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Vietnam

Food Processing Ingredients

Food Processing Ingredients 2018

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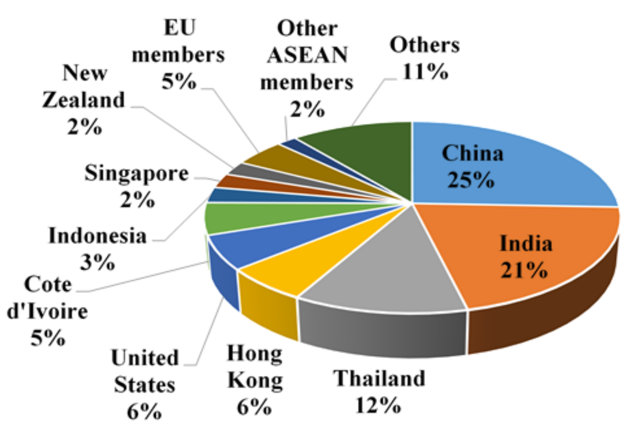
Report Highlights:
Vietnam is the 10th largest agricultural and related product export market of the United States. In 2017, Vietnam imported US$13.9 billion of consumer-orientated products, an 11.2 percent increase over 2016, mainly from China, India, and other ASEAN countries. In 2017, the United States' market share for consumer oriented products was 6 percent, with a total value of US$806.7 million. The food and beverage processing sector has experienced strong growth over past 5 years. Progress in food technology, marketing innovations, growing domestic demand, and exports of processed food have all contributed to Vietnam's increasing demand for food ingredients. Processed food product sales are a major focus in the domestic market for the retail and food service sectors. Market demand is growing, but so is competition. Reduced and eliminated tariffs for Vietnam's many free trade agreement (FTA) partners threaten the competiveness of U.S. food and agricultural exports.

Market Fact Sheet: Vietnam

Imports of Consumer-Oriented Products

Vietnam is one of the fastest growing economies in Asia, maintaining about 6 percent annual GDP growth over the past 10 years. 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. Exports of the top ten agricultural products were reported at $24.8 billion in 2017, equivalent to 11.5 percent of Vietnam's total exports. 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 2017, Vietnam's imports of agricultural and food products reached $24.7 billion,[1] up 8 percent over 2016. U.S. exports were $2.95 billion and Vietnam is the 10th largest agricultural and related products market for the United States. An overview of Vietnam's economy is available in the 2017 Exporter Guide. Vietnam's imported $13.9 billion of consumer-oriented products in 2017, up 11 percent over 2016. The top five exporters were China, India, Thailand, Hong Kong, and the United States. These five countries make up 70 percent of the total export value. U.S. exports of consumer-oriented stood at $807 million, accounting for approximately 6 percent of the market.

World exports of consumer-oriented products to Vietnam in 2017



Source: Global Trade Atlas (GTA) and U.S. Census Bureau Trade Data

Food Processing Industry

The Vietnamese food and beverage manufacturing industry is comprised of 8,820 registered companies employing nearly 600,000 workers in 2015.[2] Approximately 84 percent are small companies with fewer than 50 employees. Food and beverage manufacturing is one of the government's prioritized industries in Vietnam. According to local sources, the Vietnamese food processing industry has been growing steadily at about 7 percent over the last five years. Annual food consumption value in the country makes up about 15 percent of the GDP and grows by 10 percent per year, while beverage consumption grows at 6.7 percent per annum.

Food Retail Industry

Small traditional retailers still dominate Vietnam's food retail sector, but modern retail channels are robustly expanding in response to growing consumer demand. Vietnam's total goods retail revenue and accommodation, food and beverage service revenue in 2017 reached about US$173 billion, up 10.9 percent over 2016.

