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Food & Beverage Industry in Vietnam

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AGENDA

1. Landscape of F&B industry in Vietnam
2. Key Sectors
3. Market Entry Considerations

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Section 1

Landscape of F&B industry in Vietnam

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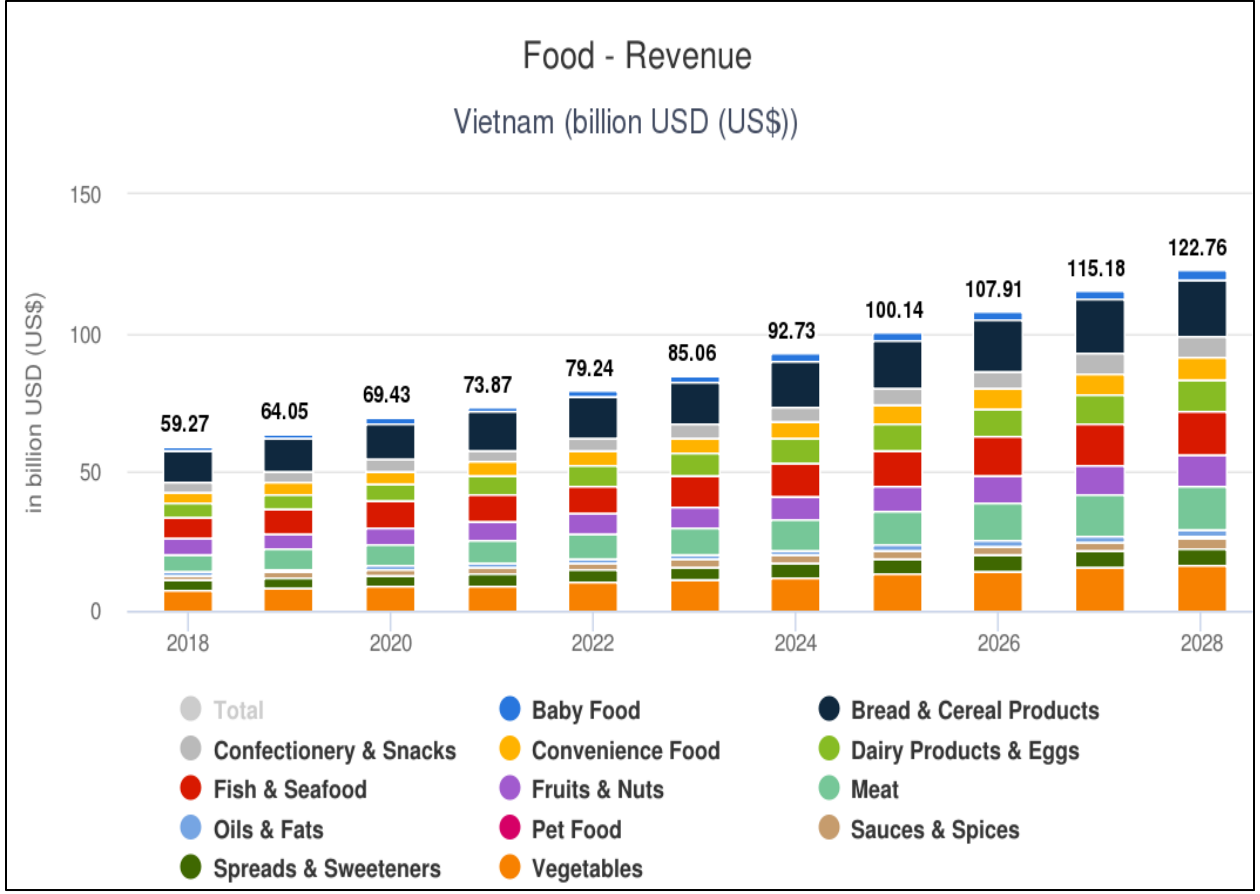
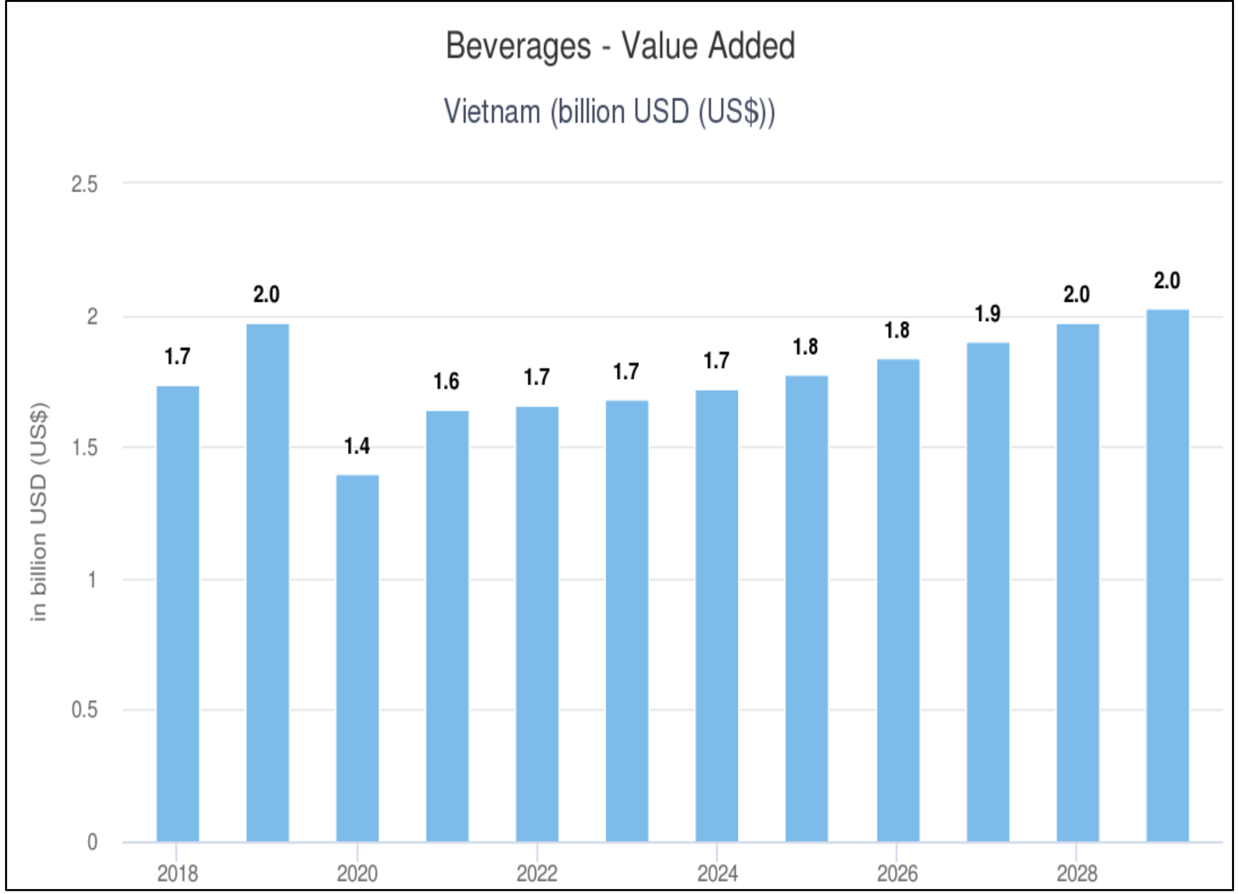
Overview of Food market in Vietnam

Food sector in Vietnam

$92.67bn of expected revenue in Vietnam's **Food** market
7.24% annual growth rate (CAGR 2024-2028)

