Food Consumption, Urbanisation and Rural Transformations

Regional Workshop Report

Hanoi, 1-2 October 2015

Final draft 10/12/2015

Authors: Bill Vorley, Paolo Cravero, Paule Moustier, Tuong Lan Dinh and Delphine Marie-Vivien

Table of Contents

1. Introduction

Both rural and urban areas of the developing and emerging world are experiencing social and economic transformation that is shaping production and consumption dynamics of the future.

With more than half of the world's population now living in urban areas, urban demand will become an increasingly important driver of rural transformations. But these transitions may not necessarily connect urban settlements with surrounding regions, and instead rely on industrial-scale farming, global food chains and processed foods to feed urban and, increasingly, rural consumers.

A new narrative recognises the critical interdependence between urban and rural development, and the need to leverage urban-rural linkages for wider development. It recognises that in countries where urbanisation has been associated with large-scale reductions in poverty and hunger, economic growth linkages between rural and urban areas have been catalysts for inclusive development.

Growing urban centres need rural areas, agricultural/food production, labour and ecosystem services from the rural areas around them and also their rural hinterland to ensure an economically, environmentally and socially sustainable urbanization. Rural areas, including those closer to and in the hinterland of small, medium and large urban centres, are critically important for urbanization: they are linked by agricultural value chains, ecosystem services, urban consumption that shapes demand for food and agricultural products, labour, services, natural resources, infrastructure, energy and transport.

IIED launched in 2014 a change initiative, *Food transitions: sustainable consumption policies across the rural-urban divide* aimed at shaping this new narrative, challenging the current understanding of food security and contributing to developing alternative policy options inclusive of the needs and difficulties faced by rural and urban poor. Under this programme of work, a first workshop was held in London in December 2014 in partnership with IFAD and DFID to establish the analytical framework of this analysis.[1]

In the context of its broader interest in leveraging the rural-urban nexus for development, IFAD has financed a joint programme with IIED since 2014 on ***'Rural-urban transformations and food systems: Re-framing food security narratives and identifying policy options that foster sustainable transitions'***. This analytical, consultative and policy work, undertaken by IIED under the auspices of IFAD, fits in the post-2015 development debate, and strategically contributes to reaching the Sustainable Development Goals by focusing on reducing rural-urban inequalities, investing in the rural space and employment, promoting better rural-urban connectivity, and taking advantage of urbanization to spur rural transformation.

To build upon these considerations, three regional workshops have been conducted in West Africa (Dakar, May 2015) and East Africa (Nairobi, October 2015). The aim of these workshops is to reflect on four core questions:

- What's happening to food **consumption** of the urban and rural poor?

[1] Reframing the debate on urbanisation, rural transformation and food security. IIED Briefing, February 2015

- What makes the difference between **virtuous and vicious circles** of urbanisation and rural transformation?
- What does this mean for our **narratives** of food security, urbanisation and rural development?
- What does a **new policy and research agenda** look like for inclusive rural and urban economic transition, food security?

This report summarises the evidence and discussion around these four questions that emerged from the Southeast Asia regional workshop, which was held in Hanoi, Vietnam on 1-2 October, 2015. The workshop was co-organised with MALICA. MALICA is a research consortium on food markets and city-countryside linkages to adapt rural production to urban demand for quality products and alleviate poverty. It has been active since 2002 to strengthen research capacities and provides decision support to public officials, farmers and stakeholders in the food systems. It also takes into account the growing opportunities and challenges set by regional and international trade. In addition to CIRAD it involves teams from Laos and Vietnam[2].

The workshop had an ASEAN focus, with the majority of evidence from Vietnam which is illustrative of the rapid transformations to rural and urban economies and food systems. The perspective from China was added in the form of a paper *Urbanisation, Rural Transformations and Food Security: the view from China* [link]. For the workshop programme and participants list see Annexes 1 and 2.

2. What is happening?

2.1. Asia has experienced rapid urbanisation

By 2050, population growth and urbanization are estimated to increase the world's urban population by 2.5 billion people—with nearly 90 percent of the increase concentrated in Asia and Africa. In SE Asia, nearly 63% of total population expected to live in urban areas by 2050. In 2014 53% of the world's urban population was living in Asia[3], and 13 out of 20 of the most populated urban areas are now in Asia. This share of the world's urban population is driven by a handful of countries: China, India, Indonesia and Japan. China's urban population grew from 191 million in 1980 to 636 million in 2010 (though the urbanisation rate is still low in relation to GDP).

Vietnam has also experienced quite rapid urbanization: official data shows urban population growing from 19 % in 2000 to 26% 2010, though this hides a more profound shift in the economic base of rural areas and de-agrarianisation seen in much of Asia, with the growth of large villages and small towns as centres of services, processing and intermediation. Rural and urban areas are now much more closely linked by infrastructure and information networks. In his introduction to the workshop, Nguyen Van Tuat, Vice Director of the Vietnamese Academy of Agricultural Sciences (VAAS) described the wide income disparities between urban and rural areas and the loss of farmland to the spread of urban and industrial areas.

[2] CASRAD (Centre for Agrarian Systems Research and Development); FAVRI (Fruits and Vegetables Research Institute; RUDEC (Rural Development Centre) of the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD); the Faculty of Agriculture, National University of Laos (NUoL).

