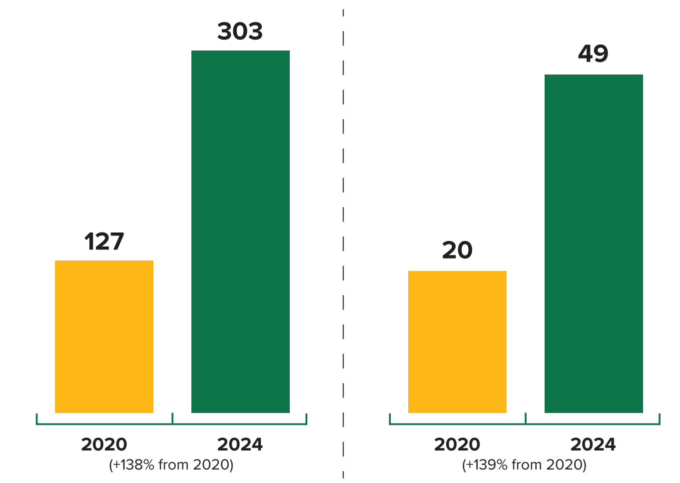
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Vietnam

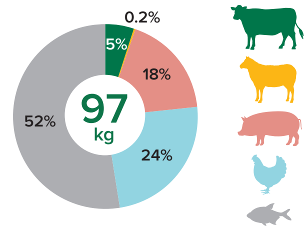
Vietnam is the sixth largest market for Australian red meat and livestock exports, and is one of the fastest growing. Total red meat and livestock export value to Vietnam for the 2020 fiscal year totalled A$724 million, representing 4% of Australia's total export value. Vietnam possesses strong demand growth fundamentals for Australian exports including a large population with increasing incomes, resilient economic growth, continued urbanisation and growing popularity of red meat, especially among young, affluent consumers.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

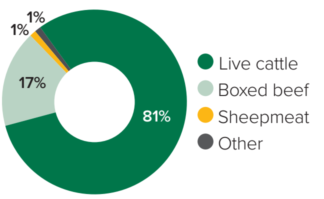


Grocery spend[4]

A$ 956 per person

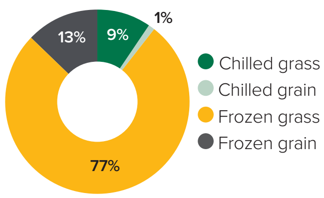
Australian beef exports

Australian exports – value[5]



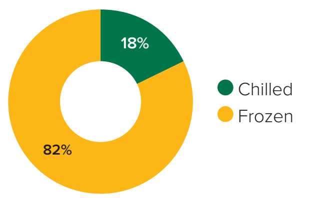
Total A$724.0 million

Australian boxed beef exports – volume[5]



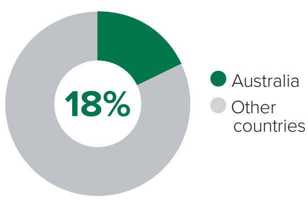
Total 13,800 tonnes swe

Australian boxed beef exports – value[6]



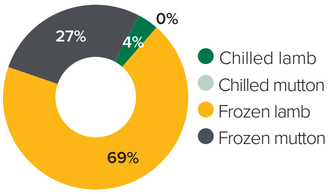
Total A$122.6 million

Australia's share of boxed beef imports[7]



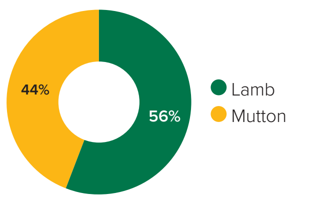
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



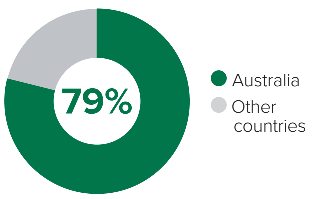
Total 419 tonnes swt

Australian sheepmeat exports – value[6]



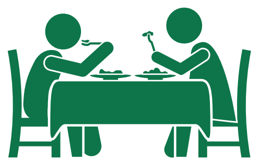
Total A$8.4 million

Australia's share of sheepmeat imports[8]



Key distribution channels of Australian sheepmeat[9]

Most Australian sheepmeat exports are utilised in foodservice



Data source for charts: [1,2] Fitch Solutions, [3] GIRA 2020, [4] IGD 2019 (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] ABS/IHS Markit (FY 2019–20), [6] DAWE (FY 2019–20), [7] Vietnam Customs (CY2019), [8] IHS Markit (FY 2019–20) based on major suppliers' export data, [9] MLA market intelligence.

