

THE STUDY ON PENETRATION CAPACITY OF PINEAPPLE PRODUCTS INTO USA'S MARKET

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Abstract

At present, Vietnam exports the pineapple contained mainly in cans and tins. The pineapple is rather popular kind of cultivated trees in Vietnam. However, the export pineapple has currently the small amount compared with production output. After the Vietnam – USA Commercial Trade Treaty has been signed in year 2001, Vietnam has gained the Permanent Normal Trade Relations and recently become the member 150 of WTO, Vietnam's pineapple has penetrated strongly into the market and USA is currently the greatest import market over Vietnam's pineapple, accounting for 13% of total Vietnam's pineapple export. In USA, pineapple consumption get the position 5 after orange, grape, apple and banana. Every american consumes at average about 5.6 kg pineapple per year (including fresh pineapple and processed pineapple), account for about 5% vegetable and fruit consumption of one average american. Pineapple get the huge import, and its consumption is much more than consumption of domestical fruits such as pear, peach, and strawberry.

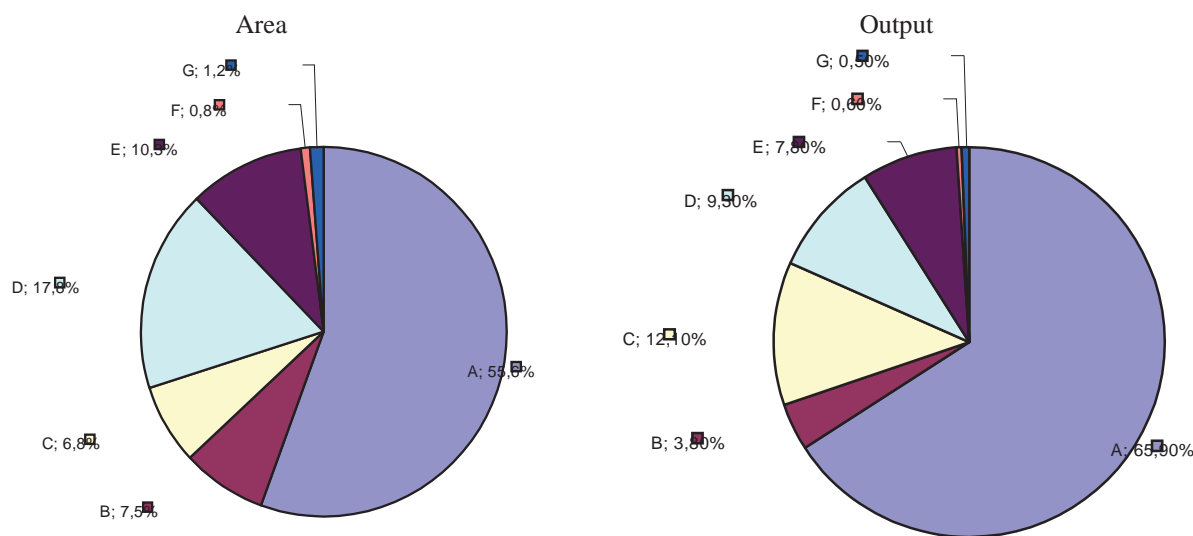
Key words: export, import, pineapple, trade mark, output

INTRODUCTION

In all regions countrywide, the Delta Mekong is the main region for the pineapple production. In 2006, the pineapple area of the region reached over 20 thousand hectares, account for 55.6% total area and 65.9% output

of the pineapple countrywide. Following the Delta Mekong, the northern region of central Vietnam has taken the second position on the pineapple area. The Delta River Hong with 12% area countrywide and 12.1% output. However, the productivity is sharp different on Vietnam's provinces.

Graph 1: Area distribution and output of the pineapple in the regions, 2006



Source: Ministry of Agriculture and Rural Development, 2006

A = The Delta Mekong.

C = The Delta River Hong

E = The coast central region.

G = the East Delta Mekong.

B = The northern midland and mountain region.

D = The northern central region.

F = Plato Tay Nguyen.

