Oils & Fats in Vietnam – Outlook & Growth factors of Vietnamese market

Golden Hope-Nha Be

CONTENT

Edible Oils Worldwide

WORLD EDIBLE OIL MARKET

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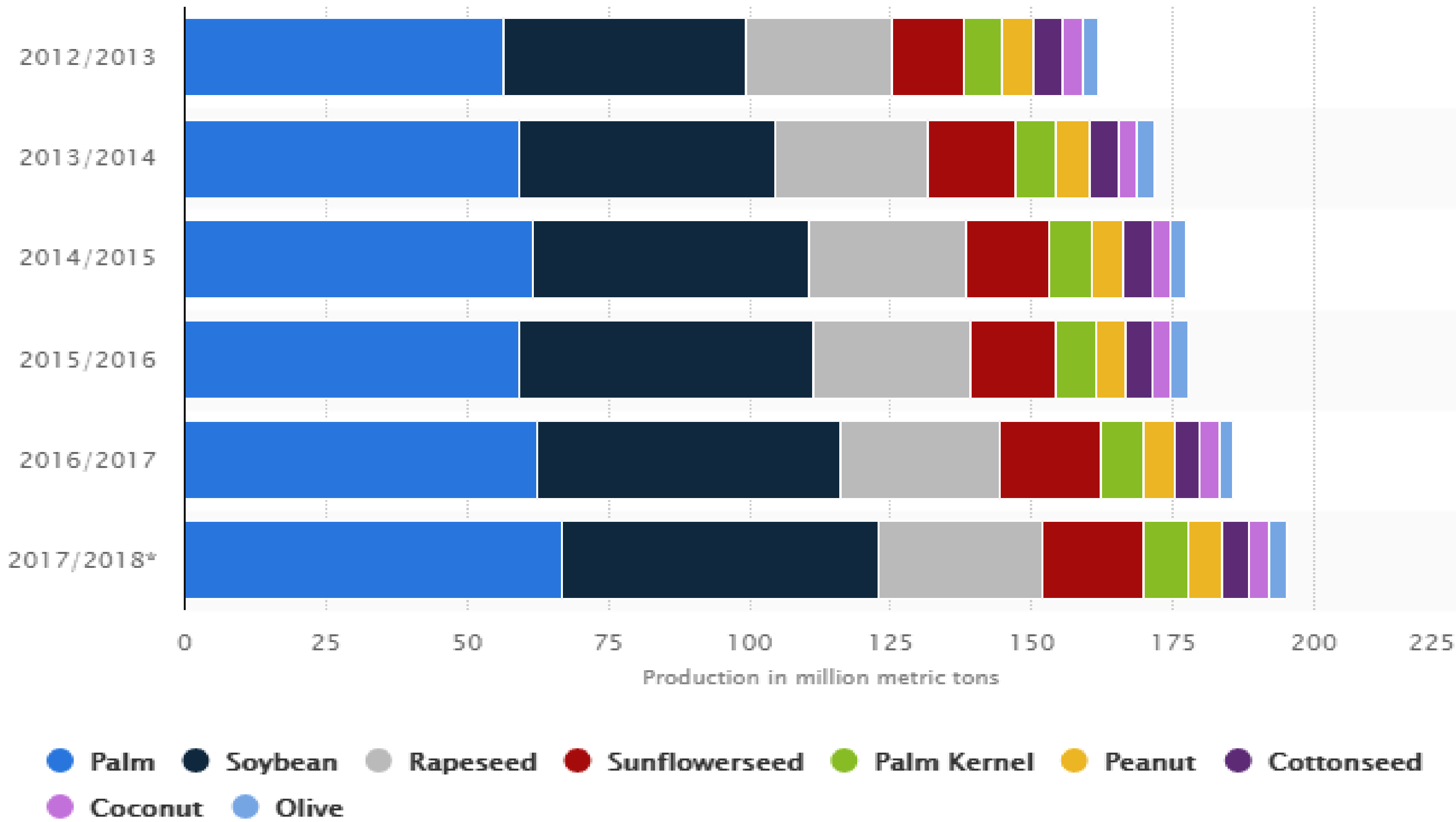
Production of major vegetable oils worldwide from 2012/13 to 2017/2018, by type (in million metric tons)



This statistic shows the production volume of major vegetable oils worldwide from 2012/13 to 2016/17, by type, and provides the forecast for 2017/2018.

In 2012/13, the production of palm oil worldwide amounted to 56 million metric tons.

In 2017/2018, the production of palm oil worldwide amounted to about 70 million metric tons (account for 37.6% of the total production of vegetable oil in that year)

Source: Statista 2018

TOP PALM OIL IMPORT BY COUNTRY

Rank	Country	Imports (1000 MT)
1	India	11,600.00
2	EU-27	6,500.00
3	China	5,250.00
4	Pakistan	3,250.00
5	Bangladesh	1,650.00
6	United States	1,600.00
7	Egypt	1,300.00
8	Philippines	1,200.00
9	Russian Federation	950.00
10	Viet Nam	840.00

Vienam is in top 10 countries import palm oil in 2017. Volume palm oil import by Vietnam was 840.000 MT while the volume in 2015 was 690.00 MT.

