

Voluntary Report – Voluntary - Public Distribution

Date: February 07,2021

Report Number: VM2021-0012

Report Name: Vietnamese Fruit Production and Exports Confront the Challenges of Salinity Intrusion and COVID-19

Country: Vietnam

Post: Ho Chi Minh City

Report Category: Agricultural Situation

Prepared By: Thanh Vo

Approved By: Benjamin Petlock

Report Highlights:

Fruits and vegetables are important export agricultural commodities in Vietnam. This is especially true for the Mekong Delta, which contributes 60 to 65 percent of Vietnam's total fruit export revenue. However, production in the Mekong Delta has become increasingly susceptible to drought and salinity intrusion. According to Vietnam's Ministry of Agriculture and Rural Development, drought and salinity intrusion affected 25 thousand hectares of fruit crops in the Mekong Delta in 2020. In 2020, despite Vietnam's progress in shifting from traditional export markets to new overseas opportunities and diversifying products, fruit export revenues dropped due to COVID-19 impacts.

Fruits Production in the Mekong Delta Be Susceptible to Droughts and Salinity Intrusion

According to the Ministry of Agriculture and Rural Development (MARD)'s Crop Production Department (CPD), Vietnam's total horticulture area reached 1,067 thousand hectares (THA) in 2019, with a per annum growth rate of 4 percent over the last six years. The Mekong Delta accounts for 39 percent of Vietnam's horticulture area, making it the country's largest production region. Main fruits grown in the Mekong Delta include mangoes (46.7THA, 527.8 thousand metric tons or TMT), bananas (39.1THA, 478.9TMT), oranges (37.9THA, 430.6TMT), pomelos (31.9THA, 333.8TMT), pineapples (27.3THA, 423.9TMT), longans (24.6THA, 233.2TMT), dragon fruit (22.7THA, 535TMT), durian (21.9THA, 335.4TMT), and rambutans (9.2THA, 154.8TMT). Among these crops, the area for dragon fruit and durian has expanded significantly since 2010, by 24 and 3 times respectively, and production output expanded by 20 and 9 times respectively. The region's production output increased due to the expansion in production area as well as improved yields thanks to the introduction of new varieties and the application of advanced farming techniques.

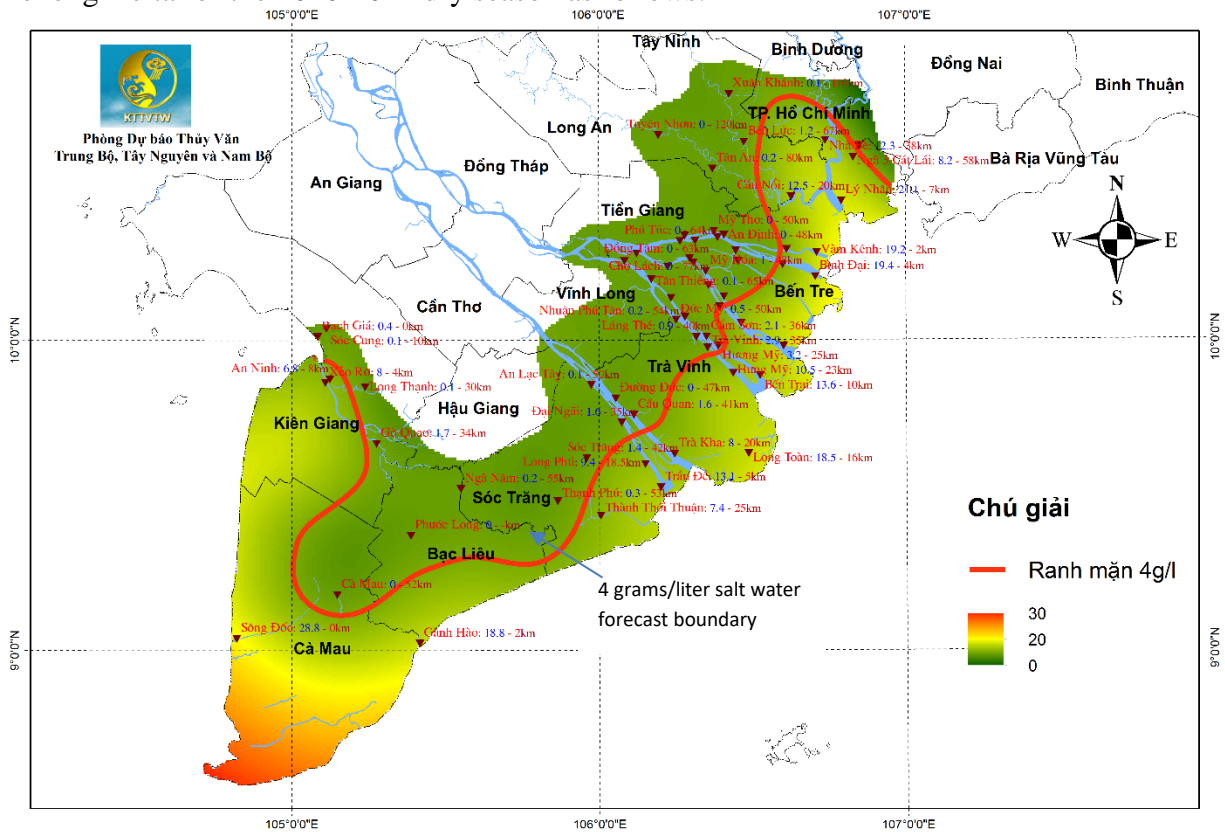
Nevertheless, fruit production in the Mekong Delta has become more susceptible to drought and salinity intrusion. Below average rainfall in the Lower Mekong Basin in 2019, due to prolonged El Niño weather conditions, reduced water flow from the Mekong mainstream, which led to increased salinity intrusion in the Mekong Delta during the 2019-2020 dry season. According to MARD, 25THA of fruit crops in the Mekong Delta were affected by drought and salinity intrusion in 2020, of which, 11THA became unproductive, mainly in the Ben Tre, Tien Giang, Vinh Long, and Long An provinces. According to experts, prolonged droughts resulted in a severe freshwater shortage, acid sulfate soil exposure and acidification, and intrusion of salt water, affecting plant health and productivity. Hydrometeorological observations recorded that salinity intrusion in the Mekong Delta during the 2019-2020 dry season occurred nearly three months earlier than average, at higher levels, and for a longer period than the 2015-2016 drought, with 4 grams/liter saltwater reaching upstream from 57 to 135 kilometers from the coastline.

