Required Report: Required - Public Distribution **Date:** April 05, 2024

Report Number: VM2024-0005

Report Name: Food Processing Ingredients Annual

Country: Vietnam

Post: Ho Chi Minh City

Report Category: Food Processing Ingredients

Prepared By: Ngoc Tran

Approved By: Ralph Bean

Report Highlights:

Vietnam's food processing industry comprises some 11,000 companies, valued at $73.8 billion in 2023. Growth in 2023 was 6.1%, down from a blistering 8.8% in 2021 and 2022. By contrast, food retail (valued at $68.5 billion) saw growth of 11.4% and food service and accommodation sales (valued at $27.3 billion) saw growth of 14.7% due to a rebound in tourism. Overall imports of consumer-oriented products reached $13.45 billion in 2023, increasing by 5% over 2022. Imports of U.S. consumer-oriented products declined by 7% during that same time, mainly due to a tariff disadvantage relative to competitor countries. Strong prospects for food processing ingredients include tree nuts, meat, bakery ingredients, dairy products, fresh and dried fruit, wheat, soybeans, and potatoes.

Executive Summary:
Vietnam is a lower middle-income country with a 2023 GDP of $430 billion and a growth rate of 5.05 percent (General Statistics Office – GSO), making it the fifth largest economy in ASEAN (Statista). Vietnam is a major producer and exporter of rice, wood, fisheries, horticultural products; coffee, cashews, rubber, pepper, and tea (GSO). Imports of U.S. agricultural and related products reached $3.46 billion in 2023 (TDM), making Vietnam the tenth largest market for these.

Food Processing Industry:
By the end of 2022, Vietnam's food and beverages industry comprised 11,000 registered companies (GSO). The food processing industry was valued at $73.8 billion, growing by 6.1 percent in 2023 compared to 2022 (GSO) thanks to the economic recovery, especially in the fourth quarter of 2023.

Imports of Consumer-Oriented Products:
Vietnam imported nearly $1 billion in consumer-oriented food products in 2023, roughly 30% of total agricultural imports. The United States was the second largest exporter of these products to Vietnam.

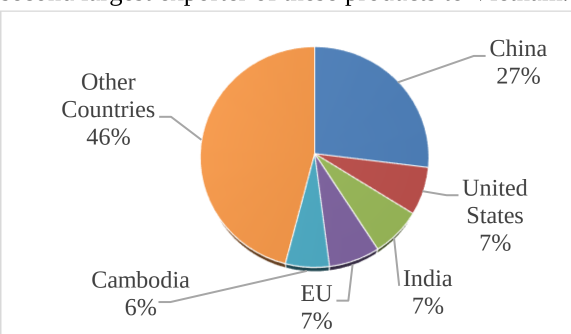


Chart 1: Top Exporting Countries to Vietnam

Food Retail Industry:
Vietnam's food retail sales reached an estimated $68.5 billion (based on MOIT statistics as of November), increasing 11.4 percent compared to 2022. In 2023, food retail accounted for 27.2 percent of total goods and services retail sales (GSO/MOIT).

Food Service Industry: Vietnam's food and accommodation service sales reached $27.3 billion in 2023 (GSO). The growth for 2023 was 14.7 percent compared to 2022 thanks to a strong recovery in Vietnam hospitality industry.

Quick Facts CY 2023

Imports of Consumer-Oriented Products *(US$)*
Imports from the world: $13.45 billion
Imports from the United States: $939 million (7%)

Top 10 Growth Products in Vietnam

1) Beef & beef products	2) Processed vegetables
3) Pork & pork products	4) Tree nuts
5) Condiments and sauces	6) Mfg. tobacco
7) Dog & cat food	8) Distilled spirits
9) Fresh vegetables	10) Poultry meat (ex. eggs)

List of Top 10 Highest Volume Products in Vietnam

1) Tree nuts	2) Fresh fruit
3) Beef & beef products	4) Dairy products
5) Fresh vegetables	6) Soup & other food preparations
7) Processed vegetables	8) Non-alcoholic drinks
9) Mfg. tobacco	10) Distilled spirits.