Processing the pineapple

Up to the end of 2006, Vietnam has 20 plants specialised in processing the vegetable and fruit for export, among which 9 lines processing the packed pineapple with total capacity 42,000 ton/year, 6 lines pressing the fruit for its condense water with total capacity 20,000 ton/year. If the plants processing the pineapple will go into operation with full capacity, this require 550,000–600,000 ton of raw pineapple. At same time, Vietnam's pineapple output reaches only about 300,000 ton. According to investigation of Ministry Agriculture and Rural Development, currently at average the plants can only secure about 30% capacity. Several plants, because of shortage of raw materials and capital for purchasing the fresh pineapple from households, can work at low capacity, only at level more than 10%. Meanwhile, currently the countries worldwide have the growing demand for the pineapple import, especially after Vietnam began implement the multilateral agreements, bilateral agreements, and Vietnam – USA trade treaty.

CURRENT SITUATION OF PIPEAPPLE INTO USA'S MARKET

Overview on the pineapple export into USA's market

USA is not only the main market for the Vietnam Corporation for Vegetable and Fruit (Vegetaxco), but also for other exporters in various regions. Specially, recently, after the Vietnam – USA Trade Treaty signed, Vietnam's pineapple got the strong penetration into USA's market, and currently USA has the second position and even the first position on pineapple importer for Vietnam. Currently, Corporation Vegetaxco includes 34 members, but only 4 to 5 units having the qualifications to export into USA's market. So if to appraise the importance of USA's market in the extent of qualified corporations, may say USA's market is the main market, accounting for very big ratio, near 40%. Over certain companies, for example Dong Giao Company, Tan Binh import-export joint-stock company, this ratio reach up to 45%. Vietnam's pineapple export into USA account for more than 40% of total pineapple export. This showed that USA's market is the huge market and the Vietnam pineapple has the good penetration into the market. According to data of the USA Commerce Department, in 2006 Vietnam packed pineapple export into USA reached only near US\$ 1 million, meanwhile the figure of Thailand was more than US\$ 60 million, and of Philipine was the higher, more than US\$ 80 million. Besides Thailand and Philipine, China in recent years has got the rather strong export of pineapple into USA. The pack pineapple of China's export into USA reached near US\$ 10 million in 2006. Similarly, Vietnam's export of fresh and cooled pineapple into

USA is still very low. Currently, no Vietnam's exporter of fresh pineapple into USA. The companies have exported the cooled pineapple packed in bags PE placed in carton boxes.

Sale market canal and export of pineapple into USA

Canal system of purchase, process and export may pass the following stages:

Purchase of fresh pineapple from households of pineapple cultivation, employees of state farm.

Purchase from pineapple individual collectors gathering the pineapple.

Process at the plants

Immediation export for foreign clients.

Sell to exporters, then these units do export into other countries.

After stage of processing various complete products such as packed pineapple, condense pineapple, condense pipeapple, cooled pineapple, pineapple water, cotail and so on, almost all the processed pineapple products are for export. The investigation showed of Ministry Agriculture and Rural Development that in Dong Giao more than 95 the processed products used for export. The ration of the Vegetable and Fruit Tien Giang is even higher, reached 99%. Only tiny amount is saled at home.

Almost all the products exported from Vietnam's ports at prices FOB. So, after the delivery at Vietnam's port, the pineapple export companies "complete" the agreement. After Vietnam's departure, the pineapple products transported to the USA's ports such as New York, Chicago, Maiamy, and New Orland. Then they transported to storage houses and supermarkets to serve the customers. Currently, no Vietnam's pineapple export company that gets the CIF prices, and its own sale canal in USA's market. In addition, Vietnam's pineapple trade mark is not enough strong, get difficulty and hard competition with Thailand, Philipine, Kenya and other countries, meanwhile to try penetrate into USA's market. So currently, Vietnam's to export largely on prices FOB and accept the clients' trade marks. This also is the common export form of other countries such as Philipine, Thailand. In Philipine, many products of packed pipeapple, pineapple water exported into USA using the trade mark of the Food Company Dole. This is rather large company of USA, established in 1951. In 2006, the company's revenue reached US\$ 4.4 billion. The clients importing Vietnam's pineapple into USA are the great and prestige traders and processors in USA's and global markets. They do import of certain kinds of packed pipeapple and distribute them to USA's supermarkets. Other kinds of products such as cooled pineapple, condense pipeapple, to be imported by them for processing into the pineapple products (cotail, pineapple water and etc) and then they distribute them in USA's market or re-export into other markets.

The difficulties the companies face amid pineapple export into USA's market

Currently, almost all companies have seen the huge markets of USA and certain European countries and in recent years they have had the stronger efforts to penetrate into these markets. However, currently Vietnam's companies still face certain difficulties amid export into USA.

