



# Vietnam shrimp feed forecast – healthy but more modest growth to 2023

May 2019

# Agenda

## Overview

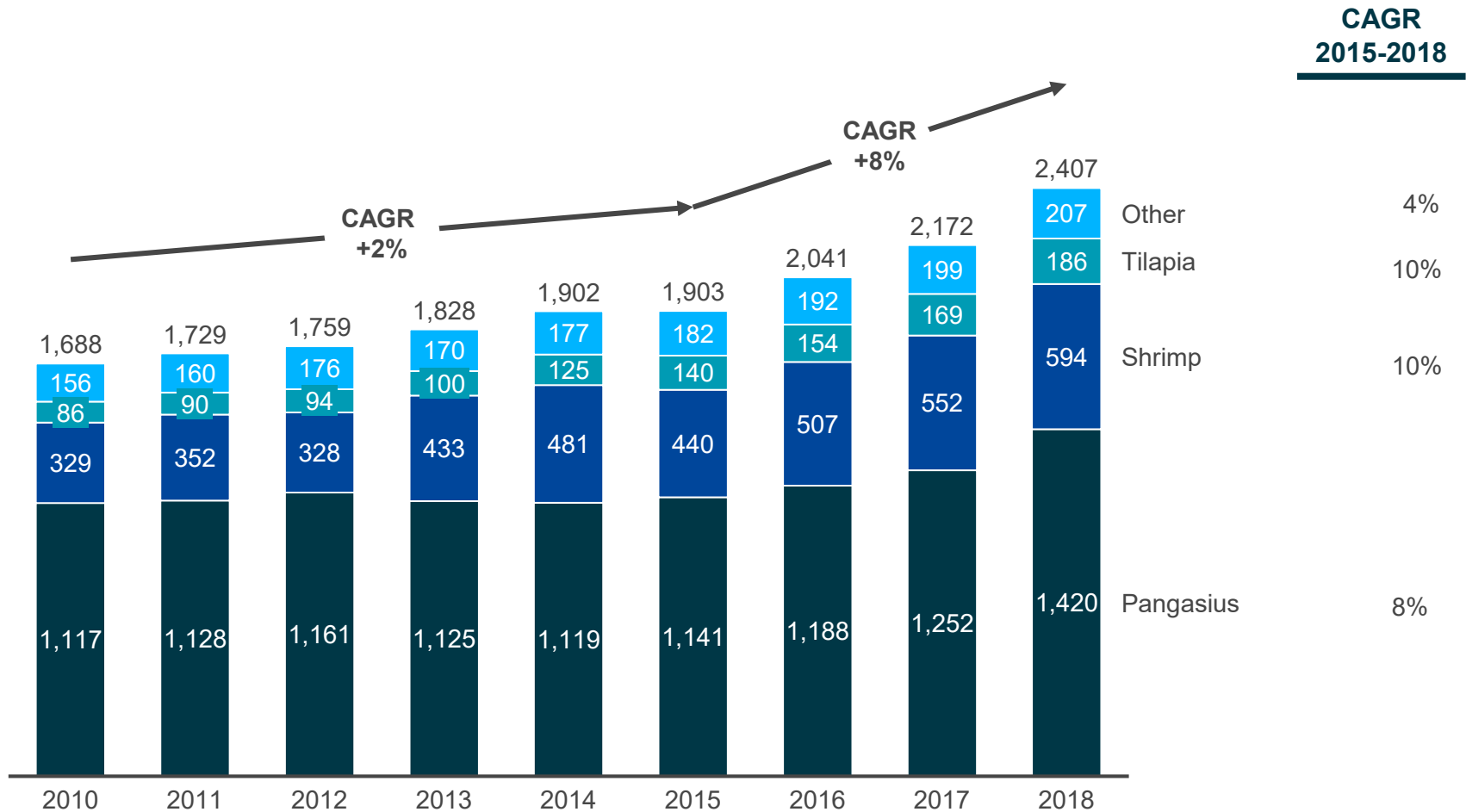
### Shrimp

- Production
- Aquafeed demand



# Vietnam's aquaculture production has significantly increased since 2015

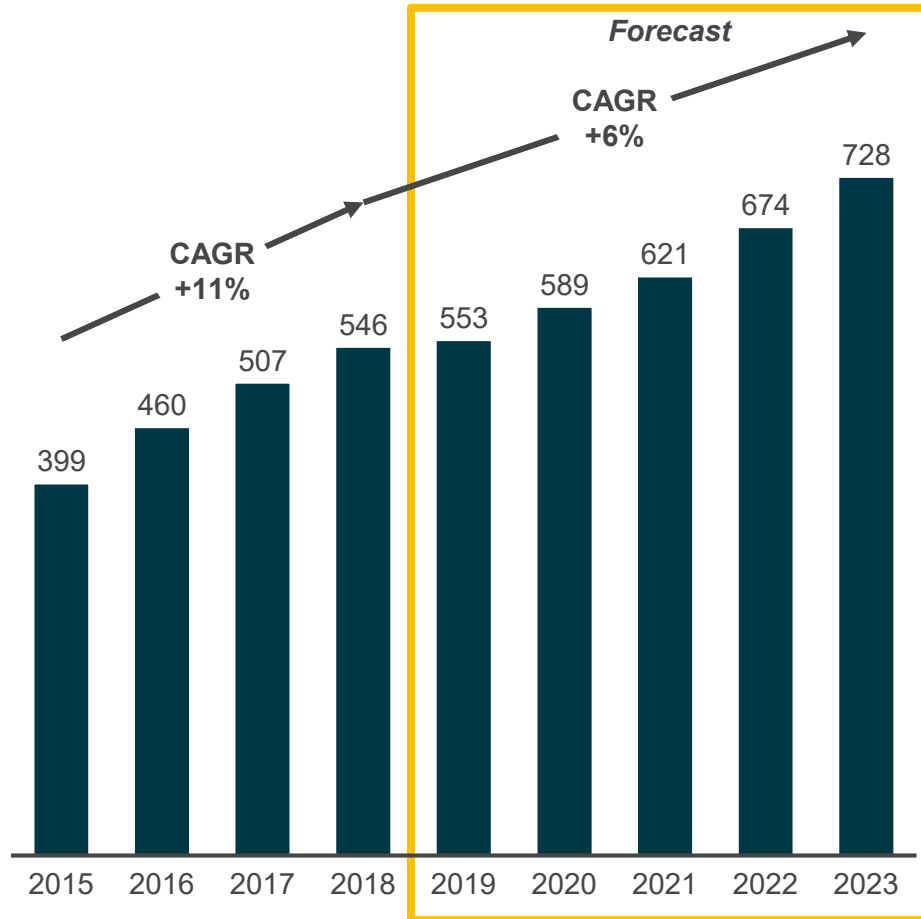
Vietnam aquaculture production, MT ('000s) (LWE)



Source: MARD, Plural Strategy

# Commercial shrimp feed is expected to grow at 6% to 2023 – slowing production but increased professionalization and demand for better quality feed

Shrimp commercial feed outlook, MT ('000s)



- Vietnam's shrimp production is expected to grow at c. 6% CAGR to 2022, driven by increased productivity in the form of rising yields, global demand and renewed trade agreements
- Due to ongoing professionalisation, the percentage of shrimp farmers using commercial feed should gradually increase, although there is also a trend towards large shrimp producers to integrate and produce feed in-house

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Overview

## **Shrimp**

- Production
- Aquafeed demand



## **Vietnam's shrimp feed sector will achieve continued healthy growth to 2023, albeit at a more modest pace. Excess global supply capacity, in the absence of disease, will mean lower protein prices which will drive increasing farm professionalization and demand for higher quality nutrition.**

Summary – focus on shrimp

### **Vietnam's production reached historic highs in 2018 but more modest protein demand is expected to 2023**

- Vietnam's shrimp production has recovered well from a period of disease at the start of the decade, growing at 8% CAGR since 2010 and 10% since 2015, driven by increasing export demand and growing domestic consumption
- Overall shrimp demand in Vietnam's key export markets has flattened in 2018 with some oversupply in key markets such as the US, EU and Japan, although demand in Korea continues to grow
