DIỄN ĐÀN
TRIỂN VỌNG NGÀNH THỰC PHẨM VÀ ĐỒ UỐNG TẠI VIỆT NAM

FORUM
PROSPECTS OF THE FOOD AND BEVERAGE INDUSTRY IN VIETNAM

Hà Nội, ngày 28 tháng 03 năm 2014

OVERVIEW OF FOOD AND BEVERAGE INDUSTRY (F&B)

A Commitment to Sustain Your Business Growth

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Hà Nội, 28/03/2014

CONTENT

I. CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY

I. CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY

1. Overview

Food and beverage industry (Beer – Alcohol – Thirst quencher drink) in Vietnam exisited for a long time but has been developing fast over more than a decade now, underpinned by:

- Policy of innovation, openness of the State;
- Fast developing economy, improved demand and people's condition of living;
- Growing international tourism and FDI.

Achievements:

- ✓ Many new manufacturing facilities being build with modern equipment, technology;
- ✓ Producing diverse range of products of high quality;
- ✓ Contributing significantly to Stage budget revenue;
- ✓ Gradually meeting consumer's demand.

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

2. GROWING IN SCALE AND SPEED, GRADUALLY MEETING DEMAND OF DOMESTIC MARKET

Source: MOT, GSO

Table 1: Production value and growth rate of Beer – Alcohol – Thirst quencher Industry in the period 2001 – 2011

Product	Production value (CĐ price 1994, VND Trillion)			Average annual growth rate (%/year)	
	2000	2005	2011	2001 - 2005	2006 - 2011
Industry total	~198	~516	~920	15.96%	14.16%
Alcohol, Beer, Thirst quencher	~8	~11	~23	6.64%	13.10%
Beer	~5.8	~8	~15	5.61%	12.68%
Alcohol	~0.505	~0.780	~1	9.08%	9.25%
Soft drink	~1.7	~2.6	~6.2	9.18%	15.24%

Remarks:

- Soft drink enjoys highest growth rate of average15.24%/year, higher than industry overall rate and that of the beverage sector (Alcohol – Beer and Thirst quencher combined).

Nguồn: *Bộ CT, TCTK*

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

3. NO SIGNIIFICATION SHIFT IN PRODUCT STRUCTURE AND SEGMENTATION OVER RECENT TIME. BEER AND THIRST QUENCHER TAKE UP MAJOR SHARE, ALCOHOLIC BEVERAGEs ACCOUNT FOR SMALLER SHARE OF TOTAL INDUSTRY

Table 2: Production value by segment

Sản phẩm	Structure (%)			Structural shift (%)	
	2000	2005	2011	2000 - 2005	2005 - 2011
Industry total Beer, Alcohol, Thirst quencher	**100%**	**100%**	**100%**		
Beer	72.3%	68.9%	67.3%	-3.4%	-1.5%
Alcohol	6.3%	7.0%	5.7%	0.8%	-1.3%
Thirst quencher	21.4%	24.1%	27.0%	2.7%	2.9%

Source: MOT, GSO

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

4. MANUFACTURING ENTERPRISES INCREASING FAST IN NUMBER AND RATE, SOFT DRINK MANUFACTURERS IN PARTICULAR

Tabe 3: Manufacturers by product segments (source MOT, GSO)

Product segment	Number of enterprises			Average growthrate (%/year)		Enterprise distribution (%)		
	2000	2005	2001	2001 - 2005	2006 - 2011	2000	2005	2011
Beer	122	163	210	5.97%	4.31%	21.8%	21.4%	12.1%
Alcohol	28	47	96	10.91%	12.64%	5.0%	6.2%	5.5%
Thirst quencher	410	552	1,435	6.13%	17.26%	73.2%	72.4%	82.4%
TOTAL	**560**	**762**	**1,741**	**6.35%**	**14.76%**	**100%**	**100%**	**100%**

