

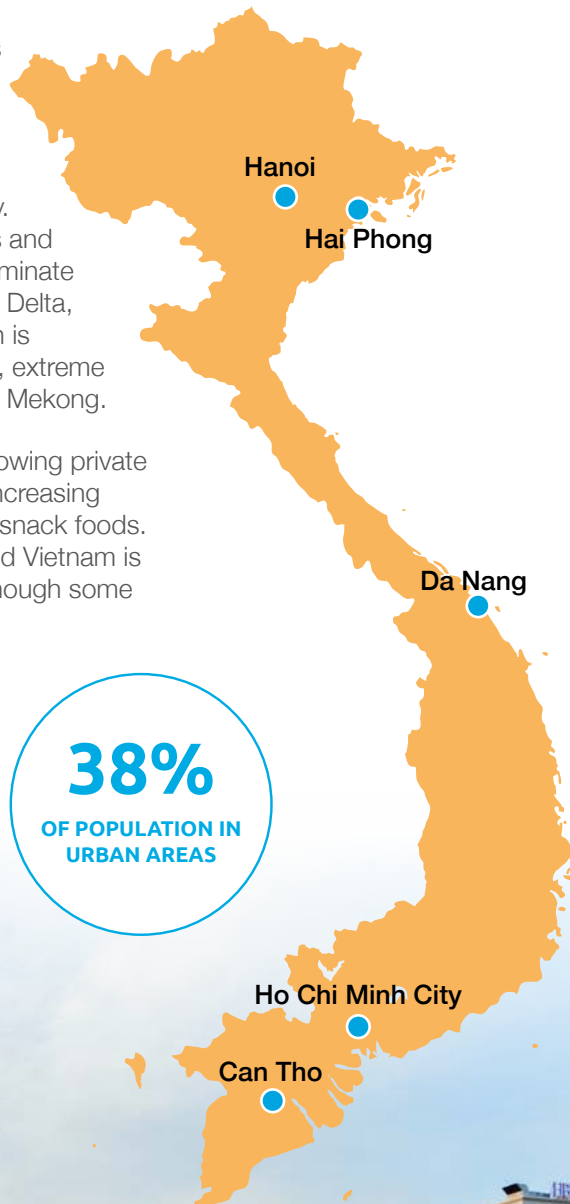
COUNTRY FOCUS REPORT: VIETNAM



Vietnam is one of South-East Asia's fastest-growing economies, with a rich and diverse food culture. The Đổi Mới economic and political reforms of the mid-eighties ushered in a period of rapid economic growth, transforming Vietnam from one of the world's poorest nations into one of its most dynamic.

The capital of Vietnam is Hanoi, a city of 8 million in the north of the country. Ho Chi Minh City (formerly Saigon), the largest city, has 9 million inhabitants and is the commercial centre of the south. Mountains and tropical highlands dominate the north and central regions, while the south is home to the fertile Mekong Delta, which produces roughly 70% of Vietnam's agricultural products. This region is particularly vulnerable to climate change, facing the threat of sea-level rises, extreme weather events and hydropower infrastructure constructed upstream in the Mekong.

Today, robust exports and a thriving tourism sector, coupled with rapidly growing private consumption, are driving economic growth. As incomes grow, there is an increasing appetite for high-value imported foods, including meat, dairy products and snack foods. An ambitious and comprehensive free-trade agreement between the EU and Vietnam is awaiting ratification and will see 99% of tariffs phased out over ten years, though some agricultural products will have trade quotas.



97
million
population

USD
\$2,567
GDP PER CAPITA

70%
OF POPULATION
AGED UNDER 35

38%
OF POPULATION IN
URBAN AREAS



CONSUMER TRENDS

Wealth

Living standards have improved very rapidly, with the share of people living in poverty falling from 20.8% in 2010 to 9.8% in 2016 (World Bank). In addition, 86% of Vietnamese people say they feel financially better off than they were five years ago – much higher than the regional average of 72% or the global average, 58% (Nielsen). By 2016, 13.3% were defined as middle class (living on 15 dollars a day or more) and Euromonitor forecast this to reach 50% by 2030.

