	6,835

Fresh tuna is clearly not a key EU import, and so the fact that there are virtually no EU imports of fresh tuna from Vietnam is not surprising. There is though a significant trade in other tuna products between Vietnam and the EU. Canned tuna is very much the dominant product category (90% of the total) and imports have been growing very rapidly (over 60% annually over the past five years) to current levels of over 6,000 tonnes. EU imports of frozen tuna mostly arrive as fillets or loins, and whilst this is also growing, quantities are tiny at only a few hundred tonnes.

Other species

There are other significant categories of Vietnamese seafood exports to the EU. These include substantial quantities of molluscs in both frozen and added value form. Cuttlefish and squid make up the majority of the 25-35,000 tonnes involved in these mollusc exports. Smaller quantities of crabs (2-3,000 tonnes) and marine fish fillets (4-6,000 tonnes) are also exported as are 4-8,000 tonnes of highly processed fish products.

Finally it should be noted that the data set out in the tables above has been collected from global sources. We realise that this means that some of the information that refers to Vietnam may be out of date and refining these estimates that relate to Vietnam will be a key task during the field work for this assignment.

3 BRANDING PROSPECTS

The main task for this study is the development of a branding strategy. At this point, little can be said specifically about this as we would not wish to prejudice our analysis prior to inquiry with stakeholders and other parties. However there are some underlying general aspects that merit some preliminary discussion and these are set out below., starting with the question of what a brand actually is.

What is a brand? Perhaps this study should set out by defining what a brand is. A brand tends to be thought of as a product, a logo, a name, even a distinctive form of packaging. In fact it is none of these things (although they can all contribute). A brand is actually something that resides in the collective consumers mind – and is fundamentally a form of recognition – recognition that a given item is an acceptable or better response to a given need. The wider the recognition and the more hard-wired the message – the stronger the brand. Attaining this recognition – brand building – is the issue. Seen from this perspective, there are at least two types of brand:

- **Consumer brands** are widely recognised “household name” brands that depend upon widespread advertising and promotion. *This tends to be hugely expensive to both build and to maintain.* Image is crucial and media coverage, association with celebrity, product placement are all critical. In some cases the actual substance of the product is far less important than the image. The very high cost of brand building results from the need for regular use of TV and other major media, though this can be targeted (eg women’s magazines, newspapers food sections for seafood) to help reduce these high costs
- **Trade brands** are much narrower concepts, targeted very specifically on those within the industry. *This means that only a few hundred, or at most, thousands of people need to be influenced rather than millions.* The focus is accordingly much narrower, concentrating upon technical rather than image based aspects. Furthermore, the cost is of course far lower. In this case the publicity vehicles are much lower key – the trade press, seafood trade fairs and expos, targeted literature and direct approach to traders etc.

Indirect branding There are other approaches. One of current relevance is linking in to a campaign by a major player in OECD markets. This can involve providing a “story” that matches the consumer preoccupations that major players are responding to in their markets. An example of this is Vietnamese basa is being promoted as a new sustainable healthy fish product, the story here being one of resource sustainability (farming versus over-stretched wild stocks) as addressed by Young’s current basa goujons campaign. The Vietnamese catfish producers benefit though having their product widely advertised in the UK market (incidentally, a market probably ripe for development) at little cost to themselves, although the name highlighted is of course the UK company footing the bill.

Generic branding where a *product rather than an individual company is promoted* is also highly relevant here. Where a number of similar small players are involved, this allows a joint approach from which they all should benefit. There are risks in that some members may not be able to support the brand adequately, and fail to meet the “promise” made, so letting down their partners. However, given adequate discipline, this

coupled with the trade approach mentioned above may prove to be the most cost effective option for the stakeholders addressed by this study. The need for quality standards and systems to ensure reliable adherence within the group is obviously paramount in this case.

Branding and the value chain: Finally it is worth pointing out that the distinction between trade and retail branding is partially a function of the stage in the value chain that is involved. Trade brands target the stages in the value chain that precede sale to the end user. Consumer brands target the end user of course. Understanding the value chain is then important for this study, and this is one reason our proposals focused on this.

Potential Branding Options to Explore

Finally we set out some of the branding options that might be relevant here. The categories suggested are, fundamentally speaking, more consumer than trade brands, but in responding to key current issues they play to concerns that OECD traders have to respond to. They could then support indirect branding as well as forming the basis for generic brands.

