

I. SITUATION

Favorable climatic conditions allow Vietnam to produce a wide range of farm products, including fruits which could be seen as promising exports. In recent years, the production of fruits has developed well in terms of kinds, quantity and quality. In the 5-year period from 1993 to 1998, the fruit area increased by 47.6% and reached 450,000 hectares. Fruit output is some five million tonnes a year. The Mekong Delta accounts for some 70% of this output and many provinces have become famous for their fruits: mango and longan from Tiền Giang, grape from Ninh Thuận, lychee from Bắc Giang, rambutan from Long Khánh, pineapple from Long An and Kiên Giang, durian from Vĩnh Long, grapefruit and mangosteen from Bình Dương, etc.

As for export of fruit, Vietnam exported some 35,000 tonnes of fresh and processed fruits in 1997 including mainly canned pineapple and dried lychee. Vietnamese fruits are sold to some 40 countries but the quantity is small. In recent years, fruits (apple, peach, orange and grape) have been also imported from China, the U.S., New Zealand and South Africa and their value is between US\$12 and 15 million a year.

According to the FAO statistics in 1998, the per capita consumption of fruit in Vietnam was 38kg as compared with the average of 62kg for Asia, 77kg for Africa and 177kg for South America. The demand for fruit in Asia rises by 4% a year while the output rises by 2.9%. The annual output of fruit in Asia is 30kg per capita

while the average of the rest of the world is 110kg.

These figures show that Vietnam with a population of 80 million could consume some 5 million tonnes of fruit a year. Processed fruits from Vietnam have become more familiar to foreign buyers. The trade liberalization and reductions in tariff allow Vietnam to promote its export of fruits, especially tropical ones, based on its favorable climatic conditions and cheap labor. However, the earnings from export of fruits and vegetables reach only US\$65 million a year. This means that the quality of Vietnamese fruits should be improved with a view to making them more competitive in the world market.

The Plan for Production of Fruit and Vegetable in 1999- 2010 sets the following targets: producing 10 mil-

MARKETS FOR VIETNAMESE FRUITS AFTER JOINING THE AFTA SITUATION AND SOLUTIONS

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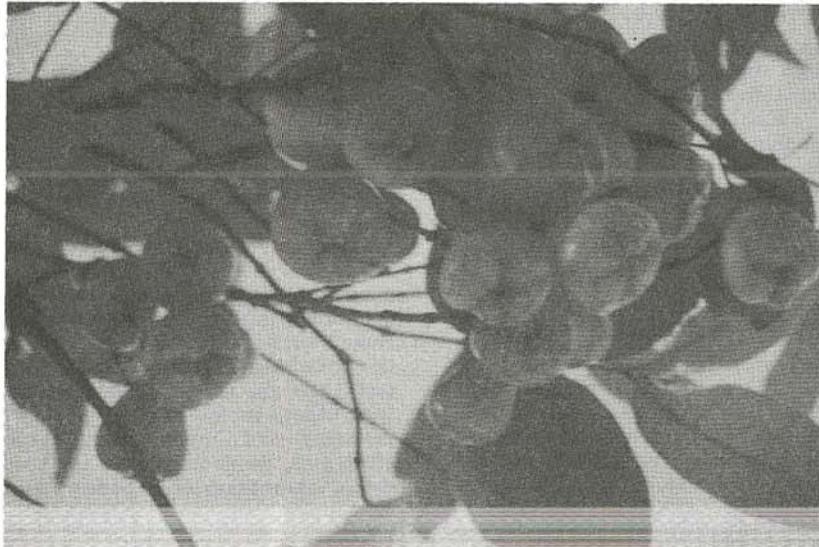


Photo by Nguyễn Trung Thanh

lion tonnes of fruit, reducing post-harvest waste from 25% to 15%, raising domestic consumption of fruit to 6 million tonnes a year, exporting 1.6 million tonnes and earning US\$350 million a year by 2010. Thus the domestic market is still important to the fruit production. As for export of fruit, the Plan suggests exporting fresh mangosteen, durian, rambutan, star apple, banana, pineapple, guava, watermelon and papaya along with some processed fruits (condensed pineapple juice; dried longan and jackfruit; papaya, mango and guava juice).

Besides some improvements in the production of fruits, certain difficulties have made their appearance: domestic demand is much lower than the supply; poor quality prevents local fruits from entering more demanding market segments, poor development of fruit processing

industry makes post-harvest waste rise, shortage of information and lack of orientation make the supply of various fruits exceed the market demand. These problems become more critical when the day for application of AFTA rules is coming. The portion of specialized garden is still small with the result that the supply of high-quality commercial fruit isn't reliable. As for specialized gardens, the application of new techniques is poor and therefore they couldn't ensure raw materials for processing factories. Moreover, many fruit gardens are threatened by annual natural disasters. Fruit planters have got into the habit of abusing chemicals (fertilizer, insecticide, stimulant, preservative, etc.) which make the consumption of fruits involve high degree of risk. Generally, fruits exported from Vietnam are of poor quality and design, and fail to meet various standards set by foreign markets.