- Vietnam has remained competitive globally, further improving its position with renewed trade agreements the EU and Korea, and benefitting from tougher EU regulations on India's antibiotics usage and disease in Thailand
- However, Vietnam faces a more intense global competitive landscape with rapidly growing markets such as India and Ecuador and recovering markets such as Thailand and China – each with plenty more capacity to exploit
- Increased supply-side capacity and soft demand has led to weakening prices through 2018 and Q1 2019 and will likely weigh on production growth in 2019 and 2020

### **Plural expects commercial shrimp feed growth to slow to c. 6% per year to 2023**

- The commercial feed market has grown at 11% since 2015, mostly driven by protein production volumes but also increasing use of third-party feed as the market professionalizes
- Plural expects 6% growth to 2023 slowed by more modest protein production volume but buoyed by a shift to more industrialized farming. Although certain large fish producers are vertically integrating into farming and feed, Plural expects commercial feed suppliers to take a larger share of the market in place of trash / home-grown alternatives

### **A more intense global competitive landscape and sustained lower prices will drive professionalization including increasing demand for higher quality nutrition**

- Vietnam has achieved rapid growth in recent years by expanding shrimp farm land rather than improving productivity. The large majority of production comes from small, family run shrimp farmers
- Vietnam's shrimp farmers will face tougher conditions in the next few years in the absence of disease. A more intense competitive landscape and growing markets such as India will likely keep global prices subdued and will put pressure on Vietnam's position
- This will drive farm consolidation, differentiated and higher quality product, and the need for more productive, professional farming methods. This trend will provide value add investment opportunities across the value chain, particularly technology and nutrition

