



Surpassing A Year In Seven Months: Vietnam Achieves Record-High Turnover In Fruits and Vegetables Exports

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Delegation der Deutschen
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Introduction

In recent years, Vietnam has been making waves in the international market with its flourishing fruits and vegetables export industry. It has witnessed a remarkable surge in production and export, setting new records and establishing itself as a potential exporter in the global trade. Let's have a deeper insight into the reasons behind Vietnam's success and what challenges this country in entering difficult and competitive markets.

1. Overview

Since 1990, Vietnam's GDP has undergone remarkable growth, surging from a mere \$6.5 billion to an impressive \$409 billion in 2022, which is 8.02 percent in economic growth. In this year, Vietnam experienced an impressive economic upswing, driven by a resilient export sector and a growing private consumption. More and more foreign companies view Vietnam as an attractive location for trade and investments. For 2023, a further growth of 6.3 percent is forecasted. Experts indicate that by 2030, this Southeast Asian nation is poised to ascend to the position of the world's 10th largest consumer market.

Within the domain of Vietnamese fruit cultivation, there has been a substantial surge of 53 percent since 2010, leading to the establishment of 1.3 million hectares of fruit-bearing land by 2020. Fruit production has witnessed a widespread escalation throughout the nation, with the most substantial expansion occurring in the northern regions, particularly in the case of mangoes and pomelo, as well as in the Central Highlands.

In the province of Dak Lak situated in the Central Highlands, the production of avocados and durians has undergone significant expansion. Similarly, the region of Long An in the Mekong Delta is experiencing rapid growth in the cultivation of citrus fruits, while Binh Thuan and Ninh Thuan in the Southern is growing in dragon fruit.

In the first seven months of 2023, Vietnam experienced a significant growth in fruits and vegetables export turnover, surpassing 3.25 billion USD. This impressive figure represents a substantial increase of 68.8% compared to the same period in 2022. Moreover, it has already exceeded the total export value of fruits and vegetables for the entire year of 2022, which amounted to approximately 3.16 billion USD.

Accordingly, this is the industry with the highest export growth in agriculture since the beginning of the year. As a result, it is predicted that export turnover would soar to its greatest level ever for the entire year.

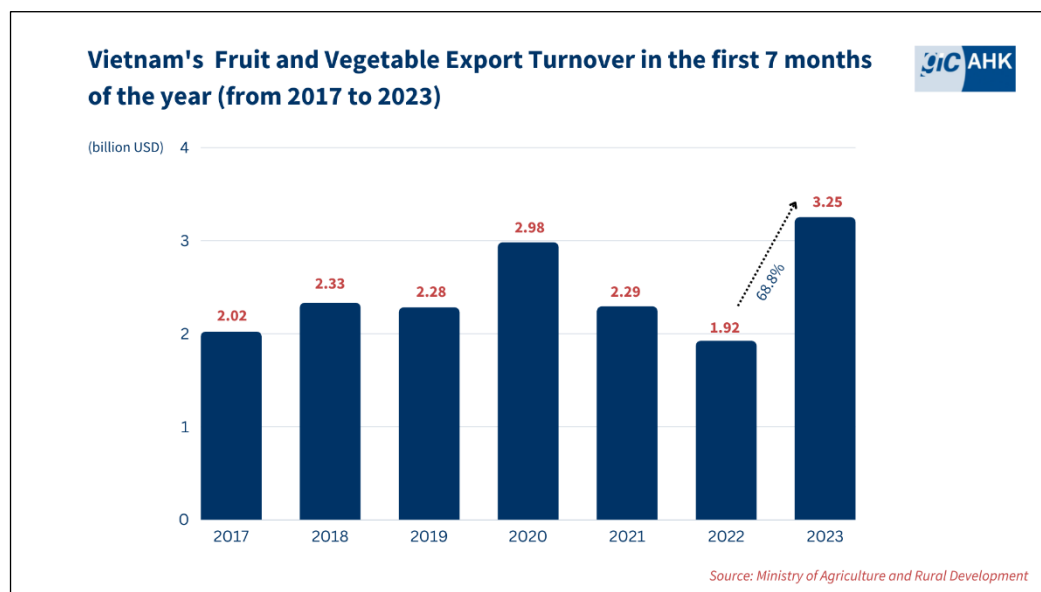


Figure 1: Vietnam's Fruits and Vegetables Export Turnover in the first 7 months of the year. Source: MARD

Vietnam exports a diverse array of fruits and commodities, inclusive of durian, dragon fruit, banana, jackfruit, and mango. Statistics from General Department of Vietnam Customs show that, in the first 5 months of this year, Vietnam's total fruit and vegetable export turnover reached over 1.4 billion USD, in which, durian export turnover reached over 526 million USD, up 1,038.4% over the same period last year. As a result, durian has overtaken dragon fruit as the fruit with Vietnam's greatest export turnover by a wide margin (dragon fruit's export turnover in the first five months of this year exceeded 303 million USD).

