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Retail Foods

Sector Report 2016

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Report Highlights:
Vietnam's food retail sector is dominated by small traditional traders, but modern retail channels are expanding in response to growing consumer demand. Overall economic growth, including a sizable young population, rapid urbanization and concerns about hygiene and food safety are driving changes in consumption patterns.

Post:
Hanoi

SECTION I. MARKET SUMMARY

Vietnam's retail food landscape is largely dominated by traditional wet markets and small independent stores ideal for small-quantity/high-frequency food purchases. With lower rental and operational costs, traditional retailers benefit from offering convenience, package-size flexibility and competitive prices, especially for fresh produce and dried food. According to Euromonitor's "Grocery Retailers in Vietnam" report 2016, traditional retailers account for 94 percent of sales while modern retailers only account for 6 percent. Presently, traditional retailers represent the dominant food retail channel in Vietnam. However, industry experts expect the modern food retail sector to account for around 20 percent of sales in Vietnam by 2025.

The modern retail trade concept (supermarkets, hypermarkets, cash and carry wholesale centers, minimarts, and convenience stores) has grown tremendously from only 2 supermarkets in Ho Chi Minh City in the late 1990s to thousands of stores of all types across the country to date (see table 4 and 5 for further details). Vietnam's strong economic growth, growing middle class with higher disposable income, rapid urbanization and concerns about hygiene and food safety are major factor fueling the rapid growth of the modern retail sector.

Vietnam's large population of around 93 million, half of which are under 30, is a key reason behind the strong surge in food and beverage products consumption. Furthermore, an average population growth of 1% per year means nearly 1 million new potential customers are born every year, making the country extremely attractive to food retailers.

Vietnam's GDP growth in 2015 was 6.68% ahead of the projected 6.1%. This positive result was mainly driven by a robust inflow of foreign direct investment (FDI) capital into the country capturing incentives offered by several free trade agreements (FTA). Vietnam has signed several trade deals such as ASEAN FTA, ASEAN-China FTA, ASEAN-Korea FTA, ASEAN-New Zealand & Australia FTA including the not currently ratified Vietnam-European Union (EU) FTA. These FTAs help boost Vietnam's economic growth, which in turn offers more opportunities to businesses in the food retail sector.

Vietnam's increasing global economic integration and market-oriented reforms have generated broad development gains over the past two decades. These economic gains include raising per capita income from $260 in 1995 to approximately $2,000 by the end of 2014, dramatically reducing poverty levels and propelling Vietnam into the ranks of the world's lower middle income countries. Urban dwellers have fared well during Vietnam's economic transformation. Citizens in major cities like Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, Can Tho, and Nha Trang have much higher income than the national average - about 2 to 3 times higher. It is clear that Vietnam's urban middle-class is a target group for the increasing number of modern retail chains.

The rate of urbanization in Vietnam has increased significantly from 21% in 2008 to 32% in 2013. The urbanization growth rate is expected to reach 38% with 870 urban areas and 45% with 940 urban areas by 2015 and 2020, respectively. Vietnam's rapid urbanization offers a range of opportunities for modern food retailers to explore. Consumers living in first and second-tier cities have higher income and more open to new and quality products than shoppers in rural areas.

Unsurprisingly, food safety and hygiene have a significant influence over Vietnamese consumers' food purchasing decisions. In Vietnam, several food safety incidents have received increased consumer scrutiny in the past few years. According to a World Health Organization report, more than 5,000 people were affected by food poisonings in 2014, of which 80% of the victims were hospitalized and 43 died. The proliferation of social media has increased consumers awareness of food safety issues and incidents. Overall, consumers are more careful about the quality of the products they purchase. Since brand awareness is still limited, a perceived quality associated with a product's country-of-origin is becoming a key indicator for food shoppers in Vietnam.

There are many other elements that contribute to the proliferation of modern retail sector in Vietnam. However, the aforementioned five factors are indispensable to current and future development of the sector.

Table 1: Vietnam's Grocery Retail Sales by Channel, trillion VND

Retail channels	**2011**	**2012**	**2013**	**2014**	**2015**
Modern Grocery Retailers	30.9	37.3	45.6	58.5	69.2
Convenience Stores	0.7	1.0	1.2	1.6	2.3
Hypermarkets	8.5	10.2	14.7	23.2	27.2
Supermarkets	21.6	26.1	29.7	33.8	39.8
Traditional Grocery Retailers	708.2	880.2	1,048.4	1,203.9	1,302.2
Food/Drink/Tobacco specialists	17.5	20.5	23.5	28.3	32.0
Independent Small Grocers	216.7	258.3	303.2	344.2	374.6
Other Grocery Retailers	473.9	601.4	721.7	831.4	895.6
Total Grocery Retailers	**739.1**	**917.5**	**1,094.0**	**1,262.4**	**1,371.4**
% change	**29%**	**24%**	**19%**	**15%**	**9%**

Source: Euromonitor

Sales in Vietnam's food and beverage retail sector are expected to increase at a slower pace during the period 2015/2020. The traditional retail channel is projected to grow by 49.7 percent over the same period, the fastest projected increase among countries monitored by Euromonitor (Source: Euromonitor). Meanwhile, more rapid growth is expected for modern food retail outlets due to urban consumers' preference for more product diversity, higher regard for the quality of Western food brands, and a more pleasant shopping experience.