Beef

CONSUMERS

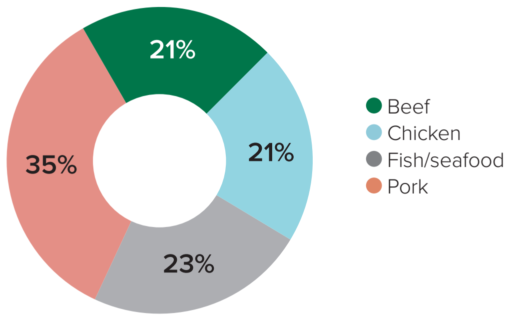
- Beef is a popular protein in the Vietnamese diet despite lower per capita consumption when compared to pork, chicken, fish and seafood.
- Beef is regarded as a superior meat and an important source of nutrition essential to a healthy diet for the family, especially for children.
- Vietnam has higher beef consumption frequency relative to neighbouring countries.
- Fresh beef is more preferable in Vietnam due to the perceived quality and cooking habits of Vietnamese consumers, which are to purchase fresh ingredients to be cooked on the same day.

Important attributes when Vietnamese consumers select between meats	Vietnamese consumers' beef associations
My/my family's favourite meat	Is the most superior meat
Consistent quality standards	High nutritional value
Guaranteed safe to eat	Willing to pay a bit more for it
Is easy and convenient to prepare	Is my/my family's favourite meat
Can be used in many different meals	Essential part of a healthy diet for growing children

Source: MLA Global Consumer Tracker Vietnam, 2016

- Food safety has been a significant area of concern for Vietnamese consumers. As a result, consumers are increasingly looking for products that give them peace of mind. 87% of consumers surveyed say that they are willing to pay a premium for 'certified safe' beef products *(Source: The University of Adelaide's Vietnam Urban Food Consumption and Expenditure Study, 2016).*
- The impact of African Swine Fever (ASF) on higher pork prices and supply consistency is likely to result in a permanent increase in consumption of other meat proteins, particularly fish, poultry and beef.

Proportion of average serves in past seven days by protein

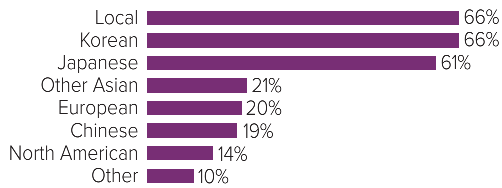


Source: MLA Global Consumer Tracker Vietnam, 2016

FOODSERVICE

- Vietnam's foodservice sector is highly fragmented with many different channels and players. The sector is dominated by small-scale, local independent restaurants, where fresh beef from local or Australian cattle is typically used. These small restaurants generally purchase fresh beef from local wet markets or wholesale markets daily in the early morning.
- The modern chain restaurants represent a relatively small market share but are continuously expanding. Frozen and chilled beef is utilised more in this segment.
- Eating out is becoming an integral part of modern Vietnamese life due to changing lifestyles and the growing presence of foodservice venues. Dining out for business purposes is also common in Vietnam.
- Affluent and young consumers, especially Generation Z and young millennials (aged from 18 to 35 in particular) are the key growth driver for the Vietnam foodservice sector.
- This consumer segment is aspirational and open to new experiences. They are keen to try new food trends and cuisines from different cultures.

Which type of cuisine do affluent consumers in Ho Chi Minh city prefer when dining out?



