Identification of market potentials of certified organic shrimp from Ca Mau Province, Viet Nam
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The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has been working in Viet Nam for more than 20 years. We currently have around 250 specialised staff deployed across the country, including national and international personnel, Development Advisors and CIM experts.

On behalf of the German Government, GIZ provides advisory services to the Government of Viet Nam and is currently engaged in three priority areas: (i) Vocational training; (ii) Environmental policy and sustainable natural resource use; and (iii) Energy.

GIZ Viet Nam's main commissioning party is the German Federal Ministry for Economic Cooperation and Development (BMZ). Other commissions come from the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), the Federal Ministry for Economic Affairs and Energy (BMWi) and the Federal Ministry of Finance (BMF). GIZ Viet Nam is also engaged in various projects co-funded by the Australian Government (Department of Foreign Affairs and Trade – DFAT) and the European Union and cooperates closely with the German development bank KfW.

The Integrated Coastal Management Programme (ICMP) is being co-financed by the German and Australian Governments. In order to strengthen resilience and to reduce vulnerabilities to climate change impacts, the ICMP Programme supports Viet Nam in sustainably managing coastal ecosystems of the Mekong Delta affected by climate change. The Programme is being implemented by GIZ in close collaboration with the Ministry of Agriculture and Rural Development (MARD), as well as several departments of the five programme provinces An Giang, Bac Lieu, Ca Mau, Kien Giang and Soc Trang of the Mekong Delta.

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### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ASC</td>
<td>Aquaculture Stewardship Council</td>
</tr>
<tr>
<td>BMZ</td>
<td>German Federal Ministry for Economic Cooperation and Development</td>
</tr>
<tr>
<td>COOP</td>
<td>Swiss Retailer</td>
</tr>
<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH</td>
</tr>
<tr>
<td>GlobalG.A.P.</td>
<td>Global Good Agriculture Practices</td>
</tr>
<tr>
<td>e.g.</td>
<td>For example (exempli gratia)</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>ha</td>
<td>Hectare (1 ha = 10,000 m²)</td>
</tr>
<tr>
<td>IPCC</td>
<td>International Panel on Climate Change</td>
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<tr>
<td>ICMP</td>
<td>Integrated Coastal Management Programme</td>
</tr>
<tr>
<td>ICS</td>
<td>Internal Control System</td>
</tr>
<tr>
<td>IMO</td>
<td>Institute for Marketecology</td>
</tr>
<tr>
<td>lb</td>
<td>Pound (1 lb = 453.592 gram)</td>
</tr>
<tr>
<td>MKD</td>
<td>Mekong River Delta</td>
</tr>
<tr>
<td>NL</td>
<td>Naturland (owner of private standards for organic agriculture products)</td>
</tr>
<tr>
<td>p.a.</td>
<td>Per year (per anno)</td>
</tr>
<tr>
<td>SNV</td>
<td>Netherlands Development Organisation</td>
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<tr>
<td>VASEP</td>
<td>Vietnamese Association of Seafood Exporters and Processors</td>
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</table>
Executive Summary

The actual market assessment “Identification of market potentials of certified organic shrimp from Ca Mau Province, Viet Nam. Phone-based interviews with potential European buyers” was conducted in the framework of the GIZ “Integrated Coastal Management Programme” (ICMP). It is the most recent study in a series of studies with the aim to reduce the deterioration and support the rehabilitation of the coastal mangrove forests in order to protect the coastal zone of Ca Mau and the Mekong Delta without reducing or stopping the expansion of shrimp farming.

In 2013 a baseline study “Status of small-scale environmentally friendly shrimp production in Ca Mau Province” has been conducted. The baseline was followed by a market assessment “Demand for certified and non-certified shrimp products from Viet Nam with special reference to Ca Mau Province” conducted in the beginning of 2014. The latter study indicated the demand for certified and non-certified shrimp from Ca Mau Province and analysed potential marketing patterns for Ca Mau shrimp products.

Within the actual study, potential buyers from Europe were contacted in order to identify (1) how many of them might be interested to buy high quality, sustainable and probably certified (organic or sustainable) shrimp from Ca Mau province, (2) in which qualities and quantities the interested buyers would buy shrimp from Ca Mau, and (3) what would be necessary or would have to change in order to make European companies buy organic shrimp from Ca Mau or to increase their purchase quantities. From 28th July till 21st August 2014 a total number of 74 potential European buyers of organic shrimp from Ca Mau were contacted through telephone or through email.

The main results of these telephone interviews are:

- 19% of the companies were “very interested” or “interested” in buying organic shrimp from Ca Mau.

- The total buying potential of these buyers is estimated to be in the range of 680 to 1,110 tonnes p.a. This would have the potential to increase the sales and production volumes of organic shrimp from Ca Mau by 30%.

- With regard to the species, Black Tiger shrimp are preferred (58%) whereas 29% of the companies would prefer Whiteleg shrimp.

- All approached companies (100%) have indicated that they would like to have at least some kind of certified product, whereas 77% of the companies would prefer an organic certification (45% Naturland, 32% EU organic) and 23% would prefer the ASC.

