

VIETNAM TEA INDUSTRY REPORT 2020





EXECUTIVE SUMMARY

Tea industry has long been an important sector in Vietnam to not only creates a myriad of jobs for local people, alleviates poverty, but also provides stable incomes for millions of growers across the country. The value chain of the tea industry is operated based on the three main activities: producing raw fresh tea, processing tea and trading tea products. Some of the important factors affecting the development of the tea industry include tea growers, traders or collectors, processors, distributors and exporters. In recent years, the tea industry has made great progress in tea growing, processing and trading. Tea production in 2019 will reach 1 million tons on an area of 123 thousand hectares. Tea export increased 8% in volume, reaching nearly 137.4 thousand tons, equivalent to 236 million USD. In which, the proportion of black tea and green tea accounted for 39.7% and 39.6% respectively.

Tea farmers in the industry are equipped with knowledge about tea production according to VietGAP standards, organic farming practices, and pesticide residues managing methods. In addition, processing facilities and enterprises are provided with machinery and automated equipment which continuously improves the quality of tea products. Currently, there are 257 industrial scale tea processors in the Vietnamese tea market, with a workforce of up to 220 thousand people. Total designed capacity is estimated at 5.2 thousand tons of fresh buds/day. There are currently 60% of tea production is manufactured according to industrial process and 40% is hand-processed .

However, besides the achievements, the tea industry has been facing many difficulties. Despite being a country with a large tea export volume in the world, the competitiveness of tea products in terms of quality, designs and brands in the international market remains low. Therefore, the average export tea price is not high compared to other competitors in the industry. Links in the value chain of the tea industry in Vietnam are weak, especially between enterprises and farmers, with many levels of middlemen collectors. Tea growers in numerous localities do not have proper attention to sustainable value chains. They are willing to break contracts with companies, sell tea to traders who offer higher prices, leading to a shortage of raw materials for processing and exporting enterprises.

After the EVFTA Agreement comes into effect, tea import tax to EU countries will be fully exempted, which is a huge opportunity to expand markets for Vietnamese tea exporters. Therefore, Vietnam needs to strengthen the chain of links between tea production and consumption, improve the quality of tea products, and promote the national brand of Vietnamese tea in the international market to take advantage of this agreement. It is forecasted that the tea market will continue to grow in the long term, especially in the Chinese market. Tea prices will tend to increase in the short term due to a shortage of supply resulting from the disruption in many tea-producing countries worldwide. This is the suitable time for Vietnam's tea industry to boost exports and increase market share in the global market.

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ABBREVIATIONS

Abbreviation	Meaning	Abbreviation	Meaning
GDP	Gross Domestic Product	MoIT	The Ministry of Industry and Trade
CPI	Consumer Price Index	GDVC	General Department of Vietnam Customs
GSO	General Statistic Office	VietGAP	The standards of good agricultural practices in Vietnam
VNC	VietnamCredit	IPM	Integrated Pest Management
PPI	Producer Price Index		
USD	US Dollar		
FDI	Foreign Direct Investment		
VND	Vietnamese Dong		

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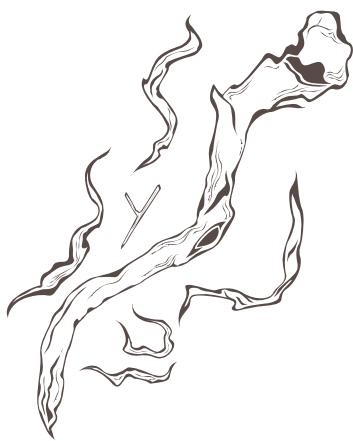




2.1. MAJOR TEA TYPES IN VIETNAM

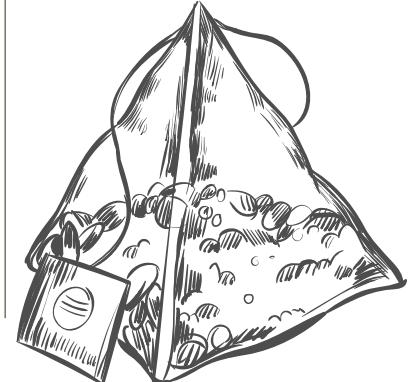
Source: BMI

Vietnam's tea market currently has several major tea products, which are classified by processing methods as follows.



Black tea: is a type of tea that is fully oxidized, following a process of wilting fresh tea buds, crushing tea, oxidizing, drying, classifying tea and packaging finished products. Black tea is classified into 2 types: Orthodox black tea (OTD) if the leaves are crumpled and oxidized; Crushing tearing and curling black tea (CTC) if the tea leaves are cut into small pieces before or after the oxidization process.

New tea products: are tea types designed for new consumer trends such as tea bags, instant tea, ready-to-use instant tea in bottles or cans, tea mixed with nutrients, fruit flavors.



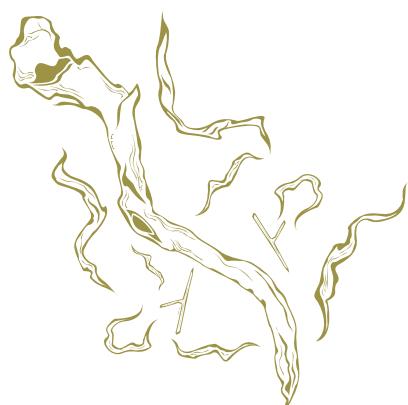
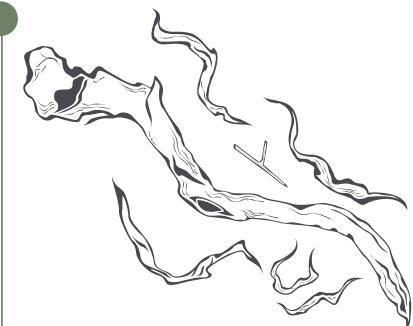


Oolong tea: is a special type of Chinese tea which is partially-oxidized, following the process of wilting, oxidizing, stir-frying, rolling, drying, forming pellets by pressing, drying and packaging finished products.

Source: VNC

Scented tea: includes dry flavored tea and fresh flower-scented tea

- » Flavored tea: is a type of tea that is flavored through the added inclusions such as cinnamon, licorice, dried chamomile, anise, anise and so on; or coated in extracts.
- » Flower-scented tea: is a type of tea that is marinated using fresh flowers such as lotus, jasmine, cinnamon, grapefruit and so on.



Green tea: is a type of tea processed using kill-green method, following the process of mild wilting, de-enzyming, crushing, drying, rolling into shapes, then classifying and packaging finished products. Green tea has a relatively high selling price and increasing consumption demand compared to black tea. Some types of green tea can be mentioned such as: Pan-frying green tea, Dried green tea, Sun-dried green tea, Steamed green tea (using hot steam to prevent the oxidation).



5. OUTSTANDING COMPANIES IN TEA INDUSTRY IN 2019



List of outstanding enterprises in Vietnam's steel industry was created by Vietnam Credit Ratings (VietnamCredit) by selecting from businesses operating within the tea value chain. The evaluation criteria include financial and non-financial criteria including company scale ,credit rating, and financial indicators of the businesses in 3 consecutive years (2019, 2018, and 2017)





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