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Food and Beverage in EVFTA: How foreign investors can qualify for the preferential tariffs

Do Thanh Huyen

Assistant Manager – Business Intelligence

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Part 1

Vietnam's Food and Beverage Market Overview

Market Overview



96m+

Population



US\$111

Monthly household consumption expenditure per capita



20%

of Monthly household spending is on F&B

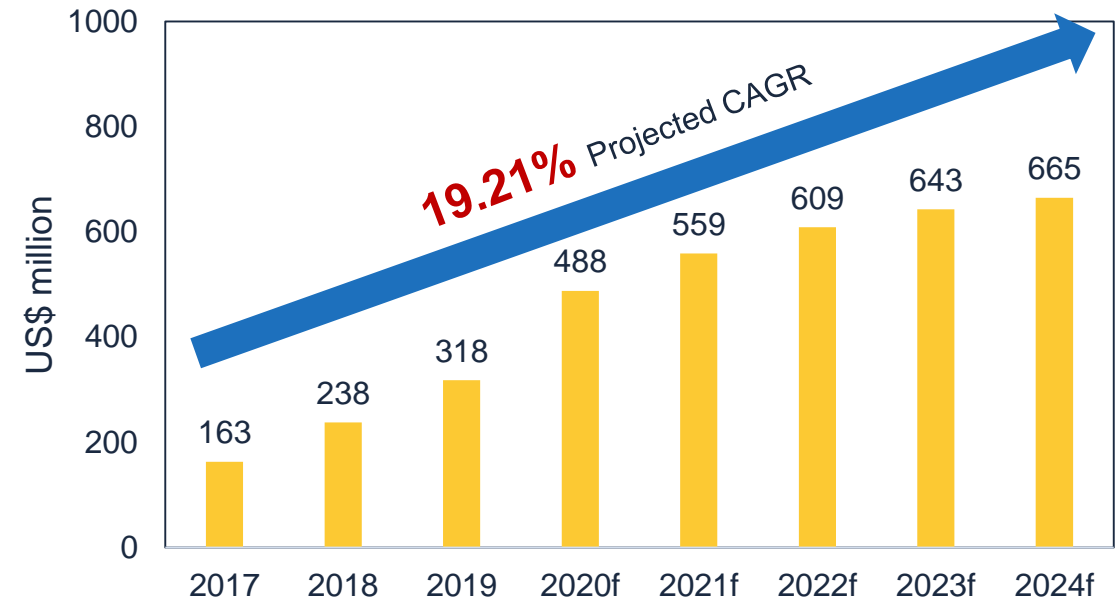
Drivers

- Focus on the home
- Rising disposable incomes
- Local traditions, palette and climate

Trends

- Ongoing changes in retail channels used
- Customization of food offerings to local tastes
- Increased focus on health and food safety

Revenue of Food and Beverages in Vietnam



Source: Statista


Industry Overview



9,000+ Food manufacturing companies
& thousands of small-scale production establishments

84% is small companies (less than 50 employees)

69% growth of the F&B companies during 2018-2019 (FAST500)