Vietnam's palm oil market holds much promise by increasing consumption (Marketintello 2017)

Source: Marketintello 2018

Vietnam Economy Overview

ECONOMY OVERVIEW

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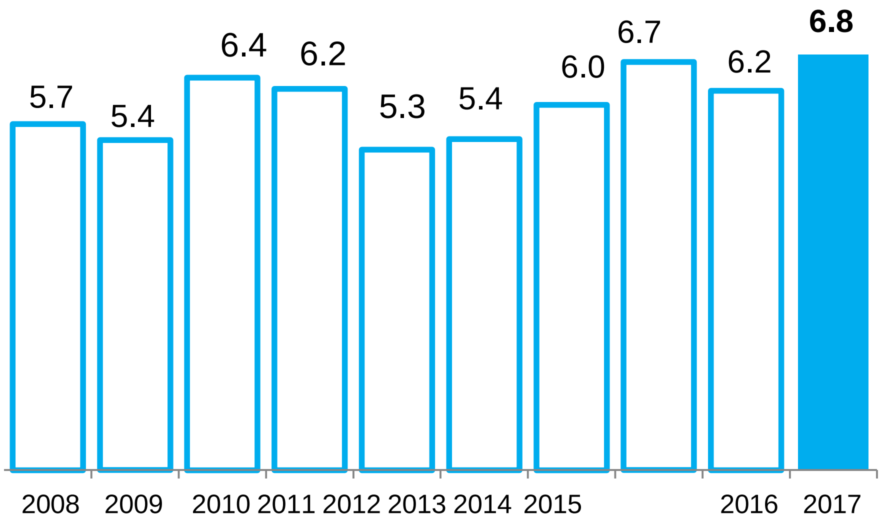
GROWTH ACROSS SECTORS DRIVES HOME BEST GDP PERFORMANCE IN A DECADE

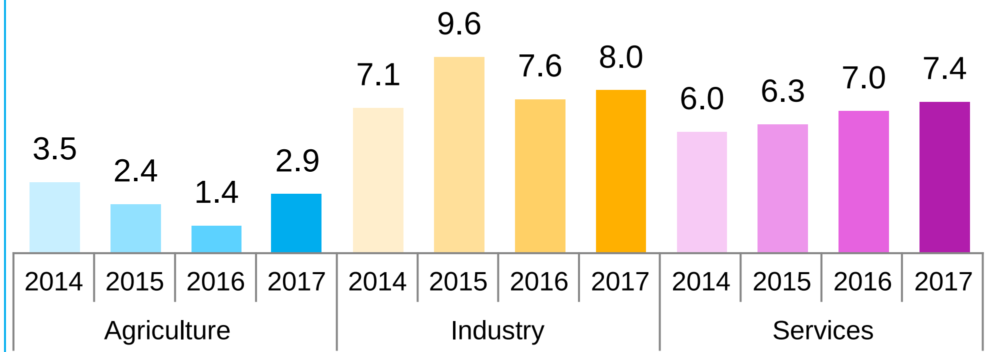
Industry and Services' robustness is joined by Agriculture's recovery

GDP % Growth vs. Year Ago

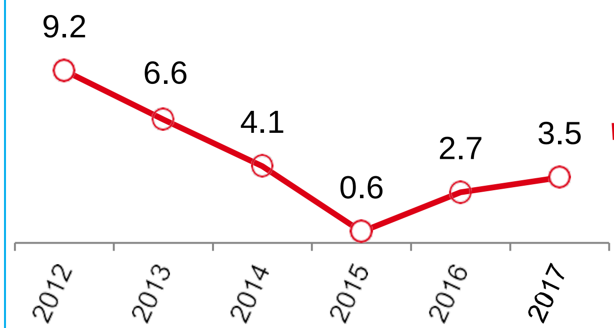
2017's 6.8% growth exceeds 6.7% target



Sectors' GDP Growth vs. Year Ago



CPI Growth vs. Year Ago



CPI is 3.5 % under target 4%, indicating well-managed monetary policy

Source: GSO - Social and economic situation in Full Year 2017

VIETNAM FOREIGN DIRECT INVESTMENT 2017

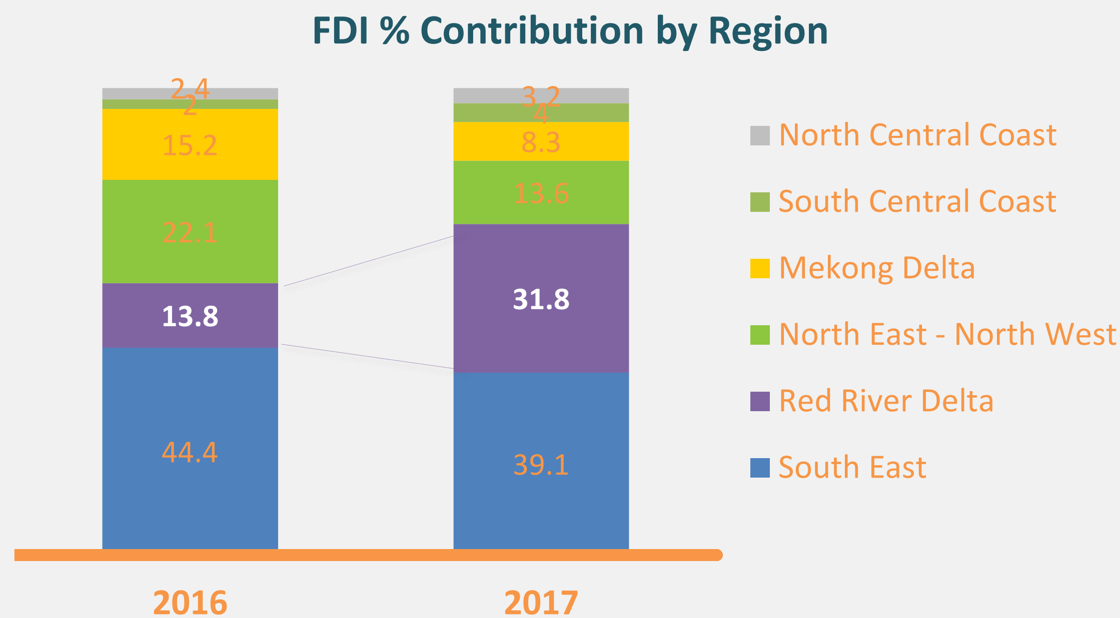
➔South East and Red River Delta are the two areas, accounting for the majority of FDI, in which Red River Delta attracts most FDI in 2017. Ha Noi (Red River Delta) and Ho Chi Minh (South East) are 2 dynamic cities which investors concentrate

