

SELECTED ITALIAN FOOD PRODUCTS IN VIETNAM MARKET

BRIEF NOTE



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Ministero degli Affari Esteri
e della Cooperazione Internazionale

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ITALIAN TRADE AGENCY

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I. OVERVIEW

Two-way trade exchanges between Vietnam and Italy have achieved positive outcomes following the enforcement of the EU-Vietnam Free Trade Agreement (EVFTA) in 2020, with total export value reaching over US\$1.7 billion in 2021, up to 14.11% compared to 2020.

According to the Ministry of Industry and Trade of Vietnam, Italy remains Vietnam's fourth largest trading partner in the EU, behind only the Netherlands, Germany, and France.

Statistics show that Vietnam's GDP is growing rapidly in recent years. In 2019, Vietnam's GDP growth rate was 7.02%, higher than the agency's forecast of 6.6% to 6.8%. At the same time, the growth rate exceeded 7% for two consecutive years, successfully surpassing India as the fastest growing economy in Asia. However, in 2020 to 2021, the COVID-19 pandemic will be complicated globally with new variations, hindering the recovery of the world economy. Vietnam is one of the countries heavily affected by the epidemic, economic growth in 2021 is only 2.58%, the lowest in the past 30 years, but still becoming one of the few countries in the world with positive growth.

With a population of over 96 million people, a growing middle class, especially large numbers of young consumers in urban areas, more concerns about food safety, quality, nutritious and hygienic food and drinks, Vietnam is becoming an important market for any businesses dealing in fast moving consumer goods.

Food safety and hygiene have a significant influence over Vietnamese consumers' food purchasing decisions. Because of several food safety incidents in the past few years in Vietnam, consumers are more careful about the quality of the products they purchase. Since brand awareness is still limited, a perceived quality associated with a product's country-of-origin is becoming a key indicator for food shoppers in Vietnam.

It is therefore advisable to start assessing specific opportunities, keeping in mind that Vietnam has become an important market for food and beverages in general and consumer-oriented products in particular. The combination of strong developing modern retail chains and growing consumer demand are making Vietnam an attractive market even for Italian exporters. However, along with business opportunities, new-to-market Italian exporters should have a proper entry strategy to be successful in this market.

When initiating sales to the Vietnamese market, Italian exporters should also consider having an effective market promotion strategy. To increase sales, exporters must be prepared to integrate image of Made in Italy products, brand-advertising and generic-advertising strategies. For example, Italian products benefit from an established

reputation for food safety and quality associated with a product's country-of-origin.

Additionally, lower import tariffs obtained from free trade agreements make products from ASEAN countries more competitive than those from non-ASEAN countries including the E.U. However, considering the EVFTA comes into effect from 2020 and the new rates of tariff, products from Europe will become more competitive to the local market.

Main products exported to Vietnam from Italy are: meat and cured meat, wine, cereals and flour, oil and olive oil, cookies and bakery products, pasta. Rice, cheese, coffee and dairy products still account small amount but increasing year by year.

Below we are going to give brief analysis on some Italian food products exported to Vietnamese market.

II. SOME ITALIAN FOOD PRODUCTS IN VIETNAM MARKET

1. DRIED AND FRESH PASTA

1.1 Brief analysis

Rice is a must-have staple in Vietnamese cuisine; locals consume it every day. However, nowadays, young Vietnamese seem to pay more and more attention to western food. These days, besides the country's traditional noodles made of rice and wheat flour, various types of noodles including Italian spaghetti and pasta have been imported into Vietnam to widen choices of foods for both local and foreign people. The development of the high-end retail chains and the European-style restaurants helps the consumer easily access to food from Europe such as pastas.

According to Trade Monitor Data, following the remarkable increase of 36.85% in 2016, 2017 recognizes another impressive number of pasta products (belonging to HS code 1902) exported into Vietnam with more than US\$ 9.7 million compared to 2016, equivalent 33.93% growth rate, and it keeps increasing gradually until the year 2020 when Covid-19 begins, with a slightly decrease about 4.9%. In 2021, the export value back to the track, with the total value increased over 58%. Italy's export value continues to move upward and moderates the sixth rank in the list of 10 biggest exporters of this product category.

Recently, the value of Italian pasta exports to Vietnam in 2021 reached over 4 million USD, increased by 58.3% over 2019. Considering the total value of market and the open again of the local economy after Pandemic time, it is advised that Viet Nam is a very promising market for this product in near future.