[3] UN-ESA World Urbanization Prospects (2014 Revision) http://esa.un.org/unpd/wup/highlights/wup2014-highlights.pdf

2.2. Important shifts in consumption are underway, and urban-rural distinctions are blurring

The workshop heard how consumption is changing in the region. These trends – towards fewer staple grains, more animal and dairy products, more processed food, and much greater proportion of food consumed outside of home -- have profound impacts on food systems and consumption.

Box 1: Food consumption trends in Vietnam

In Vietnam, Denis Sautier (Cirad) and Dang Duc Chien (Rudec) showed the big shifts of consumption in the form of sharp decline of share of spending on rice and other staples -- with rice share dropping from 36% in 1993 to 13% in 2012. Demand for dairy products has steadily increased since the 1950s when there was virtually no dairy market, to the present with the emergence of trademarks, market for fresh products, interest in local milk (TrueMilk), and mass consumption of dairy products (fresh and dry milk, etc.). There is a wide gap in milk monthly expenditure between urban and rural areas, with the urban poor driving the higher and faster growing rate of expenditure of urban areas. This shows the impact of income on the choice and accessibility of animal based protein. There is not a big rise in proportion of food expenditure on meat. Meat consumption in urban areas is higher than rural, but the urban-rural gap is narrowing because meat consumption increases faster in rural areas (2002-2012: 62%) than in urban areas (18%).

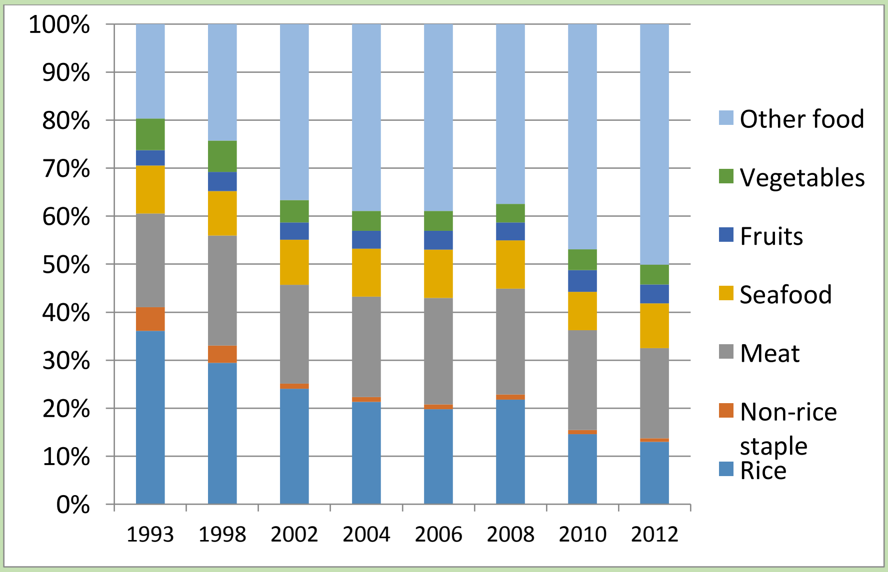

Figure 1: Household food expenditure on food in Vietnam -- is based on Vietnam living standard survey (GSO data); excludes consumption outside of home

Both quality and quantity of food available in Vietnam is improving and despite the increase in demand in the past years, prices have remained quite stable keeping food affordable. This applies also to meat products regardless of the solid growth in demand. However, this can be threatened by the decrease of consumer choices due to higher cost of access to retail markets by traders

The transition to processed foods and food prepared outside of the home is just as important for low-income groups in the region as for middle-class households.[4] Low-income urban households are often

[4] Tschirley, D., Haggblade, S. and Reardon T. (eds). (2013). Africa's emerging food system transformation. White Paper. Michigan State University Global Center for Food Systems Innovation. http://gcfsi.isp.msu.edu/downloads/white_papers/GCFSI_20_2013_MT2_White_Paper_Africa's_Emerging_Food_System_Transformation.pdf

lacking in housing space, time or affordable fuel to prepare meals at home. Recent work led by Michigan State University in Bangladesh, Indonesia, Nepal and Vietnam showed that on average the four countries have a 73% share of processed foods in urban total food expenditure—58% of which is low processed foods and the remaining 42% is highly processed foods. Similarly, the average processed foods share in rural total food expenditure of the four countries above is 59%—69% of which is low processed foods and the remaining 31% is highly processed foods[5].

Urban markets now constitute about 60-70% of the food consumed in Asia, though at least in Vietnam and China, income appears to be a stronger driving force than urban living.

Consumption is also changing in rural areas, with a blurring of distinction between urban and rural consumption and an increasing importance of the market in rural household food security. In China the cash share of food expenditures was as high as 95% in rural parts of the Beijing municipality and exceeded 70% in other municipalities and wealthy coastal provinces but it was only between 40-50% for most western provinces and autonomous regions. Guizhou, one of China's poorest provinces, had the lowest cash share of expenditures, at 37%.

2.3. The SME and informal sector's role in food provision is resilient and dynamic

Workshop participants discussed the increased reliance from the urban poor – as consumers, traders and producers -- on **informal food vendors and markets**. In Vietnam, the existing traditional markets play an important role – highlighted by the field visit to Thanh Xuan district in Hanoi, which compared informal vs. formal vending. Poverty alleviation is a major policy objective in Vietnam. However the government has a clear policy of promoting modern distribution and planned eradication of informal trade including street vendors, on the grounds of modernisation, food safety, traffic, and management of illegal migration. What has emerged is a mixed policy of 'restrictive tolerance' (Box 2).