$1.7bn of Value added in Vietnam's **Beverages** market (2024)
3.37% annual growth rate (CAGR 2024-2028)





Source: Statista, 2024

Food retail industry in Vietnam

$256.5B Market value in 2023 (estimated)

$435.59B Market value in 2028 (estimated)

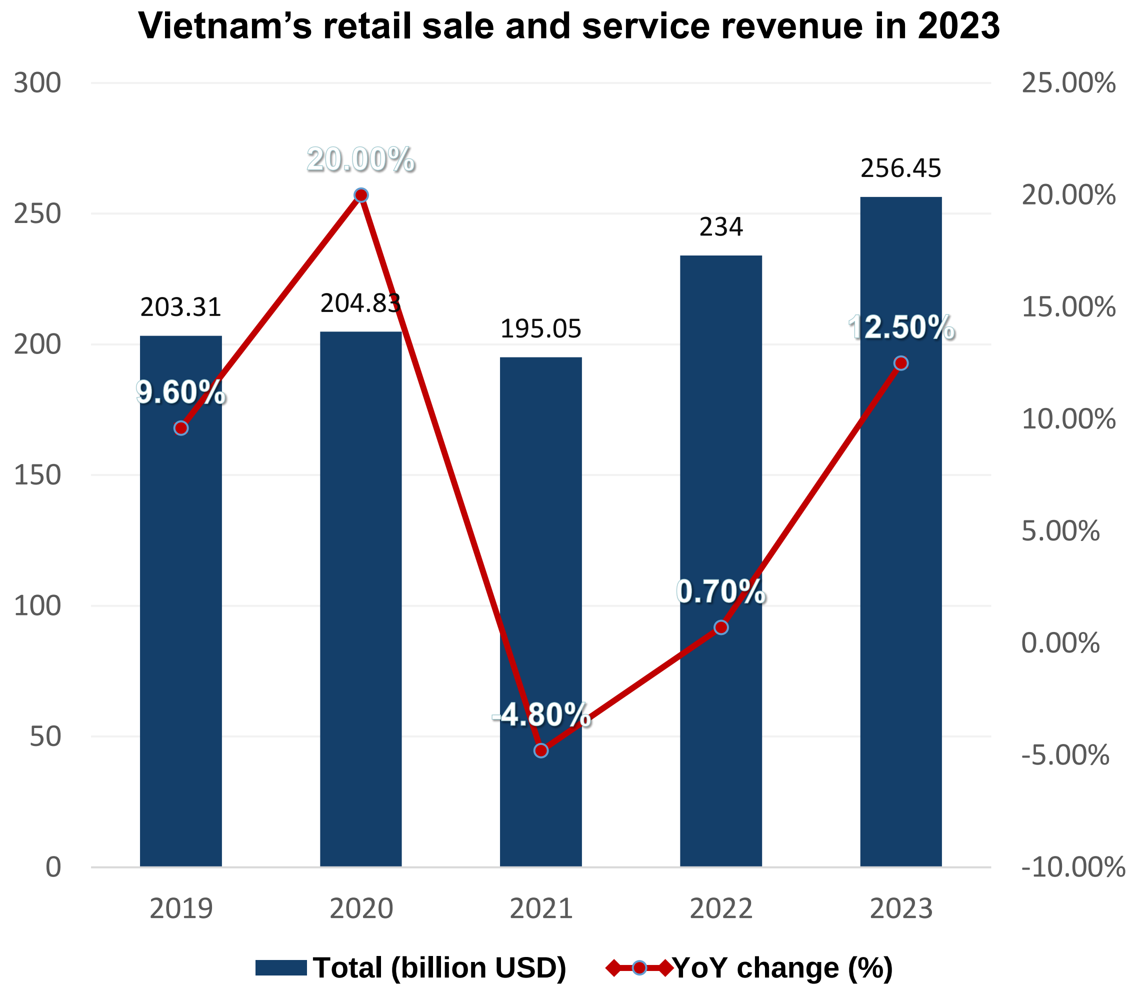
12.05% CAGR (2023 – 2028)

11.7% Increased in **Food & Foodstuff revenue** of the total retail sales in 2023

Distribution channels

Hypermarkets, supermarkets and department stores:

Convenience stores:



Source: General Statistics Office, 2023

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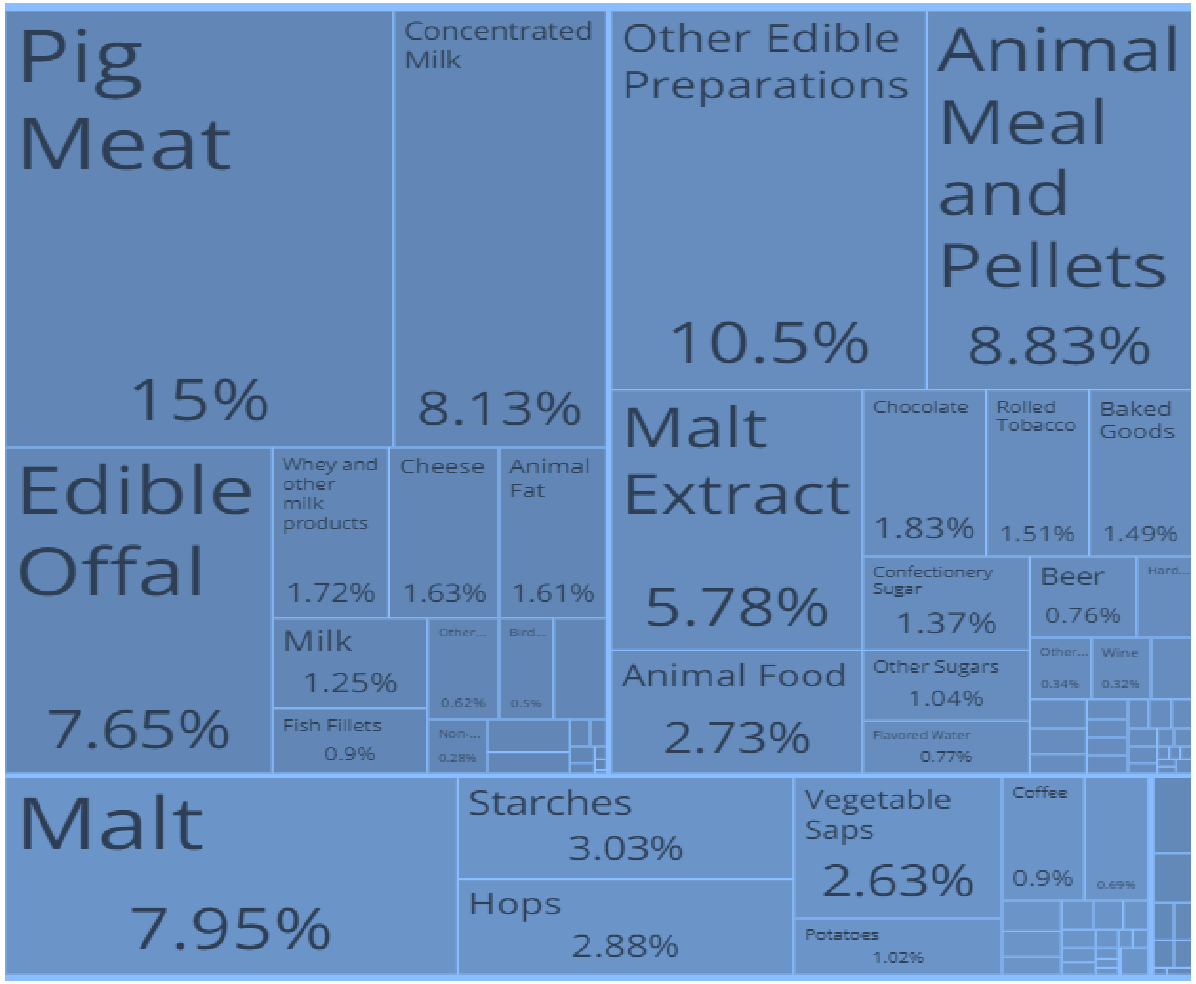
What products does Vietnam import from Germany?