 accounted for
15% of GDP



Rice



Fruits



Coffee & Tea



Meat



Seafood



Pepper

Import - Export

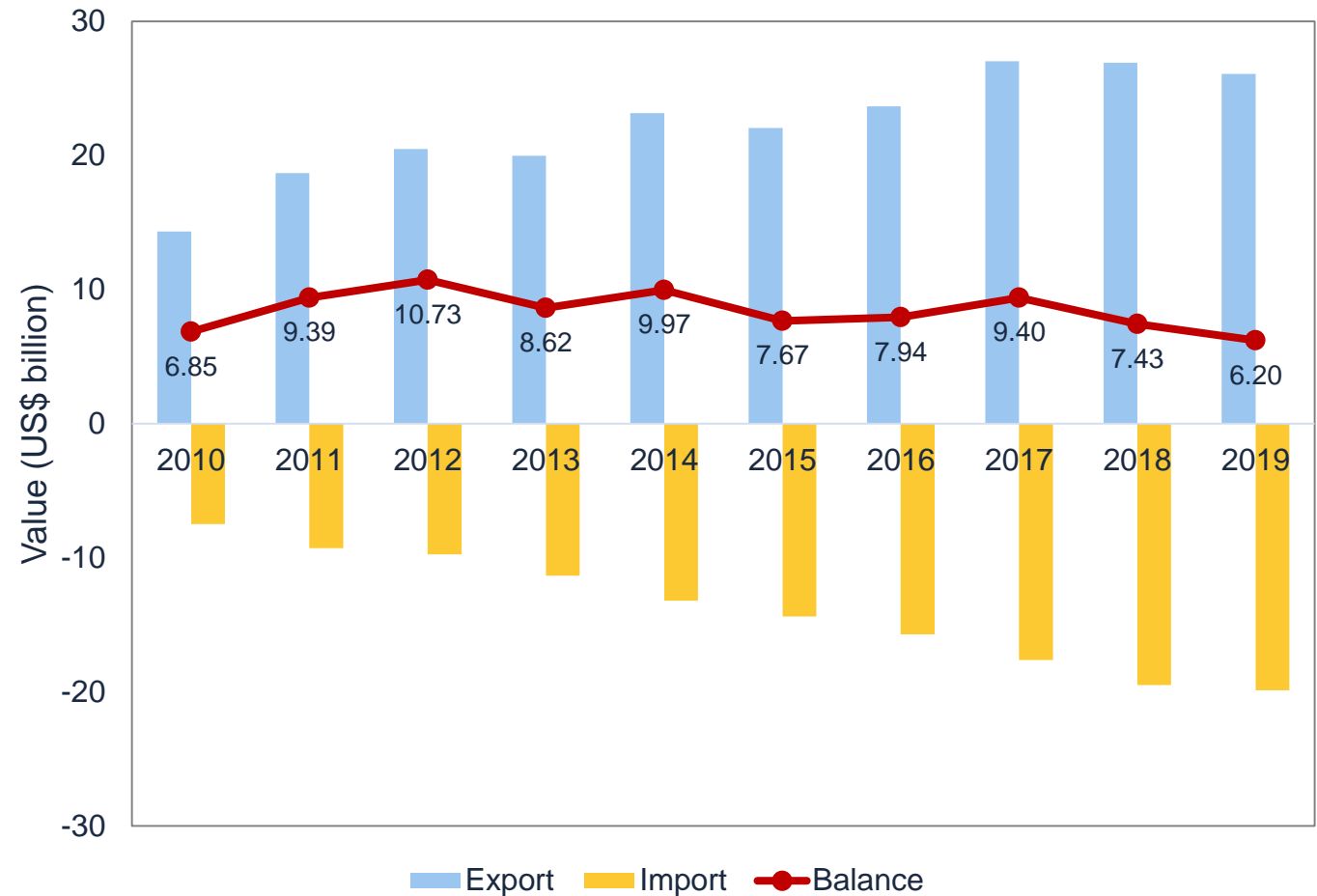
Vietnam is a net exporter of food and beverage. However, imports is growing faster than exports.

6.16% CAGR of exports

10.25% CAGR of imports

Over a decade from 2010 to 2019

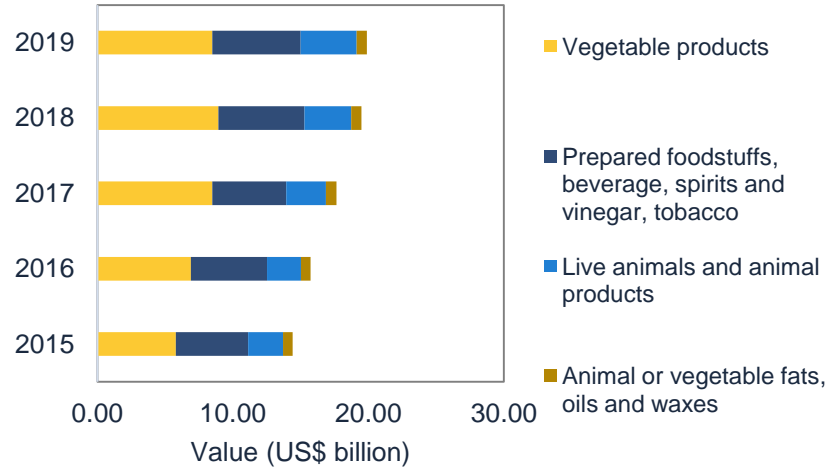
Vietnam's imports and exports of food and beverage