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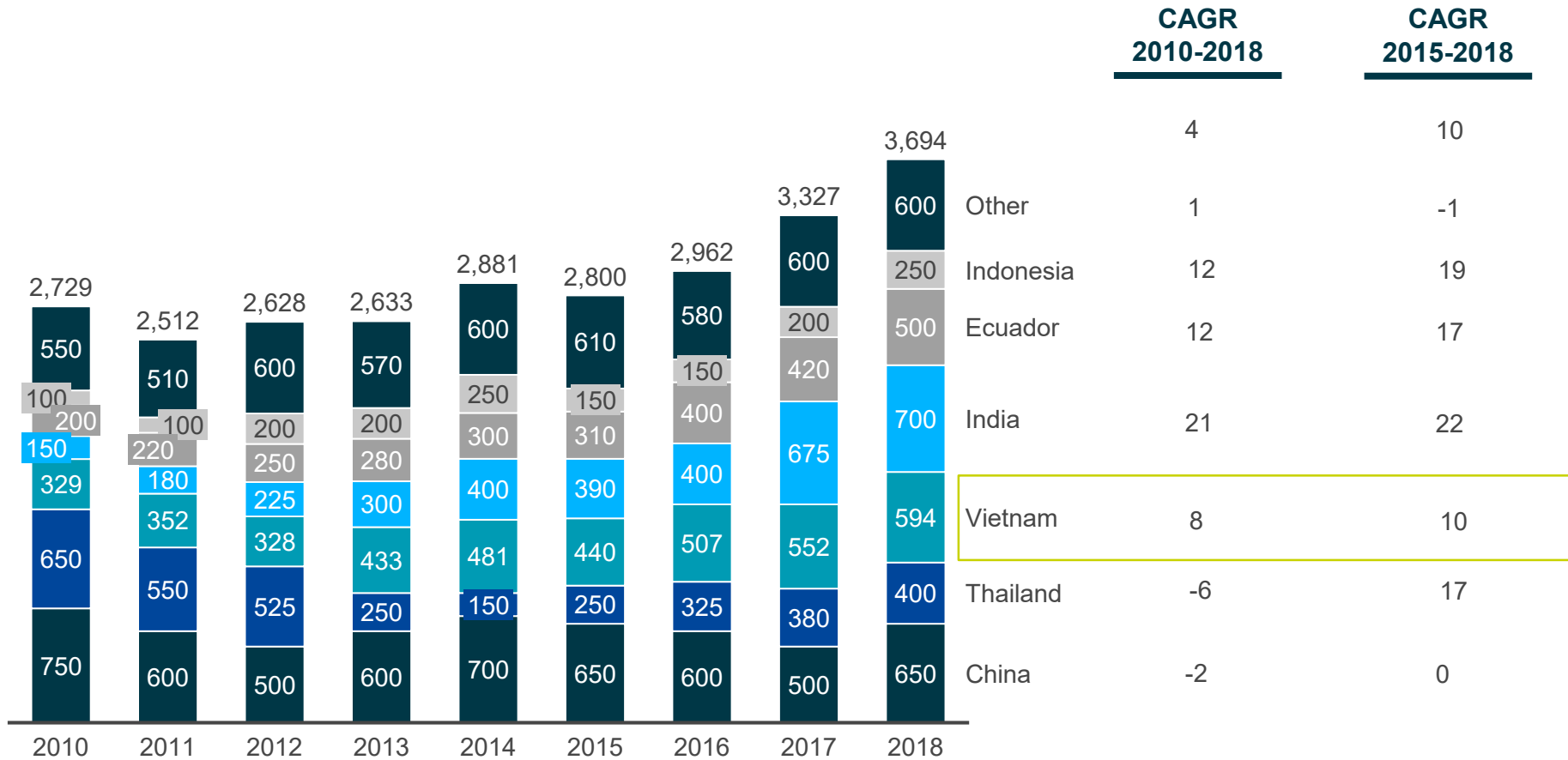
Shrimp

- **Production**

- Aquafeed demand

# The global shrimp market has grown 10% since 2015 with new leaders emerging; Vietnam has maintained its share

Global shrimp production by producing country, MT ('000s)