Food Industry by Channel (U.S. billion)
Total retail sale of goods and services: $254 billion
Total retail of goods: $198 billion
Manufacture of food products: $73.8 billion
Manufacture of beverages: $ 9 billion

Retail Food Industry	$ 68.5 billion
Food Service-HRI	$17.3 billion
Food Processing	$73.8 billion
Food and Agriculture Exports	$26.1 billion

Top 10 Retailers in Vietnam (based on sales):

Central Retail	Lotte Vietnam
SATRA	WinCommerce (WinMart)
Saigon Coopmart	SASCO
MM Mega Market	IPPG
BRG Mart	AEON Vietnam

GDP/Population
Population: 97.5 million
GDP: $430 billion
GDP per capita *(USD)*: $4,284 (GSO)

Strengths/Weaknesses/Opportunities/Threats:

Strengths	***Weaknesses***
U.S. products are perceived as safe and high quality. U.S. brands are well-known in Vietnam.	High import tariffs for U.S. products; fragmented domestic distribution systems.
Opportunities	***Threats***
Strong consumer demand for high-quality products. Fast growth in the food processing sector.	Strong competition from FTA signatories. Technical barriers to trade are on the rise.

Section I: Market Overview

Vietnam's GDP reached $430 billion in 2023, with a GDP growth rate of 5.05 percent (GSO). 2023 saw a decline in both imports and exports as a slowdown in exports of manufactured goods led to reduced imports of inputs, especially cotton and lumber. Nonetheless, Vietnam imported $13.45 billion in consumer-oriented products in 2023, a 5 percent increase compared to 2022. U.S. consumer-oriented exports to Vietnam fell to $939 million, a decline of seven percent versus last year. The United States was the second largest exporter of consumer-oriented goods to Vietnam after China.

After strong growth throughout the global economic slow-down, Vietnam encountered financial difficulties in 2023, with a particularly pronounced impact on manufacturing and real estate. In 2023, there were 150,000 business closures (Saigon Times and GSO), with a consequent decline in business expenditures that saw lower food ingredients demand from canteens in industrial zones. The early quarters of 2023 were the hardest, while the final quarter of 2023 saw signs of improvement.

Vietnam's food processing industry grew by 6.1 percent in 2023 (GSO), a slower growth rate than the 8.8 percent rate seen in 2022-2021. Business performance of key food processors in Vietnam, including seafood, flour, milk, and meat, was either flat or only slightly improved due to weak demand from food export markets.

Food service and accommodation industry grew by 14.7 percent in 2023 compared to 2022 (GSO) thanks to the strong recovery in the tourism industry. In 2023, Vietnam welcomed nearly 12.6 million international travelers, over triple the number of 2022.

Food retail revenue in 2023 increased by 11.4 percent compared to 2022, reaching $68.5 billion (Post's estimate based on Ministry of Industry and Trade statistics as of November 2023) thanks to stronger consumption demand, especially in the last quarter of 2023.

Advantages	**Challenges**
U.S. products are perceived as high-quality high valued products by Vietnamese consumers.	U.S. products are at a competitive disadvantage as most competitor countries now participate in Free Trade Agreements (FTAs) with Vietnam, giving access to reduced or zero tariffs. The U.S. does not have an FTA with Vietnam, and is charged tariffs at MFN rates.
Food service and accommodation industry grew 14.7 percent in 2023 versus 2022 thanks to the recovery of tourism industry and increased	Limited infrastructure and fragmented distribution systems make it difficult to preserve quality and ensure timely

numbers of both international and domestic travelers.	delivery.
The growing urban population is creating demand for ready-to-eat and convenient foods, driving the food processing industry growth. The food processing sector offers to potential for bringing U.S. food ingredients into local products for daily consumption.	More and more international brands are entering Vietnam from the EU and Asia, adding both to competition for consumers' attention and limited shelf space.
A growing youth and middle-class population along with rapid urbanization is leading to a more health-conscious consumer, creating demand for high-value, high-quality products.	High demand is fueling unfair competition from counterfeit products using falsified origins or brand names.

