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F2F Health Matters

F2F Health Matters: International development of innovative European healthy food, and sustainable bio-based techno-functional ingredients and solutions, and bio-solutions in new global markets

D1.5 Country analysis - Vietnam

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Abbreviations and Acronyms

AANZFTA	ASEAN Australia New Zealand Free Trade Area
ACFTA	ASEAN-China Free Trade Area
ASEAN	Association of Southeast Asian Nations
CAGR	Compound Annual Growth Rate
EU	European Union
EVFTA	European Union-Vietnam Free Trade Agreement
GDP	Gross Domestic Product
HCMC	Ho Chi Minh City
IPVN	Intellectual Property Office of Vietnam
MARD	Ministry of Agriculture and Rural Development
MOH	Ministry of Health
MOIT	Ministry of Industry and Trade
MoU	Memoranda of Understanding
R&D	Research and Development
TBT	Technical Barriers to Trade
VNACCS	Vietnam Automated Cargo and Port Consolidated System
WTO	World Trade Organization

Executive summary

This document provides information about the Vietnamese market and the opportunities for EU companies in the healthy food and bio-solutions sector.

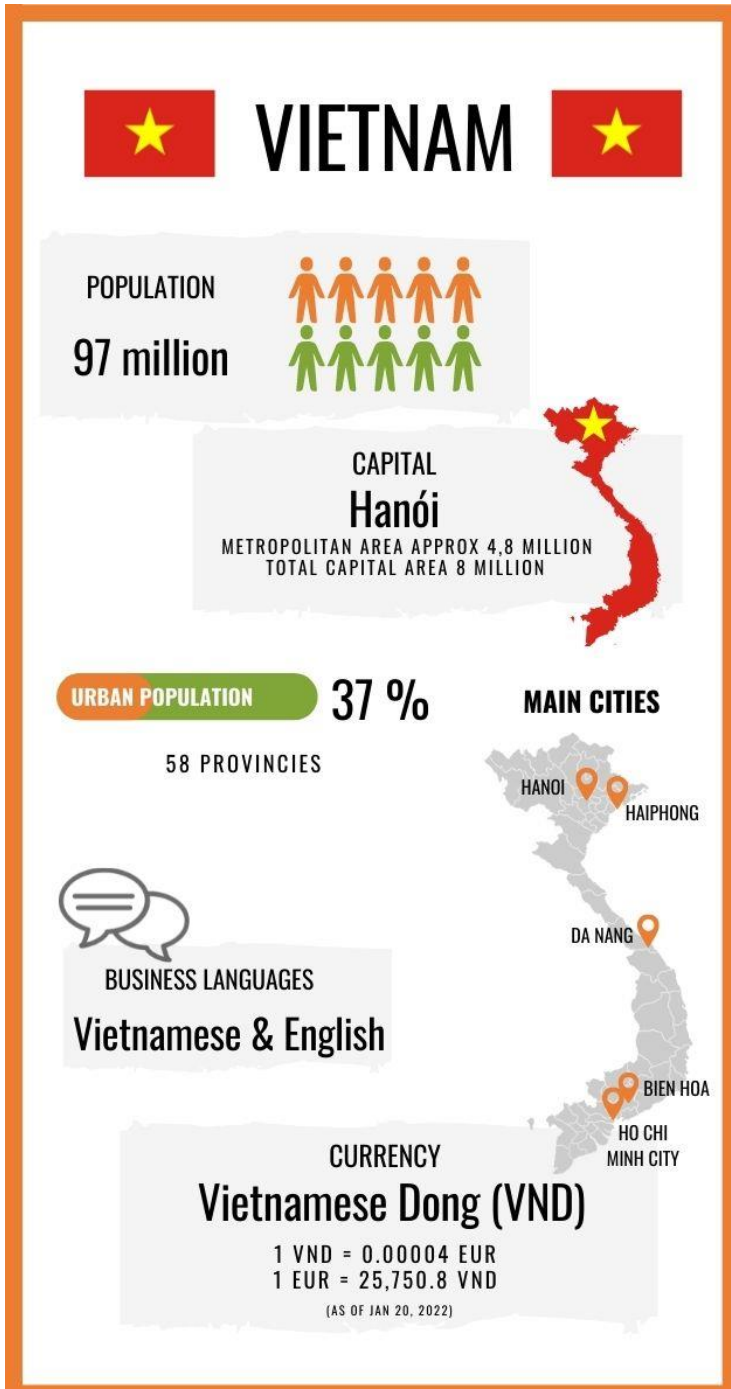
To this end, the report firstly provides a market overview of Vietnam, in which the economic data of the country is studied. It also shows relevant information about the food and beverage industry in the Vietnamese market.

To provide more information, it analyses the trade relations and trade agreements that exist between Vietnam and the EU, providing, based on this data, information on the information and requirements necessary to export to the Asian country (entry barriers, documentation, risks, etc.).

Finally, the report includes trends on healthy and bio-based sustainable solutions (including food) in the market, and a study about Vietnamese consumers.



1 Market overview



The Socialist Republic of Vietnam (hereinafter referred to as “Vietnam”), is a country located at the east of mainland Southeast Asia. Vietnam is bounded by China to the north, Laos and Cambodia to the west and the Gulf of Thailand to the east and south.

Vietnam is a socialist republic with a one-party system led by the Communist Party of Vietnam. The only legal political party in the country since 1975, after decades of wars and conflicts. The main branches of government are legislative, executive and judiciary powers.

The capital city is Hanoi, and the largest city and main business centre is Ho Chi Minh City. The country is divided in 58 provinces, the total population in 2020 was 97 338 583 inhabitants and the 37,34% lived in urban areas according to the World Bank data.

Vietnam is a developing country with one of the fastest growing economies in the world.

Before the economic revolution policy, the country had diplomatic relationship with the Soviet Union and the Socialist Bloc countries, but nowadays the international relations of Vietnam are more diverse. The country is an active member of international institutions such as the World Trade Organization, United Nations and the International Monetary Fund. Vietnam is also a member of the Association of Southeast Asian Nations (ASEAN) since 1995.

The country signed a Trade Agreement and an Investment Protection Agreement with the European Union in 2019. The Trade Agreement entered into force on 1st August 2020.

1.1 Economic data

Table 1. Economic Data - Vietnamese Market 2020

ECONOMIC DATA (2020)	
Population	97 338 583
Population growth (annual)	0,9%
GDP (M.€)	300 397
GDP growth	2,9%
GDP per capita (€)	3 086
GDP per capita growth	2,59%
Inflation rate	3,22%
Current account balance (\$)	14 967 000 (5,5% GDP)
Total debt (M.€)	139 391 (46,3% GDP)
Exports (M.€)	247 465,4 (82,38% GDP)
Imports (M.€)	229 995,3 (76,56% GDP)
Trade balance (M.€)	17 470,1 (5,82% GDP)
Gini Index	35,7
LABOUR MARKET	
Unemployment rate	2,4%
Minimum wage (€/month) ¹	² Area I - 157,25 Area II - 139,47 Area III - 122,03 Area IV - 109,22

Vietnam has gone from being one of the world's poorest nations to a middle-income economy just in one generation. The country is a development success story driven by the **Doi Moi** (which means renovation) program. This program is a renewal plan that covers the entire economic landscape and some of the social life aspects initiated by the Communist Party of Vietnam.

The GDP of Vietnam was growing at an average of 6,47% between 2000 and 2019 but dropped to 2,9% in 2020 because of the effects of the Covid-19 pandemic.

In terms of GDP per capita, Vietnam was one of the countries with the lowest levels worldwide in the 90's. Nowadays it is considerably higher (3.086 EUR) and the country is considered a **lower middle-income country**.

Vietnam has a commercial surplus of 17 470,1 million EUR. The main exports of the country to the EU are telephone sets, electronic products, footwear, textiles and clothing, coffee, rice, seafood, and furniture. On the

other hand, the EU exports to Vietnam are mainly high-tech products, aircraft, vehicles, and pharmaceutical products.

The unemployment rate in Vietnam is low, even though the level has increased in the last two years since the beginning of the pandemic, it is just the 2,4% of the country's labour force.

Vietnam is committed to a modern, industrialised economy by 2045. The government is currently working on a series of regulations to encourage all sectors to harness the potential of digital transformation, with the ultimate goals of growing Vietnam's digital economy at a rate

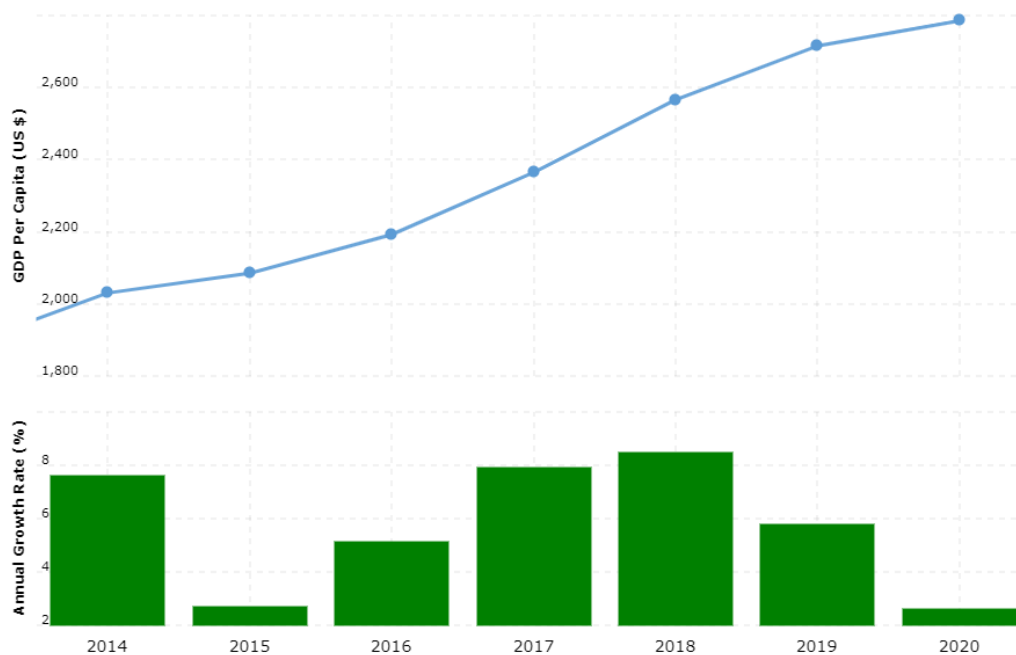
¹ There are 4 official minimum wages depending on the area where the company is located, which apply to workers without any qualifications and under normal working conditions. Workers with educational training are usually paid higher wages.