Table 2: Number of modern retail outlets and traditional outlets

Vietnam's Grocery Retail Outlets by Channel, units

Retail Channel	2011	2012	2013	2014	2015
Modern Grocery	0.7	0.8	1.0	1.1	1.4
--Convenience Stores	0.3	0.4	0.5	0.6	0.9
--Hypermarkets	0	0	0	0	0
--Supermarkets	0.4	0.4	0.4	0.4	0.5
Traditional Grocery	621.2	629.3	635.3	641.7	647.5
--Food/Drink/Tobacco Specialists	4.4	4.8	5.3	5.7	6.4
--Independent Small Grocers	217.3	218.8	220.1	221.5	222.5
--Other Grocery Retailers	399.5	405.7	409.9	414.4	418.6
Total Grocery Retail Outlets	621.9	630.1	636.2	642.8	648.9

Source: Euromonitor

Over the next few years, the following prominent trends will shape the growth of Vietnam's modern food retail sector:

- A growing number of western-minded consumers, especially large numbers of young consumers in urban areas.
- A growing middle class, where both parents have less time available for daily food shopping
- A high number of women in the workforce, with increased disposable incomes to purchase higher-value food products for their children and families.
- Wider range of food and beverage products on shelves of modern retail stores are perceived as safer products than those being sold at wet markets.
- Increasing consumer acceptance of processed and packaged products. Many products traditionally sold in bulk are now readily available pre-packaged.
- More concerns about food safety which lead consumers to be willing to pay premium for quality, nutritious and hygienic food and drinks.
- Brand loyalty, but still receptive to new products.
- Weekly shopping at modern retailers versus daily shopping at traditional markets

Similarly, growth in the traditional food retail channel is a function of these realities for the Vietnamese consumer:

- Preference to shop daily for fresh food items.
- Preference for fresh products.
- Tight living conditions/small kitchens with little room for storage.
- Traditional markets have cultural value.

- Upgrading traditional grocery retailers has been a government priority, especially in remote and low-income provinces. Projects involve renovations and facility improvements in order to ensure better hygiene and food safety.

Table 3: Understanding Vietnam's Food Retail Sector -Advantages and Challenges

Advantages	Challenges
Exports of consumer-oriented products have significantly increased over the past five years, from $6.27 billion in 2011 to $11.79 billion in 2015. This proliferation shows strong demand for imported products.	Exports of consumer-oriented products from modern retail chains investors' countries (Thailand, S. Korea and Japan) have kept increasing over the past five years.
Consumers in Vietnam view U.S. products as high quality and safe	Vietnam provides more accesses for products from competitors with the U.S., i.e. beef, apples, pears (French, New Zealand, Korea, Japan)
Consumer awareness of global retail brands is increasing with more international brands entering Vietnam. Modern retailers' focus on high-quality and food safety favors U.S. brands.	Registration for new products is costly and burdensome. Some U.S. products are packed in big sizes that limit purchases
Growing number of western-style fast-food restaurant chains, bakeries and coffee shops, as franchising has been introduced and the retail food sector now transitions to a more modern structure.	U.S. exporters are often perceived as not flexible or responsive enough to importers' needs or the local business environment.
Strong GDP growth, higher per capita income, rapid urbanization and more concerns about food safety support the development of modern retail sector	U.S. products are still expensive to middle-class households
Growing perception of retail outlets as cleaner, safer, more comfortable, more enjoyable and more diverse food and beverage products over wet markets	Reference price list and high import duties make U.S. products less competitive and sometimes discourage importers to diversify their portfolio with U.S. products.
The more modern retail chains managed by foreigners, the more opportunities for imported products, including those from the U.S.	Products from countries having free trade agreements with Vietnam are more competitive than those from the U.S., partly due to lower import tariffs

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Vietnam has become an important market for U.S. agricultural and ag-related products in general and consumer-oriented products in particular. With an import value of $763 million reported in 2015, Vietnam ranked the 16th largest importer of U.S. consumer-oriented agricultural products. The combination of strong developing modern retail chains and growing consumer demand are making Vietnam an attractive market for U.S. exporters. However, along with business opportunities, new-to-market U.S. exporters should have a proper entry strategy to be successful in this market. Post has some recommendations that may hopefully facilitate market penetration.

Exporters should visit Vietnam to gain a first-hand feel of the market. A great time to visit and showcase products would be during the bi-annual Food & Hotel Vietnam Show organized in Ho Chi Minh City. The show is a USDA-endorsed event with a sizeable U.S. Pavilion. The next show will take place in Ho Chi Minh City, Vietnam, April 25-27, 2017. Next, identifying a local partner is the first step that should be done carefully. The reason being, Vietnam's regulations on importing and distributing consumer-oriented products are quite complicated, frequently changing and sometimes inconsistent. Consequently, it is necessary to verify if a local partner is knowledgeable about import and distribution procedures, including products registration, labeling and custom clearance procedures. Other information like company background, distribution network and products portfolio could also be very helpful for determining a strategic partner.