Source: MLA Attractive Cities Study Ho Chi Minh city, 2018 ; Affluent: annual incomes of US$23,500 or above

- 'Enjoy the beef' or 'enjoy the variety of beef dishes' are major motivations for Vietnamese consumers to choose beef when they dine out.
- Western restaurant outlets account for about 7% of out-of-home visits, compared with 53% of Asian restaurants or 40% of other venues *(Source: Decision Lap, Out-of-Home Food & Drink Consumption Trends Vietnam, Q2 2016).*

Major reasons for Vietnamese consumers to visit a Western restaurant

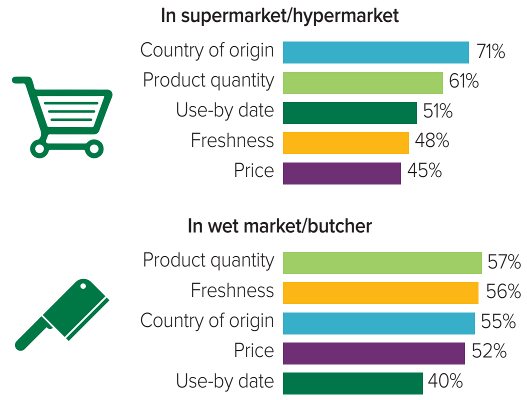
1	A desire to try something new
2	Special occasion (Birthday etc.)
3	Treat
4	The kids love it there
5	Socialising with friends/colleagues/family

Source: Decision Lap, Out-of-Home Food & Drink Consumption Trends Vietnam, Q2 2016

RETAIL

- Vietnam also has a fragmented grocery retail sector, with about 90% of the market dominated by traditional retail. The wet market sector is expected to continue to grow at a healthy rate of 8% per year on average through to 2024 *(Source: IGD)*, underpinned by Vietnamese consumers' strong preferences for shopping in wet markets and their cooking habits.
- Wet markets are the main distribution channel for fresh (hot) beef, while modern retail outlets are more for chilled and frozen products. The vast majority of beef is estimated to be sold through wet markets, while only around 3% is channelled to modern retail *(Source: MLA Attractive Cities Study 2018)*.
- Vietnam is undergoing rapid urbanisation, with the number of modern retail outlets increasing across the country, especially in the large cities. Modern grocery retail is estimated to grow at more than 12% annually to 2024 *(Source: IGD)*.
- Consumers in large cities such as Ho Chi Minh City purchase beef through multiple channels, with wet markets and supermarkets being most common.
- Major modern retail chains include Co.opmart, Vinmart, BigC, LotteMart, Aeon and Mega Market nationwide, while Vissan is a popular butcher chain in the south of Vietnam.
- An emerging trend in the meat market is the introduction of branded chilled meat products by some processors, in an effort to capitalise on the growing demand for guaranteed, safe and trusted meat products.

Top five attributes Vietnamese consumers look for when buying meat



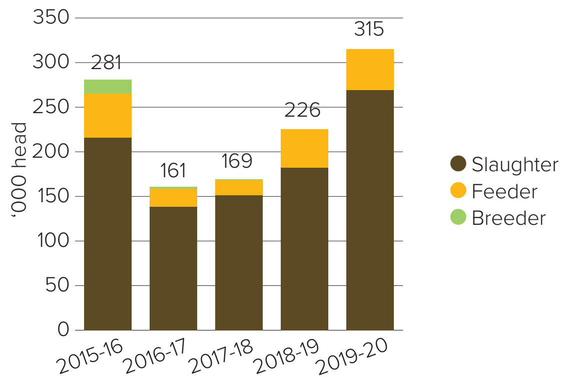
Source: MLA ASEAN Attractive Cities Study Ho Chi Minh City, 2018

- Online grocery retail is growing aggressively in Vietnam at 80% per year, but mostly offers dry, packaged food categories. Chilled or fresh product offerings remain limited due to the lack of cold-chain logistics.

AUSTRALIAN LIVE CATTLE EXPORTS

- Vietnam is the second largest market for Australian live cattle exports after Indonesia. Australian cattle are estimated to contribute approximately 20% of Vietnam's total beef consumption.
- The local livestock industry still relies heavily on Vietnamese or South-East Asian cattle traded daily into abattoirs for the production of predominantly hot meat (freshly slaughtered).
- Australian cattle exports to Vietnam are up 39% in the first half of 2020 at 166,500 head. The reduced supply of regional live cattle traded due to COVID-19 and shortage of pork supply due the ASF outbreak have benefited Australian live cattle exports to Vietnam.

