



Vietnam finds strength within

Growing domestic demand has been a saving grace for Vietnam's economy during the recent global downturn, and similar trends towards self-reliance are emerging in the fruit business

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Make no mistake: the global financial crisis had a true negative impact on Vietnam's economy. A review of 2009 by market research firm TNS Vietnam shows that while GDP rose 5.32 per cent, exports fell by 10 per cent, FDI dropped by a whopping 70 per cent and tourism slumped by 14 per cent.

But there was one saving grace, namely domestic growth. FMCG grew by more than 15 per cent, retail growth exceeded 10 per cent and consumer confidence rose by 14 points.

Export markets remain a major focus for several sectors in Vietnam, and the fruit industry is no exception, but the opportunities springing up on home soil are commanding greater attention.

"Vietnam's fruit sector is steadily

professionalising, not only for export, but also in serving the more demanding domestic market," says Sigrid Wertheim-Heck, who is based in Hanoi with consulting company Fresh Studio Innovations Asia. "In the fresh produce sector, brands and labels are mushrooming and communicating their home turf."

Indeed, Vietnamese consumers show a strong awareness and responsiveness to the regional origin of the array of fruits grown across the country's diverse production areas. "They're quite knowledgeable about cultivation and origin because a large part of the urban population still has strong links with the countryside," explains Ms Wertheim-Heck.

The Mekong Delta, Vietnam's tropical fruit basket, is home to several regional specialities, such as the Hoa Loc mango, which won Protected Geographical Indication (PGI) status last year. Pomelos are also synonymous with the Mekong Delta region, and Vinh Long Province and Ben Tre Province are famous for the Nam Roi and Da Xanh varieties respectively. Specialities of the north of Vietnam meanwhile, include Thanh Ha lychees, Hung Yen big longan and Bo Ha oranges.



Products of particular origins are sought after by consumers and can command significant premiums. With its pinkish-red flesh, the Da Xanh pomelo is such an example. And Vietnam's fruit sector is beginning to respond to the large consumer market on its doorstep by upgrading quality and boosting its marketing efforts.

Although domestically-grown product continues to account for the vast majority of the fruit consumed by Vietnam's 86m population, this market still has room for imports, however. While imported produce from the great northern neighbour (China) pours

across the border each day, there is another market – a high-end niche one focused on imports from further a field – and it appears to be growing at a healthy clip.

"For the last three years, imported fruits have increased by around 20 per cent per annum," says Francis Lee of Francis Lee & Associates, which represents the California Table Grape Commission and Washington Apple Commission in Vietnam.

Even with last year's economic troubles, imports continued to grow, he adds. "Imports of US fruits were up by 32 per cent last year compared with 2008," says Mr Lee. "For Washington apples, the volume was up 32 per cent on the previous year and for California grapes it was up by 35 per cent."

Major suppliers of imported fruit to this market, however, report that the financial crisis has been a factor in sales. "The global economic downturn has certainly affected the Vietnam market – the primary issues are the depreciation of their currency and high inflation," says Craig Stauffer, CEO of Vanguard International.

John Kreick of US exporter Pandol Brothers, another seasoned supplier to Vietnam, also detects some impact. "The demand for premium quality still remains good, but there has been more pressure for lower pricing," he says.

Nevertheless, NC Group's import broker Pham Minh Nghia points out that top-notch product continues to fetch high prices in Vietnam. "We were still paying US\$37 per carton for Autumn Royal grapes late in the California season and Washington apples are selling for US\$35-38 per carton at the moment," he says in April.

Those high prices do not come easily for suppliers, however, as product has to meet Vietnam's exacting standards for colour, size and appearance in particular. These stringent demands owe largely to the fact that the vast majority of the fruit is brought in for the gift-giving market.

Grapes and apples make up 90 per cent of this market, and 'brand US' is seen as a marque of quality, according to Mr Nghia. "Their apples tend to have the best glossy appearance and they are supported by strong marketing from the Washington industry," he says.

As Vietnam's economy develops and more people are able to afford imported fruits, he believes the market could expand significantly. "Already, we're seeing middle- and upper-class consumers buying more grapes for their own consumption, and more of a health trend with the increasing wealth," he observes.

Vanguard's Mr Stauffer is also enthused by prospects in this market, noting that the main opportunity centres on Vietnam's "well-educated, ambitious and driven population". In addition to the challenge of delivering the right quality fruit, he sees improvements in cold chain and distribution as key to increasing consumption of imported fruits.

One factor that could help to extend the reach of imported fruits going forward is the growth of modern food retailing in Vietnam. Although the traditional retail trade still controls the overwhelming majority of fresh fruit sales, modern supermarkets are attracting increasing numbers of shoppers, particularly among the younger generations.

"Modern retail has been shaping up these past two years and this gives imported fruits a great opportunity to develop new products and expand distribution," says Mr Lee, who notes that the sector is also helping to lift food safety standards.

Food safety and fresh food are key priorities for Metro Cash & Carry. Since entering Vietnam in 2002, the Germany-based group has opened nine wholesale centres selling to professional customers centred on the HoReCa sector, and is set to add two more later this year, according to Metro Cash & Carry Vietnam's offer management director William Savage.

"As we are selling to professional customers, food safety is our primary concern," he says. "Metro has set up its own distribution chain in Vietnam, which

we fully control ensuring full traceability from farm to fork."

One of Metro's most notable upstream investments is in Dalat, where it has established a platform to consolidate its daily purchasing of vegetables for sorting and distribution through an integrated cold chain to its stores. "With the current success of our Dalat platform, you can be sure further [supply chain] investments will be considered [by Metro]," says Mr Savage.

Another integral part of Metro's Dalat project has been to work with farmers to help them improve cultivation methods and standards. "Many of them have gone through the MetroGAP programme that ensures their product is recognised as being of high-quality," says Mr Savage.

In addition to MetroGAP, Metro has also trained farmers in conjunction with GTZ to help them achieve GlobalGAP accreditation, he adds. Rolling out those standards will be key to Vietnam's efforts to expand its fruit exports to high-value markets such as the EU and the US in the future.

In keeping with Vietnam's growing self-reliance, its own research institutes are now playing a greater role in training and certification of growers and in opening up new markets.

Some breakthroughs have already been made, not least in the US and Japan with dragon fruit, according to Dr Chau of the Southern Horticultural Research Institute. "The new markets like US and Japan show good signs for dragon fruit and we hope to expand

access to other fruits like longan, rambutan and pomelo in the near future," he says.

Although Vietnam has some key advantages for export, such as its ability to grow certain fruits year-round, meeting the stringent requirements of these high-value markets, not least the costly certification standards, remains a major challenge for local farmers. Small-scale farming units and a fragmented production base run counter to consistency and make it difficult to compete on price, and some experts believe focusing on the higher-end opportunities emerging closer to home might be a better short-term strategy.

In addition, while retail operators and research institutes are helping to raise standards, Vietnam's produce sector also has an urgent need for more private investment and professional companies, according to Siebe van Wijk of Fresh Studio Innovations Asia. "This is the biggest issue for Vietnam," he says. "We need to see the rise of professional fruit companies with their own contract farmers, extension services, brands and GlobalGAP certificates."