After implementing the AFTA rules, Vietnam will have a chance to get access to the ASEAN market with a population of 500 million people and total GDP of US\$700 billion, and to sources of new farming and processing technologies and techniques needed for development of fruit production.

However, it will also face with more difficulties: fresh fruits when exporting should pay higher tariffs because the CEPT program favors manufactured goods; Vietnam will meet with keen competition from Thailand, the leading exporter of fruits in the region; the fruit industry hasn't been ready for regional integration yet when the time is running out; the protectionism in the past has made companies less competitive and more dependent on government intervention.

Generally, the regional integration brings more disadvantages than advantages to Vietnam because it has only several exports that enjoy preferences offered by the AFTA. If great reforms don't take place in time, Vietnam will fall farther behind other countries in the region. In integrating into the region, Vietnam will face strong competition from the following countries:

1. Thailand: Regarding output, structure of product lines and product quality, Thailand is the most worrying rival to Vietnam. The fundamental policy adopted by Thailand is to diversify its product lines and pay full attention to production of high-quality tropical fruits, such as durian, longan, mongosteen and rambutan

for export. The Thai government encourages the fruit processing industry and gives incentives and financial support to newly developed fruit orchards. Domestic communications, transport and marketing develop rather well. The government has also helped establish commodity markets and encouraged formation of association of fruit producers and processing factories. After 20 years of effort, Thailand became the leading exporter of fruits in Asia and its fruits are sold to such demanding markets as the EU, the U.S., and Japan. Some 78% of Thai fruit export is processed well. The area of fruits for export is bigger than the area of fruit for domestic consumption and the best part of output is for export.

2. Philippines: The government has also carried out the same programs as Thai ones but paid attention to production of common tropical fruits (banana, mango, pineapple, etc.). Soft loans and technical assistance are given to fruit planters and processing factories, and quality control system is introduced with a view to encouraging export of fruits. The Philippines export some 0.8 million tonnes of banana and 170,000 tonnes of pineapple, equaling 80% of fruit exports from this region. Many techniques of caring fruit trees and processing fruits are also applied. Processed goods represent some 25% of fruit exports now.

3. Indonesia: Techniques of producing disease-free citrus fruits have been applied for years in Indonesia. In addition, Indonesia has also developed apple orchards on highlands. At present, Indonesian fruit output is equal to Thai one but fruit quality and yield are lower.

II. SOLUTIONS

By analyzing advantages and disadvantages to the fruit business, we realize that Vietnam should ensure the domestic market for local fruits and in the long run, produce fruit products of higher quality for export. To achieve this aim, the following four groups of measures should be carried out:

(1) Greater consumption: A general development plan for the fruit business should be worked out by joint efforts of all related ministries. Main measures to promote consumption of fruits are: segmenting markets for Vietnamese fruits in order to make suitable investments; establishing fruit markets in zones specializing in producing fruits to help regulate the supply- demand rela-

tion; launching active marketing campaigns in foreign markets with help from the government.

(2) Post-harvest techniques: For the time being, more investments should be put in export of fresh fruits (harvest, preservation, package, etc.) because these investments are not necessarily big and fresh fruits are still favorite choice for many foreign buyers. In the long run, the fruit processing industry should be developed. This enterprise has become easier because of the increasing flow of FDI to Vietnam. In addition, the government should impose strict control over imported technologies and machinery in order to protect the environment, and take measures to facilitate transport of fruits from distant districts to processing industry factories.

(3) Organization: Areas specialized in fruit production should be zoned and processing industry should be developed there. In recent years, big fruit orchards developed in many provinces have increased the supply of commercial fruits. What fruit planters need now are technical assistance and supporting policies on farm economy. Cooperatives for fruit planters are also necessary.

(4) Technical assistance: There should be a 3-party system for producing new strains of plants: universities and research centers; agricultural services at provincial and district levels; and multiplication centers. This system will help developing and introducing high-quality seedlings to planters and provide them with necessary information and farming methods. This enterprise is important to the production of good fruits for export and requires time and big investments.

III. SOME SUGGESTIONS

- The Government had better implement properly the Plan for Development of Fruits and Vegetable in 1999-2010, offer necessary support (soft loans, tax incentives, export bonus, etc.) to the fruit business and encourage foreign investment in the fruit processing industry.

- The Ministry of Agriculture and Rural Development should carry out programs to introduce new techniques to planters and find new markets for Vietnamese fruits in coordination with the Ministry of Trade.

- Local governments should work together to form fruit trading centers and help fruit planters get bank loans and create legal basis for the development of large fruit orchards. ■