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Report Name: Beef Market Overview - Tariff Disadvantages Undercut US Opportunities in Growing Market for Imported Beef

Country: Vietnam

Post: Ho Chi Minh City

Report Category: Market Development Reports

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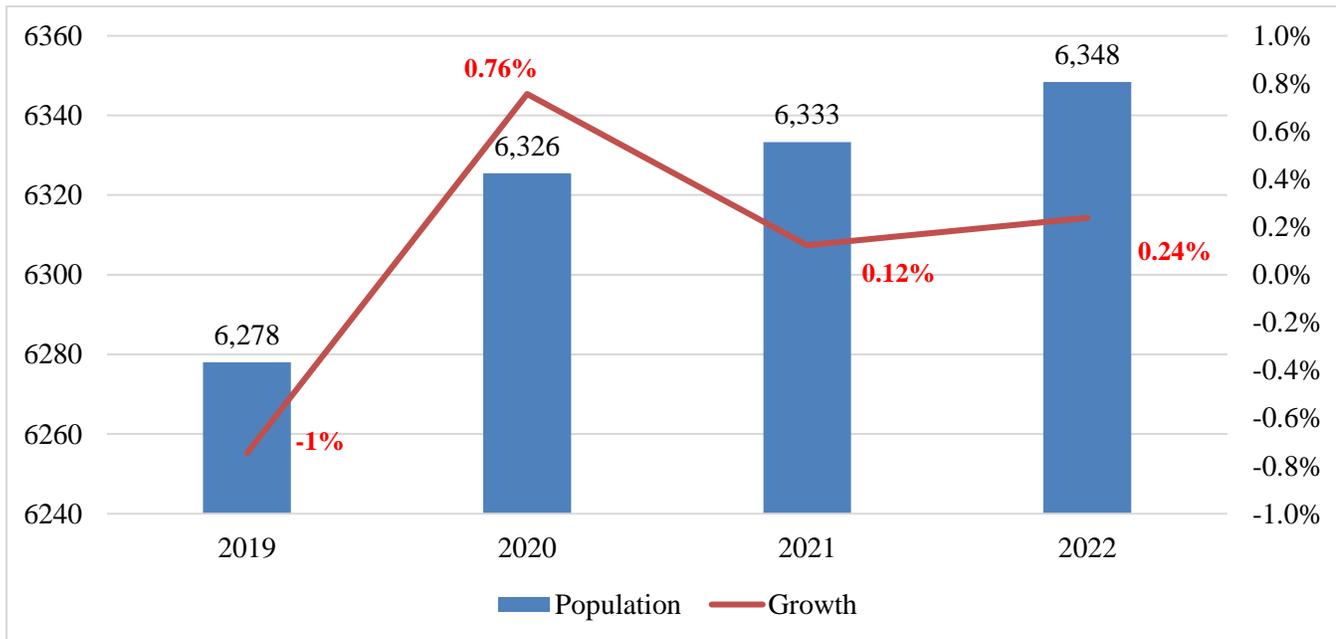
Report Highlights:

Vietnam is a growing market for beef and beef products, with demand driven by numerous factors including a growing population, economic growth, widening integration with global economies through free trade agreements, rising income per capita, and expanding modern retail and food service channels. Despite efforts to improve beef quality and production, local beef supply has yet to meet growing market demand, providing opportunities for imported beef. Global beef exports to Vietnam, excluding beef from India and Hong Kong, have grown by an average rate of 24 percent over the past 3 years, from \$217 million in 2020 to \$335 million in 2022. Tariff disadvantages remain a critical issue that has reduced the competitiveness of U.S. beef in the Vietnam market.

Overview of Vietnam's Beef Cattle Husbandry

According to Vietnam's General Statistical Office (GSO) and Department of Livestock Production (DLP), Vietnam's cow population in 2022 totaled roughly 6.35 million head, of which 95 percent were beef cattle (see Chart 1), growing at an average rate of about 0.2 percent between 2020 and 2022. Approximately 2.33 million households are raising beef cattle, of which 90 percent are smallholder farmers. Common raising methods include extensive¹, semi-intensive², and intensive farming³ (see Chart 2). Vietnam's North Central and Central Coast provinces are the most concentrated cattle ranching areas, together accounting for approximately 38 percent of the national herd.