Quick Facts CY 2017

Imports of Consumer-Oriented Products

- Imports from the world: $13.9 billion
- Imports from the United States: $807 million (about 6 percent market share)

List of Top 10 Growth Products in Vietnam

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

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 (2017)	$8.3
Exports of fruits and vegetables (2017)	$3.5
Exports of cashew nuts (2017)	$3.5

Total retail sales of goods and services 2017: $173 billion

Top 10 Vietnamese Retailers

Aeon Mega Mart	Auchan
MM Mega Mart	Vinmart
Big C	Aeon Fivimart
Co.op Mart	Circle K
Lotte Mart	7 Eleven

GDP/Population 2017

Population *(millions)*: 93.7
GDP *(billions USD)*: 223.9
GDP per capita *(USD)*: 2,385

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

Strengths/Weaknesses/Opportunities/Challenges

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

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[1] Global Trade Atlas (GTA)

[2] Vietnam's General Statistics Office (GSO)

SECTION I. MARKET SUMMARY

Vietnam is the 47th largest economy in the world by nominal gross domestic product (GDP), reaching US$224 billion in 2017. GDP per capita in 2017 was estimated at US$2,385, $170 above the 2016 level. Vietnam's 2017 GDP growth rate was 6.8 percent and is forecasted to continue to grow in the coming years, reflecting strengthening domestic demand, strong inflows of overseas remittances, stable foreign direct investment (FDI), a strong manufacturing industry, and expanding exports. The urbanization rate has also increased in recent years and is expected to continue to rise. All of these factors have contributed to a dynamic commercial environment in Vietnam.

Vietnam is a major producer of food and agricultural products and has become a leading agricultural exporter. Producers, food processors, wholesalers, retailers, food service operators, and food importers and traders are all part of a developing and dynamic agribusiness sector. Vietnam is also an important importer of many agricultural products. In 2017, imports of agricultural products reached US$24 billion, an increase of 4.7 percent compared to 2016. Vietnam is the 10th largest agricultural and related product export market of the United States. In 2017, Vietnam imported US$13.9 billion of consumer-orientated products, an 11.2 percent increase over 2016, mainly from China, India, and other ASEAN countries. In 2017, the United States' market share for consumer oriented products was 6 percent, with a total value of US$806.7 million.

The Vietnamese food and beverage manufacturing industry was comprised of 8,820 registered companies in 2015. Approximately 84 percent of these companies have less than 50 employees. The food and beverage processing sector has experienced strong growth over past 5 years. Progress in food technology, marketing innovations, growing domestic demand, and exports of processed food have all contributed to Vietnam's increasing demand for food ingredients. Processed food product sales are a major focus in the domestic market for the retail and food service sectors.

Table 1: Advantages and Challenges for U.S. Exports in the Food and Beverage Sector

Advantages	Challenges
Growing economy with low inflation, strong inflows of overseas remittances, and stable FDI.	Uncertainty of government regulations negatively impacts local importers of food and food ingredients.
Growing, young population with increasing disposable income, coupled with rapid urbanization and busier lifestyles is leading to eating out more, shopping in supermarkets and hypermarkets, and increased consumption of convenience and processed foods.	Registration with Government of Vietnam (GVN) authorities for new food and food ingredient products, especially functional foods, is very costly and burdensome.
High-end shops, restaurants, and luxury hotels target niche consumer groups and tend to use higher quality imported food and ingredients.	Increased sanitary and phytosanitary (SPS) barriers on animal and plant origin products persist.
More international food and beverage brands are entering Vietnam, increasing consumer awareness of new imported food and beverage products and flavors.	The modern retail sector, although expanding rapidly in urban areas, has not grown as fast in rural areas.
Vietnam has robust e-commerce sales, due to a young population and the growth of internet and smart phone penetration.	Large number of small food processors only source their ingredients locally.

