



**VIETNAM
MEAT
MARKET**

Ipsos Business Consulting

Build · Compete · Grow



KEY FIGURES OF VIETNAM



93.4
Million people



14th
Most populated
country



94.5%
Vietnam's literacy
rate



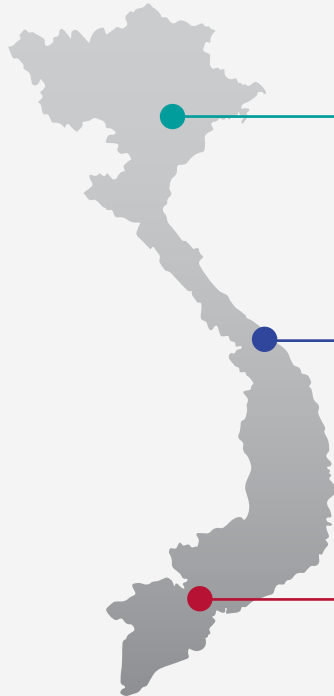
33.6%
Urban population
in Vietnam



65.8%
Of population is
working age



45-60%
Of total workforce
currently in
agriculture



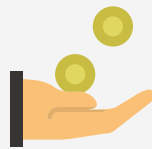
Capital of Vietnam
US\$27.6 billion in GDP (+9.24%)
US\$3,600 GDP per capita
US\$1.4 billion in FDI



The centre of Central Vietnam
US\$2.992 billion in GDP (+9.8%)
US\$2,908 GDP per capita
US\$3.66 billion in FDI



The largest city in Vietnam
US\$43 billion in GDP (+9.85%)
US\$5,538 GDP per capita
US\$39.1 billion in FDI



US\$155 billion
Total personal Income



42%
of total expenditure
spent on food,
beverages & tobacco



US\$137 billion
Total consumer expenditure



US\$198.8
Billion in GDP

One of the fastest-growing
economies in Asia



US\$2,128
in GDP per capita
ASEAN's 6th largest



Livestock Market Value
19% of agricultural production value
+2.6% / 2014



INTRODUCTION

Meat demands are increasing significantly, whilst production for some types of meat (poultry and beef) are in shortage.

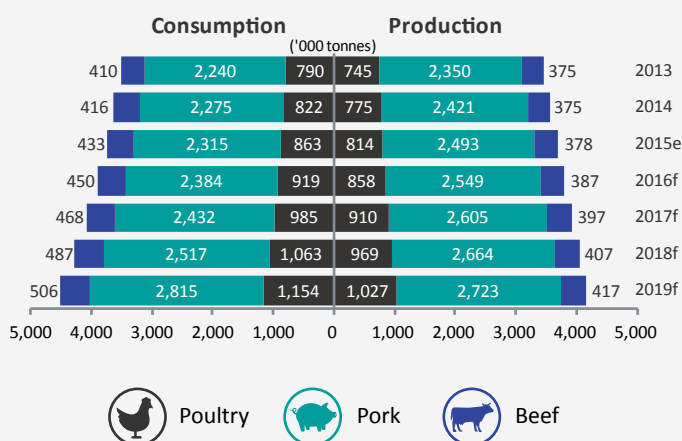
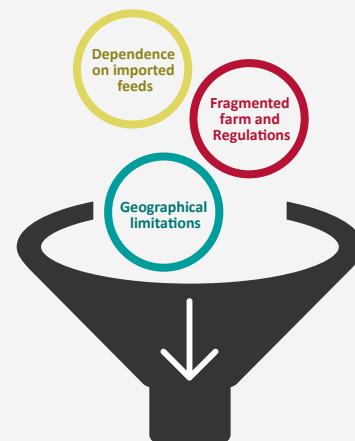


Figure 1: Production and Consumption of livestock in Vietnam from 2013 to 2019f

Aided by strong growth in both income and population, Vietnam’s livestock consumption has risen significantly over the last decade from 3.5 million tonnes in 2013 to 3.6 million tonnes in 2014, and is forecasted to reach 4.5 million tonnes in 2019. Despite the relatively stable trend of meat industry growth over the past few years, meat output has not managed to keep up with the consumption demand. Whilst domestic pork production is relatively sufficient for the domestic consumption demand, there is a significant shortage in the supply of beef and chicken.

Geographical limitations, dependence on imported feeds, and fragmented farms and regulations are major limitations of Vietnam’s sustainable livestock raising.



Constraints in sustainable livestock raising

Figure 2: Constraints in sustainable livestock raising in Vietnam

The deficiency of livestock in Vietnam is due to geographical limitations, dependence on imported feeds, and fragmented farms and regulations.

