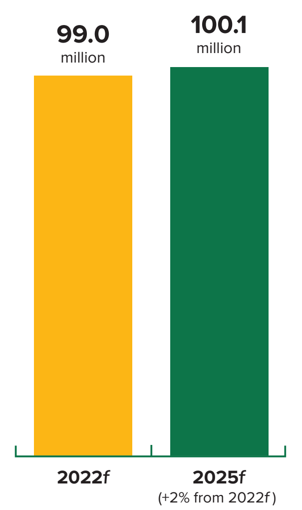
# MARKET SNAPSHOT | BEEF & SHEEPMEAT

MEAT & LIVESTOCK AUSTRALIA

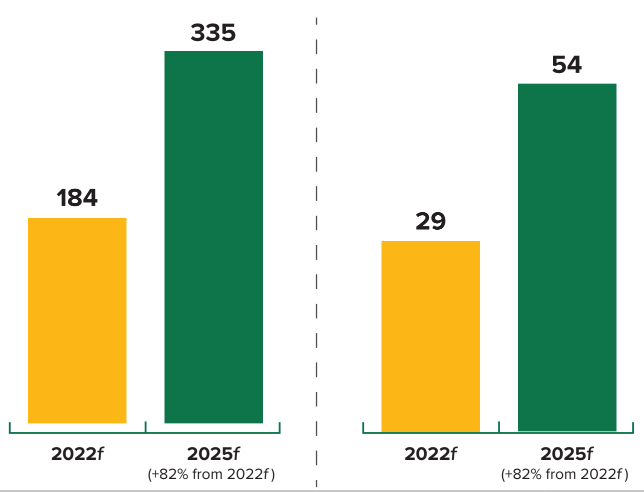
# Vietnam

Vietnam is the sixth largest market for Australian red meat and livestock exports and one of the fastest growing. Total red meat and livestock export value to Vietnam for 2020–21 totalled A$588 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.

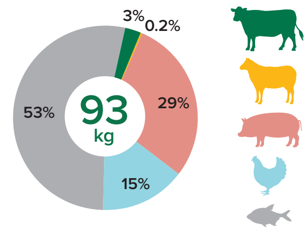
### Population[1]