- 92% of the companies share the opinion that the ASC will not create any price premium but an organic certification will do, whereas compared to the EU certification only a Naturland certification will create a significant premium.

- The interviews have indicated that the price is the most important marketing aspect followed by taste, texture and social acceptance. Aspects like mangrove protection or use of antibiotics are less important.
Based on these results the study draws the following **recommendations**:

- More efforts have to be made by the local processors to increase the number of companies to be in contact with.

- GIZ should build up and maintain contacts to all companies which have indicated an interest and GIZ should be the link between local processors and European buyers.

- The production of organic shrimp should be more price-competitive. This could be generated by using new possibilities such as production under the EU organic label or the ASC label or a combination of the two.

- In addition to that, production costs should be evaluated and sales prices have to be reviewed in order to reduce the prices for organic shrimp products from Ca Mau to be more price-competitive in the near future.

- The production of organic Whiteleg shrimp within the mangrove belt of Ca Mau Province should be considered for the future as it is in compliance with the EU organic regulation. But Whiteleg shrimp should only be farmed in mixed shrimp-mangrove production, termed “silvo-aquaculture”, thus in the same way as organic Black Tiger shrimp.

- The already high product quality of Ca Mau organic shrimp has to be maintained and increased.

- Ca Mau organic shrimp should be strongly marketed and advertised. In this context, the creation of a brand should be strongly considered.

- The local processors should substantially increase their efforts in advertising and publishing the excellent story of organic shrimp from Ca Mau.

- Exclusivity contracts with only one or a few buyers should be avoided completely.
Introduction
1.1 General aspects

The actual market assessment “Identification of market potentials of certified organic shrimp from Ca Mau Province, Viet Nam. Phone-based interviews with potential European buyers” was conducted in the framework of the GIZ “Integrated Coastal Management Programme” (ICMP). It is the most recent study in a series of studies with the aim to reduce the deterioration and support the rehabilitation of the coastal mangrove forests in order to protect the coastal zone of Ca Mau and the Mekong Delta without reducing or stopping the expansion of shrimp farming.

Viet Nam was identified by the International Panel on Climate Change (IPCC) as one of the countries to be most affected by climate change. In particular the deltas of the Mekong and the Red River are at risk.

In the Mekong Delta province of Ca Mau, deterioration of coastal forests has not only led to a substantial reduction in biodiversity, but also to a reduction of the natural protection of existing dykes with growing vulnerability of local residents and their livelihoods. The effects of climate change are increasingly visible and have lowered the resilience of the coastal ecosystems and reduced their capacity for adaptation.

The deterioration of the coastal mangrove forests was and is caused significantly by shrimp farming activities, the dominant business activity in Ca Mau province and a major source of income for the people (including small-scale shrimp farmers). The expansion of shrimp farming in Ca Mau province contributes to further economic growth, but is also responsible for the decline of remaining mangrove forests in the province.

In order to reduce the deterioration and support the rehabilitation of coastal mangrove forests and thus to protect the coastal zone of Ca Mau and the entire Mekong River Delta it is necessary to channel the
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shrimp farming activities into sustainable ways. This has to be done without reducing the expansion of shrimp farming, and thus reducing the economic growth of the region. To achieve this it is necessary to create incentives for shrimp farmers to protect, maintain and rehabilitate the coastal mangrove forests within and around their farming areas.

To achieve this goal, GIZ has conducted several studies and market assessments within the framework of the GIZ "Climate Change and Coastal Ecosystems Programme" (CCCEP/ICMP). A baseline study “Status of small-scale environmentally friendly shrimp production in Ca Mau Province” has been conducted and published in 2013. The study was done in cooperation with the “Minh Hai Sub-Institute for Fisheries Research” as well as with the Netherlands Development Organisation (SNV). It analysed the value chains of various extensive Black Tiger shrimp production systems in Ca Mau province. While the study concluded that certified (organic) shrimp performed best with regard to economic results, the study also identified a number of weaknesses and challenges for organic shrimp value chains.

To further analyse these weaknesses and challenges, the market assessment study “Demand for certified and non-certified shrimp products from Viet Nam with special reference to Ca Mau Province” was conducted in the beginning of 2014 in order to indicate the demand for certified or non-certified shrimp from Ca Mau province, to analyse potential marketing patterns for Ca Mau shrimp products, and to elaborate strategic marketing elements for the promotion of shrimp from Ca Mau province.

The actual study aimed at contacting potential buyers from Europe in order to identify (1) how many buyers might be interested to buy high quality, sustainable and probably certified (organic or sustainable) shrimp from Ca Mau Province, (2) in which qualities and quantities the interested buyers would buy shrimp from Ca Mau, and (3) what would be necessary or would have to change in order to make European companies buy organic shrimp from Ca Mau or to increase their purchase quantities.