Box 2: Resilience of informal vending in Hanoi

Informal food vending has demonstrated resilience despite the state's push towards formal/modern retail—studies presented in this workshop showed that at this moment there are around 7000 vegetable and 5000 fruit informal in the streets of Hanoi, compared to 160 shops and supermarkets.In 2009, vegetable street vending accounted for around 32% of retail quantities traded, retail markets for 58% relative to 1.3% for supermarkets[6]. This is due mainly to the preference of consumers for street vending due to its affordability, convenience, freshness, and possibility to build a trust relationship between customer and seller. In short, it meets consumers where they are.

Legislation put in place by the municipal authorities in 2007 recognised and restricted "independent, permanent and unregistered trade"; but in 2009 street vending on 63 major streets and some 48 public spaces was prohibited and presented an overall view of informal markets as backwards and unmodern. The fact that street vending is allowed in some streets is little known by street vendors themselves.

---

[5] Reardon et al. 2014.
http://www.fao.org/fileadmin/templates/ags/docs/MUFN/DOCUMENTS/MUS_Reardon_2014.pdf

[6] Moustier, P., M. Figuié, The Anh Dao and Thi Tan Loc Nguyen 2009. Are supermarkets poor-friendly? Debates and evidence from Vietnam. In: The crisis of food brands, eds. A. Lindgreen and M. Hingley, 311-327: Gower Publishing.

Through stakeholders meeting it has been possible to inform the authorities on the role informal vendors play for the food security of the poor. In pilot communities it has been possible to reach a compromise among authorities, community and vendors so that these were allowed to work freely within certain times and following certain rules (cleaning up after themselves, etc.). Dialogue between parties was key to reaching this 'restricted tolerance' and 'semi-formalization' though self-regulation, where vendors and community coexist and recognize the mutual benefit for their livelihoods. The local (ward) level looks more relevant than city level for integration of street vending in the city

Source: Nguyen Thi Tan Loc (FAVRI) and Paule Moustier (CIRAD)

Ronnie Natawidjaja highlighted the importance of informal vendors also in the Indonesian context. Traditional wet markets in Indonesia are managed by the local government and the majority are located in specifically designated areas as part of the big push from Indonesian authorities to formalize and modernise vending. These formal markets, however, are a clear example of the contrasting formal/informal vending dynamic. Formal vendors operate within the boundaries of the market whilst informal vendor sell on its edge meeting customers before they enter the market, and offering more competitive prices as they do not have to pay fees for the space they occupy. This can cause traffic congestion especially as the some formal vendors will join the informal ones outside the marketplace to try and intercept more customers, leading to a hollowing out of the formal space.

The fragmented and partly informal nature of food processing and distribution (Box 3) is considered to be a major threat to the integrity of food chains and food safety.

Box 3. Fragmentation of food processing in China

In China the food processing sector continues to be dominated by small enterprises employing fewer than 300 people, which make up about 93% of all businesses. By 2007 the sector included more than 448,000 businesses, of which almost 353,000 had fewer than ten employees. Many of these firms operate without formal credentials: in 2007 half of all businesses had improper business licenses and 164,000 were unlicensed (data cited in Thompson and Hu 2007). Food processing, distribution and retailing sectors are important sources of employment and revenue, especially in agricultural areas where they offer higher added value than agriculture alone. They have been particularly important in spurring growth in less developed regions in western and central China.

Industry fragmentation is considered to be barrier to improved food safety and technology improvements, and the highly competitive markets can be a concern for food safety if profit margins are too tight. However, the actual relationship between scale and safety remains unclear and is most likely not linear, or uniform across product types; some large firms have been involved in food safety incidents.

Source: J Holdaway

2.4. Food safety is becoming prominent in policy discourse

A greater interest in food quality and safety has been found across Southeast Asia and particularly in China and Vietnam, where a demand for higher product traceability is emerging, especially in urban areas. This is arguably also due to the direct connection that consumers make between food and health. In Vietnam both public and private sectors have proposed different answers to this issue: identification of clean zone of production, from training for farmers to certification, from the development of modern distribution systems and communication on food safety to changes in value chains organization (vertical integration, e.g. “safe vegetables”).

In China and in Vietnam the media has played an important role in shaping public opinion of food safety in the absence of good public information. Food safety consistently ranks high among the problems of concern to the public and low in terms of satisfaction with government performance. The media however gives a rather one-sided view of food safety by stressing additives, while underemphasising nutrition issues.

Governance of the food system is shifting towards urban interests (Box 4).

Box 4: Role of Hanoi municipality in assuring food security

The city of Hanoi expanded threefold area expansion in 2008 has made the city more rural and has moved agriculture into urban governance creating a new role for municipal government in food systems. As highlighted by Nguyen Xuan Hoan of the Hanoi City Department of Agriculture, the Hanoi’s municipality is highly involved in investing and shaping the agricultural policies of the peri-urban area to insure a quasi-total food independence. The main plans for investment and strategy gear around higher yields and increased production with a particular keenness on technology and innovation (from particular imported breeds to large scale farms to new and homogenised animal and plant growing techniques, etc.). Investment in hard infrastructure to facilitate production and trade, and “softer” programmes focusing on farmers training and support.