² **Area I:** Hanoi, HCMC, Haiphong. **Area II:** Hai Duong, Vinh Yen, Hung Yen, BacNinh. **Area III:** VinhPhuc, PhuTho, BacGiang. **Area IV:** All other places

of 20% per year, increasing productivity in the workplace and becoming one of the 20 most competitive economies in the world and one of the top three in Southeast Asia.

Vietnam has been a focus for companies looking to relocate their manufacturing operations from China due to the recent trade dispute between the USA and China. The country's condition allowed Vietnam to record a positive GDP rate of 1.8 % in 2020, while neighbouring countries experienced deficits and crises.

Figure 1. Evolution of GDP and GDP per capita in Vietnam (2014 - 2020)



SOURCE: MACROTRENDS

1.2 Agri-food and beverage industry in Vietnam

Vietnam's agri-food sector accounted for 86 billion USD worth of GDP in 2019, which is equivalent to a quarter of the national economy.

27,5 million people were employed in the **agri-food sector**, accounting **for more than half of all jobs in the country**, which generated 13,2 billion USD in tax revenue. The sector's employment growth increased by 12% from 2015 to 2019, and there is significant growth in the food and beverage distribution sector.

The food and beverage manufacturing market is **dominated by small companies** (less than 50 employees) which account for 84%.

Traditional small retailers (traditional markets and small independent shops) dominate Vietnam's food retail sector, but modern retail channels are expanding strongly in response to growing consumer demand.

About **22% of the land is arable in the country**, allowing for more than one crop and a year-round growing season. This, together with the abundance of water and the importance of the

agricultural sector, makes it a country with a **high level of production and a top exporter of food and beverage products.**

Agricultural production in Vietnam is dominated mainly by rice, followed by maize, coffee, cocoa, fruits and vegetables, as well as livestock and poultry. But there are certain products, such as **dairy products and meat other than pork, in which the country has a large deficit.**

Trade surpluses have been a constant characteristic of the Vietnamese agri-food sector for several decades. The Vietnamese economy resisted successfully the COVID-19 pandemic in 2020, with growth in both the agri-food sector and the economy as a whole. The agri-food sector is estimated to have grown by 3,7 billion USD, or 4% in real terms.

The largest contributor to this growth was agricultural production and associated activities, which accounts for almost two-thirds of the agri-food sector's contribution to GDP. But the sector is also growing rapidly throughout the agri-food value chain.

However, there was a contraction in the catering sector, due to social distancing measures and the collapse of tourism. In addition, employment in the agri-food sector is estimated to have decreased by 90,000 people in this period, due to a decline in catering and a substantial increase in labour productivity in the agricultural sector.

Production remains fairly labour intensive. Rural areas are heavily dependent on agriculture, and the size of many farms around the two river deltas is small.

On the other hand, Vietnam's food processing sector has grown rapidly in recent years, generally at a faster rate than GDP, and exports are considered very important for the sector. However, food consumption is also growing rapidly and recent data suggest that **growth in food consumption is outpacing growth in Vietnam's food processing sector.** In general, the country's food processing industry is run by small domestic companies. Processed food and beverages are one of Vietnam's key industries, contributing 37% of GDP.

In recent years, Vietnam has been among the fastest growing economies in the world. **The agri-food sector is also evolving rapidly, due to growth in labour productivity.** As a result, production is being achieved with fewer workers. The total employment footprint of the agri-food sector is estimated to have contracted since 2015.

1.3 Opportunities for Agri-food and beverage industry in the Vietnamese market

The agri-food sector plays a key role in the Vietnamese economy, making a major contribution to national GDP and supporting half of all jobs in the country by 2020.

Food and beverage products together account for 46% of total household expenditure.

Food possibilities and food production are increasing in Vietnam. Vietnamese are becoming more interested and willing to pay for healthy and high-quality products.

Consumers are more concerned about health, hygiene and food safety, so they tend to spend more on safe, environmentally friendly and even organic products.

Vietnam has followed China's pattern of development, making it a good entry point for small and medium-sized food service companies that plan to enter the Chinese market but find it too sizeable.

The Vietnamese **population has become increasingly health conscious during the pandemic**, placing particular importance on preventive medicines, including vitamins and probiotic supplements, thus boosting sales of health products in the category.

There is a **growing demand for health products among consumers**, especially among the younger generation, and advances in probiotic technology have been seen.

The tablets/capsules segment has the largest market share, followed by powders and other products. In addition, supermarkets/hypermarkets remain one of the preferred outlets for probiotics. But online retailers are expected to gain market share in the coming years.

KPMG's 2018 report (*Trends and Opportunities in Health and Wellness for the ASEAN Region*) indicates that ASEAN markets have increased daily protein consumption by 50% over the past 30 years. ASEAN countries, including Vietnam, are expected to consume around 5,6 kilograms more meat per capita each year by 2026 due to economic growth, Vietnam's emerging middle class and affluent urban residents who are consuming more high-value foods such as meat, dairy products and fruits.

The **emerging urban middle class is increasing demand for safe and higher quality seafood and agri-food products.**

The **growth of the tourism** industry has brought opportunities for many businesses as there is more demand for beef, cheese, seafood, wine and condiments used in Western, Japanese and other international food outlets.

While some barriers to e-commerce adoption remain, such as trust and security issues, the **increasing number of foreign and domestic players within the e-commerce space is a sign of the market's potential**. As digital payments take off with the national drive towards a cashless economy, e-commerce development and greater choice for the Vietnamese consumer is also expected.

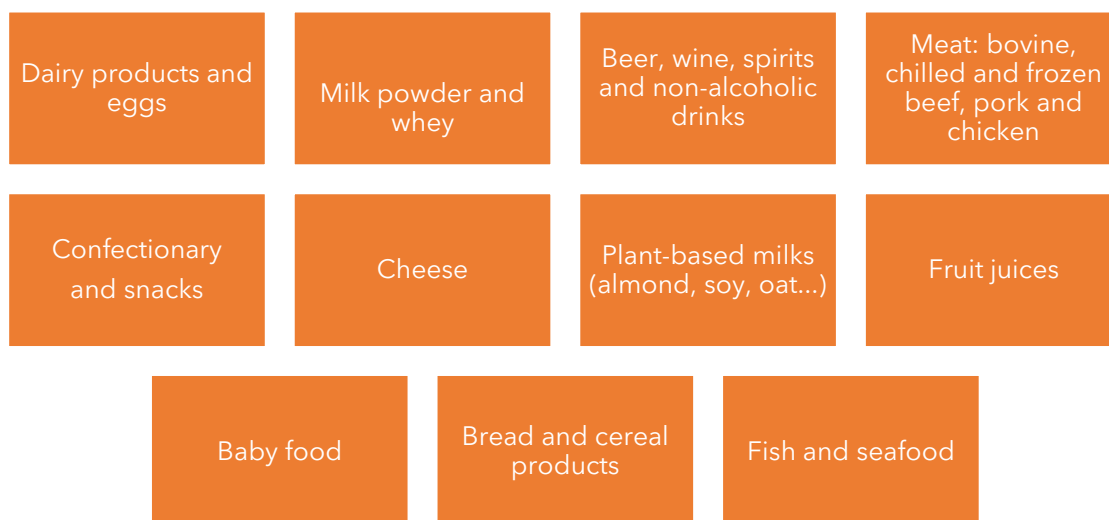
The pandemic has seen a change in Vietnamese consumer behaviour and a need for digitalisation in all aspects of life, **requiring businesses to digitally transform** and provide services outside their traditional approach.

Over the next decade, 36 million consumers may join Vietnam's consumption class. In addition, new consumer power is emerging not only from those who have entered the consumption class for the first time, but also from the strong rise of the consumption class within the income pyramid. The top two levels of the consuming class are growing fast and may account for 20 % of Vietnam's population by 2030.

Vietnam's urban population is expected to increase by 10 million over the next decade, rising from 37 % in 2020 to 44 % by 2030. Cities will be the engine of consumption growth in Vietnam.

With the official entry into force of the EVFTA, agricultural food (particularly the agri-food sector) could reap huge gains by exploring new growth markets.

Figure 2. Products with sales potential in Vietnam



1.4 Characteristics of Vietnamese consumers

Consumer purchasing preferences are expected to change over time in such a growing economy, as Vietnamese consumers become increasingly concerned about hygiene, food safety and health.

Vietnam has a population of over 97 million. Its population is considered young as more than 45% of the population is between 25 and 54 years old. The middle class, which now represents 13% of the population, is expected to grow to 26% by 2026.

Vietnam's rapid economic growth also translates into a higher level of disposable income and a greater affluence of the middle class. **Vietnam has one of the fastest growing middle and affluent classes in Southeast Asia.** The country's minimum wage grew at an average annual rate of 28,1% between 2008 and 2017, rapidly boosting disposable income, which will have a positive effect on consumer spending and retail sales.

Vietnam is experiencing significant **population migration from rural to urban areas.** According to the World Bank, Vietnam's urbanisation rate is 3,2% per year. This trend will continue, as the number of urban households is expected to increase by 48% between 2017 and 2030. **Urbanisation, along with the expansion of the middle class, is leading the growth of the retail market in Vietnam.** Urban consumers tend to be able to afford more discretionary items than rural consumers, and are also more likely to switch to more modern retail channels, such as e-commerce, in line with their new lifestyle.

Vietnamese consumers are generally ethnocentric, supporting local brands and products.

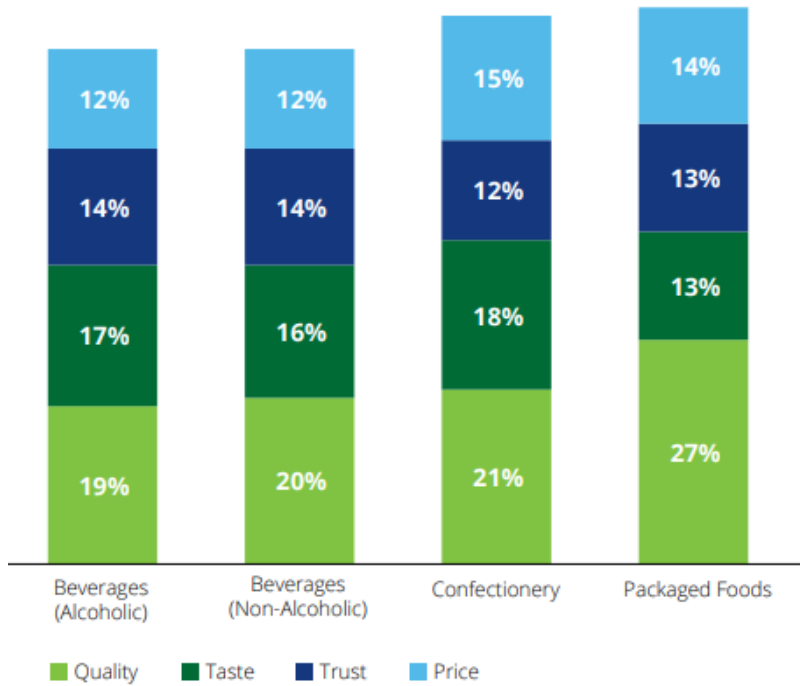
Vietnamese consumers are optimistic about their economic prospects in the near future and about improvements in household income levels.

