

INVESTMENT REPORT

**VIETNAM'S AGRICULTURE
& FEED INDUSTRY**

9 MONTHS OF 2021

**All data included in the Report has been updated up to September 30th, 2021*

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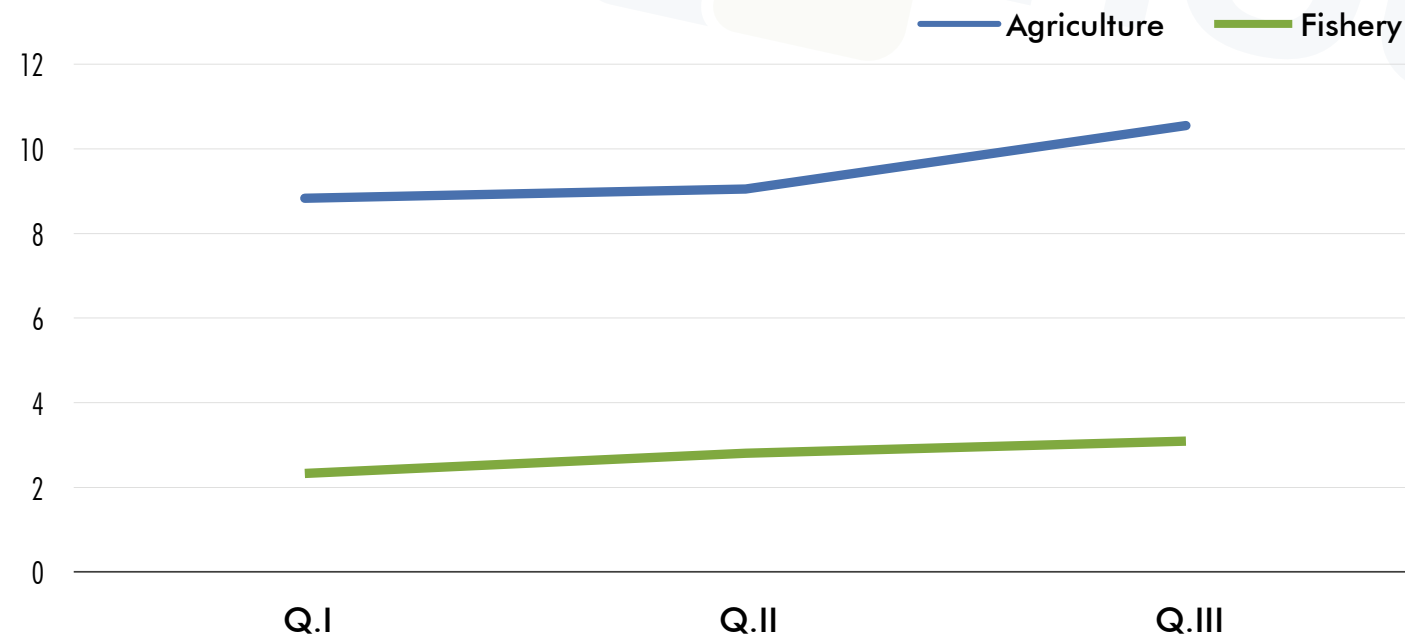
I.
**CURRENT STATUS OF AGRICULTURE
AND FEED INDUSTRY IN VIETNAM**

1.1/ GROSS DOMESTIC PRODUCT (GDP) OF AGRICULTURE AND FISHERY IN 2021

Although Vietnam is currently promoting the development of industry and service sector, the agricultural and fishery sector still plays the role as a pedestal of the economy during the pandemic. The GDP share of Agriculture and Fishery in total GDP of country increased not much but steadily through the first 03 Quarters of 2021.

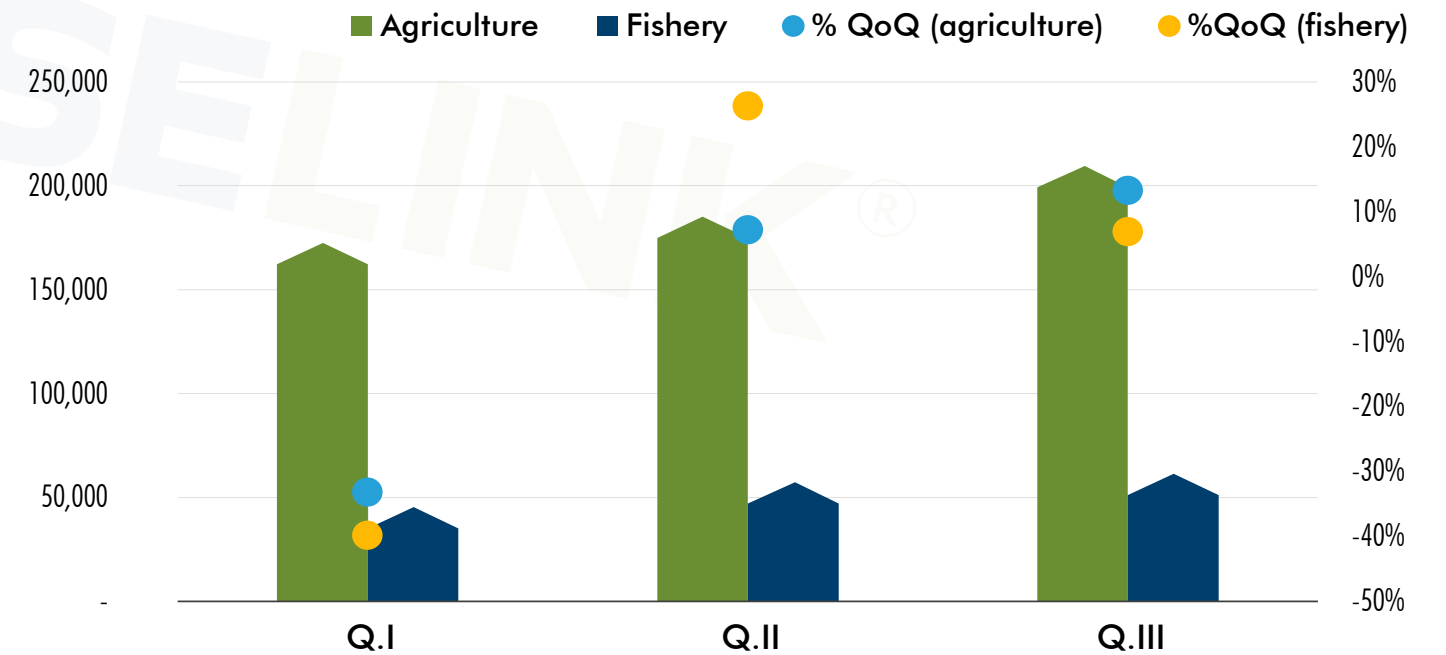
The GDP of Agricultural and Fishery sector decreased in Q.I of 2021. But in Q.II these two sectors improved and increased 7% and 26% accordingly compared with Q.I. In Q.III, this was the most serious period because of Covid-19 pandemic, however the numbers recorded by these two sectors were still positive. Especially in 9 months of 2021, the agricultural and fishery sectors increased 34% and 23% compared with same period of 2020.

