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SWINE MARKETING IN SOUTH VIETNAM

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FOREWORD

This study is one of a series of marketing studies conducted by the U.S. Department of Agriculture in cooperation with the U.S. Agency for International Development and the Ministry of Land Reform, Agriculture, Fishery and Animal Husbandry Development of the Government of South Vietnam.

This marketing series is part of a still larger USDA Economic Research Service Vietnam project. The first phase of the larger project was a review of Vietnam's 5-Year Rural Economic Development Plan, with a report published in December 1971. Other phases being completed now are a series of demand and price studies and a linear programming model to study production-distribution relationships for farm commodities.

The purpose of the several series of studies is threefold. The first is to develop a body of economic information from readily available sources for immediate use by the Ministry and USAID Mission in making decisions regarding development of Vietnam's agricultural sector. Secondly, the research methodology used and the economic information developed are to provide a basis for work by the recently-established Directorate of Agricultural Economics. Finally, it is expected that the participation of members of the Ministry staff in the conduct of these studies, together with any specialized training associated with the project, will acquaint them with the research procedures followed so that the analysis can be continued and improved in the future.

The marketing series, of which this report is a part, provides detailed descriptions of marketing systems for several major farm products, supplies marketing input data required for the production-distribution model mentioned above, and assesses the need for changes in the marketing systems. Assessment of the need for change was based primarily upon (1) the relationship of the costs incurred in providing the services required to move farm commodities from farms to consumers and the marketing charge, or margin, for these services; and (2) the extent to which the existing marketing systems provide the services currently required or expected to be demanded in the near future by growers or consumers. Covered in the reports are livestock products, oilseed processing, sugarcane and raw sugar processing, swine, poultry, horticultural crops, grains, and transportation.

Personnel of the Marketing Economics Division of USDA's Economic Research Service had prime responsibility for the studies under Participating Agency Service Agreement No. SA/VN(AJ)103-72. However, many others also deserve recognition for their cooperation and assistance, including other Ministries of the Government of Vietnam; the farmers, merchants, and others in Vietnam's private sector; and the staff of the U.S. AID Mission to Vietnam. Particularly helpful in the swine study were: Shelby Robert, USDA/PASA adviser with the Office of the Associate Director of Food and Agriculture, USAID; Nguyen Dinh Xinh, Vietnam Agricultural Economic and Statistical Service; and Bui Van Tro, formerly with ADFA, USAID.

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SUMMARY AND CONCLUSIONS

Most market hogs are fed in small, one to ten hog units, but a couple of large feeder pig operations have started around Saigon. Many of the large swine breeders sell 70-80 percent of their pigs as feeder and breeding pigs to these small farmers. The major swine producing area in Vietnam is the Southern Region, which accounts for over 70 percent of the hogs.

Some differences were found among the swine distribution systems in the various areas visited. Market hogs were purchased from producers by agents from village, district, or provincial depots. Surplus hogs in the Delta move from provincial depots to the Chanh Hung depot in Saigon. It is estimated that over half of the market hogs move directly to butchers or through village depots to butchers and are not reported.

Pork undergoes very little processing other than the actual slaughter and splitting into halves. Byproducts, on the other hand, are processed. The cost of slaughtering involves numerous taxes as well as labor costs.

Slaughtering facilities for Saigon are outmoded and, in 1970, construction of a new slaughterhouse was started. The new slaughterhouse would provide cold storage as well as facilities for processing byproducts. A major problem confronting the operation of this slaughterhouse is the question of who is going to manage it.

In November 1971 the price spread for market hogs between the provincial butchers and the producers was about 30 piasters per kilogram. For the surplus hogs in the Delta moving through Chanh Hung, the price spread between the producers and the Saigon butchers was about 40 piasters per kilogram. The price spread between the butchers and consumers was estimated to be 10-15 piasters per kilogram, on a liveweight basis.

Competing with the locally-produced pork is canned meat imported by the Army of the Republic of Vietnam (ARVN) and frozen pork sold through chain-stores for government employees only. The preference for fresh pork and saturation of the market have resulted in very low prices for the canned pork showing up on the black market. Likewise, in order to sell the frozen pork, it is priced below pork prices prevailing at the butcher shops.

Various problem areas were found in the swine marketing system. Producers were concerned about (1) the recent cost squeeze, (2) the availability of a steady supply of imported feed and breeder stock, and (3) the possibility of large ARVN swine production operations. Importation of canned and frozen meat and edible oil, the effect of the November 15, 1971, piaster devaluation, and the impact of the new Saigon slaughterhouse are of concern to all the participants in the swine marketing system. Within the marketing channel there was an apparent lack of (1) adequate information, (2) quality measure, (3) regulated weighing facilities, (4) cold storage facilities, (5) consistent inspection system throughout Vietnam, and (6) measures of the actual costs comprising the price spreads.