However, to meet regular demand for 10 million people in the capital, agricultural production by Hanoi only meets 69% of demand in meat, 32% in fish, 19% in fresh milk, 38% in rice, 60% in vegetables and 18% in fresh fruits. The deficit is transported from provinces and cities of Vietnam or is imported.

Further, the presentation highlighted the role of local government in shaping produce value chains as well as seed and final product quality management. Similarly, it highlighted the establishment, in 2013, of the *Trade Promotion Centre of Hanoi* to perform State management functions on promotion of agricultural, forestry, fisheries trading and market development.

2.5. Policy preference is shifting towards scale and value chain integration.

The workshop reported a shift in policy perception in the region, with large-scale agriculture seen as more efficient than smallholder family farming in terms of economic development and food safety issues, also attracting investments and therefore increasing land and labour productivity. Subsistence farmers are seen as structurally incapable of agricultural development progress and better off as wage workers, absorbed into the growing modern economy. This trend is reflected in Vietnam’s 2013 Agricultural Restructuring Plan (Box 5).

Box 5. Vietnam’s ‘Industrial Turn’: Agricultural Restructuring Plan

The 1986 economic reform (Doi Moi) initiated an era of privatization of production at the smallholder family-farm level through land reform and liberalization of agricultural marketing and trade. This resulted in a success story in terms of poverty reduction, inclusive economic growth and nutritional goals achievement lifting a famished country after the end of the war to a regional and international food basket. A new reform in 2013, the Agricultural Restructuring Plan, shifted the focus on the linkage between production and trade, and promotion of large-scale production units.

In Vietnam some companies are investing in agriculture, such as the Vingroup. But farmers are reluctant to give up their land, so few companies can develop at scale; they may choose instead to go to Laos or Cambodia.

For livestock – which is less dependent on consolidation of land – vertical integration, with contractual arrangements with farmers for standardised products and less room for collectors and wholesalers – is directed towards mass consumption. Guillaume Duteurtre (Cirad) described research partnership with Rudec, Casrad, and ILRI on the transformation of the livestock sector, with more input firms involved in the business, as well as processing industries (dairy, meat), large-scale distributors and financial institutions. They are responding not only to changes in consumption but also **policy** factors. In the Ba Vi district of Vietnam, in the post-2008 "industrial turn", the dairy value chain became much more concentrated with the emergence of one big industry (IDP) dairy factory and development of large industrial private farms. Producers get less and less support from government services (extension services, credit), while private companies such as IDP intend to provide more and more services (credit, training on feeding, etc.).

In China, much analysis of food safety has also argued that larger units of production would make it easier to enforce standards. The large number of small, non-contiguous landholdings has been seen as holding back the modernisation of agriculture, limiting capital investment, technical upgrading and increasing the value of agricultural production, as well as presenting a challenge for food safety. A host of new policies have been introduced over the last five years to address food safety. These include laws and measures relating to the oversight of food production and testing of foodstuffs, but also other policies relating to industry and supply chain development, industry upgrading, land zoning and the protection and remediation of the agricultural production environment. Some of these measures entail the establishment of new kinds of rural-urban linkages by connecting up producers with the processors, and distributors and in some cases retailers and consumers of food. Others include periodic clamp-downs on unlicensed traders, small processing factories and closing local markets, which may also have consequences for the price, variety and availability of food as well as for vendors' livelihoods.

Paule Moustier compared the different approaches to vertical integration between Vietnam and China. In Vietnam integration is combined with farmer organisations[7], while in China it is driven by agri-business companies and land consolidation. Farmer-driven integration seems more profitable for farmers than buyer-driven integration. In China, value chain vertical integration large-scale production is a political choice. The government has encouraged vertical supply chain integration, partly as a means to increase the safety of the food supply and partly to increase competitiveness. The role of 'Dragon-head' companies that integrate supply chains by contracting with farmer cooperatives and land consolidation are crucial in driving the change. 'Dragon-head' companies can be fully private or fully public or a share of the two, and may receive large subsidies for infrastructures, loans, trade promotion; land consolidation, input-output transactions, etc. They supervise production, provide technical advice and requirements, and provide inputs. Policy is also supporting scale and consolidation, with targets such as the 12th Five Year Plan which set a target of large dairy farms of

[7] Moustier, P., Phan Thi Giac Tam, Dao The Anh, Vu Trong Binh and Nguyen Thi Tan Loc, 2010. The role of Farmer Organisations Supplying Supermarkets with Quality Food in Vietnam. Food Policy 35: 69-78.

over 100 animals to reach 38% of all farms and 50% of swine farms having a slaughter population of over 500 animals[8].

2.6. Trade and investment is leading to regional overlapping of food economies

There has been a strong expectation that the shift in consumption associated in urbanisation will lead to much greater volumes of import such as milk, which could destabilise domestic agriculture.

Experience in Vietnam and other countries however have shown that domestic industry has responded rapidly to demand, and it is not always a story of growing import dependence.

One important exception is the increasing demand of animal protein that is driving imports of animal feed, which in Vietnam now outweighs the export value of rice. The issue of feed import has highlighted the necessity of better understanding the role of current and future trade liberalisation in the region and beyond (especially as the Trans Pacific Partnership is at its final negotiating stages) as well as the role of China in "feeding" Hanoi through both formal and informal cross-border trade.