Source MOT, GSO

5. NON-STATE ENTERPRISES CONSTITUTES A LARGE PERCENTAGE OF TOTAL ECONOMIC SECTORS IN INDUSTRY

Table 4: Market participant by economic sector (source: MOT, GSO)

Economic sector	2000	2005	2011
SOE	32.7%	15.7%	8.7%
Non-SOE	65.6%	79.5%	85.0%
Foreign invested enterprise	1.7%	4.8%	6.3%

 Source MOT, GSO

6. **HIGH CONSOLIDATION OF NON STATE BUSINESSES IN SPECIFIC PRODUCT SEGMENTS, ALCOHOL AND THIRST QUENCHER IN PARTICULAR**

Table 4: Product by economic sector,%

Product	2000	2005	2011	Structural shift in 2011 vs 2000
1. Alcohol production				
SOE	7.36%	4.35%	5.31%	-2.05%
Non SOE	91.32%	93.72%	84.93%	-6.39%
FIE	1.32%	1.93%	9.76%	8.44%
2. Beer production				
SOE	66.69%	63.15%	45.32%	-21.37%
Non SOE	5.35%	13.54%	28.88%	23.53%
FIE	27.96%	23.31%	25.8%	-2.16%
3. Thirst quencher production				
SOE	23.53%	14.31%	7.65%	-15.88%
Non SOE	57.79%	44.23%	62.21%	4.42%
FIE	18.68%	41.46%	30.14%	11.46%

 Source MOT, GSO

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

7. BEER PRODUCTS MAKE UP THE LARGEST SHARE IN OUTPUT AND GROWTH RATE, NEXT COMES THIRST QUENCHER

Table 6: Output and growth rate by product line

Product	Production output, Million Liter			Average Growth rate
	2000	2005	2011	2001 - 2011 (%/year)
1. Beer production output	779.1	1,460.6	2,650.6	13.03%
- Bottled beer	439.7	825.2	1,497.6	13.04%
- Canned beer	80.2	222.5	508.9	20.29%
- Draft beer	259.2	412.9	644.1	9.53%
2. Alcoholic production output	124.2	221.1	322.6	10.02%
- Clear spirit with >25 degree alcohol	4.7	13.1	52.6	27.40%
-Liqueur	3.5	2.1	6.8	6.71%
- Champagne	0.3	0.3	1.0	12.58%
- Wine from fresh fruits	6.3	8.6	16.8	10.27%
- Household-made spirit	109.3	196.9	248.7	8.57%
3. Thirst quencher production output	585.0	1,009.0	1,746.2	11.56%
- Carbonated beverage	248.0	298.0	440.0	5.90%
- Non carbonated beverage	159.0	91.0	132.7	-1.79%
- Fruit juice	4.0	56.0	179.9	46.31%
-Purified water	24.0	317.0	670.5	39.52%
-Mineral water	151.0	247.0	323.0	7.90%

 Source MOT, GSO

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

8. **Soft drink production: Carbonated beverage declined (-17,1%), non-carbonated beverage declined (-19,5%), purified water increased 34,3% in the period 2000 -2011**

Table 7: Product structural shift

Product	2000	2005	2011	2001 - 2011
1. Beer production output	**100%**	**100%**	**100%**	
- Bottled beer	56.43%	56.5%	56.5%	0.1%
- Canned beer	10.29%	15.23%	19.2%	8.9%
- Draft beer	33.27%	28.27%	24.3%	-9.0%
2. Alcoholic production output	**100%**	**100%**	**100%**	
- Clear spirit with >25 degree alcohol	3.76%	5.93%	15.7%	11.9%
-Liqueur	2.85%	0.96%	2.1%	-0.8%
- Champagne	0.24%	0.13%	0.3%	0.1%
- Wine from fresh fruits	5.08%	3.91%	5.2%	0.1%
- Household-made spirit	88.07%	89.07%	76.8%	-11.3%
3. Thirst quencher production output	**100%**	**100%**	**100%**	
- Carbonated beverage	42.3%	29.53%	25.2%	-17.1%
- Non carbonated beverage	27.12%	9.02%	7.6%	-19.5%
- Fruit juice	0.75%	5.52%	10.3%	9.6%
-Purified water	4.08%	31.45%	38.4%	34.3%
-Mineral water	25.76%	24.49%	18.5%	-7.3%

