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Report Highlights:

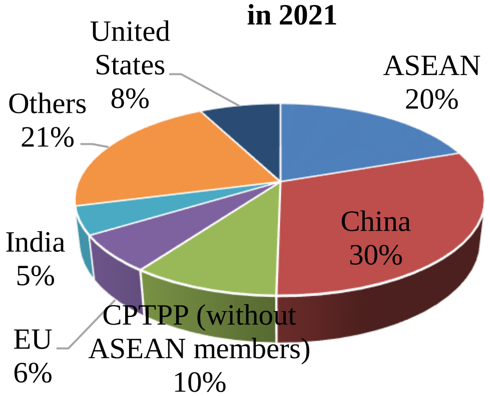
Despite COVID-19's widespread impacts on Vietnam for most of 2021, total retail sales were estimated at approximately $172 billion, marginally up 0.2 percent over 2020, according to Vietnam's General Statistical Office (GSO). The fourth and largest wave of COVID-19 started on April 29, 2021, and rapidly spread across Vietnam, severely affecting all industries, including the retail food sector. Global exports of consumer-oriented products to Vietnam in 2021 remained the same as the previous year at approximately $13.1 billion. U.S. exports of consumer-oriented products increased by 8 percent over 2020 to over $1 billion and expanded their market share to 8 percent in 2021. The Government of Vietnam (GVN) lowered import tariff rates on corn, wheat, pork, and planting seeds and reduced the value added tax (VAT) from 10 percent to 8 percent. Rising prices for both fuel and production inputs could result in high inflation and affect retail food growth in 2022.

Market Fact Sheet: Vietnam

Executive Summary

Vietnam's gross domestic product (GDP) grew by 2.58 percent in 2021, lower than the World Bank's initial projection of 6.6 percent due to the severe impacts of COVID-19. According to the Trade Data Monitor (TDM), global exports of consumer-oriented products serving Vietnam's retail food channels remained the same as 2020 at approximately $13.1 billion. The GVN lowered import tariff rates on corn, wheat, pork, and planting seeds, and reduced the value added tax (VAT) rate from 10 percent to 8 percent. Despite the challenges from COVID, 2021 U.S. exports of consumer-oriented products to Vietnam increased by 8 percent to over $1 billion and the U.S. market share rose 1 percent point to 8 percent (Chart 1). Vietnam is the 14th largest market for U.S. consumer-oriented products.

Chart 1: Market Share of Consumer-oriented Products Imported into Vietnam in 2021



Source: TDM
ASEAN: Association of Southeast Asian Nations
CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EU: European Union

Food Retail Industry

The Vietnam retail food sector experienced unprecedented disruptions in 2021 due to COVID-19. Strict GVN measures to control the disease, combined with consumer fears, severely struck Vietnam's retail food channels, especially wet markets and individual grocers. Vietnam's retail sales totaled approximately $172 billion, marginally up 0.2 percent over 2020, according to GSO. E-commerce surged in importance with sales at approximately $13 billion, up 16 percent over 2020.

Quick Facts CY 2021

Imports of Consumer-Oriented Products

- Imports from the world: $13.1 billion
- Imports from the United States: over $1 billion

Top-10 Growth Products in Vietnam

Fresh fruit	Processed vegetables
Tree nuts	Non-alcohol beverages
Dairy products	Pork
Fresh vegetable	Distilled spirits
Beef & beef products	Poultry Meat & Prods. (ex. eggs)

Food Industry by Channels in 2021 (billion USD)

Manufacture of food products	Not available
Manufacture of beverages	$6.7 ↓4.8%
Exports of fishery products	$8.9 ↑5.6%
Exports of fruits and vegetables	$3.5 ↑8.5%
Exports of cashew nuts	$3.6 ↑13.2%

Total retail sales of goods and services 2021: $210 billion, down 3.8 percent over 2020