Despite Italia is the most popular origin country for this product, but due to the import duty quite high compare to

other countries in ASEAN zone and countries which have FTAs with Viet Nam and ASEAN (like Japan, China and Korea), the export value from may not make jump. Again, keep in mind that there is a vast room for this product since the EVFTA come in to effect from August 2020.

Export of pasta to Vietnam (HS code 1902) in 2021, value in USD

No.	Exporting Countries	2017	2018	2019	2020	2021
1	Rep. of Korea	16,925,141	18,493,402	23,401,727	22,228,289	28,575,157
2	China	7,459,334	8,368,750	8,481,326	9,085,804	8,936,155
3	Japan	3,857,826	4,791,074	3,881,715	5,081,042	6,708,260
4	Thailand	2,397,156	4,576,145	5,266,342	4,682,873	6,394,567
5	Indonesia	3,205,225	3,740,142	6,303,251	3,651,921	5,759,655
6	Italy	2,408,691	2,928,572	2,803,484	2,558,159	4,050,544
	Total value (include other countries)	38,598,439	44,063,092	51,542,566	49,003,473	61,705,408
	Growth rate	33.93%	14.55%	16.97%	-4.9%	25.92%

1.2 IMPORT DUTY

HS code	Description	Import duty from 2021 (%)
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	12.5 -28.5 (depend on product category)

Source: ICE processing of Trade Monitor Data

2. OLIVE OIL

2.1 Brief analysis

Olive oil is not well-known yet among Vietnamese consumers. The main driver of olive oil consumption in Vietnam is still high-end restaurants, hotels and gourmet shops, and partly also beauty sector which use olive oil for massage and skin-care purposes. In general, olive oil in Vietnam is still in a very nascent phase. Most olive oil consumers are driven by health and food safety consideration, and this group focuses on young population with high income.

Nonetheless, olive oil remains a niche market even because there is still little knowledge of the quality of the product and the beneficial effects on health as well as due to the high price at which this product is currently offered into the Vietnamese market.

Vietnam has started importing olive oil since 2000. The year of 2016 also marked the peak of this upside trend since the total export value seems to go back to downturn from 2017.

In recent years, the total value of olive oil exported to Vietnam increased fast, reaching the peak of about 46.78% in 2020. Spain and Italy always hold the top position of exporting olive country to Vietnam. In 2020, Spain is the 1st Vietnam's country-supplier of olive oil, with an exported value reach 2.29 million USD and a market share of 45.2%. The main competitor is Italy, which follow right after Spain in 2020 with an exported value of about 1.4 million USD (slightly decreased compared to 2019).

In 2021, Italy has passed Spain and become the 1st olive oil exporter to Vietnam with the market share about 41% and the total exported value reached 2.6 million USD, increased about 60% compare to the previous year. The reason for this growing strength is the open border policy from the local Government after 02 year- pandemic, the tourism has backed to the track, following by HORECA sector. Also, another reason is the EVFTA has put strong effects on the import tax incentives, which support European products to reduce the price and become more and more competitive in the local market.

Turkey also got into the Top countries export to Vietnam, however the export value from this country is quite trivia compare to others.

Export of olive oil to Vietnam in 2021 (HS code 1509, FOB price, value in USD)

No.	Exporting countries	2018	2019	2020	2021
1	Spain	1,717,454	1,107,951	2,293,291	2,610,360
2	Italy	1,494,348	1,443,383	1,416,577	2,392,217
3	Greece eee	194,140	151,193	375,117	620,005
4	Turkey	325,014	329,640	306,001	306,001
	Total Value	3,886,044	3,315,041	4,742,243	6,368,361
	Growth rate	-11.27%	-14.69%	43.05%	34.29%

Source: ICE processing of Trade Monitor data

Regarding local production, the research found no information about areas that olive tree is possibly cultivated in Vietnam. However, one of the leading local edible oil producers, *Tuong An Vegetable Oil Company* (www.tuongan.com.vn), has been bottling olive oil imported from Spain. Their olive oil product has been on shelves of many supermarket and retail chain like Vin -mart and Saigon Coop-mart. It can be a new trend in the market to make olive oil more affordable for Vietnamese people.

As noted above, olive oil is not common in Vietnam. Subsequently, stores which stock it tend to carry only a couple of brands. It is common for olive oil to be on the shelf surrounded by other types of oil, or in some cases, sauces. Please see some pictures taken at Genshai, a retail food chain located in some luxury apartment in District 2 in Hochiminh City.