GDP SHARE IN TOTAL GDP (UNIT: %)



Source: GSO, HOUSELINK

GDP VALUE (BILLION DONG)



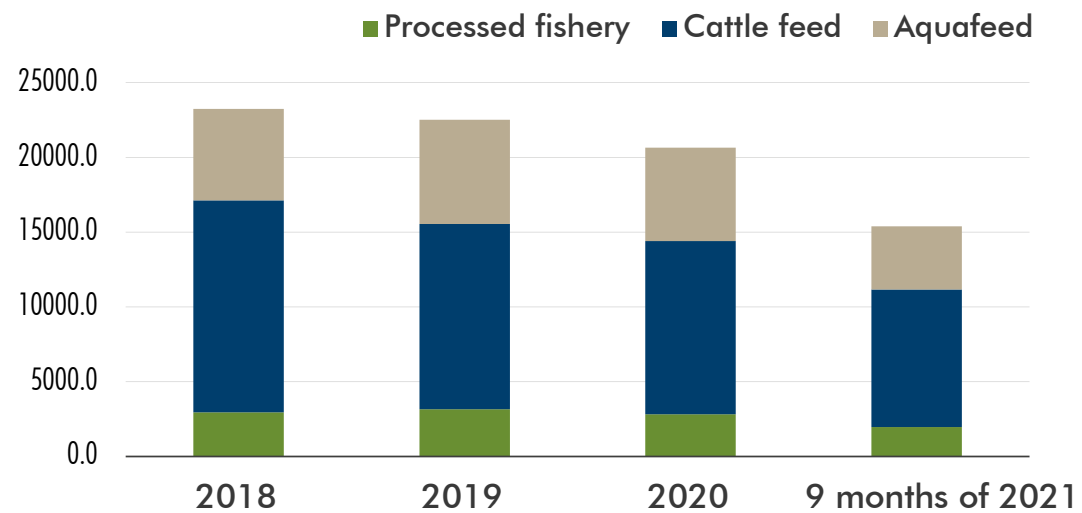
Source: GSO, HOUSELINK

1.2/ PRODUCTION CAPACITY OF SOME INDUSTRIAL PRODUCTS IN THE FISHERY AND ANIMAL FEED INDUSTRIES

The volume of processed fishery, cattle feed and aquafeed decreased in 2019 and 2020. In 2019, the agriculture and feed industry had to deal with many diseases for livestock and seafood and it caused the production shrinkage, in 2020, the Covid-19 pandemic began to impact complicatedly in many countries around the world, in which there are suppliers of animal feed ingredients to Vietnam such as the US, EU, etc., which caused negative impact on production and trade.

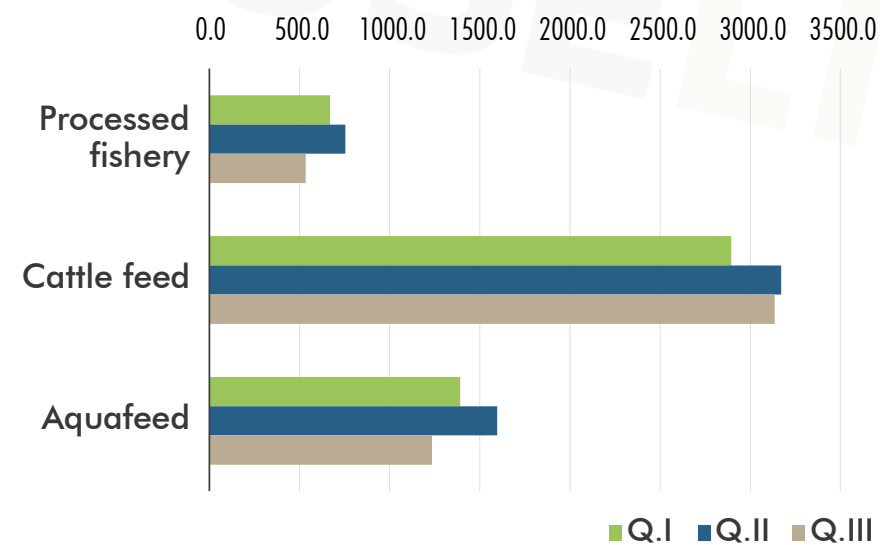
In 2021, the production quantity of processed fishery, cattle feed and aquafeed increased largest in Q.II. But in Q.III. due to Covid-19 impacts, the production quantity and also the growth rate of processed fishery and aquafeed decreased compared with same period of last year (decreased 31.2% and 25.5% accordingly). There are many reasons caused this fact. The increase of imported material price is defined as one of main reason. In Vietnam, the animal feed production sector must import 70-85% material from other countries. Therefore, the world price of raw materials greatly affects the production of animal feed.

QUANTITY OF SOME INDUSTRIAL PRODUCT OF PROCESSED FISHERY & FEED (THOUSAND TONS)

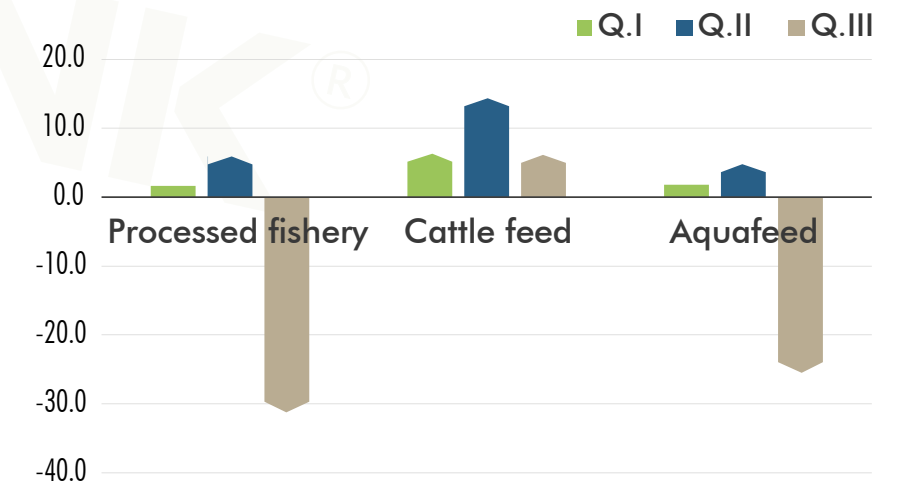


Source: GSO, HOUSELINK

THE QUANTITY IN Q.III OF 2021 DECREASED



GROWTH RATE OF PRODUCTS IN 2021 COMPARED WITH SAME PERIOD OF LAST YEAR



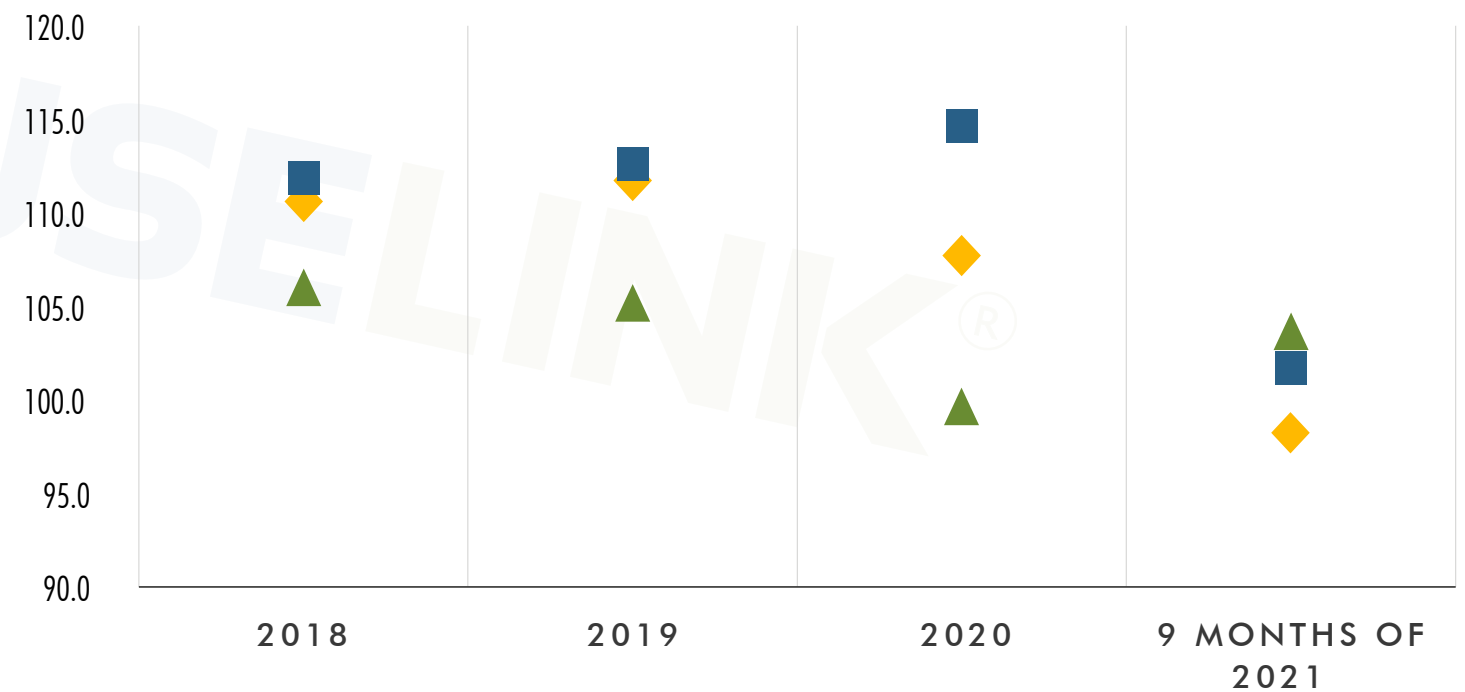
Source: GSO, HOUSELINK

1.3/ INDEX OF INDUSTRIAL PRODUCTION (IIP)

