



# Cooperation for sustainable business development – The case of the skipjack tuna value chain in Nha Trang, Vietnam



**Nguyen Ngoc Duy** – Nha Trang University &  
UiT The Arctic University of Norway

**Nguyen T. Kim Anh** – Nha Trang University

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# 1. Background

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- The production and distribution of skipjack tuna: the **main source of income** for fishers and other actors in Nha Trang.
- The value chain of fish products in Vietnam:
  - + creating a **low value-added**
  - + facing with **challenges for sustainable development**: the decrease of fish resources, technical barriers to trade, fluctuation of fish price...

## 2. Research objectives

Analyzing the value chain of the skipjack tuna product  
in Nha Trang, Vietnam

### Specific objectives

- To determine structure of skipjack tuna value chain, and actors involving in the chain
- To assess market conduct (market organization and operation)
- To analyze the benefit distribution between the actors in the value chain



Fig. 1. Nha Trang city, Vietnam

# 3. Theory and Methodology

- The Structure – Conduct – Performance (SCP) model for analyzing value chain of the skipjack tuna.

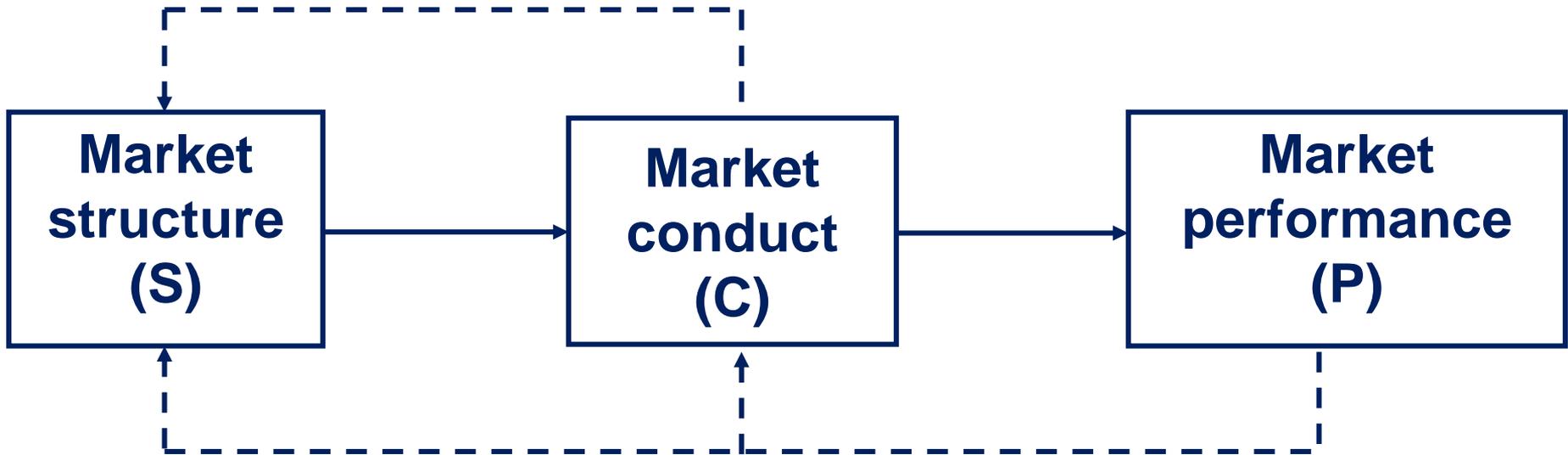


Fig.2. Dynamic model derived from the SCP approach (Bain, 1951)