Banana, mango, and jackfruit are the three fruits with Vietnam's third, fourth, and fifth largest export turnovers, with export turnover in the first five months of this year reaching 172 million USD, 116 million USD, and 109 million USD, respectively. Durian's emergence as Vietnam's top fruit export is seen as a noteworthy accomplishment. Due to the fact that although dragon fruit brought Vietnam close to 633 million USD last year, durian barely brought in over 420 million USD.

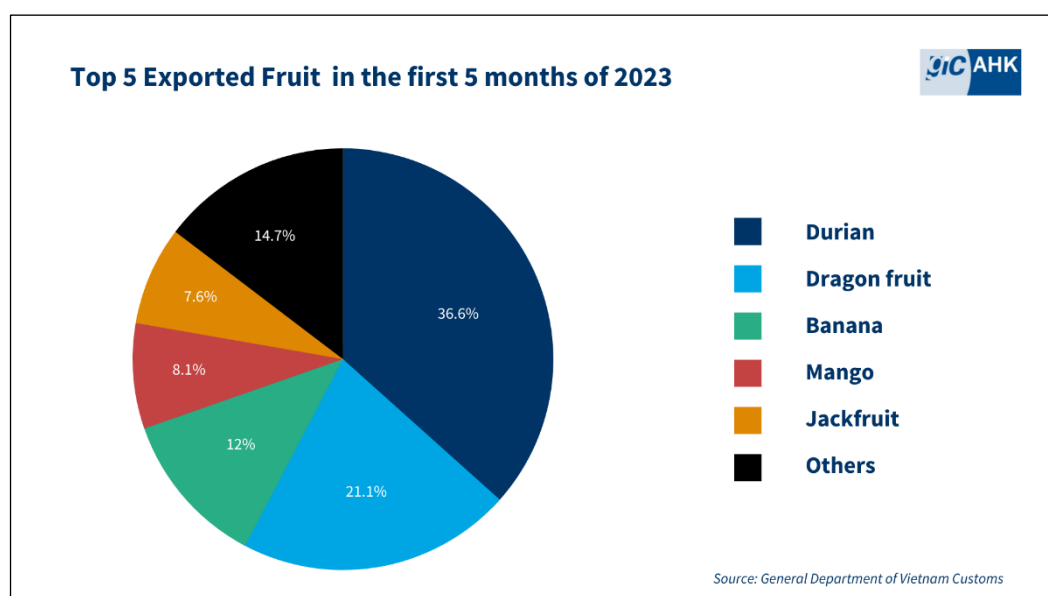


Figure 2: Top 5 Exported Fruit in the first 5 months of 2023. Source: General Department of Vietnam Customs

These exports form a significant percentage of the country's revenue from the fruits and vegetables export sector. According to MARD, China is the predominant consumer market, contributing to a substantial 66% of the market share. Other markets such as the US, Japan, Korea, and the Netherlands hold comparatively smaller market shares, ranging from 4.4% to 3% each.