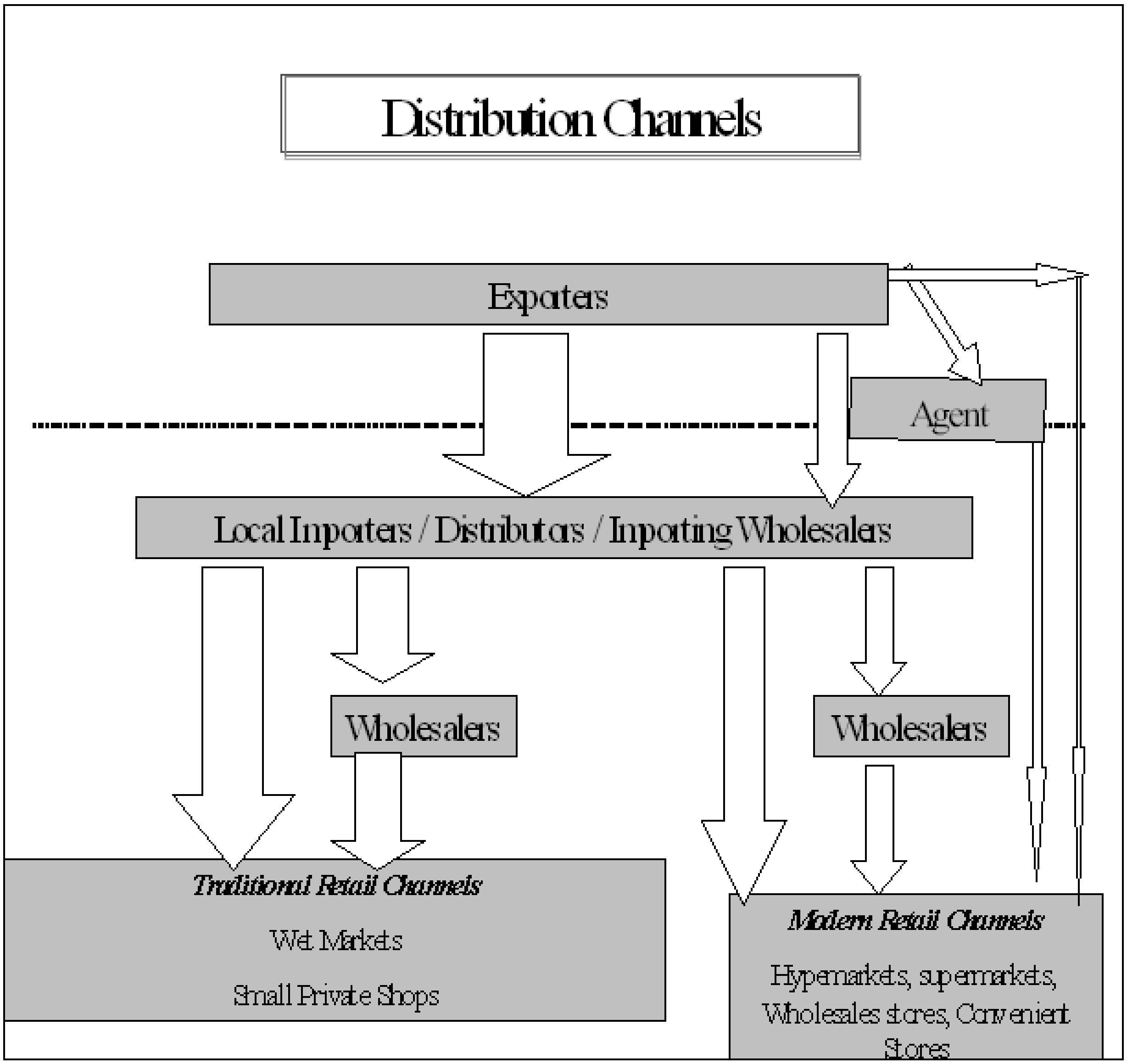
When initiating sales to the Vietnamese market, U.S. exporters should also consider having an effective market promotion strategy. To increase sales, exporters must be prepared to integrate brand-advertising and generic-advertising strategies. For example, U.S products benefit from premium brand equity and an established reputation for food safety. The latter helps U.S. products face intense competition from international suppliers, especially from ASEAN members, China, Korea, Japan and Australia. The ASEAN countries' proximity to Vietnam results in faster delivery and lower transportation cost. Additionally, lower import tariffs obtained from free trade agreements make products from ASEAN countries more competitive than those from non-ASEAN countries including the U.S. Therefore, in order to enter the market, or maintain and expand market shares in Vietnam, U.S. exporters may have to dedicate extra time and effort in enhancing marketing and sales activities. Supporting in-store promotions, product demonstrations, and consumer education are always welcomed and are desirable opportunities on how to add value to existing marketing initiatives.

Flexibility in sales is another important element to consider. Except for some products that local importers can purchase in full container load, such as beef and poultry products or fresh fruits (mainly apples and table grapes), many other products are consolidated containers. Small orders are usually placed to "test the waters" prior to larger ones. It's worth noting that registering a new product in Vietnam is time-consuming and costly, and marketing a new brand requires even more efforts. So, when local importers decide to "test the waters", it also indicates that they are committed to the business.

