

Voluntary Report – Voluntary - Public Distribution

Date: September 28,2020

Report Number: VM2020-0092

Report Name: Vietnam African Swine Fever Update

Country: Vietnam

Post: Hanoi

Report Category: Livestock and Products, Agricultural Situation, Pest/Disease Occurrences

Prepared By: Nga Bui, Sarah Gilleski

Approved By: Robert Hanson

Report Highlights:

African Swine Fever (ASF) outbreaks have reoccurred in many parts of Vietnam, leading to the death and culling of 43,150 pigs from January to August 8, 2020. The ASF outbreaks have had major impacts on Vietnam's livestock industry, leading to a decline in pork production and an unprecedented pork price crisis. The Government of Vietnam (GVN) is promoting pork imports and supporting the rebuilding of swine herds in order to address the domestic hog/pork supply and price issues.

Status Update

Key Figures

- **Number of ASF outbreaks¹:** 1,008 outbreaks officially reported in 44 cities and provinces from January 1 - August 31, 2020, including:
 - 531 outbreaks occurring from the end of 2019 and extending into 2020
 - 450 recurring outbreaks
 - 27 new outbreaks
- **Number of pigs culled:**
 - February 1 - December 31, 2019: ~6 million heads, with a total weight of 342,000 metric tons (MT)
 - January 1-August 31, 2020: 43,150 heads, with a total weight of 2,157 MT
- **Herd repopulation:** 12 provinces making good progress in herd rebuilding, with the largest province in southern Vietnam, Binh Phuoc, reporting the fastest pace of swine herd recovery (as of August 2020).
- **Hog population:** fell by 7.5 percent and live-weight pig production fell by 8.8 percent in the first half (H1) of 2020 compared to H1 of 2019. Hog numbers down 4 percent in August 2020, relative to August 2019 (GSO)
As of July 2020, hog population is about 25.18 million heads (equal to 81.9 percent of the pre-ASF numbers). Sow population: > 2.93 million heads, up 7.7 percent from January 1, 2020.
- **Accumulated financial losses:** Central government spending of VND6,232 billion (equivalent to \$270 million) and local government spending of about VND7,000 billion (equivalent to \$303 million) on the ASF battle (as of July 2020)
- **Pork imports:** In the first seven months of 2020, Vietnam imported 93,248 MT of pork of all kinds (up 223 percent from the same period in 2019).

(Source: compiled from MARD and GSO reports)

It has been 19 months since the first African Swine Fever (ASF) outbreaks were reported in Vietnam. For previous reporting on ASF please see GAIN reports [VN9012](#), [VN9027](#), [VN2019-0067](#), [VN2020-0032](#).

From January 1 to August 31, 2020, a total of 1,008 outbreaks were reported by the Ministry of Agriculture and Rural Development (MARD). Small and scattered outbreaks are ongoing in 44 cities and provinces, resulting in the death and culling of 43,150 pigs since January, equivalent to a total weight of about 2,157 MT. In 2020, ASF outbreaks have largely occurred in the northern mountainous areas and are limited to backyard farming operations, which failed to ensure proper farming conditions and follow biosecurity measures. The GVN has been encouraging the local industry to rebuild the sow and hog population at farms that meet biosecurity requirements. However, Vietnam's efforts to repopulate the national pig herd have been hindered by the risk of ASF recurrences. MARD statistics show that about 45 percent of the above outbreaks are recurring ones. ASF risks remain high as ASF epidemics are still ongoing in other Asian countries including Timor-Leste, Indonesia, the Philippines, Myanmar, and China.

¹ An outbreak is defined by Vietnam as a commune where at least one pig is confirmed as infected with ASF virus by laboratory testing (RT-PCR).