Source MOT, GSO

I. I/ CURRENT SITUATION OF FOOD AND BEVERAGE INDUSTRY (ALCOHOL – BEER – THIRST QUENCHER)

9. DIVERSE RANGE OF THIRST QUENCHING PRODUCTS

- Cabonated soft drink Coca – cola, Pesi, 7-up, Mirinda, Everest, Sting, Twister do Coca- cola, Pesico VN (now produced by là SPVB). Products by domesttc enterprises: Cola Number one, Cream soda (byTân Hòa Phát) , Sá Xị, Soda (by Chương Dương)
- Non-carbonated beverage : more than 30 prduct types by Saigon Tribecocos such as Tribeco sữa đậu nành, Trio, Somilk, Tromilk, Trà bí đao, Bird nest, Aleo vera drink…; Products by Tân Hiệp Phát: Ltd are Soy milk Number one, Gourd tea 0*, Green tea0*, Barley 0 Tea*; Products by Inter Food: Gourd tea, Brid nest drink, canned fruit juice, ginseng drink,, sương sâm, nước sương sáo gelly drink; Products by by Dona Newtower: nature@
- Energy drink: Red Bull, Lipovitan, Number one, Red panther, Tops 1 Energizer X2
- Purified and mineral water: Lavie, Joy, A&B, Aquafina, number one, Da kai, Viltal, Vĩnh hảo, Thạch bích, Kim ôi, suối mơ

II. COMPETITION IN THIRST QUENCHER SECTOR

II. COMPETITION IN SOFT DRINK SECTOR

1. 1. Consumption and revenue on the up trend over recent years

Table 1: Consumption by product, period 2010-2012

Unit: Thousand Liter

Unit: Thousand Liter	2010	2011	2012
Carbonated mineral water	89,355	96,213	100,169
Non carbonated mineral water	373,236	441,378	443,601
Purified water	1,377,699	1,633,207	1,797,375
Soda (Coca-Cola, 7-up…)	513,025	668,874	782,525
Fruit flavored drink (orange, apple…)	492,835	817,028	653,557
Bird nest and other nutrition drinks	166,850	250,524	277,770
TOTAL	**3,013,001**	**3,907,224**	**4,054,997**

 Source: *BRNGK Association*

II. COMPETITION IN THIRST QUENCHER SECTOR

1. Consumption and revenue on the up trend over recent years

Table 2: Thirst quencher revenue and production output, period 2010 - 2012

	2010	2011	2012
Total revenue (Million đồng)	20,218,583	30,283,622	33,323,789
Production output (Million Liter)	3,197	3,873	4,226