### Household number by disposable income[2] (thousands)




### Meat consumption per capita[3]

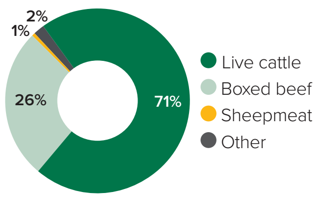



### Annual grocery spend[4]

A$ **1,140** per person/year

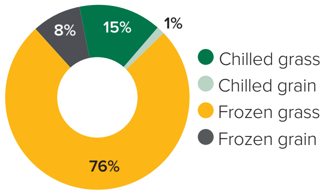
## Australian beef exports

### Australian exports – value[5]



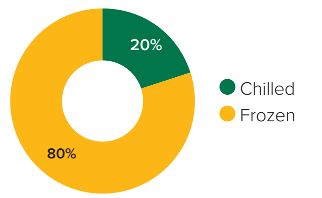

Total A$587.9 million

### Australian boxed beef exports – volume[5]



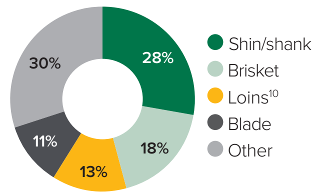

Total 16,118 tonnes swt

### Australian boxed beef exports – value[6]



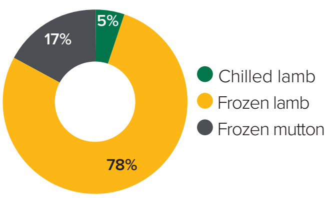

Total A$153.9 million

### Australian boxed beef exports by cut[7]



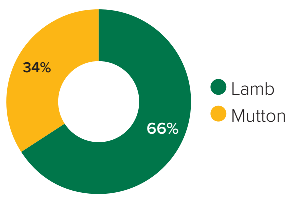

## Australian sheepmeat exports

### Australian sheepmeat exports – volume[5]



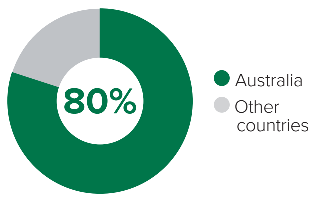

Total 374 tonnes swt

### Australian sheepmeat exports – value[6]



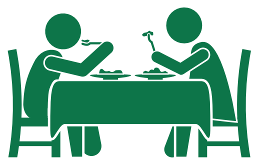

Total A$3.2 million

### 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, 2022f), Gira (sheepmeat, fish 2021e, [4] IGD 2022 (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAWE (2020–21), [6] ABS/IHS Markit (2020–21), [7] DAWE, (2020–21), [8] IHS Markit 2020–21) based on major suppliers' export data, [9] MLA market intelligence, [10] Loins include striploin, cube roll/rib eye roll, tenderloin and loin*

# 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 and the fastest growing per capita consumption in the South-East Asia region *(Source: Fitch Soultions)*.
- Fresh beef (hot meat) is the most preferable type of meat in Vietnam as it is often associated with high quality and better taste. This also reflects the cooking habits of Vietnamese consumers, which are to purchase fresh ingredients and to cook them on 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. As a result, provenance, country of origin, product transparency and trust are the top priorities for Vietnamese consumers when they buy food, with most consumers indicating they are willing to pay a bit more for beef that is guaranteed as "food safe" *(Source: MLA Vietnam Shopper Study, 2020)*.
- 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.
- While the impact of COVID-19 in Vietnam was less severe than in other parts of the world in 2020 thanks to its effective containment measures, the country has been struck by a fourth wave of the pandemic with the Delta variant. This is expected to undermine consumer confidence, with some 75% saying that they are extremely concerned about the overall impact of the COVID-19 pandemic – one of the highest levels of concern in the world *(Source: GlobalData Consumer Survey, Q1 2021)*.

### Top five attributes that have had the greatest influence on Vietnamese consumers' choices of product amid the pandemic

| | |
|---|---|
| 1 | How the product/service impacts my health and wellbeing |
| 2 | How familiar/trust-worthy/risk-free the product/service feels |
| 3 | How well the product/service is tailored to my needs and personality |
| 4 | How well the product aligns with my time and money constraints |
| 5 | How enjoyable or unique the product is |

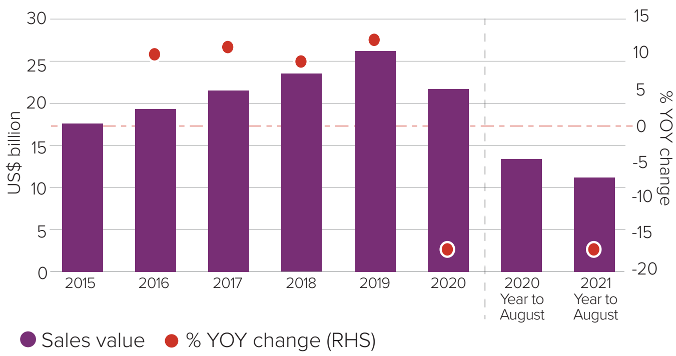
*Source: GlobalData Consumer Survey Q1 2021*

