

Balancing interests of actors in the ocean tuna value chain of Khanh Hoa province, Vietnam

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ABSTRACT

The exploitation of ocean tuna has become one of the most important fisheries, in terms of foreign income generation, in Khanh Hoa province. This paper examines the structure, conduct, and performance (SCP) of the tuna value chain within a value chain governance framework to answer the research questions: (a) what is the nature of the tuna value chain in Khanh Hoa province, (b) who are the actors involved in the ocean tuna value chain? (c) What type of market structure is in place and what is its effect on product flow and market performance. Results show that actors operate in an imperfectly competitive market and earn profits from their operation, but the intermediaries receive the most in comparison to their investment expenditure. Processing companies benefit more when they buy directly from the fishermen and they face many difficulties in exporting ocean tuna.

1. Introduction

Global Value Chain (GVC) analysis, a variant of the Global Commodity Chain (GCC), is the process of following a product from point of inception to point of consumption [1–5]. Value chains encompass all activities and connections required from primary production to transformation to commercialization and end-consumers [6,7]. The actors in a value chain include input suppliers, producers, processors, marketers and consumers who are linked across global space through an integrated system supported by technical, business and financial service providers [8,9]. GVC analysis helps one to understand the wide variation of benefits derived from participation in different value chains and end markets. GVC tactic analyzes the role of leading firms in shaping integrated GCC network of sourcing firms and focus on power relations embedded in the chains.

Gereffi [3] acknowledged this power relationship existing among firms and coined the term governance of GCCs as the process of organizing activities along a value adding chain. Governance of GVCs shows the interrelationships of firms within the industry [10]. Havice and Campling [11] in their study on canned tuna value chain indicated that there was a minor difference in the definition of chain governance between scholars and economic geographers. Scholars of value chain define chain governance as the relationship of power among firms in a production network whereas economic geographers working on the environment, state that governance refers primarily to state and non-

state-based institutional and regulatory arrangements shaping human–environment interactions. In spite of the differences and similarities of the definitions of governance of value chain, the term involves the process of organizing business activities to achieve division of labor and entry barriers along the chain [12,13]. Tran et al. [14] used the GVC governance framework to show the power relationship between the lead exporting firms and small-scale farmers as they attempt to improve standards in the Vietnamese shrimp industry. Governance therefore enables the definition of the terms of competition and strategies influenced by market structure, conduct and performance (SCP) in the process of acquiring maximum net benefits from value-adding activities [15].

Figueirêdo Jr. de et al. [16] extended the SCP framework to connect value chain strategies, such as product, market, technology and governance choices, to outcomes with respect to local development. In 2016, Figueirêdo Jr. de et al. [17] used the SCP to devise and evaluate strategies for value chains of the honey market in Brazil and concluded that the framework clearly identified the value chain strategies and pointed out the main links between strategies and outcomes in certain business environments. In this study, the use of the SCP framework is used to evaluate the tuna value chain strategies of the Khanh Hoa province of Vietnam. Yellowfin tuna is the third most popular species in Vietnam, and Khanh Hoa province is the largest producer of this high priced but disappearing species. Hence, it is important to evaluate the effects of competition examined in the light of SCP on the stock and