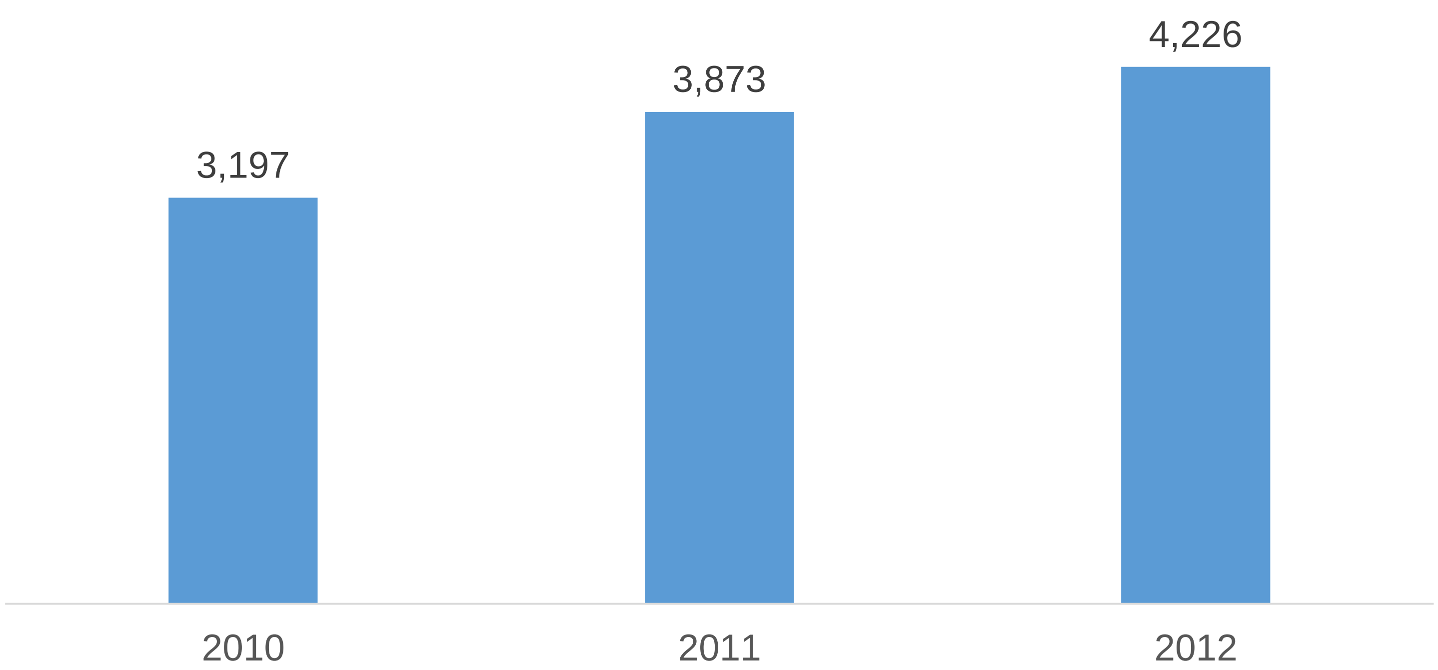
 Source: *BRNGK Association*

II. COMPETITION IN THIRST QUENCHER SECTOR

1. Consumption and revenue on the up trend over recent years

Graph 1: Thirst quencher output, period 2010 – 2012

Unit: Million Liter/year



 Source: *GSO and BRNGK Association*

II. COMPETITION IN THIRST QUENCHER SECTOR

2. **No major change in the top 10 enterprises in the last 3 years (2010 – 2012)(except for the market entry of URC Company Ltd Hà Nội and the exit of CKL Co Ltd in 2012), FDI enterprises hold dominant position.**

Table 3: Thirst quencher market share distribution(Top 10 enterprises) 2010

Ser.	Enterprise	Revenue (VND Million)	Market share (%)
1	Công ty SPVB (Trước đây là Pepsico VN và IBC)	3,840,172	35.78
2	Công ty TNHH TM&DV Tân Hiệp Phát	1,990,095	18.54
3	Công ty TNHH NGK Coca-Cola Việt Nam	1,752,349	16.33
4	Công ty công nghiệp chế biến thực phẩm Quốc tế	1,042,544	9.71
5	Công ty CP NGK Sài Gòn - Tribeco	597,771	4.25
6	Công ty TNHH Red Bull Việt Nam	547,675	3.89
7	Công ty liên doanh Lavie	388,594	2.76
8	Công ty Cp NGK Chương Dương	319,738	2.27
9	Công ty TNHH CKL	246,809	1.75
10	Công ty CP nước khoáng Vĩnh Hảo	195,865	1.39

 Source GSO

II. COMPETITION IN THIRST QUENCHER SECTOR

2. **No major change in the top 10 enterprises in the last 3 years (2010 – 2012)(with the exception of market entry of URC Company Ltd Hà Nội and the exit of CKL Co Ltd in 2012), FDI enterprises hold dominant position**

Table 3: Thirst quencher market share distribution (Top 10 enterprises) 2011)