Recommendations were made to improve the efficiency of the swine marketing system. Marketing intelligence and competitiveness of the system would be increased with the advent of more detailed supply and demand information. The new slaughterhouse will affect the efficiency of the swine marketing system around Saigon and should be carefully studied. The possibility of replacing imported canned and frozen meat with locally-produced pork is advised. The inspection system should be expanded to insure wholesome meat and reduce the movement of diseased hogs. Producer associations should be encouraged in their endeavor to improve the returns to their producers through more efficient marketing practices.

INTRODUCTION

The Vietnam swine industry has programs underway to increase hog production and production efficiency. These programs include importation of breeding stock, better feed efficiency through improved management practices and use of imported feeds and protein supplements, and larger litter size through better management accompanied by use of antibiotics to control disease. To adequately support these programs, the swine marketing system must be able to handle a larger supply of hogs efficiently. Changes may be needed to make the marketing system more efficient.

If changes in the marketing system are to be successful, they need to be consistent with the Vietnamese cultural beliefs and practices. Therefore, a descriptive picture of the makeup of the present swine marketing system is necessary. One of the objectives of this report will be to provide such a descriptive picture from interviews with various people or associations who represent the various segments of the swine marketing channel. Additional insights into the swine marketing system have been provided by published data, the U.S. Agency for International Development staff, and Vietnam Ministry of Agriculture personnel.

Other objectives of this report are to:

1. Estimate price spreads between the various pricing points in the marketing channel.
2. Determine the cost components which comprise price spreads.
3. Suggest possible problem areas in the marketing system.
4. Recommend improvements in the swine marketing system.

PRODUCTION

In 1970, 71 percent of the reported swine population was in the Southern Region, ^{1/} with 54 percent of this concentrated in the western part of the Region. The Central Lowlands accounted for 26 percent of the swine population, and the Central Highlands accounted for only 3 percent.

Many of the larger producers sell 70-80 percent of their pigs to small producers in one to five pig lots. The other 20-30 percent they raise to market weight. Most of these larger producers are raising purebred or

^{1/} The breakdown of provinces into regions follows that published in the Vietnam Agricultural Economics and Statistics Service (AESS) yearbooks.

crossbred pigs (Landrace, Yorkshire, Duroc) for breeding stock, but whether purchasers buy the pigs for breeder or feeder pigs is not really known. The marketing of the breeder and feeder pigs is handled on a simple, informal basis. The customers come to the farm to select the pigs they want and then transport them to their farm, or the producer may include transportation in his selling price if he owns a truck(s).

One purebred producer was getting 1,400 piasters per kilogram up to 20 kilograms, and 700 piasters per kilogram for the amount over 20 kilograms. Another source estimated that a 13 kilogram weaning pig to be raised for slaughter would bring 7-8,000 piasters, and a 13 kilogram crossbred pig for breeding stock would bring 9,000 piasters. Another purebred producer sold his breeder pigs when they weighed about 25 kilograms. His price was 20,000 piasters for the boars and 25,000 piasters for the gilts. The reason for this inverse price relationship was that earlier sales of his breeder stock had about depleted his supply of gilts. A third producer sold breeder stock at about 30 kilograms for 30,000 piasters, or bred gilts, which weighed about 140 kilograms, for 60,000 piasters.

One breeder felt that the present and future market for his purebred pigs was not strong enough, so he is planning on expanding his operation to start feeding out some three-way cross market hogs. Other breeders were cutting back their operation because of the present low hog prices and high feed costs.

Most market hogs are raised in small units of one to ten. However, around Saigon, several swine producers with 500 or more sows are feeding out their own pigs. One feeder pig operation near Saigon has a reported capacity of 3,000, and at least one farmer cooperative plans to set up a finishing operation for its members with a 1,000 head initial capacity.