Chart 1. Vietnam: Beef cattle herd (in thousand head)



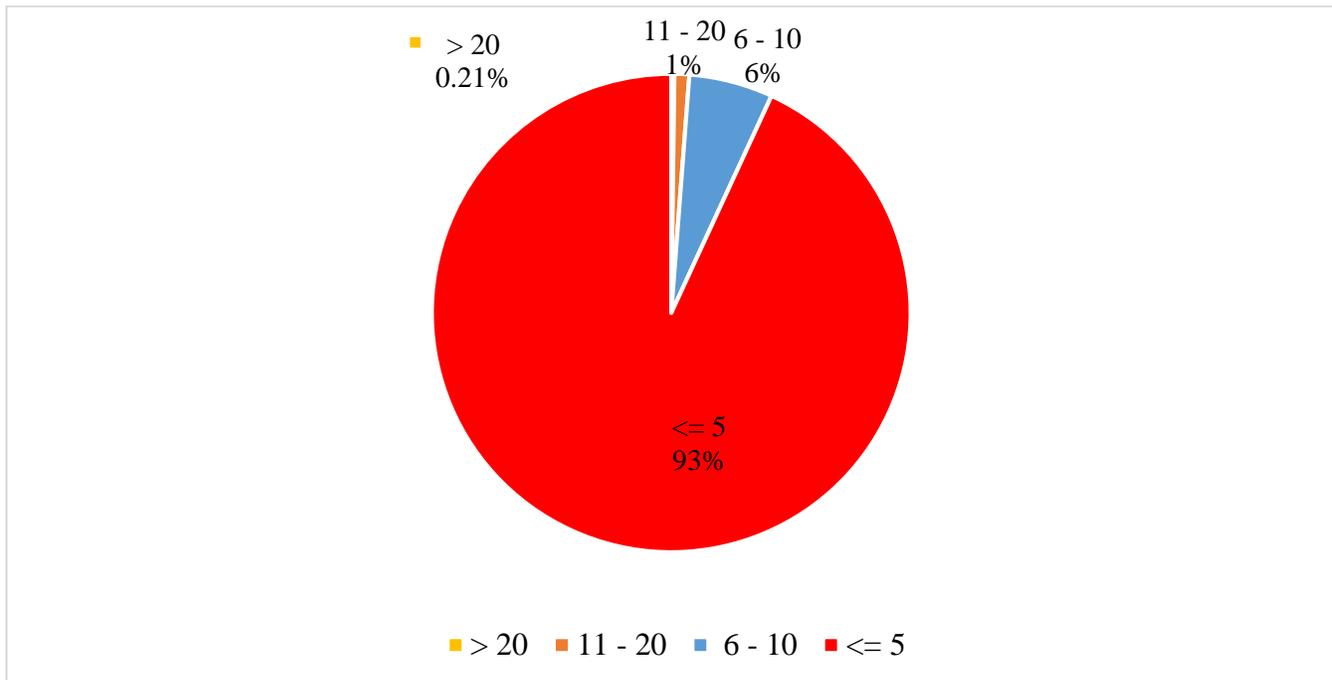
Source: GSO

¹ Animals are typically raised outdoors in free-range farms

² Combination of extensive and intensive methods: Animals are raised in shelters beside grazing in the wild

³ Animals are raised in cattle confinement facilities

Chart 2. Vietnam: Scale of beef cattle production (in head of cattle)



Source: Department of Livestock Production

Domestic Beef Supply

The most popular domestic breed is the Vietnam Yellow (a cross between *Bos indicus* and *Bos taurus*) which is well adapted to the local tropical climates and has good reproductive traits. However, according to industry experts, this breed produces lower meat yield and quality in terms of marbling and tenderness when compared with imported or crossbred breeds from the United States, Australia, and Belgium.

Recently, the emergence of large-scale farms for beef fattening has helped improve livestock productivity, mostly in Hanoi, Hoa Binh, Ha Tinh, Gia Lai, Dak Lak, Dong Nai, and Southeast provinces. These farms import calves, mainly from Australia, and purchase calves and underweight beef cattle from local household farmers for fattening and slaughtering. They also import breeding cows and semen to develop cattle herds, thereby contributing to increasing the percentage of crossbred cows in Vietnam's whole beef cattle herd.