Some industrial products of agriculture and feed sectors are: Processing and preserving aquatic products, processing and preserving vegetables, producing cattle, poultry and aquatic feed. The IIP rate of these three products increased steadily in 2018 and in 2019. In 2020, the IIP rate of processing and preserving aquatic products and processing and preserving vegetables still maintain the increase, but the one of producing cattle, poultry and aquatic feed decreased a little. In 9 months of 2021, we can see that the IIP rate increased but with a very small rate, especially the one of processing and preserving aquatic products decreased 1.7% compared with same period of 2020. The Covid-19 impacted the operation and production of factories, but as our above analysis on the growth rate of products, the increase of raw materials and some others factors as: the supply of raw material for production was interrupted, the lack of capital, demand for feed consumption decreased and the competition among enterprises in the industry, etc were the reasons for the slowdown of the IIP rate in Q.III.

IIP RATE (UNIT: %)

- Processing and preserving vegetables
- ▲ Producing cattle, poultry and aquatic feed
- ◆ Processing and preserving aquatic products

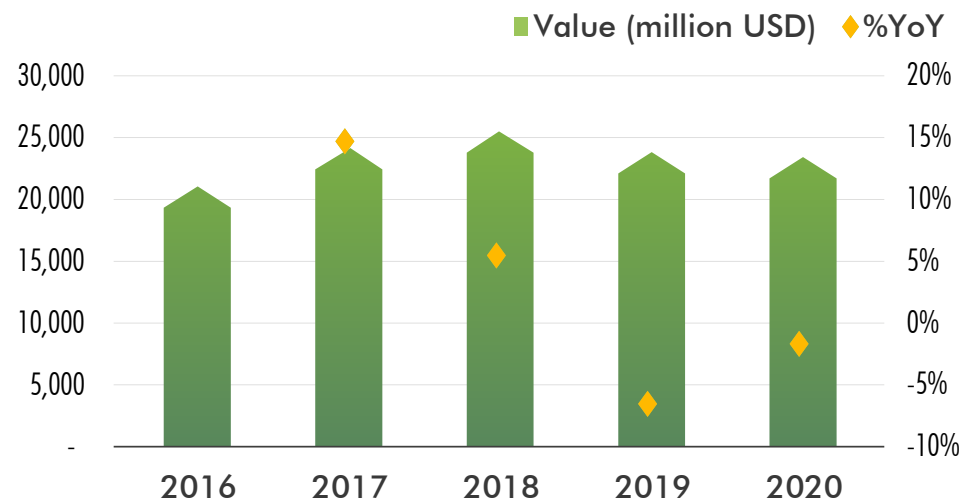


Source: GSO, HOUSELINK

1.4/ EXPORTATION AND IMPORTATION

The exportation of aquatic products, agricultural products and animal feed increased continuously from 2016 to 2018. However in 2019 and in 2020, the exportation values decreased a little due to impacts of cattle disease and covid-19 pandemic.

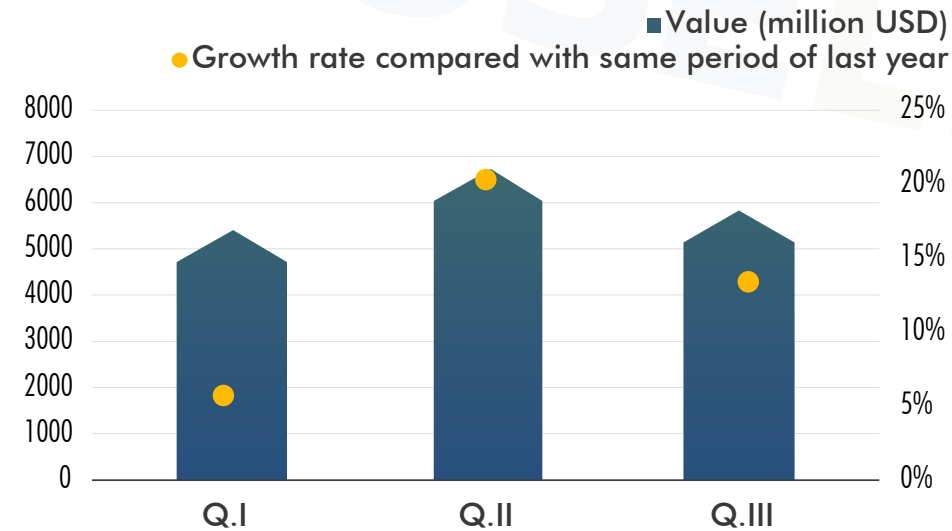
EXPORTATION VALUE (AQUATIC PRODUCTS, AGRICULTURAL PRODUCTS, ANIMAL FEED)



Source: GSO, HOUSELINK

In 2021, the exportation value increased much in Q.II with 20% of growth rate, however in Q.III the exportation value decreased 13% compared with Q.II but it was still bigger than the number in Q.I.

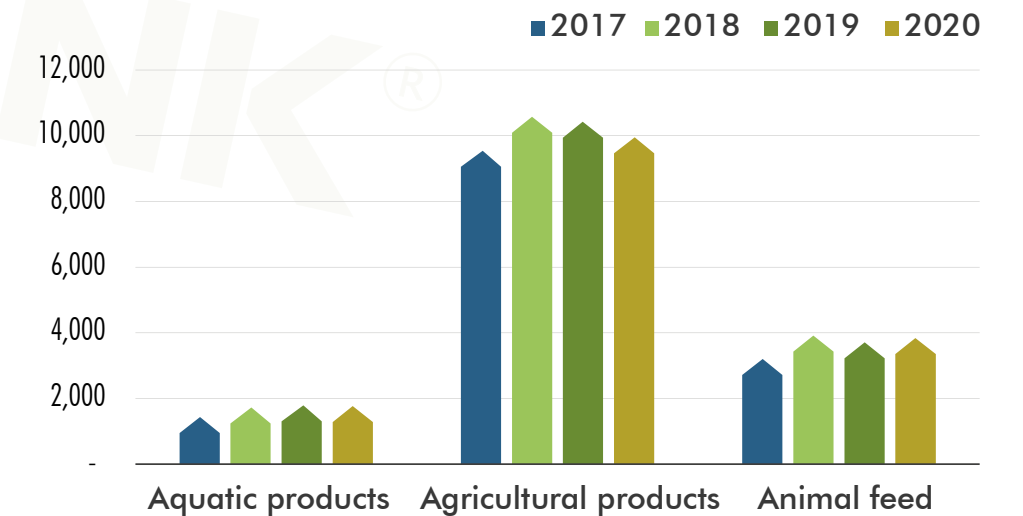
EXPORTATION VALUE IN 2021 (AQUATIC PRODUCTS, AGRICULTURAL PRODUCTS)



Source: GSO, HOUSELINK

The importation in 2020 decreased in aquatic products and agricultural products but with a very small figure (-1% and -4% accordingly). The importation of animal feed increased 3% compared with 2019. The agricultural products included milk and processed products from milk, vegetable, wheat, corn recorded the biggest importation value within three products type.

