VietinbankSc Industry Report

Sugar Industry in Vietnam

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About the Industry

Industry Definition

Sugarcane is an important sugar-taken industrial crop in the sugar industry. Sugar is an important raw material for the food processing industry, the flavor of everyday meals, and is a provider of energy for the body. Inspite of its long existed history of 200 years, the sugar industry has recently been mechanized. In recent years, the sugar industry has grown rapidly.

Main Activities

Primary Activities

Sugarcane planting

Sugar product producing and selling

Producing and selling products that use sugar, products from secondary products and waste products of the sugar industry.

Major Products

Raw sugar

White sugar

Refined sugar

Similar Industry

011212 Sugar beet planting

Additional Resources

For additional information on this industry

www.vinasugar.vn
Vietnam Sugar and Sugarcane Association (VSSA)
www.fistenet.gov.vn
International Sugar Organisation (ISO)
www.nafiqad.gov.vn
Sugar Research Institute (SRI)
www.fao.org
Food and Agriculture Organisation (FAO)
www.mard.gov.vn
Minstry of Agriculture and Rural Development (MARD)

Industry at a Glance

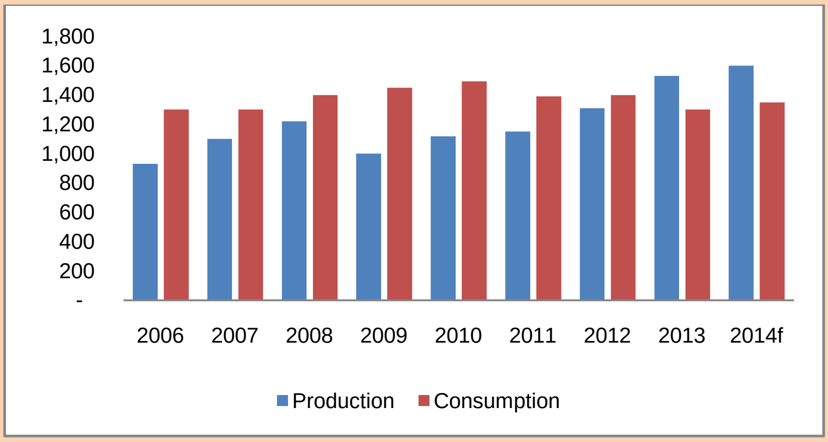
Key statistics Snapshot

Sugar Output 2013	Export 2013	Businesses
1.53 mil tons	$202.2m	40
Sugar Consumprtion 2013	**Import 2013**	**Wages**
1.41 mil tons	$126.8m	N/A

Market share 2013

Bien Hoa Sugar JSC	10%
Lam Son Sugar JSC	10%
Bourbon Tay Ninh JSC	7%

Sugar Demand - Supply 2006 – 2014f ('000 tấn)

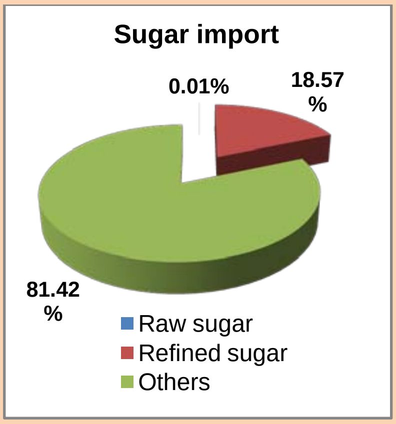


Source: BMI, VSSA
2014= 2013-2014

Key External Drivers

- Fluctuations of market and global economy
- Sugarcane material areas
- Prices of input materials
- Alternative crops
- Climate change

Sugar export – import segmentation 2013



Source: GDVC 2013

Industry Structure

Industry Life Cycle	Mature Growth	Barriers to Entry	High
Revenue Volatility	Low	Industry Globalization	Low
Industry Assistance	Medium	Competition Level	High
Concentration Level	Low	Regulation Level	Medium

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Industry Life Cycle

Executive Summary

Sugarcane is now the crop with the largest area of 23.8 million ha in the world. Sugarcane is cultivated in more than 90 countries, mainly in tropical and subtropical areas; and the average yield is 1.69 bullion tons per annum.

Sugarcane accounts for over 80% of input material for sugar production. The rest of input material is made from sugar beets. The largest sugar production countries, which are also the largest sugar consumption countries in the world, include Brazil, India and China.

Vietnam's sugar industry really takes shape in southern Vietnam in the early 20th century, and concentrates in the central and Mekong river delta regions (MRD). By 2012, Vietnam has 40 sugar mills, most of which have small scale of production.

Extraction yield of sugarcane of Vietnam currently ranks 21st in total sugar production countries in the world. The highest extraction productivity is in MRD; however sugarcane quality in this region is lower than in others.

According to the Ministry of Agriculture and Rural Development, backward processing technology, inappropriate method of procurement and sugarcane variety structure are three primary reasons that increase the consumption of raw materials in sugarcane production in Vietnam to 11,2 sugarcane/1 sugar in the 2011-2012 season whereas other neighboring countries such as Thailand, China that rate is just 8 sugarcane/1 sugar. The average sugar content is about 9-10 CCS*****, from 1 to 2 CCS lower than other countries. Also, Vietnam's sugar industry currently has to face with huge inventory and competition form smuggled sugar. All these factors reduce the competitiveness of Vietnam's sugar industry on the domestic and international market.

Currently, products of sugar industry mainly cater to the domestic demand. Approximate 2/3 of the amount of sugar in Vietnam is consumed in the southern region with about 950,000 tons per annum.

In 2013, the export turnover of Vietnam's sugar reached USD 202.2 million and the import turnover was USD126.8 million. The balance of import and export in 2013 reflects that the amount of sugar in the country is guaranteed and with a sharp increase in the export turnover, Vietnam has a trade surplus of sugar after many years.

In general, Vietnam's sugar industry is still in the process of development and has to cope with many difficulties and challenges in the future. However, available advantages of natural conditions which are suitable for the growth of sugarcane promise to bring about positive outlook for the whole industry development.

***** *CCS stands form "Commercial Cane Sugar" meaning the % sugar content in of sugarcane.*

Industry Performance

Key External Drivers

Region	Alternative crops
North Central & Central coastal	Cassava
Central Highlands	Cassava, rice, coffee
Southeast	Rubber, cassava
Mekong River Delta	Rice, fruit trees

Fluctuations of market and global economy

Concerns about the global economic outlook and the public debt crisis in the Eurozone have put pressure on the commodity markets, including sugar. As a result, there is a large sugar surplus globally in 3 recent consecutive years. Prospects for Vietnam's economic growth is also affected by the economy this large, which makes direct impact on the food processing industry and sugar demand of this industry.

Sugarcane material areas

Sugarcane materials and sugarcane varieties play an important role affecting productivity, yield as well as the sugar content of sugarcane. Under the provisions of sugar mills, the sugar content is the basis for determining the low or low price for material sugarcane.

However, the specific characteristics of Vietnam's sugar industry are that material sugarcane areas are dispersed and have small scale; and the quality of sugar varieties is not high. Besides, the industry still mainly depends on imported sugar varieties (90%), which is costly in the production and reduces the competitiveness.

Prices of input materials

Price of material sugarcane also significantly influences the industry. In the last sugarcane crop, sugar price fell sharply, but sugar mills could not reduce the buying prices of sugarcane in order to ensure incomes of farmers as well as to maintain the material sugarcane areas.

This prolonged situations caused financial difficulties for sugar mills. Many sugar mills suffer loss and even have to close temporarily, which make direct impact on the development of the sugar industry.