(Pic: Main Brands on shelves in most of supermarket in Vietnam)



(Pic: olive oil put on the same group/shelves with other oils like coconut oil and nut oil)



Also, the numeric distribution of Spanish olive oil is quite high, over 60% of products appear on shelves, shows that the Spanish is the biggest importer to Vietnam current time.

2.2 Import duty

HS code	Description	Import duty (from 2021) (%)
1509	Olive oil and its fractions, whether or not refined, but not chemically modified	
15091010	Virgin, in packings of a net weight not exceeding 30kg	1.2
15091090	Virgin, other	1.2

The above-mentioned rate is applied for olive oils imported from countries that have Most Favorite Nations (including Italy) agreement with Vietnam. Special rate of 0% is offered to products of ASEAN members.

3. CHEESE

3.1 Brief analysis

Italy is the region with the highest variety of cheeses in the world, with over 2500 traditional varieties, among which about 500 commercially recognized cheeses and more than 300 kinds of cheese with protected designation of origin (PDO, PGI and PAT). In terms of raw production volume, Italy is the third largest cheese producer in the European Union, behind France and Germany. Italian cheeses Mozzarella and Ricotta are some of the most popular cheeses worldwide and the well-known Gorgonzola blue cheese, too. However, Italian cheese in Viet Nam market is not popular.

Imported cheese in Vietnam market is quite premium, and Italian cheese is also brand-new to this market and is sold mostly in upscale stores and restaurants along with the high prices. Therefore, the value of Italian cheese exported to Viet Nam is quite trivial compared with other countries.

According to Trade Monitor Data, the total export of cheese into Vietnam in 2019 has recorded a peak up to US\$ 49 million and slightly decrease in 2020 (-0.27%), still reach a total of US\$ 48.9 million in export value even facing alot of obstacle since the spreading of Covid-19.

France took over the 1st position among the top 10 exporters of cheese into Vietnam from 2012, however the 1st rank has changed in the past two years by New Zealand, follow by France and Australia. In the meantime, the trade value in exporting cheese into Viet Nam from Italy archives a noteworthy change in the past few years (from US\$ 0.3 million in 2016 to almost US\$ 0.6 million in 2021) and still keep increasing gradually over years.

Despite the increase in export value, Italy still not in the top 10 exporters of cheese into Vietnam because of the competitiveness from other countries, the value of export to Vietnam in 2021 recorded only over US\$ 595,758.

Export of cheese to Vietnam in 2021 (HS code 0406), value in USD

No.	Exporting countries	2017	2018	2019	2020	2021
1	New Zealand	15.097.165	12.981.379	14.497.703	13.130,756	13,395,583
2	France	4,048,627	4,078,853	9,429,502	6,507,332	6,144,827
3	Australia	10.867.144	10.428.336	6,666,275	7,231,742	5,940,181
4	Germany	3,242,168	4,890,660	3,925,246	5,908,144	5,929,358
5	Ireland	1,595,366	1,491,119	340,799	1,222,953	2,952,478
6	Japan	2,601,209	3,080,840	738,289	1,564,524	2,106,916
7	Uruguay	813.313	204,599	1,827,843	1,601,612	2,066,751
8	Poland	2,984,982	1,868,515	655,275	1,629,167	1,662,919
9	Netherlands	656.995	733.527	3,248,316	1,869,907	1,579,092
10	United States	1,120,479	1,154,987	2,044,359	2,436,132	1,539,795
	TOTAL VALUE (include other countries)	47,348,396	44,310,743	49,088,101	48,953,227	49,644,488
	GROWTH RATE	69.42%	-6.85%	10.78%	-0.27%	1.4%

Source: ICE processing of Trade Monitor Data

3. 2 Import duty

HS code	Description	Import duty from 2021 (%)
0406	Cheese and curd	2.5 - 5 (depend on product category)

4. CURED MEAT

4.1 Brief analysis

According to Trade Monitor data, after hitting the lowest point in 2016, the export value of cured meat, salami, sausages and similar products of meat to Vietnam since then has a bounce back surprisingly. In 2018, the market recorded a growth rate up to 92% compare to 2017. However, since the peak of 2018, the value decreased sharply by 45,5% in 2019 and sideway up until 2020. The value of export value to Vietnam in 2021 recorded at 2,79 million USD, increased surprisingly after Covid time, about 66.4% compare to the previous year. Korea lost rank Top 1 to Denmark, follows by Australia and Russia.

