

## Country Profile

Vietnam is in Southeastern Asia, bordered by the Gulf of Thailand, Gulf of Tonkin, and South China Sea, alongwith China, Laos, and Cambodia.

### General Information on Vietnam:

Capital	Hanoi	Time Zone	GMT+7
Population	81,098,416	ISO Code	VN
Area	325,360 sq km	Dialing Code	+84
Languages	Vietnamese (official), English (increasingly favored as a second language), some French, Chinese, and Khmer; mountain area languages (Mon-Khmer and Malayo-Polynesian)	Continent	Asia
Currency	Dong (VND)	Internet Domain	.vn
Major towns	Cam Ranh, Da Nang, Haiphong, Ho Chi Minh City, Ha Long, Quy Nhon, Nha Trang, Vinh, Vung Tau	GDP	\$168.1 billion
Exports	crude oil, marine products, rice, coffee, rubber, tea, garments, shoes	Export partners	Japan 18.1%, China 10.6%, Australia 8.8%, Singapore 6.1%, Taiwan 5.2%, Germany 5.1%, US 5.1%
Imports	machinery and equipment, petroleum products, fertilizer, steel products, raw cotton, grain, cement, motorcycles	Import partners	Singapore 17.7%, Japan 14.4%, Taiwan 12.1%, South Korea 11.1%, China 9.1%, Thailand 5.2%, Hong Kong 3.9%

## Production

Cashew is a competitive advantage of Vietnam, widely adapted to the natural conditions of many regions. Manual processing of cashew attracts a great number of labourers who can produce high quality goods which matches the requirements and taste of international consumers.

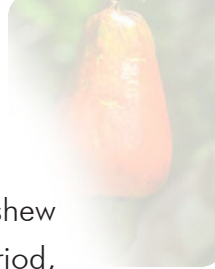
### Production area and productivity

Cashew is planted under extensive cultivation from the Center to the South of Vietnam, mainly in the Southeastern provinces of **Binh Phuoc, Dong Nai, Binh Thuan**. Vietnam's cashew productivity averages at **500-600 kg/ha**, which is rather high when compared with other countries including India (500 kg/ha), Brazil (450 kg/ha) or Mozambique (400 kg/ha).

Government data indicate that total cashew plantations in 2001 reached 199,000 hectares from 195,400 hectares in 2000. The Vietnam Cashew Association projects 2003 raw nut output at **200,000 tonnes**.

Instability in productivity and area has made great fluctuation in cashew output of Vietnam. In 1995-1997 period, cashew output increased





at an average rate of 15%, from 47 to 67 thousand tons, turning Vietnam into the biggest cashew producer in ASEAN and the third largest producer in the world. However in 1997-1999 period, cashew production was on downward trend, reaching to 41 thousand tons in 1999 due to unfavorable weather.

### Harvesting season

The raw cashew harvest season at Vietnam is between **February & May**.

### Government support

The Prime Minister issued in 1999, a development strategy for cashews by 2010. Under this strategy, Vietnam's cashew growing area is projected to reach 450,000 hectares by 2010, concentrating in east-southern, central coastal and Central Highlands regions. Following the PM's decision, the **Ministry of Agriculture and Rural Development (MARD)** then released a 2000-2005 cashew strain development plan, which envisaged the goals to increase the concentrated cashew acreage to 300,000 ha by 2005, not counting scattered-grown cashew trees, to achieve a total output of 250,000 tonnes/year or 1 tonne/ha on average. The plan also sets a target of US\$250 million in exports of cashews with **40 percent** of which coming from the **United States** and **20 percent** from **Europe**.

Since the announcement of the Government strategy, large portions of cashew growers have opted for a shift from the traditional practice of seeding to grafting. Around 50,000 hectares have been put under high-yielding cashew to be tended by new farming techniques, resulting in a yield rise to 700 kg/ha from 300-400 kg/ha. Although the newly-cultivated area is not large, it has helped raise the cashew output to 220,000 tons.