Ser.	**Enterprise**	**Revenue** (VND Million)	**Market share** (%)
1	Công ty SPVB (Trước đây là Pepsico VN và IBC)	5,491,858	31.55
2	Công ty TNHH TM&DV Tân Hiệp Phát	4,051,365	23.27
3	Công ty TNHH NGK Coca-Cola Việt Nam	2,529,894	14.53
4	Công ty công nghiệp chế biến thực phẩm Quốc tế	1,052,111	6.04
5	Công ty CP NGK Sài Gòn - Tribeco	699,730	4.02
6	Công ty TNHH Red Bull Việt Nam	624,150	3.59
7	Công ty liên doanh Lavie	543,676	2.75
8	Công ty Cp NGK Chương Dương	378,400	2.17
9	Công ty CP nước khoáng Vĩnh Hảo	342,605	1.73
10	Công ty TNHH CKL	263,207	1.51

Source GSO

II. COMPETITION IN SOFT DRINK SEGMENT

2. **No major change in the top 10 enterprises in the last 3 years (2010 – 2012)(with the exception of market entry of URC Company Ltd Hà Nội and the exit of CKL Co Ltd in 2012), FDI enterprises hold dominant position**

Table 3: Thirst quencher market share distribution (Top 10 enterprises) 2012

Ser.	Enterprise	Revenue (VND Million)	Market share (%)
1	Công ty SPVB (Trước đây là Pepsico VN và IBC)	6,915,277	25.5
2	Công ty TNHH TM&DV Tân Hiệp Phát	6,142,757	22.65
3	Công ty TNHH NGK Coca-Cola Việt Nam	2,846,283	10.5
4	Công ty công nghiệp chế biến thực phẩm Quốc tế	914,116	3.37
5	Công ty CP NGK Sài Gòn - Tribeco	783,227	2.89
6	Công ty liên doanh Lavie	749,645	2.72
7	Công ty TNHH Red Bull Việt Nam	717,821	2.65
8	Công ty TNHH URC Hà Nội	576,146	2.12
9	Công ty CP Tribeco Bình Dương	455,834	1.68
10	Công ty Cp NGK Chương Dương	422,812	1.56

 Source GSO

III. SWOT ANALYSIS FOR THIRST QUENCHER SECTOR

III. SWOT ANALYSIS FOR THRIST QUENCHER SECTOR

STRENGTHS

- Significant investment to VN beverage sector, good growth rate over the year.
- Growing consumption.
- Large market, young, dynamic demographics.
- Consumer, the young in particular, are sensitive, receptive to, and knowledgeable about brand.
- VN is among the fastest growing economy in Asia over recent years.
- Competition pressure in bsoft drink segment an impetus for market development.

. WEAKNESSES

- Large income gap between urban and rural, coupled with significant disparity in purchasing/consumption behavior
- Underdeveloped infrastructure, out of pace with economic growth
- Cumbersome administrative procedures, unresolved corruption, informal expenditures eroding attractiveness of Vietnam investment environment, barriers to foreign investor, enterprises

OPPORTUNITIES

- Increasingly competitive through Việt Nam accession to WTO (2007),
- Becoming ASEAN AEC member (2015), and upcoming TPP. Market barrierss & Trade liberalisation, access to capitalại betterr oversea market.
- Large domestic market, low labor cost and strong SOE equitization process.
- Well developed tourist sector, improved opportunities for export market development

THREATHS

- WTO Accession, ASEAN AEC, or TPP are all challenges tas regardscompetitiveness faced by domestic businessesTỷ lệ Increaseing employment impacting consumer confidence, demand
- Inconsistenicies in policies, frequentlly changing psoing burdern to businesses.
- High quality HR lacking & no solution to upgrade capability in a comprehensive manner.

