HOUSELINK®
Grow Business Effectively

INVESTMENT REPORT

VIETNAM'S FOOD & BEVERAGE INDUSTRY

10 MONTHS OF 2021

**All data included in the Report has been updated up to October 31st, 2021*
The projects images were supplied by Peb Steel and NewCC.

Table of Content

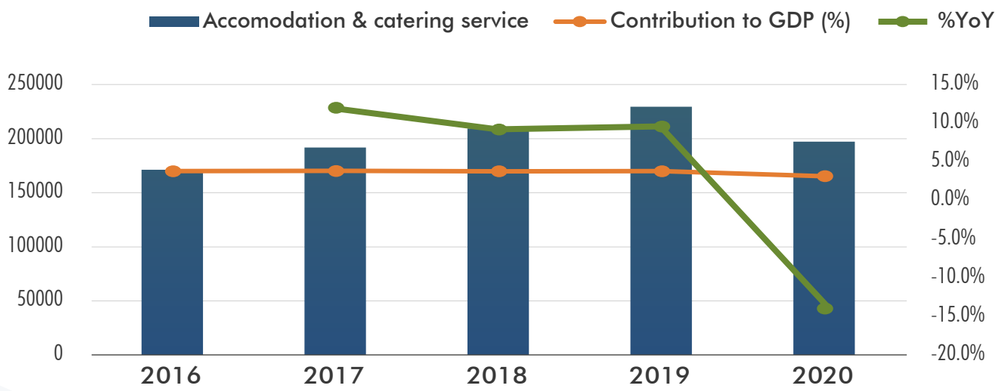
I.
CURRENT STATUS OF FOOD & BEVERAGE INDUSTRY IN VIETNAM

1.1/ GROSS DOMESTIC PRODUCT (GDP) OF ACCOMMODATION & CATERING SERVICE

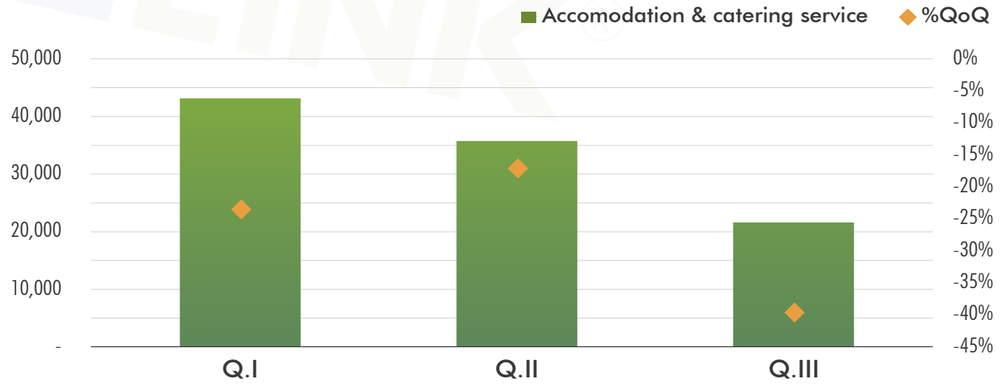
Before 2020, the accommodation & catering industry was continuously growing and was considered to be very potential with the GDP increased figure were around 10% per year. The accommodation & catering service is one of industries which is most affected by the Covid-19 epidemic. The operation of many enterprises in this industry has been facing many problems. This is clearly shown in the chart below, the GDP recorded by this industry in 2020 is significantly reduced compared to previous years (-14% compared to 2019).

In 2021, the situation of the industry has not been improved yet, it has been seriously affected by the 4th wave of covid-19 with GDP decreased continuously every quarter. Especially in the third quarter, when Covid-19 affected most provinces and cities and the social distancing policy applied to most major cities led to a 40% decrease in Q.III compared to the Q.II. In the total of 9 months of 2021, the industry's GDP decreased by 29% compared to the same period in 2020.

GDP DECREASED SHARPLY IN 2020



GDP VALUE (BILLION DONG) IN 2021



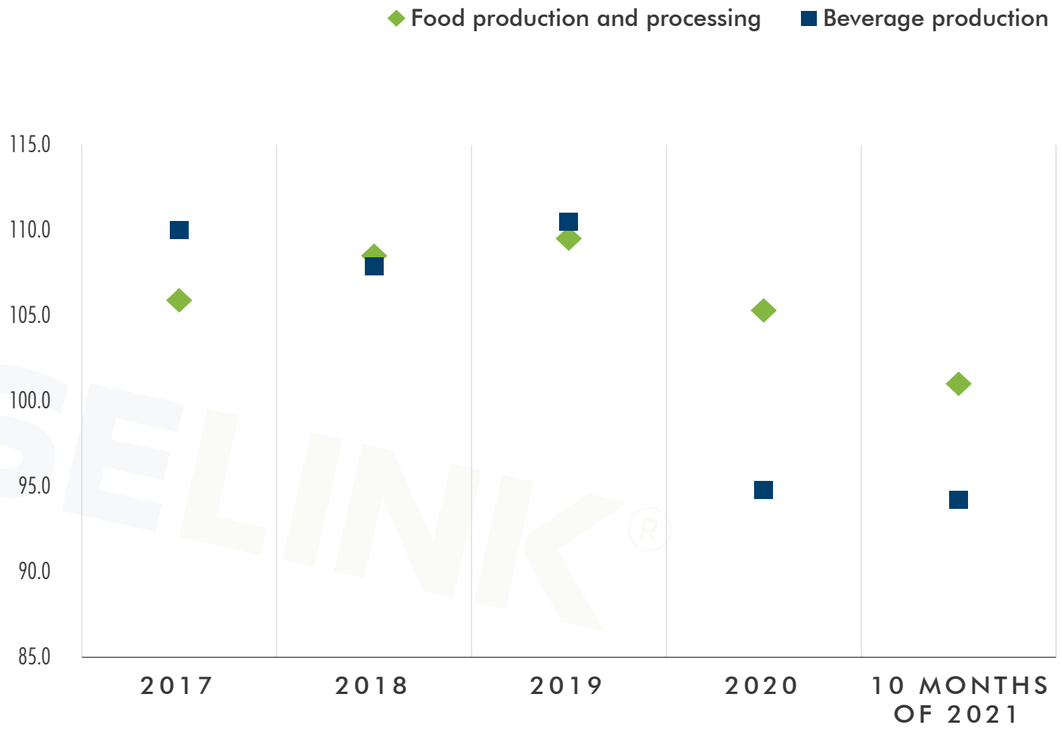
Source: GSO, HOUSELINK

1.2/ INDEX OF INDUSTRIAL PRODUCTION

Although the food and beverage industry were greatly affected by the Covid-19 epidemic, the food production & processing and beverage production still increased in the epidemic years of 2020 and 10 months of 2021. However, we can see that if before the epidemic, the IIP index of Food industry increased by an average of more than 7% per year, in 2020, the IIP index only increased by 5.3% compared to 2019 and in the 10 months of 2021 it only increased by 1.1% compared to the same period in 2020. Although the number is small, it shows that business activities in the industry have gradually become more stable compared to the previous months of 2021 when it was limited by the epidemic.

The Beverage industry could not maintain the same growth rate as the food industry when the IIP index in 2020 and 10 months of 2021 decreased compared to the same period of previous year (-5.2% and -5.8% accordingly).

IIP RATE (COMPARED TO PREVIOUS YEAR) UNIT: %



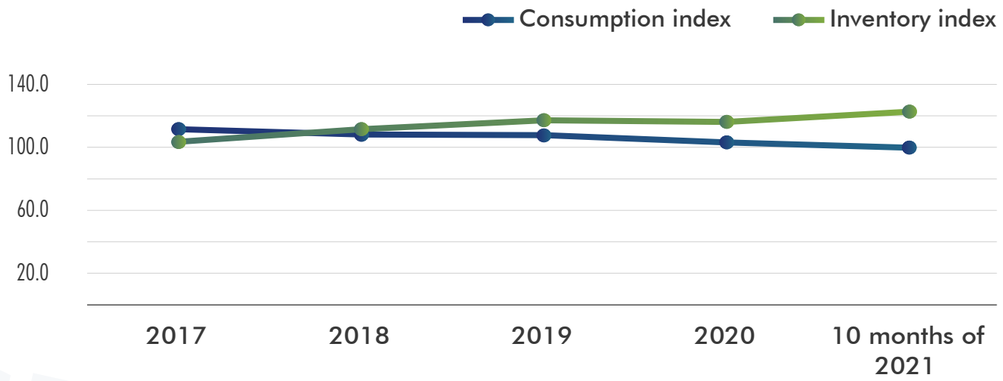
Source: GSO, HOUSELINK

1.3/ CONSUMPTION AND INVENTORY INDEX

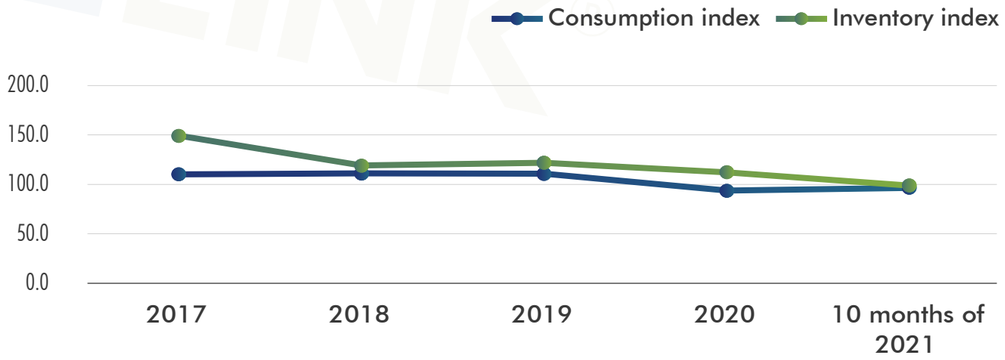
The consumption of food production & processing industry increased year by year. Before 2020, the consumption rate increased by 9% on average. However, in 2020 it increased only 3.17%, much lower than before. And in 10 months of 2021, the consumption index decreased 0.3% compared with same period of 2020 because of many difficulties as: logistic, distance policy affected the production and operation, labor shortage, etc. But in the rest of 2021, the consumption index is expected to increase again when people return to normal life and can buy food easier than before. The inventory index of food in 10 months of 2021 increased 22.7% compared to the same period of 2020, it shows that the production is improved much and the activities in this industry are slowly returning to normal.