Product quality is the main purchase decision factor. As Vietnamese consumers gain more purchasing power, non-price attributes become more important in their decision-making

process, and price sensitivity decreases as they prioritise other attributes, such as trust and taste preferences. On the other hand, consumers with lower monthly income levels tend to be more price sensitive in these product categories.

Vietnamese consumers' e-commerce and online shopping behaviour has been increasing for most product categories, forcing companies to redirect their strategy to online channels.

Figure 3. Top attributes driving purchase behaviour for food & beverage categories



SOURCE: DELOITTE'S VIETNAM CONSUMER SURVEY (2019)

Foreign brands are considered to offer higher quality and better tasting products than local brands, so consumers with higher income levels are more willing to pay a premium for these foreign brands.

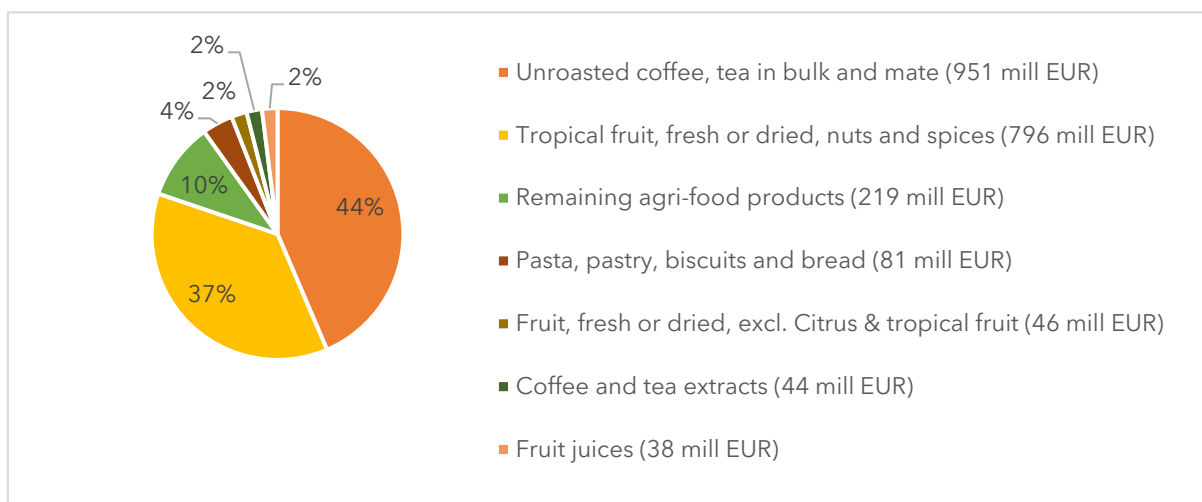
Vietnam's rapid urbanisation presents challenges as the population is becoming more demanding of comfort. The rural population is shrinking rapidly.

Thus, urban migration and decreasing birth rates mean that households are smaller and slightly wealthier. Both e-commerce and modern trade channels are expanding to rural households. The next decade is expected to see a decrease in birth rates and an ageing population, making the dependent elderly a key challenge in the future.

1.5 Total EU exports of agri-food and beverages to Vietnam

EU exports to Vietnam were 997 million euros in 2020 in the agri-food and beverages category.

Figure 4. EU Agri-Food Exports to Vietnam by product category



SOURCE: COMEX-EUROSTAT

Table 2. Evolution of 20 top EU Agri-Food exports to Vietnam, 2016 - 2020

		EXPORTS					Share in all Agri 2020
		Value (million EUR)					
		2016	2017	2018	2019	2020	
	Total agri-food and beverages	1 377	1 128	1 113	1 135	997	100,0
1	Other feed and feed ingredients	66	39	58	67	98	9,8
2	Milk powders and whey	75	95	78	75	74	7,4
3	Offal, animal fats and other meats, fresh, chilled and frozen	62	51	84	83	74	7,4
4	Pet food	85	68	60	60	71	7,1
5	Food preparations, not specified	69	69	62	68	71	7,1
6	Infant food and other cereals, flour, starch or milk preparations	86	67	59	73	64	6,4
7	Pigmeat, fresh, chilled and frozen	22	14	24	28	58	5,8
8	Malt	85	74	58	47	49	4,9
9	Poultry meat, fresh, chilled and frozen	25	37	60	65	46	4,6
10	Bulbs, roots and live plants	37	43	41	37	38	3,8
11	Casein, other albuminoidal substances and modified starches	20	25	21	26	27	2,7
12	Non-edible animal products	46	35	38	40	27	2,7
13	Wine, vermouth, cider and vinegar	24	26	33	34	25	2,5
14	Spirits and liqueurs	59	102	85	68	20	2,0
15	Pasta, pastry, biscuits and bread	13	16	18	20	17	1,7
16	Cheese	12	18	17	18	17	1,7
17	Cotton, flax and hemp, and plaiting materials	41	15	13	33	16	1,6
18	Miscellaneous seeds and hop cones	14	15	19	15	16	1,6
19	Starches, inulin & gluten	27	30	18	12	16	1,6
20	Waters and soft drinks	6	10	10	15	15	1,5
	Remaining Agri-Food products	505	280	258	251	158	15,8

SOURCE: COMEX-EUROSTAT

1.6 Share of agri-food imports and exports from EU to Vietnam

Vietnam is the **29th country of destination for EU food and beverages**. With a value of 997 million euros, it represents a 0,5% share of extra-EU exports.

On the other hand, Vietnam is the 17th exporter of food and beverages goods to the EU, exporting 1,8% of the share, amounting around 2 175 million euros.

As we have already seen in the previous section, the main EU exports to Vietnam (referring to the food and beverage sector) are feed ingredients, milk powders and whey, offal, animal fats and other meats, pet food and food preparations.

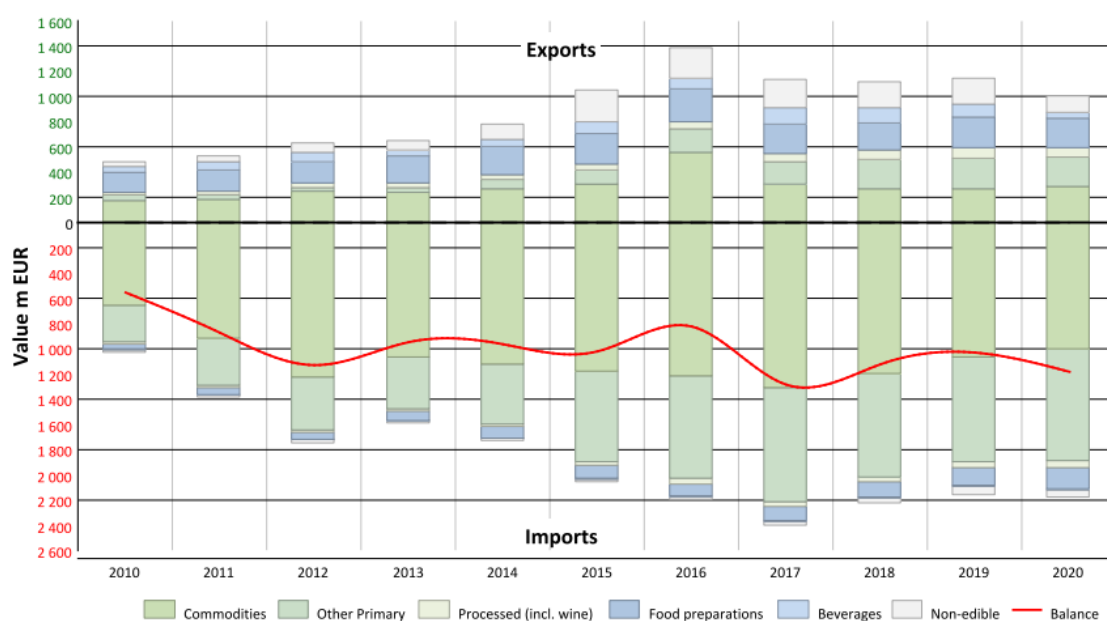
Vietnamese exports to the EU are mainly unroasted coffee, tea, mate, tropical fruit, pasta, pastry, biscuits and bread, and fruit juices.

Table 3. Trade Indicators EU27 with Vietnam

	UNIT	EXPORTS	IMPORTS	BALANCE
EU27 Total trade value with Vietnam	Million EUR	8 790	34 413	-25 623
Share of EU27 total trade with Vietnam	(%)	0,5	2,0	N.A.
EU27 Agri-Food trade value with Vietnam	Million EUR	997	2 175	-1 178
Share of EU27 total Agri-Food trade	(%)	0,5	1,8	N.A.
Change 2019-2020	(%)	-12,2	0,7	N.A.
Annual rate of change from 2010-2020	(%)	7,6	7,8	N.A.

SOURCE: COMEX-EUROSTAT

Figure 5. Evolution of EU agri-food imports and exports to Vietnam (2010-2020)



SOURCE: EUROPEAN COMMISSION

1.7 Health functional food market in Vietnam

The Vietnamese Ministry of Health has a clear definition of functional foods based on the use of added micronutrients. Functional foods also have four other names: real micronutrient supplements, food supplements, health food, nutritional medicine products.

Functional foods are an intermediate between foods and medicines, but they are governed by food law in their nature, structure, production and use. Therefore, the first problem is to distinguish between functional foods and medicines.

Functional foods play an important role in Vietnam's pharmaceutical market as a whole. Vietnam's functional food has just entered the market since 1999. After 20 years, it gradually gained a certain position in the domestic industry. In recent years, Vietnam's pharmaceutical market has been growing considerably in both quality and quantity. In terms of product quantity, 15 years ago there were only 63 types of functional foods in Vietnam, but this number has increased to almost 3500.

57% of the products are domestically produced and around 90% of pharmacies sell functional foods. In terms of domestic demand, in 2017, the number of people consuming functional foods increased dramatically, with more than 15,5 million users, representing more than 17,22% of Vietnam's population. Moreover, that number even increased to 24.48% in 2019. (In Ho Chi Minh City 43 % of adults consume functional foods).

Functional foods have gained this popularity in response to the changing health status of developed and developing countries. As health care costs and life expectancy increase, people have sought ways to be healthier and create a higher quality of life.

There was a boom in consumer interest in the favourable position of functional foods for happiness and prolonging life, and preventing the onset, reducing the development of chronic diseases.

The development of broadband internet has enabled Vietnamese people to use this internet connection through computers and smart mobile devices and encourage them to accept online shopping. So, there is a trend of functional food development in emerging markets (as is the case of Vietnam), and big cities have early developing e-commerce activities.

