



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

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1. Background

- 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

3. Theory and Methodology

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

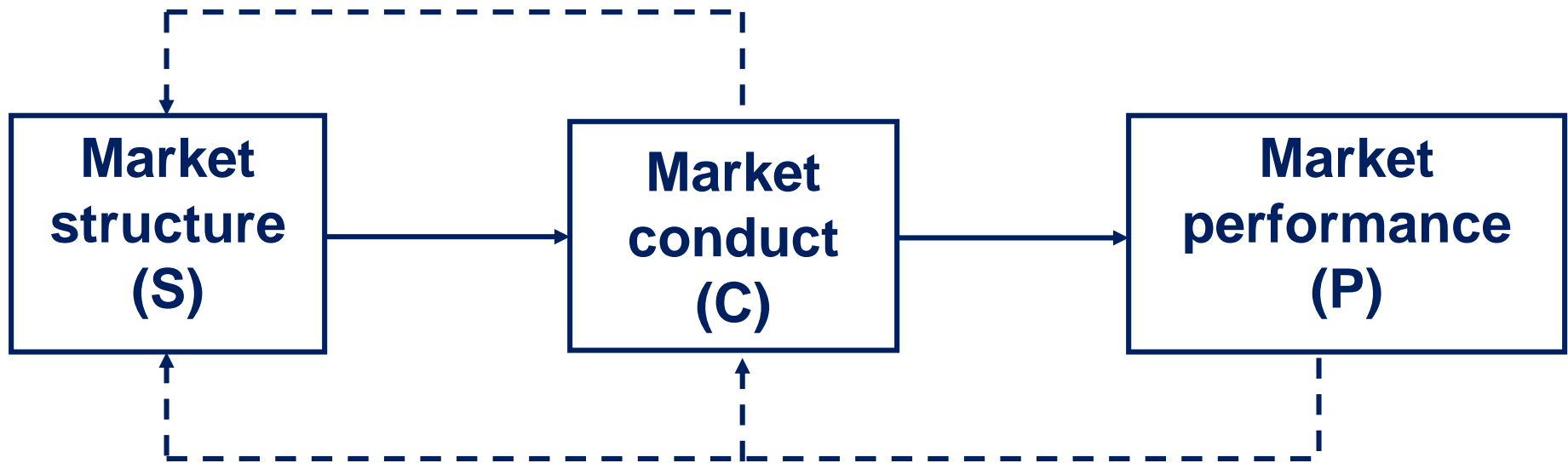


Fig.2. Dynamic model derived from the SCP approach (Bain, 1951)

3. Theory and Methodology (con't)

Elements of the SCP model

Structure (S)	Conduct (C)	Performance (P)
<ul style="list-style-type: none">-Intermediaries involved in the chain system-The trading scales of actors-Structure of marketing channels	<ul style="list-style-type: none">-Buying and selling-Negotiation, transaction and payment methods-Price formation process-Distribution of market information-Quality control and traceability-Effect of rules and regulations	<ul style="list-style-type: none">-Profit and value-added-Ratio of profit margin to total costs-Ratio of profit margin to incremental cost

3. Theory and Methodology (con't)

- Designing surveys for direct interviews:

Number of observations

Actor/Year	2009	2010	2011
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

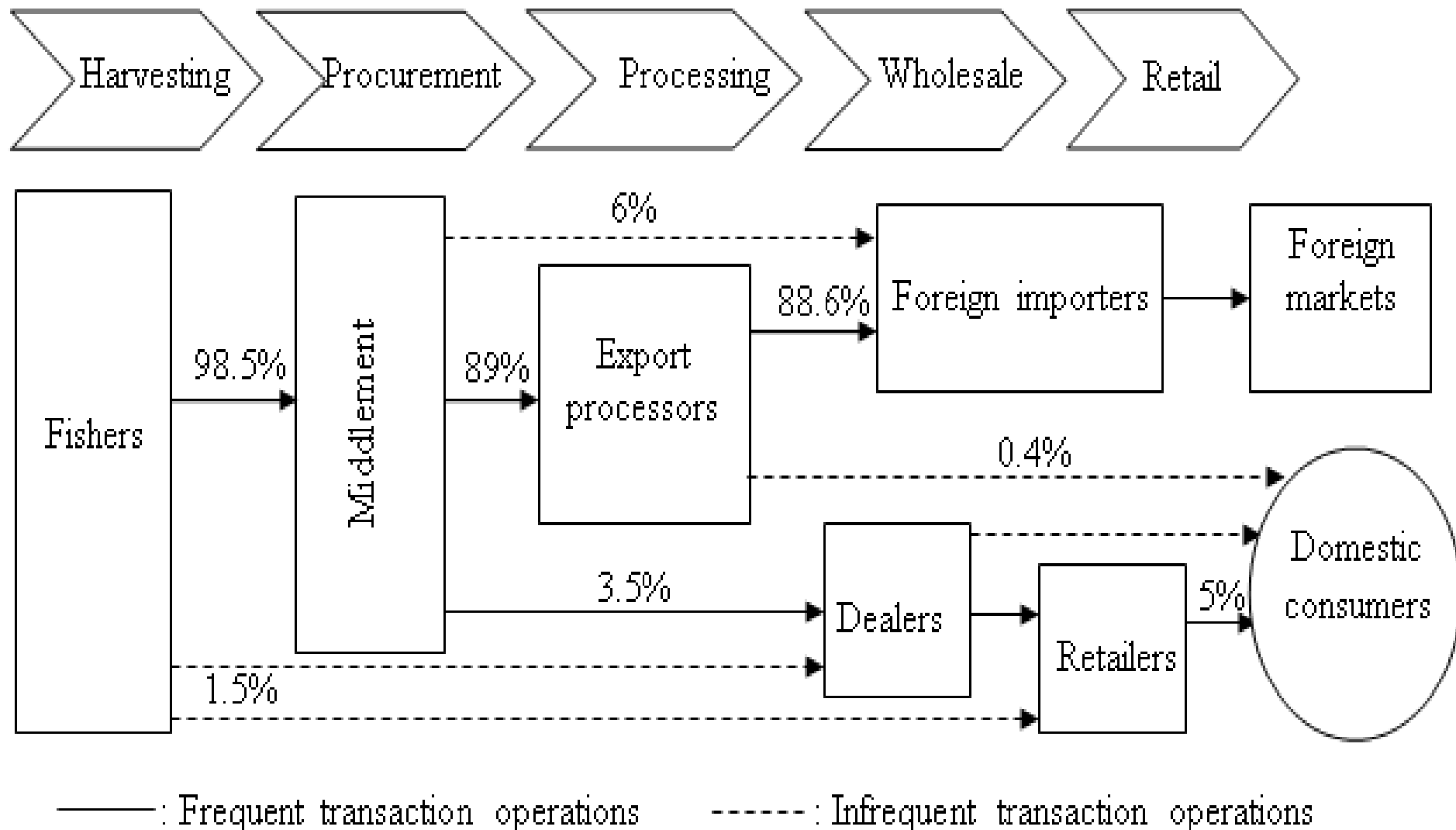


Fig. 3

4. Results (con't)

4.2. Market conduct

❖ Transaction method:

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

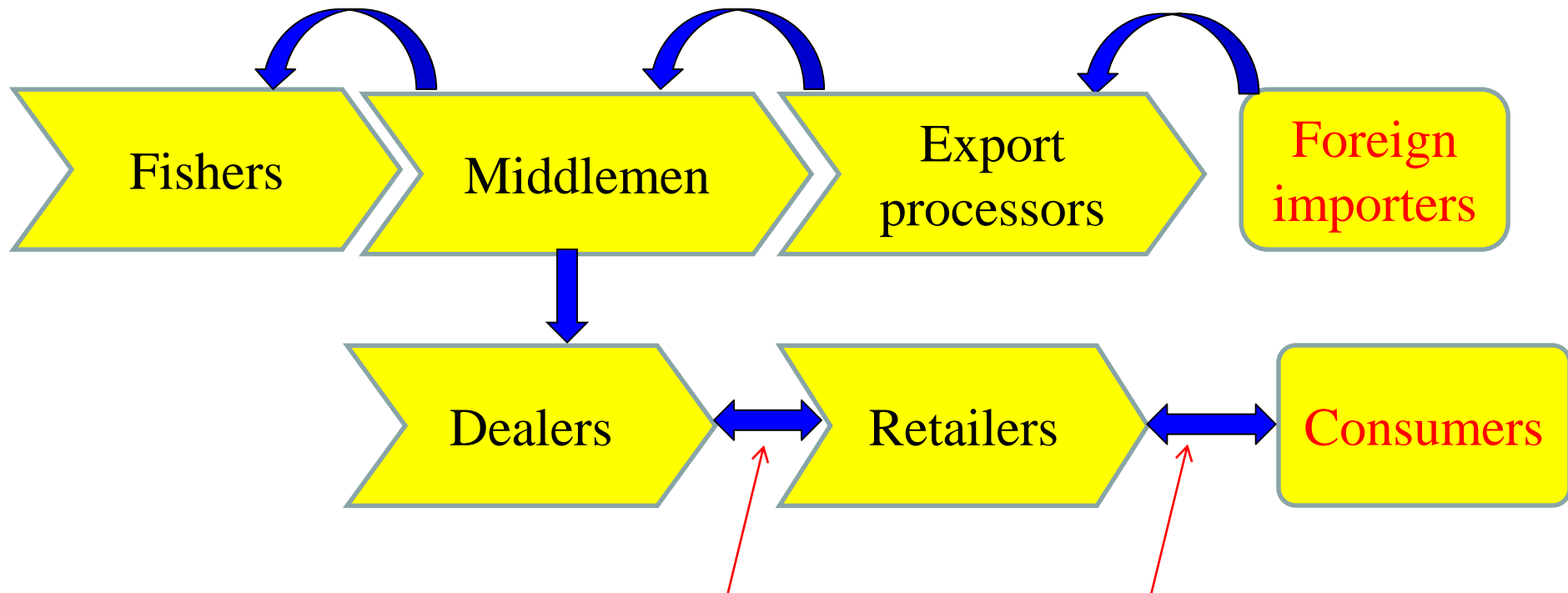
❖ Payment method:

- 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)	60	37.5	2.5
Middlemen (n=4)	75	25	0
Export processors (n=5)	20	60	20
Dealers (n=4)	75	25	0
Retailers (n=5)	60	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	60	-	-
Buyer	55	50	20	-	-
Relatives/friends	40	25	-	25	60
Other intermediaries	2.5	-	-	75	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)

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

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

4. Results (con't)

4.3. Market performance

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	Purchase/Sale price	18,375	21,500	32,000	
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	Profit margin/Total costs	13%	13%	32%	
	Profit margin/Incremental costs	-	362%	286%	
	Share of value	57%	10%	33%	
	Purchase/Sale price	25,625	30,500	42,000	
2011	Total costs	21,907	26,436	33,680	
	- Incremental costs	-	811	3,180	
	Profit margin	3,718	4,064	8,320	
	Profit margin/Total costs	17%	15%	25%	
	Profit margin/Incremental costs	-	501%	262%	
	Share of value	61%	12%	27%	

4. Results (con't)

4.3. Market performance (con't)



	Purchase/Sale price	14,000	18,000	24,000	32,000	
2009	Total costs	13,593	14,000	19,000	24,500	
	- Incremental costs	-	-	1,000	500	
	Profit margin	407	4,000	5,000	7,500	
	Profit margin/Total costs	3%	29%	26%	31%	
	Profit margin/Incremental costs	-	-	500%	1500%	
	Share of value	44%	13%	19%	25%	
	Purchase/Sale price	18,375	25,000	30,000	37,000	
2010	Total costs	16,217	18,375	26,100	30,700	
	- Incremental costs	-	-	1,100	700	
	Profit margin	2,158	6,625	3,900	6,300	
	Profit margin/Total costs	13%	36%	15%	21%	
	Profit margin/Incremental costs	-	-	355%	900%	
	Share of value	50%	18%	14%	19%	

4. Results (con't)

4.3. Market performance (con't)



	Purchase/Sale price	18,375	25,000	30,000	37,000	
2010	Total costs	16,217	18,375	26,100	30,700	
	- Incremental costs	-	-	1,100	700	
	Profit margin	2,158	6,625	3,900	6,300	
	Profit margin/Total costs	13%	36%	15%	21%	
	Profit margin/Incremental costs	-	-	355%	900%	
	Share of value	50%	18%	14%	19%	
	Purchase/Sale price	25,625	34,000	39,000	45,000	
2011	Total costs	21,907	25,625	35,200	39,850	
	- Incremental costs	-	-	1,200	850	
	Profit margin	3,718	8,375	3,800	5,150	
	Profit margin/Total costs	17%	33%	11%	13%	
	Profit margin/Incremental costs	-	-	317%	606%	
	Share of value	57%	19%	11%	13%	

5. Conclusion

- 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)

- 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

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!