FOREIGN DIRECT INVESTMENT

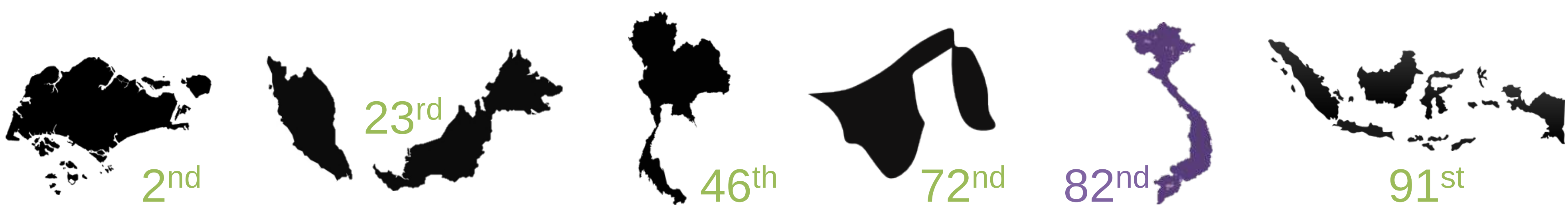
$ 35.88 BILLION IN TOTAL IN 2017

2,556 NEW PROJECTS

⬆ 44% VS. 2016



According to World Bank, in 2017, Vietnam jumped 9 places in EASE OF DOING BUSINESS, ranking 5th in SEA

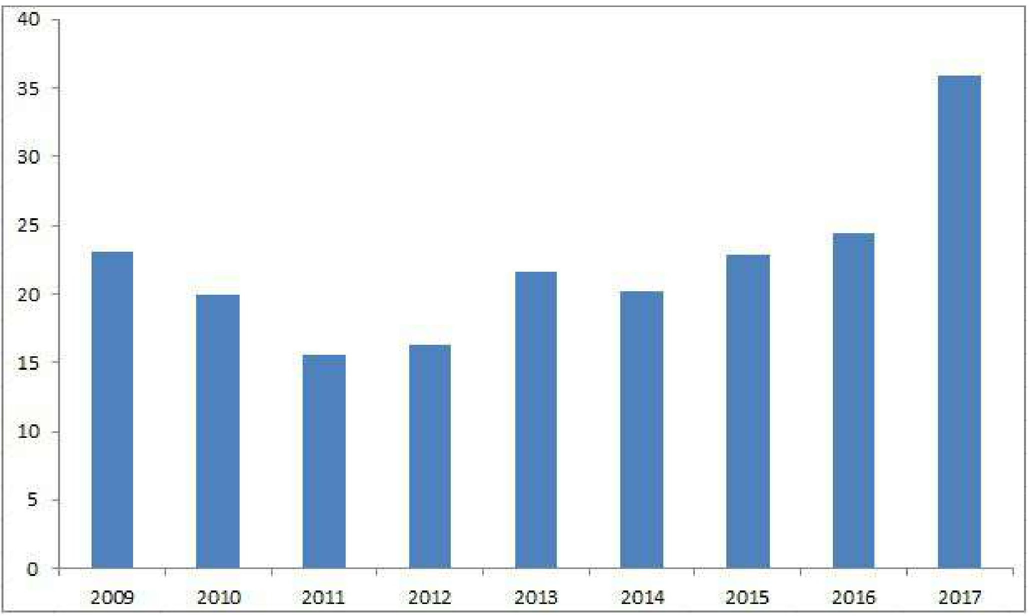


SINGAPORE MALAYSIA THAILAND BRUNEI VIETNAM INDONESIA

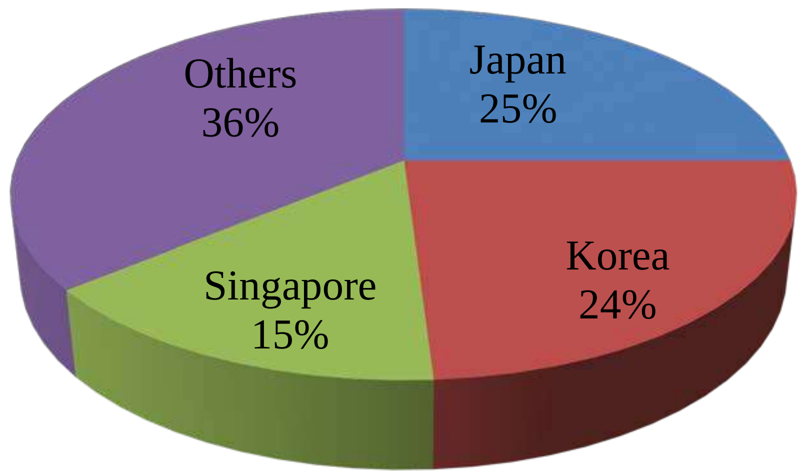
Source: General Statistics Office, Ministry of Planning and Investment, World Bank

TOP 3 FOREIGN DIRECT INVESTMENT 2017

Unit: billion USD



Top 3 FDI providers into Vietnam in 2017



Vietnam Foreign Direct Investment

According to Vietnam Ministry of Planning and Investment , total FDI into Vietnam in 2017 reached 35.88 billion USD, up 44.4% compared with 2016

115 countries and territories have investment in Vietnam for lots of projects of which **Japan** ranked first with total investment capital of **9.11 billion USD**. **South Korea** ranked second with a total registered capital of **8.49 billion USD** and **Singapore** ranked third with a total registered capital of **5.3 billion USD**

For example, Samsung invested 2.5 billion USD, Symitomo Japanese group invested 2.581 billion USD and so on

