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Food Service - Hotel Restaurant Institutional

Report Categories:

Food Service - Hotel Restaurant Institutional

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Report Highlights:

This report provides information regarding developments in the Hotel, Restaurant, and Institutional (HRI) food service sector in Vietnam and provides a road map for exporters wishing to enter the food service market. Strong GDP growth, rising per capita income, rapid urbanization, increasing global economic integration, higher awareness of food safety, and growth in the tourism sector have all contributed to strong growth in the HRI food service sector, making Vietnam an attractive market for U.S. consumer-oriented food and agricultural products.

Market Fact Sheet: Vietnam

Executive Summary

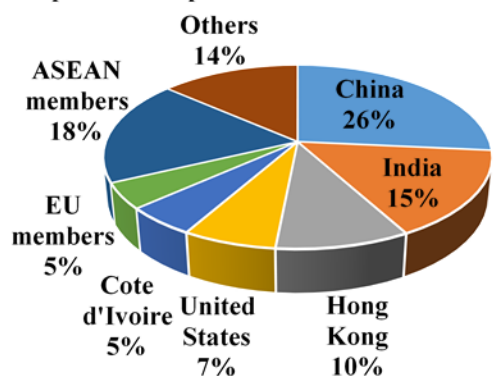
Vietnam is one of the fastest growing economies in Asia, with GDP growth in 2018 reaching a 10-year-high of 7.1 percent. This has allowed the country to join the ranks of the world's lower middle-income economies.

Vietnam is a leading producer and exporter of a variety of agricultural products including rice, coffee, pepper, cashews, and fish products. The country also imports large amounts of diverse agricultural and food products to meet its growing market demand, for both human and animal consumption.

In 2018, Vietnam's imports of agricultural and related products were estimated at \$33.4 billion, up about 1 percent up over 2017.¹ In this context, U.S. exports of agricultural and related products to Vietnam hit a record high of \$4.5 billion, up 51 percent over 2017. This significant increase made Vietnam the 6th largest agricultural and related products market for the United States. Vietnam imported about \$14.5 billion of consumer-oriented products in 2018, up 4 percent over 2017. U.S. exports of consumer-oriented products to Vietnam hit a record \$981 million, up 22 percent over 2017.

Imports of Consumer-Oriented

Market share of consumer-oriented products imported into Vietnam in 2018



Source: Global Trade Atlas and Post estimates

Food Retail Industry

Small, traditional retailers still dominate Vietnam's food retail sector, but modern retail channels are expanding in response to growing consumer demand. In 2018, Vietnam's total retail sales of goods and services was \$191 billion, up 11.7 percent over 2017.

Quick Facts CY 2018

Imports of Consumer-Oriented Products

- Imports from the world: \$14.5 billion
- Imports from the United States: \$981 million (about 7 percent market share)

Top 10 Growth Products in Vietnam

Tree nuts	Non-alcohol beverages (ex. juices)
Dairy products	Prepared food
Poultry meat and products (ex. eggs)	Pork and pork products
Fresh fruits	Processed Vegetables
Beef and beef products	Chocolate and Cocoa products

Food Industry by Channels (US\$ billion)

Net revenue of food manufacturing (2015)	\$45.8
Net revenue of beverage manufacturing (2015)	\$4.6
Exports of fishery products (2018)	\$8.8
Exports of fruits and vegetables (2018)	\$3.8
Exports of cashew nuts (2018)	\$3.4

Total retail sales of goods and services 2018: \$191 billion

Top 10 Vietnamese Retailers

Aeon Mega Mart	Vinmart
MM Mega Market	Circle K
Big C	7 Eleven
Co.op Mart	Bach Hoa Xanh
Lotte Mart	Satra Food

GDP/Population 2018

Population	97 million
GDP	\$241.3 billion
GDP per capita	\$2,564

Sources: GTA; GATS; Vietnam's GSO, Vietnam Customs, Post Vietnam, IMF

Advantages	Challenges
U.S. products are perceived as safe and of premium quality.	U.S. products are still more expensive than their peers, partly due to higher tariffs and freight costs.
Growing market demand and increased focus on food safety	Free Trade Agreements reduce tariffs on competitors' products.

