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Report Name: Food Processing Ingredients

Country: Vietnam

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Report Highlights:

Vietnam's food processing sector was hit by COVID-19 restrictions but the food processing and manufacturing sector still grew by 2.9 percent in 2021 versus 2020. The food retail segment grew at 10.6 percent, however the food service industry shrunk by 19.3 percent. Promising food processing ingredients include tree nuts, minced pork, dairy products, other edible bovine products, processed fruits, peanuts, wheat, soybeans, and potatoes.

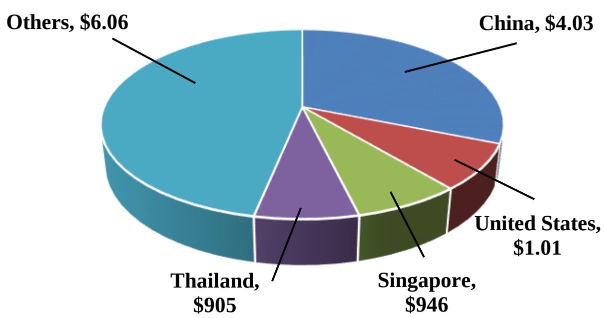
Market Fact Sheet: Vietnam

Executive Summary

Vietnam is a lower middle-income country in Southeast Asia, with a total population of 98.5 million (statista.com). In 2021, Vietnam's GDP reached $278 billion, with a growth rate of 2.58 percent (World Bank). Vietnam's unemployment rate was 3.22 percent in 2021, increasing by 28 percent compared to 2020. Vietnam is a major producer and exporter of wood, fishery products, processed cashews, horticultural products, rice, rubber, coffee, animal feeds (cassava), pepper and tea (Vietnam General Statistics Office (GSO). In 2021, Vietnam's agricultural exports of the top ten agricultural products reached $42.8 billion, equivalent to 12.7 percent of total exports (GSO). Vietnam imported $33.2 billion in agricultural products in 2021 (Trade Data Monitor - TDM). U.S. agricultural products and related products reached $3.9 billion (GATS), making Vietnam the seventh largest market for U.S. agricultural and related products.

Imports of Consumer-Oriented Products

Vietnam 2021 Imports of Consumer-Oriented Products (million USD)



Source: TDM

Food Processing Industry

Vietnam's food processing and manufacturing industry grew 2.9 percent in 2021 versus 2020 (MOIT). The food and beverage sector's production is valued at $33.6 billion, accounting for nearly 8 percent of the country's GDP (World Bank). There are over 7,500 registered companies in food processing sector and total food ingredients demand is more than 120 million tons per year (MOIT). Seafood, fresh milk, milk power, and horticultural had the highest growth in 2021 (GSO).

Food Retail Industry

Vietnam's food retail revenue in 2021 increased by 10.6 percent compared to 2020, reaching $62 billion. Vietnam's food retail sector accounts for 29.3 percent of the total goods and services retail sector. The food service sector contracted by 19.3 percent compared to 2020 due to COVID-19 (GSO and MOIT).

Quick Facts CY 2021

Imports of Consumer-Oriented Products *(US$)*
Imports from the world: $12.9 billion
Imports from the United States: $1 billion (7.8 percent of market share)

List of Top 10 Growth Products in Vietnam

1) Fresh fruit	2) Tree nuts
3) Fresh vegetables	4) Dairy products
5) Soup and other food preparation	6) Beef & beef products
7) Processed vegetables	8) Non-alcoholic beverage
9) Spices	10) Pork and pork products

Food Industry by Channels (U.S. billion) 2021
Total retail sale of goods and services: $212 billion
Total retail of goods: $175 billion
Manufacture of food products: $67.2 billion
Manufacture of beverages: $6.8 billion

Top 10 Retailers:

Central Retail	Lotte Vietnam
SATRA	WinCommerce (WinMart)
Saigon Coopmart	SASCO
MM Mega Market	IPPG
HAPRO	AEON Vietnam

GDP/Population 2021
Population *(millions)*: 98.5
GDP *(billions USD)*: 278
GDP per capita *(USD)*: 2,822
Sources: GATS, Vietnam's GSO, MOIT, TDM, Post Vietnam

Strengths	Weaknesses
U.S. products are perceived as safe and high quality.	Higher prices and tariffs.
Opportunities	**Challenges**
• Retail market is growing fast. • E-commerce is expanding quickly. • Hotel Restaurant Institutional sector is expected to recover in 2022.	• Free Trade Agreement competition (CPTPP, EVFTA, UKVFTA) and technical barriers. • COVID-19 has left consumers and firms more price sensitive.