Source: Vietnam Ministry of Planning and Investment 2017

Vietnam Cooking Oil Market

Plantation

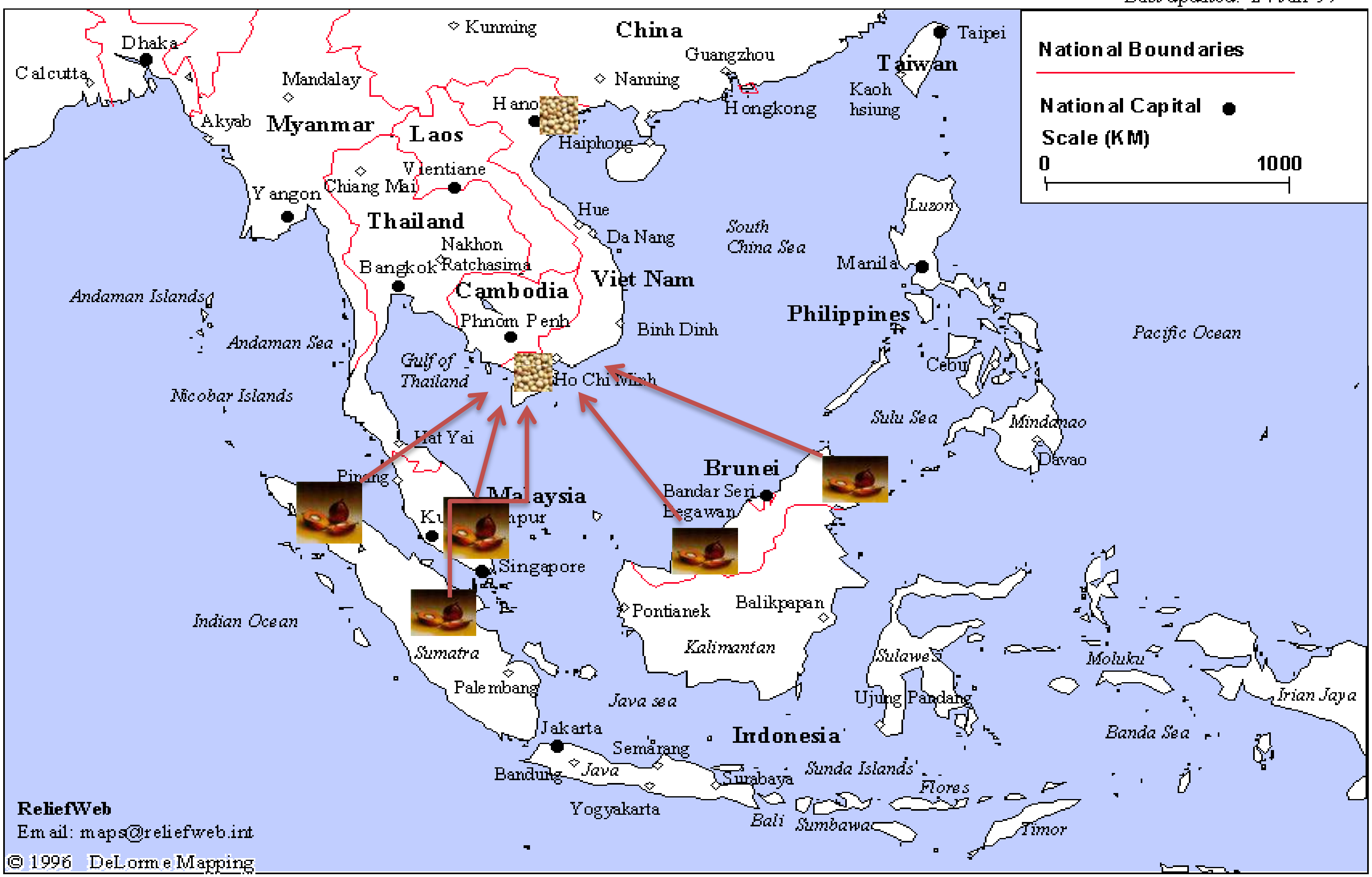
MAIN SUPPLIERS

100% of Palm Oil and Plam oil Products are imported

Major import is from Malaysia (65%), followed by Indonesia (35%)

South East Asia

Last updated: 24 Jan 97



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OVERVIEW OF COOKING OIL MARKET

Golden Hope-Nha Be

Refined Vegetable oil Production

Year	*2013*	*2014*	*2015*	*2016*	*2017*	*2020 (estimate)*	*2025 (estimate)*
Total refined vegetable oils production (TMT)	718	780	850	1.050	1.155	1.587	1.929

Vietnam's domestic vegetable oil consumption

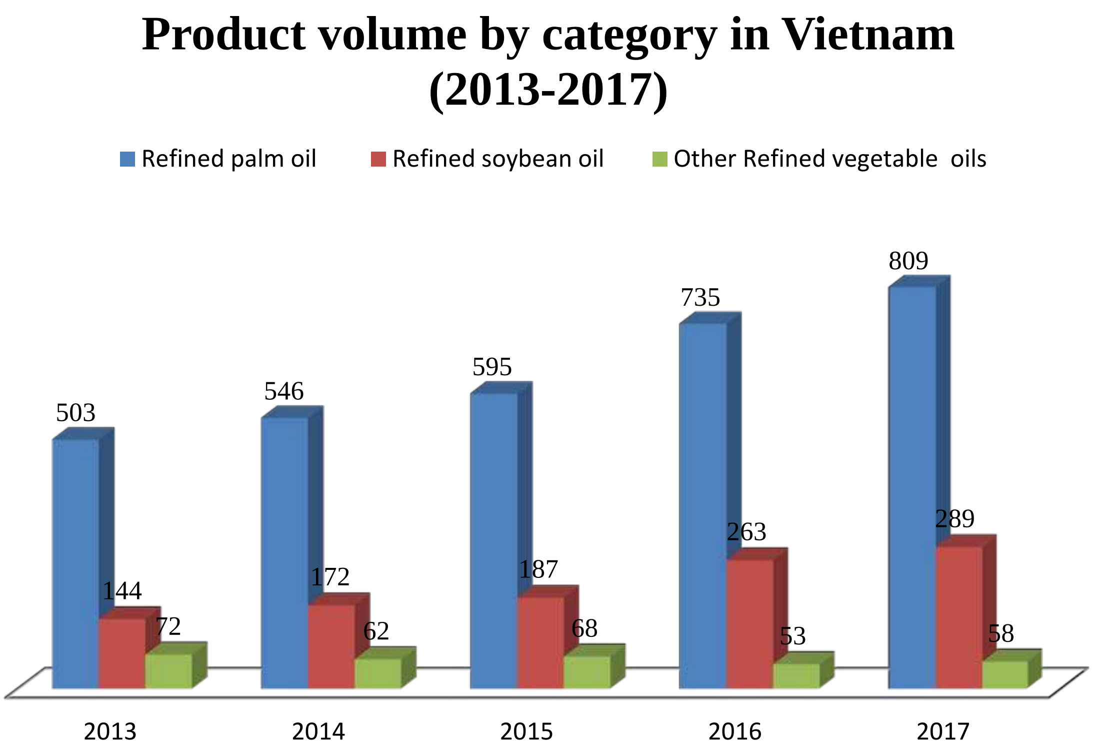
Year	*Unit*	*2013*	*2014*	*2015*	*2016*	*2017*	*2020 (estimate)*	*2025 (estimate)*
Vietnam's population	million persons	90	91	92	93	95.5	97	102
Per volume vegetable oil consumption	Kg/person/year	7.9	8.6	9.2	11.3	13.5	16.4	18.9

