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Report Highlights:

The report provides the latest update regarding developments in the Hotel, Restaurant, and Institutional (HRI) food service sector in Vietnam and suggests a road map for exporters wishing to enter the market. Vietnam's HRI market continued to grow in 2019, in step with the country's strong economic performance, growing middle class, and expanding tourism sector. COVID-19 has negatively affected the HRI sector across the globe in 2020; however, Post expects that the HRI sector in Vietnam will strongly rebound over the next few years, cementing the country as an attractive export market for U.S. consumer-oriented and agricultural related products.

Market Fact Sheet: Vietnam

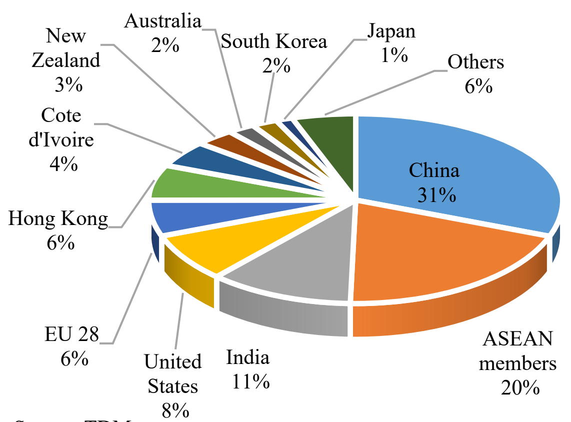
Executive Summary

Vietnam continues to be one of the fastest growing economies in Asia, with gross domestic product (GDP) growth exceeding 7 percent in 2019. In 2020, the World Bank forecasts GDP growth down to 2.8 percent due to the negative impacts of the COVID-19 pandemic.

Imports of Consumer-Oriented Products

According to Trade Data Monitor (TDM), annual global exports of consumer-oriented products to Vietnam were down 12 percent year-on-year, from $14.6 billion in 2018 to $12.8 billion in 2019. While India, Hong Kong, and Cote d'Ivoire lost nine percentage points of market share, the United States gained one percentage point, with the export value reaching $975 million. Vietnam continued to be the 12th largest market for U.S. consumer-oriented products.

Market Share of Consumer-Oriented Products Imported into Vietnam in 2019



Source: TDM

Food Service Industry

Vietnam's HRI food service revenue was valued at $25.3 billion in 2019, up 9.8 percent from 2018. The sector is divided into following subsectors: restaurants, including full-service restaurants, quick-service restaurants, bakeries and street stalls; cafés and bars; hotels; and, institutional catering services.

Small, traditional retailers still dominate Vietnam's food retail sector, but modern retail channels are expanding in response to growing consumer demand. In 2019, Vietnam's total retail sales of goods and services was approximately $213 billion, of which food and beverage retail sales were estimated at $51 billion, up 11.8 percent over 2018.

Quick Facts CY 2019

Imports of Consumer-Oriented Products

- Imports from the World: $12.8 billion
- Imports from the United States: $975 million

Top-10 Growth Products in Vietnam

- Dairy products
- Fresh fruits
- Dog and cat food
- Beef and beef products
- Chocolate and cocoa products
- Prepared food
- Pork and pork products
- Fresh and processed vegetables
- Poultry meat and products (ex. eggs)

Food Industry by Channel in 2019 (U.S. billion)

Manufacture of food products	$62.5
Manufacture of beverages	$7.4
Exports of fishery products	$8.5
Exports of fruits and vegetables	$3.7
Exports of cashew nuts	$3.3

Food Service Revenue in 2019: $25.3 billion

Top-10 Food Service Operators

Golden Gate Trade & Services	McDonald's
Red Sun Vietnam	Imex Pan Pacific F&B
Yum! Brands	The Coffee House Vietnam
Lotte Group	Starbucks
Jollibee Foods	Phuc Long Coffee & Tea

GDP/Population 2019

Population: 97 million
GDP: $262 billion
GDP per capita: $2,715

Sources: TDM; Global Agricultural Trade System; Vietnam's General Statistics Office (GSO); Vietnam Customs; Post; IMF.