- President of Animal Husbandry Association of Vietnam – Dr. NGUYEN Dang Vang admitted the limited potential for cattle raising in Vietnam: “Vietnam has limited potential in cattle raising for slaughter due to the small size of its grasslands. Cattle in Vietnam are usually fed with straw, sugarcane, and cassava, which are not an optimal solution; they are best raised by grass”.
- Furthermore, sub-sectors such as feed production and animal breeding are largely dependent on foreign investment due to the lack of investment by local companies.

- Over 85% of Vietnam’s livestock is raised on small-scale farms. This arrangement leads to un-scalable production levels and prices, as well as inconsistency in the quality of breeders.
- Husbandries are hardly helped by supportive programmes enacted by legislators. For example, whilst the government encouraged the application of biological padding in pig raising, this policy lacked options to control the price of inputs (e.g: rice husk, sawdust). As a consequence, the policy led to higher production costs for husbandries and stagnated the competitive advantages of such producers.

Though pork still remains the main meat consumed in Vietnam, higher consumption growth rate presents a positive outlook for consumption of beef and poultry.

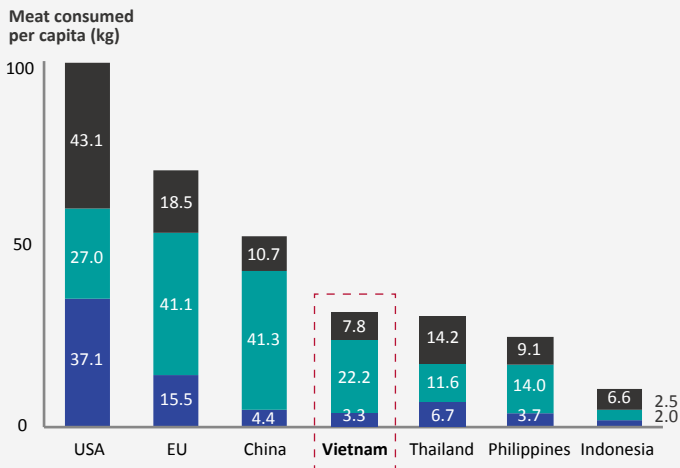


Figure 3: Meat consumption per capita in selected countries in 2015

Vietnam’s meat industry is still developing and lags far behind the West, but its solid growth rate means that it is on track to stand alongside its peers in Asia. Per capita consumption of meat in Vietnam in 2015 was 33.2kg, which is considered to be relatively low – just one-third of that in the US (107kg) and half of the amount within the EU (76kg). Compared with regional peers, meat consumption per capita in Vietnam was also lower than in China (56.4kg) and on par with that of Thailand. However, beef consumption in Thailand was twice as high as in Vietnam.

For both practical and historical reasons, pork is the preferred meat in Vietnam – although as we will soon see, this may change in the near future. For example, pigs are part of the household recycling system for small-scale farms (a system which accounts for 86% of swine farms in Vietnam) as they consume inedible waste. This practice therefore reduces production costs while increasing the number of suppliers for this type of meat. In addition, pork has long been the traditionally consumed meat in Vietnam; this cultural endorsement for pork was influenced by the Chinese, who felt that eating meat (especially pork) was a symbol of triumph over hardship. Although pork consumption is expected to grow at a rate of 3% per annum and continues to be the dominant meat consumed in Vietnam, a slightly higher growth rate of 3-5% per annum for beef and poultry creates a positive outlook for the consumption of these varieties of meat in the coming years. A higher growth rate for beef and poultry is a result of a new cultural belief which is a preference towards foreign and/or imported products.

The value of meat imported to Vietnam has doubled in four years. Bovine meat saw the strongest increase and accounted for 45% of total imports.

The flood of imported meat into Vietnam

- Poultry
- Pork
- Meat of bovine animals, fresh or chilled
- Meat of bovine animals, frozen