Consumer demand trends, the potential for innovation and the health benefits of an emerging market, coupled with the development of e-commerce for food markets will work in Vietnamese cities in the future.

In Vietnam, the explosion of internet services and e-commerce businesses has led to **functional foods being advertised on the web and social media**. This has encouraged consumers to easily access information and to buy and sell health products related to functional foods. However, there is a lot of non-transparent information about quality, origin and functional foods.

Functional imported products accounted for 80% of the market, and mainly featured non-herbal or traditional products capable of meeting local demands on the health problems of anti-ageing, strengthening resistance, reducing the risk of disease and damage, developing abundant health, supporting human beauty and health treatment.

1.8 Bio solutions in Vietnam

Owing to the benefits of bio-based products and the growing demand for organic crops in Vietnam, the biofertiliser market in the country is expected to register a CAGR of 10.8% between 2019 and 2023.

The growing call for **healthier and environmentally friendly agriculture** is a strong incentive to find strategies to replace the use of synthetic fertilisers. Higher yields of organically produced crops, adoption of new and advanced agricultural technologies and increasing regulations on chemical residue limits are the likely factors augmenting market growth.

Biofertilisers have been shown to be very effective on crops that are key to agriculture in Vietnam, such as cassava, rice, maize, sugarcane, black pepper, tree nuts and coffee.

On the other hand, Vietnamese biopesticides market was worth 30,7 million USD in 2019 and is expected to witness a CAGR of 6.4% during 2020 to 2025.

Vietnam's **biopesticides market is segmented into:** bioinsecticides, bioherbicides, biofungicides and other biopesticides. It can also be segmented by crop type into grains and cereals, oilseeds, fruits and vegetables, and other types of crops.

In Vietnam, R&D activities focus on breeding new crop varieties and developing appropriate production technologies for these crops.

Currently, agricultural land occupies 80% of the country's total land area, and as a major agricultural producer, **it offers a number of opportunities for agrochemical companies.** However, not much has been done to promote organic agriculture, which would be necessary if the biopesticide market needs to grow rapidly.

In Vietnam, there has been an tense increase of 0,2 million hectares of arable land per year and therefore the use of pesticides and fertilisers is growing in the country. The Vietnamese government has adopted land policies to achieve a shift from the state-controlled collectivised agricultural production system to one based on individual farming families.

Bioinsecticides are the largest and fastest growing segment of the biopesticide industry, and rice uses most of these bioinsecticides.

The development of resistance to chemical insecticides and concerns about the harmful effects of chemicals on environmental and human safety has provided a strong impetus for the development of microbial control agents in integrated pest management in Vietnam. This has led to a shift towards greater use of bioinsecticides.

The Vietnamese biopesticide market is highly fragmented with several local and international players. There are more than 50 biopesticide companies in Vietnam, most of them distributors competing in the approximately 1 billion USD crop protection market.

More than 50% of the market share is attributed to local companies with an extensive distribution network in Vietnam. Vinachem® holds the largest market share in the biopesticides segment in Vietnam, due to its strong R&D, broader product portfolio and strong local market presence in Vietnam.

1.9 AgTech in Vietnam

Science and technology are essential for increasing the capacity and quality of products while improving the lives of farmers. Vietnam's **agricultural technology industry still lags behind other countries despite being an agricultural country**, and there are a limited number of companies and projects currently using this type of technology.

AgTech is a relatively unknown concept in Vietnam's rural areas and presents a challenge to integrate modern technology into the country's agricultural sector.

The government sees biotechnology, automation, machining technology and information technology as key to implementing sustainable agricultural practices and increasing productivity. **AgTech could be a boon to Vietnam's green economy.**

Vietnam has 12 areas certified for high-tech agriculture. The three most prominent areas are the provinces of Hau Giang, Phu Yen and Bac Lieu. The State Bank of Vietnam together with commercial banks have also offered a financial package of 4 370 million USD to support enterprises applying high-tech agriculture.

There is a growing trend for Vietnam to cooperate with other developed countries in AgTech. The Ministry of Agriculture and Rural Development (MARD) of Vietnam has signed several Memoranda of Understanding (MoU) with developed countries to learn experiences of high-tech based agricultural systems.

In addition, **in the private sector, some local enterprises have collaborated with foreign firms and institutions.** Thus, opportunities for these foreign companies are found in partnership with agricultural companies wishing to transform their farms into high-tech farms or to find new technologies to improve their current capacity.

Some of the most promising opportunities include: the Internet of Things, smart farming, machinery and software, genetics and breeding, and pest management. Low cost, simplicity and efficiency will enable businesses to succeed in Vietnam's agricultural technology sector.

Opportunities for foreign investors in AgTech are agricultural management package solutions for both large-scale enterprises and small-scale farmers. In addition, there are opportunities for agricultural services and consultancy related to animal husbandry, food safety and quality assurance.

While the Vietnamese government has favourable policies and regulations to promote the application of high technology in the agricultural sector, foreign companies may face several barriers. These include lengthy procedures for importing supply chains and equipment into Vietnam, lack of transparency in incentives, environmental regulations, and poor management of agricultural inputs and outputs.

The 3 government agencies that have a significant impact on the regulation and management of AgTech are:

- **The Ministry of Agriculture and Rural Development (MARD).** The MARD issued a resolution on further boosting scientific and technological innovation activities in agriculture and rural development in the context of economic integration and approaching Industry 4.0.
- **The Ministry of Industry and Trade (MOIT)**
- **The Ministry of Health (MOH)**

2 Trade relations between Vietnam and the EU

2.1 EU Free Trade Agreement with Vietnam

The EU-Vietnam Free Trade Agreement (EVFTA) is a free trade agreement between the European Union and Vietnam. The agreement deepens relations between the two zones and entered into force on 1st August 2020.

Right after the entry into force of the EVFTA, **tariffs on 65% of EU exports to Vietnam and 71% of Vietnamese exports to the EU were eliminated.** However, **the tariff on most major traded goods from both sides will be phased out over the next 10 years.**

As a result of this agreement, Vietnam's Ministry of Planning and Investment estimated a 42,7% increasing in Vietnamese exports to the EU by 2025, and the European Commission forecasts a 29 % growth in EU exports to Vietnam by 2035.

The agreement came into force when the Covid-19 pandemic was causing disruptions in global trade. So, in value terms, the first seven months of the EVFTA had the weakest trade performance in the last five years. However, volumes show a different trend, with EU exports to Vietnam increasing by 40% and Vietnam's exports to the EU increasing by 6,8% in 2021.

The agreement will provide opportunities for increasing trade and supporting jobs and growth on both sides by eliminating 99% of all tariffs, **reducing regulatory barriers and overlapping red tape, ensuring the protection of geographical indications, opening services and government procurement markets, and ensuring that agreed rules are enforceable.**

The agreements with Vietnam are the second (after Singapore) to be concluded between the EU and a Southeast Asian country and represent a move towards greater engagement between the EU and the region.

The export and import process between the two blocs is simplified, with the establishment of standards and regulations. Legislation is also introduced to protect the intellectual property of national brands and designations of origin.

Thanks to the entry into force of the free trade agreement, EU member countries will be able to consolidate or increase their position in the Vietnamese market, as it will be easier to compete with countries with a stronger historical presence such as China, South Korea and Japan.

The agreement will reduce both tariff and non-tariff barriers. The EU and Vietnam have agreed to go beyond the standards set out in the WTO TBT agreement. Thus, Vietnam has committed to increase the use of international standards in drafting its regulations. The agreement also contains a chapter on sanitary and phytosanitary measures, to facilitate trade in plant and animal products.

Vietnam will recognise the EU as a single entity for the purpose of authorising imports of animals and plants. In addition, under the EVFTA, 169 European geographical indications for food and beverages will be protected against imitation in the Vietnamese market.

All the detailed information concerning the EU-Vietnam Agreement at <https://trade.ec.europa.eu/access-to-markets/en/content/eu-vietnam-free-trade-agreement>

2.2 General trade data

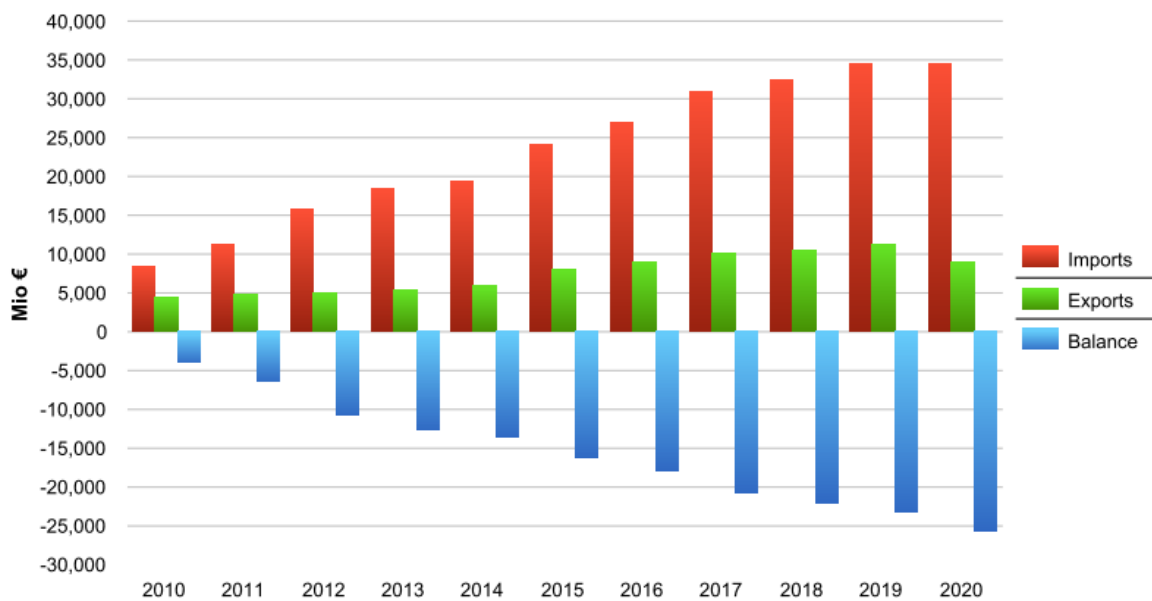
Trade between the EU and Vietnam has grown steadily over the past years, indicating a deep bilateral economic connection. The country is currently the 16th largest trading partner of the EU and **is the EU's second largest trading partner within ASEAN, after Singapore.** However, in 2020, Vietnam overtook Singapore to become the EU's largest trading partner in Southeast Asia.

In 2020, the EU had a trade deficit of 25 631 billion EUR with Vietnam. In the same year, Vietnam's imports from the EU amounted to around 34,42 billion EUR, while EU exports to Vietnam reached approximately 8,8 billion EUR.

In the seven months following EVFTA, EU-Vietnam trade has exceeded overall EU trade with other countries outside Europe.

