

FOOD RETAIL SECTOR IN VIETNAM

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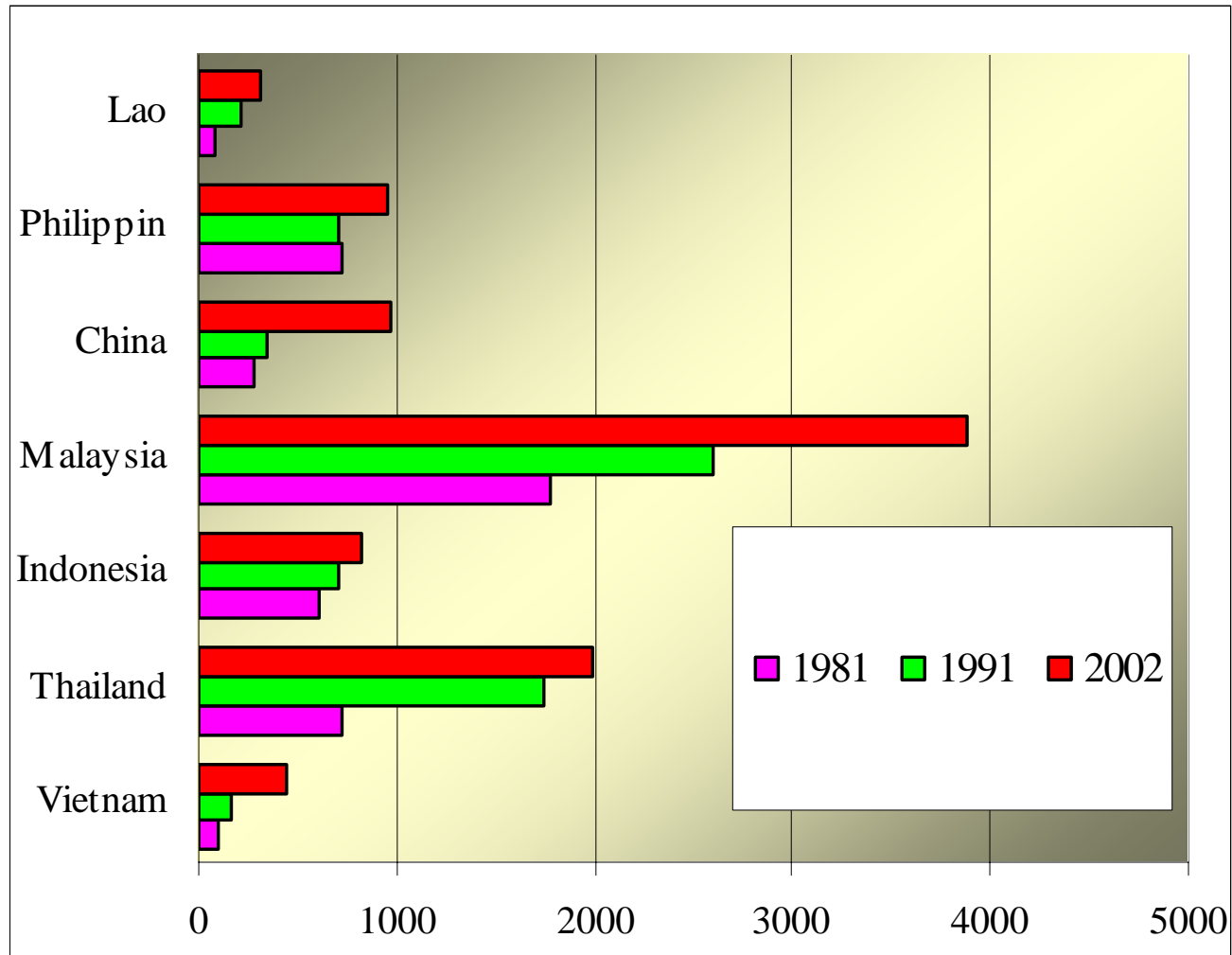