In term of beverage production, the consumption index in 2020 and in 10 months of 2021 decreased 6.3% and 3.7% accordingly compared to same period of previous year. In addition to factors affecting the industry such as the food industry as above, The Decree No.100 of Government on restricting the use of beer and alcohol also affect to the consumption of beverage products. The inventory of beverage products in 10 months of 2021 decreased 1% compared to same period of 2020.

CONSUMPTION & INVENTORY INDEX OF FOOD PRODUCTION & PROCESSING



CONSUMPTION & INVENTORY INDEX OF BEVERAGE PRODUCTION

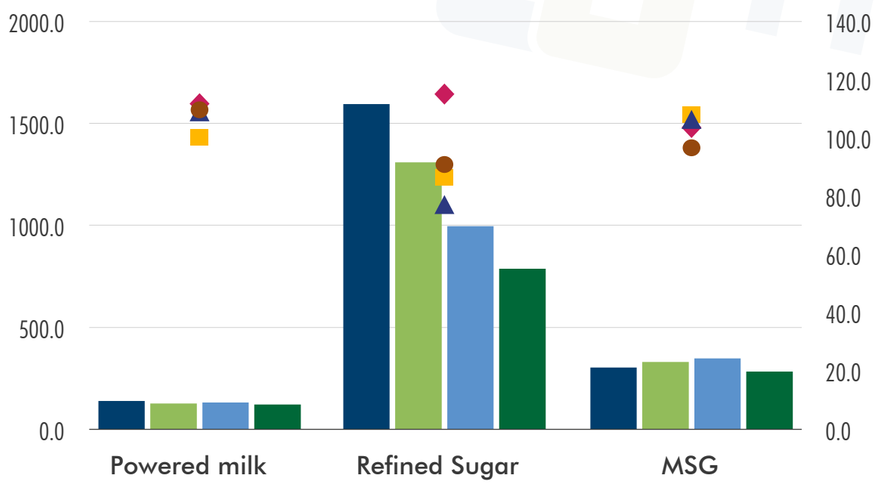


Source: GSO, HOUSELINK

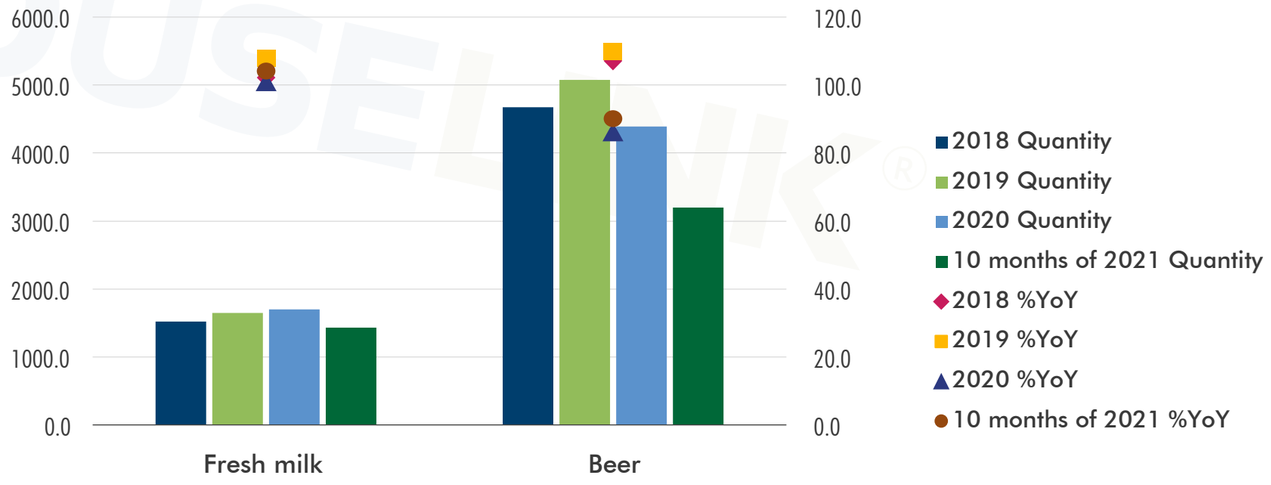
1.4/ PRODUCTION OF SOME KEY INDUSTRIAL PRODUCTS

The Food & Beverage industry includes many types of products. In which fresh milk, powered milk, refined sugar, MSG, beer are key industrial products of the industry. Generally, the quantity of almost products tends to increased slowly, or decreased in 2 years 2020 and 2021. Especially the refined sugar and beer decreased significantly over the years due to the influence of many factors such as weather, epidemics as well as competition with imported sugar when the ASEAN Trade in Goods Agreement (ATIGA) takes effect, the Decree No.100/2019/ND-CP entering into effect has also contributed to the weakness of brewers in Vietnam.

QUANTITY OF SOME INDUSTRIAL PRODUCTS (THOUSAND TONS)



QUANTITY OF SOME INDUSTRIAL PRODUCTS (MILLION LITTERS)

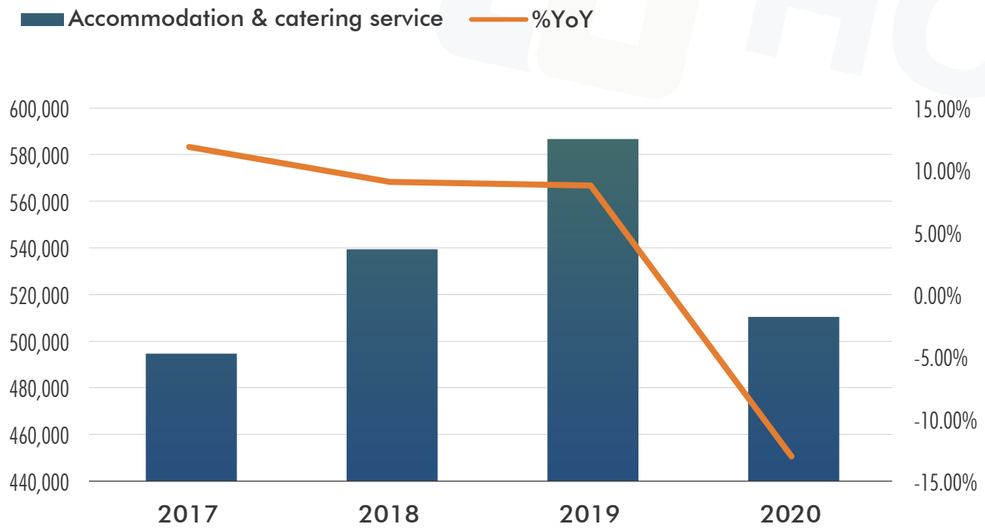


Source: GSO, HOUSELINK

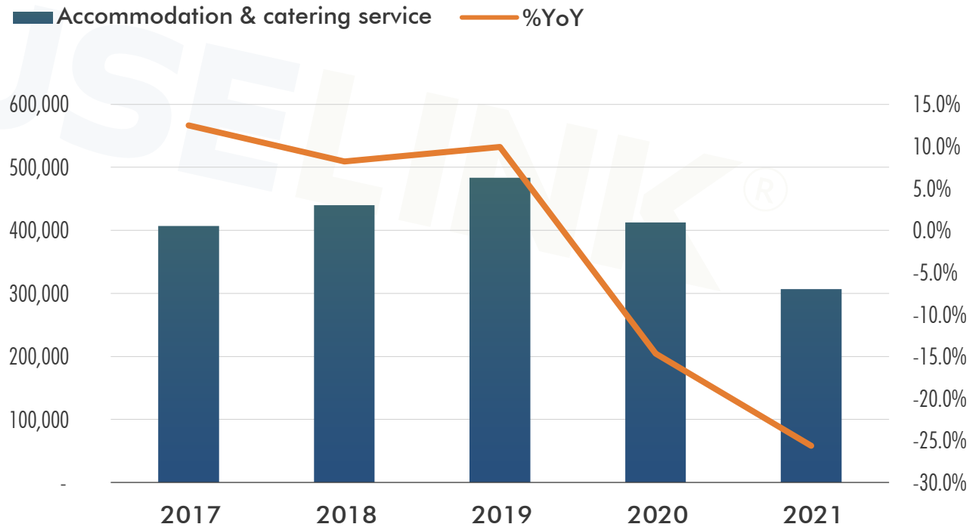
1.5/ TOTAL REVENUE OF FOOD & BEVERAGE SERVICE

The nationwide social distancing campaign during the pandemic has badly affected restaurants, cafes and street vendors. According to General Statistics Office, revenues from accommodation and catering service in the first ten months of 2021 fell 26% YoY to 307,012 billion Dong. In the years before the epidemic, revenue from the accommodation and catering service always maintained a good growth of about 9%-10% per year. The F&B industry is forecast to maintain growth at 6% in period 2021-2025.

