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# Sustainable Competitiveness of Durian Industry in Thailand

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Introduction

Opportunity

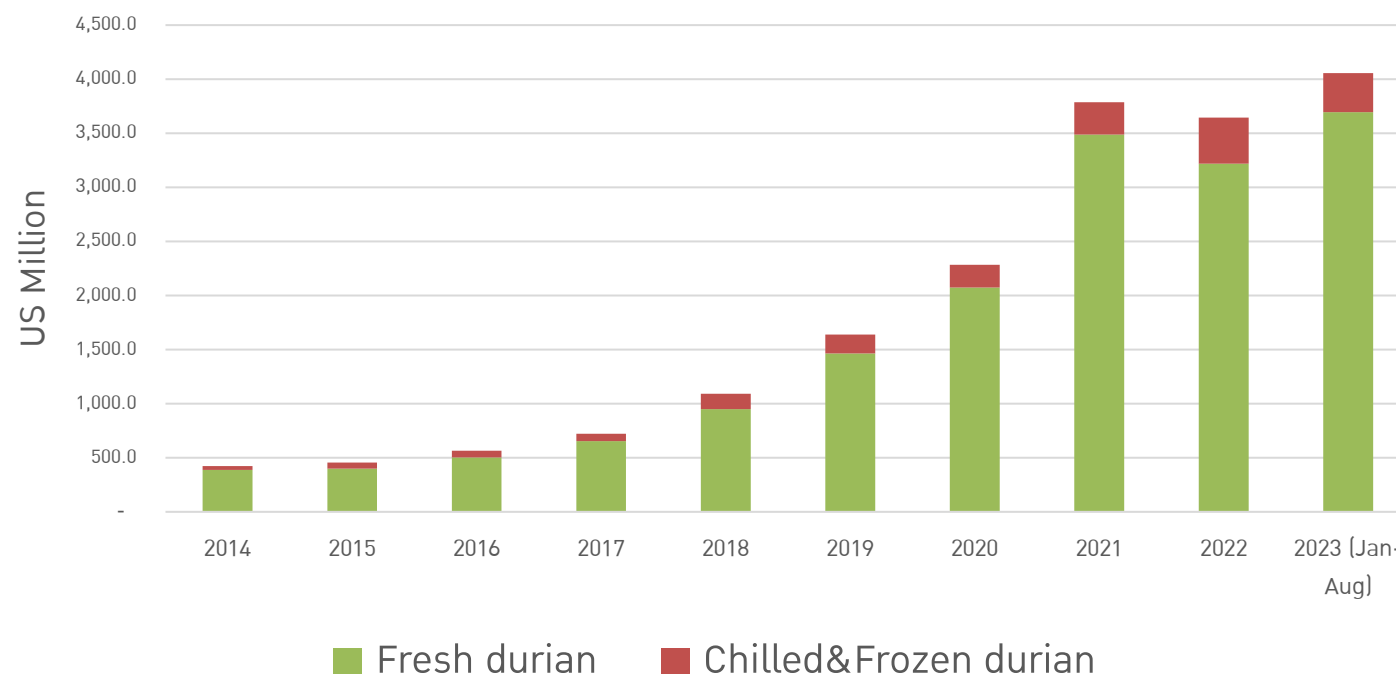
Key Challenges

Recommendations



- Thailand has been the No. 1 durian exporter in the world for over decades.
- In the past 5 years, the value of Thai durian exports has grown exponentially, due to the increasing demand for durian consumption in China
- Almost all Thai durian exported to China is **fresh durian**
- Thailand was previously the **only country** where China allowed fresh durian to be exported to for many years.

