



ITALIAN TRADE AGENCY

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Trade Promotion Section of the Consulate General of Italy

A SECTOR NOTE ON INGREDIENTS & MACHINERY FOR BAKED GOODS, ICE CREAM & CHOCOLATE CONFECTIONERY IN VIETNAM

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I. MARKET OVERVIEW

The Vietnamese food and beverage processing sectors continue to expand - registering strong growth over the past 5 years. Vietnam's food manufacturing sector grew at 9.0 percent in 2016 while growth in the beverage sector was at 10.5 percent. ¹

This expansion is driven by economic growth and macroeconomic stability, Vietnam's deepening international economic integration, and a rapidly urbanizing, modern, and youthful population, which is shifting its diet to include more processed and packaged food products. As many local and foreign-invested food processors continue to establish themselves in the Vietnamese market, the prospects for U.S. food ingredient exporters will continue to improve. However, the overall market will remain very competitive, with preference continuing for regional ingredient exporters, such as Thailand, Malaysia, South Korea, and Japan.

This emerging market offers ingredients companies' strength in depth and robust demand for all food and beverage ingredients. However, in comparison to developed markets, consumption of added-value ingredients remains relatively low. In Vietnam, as disposable income and expenditure on food and beverages increases, commodity-style ingredients in particular – fats, oils, grains, meat and dairy – are forecast to grow. Growth of food and beverage ingredients in Vietnam will be driven by higher disposable incomes and rising expenditure on food and beverages.

The replacement of traditional breakfast noodles with more convenient Western-style bakery products and government promotion of local baked goods brands are driving the growth of emulsifiers and preservatives in this category, pastries. Bakery shops are opening in residential areas, thus increasing product availability.

Cocoa ingredients – cocoa liquor, butter and powder - are also set to perform well. Once an unaffordable luxury only purchased on occasion, chocolate confectionery has now become much more popular thanks to rising disposable incomes and increased imports of attractive Western brands such as Mars and Hershey which is now driving consumption of cocoa ingredients.

Additionally, Vietnamese consumers became more willing to pay for good taste and high-quality ice cream. It leads to the fact that more premium international ice cream brands were imported while local brands regularly improved their product quality and packaging to stay competitive.

Baked goods

In 2017², following the global trend, the war on sugar remained a feature in baked goods. Indeed, more Vietnamese consumers, especially in large cities such as Ho Chi Minh City and Hanoi, became more concerned with health and wellness. They were not only attracted to advertised nutrition supplements, but also tended to consume less sugary products, and this extended to their choices of breads, cakes and pastries. Thus, in order to meet this growing trend, manufacturers launched new product developments which they claimed were fortified with nutrients such as vitamins and calcium. Moreover, packaging tended to move more towards sharing packs and smaller sizes, hence enabling portioning and prices to be kept low, as these products are considered value-added.

Baked goods recorded retail value growth of 8% in 2017, marginally higher than in 2016, mainly thanks to higher inflation, the rising influence of Western culture and cuisine and busier lifestyles, as well as the efforts of manufacturers in stimulating consumer demand despite the incessant economic downturn. Many new product developments were observed, such as the new flavour of milk cream in its Custard

¹ Vietnam Food Processing Ingredients 2017 _ USDA Foreign Agricultural Service

² Baked goods in Vietnam _ Euromonitor 2017

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brand launched by Orion Food Vina Co and Orienko launched by Bien Hoa Confectionery Corp (Bibica) in packaged cakes, while expanded distribution networks and enhanced product quality helped manufacturers remain competitive and increase sales.

Within baked goods unpackaged pastries continued to witness the best performance with retail value growth of 12%. The expansion of foodservice bakery shops such as Bread Talk or Tous Les Jours in large cities and their frequent introduction of new product developments were the main reasons. The average unit price of baked goods in 2017 increased by 3% in 2017, mainly due to higher inflation, the depreciation of the local currency and the increase in many input costs such as labour and electricity. Indeed, large volumes of wheat flour intended for baking continued to be imported from overseas. As a result, volatile cereal commodity prices at a global level were another main reason for the higher unit prices of baked goods.

Unpackaged baked goods continued to account for a large retail value share in 2017. Indeed, many Vietnamese consumers favour these products over packaged goods due to their freshness and wide variety in terms of types and prices, as well as their broader availability. Undeniably, bakery shops can easily be found across the country. Nevertheless, packaged baked goods also remained popular thanks to the longer shelf life and the fact that packaged products are perceived to meet food safety and hygiene norms, especially more so than small independent bakery shops.

Packaged leavened bread remained the most popular type over the review period. In addition, white sandwich bread was the main product with the largest value share in packaged bread despite its gradual decline in value share due to the fact that Vietnamese consumers are more familiar with it than other types. Nevertheless, baguettes, buns and rolls are gradually becoming more familiar to consumers, mainly due to the development of private label in supermarkets and hypermarkets, such as Coopmart and Big C.

In 2017, ready-to-eat baked goods became more popular than home-made versions. Indeed, the number of consumers, including women, who do not know how to cook or are not willing to cook has been increasing, especially in urban areas, due to busier lifestyles. As a consequence, the competition from home-made baked goods in the country has strongly deteriorated.

Food/drink/tobacco specialists remained the most popular distribution channel for baked goods in the country, followed by independent small grocers and other grocery retailers. Nevertheless, in line with the growing preference to shop in modern channels such as convenience stores, supermarkets and hypermarkets, the growth of these channels was healthier than traditional grocery retailers in 2017. Indeed, convenience stores played a more important role in baked goods thanks to the strong expansion of chained convenience stores such as Mini Stops, B's Mart and Circle K in large cities such as Ho Chi Minh City.