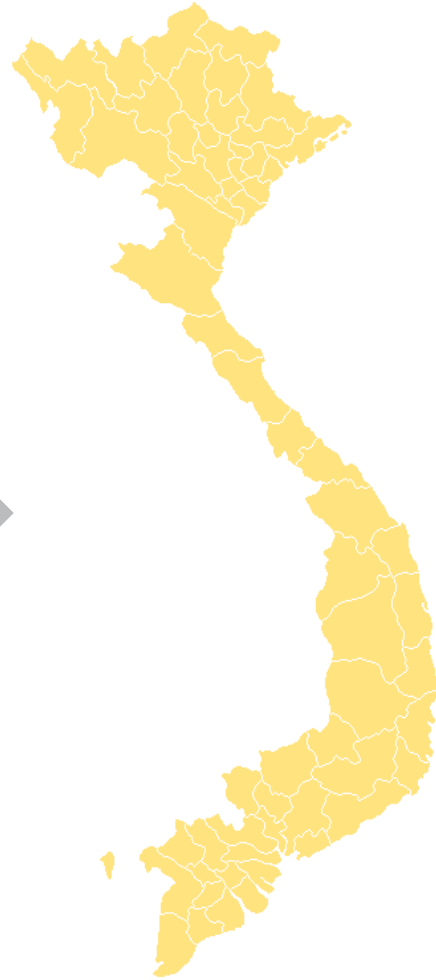
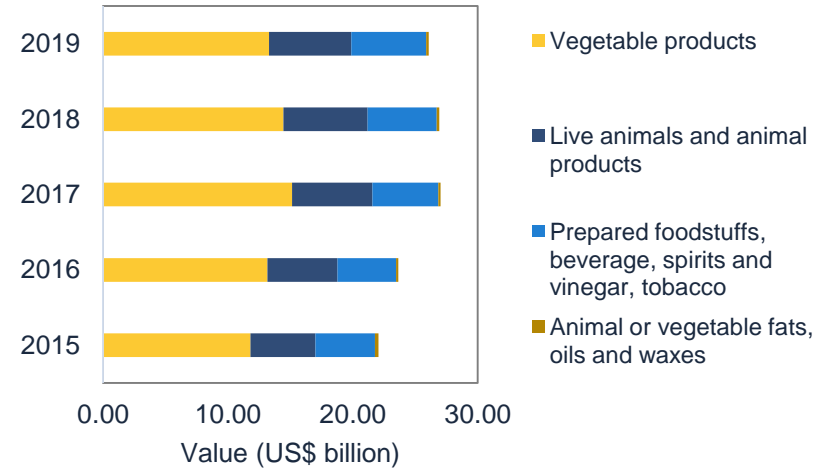
Source: UN Comtrade