1.2 Actual situation of shrimp production in Viet Nam

In 2013 the farmed shrimp production reached a record high in Viet Nam. Vietnamese shrimp farmers produced around 268,000 tons of Black Tiger Shrimp (Penaeus monodon) on a farming area of 600,000 ha and around 280,000 tons of Whiteleg Shrimp (Litopenaeus vannamei) on a farming area of 66,000 ha. Thus, in 2013, for the first time in the history of Vietnamese shrimp farming, more Whiteleg shrimp than Black Tiger shrimp were produced. The growth of Vietnamese shrimp production, especially Whiteleg shrimp production, is expected to continue in 2014.

The major reason for the increase of Whiteleg shrimp production in Viet Nam is the increase of intensive shrimp farming in inland areas, as well as the decline of production in other producing countries like China and Thailand. This decline resulted in a global shortage of supply and high global market prices1. In particular, Whiteleg shrimp were much more favoured by producers as production costs and risks are significantly lower, and the productivity higher. This offers better opportunities to serve markets where consumers have to economize more.

The Vietnamese Association of Seafood Exporters and Processors (VASEP) forecast for 2014 is that, like in 2013, the shrimp export value will again be above US-$ 3 billion (46% of the total Vietnamese seafood export value), due to the forecast that the economic situation in major markets like Japan and the U.S.

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1 Other factors were the „Zero-Tax“ policy for the US market, favourable weather conditions, often three instead of two production cycles, and last but not least the improvement of economic situations in Japan, the U.S. and some European countries in 2013.
will continue to improve. However, VASEP reminds that this will only be possible if sufficient high quality hatchery seed is available and the use of veterinarian drugs and other chemicals can be controlled effectively.

In particular, the Mekong Delta, where 80% of the countries’ aquaculture production takes place\(^2\), benefits from this upswing. The aquaculture industry is of high relevance for the livelihoods of the people living in the Mekong Delta, and for the economy of the whole country.

Today, seafood is Viet Nam’s most important export business. Therefore, any strategic recommendation limiting the shrimp business will find no acceptance in Viet Nam. Restricting the shrimp production will not lead to a solution regarding the conflict between shrimp production and the sustainable management of mangroves in Viet Nam. Rather, it is important to demonstrate that (certified) sustainable or organic shrimp farming systems in combination with the conservation of diminishing mangrove forests will not lead to a decline of value figures. It should be shown that these farming systems can offer stable export business and better income opportunities and that it is the only way for the Vietnamese shrimp industry to further grow. The decision whether to go for sustainability and mangrove protection cannot be demand driven, it must be a political decision.

### 1.3 Actual situation of shrimp production in Ca Mau province

According to the data of the baseline study, Ca Mau Province has about 296,687 ha for aquaculture, thereof 266,638 ha for shrimp farming\(^3\). In 2012, the vast majority of the shrimp farming area (199,533 ha) was used for conventional extensive shrimp farming (low density farming, no external feeding, no chemical treatment, tidal water exchange, in coastal areas often conducted as silvo-aquaculture).

About 21,791 ha of shrimp farming was used for “advanced” extensive shrimp farming (higher densities, additional feeding, chemical water treatment, tidal water exchange) and about 5,000 ha was used for intensive shrimp farming (small pond sizes, very high stocking densities, intensive feeding, water treatment and additional aeration of the water). 40,350 ha are used in shrimp-rice systems.

Within the area of extensive shrimp farming, silvo-aquaculture was practiced on 60,000 ha, and within this system actually 14,358 ha were certified organic (24% of the total silvo-aquaculture area).

After the successful year 2013, the trend to intensify production in Ca Mau province does continue and is being supported by the provincial administration. The province set a target to add another 1,100 ha of intensive shrimp farming in the year 2014 (which has nearly been reached)\(^4\). Also, the area of advanced extensive shrimp farming is steadily increasing. It is also assumed that more Whiteleg shrimp will be produced in Ca Mau province due to the economic advantages of this species (2.5 to 3 production cycles a year, lower susceptibility with regard to diseases etc.). In 2008, the decision was taken to allow intensive Whiteleg shrimp production in the Mekong Delta, if conducted in safe aquaculture zone areas and approved by provincial authorities.\(^5\)

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\(^2\) The Mekong Delta covers 12% of the country’s land area and about 21% of the population lives there. In addition, 90% of export-oriented rice production takes place in the Mekong Delta.

\(^3\) The total area of Ca Mau Province is about 5,331 km\(^2\).

\(^4\) VASEP news reported recently that electricity supply has become a bottleneck for intensive shrimp farming in Tran Van Thoi District due to electricity-powered aeration systems.

On the downside of this development, the intensification of shrimp farming in Ca Mau province leads to further mangrove deforestation, increased levels of salinity with negative impacts on rice farming, and to conflicts between extensive (silvo-aquaculture) farms and advanced extensive shrimp farms. Since many years, the local administration of Ca Mau tries to balance the impact of shrimp farming on mangrove forests. But at the same time the authorities need a vital shrimp industry to improve the overall socio-economic situation.