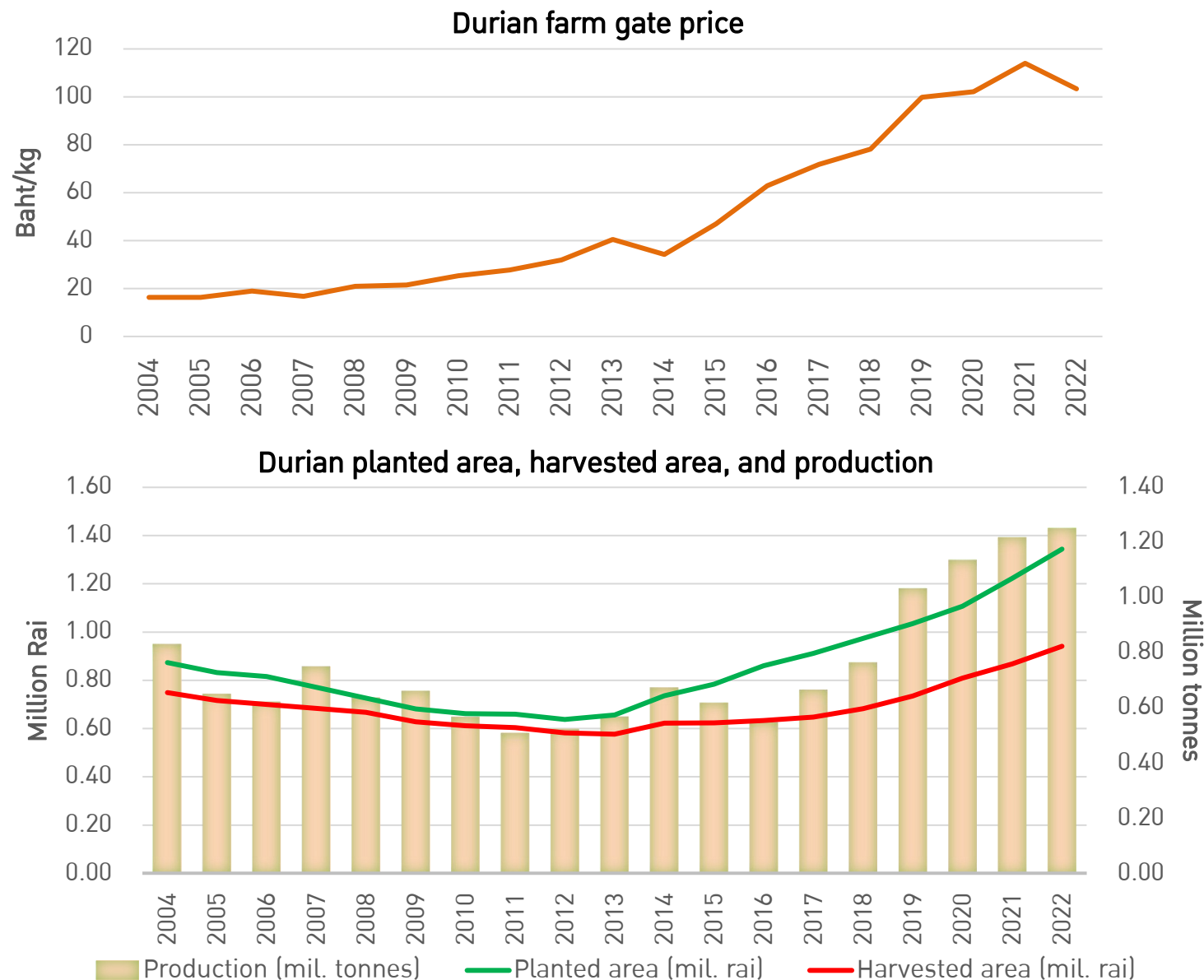
## Thai durian export value



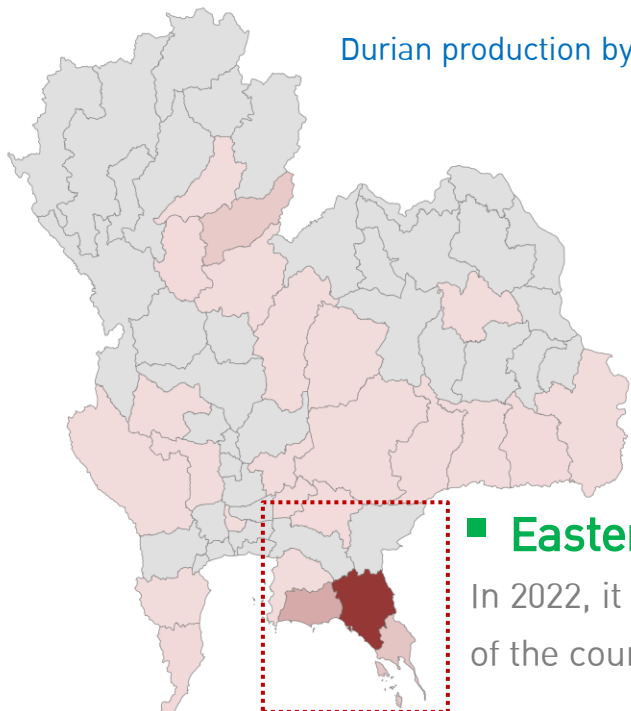


- The popularity of durian consumption in China is increasing in the past years, Causing the **price of durian to increase**
  - Over the past 10 years, durian prices have increased from an average of 33 baht to 111 baht/kg
- Thai farmers have turned to growing more durian.
  - The durian growing area has more than doubled in the past 10 years