Import - Export

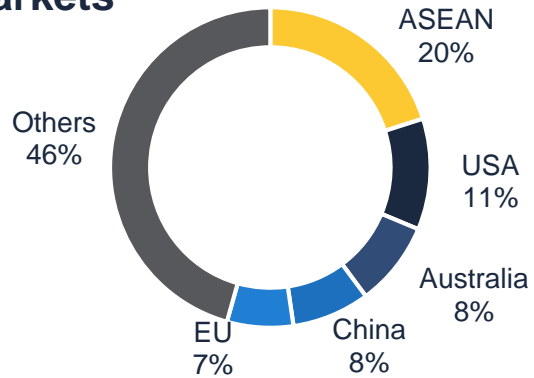
by products



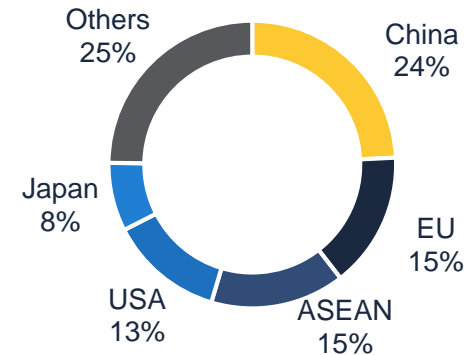
by products



by markets



by markets



Source: Custom Office

Key Imported Products from the EU

#1



US\$200.5 m

Meat and edible
meat offal

Poultry

Bovine

Swine

#2



US\$175.7 m

Beverages, spirits
and vinegar

Spirits & Liqueurs

Wine

Beer

#3



US\$125.9 m

Dairy produce, birds'
eggs, natural honey,
etc.

Milk

Cheese

Whey

#4



US\$109.6 m

Fish and other
aquatic invertebrates

Fish

Molluscs

Crustaceans

#5



US\$104.0 m

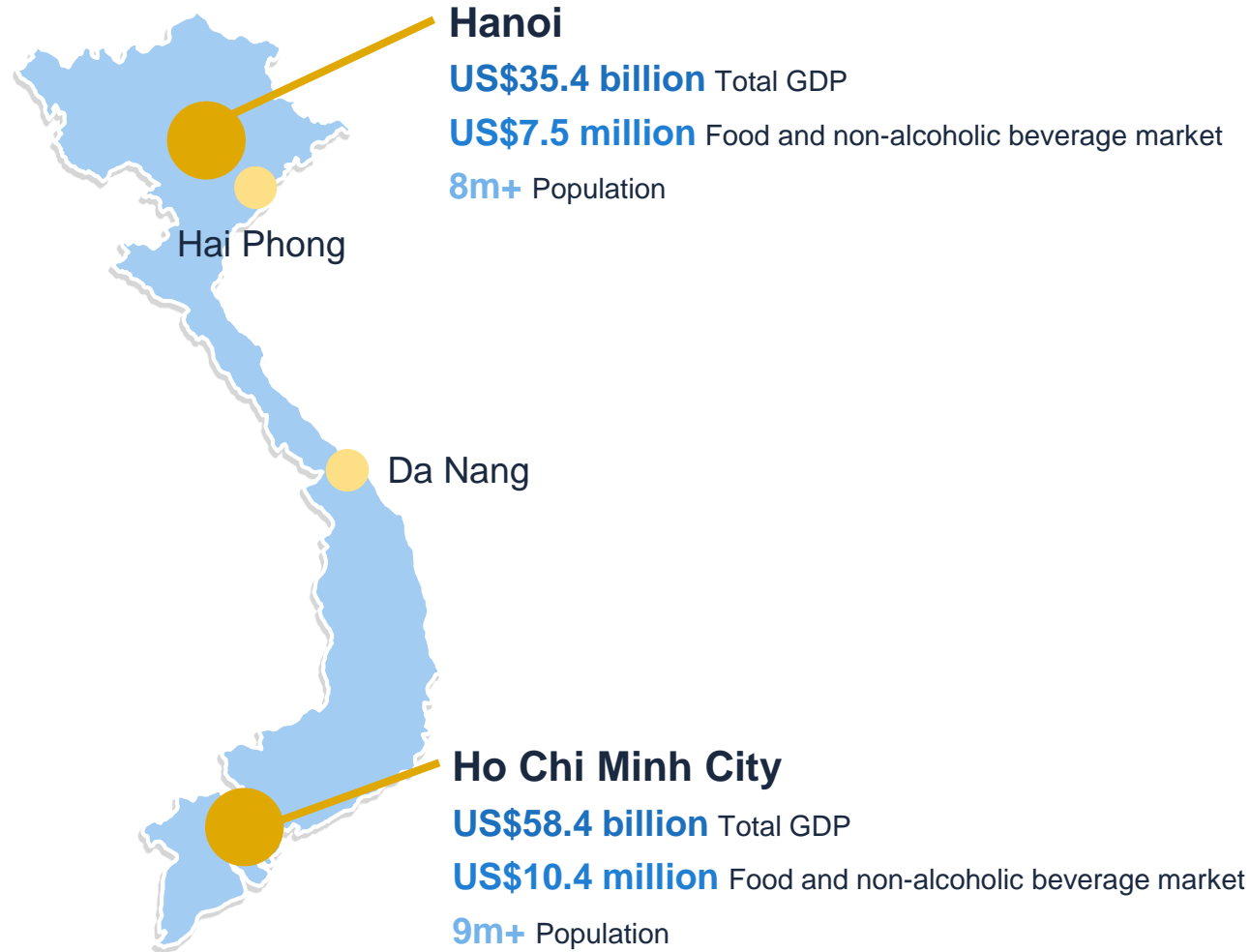
Preparations of
cereals, flour, starch
or milk; pastrycooks'
products