Top-10 Vietnamese Retailers

Aeon Mega Mart	Winmart
MM Mega Market	Circle K
Tops Market	7 Eleven
Co.op Mart	Bach Hoa Xanh
Lotte Mart	GS25

GDP/Population 2021

Population	98.5 million
GDP*	$280 billion
GDP per capita**	$2,785

Sources: TDM; GSO; CEIC (Census and Economic Information Center), Vietnam Customs
* Post's estimate ** World Bank's 2020

Advantages	Challenges
U.S. products are perceived as safe and of premium quality.	U.S. products remain more expensive than those from other countries, partly due to higher tariffs and freight costs.
Growing market demand and increased focus on food safety	A combination of short supply and delays in shipments affects expansion of U.S. food and beverage products

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SECTION I. MARKET SUMMARY

Overview

COVID-19 briefing

The fourth and largest wave of COVID-19 community infection and transmission started on April 29, 2021, and rapidly spread across the country, severely affecting Vietnam's economic development. According to the GSO, Vietnam's GDP grew by 2.58 percent in 2021, much lower than World Bank's initial forecast of 6.6 percent at the beginning of the year due to the negative effects of the COVID-19 pandemic.

Ho Chi Minh City (HCMC), the center of the country's economic and service sectors, was severely struck by the outbreak for over six months, from late April until early November 2021. The dangerous Delta COVID-variant, combined with a low vaccination rate and large urban centers, accelerated virus transmission leading to the loss of thousands of lives in just a few months and causing widespread fears across the country.

To control the transmission of this disease, the HCMC government imposed a series of measures, from mandatory mask-wearing and social distancing[1] programs to more intense actions, including curfews and full lockdowns of the entire city. The local government also shut down all large wholesale markets, traditional wet markets, and grocers during the peak of the outbreak, resulting in heavy disruptions in the distribution of fresh produce, meat, fish products, and other food ingredients.

Meanwhile, as the government believed that modern retail outlets, such as supermarkets and food and convenience stores, were better suited to prevent transmission of COVID, these operations were allowed to remain open. As a result, a large number of consumers who usually relied on wet markets switched to modern retail outlets, and this sudden shift overwhelmed these channels throughout HCMC. In addition to this sudden increase in customers, modern retail outlets also faced reduced staffing due to social distancing, quarantine rules, and illnesses, as well as a shortage of supplies due to disruptions in imports, production, and transportation.

In addition to HCMC, COVID-19 badly hit provinces across southern Vietnam, including Binh Duong, Dong Nai, Ba Ria Vung Tau, and Long An, which are home to numerous industries and ports. Local governments in these provinces followed HCMC and employed extreme measures to control the transmission, resulting in serious disruptions in production and trade across the whole region.

