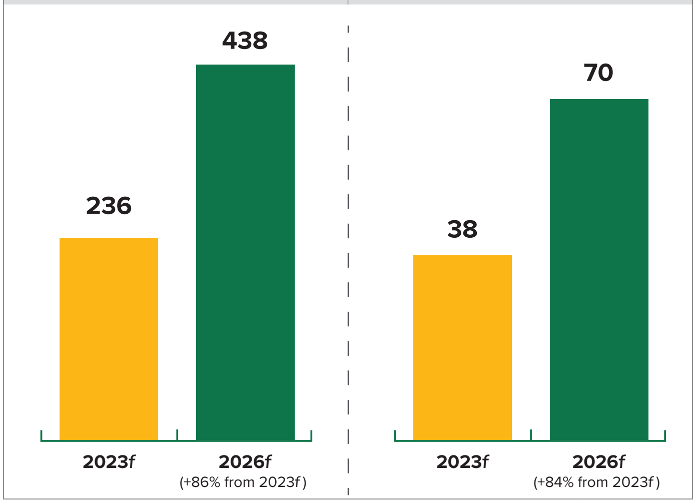
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Vietnam

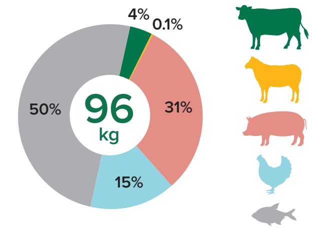
Vietnam is one of Australia's fastest-growing red meat export markets, underpinned by a large population with rising incomes, resilient economic growth, continued urbanisation and growing popularity of red meat, particularly among the youth. Despite high cattle prices, Vietnam remains Australia's largest slaughter cattle destination, with 60,903 head shipped in 2021–22. Combined total red meat, offal and livestock export value to Vietnam for 2021–22 was A$306 million, with boxed beef accounting for 42% value share due to strong demand fundamentals for trusted, high quality and safe Australian red meat.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

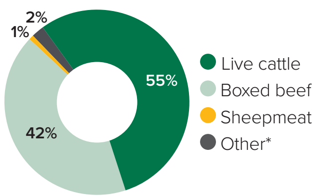


Annual grocery spend[4]

A$ 1,279 per person/year

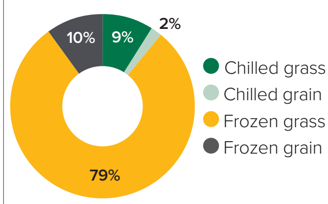
Australian beef exports

Australian exports – value[5]



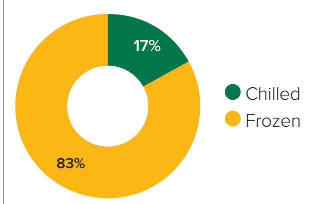
Total A$306.3 million

Australian boxed beef exports – volume[5]



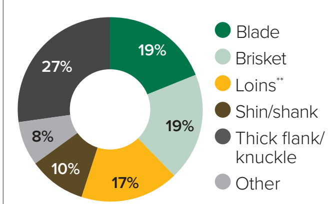
Total 10,428 tonnes swt

Australian boxed beef exports – value[6]



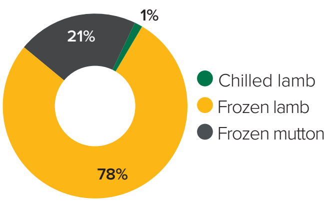
Total A$127.8 million

Australian boxed beef exports by cut[7]



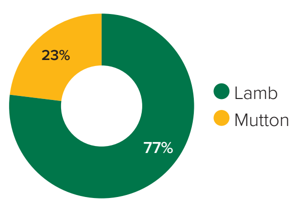
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



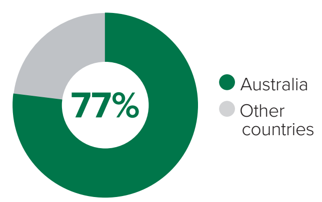
Total 341 tonnes swt

Australian sheepmeat exports – value[6]