Alternative crops

Sugarcane growing areas in Vietnam have declined due to weakness in competition with other crops, leading to insufficient raw materials for processing. Growers of rice, forest tree could receive support such as low-interest loans, seeds and fertilizers assistance ... whereas there is almost no support for growers of sugarcane.
Currently, sugarcane is subject to strong competition from alternative crops which have high value such as rubber, coffee and cassava.

Climate change

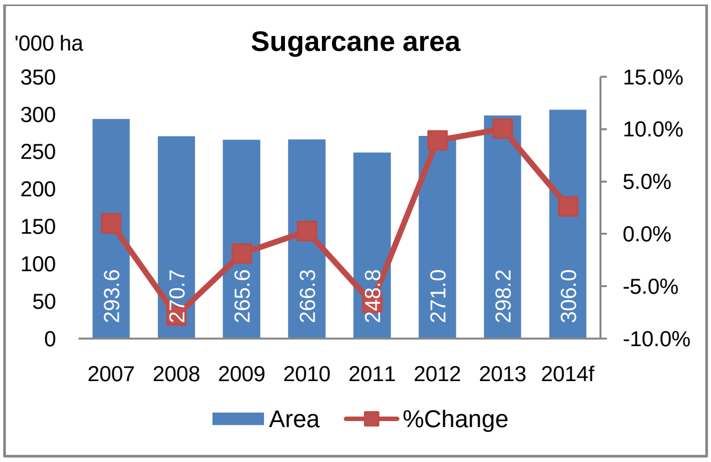
Like agricultural products industries, the sugar industry is greatly influenced by the climate changes such as droughts, storms, floods, waterlogging, acidity, salinity ....Unfavourable weathers will have a huge impact on material areas and the sugar content, causing fluctuations in prices and supply of raw material on the market.

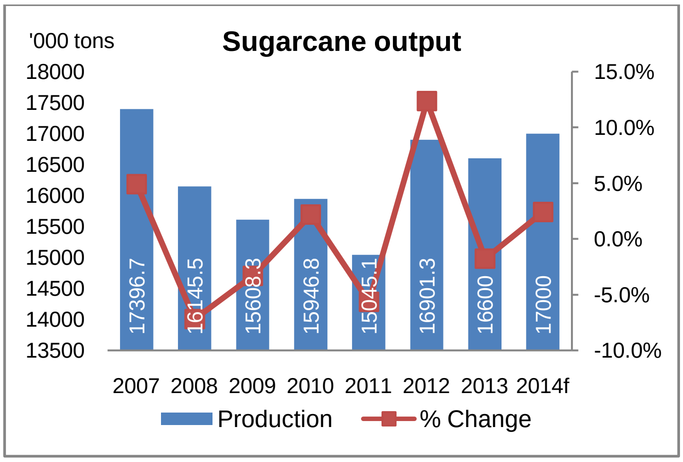
Industry Performance

Current Performance

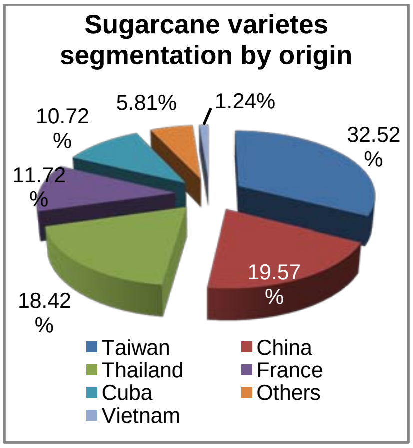
As reported by Department Crop Production (DCP), the Ministry of Agriculture and Rual Development (MARD), in the last 2012-2013 season, the industrial yield of sugarcane juice reached 16.6 million tons producing 1.53 million tons of sugar. Compared with the last season, the designed capacity increased by 3.3%, the yield of sugarcane juice rose by 14.5% and the sugar yield went up by 17%.

However, the industry is currently facing a number of problems such as lack of raw materials, low plant capacity, low sugar recovery rate, obsolete technology, high costs of producing and processing; there the average price of Vietnam sugar is always higher then that of India, Thailand, China, leading the difficulty in competition.





Source: MARD, DCP 2013



Source: SRI 2013

Over-reliance on imported sugarcane varieties

According to the Report of Sugar Research Insitution (SRI), 95% of sugarcane varieties currently grown in Vietnam originate from foreign countries. Due to less scientific tillage and obsolete technology, the yield cannot reach the real potentials that the sugarcane variety can bring about.

High inventory

According to VSSA, the inventory from the last sugarcane crushing season 2012-2013 is 444,777 tons, which increased by 85,7% compared with the same period of the last year. The main cause of huge inventory of Vietnam's sugar industry is due to the illegal import of sugar of lower price than the domestic sugar price, making it difficult to sell products.

Season	Smuggled sugar (tons)
2010-2011	200,000 - 300,000
2011-2012	300,000 - 400,000
2012-2013	400,000 - 500,000

Source: VSSA 2013

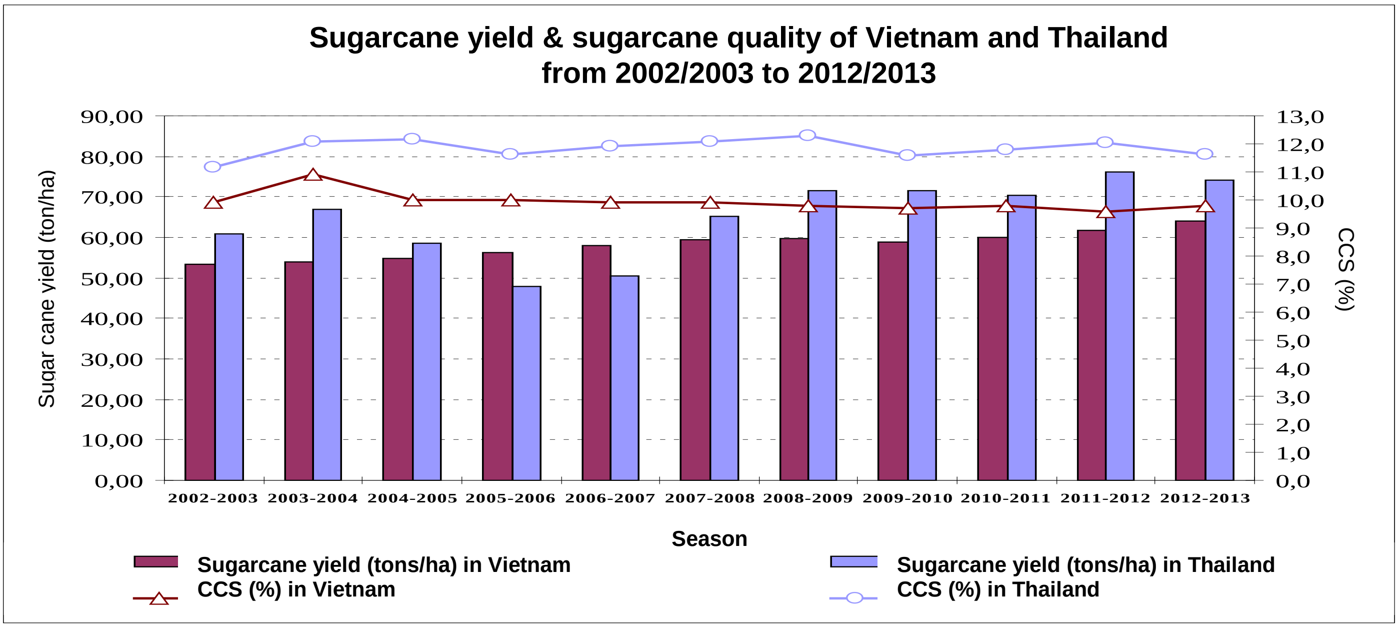
According to VSSA, the amount of sugar is currently smuggled across the Southwest border (mainly RE sugar of Thailand) is about 500,000 tons per annum which is equal to 1/3 of the yield of 40 domestic sugar mills. Besides, there is a large amount of sugar that enterprises import in the form of temporary import for re-export, but that is not returned. Instead, the enterprises sell it directly to the market.