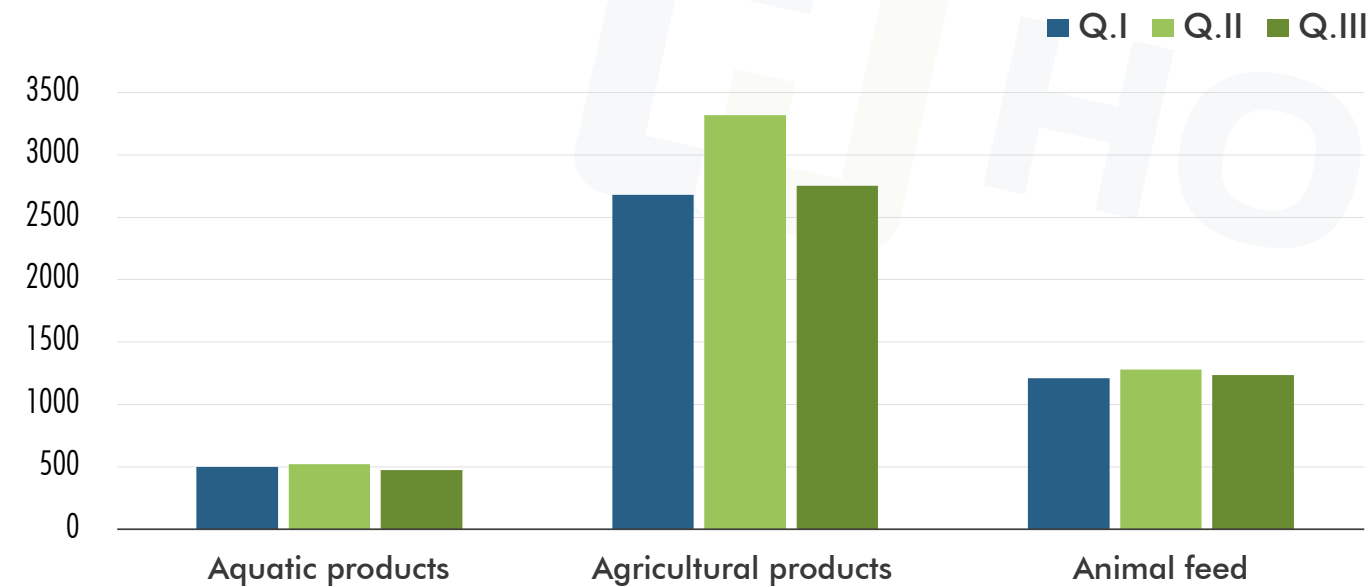
IMPORTATION IN 2020 DECREASED SLIGHTLY



Source: GSO, HOUSELINK

In 2021, the importation value increased largest in Q.II. In Q.III the importation value decreased a little but it was still higher than the ones in Q.I.

IMPORTATION VALUE IN 2021 (MILLION USD)



Source: GSO, HOUSELINK

Balance of trade: FISHERY PRODUCTS, AGRICULTURAL PRODUCTS, ANIMAL FEED

Unit: million USD	2020	2021
Importation	9,745	13,973
Exportation	16,758	17,963
Balance of trade	7,013	3,990

In 9 months of 2021, if we calculate separately these products: fishery products, agricultural products and animal feed, Vietnam achieved trade surplus. However, the surplus value in 9 months of 2021 is much lower than in 2020 due to bigger importation value, especially in agricultural products.



II. INVESTMENT OF AGRICULTURE & FEED PROJECTS IN VIETNAM

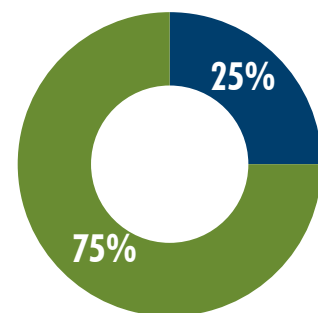
2.1/ THE FDI PROJECTS HAVE BEEN LICENSED IN 9 MONTHS OF 2021

In this report, we focus on new licensed projects with total registered capital of more than 2 million USD (equivalent to 46 billion Dong). The agriculture and feed projects located mainly in the South with more than 75% of project quantity, and 25% in the Central. Most of projects are ten of million USD in scale. There are no projects in the North in the first 9 months of this year. The South has favorable climate conditions, the average annual temperature is about 27°C, the terrain is flat, especially the Mekong Delta is mainly alluvial soil, the population is large, all is very suitable conditions for agricultural and fishery development. industry and fisheries. In the Central with the focus on investment in irrigation and infrastructure projects in the agricultural sector, it greatly contributes to the restructuring of central agriculture towards sustainability. In the North with high mountainous terrain, there is less area than other regions for agricultural development. However, the government is trying to promote the development of agricultural projects in the mountainous provinces, creating favorable conditions for the North to attract more attention from investors in this field.

The numbers of agriculture and feed FDI projects in 9 months of 2021 was not much. Vietnam recorded the largest number of registered projects and total registered capital in the Q.2. But then it decreased in the Q.3 due to the strong impact of the Covid-19 epidemic on production and business, especially human resource issues in the recent Covid-19 outbreak. Most of projects are invested by partners from Singapore, Thailand.

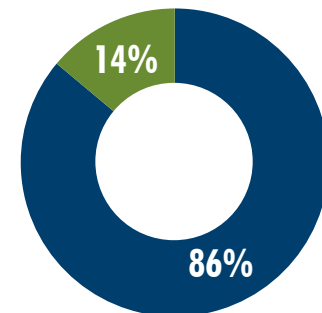
FDI PROJECTS PER REGION BY QUANTITY

■ Central ■ South



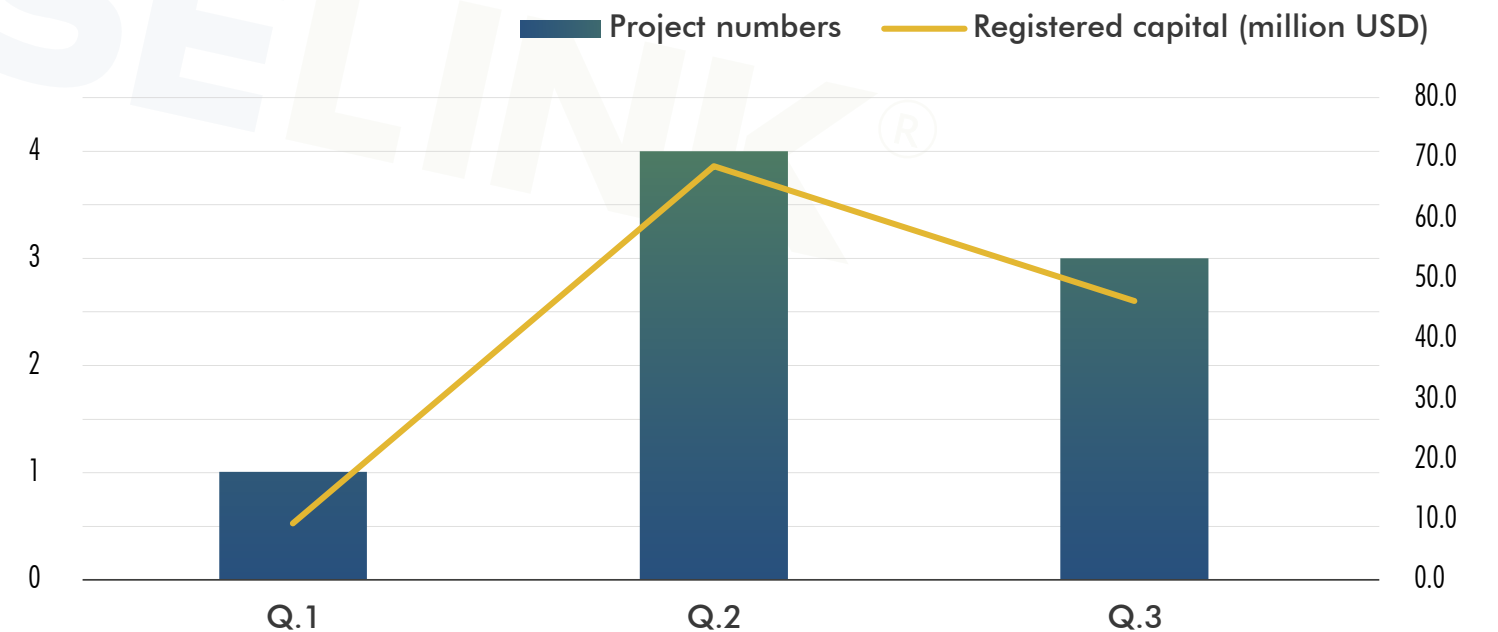
FDI PROJECTS PER REGION BY REGISTERED CAPITAL (MILLION USD)

