



Current Status and Prospects for the Pig Sector in Viet Nam: A Desk Study

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1. Background

Pork and poultry play a key role in contribution of protein for people in Viet Nam, accounting for approximately 90% of meat consumed by Vietnamese and the pig and poultry sectors are two of the fastest growing sub-sectors in Vietnamese agriculture. Preliminary results from PPLPI studies in Viet Nam, however, have indicated that the terms of pig market participation are far from achieving their potential to help the rural poor, and improving the terms for smallholder participation in food (e.g. livestock) markets appears to offer a good means for meeting this challenge.

This paper attempts to assess the current situation and future perspectives of the market for pork by assessing issues affecting its evolution through a desk study of secondary information, which draws on data from Viet Nam's General Statistics Office, reports and other documents and studies carried out by the authors.

2. Pork Supply, Demand and Prices

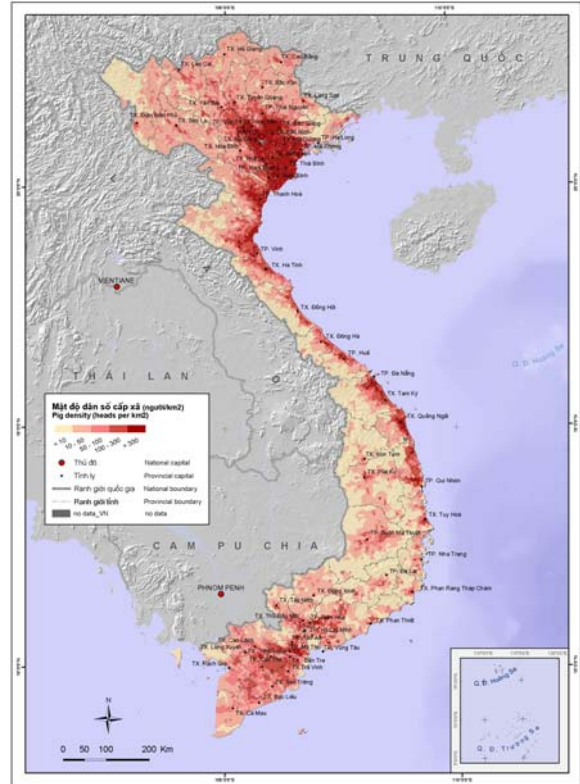
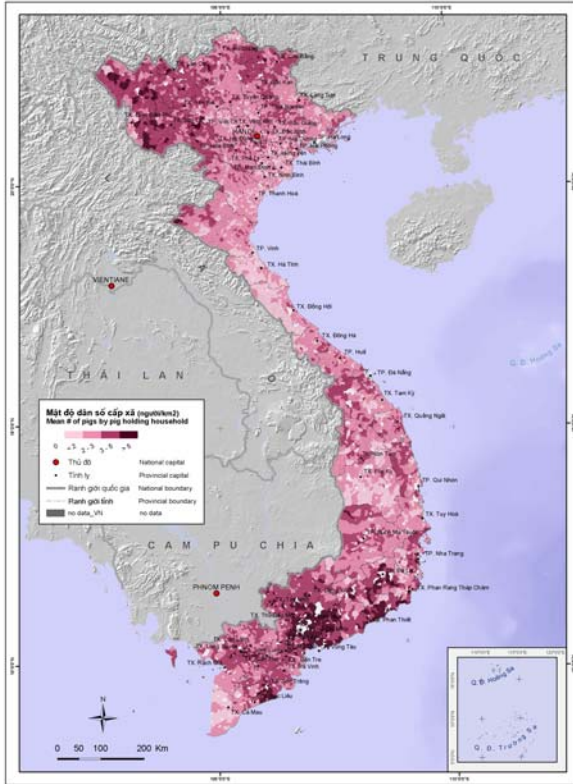
Pork Supply

Pig production is based mainly on small-scale farms, the majority of farms on average having 1 or 2 pigs (Figure 1). The size of pig farms has increased slowly. In 1994, pig farms with more than 6 pigs only accounted for 2.2% of the total of pig farms. In 2002, this proportion increased to 7.9% and there were only 548 commercial pig farms in whole country (commercial pig farms defined as farms which keep at least 100 pigs). Pig production is unequally distributed

geographically. The Red River Delta and the Mekong River Delta account for about 40% of the country's pig population (Figure 2) and about half of the pork output.

Figure 1: Average nr of pigs per household

Figure 2: Raw pig density (head / km²)



Courtesy M. Epprecht

Demand for Pork

Pork is the most important meat source in Viet Nam and more than 98% of households consume pork. Over the last 30 years, the share of pork in meat consumption has remained stable at about 75% (poultry is the second largest source of meat accounting for about 15% of meat consumption). This constant share of pork in total meat demand over the last 30 years was the most salient feature in the Vietnamese livestock sector. In China for instance, which has a culture and economic regime similar to Viet Nam's, the proportion of pork in total meat decreased as income levels rose.

Despite the high annual growth rate of pig production (around 6%) over the past decade, average *per capita* consumption of pork in Viet Nam remains quite low, reaching around 20 kg in 2003. Urban consumers constitute 25% of the total population, but they consume almost 50% of total pork produced in the country. In urban areas, pork accounts for 62% of meat consumed while in rural areas pork accounts up for to 75%. Ho Chi Minh city and Hanoi record the highest levels of pork consumption at about 25 kg *per capita* per year.

Vietnamese consumers prefer to buy fresh pork (and live or fresh poultry products) from wet markets. Thus, almost all pork produced in Viet Nam is sold as fresh meat to meet consumer preferences and processed meat accounts for less than 6% of meat sold, especially in rural areas. This percentage is highest in Hanoi and Ho Chi Minh city with just over 10%.

