

ANALYSING THE VALUE CHAIN OF SUPPLEMENTAL FEEDSTUFF IN CẦN THƠ CITY

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This article is to evaluate the production and distribution of supplemental feedstuff (SF) in Cần Thơ City, analyze the business performance of participants in the SF value chain and suggest some measures to complete and develop the SF value chain in Cần Thơ City.

In the value chain, the average profit per month of suppliers is the highest (accounting for 64.8% of the total profit) and that of pig breeders is the lowest (accounting for only 0.4% of the total profit). Financial performance of retailers is the highest, followed by material suppliers, wholesalers, manufacturers and pig-breeders respectively.

For supporting the development of the SF value chain, we offer seven proposals to the authorities.

Keywords: Supplemental feedstuff (SF), value chain

1. Getting started

In the pig husbandry, it is the fact that badly-qualified industrial food sources have been traded in market. The quality of home-made food and wastes is not reliable, sometimes containing poison, moulds, etc. that cause diseases and the imbalance in nutrients necessary for pigs, thereby stunting their growth. Therefore, it is necessary to use other additional veterinary medicine, especially the SF group made for pigs to improve the above-mentioned conditions, which helps to minimize the risk of the outbreak and the spread of the disease, thereby improving the efficiency of husbandry. However, it depends on agents involved in the chain of product values. Since these agents have direct effects on qualities, prices and supply quantities, it is necessary to consider the arrangement of roles, benefits, division of values of agents involved in the chain from production stage to consumption one. From that, it is possible to release policies that are suitable for agents involved in the value chain.

This article is to deal with the three following targets: (1) assess the condition of producing and consuming SF in Cần Thơ City, (2) analyze the business efficiency of agents in the chain, and (3)

suggest some solutions for completing and developing this chain of values.

2. Research methodology

a. Data collation:

- Secondary data: collected from Department of Agriculture and Rural Development of Cần Thơ City, veterinary bureaus in Districts, statistical yearbooks, Department of Planning and Investment, newspapers, the Internet, and released publications.

- Primary information: collected via face-to-face interviews with 120 agents involved in the SF values chain. The interviews are begun with 10 SF manufacturers, whose response will be then employed in further interviews with 10 material suppliers, 15 wholesalers, 25 retailers, and 60 breeders.

b. Methods of analyzing the chain of values:

- For the target 1: The method of value chain analysis will be employed to work out a chain diagram from the material import to the product manufacture and consumption. Accordingly, it is possible to find out strengths and weaknesses of the agents involved in the SF values chain in Cần Thơ City.

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- For the target 2: The method of expense-profit analysis will be utilized to compare the agents' expenses with their profit; calculate the ratio of profits to expenses of the agents involved in this such the chain.

- For the target 3: use methods of interpreting results from the analysis of the two above-mentioned targets to suggest solutions for completing and developing the SF values chain in Cần Thơ City.

3. Findings and discussion

a. Analyzing the SF values chain in Cần Thơ City:

In the SF values chain in Cần Thơ City, there are mainly five agents to get involved in, namely material suppliers, manufacturers, wholesalers, retailers, and breeders. The relationship among these agents is fairly close which means one agent with its difficulties will lead to the others' difficulties. Therefore, the agents should support each other, and one agent's benefits are shared with others.

Most of the manufacturers acquire domestically-produced materials, accounting for 88%; and mainly sell products in the local market, accounting for 99%, and only 1% for the export. Agents involved in the distribution of this product are: re-

tailers (53%), wholesalers (39%). Breeders and farms are to consume products. Wholesalers consume most of products mainly through retailers (31%), and remaining products through breeders and farms. Retail stores consume products mainly through breeders (76%) while other 8% of products are consumed by farms.

Accordingly, only 7% of products are transferred directly by manufacturers to breeders and farms. And up to 92% of remaining products are distributed by intermediaries before they are taken to breeders and farms. It shows that the role of wholesalers and retailers in distributing SF are very important, which may result in a dramatic increase in product prices.

There is a big difference in indicators, viz. educational level and experience, among the agents in the SF values chain in Cần Thơ City.

Manufacturers' educational level is the highest (university, college degrees accounting for up to 90%) and that of pig breeders is the lowest (primary, secondary high school degrees accounting for 75%). As for experience, retailers have the least experience (accounting for 76% of those with more than five years of experience), while wholesalers and pigs breeders have the most experience (representing 86.7% of those with five years of experience or more).