Vietnam and ASEAN have signed several free trade agreements in recent years with Australia and New Zealand (AANZFTA), with China (ACFTA) and the Bilateral Trade Agreement with the United States.

Figure 6. Total goods: EU and Vietnam trade flows and balance, annual data 2010-2020



SOURCE: EUROPEAN COMMISSION

Figure 7. European Union, trade flows with Vietnam by SITC section 2017-2020

	IMPORTS				EXPORTS			
	VALUE MILL. EUR				VALUE MILL. EU			
	2017	2018	2019	2020	2017	2018	2019	2020
<i>Total</i>	30 819	32 462	34 486	34 420	9 950	10 397	11 099	8 788
<i>0 Food and live animals</i>	3 296	3 078	2 945	2 885	897	801	830	816
<i>1 Beverages and tobacco</i>	6	7	9	9	166	163	148	82
<i>2 Crude materials, inedible, except fuels</i>	222	223	232	186	470	555	536	464
<i>3 Mineral fuels, lubricants & related materials</i>	23	0	0	0	18	29	46	27
<i>4 Animal and vegetable oils, fats and waxes</i>	9	12	19	10	11	14	14	26
<i>5 Chemicals and related products</i>	208	241	304	285	1 792	1 802	1 956	2 125
<i>6 Manufactured goods classified chiefly by material</i>	1 627	1 975	2 075	2 330	1 035	1 081	1 195	1 035
<i>7 Machinery and transport equipment</i>	15 938	17 267	18 216	18 902	4 616	5 049	5 343	3 220
<i>8 Miscellaneous manufactured articles</i>	9 434	9 609	10 641	9 759	725	748	863	786
<i>9 Commodities and transactions</i>	21	20	24	19	108	45	65	105
<i>Other</i>	34	30	23	35	113	109	102	102

SOURCE: EUROPEAN COMMISSION

2.3 Main trade partners

Vietnam is a very open country in terms of foreign trade in goods and services. This foreign trade is increasingly intra-regional (Asia-Pacific) and, to a large extent (around two thirds of its total exports and imports), trade in goods is conducted through foreign companies based in Vietnam.

Most of Vietnam's exports go to the Asian market (more than 40%). China is the country that has increased its imports the most, closing the gap with the main importer, the United States.

Regarding Vietnam's imports, Asian countries are the main suppliers (covering more than 80% of Vietnamese imports).

Regarding Vietnam's imports, Asian countries are the main suppliers (covering more than 80% of Vietnamese imports). Vietnam is also China's 6th largest trading partner and, in the first half of 2020, was the 2nd largest exporter to the US.

At the moment, Germany is Vietnam's largest trading partner in the EU.

Figure 9. Imports to Vietnam (by country) 2020

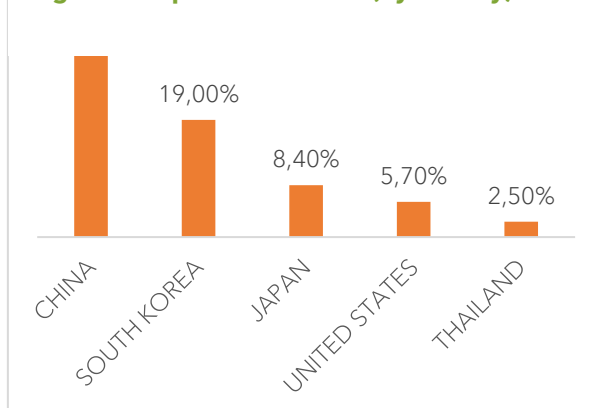
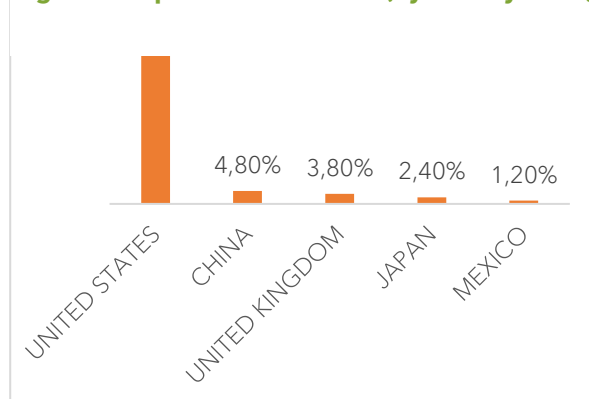


Figure 8. Exports from Vietnam (by country) 2020



SOURCE: COMTRADE

2.4 Country of origin image perception in the Vietnamese market

BELGIUM	
COUNTRY MARKET SHARE ³	0,20% (96,9 million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Spirits (<80% alcohol), malt, milk concentrated, other vegetables (frozen), animal feed and pork
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	<p>Belgium is Vietnam's 6th largest European trading partner. Trade between the two countries was worth around 3 billion EUR in 2020. At the end of 2020, Belgium had 78 investment projects in Vietnam.</p> <p>Belgian companies in Vietnam are increasingly discovering opportunities in sectors such as waste management, water sanitation, food and beverages, medical equipment and applications.</p>

FRANCE	
COUNTRY MARKET SHARE	0,68% (250 million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Malt, wine, animal feed, spirits (<80% alcohol), apples and pears, food preparations, milk concentrated and cheese
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	<p>Vietnam has a number of prestigious and large French companies installed in the country such as: Archetype, Carrefour (Big C), Danone, Decathlon... In addition, there are many local companies founded by French people, which are a complete success. In total, there are about 300 French companies operating in Vietnam</p> <p>This is because in Vietnam (and in Asia in general), France enjoys a positive image that facilitates the approach of the business world.</p>

³ This data shows the country market share of exports of agri-food and beverage products from each of the studied origin countries to Vietnam in 2019

PORTUGAL	
COUNTRY MARKET SHARE	0,02% (4,60 Million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Preserved fish, flours of fish for animal feed, frozen fish and vegetable products
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	It is an under-exploited market for Portuguese agri-food sector. Trade relations between Portugal and Vietnam are still relatively unimportant. There are approximately 160 Portuguese companies exporting to Vietnam, most of them are SMEs. Vietnam is Portugal's 26 th largest trading partner outside the EU and had an export turnover of 32 million EUR in 2020.

SLOVAKIA	
COUNTRY MARKET SHARE	0,01% (5,24 Million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Animal feed, cheese, beer, food preparations, water flavoured or sweetened, and other sugars
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	There are currently 95 Slovak companies exporting to Vietnam, most of them are SMEs. Vietnam is Slovakia's 9 th largest trading partner outside the EU and had an export turnover of EUR 40 million in 2020. The EU-Vietnam trade agreement is expected to make bilateral relations between the two countries easier and more cost-effective for them.

SPAIN	
COUNTRY MARKET SHARE	0,18% (95,4 million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Food preparations, whey, malt extract, animal feed, frozen fish (excluding fillets), pork seaweeds, and edible vegetable products and frozen beef
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Spain is increasingly exporting higher value-added goods and services to Vietnam, especially pharmaceuticals and industrial machinery. In general, Spanish products are not very well known in the Vietnamese market, and the same applies to Spanish gastronomy. The Spanish agri-food products that are usually found, although in limited quantities, are olive oil, olives, pickles, wines and, occasionally, cheeses and sausages. However, Spanish products are associated with European ones, which, moreover, are highly appreciated and considered to be high quality.

3 Exporting to Vietnam

Vietnam is one of the most attractive markets in Southeast Asia for organisations due to its sustainable economic growth and low inflation levels, combined with positive demographic trends, increasing incomes and digitalization.

Vietnam is one of Southeast Asia's top investment destinations. With the advantages of geography, natural resources and an affordable labour force, Vietnam attracts a large amount of capital each year.

Vietnam also has several unexplored sectors and a growing consumer market. In addition, the Vietnamese government has an open-door policy to improve access to international trade, therefore, exporting products to Vietnam is also more accessible.

Although Vietnam has an open market policy, the government tries to protect the local agricultural sector and it is important to be aware of possible regulatory changes.

Vietnam has three different regions:

- **Northern region including Hanoi**
- **Central region including Da Nang**
- **Southern region, including Ho Chi Minh City**

Consumers in each region have different buying habits and considerations. Given the difference between these locations, **it is advisable for companies to focus on only one region when entering the market, unless they can have customised entry strategies for each of them.**

Vietnam's consumer markets are changing rapidly: diversifying, modernising and digitising. Companies can find an impulse to take advantage of positioning themselves in the Vietnamese market.

To succeed in Vietnam, companies will have to update their messages and communication channels to reach consumers. Most often, this involves digital channels as well as an awareness of new norms and values.

In 2020, traditional trade consisting of wet markets and independent neighbourhood shops was still the largest sales channel, contributing 74% to retail sales. The next channel was the modern trade (convenience stores, mini-markets, supermarkets and hypermarkets) with a 22% contribution; and finally, e-commerce accounted for 4,3% of the retail sales contribution.

3.1 Entry to the market

The most common market entry strategy when working with food and beverage products is a **local partner, trader, distributor or agent**. However, large volume products for use as **raw materials in factories are usually sold directly**.

Vietnam allows foreign companies to import food and beverage products and distribute them through wholesale and retail channels. However, companies must be registered in Vietnam and have an investment licence.

ONLINE STRATEGY

The e-commerce market is growing very fast in Vietnam. There are currently 3 e-commerce websites that capture most of the attention among online shoppers.

- **Lazada.** Lazada was launched in 2012 and is the largest B2C e-commerce platform in Southeast Asia. Owned by Chinese conglomerate Alibaba, Lazada is currently available in 6 ASEAN markets: Vietnam, Singapore, Malaysia, Thailand, Philippines and Indonesia.
- **Shopee.** This platform is not as big for cross-border sales and does not attract vendors to use their in-house fulfilment services. Only major brands, key vendors and distributors can use their fulfilment services.
- **Tiki.** It is a local e-commerce platform and one of the fastest growing online retailers. The problem is that the platform has a more local interface and is not available in English.

Note that in order to import and sell products on local e-commerce websites or retail shops in Vietnam, companies must first set up a local trading company. In addition, they must receive an Investment Certificate and register with the Department of Planning and Investment (DPI). There are additional requirements depending on the products.

3.1.1 Entry strategies

There are three common types of exporters to the Vietnamese market:

- **Original equipment manufacturers.** Rarely there are these types of companies because Vietnam is a processing country, and there are few cases where it commissions processing from other countries (except China). The assembled products will be exported directly to Vietnamese customers using the traditional export method, via air or sea transport depending on the agreements between the 2 parties.
- **Raw material suppliers.** This is quite common in the Vietnamese market. In recent years, Vietnam has developed in the direction of industrialisation and modernisation, so the needs of importing raw materials to serve Vietnam's production and export is very high. Thus, the entry method may be a direct export to Vietnamese customers, however, some exporters want to have an agent or a commercial presence in Vietnam to facilitate them in testing new products and placing orders, as well as establishing long-term relationships with each other. In addition, an agent or a commercial presence will help to gain easier access to Vietnamese manufacturers and to introduce their products to them.
- **Manufacturers.** This type has grown a lot in recent years. More and more Vietnamese prefer to consume foreign products. However, there is the challenge of the complex retail market, and it is advisable to know the market in order to choose the right distribution channels. Thus, there are several options for exporting products: selling directly to Vietnamese final consumers, distributing products through an intermediary, or establishing a commercial presence in the country.