In 2000, Ca Mau province and VASEP developed one of the first organic shrimp projects in Asia. On the one hand, this low-input shrimp-mangrove farming system protects mangrove forests and even leads to an increase in mangrove forest area. On the other hand, it increases the value of the shrimp and thus the socio-economic situation of the farmers through organic certification. The most challenging parts of certification are the management of an effective Internal Control System (ICS) and the supply of Black Tiger post larvae from hatcheries approved for organic shrimp farming.

Unfortunately, the farming of organic shrimp could not be increased much in Viet Nam and could not expand into other provinces in the last years. Thus, even today, organic shrimp farming in Viet Nam exists only in Ca Mau province. In Viet Nam, the low demand for organic Black Tiger shrimp from international markets is often seen as a reason why the production of organic shrimp could not be increased. However, nowadays organic Black Tiger shrimp are available from many other countries (Madagascar, Mozambique, Bangladesh, India, Thailand and Indonesia), and Viet Nam has lost the lead position in this segment over the last ten years.

The whole organic shrimp production in Viet Nam is managed, processed and marketed by the three processing companies “Camimex”, “Seanamico” and “Minh Phu”.

The pioneer in organic shrimp exports is Camimex. The company is certified according to the Naturland organic certification scheme and is still the most relevant processor of organic shrimp in Ca Mau Province. Camimex established good and stable commercial relationships with the Swiss retailer COOP. But Camimex failed to acquire other customers buying relevant quantities in Europe. Reasons for not being able to expand organic shrimp sales might be the agreement to (long-time) exclusivity contracts with only one or a few European buyers and deficits in communication. Camimex does, for example, not actively promote organic Black Tiger shrimp. The company’s website does not give any English information about the values of their organic Black Tiger project.

The second supplier certified by Naturland is Seanamico. Similar to Camimex, this company failed to buy and process organic shrimp from their certified farmers in 2013 due to the extremely difficult market situation. Reasons for not being able to expand organic shrimp sales might be the agreement to (long-time) exclusivity contracts with only one or a few European buyers and deficits in communication. Also very much similar to Camimex, Seanamico’s website only shows organic certificates. No additional information is presented by this company and no story about the values of organic Black Tiger shrimp farming in the mangrove area of Ca Mau province.

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6 Extensive farms are sometimes affected by waste water occurrence after dredging ponds in advanced extensive farms.
7 In buffer zones, shrimp farmers need to comply with minimum ratios depending on the size of the shrimp farm (according to Decision No.24/2002/QD-UB, <3 ha: 40% mangroves/60 % ponds, 3-5 ha: 50% mangroves/50% ponds, >5 ha: 60% mangroves/40% ponds). This regulation has decreased mangrove deforestation significantly.
8 Theoretically, Camimex might have an exclusivity contract with COOP, which prohibits sales to other retailers. But COOP is not known to have such policies outside of Switzerland.
The third supplier of organic shrimp is Minh Phu, certified organic according to the EU and the Naturland certification schemes from approximately the end of 2014 onwards with a, then, total certified area of 2,800 ha and 740 farmers producing organic Black Tiger shrimp.

The latest production figures concerning organic shrimp production in Ca Mau can be taken from table 1.

Table 1: Sales figures of certified organic shrimp from Ca Mau

<table>
<thead>
<tr>
<th>Processor</th>
<th>Area (ha)</th>
<th># Farmers</th>
<th>Quantity (t)</th>
<th>Certificates available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camimex</td>
<td>6,329</td>
<td>1,217</td>
<td>1,000</td>
<td>EU organic, Naturland, Bio Suisse, etc.</td>
</tr>
<tr>
<td>Seanamico</td>
<td>5,229</td>
<td>973</td>
<td>210</td>
<td>EU organic, Naturland, Bio Suisse, etc.</td>
</tr>
<tr>
<td>Minh Phu</td>
<td>2,800</td>
<td>740</td>
<td>Figure not yet available</td>
<td>EU organic, Naturland, etc.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,358</strong></td>
<td><strong>2,930</strong></td>
<td><strong>1,210</strong></td>
<td></td>
</tr>
</tbody>
</table>

According to information from GIZ, in the year 2012, the total certified area for organic shrimp production was 11,558 hectare (4.3% of the total shrimp farming area of Ca Mau) cultivated by 2,190 smallholder shrimp farmers. On this certified area a total of 3,467 tonnes of organic shrimp could have been produced but it was only used for the production of 2,170 tonnes of organic shrimp. Out of these 2,170 tonnes, only 1,210 tonnes could be sold as organic, the rest had to be sold as conventional product.

Several reasons why only 35% of the total potential could be sold as organic are very much driven by the Vietnamese processors. These reasons are already partly mentioned above, as they have been detected in the context of the baseline study, or addressed by the market demand study conducted by Censkowsky in 2014.

In summary these reasons are:
- Internal problems in the relationship between small-scale farmers and processor
- Drop-out of farmers due to market reasons
- Lack of exploitation of and contacts to European markets
- Lack of promotion/advertising of organic shrimp and the story
- Exclusivity contracts with only one or some few European buyers

Other reasons might be more market-driven:
- Lack of demand for organic shrimp
- Very high prices for conventional Black Tiger shrimp
- Increasing production of Whiteleg shrimp

Apart from identifying more and new potential buyers of organic shrimp from Ca Mau, it is part of this assessment to identify additional reasons for the stagnant development of organic shrimp production in Ca Mau, rather related to the necessities and requirements of European buyers.