Industry Performance

Current Performance Continued

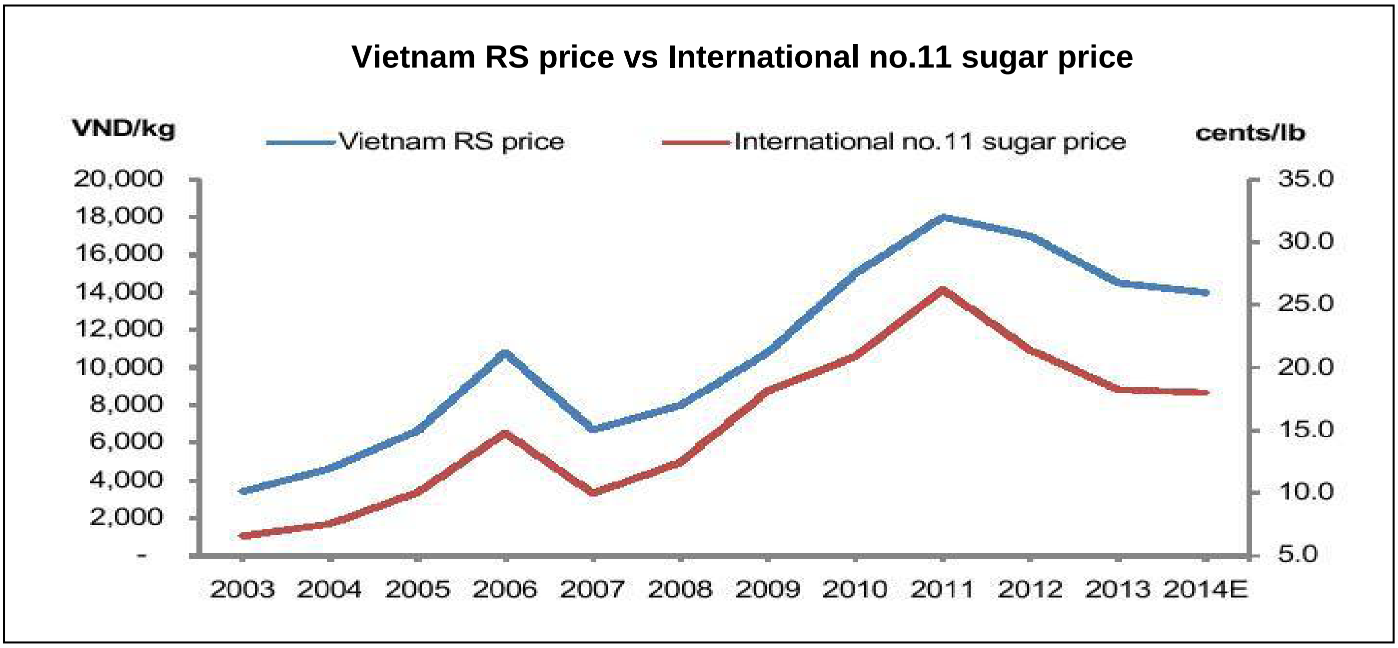
Low yield and low sugarcane quality

Overall average sugarcane yield of Vietnam is lower than other countries, especially Thailand, but has also been significantly improved recently. Sugarcane yields have raised from average 53.5 tons per ha in 2002 to 63.9 tons per ha in 2013. However, the quality of material sugarcane is quite low and the sugar content is from 1,2 to 2,4 CCS lower than Thailand.



Source: SRI 2013

Sugar prices decline



Source: MARD 2013

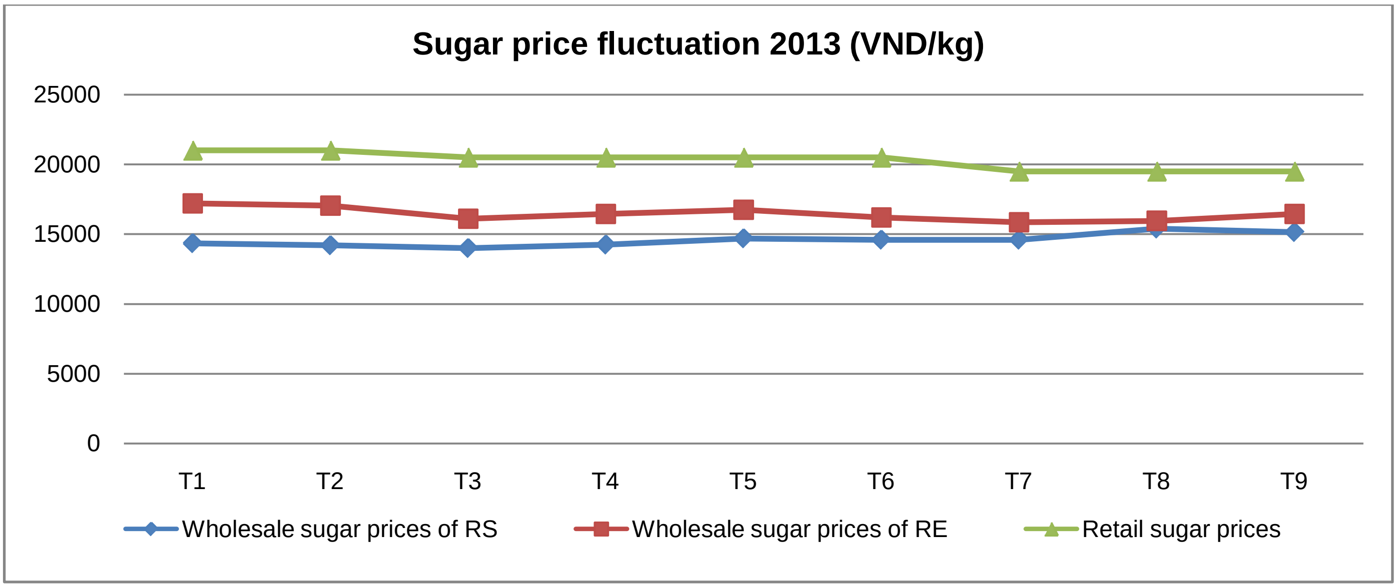
Industry Performance

Current Performance Continued

The world sugar prices began to decline from the early months of 2013, continuing a downward trend since 2011 after more than 5 years of continuous increase (2007-2011). Overall, in Vietnam, sugar prices also tend to decrease in both wholesale and reatail segments; however, the sugar price of Vietnam is still from 20% to 40% higher than the world sugar prices due to obsolete machinery and technology, high production and processing costs, leading to the increased of average sugar price.

In the first nine months of 2013, compared with the same period of last year, the average retail price off sugar in the country fell by about VND2,000 per kg; the wholesale price of white sugar (RS) decreased by from VND1.600 to VND3.500 per kg; refined sugar (RE) decreased by from VND1.900 to VND2.200 per kg. The main cause is due to excess supply. Specifically, the sugar yield of season 2012/2013 reached a record of 1.5 million tons whereas the domestic demand is about from 1.3 to 1.4 million tons.

Additionally, the supply is added by the amount of sugar imported under the WTO commitments since late 2012 and sugar smuggled across Southwestern border provinces continues entering, which put tremendous pressure on price competition.



Source: MARD 2013

Industry Performance

Industry Outlook

The sugar industry is 2014 has not show nclear signs of growth yet

Short term outlook

The report of AGROINFO which was calculated based on the data of the U.S Department of Agriculture (USDA) forecasts that the global suppy of sugar in the crop year of 2013/2014 beginning from 10/2013 will exceed the demand of about 43 million tons. This is the 4th conservative season of oversupply. The increase in aggregate supply is due to the increase in reserves from the beginning of the season and in export (respectively increased by 19.94% and 0.41% y-o-y).