Considering the above, the 3 main methods to export to Vietnam are:

- **Exporting or selling directly to end customers.** Direct export is usually used by entrepreneurs who have customers in the Vietnamese market who are already authorised to import (already have an import licence granted by the Vietnamese government). These Vietnamese customers are usually medium to large companies with reputable operations throughout Vietnam and have been in business for many years. In addition, sellers can reach final customers in Vietnam through e-commerce platforms such as Amazon, eBay, Alibaba, Lazada, Shopee... where they can sell products directly on these sites.
- **Exporting through an intermediary**
 - **Fiduciary partner of Vietnamese buyers.** This type of export, in terms of processes and procedures, is similar to direct export, the difference is that the exporter will work and negotiate the deal through an intermediary authorised by the importer in Vietnam, and not directly with the buyer. This mandated export is often used by small and medium-sized enterprises or entrepreneurs (individuals) in Vietnam.
 - **Fiduciary partner for European sellers.** Under current Vietnamese regulations, unless a foreign company has an investment licence that allows it to directly distribute goods in Vietnam, the foreign company must appoint an authorised agent or distributor. The local partner can be an agent or a distributor, who will handle the product through Vietnamese customs and ultimately distribute the goods to Vietnamese end consumers.
- **Exporting through a commercial presence in the country.** Having the company located in Vietnam allows entrepreneurs a greater control over the process of selling, distributing and marketing the product in the country. In addition, the company can register the intellectual property of its product. These factors are essential for expanding operations in the market, especially in a long-term strategy. It is advisable to be accompanied by strategic consulting partners from the first step of market entry.

3.2 Import requirements and documentation

The Ministry of Agriculture and Rural Development (www.mard.gov.vn) is the main actor in the regulation of the agricultural sector in Vietnam. Its departments, the Plant Protection Department, the Animal Health Department and the Directorate of Fisheries are responsible for trade regulations and their enforcement. The **Vietnam Food Administration** (www.vfa.gov.vn) is the **agency dealing with international trade and food safety issues**.

All goods imported or exported into Vietnam are subject to customs clearance standards that verify the quality, specifications, quantity and volume of these goods. In addition, some imported goods are subject to inspection.

Customs clearance standards in Vietnam are currently set under **Law No. 54/2014/QH13**. <https://vietanlaw.com/1856-2/>

Exporters to Vietnam need certain certificates depending on the nature of the imported products. **Registrations must be made before entering Vietnam.**

For chilled and frozen meat, poultry and seafood products, they can be obtained from the Department of Animal Health. For the import of fresh produce, a phytosanitary certificate is required, in addition to which fresh produce is subject to a plant quarantine and pest risk assessment.

Spurred by frequent cases of food scandals, the Vietnamese government has taken food safety very seriously in recent years. As a result, the Food Safety Law 55/2010/QH12 (<http://extwprlegs1.fao.org/docs/pdf/vie99786.pdf>) came into force in 2011.

Depending on the type of product, the following agencies are responsible for the implementation of this Law:

- **Ministry of Health (MOH)** is responsible for most pre-packaged and processed food products.
- **Ministry of Agriculture and Rural Development (MARD)** is responsible for agricultural products.
- **Ministry of Industry and Trade (MOIT)** is responsible for higher risk foods (such as alcoholic beverages, processed milk, edible oil, etc.).

The following procedures should be taken into consideration when introducing a product into Vietnam:

- **Customs registration**

Before being introduced into Vietnam, imported food products must comply with the following:

- The Notice of Conformity or Announcement of Conformity with the Food Safety Regulation must be registered with a competent state agency.
- A designated inspection agency must issue a Certificate of Compliance with Food Import Requirements for each shipment.

In addition, functional foods, micronutrient-fortified foods, genetically modified foods and irradiated foods must obtain a Certificate of Free Sale or Sanitary Certificate.

- **Import permit**

In order to import food products into Vietnam and circulate such imported food products in the Vietnamese market, the importer/trader must perform the following procedures (which may take up to 3 months):

- Register the Notice of Conformity or Notice of Conformity with the Food Safety Regulation
- Obtain a Certificate of Compliance with the Food Import Requirements
- Obtain a Certificate of Food Hygiene and Safety

- **Inspection and testing of imported food**

Food products entering Vietnam are subject to state food safety inspection. Customs clearance will only take place upon written certification of compliance with import requirements.

The following are exempted from inspection

- **Food brought in imported for private consumption within the rules exempted from import duties**
- **Food in diplomatic or consular pouches**
- **Food in transit and transshipment**
- **Food shipped in bonded warehouses**
- **Food for use as a prototype or research sample; Food for use as a prototype or research sample**
- **Food to be used as samples exhibited at fairs, exhibitions.**

At least 5 days before the arrival of the goods at a port or border gate, the importer must register for hygiene and safety inspection with the competent inspection agency. Inspection agencies are specialised bodies with sufficient conditions and technical capabilities. They are assigned by the Ministry of Health to perform this specific function.

To avoid costs and delays associated with inspection and testing under State inspection, exporting countries may consider the Vietnam Treaty on Mutual Recognition of Food Safety Certification.

When conducting an assessment for mutual recognition, the competent authorities of exporting countries will send a registration dossier to the relevant Vietnamese Ministries.

- **Other notifications/approvals/licences**

A "Food Hygiene and Safety Certificate for Distribution Centre" is required. This certificate aims to regulate the standards of food hygiene and safety in the premises of the related traders, as well as the behaviour of their staff. This certificate is not only required for business entities that import and store food products, but also for those that sell and distribute food products in Vietnam. The term of the certificate is 3 years from the date of issue.

3.3 Labelling specifications

Vietnam has strict labelling requirements. Government Decree 43/2017 (<https://vanbanphapluat.co/decreed-43-2017-nd-cp-on-good-labels>) lists all requirements for food, beverages and agricultural inputs, both domestically produced and imported.

Labels must be in Vietnamese and cover all mandatory contents. Depending on the requirements of each type of food, the contents may be included in a foreign language, but must match the Vietnamese description, with a font size no larger than the corresponding language in Vietnamese. The mandatory contents of food labelling include:

- **Product name**
- **Ingredients or quantities of ingredients**
- **Quantity of product**
- **Production date (format DD-MM-YYYYY)**
- **Expiry date or best-before date (format DD-MM-YYYY)**
- **Instructions for use and storage**
- **Name of the person and organisation responsible for the product (both the manufacturer and the importer) - country of origin**
- **Country of origin**

- **Declaration of conformity**
- **Food safety recommendations or warnings, if applicable.**

For imported products whose labelling does not represent enough of the mandatory information in Vietnamese, a secondary label with the necessary information in Vietnamese is required.

Special regulations apply to the labelling of food additives, irradiated foods, functional foods and genetically modified foods.

Functional foods are classified into four subgroups: complementary foods, foods for health or dietary supplements, foods for special purposes or medical foods, and foods for special dietary uses.

Labelling of functional foods, food additives, irradiated foods and genetically modified foods must meet the following criteria:

- The product label must show a **specific phrase for the subgroup of the product**, such as health supplement, supplemented food, special food for medical purposes and food for special dietary use.
 - The label must also **show the nutrient content**, such as the amount of vitamins, minerals, amino acids, biological substances, enzymes and fatty acids.
 - The statement **"This product is not a medicinal product, nor is it effective as a replacement for a medicinal product"** must be printed. This statement is required to have a font colour that contrasts with the background colour of the label.
- If the product name of the health supplement is the same as one of the main active ingredients, the amount of this ingredient must be stated on the label.

For further information: <https://luatdoanhtri.vn/imported-health-supplements-registration-procedure>

3.4 Import Barriers

Vietnamese food safety legislation is quite strict, and a number of imported food products must undergo inspections.

The large number of required certifications, and the time needed to obtain these certificates, can also make the procedure lengthy, especially for SMEs. This has been particularly the case for fruit and vegetables. However, the forecast is optimistic for European agri-food producers and exporters, they will benefit from Vietnam's growing market and the phasing out of tariffs.

Full information on **export barriers between the EU and Vietnam** can be found at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1922>

3.4.1 Customs Regulations and Taxes

Current tariffs for access to the Vietnamese market remain relatively high. However, as a result of the EVFTA, tariffs on a number of agri-food products will be progressively eliminated.

In the case of agricultural products, tariffs were reduced considerably in the last decade, but many products are still subject to a tariff, usually between 0 and 20%. Tariffs on products imported into Vietnam can be consulted on the website of the Vietnam Customs Department (<https://pus1.customs.gov.vn/home.aspx?language=en-US>).

All imported food products are subject to food safety inspections, except in some cases, e.g. for certain pre-packaged processed foods. Imported food is only cleared through customs when the inspection results confirm that the consignments meet the import requirements.

The Food Safety Act establishes three categories of food inspection:

- a. **Simplified Inspection:** Goods in this category are exempted from paper document inspection and actual inspection.
- b. **Ordinary inspection:** Goods in this category will be subject to document inspection.
- c. **Strict inspection:** Goods in this category will be subject to inspection of original documents and actual shipments.

Implementing **Decree 115/2018/ND-CP** (<https://english.luatvietnam.vn/decree-no-115-2018-nd-cp-dated-september-04-2018-of-the-government-on-penalties-for-administrative-violations-against-regulations-on-food-safety-166809-Doc1.html>) allows domestic producers, importers and exporters to ensure that they apply the provisions of the Food Safety Law.

3.4.2 Required documents

Companies exporting goods must submit a dossier of documents to the customs authorities. The dossier must include at least the company's commercial registration certificate and the import/export commercial code registration certificate.