Total A$4.8 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] Fitch Solution (beef, pork, chicken, 2023f), Gira (sheepmeat, fish 2022f, [4] IGD 2023f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAFF (2021–22) *Includes live goats, beef and sheep offal, [6] ABS/IHS Markit (2021–22), [7] DAFF, (2021–22) **Loins includes striploin, cube roll/rib eye roll, tenderloin and loin*

Beef

CONSUMERS

- Beef is a very popular protein in Vietnam. While the local diet is dominated by fish, pork and poultry per capita consumption volume, beef consumption frequency is the highest in Southeast Asia.
- Vietnam's economy continued to grow during the pandemic, allowing the middle class to keep expanding and demand superior and quality food items such as beef to remain strong. Beef consumption in Vietnam continues to rise at the fastest pace in the region and is expected to have the third-largest per capita consumption rate after Singapore and Malaysia by 2024 *(Source: Fitch Solutions)*.
- The Vietnamese have great knowledge on how to cook beef due to its high profile in local dishes and are hence the only consumers in the region that feel beef is easy and convenient to prepare, similar to poultry and pork *(Source: MLA Global Consumer Tracker, Vietnam 2021)*.
- Beef is regarded as a superior meat and an important source of nutrition, essential to a healthy diet for the family, especially for children.
- Fresh beef (hot meat) is the most preferred type of beef in Vietnam as it is often associated with high quality and better taste. This also reflects common meal preparation habits, which demands purchasing fresh ingredients for cooking the same day.
- Food hygiene and safety remain two of the greatest public concerns in Vietnam due to a series of food scandals during the past decade, which was amplified during the pandemic. As a result, product provenance, transparency and trust are the top priorities for Vietnamese consumers when they buy meat, with most consumers indicating they are willing to pay a bit more for beef that is guaranteed as "safe to eat" *(Source: MLA Vietnam Shopper Study, 2020)*.
- The impact of African Swine Fever (ASF) on higher pork prices and supply shortages is likely to result in a permanent increase in consumption of other meat proteins, including fish, poultry and beef.
- The pandemic has escalated Vietnamese consumers' health concerns, resulting in stronger demand for products with health-related credentials such as guaranteed safety, hygienic, 'immunity-boosting' and 'free from' harmful ingredients. 'Peace of mind' represents a strong value proposition that Australian red meat can offer, to help consumers minimise anxiety over health risks and food safety issues.

Top cues of premium beef for Vietnamese consumers

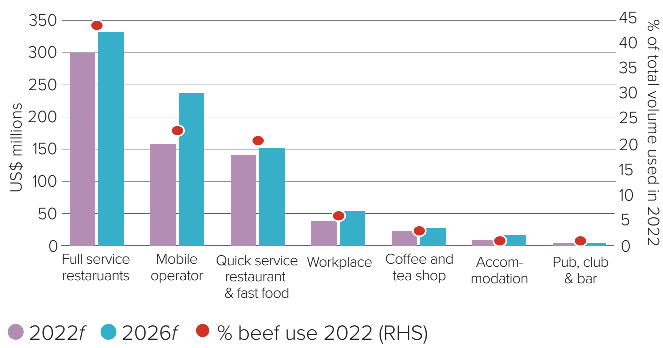
1	The beef is from a particular brand
2	The beef is from a particular country
3	The beef is an appealing color
4	The packaging is high quality
5	The fat is marbled throughout the meat

