



## 1. OVERVIEW OF SHRIMP MARKET IN VIETNAM

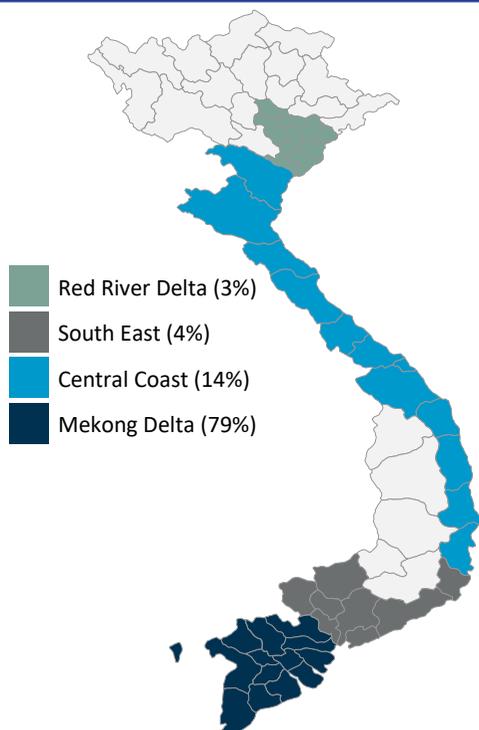
Vietnam ranks third place in terms of shrimp production in the world. However, in 2015, shrimp output of Vietnam reached approximately only 594 tons (including 249.2 thousand tons of giant tiger prawn and 344.6 thousand tons of whiteleg shrimp) – a decrease of 10% compared to 2014. Unfavorable weather conditions due to El Nino phenomenon and the outbreak of disease are the main reasons leading to such decrease in shrimp production of Vietnam as well as many other countries. It is noteworthy that farmers and companies are gradually switching to grow whiteleg shrimp instead of tiger prawn due to shorter farming and payback period.

Early restriction of early mortality syndrome in shrimp, before other countries with large shrimp production output such as Thailand, helped Vietnam to achieve a remarkable growth in export value reaching US\$3.9 billion in 2014. In contrast, this figure recorded a down by around 25% in 2015 at US\$3.0 billion. The decline mainly came from low demand of major import markets such as U.S., Japan, EU, the plummet of global shrimp price and the capability to control the outbreaks of other countries in the region.

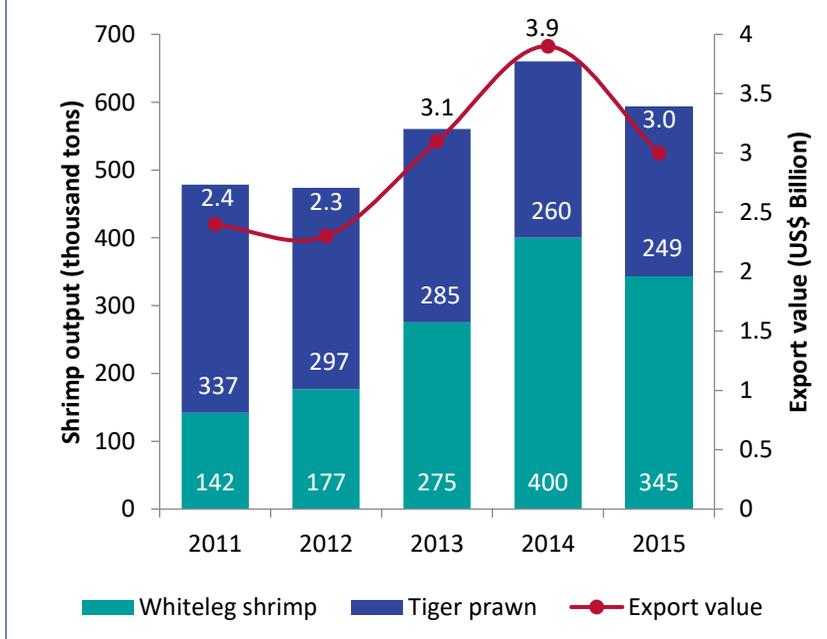
In 2014, there were over 73 thousand shrimp farms in Vietnam located mainly in Mekong Delta. This area is also the largest area of shrimp farming with 558 thousand hectares (accounted for 92% total area of the country) and the shrimp output of around 522 thousand tons in 2013 (accounted for 79% of total shrimp output of Vietnam)

# BARRIERS OF VIETNAM'S SHRIMP INDUSTRY

Shrimp Output by Region, 2014



Volume and Value of Shrimp Imports, 2011-15



## 2. UNSOLVED ISSUES

One of the habits of shrimp farmers is direct discharge to adjacent canals, which leads to serious water pollution, a rise of diseases and a significant decrease in shrimp production.

Among more than 73 thousand shrimp farms, the number of small-scale farms with 1-3 hectares accounts for 55%. They often face difficulty in catching up with new farming technologies. This directly affects the quality and price of shrimp. Lack of cooperation and vertical linkage among stakeholders in the shrimp value chain has limited the market development, especially when the role of traders becomes more important in purchasing shrimp from small shrimp farmers. Shrimp farmers, therefore, often complain about price squeeze from traders. In addition, there are lots of trouble with tracing since traders collect shrimp from different households. Moreover, there are still cases traders use preservatives to keep the weight of shrimps before selling them to processing companies. This behavior not only seriously affects product quality but also directly damages Vietnamese shrimp image.

## 3. DRIVING FACTORS, CHALLENGES AND POTENTIAL OF THE INDUSTRY



- Long coastline and large brackish water area are natural advantages for aquaculture in Vietnam.
- Government support policies such as: (i) provide loans to struggling shrimp farmers, (ii) provide technical assistance to farmers, (iii) reduce 5% import tax for agricultural commodities.
- Trade agreements such as FTAs between Vietnam and Korea, Vietnam and EU or TPP can bring lots of competitive advantages for Vietnam agriculture including shrimp breeding industry.

- Small-scale businesses are under influence of traders, which leads to difficulties in quality control and traceability.
- The inadequate verification of shrimp post-larvae before moving to grown-up shrimp ponds affects the industry's sustainable development model.
- Farming technique is limited, while the use of illegal antibiotics still takes place affecting export activities.
- Dependence on imported brood prawn, nutritional supplements and input materials increases shrimp production costs.



Ipsos Business Consulting gives several opinions on the market potential and development orientation for businesses in the shrimp industry, such as:

- Shrimp farmers/production processing companies: develop integrated farming model, cooperate with farming households to ensure product quality, origin and develop sustainable breeding techniques.
- Contaminated water environment is an advantage for businesses to develop probiotics products to protect and treat water environment as well as prevent disease outbreaks.