However, the world sugar yield is forecast to decline by 0.69% while consumption is forecast to increase by 2.34%. This can affect the world trade of sugar. Accordingly, the world sugar trade tends to rise slightly higher than currently predicted if the world's major sugar production and consumption countries change sugar import and export policies or there is a decline in sugar yield due to crop failure or a change in the use of sugarcane for ethanol production

On the other hand, in terms of the relationship of supply and demand, the world maket shows signs of slight growth. The aggregate supply increases but a lower rate than the aggregate demand

World sugar demand – supply forecast 2014

Unit: millon tons	*2012/13*	*2013/14*	*Change*
Supply	**264.35**	**270.53**	**2.34%**
Opening reserves	35.99	43.16	19.94%
Production	176.03	174.83	-0.69%
Import	52.33	52.55	0.41%
Demand	**221.19**	**227.15**	**2.70%**
Consumption	164.63	168.48	2.34%
Export	56.56	58.68	3.74%
Ending reserves	**43.16**	**43.38**	**0.50%**

Source: AGROINFO 2013

Regarding the domestic market, according to USDA, in terms of the relationship of supply and demand, Vietnam's sugar market is quite balanced in 2014.The aggregate supply fell to lower level than the aggregate demand and the ending reserves declined. In addition, the consumption is expected to decline while the yield does not change, therefore Vietnam market will be relatively stable.

On the other hand, according to the Ministry of Agriculture and Rural Development, there are 40 sugar mills that will go into production in the crop year of 2013/2014. The sugar yield is expected to be about 1.6 million ton per annum, which increase by 4.58% compared with the last crop year. The amount of sugar imported under WTO commitments is 78,000 tons. The domestic comsumption is about from 1.4 to 1.5 million tons.Therefore, the amount of inventory and sugar export will be more than 250 thousand tons.

Meanwhile, the sugar industry is still facing the situation of smuggled sugar, therefore generally it can be seen that 2014 is still a relatively difficult year for enterprises in the industry.

Vietnam sugar demand - supply forecast 2014

Unit: millon tons	*2012/13*	*2013/14*	*Change*
Supply	**1,541**	**1,521**	**-1.30%**
Opening reserves	141	121	-14.18%
Production	1,050	1,050	0
Import	350	350	0
Demand	**1,420**	**1,401**	**-1.34%**
Consumption	1,418	1,399	-1.34%
Export	2	2	0
Ending reserves	**121**	**120**	**-0.83%**

Source: AGROINFO 2013

Industry Performance

Industry Outlook Continued

The underlying trend is positive

Longterm outlook

Global consumption demand for sugar and sugar following products tend to increase

According to FAO's forecast, during the period of 2013-2022, the sugar yield will rise by nearly 2% per annum, mainly from leading sugar production countries like Brazil and India. Consumption volume of sugar concentrates in developing countries.

Regarding domestic sugar consumption demand: Vietnam is a developing country with the young population of 90 million people, therefore, the potential development of Vietnam in the fureture is quite high. According to the report of BMI, Vietnam's population will increase from 90.7 million people to 97.7 million people during the period of 2013-2020. In fact, Vietnam's average consumption of sugar has a relatively high growth rate. The average consumption during the period of 1999-2009 increased by about 5.1% per annum.

In addition, currently, many domestic sugar companies are focusing on extraction activities of value chain of the sugar industry by investing in sugar following products in order to enhance added value, contribution to the goal of reducing costs. The most specific activities are thermal activity from sugarcane bagasse and ethanol production.

It is forecasted that electricity for bagasse will increase in 1/2014 due to the government's policies of encouraging biomass energy. The ethanol yield is expected to increase by 67% in the next 10 years(2013-2022). By 2022, biofuel production is forecasted to consume a significant amount of the world's total yield of sugarcane (28%).

Vietnam has favourable natural conditions for the growth of sugarcane

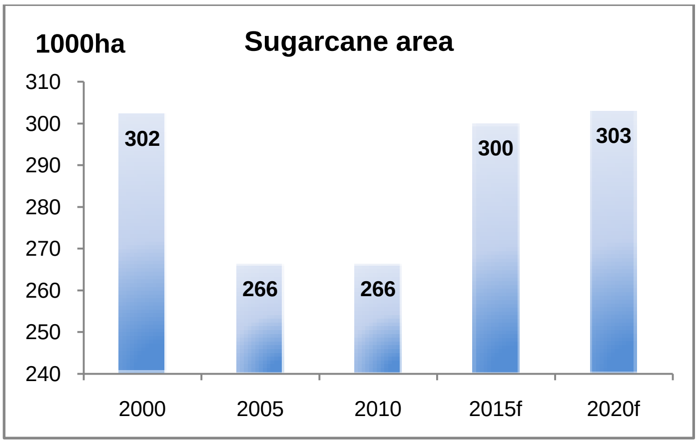
Regarding natural resources such as climate and soil, Vietnam is considered as a country with medium potentials for the growth of sugarcane. Vietnam's terrain has enough plain soil, fair rainfall (1,400mm to 2,000mm per annum), and appropriate temperature for sugarcane growth. Especially, Southeastern regions and Central coastal regions is capable of attaining high sugar yield. As reported by the Ministry of Agriculture and Rural Development, The area, productivity and yields of sugarcane will continue to go up from now to 2020.

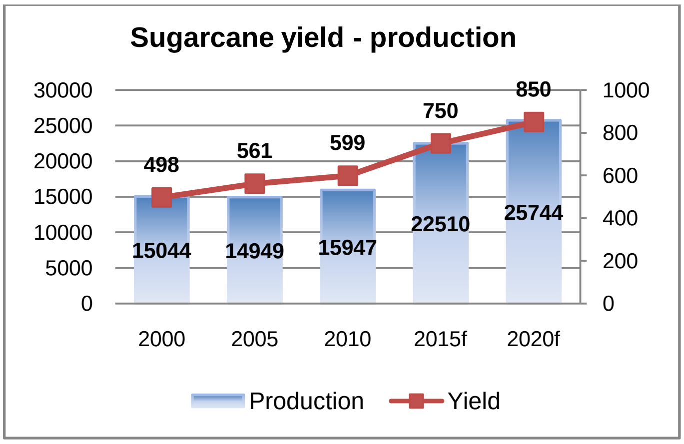
Promote Export

In the past crop year of 2012/13, Vietnam's export activities showed signs of growth. Specifically, after years of sugar import surplus, Vietnam had a year of sugar export surplus in this crop year. The program of manufacturing 1 million tons of sugar proposed by the government in 2005 completed and the Government is aiming for manufacturing 2 million tons of sugar in 2020 in order to meet the domestic demand and simultaneously boost export. However, 2015 will be the expiration of the imposition of quotas under AFTA commitments (ASEAN Free Trade Area). Accordingly, the tax rates will fell from current5% to 0%. By that time, Vietnam's sugar industry will have to cope with the real competition from countries in the region.

Industry Performance

Industry Outlook Continued





Source: MARD, DCP 2013

Industry Performance

Industry Life Cycle

This industry is in the stage of development and maturation

With quite favourable climate conditions and soil, Vietnam is a country with longstanding tradition of manufacturing sugar. Nevertheless, Vietnam's sugar industry just began to tak shapein 1990s and is still young compared with the region and the world. After more than 20 years of operation, the sugar industry is currently is in the stage of development and maturation.

In terms of revenue: In recent crop years, despite a decline in revenue, the sugar industry does not have any significant fluctuations. The consumption is relatively stable and the sugar export has a positive trend. After many years, Vietnam has sugar export surplus in the crop year of 2012/13.