Being flexible with importers is good for the export of consumer-oriented agricultural products to Vietnam.

FAS encourages potential exporters to review the Exporter Guide (VM5017) as well as other trade policy GAIN reports during the market research process. FAS-Hanoi and FAS-Ho Chi Minh City are available to assist you with conducting market briefings and in facilitating initial meetings with potential importers and major retailers.

Market Structure



Distribution of imported foods:

Distribution of imported foods follows one of the four basic models as follows:

1) Exporters -->Importers/Distributors --> Big Modern Retailers

2) Exporters --> Importers/Distributors --> Wholesalers --> Retailers

3) Exporters --> Local Agent --> Importers/Distributors/Wholesalers -> Retailers

4) Exporters --> Big Modern Retailers

Models No.1 and No.2 are the most common practice in Vietnam.

Ho Chi Minh City (HCMC), with an estimated population of about 10 million people, is the largest city in Vietnam. The city is also the leading economic and financial center of the country. Though accounting for 0.6% of the nation's natural resources and about 10% of the total population, the city contributes over 21% to the nation's GDP. Income per capita in HCMC citizen is 2.5 times as much as the national average, reaching over $5,000. The city is the gateway to Vietnam's modern food retail sector. Generally, food retail distributors seek to establish their footprints in Ho Chi Minh City before expanding into the burgeoning second-tier cities and the rural areas. To date the city is home to 8 hypermarkets, 85 supermarkets, hundreds of convenience stores and more than 200 food stores

Hanoi, Vietnam's capital has over 7 million people, with a large number of employees of the government, foreign missions, and international organizations that are targeted by modern distribution chains. Hanoi's modern retail trade sector has always lagged behind HCMC, but the former is rapidly closing the gap. The capital is home to 4 hypermarkets, 91 supermarkets and hundreds of convenience stores

Though modern retail chains are expanding into second-tier and third-tier-cities across the country, Ho Chi Minh City and Hanoi remain the cradles of the modern retail sector in Vietnam. Additionally, the expanding food retail sector in both cities is playing a key role in confronting the supply chain challenges associated with traditional food and grocery retailing. Most of the major food importers and distributors are located in these two important cities.

Recent development of modern retail sector

In 2015, Vietnam's modern retail trade emerged as the most vibrant business sector with several mergers and acquisition (M&A), new establishments and business expansions. Three local pioneers in the sector including Citimart and Maximart in HCMC and Fivimart in Hanoi were either acquired or merged. There was also a wave of M&A among foreign owned chains. Over the past several years, foreign food retailers have quietly been acquiring pieces of Vietnam's modern retail sector.

For example, Aeon Japan entered the Vietnam market with an ambitious plan to open a large amount of stores. The company bought 49% of the reputable local chain Citimart (27 stores) and renamed it Aeon Citimart. Likewise, Aeon Japan bought Fivimart (22 stores) with 30% share of the retail market. The Fivimart stores in the North were renamed Aeon Fivimart. Additionally, Aeon Japan also opened four new mega stores under its owned brand - two in HCMC, one in Binh Duong province and one in Hanoi. New large buildings with excellent interior decoration, modern facilities, diverse food and non-food products and lots of promotions have made Aeon mega stores favorite destinations for Vietnamese customers of all ages. This Japanese giant has plans to build 30 Aeon malls in major cities across the country. The company also acquired the Ministop convenience stores chain with 66 stores across HCMC.

In 2016, Thailand's TCC Group acquired 19 Metro Cash and Carry stores, formerly belonging to METRO Group, which was a German-owned company. The new company was renamed the MM Mega Market chain.

Big C with 34 stores, originally owed by the Casino Group, a French-owned company, was fully acquired by another Thai business - Central Group Vietnam.

In December 2015, the Korean E-Mart retailing group officially opened its first store in Ho Chi Minh City with plans to open 30 stores nationwide.

Starting with 4 hypermarkets in 2012, the number of Lotte Mart stores increased to 14 in 2015.

In 2015, Auchan (France) opened 3 stores under the "Simply" brand with plans to open 3 additional stores in the next few years.

Vingroup (Vietnam) has emerged as a new player in the modern food retail sector. The group acquired 3 local supermarket and convenience stores chains, including Maximart, Vinatexmart and Ocean Mart. Vingroup also channeled a significant amount of investment into building 10 department stores and hundreds of convenience stores.

Co.opMart remains the leading food retailer in Vietnam with 84 supermarkets, including 33 stores in HCMC and 51 stores across the country. Its owner, Saigon Coop, has recently developed a Coop Food convenience store chain with 100 stores offering fresh produce across HCMC.

Since 2006, the Hanoi Trading Corporation (Hapro) has invested significant resources in new retail outlets and has upgraded the existing Hapro's convenience store network. By the end of 2015, the corporation had 1 department store, 21 supermarkets in Hanoi and key Northern cities - Hanoi, Thai Nguyen, Bac Can, Hai Duong, Thanh Hoa, and Ninh Binh. The company also owns 20 convenience stores in Hanoi.