# 3. Theory and Methodology (con't)

## Elements of the SCP model

<b>Structure (S)</b>	<b>Conduct (C)</b>	<b>Performance (P)</b>
<b>-Intermediaries involved in the chain system</b> <b>-The trading scales of actors</b> <b>-Structure of marketing channels</b>	<b>-Buying and selling</b> <b>-Negotiation, transaction and payment methods</b> <b>-Price formation process</b> <b>-Distribution of market information</b> <b>-Quality control and traceability</b> <b>-Effect of rules and regulations</b>	<b>-Profit and value-added</b> <b>-Ratio of profit margin to total costs</b> <b>-Ratio of profit margin to incremental cost</b>

# 3. Theory and Methodology (con't)

- Designing surveys for direct interviews:

Number of observations

<b>Actor/Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Fishers	41	40	40
Middlemen	4	4	4
Export processors	3	3	3
Dealers	4	4	4
Retailers	3	5	5

# 4. Results

## 4.1. Structure of skipjack tuna supply chain in Nha Trang

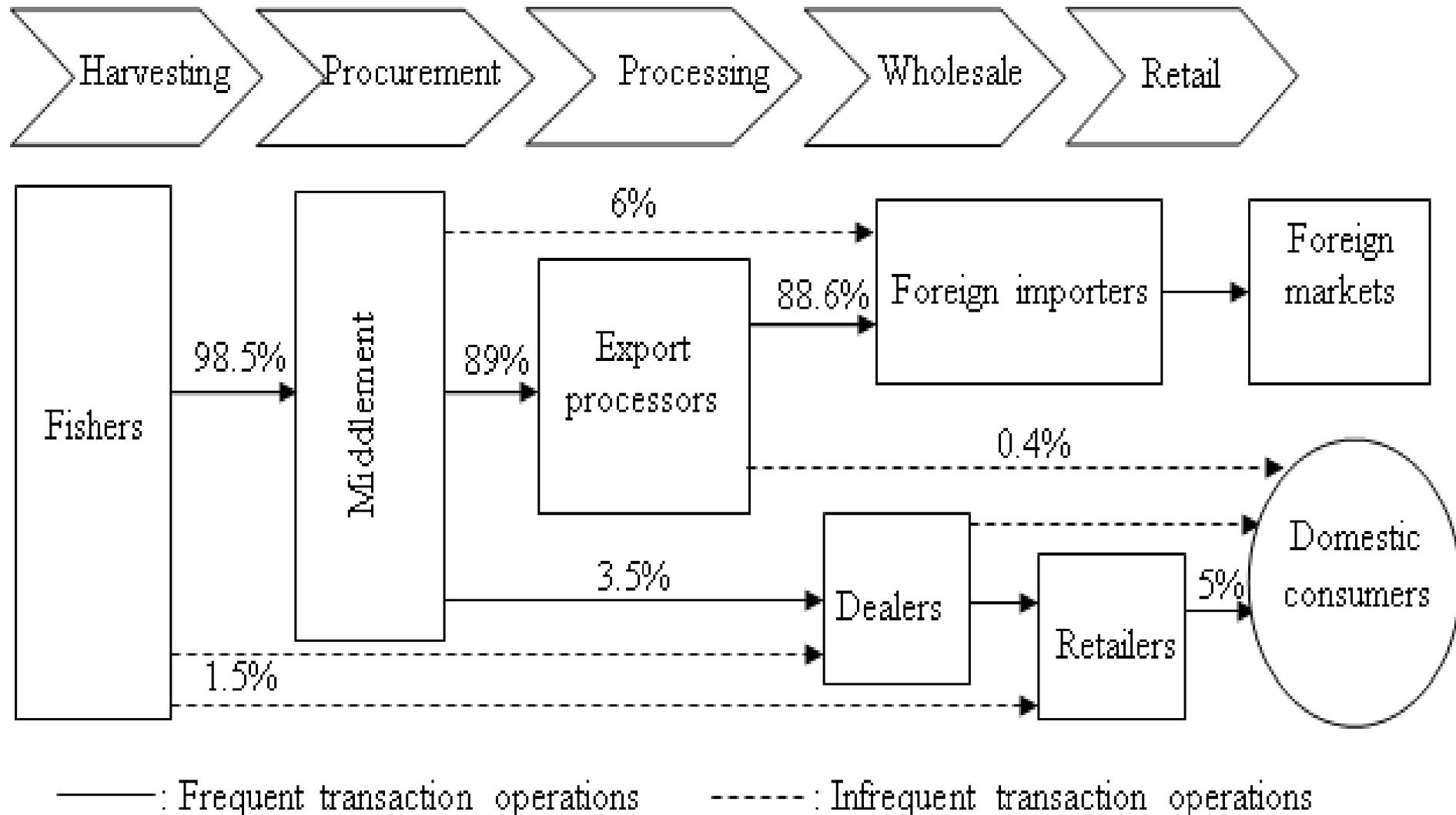


Fig. 3

# 4. Results (con't)

## 4.2. Market conduct

### ❖ Transaction method:

- Spot transactions
- Verbal agreement, no contract
- Based on credibility and mutual trust

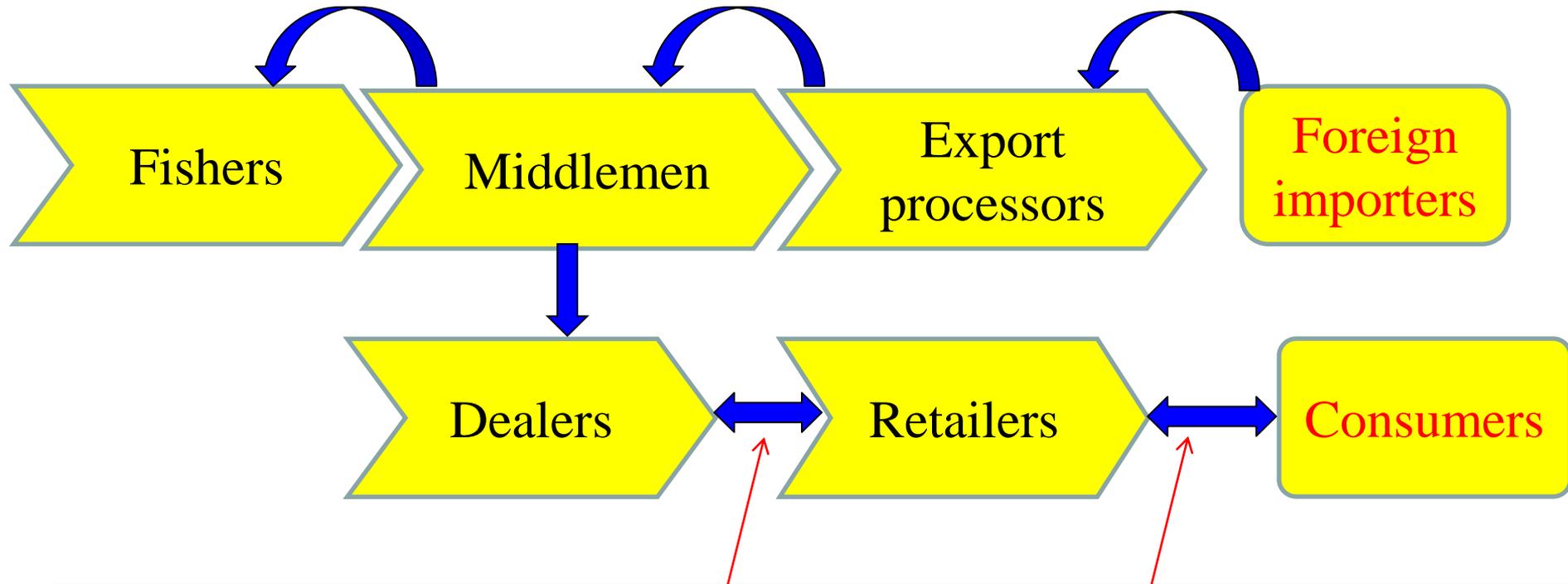
### ❖ Payment method:

- Immediate payment in cash, or
- Immediately return a portion of the money, and pay the remaining amount after a few days

# 4. Results (con't)

## 4.2. Market conduct (con't)

### ❖ The process of price formation :



Prices depend on negotiations, supply and demand, purchasing power, quality, size, substitute products...