In terms of sugar product diversification: Currently, entire industrial sugar processing system of Vietnam is attached to the production of RE, RS.

Within the framework of summerizing activities of the VSSA and NCSs for the crop year of 2012-2013, the newest trend of the world sugar industry was mentioned as a trend of product diversification for Vietnam's sugar industry.

Additionally, the producing and processing byproducts from sugarcane are also being promoted. Many domestic sugar companies are focusing on extraction activities of value chain of the sugar industry by investing in sugar following products in order to enhance added value, contribution to the goal of reducing costs. The most specific activities are thermal activity from sugarcane bagasse and ethanol production.

Products & Markets

Supply Chain | Product | Demand Determinants
Major Markets | International Trade | Business Location

Supply Chain

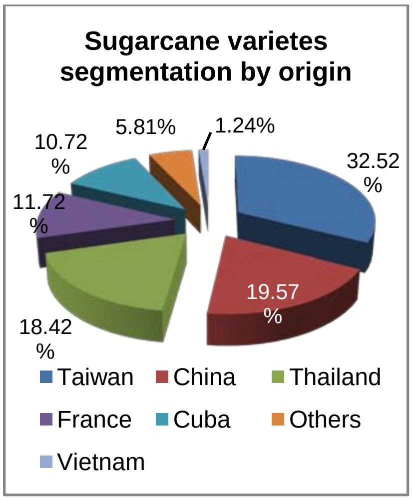
Key buying industries

Domestic
Wholesale: Corporate clients include food companies; companies that have commercial functions and distribution functions, and sugar mills that purchase raw sugar to refine into RE.
Retail: Supermarkets, markets and grocery stores.

Export
Refined sugar: China, Cambodia, Arap, Taiwan…
Others: the U.S, Cambodia, Singapore, Myanmar…

Key selling industries

Input materials
Current sugarcane varieties in our countries are plentiful from the wild sugarcane varieties to sugarcane varieties created by cross-breeding in Vietnam or sugarcane originated from foreign countries. However, according to the report of Sugar Research Institution (SRI), 95% of sugarcane grown in Vietnam is originated from foreign countries. Accordlingly, sugarcane varieties that are originated from Taiwan (ROC, F) accounts for the highest percentage of 32.52%, followed by sugarcane varieties from China, Thailand, France ....Sugarcane varieties that Vietnam creates by cross-breeding take up only 1,24% of sugarcane varieties system of Vietnam.



Source: SRI 2013

Import
Refined sugar: Thailand, Malaysia, France…
Raw msugar: The U.S, Taiwan…
Others: China, the U.S, North Korea, Germany…

Products & Markets

Products

RE and RS are two main types of sugar produced in Vietnam

White sugar (RS)

White sugar is primarily used in residential consumption through retail system.

Refined sugar (RE)

RE which accounts for 30% of total yield is a product of high quality and price and is often used in the field of manufacturing and processing foods and beverages. Approximate 0.4 million tons of RE sugar are consumed in Vietnam annually. In the crop year of 2012/2013, RE accounts for nearly 50% of total sugar yield manufactured.

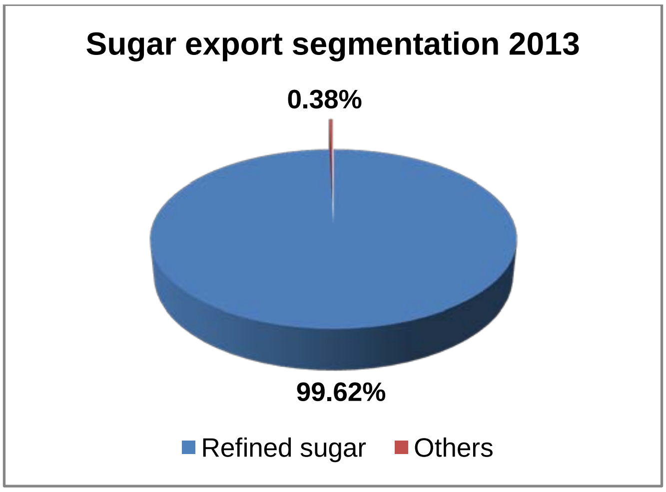
Others: Raw sugar, brown sugar…

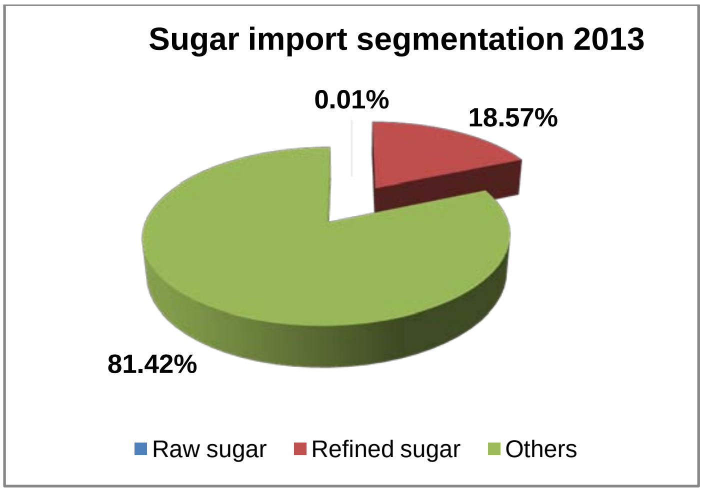
Byproducts

In addition to the main product of sugar which accounts for from 62% to 70% of the weight of sugarcane juice, the primary byproducts of sugarcane include: Sugar bagasse (25-30%), leaked molasses (3-5%) and sludge (1.5-3%). The estimated value of byproducts is 2-3 times higher than the main product of sugar.

Components	% average weight of sugarcane juice	Effects
Sugarcane molasses	66.0%	It is used in sugar production
Sugarcane bagasse	27.5%	Sugarcane bagasse is used as materials for furnace and pulp making; or is pressed into boards for use in architecture. Also, it is used as materials for synthetic fibers industry (Furfural).
Leaked molasses	4.0%	Leaked molasses is used to ferment for distilling rum and to produce fermentation of all kinds.
Sludge	2.5%	Sugarcane wax can be extracted from sludge to produce xerin that is used to make paint and shoe polish after taking sludge to make fertilizer.

Products segmentation



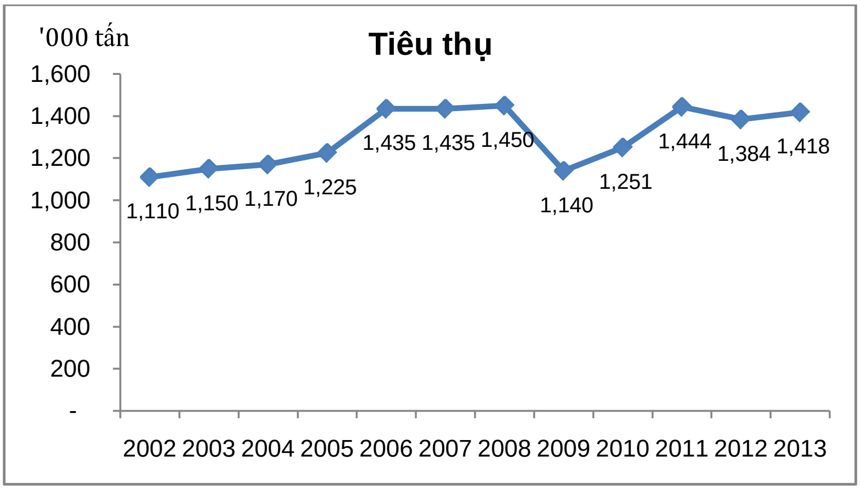


Source: GDVC 2013

Products & Markets

Demand Determinants

Economy growth



Source: MARD

Vietnam's economic growth is also affected by the economy this large, which makes direct impact on the food processing industry and sugar demand of this industry.
In the early 20 century, the development trend of economic integration period in Vietnam, the expansion and development of beverage and confectionary industry (accounted for 57% of aggregate demand of the sugar industry) required a large amount of sugar, thus the amount of sugar consumed in Vietnam increased sharply companed with previous years. In recent years, due to global economic recession, there is almost no growth in the demand of beverage and confectionary industry. Moreover, retail sugar does not increase, making the sugar consumption of Vietnam slowdown.