According to MARD, the hog numbers in July 2020 of the 16 largest livestock companies, which account for about 22 percent of the total pork market share and 35 percent of the national pig herd, increased to nearly 4.9 million heads. This is a 53 percent increase compared to January 2019 (before the first ASF outbreak) and a 47 percent increase compared to January 2020. The numbers are expected to reach 5.17 million heads by the end of the third quarter (Q3) and 5.36 million heads by the end of this year. Post has noticed increased herd expansion by large companies that apply the farm-feed-food business integration model, since they can take advantage of cost efficiency, biosecurity measures, and have access to breeders. On the contrary, small farms and farming households are reluctant to repopulate due to the risk of ASF recurrence, the shortage of resources, and the high price of piglets.

The swine production sector is seeing a gradual recovery from the ASF epidemic, according to MARD. However, despite the considerable progress made, Vietnam's herd replenishment still encounters some difficulties including the shortage and the high price of breeding pigs. Domestic prices of breeding pigs remain very high, reportedly twice or three times higher than the pre-ASF level, subject to weight, ranging from VND2.5 million to more than VND3 million per head. The unavailability of an applicable ASF vaccine and the absence of efficient treatments against ASF also limit herd replenishment.

ASF impacts

A decline in pork production

According to Vietnam's General Statistics Office (GSO) estimates, in H1 of 2020, the country's hog population fell by 7.5 percent, and live-weight pig production fell by 8.8 percent compared to the same period last year. Hog numbers in August saw a 4 percent drop relative to August 2019 (GSO).

According to MARD, many difficulties remain for the livestock production sector in the last months of 2020 including the ASF outbreaks risks, the complicated developments of the COVID-19 pandemic, and unpredictable weather conditions. However, MARD expects that by the beginning of Q4 of 2020, pork production will basically meet the domestic consumption demand. As forecast by the Netherlands-based Rabobank Group in its June 2020 report, Vietnam's pork production will likely decrease to 2.15-2.2 MT in carcass-weight equivalent, or an 8-11 percent year-on-year (YOY) decline in 2020.

