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## Vietnam

### Oilseeds and Products

### Soybean Meal and Vegetable Oil Update

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**Report Highlights:** Vietnam is a major importer of soybean meal (about 900,000 metric tons) and vegetable oil (about 300,000 mt). Although 2004 imports may dip due to livestock production problems, Vietnam is now one of the largest Asian importers of oilseed products.

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**SOYBEANS****Production**

Although Vietnam's soybean area has increased, production is very small. Annual soybean production is around 200-225 thousand metric tons (tmt), and crop yields are low, between 1.0-1.2 mt/ha. Soybeans are cultivated as a buffer crop between two rice crops.

**Table 1: Vietnam soybean production**

	<b>2001</b>	<b>2002</b>	<b>2003est.</b>
Crop area (tha)	140	158	182
Crop yield (mt/ha)	1.26	1.27	1.24
Total production (tmt)	177	201	225

Source: Vietnam General Statistics (GSO)

Vietnam's soybean production is unlikely to grow rapidly in the near future due to low demand from the animal feed and vegetable oil industries. High soybean production costs (low crop yields and high agro-chemical costs) prevent animal feed mills from utilizing domestic soybeans. Domestic retail prices of grade one soybeans are quoted at VND 7,000/kg - 8,500/kg (or \$450-500/mt).

Another major constraint is a lack of soybean crushing facilities (which would produce edible oil for the domestic vegetable oil industry and meal for the domestic animal feed industry). Reportedly, the Government of Vietnam and several sets of private investors are doing feasibility studies regarding the construction and operation of oilseed crushing facilities.

**Consumption**

Most of the locally produced soybeans are used for human consumption in the form of soy sauce, tofu products, and soymilk beverages. Only a small quantity of lower-quality soybeans is used for

homemade animal feed. Industrial vegetable oil processors hesitate to use domestic soybeans due to scattered production areas, high costs and the low fat content (about 20%) of local soybeans.

### Trade

Vietnam imports some whole soybeans for the livestock feed industry. According to traders, Vietnam annually imports approximately 20-23 tmt of soybeans, mainly from neighboring countries such as China and Cambodia.

## SOYBEAN MEAL

### Production

Vietnam's domestic soybean meal production is very small, given the absence of crushing facilities and since most local soybeans are used for human consumption and food processing (tofu, soybean milk) products. Therefore, the booming livestock feed sector must rely on imported soybean meal.

### Soybean meal imports

Vietnam's soybean meal imports have increased considerably to meet increasing demands from the animal feed industry (see Report VM-4007, February 2004). Soybean meal imports to Vietnam increased from 515 tmt in 2001 to 785 tmt in 2002, an increase of 52%. Vietnam's 2003 soybean meal imports are estimated at 990 tmt, 26% higher than 2002's level (see table 2).

In 2003, Argentina was the largest soybean meal supplier, with a market share over 50%. India was the second largest soybean meal exporter to Vietnam, selling about 200-300 tmt. Other soybean meal suppliers include China, Brazil and the United States. According to traders, U.S. soybean meal exports to Vietnam are constrained by high prices, although millers regard the U.S. meal quality as quite high.

**Table 2: Vietnam's 2001/03 soybean meal imports by key suppliers (unit: tmt)**

	2001	2002	2003
<b>Total imports</b>	<b>515</b>	<b>785</b>	<b>990</b>
Of which from USA	15	26	20
from India	215	300	240
from Argentina	270	330	690
from China	5	30	25
from Brazil	0	45	N/A

Source: Estimates from Traders

Vietnam's leading soybean meal importers include both animal feed mills and trading companies. In general, only the big production animal feed mills such as Taiwan's Uni-President, Thai's CP group; U.S. Cargill, French-Vietnamese Proconco, Amasco, Lai Thieu, and Afiex (Vietnamese) import soybean meal. Smaller (and most local) animal feed companies purchase soybean meal from trading companies or the larger mills.

Vietnam's 2004 soybean meal imports will drop due to high import prices and decreasing demand from the animal feed industry (due to avian-influenza and food & mouth disease problems). Post estimates a slight decrease in Vietnam's 2004 soybean meal imports to 900 tmt.