Section II: Roadmap for Market Entry

Entry Strategy

Prior to entering the market, FAS strongly encourages potential U.S. exporters to review the relevant GAIN Reports. In particular, the Exporter Guide report (VM2023-0074), the Retail Food Sector report (VM2023-0036) and the Hotel, Restaurant, and Institutional (HRI) report (VM2023-0055), are highly recommended. In addition, the United States Department of Commerce's Country Commercial Guide is another important source of information about the Vietnam market.

Exporters seeking to develop a market for their products in Vietnam will need to identify a local agent or distributor. A capable distributor with the necessary contacts in both industry and government can make the difference between success and failure. FAS/Vietnam also recommends conducting extensive research to understand market demand, local business customs, import requirements, and identify potential buyers. FAS/Vietnam and USDA Cooperators provide information and assistance to new-to-market U.S. exporters, including providing lists of importers, traders, and processors; market insights; and information on import procedures. Contact information is available in the 2023 Exporter Guide. Exporters can also benefit from engaging with their State Departments of Agriculture and State and Regional Trade Groups.

Participation in trade shows and trade missions offers the opportunity to better understand the market and engage directly with potential importers/distributors and local partners. Please visit http://www.foodnhotelvietnam.com for further information on upcoming events. Food and Hotel Hanoi is scheduled for March 18-20, 2025.

Import Procedures

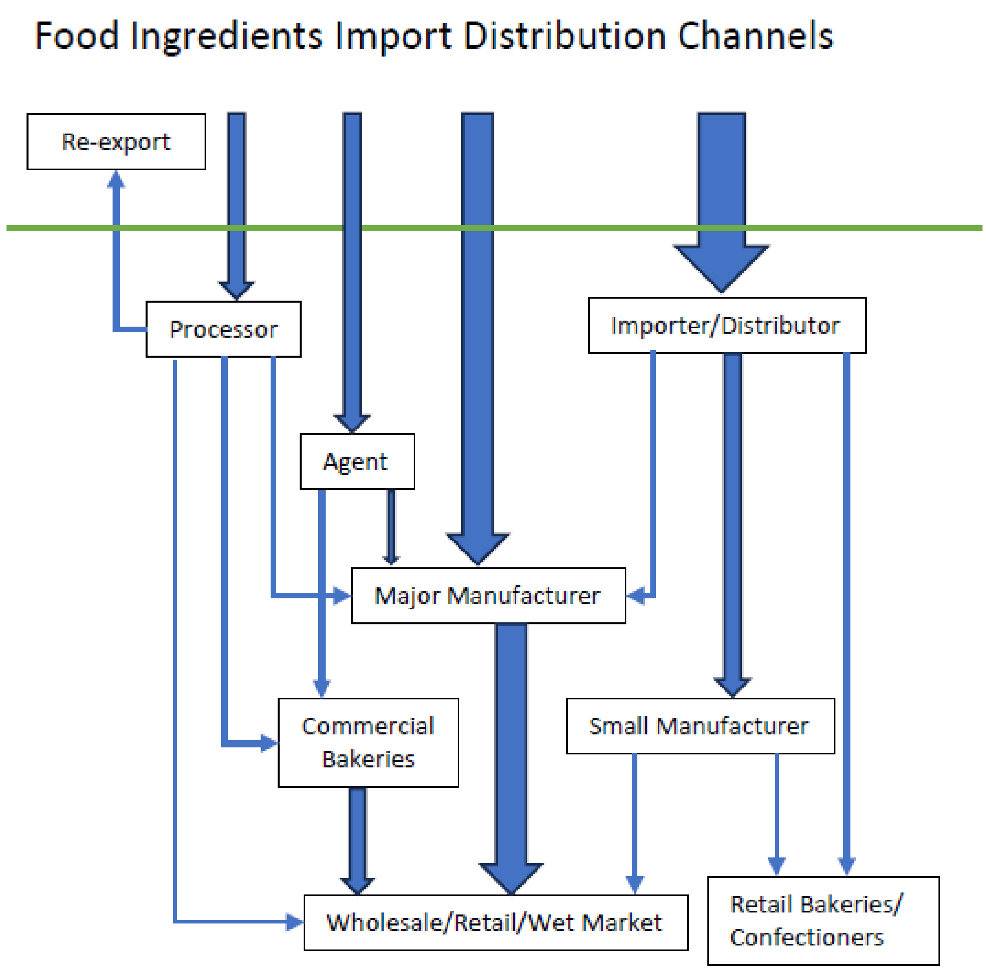
New-to-market U.S. exporters are advised to look into export requirements for Vietnam updated by USDA agencies, including the Food Safety Inspection Service (FSIS) (www.fsis.usda.gov), the Animal and Plant Health Inspection Service (APHIS) (https://www.aphis.usda.gov/), and the Agricultural