Contact: FAS Vietnam

Office of Agricultural Affairs in Hanoi

Tel.: 84-24-3850 6106; Email: aghamoi@fas.usda.gov

Office of Agricultural Affairs in Ho Chi Minh City

Tel.: 84-28-35204630; Email: atohochiminh@fas.usda.gov

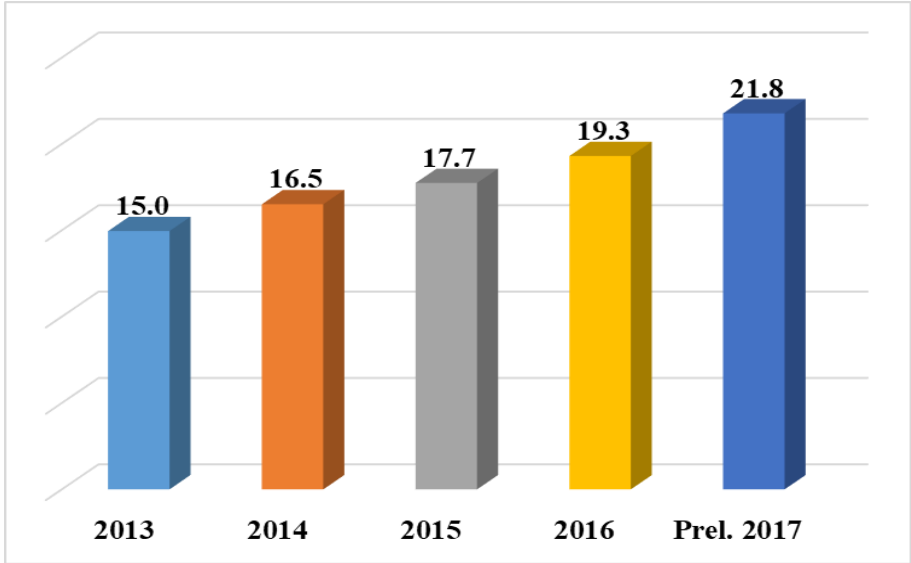
¹ Global Trade Atlas (GTA)

SECTION I. MARKET SUMMARY

Vietnam’s economy has steadily expanded over the last three years. GDP growth was 6.2 percent in 2016 and grew to a ten-year record level of 7.1 percent in 2018. Per capita income increased from \$2,170 in 2016 to an estimated \$2,380 in 2018. Vietnam has furthered its global economic integration by joining a series of free trade agreements (FTA), including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into effect on January 14, 2019, and the recent EU-Vietnam FTA (EVFTA), signed on June 30, 2019 and it is expected to be ratified in 2020. Overall, Vietnam has signed over 15 FTAs in just over a decade.

The hotel, restaurant, and institutional (HRI) food service sector has kept pace along with the country’s economic growth over the last three years. The HRI food service sector is driven by diverse economic and cultural factors, including strong economic growth, increasing tourism,¹ a growing middle class with higher income per capita, rapid urbanization, and increased awareness of food safety. The compound average growth rate (CAGR) of the accommodation, food, and beverage service sector increased 12 percent from 2013 to 2017 (see Figure 1).

Figure 1: Revenue of Accommodation, Food, and Beverage Service (value in billion USD)



Source: Post calculations based on Vietnam General Statistic Office’s data and Vietcombank exchange rate

¹ Total international arrivals in 2018 reached 15.5 million, up about 20 percent over 2017, according to the Vietnam National Administration of Tourism.