Vietnam imports from Germany



Source: OEC

Animal products

- Pig Meat accounted for 15.0% of all agricultural imports, generating 38.2 million USD in revenue.
- This is followed by Edible Offal and Concentrated milk, accounting for 7.65% and 8.13% respectively

Vegetables

- Malt accounted for 7.95% of imports, generating 20.3 million USD in revenue
- .Starches, Hops and Vegetable Saps accounted for a total of 8.54% of imports, generating 21.8 million USD in revenue

Foodstuffs

- Malt extract accounted for 5.78% of imports and generated 14.7 million USD in revenue
- Animal Meal and Pallets accounted for 8.83%, generating 22.5 million USD in revenue
- Animal food accounted for 2.73% of imports and generated 9.98 million in revenue

Animal and vegetable bi-products

- Made up a smaller portion of the exports.

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Vietnam - European Union Free Trade Agreements

Vietnam – European Union Free Trade Agreements

EVFTA and its benefits for F&B products from Germany

The EVFTA, signed in 2019, improves market access for Germany exporters to Vietnam. Ever since its implementation, Germany has been enjoying duty-free access to Vietnam for over 99% of its Food and Beverage exports.

This levels the playing field with regional competitors benefiting from privileged access through FTAs.

Vietnam-EU Free Trade Agreements

EVFTA and its benefits for Food & Beverage products from Germany

How the EVFTA helps Germany-Vietnam trade and investment of F&B products

1. The elimination of tariffs have led to reduced prices of German goods, enabling German F&B products to have a comparative advantage over many other countries.

2. The EVFTA comprises of commitments made by both Vietnam and the European Union for transparent and ease of trade between the two parties. This will lead to strong investor confidence from German F&B companies in Vietnam.

3. The agreement includes commitments towards reducing other non-tariff barriers such as custom procedures, as well as the commitments on export and import licensing, making it easier for German Exporters to export their products.

4. The EVFTA also sets a strong standard for intellectual property protection and enforcement, including a range of disciplines new to Vietnam's domestic regime.

Source: World Trade Organization, 2024

Vietnam-EU Free Trade Agreement

EVFTA and its benefits for F&B products from Germany

	IMAGE	TARIFFS
Pork		Import tariff on frozen pork will be 0% after 7 years, and 9 years for other types of pork.
Milk & Dairy Products		About 44% of these products will have their tariffs eliminated as soon as the agreement comes into force or after 3 years. The remaining products will be exempt from import duties after 5 years.
Edible Offal		About 55% of these products will have their tariffs eliminated after 8 years, and 10 years for other types.
Sugar		Tariffs of sugar have been eliminated, but a tariff rate quota of 10,000 tons of white sugar and 10,000 tons of products containing more than 80% sugar have been implemented. Any amount above this limit will be subjected to tariffs.
Chocolate		Up to 30% of tariffs will be eliminated by 2027

Source: World Trade Organization, 2024

Vietnam-EU Free Trade Agreement

EVFTA and its benefits for Agri-Food products from Germany

Sectoral opportunities in Vietnam

10.8% *annual growth rate*

$10.8B →

← **$3.59B**

18th largest investor in Vietnam

The F&B sector accounted for a small proportion of Germany's exports to Vietnam, at 255M (7.1%) out of its total exports of 3.59B

Source: OEC, 2022

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Consumer Profiles

To get more insights into Vietnamese market

Customer profile

- Vietnam's population in 2024 is approximately **100 million**, with 37% residing in urban areas.
- The country has a predominantly young population, with over **45%** falling within the 25-54 age group, which represents a significant consumer demographic.
- **Generation Z** (born between 1997-2012) is expected to account for around 30% of the population and become an important consumer base.
- **Vietnam's middle class** is rapidly growing and is projected to reach **23.2 million** people by 2030, representing approximately 22% of the total projected population.
- Consumers aged 45 to 65 are expected to contribute nearly 25% of Vietnam's consumer spending by 2030, indicating the increasing purchasing power and significance of this segment in the economy.

Source: Vietnamese market overview, market intelligence, Government of Canada

Customer behavior

82% of Vietnamese consumers prefer food made or sourced from Vietnam

65% pay attention to food from abroad and are price-sensitive.

81% go grocery shopping several times per week

34% shop for food daily

Economic growth and exposure to Western food have influenced changes in eating habits in Vietnam over the past two decades.

Vietnamese consumers have a higher frequency of dining out compared to the West, with family restaurants being popular for social activities.

The dairy products consumption has experienced significant growth.

Local companies dominate the packaged food and beverages market, but foreign brands like *Nestlé*, *Heineken*, *Suntory*, and *Orion* have gained a strong presence.

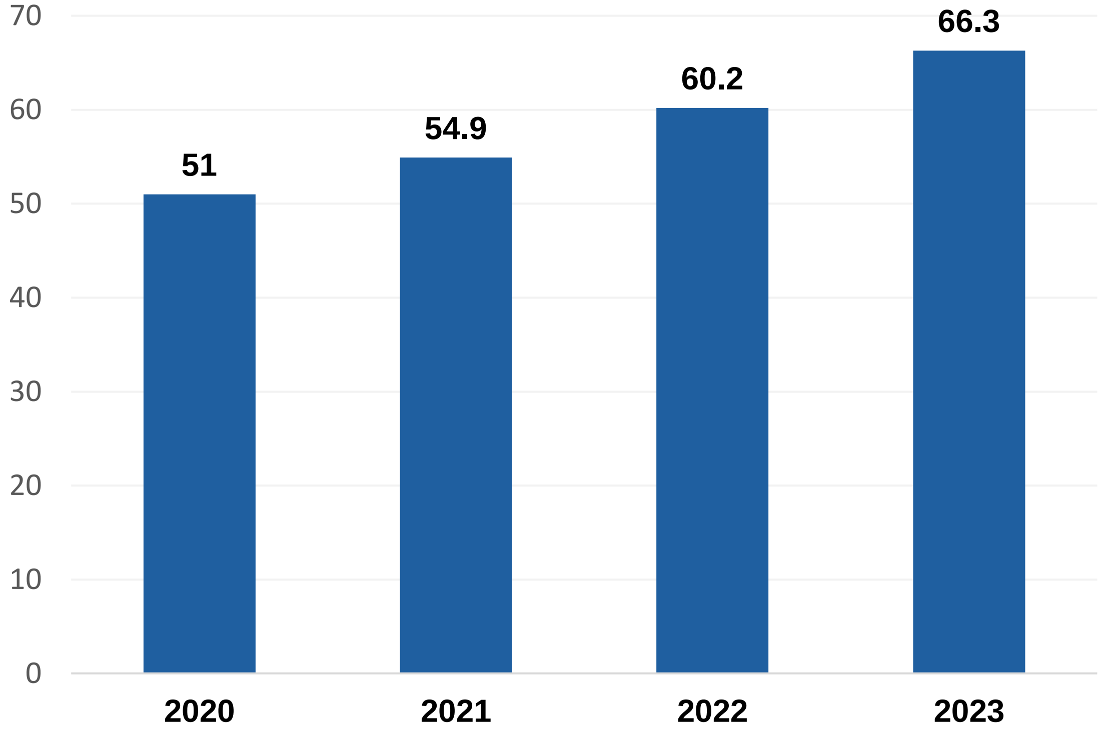
Source: Vietnamese market overview, market intelligence

Food and beverage market trends

Rice remains the primary calorie source, and despite the growing consumption of other staples, the dominance of rice is expected to continue.