Ice cream

In 2016-2017³, many new product developments, such as Kit Kat, Milo and Twin Cows, were introduced in ice cream, diversifying the product portfolio and stimulating consumer demand. In particular, at the beginning of 2017, the ice cream sandwich – a new disruptive product – was launched by Unilever Vietnam International under its popular brand Wall's. This product is a combination between a sandwich biscuit and ice cream, and is still very new in the country. However, the distribution network for this product was still limited in 2017; mostly available in Ho Chi Minh City, which meant its impact was insignificant during the review period.

In 2015-2017, green tea flavour became more popular in ice cream in Vietnam, under the rising influence of Japanese culture and cuisine. Many consumers started to prefer this flavour, as it has a bittersweet taste. As a result, in this period, many players launched green tea flavour to meet consumer demand. For

³ *Ice Cream and Frozen Desserts in Vietnam _ Euromonitor 2017*

example, in 2016 Nestlé Vietnam launched Kit Kat Green Tea in single portion dairy ice cream. The new brand in single portion dairy ice cream from Vietnam Dairy Products (Vinamilk), Twin Cows, launched in 2016, also offered a green tea flavour.

In 2017, ice cream and frozen desserts saw 15% current retail value growth, which was one percentage point higher than the growth in 2016, mainly thanks to the premiumisation trend, higher living standards and higher disposable incomes. Indeed, rising premiumisation positively affected the growth of ice cream, especially in big cities such as Ho Chi Minh City and Hanoi. Consumers, especially younger consumers, became more familiar with premium brands such as Baskin-Robbins. Indeed, the new brand from Vietnam Dairy Products (Vinamilk), Twin Cows, also targeted the premium segment, whilst its existing brand, Vinamilk, is targeted towards the masses.

Multi-pack dairy ice cream enjoyed the strongest current retail value growth of 19% within ice cream and frozen desserts in 2017, mainly thanks to its emergence from a low base, and efforts to increase the accessibility of these products by players, especially leading players such as Kido Group and Unilever Vietnam International.

The average unit price in ice cream and frozen desserts continued to increase in current terms in 2016 and 2017, due to inflation, increases in many input costs, such as labour, and the further devaluation of the dong, as well as increasing premiumisation.

Chocolate continued to be the most popular flavour in ice cream in 2017, followed by strawberry and vanilla. However, towards the end of the review period green tea became more popular amongst Vietnamese consumers and ranked fourth in 2017. Moreover, consumers became more familiar with ice cream with toppings or ice cream mixed with nuts.

In impulse ice cream sticks continued to lead in 2017, thanks to the long presence of this format in the country and its more affordable price compared with other types, followed by cones. In other formats, cups gained popularity thanks to its convenience.

Similar to confectionery, modern distribution channels such as supermarkets and hypermarkets record the best performances, especially in big cities. Furthermore, the strong expansion of convenience stores and mini supermarkets in 2015-2017 in Ho Chi Minh City and Hanoi supported the fast growth of these channels. Indeed, as both convenience stores and ice cream target younger consumers and children, the role of convenience stores became more significant.

The competition from other snacks, such as sugar confectionery and sweet biscuits, is irrelevant in the country. Whereas water ice cream is good for cooling down on hot days at a more affordable unit price, dairy ice cream is perceived as an indulgent product.

Chocolate products

⁴Towards the end of the reviewed period, green tea flavor became more popular in snacks in Vietnam, including chocolate confectionery. One of the main factors supporting this trend was the increasing influence of Japanese culture and cuisine. Besides, many Vietnamese people believe that green tea is good for the health. Indeed, at the end of 2015, Kit Kat Green Tea was officially introduced in countlines, and quickly gained popularity thanks to its good taste and the rising preference for green tea flavor.

In 2017, chocolate confectionery recorded current retail value growth of 10%, which was one percentage point higher than the growth seen in 2016, despite the maturity of the category, as well as the health and wellness trend. Rising premiumization, inflation and the devaluation of the dong were the key drivers of the higher growth of the category. Moreover, its popularity encouraged many consumers to start to buy chocolate confectionery on a more regular basis. In addition, chocolate confectionery is often given as a

⁴ *Chocolate Confectionery in Vietnam _ Euromonitor 2017*

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gift, especially on special days such as birthdays, Valentine's Day and International Women's Day, making Vietnamese consumers keen on premium chocolate. As a result, the performance of the category in 2017 was slightly better than that seen in 2016.

Countlines saw the fastest current retail value growth of 14% in 2017, although chocolate pouches and bags saw a similar growth rate. The strong brand names of popular brands including Kit Kat and Snickers, and efficient distribution networks covering both modern and traditional channels were the main factors fuelling the high growth of countlines. Furthermore, Mars, with its popular brands M&M's and Dove continued to lead chocolate pouches and bags in 2017, driving the performance of this category.

The average unit price of chocolate confectionery increased in current terms in 2017, primarily due to the devaluation of the dong, as well as the rising cost of raw materials such as labour. Moreover, the premiumisation trend in the category was another core reason for price growth.

Thanks to the strong positions of Mars and Nestlé Vietnam, standard chocolate continues to dominate in Vietnam, with wide distribution networks, good product quality and reasonable prices. Indeed, standard chocolate brands can easily be found in many different channels, whilst premium brands are only available in big supermarkets or hypermarkets, or speciality chocolate shops in large cities.