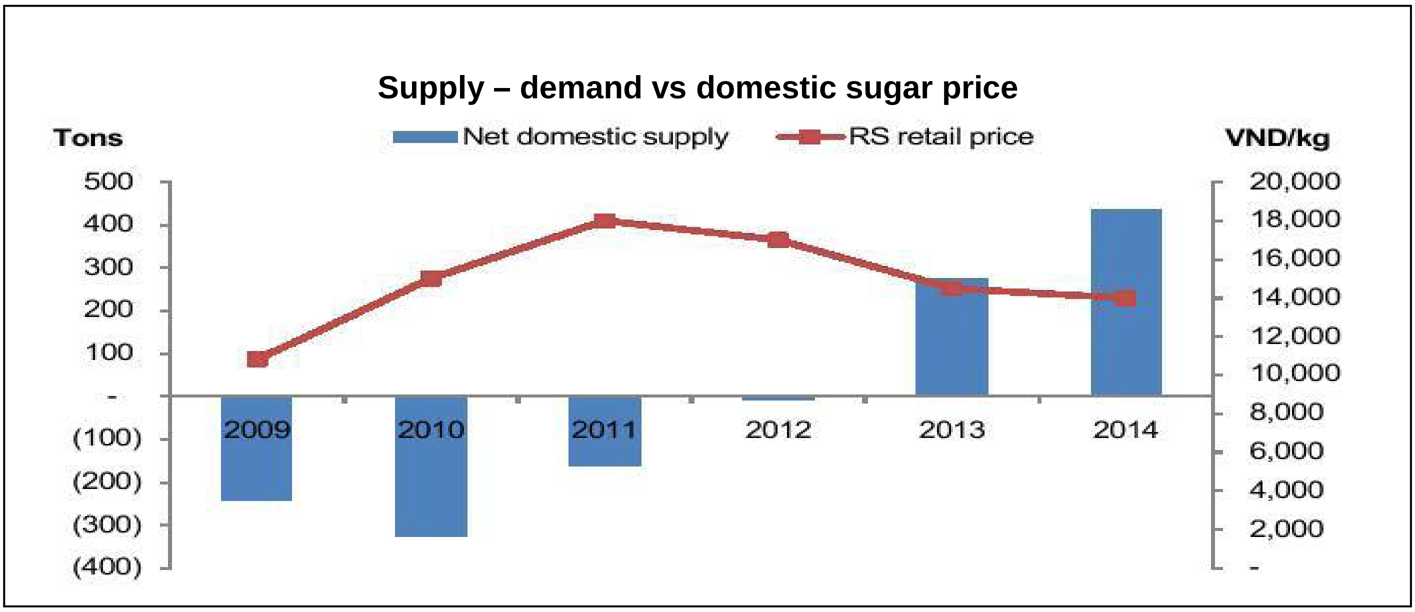
Concerns about the global economic outlook and the debt crisis in the Eurozone have put pressure on the commodity markets, including sugar. As a result, there is a large sugar surplus globally in 3 revcent consecutive years . Prospects for

Price

Domestic sugar prices are from 20% to 40% higher than the world sugar prices

As reported by the Ministry of Industry and Trade, domestic sugar prices are from 20% to 40% higher than the world sugar prices, thus Vietnam's sugar industry lacks competitiveness compared with other countries in the region. Enterprises in the industry have to bear huge pressure in consuming products.

Meanwhile, smuggled sugar has cheaper prices of about VND500 per kg from time to time due to tax evasion, thus should have a strong competive advantage over the domestic sugar prices. Furthermore, the domestic sugar prices fluctuate erratically with huge margins of around of 30%.



Source: Ministry of Industry and Trade (without import & export), VCSC 9/2013

Products & Markets

Demand Determinants Continued

Product quality

The specific characteristics of Vietnam's sugar industry are that material sugarcane arease are dispersed and has small scale; and mechanization is not applied on a large scale making the sugarcane of Vietnam lower than other countries.

According to the report of the Ministry of Industry and Trade, some enterprises which use domestic sugar said that although they really want to buy sugar in the country to facilitate their production, it is difficult to supply since only few domestic sugar companies can meet the quality requirement and most of domestic sugar companies cannot meet international standards.

Currently, the average sugar content CCS of Vietnam is about 10, while that of other countries is around 12-16.

Alternative products and consumption habits in consuming sugar

The UN agencies have indicated that there is a close relation between the consumption of sugar with obesity, diabetes, coronary heart disease, and recommends that they should cut down the amount of calories carried on by sugar to less than 10%.

On the other hand, when incomes increase, people began to pay attention to the die; therefore the amount of sugar and sugar-containing foods is limited. In order to limit sugar-containing prodcucts, consumers tend to choose unsweetened products or products containing less sugar.

One study revealed that food companies can reduce the amount of sugar they add to the product by 20-30% in the next 3-5 years. In fact, currently there are many alternative sweetener products on the market. However, the consumption of sweeteners containing zero or very few calories in Vietnam is limited (about 10%).

Consumption of alternative sweeteners in Vietnam ('000 tons)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Aspartame	4	5	6	6	7	7	8	8	9	9	9
Cyclamate	7	14	20	23	26	27	29	26	26	27	29
Saccharin	6	15	42	72	96	105	108	81	66	45	48
Stevia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	41	38

Source: LMC International 2012

Besides, the eating habits by region also directly affect demand. According to statistics from households in Vietnam, sugar consumption per capita in the south is 1.5 times higher than that in the north. One of the main cause of this difference is due to cooking habits as well as well regional tastes as people in the southern regions usually use much sugar as spices in cooking.

Products & Markets

Major markets

As much as two thirds of sugar consumption is reported to be in the sound of the country

Domestic Market

According to the calculation by VSSA, the annual average amount of sugar that a person use is about 16 kg. With the population of about 90 million people, the country's total sugar consumption is about 1.45 million tons per annum. VSSA also forecast that in the crop year of 2013-2014, the amount of sugar produced is about 1.5-1.6 million tons, meaning that the domestic amount of sugar can meet consumption demand.