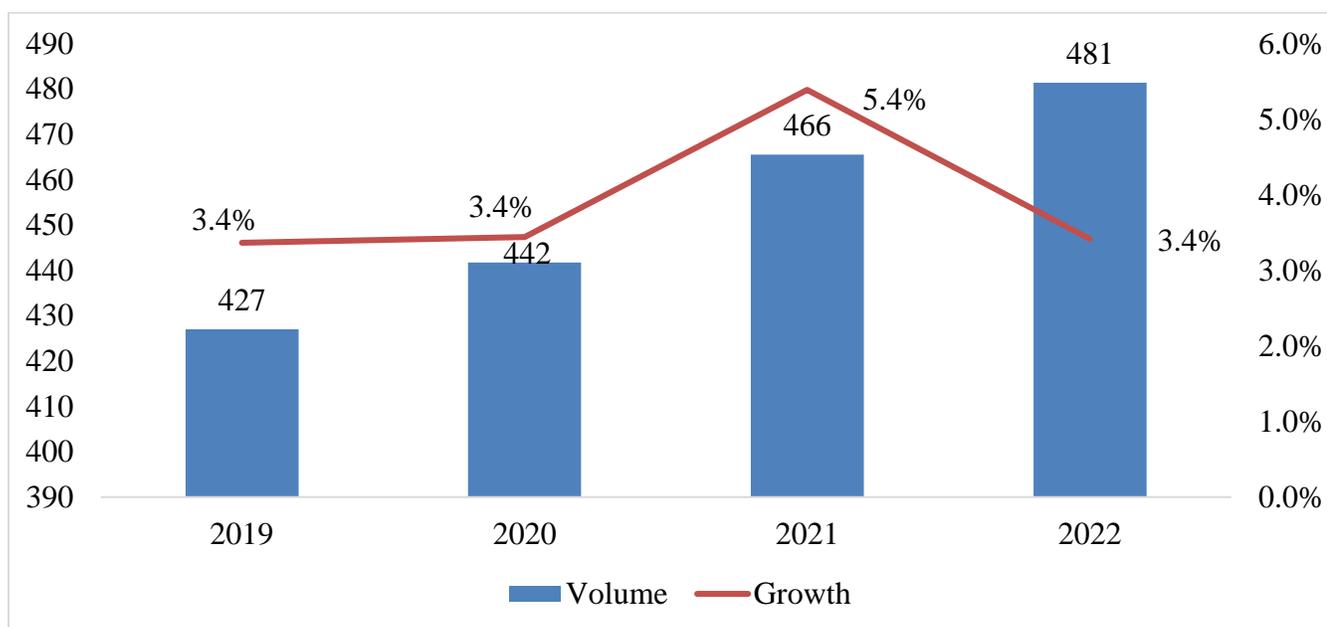
Live-weight beef production in 2022 was estimated at 481 thousand tons, with an annual average growth rate of about 4.4 percent between 2020 and 2022 (see Chart 3). The growth rate of live-weight cattle production is higher than that of herd size, due to improved cattle productivity. This is mainly due to the increase in the proportion of crossbred herds which improves cattle weight gain. In 2015, the crossbred herd population was around 3 million, rising to 3.7 million (up 23 percent) in 2019 (DLP). This change has been heightened by the Government of Vietnam (GVN)'s policies to support high-yield beef cattle, supported by cattle breeders' shift towards crossbred cattle due to high market demand, and superior

yield growth compared to local purebred cattle. In general, domestic beef production heavily relies on imported breeds.

Beef cattle in Vietnam are prone to diseases that greatly affect domestic production, including Anthrax, Foot-and-mouth disease, and most recently, Lumpy Skin Disease. According to MARD, Lumpy Skin Disease in cattle has been well controlled through disease prevention and vaccination. From 206,953 head infected and 29,047 head culled in 2021 (see report [VM2021-0109](#)), by March 2023, the country officially recorded 18 outbreaks, 113 animals infected, and 10 animals culled (GVN).

MARD issued Animal Husbandry Development Strategy for 2021-2030, and a Vision for 2045⁴ (see Appendix 1), aiming to improve beef productivity, and quality and unlock the domestic industry’s potential. Regarding beef production, the Department envisions the herd size stabilizing at 6.5 to 6.6 million head. For 2019-2025, MARD aims to increase live-weight production by 4 to 5 percent per year, and the proportion of crossbred breeds by up to 70 percent of the total herd.