Companies who export fruit to the United States reported that drought and salinity intrusion clearly impacted fruit yields and quality. A company that exports star apples to the United States told Post that production of their contract farms in the Tien Giang Province declined by 30 percent due to unfavorable weather conditions. Some farmers in this area said the harvest for star apples was delayed by three to four weeks as droughts delayed fruit setting and development. According to MARD's AGROTRADE, durian prices doubled in December 2020 compared with the previous year as a vast area of durian trees were impacted by drought during the 2020 dry season and have yet to fully recover.

The Southern Institute of Water Resources Research proposed two scenarios for the 2020-2021 dry season:

- Scenario 1: Salinity intrusion is less severe than in the 2015-2016 and 2019-2020 dry seasons. Salt water of 4 grams/liter could intrude as far as 55-65 kilometers in February-March 2021, predictably affecting nearly 50THA of fruit crops.
- Scenario 2: Salinity intrusion is as severe as the 2015-2016 and 2019-2020 dry seasons. Salt water of 4 grams/liter could intrude as far as 60-70 kilometers in February-March 2021, predictably affecting 82THA of fruit crops.

The National Center for Hydro-Meteorological Forecasts published a salinity intrusion forecast map in the Mekong Delta for the 2020-2021 dry season as follows:



Source: The National Center for Hydro-Meteorological Forecasts

Vietnamese Fruit Exporters Survived Despite COVID-19 Challenges

Vegetables and fruit are recognized as one of Vietnam's major export agricultural commodities. According to Vietnam Customs, the export revenue of vegetables and fruits reached \$3.2 billion in 2020, ranked number two after seafood, with fruit accounting for nearly 80 percent. As Vietnam's largest horticulture production area, the Mekong Delta's fruit exports contribute approximately 60 to 65 percent of the country's total fruit export revenue. The Government of Vietnam has identified fruit as a major agricultural commodity export in the Mekong Delta, in addition to rice and seafood.

Vietnam is currently exporting six types of fresh fruit to the United States, including mango, dragon fruit, rambutan, longan, litchi and star apple, in addition to other markets such as China, Japan, Korea, Australia, Europe, and the Middle East. Nevertheless, Vietnam's fruit export revenue has dropped by 13 percent year on year, as exports to China, which accounts for 57 percent of the market share, have declined and dropped by 25 percent in 2020. COVID-19 pandemic triggered disruptions in global logistics and contractions in demand in major export markets, consequently lowering exports of Vietnamese fruits in 2020. COVID-19's quick spread in China forced the Chinese government to close all China-Vietnam land border checkpoints, trails, and paths in early February 2020, with several official international border gates functioning with very limited traffic. Cross border trade resumed gradually at a very slow pace due to the mandated 14-day quarantine measures and labor shortage in China. Local media reported huge backlogs of agricultural commodities at the Vietnam's border gates with hundreds

of trucks lining up each day, with an average clearance of 5 days, which was too long to keep perishable products such as fruits in good conditions.

Later in 2020, fruit exports to other markets such as the United States and Europe also saw significant impacts due to COVID-19. Widespread social distancing and lockdowns in these markets led to a contraction in imported fruits consumption, with some Vietnamese exporters reporting a reduction of at least 20 percent in export revenues compared to the previous year. The downturn in global trade and restrictions in international travels also limited the availability of flights, pushing up air freight costs by 50 to 100 percent in 2020, according to trade sources. To counter this, fruit exporters tried to expand sea shipments to take advantage of past stable sea freights, as well as increase exports of frozen fruits to offset market losses. Industry contacts noted the need for Vietnamese fruit exporters to come up with innovative solutions in order to reduce reliance on fresh fruit exports. Nevertheless, a steep surge in shipping demand due to the quick recovery of trade in some parts of the world during the last quarter of 2020, in contrast with limited port handling capacity due to COVID-19 labor constraints and shipping lines' sailing cancellations, resulted in a serious shortage of containers and surging freight rates. Trade contacts reported that refrigerated container rates have recently increased by at least 100 percent, depending on destination, making Vietnamese fruits much more expensive. In addition, container shortages may force local exporters to cancel shipments as fresh fruits cannot maintain their quality while waiting for containers.

While 2021 export prospects depend on the global COVID-19 situation and economic recovery, Vietnam has made progress in diversifying export markets and products, while shifting away from traditional markets. In the past two years, Vietnam got access for mango to the United States and Chile, longan to Australia or litchi to Japan. As of August 2020, MARD issued 998 certified fruit growing area codes and 47 certified packing house codes to those entities that meet the export requirements to markets other than China, in addition to 1,735 and 1,832 codes respectively for exporting to the Chinese market. Industry sees the Europe-Vietnam free trade agreement (EVFTA), which took effect in August 2020, as another opportunity for Vietnam to increase fruit exports in the coming years. According to the Ministry of Industry and Trade, Vietnam will benefit from the phase-out of 94 percent of vegetables, fruits, and related processed product tariff lines under EVFTA.

Attachments:

No Attachments.