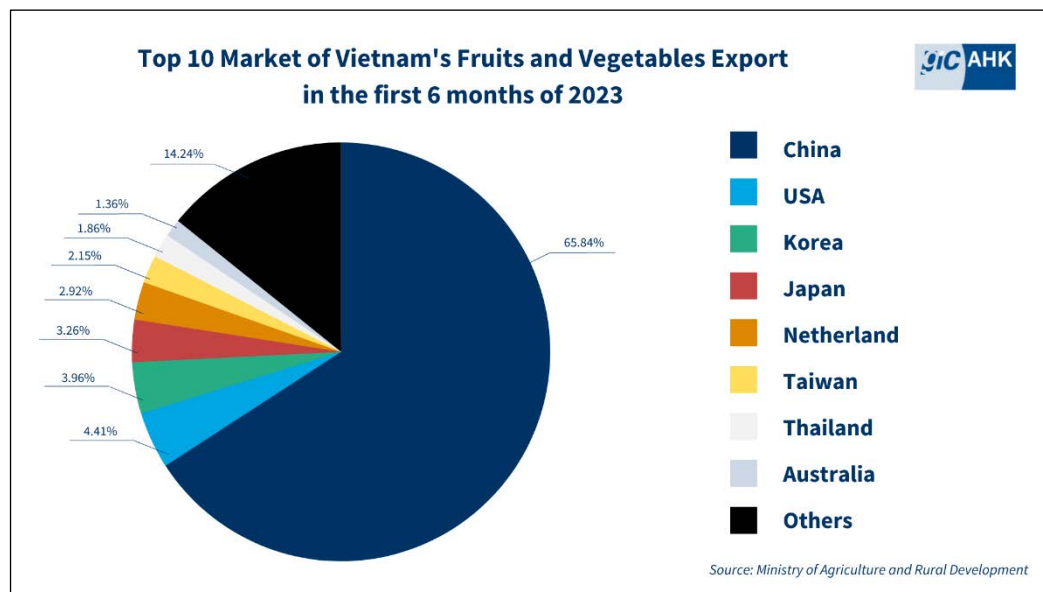


Figure 3: Top 10 Market of Vietnam's Fruits and Vegetables Export in the first 6 months of 2023. Source: MARD

The Vietnam Fruit and Vegetable Association (VINAFRUIT) reports a substantial rise of roughly 52.8% in fruit and vegetable exports to European Union (EU) countries in the first half of 2023, valuing at \$158 million USD. A remarkable boost in the exports of various kinds of fruits to the EU has been observed. Looking forward to the third quarter of 2023, VINAFRUIT predicts continuous positive performance for Vietnam's fruit and vegetable exports to the EU. Based on estimates, exports from Vietnam to the EU in June 2023 amounted to about \$42 million USD, showing an impressive leap of 112% compared to the same month in 2022 and a 42% increase from May 2023.

Vietnamese exporters, including the Chanh Thu Fruit Import - Export Group Joint Stock Company based in Ben Tre, are increasingly growing their businesses. The company, which has over two decades worth of experience in fruit procurement, has diversified into establishing processing factories. These factories will contribute towards the exportation of fresh produce to varied international markets, such as China, the United States, Japan, Korea, and Europe. Chanh Thu Company, with its factories spread across Ben Tre, Khanh Hoa, and Dak Lak provinces, possesses the ability to supply over 300,000 tons of export fruit. Recently, the company initiated the construction of a fruit processing export factory in Dak Lak. The factory, projected to have a capacity of 70,000 tons of raw materials annually, is anticipated to be completed within 18 months. Once operational, the new factory is expected to greatly contribute towards the processing and packaging of various fresh fruits such as durian, passion fruit, and sweet potatoes.

Industry experts suggest that, with sustained growth momentum, the entire year is on track to definitely achieve a turnover of 4 billion USD. It also possesses the potential to establish a new record of 5 billion USD.

2. Reasons behind this remarkable achievement

There are several factors that have contributed to Vietnam's remarkable achievement.

2.1. Rising Demand for Vietnamese Fruit:

Vietnam's tropical climate provides the perfect conditions for cultivating a wide variety of delicious fruits, ranging from the exotic dragon fruit to the succulent mangoes, and the juicy lychees. Vietnamese fruits are rich in antioxidants, vitamins, and dietary fiber. Plus, they are relatively low in calories and hence, a favorite among health-conscious people.

Post COVID-19, consumers become increasingly aware of health and nutritional benefits, demand for Vietnamese fruit looks set to soar. Vietnam's fruits have a lot of potential for export growth, according to the Head of Cultivation Department under the Ministry of Agriculture and Rural Development.



Figure 4: Vietnam's lychee at a supermarket in Thailand.
Source picture: Central Group

2.2. Government Initiatives and Support:

The Vietnamese government has played a crucial role in promoting and supporting the industry. Through various initiatives and policies, such as the National Target Program on Rural Development and the Market Access Support Program, the government has provided financial incentives, technical assistance, and market information to farmers and exporters. Further more, the Ministry of Agriculture and Rural Development has launched a program to improve the quality and safety of fruit and vegetable products, including the establishment of a national database to track production and distribution. This support has helped to enhance the quality, safety, and competitiveness of Vietnamese fruits and vegetables in the international market.

Global Economic Integration

Moreover, the government has actively engaged in international trade agreements, making it easier for Vietnamese exporters to access global markets. The signing of trade agreements with countries such as the United States, Japan, and the European Union has opened new opportunities for Vietnamese exporters. Until now, Vietnam has signed a total of 16 Free Trade Agreement, cooperated with countries across the globe. The EU-



Figure 5: Launching ceremony of the first fruit shipment to Europe after signing EVFTA. Source picture: Laodong.vn

2.3. Improved Infrastructure and Logistics:

Vietnam has made significant investments in infrastructure development, including the construction of new roads, airports, seaports, and railway networks. This has greatly enhanced the efficiency of transporting fruits from production areas to export ports and distribution centers. The improved infrastructure has reduced transportation costs and time, thereby enabling Vietnam to export its fruits and vegetables to international markets at competitive prices.

