

CHALLENGES FACED BY ENTERPRISE IN THE DAIRY INDUSTRY

The market potential for dairy products in Vietnam remains significant as Vietnamese people are increasingly concerned about nutrition and health issues. It is predicted that in the coming years, the average milk consumption per capita will continue to rise and reach 40 liters per person per year by 2030. According to the Vietnam Dairy Association (VDA), the average milk consumption per capita in Vietnam was 15 liters per year in 2010¹. In 2021, this figure increased to 27 liters of milk/person/year, currently this level is still low compared to Thailand (35 liters/person/year) and Singapore (45 liters/person/year)².

Additionally, Vietnam's population is steadily increasing, leading to increasing of total milk consumption. On average, Vietnam produces about 12 liters of fresh milk per capita, with total production exceeding 1.2 million tons, meeting only about 42% of consumers' milk consumption needs³. However, contrary to the market's development potential, enterprises are facing difficulties from the consequences of the Covid-19 epidemic, the impact of the economic crisis and fierce competition among brands, requiring dairy enterprises to exert even greater efforts to gain market share.

The price of raw milk in the world is increasing by 60%, causing domestic enterprises to struggle, having to increase prices and find ways to balance costs. The reason is partly due to the consequences of the Covid-19 epidemic causing disruptions in the global supply chain, leading to increased supply of animal feed and rising transportation costs. Additionally, the impact of the Russia-Ukraine war has also contributed to a significant increase in input materials for the dairy processing industry. Most dairy companies have adjusted their selling prices in the market, but the rate of price increase is relatively low compared to the increase in input costs. Therefore, the profit margin for the dairy industry this year is predicted by securities companies to be lower than in previous years⁴.

After the pandemic, the economy was expected to recover, but in reality, it became complicated with multi-dimensional crises from political conflicts, epidemics and climate change. These issues have pushed inflation to its highest level in decades, forcing countries to tighten monetary policies and reducing both income and consumer demand. Inflation has led to reduced consumption; dairy products are currently a highly sensitive product because most Vietnamese consumers do not consider milk to be an essential nutritional product. Therefore, demand for dairy market products will weaken as consumers have to tighten their spending habits⁵.

Vietnam's dairy market currently has about 200 enterprises operating, including 40 enterprises that produce

¹ Vietnam Trade and Industry Review of the Ministry of Industry and Trade: <https://tapchicongthuong.vn/bai-viet/thi-truong-sua-viet-nam-tiem-nang-con-rong-mo-43247.htm>

² The Vietnam Enterprise Council for Sustainable Development (VBCSD): <https://vbcسد.vn/detail.asp?id=477>

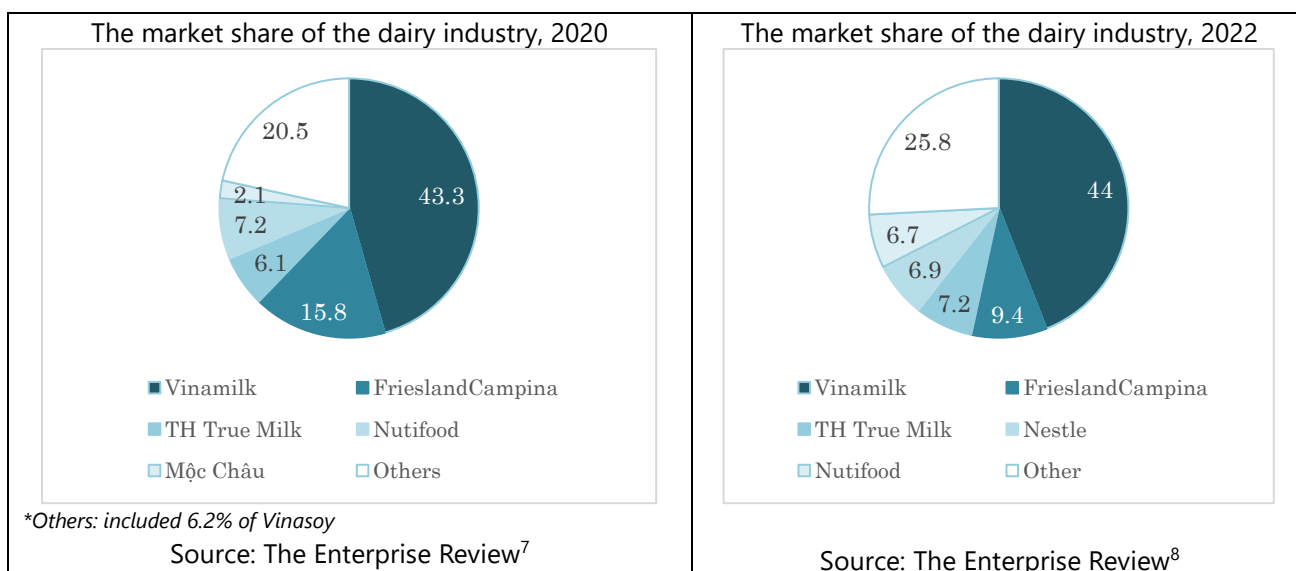
³ BIDV Securities Company: <https://www.bsc.com.vn/tin-tuc/tin-chi-tiet/922133-viet-nam-moi-da%CC%81p-u%CC%81ng-42-nhu-ca%CC%80u-su%CC%83a-trong-nuoc#:~:text=Trong%20khi%20C4%91%C3%B3%2C%20b%C3%ACnh%20qu%C3%A2n,s%E1%BB%AFa%20c%E1%BB%A7a%20ng%C6%B0%E1%BB%9Di%20ti%C3%AAu%20d%C3%B9ng.>