Source: Office of Agricultural Economics



Durian production by area, in 2022



## ■ Eastern Thailand

In 2022, it contributed **53.3%** of the country's total production

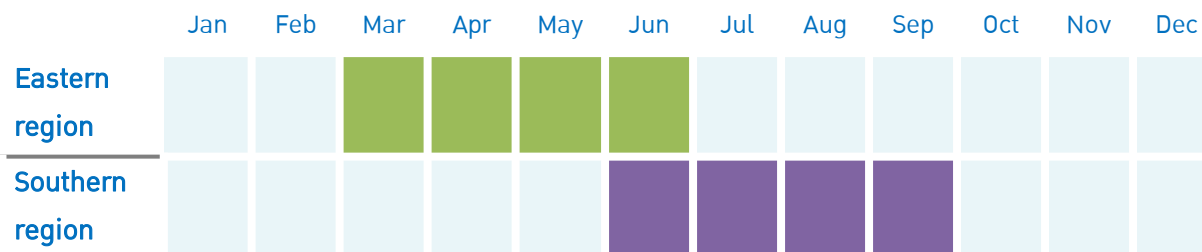
## ■ Southern Thailand

In 2022, it contributed **41.4%** of the country's total production

Source: Office of Agricultural Economics

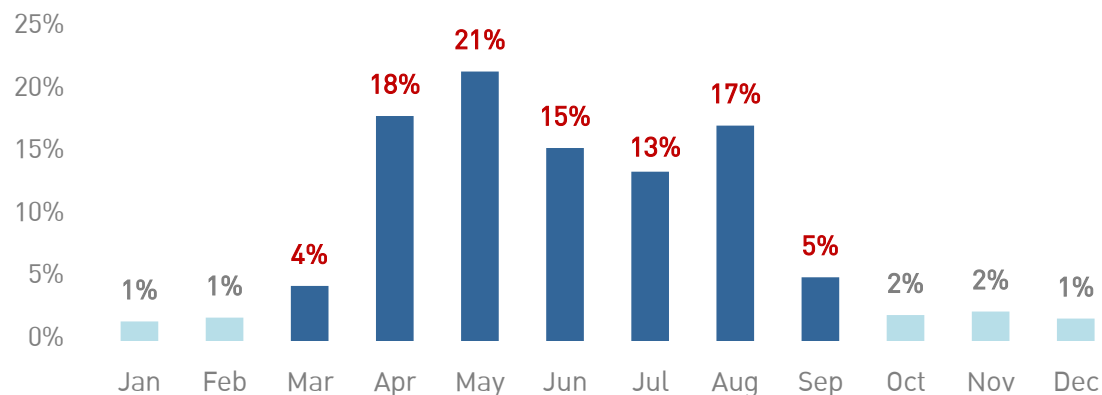
In Thailand, there are two main production areas of durian; eastern and southern regions, which have quite different harvest seasons.

Peak season for durian production



Thailand can supply durians to markets throughout the year due to the seasonal durian and the off-season durian of which Thai farmers have developed various cultivation technique