Current *per capita* consumption in Viet Nam is still significantly below that of other countries like Taiwan, Hong Kong or China. The gap between Viet Nam and other countries shows that the potential domestic market for meat is far from being saturated. Thus, focusing on domestic demand over the next years is still an efficient strategy for growth in the pig sector, especially since Viet Nam does not have a high comparative advantage in meat for export.

Pork Prices

Price differences between urban and rural areas for different cuts are determined by the type of cuts and quality of meat. In urban areas prices were higher for ribs (26%), lean meat of the rump (8.3%), lean meat of the shoulder (6.1%), and loin. Prices for other cuts were higher in rural areas; for example the price of fat and of heads was 14% and 6% higher in rural than in urban areas. This reflects the taste preferences of the two consumer groups. The price of local poultry meat by live weight is about 2.5 times that of pork.

Poor infrastructure and marketing channels result in slow price transmission across markets within the country with the consequence of large differences in price between regions (Table 1).

Table 1: Pork farm gate and retail prices by region (2001)

Region	Farm gate price (Dong / kg liveweight)	Retail price (Dong / kg liveweight equivalent)
Red River Delta	9,047	15,345
North East	9,670	13,282
North West	8,847	15,278
North Central Coast	9,243	15,024
South Central Coast	9,719	16,645
Central Highlands	9,018	15,947
North East South (HCM city)	11,220	17,063
Mekong River Delta	10,035	14,645

3. Marketing Systems

As the majority of pig farmers in Viet Nam raise few pigs, the marketing systems must assemble pigs from a large number of small-scale farms, which, combined with poor infrastructure, leads to high transactions costs. Pig farmers use two marketing channels: sale to assemblers and sale to slaughterhouses, of which the first is the most common. Assemblers are individuals specialized in the collection of fattened pigs from farmers and their onward sale to larger assemblers or slaughterhouses.

Based on output channels, pig slaughterhouses in Viet Nam belong to one of three categories: slaughterhouses selling both wholesale and retail (70%), slaughterhouses selling only wholesale (24%), and slaughterhouses only selling to end consumers (6%). Most slaughterhouses are privately owned and use small scale and simple equipment. Only around 30 slaughterhouses in Viet Nam are in a position to participate in the export of pork products, of which Vissan Company in Ho Chi Minh city, with a capacity of 20,000 tons, and Vinh Niem-Hai Phong, with a capacity of 10,000 tons are the largest.

Generally, pig products thus pass through many intermediaries prior to reaching the end consumer. The presence of the large number of intermediaries negatively affects both producers and consumers. Due to poor infrastructure, long marketing channels with many middlemen, the difference between farm-gate price and retail price of pig meat is quite high. For example, in 2001, the marketing margin ranged from 40% of the farm-gate price in the North East to 76% in the Central highlands. Due to these high marketing costs, farmers don't not get a remunerative price for their pigs while consumers have to pay a high price for pork.

4. Import and Export

Viet Nam presently imports small amounts of pork and poultry to satisfy the demand of luxury hotels and supermarkets in urban areas. The volume of different type of meats imported to Viet Nam could not be determined, but the total value of imported meat was about USD 3.5 million, of which 90% was for pork, 7.1% for beef and the rest for poultry products.

The export of pork export is a priority in government policy. However, the export share of pork compared to crop export is minor. In the 1990-2001 period, Viet Nam only exported 141,900 tons, averaging 12,900 tons per year, which is too low compared with Viet Nam's master plan. The current main export markets for pork produced in Viet Nam are Hong Kong, Russia and China, while potential markets may be Japan, Singapore and South Korea.

Based on estimates of the Domestic Resource Cost (DRC) of pork production in Viet Nam, the competitiveness of Vietnamese pork is low, although it has risen slightly over the past years. The reasons may be high feed costs combined with the small scale of operations.

5. Pork Market Prospects

The recorded growth trend in pork production provides an indication of its potential for future development. The outlook for the pork (and poultry) sectors is one of strong growth in coming years due to increasing incomes, progressive urbanization, population increase, changing job patterns, and consumer preferences.

It is predicted that 4,352,000 tons of pork (and 879,900 tons of poultry meat) in live weight equivalent will be produced by 2015. This means that pork consumption is expected to grow at an annual average rate of 7.7% over the next decade with annual *per capita* consumption of pork reaching 43 kg live weight equivalent by the end of 2015. Due to strong consumer preferences for fresh meats, it is anticipated that the quantity of processed meat consumed by Vietnamese households will only increase slowly, despite the known trend of a growing share of processed food in consumer expenditure as living standards increase.

Given Viet Nam's low comparative advantage in pork production, it is unrealistic to expect Viet Nam to become a major pork exporter. Major obstacles for increasing exports, after the high production costs, are low meat quality and the lack of bilateral zoo-sanitary agreements with other countries. Thus, focussing on improving pork production for the domestic market appears to be the best short to medium term strategy for development of the pig sector. This requires targeted interventions to overcome the major problems currently limiting the development of the pork sector, namely:

- low productivity particularly of small-scale producers resulting from sub-optimal breeding and feeding regimes and limited prevention and treatment of diseases;
- inefficient marketing systems due to thin markets, poor infrastructure, and long market chains;
- low quality of pork reflected in a low lean meat percentage combined with poor meat hygiene standards; and
- outdated slaughter and processing technologies coupled with poor marketing facilities.

To overcome the above shortcomings, farmers and processors require incentives to encourage them to produce high(er) quality products.

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7. Contacts and Further Information

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