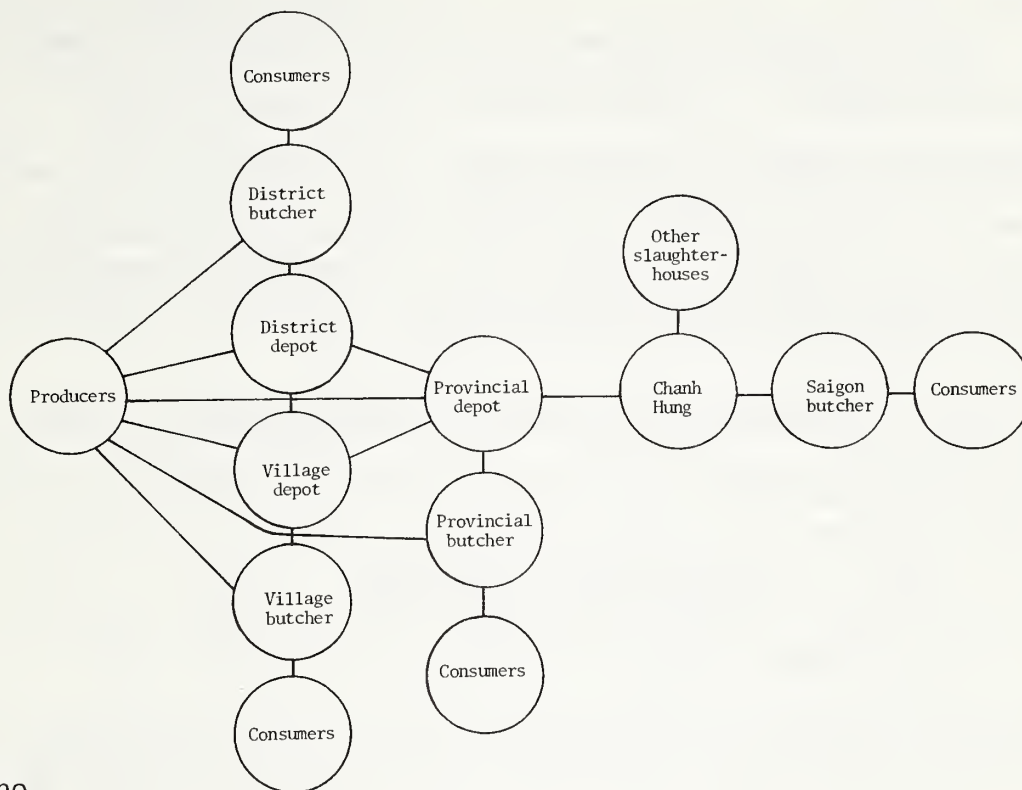
According to a 1969 unpublished survey, most hogs are local breeds, with the imported breeds accounting for less than 10 percent. But, imported hogs are being used as breeding stock, so the proportion of crossbred and purebred hogs relative to the local breeds will continue to increase.

Although imported breeds probably will increase in popularity, there are areas of Vietnam where the local breed hogs are still preferred. Durocs are price discriminated against in Dalat because the people think the fat turns yellow if kept overnight. In other parts of Vietnam premiums are paid for Duroc breeding stock, so the localized discrimination in Dalat may be minimal.

DISTRIBUTION OF MARKET HOGS

Although the distribution systems for market hogs are similar among various areas visited in Vietnam, some differences were found. Various alternative movements of market hogs from producers to consumers are presented in Figure 1.

Figure 1: Flow chart, distribution system for market hogs



Can Tho

One swine collection depot in Can Tho is the main assembly point. Agents, operating independently of the depot, bring in hogs bought from area producers or district depots. If a producer lives close and has transportation, he may deliver his hogs directly.

The collection depot is operated by local butchers. These butchers have hired a broker and other salaried employees to operate the collection depot. The broker determines the value of the hogs and pays accordingly. The working relationship between the broker and the agents is very close, and the agents usually know what the day's hog price is before making their purchases. The agents did not appear to have much bargaining power after the hogs arrive at the collection depot. Once a price per kilogram is agreed upon, the hogs are weighed and the weight is painted on their backs.

The broker divides the day's purchases into three-hog lots, with the lots being as nearly equal in quality as possible. Some of the quality factors considered are type, size, and amount of fat. The lots are divided among the butchers through a lottery drawing each day. Butchers slaughter the hogs at the collection depot, and transport carcasses to their local shops. In Can Tho about 90 percent of the hogs purchased at the collection depot go for local consumption, while the other 10 percent are bought by the richer butchers for shipment to Saigon when they have a truckload.

My Tho and Sa Dec

Assembly depots in these two towns collect hogs for shipment to Saigon. The local butchers usually deal directly with local producers for their supply of hogs. In Sa Dec, all the local slaughter by the butchers is done at the central slaughterhouse. This point was not clarified for My Tho.

Instead of one central provincial depot in these towns, as was found in Can Tho, there are several depots, each operated by a different broker. These brokers employ their own buying agents who operate on money advanced to them by the broker. The brokers also obtain hogs from numerous independent agents who buy from local producers or district depots. A few local producers transport their own hogs to the depot for sale to the broker.