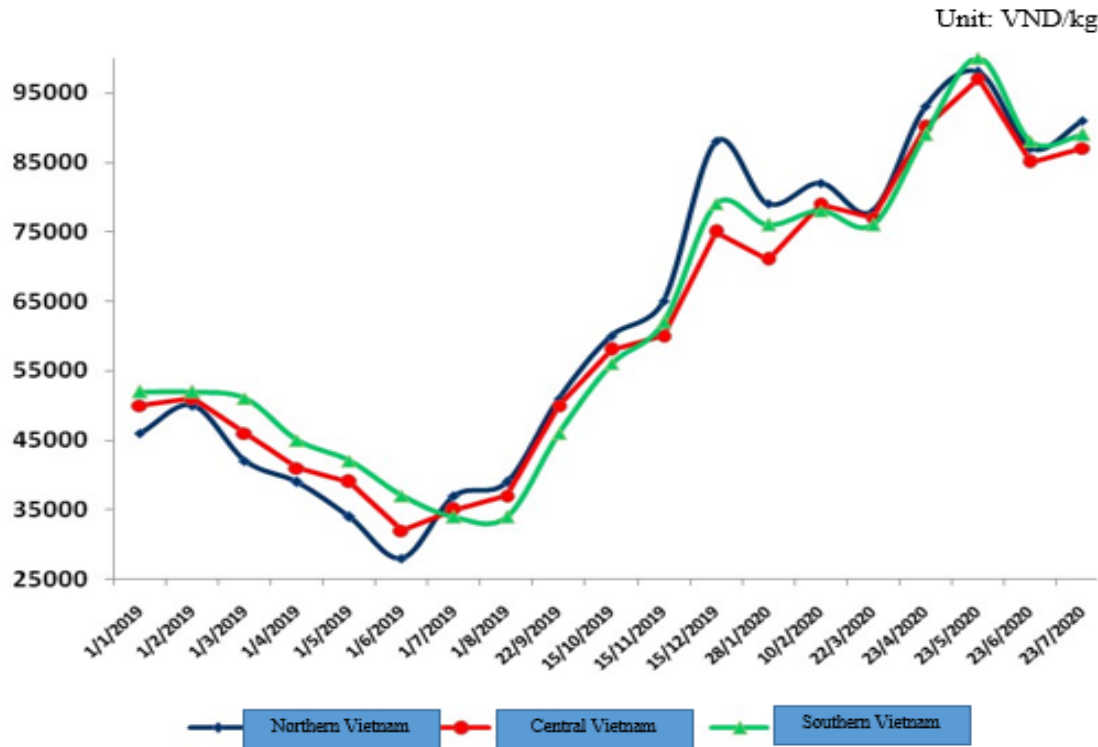
A hog/pork price crisis

Local media quoted Vice Chairman of Vietnam Livestock Association, Dr. Đoàn Xuân Trúc as saying that since August 2019, Vietnam has been witnessing a long and severe pork price crisis that has never happened in the history of the livestock industry. Due to the ASF impacts, the decline in pork supply has caused a serious imbalance between supply and demand, leading to an increase in hog prices, from VND42,000 per kg of live weight in August 2019, to VND 90,000 per kg by the end of 2019, to a record high level of VND105,000 in late May 2020.

Live hog prices in Vietnam have been trending down since late July but remain high, hovering between VND78,000-83,000, although they are not yet at MARD's target price of VND70,000 per kg. Retail pork prices have also decreased but remain high as the decrease is not in proportion to the that of live hog prices. Given the current pace of pig repopulation, MARD expects that there will be more balanced supply and demand in the fourth quarter and the live hog price will decrease further. However, industry

sources expressed doubts about this given concerns over ongoing ASF outbreaks. Some industry analysts say that from 2020-2021, hog/pork prices will fluctuate but remain high. They expect the price to decrease in mid-2021-2022 and stabilize in the following years. Local economists believe that the supply can basically meet the demand of pork in Vietnam in the last few months of 2020, because many livestock companies have effectively restocked and expanded their herds.

Figure 1: Hog price movements in Vietnam



(Source: Vietnam Industry and Trade Information Center, Ministry of Industry and Trade)

GSO data shows that in H1 of 2020, pork prices increased by 68.2 percent on average, leading to an increase in the prices of processed food products. The surge in pork prices put pressure on the overall Consumer Price Index (CPI). Given the recent developments, local economists forecast that Vietnam’s inflation rate could be in the range of 3.5 to 4 percent as targeted by the GVN.

A surge in demand for imported hogs/pork

Given the high domestic prices of pork, the GVN has been encouraging pork imports to partially offset the shortage of domestic supply and to bring the domestic pork prices down. MARD allowed, for the first time, the official import of live pigs from Thailand for slaughter for food on June 12, 2020. MARD Minister Nguyễn Xuân Cường stated that importing live pigs is just one of many immediate solutions to reduce pork prices. According to the MARD Department of Livestock Production, local companies have applied for import permits to import more than 4.5 million hogs from Thailand. In reality, from June 12 - August 21, around 113,000 hogs were imported from Thailand (subject to a 5-day quarantine) for slaughter for food. In recent weeks, however, industry has reported less or even zero Thai pork sold

in local wholesale markets in the South, which could be attributed to increasing hog prices in Thailand, decreasing hog prices in Vietnam, and the resulting slimmer profit margins for local importers of live pigs. For the past few months, imported pork has been introduced to the retail market and sold in many supermarkets at lower prices than those of local pork.

