

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

Vietnam's consumption of health and wellness products has significantly increased in recent years as its consumers become more affluent and health conscious. Although organic food and beverages remain a niche segment of the overall health and wellness market, U.S. exports of organic agricultural products to Vietnam doubled in 2020 despite an economic downturn due to the COVID-19 pandemic. A growing middle-class, higher disposable incomes, and increased concerns about health, combined with a limited domestic supply, are key factors that make Vietnam a potential growth market for imported organic food and beverage products.

I. Market Overview and Trends

Market size

Over the last few years, Vietnam has seen strong development in its health and wellness sectors in general, and for its organic products sector in particular. According to Euromonitor, the Vietnam market for health and wellness products, valued at \$5 billion in 2019, expanded at an average rate of over 9 percent annually over the past 5 years. Organic food and beverages (F&B) account for a relatively small portion of the health and wellness market in Vietnam with retail sales at \$130 million in 2019 (Source: Business Associations of High-Quality Vietnam Products). While modest, Vietnam is a potential growth market for organic F&B products due to more consumers with higher disposable incomes, growing preferences for high-quality and high-value products, and higher demand that outpaces local supply. Although organic F&B has positioned in the past as a niche market in Vietnam due to its premium price point, as the country's economy grows and standards of living improve, demand for safe and quality products has also risen. Despite the challenges of the COVID-19 pandemic and resulting economic slowdown that occurred in 2020, Vietnam still doubled its imports of U.S. organic F&B products compared to the same period last year.

Consumer trends

According to Vietnam's General Statistics Office, the country has a population of over 97 million, half of which are under the age of 35 years. "Generations Y" (ages 24 to 39) and "Z" (ages 15 to 23) are estimated at around 40 million people and include well-educated consumers who are open to new experiences and international trends. According to the World Bank, Vietnam has over 12 million people classified as "middle and affluent," and this demographic is expected to more than double to 25 million by 2026, one of the highest growth rates in Southeast Asia. Vietnam's super-rich, defined as those with a net worth of at least \$30 million, are also rapidly increasing and Vietnam now ranks second among the world's fastest-growing wealth markets, according to the 2021 Wealth Report by Knight Frank. Vietnam's middle and affluent classes, the main drivers of the country's economic growth, are contributing to the rapid expansion of the organic F&B market as these consumers shift from basic necessities to higher quality and value products as their incomes increase.

Health is also an important issue in Vietnam, often outranking other general concerns, such as income and job security, according to a 2020 Nielsen Global Consumer Confidence Survey. This survey also noted many consumers indicating their willingness to spend extra income on products that can guarantee health benefits. The "Vietnam Insight Ebook 2021" (Kantar World Panel) reported that 79 percent of Vietnamese consumers surveyed were willing to pay higher prices for healthier foods. A Vietnam Report Group survey on the purchasing behavior of consumers in Ho Chi Minh City (HCMC) and Hanoi in 2019 showed that 51.5 percent of the focus group would choose products of organic origin, while 45.6 percent would base their purchases on price.

Food safety continues to play an important factor in purchasing habits as Vietnamese consumers often exhibit concerns on certain products such as local produce. Domestic food safety scandals over the past few years have also raised concerns. Additionally, the ongoing COVID-19 pandemic has accelerated demand for safe products as consumers seek ways to address health concerns. As a result, organic F&B products are often promoted for their image as “natural,” “no chemicals,” “safe,” “high quality,” and “good for health.” Online searches for “organic food” (“thực phẩm hữu cơ” in Vietnamese) have grown 30 percent year-on-year in 2020, according to the “Vietnam: Year in Search 2020” report from Google.

As half of Vietnam’s population are young and well informed, many consumers quickly adopt F&B trends that are popular globally. Google searches for popular diets soared sharply in 2020 with key words such as “eat keto” and “keto menu” increasing 900 and 650 percent respectively. The popularity of “superfoods” such as apples, apple cider, blueberries, chia seeds, kale, celery, Greek yogurt, and kombucha are examples of international trends that influence local consumption, both at home and in restaurants.