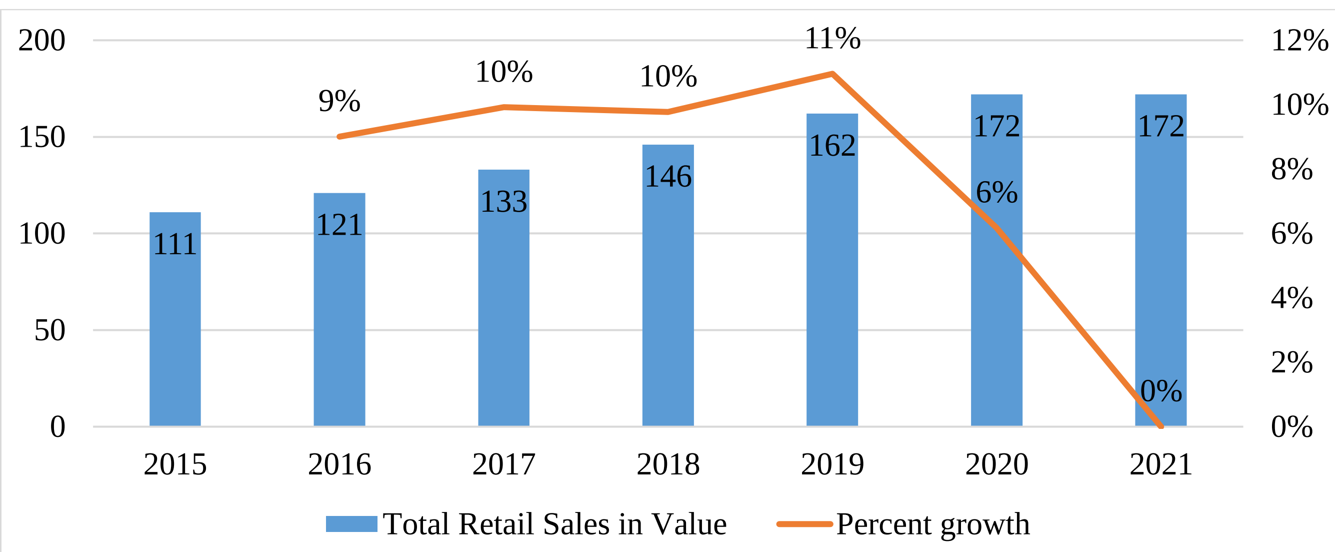
[1] *Social distancing measures include but not are limited to 1) stay at home, except for trips to buy essential goods such as food and medicine, for emergencies, and to go to work at factories and businesses that remain open, 2) maintain a minimum distance of two meters when meeting others, 3) gatherings of more than two people are prohibited in all public places, and outside/in front of workplaces, schools, and hospitals, 4) "3-on-site" requirement which mandated factories to house employees on-premises, as a condition to allow continued operations. Other COVID preventative measures included restrictions on movement for those without travel permits and frequent COVID testing on all truck and barge drivers.*

The GVN implemented a major campaign against COVID-19, from approving numerous vaccines to deploying a nationwide vaccination effort. From a modest 320,000 vaccines administered in late April 2021, the GVN was able to administer as many as 47 million doses within 6 months which allowed the country to reopen its economy in October 2021(more information on Vietnam's vaccination rate can be found at Reuters' world coronavirus tracker. To stimulate consumer spending, the GVN issued Decree 15/2022/ND-CP which reduced the VAT rate from 10 percent to 8 percent. Decree 15 entered into force on February 01, 2022.

Vietnam's retail sales totaled approximately $172 billion, marginally up 0.2 percent over 2020, according to GSO. Although this figure was much lower than the 10 percent growth estimated by industry experts at the beginning of the year, retail sales was the only category that did not see a decline, whereas tourism and the accommodation and food and beverage sectors were down 60 percent and 19 percent, respectively.

Retail sales increased by 5.8 percent in the first quarter of 2022 and industry experts expect this sector continue its recovery and grow for the rest of the year. However, the ongoing Ukraine-Russia war has disrupted supplies of fuel, fertilizers, wheat, and other production inputs. Fuel prices have spiked over 40 percent since October 2021, negatively affecting the country's economic growth in general, and the retail food sector in particular.

Chart 2: Total Retail Sales (billion US dollars) and Growth Rate (percent)



Source: GSO

Vietnam Retail Food Sector

COVID-19 caused widespread disruption throughout the Vietnam retail food sector in 2021. Strict measures to prevent disease transmission, combined with consumer fears, hurt the country's retail food channels, especially traditional wet markets and individual grocery stores. During the peak of the pandemic (July through September), the GVN closed most traditional wet markets and independent grocers across the country and only allowed modern food retail channels to operate under strict rules in order to control the disease. Consumers who were able to shop were often required to wait in queues, maintain a two-meter distance from each other, or only allowed to shop in stores on certain days of the week. Long shelf-life products, such as dried, canned, and frozen food, were the best-selling items, while fresh produce and fresh meat were limited in availability due to disruptions in supply and transportation.

