

AGRICULTURE REPORT

MAR 2021

Prepared by Business Centre
British Chamber of Commerce Vietnam

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**British
Chambers of
Commerce**

International Affiliate

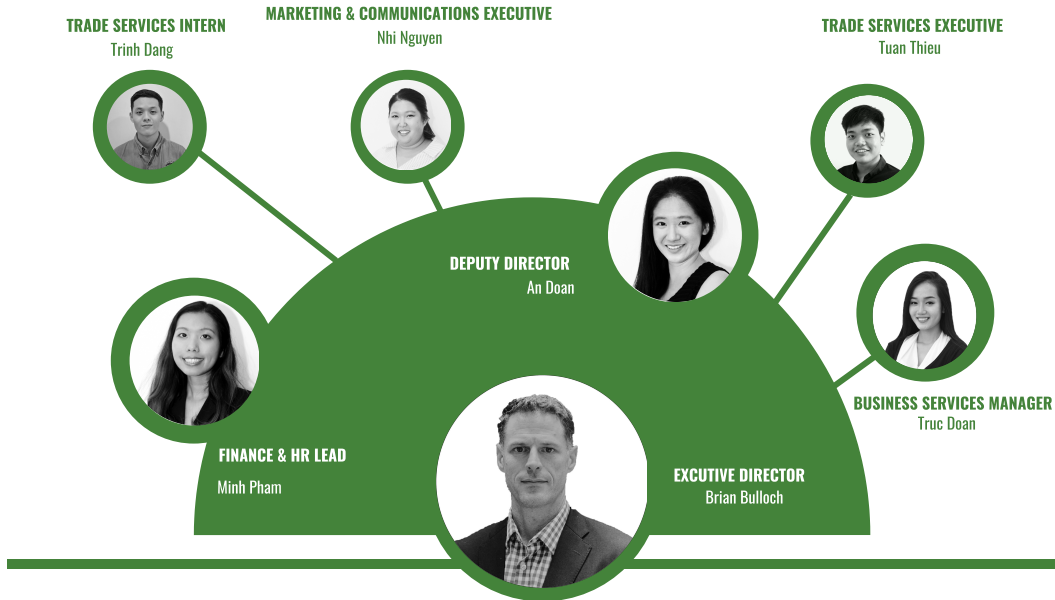
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OUR TEAM



What We Do

The British Chamber of Commerce Vietnam (BritCham Vietnam) was officially established in Ho Chi Minh in 1998 with its Ha Noi branch founded in 2007. BritCham Vietnam aims to support and develop Vietnam-UK business links while raising the profile of Vietnam in the British business community and vice versa. As an accredited British Chamber, BritCham Vietnam in association with the Department for International Trade (DIT), is committed to promote strong business links between Vietnam and the UK.



BUSINESS MATCHING:

Partner search and one-to-one meetings with potential clients, agents/distributors or outsourcing partners



BUSINESS DEVELOPMENT REPRESENTATIVE:

Provide a professional business development representative to act locally on your behalf, strengthen existing engagements with the Vietnam market on a long term basis and develop further business relationships within the market.



INWARD INVESTMENT FACILITATION:

Business Registration, Site Selection, Factory/Office Set-up & Operations Support, HR & Financial Management



BUSINESS SERVICES EVENTS:

Organise trade missions, product launches and seminars/workshops



MARKET STUDIES:

Sector reports, competitor analysis and local prospect background research



EXPORT OPPORTUNITIES:

Explore your export opportunities to Vietnam through DIT's portal opportunities.export.gov.uk



WEBINARS:

Online dialogues with experts within industries to forestall new trends in doing business in Vietnam



BACK-OFFICE SUPPORTS

Due Diligence, Marketing Materials & Company Documents Translation, Vietnam Entry Services

CONTACT US



OUR ADVOCACY WORKS



The BRITISH ADVOCACY COMMITTEE, comprising of the Heads of some of the largest British companies operating in Vietnam, continue to provide support to BBGV in its engagement of key business issues and was instrumental in the support to gain the full VBF membership.