MACRO ECONOMIC ENVIRONMENT

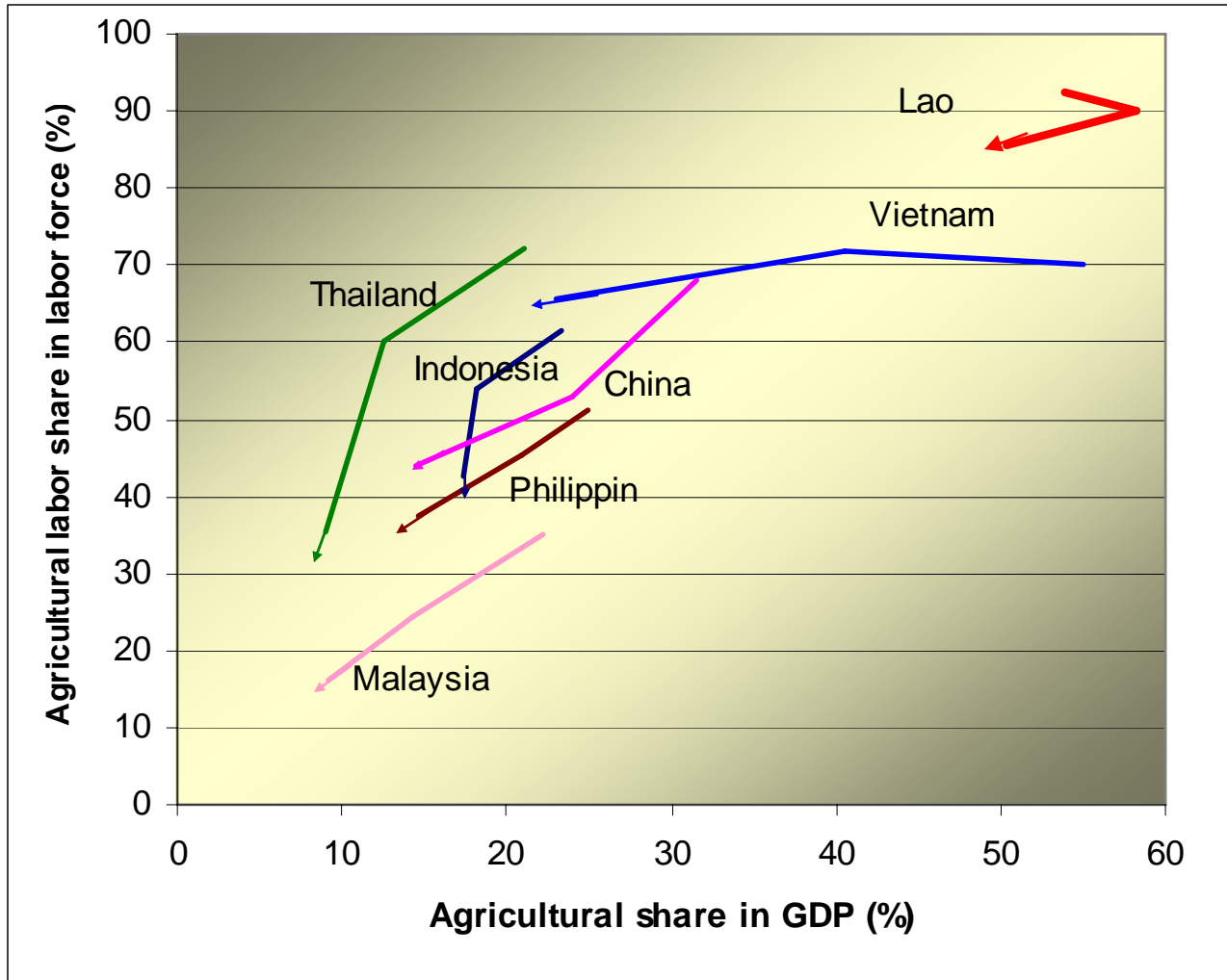


- Changing from planning to market system
- Changing from state dominance toward multi-players (state; private; foreign...)
- Opening to the world market.
- Increasing trend of industrialization and urbanization.
- Income and consumption increase (200 USD/year in the early 90s to 500 USD/year in 2004).

Vietnam and other countries in the region – early phase of development



Vietnam and other countries in the region – the challenge of industrialization (1981-1991-2002)