The Vietnamese Government is spending about \$1.38 million spread over five years from 2000 to introduce hi-tech cashew strains to improve the quality and yield. These new strains are fast replacing the old, retrogressive strains. If the present trend is any indication, Vietnam may overtake India in cashew kernels export by the end of the current decade.

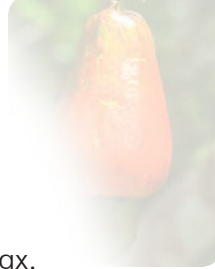
### VINACAS

The Vietnam Cashew Growers Association's (Vinacas) proposals came when the industry was rebounding from the doldrums period in late **1990s**, when the cashew acreage shrunk remarkably as farmers shifted to other cash crops.

The Vietnam Cashew Growers Association (Vinacas) asked for **more land for cashew farmers** and **exemption from agricultural taxes** in a bid to expand the cashew growing area.

The association also suggested **exemption of taxes on imports of raw cashews for export-oriented production** and the **establishment of a hedge fund** in support of cashew growers as well as a **closer co-operation with India and Brazil** to boost sales.





### Vinacas has made the following suggestions for developing the local industry:

- ❖ Land should be allocated land to farmers and they should be exempted from agricultural tax.
- ❖ Tax exemptions should be given to people importing raw cashew nuts for processing and re-export.
- ❖ Government-level working sessions should be held with India and Brazil to discuss co-operation in exporting cashew products.
- ❖ An industry fund should be established to assist enterprises in the cashew industry at times of difficulty.

## Processing

Cashew processing industry of Vietnam has made great progress. Although the techniques used in **India and Brazil are followed**, all equipments have been home made. In comparison with the Indian technology, the work stage has been further improved, creating stable high - quality products, matching the world taste. Cashew processing capacity of Vietnam has considerably increased. Number of processing companies increased from 6 in 1986 to 30 in 1994 (with total capacity of 75000 tons/year) and to **62 in 1999** (with total **capacity of 250000 tons/year**).

The development of the processing industry has made Vietnam shift from exporting raw cashews to processed products. Recently, due to the reduction in domestic cashew supply, Vietnam had to import raw cashew from African countries for processing. **Cover split technology of Vietnam** is semi auto, designed by Vietnamese technicians, adapted to Vietnam's own conditions. This technology is cheap, attractive to labourers, and generates higher ratio of whole seed than the automatic machines of England, Italy or India.

In Vietnam, each cashew processing company has **its own firm and station** to assemble raw cashew for processing. Some of them have poured investments into the production area to encourage farmers to plant cashew through measures like credit support or provision of new and high-yielding seeds.

While the acreage of cashew is on the rise, processing facilities have also been further upgraded with processors like the **Dong Nai Food Processing and Import-Export Company** (Donafoods) and the **Long An Food Processing Company** (Lafoco) having obtained the international quality standard ISO 9001-2000 for production.

Cashew nuts are now one of the few farm products produced in the country with a very high proportion of harvest being processed. Nearly 100 percent of the cashews produced are processed by 80 mills spread across the nation with capacity totaling 250,000 tons/year, expected to reach 300,000 tons/year in the future. Although two-thirds of them are located in cashew growing zones and most of their products are earmarked for export, few have invested in cashew cultivation to provide input for their processing units. They have to import around 20,000-30,000 tonnes of raw cashews this year. The situation is likely to change soon due to the fast rise seen in the growing area of cashews.



Since **1990 when the first cashew processing mill opened**, Vietnam has to date carved market footholds in the European Union, Japan, Russia, Ukraine, Poland, Germany and the Middle East. Important clients include the US, which last year accounted for 33.7 percent of its total cashew exports (Vietnam's cashews made inroads into the US even before the Vietnam-US Trade Agreement took effect) and China with 20.3 percent of the cake.

During 2002, the country exported a total **63,000 tonnes** of cashew nuts, grossing US\$214 million, becoming the world second largest cashew exporter just behind India.

