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Report Highlights:

*Northern Vietnam gets first bio-ethanol firm *Food products violate label laws *Wood processors seek market as exports fall *Firms race deadline on export fruit *Vietnam drops on global retail index *Supply, demand key to fish profits *Pepper growers control exports *Apparel exports earnings fall 1.3 percent in first half

General Information:

Welcome to "News Summary" from Vietnam, an occasional summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Vietnam, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues may be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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Author Defined:

Northern Vietnam gets first bio-ethanol firm

Construction kicked off on the first bio-ethanol factory in the northern region yesterday in Phu Tho Province. The \$80 million state-of-the-art factory will have an annual capacity of 100,000 cubic meters of ethanol.

According to Director Vu Thanh Ha of the Petrochemical and Biofuel Joint Stock Company (PVB), the project would be operational by December of next year. Mr. Ha said the factory would produce materials for petrol production, which would help reduce CO2 emissions.

The project would help meet the increasing domestic demand for ethanol, which is currently produced on a small scale with outdated technology and an unstable source of materials, said Ha.

(Source: Viet Nam News, June 22)

Food products violate label laws

Ho Chi Minh City lacks sufficient staff to conduct inspections of shops that sell products without expiration and production dates or brand names, city officials said.

An official with the Market Management Bureau said the bureau regularly inspected invoices and label-of-origin certificates of food products at markets, but does not have enough inspectors to cover such a large market.

The head of the HCMC Department of Health's Food Hygiene and Safety Management Division said the city's Market Management Bureau had sole responsibility to inspect the quality and safety of unlabelled food products.

Unlabelled food products, which do not identify the producer or country of origin, are typically confectionery, spices, and dried food.

A trader at Binh Tay market in District 6 said unlabelled food products were 20-30 per cent cheaper than labeled ones. Eighty per cent of his shop's unlabelled food products are made in China.

(Source: Viet Nam News, June 22)

Wood processors seek market as exports fall

Exports of wood products in the first half of the year were \$1.3 billion, down 30 percent against the same period last year, the Vietnam Wood and Forest Products Association (Vifores) said.

Vifores' general secretary said that, besides maintaining the traditional markets of Japan, the European Union, and the

United States, wood product producers should focus on developing markets in Russia and the Middle East.

In March, producers began to search for new markets, including Russia. However, wood product producers face difficulties in exchanging Russian rubles into United States Dollars or Euros.

The general director of Truong Thanh Furniture Corporation said that wood product exports to the United States showed a slight recovery in April and May. Several United States importers had shifted their purchases from China to Vietnam.

(Source: Viet Nam News, June 23)

Firms race deadline on exporting fruit

Local firms are racing against time to satisfy an agreement signed between Vietnam and China to provide each other with detailed information on the origins of exported fruits. But there are complaints that the procedures can't be completed overnight.

The Ministry of Agriculture and Rural Development (MARD) has asked all agriculture and rural development departments in cities and provinces nationwide to provide information on fruit origins. But so far only 36 of 63 provinces have sent reports on farm acreage and packing procedures, MARD official said.

Apart from companies exporting fruit to the European Union, the United States, and Japan, who were already familiar with similar requests for information, the majority of small-scale exporters were not used to these kinds of demands.

Under the agreement, Vietnam will provide China with information relating to where export fruits are planted and packaged. The agreement, effective July 1, will cover five fruits: dragon fruit, lychees, bananas, watermelon and longans.

While it will take some time before local exporters can satisfy such requirements, agronomists believe that the implementation of the agreement will be profitable for Vietnam in the long run.

(Source: Viet Nam News, June 26, 2009)

Vietnam drops on global retail index

Vietnam has fallen out of the top five in the latest survey of the world's most attractive retail markets, according to global management consulting firm ATKearney.

Vietnam earned only 55 points on the 2009 Global Retail Development Index (GRDI), 21 points fewer than it earned in 2008, and dropping from the first to the sixth position on the survey, behind India, Russia, mainland China, the United Arab Emirates, and Saudi Arabia.

ATKearney attributed the decline to inflationary pressures in the latter half of 2008 and a significant slowing in consumer spending in a largely export-driven economy.

Nevertheless, the firm acknowledged that many global retailers were now well established in Vietnam, including South Korea's Lotte, Japan's Seiyu, Malaysia's Parkson, Hong Kong's Dairy Farm, and Germany's Metro.

"Vietnam has some short-term challenges, but our long-term outlook for the country remains positive as it continues to open its doors to international investors," said Hana Ben-Shabat, ATKearney partner and co-leader of the study. "With economic conditions in developed markets improving so slowly, emerging markets are becoming much more important sources of growth for global retailers," said Ben-Shabat.

Conducted since 2001, the GRDI study is based on a set of 25 variables, including economic and political risk, retail market attractiveness, retail saturation levels, and differences between GDP growth and retail growth, according to

ATKearney. The GRDI also focused on opportunities for mass market and food retailers, which are typically bellweathers for modern retailing concepts in a country, the firm said.