Although many middle-class consumers are aware of the quality and health benefits of organic F&B products, price remains a challenge to their substitution of everyday items with organic equivalents. As a result, consumers prioritize organic F&B products on purposes related to health concerns, especially for families and children. Baby infant milk powder, dairy, and fresh fruits and vegetables rank high among purchased organic F&B products.

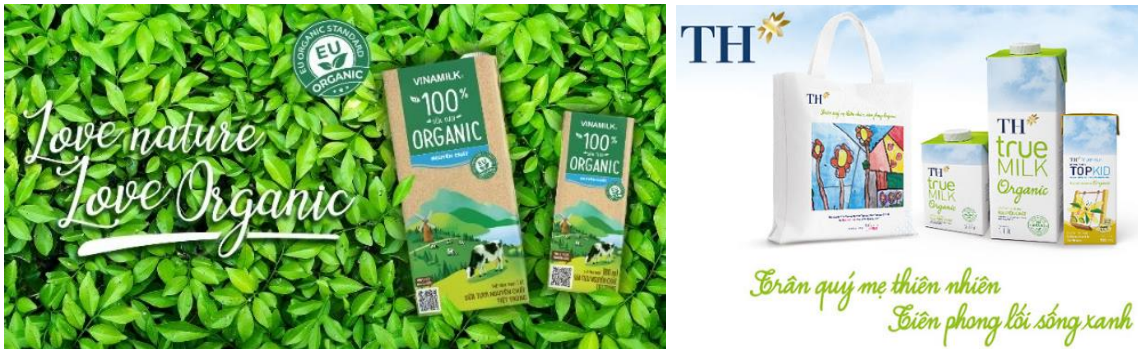
II. Supply and Production

In addition to imports, locally produced organic F&B products have grown robustly in recent years. According to the Ministry of Agriculture and Rural Development (MARD), Vietnam’s organic farming area quadrupled from 53,350 hectares in 2016 to nearly 240,000 hectares in 2020. 46 out of 63 provinces and cities in Vietnam have developed organic-cultivated land with the participation of over 100 enterprises and 17,000 farmers. Vietnam’s main organic agricultural products are rice, shrimp, coconut, coffee, cocoa, milk, tea, vegetables, fruits, cinnamon, anise, and other farm products. Vietnam also exports many of its organic F&B products, with overseas sales reaching \$335 million in 2019, according to MARD.

In recent years, more large-scale enterprises, such as Vinamilk and TH True Milk, have increased their investments in organic F&B production. Vinamilk, the country’s largest dairy producer and a pioneer in organic dairy in Vietnam, launched its own “Organic” brand, through its U.S. subsidiary Driftwood Dairy, and in cooperation with California Natural Products. In 2016, the company manufactured this USDA-certified organic milk in the United States, exporting it back to Vietnam. In 2017, Vinamilk then switched its sourcing of organic milk to a new domestic organic dairy farm in Dalat, marketing this operation as the first European-standard organic farm in Vietnam and Southeast Asia. This Dalat organic operation now produces organic drinking ultra-heated treatment (UHT) milk and infant milk powder. Another local dairy giant, TH True Milk, started its organic farm in 2013, launching its first