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11 According to information from GIZ, Ca Mau
Approach
A big proportion of the companies contacted were selected out of a pool of companies which actually hold a valid organic certificate and are active in selling, trading or processing organic certified seafood products, preferably shrimp-, prawn-, other crustacean- or shellfish-products.

Other companies were selected out of a pool of companies active in selling, trading or processing conventional seafood products but show indications or potential of selling high quality seafood products (shrimp-, prawn-, other crustacean- or shellfish-products) or are known for an extraordinarily high demand or turnover of such products.

The companies were mainly contacted through phone. Some few companies (three) were contacted through email. The companies contacted are mainly based in Germany, followed by Switzerland, the Netherlands and some other European countries.

Due to limited contacts in North America, no companies could be contacted there. The companies were interviewed according to a questionnaire developed for this study. The questionnaire can be found in appendix A1.
Results
From 28th July till 21st August 2014 a total number of 74 potential buyers of organic shrimp from Ca Mau (seafood retailers, processors and wholesalers, supermarket chains, etc. from Europe) were contacted through telephone or email (three companies). The majority of these companies are located in Germany (55, 74%) followed by Switzerland (seven, 10%) and the Netherlands (four, 5%). For details see figure 1.

As displayed in figure 2, a total of 14 companies (19%) indicated interest in buying organic shrimp from Ca Mau either immediate or later ("interested" or "very interested"). Five (7%) out of these 14 interested companies indicated a high interest and in addition have high potential in buying significant quantities of organic shrimp. 24 companies (32%) were not interested in being interviewed via telephone, but indicated that they would like to receive further information about the organic shrimp production via email. 16 companies (22%) have stated that they are not interested and 15 companies (20%) could not be contacted or did not want to be contacted.

3.1 Contacted companies

Figure 1: Number of contacted companies from various European countries
Five companies are linked or are very close partners of other companies already interviewed and share the same strategy in buying seafood.

### 3.2 Potential for buying organic shrimp

Those companies which indicated to have a high interest or are at least interested in buying organic shrimp from Ca Mau quantified the amount of organic shrimp they would like to buy at present or estimated their demand for the near future. The demand of other companies which did not indicate a specific volume was estimated by the author of this study according to actual sales figures for conventional shrimp.

The total buying potential of all contacted companies is displayed in figure 3. This buying potential is estimated to be in the range of 680 to 1,110 tonnes per year. Regarding the German companies, the potential is in the range of 200 to 310 tonnes, whereas the companies from other European countries have indicated to be interested in buying organic shrimp from Ca Mau in the range of 480 to 800 tonnes per year.

**Figure 2: Distribution of different levels of interest in buying organic shrimp from Ca Mau**

Concerning the preferred species, the majority of companies (ten, 58%) demand Black Tiger shrimp (*Penaeus monodon*), whereas five of the companies (29%) prefer Whiteleg shrimp (*Litopenaeus vannamei*) in case Whiteleg shrimp from Viet Nam would be available. Two companies have no clear preferences and would buy either of the two species.

With regard to the preferred size of the shrimp there is no clear trend: It seems that all sizes are preferred. Four companies (33%) would go for big sizes (count 21 or less per lb), three companies (25%) prefer medium sizes (count 21 to 40 per lb) and five companies (42%) would demand smaller sized shrimp (count 40 per lb or higher).

The companies which indicated an interest in buying organic shrimp from Ca Mau would like to buy either immediately (six companies) or in the “near future” (six companies).
3.3 Type of certification

All approached companies (100%) indicated they would like to buy at least some kind of certified product from Ca Mau. Regarding the type of certification there is a clear trend: 77% of the companies would prefer an organic certification (e.g. Naturland or EU organic), whereas 23% of the companies would prefer some kind of sustainability certification (rather ASC than GlobalG.A.P.). For details see figure 4.

One company would prefer to have both, an organic and a sustainability certificate, preferably the ASC and the Naturland certificate in combination for the same product.

Regarding a premium which the companies would be willing to pay for certified products there is also a clear trend:
Only one company thinks a sustainability certification (ASC) will create a premium price, another company assumes this premium will only be paid at the start of such a certification scheme. Soon after the ASC certification will have been established on the market, a price premium will no longer be paid. However, the great majority of the companies contacted (eleven, 92%) share the opinion that only an organic certification will generate a premium price although the premium for the EU organic certification scheme will be significantly lower than that for a Naturland certificate.

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12 One company indicated that they would be ready to pay a 10% premium for shrimp products certified according to the EU organic regulation.
3.4 Ranking of product attributes

The companies were also asked about their priorities in marketing with regard to selected product attributes. The attributes the companies were asked to rate, are: (a) mangrove protection, (b) certified organic, (c) socially accepted, (d) taste (aroma, texture), (e) size, and (f) health aspects (e.g. use of antibiotics, residues, etc.). In addition, the companies themselves mentioned price (six companies) and colour of the shrimp (one company) as further relevant product attributes.