Chart 3. Vietnam: Live-weight beef cattle production (in thousand tons)



Source: GSO

⁴ Decision No. 1520/2020/QĐ-TTg

Opportunities and challenges for imported beef

Opportunity

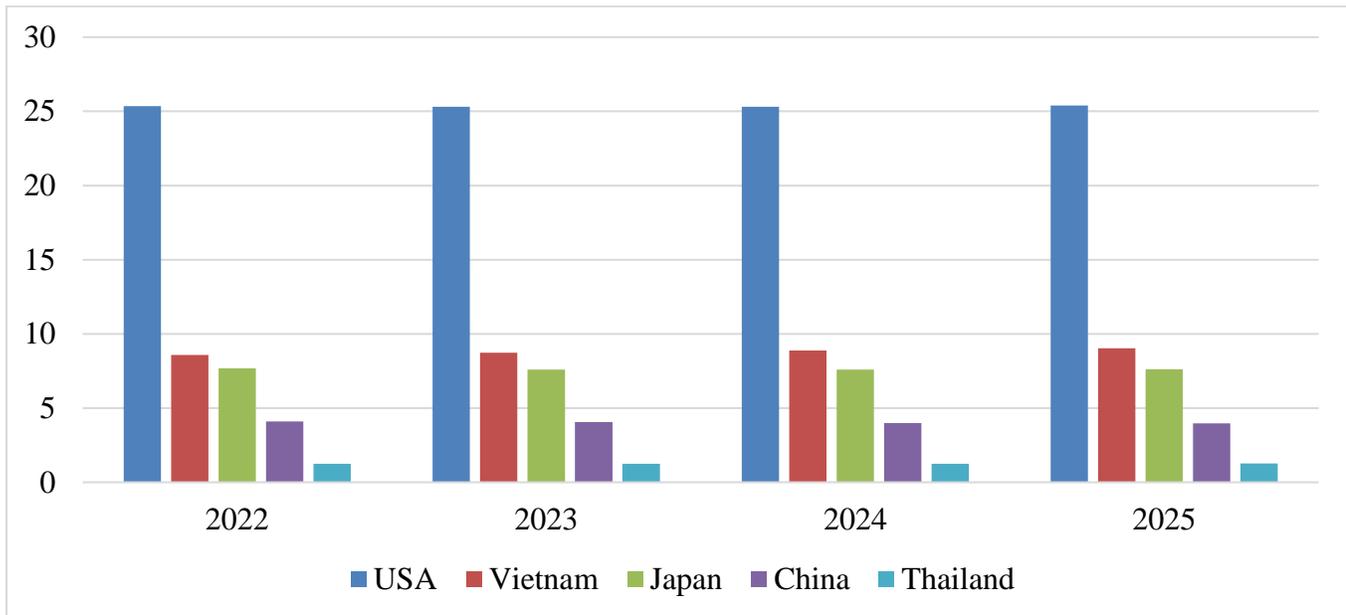
As home to a young population of approximately 100 million of which over 50 percent are of working age (2022), a sustainable rate of economic growth (GDP growth rate of 6.03 percent over the 2012-2022 period)⁵, and a high urbanization rate (37.3 percent of the population resides in urban area), Vietnam presents a promising market for high value imported food products, including beef. Additionally, Vietnamese consumers continue to favor healthy and safe food products, particularly in the post-COVID-19 era.

Despite efforts to improve cattle production and beef quality, the domestic supply has not met the rising demand for both quantity and quality. Most beef cattle are raised by local farmers using free-range methods, resulting in low yield and inferior quality. These cattle are primarily sold to traders, who often do not follow the ideal fattening process, and are transported to traditional slaughterhouses, making it challenging to trace the meat origins and food safety standards. The beef cuts are then sold at traditional markets and are usually exposed to the air without qualified protection. As a result, local beef would struggle to meet strict requirements for food safety and hygiene; it also can't match imported products in terms of quality (marbling, juiciness, tenderness, and flavor).

According to the DLP, beef consumption in Vietnam was estimated at 3.15 kilograms per capita in 2018 - with an annual growth rate of 5 percent. The figure for 2022, therefore, is projected to be approximately 3.83 kilograms per year. Current domestic beef production meets up to 45 percent of market demand, offering opportunities for the United States and other major beef-producing countries to export their respective beef and beef products to Vietnam. The average beef consumption of Vietnamese people in 2022, according to the Food and Agriculture Organization of the United Nations (FAO), is significantly higher than the DLP's estimation, at about 8.5 kilograms per person per year, doubling that of China and six times higher than Thailand (see Chart 4).