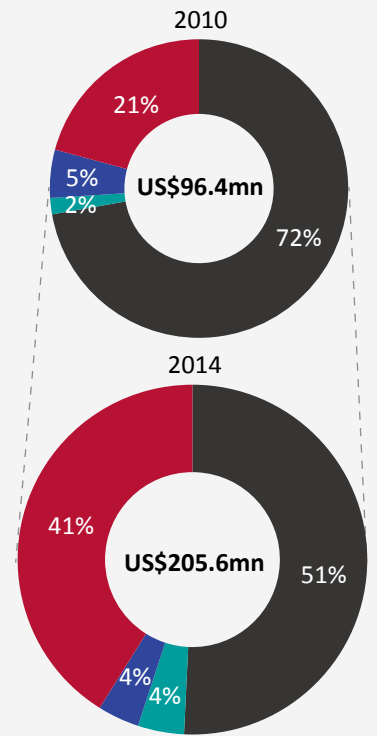


Figure 4: Meat import value by type in 2010 and 2014

In 2015, the country's imported meat value is estimated to have reached US\$234.7 million, an increase of 143% and 14% compared to 2010 and 2014, respectively. Although the import value of poultry increased by US\$34.8 million during 2010-14, its contribution to Vietnam's meat imports decreased from 72% to 51% whereas the share of bovine meat rose sharply during the same period. Bovine meat's import value saw a four-fold increase from US\$25 million to US\$92.5 million. Whilst there was a significant surge in the total value of imported frozen bovine meat, the fresh/chilled bovine meat value experienced a slower increase of about 1.2% per annum. In 2014, the import value of frozen meat was **eleven times higher** than the fresh/chilled category due to lower favour tax (20% for frozen bovine meat in comparison with 30% for chilled one). Trade agreements have facilitated the growth of meat importation in recent years. During the 5-year period from 2010 to 2014, Vietnam welcomed new players (mostly from the EU region) and it created a more competitive market environment for both foreign and local investors.

With support from trade agreements, Vietnam has welcomed various new players, creating a more competitive market environment for the meat sector.

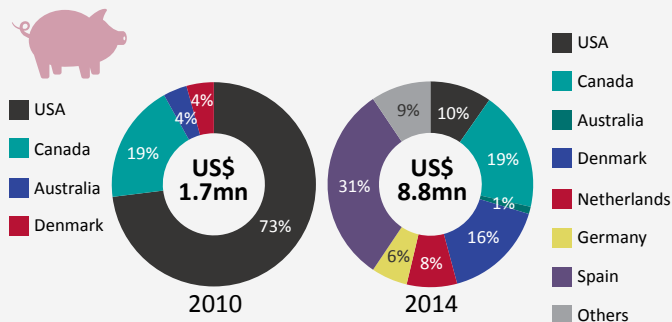


Figure 5: Pork import value in 2010 and 2014

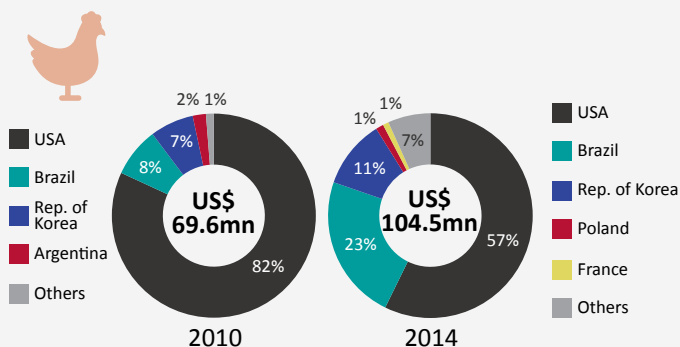


Figure 6: Poultry import value in 2010 and 2014

Falling oil prices, a decrease in local cattle head, and ongoing demand help explain Vietnam's sudden surge in bovine imports. The trend is expected to continue with the advantageous climate created by various trade agreements.

