



Kingdom of the Netherlands

Agriculture in Vietnam

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The importance of improving Vietnam's agricultural system along all parts of the value chain is growing and more visible. This is increasingly opening up the market for innovative solutions to both the effects of climate change and the structural hindrances within the agricultural sector. Alongside the rapid developments of the country as a whole, seen in for example the growing market liberalization and increasing foreign trade, the Vietnamese agricultural sector is promising for businesses in many ways.

With a population of over 90 million people, Vietnam has the third largest population in Southeast Asia. Since the Doi Moi reforms in the mid-eighties, the country's economy transitioned from the rigidities of a centrally planned to one of Asia's fastest growing and dynamic markets. It reached the lower middle income status in 2010. Per capita GDP is USD 2,185 while GDP growth was 6.2% in 2016. The country's medium-term outlook remains favourable. Vietnam is a member of WTO and regional forums, including the Association of Southeast Asian Nations (ASEAN). The ASEAN Economic Community from 2015 aims for economic integration amongst its members, implying free movement of goods, services, investment, free flow of capital, and skilled labour. This makes Vietnam an attractive location to cater the ASEAN region from.

Vietnam's trade policy favours Free Trade Agreements (FTAs). The negotiations on the EU-Vietnam FTA have been finalised and the EVFTA is in the final stages before implementation. Early estimates suggest it will come into force in the second half of 2018. It aims at 99% trade liberalisation within a decade. Besides the EVFTA, Vietnam is involved in active FTAs (as part of ASEAN) with regional partners and in the preliminary agreement CPTPP (without United States),

successor of the TPP, which is still in the negotiation phase. Therefore, apart from Vietnam's ASEAN neighbours, most goods can also be exported duty-free to countries in the Pacific region, like Japan, Australia and Chile. Vietnam is therefore an appealing and rapidly emerging market.

The agricultural sector

Agriculture accounts for almost 20% of GDP, and Vietnam has a growing middle class with an increasingly westernized eating pattern. Agriculture's contribution to the national GDP is expected to decline by 0.5% annually, due to decreasing employment in the primary agricultural sector. At the same time the agro-industry's share is expected to grow to USD 51 billion by 2020 and remains a significant market for outside players. Food and non-alcoholic beverages in 2015 represented USD 43 billion, or 35% of consumer expenditure.

Regarding bilateral relationship, Vietnam and the Netherlands have already very strong ties in the fields of Agriculture and Water. The Strategic Partnership Arrangement on Agriculture and Food Security signed in 2014 is defined as a new overarching umbrella structure for all existing and new areas of cooperation in agriculture



and food security in the broadest sense.

Vietnam aims to become a producer and exporter of high-standard food products to improve its export of value-added products. Given that small-scale production and the flow through traditional or informal markets still dominates in most of the country's agricultural value chains, increasing food safety management is an important focus point for the government. A Memorandum of Understanding on the Dutch involvement in developing a food safety system in Vietnam was signed by the prime ministers of the two countries and the World Bank in July 2017 in The Hague, confirming the importance of value chain development and improved food safety on the Vietnamese agenda.

Business environment

Despite the fact that the economy of Vietnam is growing fast, the Vietnamese business environment still has room for improvement. When doing business, red tape procedures and uncertainty regarding tax laws and enforcement need to be taken into account. Furthermore, Vietnam ranks relatively low regarding enforcement of property rights. Transparency International ranked Vietnam 113th out of 176 countries on the corruption index 2016. However, on the World Bank's 2018 doing business index, Vietnam ranks 14 places higher than the previous year, on 68th out of 190 countries.

In terms of agricultural policy, of significance is Decision No. 124/ QD-TTg issued in 2012 approving the Master Plan on Agricultural Production development to 2020, Vision to 2030. This vision aims to develop modern, sustainable and large-scale agricultural production by applying science and technology to boost quality and productivity thus resulting in high competitiveness in the sector. Private sector is encouraged to enhance their involvement and investment in hi-tech agriculture.

Market development trends

Most agricultural land is already being exploited and deals with rising land competition for other uses, such as for urban or industrial purposes. Therefore improvements in productivity of agricultural production systems, through both the closing of yield

gaps and the intensification of production processes, are projected to be the most significant drivers of production growth. The importance of this food security and efficiency issue is emphasized by the fact that Vietnam is one of the countries impacted most by climate change. Its effects create a need for technologies and farming techniques that put less strain on the environment and ensure sustainable agricultural practices.

Across Asian nations in general, there has been a trend towards purchasing groceries and food products online, although in Vietnam this is still a smaller group in comparison to wet markets. This could represent an opportunity for cold chain service providers, as the emergence of online shopping for groceries should create additional demand for refrigerated delivery and warehouses near major population centers.

Vietnam is among the most significant contributors to the expected 10% global growth in all types of meat import demands, and Vietnam is currently ranked 3rd in worldwide pork consumption, remaining only behind the EU and China. There is also a rapidly increasing demand for dairy products, stimulated both by the Vietnamese government and through active communication by large dairy companies on the health benefits of dairy products, making for a significant increase in animal protein demand.