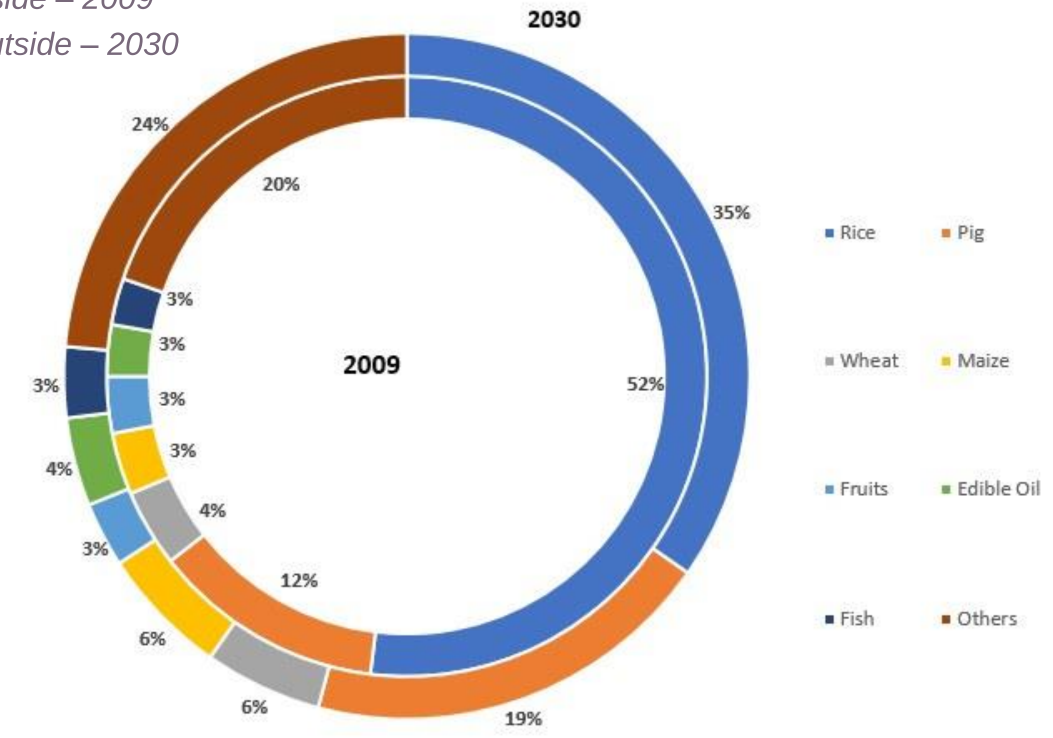
In 2030, rice will remain the main source of calories in Vietnam, but its overall contribution to the calorie composition is expected to decrease due to the increasing consumption of other food items like pork, wheat, and maize.

Food and beverage retail sales in Vietnam, 2016-2023
(Billion USD)



Source: Statista, 2024

Inside – 2009
Outside – 2030



Source: Statista, 2024

Market dynamics

Vietnam's food and beverage market is dominated by domestic companies, with foreign players facing challenges in establishing their presence.

Within the retail grocery market, Nestlé, Heineken, Suntory, and Orion are amongst the companies which have succeeded in capturing a top ten market share in their product categories.

International fast-food chains are expanding their presence in Vietnam's foodservice sector.

With rising disposable income, consumption of premium imported food items has also increased in the recent past.

85% of Vietnamese consumers are willing to try new food, flavors and ingredients. **60%** reported purchasing international food products at least once a month. In addition, **65%** of Vietnamese pay more attention to food coming from abroad.

Influences on F&B consumption

- Busy and stressful lifestyles
- Health and wellness
- High quality food and beverages
- Stocking up on essentials
- Increasing beer and wine consumption

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Potential selling channels for F&B industry

Traditional retailers

1.4M grocery stores

9000 traditional markets

- ***$10B*** *in revenue sales*
- ***70-75%*** *of Vietnam's total retail market*

only option for consumers in rural areas where they offer lower-priced products

94% of consumers buy the majority of their food in-store, mostly at local markets.

Type of intermediaries in Vietnamese consumer goods distribution

Name	Explanation	Product Ownership	Delivery Function
Distributors	Distributors offer broad market coverage and reduce costs for their suppliers by providing regional warehousing and customer services.	Yes	Yes
Wholesalers	Merchants in wet markets or streets who sell products to other channel partners (retailers), who in turn re-sell the products.	Yes	No
Agents	Individuals or companies who sell products on behalf of a supplier or distributor. Agents do not take physical possession of the goods or services and are typically remunerated on commission.	No	Yes
Brokers	Brokers strive to bring potential buyers and sellers together. They are not supposed to have a long-term relationship.	No	No

Source: Ihara, Motoi

Modern retailers

25% Of the grocery retail market are hyper/supermarkets and convenience stores.

- *800+ hyper/supermarkets*
- *6700+ convenience stores and mini markets*

12% Annual growth

Many are owned and managed by **Asian investors** from Japan, South Korea and Thailand.

While most foreign F&B enter the Vietnamese market via local importers, some of the largest modern retail food chains, such as **Central Retail** and **Co.opmart**, directly import products.

Hypermarkets, supermarkets:

Convenience stores:

Food service

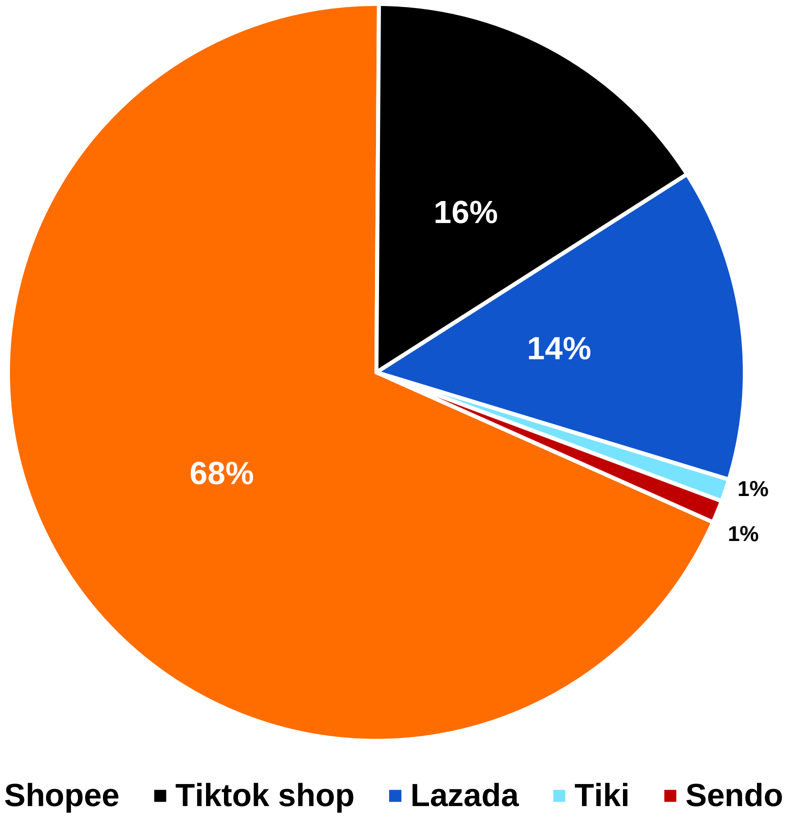
Imported F&B products are distributed directly to these providers or through foodservice wholesalers.