Marketing Service (AMS) (https://www.ams.usda.gov/) and the NOAA Seafood Inspection Program https://www.fisheries.noaa.gov/seafood-commerce-trade/export-requirements-country-and-jurisdiction-n-z#vietnam.

The Food Agricultural Import Regulations and Standards (FAIRS) Report (VM2023-0030) provides an overview of Vietnam's certification requirements for imported food and agricultural products. Additional reports provide updates on regulatory changes and clarifications. The most recent include: VM2023-0031 provides information of the food and agricultural laws and regulations currently in force in Vietnam. VM2024-0002 provides an update on Vietnam's draft circular proposing amendments to existing circulars related to the quarantine of terrestrial animals and terrestrial animal products. VM2024-0001 provides Vietnam's new requirements on nutritional labeling for pre-packaged Foods. VM2023-0073 provides Vietnam's extended lists of permissible food additives and flavors.

Note that a good importer/distributor will be able to advise you on import procedures and necessary paperwork, but exporters are advised to be familiar with the requirements nonetheless.

Chart 2: Food Ingredients Distribution in Vietnam



Distribution Channels
Traditionally, goods are distributed to wholesalers, retailers, groceries, or cash-and-carry outlets. Some larger supermarket chains are now directly importing products to reduce cost and ensure product quality. Hanoi and Ho Chi Minh City are the largest and most important markets in Vietnam. The majority of goods, including food ingredients, are imported into ports in Ho Chi Minh City, Ba Ria Vung Tau Province, Hanoi, and Danang, and then delivered to food processors across the country.

Please refer to Attachment 1 for a list of Company Profiles active in the Food Processing sector in Vietnam.

Market Structure
Vietnam is a large producer of agricultural products including, pork, coffee, spices, fruits, and vegetables. The country is also developing a burgeoning food processing and agro-industrial base. Leading multinational food processors have established food-processing operations in Vietnam and are able to offer a range of western-style products at reasonable prices.

These food processors use both locally produced raw materials and imported food ingredients in their operations. Large processors tend to directly import major ingredients, such as wheat flour, milk powder, and malt. Processors usually purchase minor ingredients, additives, flavors, or preservatives through importers or distributors. GAIN report [VN2023-0036] provides additional information about the market structure in Vietnam.

Please refer to Appendix 1 for the top 10 list of packaged food and beverages brands most favored by Vietnamese consumers in 2023, and the top 25 food and beverages companies from 2022.

Share of Major Segments in the Food Processing Industry

The food processing industry in Vietnam is composed of five segments: seafood processing, meat processing, vegetables and fruit, milk, and starch and confectionery. The chart below illustrates the production of key industrial food products and ingredients.

Table 1 - Vietnam's Production of Industrial Food Products and Food Ingredients.