Members

DIAGEO



BRITISH EDUCATION BUSINESS GROUP
– BEBG is a proposed working group of BBGV and its British Advocacy Committee, to work alongside the British Embassy, Department for International Trade and British Council.

Founding Members



VIETNAM ECONOMY: A BRIEF INSIGHT

Urban population: 37.7% of total population (2020)

Rural population: 62.3% of total population (2020)

POPULATION 97M

On-going structural transformation of the local economy from agriculture to a modern economy based on foreign investment-led manufacturing

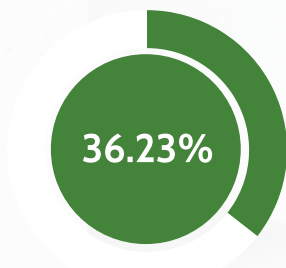
ECONOMIC GROWTH RATE IN 2020

2.9%

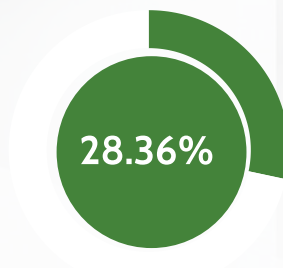
GDP PER CAPITA

\$ 3,500

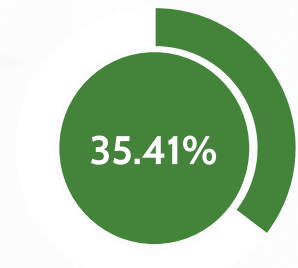
EMPLOYMENT DISTRIBUTION



Agriculture

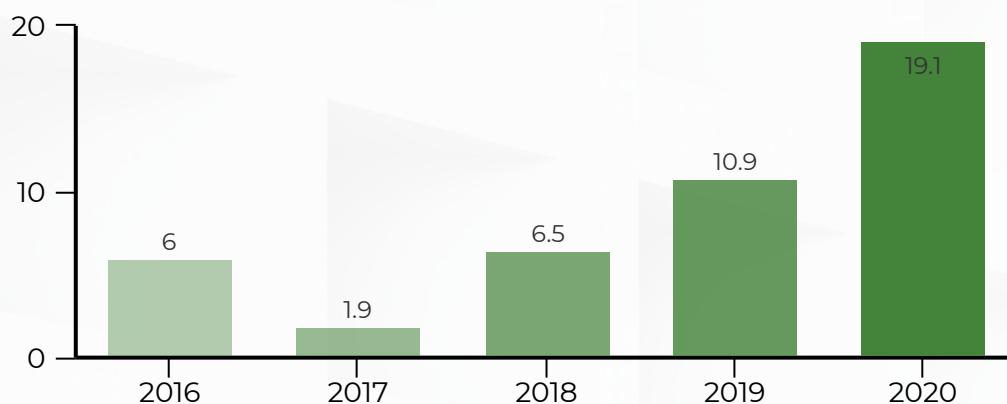


Industry



Services

TRADE SURPLUS OF GOODS IN 2016-2020 (in billion USD)

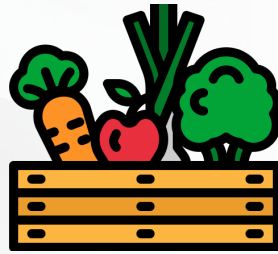


Source: Statista

AGRICULTURE SECTOR OUTLOOK



\$41.2 billion



Export value of Vietnamese agriculture, forestry and aquaculture in 2020

18

New factories for agriculture product processing established in 2020

90%

Growth rate of agriculture sector

16th

Ranking as world's top agricultural export countries

2.68%

Local firms are small and super small funded with capital less than \$430,000 USD

