

Growing Markets for U.S. Agricultural Exports: Vietnam, Thailand, and Burma

Vietnam, Thailand, and Burma (Myanmar) are part of the fastest developing region in the world and account for roughly 221 million of Southeast Asia's population. These three countries benefit immensely from intraregional trade and over the last two decades, they have established robust export-led economies and sustained healthy growth. Formerly agrarian-based economies, Vietnam, Thailand, and Burma no longer rely on domestic agricultural production as the primary source of food and just last year imported a combined total of more than \$42 billion in agricultural goods. Of that total, the United States exported over \$2.1 billion to Thailand, \$4.0 billion to Vietnam, and \$126.7 million to Burma. Going forward, U.S. agricultural producers should concentrate on expanding partnerships within the three countries, especially as their economies continue to develop and per capita incomes rise.

Vietnam

U.S. exports to Vietnam reached a record \$4.0 billion in 2018, making Vietnam the seventh-largest destination for U.S. agricultural products. With a population over 97 million, Vietnam offers a bustling economy with robust real Gross Domestic Product (GDP) growth of 7.1 percent in 2018. Vietnam has also kept the unemployment rate at only 1.9 percent, maintained stable inflation near 3 percent, and kept more than 90 percent of its population above the national poverty line. Simultaneously, the country has shifted its economy away from agriculture towards manufacturing, increased exports, and effectively integrated itself into the global market. Yet, the agricultural sector still employs 40.3 percent of the labor force and accounts for 15.3 percent of the nation's GDP. Likewise, Vietnam exports billions of dollars in tree nuts, coffee, rice, and other goods. Still, Vietnam imports large quantities of agricultural products from across the world. Fortunately, as the second-largest exporter to Vietnam behind China, the United States holds an established position in the Vietnamese market and has many opportunities for growth.

With the combination of a growing middle-class and high GDP growth, Vietnam is becoming an important market for consumer-oriented products. World exports of consumer-oriented products to Vietnam totaled \$14.7 billion in 2018, up 5 percent over 2017. Exports to Vietnam of U.S. consumer-oriented products enjoyed a record year in 2018, reaching \$977 million. This amount is up 21 percent since 2017 and is expected to reach \$1 billion in 2019. The top five global exports of consumer-oriented products to Vietnam include fresh and processed vegetables, beef and beef products, fresh fruits, tree nuts, and food preparations and miscellaneous beverages.

With increasing disposable income and concerns about food safety, Vietnamese consumers are willing to pay more for imported food products, which they believe meet higher quality and

safety standards. Fresh fruits and prepared food have increased in popularity in Vietnam, with U.S. export values up by 42 percent and 15 percent, respectively from 2017 to 2018. In addition, the tremendous growth of modern retail outlets with improved infrastructure, such as cold chain, helps maintain the quality of U.S. products and give consumers access to well preserved products.

Top Prospects for U.S. Agricultural Exports

Dairy: U.S. exports of dairy to Vietnam reached \$145 million in 2018, a 29-percent increase from 2017. Despite strong competition from countries who enjoy preferential tariffs via free trade agreements with Vietnam (such as New Zealand, Australia, and Europe), U.S. dairy products have a strong position in the Vietnamese market. Export values for U.S. skim milk powder ranked highest in the dairy products group in 2018 based on a strong U.S. supply advantage. Additionally, there is increasing demand for ingredients in Vietnam's dairy sector that has grown 10 to 12 percent annually. In addition to milk powder, there is strong potential for processed cheese to supply the expanding food service sector, with the export value for these products increasing by 25 percent to \$570,000 in 2018.

Hardwood: As an agricultural-related product, demand for hardwood lumber/timber in Vietnam continues to rise, as the wood processing industry remains a main contributor to the country's economic growth and foreign exchange earnings. In 2018, Vietnam's exports of furniture and wooden products reached \$8.9 billion, up 15.6 percent over 2017^[1]. To fuel this growth, Vietnam's furniture industry relies heavily on imports of wood material, which increased by 10 percent from \$900 million in 2017 to \$990 million in 2018. The United States is Vietnam's largest hardwood lumber supplier with exports of \$311 million in 2018, up 18 percent over 2017. Traditionally dominated by species like yellow poplar and white oak, Vietnam saw significant growth in consumption of walnut, red oak, and western red alder in 2018.