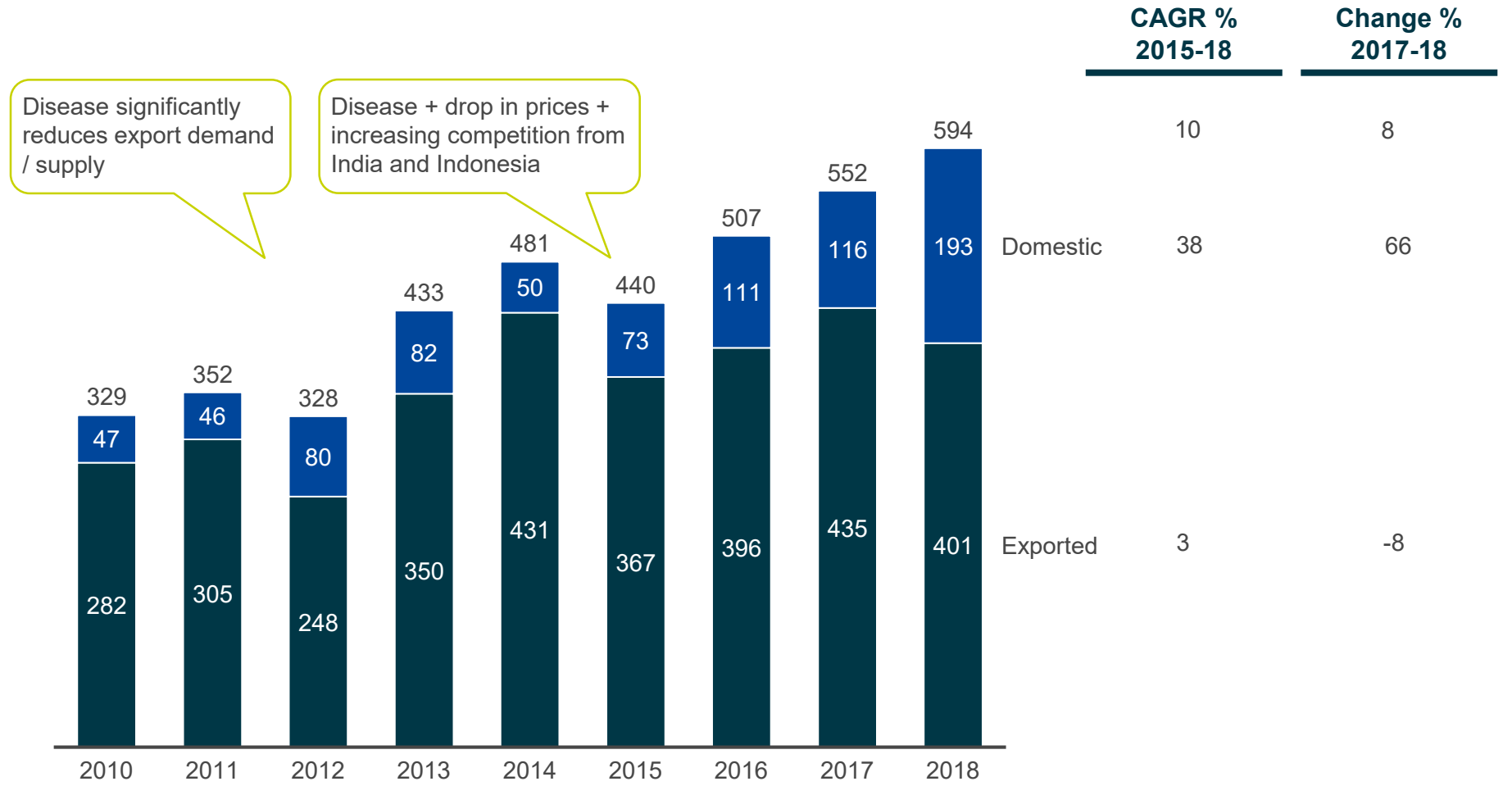


Source: Multiple country sources, Plural Strategy



# Vietnam's shrimp production grew 10% between 2015-2018, the bulk of demand is driven by exports, although exports declined in 2018

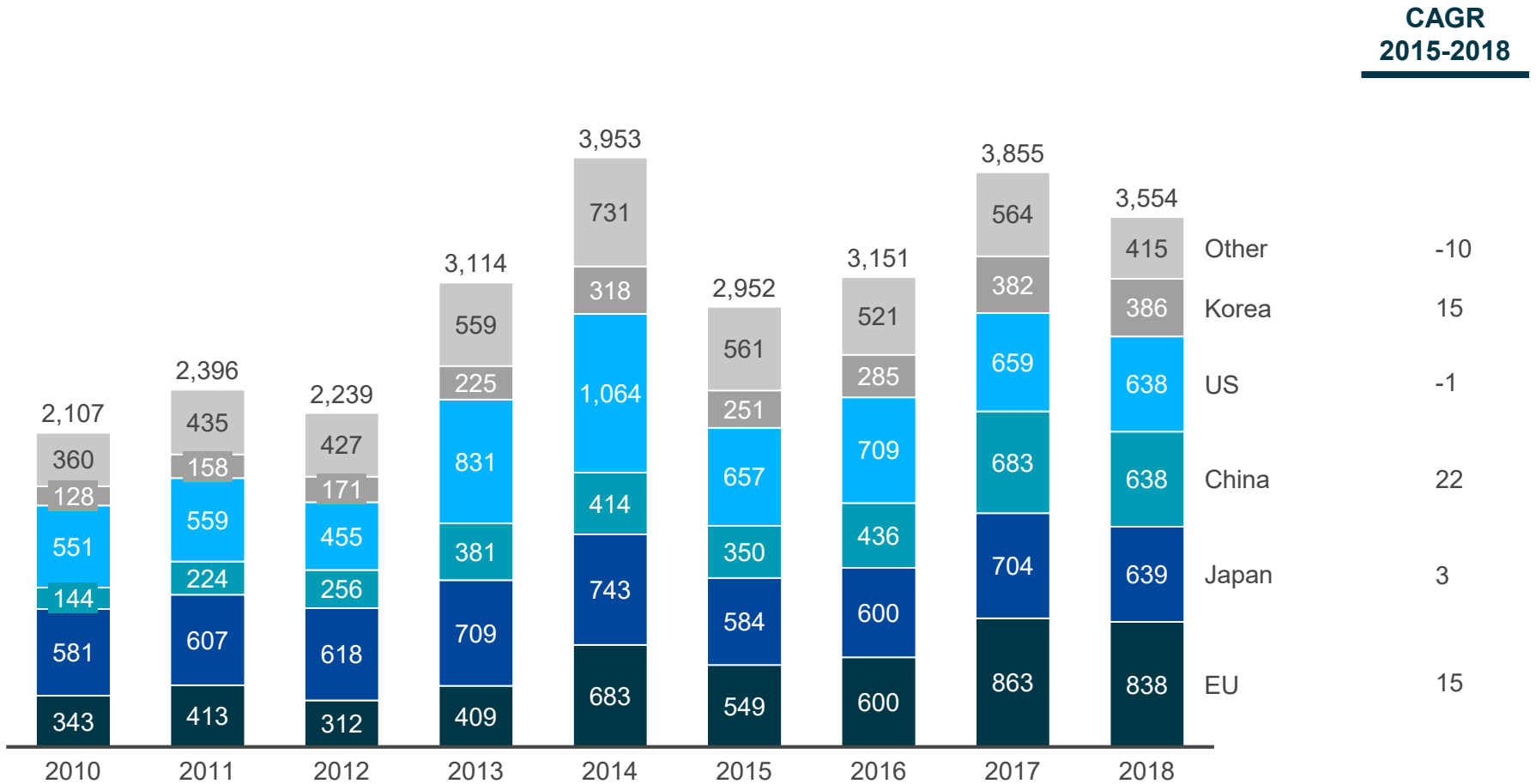
Vietnam total shrimp production and proportion officially exported, MT ('000s) (LWE)