AGRICULTURE SECTOR OUTLOOK

TOP
4

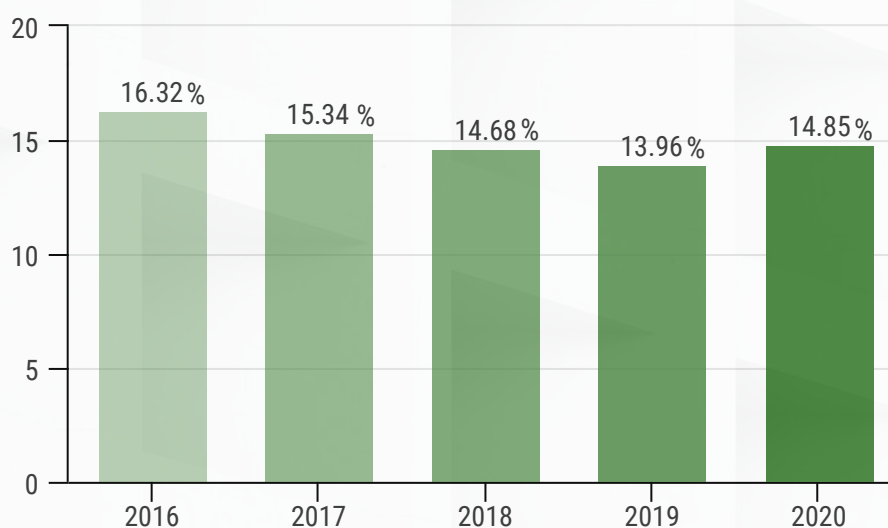
LARGEST IMPORTERS OF VIETNAMESE AGRICULTURAL PRODUCTS (AS OF FIRST 2 MONTHS OF 2021)

Rank	Countries	Export turnover
1	the United States	\$2.04 billion USD
2	China	\$1.88 billion USD
3	ASEAN	\$606 million USD
4	EU	\$594 million USD

Source: Ministry of Agriculture and Rural Development



GDP CONTRIBUTION OF VIETNAMESE AGRICULTURE SECTOR FROM 2016-2020



Source: Statista

AGRICULTURE BY SECTORS

CROP PRODUCTION



5th

among world's biggest rice consuming countries

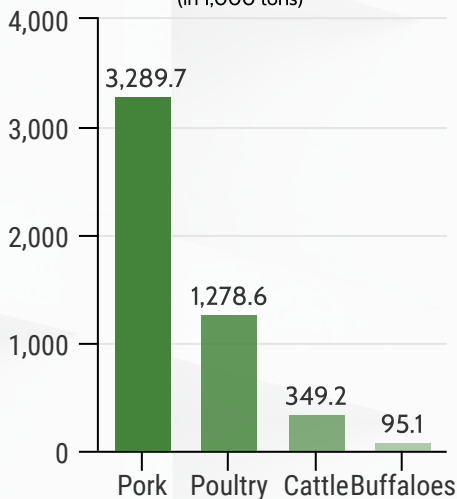
Cultivation is the main contributor to the growth of Vietnamese agriculture sector, involved with a huge role in ensuring local food security, creating jobs, improving labourers' income and poverty alleviation.

Agriculture crops commonly cultivated in Vietnam are **rice, cassava, corn, sweet potatoes**. Of which, rice – the main food consumption in Vietnam – accounts for 94% of land under intensive cultivation. **Rice export reached \$3 billion USD in 2020**, which represented a year-on-year growth of over 10 percent and this sector is predicted to witness a further growth as a result of the positive opportunities brought about by new-generation free trade agreements such as EVFTA or UKVFTA. Other primary **industrial plants** in Vietnam include **coffee, coconut, tea, pepper, cashew nut, sugar cane, peanuts, soy, tobacco and sesame**.

LIVESTOCK



Production volume of main livestock products in Vietnam in 2019
(in 1,000 tons)



As among the most populated countries, Vietnam with **97,338,579 million people** has a massive growth in their livestock consumption due to the rapid income increase and population growth. Despite the steady trend of the national meat industry growth, domestically produced meat has hardly kept up with the local consumption demand because of **geographical limitations, reliance on imported feeds and fragmented farms and regulatory policy**. In addition to the insufficiency for the domestic consumption demand, the absence of a key player with large market share in this sector also brings about a massive potential opportunity for local and foreign investors.