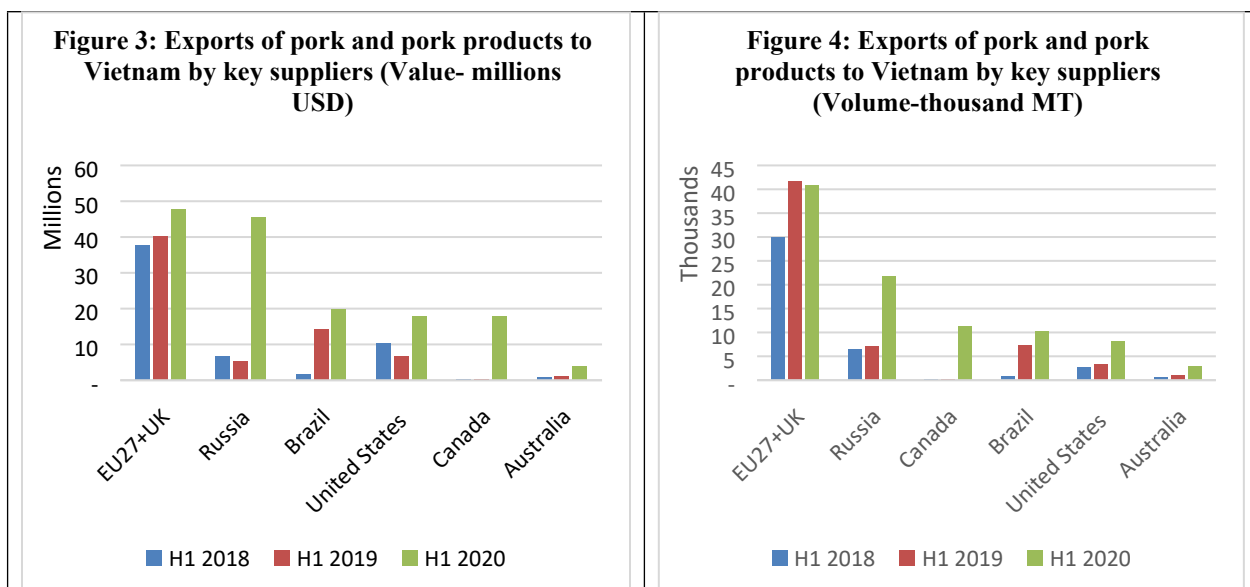
According to the General Department of Customs of Vietnam, in H1 of 2020, Vietnam imported 11,411 breeding pigs. The number of imported breeding pigs increased 32.6 times compared to H1 of 2019.

Figure 2: The quantity and value of imported breeder pigs by country in H1 of 2020

Partner country	Quantity (heads)	Percent of the total quantity imported	Import value (USD)	Percent of the total value of imports
Thailand	5,774	50.6%	2,516,225	31.2%
Canada	3,784	33.2%	3,918,378	48.6%
United States	1,808	15.8%	1,432,555	17.8%
Taiwan	45	0.4%	198.9	2.5%
Total	11,411	100%	8,066,058	100%

(Source: Vietnam Livestock Magazine)

Imports of pork and pork products have also surged. According to MARD statistics, in the first seven months of 2020, 130 Vietnamese enterprises imported more than 93,248 MT of pork, mainly from Canada, Germany, Poland, Brazil, the United States, Spain, and Russia, up 223 percent over the same period in 2019. The GVN had set a target of 100,000 MT of imported pork. Vietnam’s imports (live hogs for slaughter and pork) are projected to increase 60 percent YOY in carcass-weight equivalent, per the June 2020, Rabobank Group report.



(Source: Trade Data Monitor)

TDM data shows that in H1 of 2020, the United States exported 8,200 MT of pork and pork products to Vietnam, valued at nearly \$18 million, an increase of about 165 percent in value and 149 percent in volume compared to the same period last year.

Tariff reductions

On May 25, 2020, Vietnam announced reductions to its most-favored-nation (MFN) tariff rates for imported pork. Effective July 10, 2020, the MFN rate for frozen pork dropped from 15 percent to 10 percent, with the lower rate remaining effective through the end of this year. The 15 percent tariff will be reapplied on January 1, 2021. The MFN rate for chilled pork was reduced to 22 percent from 25 percent.