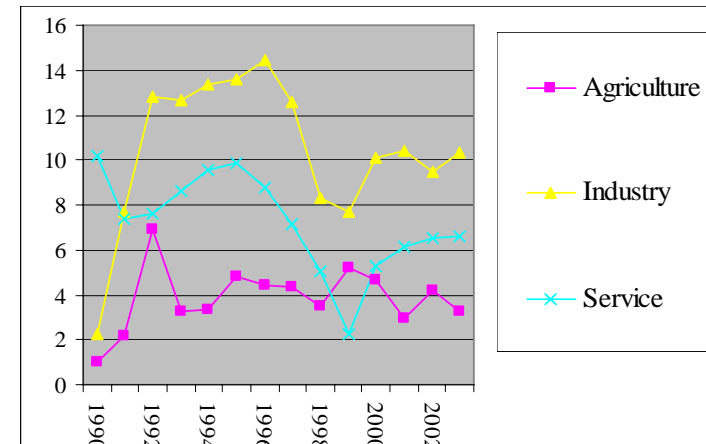


AGRICULTURAL GROWTH AND THE FOOD RETAIL SECTOR

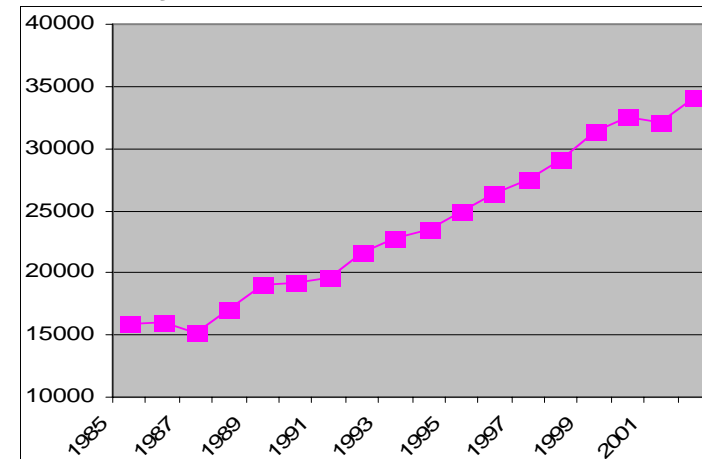


- Strong growth of the agricultural sector
- From self-sufficiency to commercialization (crop sale in total crop output: 1993-40%; 1998-54%; 2002-61%); available to supply to cities and for export.
- The free-up in domestic trade and improvement of marketing system.
- The restructuring process and emergence of new actors in processing industries.

Economic growth rate (%)



Paddy production (1000 tons)



Characteristics of food retail sector



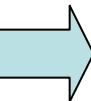
- Increasing number of stake-holders in food retail sector (from state dominance to multi-players).
 - SOEs and cooperative are less competitive and being in the adjustment process.
 - New actors:
 - The private sector is on the rise (the case of Trung Nguyen coffee; Future generation tea). Trade mark and setting up domestic selling network
 - The entering of foreign corps (Metro)
- Standardization process: quality; price



Characteristics of food retail sector



- Traditional versus modern food retail
 - 9000 traditional markets; 160 supermarkets; 32 trade centers.
 - Small and large scale
 - Technological use (PC; storing; refrigerator system...)
 - Price and quality differences
 - Management model: family versus company
 - Safeness problems. The quality control in farming activities and sale (in HCM city 80% processed food in traditional market is unsafe)