Table 1: Comparison among business results of the agents in the chain

Indicators	Unit	Agents				
		Material suppliers	Manufacturers	Wholesalers	Retailers	Pigs breeders
Educational level	Level	College/ University	College/ University	In-service/ College	In-service/ College	Primary/ Secondary
	(%)	80	90	66.7	72	75
Experience of 5 years or more	(%)	80	80	86.7	76	86.7
Age	Years old	41-50	41-50			46-60
	(%)	50	70	-	-	55
Average turnover per month	Million dongs	1,622.20	771.4	269.1	68.2	15.9
Average cost per month	Million dongs	1,368.90	685.2	231	56.1	14.5
Average profit per month	Million dongs	253.2	86.2	38.1	12.1	1.4
Ratio of distributed profit	(%)	64.8	22	9.7	3.1	0.4

Source: Analytical results from interviews in quarter II / 2010

The business performance of agents in the SF values chain of in Cần Thơ City shows a big difference in turnover, expenses, and profits. Among them, all the agents in the chain have their profits, with material suppliers having the highest profits of 253.2 million dongs per month and accounting for 64.8% of the whole profit; and pig-breeders having the lowest profits of only 1.4 million dongs per month, equivalent to 0.4% of the whole profits. This result reveals that the SF business in which its agents achieve high profits is quite attractive.

Table 2: Comparison in financial effects among agents in the chain (times)

Agents	Profits/ Turnover	Profits/ Costs	Ranking
SF retailers	0.18	0.22	1
Material suppliers	0.16	0.19	2
Wholesalers	0.14	0.17	3
SF manufacturers	0.11	0.13	4
Pigs breeders	0.09	0.1	5

Source: Analytical results from interviews in quarter II / 2010

With regard to the financial results (based on two indicators: ratio of profits to turnover, and ratio of profits to costs), retailers reach the highest result (respectively 0.18 and 0.22) and pig breeders have the lowest result (respectively 0.09 and 0.10). This can explain that retailers' investments for this kind of product are the lowest while those of pig breeders are the highest. This shows the difference in the turnover, expenses and profits of these two agents. Yet, pig breeders have more risks in their breeding process than retailers do.

The ratio of profits to turnover and ratio of profits to expenses of material suppliers is the second highest (respectively 0.16 and 0.19). SF retailers have the third highest ratio (respectively 0.14 and 0.17). The remaining agent as manufacturers in this chain of values ranks the fourth (respectively 0.11 and 0.13). Of these agents, manufacturers have the highest investment cost and the lowest profits ratio although they have to suffer from risks. Risks can be at any phase: material purchase, production and consumption. As a manufacturer to supply products for the breeding

market, on the other hand, they are required to study the market expansion and development of better products. However, that profit level is quite low as compared with other agents' in the chain. This is the imbalance in the distribution of benefits and expenses of the agents in this chain of values.

b. Solutions:

+ For material suppliers:

- Search for input material sources with stable qualities and quantities, then sign long-term contracts with these suppliers.

- Make more loans to do business, manage the financial conditions of businesses, assure the solvency and debts reclaiming.

- Focus on trading in kinds of products and services bringing in stable profits, and avoid uncontrollable extensive investments.

- Establish warehouses for input materials; assure that the material quality is not reduced, lost, etc. during stored period.

+ For SF manufacturers:

- Search for input material suppliers who are prestigious and can ensure the stable quality and quantity of materials; and sign a long-term contract with those suppliers. Accordingly, expenses, material quality and product quality can be controlled.

- Manage well phases in the production line; avoid damage and losses due to such minor mistakes as weighing insufficiently and unsuitably, packaging loosely; and additionally well preserve materials and goods in stores.

- Work out production plans compatible with the consumption in the market. Avoid keeping large number of goods in stores (redundant goods) when the consumption in the market happens at a slow pace, or goods cannot be supplied in a timely way when market demands increase considerably.

- Label retail prices on products or list prices at retail and wholesale stores of SF; and execute appropriate promotion programs as well as offer special discounts in order to encourage stores to trade in this products. This helps breeder not to burden high prices to acquire such the product.

- Offer privileges for breeders because they are the end-users of the such the product.

- Organize conferences and training courses in

order to instruct and encourage breeders to use SF in order to improve the usage of this kind of product and increase the breeding effect.

+ For wholesalers:

- Balance buying orders, avoid chasing the target turnover without assuring the solvency; assure the sufficient quantity of goods in trading process.

- Select reliable clients to invest, minimize the late payments or non-payments from buyers.