Table 2: Importance of different product attributes for marketing\(^{13}\)

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Price</th>
<th>Taste</th>
<th>Socially accepted</th>
<th>Organically certified</th>
<th>Healthy / Residue free</th>
<th>Mangrove protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentioned by # of companies</td>
<td>6</td>
<td>12</td>
<td>8</td>
<td>2</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Average ranking</td>
<td>1.33</td>
<td>1.83</td>
<td>2.375</td>
<td>2.5</td>
<td>2.75</td>
<td>3.08</td>
</tr>
<tr>
<td>Position</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

According to the companies interviewed, the price of the product is very important for their marketing. Six out of twelve companies mentioned price and ranked it on the top average position of 1.33. Taste is following the attribute price, mentioned by twelve companies to be important with an average ranking of 1.83. In the third place the companies would like to buy a socially accepted product (eight companies mentioned it, average position 2.375), followed by certified organic (two companies, ranking 2.5) and health (four companies, ranking 2.75). The least important attribute is mangrove protection\(^{14}\) mentioned by twelve companies, but ranking on position 3.08 only. For details see table 2.

\(^{13}\) Three attributes have only been mentioned once: For one company colour was most important (position one), another company mentioned the size at position two, and another company mentioned sustainability at position three.

\(^{14}\) A reason why mangrove protection might be mentioned last might be the fact that it is simply not commonly known in connection with shrimp production.
3.5 Interest in visiting production sites

The last aspect the companies were asked about was whether they would be interested in visiting shrimp farmers and/or processors of organic shrimp products in Ca Mau, given that GIZ would support organizing such a visit (e.g. transport, accommodation, communication etc.). The great majority of the companies interviewed (ten, 83%) would welcome such an initiative from GIZ, whereas only two companies were not interested in a visit to Ca Mau.
Conclusion
4.1 Contacted companies

As stated in the previous chapter “Results”, a total of 74 companies (55 from Germany, 19 from other European countries) were contacted. These companies were not randomly selected, but chosen out of a pool of companies actually holding a valid organic certificate and are active in selling, trading or processing certified organic seafood products, preferably shrimp-, prawn-, other crustacean- or shellfish-products.

Other companies were selected out of a pool of companies active in selling, trading or processing conventional seafood products, but show indications or potential for selling high quality seafood products (shrimp-, prawn-, other crustacean- or shellfish-products), or are known for an extraordinarily high demand or turnover of such products.

The results, generated from the interviews with these contacted companies, can thus not be seen as general results, figures or trends within the German or European shrimp sector. They should rather be taken as trends among companies located within the organic shrimp market and as trends among companies being linked to the organic shrimp market.

4.2 Companies’ response and buying potential

The response of the contacted companies towards the organic shrimp production in Ca Mau and its underutilized production capacity was surprisingly good. It can be seen as a good result that five companies stated a high interest in buying organic shrimp from Ca Mau, paired with the prospect that they have strong potential for buying larger quantities.
Identification of market potentials of certified organic shrimp from Ca Mau Province, Viet Nam

The fact that 19% of all contacted companies with a total estimated extra buying potential of 680 to 1,110 tonnes per year are at least interested in buying additional organic shrimp products should encourage the companies and provincial administration of Ca Mau to increase their efforts in contacting European companies and in stronger advertising their high quality products on the worldwide market. They should focus more on the specific needs of potential buying companies from Europe to increase their sales because this study alone has – with only little efforts – detected that it is possible to increase the sales of organic shrimp from Ca Mau by up to 30%.

On the other hand it has to be stated that even with such an increase the market share of organic shrimp in Viet Nam would remain small with not more than 3% of the total shrimp market in Viet Nam and can actually only be seen as an additional or niche market.

But this situation might change in the medium- or long-term, as the production of certified organic shrimp might increase due to new possibilities such as the production under the EU organic regulation, already possible since 2010 but currently still underutilized. It is obvious that production under the EU organic regulation would reduce production costs, and would thus make the respective organic products more price-competitive. This is to be seen against the background that the present study has shown that the price is the single most important marketing aspect for European buyers. It might thus be very important for the Vietnamese processors to keep the production costs down in order to be able to offer organic products for a very attractive and competitive price instead of maintaining the already extremely high prices of the present and the past. In addition, this study has shown that there is a demand for organic products with “only” an EU label if the price is attractive. Nonetheless, it is very important to maintain a certain premium for the farmers even under the EU label, as otherwise they would have no incentive for extensive silvo-aquaculture production and maintaining the mangrove area.

A further new possibility for Ca Mau shrimp farmers might be the launch of the new shrimp-standard under the ASC sustainability scheme. It is expected that the first ASC-certified shrimp will enter the market at the end of 2014. This standard might offer new marketing possibilities for European buyers. However, this study has indicated that a price premium will probably not be created by this standard. But in conjunction with an organic label this option might bear good possibilities to increase the sales of sustainably and organically produced shrimp at least in some of the European markets, such as the Dutch market, and might thus also lead to an increase in mangrove forest areas. Concerning these two new possibilities – ASC-certification, and a combination of both ASC and an organic certificate – this study has shown that a total of 55% of the interested European buyers would like to have either certified ASC or EU organic products.