Some providers, like restaurant chains, directly import key ingredients such as beef, poultry, and frozen potatoes.

E-commerce

E-Commerce Platforms

Revenue by Q3/2023 (trillion VND)



Source: The Investor

Online Grocery Delivery Service Providers

Major players:

Advantages:

- Online grocery delivery service providers have played a crucial role in enabling this shift, especially during social distancing restrictions.
- These services offer fast and convenient shopping experiences with delivery times ranging from 1 hour to 1 day.

Section 2

Key sectors

Meat products

Retail products

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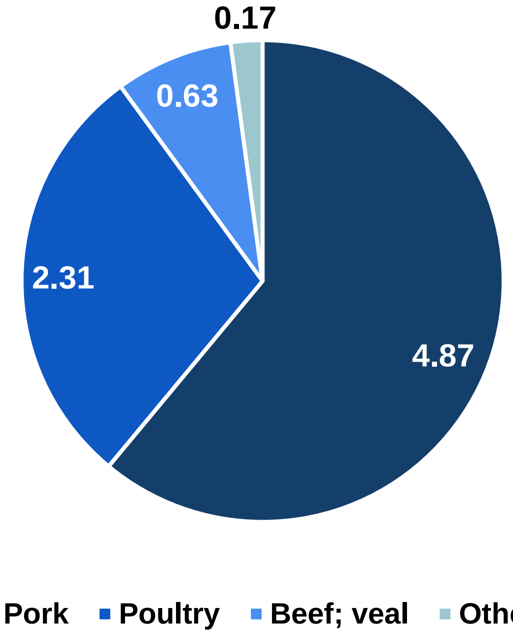
Meat products

Pork, poultry, beef & others

7.98M Tons of meat production in 2024

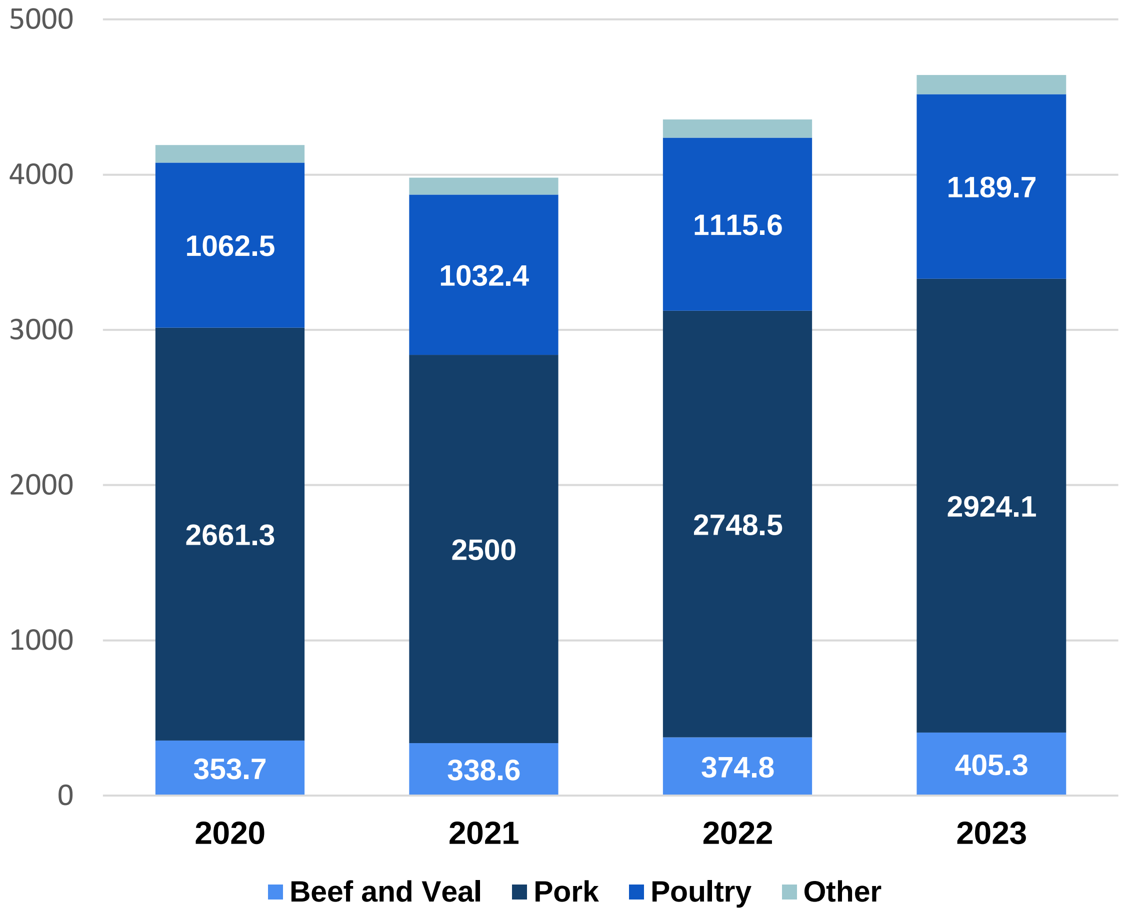
3.8% year-on-year increase

Proportion of meat types based on quantity
(million tons)



Source: Vneconomy

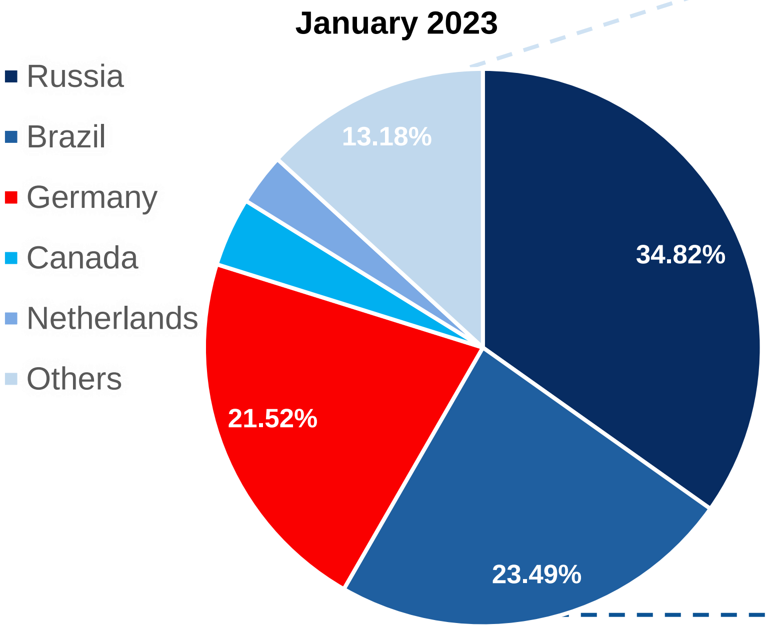
Total Volume Sales of Meat by Category, 2019-2023
(thousand tons)