Data and Information Sources: TDM, GATS, Vietnam's GSO, Ministry of Industry and Trade.

SECTION I. MARKET SUMMARY

Vietnam's GDP reached $278 billion in 2021, with a GDP growth rate of 2.58 percent; the robust economic growth rate of 5.6 percent in the first half of 2021 percent was diminished by COVID-19 outbreaks in the second half of 2021. Vietnam imported $12.9 billion in consumer-oriented products in 2021, a 2 percent decrease compared to 2020. U.S. exports reached $1 billion, and the United States was the second largest exporter of consumer-oriented goods to Vietnam after China.

Vietnam's food processing and manufacturing sectors increased by 2.9 percent in 2021 versus 2020. The food retail segment grew 10.6 percent, while the food service industry decreased by 19.3 percent. Vietnam was severely hit by COVID-19 outbreaks in the spring and summer of 2021, leading to strict lockdowns and the closures of schools, manufacturing centers, hotels, and restaurants, especially in Ho Chi Minh City (HCMC) and Hanoi, resulting in the decrease in demand for food ingredients. Demand for some shelf-stable products increased as consumers stocked food in preparation for the lockdowns. Supply chain issues also affected the food processing and manufacturing sectors as high shipping costs, limited container availability, and longer shipping times led to delays in the delivery of some products.

The manufacturing and processing sectors were able to resume operations in October 2021, allowing for both increased food processing to occur while also increasing demand for ingredients as canteens reopened. The Government of Vietnam (GVN) reopened the borders as of March 15, 2022, paving the way for the tourism industry's recovery. The Vietnam National Administration of Tourism set a target of welcoming 5 million international travelers by the end of 2022. With the expected recovery of the industry, the food service and food processing sectors are expected to expand to meet increased demand.

Table 1: Vietnam's Production of Industrial Food Products and Food Ingredients

Main industrial food products	**2017**	**2018**	**2019**	**2020**	**2021**
Frozen aquatic products (thousand tons)	1,974	2,133	2,173	2,826	2,986
Fish sauce (million liters)	374	374	381	380	
Refined vegetable oils (thousand tons)	1,081	1,166	1,275	1,587	
Fresh milk (million liters)	1,211	1,258	1,306	1,702	1,770
Powdered milk (thousand tons)	112	121	121	132	152
Milled rice (thousand tons)	39,504	41,743	42,529	42,780	43,880
Refined sugar (thousand tons)	1,719	1,927	1,913	995	937
Roast, ground, and instant coffee (thousand tons)	100	107	122	111	121
Processed tea (thousand tons)	170	169	170	135	
Sodium Glutamate (thousand tons)	280	186	328	349	352
Liquor (million miters)	310	316	330	339	
Beer (million liters)	4,005	4,214	5,097	4,388	4.047

Source: General Statistics Office (GSO)/Ministry of Planning and Investment (MPI), vietnambiz.vn, MOIT and MARD, statista.com. Note: 2021 statistics were not available for all products as of publication of this report

Table 2: Advantages and Challenges for U.S. Food Processing Ingredients

Advantages	Challenges
Modern retailers focus on quality and safety, which favors U.S. brands.	U.S. products are at a competitive disadvantage due to Free Trade Agreements (FTAs) including, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), European Union-Vietnam FTA (EVFTA), and the United Kingdom-Vietnam FTA (UKVFTA).
Tourism and manufacturing industry is expected to recover after COVID-19 with an expected increase in demand for food ingredients for food processing, food retail, and food service.	Registration with the GVN for new food and food ingredient products, especially functional foods, is very costly and burdensome. Increased sanitary and phytosanitary (SPS) barriers on animal and plant origin products persist.
High-end shops, restaurants, luxury hotels, and resorts target niche consumer groups and tend to use higher quality imported food and ingredients.	Supply chain issues have led to significantly higher shipping costs and longer transportation time from the United States than from Asia and Oceania
A growing youth and middle-class population along with rapid urbanization is leading to more eating out, traveling, shopping in supermarkets and hypermarkets, and increased consumption of convenience and processed foods. Urban population is expected to grow from 37 percent in 2022 to 44 percent in 2030 (McKinsey Global Institute).	More and more international brands are entering Vietnam from the EU and Asia.
Local food processors are increasing production capacity, food quality, and packaging initiatives with marketing strategies and new products to meet growing demand of consumers and export markets.	Local meat suppliers are getting more competitive; providing ingredients for food retail, food processing, and food service at lower prices.
In some subsectors, locally produced food ingredients cannot meet the demand of processors due to seasonality, especially in the dairy, bakery, and other food processing sectors.	Vietnam is still a price-sensitive market. U.S. food ingredients have higher prices, and many Vietnamese consumers and small food processors are not ready for significant price differences.
Increase in demand for healthy and natural ingredients from Vietnamese end-users especially among the younger generation. Spending by senior citizens is expected to triple in the next decade (McKinsey Global Institute) increasing the market for functional foods.	Limited infrastructure and distribution for perishable products in Vietnam (such as cold chain).