Delta Provincial Depots Through the Chanh Hung Slaughterhouse in Saigon

Hogs that are not consumed at the province level in the Delta are shipped to the Chanh Hung slaughterhouse in Saigon. These hogs are shipped by truck, either rented or owned. The trucker is usually responsible for selling the hogs to one of the 38 brokers at the slaughterhouse. Although it was asserted that these truckers are independent of the Chanh Hung brokers, it appeared that they usually dealt with the same broker every time they brought in a load. Once the hogs are weighed, ownership transfers to the broker.

The brokers sell most of these hogs to Saigon butchers, who hire a crew to slaughter the hogs between midnight and 7 a.m. The Chanh Hung slaughterhouse was set up so all hogs coming from the Delta had to go through the brokers at the slaughterhouse as a measure of guaranteeing Saigon an adequate pork supply. Once this Saigon demand has been met, surplus hogs may be sold to other brokers or butchers to be slaughtered at smaller slaughterhouses in Gia Dinh and surrounding provinces, or they may even be shipped further north before being slaughtered for final consumption. The dressed out hogs going through Chanh Hung slaughterhouse are released about 7 a.m. for delivery to the butcher shops. Most pork is sold to consumers at butcher shops; however, some butchers sell pork to restaurants and canning plants, or to a retailer who buys a basket of meat to sell at the market or on some street corner.

Gia Dinh and Surrounding Provinces

It is not required that hogs from this area be sold through the Chanh Hung slaughterhouse. Consequently, most are marketed through smaller provincial slaughterhouses. Buying agents for brokers at these slaughterhouses purchase the hogs from the producers and provide transportation to the slaughterhouse. Some producers, however, including some big operators, are bypassing the middlemen by selling directly to butchers, who usually come to the farms to purchase the hogs. In one case, at least, the producer transports his hogs to the butcher. The proportion of hogs bypassing the provincial slaughterhouse was not known.

These three towns in the Central Lowlands and Highlands differ from towns in the Delta in that they are the final destination for hogs brought in for sale. In Nha Trang most of the hogs went through the provincial slaughterhouse. Usually a buying agent bought the hogs from the producers, had them slaughtered, and then sold them to butchers. Some agents, however, assembled hogs at the provincial depot for the local butchers to choose from.

In Dalat and Da Nang the marketing channels for hogs moving through the slaughterhouse were similar. Buying agents bought the hogs from producers in the surrounding areas and transported them to the slaughterhouse where they were sold to brokers. The broker then sold the hogs to the local butchers. However, in Dalat it was estimated that only half of the hogs went through the provincial slaughterhouse while the rest went directly from producer to butcher. In Da Nang, the proportion of slaughter hogs moving directly from producers to butchers was even higher.

SLAUGHTERING - PROCESSING

Other than slaughtering, there is very little processing of pork in S. Vietnam. Some pork is roasted before it is sold and some sausage is made. But, most pork is sold fresh. Lack of refrigeration at the slaughterhouses, butcher shops, and in the homes necessitates a short time lapse between slaughter and final consumption.

The cost of slaughtering a hog includes numerous taxes as well as labor costs. For hogs coming to the Chanh Hung slaughterhouse from the Delta, there is a six piaster inshipment tax collected at the checkpoint in Phu Lam. For hogs then shipped on to other slaughterhouses, there is a 60 piaster per head tax that is paid to Saigon by the buyer. For hogs slaughtered at Chanh Hung a 60 piaster per head consumer tax is paid to the Government of Vietnam (GVN) by the butcher. The broker has to pay a stamp tax based on 2.2 percent of his receipts. The 38 brokers also pay an annual slaughterhouse fee in order to operate their depots at the slaughterhouse.

The butcher pays a city slaughtering fee of 70 piasters per head for small hogs and 130 piasters per head for large hogs. The slaughtering crew hired by the butcher is paid 350 piasters per hog. The slaughtering cost is broken into 100 piasters for loading and 250 piasters for scalding, scraping, eviscerating, and splitting in halves. The slaughtering crew also receives some fat trimmings in the form of payment. The blood goes as payment to the killers and bleeders, who operate separately from the slaughtering crews. Although the slaughtering crews vary in size, they usually entail about six people, with about fifty such crews involved in a day's hog kill. When we were at the

2/ Information pertaining to the hog marketing system in Da Nang was obtained from the former Livestock Advisor in MR I and not from an actual visit.

slaughterhouse, the day's kill was 1,129 large hogs and 128 small ones. Once the hog carcasses are loaded, the butcher pays 50-150 piasters per head to get them delivered to his butcher shop. Each truck may make deliveries to 5-10 different butcher shops.