The Vietnamese middle classes are aspirational, brand-aware and price-conscious. However, they are willing to spend a little more on products deemed to be high quality or safer. They are outward-looking, increasingly exposed to cultures from around the world and open to new experiences.

Health

Vietnam faces a double burden of both undernutrition and obesity. Sedentary lifestyles and diets increasingly heavy in processed foods are blamed for growing childhood obesity. The Vietnamese government is working to improve awareness of the importance of balanced nutrition.

In 2018, a national school milk programme was launched to supply each and every kindergarten and elementary-school pupil with a 180 ml carton of drinking milk, every day. Named 'School Milk – For Vietnam's Stature', the programme aims to address malnutrition and stunting, which is prevalent even in rich households, due to insufficient intake of micronutrients despite sufficient calories. When the programme is fully rolled out, it will reach around 12 million children between the ages of 2 and 12, requiring 400 million litres of fresh milk a year.

Vietnamese consumers are increasingly aware of health in relation to food, seeking out products with natural ingredients, fortification and health benefits. Consumers are interested in organic foods, motivated primarily by a perception that organic foods are more nutritious and safer to consume, rather than environmental benefits (Nguyen et al., 2019).¹



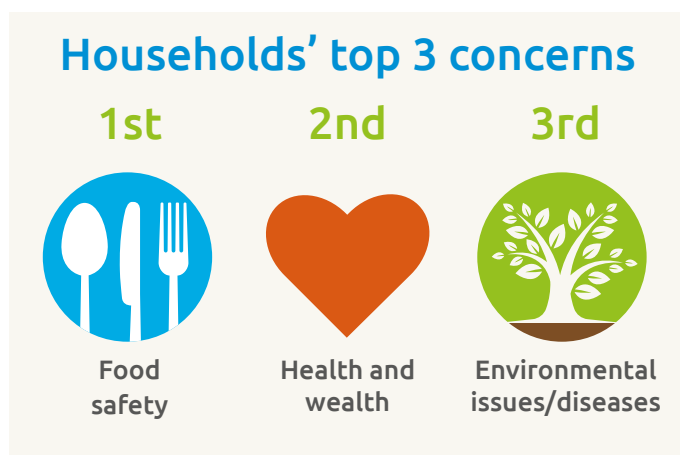
Bún chả – grilled pieces of pork belly and patties of pork mince in a rich, sweet sauce, served with rice noodles, pickles and fresh herbs. This dish was famously eaten by Barack Obama on an official visit to Vietnam in 2016, signifying a new stage in Vietnam's relationship with the US

Food safety

Vietnam lacks a comprehensive food-safety system and has insufficient monitoring capacity to effectively manage contamination and disease risk in the food supply chain. Vietnamese consumers have low confidence in the food they consume after widespread media reports of illegal and dangerous practices. Scandals are numerous and news of them travels quickly through social media, spreading fear and undermining trust, affecting sectors including vegetables, meat and dairy. These scandals can significantly change consumer behaviour. A study by ILRI found that, following media reports of pig diseases, a majority of consumers changed their behaviour by either reducing consumption, shopping at 'safer' outlets or cutting out pork altogether. In Hanoi, 35% of consumers stopped eating pork (Lapar et al., 2010).²

“Eating now is so scary,
but what can I do?”

Hanoi resident (T.M. Ha et al., 2019)³



Source: Kantar

In a survey of Hanoi residents, 36% of respondents described themselves as extremely worried about food safety. The biggest specific food-safety concerns were pesticide residues (92.6% concerned), food preservatives (88.8%), hormones in livestock (78.9%), drug residues in meat (62.2%) and heavy metal contamination (55.6%) (T.M. Ha et al., 2019).