It is easy to understand since 2019 and 2020 are the hard years for global economy as well as the

HORECA and tourism sectors, with the negative effects odd the Covid-19. However, everything seems to back on track since 2021.

Export of sausages and similar products of meat in 2021 (HS 1601) to Vietnam, value in USD

No.	Exporting countries	2017	2018	2019	2020	2021
1	Denmark	12,108	15,977	5,143	11,228	150,396
2	Rep. of Korea	392,032	967,666	451,197	351,531	830,809
3	Australia	205,101	263,842	240,611	252,727	565,710
4	Russia	9,952	18,259	151,145	166,998	327,512
5	France	49,776	44,557	66,685	156,571	240,925
6	Denmark	15,977	5,143	11,228	150,396	196,871
7	Spain	58,282	99,091	117,627	143,548	186,395
8	Italy	124,276	113,316	132,841	99,107	154,900
9	Germany	18,770	39,605	62,334	94,843	137,915
10	USA	44,599	12,590	240,757	81,405	45,713
	TOTAL VALUE	1,378,685	2,832,402	1,543,771	1,681,682	2,798,856
	GROWTH RATE	84%	92%	-45.5%	8.93%	66.4%

Source: ICE processing of Trade Monitor Data

Italian salami is considered high-quality in the market and having higher trade value than the other Western competitors. The sustainable growth in export value in the last 5 years brings Italia got to top 10 exporters in to Viet Nam in this sector.

Vietnam, which is characterized by a young population, is one of the most consumption inclined Asian countries and this trend is going up steadily. The country’s marketplace boasts a wide range of Italian food products, both basic and delicacies. With many successful promotions, Vietnam consumers have more and more attention to Italian foods, especially salami. That makes many well-known importers increased the imports of salami to Vietnam.

For your information, currently, there are no meats or meat products from the EU which are registered as GIs in Vietnam. However, the EVFTA will open a vast room for this sector since it contains comprehensive provisions on the mutual protection of GIs. Vietnam has agreed to protect 169 GIs from the EU, including fresh, frozen, processed and dry-cured meats. The GI meat and meat products from Italy are protected under the EU-Vietnam FTA, which includes (1). Bresaola della Valtellina (Fresh, frozen and processed meats - Dried salted beef); (2) Mortadella Bologna (Fresh, frozen and processed meats- Mortadella); (3) Prosciutto di Parma (Dry-cured meats- Ham); (4) Prosciutto di S. Daniele (Dry-cured meats- Ham); (5) Prosciutto Toscano (Dry- cured meats-Ham) (*according to EU-Vietnam FTA Text*).

However, please be noted that Italian companies must be in the list published by The ministry of Health of Italy as the attached link to export meat products to Vietnam:

<https://www.salute.gov.it/consultazioneStabilimenti/ConsultazioneStabilimentiServlet?ACTION=gestioneSingoloPaese&naz=VN>

4.2 . Import duty

HS code	Description	Import duty from 2021 (%)
1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	16

III. CONCLUSIONS AND RECOMMENDATIONS

Despite the fact that the export value of food products has slipped down a bit in the past few years, Vietnam is considered as a promising market for foodstuffs providers as they can benefit from the following favorable conditions:

- Large market of almost 96 million inhabitants with a large numbers of young consumers especially in urban areas.
- GDP average increase of about 6-7% in the last 10 years has vastly contributed to improving Vietnamese people's living standards and to increasing percentage of the wealthy community, particularly in urban areas.
- Imports of wine and foodstuffs are rapidly growing.
- More rapid growth is expected for modern food retail outlets due to urban consumers' requirements for more product diversity, higher regard for the quality of Western food brands, and a more pleasant shopping experience.
- The European Union Vietnam Free Trade Agreement (EVFTA), that is effective from 2020 paving the way for increasing trade with EU and Vietnam. This will be applied for a 7-year to 10-year period, depending on goods category. For sure, food and industrial products are the most concerned.

Going forward, since the EVFTA comes into effect, trade and investments are witnessed as prediction with very fast growth. Vietnam, with its favorable location, government policies, and regional connectivity will continue to be a priority for Italian businesses in the region as it serves as a strategic gateway for Southeast Asia.

In the meantime, it is also a challenging market for new suppliers, especially Italian ones, due to tough competition by French, Australian, USA, Spanish and Chilean producers and those from many other emerging products.

In order to be successful in this market, a long-term strategy should be taken into account with a special attention for brand building, price policy, promotional activities, and strong cooperation with the local partners.

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