It is recommended that importers register their company on the website of the National Business Registration Portal (<https://dangkykinhdoanh.gov.vn/en/Pages/default.aspx>) and register the customs declaration on the National Single Window Portal of Vietnam (<https://vnsw.gov.vn/>). Imported goods require the following documents:

- **Bill of lading**
- **Import Goods Declaration Form**
- **Import permit (for restricted goods)**
- **Certificate of Origin**
- **Cargo release order**
- **Commercial Invoice**
- **Customs import declaration form**
- **Inspection report**
- **Packing List**
- **Delivery Order (for goods imported through seaports)**
- **Technical Standard/Sanitary Certificate**

- **Technical Standard/Sanitary Certificate**
- **Terminal Handling Receipts.**

In addition to the above, the customs clearance procedure includes:

- 1. Preparation of documents for customs declaration:** the key documents: air waybill, bill of lading, certificate of non-preferential origin, commercial invoice, customs import declaration, declaration of dutiable value, insurance certificate, manifest, packing list, proof of preferential origin and railway bill. Exporters should note that under Vietnamese customs law, traders are required to keep the relevant records for a period of five years and produce them upon request.
- 2. VNACCS Record:** VNACCS (Vietnam Automated Cargo and Port Consolidated System) is the automated customs clearance system for electronic filing of the Customs Import Declaration and supporting documents. More information in Vietnamese can be found here https://tongcuc.customs.gov.vn/index.jsp?ngon_ngu=en
- 3. Obtain delivery order:** The operator must go to the carrier with the necessary documents to receive the delivery order. The documents requested usually include the DNI, the bill of lading with the signature and title of the importing operator's manager and stamp.
- 4. Complete the import procedure:** In order to clear the shipments, the importer must:
 - a. Simplified inspection:** Provide the result of the customs declaration and pay the import tax and VAT.
 - b. Ordinary inspection:** Undergo inspection of documents. If the documents are found to be in conformity, the consignment can be cleared immediately. If not, the importer is questioned and may have to submit additional documents.
 - c. Strict inspection:** Customs checks the result of the declaration and documents following strict steps. As soon as the declaration form and documents are considered valid, the consignments are transferred to the goods inspection department. If customs detect errors in the declaration, the case is dealt with according to the degree of severity

3.4.3 Country risk

Vietnam has a **country risk score of B** (Coface), which means that the political situation is stable and the economic situation shows signs of developing favourably following economic growth in recent years. The country has a developing economy with a low per capita income, a consolidating financial sector and high external debt.

The **B rating for the business climate** implies that the business and investment environment has improved recently, and regulations are being put in place to support small and medium-sized enterprises, although market difficulties and low foreign investment are points to be encouraged by the government.

Despite all this, the long-term outlook is generally positive, as infrastructure and business practices are improving.

Figure 10. Vietnam country risk



SOURCE: COFACE

3.4.4 IPR legislation

The protection of intellectual property rights is in line with the international standards of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). In addition, Vietnam is a party to the Patent Cooperation Treaty and the Madrid Agreement Concerning the International Registration of Marks (Madrid System).

Vietnam has divided its Intellectual Property system into three areas:

- **Copyright and related rights** - administered by the Vietnam Copyright Office.
- **Industrial property rights** (including Patents, Designs, Trademarks, Trade names and designations, Trade secrets, Protection against unfair competition, Layout/designs of integrated circuits) - administered by the National Office of Intellectual Property.
- **Plant Variety Rights** - administered by the Plant Variety Protection Office.

Patent and trademark applicants can use these international systems to file international patent and trademark applications to seek protection in Vietnam.

But these mechanisms should be improved, as to protect their copyrights, it is necessary to register a trademark if exporters wish to market a certain product under a specific trademark or trade name in Vietnam. Exporters must submit an application to the Intellectual Property Office of Vietnam (IPVN) under the Ministry of Science and Technology.

It is possible to submit the application through the IPVN online public service portal (<http://dvctt.noip.gov.vn:8888/HomePage.do>). It must be completed in Vietnamese and submitted in original, by post or electronically.

The application processing time is one month. The application for registration must be published within two months from the date of submission. The registration certificate is valid for ten years.

For more information on the law on intellectual property in Vietnam: <https://www.wipo.int/edocs/lexdocs/laws/en/vn/vn063en.pdf>

3.5 Healthy food into the Vietnamese market

The Department of Food Safety and Hygiene under the Ministry of Health (MOH) of Vietnam is the competent authority for functional food products.

Functional foods are defined as foods used to support the function of human organs, with nutritional effect on the body, increasing resistance and reducing disease risk. These foods can be subdivided into categories: micronutrient food supplementation, supplementary foods, health protection foods and medical nutrition foods.

Before being available on the market, **functional food products must be registered. The registration request must be submitted to the Food Safety and Hygiene Department.**

The approximate general timeframe will be 3-4 weeks for registration process after applications. And the validity of the publication certificate is 3 years.

Any food to which a nutrient, mineral or additive is added is considered a nutritious food and the responsibility for the enforcement of food safety standards passes from the MARD/MOIT to the MoH.

Vietnamese food legislation provides guidelines and sets requirements for the amount of vitamins, minerals and nutritional substances, such as folic acid, Fe and zinc, that can be added to foods.

For functional foods, health supplements and medicinal foods, also establishes Recommended Nutrient Intakes (RNI), which govern the maximum amount that manufacturers may add to such foods.

Functional foods must follow customs import procedures. Due to the above-mentioned product policy, when carrying out customs formalities for the import of functional foods, **in addition to the usual registrations, companies must submit a declaration and a quality inspection certificate** (or documents proving exemption from quality inspection).

Imported goods must have appropriate labels in accordance with the current regulations with the following minimum contents: name of the goods, name and address of the manufacturer, origin of the goods, model, and commodity code (if applicable).

The general labelling provisions mentioned in section 3.3 Labelling Specifications should be taken into account and the labelling detailed therein should be followed in order to meet the requirements set by the Ministry of Health for functional products.

4 Market trends and consumer analysis

4.1 Healthy food trends in Vietnam

- **Probiotic supplements**

Vietnam's probiotics market is expected to grow at a CAGR of 10.32% between 2021 and 2026 forecast and is expected to reach a market size of 160,903 million USD by 2026

Probiotics are beneficial bacteria and play a key role in improving health and reducing the likelihood of contracting digestive diseases. It is estimated that the majority of the Vietnamese population suffers from gastritis. Therefore, most probiotic products are produced in the form of cereal powder or capsules, which is the most convenient way to consume probiotic supplements in Vietnam.

The demand for products that provide immune health has been increasing, which has positively impacted the probiotic supplements market in the region. In addition, there have been significant product launches to meet this growing demand. The highest consumption of probiotics is observed among millennials due to their growing awareness of health and wellness. These consumers do not need approval from doctors or pharmacists for the purchase of probiotic supplements, which is boosting their use in the market.

With the success of probiotics, more probiotic-integrated beverages are being launched on the market.

- **Collagen supplements**

Preventive health systems, coupled with strong endorsements and marketing efforts for lifestyle enhancement products, is driving the collagen supplement market in Vietnam.

Vietnam Collagen Supplements was valued at 116,74 million USD in 2020 and is forecast to grow at a CAGR of 6.20% between 2021 and 2026.

Vietnam's population is ageing, which is driving consumers to seek a range of dietary supplements, such as collagen drinks and capsules, to maintain and improve health and wellness.

- **Better-for-you beverages**

Better-for-you beverages are healthier versions of carbonated soft drinks, fruit beverages, bottled waters, bottled and canned ready-to-drink (RTD) teas, sports drinks, RTD coffee, energy drinks and value-added milk-type products that steadily are penetrating the market.

More than 60% of Vietnamese households now opt for sugar-free or low-sugar beverages.

The value of sales of naturally healthy beverages increased by 12% to reach 4,9 billion USD in 2019. Projected to continue increasing, health awareness among Vietnamese consumers is a key driver of naturally healthy beverages, with tea and fruit and vegetable juices leading the way.

One problem for such drinks is that many people find the variants less pleasant tasting than standard drinks. In addition, they may not consider them significantly better for their health, so it is necessary to offer them products that change this perception by offering quality and demonstrating improvement.

- **Plant-based milks**

The popularity of dairy alternatives has grown as consumers increasingly prefer "nut milk" products (which are drinks made from nuts such as almonds, walnuts and hazelnuts) as an alternative to dairy milk, as these products are considered more nutritious and better for cardiovascular health.

In response to this growing demand, Vietnam's leading dairy producers have started to expand their range of nut milk products in the market.

- **Immune system boosters**

Vitamin and dietary supplements, pain relievers and cough, cold and allergy (hay fever) remedies are categories that are experiencing particularly strong growth rates in both value and volume sales.

In 2021, international brands such as Abbott, Herbalife, GSK Consumer Healthcare and Sanofi-Aventis continued to dominate the healthcare market due to their high brand reputation, distribution networks and strong financial capacity. To compete with these foreign players, local pharmaceutical companies focused on upgrading their factories to achieve higher quality standards while launching new, more sophisticated products.

- **Dairy products**

Although dairy products are not historically common in the Vietnamese diet, milk has become very popular. In addition, other dairy products have gained market positioning, such as yoghurt, which is considered a healthy option.

As many Asian consumers find it difficult to digest lactose, the lactose-free milk market has a lot of potential. The promotion of probiotic yoghurts and dairy products is also significant.

Dairy products and yoghurt are best targeted at the younger urban population. By leveraging the natural benefits of yoghurt products and presenting them in smaller packaged portions, companies can appeal to increasingly health-conscious Vietnamese consumers.

4.2 Bio solutions trends in Vietnam

The agricultural land in Vietnam is 27,3 million ha, of which 42,2 % is agricultural production land, 54,7 % is forest land and 3 % is water area for aquaculture.

During the last few years, **the number of registered mineral and organic fertilisers has been increasing by more than 500 % for organic fertilisers and 50 % for mineral fertilisers**, while the use of **plant protection chemicals is on a downward trend**.

There is a parallel **development of rice production in Vietnam** and the use of active ingredients and trade names of pesticides in the last 30 years. This is also shown by the increasing cost of agrochemicals in rice production (about 40% is spent on pesticides and 56% on fertilisers).

The import of agrochemicals to Vietnam is very high (99-100%), and the amount is up to 70 000 to 100 000 tonnes. According to Customs Vietnam, the import value of pesticides was over 1 billion USD in 2017 and 939 million USD in 2018.

There are not many companies producing active ingredients for pesticides in Vietnam. The country has fewer than 100 companies producing plant protection chemicals and ten times as many companies producing fertilisers (showing limited domestic production capacity). **Most of these companies are based in the Mekong River Delta.**

Nowadays, more and more Vietnamese are concerned about the environment and perceive the consequences of climate change, pollution and biodiversity loss. This has brought **the use of agrochemicals to the top of the national agenda**. Thus, changes can be seen in recent years with an increasing trend in the use of organic fertilisers and many more products. At the same time, fewer and fewer plant protection products are being used.

State management of agrochemicals in Vietnam has improved in recent years. However, challenges remain for state management, businesses and farmers.

Regarding the level of use of these substances by farmers, the use of pesticides has been considered a guarantee for a good harvest and has become an ingrained routine for most farmers. On the business side, pesticides generate large profits, attracting a large number of groups, companies and distributors.

On the private sector side, there is a new wave of clean and organic farming and nature-based agricultural practices that have been promoted across the country.

