

Market brief

Vietnam

Calendar year 2022

GLOBAL EXPORTS TO VIETNAM

Rank #11 in the global dairy market (by volume)

Destination for over 350,000 tonnes of dairy product, worth US\$1,109 million (in 2022)

Exports have decreased by 4% over five years (2018 – 2022)

The biggest volume growth (product categories exceeding US\$20 million) has been in:

- Cream 76%
- Cheese 44%
- Ice cream 69%

The biggest volume decline (product categories exceeding US\$20 million) has been in:

- Protein -62%
- WMP -30%
- Butter oil -54%

AUSTRALIAN MARKET SHARE

Rank #5 in the share of Vietnam's import volume

Destination for almost 30,000 tonnes of Australian dairy product, worth over US\$88 million (in 2022)

Exports have increased by 60% over five years (2018 – 2022)

The biggest volume growth (product categories exceeding US\$1 million) has been in:

- Condensed milk 1,643%
- Ice cream 220%
- Infant powder 302%
- Cheese 145%

In 2022, there were no product categories from Australia that experienced export volume declines to Vietnam.

Market developments

Over the past three decades, Vietnam has transformed from one of the world's poorest nations, to a country with strong economic growth and an emerging middle income class population. While the COVID-19 pandemic impacted Vietnam's economy throughout 2020 and 2021, the country's Gross Domestic Product (GDP) is expected to continue growing in the coming years.

While consumption rates remain relatively low compared to other ASEAN countries, demand for dairy has been steadily growing and is expected to continue, especially for affordable products among the lower to middle class population. Additionally, with a growing proportion of the population now within the middle class, higher purchasing power is seeing dairy consumption rise.

While the local dairy industry has grown rapidly over the last two decades, in line with government policy incentives to increase the domestic milk supply, local milk production still only covers around 30 per cent of domestic demand. With milk prices driven by demand from local processors, and challenges with cold chain logistics, a heavy reliance on imported dairy ingredient products remains a key feature of the market.

Traditionally, a lot of milk sold in Vietnam is sold as reconstituted product from imported ingredients. As such, skim milk powder (SMP) and whole milk powder (WMP) imports typically account for 40 per cent of total dairy imports. More recently though, there has been a shift toward increased consumption of fresh milk, with a growing proportion of dairy protein now consumed as milk. While locally produced milk gains popularity, Australian exports of ultra-high temperature (UHT) milk have grown 50 per cent over the past five years. Australia continues to hold the largest market share of liquid milk imported into Vietnam (around 45 per cent).

With high costs associated with producing fresh milk in Vietnam, a key feature of the country's dairy industry is the reliance on imported dairy ingredients to service local demand. In the manufacture of processed dairy products, such as yoghurt, reconstituted liquid milk, and ice cream, imported SMP continues to play an important role, and remains the most exported dairy commodity to the market.

With most cheese consumed through food service channels in Vietnam, growing interest in westernised foods and quick-service restaurants (QSR) among the urban population has been a key driver of increased cheese imports growth. Over the past five years, cheese imported into Vietnam has increased 44 per cent. Exports of Australian cheese to the market have increased 145 per cent since 2018, as processed cheese is increasingly utilised through food service channels. Demand for cheese is expected to keep growing in the coming years, driven by the fast-growing QSR sector, and local restaurant and in-home use.

A vast majority of total grocery sales in Vietnam are through traditional food retail (TFR) venues. Consisting of various wet markets and small market-type stalls, TFR type venues are usually located near residential areas, offering competitive prices to modern retail stores, and promote direct connection with consumers. However, hygiene and food safety standards are limited by infrastructure constraints, such as inappropriate storage of dairy products, and are vulnerable to environmental factors (i.e., weather, pests).

The COVID-19 pandemic saw a shift towards online shopping, which negatively impacted TFR markets. Modern retail stores were better equipped to deal with this change, as they were able to incorporate online features into their businesses. This change in consumer habits is expected to persist, evident as this behaviour continues outside of lockdowns. Additionally, rapid urbanisation continues to support growth within the retail sector, particularly for modern stores and chains. This expansion strengthens the market for imported products and offers development of the domestic dairy sector through improved storage and cold facilities.

New dairy products exported to Vietnam need to be registered via a declaration process, that requires the entities producing and selling the products to receive a certificate of registered product declaration. This is necessary, as these products fit the criteria for inspection from the Ministry of Health, prior to entering the local market. Alongside being relatively costly, the process can take up to three months to complete and is valid for three years, however, it is an essential aspect to exporting products to Vietnam.

Tariff environment

Australia and Vietnam are both party to the multilateral ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). Entry came into force in January 2010, with a reduction in tariffs for selected dairy products.

Australia and Vietnam are also signatories of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This came into force on December 30th, 2018, for Australia and January 14th, 2019, for Vietnam. Dairy trade between Australia and Vietnam is fully liberalised. A schedule of Vietnam tariffs can be found in Table 2.