Essentially the strategy must be to address issues of real concern to traders who are above all realists who respond directly to market pressures – as not to do so means commercial failure. This then narrows the field down to a number of key areas – involving either “real” issues (hygiene and quality) or those that are real in the consumers minds but may not be so firmly based in practical reality (some ethical aspects). Aspects that the study should consider are listed below

Health brands (*concern about family health ie the consumer’s body*)

- **Quality labels:** This branding is especially important for trade brands as reputation here is critical – what the trade wants is reassurance on quality grounds, especially when sourcing from distant dispersed suppliers in unfamiliar territories
- **Organic** aquaculture (eg Organic shrimp like Canimex’s “bio shrimp” certified by Germany’s Natureland and supported by SIPPO. Also organic basa now available from Agifish & Afiex

Ethical brands (*issues of conscience ie the consumers mind*):

- **Environmental:** eg cultured seafood taking pressure off wild stocks, so generating a sustainability benefit. An alternative story is production of low protein feeders such as basa so as not to create an indirect drain on marine resources through demand for fishmeal. Also best practice aquaculture preserving mangroves and reducing pollution is increasingly a brand issue
- **Social:** Employment generated for a formerly poor community, and generated in remote dispersed rural communities where alternatives are scarce. Scope for cooperative and nucleus-satellite arrangements that allow small producers to address quality conscious international markets

The novel and exotic (*indulgent treats for the consumer*)

- **Novelty** – “**Indo Chinese associations**” as an adjunct to modern aspirational living and a more widely travelled consumer base - exotic quality foods that provide a rewarding novel experience.

CONCLUSION

The purpose of this interim report is to set the scene for subsequent research. This now needs to narrow the focus to concentrate on the key species and product types of particular interest to the Ministry of Fisheries and other stakeholders. That will be the main subject for the next stage of the market research which will be more specific in nature. In particular it will assess the detailed needs of the market as described by key commercial players, ie it will involve canvassing the private sector as a key element of the research.

Annex 4: Checklist used for mapping value chains

Checklist for Mapping Value Chains – Used as Part of Semi-structured Interviews

Objective:

To develop an understanding of the value chain in each location, the products, the key players, opportunities and challenges for fisheries export.

The exercise forms part of the project “Development of Brand Name Strategies by Producer Groups”

Location:

This exercise can be undertaken at a fishing terminal, a market, or at a government office.

Questions:

- a) *Explain purpose of exercise:*
 - who is involved in the marketing of fish?
 - where and how the fish is sold?
 - What the key attributes are for fish from this area – to develop branding strategies
 - what the challenges are and perceived solutions?

- b) *Start with identifying how many different marketing channels are there, i.e. related to fish technology and/or fish specie.* For example, there may be a different value chains for shrimp, tuna, or fermented products. After identification of the main value chains, discuss and map each one separately, by going through the following steps:

- c) *Identify players in the value chain at production and trader level, and write them on the paper. Ask the following questions:*
 - Who is involved in fish catching/production and processing ?
 - Who buys the fresh / processed fish?
 - Where does the fresh / processed fish go to then, for as many stages in the marketing chain the participants are aware of?
 - The number of traders per category? (How many are community members and/or outsiders?)
 - The scale of their business and whether they provide credit or take credit? (to whom/from whom?)
 - Extent of competition between the traders?
 - Draw arrows representing commodity flow between players, use thicker arrows for more important volumes.
 - Identify chain ‘type’, meaning range of different structures and modes

d) Additional questions:

- What are key attributes of fish from this area (e.g. quality, environmental, ethnic, fisheries groups, fair-trade, specialist products)?
- Which factors are critical for buying decision (quality, price, reliability and frequency of supply, etc.)
- Options for branding of fisheries products from each location
- “How” fish is sold, i.e. pricing mechanisms?
- What are the main marketing and processing costs?
- Value chains – key issues
 - Chain ‘type’, meaning range of different structures and modes
 - Price formation and margins. Also, are margins ‘protected’ through barriers to entry,
 - Governance of the value chain – who are the dominant players in the chain, i.e. those who are driving the process. This includes labour and power differentiation.
- How is the fish transported, to where, and is ice used?
- Flow of information in the commodity chain, e.g. are fishers and local traders aware of prices in the main fish markets (i.e. domestic and international markets)
- Are there barriers of entry into the market at some level (e.g. can fisherfolk or aquaculture producers sell their fish directly to the exporters or do they have to use certain middlemen)
- Changes and dynamics in the system over the last two decades?
- Physical and qualitative losses in the chain?
- Means of preservation used for fresh and processed fish?
- Opportunities and challenges in the value chain
- Suggestions by the participants – in general and in relation to branding strategies?

Annex 5: Presentations given at stakeholder workshop on 12 & 13 Sept. 2007 in HCMC (available separately)

- Presentation 1: Findings of field survey
- Presentation 2: International case studies
- Presentation 3: Regulations on trademarks and geographical indication
- Presentation 4: Fish and fish products branding and certification -
Suggestions for a scheme