A. Super Stores, Supermarkets, Hypermarkets or Super Centers, Club and Warehouse Outlets

Table 4: Company Profiles

Retailer Name & Outlet Type	**Ownership**	**Estimated Sales in 2015 (US$ mil)**	**No. of Outlets**	**Locations**	**Purchasing Agent Type**
AEON MEGA MART Hypermarkets	100% Japanese owned	Not available	4	Hochiminh City (3), Hanoi (1)	- Mainly from importers and distributors - Direct imports of fresh and frozen products (perishable food products).
AEON FIVIMART Supermarkets	Share-holding company, major share-holders include AEON (Japan) and Fivimart (VN)	Not available	24	Hanoi	- Mainly from importers and distributors - Direct imports of fresh and frozen products (perishable food products).
AEON Citimart Supermarkets	Share-holding company, major share-holders include AEON (Japan) and Dong Hung (VN)	Not available	27	Mainly in Hochiminh City	Mainly from local producers, importers and distributors
AN PHU Supermarket	State-owned Company	NA	1	HCMC	Mainly from local producers, importers and distributors
BIG C Hypermarkets and Supermarkets	100% owed by Central Group Thailand	Likely exceeds 800	34	20 cities/ provinces across the country, including Bac Giang, Binh Dinh, Binh Duong, Can Tho, Da Nang, Dong	- Dry foods and beverages mainly from local producers/ importers/distributors and wholesalers. - Direct imports of fresh and frozen

				Nai, Hanoi, Hai Duong, Hai Phong, Khanh Hoa, Lam Dong, Nam Dinh, Nghe An, Binh Binh, Phu Tho, Quang Ninh, Thanh Hoa, Hue, Hochiminh City, Vinh Phuc	products (perishable food products). - Very strong in doing private labeled products.
CO.OPMART Supermarkets	Local, belonging to Saigon Coop, operated under co-operative law	Likely exceeds 980	80	40 cities/ provinces across the country, but mainly concentrated in Hochiminh City (32 stores).	- Mainly from local producers/ importers/distributors and wholesalers. - Direct imports of foods and beverages are still small but growing. - Very strong in doing private labeled products.
CO.OPXTRA Hypermarket	Joint venture b/w Saigon Coop (VN) and Fairprice (Singapore)	Likely exceeds 70	2	Hochiminh City	Same as Co.opMart
DIAMOND PLAZA	Joint venture b/w VNSteel (VN) and Posco Engineering and Construction (Korean)	NA	1	Hochiminh City	Mainly local producers, importers and distributors
GIANT Department store	Foreign Invested Company (Singapore)	NA	1	HCMC	Mainly from local producers, importers and distributors
HAPRO **1 department store, 20**	State-owned company	Not available	21	Hanoi and Northern provinces	Mainly from local producers, importers and distributors

supermarkets					
INTIMEX Supermarkets and Department Stores	Joint-Stock Company	Not available	14	Hanoi, Haiphong, Hai Duong, Nghe An, Danang	Mainly from importers and distributors
K-MART **Supermarket**	Foreign-Invested Company (Korea)	NA	1	HCMC	Mainly from local producers, importers and distributors
LOTTE MART Supermarket	Foreign-Invested Company (Korea)	NA	14	HCMC (5), Binh Duong (1), Dong Nai (1), Phan Thiet (1), Danang (1), Hanoi (2), Vung Tau (1), Can Tho (1), Nha Trang (1)	Mainly from local producers, importers and distributors Direct imports of fresh and frozen products (perishable food products).
MM Mega Mart (former Metro Cash & Carry wholesale stores), Wholesales stores	100% owned by TTC (Thailand)	Likely exceeds 550	19	- HCMC (3), Hanoi (3), Dong Nai (1), Binh Duong (1), Vung Tau (1), Can Tho (1), Long Xuyen (1), Quy Nhon (1), Da Nang (1), Hai Phong (1), Vinh (1), Ha Long (1), Nha Trang (1), Buon Me Thuoc (1), Rach Gia (1) - Plan to transform to retail supermarkets	- Mainly from local producers, importers and distributors. - Direct imports of fresh and frozen products (perishable food products). - Very strong in doing private labeled products
PARKSON Department Stores	Local Joint-Venture with Parkson of Malaysia	NA	8	HCMC (6), Hai Phong (1) and Da nang (1) .	Mainly from importers and distributors.
Saigon Trading	State-owned Company	Not available	3	HCMC	Mainly from local producers, importers

Corporation (SATRA) Supermarkets					and distributors
SAPOMART Supermarket	Hiway co., ltd, Private-owned company	NA	3	Hanoi	Mainly from local producers, importers and distributors
TOKYO MART Independent stores	TokyoMart JSC, Japanese investment	NA	5	Hochiminh City	Mainly from direct imports, importers and distributors
U.S. Mart Independent stores	Private	NA	3	Hochiminh City	Mainly from local producers, importers and distributors
VINCOM Department Stores having Vinmart supermarkets	Private-owned company	NA	26	HCMC (7), Hanoi (7), Giang Giang (1), Can Tho (2), Dong Nai (1), Dak Lak (1), Dong Nai (2), Hai Phong (1), Phu Tho (1), Quang Ninh (1), Thai Binh (1) and Bac Lieu (1)	- Dry foods and beverages mainly from local producers/ importers/distributors and wholesalers. - Direct imports of fresh and frozen products (perishable food products).
VINMART Supermarkets	Private-owned company	NA	80	Nationwide	- Dry foods and beverages mainly from local producers/ importers/distributors and wholesalers. - Direct imports of fresh and frozen products (perishable food products).