With income levels on the rise, Vietnamese consumers are seeking products that offer convenience. Packaged food sales continue to grow rapidly, and are expected to reach a value of USD 12.9 billion by 2020. Vietnam is the world's second largest exporter of coffee and is also an important rice producer regionally and globally. These products are notably almost exclusively exported in raw form, meaning that uniquely significant chances for the market lie in increasing the level of processing of refined products for export.

Business opportunities

The country's agricultural sector is at a turning point, and agriculture remains an important part of the country's economic development due to its significance in global food security questions. Sustainable agriculture and value chain development are therefore strategic priorities in the coming years, and it is envisioned that the private sector will play an important role in this process.

The Netherlands is traditionally known to achieve maximum returns with minimal resources, given the small land area, and it has a reputation to have high standards for food safety and well-managed value chains with a high level of traceability. This knowledge is important for Vietnam and forms the basis of the partnership with Dutch businesses and knowledge institutes, as increasing negative influences from climate change are impacting returns in Vietnam and food safety remains an important concern both for the national and the international market.

We distinguish four subsectors: horticulture, dairy, pork & poultry and value chain.

Horticulture

A main hub for more developed agricultural equipment use is Lam Dong province, which with its temperate climate is a main supplier of vegetables both domestically and for the export market. Other important agricultural regions are the Mekong Delta (comparable in size to the entirety of the Netherlands) and Red River Delta area, both increasingly making use of different technologies related to the horticulture and livestock industries. In recent years there has been high demand especially for Dutch companies providing various types of agricultural equipment, farm inputs and technical services. Alongside this, providing higher quality seeds and other productivity- and sustainability- enhancing products are important to the development of the Vietnamese agricultural sector and form a solid market for Dutch businesses.

Dairy

The dairy market is expected to double in size in 2020 compared with the figure of 2015, reaching USD 8.2 billion. Although fresh milk production has increased significantly, local production remains a small portion of domestic demand, reaching a self-sufficiency level of 27%. There is room for improvement at every level of the value chain if Vietnam is to better meet its fast-growing demand with increased domestic production. Given lack of grazing area as it is available in the Netherlands, export of Dutch dairy products to Vietnam as well as technology and equipment are the areas where Dutch companies can benefit most.

Pork & poultry

Pork comprises three quarters of meat consumed in Vietnam, with poultry coming in as the second most important, although the latter's local production capacity is far less. With rising volumes of meat production, increasing requirements for western-like consumption patterns and stronger awareness of food safety, Vietnam's meat value chains are on the verge of change. Rising domestic consumption of animal protein and processed food has driven demand for quality farm inputs to improve farm productivity. There are opportunities to support the development of local production and, to a lesser extent, to export animal protein from the Netherlands. The business opportunities in these Vietnamese chains, especially for pork, are broad. They vary from processing and packing of meat, slaughter equipment, breeding, feeding, farm design and farm supplies to knowledge transfer.

Value chain

The country agriculture is seen to be at a turning point at this stage. Agriculture will be the main driving force for the country's economy development. Sustainable agriculture and agri-value chain development are strategic priorities in coming years. Private sector is seen to be in driving force and leading seat of this process. Government is to support and facilitate by creating enabling environment, promoting the value chain development. The 5th meeting of the Party Central Committee XII May 2017 has re-affirmed this determination.



Ambition of becoming a producer of high quality processed agricultural products that are up to international standards will create a need for improvements throughout all parts of the supply chains – in particular optimizing agricultural practices and improving effectiveness and inputs. The large potential for this means many traditional conglomerates in Vietnam (largely those involved in real estate and finance) shift to activities in the agricultural sector.

This creates a huge demand for agriculture-related consultancy and broadens the market for experienced foreign players to design projects in the country. Apart from that, knowledge and technology in the field of smart agricultural planning will be of importance in the near future. With the attention for ways to develop safe and traceable value chains with decreased losses, providing services that give advice on developing 'seed to eat' concepts in line with the Vietnamese public's practices are in high demand.

Trade fairs

- AGRO VIET: <http://en.agroviet.com.vn/>
- VietFish: <http://www.vietfish.com.vn/?lang=en>
- Food and Beverage Trade show: <http://hcm.foodexvietnam.com/en>
- Propack Vietnam: <http://www.propakvietnam.com/>
- VietnamFoodExpo: <https://foodexpo.vn/en/index.php>
- ILDEX Vietnam: <http://www.ildex.com.vn/>
- Vietstock (every two years): <http://www.vietstock.org/en-us/>
- HortEx Vietnam: <http://www.hortex-vietnam.com/>
- FI Vietnam: Int'l Food Ingredients Exhibition (every two years): <https://www.figlobal.com/vietnam/>

Further information on upcoming fairs can be found on vietnam.agroberichtenbuitenland.nl



Business support

The Embassy in Hanoi and the Consulate General in HCMC can provide information about the maritime sector in Vietnam, applicable rules and regulations, potential business partners and relevant government authorities.

In addition, the Government of the Netherlands has developed several instruments to support Dutch companies in doing business in Vietnam. The information can be found on www.rvo.nl.

For general information on doing business in Vietnam please refer to the [Factsheet Doing Business in Vietnam](#).

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