⁵ World Bank

Chart 4. Beef Consumption Per Capita in Vietnam

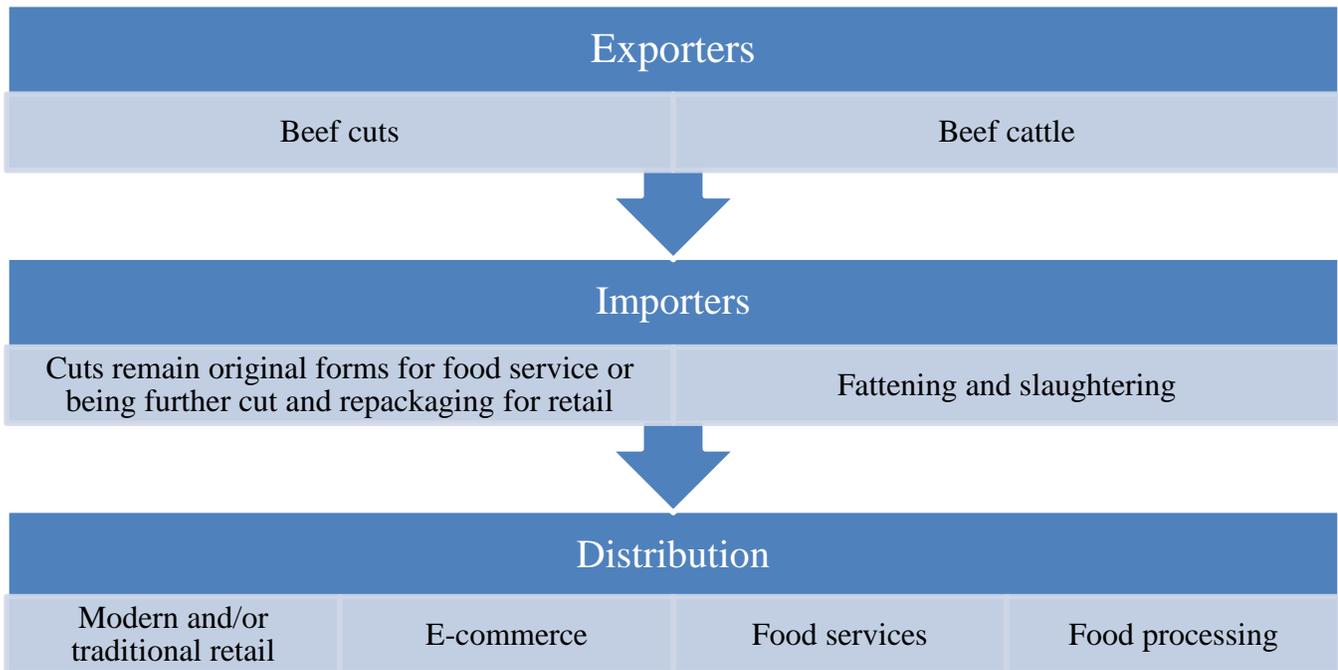


Source: OECD-FAO Agricultural Outlook (Edition 2021)

Vietnam imports beef and beef cattle from various countries, including the United States, Australia, Canada, Japan, New Zealand, Hong Kong, and India. According to industry experts, meat imported from India is mostly buffalo meat while most beef from Hong Kong, in fact, is re-exported to various countries. Therefore, the analysis of this report will not include meat imported from India and Hong Kong. Imported beef, though priced higher than domestic beef, is favored by Vietnamese consumers thanks to its tenderness, juiciness, good preservation, and traceability. Imported beef is widely sold in supermarket chains, restaurants, and hotels. Meanwhile, domestic beef is typically present in traditional markets and local eateries.