Note: The sales turnovers are estimated via interviews with trade sources in comparison with other sources, i.e. newspapers, Euromonitor, and are furnished as information with the understanding that no discrimination is intended and no guarantee of reliability is implied.

B. Convenience Stores, Gas Marts, Kiosks:

Convenience stores have expanded strongly over the past few years, from about 150 stores in 2012 to over 1,000 in 2015.The key players in the sector include Vinmart, Circle K, B's Mart, Shop & Go, Family mart, Ministop, Satrafood and Co-opfood. The sector is increasingly robust with rising competition especially in light of Seven Eleven plans to open its first store in HCMC in 2017. Vietnam's increasing urbanization alongside the sector's core offer of convenience is boosting the count of stores in the country.

Table 5: Company Profiles

Retailer Name & Market Type	Ownership	Sales in 2015 ($Mil/year)	No. of Outlets	Locations	Purchasing Agent Type
Annam Gourmet Independent	An Nam Group (Vietnamese company)	Not available	5	HCMC (4) and Hanoi (1)	Mainly from direct imports
B's Mart Convenience stores	Thailand-invested Company & Phu Thai Group	Not available	160	HCMC	Mainly from importers/distributors and wholesalers.
Circle K Convenience stores	Alimentation Couche-Tard	Not available	217	Mainly in HCMC (153), Hanoi and Binh Duong	-Mainly from importers/distributors and wholesalers.
Co-opFood Food stores	Saigon Co-op, local company operated under co-operative law	Likely 34	96	HCMC	Mainly from local producers/ importers/ distributors and wholesalers.
Co-op Smile Convenience stores Planning to expand to 200 stores within 2017	Saigon Co-op	Not available	20	HCMC	Mainly from local producers/ importers/ distributors and wholesalers.
Family Mart	Japanese-invested	Not	65	HCMC	Mainly from importers/distributors

Convenience stores	Company	available			and wholesalers.
Foodcomart Grocery stores	Foodcosa, a joint stock company	Not available	38	HCMC	Mainly from importers/distributors and wholesalers.
Hapromart Grocery stores	Hapro, state-owned company	Not available	20	Mainly in Hanoi and Northern provinces	Mainly from importers/distributors and wholesalers
Ministop Convenience stores	Aeon (Japan)	Not available	66	HCMC	Mainly from importers/distributors and wholesalers.
Satrafood Food stores	Satra group	Not available	100	HCMC	Mainly from local producers, importers/distributors and wholesalers.
Shop & Go Convenience stores	Malaysian-invested company	Not available	128	Mainly in HCMC and Hanoi	Mainly from importers/distributors and wholesalers.
Vinmart + Convenience stores	VinGroup	Not available	700	Nationwide	Mainly from local producers, importers/distributors and wholesalers.
Veggy's Independent	Private-owned company (Golden Garden)	Not available	3	HCMC and Hanoi	Direct imports
Vissan Food stores	State-owned company	Not available	59	HCMC (51), Binh Duong (1), Hanoi (2), Danang (5)	Mainly Vissan products

C. Traditional Markets – "Mom and Pop" Small Independent Grocery Stores and Wet Markets

Sub-Sector Profile

Despite the robust growth of modern retail chains as aforementioned, traditional markets continue to be a dominant retail channel in Vietnam. Vendors at wet markets neither wait for business license nor store setup to do business like modern retail chains. A tiny space of one or two square meters is good enough for a butcher or a fresh produce vendor to display and sell their products to housewives who prefer walking to the nearest wet market to buy meat, fish and fresh produce for their families. This shopping habit is also driving the establishment of new wet markets. Wherever a new residential area is built, a wet market is likely formed. As such, it's hard, if not impossible, to keep track on how many wet markets are operating in Vietnam. The government estimates that there are over 8,500 wet markets - the number in reality might well be far higher.

"Mom and Pop" small independent grocery stores are still a leading player in the food retail sector, not only in rural areas where supermarkets are uncommon but also in big cities. With lower operating cost because of savings from space rental, store setting, no air-conditioning and less or even no staff, small independent groceries are able to sell the same products at cheaper prices. Additionally, buying from nearby shops is a prevalently traditional way to consolidate relationships with neighbors and/or friends. Most importantly, Vietnamese commute by motorbikes and as tradition holds, most drivers stop by small stores along the streets to quickly purchase groceries rather than having to park and line up at busy counters in supermarkets or modern convenience stores.

In short, traditional markets with their flexibility, competitiveness and culture will continue to dominate the retail sector in the coming years. These traditional markets continue to exist because they create and stimulate local economies.

Wet market

“Mom and Pop” Small Independent Grocery Store

SECTION III. COMPETITION

Food safety and hygiene concerns are influencing where Vietnamese consumers purchase food products. As a result, modern food retail outlets are viewed as places where consumers can find out the origin of the food they buy. In Vietnam, consumers believe that modern food retail outlets carry higher quality and safe products compared to traditional markets. This situation is also contributing to the intense competition between modern food retailers and the traditional markets.