*Bo Kho (Vietnamese beef stew)*

## 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 drivers for Vietnam's 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.
- The pandemic, however, has heavily disrupted the burgeoning foodservice sector in Vietnam. In particular, with a more than three month long lockdown (from July to September 2021) in Ho Chi Minh city and other southern provinces due to the Delta variant outbreak, most restaurants were closed for both dine-in and takeaway/delivery. Foodservice sales in Ho Chi Minh city – Vietnam's largest city economically – fell sharply by approximately 90% year-on-year during the lockdown period *(Source: HCMC PSO)*.
- Takeaway/delivery have gradually resumed as COVID-19 cases begin to fall. However, Vietnam's foodservice sector is expected to slowly recover, mostly driven by large cities in the northern and central regions such as Ha Noi, Da Nang and others that are less impacted or have emerged from the fourth wave of the pandemic.
- Despite a low vaccination rate, Vietnam is speeding up for a gradual re-opening of the economy in an attempt to maintain economic growth. Although high-end foodservice and inbound tourism segments are likely to continue to experience slow recovery, lower-end foodservice, such as catering and domestic tourism, is expected to be the key growth driver in the immediate to short-term.
- Demand from affluent consumers for dining out is relatively strong. This presents an opportunity for higher-end foodservice players to explore as the country adjusts to a 'new normal', despite some operational challenges associated with the country's still-developing modern foodservice infrastructure.

### Vietnam foodservice sales trend

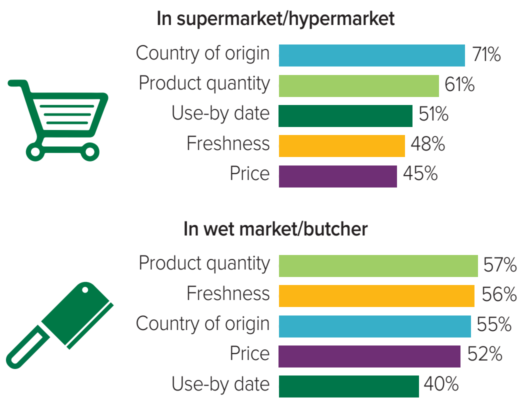



*Source: Vietnam General Statistics Office*

# 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' cultural 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. Pre-pandemic, the vast majority of beef was estimated to be sold through wet markets, while only around 3% was channelled into 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.

**Top five attributes Vietnamese consumers look for when buying meat**




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

- Major modern retail chains include Co.opmart, Winmart, BigC, LotteMart, Aeon and Mega Market nationwide, while Vissan is a popular butcher chain in the south of Vietnam.
- Branded chilled meat products, including modern chain meat shops, have emerged and are expected to increase in penetration as consumers are becoming more sophisticated and switching from wet markets to modern stores in their quest for food safety and ultimately for their health.
- The fourth wave of the pandemic has led to the closure of hundreds of wet markets across the southern part of Vietnam, including some 90% of a total of 240 wet markets/wholesale markets in Ho Chi Minh City *(Source: HCMC government website, Nguoilaodong News)*. This has resulted in a dramatic shift in shopping behaviour, with modern retail, including online, being the key channel for obtaining food for the majority of consumers during the lockdown period.
- The pandemic has paved the way for faster developments within the modern (online/offline) retail segment as players across the value chain look for ways to overcome traditional inefficiencies in supply chain infrastructures to meet the unprecedented surge in demand.

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

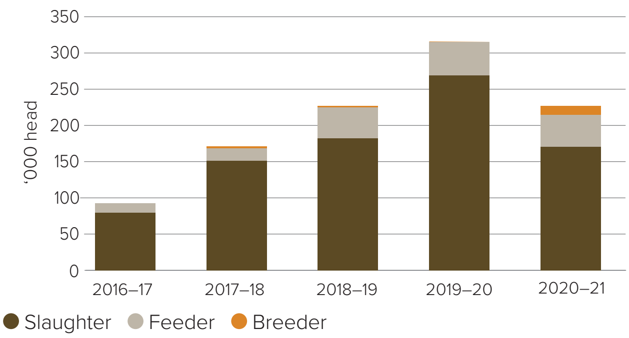
**Wet market:** Habits that have been passed down for generations and perceived better taste of fresh beef.