In the near future it might also be possible to start with organic production of Whiteleg shrimp (Litopenaeus vannamei) in addition to the already produced Black Tiger shrimp (Penaeus monodon) in Ca Mau, in order to increase the production levels of organic shrimp. According to one of the leading inspection and certification bodies for the EU organic regulation, the Institute for Marketecology (IMO), the organic production of Whiteleg shrimp in Viet Nam would be in compliance with the EU organic regulation. Thus, at least the EU organic certification scheme would allow producing Whiteleg shrimp in extensive silvo-aquaculture.

Nonetheless it would have to be discussed with national and local authorities whether the production of Whiteleg shrimp in Ca Mau and within mangrove forest belts is wanted, legally allowed or whether it

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15 Naturland might have a different view and might not allow the production of L. vannamei in Viet Nam under the Naturland certification scheme.
bears (environmental) threads. The organic farming of Whiteleg shrimp should be conducted under the same circumstances (extensive silvo-aquaculture) like the organic farming of Black Tiger shrimp, as it has, among others, the purpose of protecting mangrove forests. As 30% of the contacted and interested companies indicated they would prefer to buy Whiteleg instead of Black Tiger shrimp, the possibility to farm Whiteleg shrimp under organic conditions might lead to an increase of the overall organic shrimp production in Ca Mau. This possibility might therefore be worth considering.

4.3 Marketing aspects

As stated in chapter 3.4 “Ranking of product attributes” and 4.2 “Companies’ response and buying potential” there is a clear trend regarding the importance of different product attributes for the marketing of organic products. The price is the most important marketing aspect followed by taste (or respectively aroma, texture etc.) and social acceptance.

This result should have implications for the shrimp processors in Ca Mau. Apart from the already discussed option of using inexpensive certification schemes, additional measures to reduce prices should be discussed in order to enable the respective processing companies to calculate their prices more carefully and to avoid overpricing of organic shrimp products.

In general, certified organic products do become more and more mainstream in several European markets, especially in Germany. It might thus get increasingly difficult for European (German) retailers and supermarkets, as well as for traders and wholesalers to get high premium prices for organic products as the market becomes more and more (price-) competitive. These facts should be recognized by the producers and processors of organic shrimp from Ca Mau by reviewing their prices, especially if orders increase and ordered volumes are huge. In the case of increasing volumes, production costs (especially labour costs) might decrease. This again might lead to a further price-reduction of organic shrimp products from Ca Mau to make the product even more attractive for European buyers. In the future, a carefully calculated, very competitive and attractive price for organic shrimp products from Ca Mau might lead to a significant increase in order volumes from European companies.

In addition to the attribute price, this study showed that the processing companies should carefully create and maintain the quality of their products. They should ensure that their products always show an extraordinary taste, have an attractive aroma and a very firm texture to be recognized by the European buyers as these are the attributes, the very high quality product from Ca Mau is associated with.

Maintaining and even increasing this quality, in combination with intensive advertising might also lead to higher order volumes in the future. In this respect the creation and development of a brand name as already considered in the market assessment study “Demand for certified and non-certified shrimp products from Viet Nam with special reference to Ca Mau Province”, is strongly suggested.

During the telephone interviews one of the contacted companies has expressed very high interest in buying organic shrimp from Ca Mau for the first time. Although the buying volume would be quite small, this company could function as a very important promoter for organic and high quality shrimp from Ca Mau due to it’s excellent marketing channels into the very high-end market. The company could even create public attention within Germany. On the other hand, this could have huge negative effects in case the quality of organic shrimp from Ca Mau would not be as high as expected.
Very important too are the social aspects related to the production of organic shrimp. It must be guaranteed that the social situation at the producing farms is acceptable, well as the social situation for the workers in the processing companies. In fact, even the social situation of the whole region must be acceptable, and social (or environmental) degradation caused by (organic) shrimp production must be avoided. Otherwise it will become very difficult for European companies to sell their products. At present, this is already the case for conventional shrimp products because of the detection and publication of social grievance within the South East Asian shrimp industry (Keyword: “slave labour in Thailand”). The aspect of social sustainability counts even more when it comes to organic production.

Furthermore it is no longer sufficient to just comply to the (minimum) social standards of certain certification schemes, bearing in mind that other certification schemes even do not contain any social standards, such as the EU organic regulation. Increasing the sales-volumes of organic shrimp from Ca Mau, as well as creating an acceptable social environment within the whole industry might thus be very helpful. The development of special projects to improve the social situation of the farmers or workers, might help as well, possibly in collaboration with European buyers.

### 4.4 Final recommendations for GIZ and provincial stakeholders from Ca Mau

#### 4.4.1 Recommendations on options for approaching European buyers

Two documents were submitted to GIZ as attachments to this report:

1. an Excel table with all contact information of all approached companies, no matter if they could be contacted by phone or not, and
2. a list of interview-protocols of those companies who showed at least some interest in buying organic shrimp from Ca Mau.