Main industrial food products	**2019**	**2020**	**2021**	**2022**	**2023**
Frozen aquatic products (thousand tons)	2,173	2,826	2,986	4,233	4,781
Fish sauce (million liters)	381	380	418	386	N/A
Refined vegetable oils (thousand tons)	1,275	1,315	1,384	1,424	N/A
Fresh milk (million liters)	1,306	1,702	1,770	1,802	1,861
Powdered milk (thousand tons)	121	132	152	144	155
Milled rice (thousand tons)	42,529	42,780	43,880	42,661	42,936
Refined sugar (thousand tons)	1,913	995	937	924	1,189

Ground and instant coffee (thousand tons)	125	135	141	154	N/A
Processed tea (thousand tons)	170	135	133	112	N/A
Sodium Glutamate (thousand tons)	328	349	352	363	319
Liquor (million miters)	330	339	319	315	N/A
Beer (million liters)	4,594	3,902	3,629	6,107	4,453

Source: General Statistics Office (GSO)/Ministry of Planning and Investment (MPI), vietnambiz.vn, MOIT and MARD, statista.com. Note: 2023 statistics were not available for all products as of publication of this report.

Table 2 - Production Growth of Food and Beverage Manufacturing Industries

Unit: percent	**2019**	**2020**	**2021**	**2022**	**2023**
Manufacture of food products	109.5	105.3	102.9	108.8	106.1
Manufacture of beverages	110.5	94.8	96.8	132.3	101.3

Source: General Statistics Office (GSO).

Sector Trends

- Food manufacturing is undergoing a transformation from being an export-dependent industry to one focused on the domestic market.
- Ready-to-cook meals and convenience foods are rapidly gaining in popularity. This trend is being driven by growth in the middle-incomed population.
- Vietnamese consumers are getting more health conscious and looking for wider variety of food option and tastes.
- The key challenge for the industry is food safety and quality assurance which requires investment in supply chain, cold chain, transportation and storage.
- Online marts and food delivery are becoming more popular among urban dwellers. Popular retail brands i.e. AEON, MM Mega Market, Lotte, WinMart, Central Retail (Big C, Go!) have their own applications, or official stores on online shopping platforms of Tiki, Shoppee, Lazada, Grab, Be, alongside their physical outlets. Google reports Vietnam's digital economic growth rate as the fastest in Southeast Asia for two consecutive years (2022 reaching 28 percent, 2023 reaching 19 percent), three and a half times higher than the GDP growth rate. Vietnam's Ministry of Information and Communications estimates that its digital economy accounted for 16.5 percent of Vietnam's GDP in 2023. Vietnam will have more than 1,500 Vietnamese digital technology enterprises with revenue from foreign markets, an increase of more than 7 compared compared to 2022 (Vietnam News).

Section III: Competition

The food ingredients import market in Vietnam is getting more competitive. Key competitors include the European Union, Canada, Australia, New Zealand, Peru, and Brazil. All of these countries have signed free trade agreements that give them a significant tariff advantage over the United States, which is not a party to any of the FTAs that Vietnam has signed. As a result, U.S. ingredients are charged at

MFN tariff rates, which range from one percent to fifty percent, placing them at a significant disadvantage to competitors.

Table 3 - Competition in Major Food Processing Ingredients.

Product Category	**Vietnam's Imports of Major Ingredients and Market Share of Key Suppliers**	**Strengths of Key Supplier Countries**	**Advantages and Disadvantages of Local Suppliers**
Pork and pork products (HS: 020329)	Meat Of Swine, Nesoi, Frozen 2023 imports were $160 million, a six percent decrease compared to 2022. The United States was the fourth largest exporter after the Brazil, EU and Canada. Market Share: Brazil 69 percent EU 20 percent Canada 4 percent U.S. 4 percent	The EU has lower tariffs than the United States. Poland, Spain, Italy, Germany.	Chilled pork from local brands i.e., Meat Deli, C.P, and Vissan are improving in quality and becoming more popular.
Beef and beef products (0202)	2023 imports were $773 million, a 10 percent increase compared to 2022. The United States was the fifth largest exporter of beef and beef products to Vietnam, after India, Australia, Canada, Paraguay. Market Share: India 73 percent Australia 12 percent Canada 12 percent Paraguay 3 percent U.S. 3 percent.	India, Canada and Australia, enjoy lower import tariffs than the United States. The majority of India's exports are buffalo meat, usually sold as beef at wet markets, or used as a main ingredient to produce beef-related products.	Growing modern retail and food service sectors seek quality and safe food ingredients for processing. Local beef supplies have not met the increasing demand, ushering in opportunities for imported beef.
Poultry and poultry	2023 imports were $340 million, a 6 percent increase compared to	The United States was the leading exporter of poultry to Vietnam.	Poultry production costs depend on feed ingredient prices and