SWOT analysis

Strengths: U.S. products are perceived as safe and of premium quality.	**Weaknesses:** U.S. products are still more expensive than their peers, partly due to higher tariffs and freight costs.
Opportunities: Growing market demand and increased focus on food safety	**Threats:** Free trade agreements (FTAs) reduce tariffs on competitors' products.

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SECTION I. MARKET SUMMARY

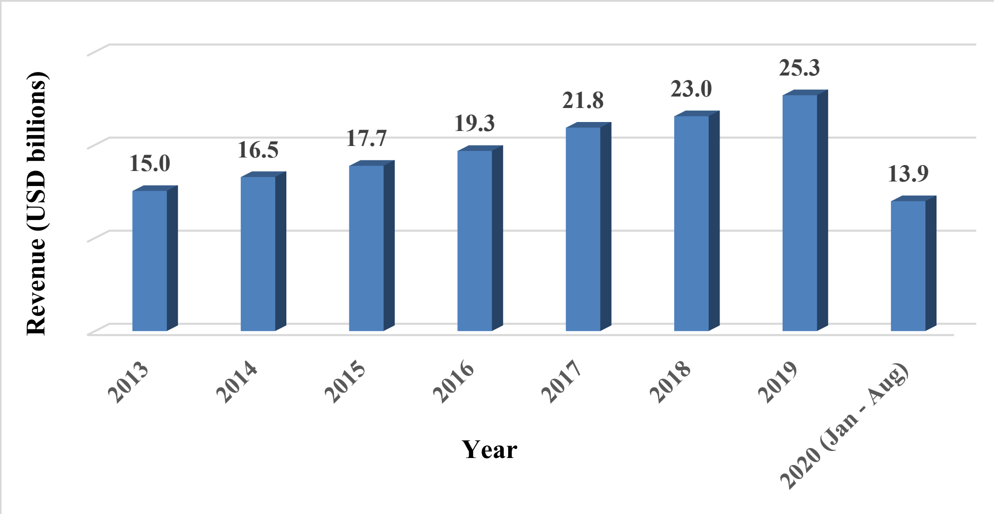
In 2019 Vietnam's economy continued to thrive, with GDP growth exceeding 7 percent for the second year in a row, and GDP per capita increasing 6 percent to $2,715. This strong economic growth has contributed to the rapid expansion of the middle class, rising consumer confidence, and increased purchasing power. In 2019, Vietnam's middle-class accounted for 13 percent of the total population; this number is expected to double by 2026, making it one of the fastest growing demographics in Southeast Asia.

The HRI food service sector maintained steady growth in 2019, thanks to increasing domestic demand and a record number of international tourist arrivals. Busy, young urban populations, modernizing lifestyles, and rising disposable incomes were the other key drivers behind the continued growth in food service establishments across the country. The market also observed a shift of consumer preferences from Western cuisines to more Asian-centric cuisines, with Japanese, Korean, and Taiwanese food leading the menu innovations. Online food delivery services continued to develop by expanding to second and third tier cities and by offering attractive promotions, such as deep discounts on prices and shipping costs. Vietnam's tourism sector celebrated a successful year with foreign arrivals growing 16.2 percent year-on-year to a record high of over 18 million. By the end of 2019, the revenue for accommodation, food, and beverages amounted to $25.3 billion, up 9.8 percent from 2018 (Figure 1).