Key international marketing programs and initiatives

Dairy Australia runs or is involved in a number of marketing programs and activities in Vietnam. These include the Southeast Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australian dairy industry and the Southeast Asian Alumni Program for past scholars. Outside of COVID-19 travel restrictions, Dairy Australia regularly visits Vietnam and presents seminars to local industry players in key markets.

Figure 1 Dairy imports

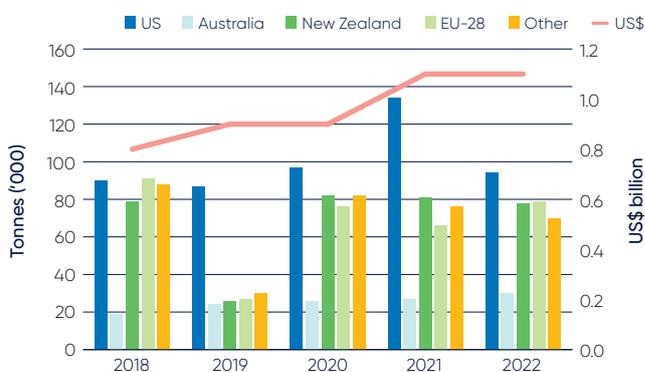


Figure 2 Top dairy exports to Vietnam by volume

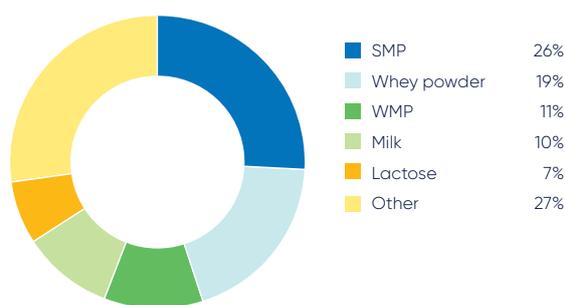


Figure 3 Top dairy exports to Vietnam by US\$ value

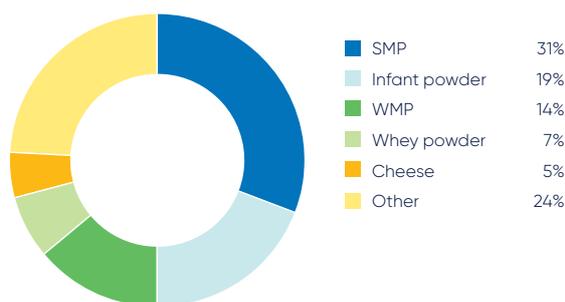


Figure 4 Top Australian dairy exports by volume

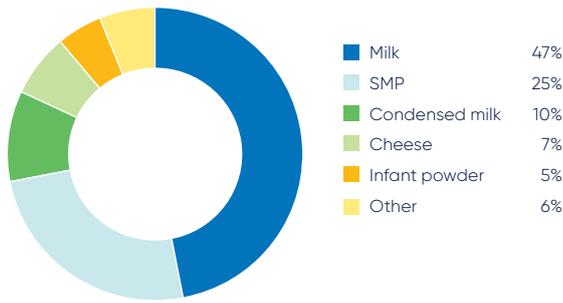


Figure 5 Top Australian dairy exports by US\$ value

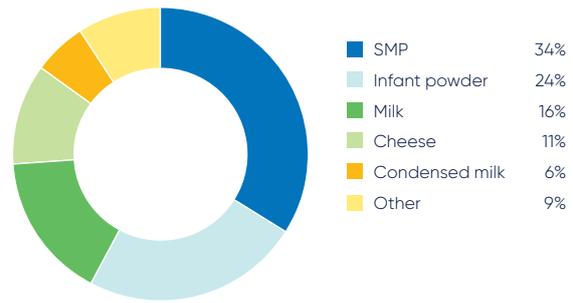


Table 1 Australia exports

Product group	Market share (US\$ %)		Volume ('000)		Value (million US\$)	
	2018	2022	2018	2022	2018	2022
Milk	40	45	9.4	14.1	9.3	14.3
SMP	8	9	6.8	7.6	12.8	29.8
Condensed Milk	1	56	0.2	3.0	0.3	5.4
Cheese	12	18	0.8	2.0	4.1	9.7
Infant Powder	2	10	0.3	1.4	4.5	20.9
Total	4	8	18.7	29.8	35.5	87.9

Table 2 Dairy tariffs

Tariff category	Product category	Applied tariff %
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	0.0
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	0.0
0404	Whey	0.0
0406	Cheese and curd	0.0

Applied tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the applied rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the applied rate for qualifying product is as per that agreement. The countries with specific agreements in place are: China (ChAFTA), Indonesia (AANZFTA), Japan (JAEPA), The Republic of Korea (KAFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

FURTHER INFORMATION

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