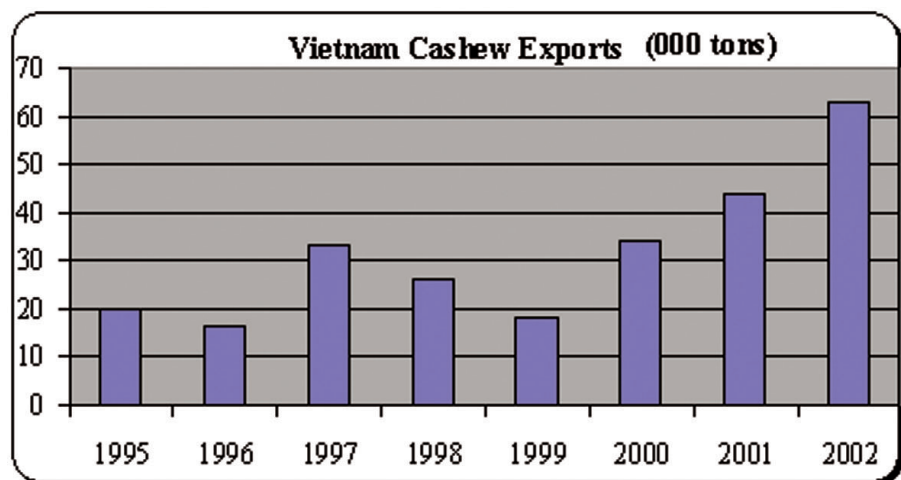
Vietnam is also planning to diversify into new products such as roasted cashew and cashew pies, currently ignored in the local market there.

### Exports

Vietnam exported cashew nuts worth US \$44.7 million in the first quarter of 2003, a year-on-year rise of 53%. Cashew exports of Vietnam are picking up, after displaying a downward trend in the late nineties. It slipped from 33300 tons in 1997 (accounting for 22.5% of the world market) to 26000 tons in 1998 (equivalent to 17.2%) and even to 17000 tons in 1999. However, in the first 6 months of 2000, Vietnam cashew export situation has improved remarkably after that as is evident from the following graph and tables.

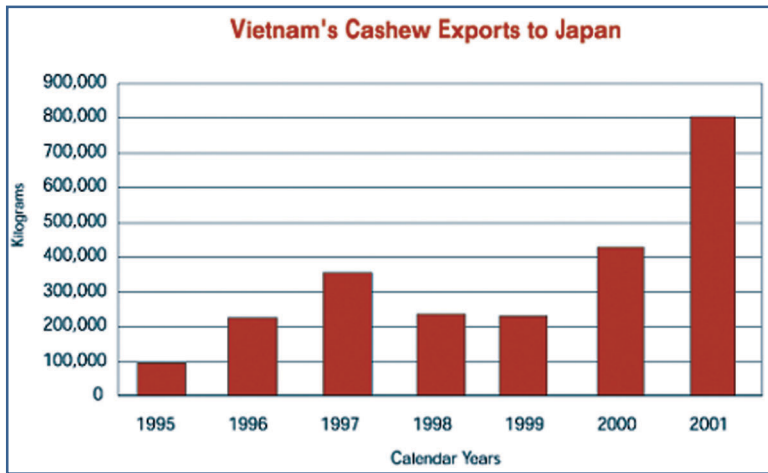
Year	Qty Exported (000 tons)
1995	19.8
1996	16.5
1997	33.3
1998	25.7
1999	18.4
2000	34
2001	43.7
2002	62.8

Cashew nut export is forecasted to reach 65,000 tons in 2003.



Vietnam is the largest cashew producer in Southeast Asia and the third cashew exporter in the world after India and Brazil. Most of cashew produced is for export (about 90%). Cashew exporters of Vietnam increased from 16 in 1997 to 21 in 1998 and **23 in 1999**. China, Australia, the US and Netherlands are the greatest importers of cashew from Vietnam.

Demand for cashew in the world increases rapidly at the rate of 7% a year. On top of that, economic integration will be encourageous driving force for cashew, the product with high competitiveness able to infiltrate smoothly in the world markets.