Durian distribution through out the year

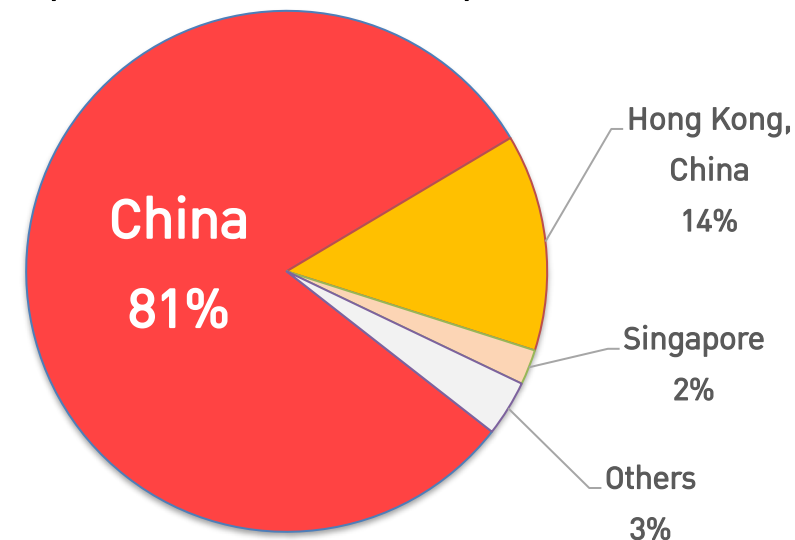




## Chinese durian consumption demand expect to increase

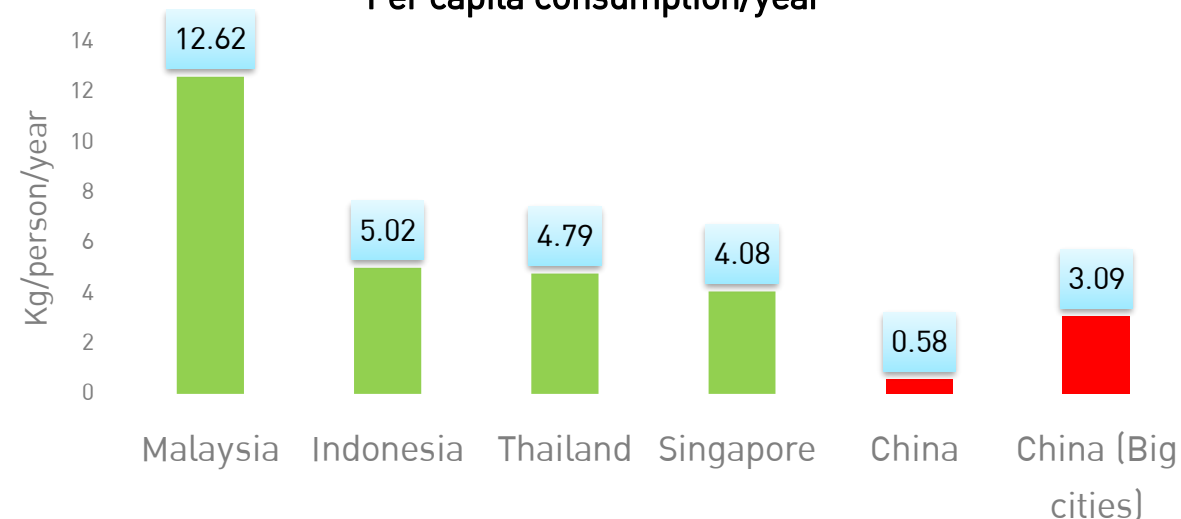
- China is main consumer importing fresh durian
  - Accounted to over 80% of the world's import volume in 2022
- Per capita durian consumption rate in China is surprisingly low compared to other durian consuming countries, indicating significant potential for growth.
- Continuous development of China's logistics system. Opportunity to distribute products to more inner secondary cities and community areas.