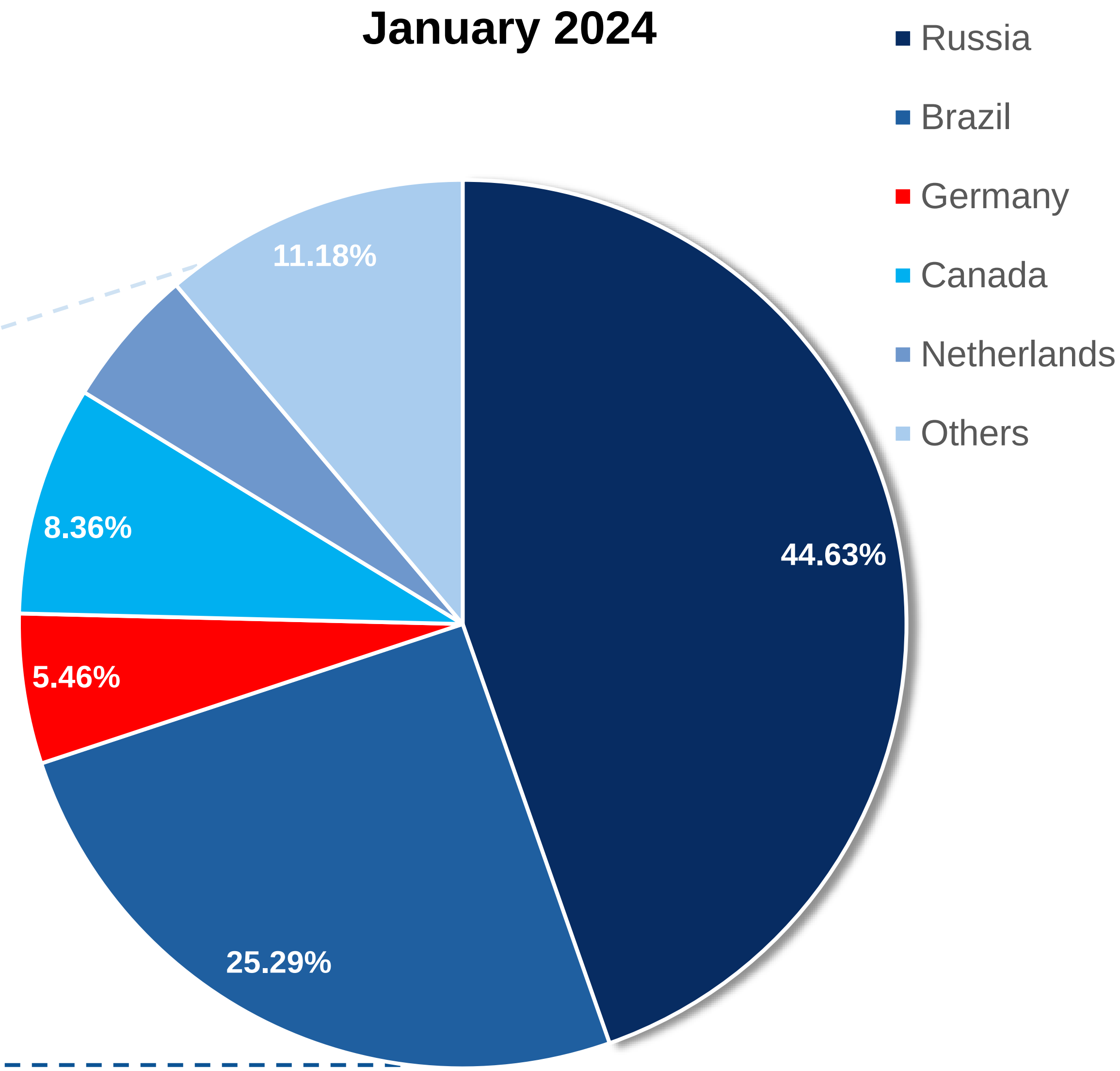


Source: Euromonitor International

Pork Imports

- In 2023, Vietnam imported **112,600** tons of chilled or frozen pork (2% decrease) worth **$279.8** million (a 2% decrease in volume , but 12% increase in value).
- In January 2024, Vietnam imported chilled or frozen pork from 14 markets, with **Germany**, Brazil and Russia being the primary sources.
- Russia accounted for 44.63% of Vietnam's total pork imports, followed by Brazil at 25.3%. Germany at 5.46%.





Source: Department of Vietnam Customs

Dairy Imports

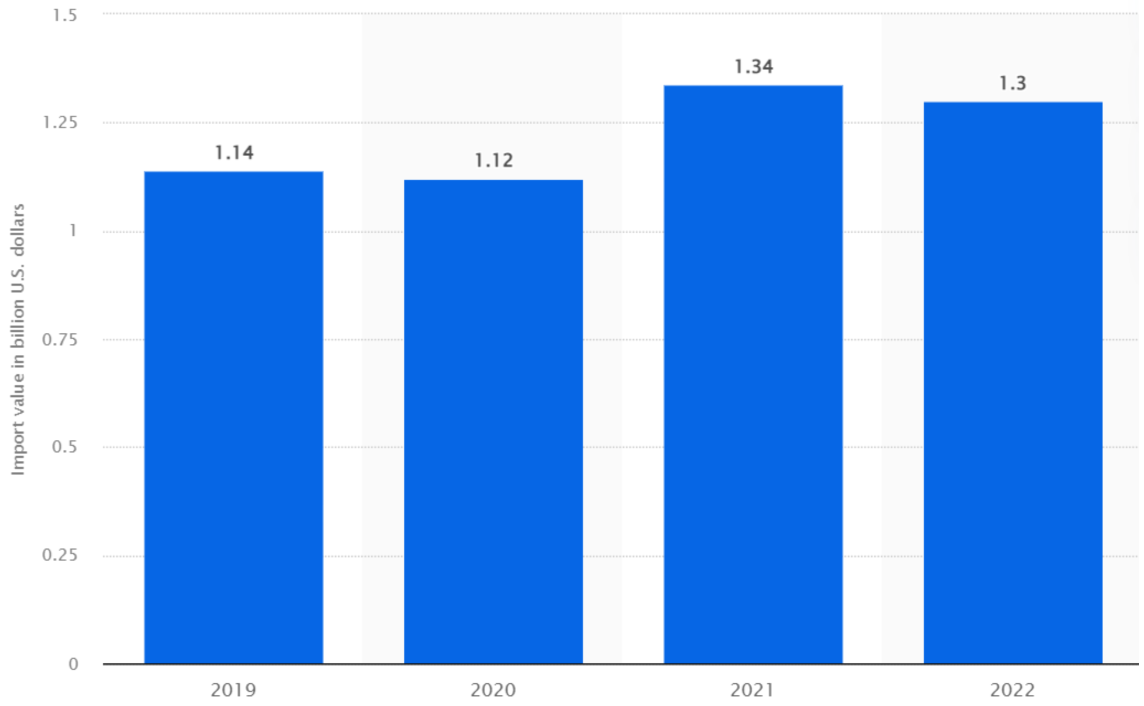
Vietnam mainly imports its dairy products from New Zealand, USA, France and Thailand, with New Zealand being the most imported ($178.22 mil)

Germany exports of dairy products, eggs, honey and edible products to Vietnam is valued at US $24.21 million during 2023, a relatively small partner.