REVENUE FROM ACCOMODATION & CATERING SERVICE THROUGH YEARS (UNIT: BILLION DONG)



REVENUE FROM ACCOMODATION & CATERING SERVICE PERIOD: THE FIRST 10 MONTHS OF THE YEAR

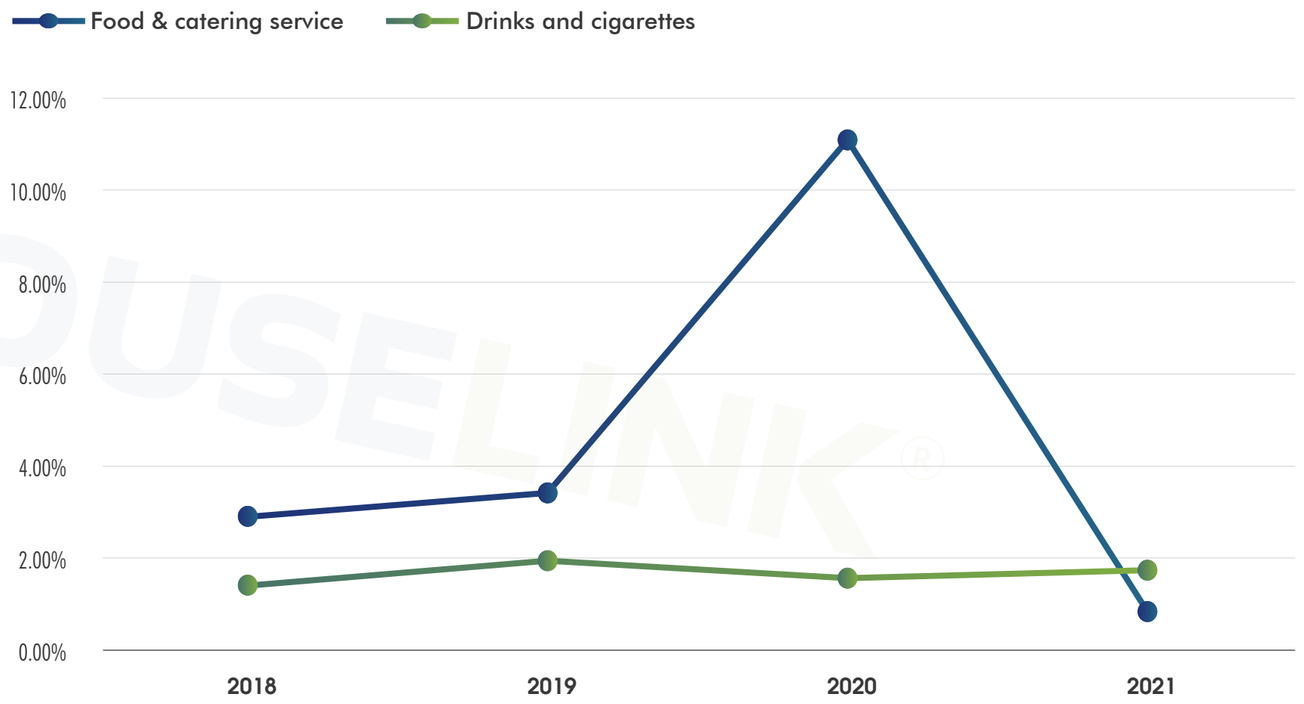


Source: GSO, HOUSELINK

1.6/ CPI

The CPI of the food and catering services increased in 2020 due to supply chain disruptions leading to reduced supply. In 2021, the CPI of both the food and catering service industriy, and the beverage and cigarettes industry will remain stable, although 2021 is the year when the Covid-19 epidemic develops most complicatedly in most provinces in country. In provinces and cities, transportation also faced many difficulties, especially in the 2nd and 3rd quarters due to strict social distancing orders.

CPI IN THE FIRST 10 MONTHS OF EACH YEAR



Source: GSO, HOUSELINK

II.

INVESTMENT OF FOOD & BEVERAGE PROJECTS IN VIETNAM

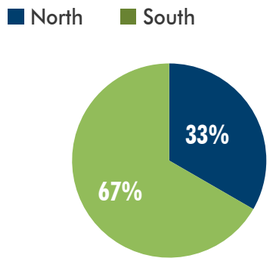
2.1/ FDI PROJECTS HAVE BEEN LICENSED IN 10 MONTHS OF 2021

In this report, we focus on new licensed projects with total registered capital of more than 2 million USD (equivalent to 46 billion Dong). In term of project numbers, 67% new licensed F&B projects located in the South, 33% located in the North. There are no new licensed F&B projects in the Central during the 10 months of 2021. The numbers of new licensed F&B were not much. In term of registered capital, 81% capital was invested in the South and this number in the North was only 19%. The projects which have big registered capital located in the South mainly. Vietnam with advantages on the large number of workers, high domestic demand, and advanced technologies are also gradually being applied in production as well as in procurement, which have helped attract investment from many countries. Especially in the F&B industry, Vietnam is especially attracting capital from Korea. In the first 10 months of the year, there are more investment projects from Germany, Singapore and Thailand.

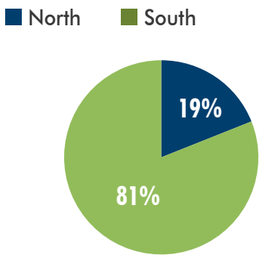
The new licensed projects in Q.1 & Q.3 are lowest because of Covid-19 epidemic situation leads to anxiety of investors. In Q.2 the number of projects increased with big registered capital. A good sign is that in the first month of Q.4, the number of projects increased again. And a higher number in Q.4 of this year is totally achievable. If we look more in details, in the North there are projects in Q.1 and Q.3 (because this is the time that the Covid-19 was really serious in the South). And in the South, the very high numbers and registered capital were recorded in the Q.2. And in the first month of Q.4, the South was still attractive region for F&B projects with an increased project numbers.

Among new licensed projects in the first 10 months of 2021, most of big registered capital value projects located in Binh Duong Province, followed by Long An and Hanoi province. Dong Thap and Tuyen Quang were also in top of provinces attracting a lot of investment in F&B industry in Vietnam.

FDI PROJECTS PER REGION BY QUANTITY

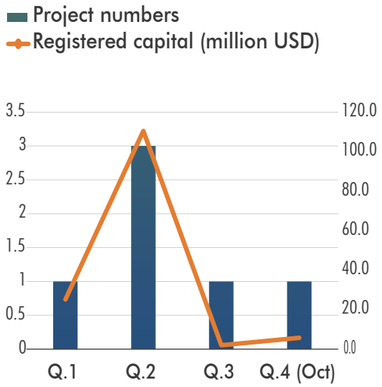


FDI PROJECTS PER REGION BY REGISTERED CAPITAL (MILLION USD)

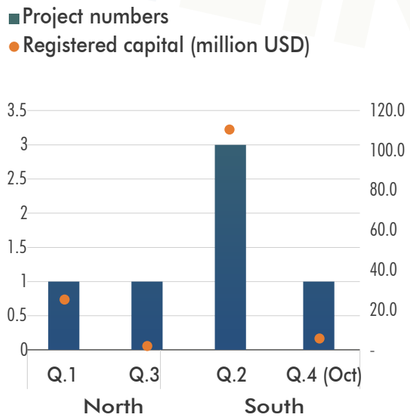


Source: HOUSELINK

FDI REGISTERED PROJECTS IN THE FIRST 10 MONTHS OF 2021

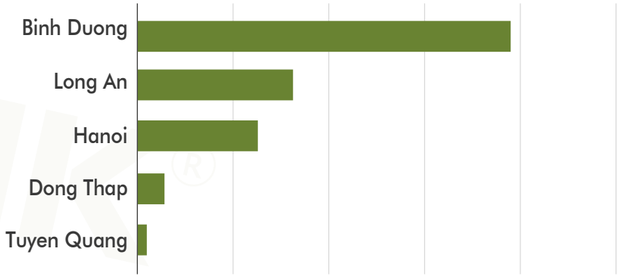


THE FDI REGISTERED PROJECTS IN Q.4/2021 STARTED TO BE INCREASED



Source: HOUSELINK

TOP 5 PROVINCES BY REGISTERED CAPITAL IN 10 MONTHS OF 2021 (FDI PROJECTS)



Source: HOUSELINK

2.2/ TOP 3 NEW LICENSED PROJECTS

1. ILD COFFEE VIETNAM MANUFACTURING PLANT
2. CJ CAU TRE FOOD FACTORY IN LONG AN
3. CP HANOI FOOD MANUFACTURING PLANT

Project Name	VIETNAM BREWERY LIMITED (VBL)
Investment type	FDI
Project type	Industrial Project - Factory
Project scale	3 ha Construction area: 8,200m2
Location	Dien Nam-Dien Ngoc Industrial Park, Quang Nam
Delveloper/Investor	Vietnam Brewery Limited (VBL)
P.E.B Contractor	PEB Steel Buildings Co., Ltd.
Contact person	Mr. Truong Khoi Nguyen tkn@pebsteel.com.vn