Table 1: Advantages and Challenges Facing U.S. Products in Vietnam

Advantages	Challenges
Continued economic growth with curbed inflation, a strong inflow of overseas remittances, and stable Foreign Direct Investment (FDI)	The uncertainty of government regulations negatively affects local importers of food and food ingredients.
Rising disposable income boosts 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 quality and safe products due to widening income inequality.
Growing international tourist arrivals	Western tourists, who usually pay a premium for quality foods, accounted for only 25 percent of total tourist arrivals. International arrivals may decrease as tourist cities are becoming more polluted and crowded, and therefore less attractive.
Growing modern food retails in first and second tier cities offer more spaces for imported consumer-oriented products.	Lack of cold storage, logistic issues, and lower consumer spending restrain the expansion of modern food retail in third-tier and smaller cities.
U.S. food and food ingredients are considered high quality and safe.	U.S. products are still expensive to the majority of middle-class households.
Local food processors continue to increase production capacity and improve product quality to meet the growing market demand.	U.S. food ingredients face fierce competition with local products and products imported from Vietnam's FTA partners.
Vietnam's continued economic integration and its FTA negotiations give more openings to foreign products in general.	Technical barriers to trade, sanitary and phytosanitary issues, and high tariffs limit imports of U.S. consumer-oriented products.
Growing full-service restaurants, convention and wedding centers, and fast food chains create opportunities for quality food and food ingredients.	Rising, and already high, rental costs increase prices and limit consumption in urban centers.