U.S. food and food ingredients are considered safe and of having high and consistent quality.	U.S. products are at a competitive disadvantage due to the large number of FTAs that Vietnam has negotiated with other trading partners.
Given Vietnam's geographical location advantage and more developed shipping infrastructure, transshipment via cross-border trade of some agricultural products has been increasing recently.	Processed foods still are seen as inferior to fresh foods by many consumers in Vietnam, especially in rural areas.
Increasing interest and demand for organic foods and natural ingredients, especially imported from the United Sates and other developed countries.	Vietnamese authorities have intensified customs measures to control the imports of food, beverage, and many agricultural products through the increased imposition of reference prices as a base for calculating imports duties on imported poultry, beef, fresh fruits, and other agricultural products. Reference prices are usually higher than sale contract prices.
Vietnamese consumers are increasingly concerned with food safety and hygiene. Rising disposable incomes are causing some consumers to pay more attention to, and pay a premium for, quality.	U.S. food and food ingredients are seen as high priced with high quality, but many Vietnamese consumers and small food processors are not yet ready to accept significant price differences.
Growing popularity of U.S. fast food and restaurant chains supports use of U.S.-sourced food ingredients, such as bakery products, dairy products, meat, and poultry.	Strong competition in low-cost food ingredients from China and local producers.
Local food processors are increasing production capacity, food quality, and packaging initiatives, and are developing marketing strategies and new products to meet growing demand of consumers and export markets.	U.S. exporters are often perceived as not flexible or responsive enough to importer's needs.
In some subsectors, locally produced food ingredients cannot meet the demand of processors due to seasonality, especially in the dairy, bakery, and other food processing sectors.	Significantly higher shipping costs and longer transportation time from the United States than from Asia and Oceania.
Private label brands with lower prices keep growing and getting more popular compared with famous brands in the market, leading to increased production in the food and beverage sectors.	Limited infrastructure and distribution for perishable products in Vietnam (such as cold chain).
With franchising introduced and applied in Vietnam market, growing retail networks of western-style fast food restaurant chains, bakeries and coffee shops are modernizing food retail.	The GVN promulgated a new regulation on special consumption tax (SCT) calculation reform, impacting imported spirits and wines. This is a critical change in the SCT calculation from the import price to the selling price.

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 report, Food Agricultural Import Regulations and Standards (FAIRS) report, Retail Food Sector report, and Hotel and Restaurant Industry (HRI) Food Service Sector report are highly recommended. In addition, the United States Department of Commerce is another important source of information about the Vietnam market. Its Country Commercial Guide Report for Vietnam is available in at: https://www.export.gov/search#/search/?q=vietnam&countries=Vietnam&offset=0&_k=x5svuo.

FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements, and identify potential buyers. FAS/Vietnam and USDA Cooperators provide assistance to 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 2017 Exporter Guide. Exporters can also benefit from engaging with State Departments of Agriculture and State Regional Trade Groups.

Participation in trade shows and trade missions may offer good opportunities to better understand the market and engage directly with potential importers/distributors or local partners. The Food Ingredients (FI) Vietnam is the most important show for food and beverage ingredients and takes place biennially in Ho Chi Minh City. The most recent show was from May 16-18, 2018. Please visit www.figlobal.com/vietnam/ for further information.

Import Procedures

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

GAIN report VM8016 provides a summary and unofficial translation of Decree 15, the Food Safety Law, which made changes to registration procedures for prepackaged and processed foods, the import inspection regime, and consolidated existing registration regulations for the export of food derived from terrestrial animals, aquatic animals, and plants to Vietnam. FAS/Vietnam will issue an updated FAIRS report at a later date on the effects of Decree 15.

DISTRIBUTION CHANNELS

Distribution usually follows one of the following basic models:

1. **Exporters→ Food Processors as direct local importers**
2. **Exporters→ Local importers/Distributors→ Wholesalers→ Food Processors**
3. **Exporters→ Local importers/Distributors→ Food Processors**
4. **Exporters→ Local importers→ Wholesalers/Distributors→ Food processors**
5. **Exporters→ Local importers→ Wholesalers/Distributors→ Traditional sales channel and/or modern sales channel (wholesale food stores, supermarkets, hypermarkets, wet markets, convenience stores, small private food shops), or E-commerce channel (Internet/Facebook/Websites/Zalo and other Social media tools)→ Small food processors/household food processors**
6. **Exporters→ Agent→ Food Processors**

Model Numbers 1, 3, and 6 are the most common in Vietnam. Most food importers are also distributors.