Project Name	ANHEUSER - BUSCH INBEV VIETNAM BREWERY FACTORY
Investment type	FDI
Project type	Industrial Project - Factory
Project scale	10 ha Construction area: 10,000m2
Location	VSIP II-A, Binh Duong
Delveloper/Investor	ANHEUSER - BUSCH INBEV VIETNAM BREWERY CO., LTD
P.E.B Contractor	PEB Steel Buildings Co., Ltd.
Contact person	Mr. Truong Vi Cuong tvc@pebsteel.com.vn

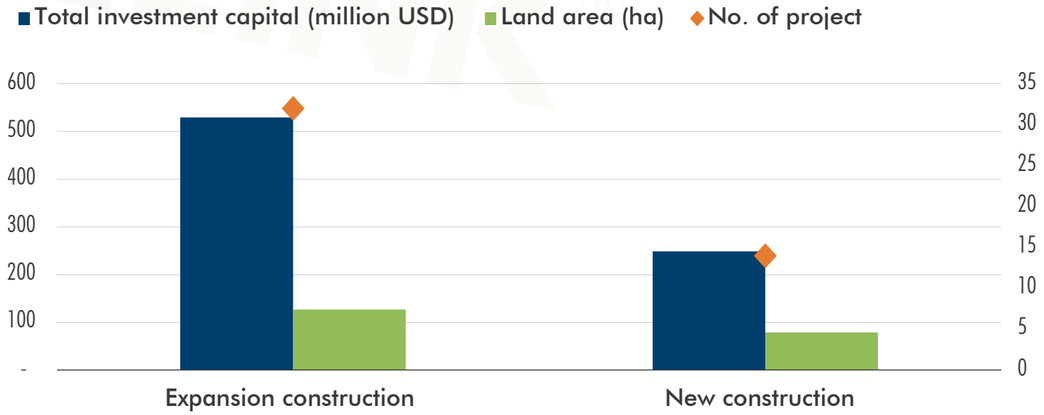
2.3/ PROJECTS ARE PLANT IN THE FUTURE

In this part we focus on analyzing the F&B 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 October 2021, in term of total investment capital, the expansion construction projects account for majority of the total investment capital invested to F&B projects in Vietnam. Regarding the project numbers of land area of expansion projects are also bigger than new constructed ones. The new constructed projects of F&B industry in Vietnam is not much caused by many reasons. In which, covid-19's consequences are one of the biggest reasons. However the situation in the last Quarter of 2021 seems to be better than other quarters.

ALMOST PROJECTS ARE EXPANSION CONSTRUCTION



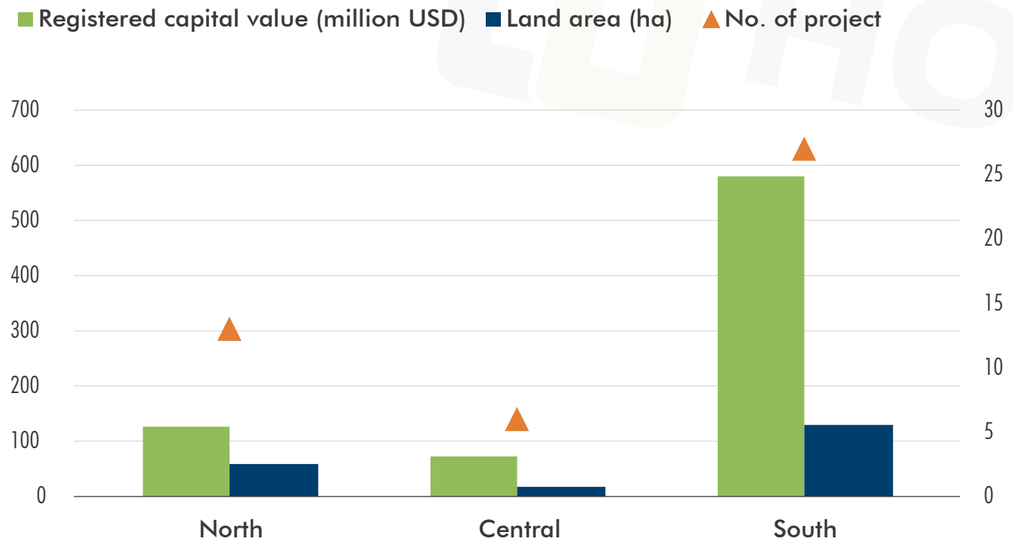
Source: HOUSELINK

b. Almost projects located in the South

The South is still an ideal land for F&B projects and attracts a lot of attention from investors in this field with an overwhelming number both on the number of projects and on the value of investment capital. The Central is the region which have smallest F&B projects among three regions but there is still project with big scale here. In the North, the typical feature is that there are still many F&B projects choosing this area for investment, but most of them are just small-scale projects.

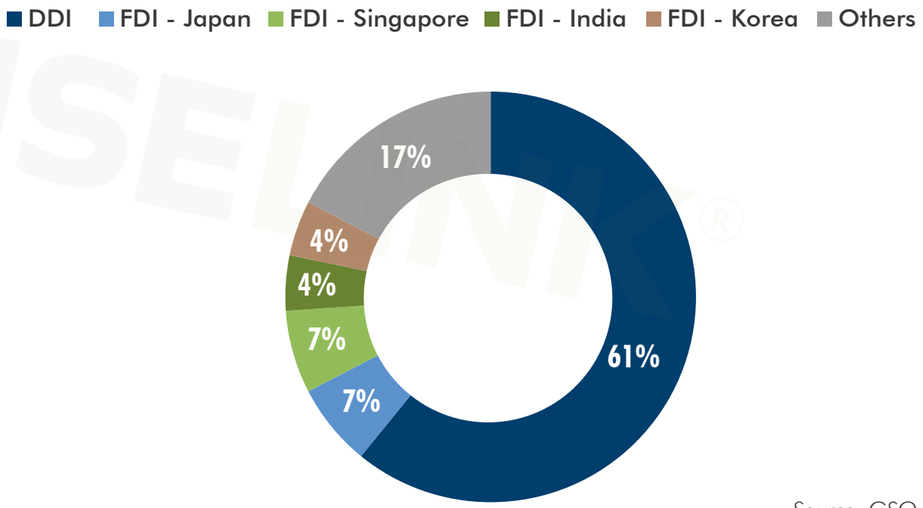
According to HOUSELINK's data, the Domestic Direct Investment capital (DDI) is the main source of development investment capital in the near future with more than 61% share, following by FDI-Japan and FDI-Singapore. It is clear that Vietnam needs to have appropriate measures to attract more FDI projects in this pillar industry of economy to diversify the investment capital and create the chance to explore newer high-technologies in the world.