The cost of inspecting the hog carcasses and maintaining the slaughterhouse is a function of the city. Chanh Hung has three crews inspecting hog carcasses, five men per crew. They have four categories or degrees of condemnation at the Chanh Hung slaughterhouse for swine.

1. Poor quality--Old sows and boars are marked with a red stamp. This meat must be cooked prior to sale, so is for soups or use in a roastery. Of the day's kill of 1,257 hogs, 17 were classified as poor quality.
2. Suspect worms--Meat in this category is supposed to be refrigerated for at least 24 hours. The Director of the slaughterhouse decides what to do with the carcasses in this category. Presently, the refrigeration units at the slaughterhouse are not operating so any carcass held for refrigeration has to be sent to ARVN facilities. The butchers are charged 600 piasters per head for this service to cover handling of the carcass out and back. Of the day's kill, three hogs were suspected of having worms.
3. Hogs judged ready to die before slaughter--Carcasses are placed in this category if the red meat shows a slight form of worms or noncontagious disease. This meat has to be cooked at the slaughterhouse and inspected before leaving.
4. Serious disease or die before slaughter--Carcasses in this category are supposed to be burned.

In Can Tho, the labor charge for slaughtering a hog was 180 piasters. There was also a 65 piaster slaughter tax and a 60 piaster consumption tax per head. The total cost of slaughtering a hog in Dalat was 400 piasters per head. This cost included 100 piasters for killing, 100 piasters for handling and transporting the carcass from the slaughterhouse to the butcher shop, 145 piasters city tax, and 55 piasters GVN tax.

The marketplace in Dalat is fairly new. In 1960 the butchers paid 53,000 piasters for shops in the new marketplace. The old market received 30,000 piasters and 23,000 piasters went for building supplies for the new market. With 37 butcher shops in the marketplace now, it was estimated that it would cost between 2.5 - 3.0 million piasters to buy one of these shops.

Although there is little processing of fresh pork, the byproducts are processed and sold. Nothing is wasted; even the gut content is saved and sold. Before the hogs are slaughtered the bristly hairs found on the local breed of hogs are trimmed off the neck and tail to be used for brushes. The rest of the

hair is saved after scraping to be used for fertilizer. Clean blood is sold for food and is consumed raw or dried into cubes. The soiled blood from the floor is sold for a fish net dye. The internal organs are usually sorted into two categories as being red (heart, lung, liver, esophagus) or white (intestine, spleen, stomach) before being sold.

There are two systems for selling the guts and internal organs. Some butchers sell them at the slaughterhouse. Other butchers hire someone to clean the guts and organs and send them to their butcher shops. Of the guts and organs sold at the slaughterhouse, some are sold to a professional broker who has a year's contract with the butcher. The broker collects the guts and organs for cleaning and resale to retailers. Other butchers prefer to sell the guts and organs at the slaughterhouse on a daily cash basis.

All the slaughtering facilities visited were outmoded. The buildings were old and the conditions under which the animals were slaughtered were far from being sanitary and humane. For example, the Chanh Hung slaughterhouse was built 40 years ago to handle about 450 hogs a day. It is currently slaughtering over 1,000 hogs a day, which results in very crowded conditions. The windows in the building are broken and the floors are pitted, making the job of sanitation nearly impossible even though the building is thoroughly washed out after the day's kill.

The GVN is well aware of these problems and early in the 1960's preliminary studies were done on the feasibility of constructing a new slaughterhouse near Saigon. Recommendations were to construct a slaughterhouse in a new area near the city. However, difficulties encountered delayed actual construction of the plant until 1970. The anticipated date of completion is now set for mid-1973.

The area under construction covers some 20,000 square meters. Of this, 16,000 square meters are to be used for holding pens. The other 4,000 square meters are equally divided among the slaughtering room, cold storage room, water and electric plant, and an area for various miscellaneous functions. Construction cost of the building has been projected at 980 million VN\$. West Germany is financing the purchase of the equipment, including 9.5 million marks for slaughtering and processing equipment and 4 million marks for refrigeration equipment.

The capacity of the new slaughterhouse will be 2,400 hogs and 300 cattle or buffaloes per day. The cold storage area will hold 900 metric tons of meat frozen at -20°C. A chill room to handle 104 metric tons of carcasses at 1°C also is included in the plans. Facilities to process byproducts into blood-meal and bonemeal and to render fat into lard are likewise part of the new slaughterhouse.

The type of administration for the new slaughterhouse has not been decided. Consequently, the labor arrangement and number of employees has also not been decided. Although the slaughterhouse is owned by the GVN, management by the GVN, the private sector, or a combination of the two will be an important decision which will affect the future of the swine marketing system around Saigon.