**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.

# AUSTRALIAN LIVE CATTLE EXPORTS

- Vietnam is Australia's second-largest beef live export market. Australian cattle are estimated to contribute approximately 20% of Vietnam's total beef consumption.
- Australia is the largest supplier of live cattle to Vietnam, with a market share of approximately 55%, followed by Thailand. However, the COVID-19 pandemic and the spread of Lumpy Skin Disease within Vietnam and Thailand have resulted in strict border restrictions hindering the importation of live cattle from Thailand.
- Australian exports in 2020–21 dropped about 28% year-on-year, underpinned by the rise of cattle prices due to the Australian herd rebuild. Lockdowns and strict movement restrictions across the country (starting in late April 2021) to contain the spread of COVID-19 have disrupted supply chain and wet market operations, subsequently affecting demand for Australian live cattle imports. Softening demand is expected to continue through to the end of 2021 as the country continues its effort to curb the spread of COVID-19.
- In September 2021, for the first time, a shipment of 14,000 bulls from Brazil arrived in Vietnam. This import arrangement is thought to be part of the country's effort to maintain food security. Consequently, Brazil's foray into the Vietnam live cattle market presents a potential threat to Australian live exports in the future if the trade is extended.

**Australian live cattle exported to Vietnam**




*Source: DAWE, Australian Fiscal Year*

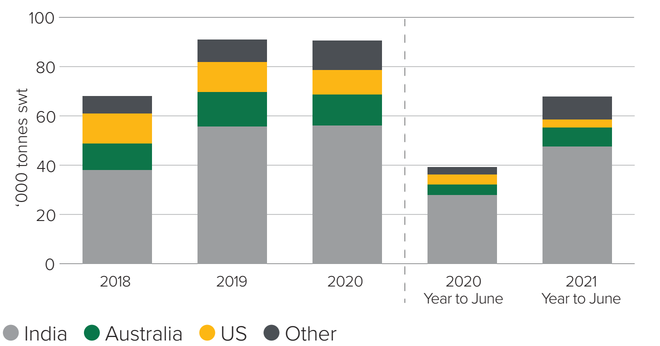
# COMPETITIVE LANDSCAPE

- Vietnam's demand for imported beef has remained steady despite the pandemic, with imports* estimated to be above pre-COVID-19 levels at approximately 150,000 tonnes swt on average over the past two financial years.

**Imports are based on export figures reported by major suppliers.*

- India is Vietnam's largest beef supplier with a market share of approximately 65%. Indian buffalo meat is typically channelled through to wet markets for household consumption or low-end foodservice. However, the meat is considered low quality and less favoured by the majority of Vietnamese consumers *(Source: MLA ASEAN Attractive Cities Study, 2018).*

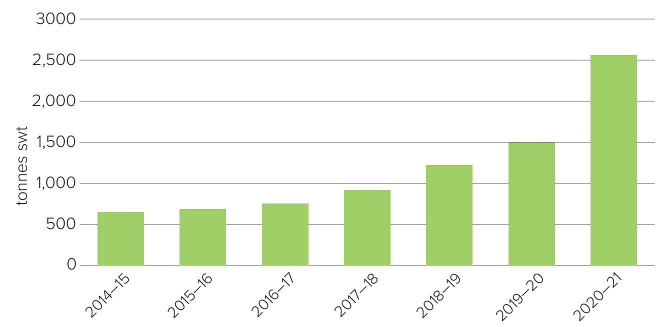
### Vietnam's beef imports by key supplier




*Source: IHS Markit, *includes goatmeat*

- The COVID-19 pandemic has changed beef import dynamics in Vietnam. Due to cross-border trade restrictions, re-export of Indian buffalo meat, which accounted for almost 90% of pre-COVID-19 levels, is estimated to have declined significantly from approximately 50% in 2020 to 15% in 2021 for the year-to-May *(Source: Vietnam Customs, MLA Estimate)*. Weakening purchasing power due to COVID-19 has underpinned increased demand for cheaper Indian buffalo meat, intensifying competition within the low-end market (wet markets and low-end foodservice), where the majority of Australian live cattle products are utilised.
- Australia is the second largest supplier, accounting for approximately 18% of Vietnam's imported (boxed) beef market in 2020–21. 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 and by increasing Vietnamese consumer interest in Australian products. Total boxed beef exports registered record growth in 2020–21, up 17% year-on-year to 16,118 tonnes swt, doubling the average volume for the three years preceding the pandemic outbreak.