 Source: *GIBC compilation*

IV. DEVELOPMENT PLAN FOR THRST QUENCHER SECTOR

IV. DEVELOPMENT PLAN FOR THIRST QUENCHER SECTOR

“ *Develop the Vietnam Beer – Alcohol – Thirst quencher – into an important economic sector, producing many products range meeting domestic and export demand, contributing more to state budget revenue; producing beer, alcohol, soft drink of reputable, high quality, ensuring food safety, diverse in model and product range with enhanced branding and competitiveness in region and world market* ”

“ *Soft drink beverage production:*
Period 2008 – 2010: to 2010 soft drink output reaching 2 Billion Liters.
Period 2011 – 2015: to 2015 soft drink output reaching 4 Billion Liters.
Period 2015 – 2025: to 2025 soft drink out put reachingt 11 Billion Liters. ”

Decision No 2435/QĐ-BCT of MOT
(Approved development plan for Beer – Alcohol – Thirst quencher drink industry to 2015 with vision toward 2025)

 Nguồn: *Bộ Công Thương*

GIBC

IV. DEVELOPMENT PLAN FOR THIRST QUENCHER SECTOR

1. OVERALL OBJECTIVES

Table 4: Overall objectives for Thirst quencher sector

	2011 – 2015	2016 - 2025
All industry production value growth rate (Beer, Thirst quencher)	13%/year	8%/ yeaer
Thirst quencher Production output (by Period end)	4 tỷ lít	11 tỷ lít
Export value (including alcohol)	140 – 150 USD Million USD	

Development principles:

- Sustainable development;, Ensuring food safety and environment protection
- Application of modern technology, equipment
- Resource mobilization from all economic sectors under all forms.

 Nguồn: *MOT Decision No. 2435/QĐ-BCT*

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IV. DEVELOPMENT PLAN FOR THIRST QUENCHER SECTOR

2. INVESTMENT NEEDS

Table 5: Investment needs of thirst quencher sector

Unit: VNĐ Billion	**2011 - 2015**	**2016 - 2025**
Total industry need	22,747 (100%)	39,015 (100%)
Thirst quencher production	3,412 (15%)	11,942 (30.6%)

 Source: *MOT Decision no. 2435/ QĐ- BCT*

V. REMARKS AND WORDS OF CAUTION

V. COMMENTS AND WORDS OF CAUTION

1. COMMENTS

- SOEs make up a major share of all economic sectors, with major investment in production equipment, modern technology but competitiveness not yet at the front end in relation to other economic sectors in the industry (few makes it to the top 10)

- Non-state enterprises account for large share in quantity terms, but limited in capital, investment scale, weak inter-linkages impacting market competitiveness

- SOEs, thought fewer in number but recipients of large scale investment in modern equipment and technology, good managerial experience and are market competitive.

Requirements:

✓ Improving competitiveness of SOEs, non-SOEs

✓ Non-SOE to consider forming linkages with business in the same industry, jointly implement project, branding work.

✓ FDI Enterprises continue to comply with laws and regulations on investment, trading, competition, food safety, environment protection, embrace community and environment protection activities.

V. REMARKS AND WORDS OF CAUTION

2. Words of CAUTION

- **Draft Law on SCT on the levy of 10% of this tax on carbonated non-sugared soft drink is a topic of discussion attracting great interest from the business community. The topic received substantial feedback through workshops, conferences, and is the focus of many articles, publications by researchers, regulators,… Final decision should be reached in a judicious and equitable manner and SCT of 10% should not be levied on non-alcoholic carbonated soft drink.**
- **Diligent, fair in providing feedback to the draft SCT Law, which is being revised to reflect practical reality of Vietnam and bring it in line with international practice with a view to help build a fair competitive investment environment, non-discriminatory against any article of the same product, causing no impact to relevant policies and government direction are prerequisites that Vietnam is pursuing in its ongoing global integration endeavor (Issue No. 43 – 05/03/2014 Business Times)**

THANK YOU!

Sincere thanks to BTC, AMRCHAM for the opportunity to present and to all in attendance in today's workshop

We look to collaborate with you for the long term and wish you (businesses and individuals) continuing success

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