Hanoi and Ho Chi Minh City (HCMC) are the largest and most important markets in Vietnam. The majority of goods, including food ingredients, are imported to Hanoi or HCMC, and then delivered to food processors across the country.

Market Structure

Food processors in Vietnam use both locally produced raw materials and imported food ingredients in their operations. Large processors tend to directly import specific ingredients, such as wheat flour, milk powder, and malt. Processors usually purchase minor ingredients, additives, flavors, or preservatives through importers or distributors.

Major Segments in the Food Processing Industry

Table 2: Production Growth of Food and Beverage Manufacturing Industries

Unit: percent	**2012**	**2013**	**2014**	**2015**	**2016**
Manufacture of food products	107.9	106	104.8	107.8	108,2
Manufacture of beverages	111.3	109.2	110	107.4	110.5

Source: General Statistics Office (GSO)

Table 3: Vietnam's Production of Main Industrial Food Products and Food Ingredients

Main Industrial Food Products	**2012**	**2013**	**2014**	**2015**	**2016**
Canned meat (thousand tons)	6	5	4	4	5
Processed seafood products (thousand tons)	1,927	1,891	2,023	2,092	2,786
Canned aquatic products (thousand tons)	97	108	104	1001	101
Frozen aquatic products (thousand tons)	1,372	1,463	1,587	1,666	1,798
Fish sauce (million liters)	306	326	334	340	368
Canned vegetables (thousand tons)	60	62	63	65	69
Canned fruits and nuts (thousand tons)	50	49	48	49	52
Refined vegetable oil (thousand tons)	632	827	863	966	1,114
Fresh milk (million liters)	701	761	847	1,028	1,106
Powdered milk (thousand tons)	81	87	90	99	111
Milled rice (thousand tons)	39,748	41,017	42,165	40,773	38,991
Refined sugar (thousand tons)	1,634	1,860	1,863	1,842	1,654
Roast, ground, and instant coffee (thousand tons)	92	92	91	88	94
Processed tea (thousand tons)	193	188	180	168	164
Sodium Glutamate (thousand tons)	256	252	253	263	278
Liquor (million liters)	331	318	313	310	305
Beer (million liters)	2,979	3,004	3,287	3,526	3,835

Source: General Statistics Office (GSO)/Ministry of Planning and Investment (MPI), MARD