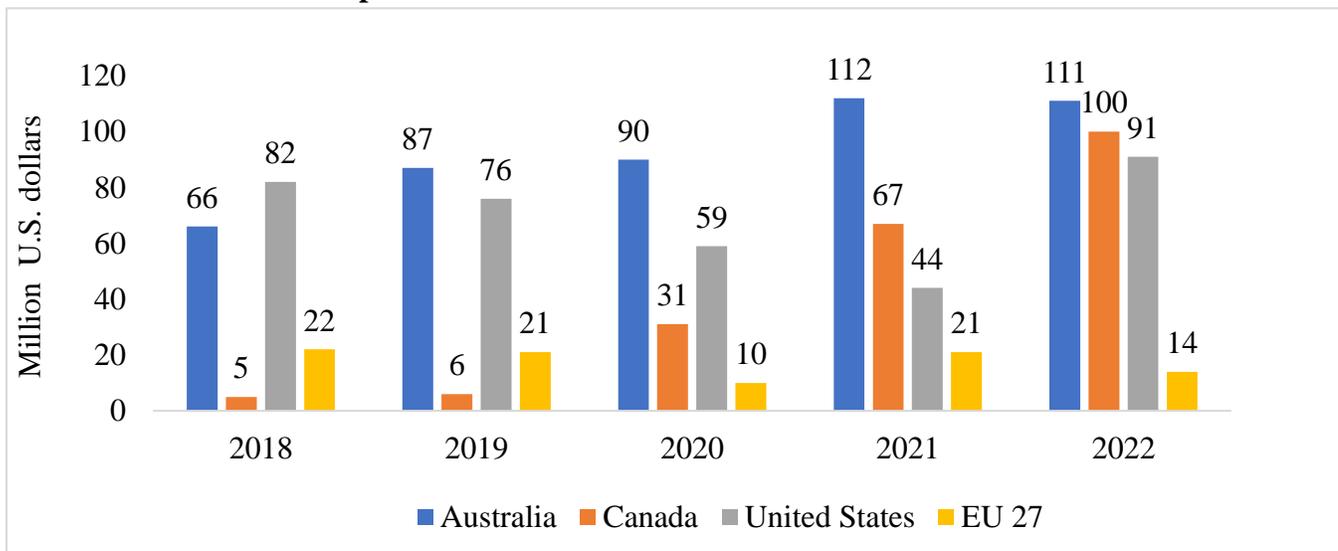
Chart 5 below illustrates beef supply channels in Vietnam. Hanoi and Ho Chi Minh City (HCMC) are the largest and most important markets. Most frozen/chilled beef is imported into Hanoi via Hai Phong Port or into Ho Chi Minh City via Cai Mep and Cat Lai Port and then transported to distributors nationwide.

Chart 5. Vietnam: Beef supply channels



According to Trade Data Monitor, LLC., the volume of beef imported into Vietnam has grown by an average rate of 24 percent over the past 3 years, reaching 335 million USD⁶ in 2022, up 24 percent compared to 2021. Major beef exporters to Vietnam include Australia, Canada, the United States, and the European Union (see Chart 6).

Chart 6. Vietnam Beef Imports



Source: Trade Data Monitor, LLC.

⁶ Excluding India and Hong Kong

While offering business opportunities, Vietnam remains a challenging market for U.S. food and beverage products including beef, due to numerous factors, including but not limited to high taxes, and fierce competition.

Challenges

With the aim of supporting exports and attracting foreign investment, Vietnam has engaged in various bilateral and multilateral free trade agreements (FTAs) with its trade partners. Vietnam has already signed sixteen FTAs (with fifteen FTAs already in force) and three in negotiation (see [Center for WTO and International Trade](#))⁷, allowing goods traded between Vietnam and its FTA partners to enjoy special preferential tariffs. Beef from Vietnam's FTA partners such as Australia, and New Zealand (ASEAN-Australia-New Zealand Free Trade Area - AANZFTA), Canada (Comprehensive and Progressive Agreement for Trans-Pacific Partnership - CPTPP), Europe (EU-Vietnam Free Trade Agreement - EVFTA) enjoys low-to-zero import tariffs, while beef imported from non-FTA countries, including the United States, is subject to high tariff rates (up to 30 percent). The United States is the only major trading partner of Vietnam without an FTA. Below is a quick analysis of major beef suppliers to Vietnam:

- **Australia**

The largest grass-fed⁸ beef exporter to Vietnam with a stable growth rate during the 2018-2021 period thanks to tariff reduction to zero under AANZFTA. In 2022, Australian beef imports into Vietnam amounted to nearly \$111 million, down 7 percent from 2021 in volume and 1 percent in value, mainly due to limited supply. According to Meat and Livestock Australia, Australian beef cattle production in 2022 hit the lowest level in nearly 30 years since 2003, as farmers are holding onto cattle to rebuild herds after successive natural disasters and labor shortages. Reduced supply also drove higher prices and lowered Australian beef demand.