High competition pressure

USA is the great market and high competition. Vietnam's export prices are still higher (due to high unit costs) than Thailand's prices. So, the export companies face very difficulties. Currently, due to high unit costs, Vietnam must to offer higher prices for USA and other importers countries than Thailand and Philippine. Packed pineapple average price of Vietnam's export into USA are often higher than Thailand's price by 5–10%. Vietnam's pineapple has the higher costs than Thailand's pineapple because of all 3 stages are raw materials, process and transport. Costs for Vietnam's raw materials of pineapple are higher 20% than Thailand's ones. According to Southern Vietnam Institute for Fruit Trees showed that production costs for Vietnam's pineapple Queen are 47 USD/ton and for Vietnam's pineapple Cayen are 55 USD/ton, meanwhile the Thailand's figure is only 41 USD/ton. This caused mainly by the fact that Vietnam's pineapple productivity is lower.

Currently no immediation penetration into USA's market

At present, almost all operations of Vietnam's companies of export into USA to be complete at Vietnam's ports. According to investigation of Ministry Agriculture and Rural Development, up to 100% pineapple export into USA to get the price FOB. Currently, only several Vietnam's companies can afford to export on price CF (attached to transport, without insurance) into certain countries such as Holland, Russia, however, in very small amount, under 5%. The export on price FOB help the companies avoid the transport's risks, not to concern about the distribution into USA (having very complicate procedure), and the final sale stage. However, the exports on price FOB make the companies share the profit with USA's import companies. In addition, distance from Vietnam to USA is too long, so transport expense is very high. According to the investigation, transport expense in 2006 on one container 20 feet of pineapple into USA's market is about US\$ 4600. So, if Vietnam's companies hire the transport, the expense on exporting pineapple will raise at least 150 US\$/ ton. In addition, if Vietnam's companies export on price CIF, expense on insurance to be very high.

Trade mark is not enough famous

Almost all Vietnam's products exported under the trade marks of foreign companies. Vietnam's have no famous trade marks. The dependence on foreign trade marks

make the companies to accept the low prices. The situation take place not only over vegetable and fruit, but over many other agricultural products. No famous trade marks make the export companies on agricultural products to loss many million US\$.

USA's market requires the high standards and the foreign trade procedure is rather complicate

USA's market requires the strict inspection and rules on sanitary and safety. In addition, the procedures and standards are rather complicate. Immediately after issue of the Law on Biological Anti-terror, the USA's Department for Drug and Food Inspection (FDA) has required all exporters into USA must fulfill the registration and FDA to give the registered company one code number. The company without code number is not allowed to import into USA. USA's standards on export of food products are very complicate. Versus the fresh fruits, their import must pass the strict inspection by the USA's Department for Agriculture (USDA), the Food and Drug Agency (FDA).

Vietnam's companies are not enough professional when do business with USA's counterpart.

Currently, Vietnam's companies have not enough the initiative amid export into USA and certain other markets. Almost all importers of USA and other countries have to arrive in Vietnam for the deals. Almost all Vietnam's pineapple export companies have built the web sites to introduce their products, but they have the poor contents, not attractive, lack the information, and may say they stand at level of introducing about the companies.

The process technology of certain companies are still backward

Certain companies have met the standards HACCP, ISO and because they can not do immediation export into USA's market. In addition, the companies do not get the good understandings about export into USA, and steady counterparts. So, these companies must apply the trust export form or must do export via other companies. Certainly, to export into USA, these companies must do investment on equipments, raw materials, plants and etc so that quality of their products meets the USA's standards.