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

FAS strongly encourages potential U.S. exporters to review related GAIN Reports. In particular, the Exporter Guide report (VM2021-0114), the Retail Food Sector report (VM2021-0054) and Hotel, Restaurant, and Institutional (HRI) report (VM2021-0081) are highly recommended. In addition, the United States Department of Commerce's Country Commercial Guide is another important source of information about the Vietnam market.

FAS/Vietnam recommends conducting extensive research to understand market demand, local business customs, import requirements, and identify potential buyers. FAS/Vietnam and USDA Cooperators assist new-to-market U.S. exporters, including lists of importers/traders/processors, market insights, and information on import procedures. Contact information is available in the 2021 Exporter Guide. Exporters can also benefit from engaging with their State Departments of Agriculture and State Regional Trade Groups.

Participation in trade shows and trade missions offer good opportunities to better understand the market and engage directly with potential importers/distributors and local partners. Please visit http://www.foodnhotelvietnam.com for further information on upcoming events. Food and Hotel Vietnam will occur December 7-9, 2022, and Food and Hotel Hanoi is scheduled for November 21-23, 2023.

Import Procedures

New-to-market U.S. exporters are advised to look into export requirements for Vietnam updated by USDA agencies, including the Food Safety Inspection Service (FSIS) (www.fsis.usda.gov), the Animal and Plant Health Inspection Service (APHIS) (https://www.aphis.usda.gov/), and the Agricultural Marketing Service (AMS) (https://www.ams.usda.gov/).

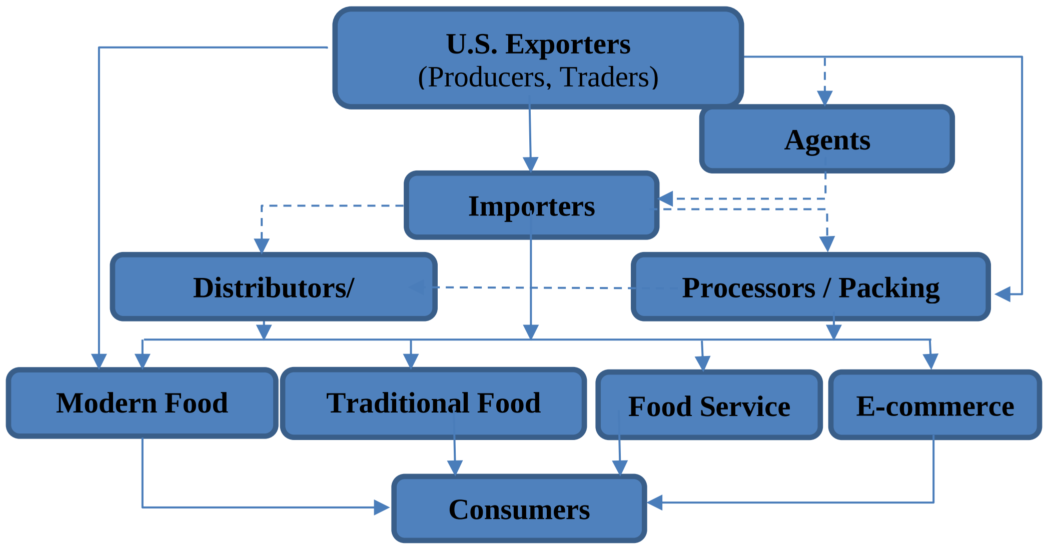
The Food Agricultural Import Regulations and Standards (FAIRS) report GAIN Report VM2021-0106 provides information of the food and agricultural laws and regulations currently in force in Vietnam. GAIN Report VM2021-0107 provides overview of Vietnam's certification requirements for imported food and agricultural products. GAIN Report VM2021-0110 provides information that Vietnam's amendment on labeling requirements for imported goods. GAIN Report VM8016 provides a summary and unofficial translation of Decree 15, the Food Safety Law, which made changes to registration procedures for prepackaged and processed foods and the import inspection regime. It also consolidated existing registration regulations for the import of food derived from terrestrial animals, aquatic animals, and plants.