Furthermore, Vietnam is a large producer of several fruits and vegetables. The country is also developing a burgeoning food processing and agro-industrial base. As a result, imported food products face strong competition from foods produced domestically. Leading multinationals have established food processing operations in Vietnam, and are able to offer a range of western-style products at reasonable prices. However, the quality of the products may be inferior to imported products due to low grade raw materials including ingredients.

The food retail sector is highly competitive because of the proliferation of FTAs that Vietnam has signed with major trading partners. Vietnam's economy and the food retail sector have benefited greatly from trade liberalization. As a result, exporters from countries with FTAs with Vietnam enjoy lower tariffs compared to import tariffs for U.S. products.

As noted earlier, an important feature that is reshaping Vietnam's food retail sector is the inflow of capital from other Asian countries such as Thailand (MM Mega Mart, Big C, B's Mart), Japan (Aeon, Aeon Citimart, Aeon Fivimart, Ministop, Family mart, Tokyomart) and South Korea (Lotte, K-mart). This feature is also resulting in the proliferation of Asian-branded products on the shelves of food retail outlets across Vietnam.

Table 6: Summary of Retail Food Sector Competition

Product Category	**Unit**	**Vietnam Imports 2015**			**Competitor Market Share**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
		Qty	**Mil $**	**U.S. Share by value**			
Dairy Products	N.A.	N.A.	597.8	26.7%	New Zealand – 34.4% Australia: 7.9% EU: 19.5%;	New Zealand and EU are competitive suppliers of milk powder. Australia and NZ benefit from proximity and lower import tariffs. EU is a prominent supplier of cheese products.	Major local dairy processors such as Vinamilk, Friesland Campina and TH Milk are strong for liquid milk, ice cream, yogurt and condensed milk. On the other hand, they heavily rely on imported dairy ingredients

Tree Nuts	1,000 MT	697	1,548	17.4%	Ivory Coast – 20.2%; Ghana – 11.6%;	African suppliers are major suppliers of cashew nuts U.S. ships almonds, walnuts, and hazelnuts	Vietnam is a leading processor and exporter of cashew nuts but has faced shortage of raw materials
Fresh Fruit	1,000 MT	969	1,199	5%	China - 72% Thailand - 15%;	China is the most price-competitive in many fresh fruits. U.S. apples, table grapes and cherries are appreciated for quality and safety reasons.	Local produce is well positioned in the market at competitive prices.
Snack Foods (excluding tree nuts)	1,000 MT	44	175	5.6%	Indonesia - 43% Malaysia - 14% Thailand – 11%	Indonesia, Malaysia and Thailand benefit from proximity and 0% import tariffs	Local products are competitive
Processed fruit and vegetables	1,000 MT	244	1,186	2.8%	China – 80.7% Thailand – 11.8%	China exports dried mushroom and dried wood ears (82% of total export value) 83% of Thailand 's export value in this category accounts for dried fruits U.S. supplies	Local products are diverse and cheap

						prepared fruits, raisin and dried prune	
Poultry Meat & Prods. (ex. eggs)	1,000 MT	699	858	8.8%	Korea 4.2% Brazil – 2.1%	The U.S. is a principal supplier of frozen leg quarters.	Strong local production at a competitive price.
Beef & Beef Products	1,000 MT	702	2,280	1.4%	India - 82% Australia - 1%	Urban demand for high-quality U.S. beef products is increasing. India is a principal supplier of frozen buffalo meat at more competitive price than beef products	Limited domestic production. Imports, particularly from U.S. and Australia carry significant brand equity.
Wine	Hectoliter	150.2	124	9.3%	Chile – 11.7% France – 9.8 Australia 5.7% Italy 3.7%	Chile topped the wine exporters list for its competitive pricing, especially entry level wine U.S. wine is perceived as premium product at the same level as French, Australian and Italian wine.	Despite great efforts made by both local and foreign investors, Vietnam is unlikely a wine producing country due to a variety of constraints, including unfavorable climate, shortage of arable land and lack of experience and expertise.
Pork &	1,000 MT	80	118	2.4%	Hong Kong –	The U.S.	Extensive domestic

Pork Products					76.9% Canada – 3.7%; Denmark - 3%	competes with Canada and EU to supply frozen swine cuts. Demand has increased resulting in larger shipments from all three suppliers.	production and preference for some domestic varieties (black pig).