### Australian chilled beef exports to Vietnam




*Source: IHS Markit, Australian Fiscal Year*

- Canada has taken the US's place to become the third largest beef supplier to Vietnam. Total beef exports from Canada to Vietnam soared fivefold in 2020–21 to 12,404 tonnes swt, underpinned by increased global competition for US beef, especially from China, as well as Canada's improved production and favourable trade arrangements thanks to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP).
- Lockdowns and movement restrictions across the country are anticipated to result in a temporary decline in demand for Australian boxed beef imports in the second half of 2021, mostly due to weak demand for products destined for the foodservice sector. However, household demand for Australian beef is expected to remain firm, underpinned by growing consumer needs for trusted sources of protein amid the COVID-19 pandemic, African Swine Fever and food safety concerns.

*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)**<br>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<br>**US:** No FTA, tariffs vary between 14% – 30%<br>**Canada and 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**

| | | 2020–21 | % of total | 2019–20 | % of total | five-year average (2015–16 to 2019–20) | % of total | change 2020–21 vs five-year average % | change 2020–21 vs five-year average in tonnes swt |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **16,118** | | **13,800** | | **8,411** | | **92** | **7,707** |
| Storage | Chilled | 2,561 | 16 | 1,492 | 11 | 1,013 | 12 | 153 | 1,548 |
| | Frozen | 13,557 | 84 | 12,308 | 89 | 7,398 | 88 | 83 | 6,159 |
| Meat type | Grassfed | 14,529 | 90 | 11,866 | 86 | 7,483 | 89 | 94 | 7,046 |
| | Grainfed | 1,589 | 10 | 1,933 | 14 | 928 | 11 | 71 | 661 |
| Storage/meat type | Chilled grassfed | 2,347 | 15 | 1,308 | 9 | 912 | 11 | 157 | 1,435 |
| | Chilled grainfed | 214 | 1 | 184 | 1 | 101 | 1 | 112 | 113 |
| | Frozen grassfed | 12,182 | 76 | 10,558 | 77 | 6,571 | 78 | 85 | 5,611 |
| | Frozen grainfed | 1,375 | 9 | 1,749 | 13 | 827 | 10 | 66 | 548 |

*Source: DAWE, figues are rounded*

**Value – in A$ 000**

| | | 2020–21 | % of total | 2019–20 | % of total | five-year average | % of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **153,921** | | **122,292** | | **69,085** | | **123** | **84,835** |
| Storage | Chilled | 30,843 | 20 | 22,015 | 18 | 15,692 | 23 | 97 | 15,151 |
| | Frozen | 123,078 | 80 | 100,276 | 82 | 53,393 | 77 | 131 | 69,685 |

*Source: ABS/IHS Markit*

**Volume – by major cut (in tonnes swt)**

| | 2020–21 | % of total | 2019–20 | % of total | five-year average | % of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|
| Shin/shank | 4,552 | 28 | 2,530 | 18 | 1,460 | 17 | 212 | 3,092 |
| Brisket | 2,852 | 18 | 2,151 | 16 | 1,435 | 17 | 99 | 1,417 |
| Blade | 1,808 | 11 | 1,771 | 13 | 769 | 9 | 135 | 1,039 |
| Cube roll/rib eye roll | 1,456 | 9 | 1,431 | 10 | 909 | 11 | 60 | 547 |
| Thick flank/knuckle | 1,252 | 8 | 1,189 | 9 | 484 | 6 | 159 | 768 |
| Chuck | 508 | 3 | 229 | 2 | 99 | 1 | 416 | 410 |
| Manufacturing | 486 | 3 | 969 | 7 | 573 | 7 | -15 | -87 |
| Striploin | 449 | 3 | 687 | 5 | 401 | 5 | 12 | 48 |
| Intercostals | 446 | 3 | 345 | 3 | 187 | 2 | 138 | 259 |
| Other | 2,308 | 14 | 2,497 | 18 | 2,094 | 25 | 10 | 215 |
| **Total** | **16,118** | | **13,800** | | **8,411** | | **92** | **7,707** |