PROJECTS PER REGION



Source: GSO, HOUSELINK

TOP 5 INVESTMENT TYPES, BY PROJECT NUMBERS

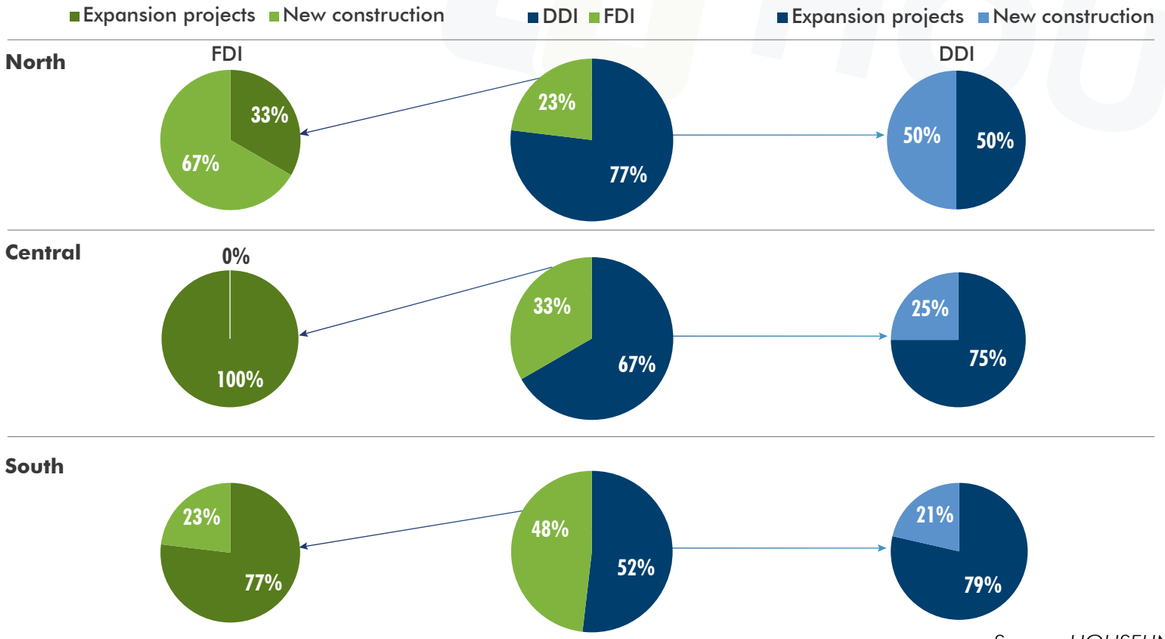


Source: GSO, HOUSELINK

c. Most of FDI projects in each region is expansion projects except the Noth

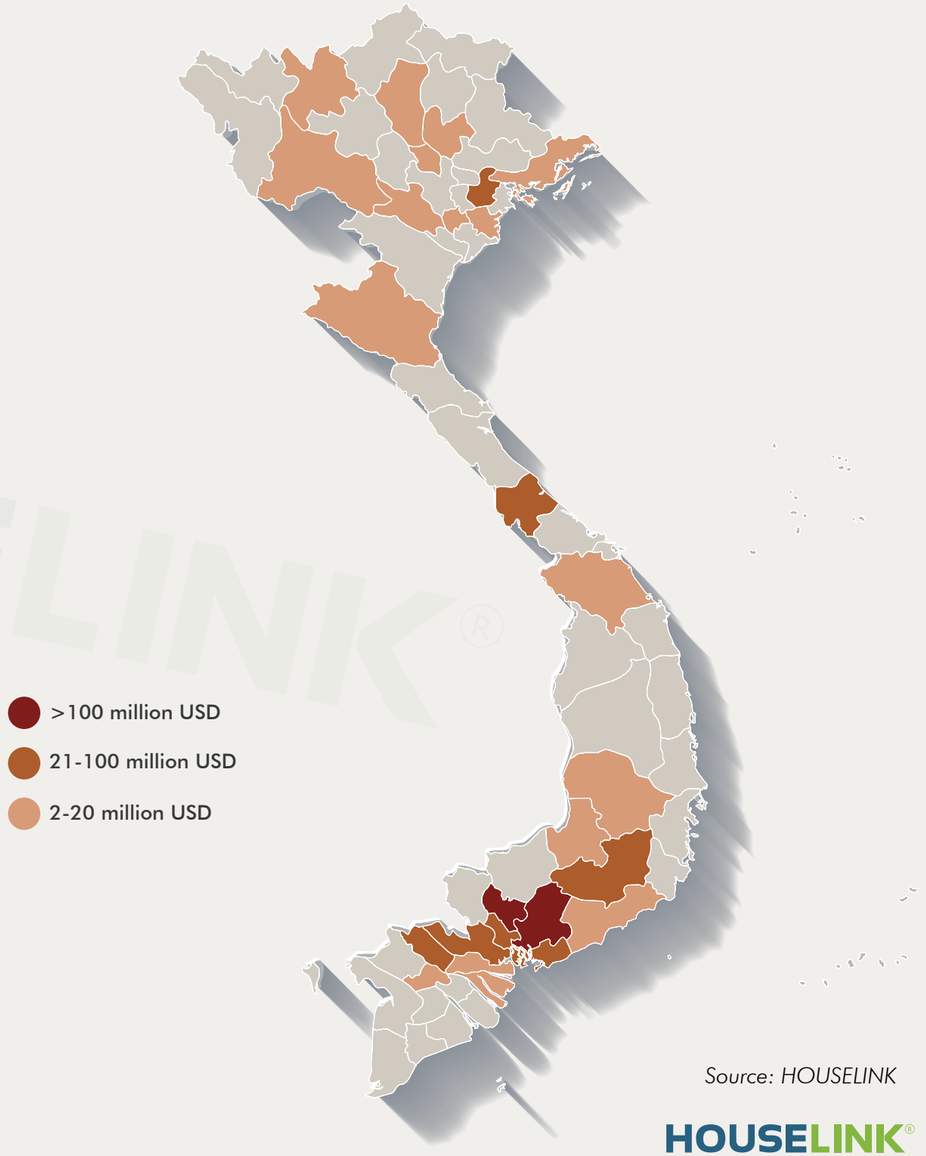
In the North, most of FDI projects are new constructed ones. In term of DDI projects in this region, the difference between expansion and new construction projects is not too big. Meanwhile in the Central and Southern regions, most of the projects including FDI or DDI capital are mostly expansions. New construction projects only account for a small percentage. However, the expansion projects in the South have quite big scale. The significant expanded project in this region can be mentioned as: NESTLE TRI AN EXPANSION FACTORY with the total capital is about 132 million USD. Or in the Central, even the F&B projects here is not much, but there is one quite big project which is new constructed one is: CTT FOOD AND PACKAGING PRODUCTION FACTORY. This shows that Vietnam is considered as favorable country for F&B projects, and each region has its own favorable conditions for project development.

PROJECTS DIVIDED BY INVESMENT TYPES
(BY PROJECT NUMBERS)



Source: HOUSELINK

d. Project map



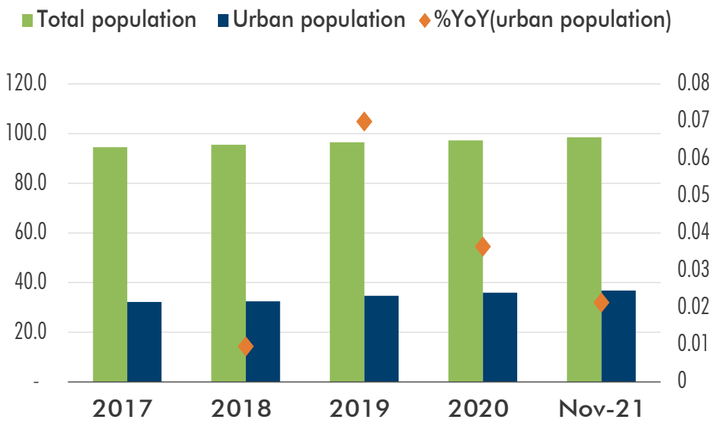
Source: HOUSELINK

III. POTENTIAL FOR INVESTMENT AND DEVELOPMENT OF FOOD & BEVERAGE PROJECTS IN VIETNAM

3.1/ POPULATION

Vietnam's population tends to grow continuously with the rate from 0.8% to 1.2%/year from 2017 to present. As of November 2021, the population of Vietnam reached about 98.5 million people and is expected to reach approximately 98.6 million people by early 2022, ranking 15th in the world. In which, the proportion of urban population also tends to increase when accounting for 34% of the total population in 2017 and up to now, the urban population accounted for about 37.4%. The growth rate of urban population increased the highest in 2019 with 7%, in the following years it still tends to increase but at a slower rate.

THE PROPORTION OF URBAN POPULATION TENDS TO INCREASE

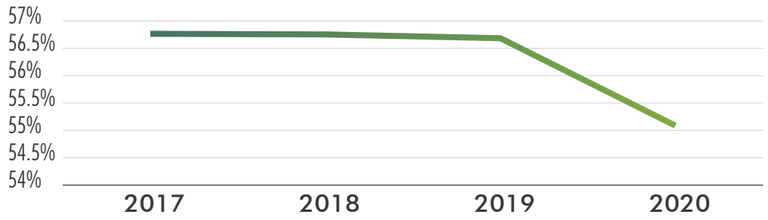


Source: GSO, danso.org, HOUSELINK

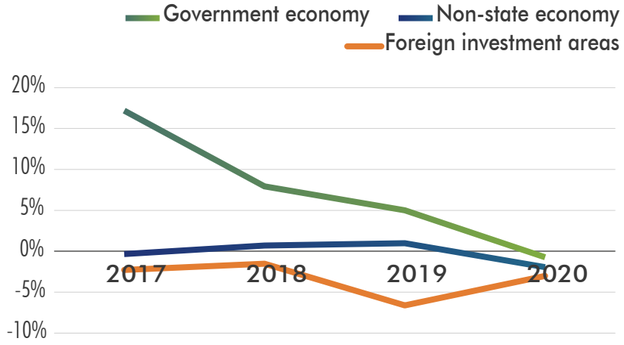
The working-age population from 2017 always accounted for more than 50% of the total population. However, due to the impact of the Covid-19 epidemic, the rate of unemployment in 2020 increased, so the proportion of working-age population in 2020 decreased from 57% in 2019 (before the epidemic) to 55%. In 2021, the rate of unemployment is forecasted to increase higher due to social distancing policy, people losing their jobs and moving away from the workplace tend to be more.

The majority of the working-age population is concentrated in the non-state economic sector with 84% by 2020. The labor force in the foreign-invested economic sector account for only approximately 9%. The labor rate in the foreign-invested economic sector has grown continuously from 2016 to 2019. In 2020, the labor rate in this sector tends to decrease slightly. In 2021, due to the complicated development of the epidemic situation, especially in the foreign-invested sector, the labor rate in this area is expected to decrease further in 2021 and to increase from 2022 when the industrial parks and foreign companies gradually return to operation in the new normal period.

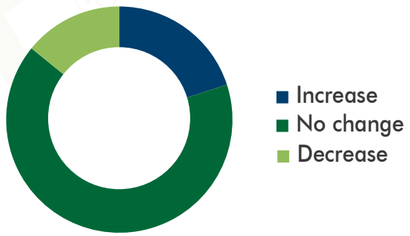
LABOR FROM 15 YEARS OF AGE



RATE OF EMPLOYEES FROM 15 YEARS OF AGE BY ECONOMIC TYPE



LABOUR FORCE TENDS TO NO CHANGE IN Q.IV/2021 ACCORDING TO SURVEY OF GSO

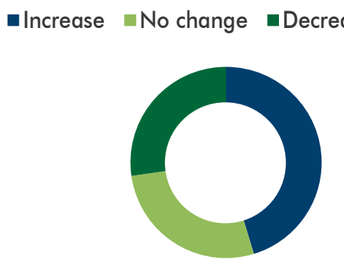


Source: GSO, HOUSELINK

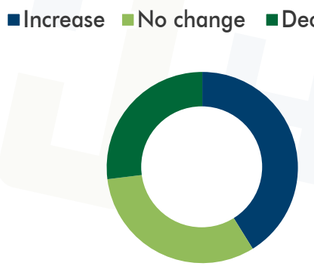
3.2/ PRODUCTION AND BUSINESS TRENDS IN Q.4/2021

According to the survey conducted by GSO, the business situation in F&B sector is expected to be better in Q.IV/2021 with the increase in production volume, new orders and also in new export orders.