Proportion of world durian import



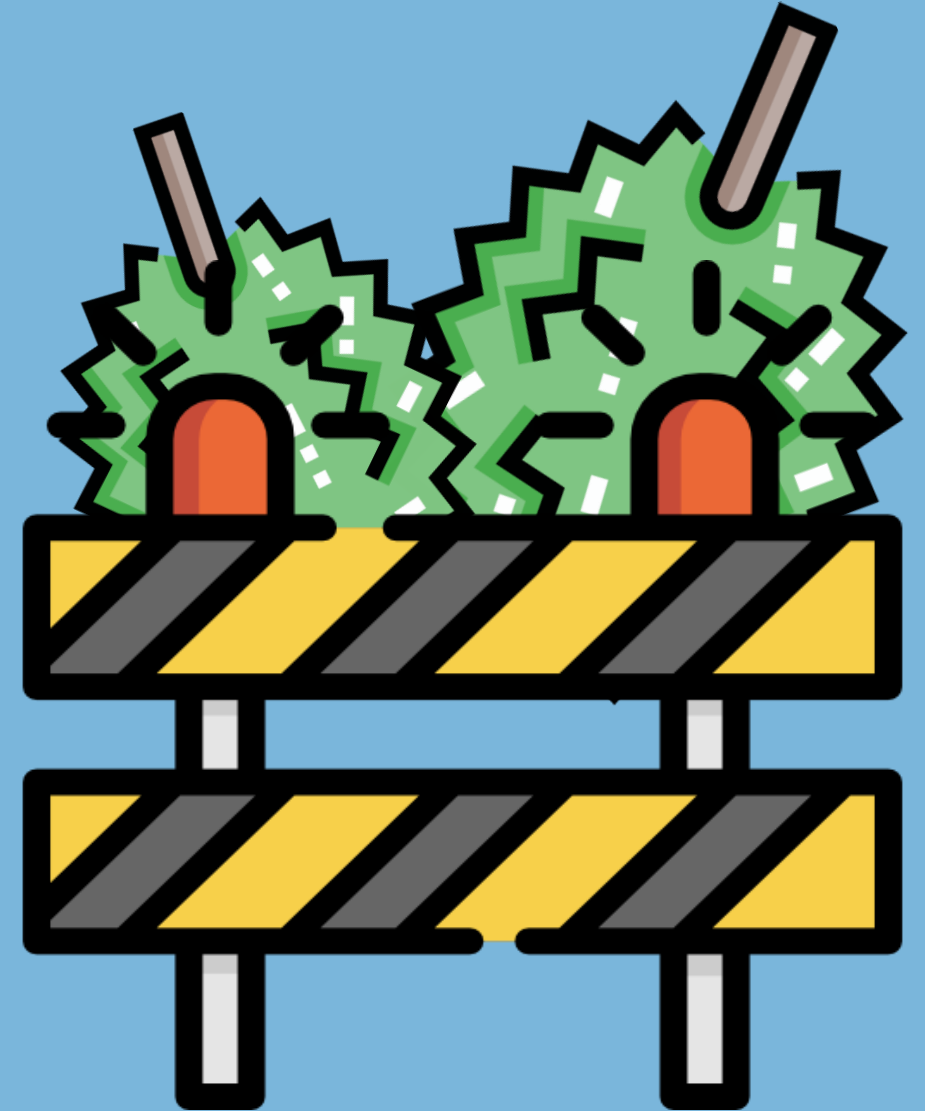
Source: Trademap

Per capita consumption/year



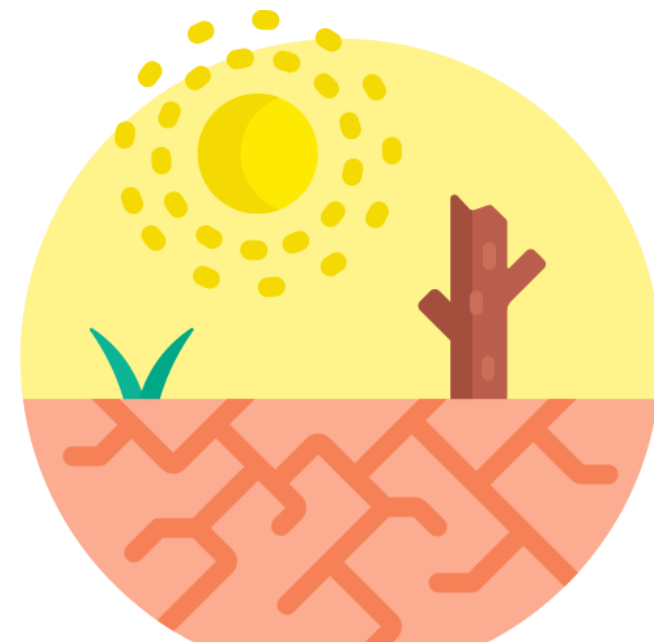
Source: Bank of Thailand, 2023

## KEY CHALLENGES FOR DURIAN INDUSTRY IN THAILAND





## Climate Change



- Durian trees are sensitive to weather fluctuations, and extreme weather events such as storms, droughts, and unpredictable rainfall patterns can adversely affect production.
- Climate change poses a long-term threat by altering the traditional durian-growing regions.
  - Thailand is classified as a country at risk from long-term climate change. According to the Global Climate Risk Index for 2000-2019, Thailand is ranked **the 9th highest risk** in the world.