Workshop participants pointed to major data gaps in regional trade; for example, Cambodia produces 8 million tonnes of rice every year, consumes 3 million and exports 1 million, so 4 million tonnes are missing in the statistics, probably in informal cross border trade to Vietnam and Thailand.

But beyond trade, there is a need to better understand the implications of cross-border agribusiness **investments** in the ASEAN region—both in terms of industry structure and land use—particularly as regional companies have more leeway than global conglomerates. For example, the Thai-based integrated agro-business company CP Group which is aggressively investing ahead of the formation of the ASEAN single market. National statistics do not capture well these dimensions.

3. What makes the difference between virtuous and vicious circles of urbanisation and rural transformation?

Karim Hussein (IFAD) in his opening remarks stressed IFAD's view of the critical interdependence and nexus between urban and rural development, and the need to leverage urban-rural linkages for wider development. The workshop heard diversity of models, with varying levels of **farmer-participation** and control.

3.1. Agricultural transformation and non-farm employment

An important example of leveraging urban-rural linkages was presented from research in Vietnam's Mekong Delta by Hoang Xuan Thanh (Ageless Consultants) (Box 6) [intro] How farmers are contribute to the rural urban linkage?

Box 6. Rural transformation in Vietnam's Mekong delta: virtuous links between agriculture, trade and services

[8] Schneider, Mindi and Shefali Sharma, 2014. China's Pork Miracle? Agribusiness and Development in China's Pork Industry. The Hague, Institute for Agriculture and Trade Policy. In China's Pork Miracle? Agribusiness and Development in China's Pork Industry. The Hague, Institute for Agriculture and Trade Policy.

A study on changing livelihoods in three settlements in the Mekong Delta in 2006 highlighted how rapid urbanisation and industrialisation have had multiple impacts on rural Vietnam since the economic reform of the mid-1980s. Rice production had virtually disappeared, giving way to fruit orchards, in response to rising urban (and rural) demand for fresh fruit and vegetables that was supported by growing average incomes.

In 2006, the authors observed profound social and economic transformations in three rural settlements in the area often described as Vietnam's rice bowl and where livelihoods and the nature of the local economic base, including farming, had changed radically. At the same time, employment in the growing industry and services sectors absorbed large numbers of increasingly mobile rural residents, especially but not only younger generations, contributing substantially to rural incomes and to rural households' capacity to invest in high value agricultural production.

This increasingly blurred distinction between rural and urban—whereby the complementary links between different sectors (agriculture, trade and services) not only became stronger but also occurred within the same space—contributed to local economic growth and poverty reduction, albeit with widening income inequality.

The study was repeated in 2015 to see whether this success story was perpetuated over time. All three settlements continue to show synergistic rural-urban development. Fruit production, almost exclusively for the domestic market, remained the key economic activity in the three settlements. While the quality of fruits has improved—thanks to access to better techniques and driven by demand—the trade and marketing system had hardly changed since 2006. The close relationship between private **traders** and small-scale farmers remains the base of local economic development.

With improved transport infrastructure, most farmers now own motorbikes that allow them to transport fruit to traders' warehouses. The role of traders collecting fruit at the farm gate has declined but the role of large traders in the settlements has become even more important, as they collect about 70% of the total fruit production.

What makes private traders more successful than cooperatives and government initiatives is their flexibility and access to a wide range of final markets, as well as the resilience of the 'traditional' markets of which they are part. In fact, supermarkets, which in 2006 seemed to be on the verge of transforming domestic markets, have been far less influential than expected—they cannot offer advantages of traders. And supermarkets also buy from traders/middlemen.

The strong complementarity between farming, trade and services supported by local traders with access to a wide range of markets, seems to have remained the basis for successful local economic development and job creation.

In all the study settlements, population has grown in size, livelihoods have improved and non-farm employment opportunities have increased, either locally or within a short distance allowing for access to non-farm employment within the settlements and within commuting distance. Migration remains an important component of livelihoods, but is being gradually replaced by short-distance mobility linked to new employment opportunities in neighbouring towns and villages and improved transport connections. This has reduced the need to migrate to the cities while retaining the all-important access to non-farm incomes that supports investment in high value fruit production.

Source: Hoang Xuan Thanh (Ageless Consultants)

3.2. Migration and remittances

The role of **migration** and **remittances** in rural and agricultural development was picked up by Nguyen Duc Loc (SCAP Vietnam). He illustrated the role of migration and remittances on rural households in Vietnam. About 6.6 million people migrated in Vietnam over the 2004-2009 period, accounting for both permanent movements and temporary or seasonal movements. This study focused on the role of remittances in reducing poverty and found a correlation between the two—without however proving its beneficial effects in the long run. It showed that the share of income from rice production is significantly higher for migrant households with remittances than for non-migrant households and migrant household without remittances. The research also found that land productivity and labour productivity of migrant households with remittances are higher than those of migrant households without remittances and of non-migrant households.[9]

The comparative analysis confirms that migrant households are more efficient in crop production when remittances transfer took place, and that migration is an effective diversification strategy in terms of labour allocation.

However, the results could not explain the effect of migration on household production and resource allocation. The reason may be that migrant households are different from the non-migrant ones in terms of their inherent characteristics, such as being financially better off, having higher social capital or assets in comparison to non-migrant households.

Remittances from migration increase household expenditure, especially on non-food items, while migrant households without remittances increase spending on food but decrease spending for education.