1. Nguyen et al. Int. J. Environ. Res. Public Health (2019), 16, 1,037

2. Lapar (2010) Conference paper ACIAR Project no. LPS/2005/063

3. T.M. Ha et al. Food Control 98 (2019) 238–244

MEAL FOCUS

Vietnamese meals balance five key flavours – sour, bitter, sweet, spicy and salty. Freshness is highly prized and meals are typically served with heaps of crisp vegetables and local herbs, including mint, Vietnamese coriander, Thai basil, lemongrass and perilla. Fermented fish sauce and shrimp paste are commonly used as seasoning, making use of Vietnam's 3,260 km coastline. Rice is a staple food, eaten as grain, noodle or pancake.

Vietnamese cuisine has also been influenced by the country's former colonisers. China, which occupied for 1,000 years, has left its mark in the use of chopsticks and stir-frying. French occupation in the late 19th century brought coffee and baguettes, adopted and adapted to local tastes and now crucial parts of Vietnamese food culture.

Meat consumption is high in Vietnam, compared with other countries in the region and countries with a similar GDP per capita. In fact, meat consumption is on a par with China's, despite China's GDP per capita being roughly double that of Vietnam's. Between 1990 and 2018, meat consumption quadrupled, to an average of 52.5 kg per capita per year (OECD). This measure includes beef, pork, poultry and sheep only – other species are commonly consumed in Vietnam, so the true volume is probably higher.

Pork is by far the favourite meat in Vietnam, constituting 70% of meat consumption typically, though African Swine Fever-related price hikes have likely reduced its share. Beef consumption is growing, rapidly outstripping local production capacity. Because Vietnamese consumers prefer fresh meat, live cattle are imported from Thailand and Australia, but imported, frozen meats still have a market, whether in modern retailers or in foodservice. Processed meats are popular too, such as chả lụa, a steamed pork sausage flavoured with garlic and fish sauce.



Bánh mì, a popular street food of baguettes filled with meat and vegetables. Typical fillings can include: pâté, pork sausage, coriander, mayonnaise, pickled carrots and daikon



Strong drip coffee is served over ice and a thick layer of sweetened condensed milk in the iconic Vietnamese drink cà phê đá. Variations include yogurt or a whole raw egg yolk