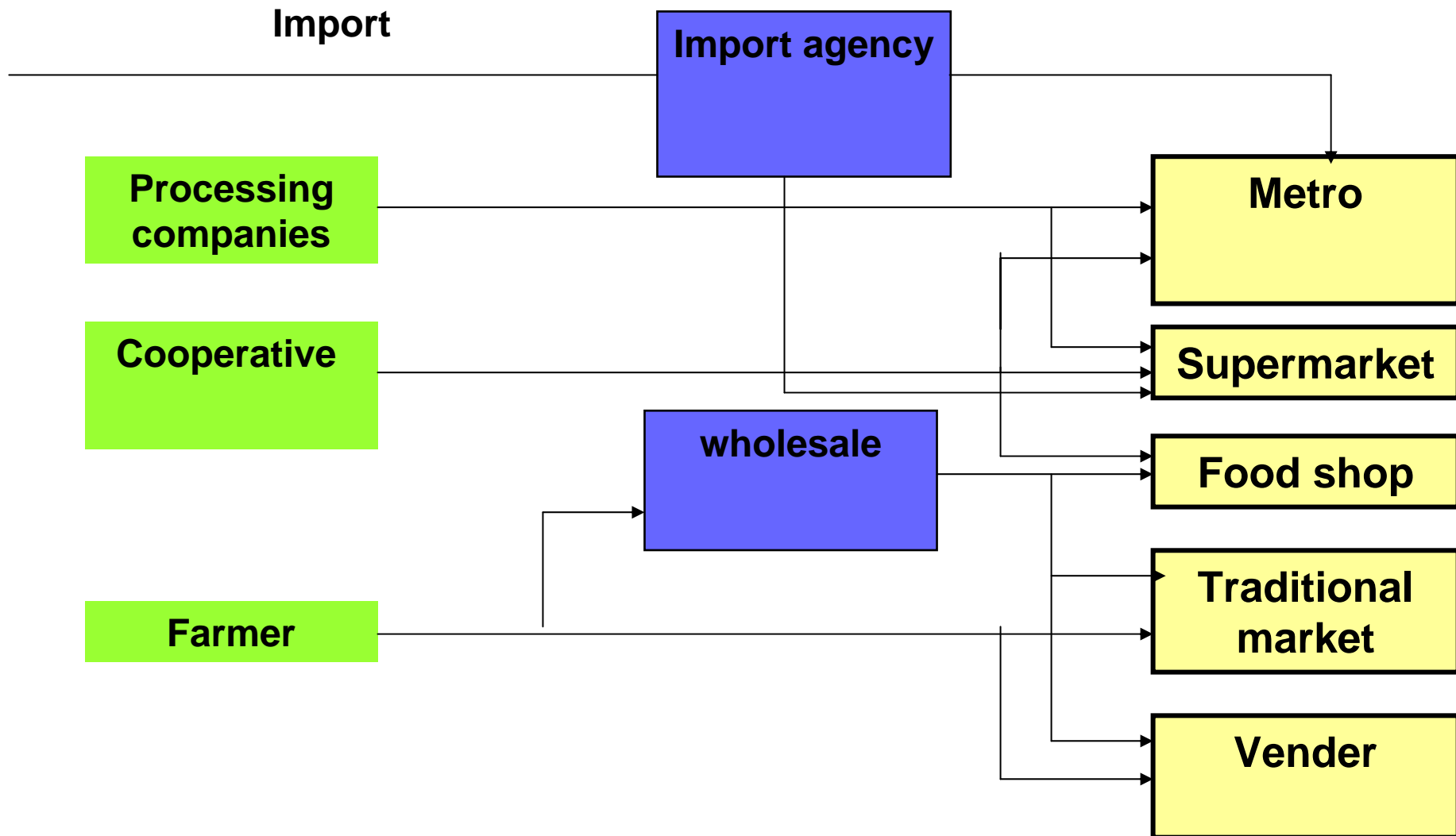


Characteristics of food retail sector



- The increasing trend of modern food retail sector (Supermarket HCM city 45; Hanoi 25)
- Increasing from raw material toward processed products
- Diversified business and restaurants (drink and food)
- Innovation in food retailing: institution and technology
- The emergence of organic products (tea; vegetable)
- Rising demand for modern market place (equipment, storing, facilities)

Who supply to food retailing- the value chain



Demand pattern and the food retail sector



- Increasing income and changing demand pattern (booming effect of market renovation), use less rice and more meat, vegetable, fruit.
- Urbanization process, the rising of middle class, consumers increasingly depended on market for their food needs.
- More using canned products and packaged foods.
- Women increasingly join the labor force, have less time to prepare meals from scratch.
- Value driven versus price driven
- Western style on the rise, import increase



Future prospect and policy implications



- The changing of food retail sector
 - Traditional versus modern
 - State versus private and foreign
- Shaping agriculture growth pattern- domestic versus export: the importance of domestic market
- Quality control
- Urban planning and market development
- How to make the poor farmers get benefit in the food retail innovation process (resource; access; association...)

**THANK YOU FOR YOUR
ATTENTION**

Consumer preference of vegetable purchase outlets in Ho Chi Minh city (Malica study)



Official retail market	Unofficial retail market	Venders	Supermarket	Metro
<ol style="list-style-type: none"> 1. Next home 2. Fresh 3. Cheap price 4. Many types 	<ol style="list-style-type: none"> 1. Next home 2. Cheap price 3. Fresh 4. Can buy small quantity 	<ol style="list-style-type: none"> 1. Next home 2. Cheap price 3. Fresh 4. Seller friendly 	<ol style="list-style-type: none"> 1. Safe 2. Fresh 3. Many kinds 4. Next home 	<ol style="list-style-type: none"> 1. Safe 2. Fresh 3. Cheap 4. Many kinds