Source: MLA GlobalData Consumer Tracker, Vietnam 2021

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 locally-processed Australian cattle is typically used. These small restaurants generally purchase fresh beef from local wet markets or wholesale markets daily in the early morning. Modern chain restaurants represent a relatively small share of the market but are rapidly expanding. Frozen and chilled boxed beef is utilised more in this segment.
- The country has moved away from the strict lockdowns implemented in 2021, which forced foodservices to stop operating for both dine-in and takeaway. The initial 'zero-covid' approach shifted to 'living with covid' in 2022 when the government removed most of the internal and international border restrictions and requirements in order to maintain economic growth.
- Restaurants have been recovering fast, driven by young consumers seeking the full dine-in experience to enjoy a variety of cuisines, along with the notable business dining segment. In these channels, consumers seek superior quality and exciting dishes – this is where Australian beef leverages its positive perceptions of being tender and consistently high quality *(Source: MLA Global Consumer Tracker, Vietnam 2021)*.
- Affluent and young consumers, especially Generation Z and young millennials (aged from 18 to 40 in particular) are the key growth drivers for the Vietnam foodservice sector. This consumer segment is aspirational and seeks new experiences, and is keen to try new food trends and cuisines from different cultures.

Foodservice beef sales and estimated percentage of beef use by channel



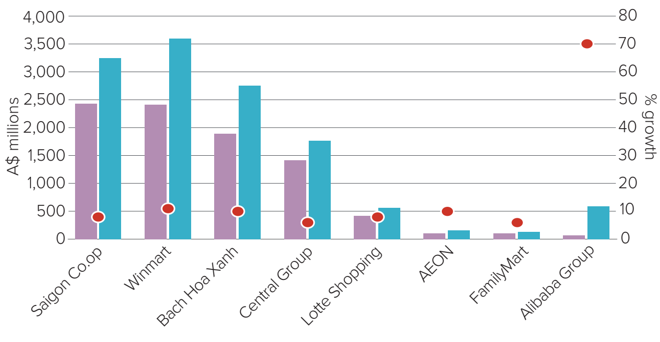
Source: GlobalData, Sales based on profit operator

- After lockdowns were lifted, demand for delivery and takeaway surged faster than dine-in. In the first quarter of 2022, 28% of consumers claimed very high spending on delivery compared with 16% on restaurants. Delivery has become an integral part of urban Vietnamese lifestyles, especially among time-poor men aged 25–44, of whom 83% use food delivery services at least weekly *(Source: GlobalData Consumer Survey Q1 2022)*.
- Demand from affluent consumers for dining out is also robust. This presents an opportunity for higher-end foodservice players to explore, despite some remaining challenges associated with the country's still-developing modern foodservice infrastructure.

RETAIL

- Vietnam 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 rate of 8.3% per year on average through to 2026 *(Source: IGD)*, underpinned by Vietnamese consumers' cultural preferences and cooking habits.
- Wet markets are the main distribution channel for fresh (hot) beef, while modern retail outlets are more typically used for chilled and frozen products. While the vast majority of beef is estimated to be sold through wet markets, the pandemic has paved the way for faster development in modern (online/offline) retail as players across the value chain look for ways to overcome inefficiencies in traditional supply chains and infrastructure, to meet unprecedented demand.
- Vietnam is undergoing rapid urbanisation, with the number of modern retail outlets increasing across the country, especially in large cities. Modern grocery retail is estimated to grow at more than 21% annually to 2026 *(Source: IGD)*.
- Major modern retail chains include Winmart, Saigon Co.op, Go!, Tops Market, Bach Hoa Xanh, LotteMart, Aeon and Mega Market nationwide, while more local specialist stores such as Annam Gourmet and Vissan are also expanding rapidly. Modern retail is forecast to outperform traditional in growth and market share in coming years, particularly the convenience and supermarket formats.
- Consumers in large cities such as Ho Chi Minh City purchase beef through multiple channels, with supermarkets, wet markets and butchers being most common.
- Branded chilled meat products, including modern meat shop chains, have emerged and are expected to increase penetration as consumers and local stores become more sophisticated, switching from wet markets to modern stores in their growing quest for safe food and, ultimately, health and wellness.