Australian live cattle exports to Vietnam

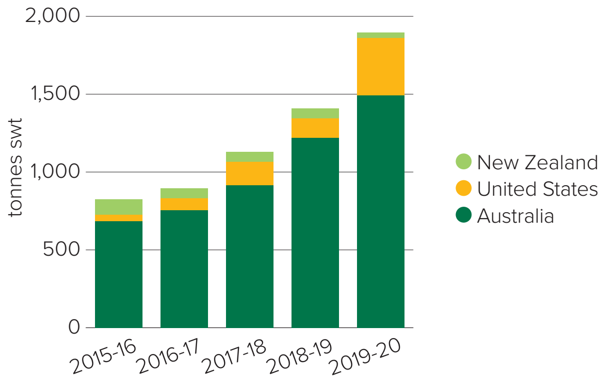


Source: DAWE, Australian Fiscal Year

COMPETITIVE LANDSCAPE (BOXED BEEF)

- Boxed beef imports account for about 25% of Vietnam's total beef consumption.
- India dominates the imported boxed beef market, with a market share of about 64%. In 2019, Vietnam's imports of Indian buffalo meat for domestic consumption (excluding re-exports) were estimated at around 55,600 tonnes shipped weight (swt), representing only 12% of total Indian buffalo meat shipments to Vietnam *(Source: Vietnam Customs).* Indian buffalo meat is generally utilised in wet markets and small restaurants.
- Australia is the second largest supplier, accounting for approximately 18% of Vietnam's imported boxed beef market. Albeit still a small volume, Australia is the largest supplier of chilled beef imports to Vietnam, with a market share of about 90%, followed by New Zealand (3%), the US (3%) and Japan (1%). Australian boxed beef mainly competes with the US in modern, higher-end retail and foodservice markets.

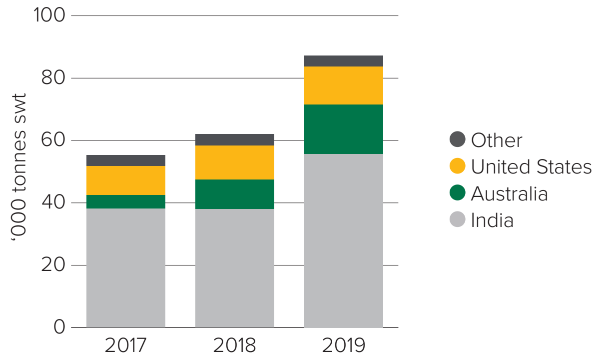
Chilled beef exports to Vietnam by major supplier



Source: IHS Markit, Australian Fiscal Year

- Overall, demand for imported boxed beef in Vietnam has grown significantly in the past three years, at 25% per year on average, with Australian imports recording the fastest growth at 89%. This strong growth is supported by the removal of Vietnam's import tariffs for Australian products under the ASEAN-Australian-New Zealand Free Trade Agreements which started in January 2018, and by increasing Vietnamese consumer interest in Australian products.

Vietnam's beef imports by key supplier



Source: Vietnam Customs (calendar year), MLA estimate

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)** Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)**	Under AANZFTA: 0% for all product lines	**India** (buffalo meat): under India-ASEAN FTA 8%. eliminated by 2022 **US:** No FTA, tariffs vary between 14% - 30% **New Zealand:** same as Australia	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Vietnam – summary table

Volume – in tonnes swt

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**13,800**		**11,503**		**6,325**		**118**	**7,475**
Storage	Chilled	1,492	11	1,220	11	845	13	77	647
	Frozen	12,308	89	10,283	89	5,480	87	125	6,828
Meat type	Grassfed	11,866	86	9,615	84	5,764	91	106	6,102
	Grainfed	1,933	14	1,888	16	561	9	245	1,372
Storage/meat type	Chilled grassfed	1,308	9	1,085	9	779	12	68	529
	Chilled grainfed	184	1	136	1	66	1	179	118
	Frozen grassfed	10,558	77	8,530	74	4,985	79	112	5,573
	Frozen grainfed	1,749	13	1,752	15	495	8	253	1,254