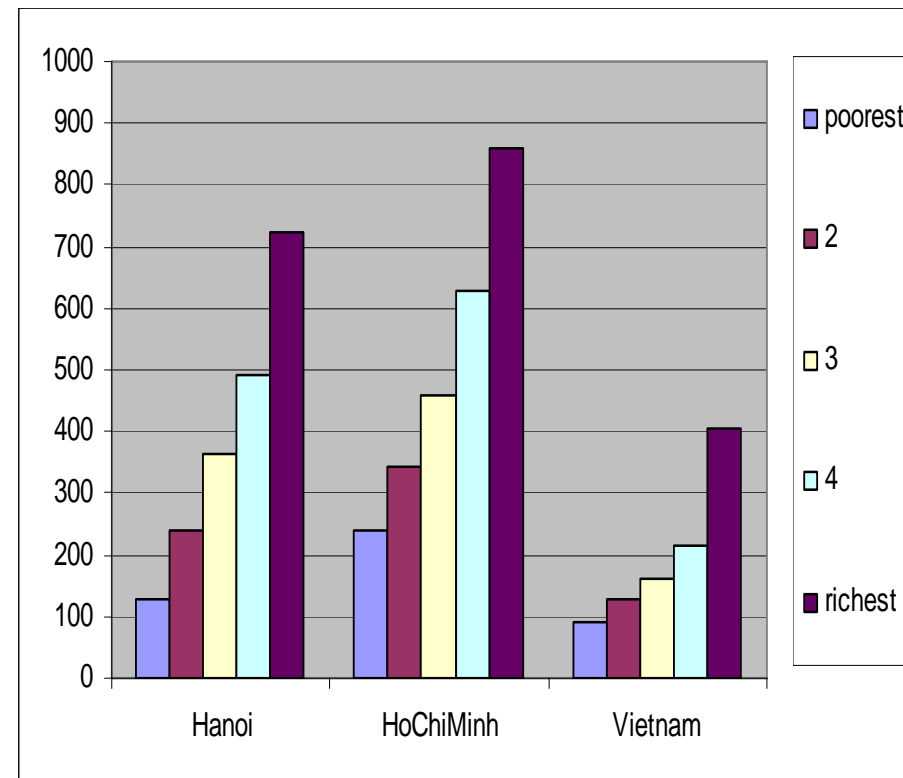
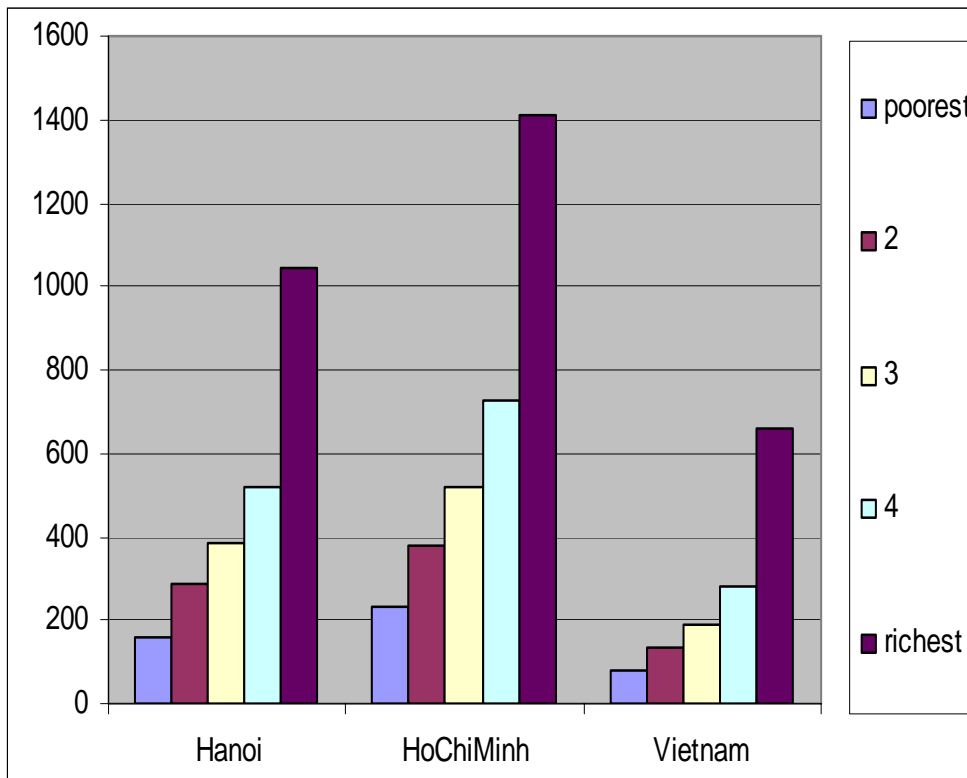