Vietnam is all set to take the second place in global cashew kernel exports after India holding 18-20% of the world market. Of this, about 80 per cent of the commodity is likely to land up in the US and China. One of the country's top ten export items, Vietnamese cashew is known for its high quality. Its market share in the US rose from 18% in 2000 to 33% in 2001.

The US had reduced the import duty on cashews to zero per cent late last year and this is expected to boost exports. Also, Vietnam had forayed into newer markets such as Iran, Saudi Arabia and Russia in 2001 and these will be targeted this year too. According to international cashew distributors and exporters, Vietnamese cashew exports fully met the food safety and hygiene standards as well as the technical standards of North America, Europe and Japan.

The MoT has urged the Government to extend cashew farmers more financial and technical support, including a preferential tax policy, quicker tax refund and introduction of new high-yield strains. It has also urged cashew enterprises to boost quality of exports and pay serious attention to international recognition for their trademark.

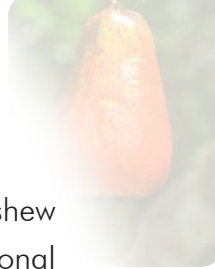
#### According to Vietnam Cashew Association:

- ❖ The majority of the increase is expected to come from traditional importers.
  - ❖ The United States has lowered the import duty imposed on cashew to zero percent since the end of 2001, down from 0.044 U.S. dollars per kilogram previously, providing a likely boost.
  - ❖ Vietnam Cashew Association forecasts that China is also expected to import from Vietnam between 15,000-16,000 tons a year, up from 14,000-15,000 tons,
  - ❖ The two clients alone will consume 80 percent of Vietnam's cashew exports this year.
- Vietnam's cashew export departments is seeking new markets in Iran, Arabian Saudi, and Russia.

Having set its sights abroad, the industry's lack of interest in the domestic market has translated to more than 90% of cashew products being reserved for export.

Investment priorities will be given to modernising farming techniques and expanding cashew-growing areas to 400,000 hectares in the hope of churning out 400,000 tonnes per year. While the boom in exports reflects the popularity and measure of the high quality of Vietnamese nuts, the industry needs to maintain existing foreign markets and approach new ones to ensure its cashew products will be purchased in forth coming years.

Cashew processors have asked the government to put a ban on a new cashew nut processing plants until farmers are able to satisfy quotas of raw nuts to feed existing plants. The petition was raised by an



association of more than 60 processors fearing increased rivalry over buying raw nuts. Raw cashew production currently meets only two thirds of the processing demand of the country. A multi-national food enterprise, which recently revealed plans to develop large-scale cashew nut processing mills in Vietnam, was behind the petition.

## Imports

Vietnam has been seen as a new buyer of seed in Africa over the last few years. Vietnamese cashews are probably in more demand than any other origin. They are generally considered to produce the very best quality cashews in the market today. Their biggest problem over the last few years has been meeting the demand for their product, leading to a situation of occasional defaults when enthusiastically over selling their production. Having been severely punished by importers last year, they have no doubt learned their lesson and are perhaps a little more conservative when committing themselves to forward contracts. For the time being Vietnam will have to continue to import African seed, however, considering the plans of expanding local production, they will eventually become self-sufficient.

The Ministry of Agriculture and Rural Development has suggested that the Vietnam Cashew Association and the Vietnam Food Association co-operate to sell rice to Africa in exchange for raw cashew during 2002.

The country's rice stockpile is increasing as harvesting has started in the south. However, cashew-processing bases are facing serious raw material shortages. Cashew output this year stands at 120,000 tons of dried cashews, while 60 cashew-processing bases have the combined capacity of 150,000 tons - 200,000 tons a year.

## Research

Cashew plant potential, however, is not yet fully tapped. Almost one million tons of cashew fruit are left unprocessed each year. A project is underway by the post-harvest technology institute to make wine out of this source, for job creation and reducing environmental pollution.

## Price:

Vietnam is planning to strike a deal with the world's leading cashew nut exporters, India and Brazil, in a bid to stabilise prices.