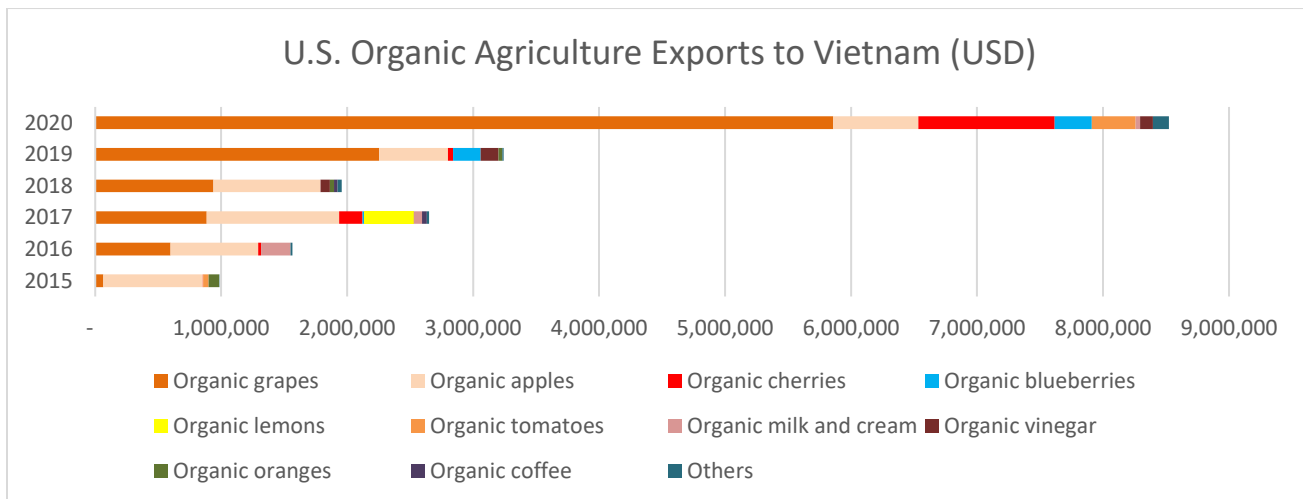
organic brand, TH True Milk Organic, in 2017. Both Vinamilk and TH True Milk have invested heavily in marketing and sales (Picture 1), making organic F&B products more accessible and affordable to Vietnamese consumers nationwide.

Picture 1: Advertisements for Vinamilk and TH True Milk organic products



Vietnam imports a diverse number of organic F&B products to meet consumer demand for items that cannot be grown or produced locally, a majority of which are fresh fruits and vegetables and processed products. As organic F&B processing often requires a large investment in input materials and manufacturing, packaged organic F&B products remain a challenge to small domestic producers, creating an opportunity for imported products to meet demand. U.S. exports of organic F&B products to Vietnam increased significantly in 2020 to \$8.5 million from \$1 million in 2015, with most sales in fresh fruits and processed products (Chart 1). Compared to other competitors, U.S. organic F&B products in Vietnam have a number of advantages and challenges as detailed in Table 1.

Chart 1: U.S. Organic Agricultural Exports to Vietnam in 2015-2020



Source: Trade Data Monitor

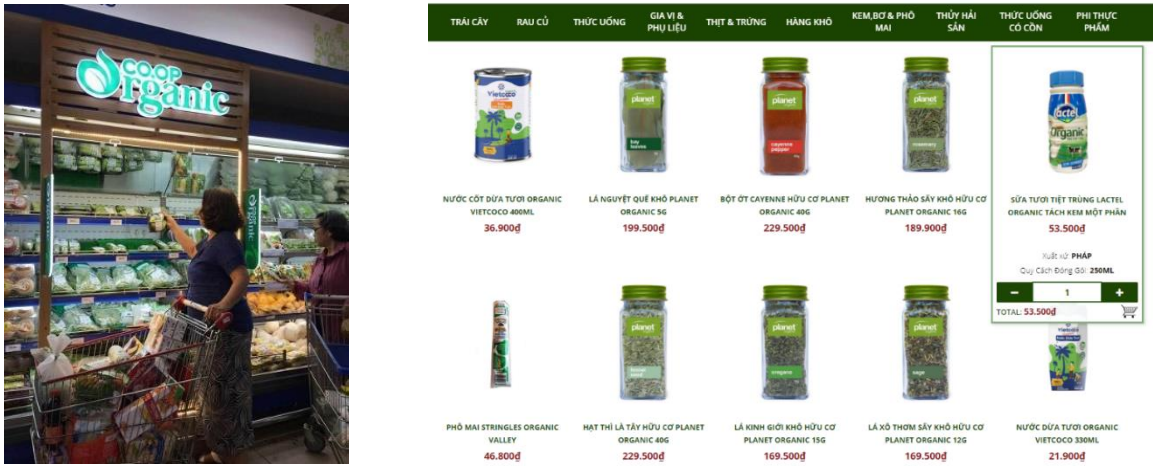
Table 1: Advantages and Challenges of U.S. organic F&B in Vietnam