Concentrated milk made up 8.13% (US $20.7 million) of Germany's total exports to Vietnam

Vietnam's dairy ingredients market size is projected to grow at a growth rate of 4.26% from 2024 to 2032

- Vietnam's dairy sector has been experiencing strong sales growth due to an expanding middle-class.
- Its milk production is unable to meet its demand and hence Vietnam have been increasing its imports for dairy products



Import value of dairy products in Vietnam from 2019 to 2022 (in Billion USD)

Source: Statista, IMARC, 2024

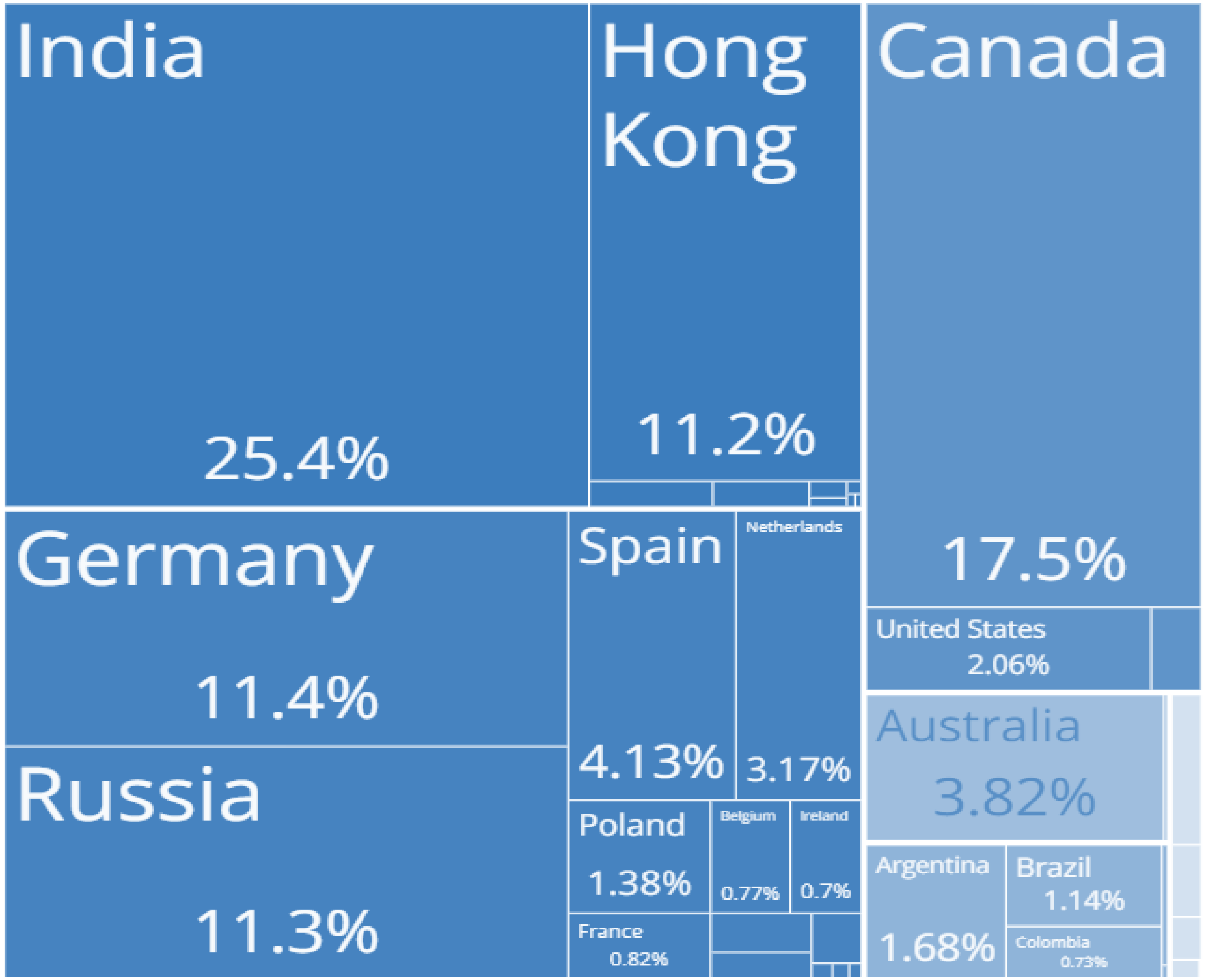
Edible Offal

$41.3bn World market size by 2031

5.4% year-on-year increase

Vietnam imported most of its Edible Offal from India, Canada and Germany.

Germany exported **$19.5million** of Edible Offal to Vietnam and is Vietnam's **3rd largest** importer.

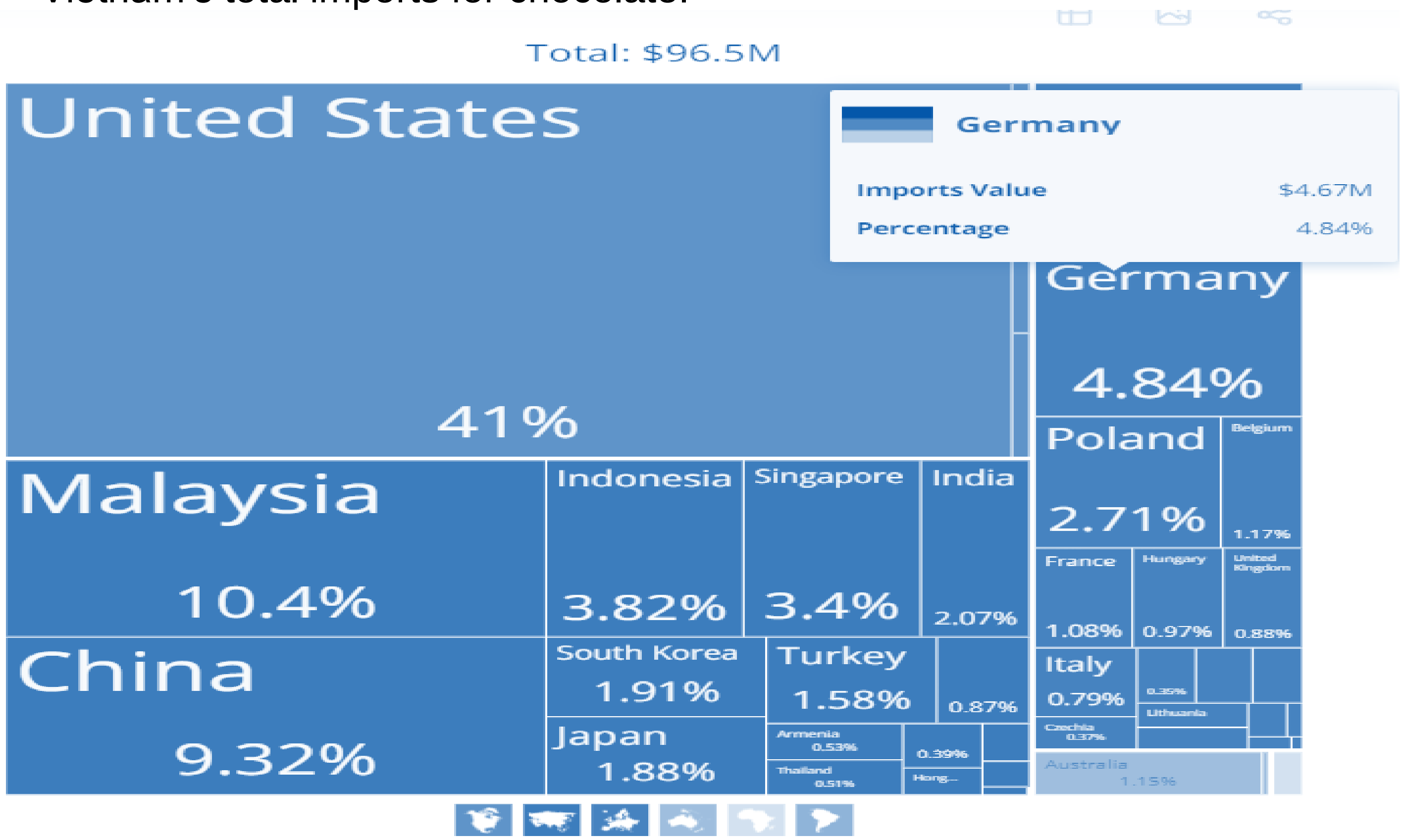


Source: OEC

Retail products

Chocolate

Vietnam imported $96.5M in Chocolate, mainly from the United States ($39.6M), Malaysia ($9.99M), China ($9M), Russia ($4.86M), and **Germany ($4.67M)**. Imports from Germany comprised of 4.84% of Vietnam's total imports for chocolate.