Another feature of rural transformation in Vietnam and China is the growing prevalence of **land leasing** and land exchange – much of it informal.

3.3. Innovations in chains

The drive for quality and safety has seen a growing interest for traceability and territoriality of products.

In Vietnam, new marketing tools aimed at differentiating products based on **origin** through Geographical Identification (GI) and Collective and Certification Trademark (TM) have been pioneered. The presence of the state within this process is strong as it owns both GI and TM. Delphine Marie-Vivien (Cirad)) made the distinction between using origin (1) to certify food safety (such as *Moc Chau safe vegetables)*; and (2) to certify terroir (i.e. natural and human factors that confer a specific quality or reputation), such as *Ha Long fried Calamari*. Some certification trademarks such as *Bavi Milk* combine the two and market the origin as an indication of food safety.

Another example of a Geographical Indication product was presented by Hoang Xuan Truong (CASRAD) on the value chain of Vietnamese northern mountainous beef, which was promoted in the context of an IFAD-MALICA project, Superchain. In Hanoi domestic beef has to compete formally against imported beef from Australia, Laos, Thailand and Cambodia, and informally against smuggled meat. Supermarkets mainly sell imported beef as the quality, volume and bureaucratic requirements are too cumbersome for small producers and breeders. Further, and perhaps more importantly,

[9] Note also the increasing importance of nonfarm and migrant employment in rural livelihoods demonstrated by Nguyễn Tuấn Anh, Jonathan Rigg, Annuska Derks: Migration and Agricultural Production in a Vietnamese Village -- http://www.eth.mpg.de/3934899/mpi-eth-working-paper-0164.pdf

supermarkets buy on credit and pay only 15 to 30 days from delivery—a system non-compatible with small producers/breeders.

By creating a new branding for the H'mong beef by standardising the breeding processes among farmers, producers managed to carve a high quality niche market. The step taken allowed to create a GI connected not only to a territory but also to a specific methodology of production and people—which are the first step for further TM certification. Branding and across-the-spectrum marketing also allowed for this product to be highly recognizable further strengthening its presence in the Hanoi beef market. Dao The Anh (Casrad) reported that consumer appreciation for GIs is reflected in price premiums of 30-40% for GI-labelled products. However there is as yet little consumer-awareness of GI and TM.

Longer established and more established chains exist for 'safe vegetables', where governments and NGOs have responded to growing consumer concerns over the integrity of fresh produce. Public and private entities have responded to this growing demand in multiple ways, including training programmes for farmers, standards and certifications, development of modern distribution and communication on food safety, and value chains integration. Schemes have however struggled with high costs, fragmented markets, and poor consumer trust (Box 7). Nguyen Xuan Hoan of the Hanoi City Department of Agriculture observed that through dialogues with local authorities and citizens, he has noted that citizens have lost trust in the control, management of food safety certification. Trinh Van Vinh of the Hoa Binh Cooperative, brought to the workshop the farmer's perspective stressing how food safety is the biggest concern for consumers and how it is necessary to be able to guarantee "safe vegetables" to the population—especially given the fundamental role fresh vegetable have in Vietnamese diets.

In China, the 12th Five-Year Plan for food safety aims to increase the area used for promotion of "no harm", "green" and organic foods to 60%. However, despite more supportive policies, certification for organic food remains expensive, and public trust is low.

Box 7. The struggle to establish "Safe vegetable" supply chains in Hanoi

The total demand of vegetables in Hanoi is 1 million tons per year with production within Hanoi's metro meeting only 60% of total demand in 2014. Hanoi has 7 wholesale markets supply vendors in 395 public markets, plus some farmers sell vegetables direct at those markets.

The ''safe vegetables" programme dates back to 1995, when public concern in the safety of vegetable produce led to action from the Ministry of Agriculture. In 2008, the VietGAP standard was introduced, but because the costs of adoption and inspection for small-scale producers most certification and labelling for food safety still relates to ''safe vegetables'', a less demanding standard rather than VietGAP.

Dao The Anh (Casrad) and Vu Van Doan (Casrad) presented the distribution supply chain of vegetables in Hanoi. Vendors in the public markets pay less attention to the origin; they require young vegetables, fresh, the right type and low price. The majority (55%) of consumers choose to buy vegetables based on trust in the neighbourhood and/or in the vendor. Compared to perception, the supermarket end of the retail system has limited demand, and the volume of vegetables traded through that channel each day is small.

Despite the 40 primary processing facilities with businesses and cooperatives involved, the 'safe vegetable' programme does not seem to be working so well as the production scale is based on small households and because the processing facility has to bear the distribution costs. This raises by 10/15% the production price for certified 'safe vegetable' products, but this initial investment does not always have a return in terms of higher market price, leaving producers and processor with a loss – they then return to traditional vegetable production.

Processing facilities to achieve economies of scale have not been successful: Huong Canh Company's processing facility in Van Duc - Gia Lam (2,000 m^2, modern technology, capacity of 5 tonnes per day cost of VND 7 billion) opened for only a short time and is currently not operating. There are also primary processing facilities of 40-50 m^2 run by cooperatives and supported by government and NGOs, but also rarely used, with many of them have stopped working. Safe Vegetables (or at least vegetables labelled as such) comprise around 5% of total supply of vegetables into Hanoi.