Soybean meal prices have jumped since the end of 2003. Local retail prices of soybean meal are quoted at VND 6,000-6,500/kg (\$380-410/mt) up significantly from last year's price of VND 3,000/kg (\$190-200/mt). To deal with the problem, animal feed producers are using cheaper materials such as rapeseed meal (imported from China), palm kernel expeller cake (imported from Malaysia and Indonesia) and copra expeller cake (imported from Indonesia and Philippines).

The avian influenza (AI) epidemic that hit Vietnam in December 2003 greatly harmed the animal feed industry. According to an estimate (from Vietnam's Association of Animal Feed Producers) the AI epidemic caused a loss of about VND 700 billion (\$44 million) to the animal feed sector due to accumulation of unsold poultry feed. Prices of poultry feed will probably increase by 10-15% after the epidemic, as feed producers want to recoup their losses.

Imports of soybean meal into Vietnam are free from import duties, i.e., a zero tariff.

## **VEGETABLE OIL INDUSTRY**

### **Edible vegetable oil production**

Vietnam's 2003 edible vegetable oil production is estimated at 320 thousand metric tons (tmt), an increase of 15% compared with 2002's production.

Materials used for vegetable oil production are both domestic products (sesame, peanut) and imported crude oils including palm and soybean oil. In 2003, Vietnam imported about 270-280 thousand metric tons of crude vegetable oil (accounts 80-85% of total materials used for the industry) of which 30-35% was crude soybean oil. Vietnam also imported some refined vegetable oil (the refined oil imported in 2003 is estimated at 20 tmt). Malaysia, Indonesia (mainly crude palm oil), Argentina, Thailand and Singapore are reportedly the leading vegetable oil suppliers to Vietnam.

In 2004, Vietnam's vegetable oil production is estimated to increase by 14-15% to 360-370 tmt. Although Vietnam is trying to increase domestic oilseed supply by expanding oilseed production (soybean, sesame, peanut), the edible vegetable oil industry relies heavily on imported crude oil. Post estimates Vietnam's 2004 crude vegetable oil imports at 296-300 tmt.

### **Vietnam has developed a strategy to develop the vegetable oil industry by 2010**

According to the central government's plan, Vietnam hopes to produce 450 tmt of cooking oil by 2005 and 660 tmt in 2010. Out of that production, Vietnam plans to export about 100-150 tmt to nearby markets. To achieve those targets, the vegetable oil processing industry needs about \$300 million to update current processing factories, to build new processing and refining facilities and to develop local oilseed production.

### **Vietnam's domestic vegetable oil consumption**

Currently, Vietnam's per capita vegetable oil consumption is estimated at 4.0-4.5 kg/person/year. Vietnam expects to increase the vegetable oil consumption to 8 kg/person/year by 2008.

**Vietnam's vegetable oil processing industry**

Currently, there are 10 vegetable oil factories (including 4 foreign invested companies) operating in Vietnam with total capacity of 420 tmt/year. Reportedly, several vegetable oil factories will be built in different regions including Hai Phong city (in the North); Da Nang (in the Central) and in Can Tho province of the Mekong River Delta.

**Vegetable oil exports**

Reportedly, in 2003, Vietnam earned about \$150,000 from exports of vegetable oil to Japan, EU and the Middle East.

In 2001, Vietnam exported about 20,000 mt of edible oil to Iraq under the UN's "oil for food" program.

**Policy**

Vietnam's commitment to the implementation of the Common Effective Preferential Tariffs (CEPT) agreement for Southeast Asian countries (ASEAN) brings fierce competition to the domestic vegetable oil industry as tariffs are quickly being cut across the region. The import tariffs charged on refined vegetable oils imported from ASEAN's countries will be reduced to 15% in 2004; 10% in 2005 and 5% in 2006 (See our 2003 report, VM - 3017).

Vietnam's current Preferential Tariff rates applied for refined vegetable oil imported from other countries, including the United States, range from 40% to 50%.