Government Response

Central Government: Vietnam's Prime Minister and Deputy Prime Minister have presided over meetings with Ministries, agencies, and local governments to discuss ASF control solutions. MARD has organized meetings with large livestock enterprises to discuss pork production, ASF prevention and control, and price and supply stabilization. In addition, MARD has issued instructions to speed up the herd restocking, enhance biosecurity measures, and increase the import of hogs/pork to partially offset the shortage of domestic supply. MARD has also coordinated with relevant ministries and localities to, to support ASF-hit pig farmers by having preferential policies on loan interest rates and land policies for farmers. MARD has also called for an expansion of biosecurity models to accelerate the pig herd restocking. During a July meeting, Prime Minister Phúc asked MARD to work with relevant Ministries/agencies to continue promoting the import of live hogs and pork to help stabilize domestic pork prices.

On July 7, 2020, Vietnam launched its National Plan on ASF Prevention and Control 2020-2025, approved by Deputy Prime Minister Dũng, which set a target to have no ASF outbreaks in more than 90 percent of communes and wards by 2022 and no ASF outbreaks nation-wide by 2025. The plan also aims to have at least 500 ASF-safe pig raising facilities and 50 ASF-safe hog and pork production chains. It envisions that 100 percent of large-scale pig farms, 90 percent of small and medium pig farms, and 80 percent of small-scale ones will apply biosecurity measures, while also working towards a vaccine against ASF. Testing capacity will be strengthened as well.

According to MARD, the total funding to date for the ASF prevention and control, including funds from both the central and local budgets and funds supported by banks and credit institutions, has reportedly reached more than VND13 trillion, equivalent to about \$565 million² USD.

Local governments: Several support policies have been implemented on the local level, including provision of financial support for farmers to encourage the development of the livestock sector toward increased application of high technology and biosecurity measures. For example, the local government of Hanoi city implemented a policy supporting 100 percent of the cost of imported pig semen and providing VND5 million per sow and VND3 million per male parent for pig farmers to accelerate herd

² All USD values based on current exchange rates.

restocking and expansion. The goal is for the herd to reach its pre-ASF numbers of 1.8 million pigs by the end of 2020.

Consumption Behavior

As noted in Post's previous GAIN reports, shortly after confirmation of the first ASF outbreaks in Vietnam, consumers reduced their pork consumption for fear of ASF and switched to other animal proteins. Vietnamese consumers have a long-established habit of using "fresh" or "warm" meat, i.e. newly slaughtered, un-chilled meat. Chilled/frozen meat is not popular as many people believe that frozen meat is not fresh. However, these days, as a result of increased imports of pork and increased availability at mini-marts and supermarkets, Vietnamese consumers have greater access to imported pork of good quality with competitive prices. In addition, many retail chains have conducted a series of promotional activities to raise consumers' awareness and encourage consumption of imported pork. Post noticed that local consumers appear to be more receptive to imported pork due to increased availability and competitive prices. Recently, the findings of a global market research firm Ipsos, have been widely cited in the local media, noting that Vietnam's per capita pork consumption in 2019 was 28.5 kg, which is equal to the per capita seafood consumption and five times higher than per capita beef consumption. Local media also quoted Ipsos Vietnam saying that per capita pork consumption was 24.8 kg, down 13 percent year-on-year in the first four months of 2020.

The livestock industry reshaped

According to industry experts, given the ongoing ASF outbreaks, perhaps only big livestock firms, which have resources, knowledge, and experience can move on from ASF and thrive. As noted in Post's previous GAIN report, the ASF epidemic could be an impetus for livestock industry reforms. Reality has shown that ASF has been driving the livestock industry to restructure. Anecdotally, there are fewer small household farming operations and more professional farming operations than in the pre-ASF period. Post has noticed an increasing trend of firms making larger investments in farms, reorganizing their production, practicing good biosecurity, applying modern technology, and developing integrated supply chains. Local businesses are also preparing for competition from international firms. The recent entry into force of the EU-Vietnam Free Trade Agreement (EVFTA) on August 1, 2020, is widely believed to pave the way for increased imports of pork and pork products from Europe to Vietnam, with the EU's frozen pork and fresh/chilled pork exports becoming duty-free within 7 years and 9 years of entry in force, respectively.

Attachments:

No Attachments.