SECTION II. ROAD MAP FOR MARKET ENTRY

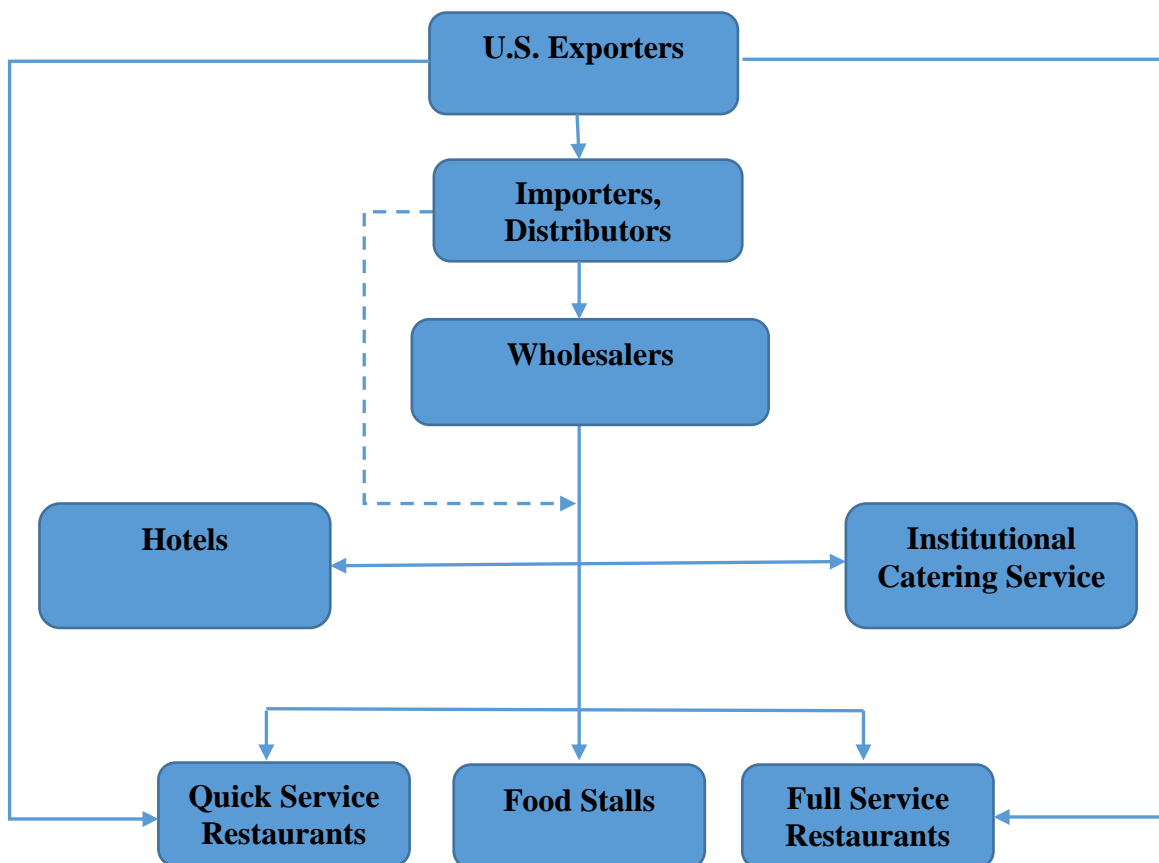
Entry Strategy

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 distributor(s) continue to be the best channel for U.S. exporters of food and beverage products to Vietnam's HRI food service sector. Complex regulations, costly and burdensome import procedures, high import tariffs, and logistical requirements are some of the critical issues that most HRI stakeholders are unlikely to handle. Just a few of the largest quick service restaurants (or 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 for their restaurant operations. Purchasing imported products from distributors or wholesalers is still popular in the Vietnam's HRI food service sector.

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 have improved significantly in Vietnam over the last few years thanks to the proliferation of social networking sites. Recent news stories of food 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 products due to high tariffs and transportation costs. Most imported food ingredients go to luxury hotels, high-end restaurants, and some of the well-known fast food chains. The remainder of western food products and ingredients are on the shelves of modern retail chains.

Even though there are vast business opportunities, Vietnam is also a challenging and a 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 is 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. FTAs with other trading partners, especially the prospects of reducing and eliminating tariffs, 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

Seafood, pork, frozen potatoes, fresh potatoes, dairy ingredients, and craft beer.

Top Consumer-Oriented Products Imported from the World

World exports of consumer-oriented products to Vietnam totaled \$14.5 billion in 2018, up 4 percent over 2017. Top export items include beef, poultry, dairy products, tree nuts, and fresh fruits. These products make up about 60 percent of the total export value.

Top Consumer-Oriented Products Imported from the United States

Vietnam has been among the top-20 important markets for U.S. exports of consumer-oriented products over the last five years. In 2018, U.S. exports of consumer-oriented products to Vietnam reached a record \$981 million, up nearly 22 percent over 2017. Export revenue of consumer-oriented products constitutes about 25 percent of the total export value of U.S. agricultural products to Vietnam.

Top U.S. consumer-oriented products exported to Vietnam, in terms of value, include tree nuts, dairy products, fresh fruits, poultry, and beef and beef products. Export value of these products accounts for over 70 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

Pork and pork products are becoming rising stars among fast growing consumer-oriented products. In 2018, U.S. exports of pork and pork products to Vietnam reached a record of \$36 million, up 200 percent over 2017.

Frozen potato is another product that has good sales potential. Exports of U.S. frozen potatoes (French fries) to Vietnam have continuously set new records over the last three years, from \$8.2 million in 2016, to \$9.0 million in 2017 and \$16 million in 2018.

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 not limited to: 1) white offal products from beef, pork, and poultry; and 2) fresh fruits, including strawberries and citrus.

SECTION VI. KEY CONTACT 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 Web Page:

<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 <http://www.customs.gov.vn/English/>

Vietnam Tourism Administration http://www.vietnamtourism.com/e_pages/news/

National Assembly of Vietnam <http://www.na.gov.vn>

American Chamber of Commerce in Vietnam <http://www.amchamvietnam.com>

Major Media Websites:

Vietnam News <http://vietnamnews.vnagency.com.vn/>

Vietnam Economy News <http://news.vneconomy.vn/>

Vietnam Investment Review <http://www.vir.com.vn/news/home>

Saigon Times Daily <http://english.thesaigontimes.vn/Home>

Saigon Times Weekly <http://www.thesaigontimes.vn/epaper/SGTW/>

Saigon Tiep Thi <http://www.vnnnews.net/tag/saigon-tiep-thi>

Tuoi Tre News <http://www.tuoi-trenews.vn/>

Thanh Nien News <http://www.thanh-niennews.com>