Source: Dao The Anh and Vu Van Doan; Paule Moustier

4. Research and Policy implications

What has the workshop exposed about evidence-based policy for inclusive, green and food secure growth that work for development of town and country? What does it mean for a **new policy and research agenda? Are there** implications for the **SDGs**, the **new urban agenda** (Habitat III, etc.) and IFAD's policy discourse? These questions were addressed in the working groups.

4.1. Urbanisation, livelihoods and consumption: looking beyond mega-cities

There was widespread agreement that urbanisation should be researched **not only as a dynamic occurring in mega-cities**, but as a social phenomenon - with the potential of changing livelihoods (through a gendered lens, including income differentiation between men and women) and associated consumption patterns even at relatively low levels of population aggregation. Research on food system transformations across countries with different level of urbanisation (e.g. from Myanmar to Indonesia) could provide important insights, including how this drives rural transformation through linkages (or lack of them) to vending, processing and production. This applies to channels of distribution of both the urban and rural poor, the role of small towns, the role of wholesale markets (especially in taking undifferentiated goods), markets for staples (as distinct from higher value chains), and the role of small scale distribution and informal markets.

4.2. Alternative routes to inclusive food secure growth

Many governments are adopting policy positions leaning heavily towards modern food distribution and away from informal (or semi-formal) distribution. This is a policy response to citizen concerns about food safety, as well as need for improved tax revenue, competitiveness, and an orderly process of urbanisation. But these policies may have a weak basis in evidence, and come with high risk of exclusion of small-scale producers, low income producers, and the dense network of traders and SMEs in between. From the workshop there were pointers to other routes to **inclusive food secure growth** that works with and for smaller scale actors and markets of the poor, including women and young people, and their role in the food system

Alternatives to vertical integration: The Mekong Delta case study shows how **clustering** and regional specialisation (a form of horizontal coordination) can draw in traders without the need for land consolidation and agro-industrial scale of production, or even formal producer organisation. It also generates important non-farm jobs in local urban centres, thus reducing the need for long distance migration. This form of agriculture builds on tradition of rural pluriactivity. Rather than vertical integration, local traders provide important forward linkages to multiple markets. This may explain the continued competitiveness of the trader-wholesale-vendor chain against supermarkets for fresh produce distribution.

Street vending in urban food systems. The field visit to Thanh Xuan district, Hanoi highlights the comparison of informal vs. formal in terms of quantity of vendors. The workshop heard innovations in policy approaches to informal and small-scale enterprise such as municipalities bringing street vendors into the city food system such as through provision of power and sanitation, restriction of traffic, etc. (e.g. Solo, in Indonesia; Bangkok, in Thailand). Agency and association of vendors is key. In North Vietnam farmers are often also part-time vendors as part of differentiated livelihoods, but the link between vending and inclusive rural transformation – including to agriculture and possibilities for future value chain approaches – is poorly understood.

From a **research** perspective, governments need to be convinced with evidence of the importance of informal trading compared to other systems, since this topic is politically sensitive. One neighbourhood vendor may serve 20-30 households; without this street vendor, the households have to commute to markets, which might result in more traffic and more traffic congestion. Policymakers also need examples of successful **interplay between the informal sector and policy** (as per the case of Solo in Indonesia[10]) that build on flexibility and advantages of informality, while minimising risks to consumers and urban governance. Evidence is also key to supporting a shift towards risk-based approaches to food safety (see 4.2). Hybrid forms of **governance of traditional vending**, that combine local level formalisation with self-regulation (Box 2) need further investigation, as alternatives to central push to modern formal distribution. Le Minh (Oxfam) commented that the word "informal" does not reflect the nature of the activity as it has existed for a long time before the law came in. A better term is "unregistered" vs. registered, or modern vs. traditional to avoid the sensitive term "informality".

Migration and remittances vs. agricultural industrialisation. The insights of Nguyen Duc Loc on migration, remittances and agricultural productivity are important. The research suggests that through remittances, migration can help to increase land productivity; while without remittances, labour productivity is reduced and drives agricultural industrialisation. These impacts on productive investments in agriculture needs to be better understood across SE Asia, particularly through gender lenses. Note that this would be of interest to the Remittances Facility, hosted by IFAD.

[Research: 'Inclusive' rural transformation: what's happening to excluded groups as transformation takes hold?]

4.3. Food safety and its regulatory response

Food safety, especially for vegetables, meat and milk, emerged as one of the most important potential exclusionary force in the food system in SE and E Asia, and part of the growing urban governance of the food system. This has important implications for inclusive rural and urban transformation.

For **evidence-based** and thereby **risk-based** (rather than media-driven) policy, we need to meet policymakers around their concerns. Research on the relative performance of smaller scale, semiformal chains vs. formal integrated chains is crucial. Nguyen Viet Hung (ILRI) described a comparative analysis of pork sold in supermarkets and wet markets (where the majority of pork in

[10] Note however that more recent information from Kota Kita in Indonesia describes a partial return to informality, with vendors returning to the streets return of informal vendors after "successful" relocation and upgrading policies. John Taylor "Returning to the Streets", paper presented at conference Contesting the streets II: Vending and public space in global cities. October 2-3, 2015, University of Southern California

Vietnam is still sold). While most pork sold in Hanoi did not meet microbial safety standards, meat was found to more frequently highly contaminated in supermarkets. This is most likely because meat tends to sit on supermarket shelves longer before sale, allowing bacteria to multiply. This insight that "modern" does not necessarily equal "safe" echoes ILRI research on informal vs formal milk chains in East Africa.