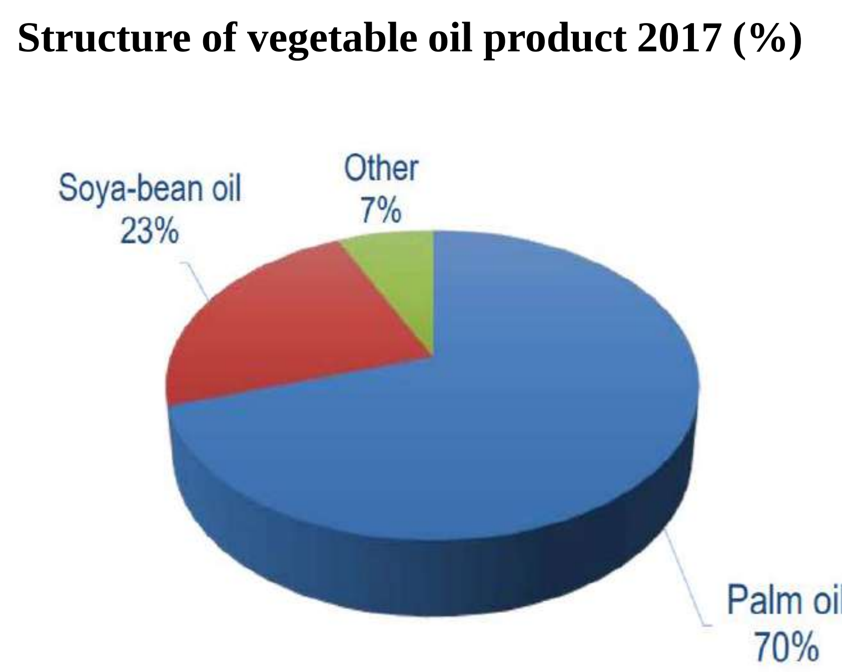
➔ Vietnam produced a record level of 1.155 TMT of refined vegetable oil (all types) in 2017, an increase of percent over the previous year . Refined oil production continue increasing in 2025

➔ The volume consumption per capita grows noticeably

Source: Ministry of Industry & Trade 2017, Euro Monitor 2017 , Marketintello 2017

PRODUCT VOLUME BY CATEGORY IN VIETNAM (2013-2017)





Palm Oil is the preferred vegetable oil in Vietnam

Vietnam's palm oil market holds much promise, as evidenced by 10 percent increase in volume annually from 2013 to 2017.
According to Euro Monitor 2017, the cooking oil consumption level in Vietnam is expected to rise to 16.4 kilograms by 2020 and to 18.9 kilograms by 2025
→ Will lead to increase significantly Palm oil's volume

Palm oil is the main product of vegetable oil accounted for 70%,
soya-bean oil was 23%, and other vegetable oils accounted for 7%