# 4. Results (con't)

## 4.2. Market conduct (con't)

### ❖ Access to market information:

Actors	Percentage of response to different levels (%)		
	Easy to obtain	Sometimes difficult	Very difficult
Fishers (n=40)	<b>60</b>	37.5	2.5
Middlemen (n=4)	<b>75</b>	25	0
Export processors (n=5)	20	<b>60</b>	20
Dealers (n=4)	<b>75</b>	25	0
Retailers (n=5)	<b>60</b>	40	0

# 4. Results (con't)

## 4.2. Market conduct (con't)

### ❖ Access to market information:

Source of information	Percentage of response to different sources (%)				
	Fishers (n=40)	Middlemen (n=4)	Export processors (n=5)	Dealers (n=4)	Retailers (n=5)
The media	2.5	25	<b>60</b>	-	-
Buyer	<b>55</b>	<b>50</b>	20	-	-
Relatives/friends	40	25	-	25	<b>60</b>
Other intermediaries	2.5	-	-	<b>75</b>	40
Others	-	-	20	-	-

# 4. Results (con't)

## 4.2. Market conduct (con't)

### ❖ Quality control:

-Poor post-harvest preservation mechanism causing a poor quality of fish

### ❖ Traceability:

-Fail to comply strictly with recording log-book for ensuring the traceability,

-Limited cooperation from middlemen



# 4. Results (con't)

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## 4.2. Market conduct (con't)

### ❖ **Government's policies:**

- Limited effectiveness of the enforcement of regulations
- Not creating linkages among actors in the chain.

# 4. Results (con't)

## 4.3. Market performance

Export market

Fishers

Middle-  
men

Export  
processors

Unit: VND/kg

	<b>Purchase/Sale price</b>	<b>14,000</b>	<b>16,000</b>	<b>26,218</b>
<b>2009</b>	Total costs	13,593	14,602	18,473
	- Incremental costs	-	602	2,473
	Profit margin	<b>407</b>	<b>1,398</b>	<b>7,745</b>
	Profit margin/Total costs	<b>3%</b>	<b>10%</b>	<b>42%</b>
	Profit margin/Incremental costs	-	232%	313%
	Share of value	<b>53%</b>	<b>8%</b>	<b>39%</b>
		<b>Purchase/Sale price</b>	<b>18,375</b>	<b>21,500</b>
<b>2010</b>	Total costs	16,217	19,051	24,220
	- Incremental costs	-	676	2,720
	Profit margin	<b>2,158</b>	<b>2,449</b>	<b>7,780</b>
	Profit margin/Total costs	<b>13%</b>	<b>13%</b>	<b>32%</b>
	Profit margin/Incremental costs	-	362%	286%
	Share of value	<b>57%</b>	<b>10%</b>	<b>33%</b>

# 4. Results (con't)

## 4.3. Market performance

Export market

Fishers

Middle-  
men

Export  
processors

Unit: VND/kg

<b>2010</b>	<b>Purchase/Sale price</b>	<b>18,375</b>	<b>21,500</b>	<b>32,000</b>	
	Total costs	16,217	19,051	24,220	
	- Incremental costs	-	676	2,720	
	Profit margin	<b>2,158</b>	<b>2,449</b>	<b>7,780</b>	
	Profit margin/Total costs	<b>13%</b>	<b>13%</b>	<b>32%</b>	
	Profit margin/Incremental costs	-	362%	286%	
	Share of value	<b>57%</b>	<b>10%</b>	<b>33%</b>	
<b>2011</b>	<b>Purchase/Sale price</b>	<b>25,625</b>	<b>30,500</b>	<b>42,000</b>	
	Total costs	21,907	26,436	33,680	
	- Incremental costs	-	811	3,180	
	Profit margin	<b>3,718</b>	<b>4,064</b>	<b>8,320</b>	
	Profit margin/Total costs	<b>17%</b>	<b>15%</b>	<b>25%</b>	
	Profit margin/Incremental costs	-	501%	262%	
	Share of value	<b>61%</b>	<b>12%</b>	<b>27%</b>	