Malt extracts

*Bread, pastry, cakes,
biscuits*

Pasta

Key Markets and Consumer Profiles for Imported F&B



- ✓ Consumers of imported food products are most likely to come from **urban areas** and **higher social classes** with more disposable income.
- ✓ In terms of demographics, the groups that stand out are **Millennials** and **Generation Z**.

Food and Beverage Retail



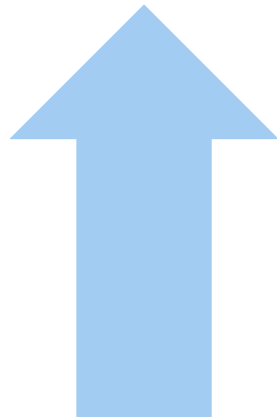


Part 2
Emerging Opportunities
with the EVFTA in effect
and Key Trade Barriers for
Food and Beverage sector

Market Access with the EVFTA in Effect

Key Opportunities and Benefits

- As the EVFTA enters into force, EU's exports to Vietnam is mostly fully liberalized, and usually in no more than 7 years (except poultry and beer).
- 169 well-known European food and drinks geographical indications (GIs) are protected from imitation on the Vietnamese market.



Key Trade Barriers

- Strict food safety legislation and several certification are requested to clear shipment, hence, import procedures can be lengthy, especially for fruits and vegetables.

Emerging Opportunities from Tariff Reduction

| HS Code | Products | Number of Tariff Lines | Vietnam's Average Tariff | Tariff reduction schedule under the EVFTA (number of tariff lines) | | | | | | |
|--|--|------------------------|--------------------------|---|-------------|-------------|-------------|-------------|--------------|-------------------------|
| | | | | Schedule A | Schedule B3 | Schedule B5 | Schedule B7 | Schedule B9 | Schedule B10 | Schedule B10 (in quota) |
| SECTION 1: LIVE ANIMALS AND ANIMAL PRODUCTS | | 521 | 11.7 | 147 | 279 | 24 | 22 | 10 | 33 | 6 |
| 01 | Live animals | 50 | 3.5 | 50 | | | | | | |
| 02 | Meat and edible meat offal | 78 | 17.4 | | 15 | 2 | 18 | 10 | 33 | |
| 03 | Fish and other aquatic invertebrates | 312 | 12.4 | 63 | 249 | | | | | |
| 04 | Dairy products, birds' eggs, natural honey, etc. | 54 | 11.9 | 7 | 15 | 22 | 4 | | | 6 |
| 05 | Other products of animal origin | 27 | 2.6 | 27 | | | | | | |

Note:

- *Schedule A: Customs duties on originating goods shall be removed **immediately** upon the EVFTA's entry into force.*
- *Schedule Bn: Customs duties on originating goods shall be removed in **n+1** equal annual stages and thereafter be free of any customs duty.*
- *Schedule B10*: Customs duties on originating goods shall be removed in **11** annual stages (specified in the EVFTA) and thereafter be free of any customs duty.*