PRICES AND PRICE SPREADS

Agricultural Economics and Statistics Service (AESS) publishes monthly prices for liveweight hogs at provincial slaughterhouses. Although a clear distinction as to whether these prices are before or after slaughter is not made, they can be used as a guide to the absolute price level. Table 1 shows the price level by region and for Saigon for 1965-70. The sharp inflationary price trend makes comparisons of absolute price levels among years very difficult. But, assuming that the inflationary trend is fairly uniform over the whole country, comparisons among various regions can be made.

Table 1.--Prices of liveweight hogs at provincial slaughterhouses
VN\$/kg.

Year	Southern Region			Central Lowlands	Central Highlands	Vietnam average
	Saigon	Western	Eastern			
1965	40.88	35.51	37.50	40.63	43.33	38.52
1966	63.91	61.23	79.75	102.32	109.51	76.65
1967	102.60	93.08	105.34	118.05	137.64	104.36
1968	165.36	134.03	158.65	148.04	194.81	147.72
1969	168.82	151.32	189.96	219.27	204.02	183.93
1970	256.97	230.47	264.50	258.16	274.31	251.47

Source: Vietnam Agricultural Economics and Statistics Service Yearbook.

The prices in the western part of the Southern Region were lower than in Saigon. The western part is the major surplus hog producing area and the price difference covers transportation and other costs of moving these hogs from the Delta to Saigon. Hog prices in the eastern part (which includes Saigon) of the Southern Region usually were higher than the Saigon price. These higher prices may reflect the fact that most producers of imported, better quality hogs are located around Saigon but market their hogs through provincial slaughterhouses rather than the Saigon city slaughterhouse. The Central Lowlands and Highlands are not surplus hog production areas, and this probably accounts for the fact that prices there usually are higher than the Saigon price. The price level of liveweight hogs at Saigon was over 310 piasters per kilogram in November 1970, but has been declining since.

Discussions with the various participants in the swine marketing channel were concerned more with price spreads between the various segments than with the absolute price levels. The margins obtained varied among various sources

and thus should be considered only as rough guidelines. The small sample and lack of consistent price margin data does not allow for any comparisons between areas.

In the fall of 1971, the price spread between the provincial slaughterhouse and the producers was about 15 piasters per kilogram on a liveweight basis (Table 2). The price spread between the provincial butcher shops and slaughterhouses was also about 15 piasters per kilogram. If the market hogs moved from the Delta through the Saigon slaughterhouse, the price spread between the provincial depots and the Saigon butcher shops, although varying with distance of depots, averaged approximately 25 piasters per kilogram. About 10 piasters of this spread occurred between the slaughterhouse and the butcher shop. The price spread between the butcher and consumer was estimated to be between 10-15 piasters per kilogram, on a liveweight basis.

Table 2.--Price spreads, November 1971, on liveweight basis

	Marketings	
	Through Chanh Hung slaughterhouse	Through provincial slaughterhouse
	----- VN\$/kilogram -----	
Producer }	15	15
Provincial depot }	15	
Chanh Hung slaughterhouse }	10	15
Butcher }	10-15	10-15
Consumer }		

A composite retail pork price on a retail weight basis would be hard to calculate. First, butchers do not cut the carcasses according to a standard cut-out method but, rather, according to the consumer's desires. Secondly, although the retail prices are posted, the actual retail prices by cuts vary above or below the posted prices according to daily variations in supply and demand. For example, a butcher shop in Cholon was discounting the posted pork prices 8-10 percent while pork was selling for more than the posted prices in Dalat. The posted prices, plus nonposted prices for other available pork items, from a large butcher shop in Cholon are presented in Table 3.

Table 3.--Retail prices in butcher shops in Cholon,
November 5, 1971, VN\$/kg.

Posted

Red meat	750	Ham	650
Spareribs	650	Large spareribs	450
Heart and liver	600	Bacon	350
Fat	300	Back leg	250
Marbled fat	330		