By late-October, the situation improved as the GVN was able to fully-vaccinate Vietnam's major cities, including Ho Chi Minh City and Hanoi. As a result, local governments gradually lifted restrictions and allowed all food retail channels to reopen. However, traffic to retail channels took longer to recover and did not return to normal until the end of the year.

There was no major mergers and acquisitions in the Vietnamese modern retail food sector in 2021. Instead, almost all modern retail food chains developed their online channels and/or cooperated with online platforms and delivery companies to serve consumers. Vietnam's modern retail sector continues to be dominated by a number of central companies (Table 1). Major players including Winmart, Aeon, Central Retail Group, Coopmart, and Thaco continue to pursue plans to expand their respective distribution outlets across the country. According to local media, Coopmart plans to double their stores to 2,000 by 2025; Winmart has set a goal of 4,000 outlets by 2022; Aeon has planned to have 30 stores by 2030, and Thaco has planned to put into operation two more Emart stores in Ho Chi Minh City in 2022 and expand to 10 outlets by 2025. The modern retail food sector remains vibrant and will continue to attract more investment, benefitting from positive macroeconomic factors including strong economic growth, increasing foreign investment, benefits from free trade agreements (FTAs), a growing middle class with higher disposable income, and rapid urbanization.

Table 1: Major Modern Retail Chains in Vietnam

Hyper/Supermarkets	Convenience Stores
Aeon Mega Market (www.aeon.com.vn)	**7-Eleven** (www.7-eleven.vn)
Aeon Citimart (www.aeoncitimart.vn)	**Aeon Ministop** (www.ministop.vn)
An Nam Gourmet (https://annam-gourmet.com/)	**B's Mart** (www.bsmartvina.com)
BRG (https://brggroup.vn/)	**Bach Hoa Xanh** (www.bachhoaxanh.com)
Co-op Mart (www.co-opmart.com.vn)	**Cheers**
Co-op Extra (http://coopxtra.net)	**Circle K** (www.circlek.com.vn)
E-Mart (www.emart.com.vn)	**Co-op Food** (www.co-opmart.com.vn)
Go! (https://go-vietnam.vn/)	**Co-op Smile** (www.co-opmart.com.vn)
Lottemart (http://lottemart.com.vn)	**Family Mart** (www.famima.vn)
MM Mega Market (http://mmvietnam.com)	**GS 25** (http://gs25.com.vn)
Nam An Market (https://namanmarket.com/)	**Q-Mart+** (https://www.qmartstores.com)
Tops Market (https://topsmarket.vn/)	**Winmart+** (https://winmart.vn/)
Winmart (https://winmart.vn/)	

U.S. food and beverage products face advantages and challenges in the Vietnam retail food sector (Table 2).

Table 2: Advantages and Challenges for U.S. products

Advantages	Challenges
During the lockdown, demand for long shelf-life products, including U.S. canned, dried, and frozen food increased.	COVID-19 control measures prevented importers from sourcing products to meet increased market demand.
Modern retail food channels, which feature many U.S. products, remained operational despite strict COVID-19 control measures.	Consumers prioritized their purchases during the pandemic to essential products.
Demand for food and food ingredients recovered as Vietnam's situation improved in late October 2021.	Delays in shipments due to shortages of containers and logistical issues, combined with rising prices, negatively impacted U.S. exports of consumer-oriented products to Vietnam.
Consumers in Vietnam continued to view U.S. products as high quality and safe.	U.S. products are still expensive for middle-class households in first-tier cities.
The growing number of modern retail chains increases the opportunities for imported products, including those from the United States.	Many U.S. competitors, including the European Union (EU), Canada, New Zealand, Korea, and Japan, also have access to the Vietnam market for many consumer-oriented products.
Vietnam's continued economic integration and its FTA negotiations give consumers more exposure to foreign products in general.	Many U.S. products are at a tariff disadvantage as the United States is the only major exporter without an FTA with Vietnam.