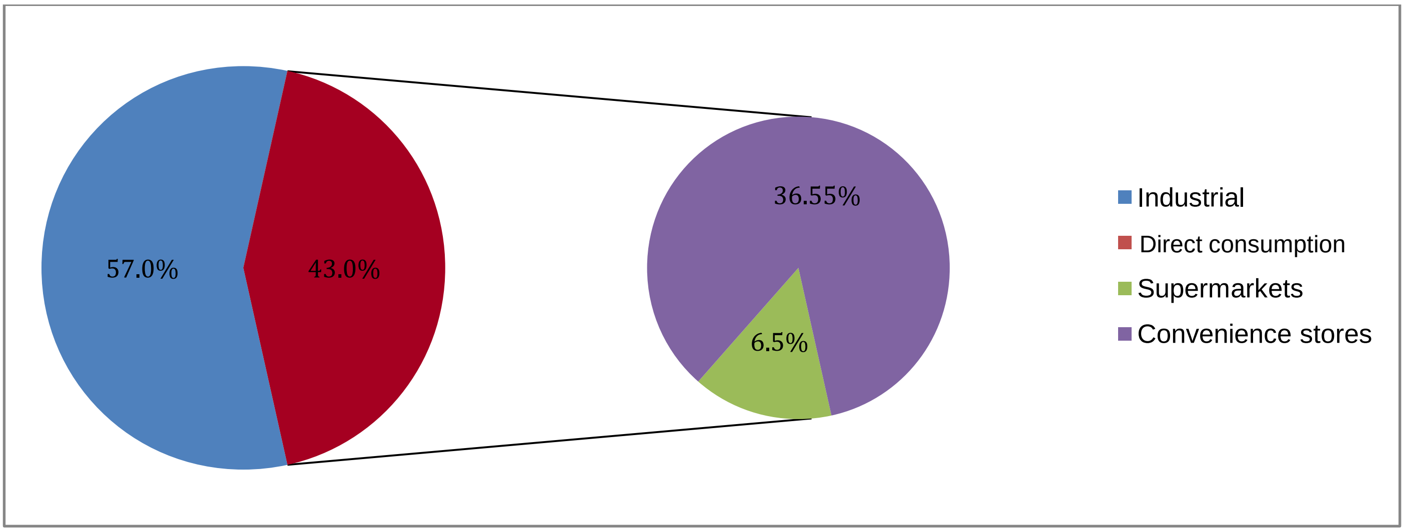
2010	Population (million)	Consumption (000 tons)	Per capita Consumption (kg/person)
Mekong River Delta	17.3	510	29.5
South East	14.6	430	29.5
Central Highlands	5.2	40	8.4
North Central	10.1	80	8.4
Central Coastal	8.8	70	8.4
Northern midlands and mountain areas	11.2	90	8.4
Red River Delta	19.8	170	8.4
Total	**86.9**	**1,400**	**16.1**

Source: LMC International 2012

The amount of sugar consumed in the south (Southeast and Mekong Delta) is much higher than the rest of the country. The main reason is because the sugar demand for food processing industry focuses in this region. In addition, the consumption demand of people for processed foods and soft drinks is higher than the other regions.

According to 2010 statistics, more than two –third of amount of sugar consumed is concentrated in the south (about 940,000 tons) with the amount of sugar per capita of 30kg, which is much larger than that of the other regions of the country with the amount of sugar per capita of 8kg.

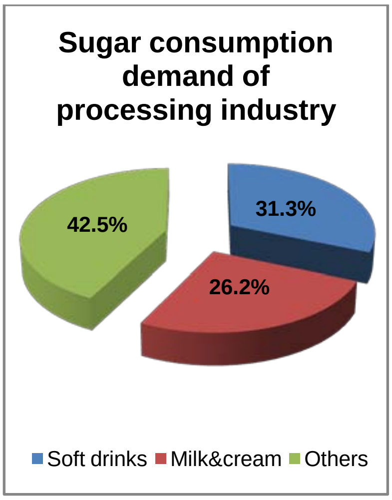
Vietnam's sugar market can be catergorized based on purposes of use as follows:



Source: LMC International 2012

Products & Markets

Major markets Continued



Source: VietinBankSc

China accounts for more than 90% of sugar export volume of Vietnam

The direct consumption market accounts for (43%)

The amount of sugar consumed directly is estimated at 600,000 tons per annum (2012 statistics) which is equivalent to about 40-45% of the total market. In particular, the sugar with clear brands and labels sold in supermarkets account for a small market share of about 15%. The rest(85%) without specific orgin labels is mainly sold in small markets and convenience stores.

Processing industry market- Indirect consumption market takes up 57%

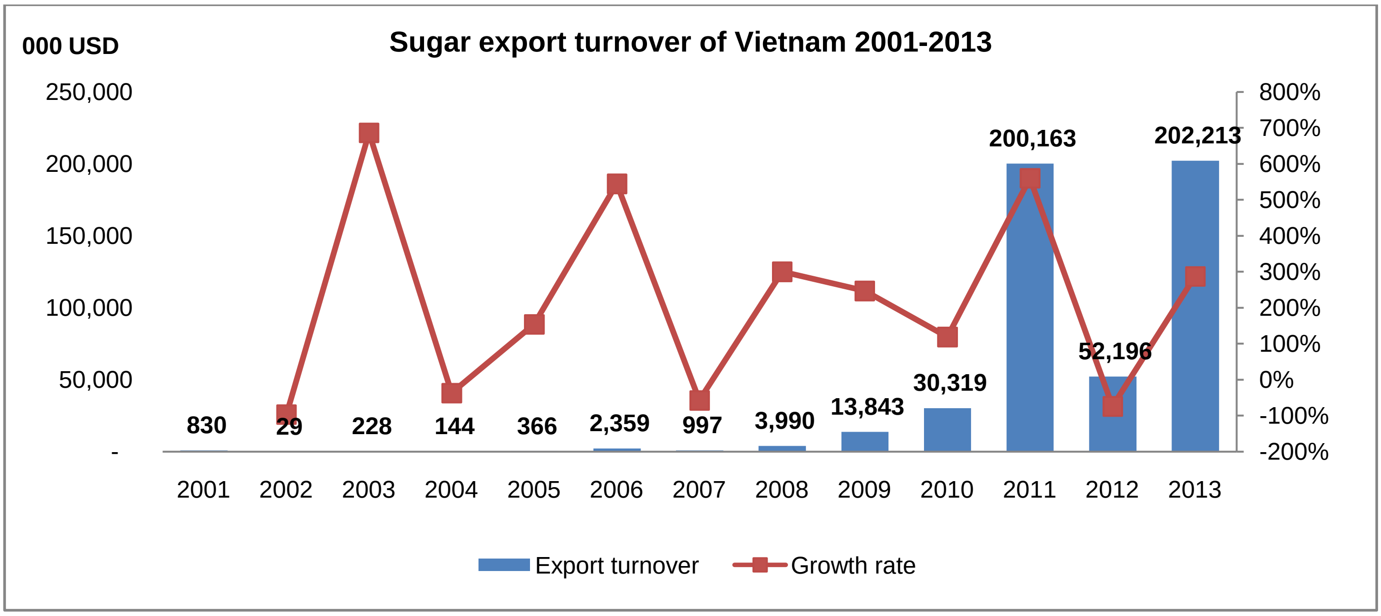
Processing industry market is divided into 4 sections: milk & cream, confectionary, soft drinks and other processing industries such as fruit and vegetables, alcohol or pharmaceuticals

This market is mainly concentrated in the major beverage companies such as Coca-Cola and PepsiCo which account for 90% of the sugar demand of the industry and the companies producing products milk and cream such as vinamilk which takes up two-third of sugar demand of this field, and Dutch Lady.

Export market

Currently, China is the second largest sugar consumption country in the world with 15.1 million tons in the crop year of 2012/2013 (after India with 24.68 million tons) and is the primary export market of Vietnam sugar with the main product of refined sugar which account for more than 90% of the country's sugar export volume. This amount of sugar is exported to China mainly through quotas.

In order to address sugar investory , from the early 2013, VSSA proposed the Ministry of Industry and Trade to export sugar to this market through qutas, but due to slow export licensing, the amount of sugar exported up to now is just about 120,000 tons.