85% of Vietnam's livestock raised on small-scale farms



2019
3rd
Biggest meat market in Asia with the value of **\$18.7 billion**

AGRICULTURE BY SECTORS

AQUACULTURE



2019



World's 4th largest
aquaculture exporter

**3.6 million
metric tons**

of seafood products
generating in 2019

Aided by a coastline of **3,260 kilometres** and a **1 million-square-kilometre** Economic Exclusion Zone, Vietnam is known as one of the most appropriate destinations for the seafood industry, associated with a diversification of aquaculture system. With its natural advantages, Vietnam indicates as a key exporter of aquaculture products; some of the aquacultural products are shrimp, pangasius, tuna as well as marine fish. In contrast with the other sectors within the agriculture industry, the seafood sector recorded a slight **decrease in export turnover in 2020** with only **\$8.4 billion USD**, down **1.8 %** as compared to the previous year, according to GSO.

FORESTRY



\$13.2 billion

ACHIEVED BY EXPORTING
FOREST PRODUCTS IN 2020

The proportion of Vietnam's
land area covered by forests
reached 14,415,381 hectares

41.6%

Despite the negative influences of Covid-19 Pandemic, the total export of forest products gained a strong **growth of 16.9%** compared to the year of 2019. This led Vietnam to be **World's 5th largest forest product exporter – 2nd largest in Asia – 1st biggest in the region of Southeast Asia.**

While fuelling the local economy, the forest cover continues to expand thanks to the Communist party's full commitment and support, manifested by lots of action plans, decisions and policies of major ministries. Regardless of the impressive performance, the industry's outlook is seemingly uncertain due to challenges associated with land competition with other industries, over-utilisation of resources, risks from export markets, the country's weak capacity for forest governance and control.

INDUSTRY CHALLENGES

A highly labour-intensive agriculture with unsustainable production methods

Despite the consistent decline in the country's GDP contribution, agriculture in Vietnam remains using large numbers of labour associated with the **highest employment distribution of 36.23%**, compared to other industries. Much of this sector is yet to be driven by manual processes; in other words, low-efficiency machinery for planting, cultivating and harvesting that are environmentally costly is still implemented across all cultivation areas.

The growing impacts of climate change

Rising salt concentration in water: annual intrusion of sea water in the dry season has posed a threat to the productivity of the local agriculture. In fact, the country's largest fruit-producing area – Vietnamese Mekong delta – is hit hardest in recent years by the salinity intrusion with **25,120 orchard hectares** impacted during the 2019-2020 harvest season.

Natural disasters such as storms, floods and drought attributed to climate change cost Vietnam **\$1.6 billion in 2020** – five times more than previous year's losses. The increase in the intensity of droughts in the north and floods in the south led to havoc on local food security, water resources and infrastructure in Vietnam.

Growing domestic competition

Local sectors of agriculture, forestry and fishing are set to consequently compete with the rapid expansion of Vietnam's cities, industries and services for the resources of labor, land and water. This resulted in the greater scarcity of natural and human resources available to local agriculture and accordingly impacted the sector's competitive advantage of being a low-cost producer to compete on global markets.

Fierce domestic competition faced by local agriculture industry also arises from the involvement of imported agricultural goods from more developed countries as a result of Vietnam's recent participation in world's trade agreements.

TECHNOLOGY-FUTURE OF VIETNAMESE AGRICULTURE



500 HI-TECH AGRI-COOPERATIVES

The government's plan to establish a significant number of high-tech farming organisations aimed at increasing production value of local agriculture by five times by 2020.



\$4.4 BILLION

Credit line for high-tech agriculture projects stimulated by the government

In response to these challenges, several policy reforms in agriculture have been adopted by the Vietnamese government – including the programs of agriculture restructuring, GAP certification program or value chain development aimed at generating a sustainable and high value-added agricultural industry. Of which, the national government crucially emphasised the vision of leveraging advanced technology in domestic agriculture such as big data, blockchain, IoT.

Technology is considered as the quickest and most cost-effective approach to the sustainability of Vietnamese agriculture due to its potential influences on dealing with the national concerns of generating more crops as a response to domestic increasing demands and seizing economic opportunities brought about by trade agreements, whilst maintaining its ability to preserve natural resources.

