EXPECTATION ON PROJECT RESULTS FOR DEVELOPMENT POLICY OF BEEF SECTOR IN VIETNAM

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  • Obstacles from demand side

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Obstacles from supply side

- Small scale
- Lack of high quality breed/semen supply
- Lack of pasture / depend on imported feed and materials of feed
- High risk from disease outbreaks and market fluctuations
- Low productivity and efficiency
- Low rate of application of hi-technology in production and processing
- Poor hygiene and food safety
Lack of high quality breed supply

- Bull management is inadequate, the situation of inbreeding still occurs that affecting the quality of breeds
- The quality of male bulls is limited, with the percentage of insemination for cows is still low (21%).
- Many breeding centers have been invested but still in shortage of facilities and funding

Source: MARD Newsletter on Livestock Breeding / Livestock Strategy to 2020
Import of animal feed and raw materials increased by an average of 10.4% per year

Source: General Department of Customs
Tax and other trade barriers have no longer to protect beef sector

Import tax for animal feed and materials

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Wheat</td>
<td>2%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Additives</td>
<td>0%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Pig feed</td>
<td>3%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Poultry feed</td>
<td>3%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: DP, MPF
# Foot and Mouth Disease in the period of 2014 - 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of provinces</th>
<th>Number of districts</th>
<th>Number of communes</th>
<th>Number of buffaloes infected</th>
<th>Number of cows infected</th>
<th>Number of pigs infected</th>
<th>Number of goats infected</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>13</td>
<td>31</td>
<td>81</td>
<td>1.438</td>
<td>1.365</td>
<td>144</td>
<td>31</td>
<td>2.978</td>
</tr>
<tr>
<td>2015</td>
<td>18</td>
<td>36</td>
<td>62</td>
<td>611</td>
<td>2.273</td>
<td>716</td>
<td>32</td>
<td>3.632</td>
</tr>
<tr>
<td>2016</td>
<td>12</td>
<td>28</td>
<td>60</td>
<td>599</td>
<td>2.096</td>
<td>49</td>
<td>0</td>
<td>2.746</td>
</tr>
</tbody>
</table>

Source: Department of Animal Health
Low productivity and efficiency

- Vietnam's beef cattle is partly for farming purpose, lack of breeding for high quality beef
- Small size, slow growth, mature weight is low from 140 - 220 kg / head.
Slaughtering without planning and lack of food hygiene and food safety

Currently there are still 34,642 small slaughtering facilities

Source: Department of Animal Health - Conference on slaughter and transportation of poultry and cattle, 2015
Small-scale production and traditional farming practices affected badly to the environment, meat quality and food safety

- 8.5 million households & 18 thousand farms
- 8.7% have biogas system
- 10% hygienic cages
- 0.6% committed to environmental protection
- 23% do not have waste treatment system
- 75 - 85 million tons of waste annually

Source: Report on the restructuring of the livestock sector
High transaction costs due to many intermediaries in the value chain

A diagram of the cattle value chain in Ninh Thuan province

Source: Report on analysis of beef, sheep and goat in Ninh Thuan - Can Tho University / 2012
Obstacles from demand side

- Fast changing in consumer tastes and preferences in domestic market
- Pressure from market integration due to high competition from international markets
- Quality management of commercial products
- Trans-boundary diseases
During 2005-2016 beef consumption only accounted for 14.7% of total meat consumption but it has the highest annual growth rate of consumption (CAGR: 14.7%), following by poultry (CAGR: 13.01%) and pork (CAGR: 4.1%)

Beef consumption per capita increased 4 times after 11 years

Source: OECD
Meat expenditure per capita/year by region (‘000 VND)

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban</th>
<th>Rural</th>
<th>Whole country</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>155,2</td>
<td>31,9</td>
<td>64,9</td>
</tr>
<tr>
<td>2014</td>
<td>493,4</td>
<td>178,3</td>
<td>271,5</td>
</tr>
</tbody>
</table>

Percentage of HH expenditure on meat by region 2014 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>18,71</td>
</tr>
<tr>
<td>Rural</td>
<td>22,69</td>
</tr>
<tr>
<td>Whole country</td>
<td>21,51</td>
</tr>
</tbody>
</table>

Source: VHLSS 2006, 2014
Vietnam’s import of beef and cattle

During 2012 – 2016:
- Import of frozen beef and veal increased about 40%/year
- Import of fresh beef and veal increased 22.9%/year
- Import of live cattle increased sharply with low import tax 5%

Source: Vietnam General Custom
Vietnam’s beef consumption is expected to increase about 23% to 2025

Forecast meat consumption in Vietnam

Source: OECD
Challenges from trade agreements

• Tax reduction
  o ASEAN: from 0-5%
  o ASEAN +: 0% with meat productions
  o Japan, Korea: from 2018 tax level ranges from 0-5%
  o Australia, New Zealand: 0-5% in 2020.
  o WTO: reduce from 23.5% to 20%

• Difficult to compete to imported commodities, Vietnam has the risk to become a market of low quality products, negatively affecting consumers’ health
Tax and other trade barriers have no longer to protect livestock sector

Import tax for meat products

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken meat</td>
<td>20-40%</td>
<td>20-40%</td>
<td>20-40%</td>
<td>20-40%</td>
<td>15%</td>
</tr>
<tr>
<td>Pork</td>
<td>15-25%</td>
<td>18-26%</td>
<td>24-28%</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Beef</td>
<td>14-30%</td>
<td>15-31%</td>
<td>17-33%</td>
<td>17%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: DP, MPF
Market demand of meat in Vietnam

Preference scores of meat types in Hanoi and HCM city

Preference scores of meat types among income groups

Source: IPSARD, 2015
The belief in quarantine products was not high among surveyed people

Reasons for not buying certified meat

Average scores of safety food in Hanoi and HCM city

Source: IPSARD, 2015
Challenges from integration and quality requirements

- About 400 standards are applying in production and processing systems of meat

**Advantages**: Creating incentives to increase safe production application and improve management for farms and factories

**Challenges**: pressure to improve production systems, quality control systems, traceability of product
EXPECTATION FROM PROJECT RESULTS TO BEEF SECTOR IN VIETNAM
Expectations

- Global market forecast and potential impact of market fluctuation to domestic production?
- National market strategy: domestic supply or export orientation?
- What are key solutions to improve the competitiveness of Vietnamese beef products to compete successfully with ASEAN and China?
- What are key upgrading points in beef cattle value chains (actors, methodology, technology solutions, policy adjustments, etc.)?
- Where are smallholder farmers in beef sector in future? What are support policies for them?
- What is structure of livestock sector (large vs. smallholder) in line with scenarios of trade polices and technology application in production?
- What are solution for trans-boundary diseases
- Propose policy amendment (support for production, trade, development of supporting industries, science and technology, etc.)
Some scenarios to be employed by the model

• In domestic market:
  • Increase application of science and technology (breed, advanced technology in breeding)
  • Increase national production of animal feed/pasture and decrease animal feed cost
  • Change production scale (increase proportion of large scale production)
  • Occurrence of diseases (especially trans-boundary diseases)
  • Change domestic consumer preference (raw meat processed meat, frozen meat, v.v.)
• In international market:
  • Changes in trade policy (tariff changes) in the region and key markets
  • Occurrence of diseases
  • Volatility of animal feed price
THANK YOU