Tablets recorded current retail value growth of 12% in 2017. Thanks to its long-standing presence in the country, many Vietnamese consumers are very familiar with chocolate tablets. In fact, in chocolate tablets, plain milk maintained its lead with a value share of 41% in 2017, followed by plain dark and filled with 26% and 24% shares respectively. Thanks to better education through the media, as well as the internet, plain dark has been becoming more popular, as many consumers perceive it as healthier than other types of chocolate tablets.

In Vietnam, the major seasonal sales periods for chocolate confectionery over the review period remained the Lunar New Year holiday, Valentine's Day and International Women's Day. In fact, the Lunar New Year holiday and Valentine's Day are particular peaks for the sale of chocolate confectionery, as many consumers have the habit of purchasing chocolate, biscuits and sugar confectionery as gifts. Furthermore, many Vietnamese consumers tend to have chocolate confectionery at home to treat guests.

In 2017, the competition from other snacks categories, such as savoury snacks, ice cream and sweet biscuits, continued to be intense. Many products in savoury snacks, ice cream and sweet biscuits are characteristically cheaper, and there is a wider product range available than in chocolate confectionery.

Over the review period, modern distribution channels saw better performances in chocolate confectionery than traditional channels. In particular, the rapid development of convenience stores, especially in Ho Chi Minh City and Hanoi, contributed to the good growth of modern trade. In fact, more new convenience stores and mini supermarkets were opened during 2015-2017, helping consumers to easily reach an outlet in these cities. Nevertheless, despite this strong development, sales in convenience stores were still negligible compared with other distribution channels, mainly due to the very limited presence of such outlets in other cities, and especially in rural areas.

II. Ingredients (ingredients for ice cream parlors, bakeries and catering of confectioneries)

In the below tables, an overview of major food ingredient exporters' value to Vietnam is presented by good category. From 2015 to 2017, import value has slightly increased by 1.5%⁵ on average. In 2017, Thailand was on top of major exporters with total value of US\$247.7 million (+49.3%) and followed by Singapore (US\$165.3 million, +6.8%), USA (US\$129.3 million, -3.1%) and China (US\$105.5 million, +9%).

⁵ ICE Hochiminh's estimation

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Meanwhile, Italy stays at 26th position with US\$3.1 million (+13.8%) export value, of which syrup (US\$1.94 million, +12.8%) and sugar for confectionery production (US\$1.06 million, +12.3%) are two major categories. Singapore is the largest sugar syrup supplying country in Vietnam. Meanwhile, New Zealand is main supplier of butter and dairy products. Canada and China have achieved stable proportion of flour and confectionery salt market in Vietnam.

Although Vietnam food production industry has improved with more and more manufacturers and plants established in recent years, the Country still depend on imported ingredients both in raw forms, semi-processed and finished product for domestic production due to shortage of raw material supply and modern processing technology.

It is forecast that import value of food ingredients will continue to increase in the incoming years, when domestic demand grows up along with improved disposable incomes and rising expenditures.

VIETNAM'S IMPORTS BY ORIGINS OF BUTTER (HS 0405) by USD

Countries	2015	2016	2017	Growth '15 – '17
New Zealand	46,110,351	42,271,706	87,969,491	38%
France	2,028,738	2,327,665	3,988,259	40%
Netherlands	244,133	839,471	1,780,535	170%
Australia	94,332	74,553	1,257,440	265%
Malaysia	289,988	834,482	1,102,948	95%
Singapore	938,705	334,621	566,600	-22%
Belgium	140,152	61,053	162,077	8%
Germany	185,823	384,495	156,697	-8%
Denmark	102,143	260,822	98,814	-2%
USA	17,170	17,212	13,229	-12%
Grand Total	50,267,569	47,813,518	97,108,839	39%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

VIETNAM'S IMPORTS BY ORIGINS OF FLOUR OF WHEAT OR OF MESLIN (HS 1101) by USD

Countries	2015	2016	2017	Growth '15 - '17
Canada	1,751,001	6,240	6,110,247	87%
Japan	5,883,150	4,899,235	5,614,410	-2%
Indonesia	n/a	1,575,000	3,177,576	n/a
Malaysia	1,181,343	489,481	2,234,231	38%
Philippines	1,006,644	912,100	843,716	-8%
Singapore	339,318	398,950	394,013	8%
Rep. of Korea	558,584	336,252	195,283	-41%
Australia	11,157	50,456	87,574	180%
China, Hong Kong SAR	25,625	96,087	67,446	62%
Italy	15,432	15,383	50,109	80%
USA	368,891	7,295	25,904	-74%
Russian Federation	11,011	160	18,060	28%
Grand Total	11,977,050	9,455,922	18,885,090	26%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

**VIETNAM'S IMPORTS BY ORIGINS OF SALT (INCLUDING TABLE SALT AND DENATURED SALT)
AND PURE SODIUMCHLORIDE, WHETHER OR NOT IN AQUEOUS SOLUTION, SEA WATER (HS 2501)
by USD**

Countries	2015	2016	2017	Growth '15 - '17
China	5,033,769	5,496,184	6,946,725	17%
India	7,219,306	2,402,755	5,118,957	-16%
France	1,685,999	1,837,772	2,510,196	22%
New Zealand	585,934	606,952	864,711	21%
Rep. of Korea	699,382	619,911	836,990	9%
United Kingdom	424,964	438,459	377,114	-6%

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Pakistan	31,067	84,018	314,352	218%
Israel	42,000	77,000	100,000	54%
Germany	136,646	67,777	92,722	-18%
Singapore	14,113	42,203	82,525	142%
Other Asia, nes	198,422	136,456	67,192	-42%
USA	79,958	80,227	62,522	-12%
Spain	1,144	1,865	46,403	537%
Italy	n/a	6,916	25,552	n/a
Grand Total	26,006,306	14,146,526	17,545,952	-18%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