■ Central ■ South



Source: HOUSELINK

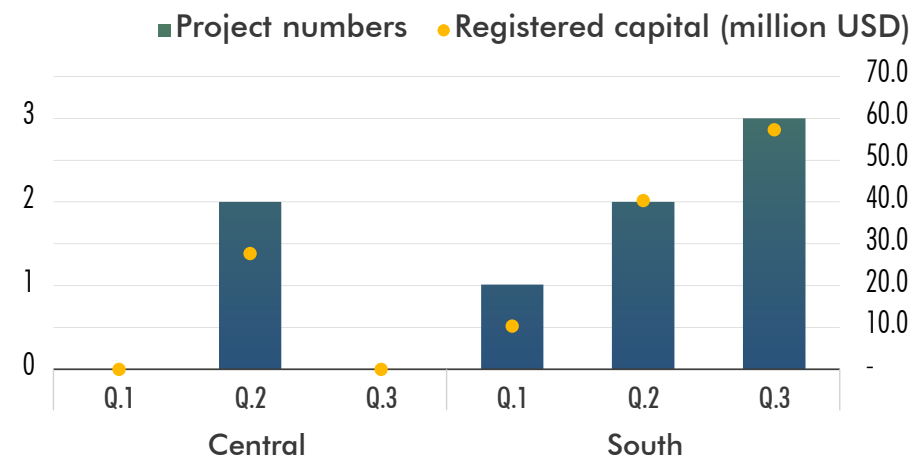
REGISTERED PROJECTS IN THE FIRST THREE QUARTERS OF 2021



Source: HOUSELINK

This below chart shows more details about the project's numbers and registered capital amount of each region in each quarter, we can see that, although the total number of new licensed projects in the second quarter of the whole country was the highest in the three quarters, but in the South, the number of new licensed projects in the third quarter increased significantly compared to the other two quarters. In the Central region, only newly registered projects were recorded in the second quarter.

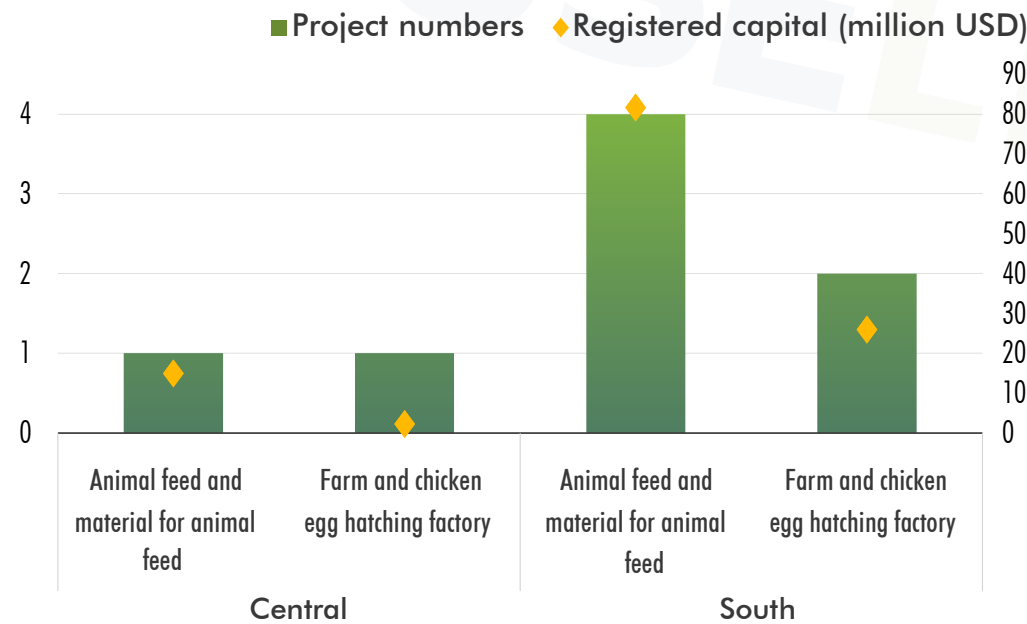
THE FDI REGISTERED PROJECTS PER REGION BY THE QUARTERS



Source: HOUSELINK

Among the new FDI licensed projects in agriculture and feed sector, the animal feed and materials for animal feed plants accounted for the major share. This is completely consistent with the current situation that the agriculture and animal feed industry in Vietnam is facing a great challenge in terms of animal feed and feed ingredients when most of the animal feed of Vietnam still have to be imported from abroad. The promotion of investment attraction in this field in the future will help Vietnam's agriculture and animal feed industry solve the problem of production costs and supply chains, helping other activities in the agriculture and animal feed sector as cultivation and processing develop more synchronously.

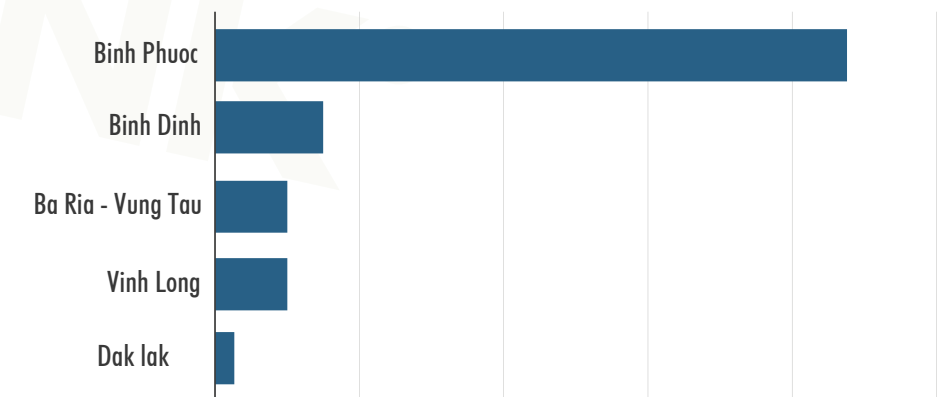
ANIMAL FEED PROJECTS WERE INVESTED MORE



Source: HOUSELINK

Among new licensed projects in the first 9 months of 2021, most of big registered capital value projects located in Binh Phuoc Province, followed by Binh Dinh and Ba Ria-Vung Tau province. Vinh Long and Khanh Hoa were also in top of provinces attracting a lot of investment in agriculture and feed industry in Vietnam.

TOP 5 PROVINCES BY REGISTERED CAPITAL IN 9 MONTHS OF 2021 (FDI PROJECTS)



Source: HOUSELINK

2.2/ TOP 5 NEW LICENSED SIGNIFICANT PROJECTS IN 9 MONTHS OF 2021

Number. Name of project

1	<u>CPV FEEDMILL FACTORY</u>
2	<u>THAI VIET FEED FACTORY</u>
3	<u>HAI LONG BINH DINH FEEDMILL FACTORY – 2 PHASES</u>
4	<u>JAPFA PIG FARM EXPANSION</u>
5	<u>CPV INCUBATOR FACTORY</u>



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2.3/ PROJECTS ARE PLANT TO BE FORMED IN THE FUTURE

In this part we focus on analyzing the agricultural and feed projects including DDI and FDI projects that under preparation, design, and main contractor selection phases. All projects are synthesized verified by HOUSELINK.

a. The increasing number of expansion projects

HOUSELINK data shows that at the end of September 2021, in term of total investment capital, the expansion project is quite small compared to the new construction projects. However, the number and land area of expansion projects is much bigger than the new construction projects. This shows that more and more investors tend to expand production, but the scale is not too large. In addition, new construction projects are smaller in number, but the investment capital scale reach great number. It can be seen that the trend of new investment in large-scale projects is still going on in the Vietnam market.