The rising of middle class



Income per capita (USD/year) in 2002

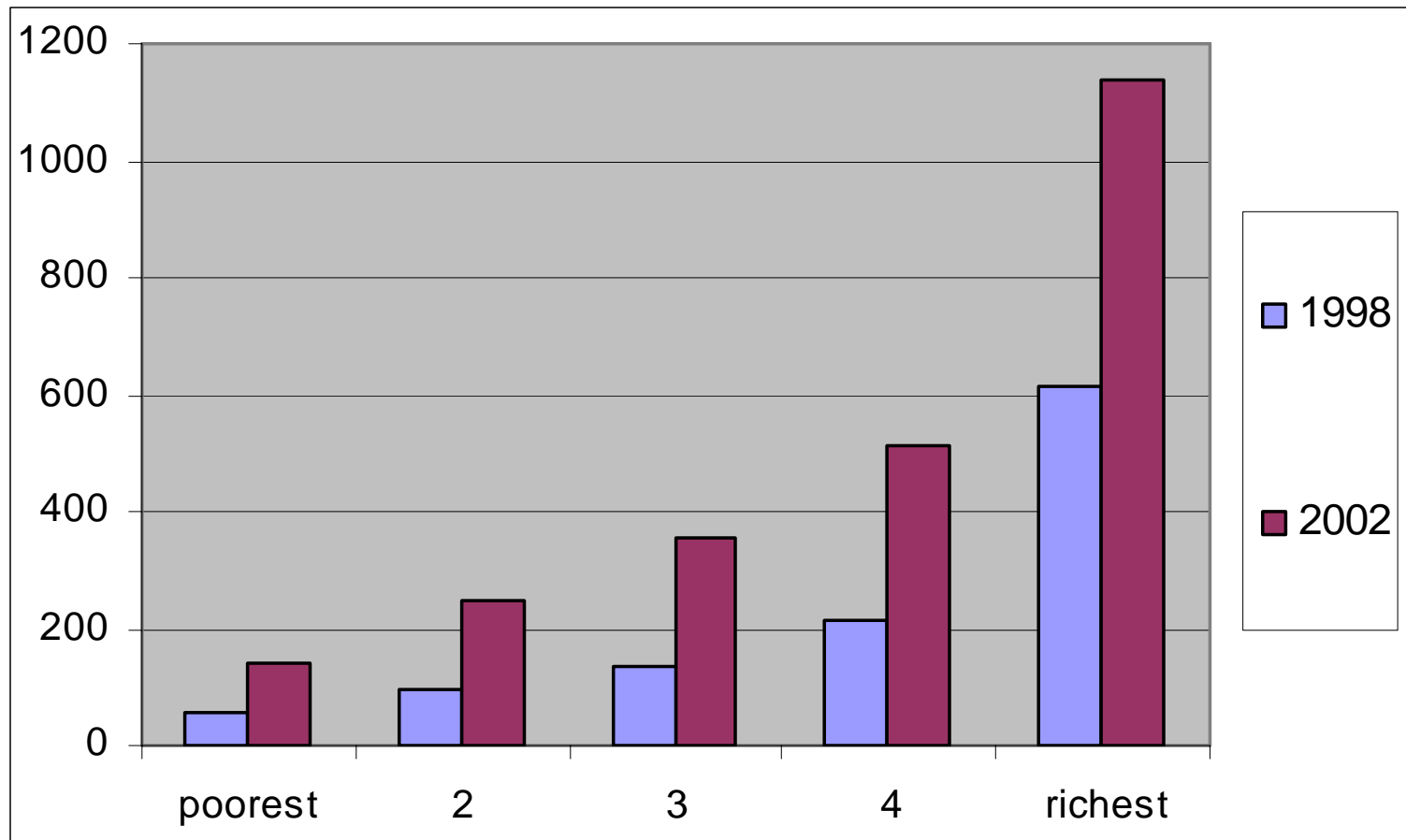
Expenditure per capita (USD/year) in 2002