Leading modern retailer sales and growth to 2026*f*



Source: IGD. Total grocery sales, Growth % = Compound annual growth rate (CAGR)

The top factors that keep Vietnamese consumers visiting wet markets and supermarkets for beef

Wet market: Habits that have been passed down for generations and perceived better taste of fresh beef.

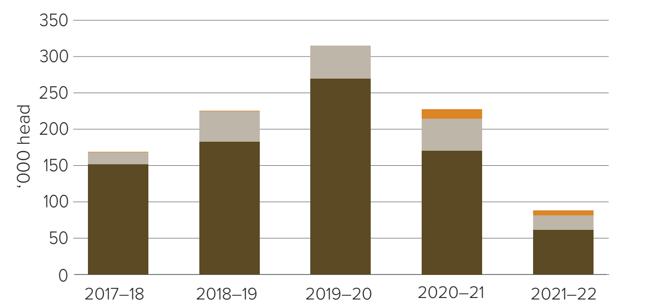
Supermarket: Desires for food safety, health and peace of mind as beef in supermarkets is thought to be kept clean, hygienic, safety-guaranteed as the meat goes through food safety control processes, with greater transparency and has provenance or country of origin information.

Source: MLA Vietnam Wet Market Shoppers Research 2020

AUSTRALIAN LIVE CATTLE EXPORTS

- In the last 10 years, Vietnam has been a key market for Australian live cattle export. In 2021–22, Vietnam remains the largest destination for slaughter cattle, accounting for about 78% of total cattle exports, and the second largest for breeder cattle after China.
- Australia is the largest supplier of live cattle to Vietnam with a total of 166,231 shipped heads in calendar year 2021, accounting for a market share of approximately 65% *(Source: GIRA, MLA estimation)*. After trade resumed in 2020, Thailand has become Vietnam's second largest supplier with a 15% market share in 2021.
- Historically, Australian cattle are estimated to contribute to approximately 20% of Vietnam's total beef consumption.
- Australian cattle exports in 2021–22 dropped 61% year-on-year, accentuating the 28% contraction seen the previous year, largely due to the rise of cattle prices as a result of Australia's herd rebuild. Lockdowns and strict movement restrictions in 2021 across Vietnam disrupted supply chains and wet market operations, also dampening demand for Australian live cattle imports.
- Aiming to bring beef prices down, Vietnam has been looking for cheaper alternative suppliers such as Thailand and Brazil. In September 2021, the first shipment of 14,000 bulls from Brazil arrived in Vietnam. While Brazil's cattle are generally available at comparatively lower prices, factors relating to the distance plus the 5% tariff may hinder future shipments. Brazil's foray into the Vietnam live cattle market does present a potential threat to Australia's live exports in the future if the trade continues.