Distribution Channels
Traditionally, goods are distributed to wholesalers, retailers, groceries, or cash-and-carry outlets. Some larger supermarket chains are now directly importing products to reduce cost and ensure the product quality.

Hanoi and HCMC are the largest and most important markets in Vietnam. The majority of goods, including food ingredients, are imported to Hanoi or HCMC, and then delivered to food processors across the country.

Please refer to Attachment 1 for a list of Company Profiles active in the Food Processing sector in Vietnam.

Graphic 3: Food Distribution Channels in Vietnam



Source: Retail Food Report VM2021-0054

The total number of registered enterprises including hotels and restaurants decreased by 25.6 percent in 2021 to 3,892 enterprises compared to 2020 (GSO). According to the Vietnam Culture and Culinary Association, as of May 2021, Vietnam has more than 550,000 food and beverage outlets including 430,000 traditional outlets, more than 82,000 fast food outlets, and more than 22,000 cafés and bars. However, media reports say that the number of restaurants reduced significantly due to travel restrictions and lockdowns in Ho Chi Minh City and Hanoi from April and September 2021.

Due to COVID-19, some traditional markets, wholesales markets in Vietnam have closed, leading to a shift to modern outlets. Vietnam has had remarkable growth of hyper/supermarkets and commercial centers (malls) in Vietnam since 2010, although the 8,500 wet markets still far outnumber modern markets.

Market Structure
Vietnam is a large producer of agricultural products including, pork, coffee, spices, fruits, and vegetables. The country is also developing a burgeoning food processing and agro-industrial base. Leading multinational food processors have also established food-processing operations and are able to offer a range of western-style products at reasonable prices.

Food processors in Vietnam use both locally produced raw materials and imported food ingredients in their operations. Large processors tend to directly import specific ingredients, such as wheat flour, milk powder, and malt. Processors usually purchase minor ingredients, additives, flavors, or preservatives through importers or distributors. GAIN report VM2021-0054 provides additional information about the market structure in Vietnam.

Key Vietnamese companies in the food processing industry include the Masan Group, Vissan, Charoen Pokphand (CP) (eggs, pork, poultry), Vinamilk, TH True Milk, and Ichiban (soybean related products). Masan acquired VinCommerce renaming it to WinMart in November 2021. WinMart has more than 2,800 supermarkets and minimarts. The Masan Group makes processed meat products under the Meat Deli brand, along with instant noodles, soy sauce, fish sauce, and condiments. Meat Deli products are now distributed to both the 2,700 Meat Deli outlets but also are a key product in the WinMart system. CP has two affiliates of C.P. Feed and C.P. Food, which produce chilled meat and are now making ready-made meal kits and processed meat. CP distributes its products to supermarkets and also has C.P. Fresh Mart, C.P. Five Star, and ShopeeFood outlets. In December 2021, Vinamilk and Vilico (Vietnam Livestock JSC) announced their plan to build a new milk production factory in Hung Yen province with total investment of $200 million and planned capacity of 400 million liters a year. Vinamilk and Vilico also signed a MOU with Japanese Sojitz to open a beef processing factory in Vinh Phuc, the project is worth $500 million.

Share of Major Segments in the Food Processing Industry

Table 4: Production Growth of Food and Beverage Manufacturing Industries

Unit: percent	**2017**	**2018**	**2019**	**2020**	**2021**
Manufacture of food products	105.3	108	109.5	105.3	102.9
Manufacture of beverages	110	111	110.5	94.8	96.8

Source: General Statistics Office (GSO) and MOIT.

Sector Trends

- Social distancing and other measures during COVID-19 outbreaks led to consumers using on-line shopping and delivery channels, with Shopee, Lazada, and Tiki being the most popular. According to a report released by Google, Temasek, and Bain & Company, Vietnam's e-commerce sector grew by 53 percent in 2021, compared to 2020. Vietnam's e-commerce sector is forecast to reach $58 billion by 2025. Vietnam added 8 million new online consumers in the first half of 2021 with, 55 percent of them coming from non-urban areas.