Vietnam is placed fourth in Southeast Asia and among the top 10 rising logistics markets globally, according to VIRAC's research (Agility's annual rating in 2023). As being said by Mr. Tran Thanh Hai, Deputy Director of the Import-Export Department (Ministry of Industry and Trade), the logistics market in Vietnam has advanced significantly over the past few years. The market has seen an increase in both the quantity and quality of enterprises providing logistics services, significantly boosting import and export figures to their highest level ever of \$732.5 billion in 2022, up 9.5% from 2021.



*Figure 6: Hai Phong port - the second largest port of Vietnam.
Source picture: Nam Dinh Vu Industrial Park*

2.4. Market Diversification:

Vietnam has successfully diversified its fruits and vegetables export markets, reducing its reliance on a single destination. While traditional markets such as China, the United States, and Japan remain significant, Vietnamese fruits and vegetables are now making their way to new markets in Europe, the Middle East, and Southeast Asia. This diversification strategy has not only increased Vietnam's export volume but also minimized the risks associated with relying heavily on a few markets.

3. Challenges for Vietnam fruits and vegetables export industry

Though Vietnam's fruit and vegetable sector has undeniably experienced significant expansion, it has yet to completely leverage its attributes. As the third largest supplier of produce to China, after Chile and Thailand, the market discrepancy remains considerable. Furthermore, Vietnam's standing is less impressive in the European Union, where it is ranked 50th among supplier markets. As of 2022, the country's contribution to the EU's total fruits import value through its vegetables, roots, and fruits totals a meagre 0.2%.

3.1. Food safety requirement and Pesticide residue limitation

To begin with, Vietnam's exporters face numerous obstacles due to strict food safety regulations and restrictions on the use of pesticides. The European Union (EU) primarily targets phytosanitary and food safety standards (known as SPS measures) in terms of constraining fruit importation. This encompasses requirements and regulations for food hygiene and safety; limitations on pesticide residues and contaminants; and regulations on phytosanitary and compliance evaluation.



Figure 7: Preparing Dragon Fruit to export. Source picture: Thanhnien.vn

The EU requires foreign food businesses to comply with the Hazard Analysis and Critical Control Point (HACCP) principle. Therefore, to convince EU importers, exporters need to prepare to provide HACCP certification for processed fruit and Global GAP for fresh fruit. Requirements for applying HACCP to EU imports are stricter than in many other markets. Compliance with the principles and requirements of these systems remains a challenge for SMEs, who must adhere to international standards while maintaining the quality of their products.

3.2. Logistic condition

Secondly, logistics conditions play a crucial role in determining the success of fruit exports from Vietnam. Efficient transportation networks and proper cold chain management are essential for preserving the freshness and quality of perishable fruits during transit. Inadequate infrastructure or logistical inefficiencies can lead to delays, increased costs, and compromised product quality. According to Mr. Dang Phuc Nguyen, General Secretary of Vietnam Fruit and Vegetable Association (VINAFRUIT), the long-distance and complex supply chains from Vietnam to Europe pose logistical challenges, making it difficult to deliver fruits in pristine condition. For example: It usually takes 30 days to ship goods from Vietnam to Europe.



Figure 8: Mr. Dang Phuc Nguyen, General Secretary of VINAFRUIT. Source picture: VietnamAgriculture

3.3. Differences in consumer trend between countries

Lastly, differences in consumer trends between countries present a challenge for Vietnam's fruits and vegetables export industry. Consumer preferences vary across different markets, with some favoring specific types of fruits or demanding organic produce. For instance, durian is the number one fruit for China market, although lemon and passion fruit are popular in Europe.

4. Solutions

The Vietnam fruits and vegetables export industry faces various challenges, but there are potential solutions that can help overcome them. Three key areas of focus include: improving quality control systems and modifying inspecting process; investing in facilities and logistics; and promoting market diversification.

4.1. Improve quality control systems and modify inspecting process

First and foremost, the government and relevant authorities should focus on improving the quality control systems and enforcing strict adherence to international standards. This includes enhancing agricultural practices, implementing effective monitoring and testing mechanisms, and providing continuous training and education.

Workshops and training on EU compliance should be aimed at rural fruits and vegetables growers, not just exporters. The SPS portals should include Vietnamese summaries of the new EU regulation, not just re-posting the full English text. In addition, the application of social networks to notify about new regulations and interact with businesses in Q&A should also be developed.