Australian live cattle exported to Vietnam

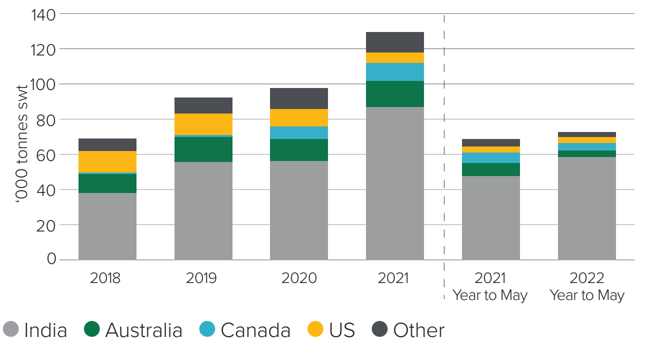


Source: DAFF, Australian Fiscal Year

COMPETITIVE LANDSCAPE

- In 2021, India was Vietnam's largest beef supplier with a market share of approximately 67%. Indian buffalo meat (IBM) imports grew significantly in 2021 due to demand for cheaper product in the backdrop of global high prices. Increasingly higher international beef prices spiked demand for cheaper beef to supply wet market consumers. IBM is typically channeled through wholesale markets for distribution to low-end food service and traditional markets. However, the meat is considered low quality and less favoured by the majority of Vietnamese consumers.
- Australia is the second largest supplier, accounting for approximately 11% of Vietnam's imported (boxed) beef market in 2021. Vietnam has been one of the fastest-growing markets for Australian beef exports globally since 2018, accelerated by the removal of Vietnam's import tariffs for Australian products under the ASEAN-Australian-New Zealand Free Trade Agreement, increasing Vietnamese consumer interest in Australian products. While total boxed beef exports in 2021–22 were down 35% year-on-year to 10,428 tonnes swt, they were still higher than the previous three-year average preceding the pandemic outbreak.

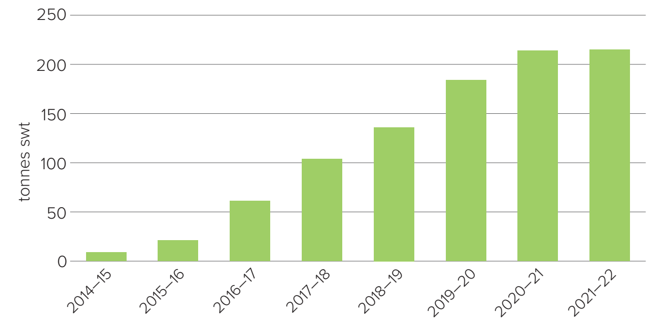
Vietnam's beef imports* by key supplier



Source: Vietnam Customs (calendar year and 12 months to May), IHS Markit, DAFF, MLA estimate.
**Imports are based on export figures reported by major suppliers.*

- Market demand for high value Australian beef is small but has been growing, with notable increases in chilled and grainfed products.
- Since 2020, Canada has replaced the US as the third largest beef supplier to Vietnam. Total beef exports from Canada to Vietnam grew 44% in 2021 to 10,127 tonnes swt following the five-fold increase seen in 2020 as a result of Canada's improved production and enhanced market access due to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP).
- Influenced by Chinese migrants, offal dishes feature in Vietnamese cuisine. *Pha Lau Bo* is a popular Vietnamese dish prepared with a combination of offal cuts. Australia is an important supplier of beef offal after India, Hong Kong and, more recently, Canada. In 2021–22, Australian offal export value to Vietnam totalled A$3 million, while Canada's exports increased almost eight-fold to almost A$20 million.

Australian chilled beef exports to Vietnam



Source: DAFF, Australian Fiscal Year

Pho (Vietnamese noodle soup)

Market access overview – beef

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 zero tariff **Canada and New Zealand:** same as Australia **US:** No FTA, tariffs vary between 14% – 30%	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Vietnam – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**10,428**		**16,118**		**10,796**		**-3%**	**-368**
Storage	Chilled	1,164	11%	2,561	16%	1,388	13%	-16%	-225
	Frozen	9,264	89%	13,557	84%	9,408	87%	-2%	-144
Meat type	Grassfed	9,132	88%	14,529	90%	9,578	89%	-5%	-446
	Grainfed	1,296	12%	1,589	10%	1,218	11%	6%	78
Storage/meat type	Chilled grassfed	949	9%	2,347	15%	1,249	12%	-24%	-300
	Chilled grainfed	215	2%	214	1%	140	1%	54%	75
	Frozen grassfed	8,183	78%	12,182	76%	8,329	77%	-2%	-147
	Frozen grainfed	1,082	10%	1,375	9%	1,079	10%	0%	3

Source: DAFF, figues are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**127,864**		**151,810**		**92,818**		**38%**	**35,046**
Storage	Chilled	21,241	17%	30,721	20%	19,190	21%	11%	2,051
	Frozen	106,623	83%	121,089	80%	73,628	79%	45%	32,995

