Framework for Tree Seed Marketing Strategy
Indochina Tree Seed Programme & Vietnam Tree Seed Project

Consultants debriefing note by Mr. Svend J. Christensen:

The consultant visited Vietnam from 12 September to 1 October 1999 to develop the capacity of the managerial staff at Central Forest Seed Company (CFSC) including its seven enterprises enabling them to carry out marketing task as a supplier of quality seed and planting material. The consultant elaborated long-term views on a sustainable and possible profitable future of CFSC from a marketing outlook.

During the visit, the consultant had discussions and collected data with representatives of key stakeholders in the tree plant sector and relevant businessmen. A workshop in marketing was organized with the participation from CFSC and observers from sister-projects in Lao PDR and Cambodia. General marketing management theories were presented with preliminary findings of the rapid market survey.

Recommendations
CFSC has to go for a two-pronged strategy, each with a particular perspective.

1. The first part has to solve short-term sustainability of CFSC. This is a growth strategy to penetrate the currently served market with more sales to existing and new customers. In this strategy promotion has to improve awareness among customers of CFSC as a seller of seed and new industrial species and clones. Product development in quality and assortment is an important element in this strategy. Developing competence in seed and seedling production to achieve cost effectiveness is another important element.

2. The second part is a long-term strategy to prepare the CFSC for future changes in demand. Basic product development in new hardwood species with long rotation (either from seed or vegetative propagule) and outstanding varieties or clones of currently used - and new - species are investment areas in this strategy.

Constraints and risks (edited).
1. Shortage of funds.
2. Too late entrance into clone development and production to achieve an overall competitiveness based on experience
3. Challenge of developing new production of hardwood species
4. Lack of motivation

Suggestions for supporting activities are enclosed final report as a marketing action plan

Major findings in internal analysis of CFSC
1. Products and product portfolio were: Seed - 34 species - and plants such as seedlings, cuttings, tissue culture for forestry, scattered trees, ornamentals, horticulture – and
complementary products plastic tubes, fertilizers, pesticides, mushrooms - and harvested produce from planted areas - timber and wood, resins.

2. Structure and set-up in the seven enterprises are highly different and uneven. The number of customers in the seven enterprises varies from a few up to 100.

3. Total sales of seed and plants were balanced to major customer groups. A distinct change in sales of seedlings toward cuttings is observed, and this trend will continue in the next years.

4. Enterprises have no published price list

5. Marketing mix used until now was primarily personal selling. Other marketing activities such as mailing and hand out of calendars have been done.

6. Currently the ‘Public Service’ part of CFSC turnover is 70%.

Market characteristics.
1. The Vietnamese market has full supply of seed and planting material from individuals to highly professional companies. The demand is driven by GOV programs and is lower than the capacity of supply from the large numbers plant producers in the market.

2. Market prices in the major segments are settled by a comprehensive approval procedure in the provinces in accordance to GOV programs. Therefore price levels on plant material are not a consequence of a free market.

3. The size of the country creates trade barriers and these are only partly compensated by the good infrastructure and communication system. Furthermore transparency of this market varies in the different segments and product markets. Large suppliers and buyers act professionally with good market knowledge while transparency for smaller players is low.

4. A large number of middlemen utilize this situation. The suppliers are numerous varying from very simple suppliers to well-organized conglomerates of forest industries.

5. Stakeholders in seed, production of plants and planting activities are:
   1. DARD in 61 provinces/cities: Influential in budget allocation to tree planting activities.
   2. SFEs – approximately 400 significant producers and suppliers of seed and tree plants.
   3. Provincial seed companies - approximately 10 important seed and tree plant suppliers.
   4. Individuals (farmers / land users) - large producers of seedlings in more than 10,000 nurseries and most important end user, planting out, but not as a buyer. Funding comes from GOV programs or donor projects.
   5. Forest industries - 2 major producers and buyers of tree plants (VPC and VINAFO) plus a number of smaller JV and provincial initiatives coming up. Produce and import seed themselves.
   6. Forest research stations - few important producers of tree plants.
   7. Donor projects - large buyers of tree plants and smaller amounts of seed. Important opinion former (trendsetter) in the sector.

Market assessment
1. Number of tree plants planted out is the driving force in demand of plants. The consultant estimates a demand of 350 mill trees planted out inclusive scattered trees
in 1999. GOV programs drive the demand for tree plants and in absence of these programs the demand will drop immediately.

2. The consultant estimate total market value for tree plants to be 75 Bill VND. Seedlings covers more than 90% of total value. The market value for cuttings (and tissue culture) in 1999 is over 7 Bill VND.

3. The total market value of seed in 1999 is most likely around 7 Bill VND. The value of this market will in the future be reduced by the increased use of cuttings and tissue cultures. The value of seed market is less than 10% of the market for plants.

4. CSFC serves a broad range of product markets with timber species, industrial species, scattered - multipurpose tree species and non tree plants for ornamental and horticulture purposes

5. The present market value for non-tree plants is not estimated, but according to the consultant’s international experience this market is global and very large. Demand is highly professional and price levels at a much higher level than tree plants. The market is totally different but based on the same technology.

6. The two most important segments are individuals/farmers with access to land and industrial planting under the regulation of P661. GOV demand is channeled through Forest Protection Management Boards in each Province.

7. The conclusion is the demand for - and choice of - forest tree species at present is the same in the two segments but motivated by different factors. The consultant sees an opportunity in raising awareness of alternative forest tree species with better performance in inter-cropping-systems than Eucalyptus and supply seed or plants to customers of these species. The challenge for CFSC in the industrial segment is to develop and market seed of high genetic quality and outstanding clones.

8. The choice between seedlings and cuttings varies for each segment of the market. The forest industry will maximize return of investment and demand high quality and high productive seedlings from well-documented seed source or cuttings from approved clones. The individual will recognize tree planting of forest species as an obligation to fulfill the official regulations. His interest in long-term investment will be low and as a consequence of this he will demand cheapest possible seedlings. In the future the individual demand may converge towards the industrial, but only after the land allocation process has been completed.

9. Nurseries are important key players in this market. More than 10,000 nurseries are involved in production of tree plants. Production varies from a few thousands up to several mill plants. Between 500 and 1,000 medium to large nurseries with a production of more than 100,000 plants/year covers approximately 50% of total nursery production in Vietnam.

NB! Figures, tables and annexes are not included in this short note but available in final report of consultancy expected by December 1999.