Advantages	Challenges
Vietnamese consumers often favor imports, especially U.S. products which are especially perceived as safe and high quality.	The United States is among the few countries that does not have a free trade agreement (FTA) with Vietnam. As a result, some U.S. products are at a tariff disadvantage compared to competitors, such as Australia, New Zealand, the European Union, Korea, and Japan. U.S. products may also face higher shipping costs.
Vietnamese consumers recognize the quality of products with USDA organic certification.	U.S. organic F&B products remain expensive to middle-class households even in first-tier cities (Hanoi, HCMC).
Demand for organic F&B products continues to rise, especially during the COVID-19 pandemic.	Consumers do not fully understand industry terms and definitions, such as “organic” versus “clean” versus “natural.” Many consumers also do not understand the difference between USDA-certified organic and other countries’ certificates. As Europe invests to educate the market on their organic standards, the reputation of U.S. organic certification could be challenged.
The United States offers a wide range of organic F&B products, many of which are not yet produced in Vietnam.	Vietnam procedures to allow market access for fresh fruits and vegetables remain complex.

III. Distribution and Market Entry

Due to their premium price position, most organic F&B products are distributed through modern trade channels in urban areas to better reach and serve middle and affluent consumers. Presently, shoppers can easily find organic F&B products in supermarkets, organic specialty stores, and e-commerce. A number of leading retailers continue to expand their organic offerings in terms of variety and quantity, and many supermarkets and hypermarkets have dedicated counters to display organic F&B products. Additionally, some retail chains have developed their own organic F&B brands, such as Co.op Organic of Saigon Coopmart and Vin Eco Organic of Vinmart (Picture 2). Organic specialty stores, such as Organica and Organic Food, are growing in both number of outlets and sales revenue. E-commerce continues to grow with 53 percent of the population shopping online, according to the Vietnam e-commerce and Digital Economy Agency. Starting with packaged and low-value products, e-commerce is now expanding to all categories, including high-value and chilled and frozen products. Social distancing restrictions due to COVID-19 and work-from-home trends have accelerated the need for e-commerce, indirectly supporting the expansion of organic products. Many organic F&B producers and importers have opened their own online stores or on third-party e-commerce sites such as Tiki, Shopee, and Lazada. Almost all leading retailer chains in Vietnam have developed their own e-commerce platforms with organic F&B products listed, including Vinmart, Aeon, Lotte, Big C, Bach Hoa Xanh, and BRG Mart. Recent COVID-19 outbreaks have compelled all retailers in Vietnam to utilize e-commerce to offset losses from declines in in-store traffic.

Picture 2: Organic products in stores and e-commerce



Most imported organic F&B products enter Vietnam through importers, distributors, and modern retailers. Interested U.S. exporters should collaborate with local importers who have experience in importing and distributing high-value F&B products. Please note that importers often seek exclusive distributorship as a long-term commitment to build and grow the brand in Vietnam. Attending food shows and exhibitions is another way for U.S. exporters to connect with potential buyers and major trade shows, such as Food and Hotel Vietnam and the Vietnam Food Expo, have featured local and international organic F&B brands. For more information on market entry, please refer to FAS’s GAIN reports, including the Vietnam [Exporter Guide](#), [Vietnam Retail Foods](#), and [Vietnam HRI report](#).

IV. Regulations and Certificates

Regulations

Vietnam is still developing its regulations for organic agriculture. At the time of this report, Vietnam has the following regulations related to organic production:

- The Ministry of Science and Technology issued the first National Standards on Organic Agriculture TCVN 11041 in 2017, standardizing the production, cultivation, animal husbandry, processing, and labeling of organic products, and requirements for organizations assessing and certifying organic product production and processing systems.
- Decree 109/2018 on Organic Agriculture published in August 2018, regulated the production, certification, labeling, logo, traceability, trading, and inspection of organic agricultural products.
- Circular 16/2019, published in November 2019 to supplement Decree 109/2018, provided detailed guidance on the agencies and organizations that oversee the application, certification, and testing of organic agricultural products in Vietnam.