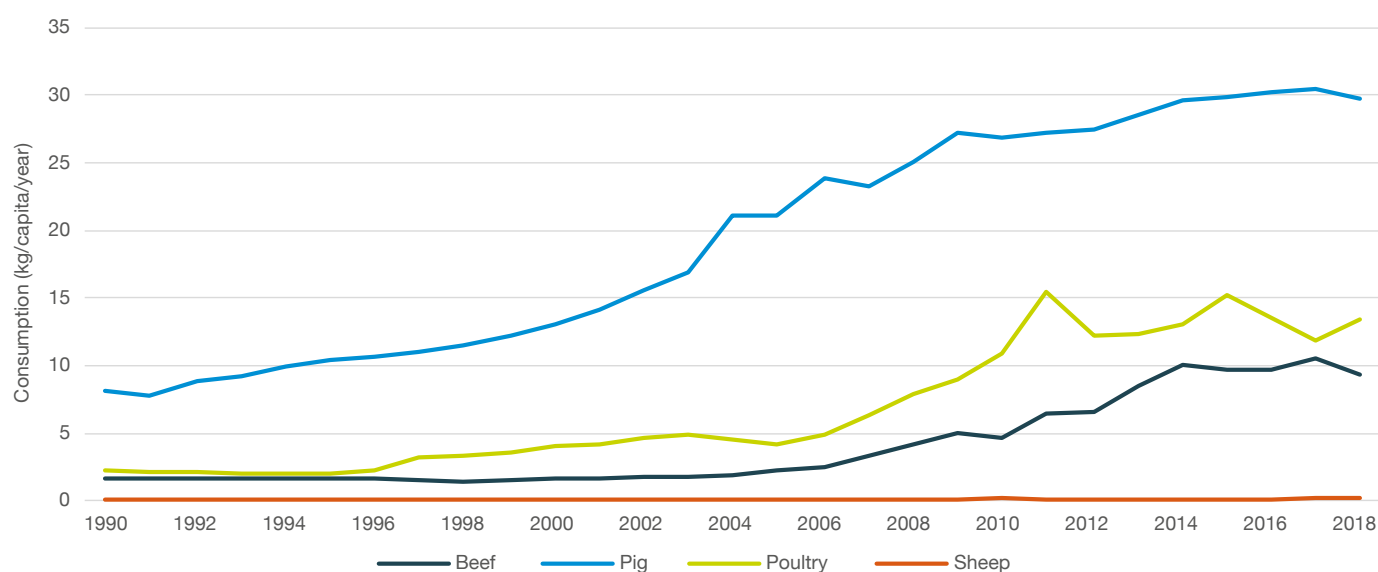


Figure 1. Meat consumption in Vietnam over the last three decades. Poultry experienced a dip after 2010 following outbreaks of avian flu

Source: OECD



Phở – a fragrant spiced broth with rice noodles, herbs and thinly sliced meat. Beef is commonly used, often in slices of rare steak, flank or brisket, along with meatballs and pieces of offal

Traditional Vietnamese dishes are becoming more meat-intensive with protein being more available and affordable. As street-food vendors compete for custom, the amount of meat included in popular dishes like phở or bún chả has increased. International chains have also entered the market, introducing new meat-intensive dishes such as fried chicken, steak and Korean barbecue.

Dairy consumption is low for the region, at around 7.5 kg per capita per year, but demand is growing quickly, forecast to increase by 28% by 2027 (OECD). Local production capacity has expanded too, with production increasing by an average of 15% a year between 2011 and 2018. Despite this, Vietnam is only 30% self-sufficient in dairy so is heavily reliant on imports, mostly in the form of powdered milk, which is processed into dairy products within Vietnam.

Table 1. Trade and consumption of meat and dairy in Vietnam, 2018

Sheep meat	Beef	Pig meat*	Dairy
Total consumption			
9,398	1,396,607	3,868,028	786,868
Total imports			
8,836	757,844	232,106	283,000
Exports from UK to Vietnam			
No access currently	No access currently	No access currently	295

*Includes processed and offal. Products may be re-exported to other countries in the region

Source: Consumption (carcase weight equivalent) – OECD; Total imports – IHS Maritime & Trade, as reported by exporting countries; UK exports – HMRC, 2018, tonnes

Yogurt is traditionally made in the home, but commercially produced yogurt has seen success, providing convenient, healthy snacks for busy households. Cheese and butter consumption remain low, but popular bakeries and pizza restaurants are expected to spur growth in these categories.

“ My wife loves Western food.
My son loves Western food and my
daughter loves Japanese food.
And I love Vietnamese food. ”

Hanoi resident (T.M. Ha et al., 2019.)

Infant milk formula is a large and growing market, despite government efforts to improve breastfeeding rates. Although imported brands are more expensive, in this sector, consumers are willing to pay premium prices for high-quality, well-regulated products.

Imports

India is the largest supplier of beef to Vietnam, though it supplies mostly low-grade carabeef, which is used in institutional canteens and wet markets. Paraguay, Australia and the US are the next biggest exporters of beef to Vietnam, with Australian exports increasing by 114% in 2018, following the elimination of tariffs under the ASEAN-Australia-New Zealand Free Trade Agreement. British beef will most likely be competing with Australian and US beef for the higher-end foodservice and modern retail market.

The EU is a major supplier of pork to Vietnam, with imports coming from Poland and Germany. Russia and the US are also key exporters. The sheep meat market is much smaller and Australia and India account for half of the supply.

Australia, New Zealand, the US and the EU supplied the majority of dairy imports in 2018, with total imports reaching US\$1.3bn in 2018, mostly comprising concentrated milk and cream. As well as powders, butter and cream, the EU exported 3,800 tonnes of cheese to Vietnam in 2018, worth US\$21m.