*Source: DAWE*

**Australian live cattle exports to Vietnam**

| | 2020–21 | % of total | 2019–20 | % of total | five-year average | % of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|
| **Total volume – in head** | **226,949** | | **314,682** | | **230,177** | | **-1** | **-3,228** |
| Slaughter | 170,345 | 75 | 269,150 | 86 | 191,318 | 83 | -11 | -20,973 |
| Feeder | 44,073 | 19 | 45,520 | 14 | 34,882 | 15 | 26 | 9,191 |
| Breeder | 12,531 | 6 | 12 | 0 | 3,978 | 2 | 215 | 8,553 |
| **Total value – in A$ 000** | **419,557** | | **585,528** | | **364,021** | | **15** | **55,536** |

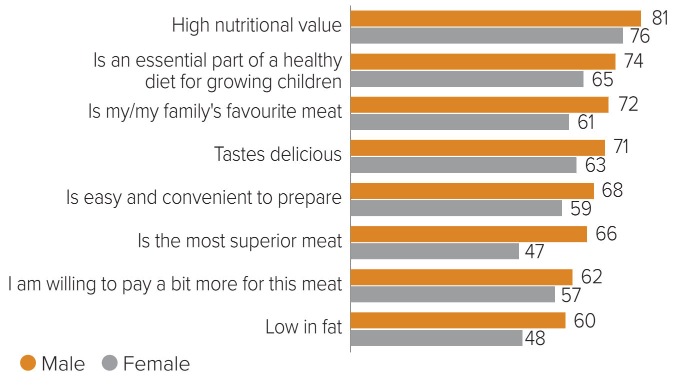
*Source: DAWE, ABS, numbers are rounded*

# 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 shows a stronger interest in eating lamb and in learning how to cook more exciting lamb dishes compared to other segments *(Source: MLA Attractive Cities Study – Ho Chi Minh City, 2018)*.

### Vietnamese consumers' lamb associations (by %)

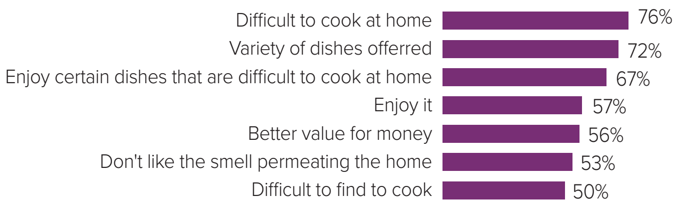



*Source: MLA Global Consumer Tracker Vietnam, 2016*

## 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 at home.
- Australian sheepmeat 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.
- However, hard lockdowns or movement restrictions have reduced demand for sheepmeat imports. This trend is expected to continue until foodservice and tourism fully resume.

### 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.

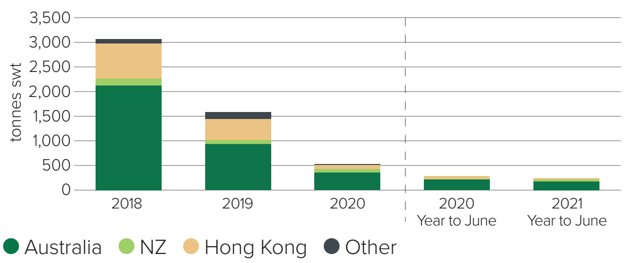
### Where do affluent Ho Chi Minh City consumers purchase sheepmeat*?