⁴ VnExpress e-magazine: <https://vnexpress.net/nganh-sua-truoc-ap-luc-gia-nguyen-lieu-dau-vao-cao-ky-luc-4487622.html>

⁵ Biz live e-magazine: <https://nhipsongkinhdoanh.vn/nguoi-tieu-dung-that-chat-chi-tieu-doanh-nghiep-nganh-sua-than-trong-post3108143.html>



and distribute milk. Domestic enterprises account for about 75% of the market share, while foreign enterprises account for about 25%. The attractiveness of the Vietnamese dairy market not only stimulates domestic enterprises to expand production but also attracts many foreign investors to invest capital in the industry. Enterprises have created raw material areas to be more proactive in product development. These enterprises continuously launch new products to attract consumers⁶. Although Vinamilk always holds the main market share in the market, Vinamilk always strives to improve to increase its market share.



Besides traditional products that mainly focus on children, recently brands also target other customer with new product lines. The first trend is plant-based milk products, which is a popular trend globally as consumers are gradually replacing animal milk in their daily menus⁹. The second trend is milk products for the elderly, as the aging population is increasing rapidly, leading to a growing demand for health and nutrition care for the elderly. The market for nutritional milk products is also thriving¹⁰. The third trend is the expansion and diversification of the export market. After only 5 years from 2015 to 2020, the number of Vietnamese dairy enterprises successfully reaching the world market has tripled, from 3 to 10 enterprises and from 10 countries to 50 countries¹¹.

Vietnam's dairy market is posting strong growth in consumption as well as further expansion in product types. With strong competition from brands, Vietnamese consumers can be optimistic about a market that is more beneficial for consumers.

⁶ Vietnam Trade and Industry Review of the Ministry of Industry and Trade: <https://tapchicongthuong.vn/bai-viet/thi-truong-sua-viet-nam-tiem-nang-con-rong-mo-43247.htm>

⁷ The Enterprise Review: <https://nhipcaudautu.vn/kinh-doanh/sua-noi-tim-trang-trai-ngoai-3340009/>

⁸ The Enterprise Review: <https://nhipcaudautu.vn/kinh-doanh/cuoc-dua-thi-phan-sua-tang-nhiet-3356751/>

⁹ Vietnam Institute of Strategy and Policy for Industry and Trade (VIOIT): <https://vioit.org.vn/vn/tin-hoat-dong-nganh/xu-huong-su-dung-cac-san-pham-sua-trong-tuong-lai-4640.4056.html>

¹⁰ Finance Magazine of the Ministry of Finance: <https://tapchitaichinh.vn/thi-truong-cho-nguoi-cao-tuoi-tiem-nang-lon.html>

¹¹ Department of Animal Health - Ministry of Agriculture and Rural Development: <https://cucthuy.gov.vn/-/xu%E1%BA%A5t-kh%E1%BA%A9u-s%E1%BB%Afa-t%C4%83ng-m%E1%BA%A1nh>