Meat products: Vietnam's consumption of meat has risen over the last decade in line with the growing middle-class. The country's booming hotel, restaurant, and industry sectors continue to drive up the demand for imported beef, pork, poultry, and seafood. U.S. beef exports to Vietnam grew by 35 percent from 2017 to 2018 to nearly \$82 million. U.S. pork, despite facing strong competition from Europe, saw tremendous growth in 2018, growing by 191 percent to \$35 million. The recent improvements in Vietnam's meat processing industry, supported by increases in both local and foreign investment, has also driven the country's demand for pork. In addition to Vietnam's food service industry, U.S. pork producers should look to Vietnam's meat processing industry as a market for pork trimming and other budget cuts. U.S. poultry exports had a record year in 2018, reaching \$110 million and exports remain strong during the first seven months of 2019.

^[1] Vietnam's Customs

Cotton: Cotton has emerged as the leading U.S. agricultural export product to Vietnam over the past five years. Cotton exports now account for 49 percent of all U.S. agricultural exports to Vietnam. U.S. cotton exports to Vietnam jumped from \$392 million in 2014 to a record-high \$1.3 billion in 2018, with exports already over \$1 billion for the first seven months of 2019. Vietnam's spinning industry is likely to grow in the coming years through both expanded and newly established mills supporting continued demand growth.

Food Preparations/Miscellaneous Beverages: As annual tourism and disposable income increase in Vietnam, consumer demand for prepared foods is rising. In 2018, the United States was the seventh largest exporter of food preparations to Vietnam. As Vietnamese food preparations and miscellaneous beverage imports approach \$1 billion, plenty of market space remains available for increased U.S. sales.

Other Notable Goods: Vietnam's imports of fresh vegetables have grown considerably to reach \$920 million last year. However, the United States exported only \$1 million, consisting mostly of fresh potatoes. Vietnam's fresh potato imports totaled \$100 million in 2018, illustrating opportunities for growth in U.S. exports. Likewise, feeds and fodders imports grew to \$707 million in 2018 from \$645 million in 2016. The United States exported \$77 million in 2018, behind only China who exported \$194.4 million. U.S. fresh fruit exports reached a record \$102 million in 2018 and continue to perform well in 2019.

Thailand

Economically, Thailand appears stable after reaching the status of a middle-income economy in 2010. Thailand has maintained a real GDP growth rate between 3 to 4 percent over the last three years, continuously increased individuals' disposable income nationwide, and in 2018, impressively limited its national unemployment rate to 1 percent. At the same time, Thailand has undertaken measures to strengthen its currency, decrease its dependency on foreign investment, and invest in public infrastructure improvements. Already, Thailand has reduced reliance on agricultural production as an economic driver. Agriculture only contributes 8.2 percent of Thailand's GDP. Instead, Thailand imports much of its agricultural products for consumption, particularly from the United States, China, and Brazil. As a chiefly service-based economy, Thailand will require more agricultural goods from global markets, and the United States stands ready to provide them.

Top Prospects for U.S. Agricultural Exports

Dairy Products: In 2018, Thailand imported \$790.3 million in dairy products from across the globe. The United States provided \$34.6 million of that total, following New Zealand, the European Union (EU), Australia, and Singapore. Of that total, the United States chiefly sells whey, milk powder, and lactose. However, the fastest growing dairy segment for the United States in Thailand is cheese. The United States sold \$6.5 million in cheese products last year, up from the \$4.6 million in 2014.

Other Intermediate Products: In this category, the United States principally sells protein concentrates and flour pellets to Thailand. In 2018, the United States sold \$35.2 million in protein concentrate products to Thailand (leading China and Taiwan) and \$14.5 million in flour pellets (only behind the EU as the top supplier). As domestic Thai food processing expands, so will demand for imported ingredients and additives which the United States can supply.