OPPORTUNITIES FOR UK AGRITECH BUSINESSES

Sustainable agriculture and agri-value chain development are strategic priorities of the central government in coming years.

Forms of cooperation among farmers, farmers contracting with enterprises are seen as an increasing and favourable trend.

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 optimising agricultural practices and improving effectiveness and inputs.

Vietnamese agricultural products are still facing many boundaries, especially in terms of technology, to satisfy strict international standards.

Shifts in local conglomerates' interest toward agriculture sector led to a massive demand for agriculture-related consultancy from experienced foreign players that associate with deep knowledge and technology in the field of smart agriculture to plan projects in the country.

A rising demand for high-quality food is recorded among the national middle class – the fastest growing middle-class population in the region; yet most Vietnamese certified organic products are exported to overseas markets despite the recent expansion of certified organic farming area.

SUPPORTING REGULATORY FRAMEWORK & GOVERNMENT INCENTIVES

A. FREE TRADE AGREEMENTS

At present, Vietnam is signatory to 13 FTAs and in a negotiation with 3 other FTAs, which contains large business scope and relatively high level of liberalisation. The country's active involvement in various bilateral and multilateral free trade agreements brings about lots of opportunities for local agriculture produce exporters to participate in global value chains. This also assists in attracting greater deals of foreign capital into Vietnam and consequently results in the country's motivation to enhance the investment environment aided by safety for investors across all economic sectors.



CPTTP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), was signed on 8th March 2018, is a new-generation free trade agreement assigned to Vietnam and 10 other countries including Australia, Canada, Brunei, Japan, Chile, Mexico, Malaysia, New Zealand, Peru and Singapore. Once fully imposed, the 11 nations will form a trading bloc covering around 495 million consumers and 13.5% of global GDP, offering Vietnam preferential access to major markets in Asia and Latin America. Noticeably, the UK is currently applying to join this agreement so as to take advantage of the opportunities resided in these big markets associated with growing middle-class population



UKVFTA

The UK-Vietnam Free Trade Agreement officially came into effect on December 31, 2020. On the basis of inheriting existing commitments from the EVFTA, the distinctions of UKVFTA are identified in terms of tariff exemption under quotas on Vietnamese agricultural goods and the specific openness of service market for British firms. UKVFTA facilitates two-way trade and boosts the volume of goods from both nations tapping into the other's market thanks to a 6-year roadmap that gradually levy zero percent tariff to more than 99 percent of products traded. This bilateral agreement opens up more chances to rocketing the exports of Vietnam's important agriculture products such as fragrant rice that currently associates with a competitive edge over rivals due to its zero tariff in the UK market. Despite the market potential resulted from the local demand for agriculture products like timber or vegetables and fruits, UKVFTA poses many challenges to Vietnamese agricultural producers according to its stricter standards.



EVFTA

The Europe-Vietnam Free Trade Agreement is signed between Vietnam and 27 other EU members. According to Minister of Industry and Trade, agriculture sector is likely to benefit the most since this agreement allows Vietnam to boost its argo-forestry-fishery exports to European markets, but it also associates with an open door to foreign goods. In fact, the local rice and grain products will be involved with the mostly duty-free tariff quotas, fruits and vegetables will also be tax eliminated. Regarding fisheries, the EU will reduce approximately 50% of tariff lines, the remains will be cut following the roadmap of 5-7 years.

SUPPORTING REGULATORY FRAMEWORK & GOVERNMENT INCENTIVES

B.TAX INCENTIVES

Agriculture sector – as compared to other major industries – associates with the highest number of tax incentives imposed by the Vietnamese government due to the national policies promoted long-term sustainable development and enhanced the individual farmers' income. As providing one of the most competitive tax regimes in the region of Southeast Asia, Vietnam allows companies and organisations to take advantage of the following tax policies for the agriculture sector.



Incentive of corporate
income tax (CIT)



Investment
encouraged locations



Exemption of
land use tax



Exemption of registration
fees for ships and fishing
boats



Import duty
exemption

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