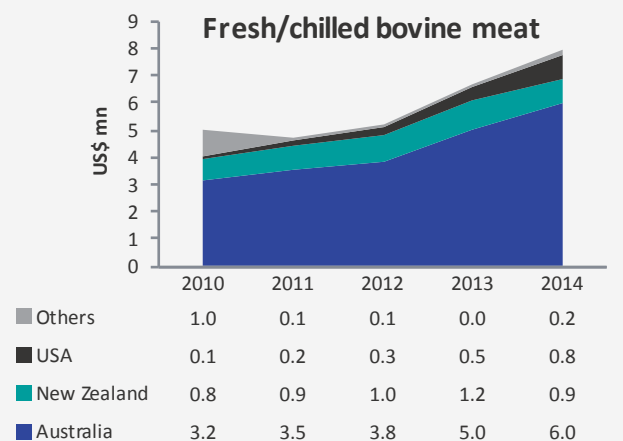
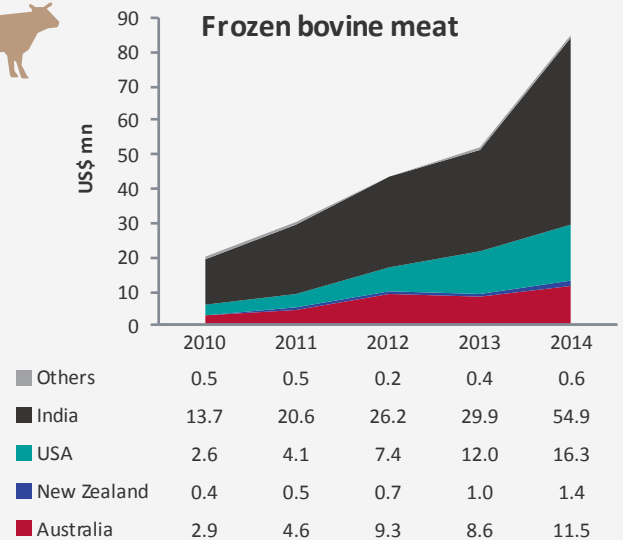
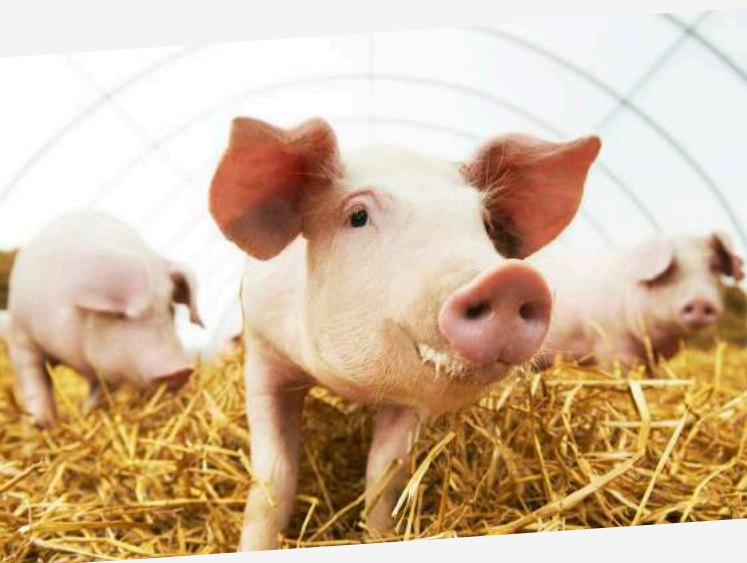


Figure 7: Bovine import value in 2010 and 2014

In 2014, pork's import value in Vietnam increased to US\$8.8 million with EU countries such as Denmark, the Netherlands, Germany and Spain getting a significant market share. However, as domestic production was in surplus, Vietnam was able to generate a total pork export value of US\$46.6 million in 2014. Since joining the World Trade Organisation, subsidy programs to support pork exports have been gradually withdrawn; as a consequence, business opportunities are not significant for the export sector, and are instead limited to fulfilling domestic needs.

Bovine meat's import value saw a **nearly four-fold increase** from US\$25 million to US\$92.5 million during the 2010-14 period, accounting for 45% of the total meat imported to Vietnam in 2014. The reasons behind this significant increase are considered to be falling oil prices, a decrease in local cattle head from 2017-12, and growing demand for beef. Trade agreements with Australia and New Zealand also facilitated the wave of imported beef in Vietnam. Instead of importing **meat** from bovine animals (which has a tariff rate of 18%), businesses import live bovine animals (at 2% import duty) and slaughter them in Vietnam. With the Trans-Pacific Partnership (TPP) signed in 2016 (yet currently not in force), competition is anticipated to be more intense, with import tariffs eliminated for TPP members including Australia, the US, Japan, and New Zealand. Nevertheless, from the consumers' end, trade agreements have little impact on the reduction of selling price, as tax is not the only cost component; the largest expense – transportation – still contributes roughly 25-30% of the total cost incurred.



A MORE OPEN AND COMPETITIVE MARKET, YET FULL OF POTENTIAL

Vietnam's meat market is growing with the involvement of an increasing number of players. Such changes pose a threat for local manufacturers, as the price of imports become more competitive when compared with locally produced meat. Foreign producers mainly rely on economies of scale and access to cheap feed which enable them to enter the market with low prices; Figure 8 compares the total production cost between locally produced and imported meat types. At the same time, the dominance of small-scale farms hampers productivity gains of local producers, preventing them from competing successfully in the market.

Vietnam's meat market has become more price-competitive, with foreign manufacturers taking advantage of cheap feed and economies of scale.