THE EXPANSION PROJECTS HAVE MODEST SCALE COMPARED TO NEWLY CONSTRUCTED ONES

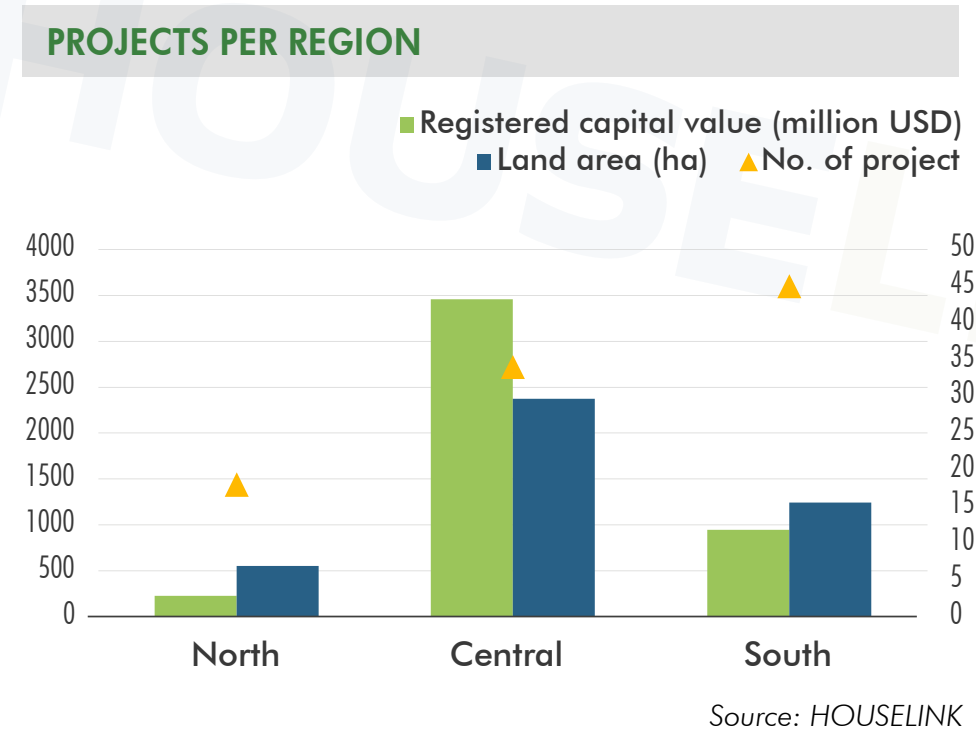


Source: HOUSELINK

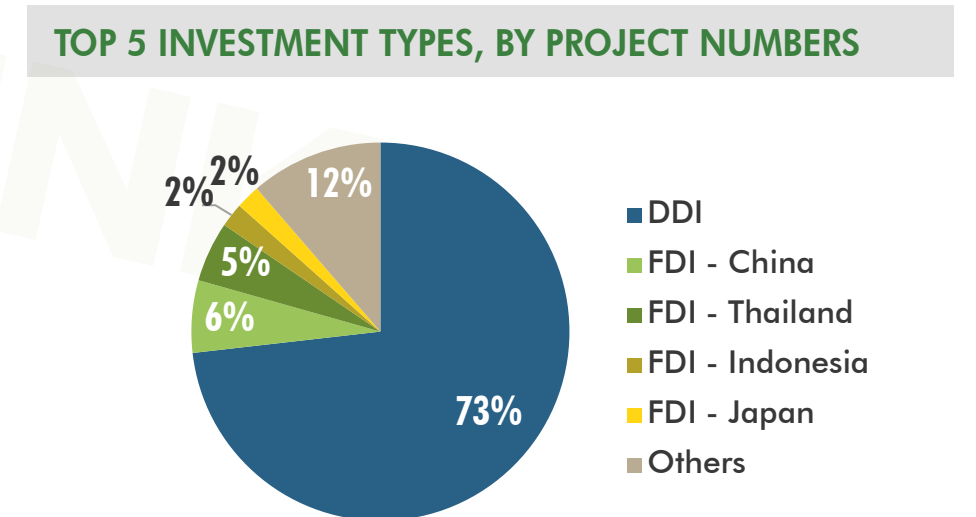
b. The central region tends to develop large-scale projects

The agriculture and feed projects located mainly in the South where have highest project numbers. However, the project scale in the Central is biggest compared to other regions, both in term of registered capital value and land area. According to our observations, now the central region is an ideal destination for large-scale projects including expansion or new construction ones due to the advantage of large agricultural land area, not being torn apart, and the number of employees in the agricultural industry accounts for a large proportion, suitable for investors to deploy projects in a stable and sustainable manner. With many favorable natural conditions for agricultural development, it is not difficult to understand that the South attracts many agricultural projects. However, most of these projects are small and medium-scale and are mainly expansion of existing projects. The southern market is very developed with other types of processing and manufacturing industry, so the land fund for agricultural and animal feed projects is often not concentrated and divided. In the North are mainly small-scale projects, with a much smaller

number of projects than in the central and southern regions due to the high mountainous terrain. But with the orientation of agricultural development especially hi-tech agriculture in the mountains of the government and local authorities, the North region is expected to attract investment in the future.

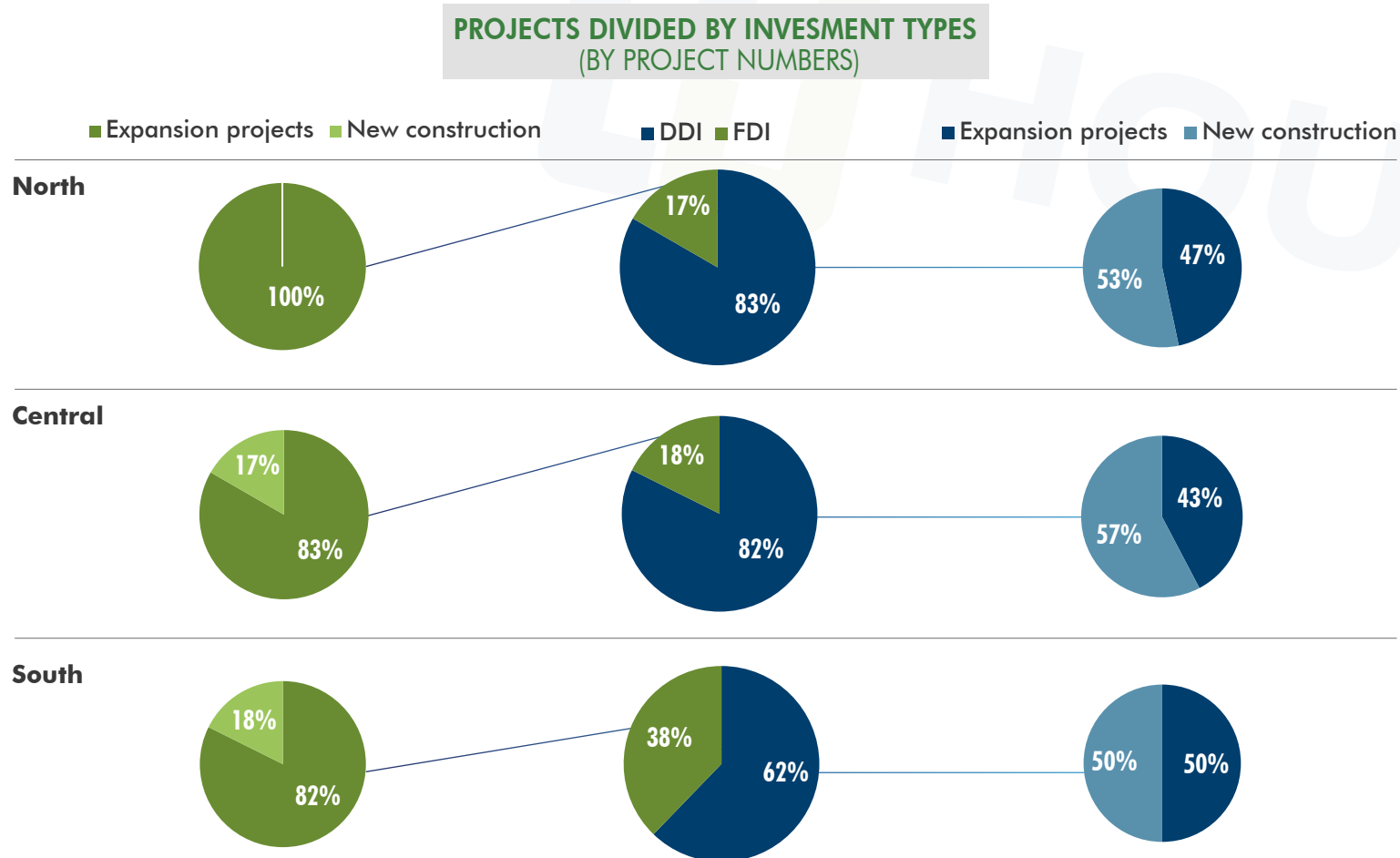


According to HOUSELINK’s data, the Domestic Direct Investment capital (DDI) is the main source of development investment capital in the near future with more than 73% share. It is clear that Vietnam needs to have appropriate measures to attract more FDI projects in this pillar industry of economy to diversify the investment capital and create the chance to explore newer high-technologies in the world.