Source: MARD, VASEP, FAO, Plural Strategy

# Vietnam's relies on four key export markets. Export value rebounded strongly since 2015 driven by demand from EU, China and Korea, although slowed in 2018

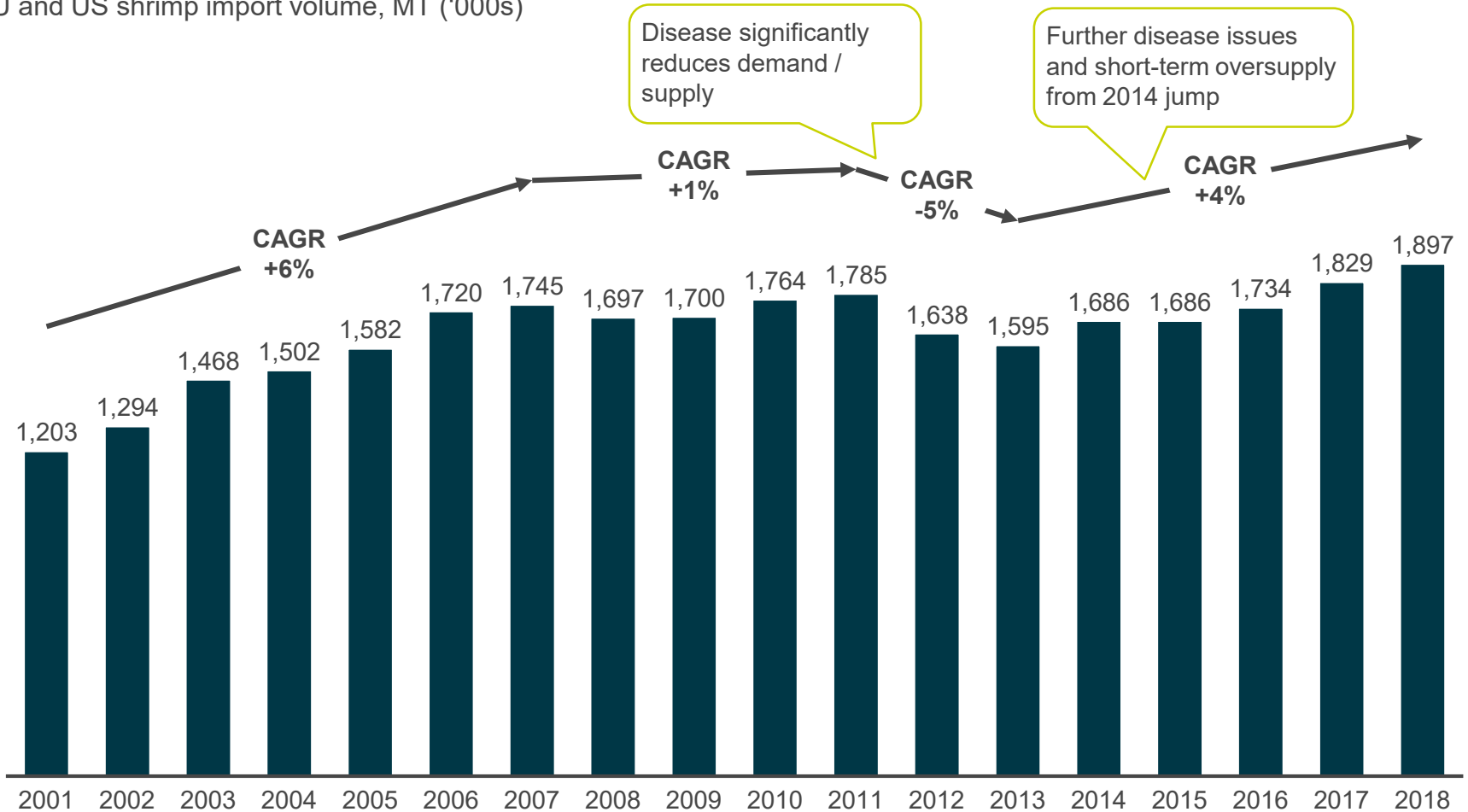
Vietnam shrimp exports by destination, \$m



Source: VASEP, Plural Strategy

# Shrimp demand in developed markets is at historic highs; significant dips have been a result of supply shortages, caused by periods of disease

EU and US shrimp import volume, MT ('000s)