4.2. Invest in facilities and logistics

Vietnam needs to invest from the very beginning. The research on superior plant varieties, farming methods, harvesting and preservation processes, etc. requires coordination between the state, farmers, businesses and scientists.

Investing in cold storage and transport infrastructure is also essential. Furthermore, streamlining supply chain processes, reducing transit time, and optimizing packaging methods can contribute to minimizing losses and enhancing competitiveness. Investing in facilities and logistics is equally important. Upgrading infrastructure such as storage facilities, cold chain systems, packaging materials, and transportation networks will help maintain the freshness and quality of fruits and vegetables during export. Efficient logistics will also enable timely delivery to international markets while minimizing post-harvest losses.

Additionally, it is feasible to construct testing facilities in Vietnam that adhere to import national norms, allowing for the testing of fruits prior to exportation without incurring any costs for the commodities or return shipping charges if the items are not approved.

4.3. Promote market diversification and expand trade partnerships

Furthermore, promoting market diversification and expanding trade partnerships with European countries can create new opportunities for Vietnam's fruits and vegetables exports. Exploring potential markets, participating in international trade fairs and exhibitions, and actively engaging with European importers and distributors can help Vietnamese exporters establish strong business relationships and expand their market presence. By exploring new markets outside traditional ones and identifying emerging trends in consumer preferences, Vietnam can tap into untapped potential for fruits and vegetables exports. Additionally, expanding trade partnerships through bilateral agreements or participation in regional trade blocs can open up new avenues for growth.

Exporters from Vietnam can benefit from the assistance and market information provided by trade promotion organizations such as Delegation of German Industry and Commerce in Vietnam (AHK Vietnam), where they can get further advice and connections to advance their networking and understanding of exporting goods. Moreover, international trade shows will offer the chance to gather market data, offering a variety of concepts and real-world business solutions. Vietnam regularly participates in prestigious fresh products exhibits including Fruit Logistica (February, Berlin) and Asia Fruit Logistica (September, Hong Kong).



Figure 9: Asia Fruit Logistica - Asia's leading trade show for fresh products. Source picture: Asia Fruit

5. Conclusion

In conclusion, Vietnam has achieved remarkable growth in fruits and vegetables exports, surpassing the export value of the entire previous year in just seven months. The impressive growth of Vietnam's fruits and vegetables export industry is a testament to the country's agricultural prowess, favorable climate, government support, and commitment to quality. However, challenges persist in exporting fruits and vegetables to other markets, primarily related to meeting stringent quality and safety standards and improving logistics infrastructure. By focusing on improving quality control, investing in cold storage and transport facilities, and diversifying markets, Vietnam can overcome these challenges and further enhance its fruits and vegetables exports to other markets in the world.

Opportunity to meet leading fruit exporters in Vietnam at trade show for fresh produce



Asia Fruit Logistica, 6-8 September, Hong Kong

This year, AHK Vietnam - Official representative of Messe Berlin in Vietnam, will assist Vietnamese enterprises to open a representative booth - welcoming more than 20 businesses specializing in export and import of fresh fruit and vegetables. This is an ideal opportunity for all participants to stay current on market trends, connect and build industrial trade networks in the region. Don't miss your chance to meet our national pavilion at **Hall 03: Booth 3K02 and 3L02**.

Figure 10: Vietnam pavilion at Fruit Logistica. Source picture: Vietnam News Agency

List of Vietnamese exhibitors at Asia Fruit Logistica 2023

- Gobe Imex Co., LTD
- Hoang Hau Dragon Fruit Farm Co., LTD
- Ant Farm Co., LTD
- Red Dragon Co., LTD
- CTP Imex Co., LTD
- XAXA Service Trading Company Limited
- Chanh Thu Fruit JSC
- Vinagrin Import Export Co., LTD
- Elite Foods JSC
- Natural Fruit Trading Service Company Limited
- Anh Duong Sao Co., LTD
- Tien Giang Vegetables And Fruits JSC
- Song Nam ITD Co., LTD
- Pico AgriViet Import Export Company Limited
- Yasaka Fruit Processing Limited Company
- Vina Fruits & Herbs Co., LTD
- Nafagri Co., LTD
- Phuoc Hy Joint Stock Company
- Vina T&T Co., LTD
- Fosacha

Fruit Logistica, 7-9 February 2024, Berlin

Next year, Vietnam pavilion will be back with an area of 120m2 and many major exporters of the country. Don't forget to visit them in Berlin. For further details, please contact Ms. Mai Le at Mai.Le@vietnam.ahk.de

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