products	2022. The United States was the leading exporter of poultry to Vietnam, followed by South Korea, the EU, Hong Kong and Brazil Market Share: U.S. 36 percent South Korea 20 percent EU 19 percent Brazil 11 percent.		local producers have become less competitive. However, local suppliers have an advantage in chilled chicken. Vietnamese consumers still prefer chilled to frozen. Some prefer free-range chicken with a more chewy feel rather than the tender texture of imported chicken.
Dairy products	2023 imports were $1.18 billion, a 9 percent decrease over 2022. The United States was the third largest exporter, after New Zealand, the EU, Australia, and Japan. Market Share: New Zealand 28 percent EU 21 percent U.S. 12 percent Australia 10 percent Japan 7 percent	New Zealand's strengths are substantial supply, good quality, and a lower price due to reduced tariffs under CPTPP. New Zealand 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. The United States has a consistent supply and premium quality.	Local production is growing but inadequate to meet demand. Many local dairy processors rely on imported ingredients: milk powders, cream, sweet whey, lactose, butter, and cheese.
Tree nuts	2023 imports were $1.9 billion, a 27 percent decrease compared to 2022. The U.S. was the fourth largest exporter of tree nuts to Vietnam, after Cote d'Ivoire, Cambodia	Cote d'Ivoire is the largest supplier of cashews to Vietnam. Most imported nuts are for further processing for export. The United States is a leading supplier of almonds, pistachios, and	While Vietnam is a leading exporter of cashews worldwide, the country faces a shortage of raw materials.

	and Nigeria. Market Share: Cote d'Ivoire 44 percent Cambodia 20 percent Nigeria 12 percent U.S. 12 percent	walnuts.	
Processed fruits	2023 imports were $192 million, a 2 percent increase compared to 2022. The United States was the forth largest exporter of processed fruits to Vietnam, after China, South Korea, Thailand, and followed by India Market Share: China 51 percent Thailand 16 percent South Korea 17 percent U.S. 4 percent India 3 percent	Thailand and China have advantages on tariffs, proximity, and exports of tropical dried fruits like longans and lychees. South Korea has an advantage on tariffs and exports of dried persimmon. India mostly exports raisins and jams to Vietnam. The United States exports in raisins, prunes, and apricots.	Local production is inadequate to meet domestic consumption and processing demand for yogurt and healthy dried fruit products.

Data source: TDM

Section IV: Best Product Prospects

U.S. Products Present in the Market with Strong Sales Potential

- fresh fruits (apples, cherries, grapes, pears, blueberries, and oranges),
- dairy products, especially milk powder/cream and dairy ingredients,
- tree nuts,
- soup and other food preparations,
- meat products: poultry meat and products, beef, and beef products,
- bakery goods, cereal and pasta, syrup and sweeteners, and confectioneries,
- seafood (salmon, lobster, king crab),
- wheat, and
- soybeans and soybean meal

U.S. Products Not Present in Market with Good Sales Potential

Ingredients used for functional foods products, ingredients with extended product self-life, ingredients for craft beer brewing, and plant-based milks.