E-Commerce

Despite the COVID-19 pandemic, 2021 was considered a prosperous year for e-commerce. According to the Vietnam e-Commerce and Digital Economy Agency (iDEA), e-commerce sales were approximately $13 billion last year, up 16 percent against 2020, making Vietnam one of the top three Southeast Asian countries with the highest growth in online retail sales. This growth was partly due to shoppers moving online as a result of the effects of the 2021 COVID outbreak, such as store-closures, restricted or limited shopping times and opportunities, travel restrictions, work-from-home policies, and fears of physical contact. E-commerce also continues to benefit from longer-term trends, including GVN favorable policies[2], rapid urbanization, a growing middle class (currently 13 percent of the total population and forecasted to grow to 26 percent by 2026) with increasing per capita income (from $430 in 2000 to

[2] *In May 2021, the Government of Vietnam approved a national master plan for e-commerce development between 2021 – 2025. The plan lays out several ambitious goals including 1) having up to 55 percent of the total population participate in online shopping by 2025; 2) B2C e-commerce sales (for both goods and services of online consumption) to increase by 25 percent per year and 3) Non-cash payments for e-commerce activities to reach 50 percent, of which payments made through intermediary service providers will account for 80 percent (see the attached e-commerce master plan for more details).*

$2,785 in 2020), rising Internet access (70 percent of the country's population), and smartphone users (70 percent of the total population)[3]. These aspects, combined with growing consumer confidence in online shopping, will be the key drivers for e-commerce expansion.

Major e-commerce platforms including Lazada, Sendo, Shopee, and Tiki (Table 3) developed food and beverage markets on their digital platforms and coordinated with technology delivery service providers to meet increased online demand. Modern retail chains, grocery suppliers, and food service stakeholders including restaurants, caterers, coffee and tea shops, and bakeries continue to maintain their online sales via either their own or third-party platforms to meet changes in consumers shopping habits. E-commerce continues to be a critical distribution channel, maintaining supply chains and boosting sales of goods, including food and beverages. Industry experts forecast e-commerce to remain robust in 2022.

Table 3: Major digital shopping platforms and delivery service providers

Digital shopping platform	**Delivery service providers**
Foody (www.foody.vn)	AhaMove (https://ahamove.com/)
Lazada (www.lazada.vn)	Baemin (https://baemin.vn)
Now (www.now.vn)	Be (https://be.com.vn)
Sendo (www.sendo.vn)	Gojek (www.gojek.com)
Shopee (www.shopee.vn)	Grab Food (https://food.grab.com)
Tiki (www.tiki.vn)	GrabMart (www.grab.com/vn/mart/)
	Loship (https://loship.vn)

Traditional Food Retail (TFR)

Traditional food retail, with over 8,500 wet markets[4] and an extensive number of "Mom-and-Pop" stores, still dominates Vietnam's retail market, accounting for about 86 percent of total grocery retail sales.

Major factors supporting TFR include proximity to residential areas, competitive prices compared to modern retail[5], concentration of diverse products in one marketplace, strong relationships with customers, flexibility in transactions, and gradual improvements in product handling. However, TFR

[3] *Sources: World Bank, iDEA*
[4] *Source: GSO 2019*
[5] *Products at modern retail outlets are usually sold at higher prices than the same items at traditional retail channels. Space rental, electricity for air conditioning and cold storage, labor costs, and taxes lead to high operation costs and increased sale prices. Modern grocery retailers strive to attract customers by offering clean, spacious, and enjoyable shopping environments, diverse products, promotional programs, and value-added services.*

continues to be challenged by longstanding difficulties, including poor hygiene and food safety, due to infrastructure constraints. For example, as TFRs are often unable to properly store packaged foods, including dairy products (cheese, liquid milk) and canned foods, external factors, such as temperature changes, improper handling, and pests can lead to quality deterioration over time. In addition, meat, fish, and fresh produce at wet markets are openly exposed to changes in air and temperature for hours until consumers take them home.