- Request manufacturers to present fully kinds of certificate of product quality and documents proving those products are being traded and not prohibited by law; commit not to trade in goods with no clear origin, counterfeited or illegal goods

- Well manage inventories; assure there is no loss of goods due to being robbed, lost or near expiry date or out-of-date.

+ For retailers:

Measures for the case of retailers are fairly similar to those of wholesalers. Nonetheless, it is necessary to concern more on the price because this is the retail price (normally, retailers charge breeders a very high price). Therefore, it should not be due to profit to impose such a high price on breeders. A more reasonable price is always better. Accordingly, pig breeders will consume this kind of product more, thereby facilitating the development of such the chain.

+ For breeders:

Pig breeders often have to suffer most in the SF values chain. Risks that they have to suffer cannot be transferred to any other agents. Whereas, other ones in this chain of values still possibly pass their own risks to breeders. Therefore, it is advised to lighten this burden for them by following measures:

- Pig husbandry should be concentrated at one place with larger scale; set up pig-breeding associations and reduce difficulties in management of producing process.

- The most difficulty is that almost breeders are unsure at which price their own products will be sold. Therefore breeders and traders (or abattoirs owner) should sit for a negotiation in order to make an appropriate agreement and set forth it in an economic contract. Once the contract is signed, consumer market will be assured to operate smoothly and get economic and social effects.

- Pig breeders are still at low level of profes-

sional education. Therefore, it is advised for them to enhance their knowledge: educational level, production level and breeding experience; arrange training classes and experimental classes on breeding, medicine-using instructions, food and inoculations in breeding process.

c. Some suggestions for completing and developing the SF values chain in Cần Thơ City:

- Authorities should make a close control towards kinds of materials. veterinary medicines, feedstuffs, etc.; carry out propagations, trainings, conferences, supervisions in order to enhance the responsibility awareness in trading activities among agents as well as the collaboration among them; make strict legal punishments towards those who produce or trade kinds of goods with unclear origin, fake products or low-quality products, or prohibited ones; assure the veterinary hygiene safety and food safety for consumers as well.

- Manage SF prices, especially in retail stores where these are sold at a very high price, making a rise in breeding expenses and a fall in breeding effect. Once breeders are afraid of investing in breeding, the consumption of SF product will decrease and curb the development of this chain of values.

- The government should enable organizations and individuals to develop plants producing veterinary medicines and feedstuffs with big scale, modern equipment and technology; support them with producing and processing technology in order to produce more qualified products with more reasonable price for breeding market.

- Organize conferences and trainings to give instructions and the premium use and feature of SF so that breeders can get the best result in breeding process.

- Enable breeders to observe models of raising pigs efficiently with the support of veterinary medicines and SF.

- Plan concentrated breeding areas, set up breeding associations and cooperatives in order to easily exchange breeding experience and techniques, control diseases, waste water and minimize environmental pollution; work out policies to encourage and support breeders to invest in above areas by means of credit loans, loan interest deduction or exemption, and veterinary supports (inoculating, sterilizing, etc.)

- Support breeders to apply modern technology in breeding; develop an efficient farm with new breeds of cow, milk-cow, goat, milk-goat, duck, chickens, etc. in order to provide breeders with new breeds which are supposed to generate higher output, quantity and economic effect.

4. Conclusion

SF plays a very important role in breeding process in general and pig breeding in particular. Using SF products helps enhance breeding output, bring in substantial economic benefit for agents in the chain. The economic value of this product is gradually increasing, which contributes in the development of agriculture of Cần Thơ City in particular and Mekong Delta in general. However, due to an increase in the price of input materials so far, there is a considerable fluctuation in the price of SF products. Moreover, in expectation of high benefit, distributors, especially retail stores, have pushed the price to a high, affecting the consumption of products and breeding effect of breeders. In general, these agents, due to their own individual benefits, have caused a big obstacle in the development of the whole chain.

Moreover, manufacturers have to suffer other risks in purchasing input materials, producing products and consuming them in the market. They have to invest much in farms, machines, equipment, technology, etc. As for pig breeders, they have to suffer a lot of risks in breeding process and invest a lot in facilities, breeders, feedstuff, medicines, etc. Whereas, other agents in this chain of values, although not suffering much risk as well as making little investment, achieve a very high financial effect and average profit. This is an unreasonable thing which causes much ob-

stacle for the development of the whole chain. Therefore, it is necessary to have the timely intervention of relevant authorities in order to complete and develop the SF values chain in Cần Thơ City■

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