Source: Euro Monitor 2017

MAJOR PRODUCERS IN DOMESTIC MARKET

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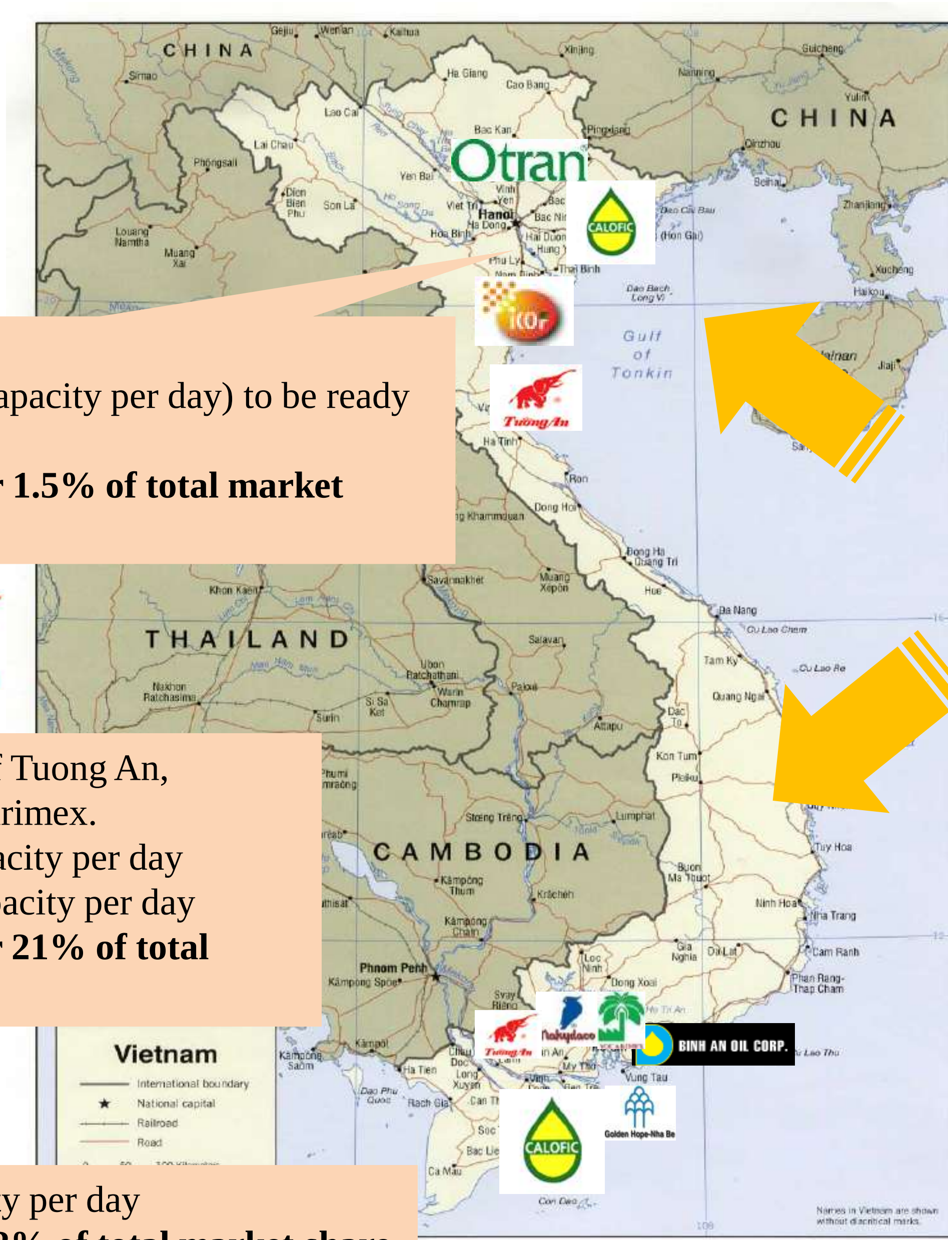
The Vietnamese cooking oil market is attracting new entrants and expansion amongst existing players, but some also exited the business.



Calofic (Wilmar) are expanding their processing capacity in North: 1000MT capacity per day
South capacity is at 600MT per day. **Calofic accounts for 53% of total market share**

Musim Mas
First factory (1.500MT capacity per day) to be ready by Q1 2018
Musim Mas account for 1.5% of total market share

More packers are importing refined oils in flexi bag directly, others import specialty fats not produced in Vietnam

Tan Binh: 150MT capacity per day
Tan Binh accounts for 6% of total market share

Kido controlled 70% of Tuong An, controlled 63% of Vocarimex.
Tuong An: 600MT capacity per day
Vocarimex: 300MT capacity per day
Tuong an accounts for 21% of total market share

Lam Soon is holding 20% in An Long (importing refined and pack in bottle).An Long is looking to invest in refinery, may be at current location or in Chan May port, central Vietnam
An Long accounts for 4% of total market share

GHNB: 300MT capacity per day
GHNB accounts for 12% of total market share

Source: internal & reference from the companies that belong in Vocarimex group & exchange information with companies in cooking oil industry.

B2B & B2C CATEGORIZATION OF VEGETABLE OILS

B2B & B2C CUSTOMER

B2B customer by product category

- Frying: Instant noodle and snack processing company
- ✓ Instant noodle companies : Acecook, Masan,Á Châu, Uniben, Uni President, Colusa,
- ✓ Snack companies : Pepsi Co, Liwayway, Vinamit, Thiên Hà – One One,
- Milk product: Vinamilk, Friedland Campina, Vixumilk, TH True Milk.
- Feed & Canning : Aquaculture companies, commerce companies and small manufacturing units.

B2C customer (end user) by channel

- MT channel : super market, hyper market, convenience store
- GT channel : Distributors + Retailers (wet market, street shop, groceries)

Horeca by key account

- Hotel/ Restaurant/ Catering
- Coffee shop
- Canteen (factory, hospital, etc..)

Source: internal & reference from the companies that belong in Vocarimex group & exchange information with companies in cooking oil industry.