Most of the processors are giving priority to fulfilling existing orders at the average export price of \$ 3,500-4,100 per ton, compared to \$5,250-5,600 per ton in the same period last year. The heavy fall in price follows bumper harvests in India and Brazil.

## Vietnam cashew industry facts

Average productivity: one tonne/hectare

Total output: 250,000 tonnes/year

Export value: US\$250 million/year

Cashew exports to the U.S.: 40 percent

Europe: 20 percent

Other countries: 10 percent





## Targets for Development of the Cashew Industry

Target Unit	2005	2010
Cashew nut production ton	45,000	100,000
Raw cashew production ton	230,000	500,000
Total area ha	340,000	500,000
High-yield intensive cultivation area ha	200,000	300,000
Economic protection area ha	140,000	200,000
Productivity in intensive cultivation area ton/ha	1 1.5	1 1.5
Productivity in economic protection area ton/ha	0.2	0.2-0.3
Total value VND bil.	3,200	7,000
Cashew nuts VND bil.	3,000	6,300
Products from cashews VND bil.	200	700
Export turnover US\$ mil.	220	450

## Some of the Vietnamese Cashew Exporters

**Company Name:** Agricultural Products Export-Import Co. No.3  
**Email:** agrexport-tphcm@hcm.vnn.vn  
**Office address:** 27-28 Ton Duc Thang, Dist.1, HCMC  
 Tel: 84-8-8298332 Fax: 84-8-8225877

**Company Name:** Agricultural Productstuff Export Co.  
**Email:** agr-ckc@hcm.vnn.vn  
**Office address:** 58 Vo Van Tan, Dist.3, HCMC  
 Tel: 84-8-9306606 Fax: 84-8-9303451

**Company Name:** Cashew Nuts Processing Export Factory  
**Office address:** 20/28 National Highway 1, Linh Xuan Ward, Hochiminh, Tel: 84-8-8225308 Fax: 84-8-8297791

**Company Name:** Tay Ninh Cashew Nuts Processing Enterprise  
**Email:** imestan@hcm.vnn.vn  
**Office address:** Tan Bien Townlet, Tan Bien Dist., Tay Ninh Province, Tel: 84-66-823999 Fax: 84-66-827303

**Company Name:** 30/4 Tay Ninh Import Export & General Trading Co.  
**Email:** tagimexco@hcm.vnn.vn  
**Office address:** 30 Le Loi, Ward 2, Tay Ninh Province  
 Tel: 84-66-822197 Fax: 84-66-822532

**Company Name:** Longan Goods Processing For Export Joint Stock Co.  
**Email:** lafooco@hcm.vnn.vn  
**Office address:** 81B Highway 62, Ward 2, Tan An Town, Long An Province  
 Tel: 84-72-829637 Fax: 84-72-826735

**Company Name:** General Export Import Co.  
**Office address:** 29 Cach Mang Thang 8 St., Thoi Binh Ward, Can Tho  
 Tel: 84-71-822251 Fax: 84-71-823902

**Company Name:** Thanh Hoa Import Export Co.  
**Office address:** 2 Phan Chu Trinh., Dien Bien Ward, Thanh Hoa Province  
 Tel: 84-37-852598 Fax: 84-37-852965

**Company name:** Cashew Nut Processing Enterprise  
**Office address:** 168/11 Lac Long Quan St., Ward 3, District 11, HCMC., TP HCM, Tel: 8587991 Fax: 8558291  
**Director:** Duong Minh Khai

**Company name:** HCM Export Foodstuffs And Agricultural Products Company - Agrex Saigon  
**Email:** agr-ckc@hcm.vnn.vn  
**Office address:** 58 Vo Van Tan St., District 3, HCMC., TP HCM  
 Tel: 8298951 Fax: 8298951  
**Director:** Duong Ky Hung

**Company name:** Hai Van Trading Company Limited - HAIVANCO  
**Office address:** 533 Dien Bien Phu St., Dist. 3, HCMC, TP HCM  
 Tel: 8396908-8332064 Fax: 8332622  
**Director:** Hoang Thi Nu

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