Source: FAS analysis of Global Trade Atlas data

SECTION IV. BEST PRODUCT PROSPECTS

Despite the highly competitive food retail sector as aforementioned, some U.S. consumer-oriented products are making inroads into growing Vietnamese market due to various reasons, including higher consumer awareness of quality, price competitiveness of U.S. imported foods and strong market demand

A. Products Present in the Market Which Have Good Sales Potential

Table 7: Top U.S. Export Prospects

Product Category	Best U.S. products in Vietnam (USD thousand)		Variation
	2011	2015	
Tree Nuts (mainly Almond, Hazelnut, Walnut, Pecan, Pistachio)	87,480	272,301	211%
Dairy products (mainly skim milk powder, whey and lactose)	187,509	168,347	-10%
Fish products	38,134	115,316	202%
Poultry meat and products (mainly quarter leg, dropped due to cheaper price)	104,356	81,964	-21%
Fresh Fruits (apples, table grapes and cherries)	36,988	58,955	59%
Non-Alcoholic Bev. (ex. juices)	2,181	42,477	1848%
Prepared Food	26,301	37,376	42%
Beef & Beef Products (dropped due to less transshipments to China)	192,142	32,265	-83%
Processed Fruit	11,369	23,067	103%
Distilled spirits (fluctuated)	19,344	16,825	-13%
Wine & Beer (dropped due to intense competition from other wine exporting countries)	22,282	12,463	-44%

Source: GATS

B. Products Not Present in Significant Quantities but Have Good Sales Potential

There are good opportunities for sales of other U.S. high value items which are not yet in the market in significant quantities, including pork products, cheese, ice cream, craft beer, citrus, fresh potatoes, live seafood (geoduck, lobster, king crab), frozen shellfish, frozen wild salmon and pet food.

C. Products Not Present because They Face Significant Barriers

A U.S. product category that has not been sold significantly in Vietnam in recent years due to restrictive government regulations is edible offals (pork, beef, and chicken). Imports of most offals, which have great potential demand in Vietnam, continue to a face temporary ban. On September 1, 2013, the Ministry of Agriculture and Rural Development indicated that the offal ban would be lifted. However, to date, the import protocol to resume trade on these products has not been finalized. U.S. exporters of these products should contact FAS-Vietnam for an update on the trading status of these products.

SECTION V. POST CONTACT AND FURTHER INFORMATION

U.S. Department of Agriculture / Foreign Agricultural Service (USDA/FAS)

First point of contact for updated reports and trade data is the USDA/FAS Web Page:

http://www.fas.usda.gov

USDA/FAS Offices in Vietnam

The physical addresses of the FAS Offices are shown below. Contact the FAS Offices for the U.S. and Vietnamese Mailing Addresses:

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Email: aghanoi@fas.usda.gov
Contact: Mr. Mark A. Dries, Counselor for Agricultural Affairs
Mr. Benjamin Petlock, Agricultural Attaché
Ms. Bui Thi Huong, Sr. Agricultural Specialist
Ms. Nguyen Thi Huong, Agricultural Specialist
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Ms. Do Thi Minh Hang, Financial & Administrative Assistant
Mr. Vu Van Dung, Clerk / Driver

FAS Ho Chi Minh City, Vietnam
Agricultural Affairs Office
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Key Government Contacts

Ministry of Cultural, Sports, and Tourism
No 51 Ngo Quyen Street, Hoan Kiem District, Hanoi
Tel: (84-4) 3943-8231, -3943-9232
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Ministry of Industry and Trade (MOIT)
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MARD/International Cooperation Department
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Website: icd.mard.gov.vn
Contact: Mr. Tran Kim Long, Director

MARD/ National SPS Notification and Enquiry office
Room 105a, A10 Building, MARD, No.2 Ngoc Ha street, Ba Dinh, Hanoi
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Website: www.spsvietnam.org.vn
Contact: Mr. Vu Van Minh – Director General

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149 Ho Dac Di Street, Dong Da District, Hanoi, Vietnam
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Useful Websites:

Note: Most Vietnamese websites contain both English and Vietnamese documents.

The Embassy of Vietnam in Washington http://www.vietnamembassy-usa.org

Ministry of Agriculture and Rural Development www.mard.gov.vn

MARD/Department of Animal Health http://www.cucthuy.gov.vn

MARD/Plant Protection Department http://www.ppd.gov.vn

MARD/ National Agro-Forestry-Fisheries Quality Assurance Department http://www.nafiqad.gov.vn

Ministry of Health http://www.moh.gov.vn

Vietnam Food Administration http://vfa.gov.vn

General Department of Vietnam Customs http://www.customs.gov.vn/English/

Directorate for Standards, Metrology & Quality http://www.tcvn.gov.vn/ or http://en.tcvn.vn

Ministry of Industry & Trade http://www.moit.gov.vn

HCMC Department of Planning & Investment http://www.dpi.hochiminhcity.gov.vn/invest/

Vietnam Tourism Administration http://www.vietnamtourism.com/e_pages/news/

National Assembly of Vietnam http://www.na.gov.vn

Ho Chi Minh City's Website http://www.eng.hochiminhcity.gov.vn/eng/news/

Vietnam Ag Biotechnology http://www.agbiotech.com.vn

American Chamber of Commerce in Vietnam http://www.amchamvietnam.com

Major Media Websites:

Vietnam News http://vietnamnews.vnagency.com.vn/

Vietnam Economy News http://news.vneconomy.vn/

Vietnam Investment Review http://www.vir.com.vn/news/home

Saigon Times Daily http://english.thesaigontimes.vn/Home

Saigon Times Weekly http://www.thesaigontimes.vn/epaper/SGTW/

Saigon Tiep Thi http://www.vnnnews.net/tag/saigon-tiep-thi

Tuoi Tre News http://www.tuoitrenews.vn/

Thanh Nien News http://www.thanhniennews.com