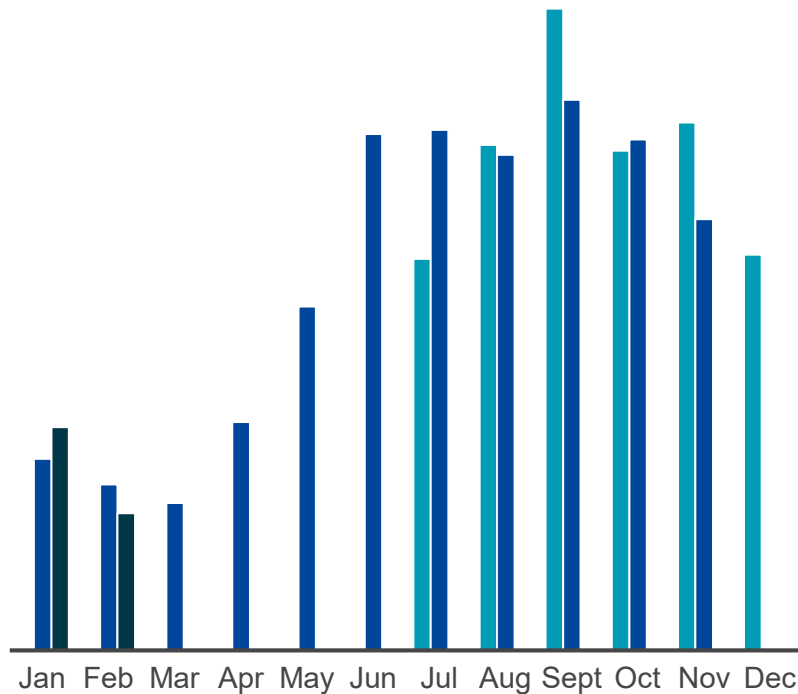


# 2019 production is up 6% in first three months of 2019 vs the previous year. Export value is down 7%

Month-by-month shrimp production and exports, 2017-2019

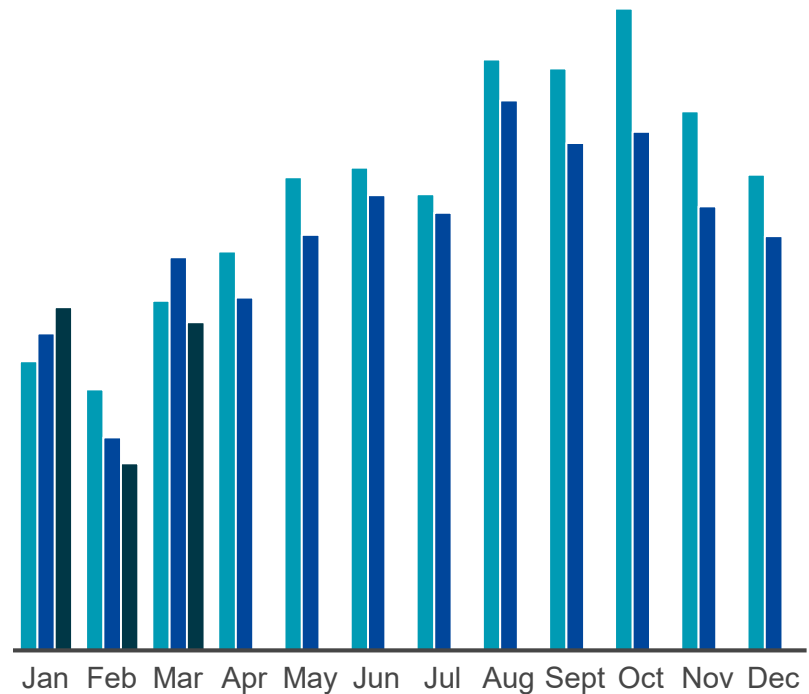
Production (MT '000s)

2017 2018 2019



\*2017 Jan-June data unavailable

Exports (\$m)