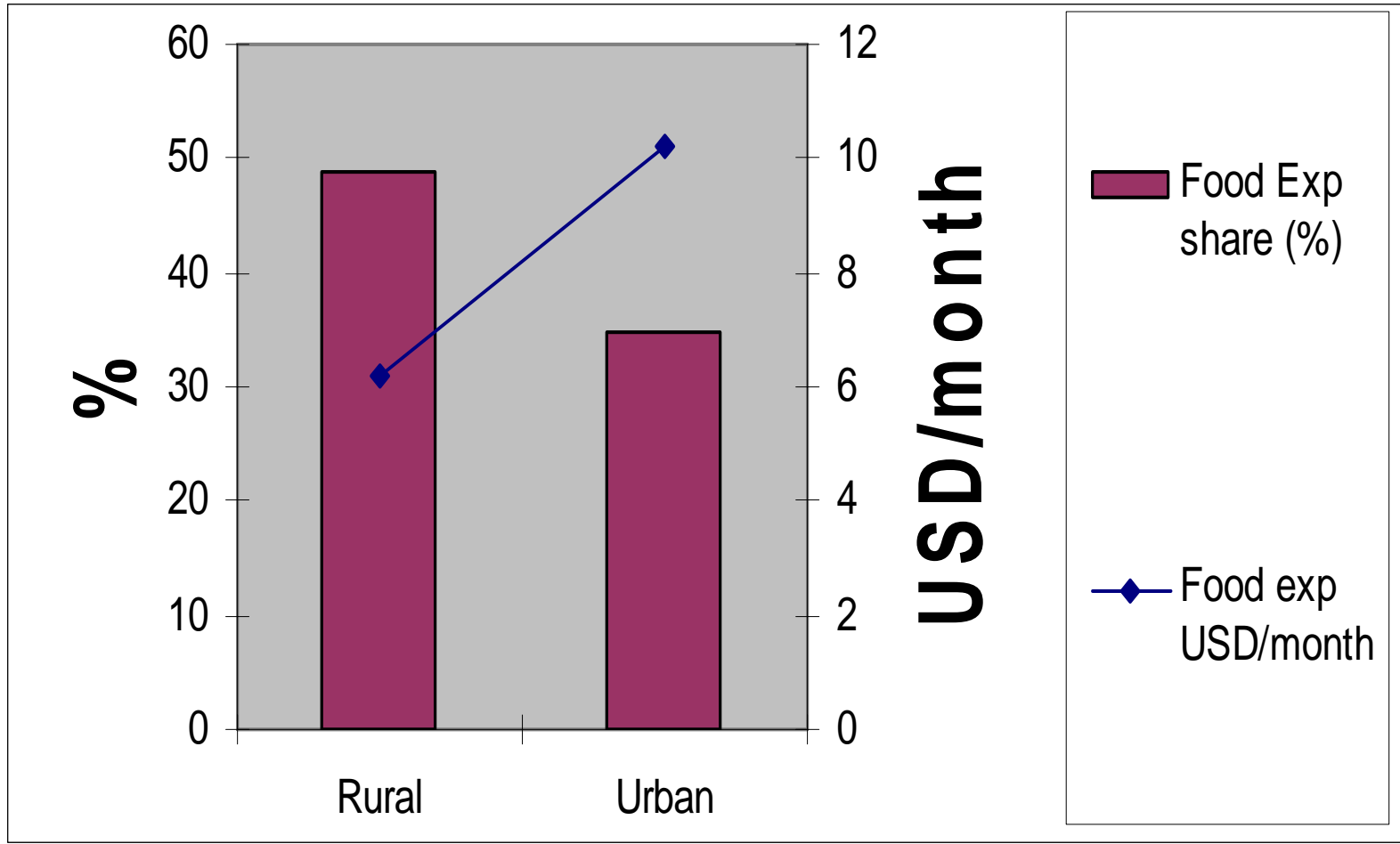
The rising of middle class



Income per capita (USD/year) in 1998- 2002



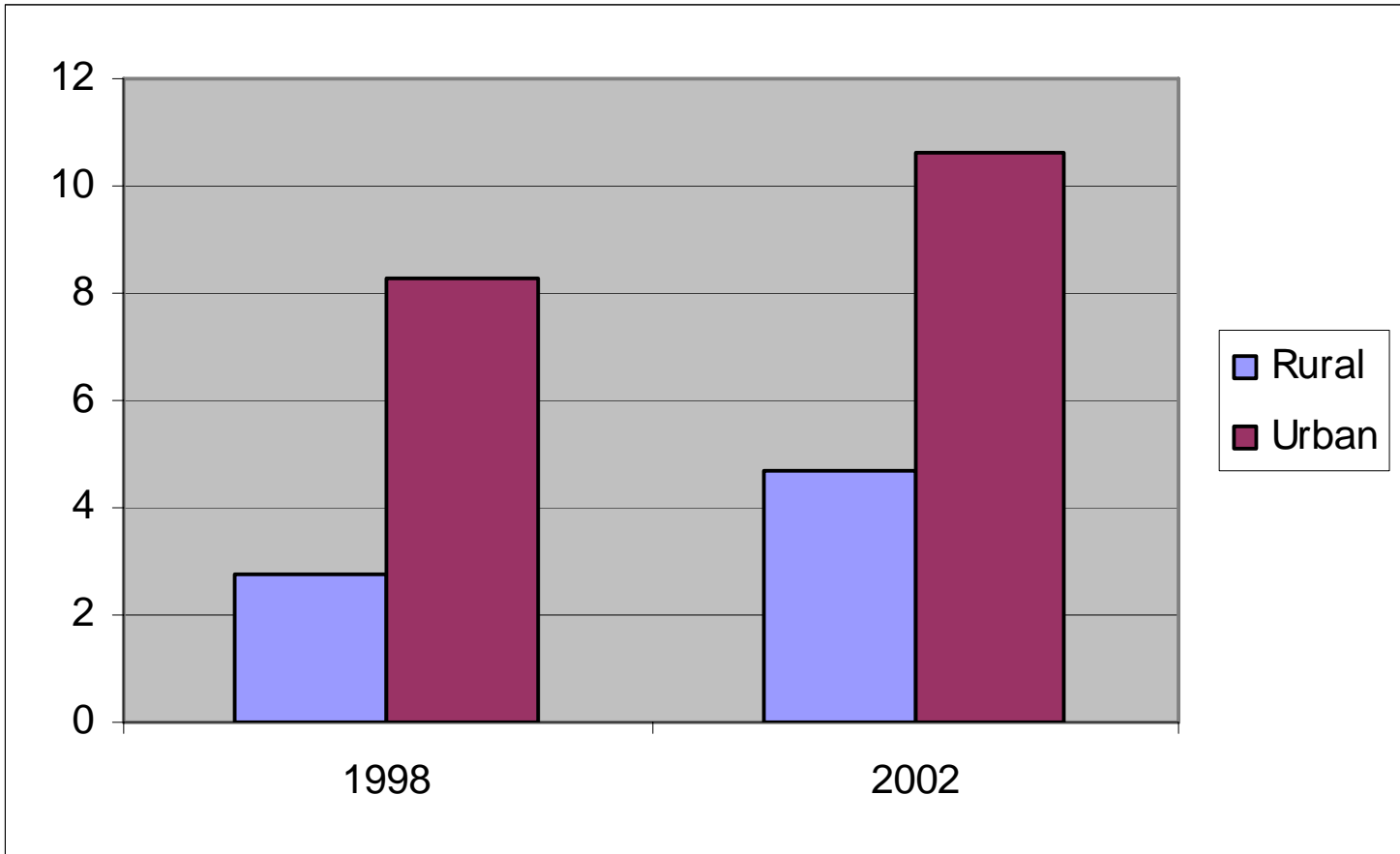
Urbanization and food expenditure



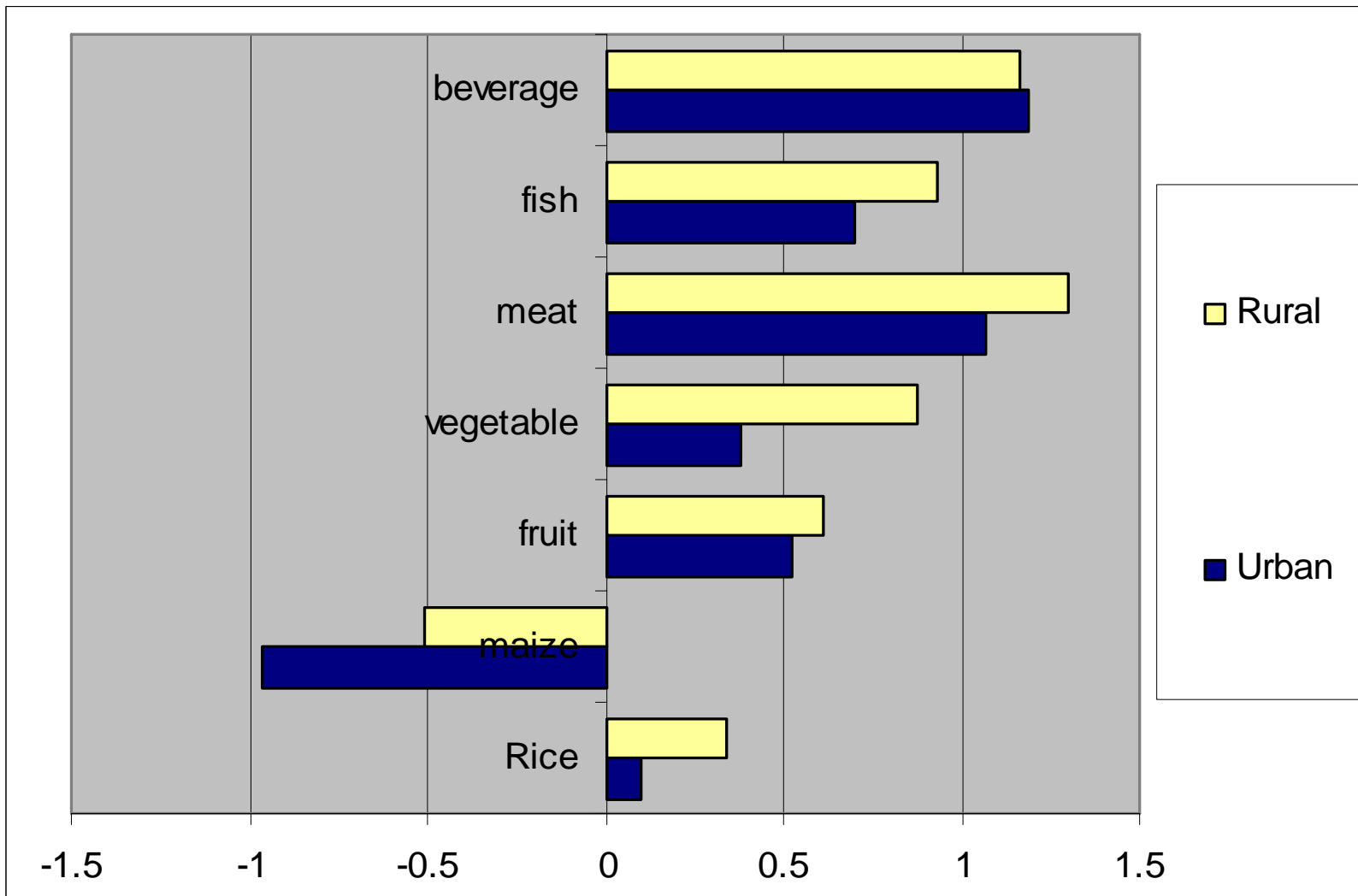
Urbanization and food expenditure



Budget share for eating out of household 1998-2002 (%)



Expenditure elasticity – the increasing pattern toward non-basic food expenditure



Food import (million USD)