Meat types	Production cost/kg		Price difference (%)
	Domestic	Import	
Beef	US\$2.53	US\$1.77	30
Chicken	US\$1.42-1.47	US\$0.92(*)	35-37

(*)Selling price in Vietnamese market

Figure 8. Production cost comparison between locally produced and imported meat

In order to combat the wave of imported meat, some large-scale local companies have decided to manage the entire production chain from inputs to production, processing, distribution and selling to be able to achieve competitive prices. Dabaco Group (Dabaco) is a typical example that has successfully applied the "from breeds to table food" approach. Dabaco aims to develop a strong group in the agriculture industry, using modern technology and a closed 3F value chain – farming (breeding and farms), feed (producing livestock feed) and food (meat processing) – in combination with Dabaco's supermarkets and fresh food shops. In 2015, the company reached a total revenue of nearly US\$269 million, an increase of 10% compared to 2014. Hoa Phat Group, one of the leading private industrial companies in Vietnam, is another good example who has recently diverted their investment to animal feeds and pigs. The company aims to expand its pigs production capacity to one million tons by 2020.

To regain their competitive advantage, local companies should apply some strategies such as vertical integration or horizontal integration, or consider investing in sub-segments to reduce dependence on imported feed.

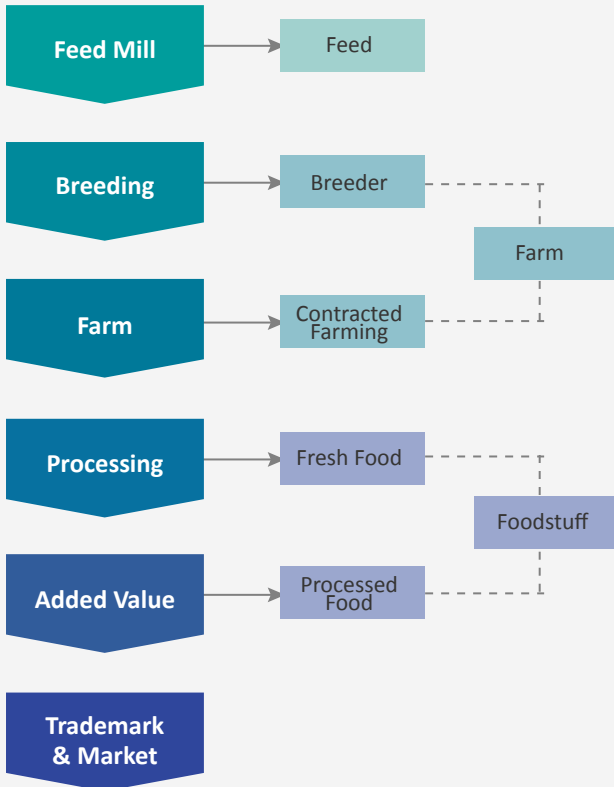


Figure 9. Dabaco's value chain

Besides the above-mentioned approach, local companies should consider the following strategies for long-term and sustainable development:

- Building up horizontal linkages, which can create large-scale enterprises that attract smaller-scale households and firms as satellites.
- Growing feed crops to reduce the degree of dependence on imported feed.
- Selecting and raising livestock in accordance with the region's geographical advantages.

For foreign exporters, the opportunities to invest in Vietnam's meat sector are vast considering the shortage of domestic supply and increasing demand. Figure 10 indicates the six distribution models usually adopted by food exporters in Vietnam. Models (1), (2), and (6) are the three most common practices in Vietnam, where most food importers are also distributors. These models are preferable for exporting to Vietnam as they involve fewer intermediaries. When entering Vietnam, foreign exporters often choose to work with local importers rather than establishing their own entities in Vietnam, for several reasons:

- Imports of meat can only be undertaken by a Vietnamese company that is officially approved as a trader in meat and poultry products.
- Local importers continue to play a major role in distributing and promoting imported products in Vietnam. Typically, local importers have their own sales agents and distribution fleet and are in direct contact with supermarkets, wholesalers, and in many cases, also with thousands of small-scale grocery stores.
- Import procedures and processes are complex and need careful attention.

Though the opportunities are vast, foreign exporters should be aware of the complicated nature of import procedures in order to select the most suitable distribution channels.