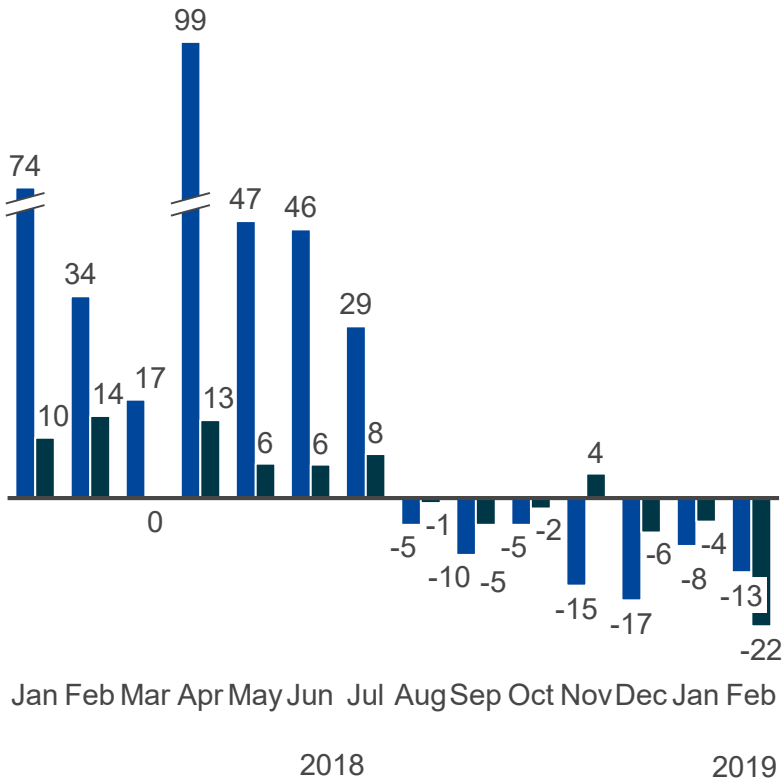


Source: MARD, VESEP, Plural model

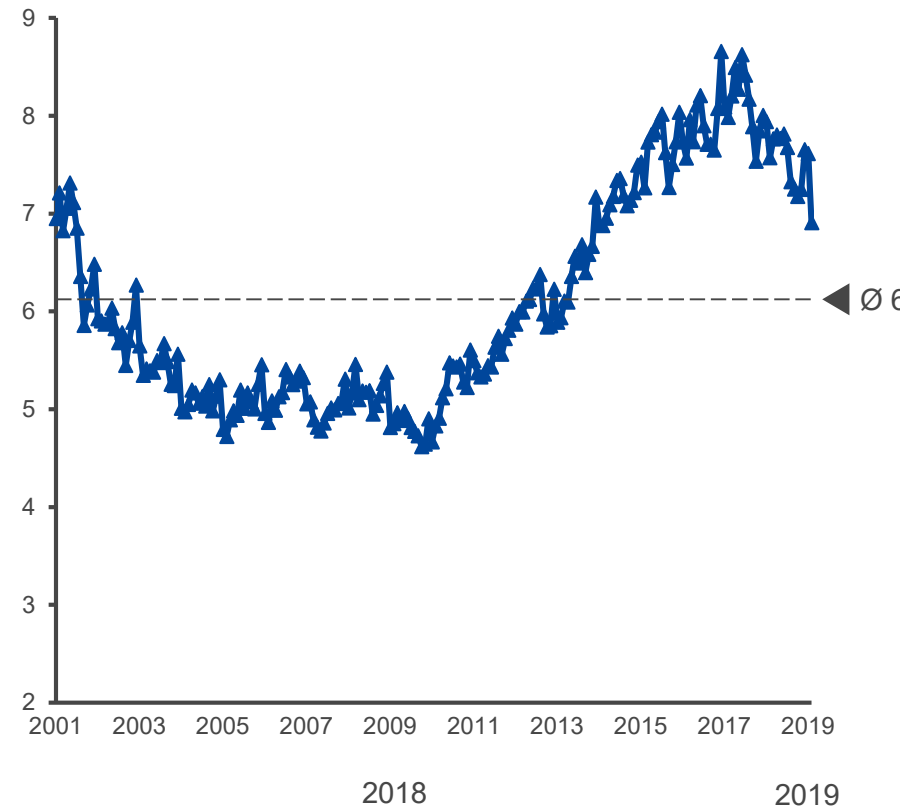
# European shrimp imports, a key market for Vietnam, are significantly down in the first two months of 2019. Prices have been dropping since 2017

EU shrimp imports

Europe imports - volume % change over previous year



Europe import prices - Euros



Source: NOAA, EUMOFA, Plural Strategy

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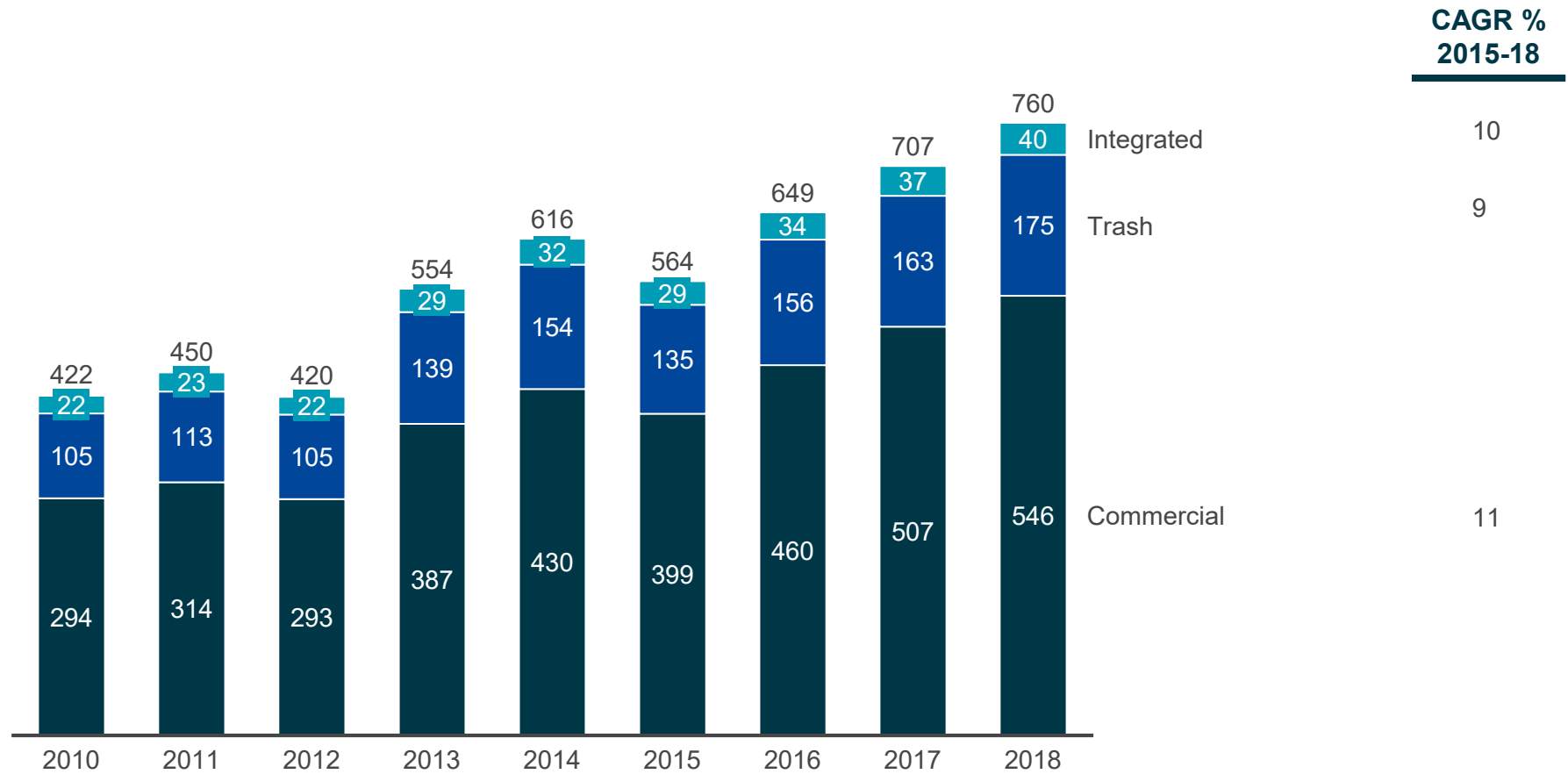
Shrimp