The 2021 outbreak of COVID-19 badly affected TFR sales last year. While modern retail channels and e-commerce were able to maintain their operations, TFR suffered closures for nearly 6 months. Consequently, local farmers and ranchers, who supply fresh produce and protein products to TFR, also faced challenges due to disruptions in these retail operations.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

FAS strongly encourages potential U.S. exporters to review related GAIN attaché reports; in particular, the Exporter Guide, the Food Agricultural Import Regulations and Standards (FAIRS) report, the Food Ingredients report, and the Hotel and Restaurant Industry (HRI) Food Service Sector report. FAS regularly updates these reports to keep U.S. exporters apprised of the latest information related to Vietnam's food standards and safety regulations.

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

In addition, U.S. exporters should also refer to the United States Department of Commerce's Country Commercial Guide Report for information about the Vietnam market.

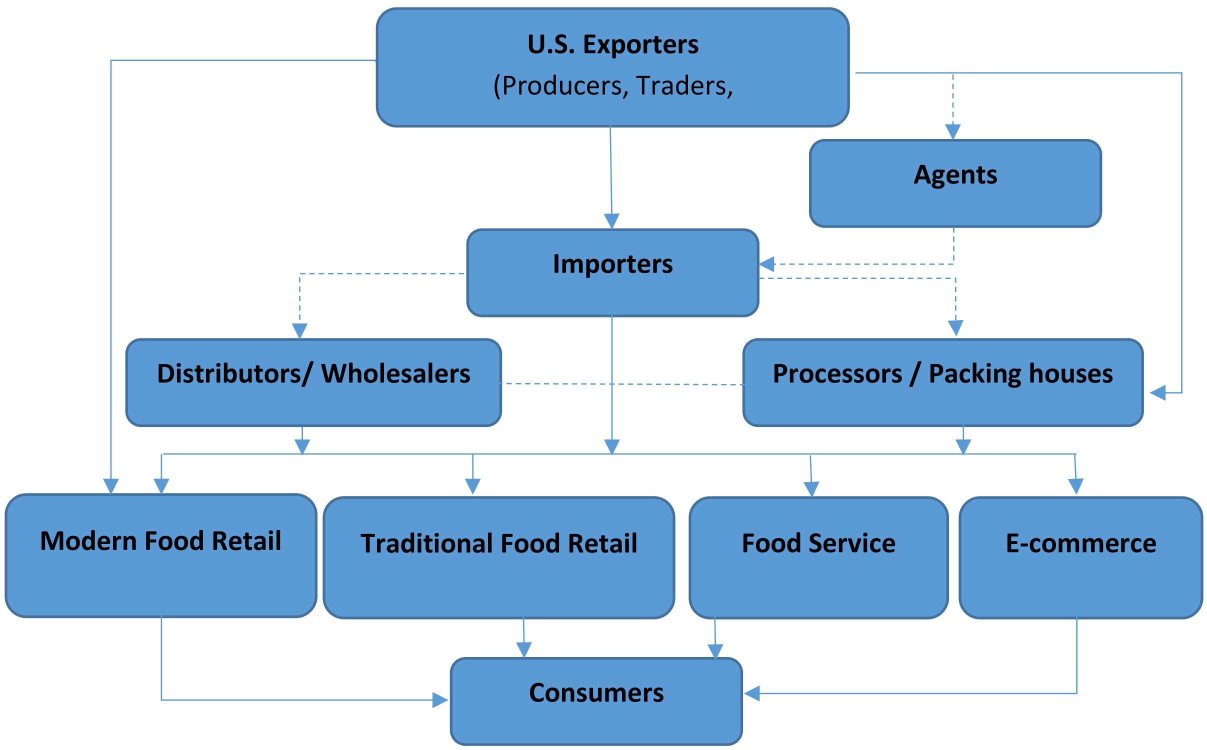
FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements and to identify potential buyers. FAS/Vietnam and USDA Cooperators assist new-to-market U.S. exporters, including lists of importers/traders/processors, market insights, and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