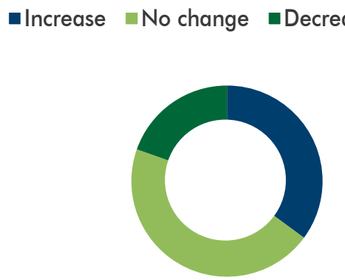
PRODUCTION VOLUME TREND



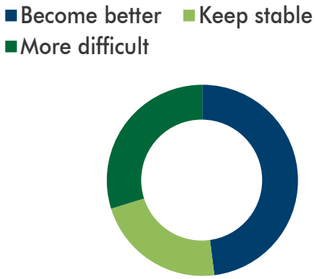
NEW ORDERS



NEW EXPORT ORDERS



BUSINESS TREND IN GENERAL

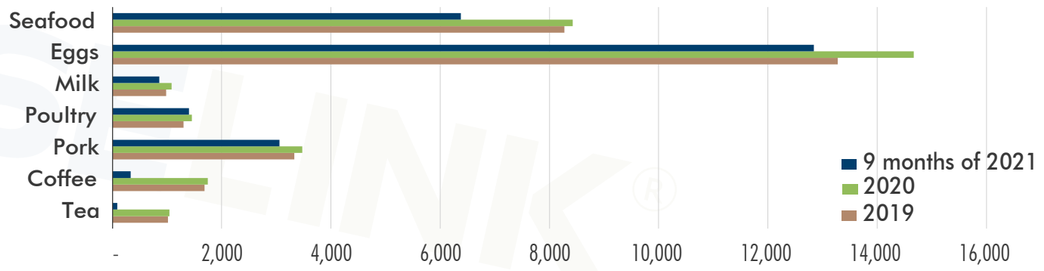


Source: GSO, HOUSELINK

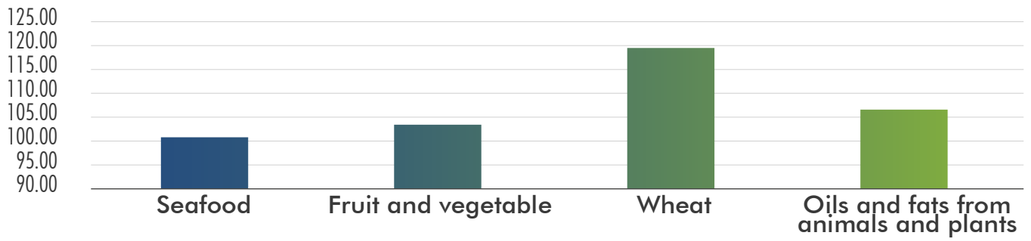
3.3/ INPUT MATERIALS

During Covid time in 2020, the production of materials likes: seafood, eggs, milk, etc maintained and increased compared to 2019. However, in the first 9 months 2021, the production of some materials as: tea, coffee was still very small and difficult to reach the same volume as in 2020. For other materials, the production volume can exceed the numbers in 2020. In addition, the CPI of wheat increased so much in 9 months of 2021, it leads to high cost for F&B companies which use this material. The CPI of oil and fats from animals and fruit and vegetable is not low, increased about 5% compared to same period of 2020. All these things will affect the volume and input cost, then the selling cost may be increased.

PRODUCTION VOLUME OF SOME INPUT MATERIALS UNIT: THOUSAND TONS / MILLION EGGS



CPI OF SOME INPUT MATERIALS IN 9 MONTHS OF 2021 COMPARED TO SAME PERIOD OF 2020

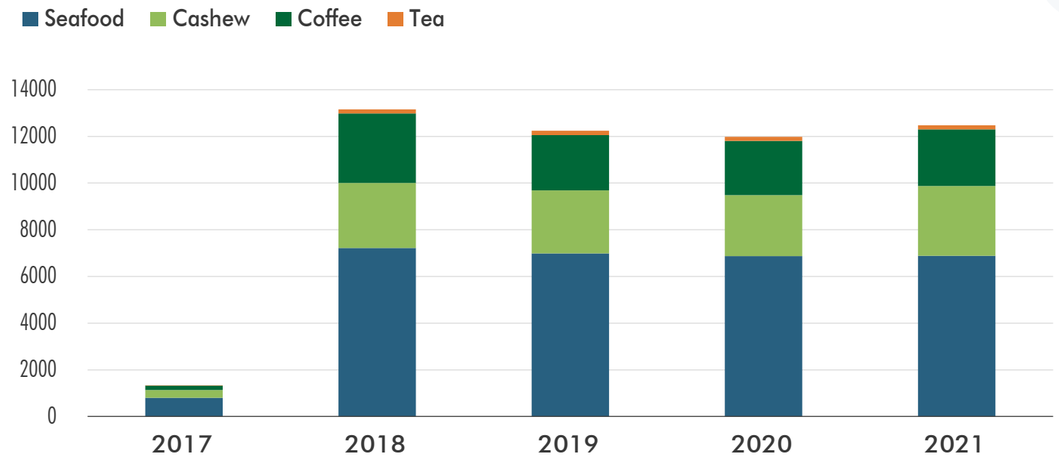


Source: GSO, HOUSELINK

3.4/ EXPORTATION

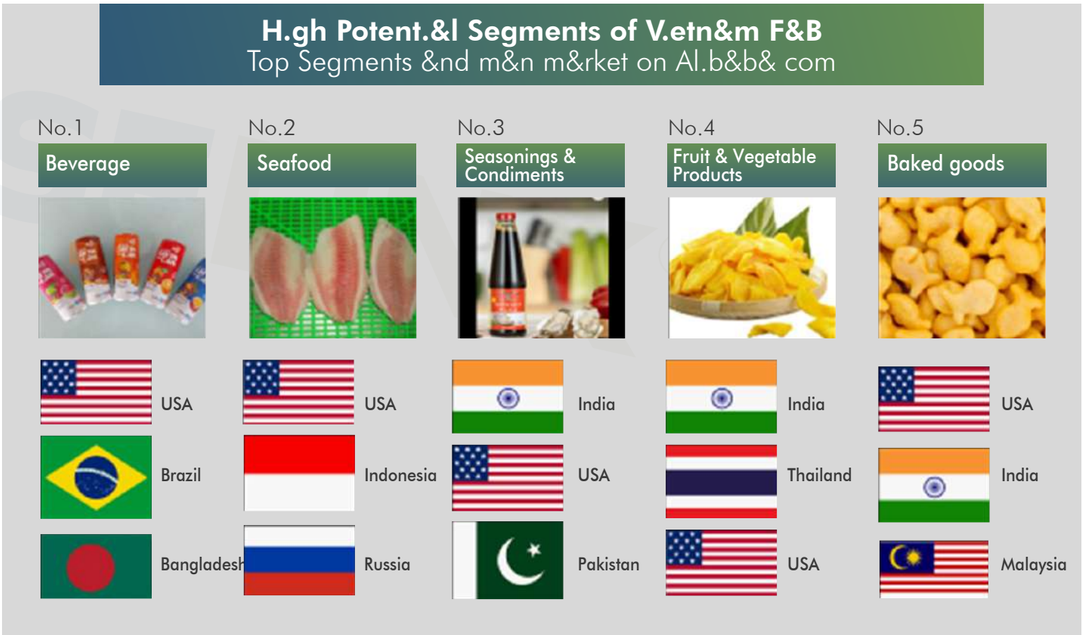
The exportation of some significant products in the first 10 months of 2021 in F&B industry started to increase strongly from 2018. The year of 2020 was the year when the covid 19 epidemic began to break out in Vietnam, and it affected more seriously in the third quarter of 2021, however the exportation volume in both 2020 and 2021 decreased not much, especially in the first 10 months of 2021, the exportation volume was higher than the number in 2019. And in the future, the exportation of these products is expected to be increased more thanks to trade agreements, demand from other countries has gradually increased again and Vietnam is maintaining a new normal policy to stabilize production and business activities in combination with supportive policies of the Government. It is also expected to attract more investors to come to Vietnam.

EXPORTATION IN THE FIRST 10 MONTHS THROUGH YEARS
UNIT: THOUSAND TONS



Source: GSO, Vietnam Custom, HOUSELINK

Currently selling online is becoming very popular, and online selling sites are gradually becoming familiar to many people. As in China, according to statistics on the shopping site Alibaba, seafood, vegetables, dairy products, etc originating from Vietnam are leading in terms of consumption.