- ShopeeFood, GoFood, GrabFood, Baemin and online marts like GrabMart are the key food delivery businesses.
- Demand for packaged food products is increasing in response to modern, busier lifestyles, increased exposure to Western, Korean, and Japanese culture and cuisines, as well as the perception of packaged food being safer. Sales of packaged food in modern channels such as convenience stores, supermarkets, and hypermarkets are increasing. Sales of packaged food to foodservice channels has also been rising in recent years due to the booming number of fast-food chains, restaurants, cafes, and bars.
- Consumption of ready-to-eat meals including, shelf stable ready-to-eat meals, chilled lunch kits, chilled pizza, chilled ready-to-eat meals, dinner mixes, dried ready-to-eat meals, frozen pizza, frozen ready-to-eat meals, prepared salads, and other ready meals, has been increasing in recent years, especially in large cities.
- Growth of chilled meat is on the rise, as more consumers are willing to spend more for safe food.
- Retail value of sauces, dressings, condiments, soy sauce, and Western-originated sauces such as salad dressings, mustard, and mayonnaise are increasing.
- Bakery products, sweet biscuits, snack bars, fruit and mixed snacks continue to rise in sales value due to increasing consumer demand for these products as gifts. Imported raisins are used for bakeries, cereal products, mixed dried fruits and nuts, and other processed food.

SECTION III. COMPETITION

Market demand is growing for food processing ingredients, but so is competition. Reduced and eliminated tariffs and non-tariff benefits for Vietnam's FTA partners threaten the competitiveness of U.S. food and agricultural exports. Besides the FTA factor, culture also plays an important role in leading consumers buying behaviors. This is a critical competitive advantage for South Korea, Japan, and Thailand. Another important feature that is reshaping Vietnam's food retail sector is the inflow of capital from those countries. This has resulted in the proliferation of Asian-branded products on the shelves of food retail outlets across Vietnam.

Additionally, many Asian countries also enjoy lower shipping costs and quicker delivery due to their proximity to Vietnam. Most of the suppliers from ASEAN countries are also more responsive and flexible to importers' demands for smaller shipment sizes, consolidated product shipments, or product specification modifications to meet Vietnamese regulations.

Please refer to Appendix I for a chart with detailed information on the competition for key food processing ingredients.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Despite the strong competition, some U.S. consumer-oriented products are making inroads into the growing Vietnamese market.

U.S. Products Present in the Market with Strong Sales Potential

- tree nuts,
- dairy products, especially milk powder/cream and dairy ingredients,
- meat products: poultry meat and products, beef, and beef products,
- fresh fruits (apples, cherries, grapes, pears, blueberries, and oranges),
- bakery ingredients,
- prepared food,
- seafood (salmon, lobster, king crab, geoduck),
- wheat,
- soybeans and soybean meal,
- syrup and sweeteners, and
- confectioneries.

U.S. Products Not Present in Market with Good Sales Potential

Ingredients used for functional foods products, ingredients with extended product self-life, ingredients for craft beer brewing, and plant-based milks.

Products Not Present Because They Face Significant Barriers

Fresh fruits from the United States, other than six approved products (apples, cherries, grapes, blueberries, pears, and oranges) are not eligible for export into Vietnam. However, demand for other fresh fruit, such as stone fruit is increasing.

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Please refer to the FAS/Vietnam Exporter Guide for links to additional sources of information, including USDA Cooperators, Vietnamese government agencies, Vietnamese databases, and industry organizations. For additional information on FAS program and data sources refer to: FAS Website: http://www.fas.usda.gov.

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Appendix I: Competition in Major Food Processing Ingredients