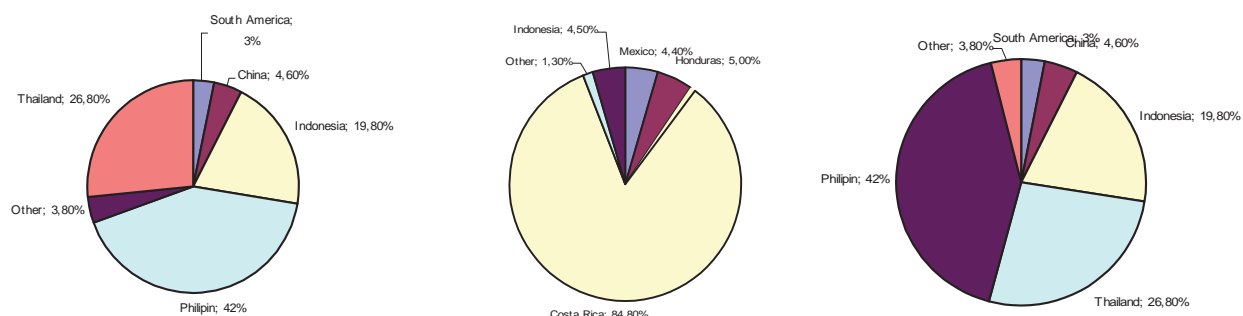
OUTLOOK OF USA'S PINEAPPLE MARKET

In USA, pineapple consumption get the position 5 after orange, grape, apple and banana. Every American consumes at average about 5.6 kg pineapple per year (including fresh pineapple and processed pineapple), account for about 5% vegetable and fruit consumption of one average American. Pineapple gets the huge import, and its consumption is much more than consumption of domestical fruits such as pear, peach, and strawberry.

Currently, American's processed pineapple consumption is more than the fresh pineapple consumption, mainly caused by the fact that the processed pineapple (packed pineapple and pineapple water) is always available in the retail market. In 2006, every American do consumption at average of about 5.6 kg, meanwhile the figure for fresh pineapple is only 1.8 kg. However, since decade 1990s, consumption of processed pineapple has got the declining tendency, meanwhile consumption of fresh pineapple has got the increasing tendency, so the consumption gap between the kinds of these pineapple are narrowed. Pineapple is not the new item for Americans, but they mainly focus on packed pineapple and pineapple water. So, at present, many Americans do not used to consume the fresh pineapple

yet. The increase tendency of fresh pineapple in the recent years caused mainly by that consumers have better understandings, quality management currently is better than in the past and products have got the improvement in packing engineering and sale. Majority of fresh pineapple and cooled pineapple imported from Costa Rica, Honduras, Ecuador and Mexico. Philippine, Thailand and Indonesia continue keep the position as the biggest exporters of pineapple water and packed pineapple into USA. These countries account for the 92% of pineapple water market and 89% of packed pineapple market in 2006. Philippine alone has acquired 42% of total packed pineapple and 51% of total pineapple water imported into USA in 2006 .

Graph 2: USA's pineapple import on the ratios of countries (counted on value)



Source: Southern Vietnam Institute for Fruit Trees. Report on pineapple market in 2006

CONCLUSION

Over production

Currently, the main issues of the plants are the lack of raw materials zones for processing work. Ensuring the raw materials for the process to help the process plants raise the capacity, the effect of using equipments and reduce, eventually, the amortization expense and unit costs of the process products.

- § The plants need to coordinate with the state programmes, of the province to increase the area of cultivation Cayen and, eventually, the productivity and output.
- § The should have the measures to regulate the fertilizer market, ensure the stable prices of fertilizer, that create favourable conditions for production households.
- § Need to adjust the planning work, in particular, not encourage the zones for raw materials of pineapple in certain local regions having no favourable conditions for pineapple production.
- § Companies need take the initiative apply the agreement of agriculture products to secure the output sale for production households, at same time

to ensure the steady source of raw materials of the plans.

Over the process industry

- § No necessary to build additionally the plants, but to focus on upgrading the existing plants, invest for technology innovation, and improving the products quality via that to raise the competitiveness, diversify the pineapple process products and other kinds of fruits, and based on this to upgrade the plants and meet the international standards on food safety, the qualifications for export into USA's market.
- § Prepare the production plans and conduct the talks between the plants to stabilize the market, avoid the unneeded competition, having the influence on the sale and purchase of input raw materials.
- § To invest gradually on development of production of packs, labels in order to reduce the expense on packing. Reduction of expense on packing will lead to considerable reduction of unit costs and raise the competitiveness of Vietnam's pineapple products.
- § Extend the time for technology amortization to reduce the amortization expense in unit costs, in

particular, from 10 years to 10 years, in order reduce the unit costs and raise the competitiveness of export products.

Beef up the work for trade promotion on pineapple products, focus on USA's market

- § Go step and step to enhance the Vietnam's trade mark for pineapple products, raise their prestige, at same time, to help the companies penetrate into USA's market the best way.
- § The companies need to have the integration, cooperation so that may meet the great orders from USA's importers.
- § The state do assistance for trade promotion, create conditions for the companies to get the excursions, exhibition, trade fair, better exchanges and search for clients.
- § Focus on strong development of market information on faces such as study, forecast on market, electronical trade and etc, ensure the quick and full supply of information to producers of raw materials and processing, especially, information about the rivals such as Thailand, Philipine, and about USA's market.

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