- Production

- **Aquafeed demand**

# Commercial feed demand has grown at 11% CAGR 2015-2018

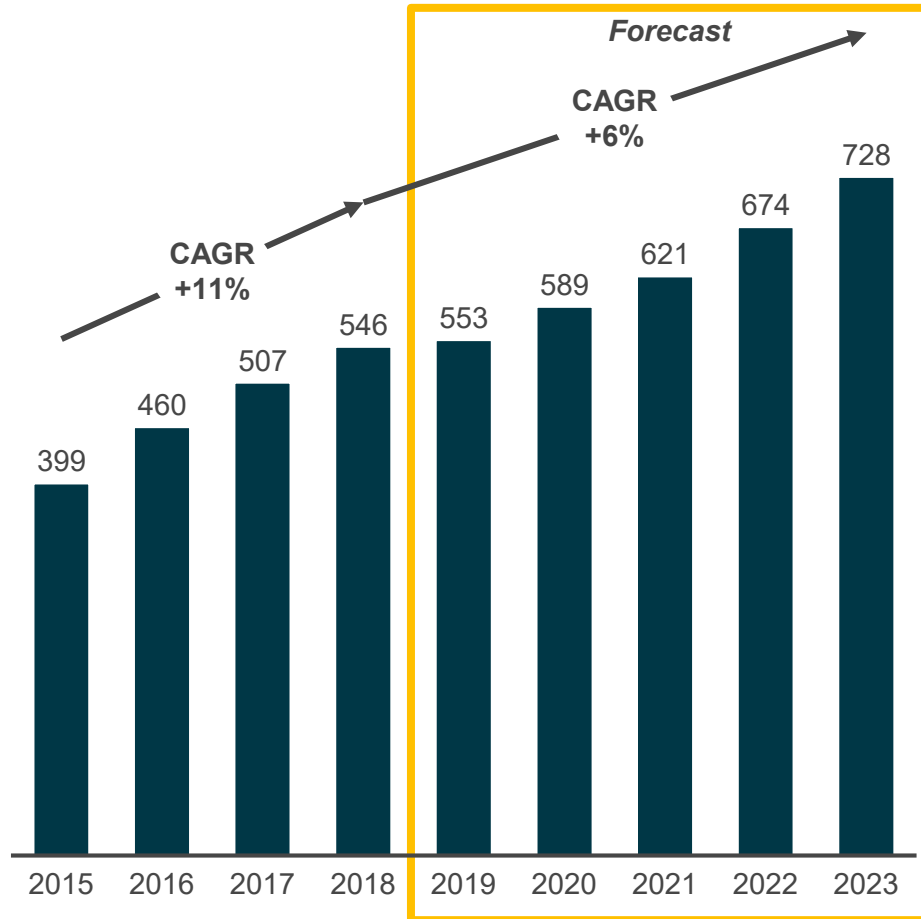
Vietnam feed demand by type, MT ('000s)



Source: Plural Strategy

# Commercial shrimp feed is expected to grow at 6% to 2023 – slowing production but increased professionalisation and demand for better quality feed

Shrimp commercial feed outlook, MT('000s)



- Vietnam's shrimp production is expected to grow at c. 6% CAGR to 2023, driven by global protein demand, renewed trade agreements and some productivity improvements
- Weaker protein prices will force farms to consolidate and professionalise farming methods – this should drive higher demand for commercial feed



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