Company Profiles & Products

Table 4: List of Major Food Processing and Food Ingredient Trading Companies

Company	**Website**

Red Meat and Poultry	
VISSAN Limited Company (VISSAN)	www.vissan.com.vn
Ha Long Canned Food Joint Stock Corporation (JSC) (Halong Canfoco)	http://canfoco.com.vn
Duc Viet Foods Company	http://ducvietfoods.vn
C.P. Vietnam Corporation	http://www.cp.com.vn
Dabaco Foods Company	http://dbcfood.com
Ha Long Foods Import Export Co., Ltd.	http://halongfoods.com.vn/
Fish and Seafood Products	
Vinh Hoan Corporation	www.vinhhoan.com
Sao Ta Foods Joint Stock Company (FIMEX VN)	www.fimexvn.com
Ben Tre Aqua-product Import and Export Joint Stock Company (Aquatex Ben Tre)	www.aquatexbentre.com
An Giang Fisheries Import Export Co (Agifish Co.)	http://agifish.com.vn
Special Aquatic Products JSC (SEASPIMEX VIETNAM)	http://seaspimex.com.vn
Hung Vuong Corporation	https://www.hungvuongpanga.com
Dairy Products	
Vietnam Dairy Products JSC (Vinamilk)	www.vinamilk.com.vn
Friesland Campina Vietnam Co. Ltd.	www.frieslandcampina.com.vn;
Nestlé Vietnam Ltd.	www.nestle.com.vn
Nutifood Nutrition Food JSC	www.nutifood.com.vn
TH Milk JSC	http://www.thmilk.vn
Dalat Milk JSC	http://www.dalatmilk.vn
Moc Chau Milk JSC	http://mocchaumilk.com
Ba Vi Milk JSC.	http://bavimilk-jsc.com.vn/
International Dairy JSC (IDP)	http://www.idp.vn
NUTRICARE CO., LTD (Nutricare)	www.nutricare.com.vn
Hanoi Milk JSC.	http://hanoimilk.com.vn
Vita Dairy	http://vitadairy.com.vn
Prepared Food, Fruits, Vegetables, Oilseed Products (i.e. sauces, oils and other frozen, canned and dried products)	
Masan Consumer Holdings Company Limited	http://www.masanconsumer.com
Cai Lan Oils & Fats Industries Co Ltd.	www.calofic.com.vn
Tuong An Vegetable Oil JSC (TAC)	www.tuongan.com.vn
Golden Hope Nha Be Edible Oils Co. Ltd.	www.marvela.vn; www.ghnb.com.vn
Tan Binh Vegetable Oil JSC.	www.nakydaco.com.vn; dauan.com.vn
Wilmar Agro Viet Nam Co Ltd.	www.wilmar-agro.com.vn
Confectionary Products and Breakfast Cereals	
Mondelez Kinh Do Vietnam	www.kinhdo.vn
Nestlé Vietnam Ltd.	www.nestle.com.vn
Bibica Joint Stock Company (Bibica)	www.bibica.com.vn
Orion Food Vina Food Co., Ltd.	www.orionworld.com
Hai Ha Confectionery Jsc. (Hahaco)	http://www.haihaco.com.vn/
Trang An Confectionery Company	http://www.trangan.com.vn
Snack Foods (savory and sweet snacks, nuts)	
Tan Tan Food & Foodstuff Co.	http://www.tantan.com.vn
Liwayway Food Industry Co., Ltd.	www.oishi.com.ph