Participation in trade shows and trade missions may offer good opportunities to better understand the market and engage directly with potential importers, distributors, and local partners. There are two USDA-endorsed trade shows in Vietnam: Food and Hotel Vietnam (FHV) and Food and Hotel Hanoi (FHH). FHV is the most important show for consumer-oriented products and takes place every two years in Ho Chi Minh City, while FHH is another large show focused on the northern market that takes place in alternating years. Please visit https://foodnhotelvietnam.com/ and https://foodnhotelhanoi.com/ for further information.

Market Structure

Most consumer-oriented products reach the shelves of retail food channels through importers, distributors, and processors (Figure 1). Recently, some of the largest modern retail food chains have started directly importing fresh fruits, beef and beef products, seafood, and non-alcoholic beverages for their outlets.

Figure 1: Retail Market Structure in Vietnam



SECTION III. COMPETITION

Competition between imported and locally produced consumer-oriented products is fierce, as Vietnam is a large producer of agricultural products including pork, poultry, fruits, and vegetables. Vietnam is also developing major food processing and agro-industrial sectors, with leading multinationals establishing food processing operations across the country and offering a wide range of western-style products at reasonable prices.

Competition between U.S. consumer-oriented products and those from other countries is also becoming more intense as Vietnam continues to globally integrate through a range of multilateral FTAs, including the EU-Vietnam FTA (EVFTA) which took effect on August 1, 2020. At the EVFTA's entry into force, approximately 65 percent of EU's exports will enter Vietnam duty-free and remaining tariffs will be abolished over a 10-year period. The United States also remains the largest bilateral agricultural trading partner without an FTA with Vietnam. Please see GAIN report VM2022-0038 for Post's most recent analysis on tariff disadvantages facing U.S. products.

Further to Decree 57/2019/ND-CP issued by the GVN on May 25, 2020, which reduced tariff rates on a number of agricultural products imported from most favorite nations (MFN), including the United States, beginning on July 10, 2020 (see GAIN report VM2020-0051), Vietnam continued to reduce import tariff rates on corn, wheat, pork, and planting seeds. Please see GAIN report VM2021-0097 for more details.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

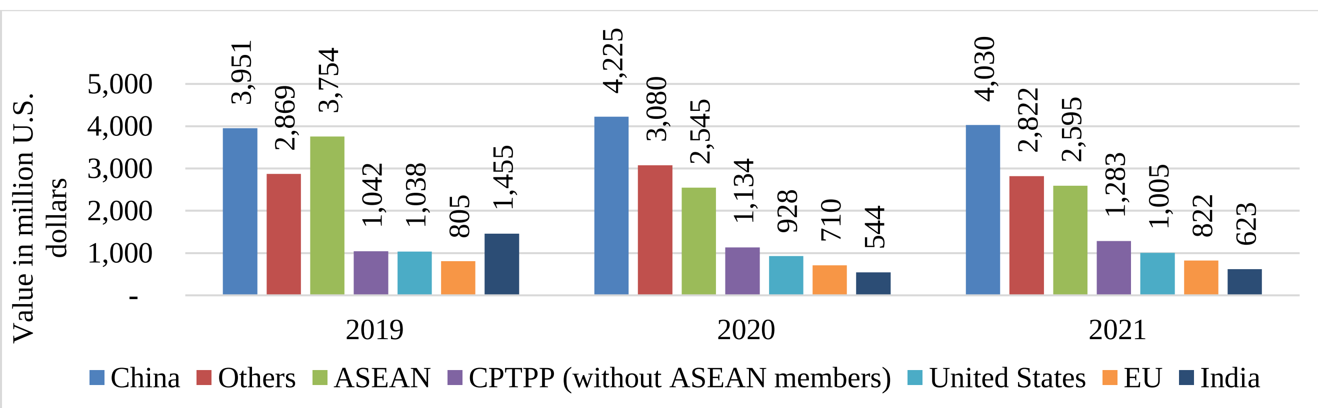
Pork meat, fresh produce, poultry, seafood, milk and dairy products, condiments, and sauces.