VIETNAM'S IMPORTS BY ORIGINS OF SUGAR SYRUPS CONTAINING ADDED FLAVOURING OR COLOURING MATTER (HS 210690) by USD

Countries	2015	2016	2017	Growth '15 - '17
Singapore	121,583,050	145,236,999	144,475,594	9%
Malaysia	50,782,951	46,307,425	47,972,616	-3%
USA	40,413,741	41,115,244	42,458,061	2%
China	20,233,353	24,045,909	31,695,605	25%
Netherlands	25,084,913	32,479,571	29,664,819	9%
Rep. of Korea	20,316,821	23,671,614	26,406,951	14%
Other Asia, nes	18,287,901	24,063,047	25,769,009	19%
Japan	12,007,989	15,842,534	25,458,833	46%
Indonesia	34,551,702	37,903,192	13,689,630	-37%
Germany	4,898,447	5,799,161	8,550,113	32%

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Australia	3,685,109	4,631,257	8,351,313	51%
Austria	10,118,173	6,604,943	6,346,525	-21%
New Zealand	4,172,560	4,370,897	5,948,450	19%
Spain	4,145,196	6,287,316	5,814,356	18%
France	4,819,223	4,095,115	5,478,946	7%
Philippines	947,876	2,843,540	4,629,950	121%
China, Hong Kong SAR	1,115,786	2,553,240	4,108,817	92%
Canada	1,841,746	2,345,996	4,010,615	48%
Poland	1,413,290	1,434,069	3,875,418	66%
Belgium	1,679,525	2,516,777	3,578,436	46%
Denmark	4,216,520	4,582,925	2,728,374	-20%
Switzerland	4,042,482	3,835,523	2,235,645	-26%
Hungary	3,590,594	2,627,609	2,138,369	-23%
Italy	1,526,196	1,790,864	1,944,570	13%
Grand Total	421,222,891	478,548,183	463,953,991	5%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

VIETNAM'S IMPORTS BY ORIGINS OF SUGAR AND SUGAR CONFECTIONERY (HS 17) by USD

Countries	2015	2016	2017	Growth '15 - '17
China	59,525,550	55,018,863	66,822,539	6%
Indonesia	18,882,661	24,465,882	24,166,527	13%
Philippines	478,206	3,819,216	19,877,133	545%

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USA	18,559,234	25,649,847	19,000,902	1%
Rep. of Korea	22,128,060	27,546,662	18,358,177	-9%
Malaysia	11,804,138	10,584,236	10,223,567	-7%
India	5,427,330	13,586,658	10,051,581	36%
Russian Federation	511,709	4,169,309	4,848,885	208%
Australia	3,388,749	126,349	4,700,905	18%
Brazil	7,904,961	9,895,779	4,304,884	-26%
Germany	5,707,886	4,118,587	3,597,190	-21%
Belgium	1,815,905	2,642,771	2,617,406	20%
Japan	1,588,052	1,985,832	2,511,994	26%
Pakistan	n/a	3,079,084	2,197,625	n/a
Turkey	1,189,860	1,811,928	2,118,036	33%
China, Hong Kong SAR	2,205,802	2,091,470	2,034,909	-4%
France	2,057,465	2,496,628	2,019,540	-1%
Other Asia, nes	1,411,110	1,379,703	1,918,646	17%
Singapore	830,754	1,519,709	1,169,753	19%
Italy	843,829	987,618	1,064,412	12%
Grand Total	359,861,353	437,447,672	206,675,993	-24%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

Regulation for exporting food ingredients and foods into Vietnam

There are three ministries that are assigned to manage all activities related to production, import, and distribution of foodstuffs and drinks. Each ministry handles a group of products and drinks, as defined in the articles 20, 21 and 22 of the Decree 38/2012/ND-CP. Below is table which shows the competent ministries and the products under their management

Ministry	Division in charge	Product categories under its management	Products of interests
Ministry of Health	Food Administration Agency 135, Nui Truc, Ba Dinh, Hanoi Tel: 844. 38464489 (ext. 2030) Fax: 844. 38463739 E-mail: vfa@vfa.gov.vn Website: http://vfa.gov.vn	Food additives, processing supporting substances, bottled water, natural mineral water, functional food, food fortified with micronutrients, tools, materials for packaging, food containers;	- Not related to the researched products
Ministry of Agriculture and Rural Development	Nafiqad 14, Ngo 20, Nguyen Cong Hoan, Hanoi Tel: 844. 38310983 / 37714195	To manage food safety during the production, collection, slaughter, preliminarily processing, processing, storage, transport, export, import and trade of cereals; meat and products from meat; seafood and aqua products; vegetables, fruits and vegetable products, roots and fruits; eggs and egg products; raw milk; honey and honey products; genetically modified food; salt, spice, sugar; tea, coffee; cocoa; pepper; cashew and agricultural products; tools, packaging materials, food containers in its areas assigned for management.	- From Prosciutto to Tortellini - Canned fish (in jars and in boxes) - Frozen vegetable - Sauces and canned vegetable - Flour
Ministry of Industry and Trade	Department of Science and Technology 54, hai ba Trung, Hanoi Tel: 844. 22202310 Fax: 844. 22202525 E-mail: cuongNP@moit.gov.vn Website: www.moit.gov.vn	To manage food safety during the production, processing, storage, transport, export, import and trade for wine, beer, soft drinks, processed milk, vegetable oil, flour making products, starch, bread, jams, candies, containing packages under its management	- Dairy products (cheeses) - Pasta of all types - Olive oil - Wine

A critical issue that all exporters of foodstuffs and drinks should have to be well aware when they would like to export their products into Vietnam is that their countries should have **APPROVAL** from Vietnam's competent ministries on food safety inspection, as regulated in the Chapter V titled "**STATE INSPECTION ON SAFETY OF IMPORTED, EXPORTED FOOD**" in the Decree 38/2012/ND-CP.