Nonposted items

Roast pork	850	Head	350
Guts	1,000	Sausage	1,400
Baby pig roasted	3,000		

Although most pork is consumed fresh or roasted, some information was obtained on retail prices for imported frozen and canned pork. Imported canned meat is purchased by the ARVN via a favorable exchange rate. The canned meat shows up on the black market, where it is openly sold. The preference for fresh pork and a saturation of the market have resulted in very low prices for the canned pork products. Two different kinds of pork meat spread, one weighing 12 ounces and the other 7 ounces, were bought for 70 and 30 piasters per can. A can of pork luncheon meat weighing 12 ounces was purchased at 55 piasters. Frozen pork is being imported by the Ministry of Economy, which has a storage capacity of 40 metric tons, and sold through chainstores for government employees only. These chainstores are self-sustaining. They pay the Ministry of Economy 325 piasters per kilogram for the frozen pork, which represents the cost to the Ministry of Economy plus a 3 percent commission. In order to sell the frozen pork, it is priced below pork prices prevailing at the butcher shops. The frozen pork prices per kilogram, November 24, 1971, were: lean - 700 piasters; shoulder - 380 piasters; ribs - 350 piasters; and feet and legs - 300 piasters. The director of the government chainstores in Saigon, Can Tho, Qui Nhon, Nha Trang, and Da Nang said he sold about 600 kilograms of frozen pork a day, most of which he assumed was taken home to be thawed for immediate consumption.

PROBLEM AREAS

For Participants

In discussing the swine marketing system several problem areas confronting the industry were mentioned repeatedly.

Feed Supplies

Producers were understandably concerned about the cost squeeze. Hog prices were falling from year earlier highs, while the price of feed remained high. Producers felt the price of imported U.S. corn was too high. The west coast dock strike and other difficulties encountered with importation have producers concerned about a steady supply of imported feed. The unknown effect of the recent piaster devaluation on feed prices was also a problem area to the producers, although the price of corn was supposed to remain unchanged.

Imported Canned and Frozen Meat and Edible Oil

Prior to the importation of canned meat because of the favorable exchange rates, the ARVN was buying some locally produced canned meats. The Ministry of Economy imported some frozen pork to be sold through the government chainstores. A question arises as to why the GVN does not buy fresh pork locally and sell it at a subsidized price to government employees. The availability of edible oil probably is a major cause for the decline in the lard market.

Other Problem Areas

Other problem areas included:

- a) High import taxes on refrigeration equipment which has now been solved through the economic reform program of November 15, 1971.
- b) Possibility of large ARVN swine production operations.
- c) Unknown effect of the economic reform program of raising the exchange rate for importing breeding stock through the Commodity Import Program (CIP).
- d) Cost and operation of the new slaughter and processing plant in Saigon.

Marketing Channels

No claim is made to have pinpointed all the problem areas in the marketing channel in the short time it was studied. But, certain general problem areas were encountered and will be presented in this section. All the problem areas presented are interrelated.

Information

Brokers at the provincial and Saigon depots and slaughterhouses receive hog supply information from agents buying hogs from the producers and information on demand from the butcher shop owners they sell to. Thus, it is not surprising that brokers were alleged to set the hog prices. But the close interrelationships that appeared to be functioning among the agents, brokers, and butcher shop owners would indicate that pinpointing the actual price determination spot in the marketing channel is not that easy.

Market information reaching small producers is questionable. When asked, the producers indicated that they did, in fact, keep abreast of the market situation. This was done by talking to neighbors who recently sold hogs and to village, district, and provincial buying agents. All these sources of information may be available near a major provincial city, but probably are not in outlying areas.

Information is needed on prospective prices for hogs and feed. Information on demand and factors affecting demand, such as income, population, and rural to urban shifts, is also needed.

Quality Measure

Related to information feedback in the marketing channel is the problem of an adequate measure or description of quality. The price information obtained was quoted as per 100 kilograms or per kilogram. Whether the hogs weighed 70 or 120 kilograms was never mentioned. Whether the hogs were an improved breed (usually associated with leaner hogs) also was not mentioned. Most brokers admitted they paid more per kilogram for those leaner pigs, but whether the producer realized a premium was being paid for his leaner hogs was questionable. This lack of a quality measure also clouds any information traded back and forth among producers about prices received for their hogs.

Weighing Facilities

Scales are used at the provincial and Chanh Hung hog receiving depots. If a producer lives near one of these depots, he can bring his hogs in directly, agree on price per kilogram with a buying agent, and follow the agent to the depot to watch the weighing or request that the scales be brought to his farm. But, many hogs are bought and paid for by buying agents on a basis of a weight estimated by the agent. Even more confusion is added to the price information picture when the buying agents buy hogs on a per head basis.

Storage Facilities

This problem area is especially crucial after the hog has been slaughtered. There appeared to be no cold storage facilities at the slaughterhouses, currently. One butcher shop visited did have a cold storage unit for holding carcasses, but the typical butcher shops in the marketplace have no such

facilities. A butcher shop owner in Saigon said that she usually closes her shop about noon and that a local restaurant buyer comes to the market to buy surplus meat at a reduced price. Most consumers lack refrigerators to store any quantity of pork.

Noncontrolled Slaughter

Without some accounting of how much noncontrolled slaughtering really occurs, an accurate picture of hog movements is impossible. Also these non-controlled slaughterings result in a loss of tax revenues.