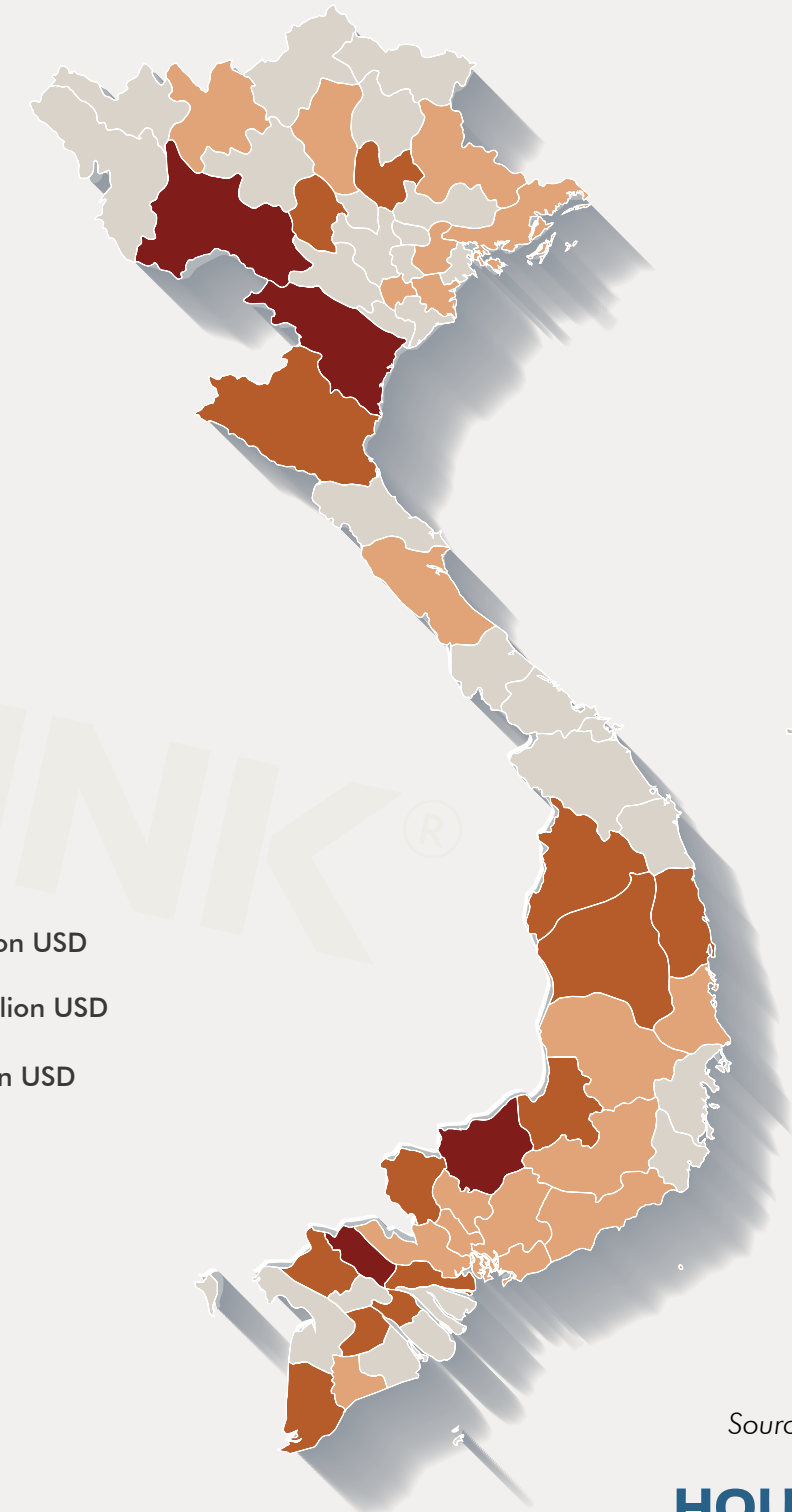
c. Most of FDI projects in each region is expansion projects

As our analysis based on HOUSELINK's data, most of FDI projects in each region is expansion projects. Very small project's share in each region is new construction. Vietnam has not attracted new investors come to execute their projects in this sector. However, for the existing FDI projects, the business is till good and they have plan to expanded their work more. And in 9 months of 2021, one of significant FDI project as new construction is AVG feed plant (3 phases) with total investment capital is about 1.4 billion USD. Thanh Hoa's People Committee has just signed a Memorandum of Understanding for this complex project at the beginning of this year. It helps Vietnam have more experience in attracting more large-scale projects like this.



Source: HOUSELINK

d. Project map



Source: HOUSELINK

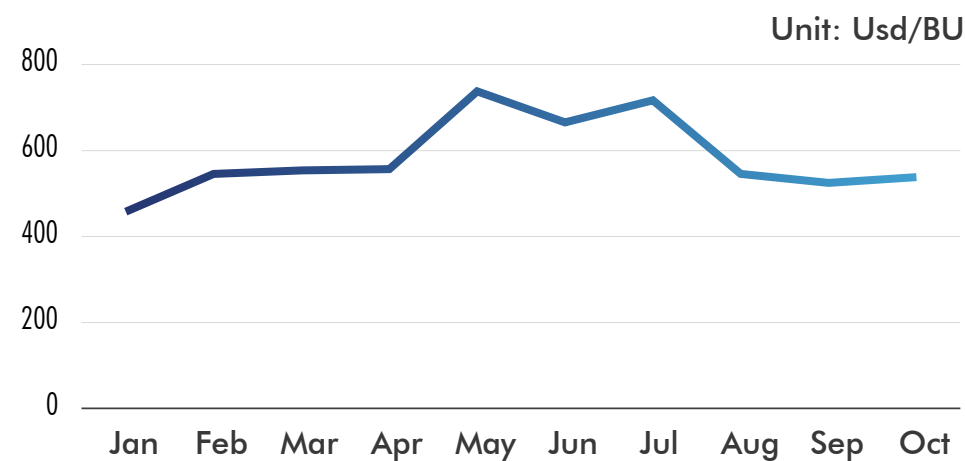


**III.
POTENTIAL FOR INVESTMENT
AND DEVELOPMENT OF AGRICULTURE
AND FEED PROJECTS IN VIETNAM**

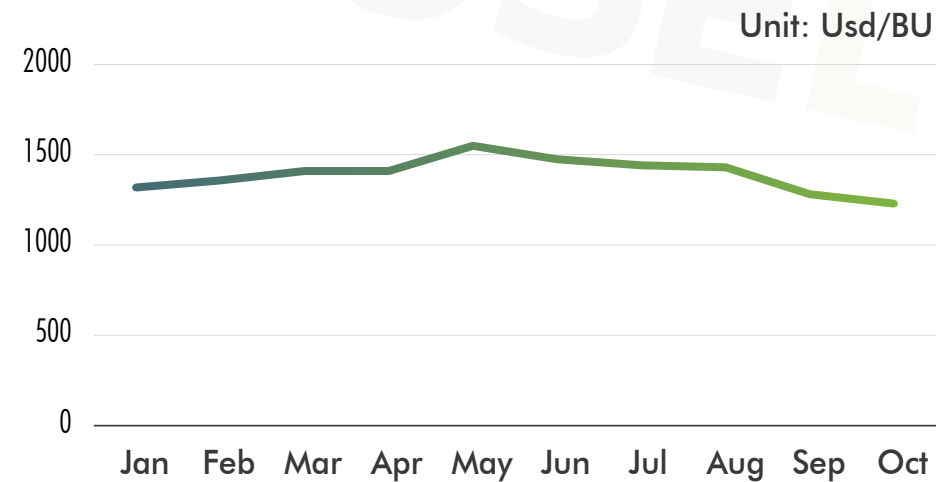
3.1/ INPUT MATERIAL

The issue of input materials is always a serious issue in the agriculture and feed industry. Since 2020, when the Covid-19 outbreak began in the world, the disruption of the supply chain as well as the decrease of key raw materials production capacity in the industry such as corn, soybeans, and wheat has pushed up the prices of these products. Especially in 2021, the price of raw materials reached a record increase rate in the second quarter. While the export prices of products in this industry are difficult to be increased due to high competition. However, Vietnam recorded a good signal that by the time of the third quarter, the price of raw materials had a downward trend. At the same time, Vietnam is trying to maintain production promotion, minimize the use of social distancing measures to avoid too much impact on the economy, and the Government is implementing a policy to support import prices of raw materials logistic fees. It is expected that the cost of raw materials will continue to decrease in the near future. However, in the situation of being too dependent on imported raw materials, Vietnam needs to promote the proactive supply of these materials to minimize production costs. And it will also help Vietnam attract more animal feed and feed ingredients projects.