Following instructions in the chapter, exporters' competent authorities have to send registration dossier to their Vietnamese counterparts such as Ministry of Health or Ministry of Agriculture and Rural

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Development or the Ministry of Industry and Trade. The registration dossier includes

- A list of the facilities manufacturing, trading food registering for export into Vietnam by the form prescribed in [Form No.06-D38](#);
- A written information on the management systems and capacity for food safety control of the competent authorities of exporting countries by the form prescribed in [Form No.07-D38](#);
- A summary of information on conditions to ensure food safety the facilities manufacturing, trading food by the form prescribed in [Form No.08-D38](#).

Based on the above-mentioned requirement, Ministero della Salute has issued a circular no. 0000472 dated January 10, 2012, guiding that any Italian exporters of food of plant original have to submit all required documents to their Azienda Sanitaria Locale (ASL) and Assessorato Regionale, which will then complete the dossier of documents and submit it to the Ministero della Salute.

The Ministero della Salute will send the application dossier to Vietnamese competent authorities and only when the application dossier is approved, Italian exporters of food will be able to export their products into Vietnam.

Time for approval is within 30 working days from the date of receiving complete registration dossiers of list of the trading, manufacturing facilities of the competent authorities of the exporting countries, the competent authorities of the ministries managing sectors shall appraise them and inform the competent authorities of the exporting countries the results of appraisal and the inspection plan in case of the inspection necessity for the exporting countries into Vietnam.

Product circulation requirements

In order to circulate imported foods in the market, importers/ distributors need to complete the procedure **"Announcement of regulation conformity or announcement of conformity with food safety regulations"**

As regulated in the chapter 2 of Decree 38/2012/ND-CP, all processed food packed available; food additives; food-processing supporting substances; equipment, packaging materials, food containers (hereinafter referred to as products) that **HAD technical regulations** must be publicized regulation conformity and the written publication of regulation conformity must be registered with the competent state agency before products are circulated on the market.

The products that **HAVE NOT promulgated technical regulations** shall be publicized conformity with food safety regulations and the written publication of conformity with food safety regulations must be registered with the competent state agency before products are circulated on the market until the respective technical regulations are promulgated and take effect.

As consulted by officials in competent authorities, almost all the food products are classified as products that need to be applied for the announcement of **conformity with food safety regulations**

- From Prosciutto to Tortellini
- Canned fish (in jars and in boxes)
- Sauces and canned vegetable
- Dairy products (cheeses, ice cream)
- Pasta of all types
- Olive oil
- Frozen vegetable
- Wine

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For flour (e.g. wheat), there is no special requirement as it is classified as primary materials

Dossier of documents, which shall be submitted to local competent authorities for imported foods (excluding functional food and food fortified with micronutrients), comprises

1. A written publication of conformity with food safety regulations, as prescribed in [Form No.02-D38](#) *(to be done by local partner)*
2. Detailed information of product, as prescribed in [Form No.03a-D38](#) or [Form No.03c-D38](#) *(to be done by local partner)*
3. The product testing results (Certificate of Analysis) within 12 months, including the criteria of major quality, safety criteria granted by the following entities: the laboratories appointed by competent state agencies or the independent laboratories to be accredited (original or notarized copy); or the laboratories of the origin countries recognized by the competent agencies in Vietnam (original or certified copy or consular legalized). *The Certificate of Analysis shall be provided by Italian exporters or shall be done in Vietnam by local partner.*
4. A periodic monitoring plan *(to be done by local partner)*
5. Label (see VIII) model of product circulated in the country of origin and auxiliary label in Vietnamese *(Label in Vietnamese language can be done by local partner)*;
6. Samples of complete products for the products imported for first time into Vietnam to compare when filing dossier; *(to be provided by Italian exporters)*.
7. A business registration certificate with the food business line or legal entity certificate for organization and individual importing food *(certified copy, to be done by local partner)*;
8. A certificate of eligibility of food safety for the importing facilities subject to grant of certificates of eligibility of the food safety according to regulations *(certified copy, to be done by local partner. Usually, this request is applied for restaurants or retailers, not for importers or distributors)*;
9. A certificate of conformity with standards of HACCP or ISO 22000 or equivalent in the case the producing organizations and individuals have a quality management system certified as complying with standards of HACCP or ISO 22000 or equivalent (the notarized copy or copy with the original for comparison, *to be provided by Italian exporters*). Certificate of free sale *(see IX, to be provided by Italian exporters)*

Certificate of Free Sale

Certificate of free sale (CFS) means a certificate issued by a competent state agency of the exporting country to the exporter of the product or goods stated in the CFS, certifying that such product or goods is manufactured and permitted for free sale in the exporting country.

A CFS is required to contain the following information

1. Having validity for two (2) years from the date of issuance.
2. Must be made in English on A4-size white paper and contain at least the following details:
 - a) Name of the CFS issuing agency (issuer);
 - b) Its reference number;
 - c) Date of its issuance;
 - d) Name of the certified product or goods;
 - e) Type or group of the certified product or goods;
 - f) Name and address of the manufacturer;
 - g) Statement that the product or good is manufactured and freely sold on the market of the country of manufacture;
 - h) Full name, signature and title of the CFS-issuing person and seal of the CFS issuer.