RETAIL CONTEXT

Traditional markets still dominate food retail in Vietnam, but modern retail outlets are rapidly expanding. As of 2017, there were 1,130 supermarkets in the country, almost double the number in 2014 (Euromonitor). Modern outlets are mostly based in Ho Chi Minh City and Hanoi, though, in the latter, traditional markets have retained a higher share of sales. Wet markets are favoured for their ability to provide affordable and fresh food, with meat often sold hours after slaughter. Modern outlets tend to be where the middle

classes go for higher-value, imported foods. However, as urbanisation and working hours increase and more women enter the workplace, the trend towards modern outlets is expected to continue.

Smartphone usage in Vietnam is high, reaching 95% of urban households and 69% in rural areas (Kantar). Online grocery is still in the early stages of development, but IGD forecasts it to grow rapidly over the next few years, with a compound annual growth rate of 82% between 2018 and 2023. A young, tech-savvy population is already comfortable with mobile payments and app-based delivery services. Deloitte's retail survey found that promotions are a key driver of online sales, as well as merchandise range and convenience. Retailers are already embracing a mixed 'click and mortar' model, where physical stores allow consumers to try products and order products for delivery to their homes.

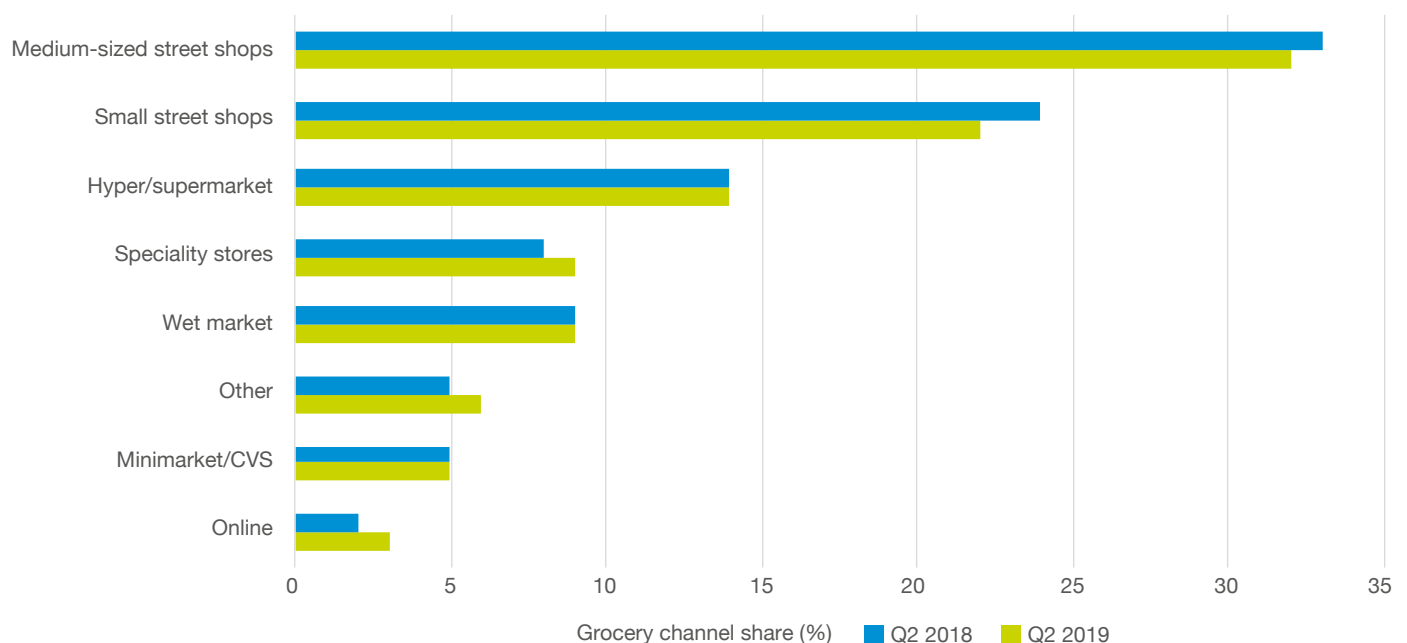


Figure 2. Grocery channel share by value (Hanoi, Ho Chi Minh City, Da Nang, Can Tho only)

Source: Kantar



Foodservice

Vietnamese consumers eat out frequently, with many inexpensive, street-side eateries available for breakfast, lunch and dinner. Spend on meals eaten out of home increased tenfold between 2002 and 2012, with urban households spending almost 16% of their consumption expenditure on food out of home, according to the General Statistics Office of Vietnam, compared with 28% in the UK (ONS). Diverse factors are driving this, including economic growth, rising disposable incomes and ever-growing crowds of tourists.