Product Category	Vietnam's Imports of Major Ingredients and Market Share of Key Suppliers	Strengths of Key Supplier Countries	Advantages and Disadvantages of Local Suppliers
Pork and pork products (HS: 020329)	<u>Meat Of Swine, Nesoi, Frozen</u> 2021 imports were $333 million USD, a 4 percent increase compared to 2020. The United States was the fifth largest exporter after Russia, Brazil, the EU, and Canada. Market Share: Russia 38 percent Brazil 29 percent EU 22 percent Canada 7 percent U.S. 3 percent	Russia and the EU have lower tariffs than the United States. Poland, Spain, Italy, Germany, and Russia are large producers and suppliers of pork and pork products. Pork imports from the United States decreased by 74 percent.	Vietnam's pork production in 2021 was still recovering from African Swine Fever, increasing by 6.6 percent versus 2020. Increased local pork supply and decreased pork demand due to COVID-19 restrictions led to a fall in local pork prices and lower import demand. Chilled pork from local brands i.e., Meat Deli, C.P, Vissan are getting more popular.
Beef and beef products (0202)	2021 imports were $627 million, a 10 percent increase compared to 2020. The United States was the fourth largest exporter of beef and beef products to Vietnam, after India, Australia, and Canada. Market Share: India 61 percent Australia 14 percent Canada 9 percent U.S. 7 percent	India, the EU, Russia, Canada, Australia, and Brazil enjoy lower tariffs and have lower prices than the United States. The majority of India's exports are buffalo meat, usually sold as beef at wet markets, or used as a main ingredient to produce beef-related products including beef balls (bo vien) or dried beef (kho bo).	Local supply is increasing but cannot meet the growing market demand. Vietnam's policy is promoting bovine fattening modalities. Growing modern retail and food service sectors seek quality and safe food ingredients for processing.
Poultry and poultry products	2021 imports were $247 million, an 18 percent decrease compared to 2020. The United States was the leading exporter of poultry	In 2021, the United States was the largest supplier of poultry and poultry products to Vietnam.	Poultry production costs depend on feed ingredient prices and local producers have become less competitive.

	to Vietnam, followed by South Korea, Brazil, and the EU. Market Share: U.S. 41 percent South Korea 18 percent Brazil 16 percent EU 14 percent		
Dairy products	2021 imports were $1.3 billion, a 19 percent increase compared to 2020. 2021 was a record year for U.S. dairy exports. The United States was the second largest exporter of dairy products to Vietnam, after New Zealand, and followed by the EU, Australia, and Japan. Market Share: New Zealand 22 percent U.S. 21 percent EU 18 percent Australia 8 percent Japan 7 percent	New Zealand's strengths are substantial supply, good quality, and more competitive prices due to lower import tariffs from CPTPP. New Zealand, Australia, and the EU are competitive suppliers of milk powder along with the United States. Australia is a competitive supplier of fresh milk products. The EU is a prominent supplier of artisanal cheese products. The United States has a consistent supply and premium quality. In 2021, the MFN tariff for some dairy products was lowered to 2 percent for from 5 percent.	Local production is growing but inadequate to meet demand. Many local dairy processors rely on imported ingredients: milk powders, cream, sweet whey, lactose, butter, and cheese.
Tree nuts	2021 imports were $1.5 billion, a 34 percent decrease compared to 2020. The United States was the second largest exporter of tree nuts to Vietnam, after Cote d'Ivoire and followed by Ghana, Indonesia. Market Share:	Ghana and Cote d'Ivoire are the largest suppliers of cashews to Vietnam. Most imported nuts are for further processing for export. The United States is a leading supplier of almonds, pistachios, and walnuts.	Vietnam is a leading exporter of cashews worldwide, but the country faces a shortage of raw materials.

	Cote d'Ivoire 55 percent U.S. 11 percent Ghana 8 percent Indonesia 5 percent		
Peanuts (HS code: 1202)	2021 imports were $123 million, a 30 percent decrease compared to 2020. The United States was the third largest exporter of peanuts to Vietnam, after India and China, and followed by Brazil and Ethiopia. Market Share: India 83 percent China 11 percent U.S. 3 percent	China enjoys proximity and duty-free imports via border trade in the Vietnam off-season. Indian peanuts have lower prices than U.S. peanuts. U.S. strengths are consistent supply and good quality.	Local production is inadequate to meet domestic consumption and process demand. Vietnamese consumer preference is for locally-produced peanuts. Local food processors rely on imported ingredients, especially in the off-season.
Processed fruits	2021 imports were $138 million, a 7 percent increase compared to 2020. The United States was the fifth largest exporter of processed fruits to Vietnam, after China, Thailand, South Korea, and India. Market Share: China 44 percent Thailand 15 percent South Korea 14 percent India 6 percent U.S. 6 percent	Thailand and China have advantages on tariffs, proximity, and exports of tropical dried fruits like longans and lychees. South Korea has an advantage on tariffs and exports of dried persimmon. India mostly exports raisins and jams to Vietnam. The United States exports in raisins, prunes, and apricots.	Local production is inadequate to meet domestic consumption and processing demand for yogurt and healthy dried fruit products.

Data source: TDM

Attachments:

[Attachment 1-Company Profiles.docx]