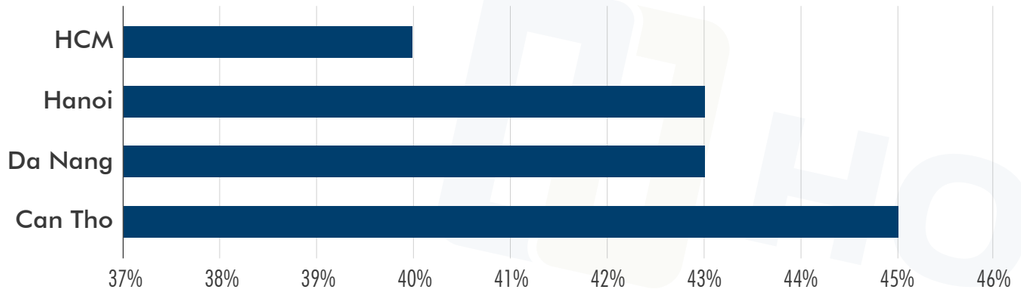


Source: GSO, HOUSELINK

3.5/ THE CHANGES IN CONSUMER'S HABIT AFTER COVID-19

In Vietnam, the expenditure for food of people in big cities account for over 40% of their income. This is one of big motivation and advantage for investors who invested in F&B projects.

EXPENDITURE SPENT ON FOOD PER LOCATION



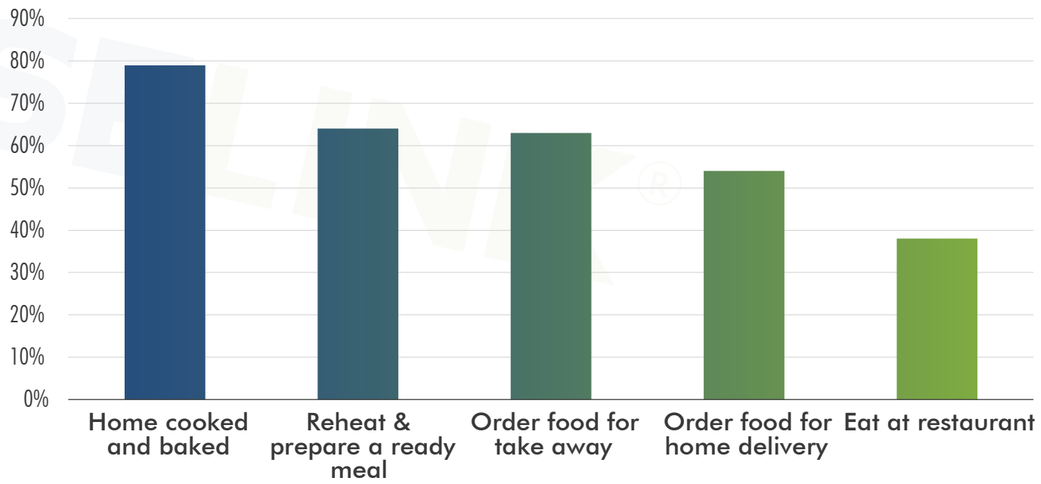
Source: Deloitte, HOUSELINK

The Covid-19 has changed the shopping habits of people and according to Euromonitor International Lifestyles Survey 2020, the concerns among Vietnamese households under Covid-19 mainly related to health and depends on people's income. And 79% of Vietnamese people agree they are already to pay a higher price for healthier foods.

- HEALTH & WELLNESS
- FOOD SAFETY
- HOUSEHOLD INCOME
- JOB SECURITY
- ENVIRONMENTALL POLUUTION
- NATURAL DISASTERS

People now prefer cooked and baked food and they have a habit of ordering food through delivery services instead of eating directly in restaurant because of big concerns on Covid-19 so they begin to change the mindset of eating at home and keep distance with others. Investors, manufacturer have embraced this trend and are increasingly producing more convenient products for packaging with simplified processing methods.

EATING HABITS CHANGED

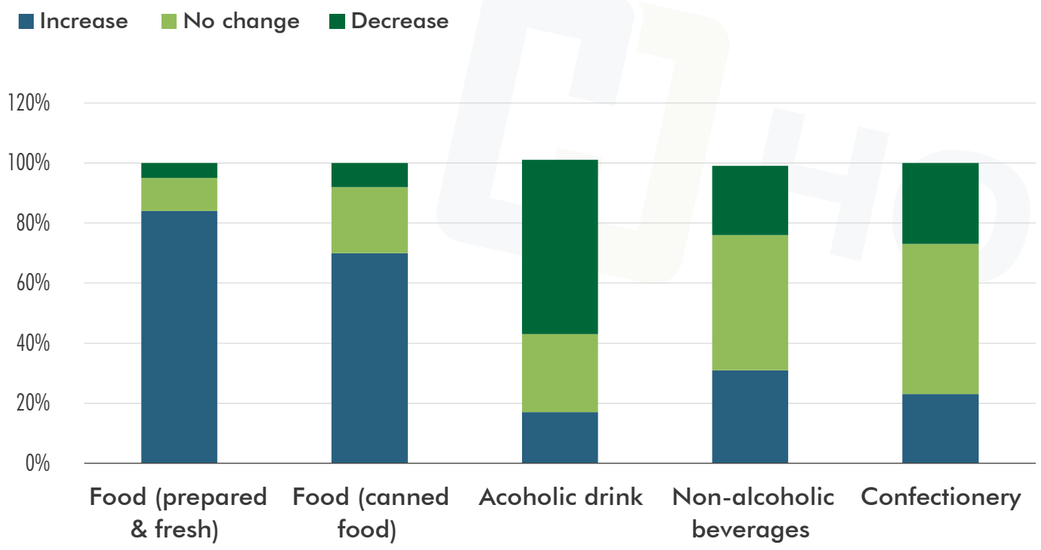


Source: Euromonitor, HOUSELINK

The most obvious change in consumption in the Covid times is in the food segment. The expenditure for prepared & fresh food and for canned food increased much. While the spent for alcoholic drink is decreased due to the Decree No.100 of Government on some limitations on drinking alcoholic drinks in Vietnam.

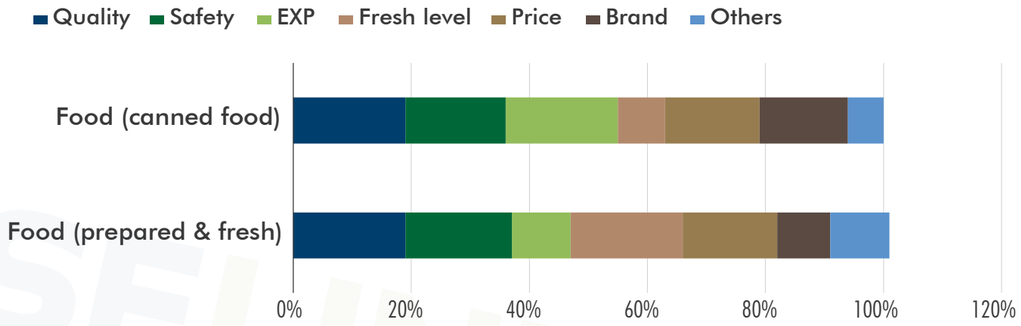
According to the survey of Deloitte, quality, safety fresh level of food are the most important factors which affected to purchasing decision of consumers. And in beverage sector, health, brand and taste of products are the factors which manufacturer must pay attention in if they want to have more clients. This further confirms the trend of healthy products in this period.