Emerging Opportunities from Tariff Reduction

| HS Code | Products | Number of Tariff Lines | Vietnam's Average Tariff | Tariff reduction schedule under the EVFTA (number of tariff lines) | | | | |
|--------------------------------------|---|------------------------|--------------------------|---|-------------|-------------|-------------|--------------|
| | | | | Schedule A | Schedule B3 | Schedule B5 | Schedule B7 | Schedule B10 |
| SECTION 2: VEGETABLE PRODUCTS | | 474 | 15.1 | 98 | 80 | 250 | 34 | 12 |
| 06 | Live plants, bulbs, roots and the like | 28 | 7.9 | 17 | 11 | | | |
| 07 | Edible vegetables, certain roots and tubers | 115 | 15.2 | 16 | | 99 | | |
| 08 | Edible fruit and nuts | 87 | 24.0 | 1 | 8 | 78 | | |
| 09 | Coffee, tea, maté and spices | 62 | 21.9 | | | 62 | | |
| 10 | Cereals | 35 | 13.4 | 13 | 6 | 6 | 3 | 7 |
| 11 | Products of the milling industry, malt, starches, inulin, wheat gluten | 39 | 17.7 | | 1 | 5 | 31 | 2 |
| 12 | Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits | 75 | 5.4 | 38 | 36 | | | 1 |
| 13 | Lac, gums, resins and other vegetable saps and extracts | 20 | 5 | | 18 | | | 2 |
| 14 | Vegetable plaiting materials, other vegetable products | 13 | 5 | 13 | | | | |

Emerging Opportunities from Tariff Reduction

| HS Code | Products | Number of Tariff Lines | Vietnam's Average Tariff | Tariff reduction schedule under the EVFTA (number of tariff lines) | | | | | | | | |
|---|---|------------------------|--------------------------|---|-------------|-------------|-------------|-------------|--------------|---------------|-------------------------|--------------|
| | | | | Schedule A | Schedule B3 | Schedule B5 | Schedule B7 | Schedule B9 | Schedule B10 | Schedule B10* | Schedule B10 (in quota) | Schedule B15 |
| SECTION 3: ANIMAL OR VEGETABLE FATS, OILS AND WAXES | | 156 | 14.1 | 0 | 13 | 2 | 22 | 0 | 119 | 0 | 0 | 0 |
| 15 | Animal or vegetable fats, oils and waxes | 156 | 14.1 | | 13 | 2 | 22 | | 119 | | | |
| SECTION 4: PREPARED FOODSTUFFS; BEVERAGES, SPIRITS, AND VINEGAR; TOBACCO | | 443 | 27.6 | 37 | 4 | 52 | 261 | 9 | 41 | 9 | 20 | 18 |
| 16 | Processed meat, fish and other aquatic invertebrates | 76 | 28.2 | | | 4 | 49 | 9 | 15 | | | |
| 17 | Sugar and sugar confectionery | 32 | 10.1 | 2 | | | 5 | | 18 | 7 | 7 | |
| 18 | Cocoa and cocoa preparations | 17 | 17.8 | | | 4 | 13 | | | | | |
| 19 | Preparations of cereals, flour, starch or milk, bakers' wares | 56 | 23.8 | | | 21 | 35 | | | | | |
| 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 84 | 32.4 | | | 17 | 67 | | | | | |
| 21 | Miscellaneous edible preparations | 53 | 24.0 | | | 6 | 43 | | 4 | | | |
| 22 | Beverages, spirits and vinegar | 55 | 45.1 | | | | 49 | | 4 | 2 | | |
| 23 | Residues and waste from the food industries, prepared animal feed | 39 | 0.5 | 35 | 4 | | | | | | | |
| 24 | Tobacco and manufactured tobacco substitutes | 31 | 52.6 | | | | | | | | 13 | 18 |

Originating goods

Products must be wholly obtained or undergo sufficient working or processing in Vietnam or EU members to acquire origin status and preferential tariff

Listed rule of origin under the EVFTA

| Heading (1) | Description of the good (2) | Required Working or Processing (3) |
|------------------|---|---|
| Chapter 8 | Edible fruit and nuts; peel of citrus fruits or melons. | Manufacture in which: – all the fruit, nuts and peels of citrus fruits or melons of Chapter 8 used are wholly obtained; and – the weight of sugar used does not exceed 20 % of the weight of the final product. |

Non-originating goods

Insufficient Working or Processing

- preserving operations to ensure that the products remain in good condition during transport and storage
- breaking-up and assembly of packages
- husking and partial or total milling of rice; polishing and glazing of cereals and rice
- operations to color or flavor sugar or form sugar lumps; partial or total milling of crystal sugar
- peeling, stoning and shelling of fruits, nuts and vegetables
- sharpening, simple grinding or simple cutting
- a combination of two or more of the operations specified
- etc.