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
	Total	**122,592**		**89,969**		**49,907**		**146**	**72,685**
Storage	Chilled	22,106	18	18,478	21	12,960	26	71	9,146
	Frozen	100,486	82	71,491	79	36,947	74	172	63,539

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Shin/Shank	2,530	18	2,184	19	1,031	16	145	1,499
Brisket	2,151	16	2,626	23	1,056	17	104	1,096
Blade	1,771	13	1,072	9	462	7	283	1,309
Cube Roll/Rib Eye Roll	1,431	10	1,109	10	701	11	104	730
Thick Flank/Knuckle	1,189	9	474	4	261	4	356	928
Other	4,728	34	4,038	35	2,815	45	68	1,913
Total	**13,800**		**11,503**		**6,325**		**118**	**7,475**

Source: DAWE

Australian live cattle exports to Vietnam

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Total volume – in head	**314,682**		**225,561**		**228,520**		**38**	**86,162**
Feeder	45,520	14	42,721	19	39,570	17	15	5,950
Slaughter	269,150	86	182,299	81	181,140	79	49	88,010
Breeder	12	0	541	0	7,810	3	-100	-7,798
Total value – in A$ 000	**585,528**		**371,752**		**313,013**		**87**	**272,515**

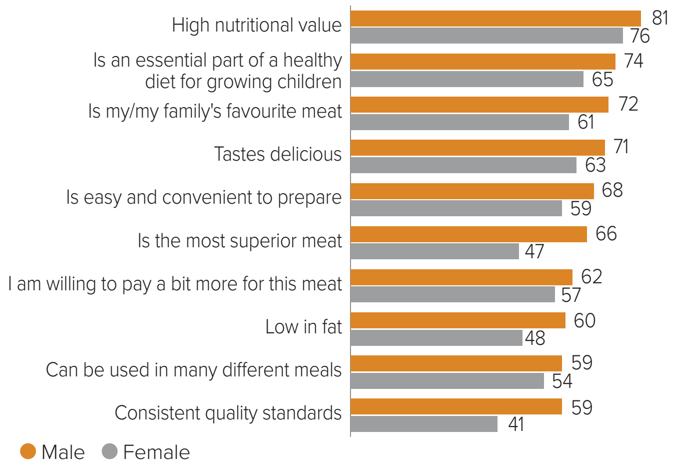
Source: DAWE, ABS, numbers are rounded

Sheepmeat

CONSUMERS

- Sheepmeat is a niche protein in the Vietnamese diet, generally consumed on special occasions at foodservice venues rather than at home.
- Although Vietnamese consumers do not eat lamb often, they do have relatively positive associations with lamb. They regard lamb as a superior meat with high nutritional value, which they are willing to pay a bit more for.
- Affluent, male millennials (aged 34–40 in particular) tend to appreciate lamb more than other demographic groups. This consumer segment show a stronger interest in eating lamb and in learning how to cook more exciting lamb dishes than other segments *(Source: MLA Attractive Cities Study - Ho Chi Minh city, 2018).*

Vietnamese consumers' lamb associations (by %)

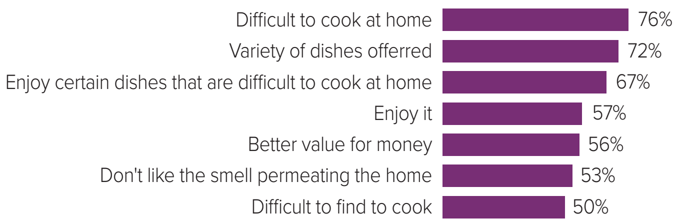


Source: MLA Global Consumer Tracker Vietnam, 2016

FOODSERVICE

- Foodservice remains the key distribution channel for sheepmeat as most Vietnamese consumers either do not know how to cook it or find it difficult to cook sheepmeat at home.
- Australian sheapmeat exported to Vietnam is mostly utilised in higher end restaurants.
- The market is seeing a growing trend in sheepmeat consumption in foodservice, with sheepmeat menus and restaurants specialising in sheepmeat increasingly gaining popularity across major cities.