The contact table was arranged according to the interest and the buying potential the companies indicated. In addition, all listed companies were assessed by Aquatic Blue. GIZ / ICMP or relevant provincial stakeholders from Ca Mau should use especially this list for establishing as much as possible contacts with the listed companies, as well as for maintaining and improving contacts. ICMP and provincial stakeholders of Ca Mau, e.g. the Department of Agriculture (DARD) or processing companies, should build up contacts between potential European buyers and the organic shrimp processors from Ca Mau.

I might not be sufficient to submit the (correct and up-to-date) contact details of the local processors to the European buyers. GIZ, and possibly the provincial administration, should as much as possible act as moderators between potential buyers and processors. This would ensure identifying difficulties and challenges at an early stage, and would allow transferring, explaining and discussing such challenges with either partner to eventually overcome hurdles.

In this respect GIZ and ICMP do have a huge advantage and can play a very important role. Due to their long-time involvement in Viet Nam and Ca Mau, GIZ and ICMP have access to Vietnamese partner institutions, are well informed about specific interests, and can explain these interests to German and European buyers. As a German development organisation GIZ also knows the needs of German and European seafood companies and can transmit these special interests to the respective Vietnamese partner institutions and companies.
ICMP should thus be the main link between potential buyers, the local administration and local processors. ICMP and should be very much in contact with all involved entities and try to build up long-time partnerships. This could, for example, be done by frequent inquiries about the development of buying organic shrimp from Ca Mau, among both sides. In addition, ICMP could support German and European buyers in e.g. visiting processing companies in Ca Mau, or in being present at the annual Vietnamese seafood exhibition Vietfish in Ho Chi Minh City.

4.4.2 Recommendations regarding Vietnamese processing companies

In order to increase the sales-volumes of organic shrimp from Ca Mau, ICMP and the provincial administration should also approach the Vietnamese processors and discuss with them what the processors can do to help their products finding a better way into the European market.

Apart from focussing on the needs and demands of the European buyers identified by this study – (1) a very competitive and attractive price of organic shrimp products from Ca Mau, (2) an extraordinary and excellent quality in terms of taste and texture, and (3) a high social acceptance) – the processors from Ca Mau should be much more open to diverse and a higher number of customers, business partners and buyers.

In addition, they should avoid exclusivity contracts as much as possible. Such contracts might look attractive and might generate easy access to markets which otherwise might not be easy to penetrate and to establish. On the other hand, these contracts do limit processors to only a few European buyers, if not to one only. In the long run, exclusivity contracts hinder processors in diversifying customers, in being flexible and independent, and in developing own, new and larger markets. Exclusivity contracts thus block expansion and development.

Last but not least the processors should advertise their high quality and, very attractive products much more aggressively by all means. They should display and publish the good and attractive story of their products on their websites, in magazines, on trade fairs and seafood expositions all around the world so that the organic shrimp products from Ca Mau can be much more recognized in the future on the European market and elsewhere in the world.
Appendixes

A1 Questionnaire used during telephone interviews

1. Company

“Name of the Company”, Country (Info-Email sent on xxx date)
Contact person: Mr. / Mrs. / Ms. xxx, (Department, Position), Phone: xxxxx xxx xxx xxx; contacted on xxx date

2. Questions

2.1 Does your company have an actual demand for organic shrimp or would this be an option for the product portfolio?

2.2 From when on?

2.3 Can you indicate an approximate quantity?

2.4 Should the product be certified or would the „story“ be sufficient?

2.4.1 If certified, what kind of certification scheme?

2.5 Would you have wishes with regard to the species? Black Tiger or Whiteleg shrimp (Vannamei)?

2.6 Would you be ready to pay a premium for a certified sustainable shrimp product with a good (environmental) story?

2.6.1 If yes, how much would the premium be (in percent of the normal price)?

2.6.2 And how much would the premium be for a certified organic product?

2.7 Which of the following attributes have priority for your marketing?
   a) Protecting the environment because of mangrove protection
   b) Organic production
   c) Social standards
   d) Taste, Aroma, Texture
   e) Size
   f) Health aspects (free of residues, antibiotics)

2.8 Are you interested in visiting the farms or the producers / processors in Ca Mau?
GIZ might be able to help in organizing such a (group-) visit for interested companies given a sufficient number of interested companies.
2.9 Would there be an interest in an exclusive partnership?
In case of a sufficient high demand in high quality / certified organic / certified sustainable shrimp there would be the possibility of establishing a Public Private Partnership project in which GIZ could be able to cover up to 50% of the project costs. The company could have direct influence on the project and would gain exclusivity rights for selling the respective shrimp.

A2 Excel table with contact details of all approached companies
The contact table was submitted to ICMP in a separate file.

A3 Protocols of phone interviews
(listed according to priority, with brief evaluation by Aquatic Blue)
The interview protocols were submitted to ICMP in a separate file.