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Blade	2,013	19%	1,808	11%	1,081	10%	86%	933
Brisket	1,918	18%	2,852	18%	1,915	18%	0%	4
Shin/shank	1,071	10%	4,552	28%	2,255	21%	-53%	-1,185
Cube roll/rib eye roll	1,051	10%	1,456	9%	1,100	10%	-4%	-49
Thick flank/knuckle	852	8%	1,252	8%	714	7%	19%	138
Striploin	619	6%	449	3%	437	4%	42%	182
Chuck	589	6%	508	3%	199	2%	196%	390
Manufacturing	540	5%	486	3%	559	5%	-3%	-19
Chuck roll	270	3%	440	3%	455	4%	-41%	-185
Other	1,505	14%	2,315	14%	2,081	19%	-28%	-576
Total	**10,428**		**16,118**		**10,796**		**-3%**	**-368**

Source: DAFF

Australian live cattle exports to Vietnam

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Total volume – in head	**88,103**		**226,949**		**219,418**		**-60%**	**-131,315**
Slaughter	60,903	69%	170,345	75%	182,239	83%	-67%	-121,336
Feeder	20,422	23%	44,073	19%	33,883	15%	-40%	-13,461
Breeder	6,778	8%	12,531	6%	3,296	2%	106%	3,482
Total value – in A$ 000	**168,472**		**420,238**		**374,099**		**-55%**	**-205,627**

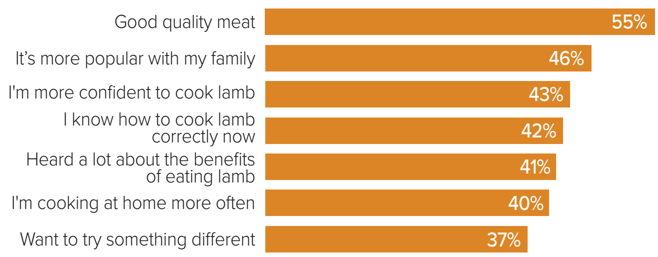
Source: DAFF, ABS, figures are rounded

Sheepmeat

CONSUMERS

- Sheepmeat is a relatively new niche protein in the Vietnamese diet. Vietnamese consumers are not widely familiar with the cooking process for lamb as many have not grown up consuming it. Therefore, it is consumed on special occasions at foodservice venues rather than at home. However, affluent households with children consume it more frequently as it is considered a nutritious protein that supports healthy growth and development. Lamb is increasing in popularity as more consumers seek to cook new, sophisticated meat dishes..
- Although Vietnamese consumers do not eat lamb often, they do have relatively positive associations with lamb. They regard lamb as a superior meat of high nutritional value, which they are willing to pay a bit more for *(Source: MLA Global Consumer Tracker, Vietnam 2021)*.
- Vietnam has a long tradition of using goat meat in their cuisine as a special occasion item and the presence of goatmeat specialised restaurants is spread across the country. The warm climate limited the need for sheep wool and the demand for sheepmeat has been driven by tourists and young consumers over the years.

Reasons why 43% of urban Vietnamese are consuming more lamb

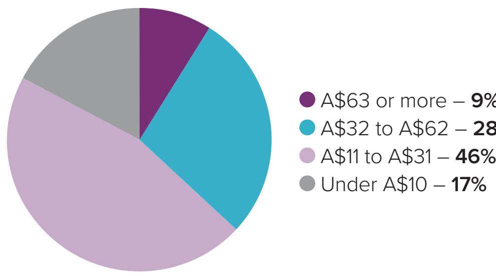


Source: MLA Global Consumer Tracker Vietnam, 2021

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 at home.
- Australian sheepmeat exported to Vietnam is mostly utilised in higher-end western-style restaurants.
- Tourists and young consumers looking for novel and exciting new tastes have increased demand for western-style cuisines, thereby growing demand for lamb dishes.
- Pandemic-related restrictions in 2021 reduced demand for sheepmeat imports but with the complete removal of domestic and international restrictions in May 2022, foodservice is recovering.