- Most recently, in June 2020, the Government of Vietnam approved the Organic Agricultural Development Project for 2020 – 2030. Under this project, Vietnam aims to gradually create a strong domestic organic agricultural industry and grow land for organic agricultural production to 1.5 – 2 percent of total agricultural land by 2025.

For imported products, Vietnam recognizes organic certifications from the United States, Europe, Australia, Japan, and many other developed markets. Vietnam also has the same import requirements for both organic and conventional products. To find more information on the import requirements of agricultural products to Vietnam, please refer to FAS’s GAIN reports, in particular the [Exporter Guide](#) and [FAIRS Country report](#).

Certifications

In a 2020 survey commissioned by FAS/HCMC, many Vietnam respondents noted that they prefer and trust products with certified organic logos on the packaging. Although consumer understanding of organic branding is still developing, the most recognized organic logos included USDA Organic, Europe Organic, Australian Organic, and JAS, in which the USDA Organic seal was the most well-known logo, thanks to its popularity and credibility (Picture 3).

Post also notes that many consumers do not fully understand the differences between organic, all-natural, non-genetically engineered (GE), and other classifications. As many supermarkets and specialty stores often group all-natural, non-GE, “bio”, and “clean” products on their shelves, these displays can cause confusion for consumers and their perception of “organic” F&B products.

Pictures 3: Some well-known organic certification logos in Vietnam



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Table 2: List of major organic F&B products importers and distributors in Vietnam

No	Company name	Type	Product range and website
1	An Nam Gourmet	Retailer/ Importer	https://annam-gourmet.com/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
2	An Thinh Viet Trading Service	Importer	https://www.facebook.com/anthinhviet.com.vn/ Packaged food and beverages, grains and seeds, dairy.
3	Classic Fine Foods Vietnam	Importer	www.classicfinefoods.com Meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
4	Happy Trade Limited Company	Retailer	https://happytrade.org/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
5	Happy Vegi	Producer/ Retailer	http://happyvegi.com/ Fresh vegetables
6	Inter-Eco	Importer/ Retailer	https://inter-eco.com/ Packaged food and beverages. Exclusive distributor of Native Harvest brand.
7	Les Square/ New Viet Dairy	Retailer/ Importer	https://lesquare-epicierfin.com.vn/homepage Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
8	Nam An Market	Retailer/ Importer	https://namanmarket.com/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged

			food and beverages.
9	Ngan Long Investment Production Trading JSC	Retailer	https://organicmart.com.vn/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
10	Nguyen Pham co., ltd	Retailer/ Importer	http://nguyenphamco.com.vn/ Grains and seeds, seasoning, packaged food and beverages.
11	NHK Company	Retailer/ Importer	https://nhkmart.com/ Meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
12	NTP Trading Service	Importer	http://www.ntpco.vn/ Packaged food and beverages, grains and seeds, dairy, seasoning.
13	Organic Center	Retailer	https://thucphamorganic.vn/cua-hang/ Packaged food and beverages, grains and seeds, dairy, seasoning.
14	Organic Shop	Retailer	https://organicshop.com.vn/ Packaged food and beverages, grains and seeds, dairy, seasoning.
15	Organica Investment JSC	Producer/ Retailer	https://www.organica.vn/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
16	Origin Vietnam Joint Stock Company	Importer	http://originmarket.vn/ Packaged foods.
17	Solomon Trading Limited	Retailer/ Importer	https://solomonorganic.com/ Packaged food and beverages, dairy.
18	Thuy Thien Nhu	Producer/ Retailer	https://orfarm.com.vn/ Fresh fruits and vegetables, meat and seafood, grains and seeds, dairy, seasoning, packaged food and beverages.
19	Van Son Thinh Phat JSC	Retailer	https://organicfood.vn Packaged food and beverages, grains and seeds, dairy, seasoning.
20	Vinamit	Producer/ Retailer	https://vinamit.com.vn/ Fresh fruits and vegetables.

Attachments:

No Attachments.