However, the COVID-19 pandemic has severely affected Vietnam's economy and HRI food service sector in 2020. The Government of Vietnam (GVN) lowered its 2020 GDP growth target from 6.8 percent to 2.5 percent, in the most favorable scenario. The country's tourism sector has been the hardest hit due to the shutdown of international flights and severe drop in domestic travel. During the first eight months of 2020, occupancy rates of high-end city hotels tumbled by over 80 percent. As of October 2020, international tourist arrivals are still restricted. As a result, the revenue for accommodation, food, and beverages during the first eight months of 2020 declined by 16.4 percent compared to the same period last year, to $13.9 billion.

Nevertheless, thanks to its success in containing the spread of COVID-19, Vietnam is still one of the best performers in the global economy and Vietnamese consumers remain the second most optimistic consumers in the world, according to a global survey conducted in the second quarter of 2020 by Nielsen. The World Bank forecasts that Vietnam's GDP growth could recover to 6.7 percent in 2021.

Figure 1: Revenue of Accommodation, Food, and Beverage Service, 2013-2020



Source: Post calculations; GSO

Table 1: Advantages and Challenges Facing U.S. Products in the Food Service Sector

Advantages	Challenges
Continued economic growth with curbed inflation, a strong inflow of overseas remittances, and stable foreign direct investment (FDI).	The uncertainty of GVN regulations negatively affects local importers of food and food ingredients.
Vietnam's ongoing global economic integration and its FTA negotiations create more openings for foreign products.	Technical barriers to trade, sanitary and phytosanitary issues, and high tariffs limit imports of U.S. consumer-oriented products.
Rising disposable incomes boost demand for higher quality and safe food and food ingredients.	The majority of low- and middle-income households in small cities and rural areas cannot afford imported products.
U.S. food and food ingredients are considered high-quality and safe.	U.S. products are less price competitive than other products in the market, including imported products from Vietnam's FTA partners and local products.
Growing international tourist arrivals, new investments in upscale hotel and resort projects, and expanding food service outlets in first and second tier cities offer more opportunities for imported consumer-oriented products.	The lack of cold storage, logistical issues, and high-operational costs restrict the penetration of U.S. consumer-oriented products to food service outlets in third tier and smaller cities.
Vietnam's young population is open to trying new food and beverage experiences.	Many Vietnamese diners favor Asian cuisines over Western. U.S. cuisine is sometimes associated with fast food.