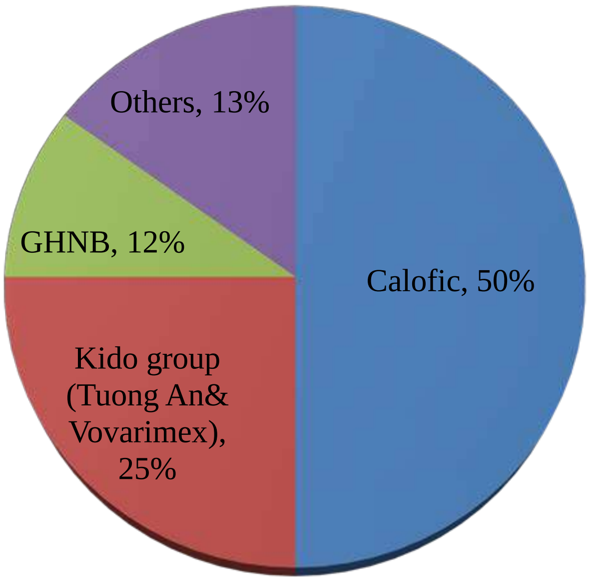
CATEGORIZATION OF VEGETABLE OILS

Golden Hope-Nha Be Plantation

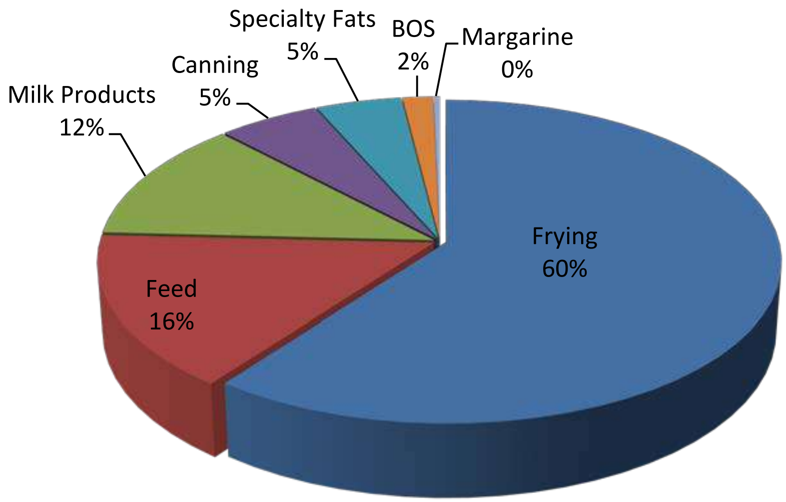
1	2	3	4
Palm oils (majority product)	**Soybean & Olive oils & seed oils**	**Nutritional Oil**	**Shortening & Olein…**
- This is the most common type of oil as recognized in the market *- Undifferentiated but Includes products formulation with major component mainly pure refined palm olein but also includes blended olein/soya oil* *-Usage: for normal household and Horeca frying, baking, vegetarian, also used in food processing industries.*	-Including pure sesame oil, peanut oil, soybean oil, rice bran oil, imported olive oil, canola oil, corn oil etc.. -This is considered high quality and high valued oil. --Usage: salad dressing, mayonnaise, vegetarian and gourmet food processing.	Target for kids and children, supplemented with nutrients as vitamins A, D, DHA.	*-Including frying shortening, bakery shortening, margarine, imported BOS, CBE, CBS, Creaming/filling fats etc..* *-Usage: production of instant noodles, bakeries, coffee roasting, bread spreading, etc..*

MARKET B2B
(account for 40% of total market in 2017)

VALUE SHARE BY MANUFACTURER



CUSTOMER BY SEGMENT CATEGORY



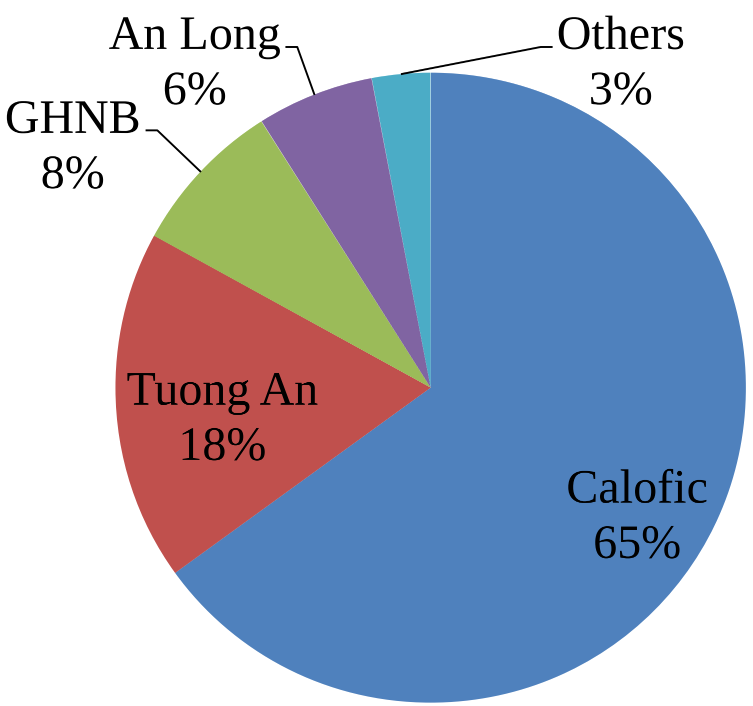
- Calofic led the market with 50% market
- Kido group is the second of the market
- Follow by GHNB with 12%

Source from: internal & reference from the companies that belong in Vocarimex group & exchange information with companies in edible oil industry.

MARKET B2C

(account for 60% of total market share)

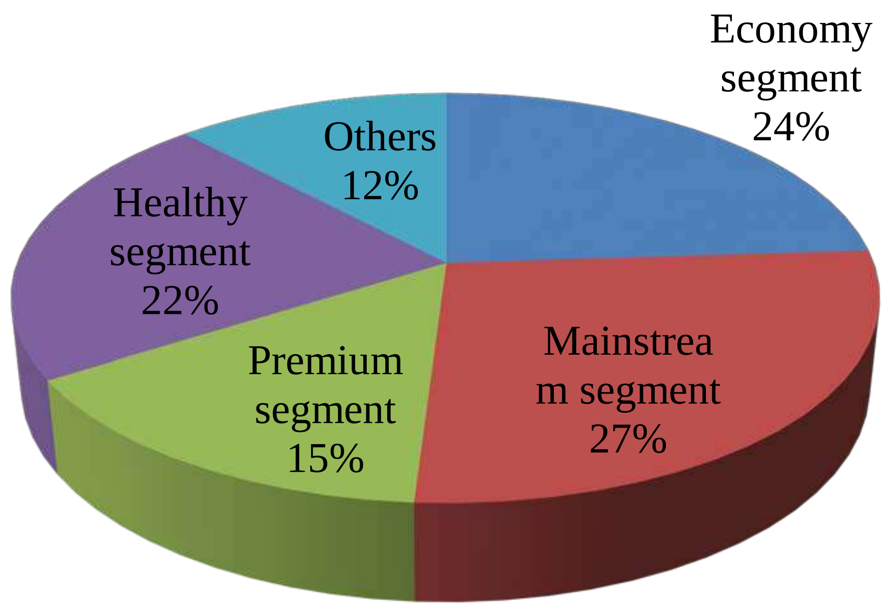
VOLUME SHARE BY MANUFACTURER



Calofic still dominates the cooking oil market, followed by Tuong An. Golden Hope remains at its modest position with 8% of the market share

Calofic's brands dominated most of the market share, especially Cai Lan and Simply

BOTTLE OIL – VOLUME SHARE BY PRODUCT SEGMENT



Healthy Segment (especially soya bean oil) accounts for the highest value in Cooking oil market with 27%, and contributed to market 22% in volume