While street food remains popular, formal restaurants and fast-food outlets are taking an increasing share of visits among the middle classes. Vietnamese cuisine dominates the category – providing options for families who don't want to cook at home. International restaurants are seen as a treat occasion, good for sharing or trying something new. Hotpot and barbecue are popular among large parties and celebrations, while Japanese restaurants are favoured for providing healthy, quality food. The world of food-delivery apps is highly competitive, with fleets of thousands of motorbike delivery drivers taking meals to busy office workers and students across Vietnam's cities.

MARKET OPPORTUNITIES

Protein shortage

African Swine Fever (ASF) entered the Vietnamese pig herd in February 2019, rapidly spreading throughout the country. As of October 2019, 20% of the herd had been culled (5.7 million pigs). This has driven up prices by 19%, compared with last year, and led the country's Premier, Nguyễn Xuân Phúc, to call for better balancing of the livestock industry, encouraging farmers to diversify into other livestock. According to the Ministry of Agriculture and Rural Development, the national cattle herd was up 2.4% in October 2019 compared with 2018, while the number of poultry was up 11.5%.

The outlook for ASF remains gloomy, with every province of Vietnam reporting infected herds. Prices are expected to continue to rise, especially around Tết (Lunar New Year), when demand is strongest. With a shortfall of domestically produced pork, imports are surging and consumers are increasingly substituting for other proteins. Across the region, there are shortages of protein and prices have risen to levels that make imports competitive.



Health and safety

Public awareness of hygiene and food safety is particularly high in Vietnam, following numerous food-safety scandals and high-profile environmental contamination events. In general, imported food products from markets other than China are perceived as being high quality and safe.

While British products may not be able to compete with locally produced food on price, they may be able to trade on the high regulations and safety systems surrounding food production in the UK. Explicit descriptions of safety systems will help to provide Vietnamese consumers with the reassurance they seek.

Organic foods are popular, seen as a way of improving nutritional intake and avoiding risks, with pesticide use and hormones in livestock being some of the top food-safety concerns in Vietnam.

MARKET CHALLENGES

The UK does not currently have market access to Vietnam for pork, beef or lamb, though work is underway to secure this.

Vietnam has established free-trade agreements (FTAs) with a number of countries, including Australia, Canada, New Zealand and Japan, meaning products from these countries enjoy a significant price advantage. The EU has also signed a comprehensive FTA with Vietnam, which is expected to come into force imminently. This agreement will see 99% of tariffs phased out over ten years, though some agricultural products will have trade quotas. As a non-member of the EU, the UK will not be party to this agreement and UK products will face tariff barriers. Both the UK and Vietnam have expressed their desire to negotiate a new FTA to replicate the EU-Vietnam agreement.



Informal eating spots line the streets of Vietnam with ubiquitous plastic stools and roadside bites

AHDB's export team works collaboratively with government, industry organisations and other levy boards to secure access to new markets which have the potential to provide our farmers, growers and exporters with a variety of opportunities overseas. The team travels the world promoting beef, lamb, pork, dairy products, cereals and oilseeds, and potatoes through a coordinated and targeted export programme. Working closely with AHDB's Consumer Insight enables the export team to not only identify emerging and priority markets but also gain a better understanding of the needs of different markets, consumer eating habits around the world and buying behaviour – all of which helps industry capitalise on lucrative markets.



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AHDB's Retail and Consumer Insight team actively tracks, monitors and evaluates consumer behaviour, reporting on the latest consumer trends and picking out what they mean for the industry and agriculture. To read more on consumer trends, go to ahdb.org.uk/consumerinsight



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