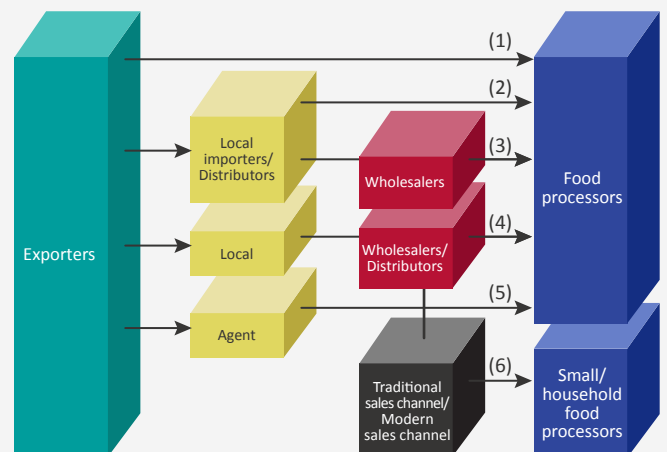
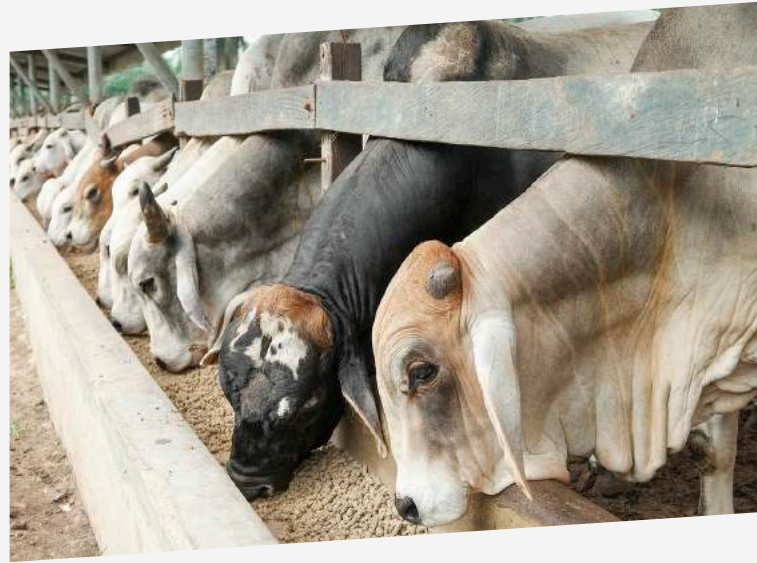


Figure 10. Typical trade distribution channels

CONCLUSION

Vietnam's rising population, income levels, changing cultural preferences and new trade agreements have opened up the door to significant growth in the meat industry (which consumption is expected to reach 4.5 million tonnes in 2019). Whilst the supply of pork can fulfil domestic needs, the country relies on imports to fulfil its beef and poultry demand; these sub-segments also exhibit promising investment potential, given their annual growth rates of 3-5%. Trade agreements and the benefit of economies of scale have allowed an increasing number of foreign players to join this lucrative sector in Vietnam. With so many of the right pieces in place, and the country's growing economy set to yield a large reward for any company that efficiently delivers what the public is already demanding, opportunities are ripe for investors with a clear-headed approach to further developing Vietnam's meat industry.