Products Not Present Because They Face Significant Barriers

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

Section V: Key Contacts and Further Information

Vietnam's governmental sources for data:

General Statistic Office of Vietnam	https://www.gso.gov.vn/en/homepage/
Ministry of Industry and Trade of Vietnam	https://moit.gov.vn/thong-ke/bao-cao-tong-hop
Import tax into Vietnam by WTO center of Vietnam Chamber of Commerce and Industry	https://wtocenter.vn/

Ministries responsible for food policies and import policies:

Ministry of Agriculture and Rural Development	https://www.gso.gov.vn/en/homepage/
Ministry of Industry and Trade of Vietnam	https://moit.gov.vn/thong-ke/bao-cao-tong-hop
Ministry of Health	https://moh.gov.vn/en_US/web/ministry-of-health
Ministry of Finance	https://www.mof.gov.vn/webcenter/portal/btcen/pages_home
General Department of Customs	https://www.customs.gov.vn/

Social media site of the U.S. Embassy in Hanoi: https://www.facebook.com/usembassyhanoi/

Office of Agricultural Affairs, Hanoi Physical Address: Rose Garden Tower, 3rd Floor, 170 Ngoc Khanh, Ba Dinh District, Hanoi. http://www.fas.usda.gov	Phone: (84.24) 3850 5000 Email: aghanoi@fas.usda.gov
Office of Agricultural Affairs, Ho Chi Minh city Physical Address: 8th floor, Diamond Plaza, 34 Le Duan Blvd, District 1, HCMC. http://www.fas.usda.gov	Phone: (84.28) 3520 4630 Email: atohochiminh@fas.usda.gov

APPENDIX 1: Top 10 most chosen packaged food brands in Vietnam (Kantar Worldpanel, 2023).

Rank	Urban area	Rural area
1	Hao Hao (instant noodle)	Nam Ngu (fish sauce)
2	Chinsu (fish and soya sauces)	3 Mien (instant noodle)
3	Nam Ngu (fish sauce)	Chinsu (fish and soya sauces)
4	Ajinomoto (seasoning)	Hao Hao (instant noodle)
5	Cholimex (chili sauce)	Kokomi (instant noodle)
6	Maggi (soya sauce)	Ajinomoto (seasoning)
7	Bien Hoa (sugar)	Gau Do (instant noodle)
8	Simply (cooking oil)	Simply (cooking oil)
9	Hai Chau (seasoning)	Tam Thai Tu (soya sauce)
10	Tuong An (cooking oil)	Oishi (candy and potato chips)

Top 10 most chosen beverage brands in Vietnam (Kantar Worldpanel, 2023).

Rank	Urban area	Rural area
1	Coca Cola	Coca Coal
2	Tiger	Saigon beer
3	Sting	Nescafe
4	Nescafe	Hanoi beer
5	G7	Red Bull
6	Aquafina	G7
7	Tea Plus	Q Café
8	C2	Sting
9	La Vie	Mirinda
10	333	Pepsi

APPENDIX 2: Top 25 Food and Beverages companies 2022 (by Forbes Vietnam)

No.	Company	Industry/ Product	**Brand Value*** (in million U.S. dollar)
1	Vinamilk	Dairy, plant-based milk, nutrient drinks	$2,326
2	Masan Consumer	Sauces, instant noodles	$468
3	Sabeco	Beer, liquor, soft drink	$365
4	Masan Meat Life	Chilled meat	$103
5	Nutifood	Nutrition drink	$82
6	Quang Ngai Sugar	Sugar, soymilk	$58
7	Trung Nguyen	Coffee	$54
8	IDP	Dairy	$52
9	Vinh Hoan	Fisheries	$48
10	Thanh Thanh Cong Bien Hoa	Sugar	$48
11	Dabaco	Poultry, eggs, feed ingredients	$39
12	Kido	Confectioneries	$39
13	Vinacafe Bien Hoa	Coffee	$37

14	Habeco	Beer, liquor, soft drink	$30
15	Loc Troi	Rice	$32
16	Moc Chau Milk	Dairy	$28
17	Minh Phu	Fisheries	$25
18	Cholimex Food	Sauces	$21
19	Fimex	Fisheries	$19
20	Vissan	Meat, processed food	$15
21	Nam Viet	Fisheries	$14
22	Safoco	Dried noodles	$12
23	IDI	Fisheries	$13
24	Bich Chi	Rice	$12
25	Trung An	Rice	$11

**Brand Value is calculated by Forbes Vietnam, mostly based on companies' financial reports. The companies must have at least five years in operation.*

Attachments: Attachment-Company Profiles.docx