

The Value Chain Approach for Organic Catfish in Vietnam within a Public Private Partnership

A case for looking into niche markets

Looking into the best practises described in the literature on value chains, the role of multinationals seems to be predominant. This is justifiable, since it is the large international retailers, supermarkets, traders and industry firms that are leading, if not to say dominating, the majority of global value chains. Becoming part of these production and service networks is an important strategy for many small and medium enterprises (SME) in developing countries. It is because of this that international organizations - in their efforts to support SME in developing countries - try to build up partnerships with the lead companies of the different value chains. Within its Public Private Partnership (PPP) program, GTZ has engaged in many successful partnerships with lead companies, getting their contributions – sometimes in cash, sometimes in kind - to help upgrade local suppliers and trading partners.

However, there are also countless niche markets in which smaller international companies are building up their production and trading networks, i.e. “governing their value chains”, and helping local SME to become part of or improve their position within the specific value chain. These niche markets provide local SME with business opportunities that are as attractive as those which multinational companies can offer. For this reason, from a development point of view, it is worth-while to look deeper into these niche market value chains, the players involved and how local SME can gain from taking part.

The partners of the project and their motives

Binca Seafood GmbH is a German importer of seafood. Being a relatively small company, it imports primarily deep-frozen seafood specialties from Asia to market them in Europe. For the company, fish from organic aquaculture is a growing high-end niche market worth developing.



Naturland e.V. is a German non-profit organization which was set up in 1982 to promote certified organic food production. Its key activity is the development of standards and the certification of eligible products. It therefore has a strong interest in developing value chains of new organic products.

The local partners are small breeders and processors of catfish. Under the umbrella of the An Giang Fisheries Association in the Mekong Delta in southern Vietnam, they are eager to open up new export markets. For them, organic catfish production represents a unique opportunity in times when their traditional markets are endangered by protectionism as well as scandals which are caused by food safety problems.

GTZ works on behalf of the German Ministry for Economic Cooperation and Development (BMZ). Supporting Vietnamese SME and at the same time

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preserving the environment through the introduction of environmentally friendly production methods is of key interest to the organization.

The partnership approach

GTZ has operated its Public Private Partnership program in Vietnam since 1999 with great success. Behind the somewhat misleading term *PPP* stands a simple approach. Through these *development partnerships with the business community* (as PPP are called more appropriately), GTZ and private sector companies engage in jointly financed projects that have sound economic motives and at the same time are of high importance from a development point of view. In most cases, it is a private sector driven approach, where the proposals for new projects come from companies and most activities are carried out by them.

This is also the case in the organic catfish production in Vietnam, where Binca Seafood, Naturland and the local producers and processors are the leading actors. In other more complex projects, GTZ is actively involved as a facilitator between different stakeholders. It also uses the experiences made within the development partnerships for its advice to local governments and institutions. To be able to do this, it actively seeks companies to get involved in partnerships within its long term consulting projects at the meso and macro level.



The know-how transfer

The overall objective of the project in Vietnam is to develop and establish organic catfish production with a small pilot group of Vietnamese producers and processors. The local companies are all SME, since it is easier for Binca and Naturland to work with them in order to develop the value chain of this niche market and build up sound and stable trading relations.

As a first step of the project, guidelines for organic catfish production and certification had to be developed and agreed upon with relevant Vietnamese institutions. Consulting for that part of the project mainly came from Naturland, based on its experience with similar value chains (organic shrimp production and certification in Ecuador with GTZ and in Vietnam with *Swisscontact*). Afterwards, a pilot project was introduced for changing the production management of the local companies from conventional to organic practices. In order to help the local SME applying the organic standards, both Binca Seafood and Naturland are strongly supporting them through the help of a Vietnamese consulting firm and local institutions. By involving these local partners, a know-how transfer from Binca and Naturland is taking place, not only to the companies involved, but also to important business development service providers. Therefore, the basis for an expansion of the organic production to further local producers and processors is being laid.

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The work on certification is carried out by an auditing company from Thailand, strongly reducing certification costs and building up the regional know-how on organic certification.



Since organic production of agricultural products still exists on an extremely small scale in Vietnam, the partners had to look hard for suppliers of organic feed. This very first step within the value chain of organic aquaculture represents the weakest point at the moment, since feed must be partly imported from neighbouring countries, increasing production costs. In

the future, it will be crucial for the partners to further upgrade local feed suppliers and help them fulfil the strict technical standards for organic production.

Once the organic fish has been produced, local processors will receive training and capacity building from Binca in order to increase local processing steps and improve packaging techniques. By doing this, more value is being added to the product inside of Vietnam, increasing the profit of local processors and at the same time keeping the end price of the final product competitive.

At the end of the day, all companies involved in the project will depend on the success of the marketing efforts of the German seafood importer. For this reason, at this early stage of the project, efforts are already being undertaken on the commercial end of the value chain. The project and the prospective new product are presented at trade fairs and through other marketing channels.

Altogether, the approach tackles all the steps within the value chain, from the feed supplier to the final consumer. Most importantly from a development point of view, it helps local SME upgrade within the value chain. This upgrading takes place in the form of applying organic standards, increasing processing steps and improving packaging. This will all result in a better price for their product, as well as it will open up new market opportunities.

The outlook

Only just having started with the pilot project on changing local production to comply with organic standards, more commercial actors have become interested in the approach. On the one side it is other local producers and processors that want to take part in this promising value chain. On the other hand it is European supermarkets that have already shown strong interest in buying the product once it is deliverable on the market.

Lessons learned

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Although it is quite early to talk about lessons learned from the current project, there are some interesting points that have also been observed within other PPP projects in similar niche markets.

Starting out with a relatively small scale pilot that involves small international buyers and small local producers in a niche market, impacts can rapidly expand by involving more partners at a later stage. If the private sector partners are the leading players, a relatively small public investment from a development organization can thus cause broad positive impact. In the case of the organic catfish, some European supermarkets have already shown interest in the product.

Additionally, experiences gained in the organic niche market can be used to help improve the competitiveness of local SME as well as environmental and social standards in the main stream market as well. Strategic alliances between GTZ and the private sector show that structural deficits of whole commodity markets can be addressed by involving all relevant stake holders within the value chain, private sector, governments and civil society.

Contact

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