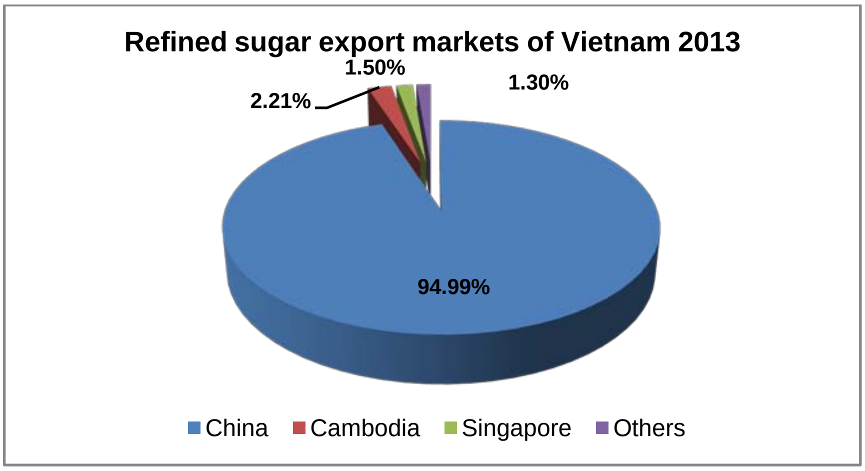


Source: GDVC

Products & Markets

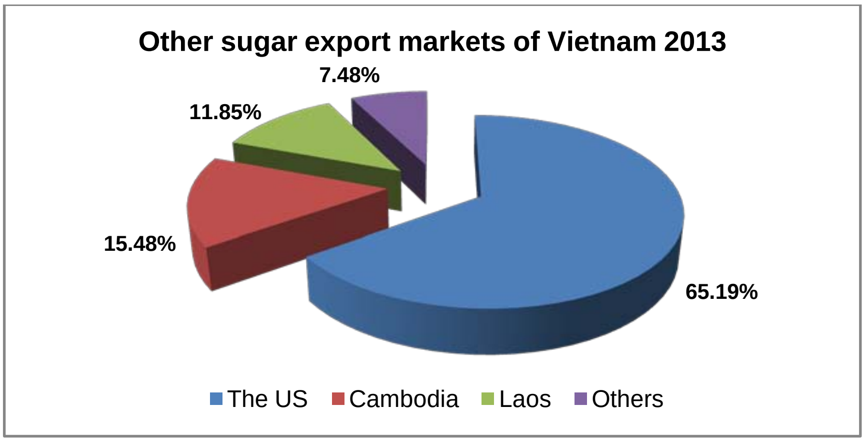
Major markets Continued

According to the statics from the General Department of Custom, in the first 11 month of 2013, the total export value of Vietnam is USD202 million, which increased by 413.02% compared with the same period of 2012,. Particularly, the export percentage of refined sugar of Vietnam takes up a large proportion.



Source: GDVC 2013

Refined sugar: In the first 11 months of 2013, China imported the amount of sugar with total value of USD191.3 million, accounting for 94.64% of total export turnover of refined sugar, followed by Cambodia with the turnover of USD4.4 million, accounting for 2.21%. The third is Singapore which imports the amount of sugar with total value of USD3.0 million which accounts for 1.5%. Additionally, other countries include Arap, Taiwan…



Source: GDVC 2013

Others: The U.S. and Cambodia are two primary markets of Vietnam, respectively accounting for 65.19% and 15:48% of total export turnover of other kinds of sugar in the first 11 months of 2013.

Products & Markets

Major markets Continued

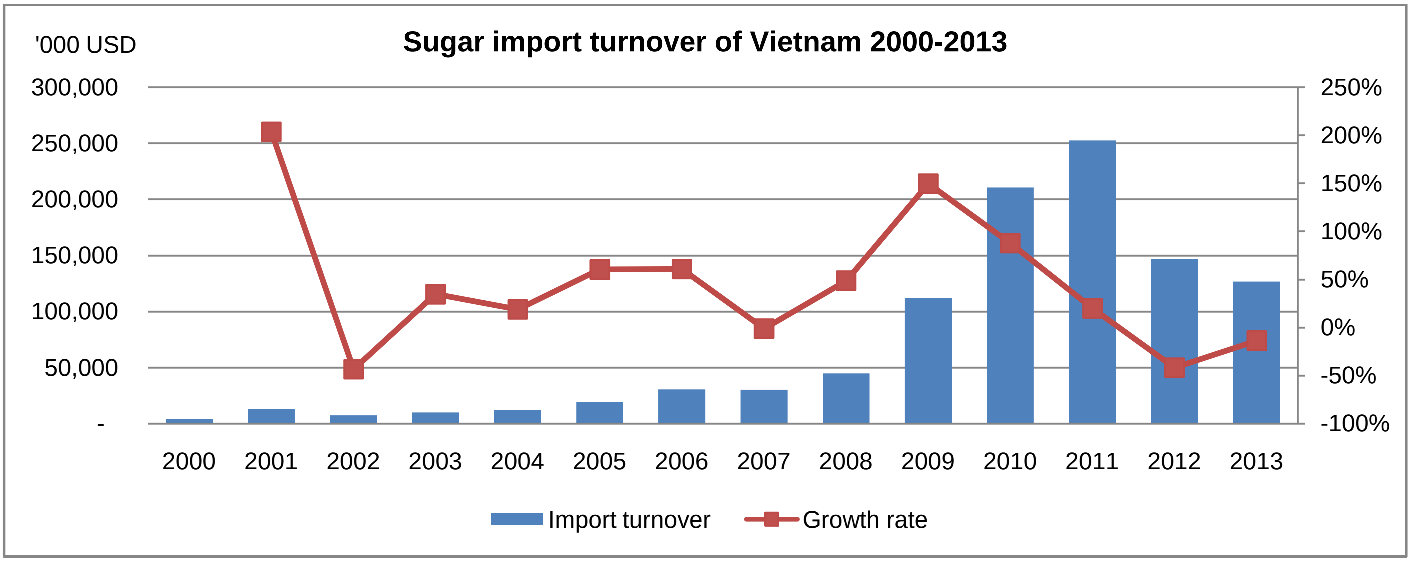
Sugar imported by Vietnam tends to decrease

Import markets

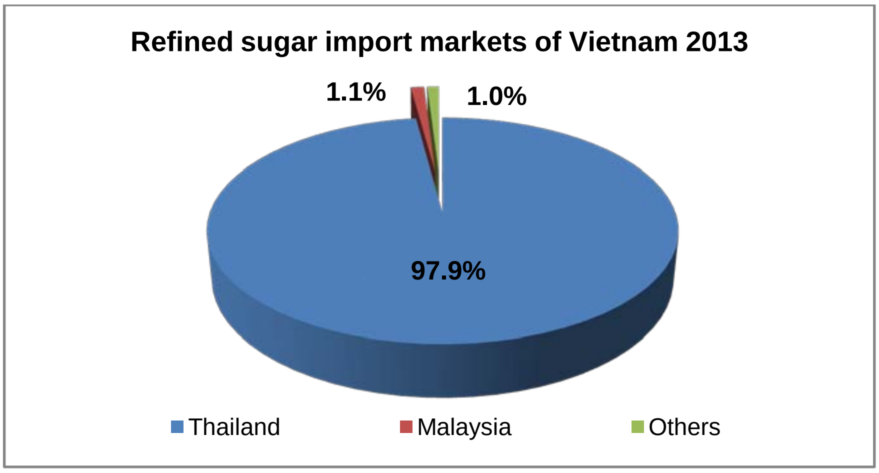
Prior to 2012, although the amount of sugar produced in the country continuously increased, but could not meet the domestic demand.

The domestic demand has been relatively stable since 2012. The manufacturing output continues to increase, therefore the amount of sugar imported by Vietnam tends to decrease.

According to the statistics from the General Department of Vietnam Custom(GDVC),the total sugar import turnover of Vietnam was USD 126,833 million in 2013 which delined by 13.73% compared with 2012.



Source: GDVC



Source: GDVC 2013

Refined sugar: In the first 11 months of 2013, Vietnam primarily imported refined sugar from Thailand with a turnover of USD23 million and Malaysia with a turnover of USD 0.26 million which account for 97.9% and 1.1% of total import turnover of refined sugar of Vietnam respectively. Besides, Vietnam also imports refined sugar from other countries such as France, Taiwan with low value.

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