Section II. ROAD MAP FOR MARKET ENTRY

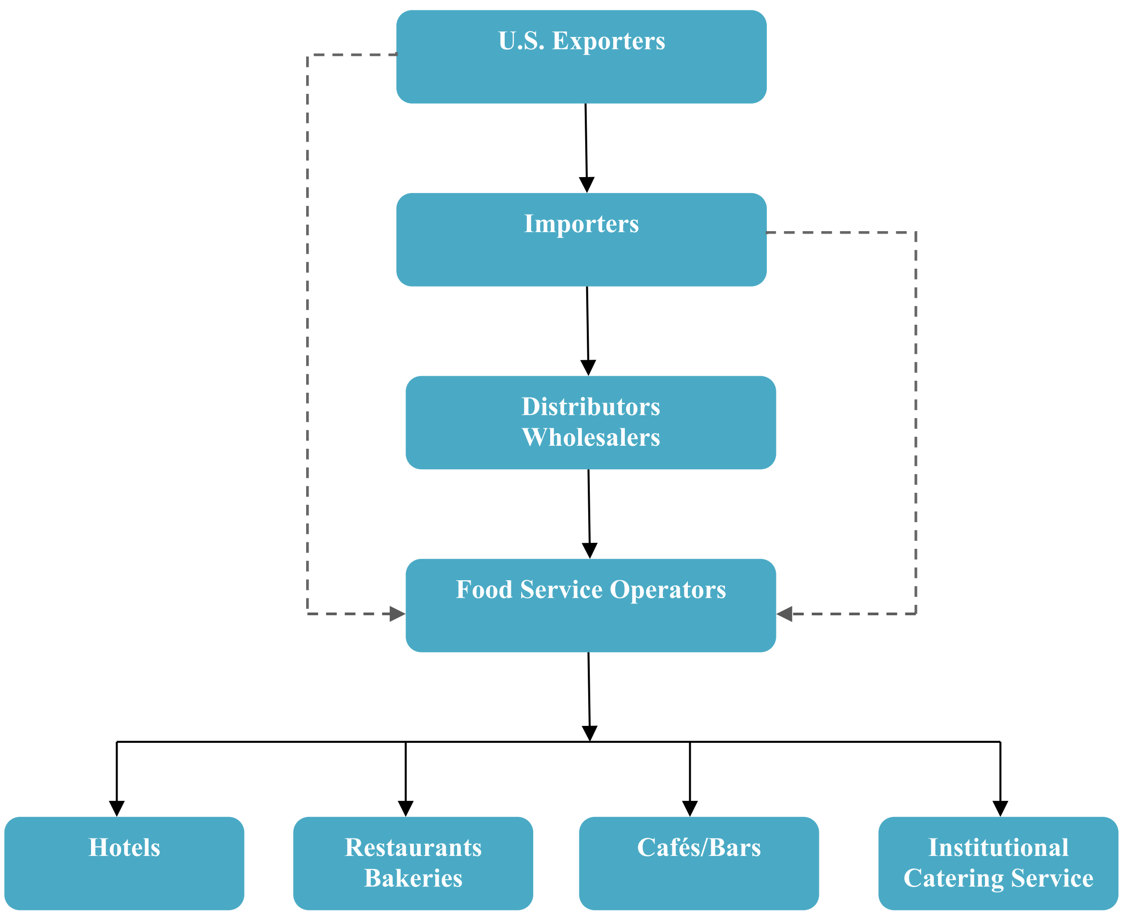
Entry Strategy

Post recommends that new-to-market U.S. exporters refer to the most recent Exporter Guide, especially Section II - Exporter Business Tips, which could facilitate their entry into the Vietnam market.

Market Structure

Partnerships with local distributors continue to be the best channel for U.S. exporters of food and beverage products to reach Vietnam's HRI food service sector. Complex regulations, costly and burdensome import procedures, high import tariffs, and logistical concerns are some of the issues that most domestic HRI stakeholders are unlikely to handle; therefore, purchasing imported products from distributors or wholesalers is still popular in Vietnam's HRI food service sector. Only a few of the largest food service operators, such as quick-service restaurants/fast food chains and full-service restaurant chains, are able to import a few key food ingredients directly, including beef, poultry, seafood, and frozen potatoes.

Figure 2: Distribution Flow Chart for U.S. Products to Vietnam's HRI Food Service Sector



Sub-Sector Profiles (see Attachment)

Section III. COMPETITION

Public awareness of hygiene and food safety has improved significantly in Vietnam over the last few years thanks to the proliferation of social networking sites. Recent news stories of food being possibly treated or contaminated by toxic chemicals have made Vietnamese consumers, especially inhabitants of urban areas, more cognizant of food origin, quality, and safety.

In general, the majority of Vietnamese consumers perceive imported food and food ingredients from markets other than China as high quality and safe, though many of these food products are more expensive than local options due to high tariffs and transportation costs. In food service operations, price, quality, and consistency in the supply of food ingredients are the most important factors across all subcategories. Most premium imported foods go to luxury hotels, high-end restaurants, bakeries, and some well-known fast food chains, while lower-value imported food ingredients target local eateries, street stalls, and industrial catering services. The remainder of western food products and ingredients are on the shelves of modern retail chains.

Even though there are numerous business opportunities, Vietnam is a challenging and fiercely competitive market. Vietnam's integration into the global economy has transformed the country into a stronghold of imported international food brands. In FTA negotiations, in exchange for FDI inflows and favorable export markets, Vietnam has committed to lowering import tariffs, eliminating quotas, increasing market access for goods and services, strengthening protections for intellectual property rights, enhancing legislative and regulatory transparency, and improving commercial dispute settlement and trade facilitation processes. Vietnam's FTAs with other trading partners, especially those that reduce and eliminate tariffs, can threaten the competitiveness of U.S. food and agricultural exports.