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3. Other particular information of each CFS issuer may be included in a CFS depending on management requirements.

Letter of authorization

In order to save consumer's benefits and health and prohibit illegal import of fake and low-quality goods as well as to strengthen against commercial fraud, beside documents submitted for custom agencies when making import procedure under current regulations, traders have to present Assignment Document or Letter of Authorization as the formal distributor and importer for production and business or agency contracts of the producer of those goods. These documents must be certified by Vietnam representative of oversea diplomatic agencies (i.e. Vietnam's Embassy in Italy)

III. MACHINERY

The exports to Vietnam, of machinery and equipment for bakery, ice cream and chocolates have witnessed a 11.3%⁶ moderate growth during 2015 – 2017 period. This growth is equal to an average import value of over US\$570 million per year in the last three years. A large portion of this figure has been spent on baked products, refrigeration and fruit extraction and mixing sub-sectors.

With regards to value, most of imported machinery and equipment in Vietnam originates from Thailand. The import value of Thailand machinery was US\$249.7 million, which was a 40% share of the total market value in 2017. China and Indonesia are number 2 and 3 with import values of US\$173.6 million and US\$43.7 million respectively. These three countries make up 74% of the market value approximately. Meanwhile, Italy stands at 9th position with US\$10.5 million and 14.2% growth, in comparison to previous year.

The following tables will provide you with detailed value and supplying countries for each machinery and equipment category.

VIETNAM'S IMPORTS BY ORIGINS OF BAKERY MACHINERY AND MACHINERY FOR THE MANUFACTURE OF MACARONI, SPAGHETTI OR SIMILAR PRODUCTS (HS 843810) by USD

Countries	2015	2016	2017	Growth '15 –'17
China	11,450,687	11,400,717	9,821,662	-7%
Italy	134,287	1,843,220	4,295,490	466%
Denmark	1,036,788	4,039	3,694,066	89%
Germany	1,597	530,392	3,307,140	4451%
Japan	1,000,481	1,809,101	3,263,327	81%
Rep. of Korea	548,695	568,162	3,236,074	143%
France	526,960	391,173	1,875,668	89%
Other Asia, nes	870,232	1,313,028	1,545,257	33%
Grand Total	18,609,720	18,708,406	33,016,497	33%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

⁶ ICE Hochiminh's estimation

VIETNAM'S IMPORTS BY ORIGINS OF MACHINERY FOR THE MANUFACTURE OF CONFECTIONERY, COCOA CHOCOLATE (HS 843820) by USD

Countries	2015	2016	2017	Growth '15 - '17
Rep. of Korea	829,478	708,765	3,586,611	108%
Germany	n/a	2,775,620	1,586,534	n/a
China	4,258,654	1,491,426	1,028,549	-51%
Japan	470,585	314,273	621,986	15%
Spain	n/a	n/a	569,842	n/a
Italy	139,915	359,228	323,334	52%
Belgium	175,637	543,487	219,641	12%
Switzerland	n/a	93,682	215,867	n/a
United Kingdom	163,918	427,879	117,481	-15%
Grand Total	6,251,223	7,212,918	8,555,835	17%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

VIETNAM'S IMPORTS BY ORIGINS OF BAKERY OVENS, INCLUDING BISCUIT OVENS, NON-ELECTRIC (HS 841720) by USD

Countries	2015	2016	2017	Growth '15 - '17
China	778,953	613,915	1,170,655	23%
Rep. of Korea	256,000	1,220	422,101	28%
Malaysia	153,602	220,961	304,659	41%
Other Asia, nes	105,878	61,306	248,443	53%

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Italy	50,058	109,453	135,436	64%
Germany	n/a	371,489	88,949	n/a
Australia	n/a	14,919	23,488	n/a
Grand Total	1,738,350	1,844,712	2,433,826	18%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

VIETNAM'S IMPORTS BY ORIGINS OF ELECTRIC COFFEE OR TEA MAKERS (HS 851671) by USD

Countries	2015	2016	2017	Growth '15 - '17
China	4,013,927	3,754,247	4,208,324	2%
Germany	184,627	310,980	386,717	45%
Australia	2,782	2,051	137,123	602%
China, Hong Kong SAR	125,144	87,665	114,203	-4%
Singapore	80,349	101,078	107,814	16%
Other Asia, nes	52,869	66,862	74,362	19%
Italy	255,661	252,203	57,465	-53%
Hungary	n/a	n/a	56,159	n/a
Rep. of Korea	9,889	12,638	51,424	128%
Belgium	n/a	1,435	45,418	n/a
France	20,332	18,597	38,016	37%
Spain	6,374	3,662	27,922	109%
Grand Total	4,839,502	4,648,444	5,335,241	5%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

**VIETNAM'S IMPORTS BY ORIGINS OF ELECTRO-MECHANICAL DOMESTIC FOOD GRINDERS,
MIXERS, AND FRUIT OR VEGETABLE JUICE EXTRACTORS, WITH SELF-CONTAINED ELECTRIC
MOTOR (HS 850940) by USD**

Countries	2015	2016	2017	Growth '15 - '17
China	21,773,741	22,455,201	31,940,198	21%
Singapore	12,380,141	14,583,620	15,358,701	11%
Malaysia	4,929,273	4,742,982	5,688,824	7%
Indonesia	1,046,838	815,961	1,206,481	7%
Rep. of Korea	503,799	862,035	971,561	39%
Italy	614,282	779,544	851,094	18%
Germany	423,369	386,792	818,473	39%
Other Asia, nes	154,498	124,753	231,703	22%
India	121,851	257,231	127,886	2%
Poland	257,281	283,863	99,606	-38%
Grand Total	45,094,560	47,517,676	57,565,118	13%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