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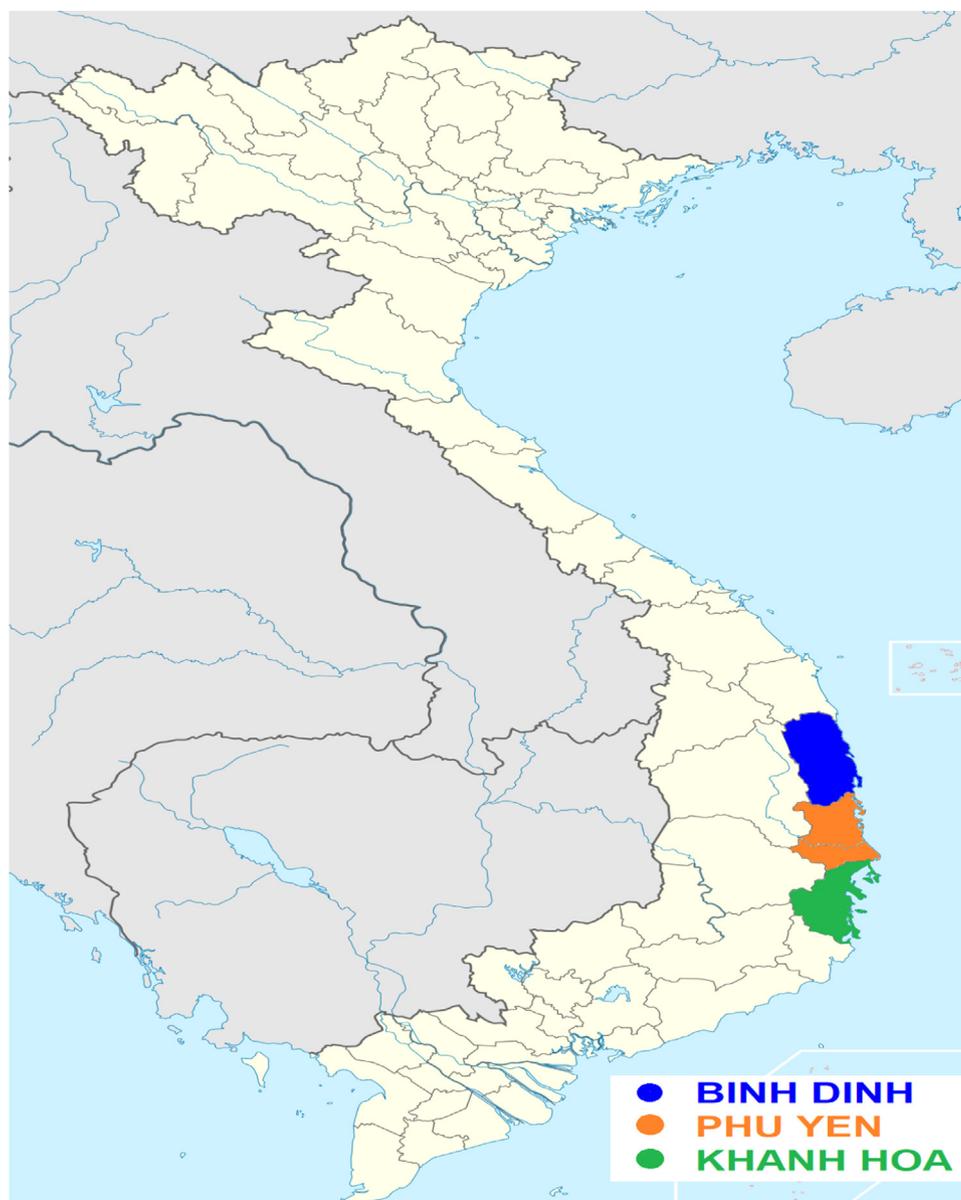


Fig. 1. Map of Vietnam in yellow showing Binh Dinh, Phu Yen and Khanh Hoa provinces, the major producers of tuna.
Source: Tuong Phi Lai, National FIP Consultant with inputs from Tran Van Hao¹ and Keith Symington²

environmental conservation of the yellowfin tuna value chain.

1.1. Tuna industry in Vietnam

Tuna is one of Vietnam's fastest-growing wild caught fisheries. The tuna fisheries industry contributes substantially to rural employment and regional economic development in terms of foreign income earnings. Tuna production in Vietnam has been stable and reached approximately 123,136 MT in 2016. The annual fish caught is below the maximum sustainable yield of more than 200,000 MT. Of the total fish caught in 2016, skipjack tuna contributed 93,561 MT (76.02%), yellowfin tuna 23,811 MT (19.35%) and bigeye tuna 5704 MT (4.63%) [18]. In 2016, Vietnamese tuna exports increased 12% in value compared to 2015 to generate approximately 510 million USD [19].

The central coastal provinces of Khanh Hoa, Binh Dinh, and Phu Yen (Fig. 1) are the main contributors to total tuna exports [21]. The main types of tuna fishing in Vietnam are longline, purse seine, and gillnet. Longline fisheries target Yellowfin tuna (*Thunnus albacares*) and Bigeye tuna (*Thunnus obesus*) while purse seine and gillnet fisheries catch

mainly Skipjack tuna (*Katsuwonus pelamis*) and other tuna species. Longline tuna fishing occurs only in Khanh Hoa, Binh Dinh, and Phu Yen, and its main targeted species are bigeye and yellowfin tuna. In 2011, there were 2521 tuna fishing boats in Vietnam with 50 horse-power (HP) engines or higher [20] but this increased to about 4213 in 2016 [18]. Most of these fishing boats are small wooden crafts that are unable to withstand strong waves and climatic disturbances. They also lack fishing equipment and preservation or storage technologies.

Major plans are proposed to improve the tuna fishing industries through the modernization of boats and fishing gear in the central provinces [19]. Of the three major central provinces, Khanh Hoa province has the most modern fishing fleet [18]. The province is the leading producer of yellowfin tuna that sells at a higher price on the world market than the other tuna (Table 1). Yellowfin and bigeye tuna received a price that ranged from 56% to 84% above that of other tuna sold in Khanh Hoa province from 2013 to 2016. The province produced 4076 metric tons of yellowfin and bigeye tuna in 2016 that was about 14% of all yellowfin tuna nationally in that year. Exported yellowfin tuna is a high income earner and the government of Vietnam through

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