CHANGES IN EXPENDITURE OF HOUSEHOLD

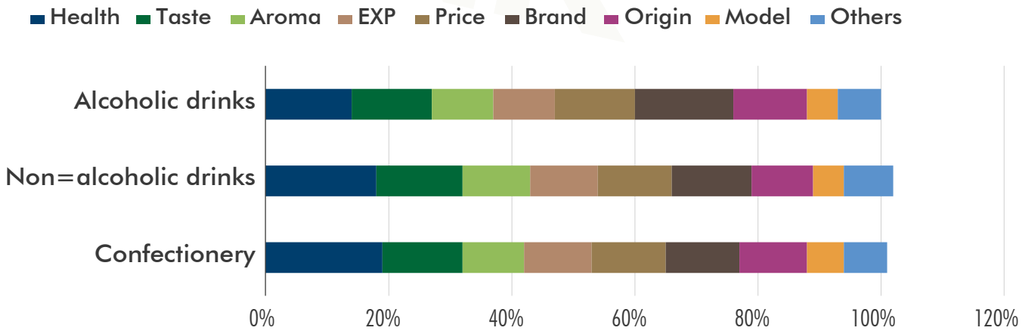


Source: Deloitte, HOUSELINK

THE FACTORS AFFECTED TO PURCHASED DECISION



THE FACTORS AFFECTED TO PURCHSED DECISION

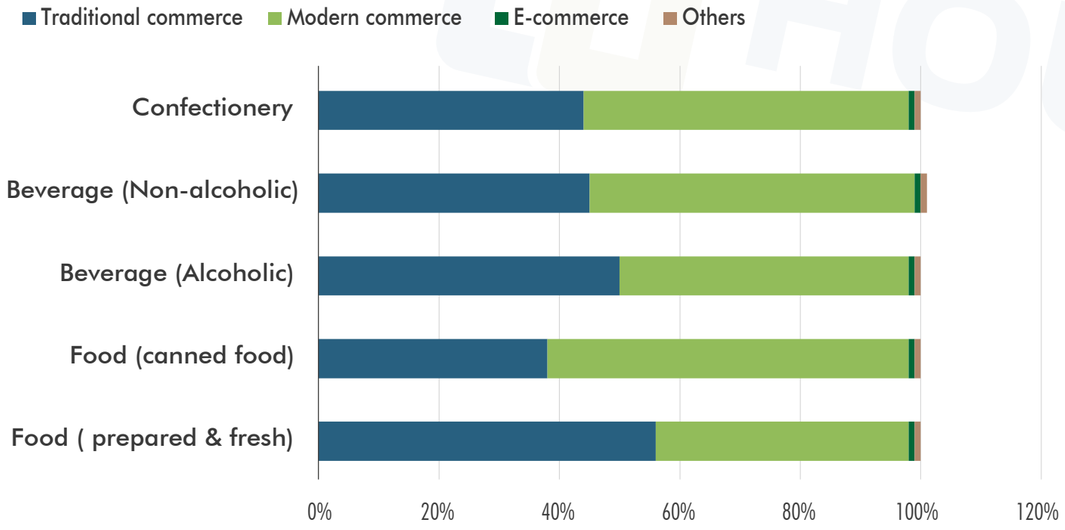


Source: Deloitte, HOUSELINK

3.6/ EXPANSION OF CONVENIENT STORE

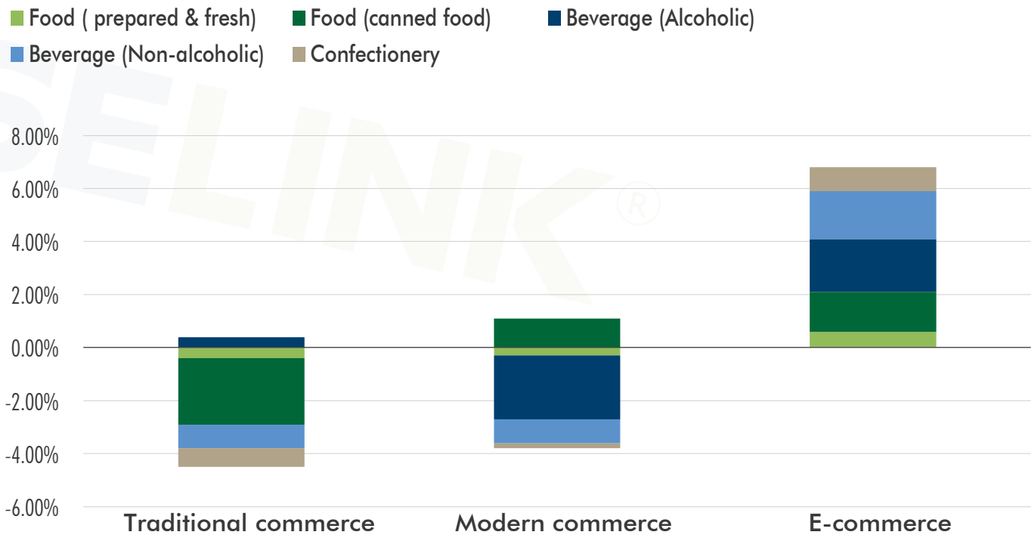
Shopping through traditional channels still retains its advantages, especially in the line of fresh and processed products, alcoholic beverages, however it shows many disadvantages on safety, environmental issue, etc. But for other products in the F&B sector such as confectionery, non-alcoholic beverages, and canned goods, the trend of shopping online, many modern retail chains like supermarket, convenient stores are attempting to expand their networks. There is a trend that companies operating in the F&B industry can also look towards is an increase in the willingness of consumers in shopping online with almost products due to Covid-19.

PREFERRED CHANNEL FOR EACH PRODUCT TYPE



Source: Deloitte, HOUSELINK

CHANNEL PRIORITY CHANGES DUE TO THE IMPACT OF THE COVID -19 EPIDEMIC



Source: Deloitte, HOUSELINK

3.7/ BIG DATA AND ARTIFICIAL INTELLIGENT

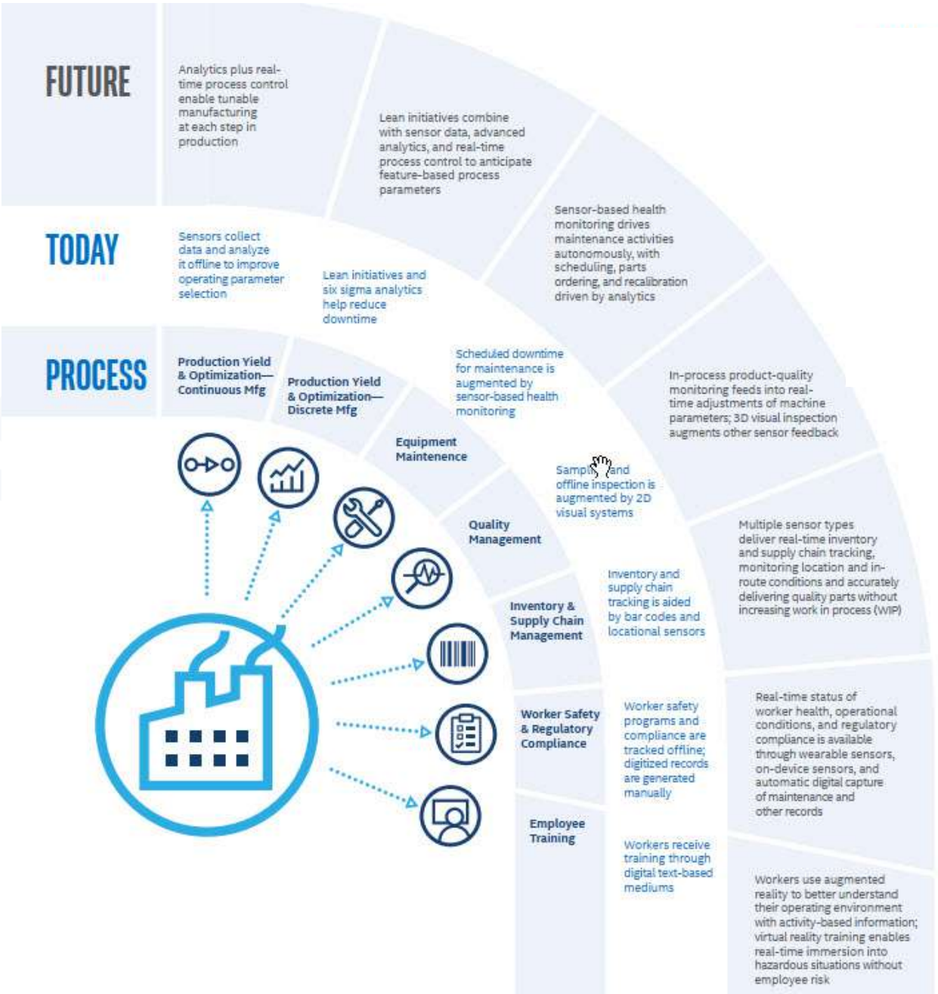
Currently in Vietnam the technologies have been applied to the F&B sector to maximize the production, assume the quality and meet customer's demand likes: Digitalization, IoT, AI, Machine learning. Vietnam's Government always welcome and create favorable conditions for projects which applied modern technology in production and other activities, this is also help Vietnam increase the capacity of technique and also the labor's skills to attract more big projects and assure the manufactured products can meet the international standards.

IMMEDIATE PAYMENT

SOURCE TRACKING

PERSONALIZATION FORM COLLECTED DATA

SOME MODERN TECHNIQUES WHICH CAN BE APPLIED IN F&B PROJECTS



3.8/ SOME CHALLENGES THAT COMPANIES MUST FACE:

+ Infrastructure for manufacturing, transporting and interrogating systems have not been properly invested and developed, thus increasing production and management cost. So the investment in manufacture and transportation will have investors can control well the cost and increase the production capacity.

+ The export market lacks stability as policies on quality barriers are constantly changing, and Vietnam has failed to meet with requirements in FTAs concerning the technical procedures and product qualities. That the reason why the factories of F&B industry in Vietnam now promote the application of modern technology in production, R&D, and distribution to help meet strict demands.

+ High competition: Foreign companies when entering Vietnam's market not only have to face fierce competition with locally produced goods but also with other countries. Vietnam is already a large producer of agricultural products such as pork, coffee, vegetables and fruits and has become more globally integrated by signing a wide range of FTAs, resulting in the proliferation of the partners' products, especially Asian partners, on Vietnamese shelves.

Conducted by:

Management:
Nguyen Thanh Long
info@houselink.com.vn

Analysis:
Nguyen Huong Tra
(Senior Market Intelligence Specialist)
huongtra@houselink.com.vn

Nguyen Kim Cuong (Gin Nguyen)
(Business Development Consultant)
gin@houselink.com.vn

Data:
Nguyen Thanh Phuong
(Data Manager)
Ha Thi Huong Giang
(Market Research Specialist)
Dao Thu Giang
(Business Consultant Executive)

Report presentation:
Vu Kim Anh
(Designer)

If you have any questions or need further consultancy, please do not hesitate to contact:

Ms. Nguyen Huong Tra
(Senior Market Intelligence Specialist)
Mobile: (+84) 962 890 853
Email: huongtra@houselink.com.vn

New CC Construction Consultants Co., Ltd.

This report is sponsored by:
NEW CC CONSTRUCTION CONSULTANTS CO., LTD

PEB STEEL

This report is sponsored by:
PEB STEEL BUILDINGS CO.,LTD

HOUSELINK JOINT STOCK COMPANY

9th floor, Sannam building, No. 78 Duy Tan street, Cau Giay district, Hanoi, Vietnam
(+84) 966 222 490 | info@houselink.com.vn | https://houselink.com.vn/

HOUSELINK®
Grow Business Effectively