Suntory PepsiCo Vietnam Beverage (SPVB)	http://www.suntorypepsico.vn
Orion Food Vina Food Co., Ltd.	http://www.orionworld.com
VINAMIT Joint Stock Company	http://www.vinamit.com.vn
Long An Food processing Export Joint Stock Company (Lafooco)	www.lafooco.vn; www.lafooco.com.vn
Beverages, Beers and Liquor, Tea, Coffee, other Drinking Products	
Sai Gon Beer-Alcohol-Beverage Corporation (Sabeco)	http://sabeco.com.vn
Hanoi Alcohol and Beverage JSC Corporation (Habeco)	http://www.habeco.com.vn
Ladofoods Group	http://www.ladofoods.vn
Suntory PepsiCo Vietnam Beverage (SPVB)	http://www.suntorypepsico.vn
Coca Cola Vietnam	coca-cola.vn
Tan Hiep Phat Beverage Group	http://www.thp.com.vn
Masan Consumer Holdings Company Limited (MCH)	http://www.masanconsumer.com
Vietnam Coffee Corporation (Vinacafe) TNI Corporation	www.vinacafe.com.vn http://www.tnikingcoffee.com
Trung Nguyen Group	www.trungnguyen.com.vn
Vietnam Tea Corporation (Vinatea)	www.vinatea.com.vn
Asia Tea Co., Ltd.	http://asiatea.com.vn
Vietnam Dairy Products JSC (Vinamilk)	www.vinamilk.com.vn
Nestlé Vietnam Ltd.	www.nestle.com.vn
Nafoods Group	http://www.nafoodsgroup.com.vn
Liwayway Food Industry Co., Ltd.	www.oishi.com.ph
Vinasoy Corporation	http://www.vinasoycorp.vn
Dry goods, Condiments, and Sauces	
Nam Duong International Foodstuff Corporation	www.namduong.com.vn
Ajinomoto Vietnam Co. Ltd.	http://www.ajinomoto.com.vn
Nestlé Vietnam Ltd.	www.nestle.com.vn
Cholimex Food Joint Stock Company	http://www.cholimexfood.com.vn
Specialized Food Ingredients (i.e. additives, preservations, thickeners, sugar, sweeteners and others)	
Asia Chemical Corporation (ACC)	www.asia-chemical.com
Golden Frog Company Ltd.	www.goldenfrog.com.vn
Asia Saigon Food Ingredient(AFI)	http://www.afi.vn/
Hoang Lam Trading and Foods Technology Jsc.(Holafoods)	www.holafoods.com.vn
Hoang Anh Flavors and Food Ingredients, Ltd.	www.hoanganh.com.vn
My Uc Science Technology Development JSC	www.std.com.vn
TMA Foods Co., Ltd.	www.tmafoods.com
Lam Son Sugar Cane Joint Stock Corporation (Lasuco)	http://www.lasuco.com.vn
Thanh Thanh Cong Tay Ninh Joint Stock Company - TTCS	http://ttcsugar.com.vn
Prepared Meals (mixed ingredient "ready-to-eat" or "ready-to-heat," retail and food service meals and entrees, noodles)	
Acecook Vietnam JSC.	https://acecookvietnam.vn
Asia Food Industry Co. Ltd. (ASIA FOODS)	www.asiafoods.vn
Vietnam Food Industries Joint Stock Company (VIFON)	http://www.vifon.com.vn
Uni-President Vietnam	http://www.uni-president.com.vn
Colusa Miliket Foodstuff JSC (COMIFOOD JSC)	http://comifood.com
Meizan CLV Corporation	mcc@vn.wilmar-intl.com
Milling Products (rice, wheat flour, potato flour, starch)	
VINAFOOD 1 Flour Co. Ltd.	vnf1flour.com.vn

Vimaflour Ltd.	www.vimaflour.com.vn
Uni–President Vietnam Co., Ltd.	http://www.uniflour.vn
Vietnam Flour Mills Ltd.	vfmvn.com.vn
Gentraco Corporation	gentraco.com.vn

Source: Company websites

Sector Trends

- Demand for packaged food products is increasing in response to modern and busier lifestyles, increased exposure to Western culture and cuisines, as well as the perception of packaged food being safer.
- Sales of packaged food in modern channels such as convenience stores, supermarkets, and hypermarkets are increasing.
- Sales of packaged food to foodservice channels has also been rising in recent years due to the booming number of fast food chains, restaurants, cafes, bars, and pubs.
- Consumption of ready meals including shelf stable ready meals, chilled lunch kits, chilled pizza, chilled ready meals, dinner mixes, dried ready meals, frozen pizza, frozen ready meals, prepared salads, and other ready meals, has been increasing in recent years, especially in large cities such as Ho Chi Minh City and Hanoi.
- The frozen processed meat and seafood sector continues to grow. Shelf stable processed meat and seafood covers a wide product range for retailers and distributors in both traditional and modern outlets.
- Growth of chilled processed meat and seafood is boosted by the increasing influence of Western cuisine, as more consumers were willing to spend on imported sausage, ham, and smoked meat.
- Retail value of sauces, dressings, and condiments, including traditionally familiar products such as soy sauce, chili sauce, and fish sauce, and Western-originated sauces such as salad dressings, mustard, mayonnaise, and ketchup is increasing.
- Sweet biscuits, snack bars, and fruit snacks continue to rise in sales value due to increasing consumer demand for these products as gifts. Demand for healthier dried fruit products is increasing. However, demand for sugar-free and diet biscuits remains insignificant.
- Consumption of rice noodles, pasta, and other noodles is slowly increasing. Consumption of instant noodles is falling, while rice noodles are continuing to increase. Many consumers have switched from unpackaged to packaged rice noodles.
- Consumers increasingly require traceability and production information.
- Vietnam remains a price-sensitive market, but more consumers are willing to pay higher for quality products, especially imported products.
- Government supports for organic products, but demand for organic products remains limited.