REFERENCES

- [1] Arita, S. S., & Dyck, J. (2014). Vietnam's Agri-Food Sector and the Trans-Pacific Partnership. United States Department of Agriculture.
- [2] Beef Central. (2015). Southeast Asia Report: Supply, Prices Hurdles for Indo | Viet, Thai Eye Brazilian Imports. Retrieved from: <http://www.beefcentral.com/live-export/se-asia-report/se-asia-report-supply-price-hurdles-in-indo-viet-thai-eye-brazilian-imports>
- [3] Bloomberg Business. (2015). Chicken War With U.S. Shows Free Trade Threat to Vietnam Farmers. Retrieved from: <http://www.bloomberg.com/news/articles/2015-08-16/chicken-war-with-u-s-shows-free-trade-threat-to-vietnam-farmers>
- [4] Bao Chinh Phu. (2013). Why has livestock raising using biological padding not been popular? Retrieved from: <http://baochinhphu.vn/Hoat-dong-dia-phuong/Chan-nuoi-bang-DLSH-chua-duoc-nhan-rong-Vi-sao/172963.vgp>
- [5] Business Insider. (2014). China's Pork Obsession Is Endangering The World. Retrieved from: <http://www.businessinsider.com/chinas-pork-obsession-is-endangering-the-world-2014-12>
- [6] Business Monitor International. (2015). Vietnam Agribusiness Report Q1 2016. BMI Research.
- [7] FAPRI. (2011). 2012 World Agricultural Outlook. National Institute of Food and Agriculture, U.S. Department of Agriculture.
- [8] Ha Long Canned Food Joint Stock Corporation. (2014). Financial Report 2014.
- [9] Mebipha. (2015). Vietnam's Bovine Market: Supply Cannot Meet Demand. Retrieved from: <http://mebipha.com.vn/thi-truong-thit-bo-trong-nuoc-cung-khong-du-cau>
- [10] Nguyen, K. (2015). Dabaco Group. SSI Research, Institutional Research & Investment Advisory
- [11] Nguyen, D. M. (2014). Pig Production and Marketing in Vietnam. Hanoi: National Institute of Animal Science (NIAS).
- [12] Pham, H. V. (2015). Improving the likelihood of small farmers in Vietnam Pig Value Chain: Experiences in the north of VIETNAM. Vietnam National University of Agriculture.
- [13] Thanh Nien News. (2015). TPP to deal big blow to Vietnam livestock industry. Retrieved from: <http://www.thanhniennews.com/business/tpp-to-deal-big-blow-to-vietnam-livestock-industry-52657.html>
- [14] The Consultative Group for International Agricultural Research. (2014). Smallholder Pig Value Chain Development in Vietnam: Situation Analysis and Trends.
- [15] Trung, D., & Hilmarsson, H. (2013). Food Processing in Vietnam - Where is the potential for High-Value Export? University of Akureyri, School of Business and Science.
- [16] United Nation Statistic Division. (2016, 1 25). UN Comtrade Database. Retrieved from <http://comtrade.un.org/data>
- [17] USDA Foreign Agriculture Service. (2015). GAIN Report – Food and Agricultural Import Regulations and Standards.
- [18] USDA Foreign Agriculture Service. (2015). GAIN Report - Vietnam Exporter Guide 2015.
- [19] USDA Foreign Agriculture Service. (2015). GAIN Report - Vietnam Food Processing Ingredients.
- [20] USDA. (2014). Vietnam's Agri-food Sector and the Trans-Pacific Partnership.
- [21] VEPR. (2015). The Impacts of TPP and AEC on the Vietnamese Economy: Macroeconomic Aspects and the Livestock Sector. Hanoi: University of Economics and Business - Vietnam National University.
- [22] Vietnam Supply Chain. (2013). Food Supply Chains in Vietnam.
- [23] Vissan Limited Company. (2015). Financial Report 9M 2015.
- [24] VPBank Securities. (2015). Dabaco Group.

ABOUT IPSOS BUSINESS CONSULTING

Ipsos Business Consulting is the specialist consulting division of Ipsos, which is ranked third in the global research industry. With a strong presence in 87 countries, Ipsos employs more than 16,000 people.

We have the ability to conduct consulting engagements in more than 100 countries. Our team of consultants has been serving clients worldwide through our 21 consulting "hubs" since 1994. Our suite of solutions has been developed using over 20 years experience of working on winning sales and marketing strategies for developed and emerging markets. There is no substitute for first-hand knowledge when it comes to understanding an industry. We draw on the detailed industry expertise of our consultants, which has been accumulated through practical project execution.

Founded in France in 1975, Ipsos is controlled and managed by research and consulting professionals. They have built a solid Group around a multi-specialist positioning. Ipsos is listed on Eurolist - NYSE-Euronext. The company is part of the SBF 120 and the Mid-60 index and is eligible for the Deferred Settlement Service (SRD). ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP



Build · Compete · Grow

At Ipsos Business Consulting we focus on maintaining our position as a leading provider of high quality consulting solutions for sales and marketing professionals. We deliver information, analysis and recommendations that allow our clients to make smarter decisions and to develop and implement winning market strategies.

We believe that our work is important. Security, simplicity, speed and substance applies to everything we do.

Through specialisation, we offer our clients a unique depth of knowledge and expertise. Learning from different experiences gives us perspective and inspires us to boldly call things into question, to be creative.

By nurturing a culture of collaboration and curiosity, we attract the highest calibre of people who have the ability and desire to influence and shape the future.