Average spend on lamb meals eaten out of home

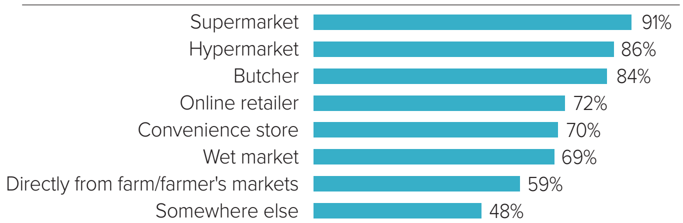


Source: MLA Global Consumer Tracker, Vietnam 2022

RETAIL

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

Where frequent* consumers purchase lamb

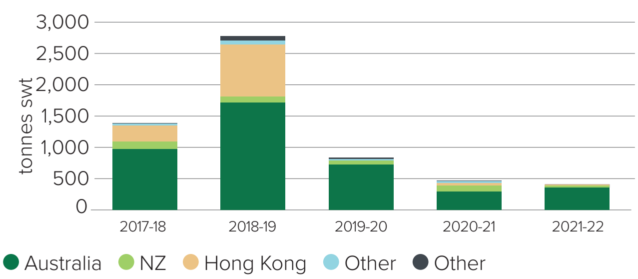


*MLA Global Consumer Tracker, Vietnam 2021, * At least once a month*

COMPETITIVE LANDSCAPE

- Vietnam's domestic production is relatively small with an estimated combined sheep and goat flock of 1.8 million head. However, the government has implemented some incentives to increase production. In 2022, domestic production is forecast to be approximately 8,000 tonnes cwe, accounting for about 80% of the consumption, and forecast to increase to around 9,000 tonnes by 2026 *(Source: GIRA)*.
- Australia is the largest sheepmeat supplier with a market share of about 86%, followed by New Zealand with 7% in 2021–22. Vietnam's demand for Australian sheepmeat imports has been impacted by the pandemic, with shipments in 2021 declining 5% year-on-year to 418 tonnes swt.

Vietnam's sheepmeat* imports by key supplier



*Source: IHS Markit, * Figures are for supplier exports to Vietnam*

Market access overview – sheepmeat

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:** Under UK-Vietnam FTA: 0%	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian sheepmeat exports to Vietnam – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**341**		**374**		**583**		**-42%**	**-242**
Storage	Chilled	4	1%	20	5%	20	3%	-80%	-16
	Frozen	336	99%	354	95%	563	97%	-40%	-226
Meat type	Lamb	269	79%	309	83%	363	62%	-26%	-94
	Mutton	72	21%	65	17%	220	38%	-67%	-148
Storage/ meat type	Chilled lamb	4	1.2%	20	5%	20	3%	-80%	-16
	Chilled mutton	0	0%	0	0%	0.1	0%	-100%	-0
	Frozen lamb	265	78%	289	77%	342	59%	-23%	-78
	Frozen mutton	72	21%	65	17%	220	38%	-67%	-148

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	%	in A$ 000
	Total	**4,791**		**3,224**		**6,792**		**-29%**	**-2,001**
Meat type	Lamb	3,670	77%	2,140	66%	4,393	65%	-16%	-724
	Mutton	1,121	23%	1,085	34%	2,399	35%	-53%	-1,277

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	%	in tonnes swt
Lamb	Leg	99	37%	99	32%	125	34%	-21%	-26
	Rack	72	27%	68	22%	96	26%	-25%	-23
	Manufacturing	29	11%	30	10%	48	13%	-40%	-19
	Other	69	26%	112	36%	95	26%	-27%	-26
	Total	**269**		**309**		**363**		**-26%**	**-94**
Mutton	Leg	45	62%	27	41%	23	10%	95%	22
	Rack	20	28%	24	37%	27	12%	-24%	-6
	Shortloin	6	8%	2	3%	2	1%	141%	3
	Other	1	1%	12	18%	168	76%	-99%	-167
	Total	**72**		**65**		**220**		**-67%**	**-148**

Source: DAFF