SECTION III. COMPETITION

Market demand is growing, but so is competition. Reduced and eliminated tariffs for Vietnam's FTA partners threaten the competiveness of U.S. food and agricultural exports. As a member of ASEAN, Vietnam is party to ASEAN-China, ASEAN-Korea, ASEAN-Japan, ASEAN- New Zealand-Australia, and ASEAN-India FTAs. Individually, Vietnam has signed the Vietnam-Japan FTA, Vietnam-Korea FTA, Vietnam-Chile FTA, the Vietnam-Eurasian Economic Union (EAEU), and the recent Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The FTA with the EU is expected to be ratified soon. Through these FTAs, Vietnam boosts exports and attracts more FDI. In exchange, Vietnam is committed to lowering import tariffs, eliminating quotas, increasing market access for goods and services, strengthening protections for intellectual property rights (IPR), enhancing legislative and regulatory transparency, and improving commercial dispute settlement and trade facilitation processes.

In addition, many countries also enjoy lower shipping costs and quicker delivery due to their proximity to Vietnam. Most of the suppliers from ASEAN countries are also more responsive and flexible to importers' demands for smaller shipment sizes, consolidated product shipments, or product specification modifications to meet Vietnamese regulations.

Vietnam's domestic food ingredient production sector, especially for meat, poultry, fish, fresh produce, and sugar, offers many competitive prices. Leading multinational food processors have also established food processing operations and are able to offer a range of western-style products at reasonable prices. In addition, while many food processors and consumers are aware of quality differences and would like to achieve international standards, most will sacrifice quality for affordable production costs and prices.

Table 5: Competition in Major Product Categories

Product Category	**Vietnam's imports in 2017 and market share of key suppliers (million USD)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Fish and seafood products (HS code: 03 and 16)	$6,203, up 16.6% vs 2016 India (29.3%) Ecuador (23.5%) Australia (6.2%) Norway (4.4%) USA (1.9%)	The majority of fish and seafood products imported from India and Ecuador into Vietnam are frozen shrimp. Most of the imported frozen shrimp is used for further processing for exports. Nearly 90% of Australia's seafood exports are rock lobster. Both India and Australia enjoy low tariffs from free trade agreements with Vietnam and quick delivery and low freight costs due to proximity. Norway exports fresh or chilled Atlantic salmon, Danube salmon, and frozen Halibut and Mackarel fishes with stable and good quality. Main U.S. seafood products exported to Vietnam are lobster, shellfish, and fish. U.S. seafood products are appreciated for their safety and premium quality.	Though the shrimp farming sector in Vietnam is relatively large, local supply cannot meet the growing demand for local consumption and export. Market demand for safe products continues to grow.
Beef and beef products (HS code: 0202)	$2,500, up 13.5% vs 2016 India (89.8%) USA (2.4%) Paraguay (1.8%) Australia (1.3%)	The majority of India's exports are buffalo meat, usually sold as beef at wet markets, or used as a main ingredient for the production of beef-related products including beef ball (bo vien) or dried beef (kho bo). Beef products from Australia and Paraguay are of good quality and reasonable price.	Local beef is not as tender as imported beef. Local supply cannot meet the growing market demand. Growing HORECA, modern retail, and food service sectors seek quality and safe food ingredients, including beef and beef products.