# 4. Results (con't)

## 4.3. Market performance (con't)



		14,000	18,000	24,000	32,000
2009	<b>Purchase/Sale price</b>				
	Total costs	13,593	14,000	19,000	24,500
	- Incremental costs	-	-	1,000	500
	Profit margin	<b>407</b>	<b>4,000</b>	<b>5,000</b>	<b>7,500</b>
	Profit margin/Total costs	<b>3%</b>	<b>29%</b>	<b>26%</b>	<b>31%</b>
	Profit margin/Incremental costs	-	-	500%	1500%
	Share of value	<b>44%</b>	<b>13%</b>	<b>19%</b>	<b>25%</b>
2010	<b>Purchase/Sale price</b>				
	Total costs	16,217	18,375	26,100	30,700
	- Incremental costs	-	-	1,100	700
	Profit margin	<b>2,158</b>	<b>6,625</b>	<b>3,900</b>	<b>6,300</b>
	Profit margin/Total costs	<b>13%</b>	<b>36%</b>	<b>15%</b>	<b>21%</b>
	Profit margin/Incremental costs	-	-	355%	900%
	Share of value	<b>50%</b>	<b>18%</b>	<b>14%</b>	<b>19%</b>

# 4. Results (con't)

## 4.3. Market performance (con't)



		18,375	25,000	30,000	37,000
<b>2010</b>	<b>Purchase/Sale price</b>				
	Total costs	16,217	18,375	26,100	30,700
	- Incremental costs	-	-	1,100	700
	Profit margin	<b>2,158</b>	<b>6,625</b>	<b>3,900</b>	<b>6,300</b>
	Profit margin/Total costs	<b>13%</b>	<b>36%</b>	<b>15%</b>	<b>21%</b>
	Profit margin/Incremental costs	-	-	355%	900%
	Share of value	<b>50%</b>	<b>18%</b>	<b>14%</b>	<b>19%</b>
<b>2011</b>	<b>Purchase/Sale price</b>				
	Total costs	21,907	25,625	35,200	39,850
	- Incremental costs	-	-	1,200	850
	Profit margin	<b>3,718</b>	<b>8,375</b>	<b>3,800</b>	<b>5,150</b>
	Profit margin/Total costs	<b>17%</b>	<b>33%</b>	<b>11%</b>	<b>13%</b>
	Profit margin/Incremental costs	-	-	317%	606%
	Share of value	<b>57%</b>	<b>19%</b>	<b>11%</b>	<b>13%</b>

# 5. Conclusion

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- The value chain is **highly segmented**, with **numerous actors**. The vast majority of the skipjack tuna is sold from the fisher to the export processors (via middlemen) for export.
- The actors face **difficulties in meeting strict consumer requirements**, and in accessing information of international markets
- The price received by the actors depends almost entirely on foreign importers' price.
- Middlemen have the greatest power in deciding price for domestic market.

# 5. Conclusion (con't)

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- The distributions of benefits and risk among the actors are unbalanced
- The influences of government and management agencies' policies on sustainable development of the chain are limited.

 **The value chain develops on the lack of close cooperation and sustainability.**

 **Cooperation for the sustainable business development?**

# Reference

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Bain, J. S. 1951. Relation of Profit to Industry Concentration: American Manufacturing 1936-1940. *Quarterly Journal of Economics*, 65: 293-324.

# Thank you very much!