Tree Nuts: An increase in average household income is resulting in a shift to healthier diets. As a result, Thailand's consumers are buying more tree nuts. Behind Vietnam and Indonesia, the United States is the third largest exporter of tree nuts to the country. From 2017 to 2018, the United States expanded tree nut exports by 44.3 percent, most of which were almonds and pistachios. Last year, U.S. tree nut exporters were able to send \$26.7 million of just these two items to Thailand.

Other Notable Goods: Over the last five years, U.S. producers of processed vegetables exported approximately \$20 million to Thailand annually, particularly in prepared potatoes and dried onions. During the same period, the United States also increased exports of chocolate and cocoa products to Thailand. From 2014 to 2018, U.S. chocolate and cocoa exporters increased sales to Thailand from \$5.9 million to \$15.1 million. Hence, both markets are quickly expanding and able to accept more U.S. products.

Burma

Burma is home to a population of 55.6 million people and benefits from a geographically advantageous location in fast-growing Southeast Asia. From 2016 to 2018, Burma's real GDP grew steadily between 6 and 7 percent. The nation's economy is primarily driven by high levels of manufacturing, construction, and tourism, with agriculture contributing substantially as well. Last year, the agricultural sector employed 51.8 percent of the population and made up 24.1 percent of Burma's GDP. In 2018, the United States exported \$126.7 million in agricultural goods to Burma.

Top Prospects for U.S. Agricultural Exports

Food Preparations/Miscellaneous Beverages: Like other expanding economies in Southeast Asia, Burma experienced a shift toward Western dietary habits, particularly for fast food and prepared meals. Over the span of 2016 to 2018, Burmese imports of food preparations and miscellaneous beverages rose 16 percent. During this time, U.S. exports of food preparations and beverages to Burma rose from \$637,000 to \$1.55 million, a 143-percent increase. During this period, the United States maintained its position as the second-highest exporter of this category, demonstrating the capability to increase volume to Burma in the future.

Fresh Fruit: Even with the recent introduction of more advanced horticulture in Burma, the country still relies heavily on fruit imports from abroad. In 2018, global exporters sent \$175.5 million in fresh fruit to Burma, an increase from \$91.2 million in 2014. Of this value, the

United States contributed \$962,000. More specifically, the United States exported fresh apples, grapes, and oranges, accounting for \$874,000.

Corn: Due to the rapid expansion of the Burmese livestock industry, experts predict increases in corn imports for feeding purposes. In 2018, the United States was the second-largest exporter of corn to Burma, behind Thailand. In 2018, Burma imported \$1.1 million in corn from the world and \$384,000 from the United States.

Trade Agreements and Market Access

The formation of the Association of Southeast Asian Nations (ASEAN) established a means for Southeast Asian countries to liberalize trade and integrate effectively into the global market. As part of ASEAN, Thailand, Vietnam, and Burma have all benefitted from this integration. In 1992, ASEAN signatories established the ASEAN Free Trade Agreement (AFTA) which required tariff-reductions and the removal of non-tariff measures. As a result, ASEAN countries experienced zero-tariff levels on most imports for several years, increased involvement in international trade, and witnessed exponential growth. These nations also developed individual bilateral agreements with other countries to further expand their reach in commerce.