**VIETNAM'S IMPORTS BY ORIGINS OF REFRIGERATOR, FREEZERS AND OTHER
REFRIGERATING OR FREEZING EQUIPMENT, ELECTRIC OR OTHER; HEAT PUMPS OTHER
THAN AIRCONDITIONING MACHINES OF HEADING 8415 (HS 8418) by USD**

Countries	2015	2016	2017	Growth '15 - '17
China	103,391,449	112,029,415	125,454,963	10%
Indonesia	32,803,682	36,868,541	42,463,279	14%
Rep. of Korea	11,934,801	15,406,937	20,216,857	30%

Malaysia	12,556,988	13,195,555	13,820,415	5%
Japan	15,289,656	11,869,819	11,290,818	-14%
USA	7,236,165	9,657,437	10,555,146	21%
Other Asia, nes	6,585,644	9,477,359	10,147,480	24%
India	2,806,611	10,909,166	8,360,142	73%
Singapore	3,908,211	4,707,382	5,981,311	24%
Italy	3,946,940	5,881,922	4,872,223	11%
Netherlands	3,369,620	7,384,725	4,838,436	20%
France	1,492,946	1,519,219	2,456,888	28%
Germany	2,473,984	2,191,627	2,372,416	-2%
Australia	630,697	1,996,377	1,993,244	78%
Grand Total	428,685,342	497,575,328	270,857,160	-21%

Source: ICE Hochiminh's calculation based on UN Comtrade's data

Regulation for exporting machinery and equipment into Vietnam

Vietnamese government only allows import of new machinery and equipment, meanwhile used machines and equipment are not allowed to be exported to the Country. Hereafter are documents to be submitted to the Customs Office:

- Customs declaration form
- Foreign trade contract or paper of contractual value
- The bill of lading or other transport documents of equivalent validity as prescribed by law
- Invoice (if the goods are subjects to be taxed)
- Certificate of Free Sale
- Technical description and specification (e.g. product catalogue with detailed specification description)

Additional documents to be submitted:

- The certificate of inspection registration or the notice of exemption from inspection or the notice of inspection result of a technical organization appointed to conduct quality inspection, a food safety inspection agency or a quarantine agency, for imports on the list of products and goods that must undergo quality inspection, food safety inspection or animal or plant quarantine: 1 original



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- The certificate of assessment, for goods are granted customs clearance based on assessment results: 1 original
- The declaration of import value, for goods subject to value declaration according to the Minister of Finance's Decision No. 30/2008/QD-BTC of May 21, 2008, issuing declaration forms of dutiable values of imports and exports and guiding declaration, and Circular No. 182/2012/TT-BTC of October 25, 2012, amending and supplementing a number provisions of Decision No. 30/2008/QD-BTC: 2 originals
- The import permit, for goods which must have an import permit; the tariff quota-based import permit as prescribed by law: 1 original, if goods are imported all at once, or a copy enclosed with the original for comparison if goods are imported many times, and a reconciliation monitoring slip
- The certificate of origin (C/O): To submit 1 original in the following cases:
 - a) The goods made in a country or group of countries that conclude an agreement on application of special preferential duty rates to Vietnam (except imports of which the FOB price does not exceed USD 200) in accordance with Vietnamese law and treaties to which Vietnam is a contracting party, if the importer wishes to enjoy such preferences
 - b) The goods that are imported from countries that pose threats to social safety, community health or environmental sanitation, and need to be controlled
 - c) The goods that are imported from countries applying anti-dumping tax, anti-subsidy tax, anti-discrimination tax, safeguarding tax, or tariff quota based tax rates;
 - d) The imported goods that must comply with the regulations on import management in accordance with Vietnamese law or bilateral or multilateral treaties to which Vietnam is a contracting party.

The C/O submitted to the customs office must be free of any modification or replaced, unless it is modified or replaced by the very issuing agency or organization within a time limit prescribed by law.



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IV. MARKET ENTRY STRATEGY

Many food processors in Vietnam use both locally produced raw materials and imported food ingredients in their operations. They also have their own distribution channels to wholesalers, distributors, and retailers, as well as to hotels, restaurants, and other industries nationwide.

The best way for Italian new-to-market exporters to enter Vietnamese market is to develop a strategic plan targeting a few food processors, and then be persistent and consistent with face-to-face and follow-up meetings. It can take up to one or two years to make a successful sale into this market.

For the most part, Italian exporters entering the Vietnamese market will need to consider two marketing efforts: one for targeting the northern part of the country, which has a higher concentration of government ministries and regulatory agencies; and, one for the South, which is the dominant commercial hub. The majority of food processors are located in the South.

To enter or expand in Vietnam, Italian businesses can contact and appoint a local partner for direct import or appoint the partners as an agent to arrange importing, distributing, and marketing. Italian companies new to Vietnam should conduct sufficient due diligence on potential local agents/distributors to ensure they possess the requisite permits, facilities, manpower, and capital. The local partner should be familiar with the existing regulations for customs clearances, testing, certifications, labeling, and registration. The partner should also be capable to distribute imported products and responsible for the marketing efforts needed to create or raise awareness for new products among food processors or consumers. An exclusive agreement is a common tool used by local partners to monopolize distribution of imported food and food ingredient products.