Top Consumer-Oriented Products Imported from the World

According to TDM, world exports of consumer-oriented products to Vietnam totaled $13.1 billion in 2021, unchanged from 2020 levels (Chart 3). Gains in exports of many exporting countries, including the United States, offset declines in exports from China, Thailand, and Ghana (mostly cashew nuts). Exports from the United States, EU, and CTPPP member countries increased 8 percent, 16 percent, and 13 percent, respectively. India and ASEAN members also saw significant growth in their exports to Vietnam.

The world's top-five exports of consumer-oriented items to Vietnam and their respective shares of the total were: 1) fresh fruit ($2.7 billion, 20 percent share); 2) tree nuts ($2.3 billion, 17 percent share); 3) fresh and processed vegetable ($1.7 billion, 13 percent share); 4) dairy products ($1.1 billion, 9 percent share); 5) Beef and beef products ($0.7 billion, 5 percent share).

Chart 3: World Exports of Consumer-Oriented Products to Vietnam



Source: TDM

Top Consumer-Oriented Products Imported from the United States

U.S. exports of consumer-oriented products to Vietnam totaled over $1 billion in 2021, up 8 percent over 2020. The U.S. market share gained 1 percent point to 8 percent in 2021. Vietnam is the 14th largest market for U.S. consumer-oriented products. The top-five U.S. export items were: 1) dairy products

($280 million, 28 percent share); 2) tree nuts ($167 million, 17 percent share); 3) poultry meat and products ($101 million, 10 percent share); 4) fresh fruit ($100 million, 10 percent share); and 5) food preparations ($95 million, 9 percent share).

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

Cheese, ice cream, sweets and snacks, wine, craft beer, frozen and dried fruit, live seafood (geoduck, lobster, king crab, fish, oyster), cooked and prepared shellfish, and frozen wild salmon.

Product Not Present Because They Face Significant Barriers

Edible white offal (pork, beef, and chicken), fresh citrus (aside from oranges), strawberries, and certain kinds of seafood.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Please refer to the FAS/Vietnam Exporter Guide 2021 for links to additional sources of information, including Post contacts, SRTGs, USDA Cooperators, and Vietnamese government agencies.

Other Useful Websites:

The Embassy of Vietnam in Washington http://www.vietnamembassy-usa.org
Ministry of Agriculture and Rural Development www.mard.gov.vn
MARD/Department of Animal Health https://cucthuy.gov.vn/
MARD/Plant Protection Department http://www.ppd.gov.vn
MARD/ National Agro-Forestry-Fisheries Quality Assurance Dept. http://www.nafiqad.gov.vn
Ministry of Health http://www.moh.gov.vn
Vietnam Food Administration http://vfa.gov.vn
General Department of Vietnam Customs https://www.customs.gov.vn/
Directorate for Standards, Metrology & Quality http://www.tcvn.gov.vn/
Ministry of Industry & Trade https://moit.gov.vn/
Vietnam Tourism Administration https://vietnamtourism.gov.vn/english/
National Assembly of Vietnam https://quochoi.vn
Vietnam Ag Biotechnology https://agbiotech.com.vn/
American Chamber of Commerce in Vietnam https://www.amchamvietnam.com/

Major Media Websites:

Vietnam News https://vietnamnews.vn/
Vietnam Economy News http://ven.vn/
Vietnam Investment Review http://www.vir.com.vn/news/home
Saigon Times Daily https://thesaigontimes.vn/
Saigon Tiep Thi https://www.sgtiepthi.vn/
Tuoi Tre News http://www.tuoitrenews.vn/

Attachments: Vietnam Master Plan for E-commerce Development 2021-2025.pdf