Free Trade Agreements: Vietnam, Thailand, Burma		
Vietnam	Thailand	Burma
Active Free Trade Agreements		
ASEAN-Australia-New Zealand		
ASEAN-China		
ASEAN-India		
ASEAN-Japan		
ASEAN-Korea, Republic of		
ASEAN Free Trade Area (AFTA)		
Global System of Trade Preferences Among Developed Countries (GSTP)		
Chile-Vietnam	Chile-Thailand	
Japan-Vietnam	Japan-Thailand	
Korea, Republic of-Vietnam	India-Thailand	
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Lao People's Democratic Republic-Thailand	
Eurasian Economic Union (EAEU)-Vietnam	Thailand-Australia	
	Thailand-New Zealand	
Proposed Free Trade Agreements		

EFTA-Vietnam	Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)	
EU-Vietnam	EU-Thailand	
<i>Source: WTO Regional Trade Agreements Database</i>		

Vietnam Market Access

Vietnam remains an important market and represents substantial growth opportunities for U.S. producers. Along with being a member of ASEAN, Vietnam joined the World Trade Organization (WTO) in 2007. These memberships resulted in substantial increases for Vietnamese exports, along with annual reductions in tariff-rates. At the same time, Vietnam reestablished partnerships with the United States which allowed increases in U.S. exports to the country, primarily in intermediate agricultural goods. While Vietnam signed the Sanitary and Phytosanitary Agreement (SPS) established by the WTO, it maintained a ban on most meat products from abroad until 2010. Following that year, the country lifted this general ban, but has implemented a burdensome facility registration process. Additionally, Vietnam has introduced new decrees using food safety as a justification to ban glyphosate and the use of many veterinary drugs. The United States is working to ensure that these decrees do not negatively impact trade. Vietnam has also slowed down its approval of new biotech events, currently many events have been pending approval for three to four years.

Although the majority of U.S. exports to Vietnam face tariffs of 15 percent or less, consumer-oriented food and agricultural products continue to face higher rates. In addition, in recent years, Vietnam has increased Most Favored Nation (MFN) applied tariff rates on a number of products, although rates for those products remain below Vietnam’s WTO bound levels. Products affected by these tariff adjustments include shelled walnuts, ketchup, and other tomato sauces. Most of the products for which tariffs have increased are also produced by companies in Vietnam.

Thailand Market Access

Thailand has bound all of its tariffs on agricultural products in its WTO commitments. Thailand’s WTO bound tariff rate for agricultural products averaged 39.5 percent *ad valorem*. Its MFN applied tariff rate on agricultural products averaged 25.1 percent in 2017 (latest data available). MFN applied tariff rates on imported processed food products range from about 30 percent to 50 percent. The highest *ad valorem* tariff rates apply to imports competing with locally-produced goods, including beef, pork, poultry, tea, tobacco, flowers, wine, and beer and spirits. Tariffs on meats, fresh fruits and vegetables, fresh cheese, and pulses (*e.g.*, dry peas, lentils, and chickpeas) are similarly high. For corn, the in-quota tariff is 20 percent, and the out-of-quota tariff is 73 percent. The type of potato used to produce frozen French fries, for example, is not produced in Thailand, yet imports of these potatoes face a 30 percent tariff. Tariffs on apples are 10 percent, while duties on pears, cherries, citrus, and table grapes range from 30 percent to 40 percent.

In addition, preferential tariff rates for these goods provided to Thailand's free trade agreement partners, including Australia, China, and New Zealand, have negatively affected the competitiveness of U.S. agricultural products in recent years. Thailand restricts access to its pork market through several measures, the most notable of which is banning pork from countries that allow the use of ractopamine, a beta-agonist that accelerates the growth of pigs and creates a leaner pork product. Specifically, the Ministry of Agriculture and Cooperatives (MOAC) banned the use of beta agonist substances, including ractopamine, in domestic animal feed in 2002. In addition, the Thai Food and Drug Administration has failed to adopt Codex maximum residue limits (MRLs) for pork meat, despite the establishment of Codex ractopamine MRLs in 2012.

Burma Market Access

Burma has bound only 18 percent of its tariffs with the WTO. Burma's MFN WTO bound tariff rate averages 83.3 percent, while the rate for agricultural goods averages 102.9 percent. The WTO applied tariff rate averages 9.5 percent. Over the last two years, Burma has restricted and/or banned imports of certain agricultural products through the use of discretionary import licensing. However, U.S. agriculture exports have continued increasing.

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Market share and global sales information is from Trade Data Monitor, LLC. unless otherwise indicated.