Section IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Fresh fruits (blueberries, pears), fresh and processed potatoes, processed mushrooms, beef and beef products, tree nuts, wine and beer, and dog and cat food.

Top Consumer-Oriented Products Imported from the World

In 2019, total world exports of consumer-oriented products to Vietnam were $12.8 billion, a decrease of 12 percent from 2018. Top export items, accounting for over 80 percent of the total value, included fresh fruits, beef and beef products, fresh and processed vegetables, dairy products, and non-alcoholic beverages.

Top Consumer-Oriented Products Imported from the United States

Vietnam has been one of the top-20 largest markets for U.S. exports of consumer-oriented products over the last five years. In 2019, U.S. exports of agricultural products to Vietnam dropped 13 percent from the previous year to $3.5 billion; however, the export value of consumer-oriented products remained stable at approximately $975 million. Top U.S. consumer-oriented products exported to Vietnam included dairy products, poultry meat and products (excluding eggs), fresh fruits, food preparations, tree nuts, and beef products. These categories accounted almost 80 percent of the total export value of U.S. consumer-oriented products to Vietnam.

Products Not Present in Significant Quantities but which have Good Sales Potential

From January to August 2020, the United States exported $35 million of pork and pork products to Vietnam, an increase of 278 percent compared to the same period a year ago. Given the recurrence of African swine fever in Vietnam and the increasing consumer acceptance of frozen imported pork, the country remains a good potential market for U.S. pork and pork products.

Dry beans and peas also have potential as the products cater to the rising demand in Vietnam for healthy foods and plant-based proteins.

Product Not Present because of Significant Barriers

There are consumer-oriented products that have the potential for high demand but are not present in the market due to significant barriers. These products include, but are not limited to: meat, including white offal products from beef, pork, and poultry, beef bones with marrow, and lamb; and, fresh fruits, including peaches, nectarines, plums, melon, and strawberries.

Section V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Department of Agriculture / Foreign Agricultural Service

The first point of contact for updated reports and trade data is the USDA/FAS website: http://www.fas.usda.gov.

FAS has two offices in Vietnam, one at the U.S. Embassy in Hanoi and the other at the U.S. Consulate General in Ho Chi Minh City. The two offices are located at the major political and economic hubs of Vietnam and actively assist U.S. exporters of agricultural and related products, including consumer-oriented food products and fishery products. U.S. exporters seeking assistance for market access issues or any other trade issues in Vietnam can contact FAS Vietnam through email: aghanoi@fas.usda.gov or atohochiminh@fas.usda.gov.

Additionally, U.S. exporters can contact State Regional Trade Groups (SRTGs) and/or FAS Cooperators and Participants for their valuable assistance.

List of Ministries/Agencies Responsible for Food Policies:

Ministry of Agriculture and Rural Development (MARD)

MARD/Plant Protection Department (PPD)

MARD/Department of Animal Health (DAH)

MARD/Directorate of Fisheries

Vietnam Food Administration (VFA)

Ministry of Trade and Industry (MOIT)

Useful Websites:

General Department of Vietnam Customs

Vietnam National Administration of Tourism

National Assembly of Vietnam

American Chamber of Commerce in Vietnam

Major Media Websites:

Vietnam News	http://vietnamnews.vnagency.com.vn/
Vietnam Economy News	http://news.vneconomy.vn/
Vietnam Investment Review	https://www.vir.com.vn/
Saigon Times Daily	https://english.thesaigontimes.vn/
Tuoi Tre News	http://www.tuoitrenews.vn/
Vietnam Net News	https://vietnamnet.vn/en/
VN Express News	https://e.vnexpress.net/

Attachments:

HRI 2020 Sub-sectors profile.docx