		India, Australia, and Paraguay's strengths rely on substantial supply, cheap price, low tariffs, and/or proximity. U.S. beef products are appreciated for their premium quality.	
Poultry and poultry products	$387, down 37% vs 2016 Hong Kong (42%) USA (19.7%) Russia (8%) Brazil (4.5%)	Hong Kong is hub of transshipment The United States is the leading supplier of drumsticks and leg quarters. Substantial supply, consistent and hygienic quality, and competitive price are U.S. strengths Russia's exports of poultry products to Vietnam suddenly jumped in 2017 to $31 mil, a 284% increase over 2016. Brazil has the lead in chicken wings.	Due to shortage of feed ingredients, Vietnam has to import a significant amount of corn, DDGs, and other ingredients for the animal feed industry. As a result, poultry-farming production cost heavily relies on feed ingredient prices and local producers have become less competitive.
Dairy products	$825, up 14% vs 2016 New Zealand (33.3%) EU (25.2%) USA (9.7%) Australia (4.4%)	New Zealand's strengths are substantial supply, good quality, and more competitive prices due to lower import tariffs from its FTA. New Zealand, Australia, and the EU are competitive suppliers of milk powder along with the United States. Australia is a competitive supplier of fresh milk products. The EU is a prominent supplier of artisanal cheese products. U.S. strengths are consistent and premium quality.	Local production is inadequate. Many local dairy processors rely on imported ingredients.
Tree nuts	$2,167, down 11% vs 2016 Cote d'Ivoire (34.9%) USA (14.2%) Ghana (9.2%)	Cote d'Ivoire and Ghana are the largest suppliers of cashews to Vietnam. The majority of imported nuts will be further processed for exports. The United States is a leading supplier of almond, hazelnuts, walnuts, and pistachios.	Vietnam is a leading exporter of cashews worldwide, but the country faces a shortage of raw materials.

Frozen potatoes (HS code: 071010)	$170, up 18% vs 2016 USA (23.9%) Spain (10.9%) Belgium (8.6%)	U.S. strengths are premium quality and extra fancy long potatoes. U.S. frozen potatoes mainly goes to food service. Spain and Belgium rely on competitive prices and household-sized packaging for retail.	No local production; local potato varieties are not suited to processing.
Peanuts (HS code: 1202)	$168.5, down 33% vs 2016 India (72.5%) China (12.5%) Brazil (5.8%) USA (4.2%)	India and Brazil peanuts have very competitive prices. China enjoys duty free imports into Vietnam and short transportation via border trade in the Vietnam off-season. U.S. strengths are consistent and good quality.	Local production is inadequate to meet domestic consumption and export demand. Vietnamese consumer preference is for locally- produced peanuts. Many local food processors rely on imported ingredients, especially in the off-season.
Pulses (HS code: 0713)	$153, up 18.3% vs 2016 China (53%) Australia (21%) Thailand (9%) Brazil (8%) USA (1%)	Low cost of imported products from China. The majority of China's and Australia's exports are dried shelled black beans. China, Australia, Thailand enjoy lower tariffs under FTAs. U.S. strengths are high and consistent quality. Major U.S. pulse products are black beans, peas, lentils, chickpeas, and kidney beans.	Negligible local production of pulses.

Source: GTA

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products present in the market, which have good sales potential

Of U.S. products that are already present in the Vietnamese market, soybeans, fish products, tree nuts (almonds, pistachios, walnuts, and hazelnuts), dairy products, soy flour, poultry meat and products, beef and beef products, fresh fruits (apples, cherries, table grapes and, pears), prepared food, processed fruit, and non-alcoholic beverage (excluding juices) continue to have good sales potential in Vietnam.

Products not present in significant quantities but which have good sales potential

Processed potatoes (excluding French fries), cheese and butter, dried fruits, shelled peanuts, green peas, processed vegetables, chocolate and cocoa products and other intermediate products, such as sugar, sweeteners, and beverage bases have good sales potential.

Products not present because they face significant barriers

Fresh fruit from the United States other than four approved products (apples, cherries, grapes, and pears) are not eligible for export into Vietnam. However, demand for other fresh fruit, such as oranges, blueberries, plums, and avocados is increasing.

Imports of selected meat and poultry offal used in meat processing are still suspended.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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