(Source: Viet Nam News, June 26, 2009)

Supply & demand key to fish profits

A steering committee on "tra" fish production and consumption in the Mekong Delta held its first meeting in Can Tho City this week, addressing the need for price regulations and supply restrictions.

The steering committee, which was set up on May 18 under a decision from the Prime Minister, is responsible for helping the Government expand export markets and address problems in the industry. Cao Duc Phat, the minister of Agriculture and Rural Development and head of the committee, said that maintaining income for farmers was of paramount concern.

Because of low prices, many farmers in the Mekong Delta have abandoned their ponds after export growth slowed last year. The land devoted to tra breeding areas in the Delta this year fell 30 percent against last year, according to figures from Delta provinces.

Exports are facing difficulties, as many countries that import tra fish have set up technical barriers to limit imports to protect their seafood production sector, MARD has said.

Representatives from other Delta provinces said the steering committee should petition the Government to support lower interest rates on loans for seafood processors and farmers.

Tra fish breeding has developed rapidly in the Delta in recent years as fish has become a key export product in the aquaculture sector. The area under tra fish cultivation in the Delta increased to 5,700 hectares in 2008 from 3,700 hectares in 2006, MARD said.

Vietnam is expected to export \$1.3 billion worth of tra fish this year, the steering committee said. Exports in the first five months of the year were worth \$477 million, 4 per cent down from the same period last year, according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

(Source: Viet Nam News, June 26, 2009)

Pepper growers control exports

The Vietnam Pepper Association has recommended to its members not to continuously export, in a move to avoid a price fallout in the world market.

The association said that domestic pepper exporters should cut their shipments, adding that only contracts with export prices reaching at least US\$2,800 per ton should be signed.

Despite an increase of VND4-6 million (\$220-\$330) per ton in the early months of this year, exported pepper prices were still roughly 30 per cent lower than the same period last year.

The association said that the world's pepper demand currently exceeded its supply. Vietnam, the world's leading pepper exporter, was able to export only about 40,000 tons from now to the end of the year. The world's demand for pepper had not been much affected by the global economic recession; and prices of exported pepper would increase again in the next few months, said the association.

The chairman of the association said that despite a price drop by roughly 30 per cent over the same period last year, farmers in the first six months of the year still raised pepper sales, and they could still make profits of nearly 50 per cent thanks to high yields.

Domestic pepper exporters had also rampantly shipped produce in the first half of the year, as they were concerned that prices would continue sliding due to the ongoing impacts of the global recession.

The General Statistics Office reported that the country in the first half of the year exported 66,000 tons of pepper, up more than 39 per cent over the same period last year. However, the industry had earned only \$153 million from pepper exports, down 8.5 per cent year-on-year.

To minimize the volatility of the world market, industry insiders said that in the long run, it would be necessary to build major storage facilities to better keep the pepper, in case the price kept falling in the world market.

Research and investment on pepper processing technology would also be needed to gradually build up the Vietnamese pepper trademark in the global market, the source said.

The association's Mr. Nam said that Vietnamese pepper accounted for 31.2 per cent of the world pepper market, and was exported to 73 countries and territories, with an annual average volume of 70,600 tons since 2001.

The country's pepper yield in the 2008-09 crop was 95,000 tons, a 4,000 ton increase over the previous crop. The industry expected to export more than 100,000 tons this year, roughly 10,000 tons more than last year.

(Source: Vietnam News, June 26, 2009)

Apparel exports earnings fall 1.3% in first half

Viet Nam earned US\$4 billion from apparel exports in the first half of the year, 1.3 per cent down on the same period last year, the Vietnam Textile and Apparel Association reported.

The association said there had been a fall in demand from major markets including the United States and the EU, where the apparel retail turnover was reported to have fallen by up to 20 per cent.

Vietnam apparel producers said export contract numbers fell by up to 25 per cent and prices were down 10-15 per cent, causing producers, especially small- and medium-sized ones, to cut jobs.

Association deputy general secretary Nguyen Son said the future looked positive, however, as producers had indicated the number of export contracts, especially jacket shipments to United States and the EU, was on an upward trend. That was good news for workers, but the profit would be insignificant, as the apparel export price had fallen 15 per cent over the first quarter.

Industry insiders said from now to September would be the main season for the apparel industry, but from October it could get difficult if the world economy did not rebound. The sources said the apparel industry could meet its export target of \$9.5 billion this year if the number of export contracts remained stable with \$5 billion being from the United States alone.

The enterprises have also turned to the domestic market to offset the export reductions through promotion programs with wholesale and retail distribution channels and at supermarkets nationwide.

In 2008, Vietnam's garment exports recorded US\$9.1 billion in revenue, but the country had to import up to \$6 billion worth of garment materials such as dyeing chemicals, yarn, and thread.

(Source: Viet Nam News, June 25, 2009)