Inspection

As mentioned previously, inspection does take place at the Chanh Hung slaughterhouse, but the slaughterhouse has no holding pens or feed for confinement of suspicious hogs prior to slaughter. Inspection at the provincial slaughterhouses and depots, prior to shipment to Saigon, appeared to be more of a visual observation of the live hog. Inspection will be an important factor if Vietnam considers canning meat for export. Inspection would be concerned with the quality of the meat being canned and also the quality of the can. Observations by the processing team indicated that the Vietnam can manufacturing industry has substantial room for improvement.

Price Spreads

Are price spreads high relative to costs? The actual costs comprising the various price spreads need to be determined before the answer to this all-important question can be answered.

RECOMMENDATIONS AND SUGGESTIONS

The function of the marketing system is to supply pork in the form and quantity consumers are willing to buy. The efficiency of the marketing system can be improved by lowering costs, improving value and acceptance of pork without increasing costs, or improving quality at an increased cost. The following recommendations will hopefully increase the efficiency of the swine marketing system via one of these criteria.

Information

More detailed supply and demand information would increase the marketing intelligence of the participants in the marketing system and hopefully increase the competitiveness of the system. The benefits from the increased intelligence and competitiveness could more than offset the added cost of obtaining the information.

Descriptive price information based on quality indicators would aid the desired shift to more meat-type hogs. The first step for improvement of the price data is to report prices by class of hogs, such as barrows and gilts, by weight class.

Inventory data of hogs on farm broken down into breeding stock and pigs by weight groupings would provide needed information on anticipated marketings. Forecasts of price and production are needed to provide participants, especially producers, with guidelines on which to make their future plans. As cold storage facilities increase, these forecasts will aid wholesalers and butchers to decide when to change the amount of pork held in cold storage.

The price spreads and slaughtering costs presented are only rough estimates. To see where efficiency in the marketing channel can be improved, the various cost and profit levels comprising these spreads are needed. Also, price series are needed at the producer and retail levels to keep abreast of fluctuations in the spreads.

New Slaughterhouse

The new slaughterhouse will result in pork being slaughtered under more sanitary conditions, but probably at an increased cost. The cold storage facilities and chill room at the slaughterhouse can be used to increase the efficiency of the marketing system by leveling out the supply of pork within a week and between seasons of the year.

The type of administration for the new slaughterhouse needs careful study. Various alternatives are open. It could be run by Saigon as a municipal slaughterhouse similar to the one at Chanh Hung. When the new slaughterhouse opens, the Chanh Hung slaughterhouse probably will be closed and the brokers would just move over to the new one. The slaughterhouse could be managed by

the GVN or a private company, with ownership of the hogs passing to the GVN or the private company as the hogs go through the slaughterhouse. A board of directors from the private sector and the government could manage the slaughterhouse. The swine industry, probably at both the producer and butcher levels, should be represented. Another alternative that has been proposed is that the ARVN resume responsibility of supplying market hogs to the new slaughterhouse. This alternative should be strongly discouraged if the continued development of a more efficient swine production and marketing system in the private sector is to occur. Private producers can raise market hogs as efficiently as ARVN.

The Ministries of Land Reform, Agriculture, Fishery and Animal Development and Economy need to weigh the merits and limitations of each of these and other alternatives. Special attention should be given to determining how efficient the present system at the Chanh Hung slaughterhouse is.

Imported Canned and Frozen Meat

If Vietnam develops the capacity to economically produce quality cans, contracts with ARVN to supply locally-produced, canned pork should be secured. Instead of selling imported frozen pork through chainstores for government employees, the possibility of selling fresh pork should be considered. This pork might be sold at slightly subsidized prices. Just maintaining a consistent policy of offering lean pork at accurate weights would provide government employees with a valuable service.

Inspection

Some inspection is presently done at the provincial and Chanh Hung slaughterhouses. The inspection should be expanded to reduce the present movement of hogs with contagious diseases and to insure that consumers are eating wholesome meat.

Producer Associations

A number of active producer associations exist in Vietnam. These associations have focused on production problems in the past, but presently are considering ways to improve returns to their members through more efficient marketing practices. Members could pool their market hogs into uniform loads and then bargain with brokers for a higher price. The associations could buy or rent a truck to deliver hogs directly to the provincial or Chanh Hung depots and thus bypass some of the middlemen. The associations should keep their members apprised of daily market prices by class of hogs and type of market outlet. The associations should try to contract with various institutions, such as the government-owned chainstores, commissaries, and restaurants, to supply a given quantity of pork.