4.3 Consumer behaviour analysis

Due to differences in living standards between economic regions and by population group, **consumer spending and behaviour are different between regions in Vietnam**.

In 2020, per capita monthly expenditure in urban areas was about 171 USD, while in rural areas it was only 108 USD (according to the General Statistics Office of Vietnam).

Usually, Vietnamese consumers are very price sensitive and do not have much brand loyalty. However, with increasing incomes and greater demand for Western products, this is changing:

Products compete on brand and quality. **Creative marketing and promotion strategies help products succeed in the market**, but they must not break Vietnam's strict advertising rules.

There are differences not only between urban and rural Vietnam, but also between the north, the centre and the south. There are some differences in lifestyle, culture and family portrait of consumers.

In northern Vietnam, people are more loyal and prefer products they have experienced rather than new ones. **In central Vietnam**, people prefer local brands, and are thoughtful in consumption. **The southern part** is different; people in the south are open-minded in consumption. They are willing to try a new range of products, new brands.

Most Vietnamese consumers have the perception that international products tend to be of higher quality and are willing to buy international brands if the price is the same as local brands. This data shows that Vietnam is a good place for foreign brands to consider expanding their business.

In response to the growing adoption of social media, businesses in Vietnam have intensified their marketing efforts on social media channels. The most popular social media platforms in the country are YouTube, Facebook, Zalo and Instagram, but there are interesting local platforms such as Lotus.

Quality and taste are the two most important attributes for which consumers are willing to pay a premium, so companies competing in food and beverage categories should consider strategies to build a strong reputation with high-quality brand associations and product differentiation. Vietnamese consumers need to be informed about the origin of the food and beverages they buy.

Fitness and wellness are also trending among the Vietnamese. After long months of cooking at home, Vietnamese consumers are looking to adopt healthier diets to reduce weight and avoid illness, while exercising to stay fit and healthy.

There are **several factors that have led to increasing consumption of processed foods**, such as Vietnam's large young population, growing middle class and rapid urbanisation. All of these have led to more eating out, travel, supermarket and hypermarket shopping in a pre-COVID time and a return to this situation is expected once the pandemic is managed.

Strong economic growth, increasing foreign investment, the benefits of free trade agreements (FTAs), a growing middle class with higher disposable incomes, rapid urbanisation and increased concerns about food hygiene and safety continue to drive sustainable growth in this market.

Health concerns are likely to increase in importance as the Vietnamese middle class continues to grow wealthier and opt for higher quality products. Consumers are looking to avoid the negative side effects associated with conventional products, limit environmental impact and promote a more sustainable environment.

4.4 Consumer trends

While the growing consumer class and urbanisation are major drivers of Vietnam's growth, there are many important trends reflecting the country's evolution that will influence consumption: shrinking households, more spending by the elderly, increased market share of digital natives, women's economic empowerment and wider geographic distribution, and distribution of spending.

- **Households are getting smaller**

Across Vietnam, households are getting smaller with an average of 3,5 persons per household. A major contributor to this change has been Vietnam's declining total fertility rate, coupled with new lifestyles and ways of working (especially as women move towards economic empowerment) may lead to fewer multi-generational families living under one roof.

This trend towards smaller households is reinforced by urbanisation.

- **Conscious lifestyle choices**

Many Vietnamese consumers are imitating behaviours normally associated with more developed economies, paying more attention to sustainability, social responsibility and labour conditions, and many are willing to buy products that take these lifestyles into account, even if it means a higher price tag.

- **Packaging**

Vietnamese consumers are increasingly concerned about health, hygiene and food safety. 76% of consumers want to know what is in their food and 89% are willing to pay more for health-promoting foods. These are all key factors in shaping the growing packaged food and snack segments.

In 2019, the snacks segment grew 21% in Vietnam, which is three times the industry average.

With continued education and awareness among the Vietnamese population, packaging is key. Research has shown that Vietnamese consumers connect white or transparent packaging with fresh and natural products. Clean labels are also important to promote transparency in ingredients and the processing chain.

The Vietnamese government is active in promoting locally grown food, leading domestic companies to master naturally healthy packaging.

- **Premium products**

Health concerns coupled with increasing incomes have led the Vietnamese to consume premium brands as a self-reward, leading to the proliferation of premiumisation of products. 62% of Vietnamese consumers consider the use of premium products as one of the attributes of high self-esteem. Premium food products contributed to 20% of premium product retail revenue in 2018 (11% year-on-year growth).

Premium products accounted for 23% of personal care product revenues. In addition, consumers are increasingly focusing on premium beverages.

- **E-commerce development**

According to the National E-Commerce Development Master Plan for the period 2021 - 2025, 55% of the population will have engaged in online shopping by 2025 with the average value of online purchases of goods and services reaching 600 USD/person/year.

Although many consumers have yet to familiarise themselves with the concept of buying fresh groceries online, the concept of online grocery shopping is still a challenge.

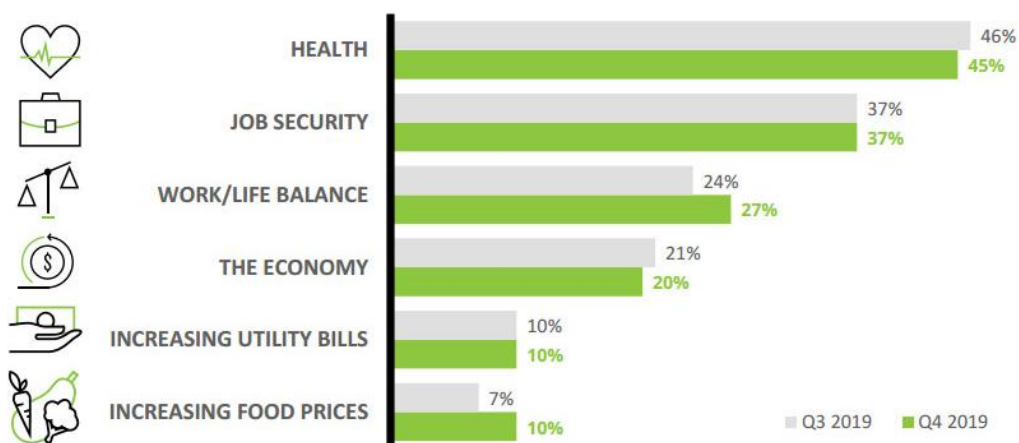
In 2020, e-commerce in grocery items were prioritised for purchase as the financial uncertainty of the pandemic caused many consumers to focus only on the essentials, which further boosted the performance of food and beverage e-commerce.

Organically oriented players use social media to connect with their audience. There are a growing number of small and medium-sized players focusing on the niche segment of organic and clean label food and beverages. Due to their small scale, these players tend to sell through social media channels.

4.5 Healthy food and the Vietnamese consumer

Health was the biggest concern for Vietnamese consumers in 2019. Although this data is pre-Covid-19, it demonstrates the growing interest in health and the desire to take steps to prevent disease for some time now.

Figure 11. Major concerns of Vietnamese consumers 2019



SOURCE: GLOBAL CONSUMER CONFIDENCE - SURVEY IN COLLABORATION WITH NIELSEN

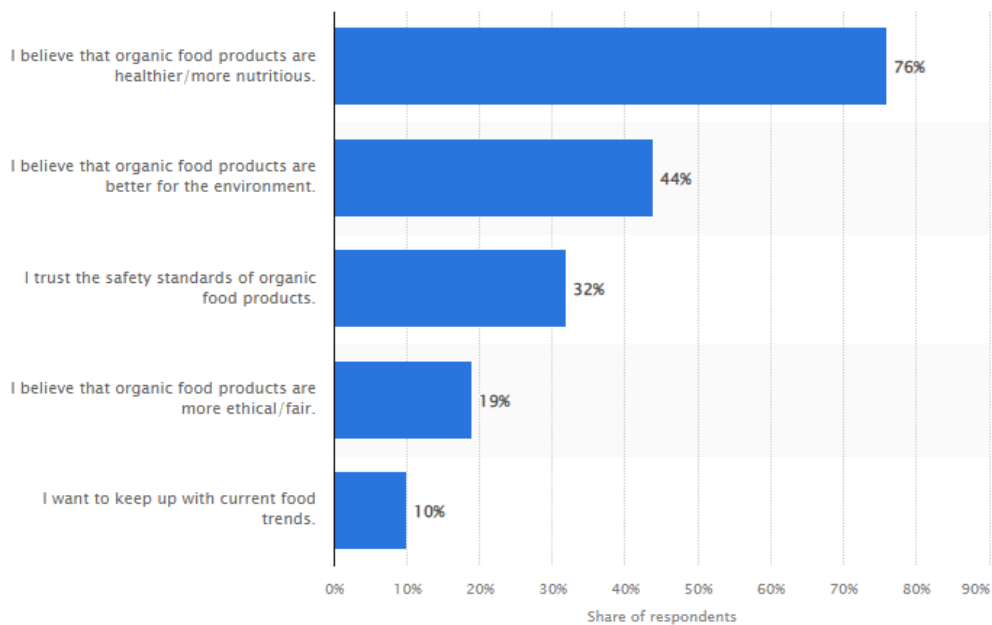
The Covid-19 pandemic has made Vietnamese consumers more aware of the benefits of certain healthy foods and beverages and has increased their consumption. For many, it has been a wake-up call to **adopt a healthy lifestyle and consume healthy products**.

Vietnam's evolving and dynamic environment is reflected in a young population, changing consumer attitudes, increased mobility, growing affluence and urbanisation. All factors contribute to changes in consumer wants and needs, with health considerations remaining at the top of the priority list.

Because of this concern, consumers are embracing naturally healthy foods in an attempt to stay healthy during the pandemic.

Thus, more people are embracing nature and choosing to live healthier lifestyles. This trend is being seen across generations, including young people.

Figure 12. Main reasons for purchasing organic food among Vietnamese in 2021



SOURCE: STATISTA

5 Sites of interest

Vietnam Association of Functional Foods (VAFF) <http://www.aahsa.org.sg/vaff/>

The Vietnam Consumer Survey 2020 (Deloitte) <https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/consumer-business/sea-cb-vietnam-consumer-survey-2020.pdf>

EU-Vietnam Free Trade Agreement <https://trade.ec.europa.eu/access-to-markets/en/content/eu-vietnam-free-trade-agreement>

EVFTA - Guidance on the Rules of Origin <https://comercio.gob.es/PoliticaComercialUE/AcuerdosComerciales/acuerdoscomerciales/Vietnam/Acuerdo-Vietnam.pdf>

Vietnam Chamber of Commerce and Industry <https://en.vcci.com.vn/>

Copyright Office of Viet Nam (COV) <http://www.cov.gov.vn/?AspxAutoDetectCookieSupport=1>

Intellectual Property Office of Viet Nam (IP Viet Nam) <https://ipvietnam.gov.vn/en/web/english/home>



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