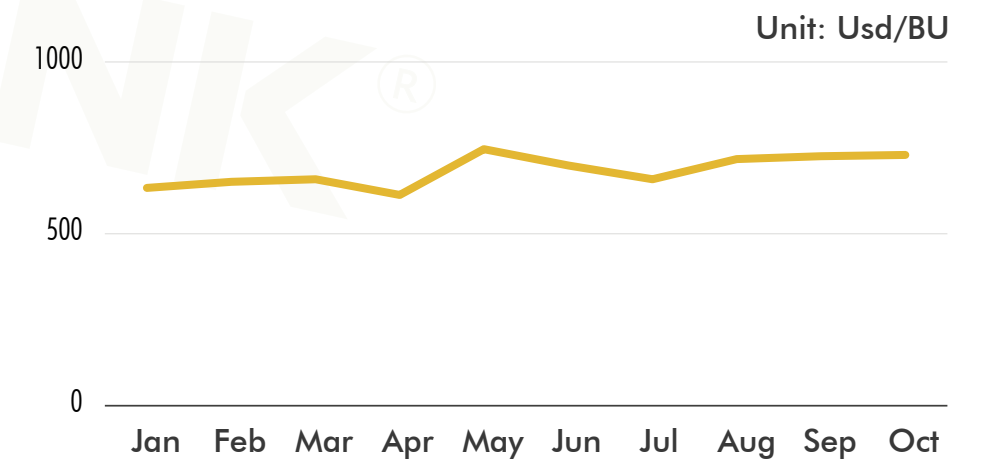
WORLD CORN PRICE IN 2021



WORLD SOYBEAN PRICE



WORLD WHEAT PRICE IN 2021

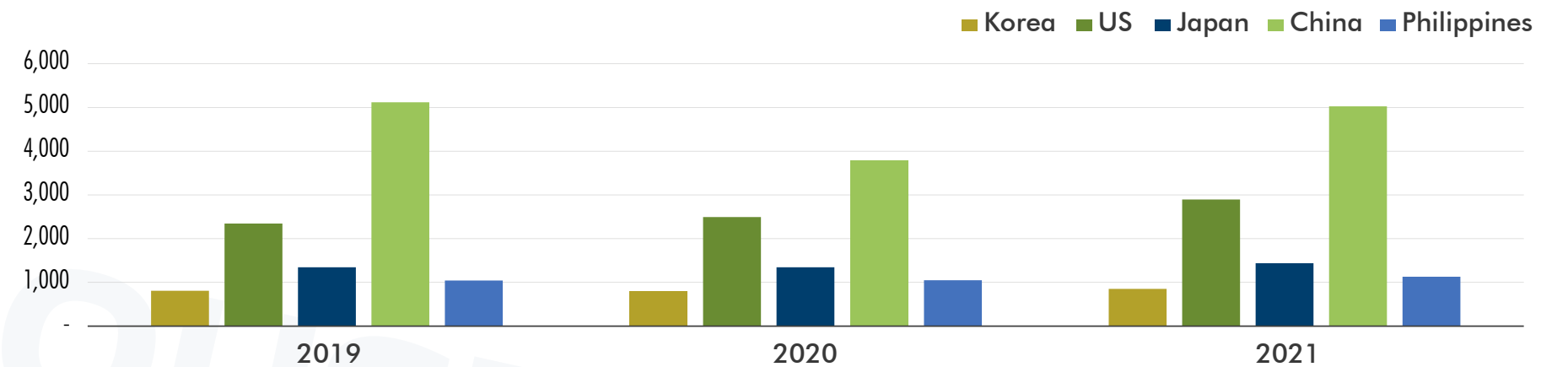


Source: Trading economics, HOUSELINK

3.2/ EXPORTATION MARKET

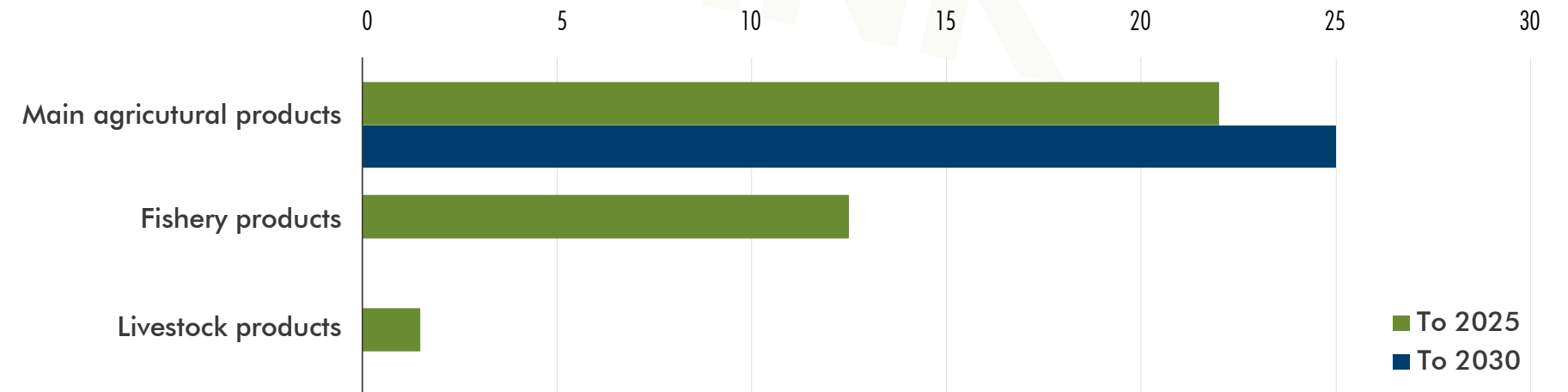
Some key exportation market of Vietnam in agricultural and feed sectors are: US, Korea, China, Japan, Philippines. In which, China is the biggest exportation market. In 2020, although the export value of agricultural, fishery products and animal feed to China and Korea markets decreased compared to 2019 because these countries had a long time to apply strict measures to prevent the Covid-19 epidemic, but in 9 months of 2021, not only the export value in all major markets increased, but also Vietnam recorded a higher export value than in 2019 (time before the epidemic). Countries in the world get used to a 'new normal' after COVID-19 limitation with anti-epidemic efforts such as vaccination campaign which is being carried out rapidly, Vietnam is making efforts to both prevent the epidemic and support, promote the business development. The agriculture and feed industry is expected to still have the ability to develop further in the fourth quarter of this year and in 2022, but the expected numbers won't be very high.

EXPORTATION TO SOME KEY MARKETS (MILLION USD) PERIOD: FIRST 9 MONTHS



Source: GSO, HOUSELINK

EXPORTATION TARGETS TO 2025 AND 2030 (BILLION USD)



Source: Vietnam News Agency, HOUSELINK

3.3/ HIGH-TECHNOLOGY APPLICATION AND GOVERNMENT SUPPORT PROGRAMS

Currently, Vietnam is promoting the development of organic farming and applying high standards for product output like VIETGAP and IOT solution application. MARD (Ministry of Agriculture and Rural Development) as well as other authorities have also guided and trained the farmer and people for both high productivity and export quality assurance purpose, all these things help the agricultural feed industry in Vietnam promises to develop more in the future. However, this work requires a lot of time and the combination of many Ministries, authorities as well as individuals and business, it is hard to achieve the completely development in agricultural and feed industry in a short time of 1-5 years, but in a longer term, it is completely achievable.

TECHNOLOGICAL TRENDS IN DIGITAL AGRICULTURE



THE CONTRIBUTION OF HIGH TECHNOLOGY IN AGRICULTURAL PRODUCTION AND ANIMAL FEED

>30% *added value in agricultural production*

38% *in the production of plant and animal varieties*

94% *The coverage of mechanization at the tillage stage for annual crops (rice, sugarcane, corn, vegetables)*

POLICIES TO SUPPORT BUSINESS IN THE AGRICULTURE AND FEED SECTOR

Support the input costs and machinery

Promote the digital technology

Regulate market prices

Support electricity bill, specialized inspection fee, shipping fee

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