Premium Segment with domination of Neptune (Calofic) contributed to Cooking Oil market 18% in value and 15% in volume (mixed oil)

Mainstream Segment contributed to Cooking Oil market 23% in value and 27% in volume (based palm oil)

Economy Segment (Low price) contributed to Cooking Oil market 19% in value and the 24% in volume. (based palm oil)

Source: Nielsen

MARKET B2C - BOOTLE OIL – MARKET SHARE by AREA

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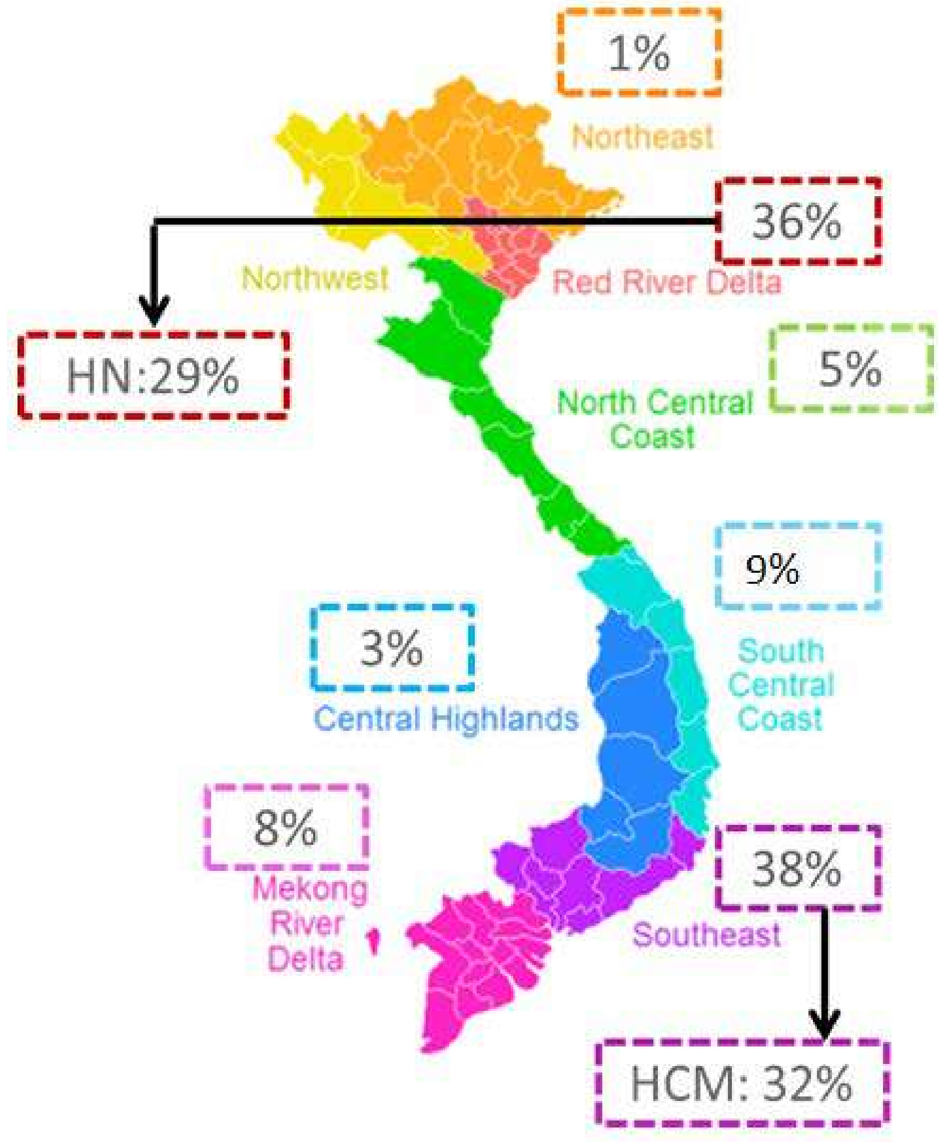
- South East and Red River Delta is the highest market share by area.
- Ho Chi Minh City and Hanoi are the outstanding cities



Source: Nielsen

FUTURE COOKING OIL IN VIET NAM

Sime Darby Plantation

FUTURE OF COOKING OIL IN VIETNAM

Golden Hope-Nha Be

PROMISING

The cooking oil industry is annually up 6% in 2018 , estimated at VND29,000 billion :

+ The consumption of edible oil in Vietnam increases in B2C & B2B segment
+ The demand for edible oil increase due to the increase demand in oil and fat processing companies

REASON:
It is forecasted to grow rapidly by 2025 (correspond with 1.929 TMT), the fast-growing consumer market has become one of the top priorities for manufacturers in their business development strategy.

With 70% of the population aged 15-64, the total spending for goods of Vietnamese is estimated to be approximately $ 173 billion by 2020.

FMCG forecast to increase about 20% per year is attractive to many businesses focus on developing industries, especially in some industries: **cake & noodles**

FUTURE OF COOKING OIL IN VIETNAM

Golden Hope-Nha Be

CHALLENGES

1) Vocarimex owns shares in almost competitor companies hence leading to a non level playing field
2) Competitors as Calofic and Kido are extremely aggressive in market
3) B2C market is dominated by 2 brands: "Simply" & "Neptune"- owned by Calofic
4) B2B market size is dominated by Sime Darby, especially with their good relationship with customer & Calofic with cheap oil
5) New entrants like Musim Mas & Kido need to heavy investment monetarily to gain market share control.

RECOMMENDATION

The key factor to promote growth of Malaysian Palm Oil usage in Vietnam is that the refiners manufactures interests need to be taken care of

To MPOC

Malaysia may give special consideration to provide export duty exemption for CPO export to Vietnam manufactures

MPOC should be more concerned with joining Expo, Trade fair, Food fair to approach potential customers in B2B segment. In B2C segment, MPOC can cooperate with local brands for marketing activities to viral benefits of palm oil and increase awareness of MPOC in Vietnam

The above presentation represent only personal view of the speaker

Thank You