## Water Management

- Water is an important production factor in durian cultivation
  - Especially from the flowering stage to harvesting stage
- **Shortage of water** will be the major challenge of the eastern region
  - Expansion of durian cultivation areas causing a greater demand for water use in agriculture
  - “Agricultural Water” in the region now accounted for 70% of total water consumption followed by industrial, household, and service sector, respectively
  - Meanwhile, the development of the Eastern Economic Corridor (EEC) to attract new investments and people living in the areas. It is expected the water demand in the area in the next decade will increase by approximately 1,000 million cubic meters per year.
  - From economic impact point of view, 1L of agricultural water consumption generate revenue of 11 Baht, while it is 155 Baht in the industrial sector and 333 Baht in service sector (Nipon Poapongsakorn, 2018)



## Labour Shortage

Players in the durian industry face a shortage of skilled-labour.

**Shortage of skilled-labours:** Many activities require specific skill.



Tie durian team

Durian-picker team

Lacking the skill  
and inexperienced

Subcontracting Team

**Cost of hiring Alien workers;** the government has a lot of regulations for foreign workers.



Myanmar



Laos



Cambodia

Allow to work in labour work

**The cost is 20,000-25,000 baht (589-737 US\$) per worker**

- Hiring the foreign worker employment agency
- Passport or Border pass fee
- Registration the work permit (PW.2 or PW.9)
- Medical checkup fee

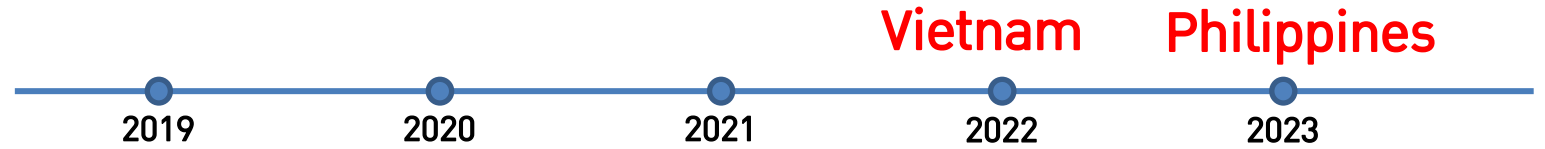
**Notification of staying in Thailand every 90 days/30 days**