**Non-
originating**

Protection for F&B Geographical Indications (GIs)

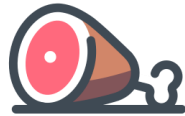


Alcoholic beverages

Spirit (*Inländerrum – Austria; Brandy de Jerez – Spain; Suomalainen Vodka – Finland; etc.*)

Wine (*Franken – Germany; Bordeaux – France; Nemea – Greece; etc.*)

Beer (*Münchener Bier and Bayerisches Bier – Germany*)

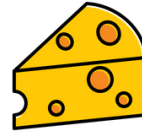


Processed meat

Ham, Bacon & Sausage (*Tiroler Speck – Austria; Jabugo – Spain; Nürnberger Bratwürste – Germany; etc.*)

Processed Duck Meat (*Canard à foie gras du Sud-Ouest – France*)

Dried Salted Beef (*Bresaola della Valtellina – Italy*)



Cheese

Danablu – Denmark; Comté – France; Feta – Greece; Asiago – Italy; etc.



Fruits

Oranges, mandarins and lemons (*Cítricos Valencianos – Spain*)

Prunes (*Reblochon – France*)

Kiwi (*Kiwi Latina – Italy*)

Apple (*Mela Alto Adige – Italy*)

Pear (*Pêra Rocha do Oeste – Portugal*)



Others

Marzipan (*Lübecker Marzipan – Germany*)

Nougat (*Jijona and Turrón de Alicante – Spain*)

Olive oil (*Antequera and Baena - Spain; Kalamata – Greece; etc.*)

Vinegar (*Aceto Balsamico di Modena – Italy*)

Etc.

Key Trade Barriers



Strict regulations

- Food safety
- Specific technical regulations for certain food products
- Other regulations on food additives, pesticides and labelling requirements
- Certain restrictions on advertising



WTO disputes that affect the F&B sector

- Restrictions on animals and animal products related to Bovine Spongiform Encephalopathy (BSE)
- Market access procedures for fruits and vegetables



Part 3

Market Entry Strategies

Market Entry Strategies

1

Participating in trade shows and trade missions

2

Establish a rep office or a trading company in Vietnam

3

Business Matching and export to Vietnam

Market Entry Strategies | Business Matching and Exports to Vietnam



Market Entry Strategy | Business Matching

IMPORTERS



- *Strength and experience with the type of product*
- *Suitable geographical reach (nation-wide or focus on a particular region/ city)*
- *Network with wholesalers and retailers*
- *Focus on trading business*
- *Frequent update on relevant regulations*

Market Entry Strategy | Exports to Vietnam

General requirements for F&B products exported to Vietnam

To be prepared by exporters

Commercial Invoice

- A document containing the details of the transaction

Packing List

- A document containing the details of the shipment, including content of the packages, description of the goods, marks and numbers

Certificate of Non-Preferential Origin

- A document certifying the non-preferential origin of the goods to be imported. Only required if specifically requested by e.g. the importer. To be submitted in the original or electronically via the electronic data processing system implemented by Vietnam Customs

Proof of Preferential Origin

- A document confirming the preferential origin of the goods to be imported. It is required if preferential treatment under an FTA or arrangement is claimed.