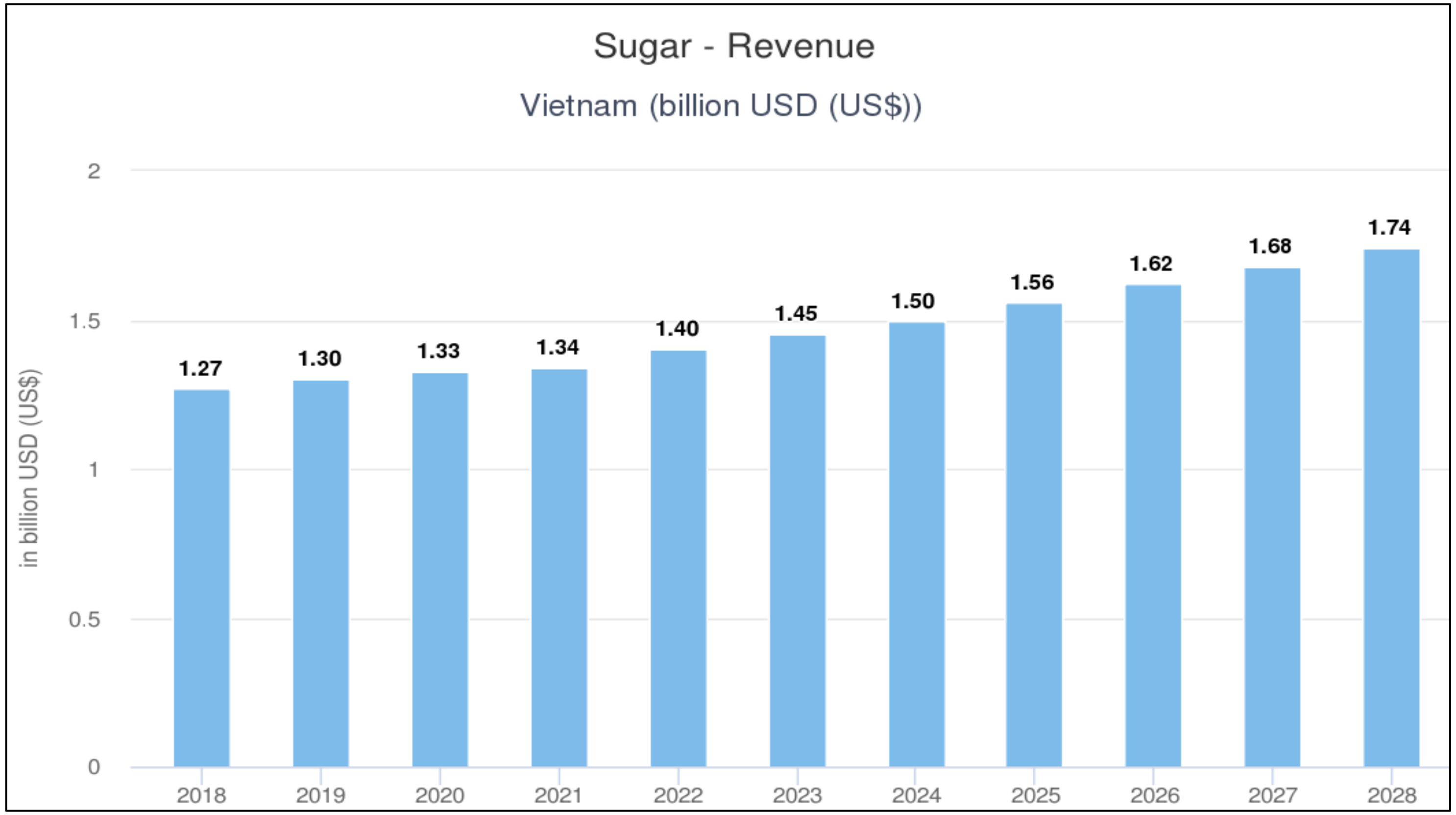


Source: OEC

Sugar

US$1.5bn of expected Revenue in Vietnam's sugar market (2024)

3.78% growth rate (CAGR 2024-2028)



Source: Statista, 2024

Demand for Sugar

- In 2022, domestic supply only met 37.5% of demand, hence Vietnam had to import 1.23 million tonnes of sugar.
- Vietnam's sugar market is expected to grow to **US$2.1bn** by 2028. This is driven by an increasing population in urban regions and an increased tourism in the country.

Confectionery

Overview

$14.31B In revenue of Confectionery & Snacks market

8.91% CAGR 2024-2028

2.74B Kg in volume

Import of confectionery into Vietnam

$5.68M
in import value

Consumption Trends

Demand for low-sugar, low-calorie confectionery

- Demand for low-sugar and low-calorie confectionery is increasing.
- Factors for this demand include rising obesity rates among children.
- Health consciousness, urbanization, and lifestyle changes also contribute to the trend.
- The prevalence of overweight children aged 5 to 19 has risen from 8.5% to 19% between 2010 and 2020.

Green consumption

- Vietnamese consumers are favoring ecologically friendly products and services. This aligns with Vietnam's Green Growth Strategy.
- Confectionery firms should prioritize responsible sourcing, eco-friendly ingredients, and recyclable packaging materials → helps reduce their carbon footprint and meet consumer demand for sustainable options.

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Section 3

Market Entry Considerations

Market Entry Checklist

Considerations	What to do?
Market Research	Conduct thorough market research to understand the preferences, behavior, and needs of Vietnamese consumers. This should include local tastes, cultural nuances, and specific demand trends within the F&B sector.
Market Entry Planning	Choose the right market entry strategy, whether it's establishing a local presence, partnering with local businesses, franchising, or utilizing e-commerce platforms.
Distribution and logistics	Develop efficient distribution and logistics channels to ensure your products reach consumers in a timely and cost effective manner, especially in the context of Vietnam's diverse geography.
Pricing strategy	Carefully consider your pricing strategy to remain competitive while ensuring profitability. Take into account local economic factors and consumer affordability.
Local partnerships	Consider collaborating with local distributors, suppliers, and partners who understand the market dynamics, distribution networks, and regulatory landscape. These partnerships can help you navigate the market more effectively
Branding and marketing	Invest in strong branding and marketing efforts to build awareness and trust in the Vietnamese market. Utilize digital marketing and social media, as these are highly influential in the country

Choosing a local F&B Distributor in Vietnam

Why find a distributor?	- Ease of communication as Vietnamese is a tricky language to learn - Local distributors already have established distribution networks and will know retailers and transportation firms, as well as the connections a business needs to quickly and effectively get their products to market
How to find a distributor?	Connecting with local associations, particularly national chambers of commerce, can be extremely helpful. These institutions often have their own broad networks and offer networking events that are often attended by a mix of both international and domestic industry leaders.
What do distributors do?	The distributor is usually responsible for the import procedures, customs compliance, and other in-market legal compliance, such as product registration and labeling. Distributors also generally arrange local markets and cover the marketing costs. If they buy in bulk, they also usually take care of warehousing and inventory management.
Should I use a business matchmaking service?	Business matchmaking services connect foreign enterprises with local distributors that meet their specific requirements. Utilizing a business matchmaking service to get your products into the hands of Vietnamese consumers is a cost-effective option, with proven results.

Q&A

Thank you!

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