What motivates affluent Ho Chi Minh city consumers to eat sheepmeat* when they dine out?

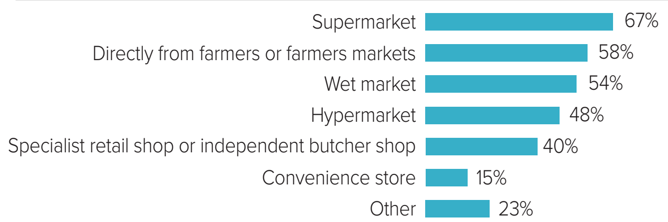


Source: MLA Attractive Cities Study Ho Chi Minh city, 2018
**including goatmeat*

RETAIL

- Vietnamese consumers in large cities tend to buy sheepmeat at multiple retail venues from modern retail outlets to traditional markets. However, modern retail is the main channel selling imported sheepmeat products.

Where do affluent Ho Chi Minh city consumers purchase sheepmeat*?

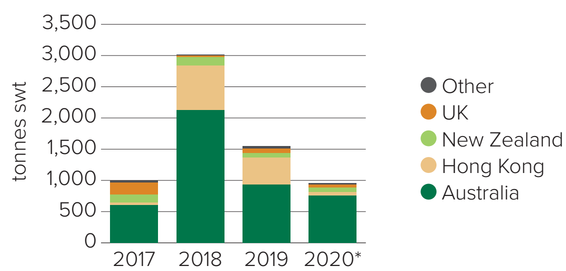


Source: MLA Attractive Cities Study Ho Chi Minh city, 2018
**including goatmeat*

COMPETITIVE LANDSCAPE

- Vietnam has a relatively small sheepmeat (including goatmeat) market, with domestic production and imports estimated at around 8,000 tonnes carcase weight equivalent (cwe) and 2,000 tonnes shipped weight equivalent (swe) per year, respectively *(Source: GIRA).*
- Australia, New Zealand and the UK are the major sheepmeat suppliers to Vietnam. A large portion of sheepmeat imports to Vietnam is used for transshipments. As a result, the fluctuation in shipments to Vietnam reflects demand conditions in third markets rather than actual demand for domestic consumption in Vietnam.

Vietnam sheepmeat imports



Source: IHS Markit, figures are based on suppliers' export data
**2020: from July 2019 to June 2020.*

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)** Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)**	Under AANZFTA: 0% for all product lines	**New Zealand:** Same access conditions as Australia **UK:** 7%	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT

Australian sheepmeat exports to Vietnam – summary table

Volume – in tonnes swt

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**419**		**1,254**		**909**		**-54**	**-489**
Storage	Chilled	16	4	27	2	21	2	-24	-5
	Frozen	403	96	1,227	98	888	98	-55	-484
Meat type	Lamb	305	73	556	44	477	52	-36	-172
	Mutton	115	27	698	56	432	48	-73	-317
Storage/ meat type	Chilled lamb	16	4	27	2	21	2	-24	-5
	Chilled mutton	-	0	-	0	0.2	0	-100	0
	Frozen lamb	289	69	529	42	456	50	-37	-167
	Frozen mutton	115	27	698	56	432	48	-73	-317

Source: DAWE

Value – in A$ 000

		2019–20	% out of total	2018–19	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**8,405**		**12,324**		**7,185**		**17**	**1,219**
Storage	Lamb	4,743	56	6,835	55	4,683	65	1	59
	Mutton	3,662	44	5,489	45	2,502	35	46	1,160

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2019–20	% out of total	2018–19	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Leg	118	39	189	34	121	25	-2	-2
	Rack	92	30	108	19	100	21	-8	-8
	Shoulder	27	9	24	4	27	6	0	0
	Other	68	22	234	42	229	48	-70	-161
	Total	**305**		**556**		**477**		**-36**	**-172**
Mutton	Rack	45	39	45	6	15	4	192	30
	Carcase	33	29	55	8	247	57	-86	-213
	Leg	32	28	32	5	15	3	117	17
	Other	4	3	567	81	155	36	-97	-151
	Total	**115**		**698**		**432**		**-73**	**-317**

Source: DAWE