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

## COMPETITIVE LANDSCAPE

- Vietnam's domestic production is relatively small. However, the government has developed a series of stimuli to increase production. In 2021, domestic sheepmeat production is forecast to be approximately 11,000 tonnes cwe, accounting for about 60% of the consumption *(Source:GIRA)*.
- Total imported sheepmeat has been declining since 2018, underpinned by the diminishing re-export channel. In previous years, the fluctuation in shipments to Vietnam reflected demand conditions in third markets rather than actual demand for domestic consumption in Vietnam.
- Australia is the largest sheepmeat supplier with a market share of about 66%, followed by New Zealand with 13% (in 2020). Vietnam's demand for Australian sheepmeat imports has been impacted by the pandemic, with shipments in 2020–21 declining 11% year-on-year to 374 tonnes swt.

### Vietnam's sheepmeat* imports by key supplier




*Source: IHS Markit, *includes goatmeat*

# Market access overview – sheepmeat

| Trade agreements | Import tariffs | Competitors | Volume restrictions | Technical access |
|---|---|---|---|---|
| ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)**<br>Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)** | Under AANZFTA: 0% for all product lines | **New Zealand:** Same access conditions as Australia<br>**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**

| | | 2020–21 | % of total | 2019–20 | % of total | five-year average (2015–16 to 2019–20) | % of total | change 2020–21 vs five-year average % | change 2020–21 vs five-year average in tonnes swt |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **374** | | **419** | | **568** | | **-34** | **-195** |
| Storage | Chilled | 20 | 5 | 16 | 4 | 19 | 3 | 3 | 1 |
| | Frozen | 354 | 95 | 403 | 96 | 549 | 97 | -36 | -195 |
| Meat type | Lamb | 309 | 83 | 305 | 73 | 347 | 61 | -11 | -38 |
| | Mutton | 65 | 17 | 115 | 27 | 221 | 39 | -71 | -156 |
| Storage/ meat type | Chilled lamb | 20 | 5 | 16 | 4 | 19 | 3 | 4 | 1 |
| | Chilled mutton | 0 | 0 | 0 | 0 | 0.2 | 0 | -100 | -0.2 |
| | Frozen lamb | 289 | 77 | 289 | 69 | 328 | 58 | -12 | -39 |
| | Frozen mutton | 65 | 17 | 115 | 27 | 221 | 39 | -71 | -156 |

*Source: DAWE, figures are rounded*

**Value – in A$ 000**

| | | 2020–21 | % of total | 2019–20 | % of total | five-year average | % of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **3,224** | | **8,405** | | **6,741** | | **-52** | **-3,517** |
| Meat type | Lamb | 2,140 | 66 | 4,743 | 56 | 4,504 | 67 | -52 | -2,365 |
| | Mutton | 1,085 | 34 | 3,662 | 44 | 2,237 | 33 | -52 | -1,152 |

*Source: ABS/IHS Markit*

**Volume - by major cut (in tonnes swt)**

| | | 2020–21 | % of total | 2019–20 | % of total | five-year average | % of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|---|
| Lamb | Leg | 99 | 32 | 118 | 39 | 123 | 35 | -19 | -24 |
| | Rack | 68 | 22 | 92 | 30 | 101 | 29 | -33 | -33 |
| | Breast and flap | 52 | 17 | 25 | 8 | 20 | 6 | 159 | 32 |
| | Other | 90 | 29 | 70 | 23 | 104 | 30 | -13 | -13 |
| | **Total** | **309** | | **305** | | **347** | | **-11** | **-38** |
| Mutton | Leg | 27 | 41 | 32 | 28 | 19 | 9 | 41 | 8 |
| | Rack | 24 | 37 | 45 | 39 | 23 | 10 | 3 | 1 |
| | Carcase | 12 | 18 | 33 | 29 | 42 | 19 | -72 | -30 |
| | Other | 2 | 3 | 4 | 3 | 137 | 62 | -98 | -135 |
| | **Total** | **65** | | **115** | | **221** | | **-71** | **-156** |

*Source: DAWE*