Consumer research can also give some context to the successes and failures of "safe" value chains. Are consumers more willing to pay for food safety (e.g. VietGAP certified)? What is the threshold that pushes consumers away? How does this differ between informal or formal markets? What is happening in the gap between expressed willingness to pay and actual behaviour?

Then there is the issue of exclusion at the farm level. VietGAP and even the newly introduced BasicGAP are hard to apply for small-scale farmers. Hoang Xuan Thanh reported from the Mekong Delta that the increase in revenue benefits from GAP cannot cover farmers' costs of investment, including fees for certification and re-certification. So GAP is not working, despite multiple projects for implementation of GlobalGAP and VietGAP, and capacity building for cooperatives, by the Fruits and Vegetables Research Institute, Can Tho University, and others.

Research on alternative approaches to improving safety and security of non-integrated chains is a high priority. Current policy is not only impeding the market development of safe vegetables, but is also limiting market access to many smallholders with less than 2 ha.

Similar issues raised by certification are relevant for specific quality, i.e., taste in relation to origin.

4.4. Regional overlapping of food economies: Cross-learning in ASEAN

Research and advocacy have not kept pace with the regional overlapping of food economies, including the role of corporations based in the region in driving cross-border investment in production and processing (such as the role of Vietnam in Laos). They also failed to keep abreast of the stabilising or destabilising impacts of the regionalization of markets and of Free Trade Agreements, such as the TPP – for example by driving a shift to dependence on imports. The workshop called for greater **cross-learning in the ASEAN region** to **track** these changes, identifying **innovative practices** across the region, and **advise** regional integration such as food safety regulations while valorising the specificity of each region products.

5. A new approach to policy

The workshop called for a broadening of our interpretation of policy, so that it is more adapted to **market dynamism**, and makes space and strengthens capacities and **voice**. It places a stronger emphasis on **action research**, with **engagement of actors** themselves to co-generate evidence for advocacy – including creative 'lab' approaches[11]. It means, as suggested in the case of Vietnam, bringing politicians to the field, as they will only look at tangible results, not at papers. Research focuses more strongly on **development**, such as understanding and improving food markets of the poor, f**armer**-participative/driven value chains, and diversity of models.

The workshop also pointed to the broadening of engagement in policy of different type of associations at different point along the value chain:

[11] For example: https://hivos.org/activity/food-and-energy-change-labs

- **Farmers**: how to strengthen their role in policy and programmes (e.g. IFAD's MTCPII on producer organisation strengthening[12])
- **Traders and vendors**: integrating urban market trader perspective into policy discussion – this is a missing link, poorly recognised, and so far invisible beyond the "parasitic middleman" narrative. Backward linkages from trader to producers and forward linkages to vendors
- **Consumer** organisations and their role in advocacy
- **Subnational** policy: an appreciation that much innovation is at the regional/local/municipal rather than national level
- **Producers and Inter-professional** groupings

[12] http://asia.ifad.org/web/mtcp

Annex 1: Participants

IFAD, Hanoi	Viet nam
IIED	UK
CIAT Viet nam	Viet nam
Rudec	Viet nam
Casrad	Viet nam
ICRAF	Viet nam
Cirad-Malica	France
Cirad/Malica	Viet nam
	Viet nam
Cirad	France
Fresh Studio	Viet nam
FCRI	Viet nam
Ageless Consultants	Viet nam
Casrad	Viet nam
IFAD, Rome	Italy
Cirad	Viet nam
OXFAM	Viet nam
Embassy of Canada	Viet nam
CIAT Viet nam	Viet nam
SCAP VN	Viet nam
Rudec	Viet nam
Casrad	Viet nam
Can Tho University	Viet nam
FAVRI	Viet nam
ILRI Ha Noi, Vietnam	Viet nam
Department of Agriculture, HN	Viet nam
CIAT Vietnam	Viet nam
IIED	UK
Cirad	France
VNUA	Viet nam
Nong Lam University, HCM	Viet nam
CAPAS, Bandung, Indonesia	Indonesia
FAO Bangkok	Thailand
Hivos Regional Office, Jakarta, Indonesia	Indonesia
Casrad	Viet nam

Participant names have been omitted due to data protection restrictions

Annex 2: Agenda

Day 1 (October 1st 2015 – 8:30 – 17:00)

AM

Welcome; Overview of topics for discussion; Introduction to workshop

Introduction to the issues and objectives of the workshop

Session 1: Food transitions: rural and urban

Session 1.2: Food transitions: rural and urban

Working group 1: What's happening? How does this challenge current narratives of food security, urbanisation and rural development?

PM

Feedback from working groups, general discussion

Session 2: Virtuous vs vicious circles of urbanisation and rural transformation

Day 2 (October 2nd 2015 – 7:00 - 15:30)

AM

Field trip: Diversity of retail in Hanoi. Focus on resilience of vending in Hanoi, and dialogue and dissent in the process of relocation and formalisation

Welcome, reminder of Day 1

Session 3: Policy innovations

Working group 2: What policy innovations have potential for replication within and between regions? What are the priority issues for research and advocacy?

PM

Feedback from working groups

Session 4: New policy agenda

Summary of ways forward (research, advocacy, policy), close