Our Solutions

- Go-to-Market
- Business Unit Strategy
- Competitive Insights
- Partner Evaluation
- Innovation Scouting
- Optimal Channel Strategy
- Market Sizing
- Pricing
- Forecasting
- Brand Strategy & Value
- Sales Detector
- B2B Customer Segmentation

AUTHORS OF THIS PAPER



Dung Nguyen

Senior Consultant, Vietnam
E. dung.nguyen@ipsos.com
T. +84 8 38329820



Khanh Ngo

Associate Consultant, Vietnam
E. khanh.ngo@ipsos.com
T. +84 8 38329820

CONTACT US

AUSTRALIA

Level 13, 168 Walker Street
North Sydney 2060
NSW, Australia
E. australia.bc@ipsos.com
T. 61 (2) 9900 5100

GREATER CHINA

BEIJING
12th Floor, Union Plaza
No. 20 Chao Wai Avenue
Chaoyang District, 100020
Beijing, China
E. china.bc@ipsos.com
T. 86 (10) 5219 8899

SHANGHAI
31/F Westgate Mall
1038 West Nanjing Road 200041
Shanghai, China
E. china.bc@ipsos.com
T. 86 (21) 2231 9988

WUHAN
10F HongKong & Macao Center
118JiangHan Road
HanKou Wuhan, 430014
Wuhan, China
E. china.bc@ipsos.com
T. 86 (27) 5988 5888

HONG KONG
22/F Leighton Centre
No 77 Leighton Road
Causeway Bay
Hong Kong
E. hongkong.bc@ipsos.com
T. 852 3766 2288

INDIA

MUMBAI
Lotus Corporate Park
1701, 17th Floor, F Wing
Off Western Express Highway
Goregoan (E),
Mumbai – 400063, India
E. india.bc@ipsos.com
T. 91 (22) 6620 8000

GURGAON
801, 8th Floor, Vipul Square
B-Block, Sushant Lok, Part-1
Gurgaon – 122016, Haryana,
India
E. india.bc@ipsos.com
T. 91 (12) 4469 2400

INDONESIA

Graha Arda, 3rd Floor
Jl. H.R. Rasuna Said Kav B-6, 12910
Kuningan
Jakarta, Indonesia
E. indonesia.bc@ipsos.com
T. 62 (21) 527 7701

JAPAN

Hulic Kamiyacho Building
4-3-13, Toranomon
Minato-ku, 105-0001
Tokyo, Japan
E. japan.bc@ipsos.com
T. 81 (3) 6867 8001

KENYA

Acorn House
97 James Gichuru Road Lavington
P.O. Box 68230
00200 City Square
Nairobi, Kenya
E. africa.bc@ipsos.com
T. 254 (20) 386 2721-33

MALAYSIA

18th Floor, Menara IGB
No. 2 The Boulevard
Mid Valley City
Lingkaran Syed Putra, 59200
Kuala Lumpur, Malaysia
E. malaysia.bc@ipsos.com
T. 6 (03) 2282 2244

NIGERIA

Block A, Obi Village
Opposite Forte Oil
MM2 Airport Road, Ikeja
Lagos, Nigeria
E. africa.bc@ipsos.com
T. 234 (806) 629 9805

PHILIPPINES

1401-B, One Corporate Centre
Julia Vargas cor. Meralco Ave
Ortigas Center, Pasig City, 1605
Metro Manila, Philippines
E. philippines.bc@ipsos.com
T. 63 (2) 633 3997

SINGAPORE

3 Killiney Road #05-01
Winsland House I, S239519
Singapore
E. singapore.bc@ipsos.com
T. 65 6333 1511

SOUTH AFRICA

Wrigley Field The Campus
57 Sloane Street Bryanston
Johannesburg, South Africa
E. africa.bc@ipsos.com
T. 27 (11) 709 7800

SOUTH KOREA

12th Floor, Korea Economic
Daily Building, 463 Cheongpa-Ro
Jung-Gu 100-791
Seoul, South Korea
E. korea.bc@ipsos.com
T. 82 (2) 6464 5100

THAILAND

21st and 22nd Floor, Asia Centre Building
173 Sathorn Road South
Khwaeng Tungmahamek
Khet Sathorn 10120
Bangkok, Thailand
E. thailand.bc@ipsos.com
T. 66 (2) 697 0100

UAE

4th Floor, Office No 403
Al Thuraya Tower 1
P.O. Box 500611
Dubai Media City, UAE
E. uae.bc@ipsos.com
T. 971 (4) 4408 980

UK

3 Thomas More Square
London E1 1YW
United Kingdom
E. europa.bc@ipsos.com
T. 44 (20) 3059 5000

USA

Time & Life Building
1271 Avenue of the Americas
15th Floor
New York, NY10020
United States of America
E. us.bc@ipsos.com
T. 1 (212) 265 3200

VIETNAM

Level 9A, Nam A Bank Tower
201-203 CMT8 Street, Ward 4
District 3
HCMC, Vietnam
E. vietnam.bc@ipsos.com
T. 84 (8) 3832 9820