**Complete the application for change or addition of locality of work  
(in case of move between 2 regions)**

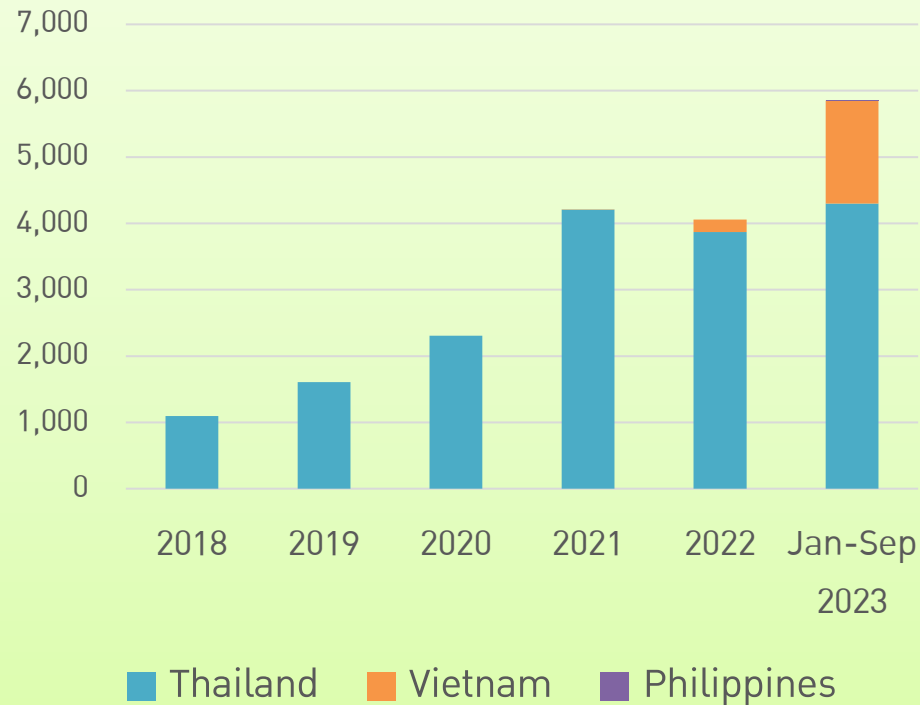


High Competition  
from neighboring countries

## China starts open up fresh durian import from other countries

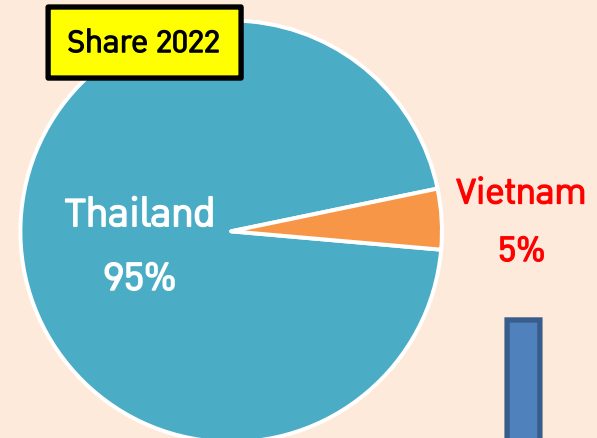


### China import for fresh durian

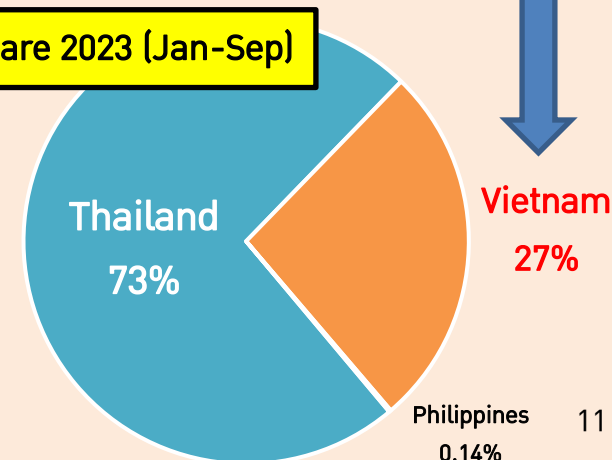


Source: GACC

### Share 2022

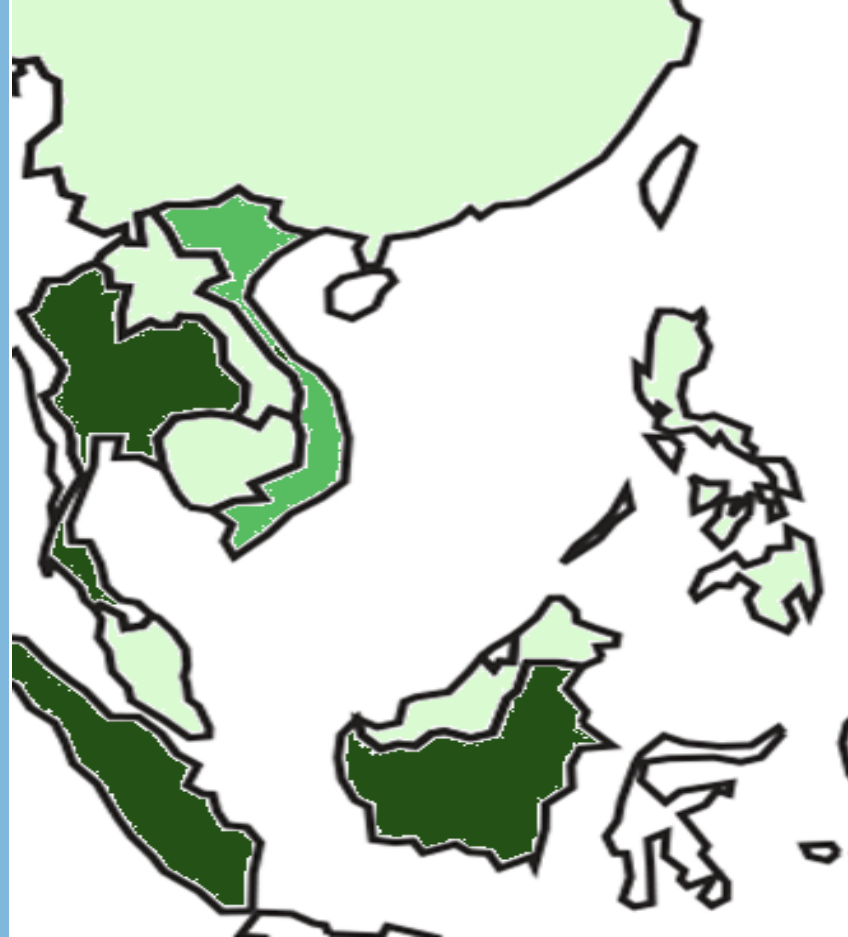


### Share 2023 (Jan-Sep)





## High Competition from neighboring countries



	<b>China</b>	
<ul style="list-style-type: none"> <li>Successful trial of durian cultivation but the production is still low.</li> </ul>		
	<b>Vietnam</b>	Allowed license since 2022
<ul style="list-style-type: none"> <li>High production and increasing</li> <li>Monthong (high season May-Sep)</li> <li>Advantage in logistics (faster&amp;cheaper)</li> </ul>		
	<b>Lao PDR</b>	Requesting for license
<ul style="list-style-type: none"> <li>High investment from China and Vietnam, production expected in 5-10 yrs</li> <li>Advantage in logistics (road, high-speed rail)</li> </ul>		
	<b>Cambodia</b>	Requesting license
<ul style="list-style-type: none"> <li>Small planed area, low production</li> </ul>		
	<b>Philippines</b>	Allowed license since 2023
<ul style="list-style-type: none"> <li>Small planed area, low production</li> <li>Durian season (Aug-Nov)</li> <li>Disadvantage in logistics (only by ship/air)</li> </ul>		
	<b>Indonesia</b>	
<ul style="list-style-type: none"> <li>High production (1<sup>st</sup> in the world) but mostly for domestic consumption</li> </ul>		

	<b>Malaysia</b>	Requesting for license
<ul style="list-style-type: none"> <li>Licensed for fresh durian export to China expected in 2024</li> <li>High production, but still not much for export</li> <li>Focus on native cultivars</li> <li>Highly experience in frozen durian exports (Musang King)</li> <li>Disadvantage in logistics</li> </ul>		



Risk of one  
market dependent



- China is the main export destination for Thailand's Durian



- Growing competition in the region coupled with dependency on single market could put downward pressure on durian prices



## Logistics

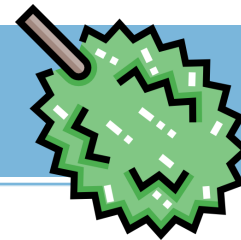


- Many routes for durian transport
- The mode of transporting fresh durian to China has shifted significantly
  - In 2017, maritime transport dominated (90%)
  - Shifting to more road transport (70% in 2021).