- **Canada**

Beef export value has grown steadily since 2019. The amount of Canadian beef exported to Vietnam has increased sharply since 2020 when the import tax rate was gradually reduced under CPTPP. In 2021, Canada surpassed the United States to become the second-largest beef exporter to Vietnam. Canadian grain-fed beef exports to Vietnam continued to increase in 2022, reaching nearly \$100 million, up 49 percent year-on-year, despite a typical case of mad cow (Bovine spongiform encephalopathy), discovered on a farm in the province of Alberta in December 2021 that has affected Canadian exports to Vietnam's neighboring countries.

⁷ AFTA, ACFTA, AKFTA, AJCEP, VJEP, AIFTA, AANZFTA, VCFTA, VKFTA, VN – EAEU FTA, CPTPP, AHKFTA, EVFTA, UKVFTA, RCEP: effective; VIFTA: effective in 2024; VN - EFTA FTA, ASEAN – Canada FTA, VN – UAE FTA: under negotiation

⁸ The diet shall be derived solely from forage consisting of grass (annual and perennial), forbs (e.g., legumes, Brassica), browse, or cereal grain crops in the vegetative (pre-grain) state. (USDA)

- **United States**

U.S. beef exports to Vietnam continuously decreased from about \$82 million in 2018 to about \$44 million in 2021, partly due to falling prices, but surprisingly turned around in 2022 with import value reaching approximately \$91 million, up 107 percent over the previous year. Tariff disadvantages have reduced the competitiveness of U.S. beef in the Vietnam market. The sudden increase in 2022, according to industry experts, happened due to the recovery of local market demand, and supply challenges in Australia. The GVN lifted all lockdowns in early 2022 when most of the Vietnamese people were fully vaccinated - allowing normal travel. Vietnam welcomed nearly 3.7 million international visitors, nearly 23 times higher than 2021, but lower than the GVN's target of 5 million. Meanwhile, domestic tourism in 2022 boomed with an estimated 101 million travelers, much higher than the target of 60 million set by the Vietnam National Administration of Tourism and surpassing the country's previous peak of 85 million in 2019. The surge in tourism was one of the major drivers for U.S. consumer-oriented products, including beef.

- **EU 27**

EU beef exports to Vietnam have enjoyed lower import tariffs since 2020 due to the EVFTA and are subject to a zero percent tariff rate. However, EU beef exports to Vietnam remained relatively small and subject to changes in supply. Beef imports from the EU to Vietnam reached approximately 14 million USD in 2022, down 33% over the previous year. The supply is declining mainly due to lower slaughter from major beef suppliers including Ireland, Germany, France, and Belgium amid struggling high energy prices, and environmental pressures (EU Commission).

Import Procedures

Some important procedures include, but not limited to:

Facility registration process

Exporters wishing to export must register their facilities with the Ministry of Agriculture and Rural Development (MARD)/Department of Animal Health of Vietnam (DAH).

Since February 2018 when Decree 15/2018/ND-CP detailing the implementation of the Food Safety Law took effect, exporters of chilled and frozen meat to Vietnam must submit Form 9 of Decree 15 (formerly Appendix 3, Circular 25) to DAH within MARD for consideration and approval. U.S. exporters should ensure that they allow for adequate time for their facility to be approved and should not ship products to Vietnam until their facility is approved and listed on DAH's official website (www.cucthuy.gov.vn). This is particularly important to companies with multiple facilities - some of which are approved, and listed, while others are not.

U.S. exporters wishing to register for export to Vietnam or update a registration should first reach out to FAS/Hanoi via aghamoi@usda.gov or usda4circ25@gmail.com. FAS/Hanoi will provide exporters with

the Application Template as well as guidance on how to complete the application or how to update a current registration.

Export/Health Certificate

Beef importers need to prepare an export certificate (also known as a health certificate). This certificate must be issued by the Food Safety and Inspection Service (FSIS) of the United States Department of Agriculture (USDA) according to the agreement between USDA and MARD. For beef and beef products intended for human consumption, please use FSIS Form Certificate 9060-5 and Certificate of Bovine Organism Form FSIS 9060-5B.

Others

Exporters should refer to FAIRS report [VM2023-0031](#) for required documents including Quarantine Import Permit (issued by the DAH before importing meat), Quarantine and Food Safety Inspection, and Certificate of Origin, and refer to FSIS guidance for health certificates and labeling as updated on its Import and Export Library <https://www.fsis.usda.gov/inspection/import-export/import-export-library/vietnam>.

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Attachments:

[Appendix 1 - Animal Husbandry Development Strategy For 2021 – 2030 And Vision For 2045, FAO translation.pdf](#)