Certificate of Free Sale

- A document confirming that the goods in question are freely sold in the country of export. The certificate is issued by Chambers of Commerce

Market Entry Strategy | Exports to Vietnam from the EU

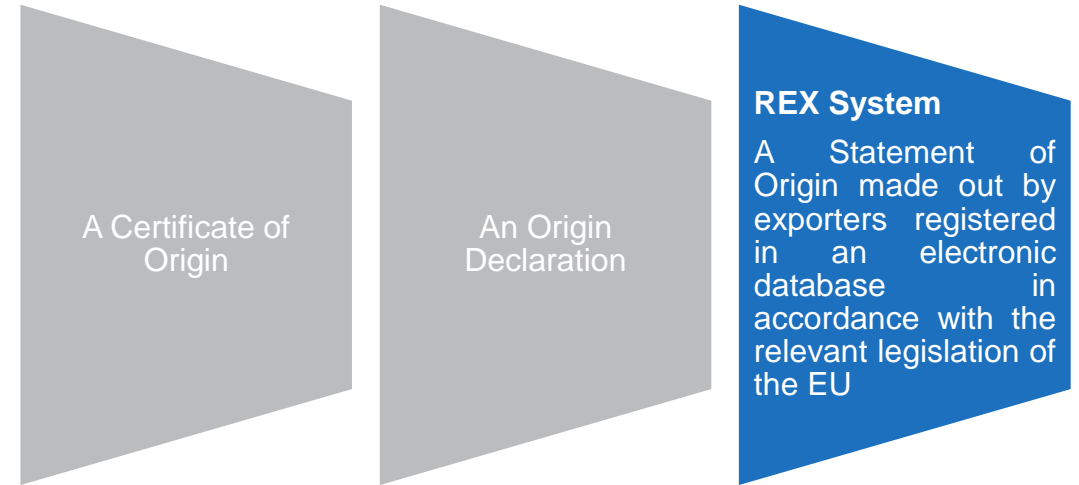
EU exporters shall use only **the Registered Exporter system (the REX system)** as proof of origin under the EVFTA for shipments with total value exceeding EUR 6,000.

Procedure

Applicants need to provide the following information:

- Exporters' name, full address, country, Economic Operator Registration Number and Trader Identification Number
- Contact information
- Main activity (producing/ trading)
- Description of goods
- Signature of the exporter, for the undertakings and for the consent of publication of the data

Upon receiving registration with full and correct information, competent authorities provide the **REX number, date of registration** and **date from which the registration is valid** and inform the applicants.



Market Entry Strategy | Exports F&B to Vietnam

Specific requirements for F&B products exported to Vietnam

To be prepared by exporters/ producers

| Type of document | Description | Applicable to |
|--|---|--|
| Certificate of Analysis | A document certifying that microbiological and physical/ chemical tests have been carried out by an appropriate laboratory in the country of export. | Fresh meat, Processed meat, Fruits and Vegetables, Wine, Jam, Baby food |
| Certificate of Good Manufacturing Practice | A document certifying that a manufacturing site and its manufacturing methods comply with the requirements of good manufacturing practice (GMP). The certificate may be prepared in any language, but a translation into English is recommendable. | Fresh meat, Processed meat, Fruits and Vegetables, Wine, Jam, Baby food, Baby food |
| Veterinary Health Certificate for Animal Products | A document confirming that products of animal origin have been inspected according to appropriate procedures, are not contaminated, do not carry any contagious diseases and are conform with Vietnamese veterinary regulations. The certificate may be prepared in any language, if accompanied by a Vietnamese translation | Fresh meat, Processed meat, Dairy, Pasta, Pet food |
| Certificate of Fumigation | A document, to be prepared in Vietnamese or English, certifying that fumigation treatment has been conducted in accordance with the national quarantine requirements. | Fruits and Vegetables |
| Phytosanitary Certificate | A document confirming that plants and plant products to be imported have been inspected according to appropriate procedures, are free from quarantine pests and practically free from injurious pests and are considered to conform with the current phytosanitary regulations of the importing country. The certificate may be prepared in any language. An English translation may be required. | Fruits and Vegetables |
| Declaration of Conformity | A document confirming that products and goods capable of causing unsafety, conform to the applied Vietnamese standards. The document is to be prepared by the producer in any language; a Vietnamese translation is recommendable | Spirits |
| Letter of Authorization | A document proving that Vietnamese importers have been appointed as distributors of certain goods by the foreign exporter | Beer, Spirits |



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huyen.thanh@dezshira.com
www.dezshira.com