  - New routes: high-speed train through Lao, maritime to Beibu port and distribution through rail system in China
- The transportation on each route face different limitations
  - i.e., maritime take too much time, Congestion at the Vietnam-China borders



## Influence of Foreign Capitals

- Foreign capital, especially from China, controls the export and import of durian into the Chinese market. Chinese entrepreneurs now the key players in product collection and packing houses in Thailand.
- In the initial stages, foreign capital created business opportunities for Thai durian in expanding exports to the Chinese market. As a result, the durian price has greatly increased.
- Results of the survey, revealed that at present, profits from the trade and export of Thai durian to China have been divided equally between those involved on the Thai side and those involved on the Chinese side (Sirisoponsilp, 2022).
- However, the challenge for the Thai durian industry will be in sustaining the positive short-term benefits in the long term as Chinese entrepreneurs are always looking for ways to expand their business opportunities.



- Durian quality control is priority to secure the China market
  - Increase the strictness of durian quality through regular inspection at farm and packing houses
  - Provide incentives for farmers/packing house with good practice
  - Registration of durian selectors and cutters, and provide training programs
  - Establish Thai Quality Durian Fund to further develop and upgrade the entire durian production system to standard quality in the long term.
- Cost reduction to increase price competitiveness in long term
  - Encourage farmers to adopt smart and precision farming technology to reduce employed labor, fertilizer costs, and more efficient water management
- Institutional strengthening of farmer group to support sustainable competitiveness
  - Encourage collaboration among farmers to share best practices and resources
- Collaborate with Greater Mekong Subregion countries to improve transport and customs systems
- Develop domestic transport system to connect with neighboring countries
- Focus on branding and marketing Thai durian as a premium product and diversify durian variety to cater to different consumer preferences, and seek new markets such as middle east and Indian market



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