Trade relationships are very important, and regular visits with local partners and key food processors should be a priority. Training courses organized and sponsored by exporters or U.S. commodity export promotion groups about new food ingredient applications for local food processors are also important to increase the utilization of U.S.-sourced products in processing. Larger food processors usually have a research and development (R&D) division, which evaluates new ingredients in product formulation. Other small companies receive proposals of new ingredients through their purchasing divisions. Some large local food processors and most small food processors want to buy their raw materials from local suppliers or distributors due to better customer service, timely technical assistance, and the offering of more financing options.

Firms seeking a direct presence in Vietnam should establish a commercial operation utilizing the following options: (1) a representative office license; (2) a branch license; and (3) a foreign investment project license under Vietnam's revised Foreign Investment Law.

Key factors to consider when researching the market are whether a product has market access and the landed post-duty cost of a product. Italian products are considered as high quality with high prices compared to other sources.

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, Italian exporters are recommended to have an irrevocable letter of credit as the terms of payment for a transaction.

In Vietnam, some large food processors prefer to purchase raw materials through local importers or distributors to avoid the complication of import procedures. Most small food processors with low sales volume utilize local wholesalers who can take care of the necessary import procedures. The biggest competitors for Italian baked goods, ice cream and chocolate processing ingredients are China, other

ASEAN countries, Australia, and countries from the Eurasia Economic Union, and for select products, the local food industry. Italian exporters should understand that Vietnam's domestic food ingredient production already offers many products at competitive prices. Leading multinational food processors have established food processing operations in Vietnam and are able to offer a range of western-style products at reasonable prices. In addition, while many food processors and consumers are aware of quality differences and are very keen on achieving international standards, most will sacrifice quality for affordable production cost and prices.

Most products from China, other ASEAN countries, Australia, New Zealand, and countries from the Eurasia Economic Union also enjoy lower tariffs than Italian products. Currently, Vietnam is in the process of negotiating several FTAs, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and an FTA with the EU. These FTAs with other trading partners will put Italian ingredients exports at both advantage and disadvantage.

In addition to the freight cost advantages from ASEAN countries, most of the suppliers from these countries are more responsive and flexible to importer's demands for smaller shipment sizes, mixed product shipments, or product specification modifications to meet Vietnamese regulations.

V. IMPORT DUTY

Italy enjoys the preferential tax rates offered to countries that have reached agreements on most-favored-nation treatment in trade relations with Vietnam. Below is a table on import tariff of some main imported ingredients and machines in Vietnam.

Code	Description	Preferential tax rate (%)
0405	Butter and other fats and oils derived from milk; dairy spreads.	
04051000	- Butter	13
04052000	- Dairy spreads	15
040590	- Other:	
04059010	- - Anhydrous butterfat	5
04059020	- - Butteroil	5
04059030	- - Ghee	15
04059090	- - Other	5
2501	Salt (including table salt and denatured salt) and pure sodium chloride, whether or not in aqueous solution or containing added anti-caking or free-flowing agents; sea water.	
25010010	- Table salt	30
25010020	- Rock salt	30
25010050	- Sea water	15
25010090	- Other	13
1101	Wheat or meslin flour.	
11010010	- Wheat flour	15
11010020	- Meslin flour	15
21069030	- - Non-dairy creamer	20

8438	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils.	
843810	- Bakery machinery and machinery for the manufacture of macaroni, spaghetti or similar products:	
84381010	- - Electrically operated	3
84381020	- - Not electrically operated	3
8417	Industrial or laboratory furnaces and ovens, including incinerators, non-electric.	
84172000	- Bakery ovens, including biscuit ovens	10
8516	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus (for example, hair dryers, hair curlers, curling tong heaters) and hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than those of heading 85.45.	
	- Other electro-thermic appliances:	
85167100	- - Coffee or tea makers	25
8509	Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners of heading 85.08.	
85094000	- Food grinders and mixers; fruit or vegetable juice extractors	25
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air conditioning machines of heading 84.15.	
841810	- Combined refrigerator-freezers, fitted with separate external doors:	
84181011	- - Household type	25
84181090	- - Other	3
84182100	- - Compression-type	25
84182900	- - Other	35
841830	- Freezers of the chest type, not exceeding 800 l capacity:	
84183010	- - Not exceeding 200 l capacity	20
84183090	- - Other	20
841840	- Freezers of the upright type, not exceeding 900 l capacity:	
84184010	- - Not exceeding 200 l capacity	20
84184090	- - Other	20
841850	- Other furniture (chests, cabinets, display counters, show-cases and the like) for storage and display, incorporating refrigerating or freezing equipment:	
	- - Display counters, show-cases and the like, incorporating refrigerating equipment, exceeding 200 l capacity:	
84185011	- - - Of a kind suitable for medical, surgical or laboratory use	5
84185019	- - - Other	12
	- - Other:	
84185091	- - - Of a kind suitable for medical, surgical or laboratory use	5
84185099	- - - Other	20
	- Other refrigerating or freezing equipment; heat pumps:	
84186100	- - Heat pumps other than air conditioning machines of heading 84.15	10
841869	- - Other:	



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84186910	- - - Beverage coolers	10
84186930	- - - Drinking water coolers	10
	- - - Water chillers with a refrigeration capacity exceeding 21.10 kW:	
84186941	- - - - For air conditioning machines	10
84186949	- - - - Other	10
84186950	- - - Scale ice-maker units	3
84186990	- - - Other	10
	- Parts:	
84189100	- - Furniture designed to receive refrigerating or freezing equipment	3
841899	- - Other:	
84189910	- - - Evaporators or condensers	0
84189940	- - - Aluminium roll-bonded panels of a kind used for the goods of subheading 8418.10.10, 8418.21.00 or 8418.29.00	0
84189990	- - - Other	0