

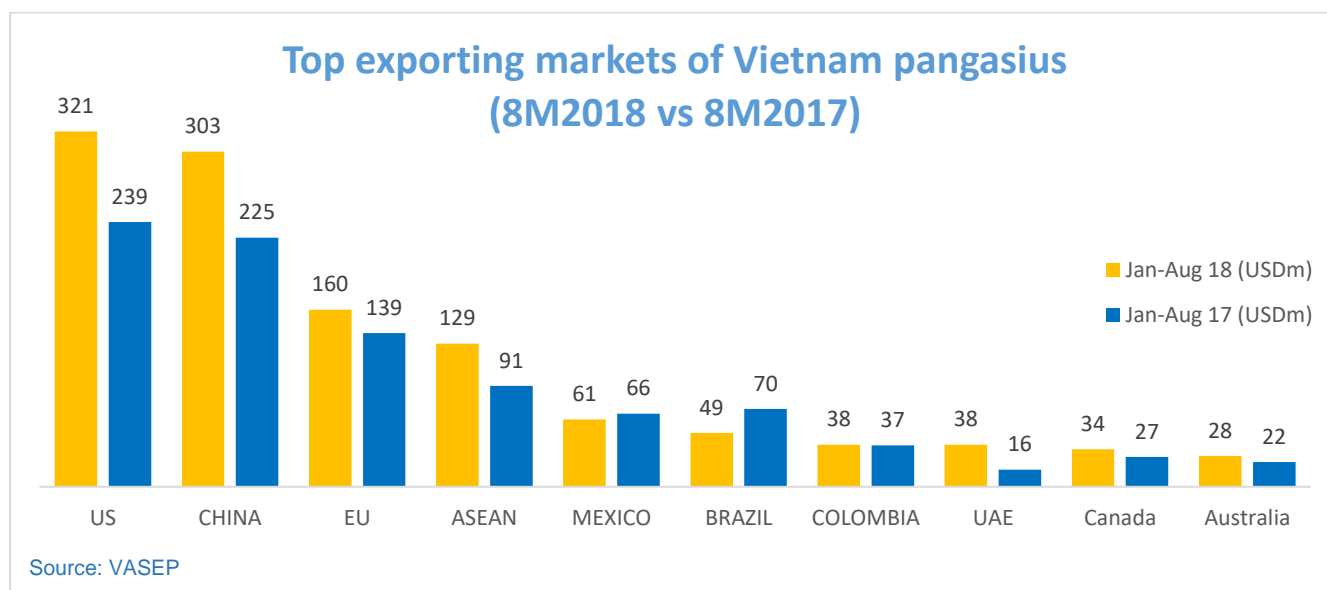
Vinh Hoan Corporation's September IR news

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Market summary

In first 8 months of 2018, Vietnam exported USD 1.41bn worth of pangasius, a strong growth of 21.7% yoy. According to Vietnam Ministry of Agriculture and Rural Development, from Jan-Sep 2018, total harvest volume of pangasius reached 942.4 thousand tons, a 9.3% yoy growth. Raw material pricing also hit its 20-year record high during the period.



The exports still went strong in big and traditional markets like the US, China, EU, ASEAN with yoy growth of 34%, 35%, 15%, and 42% respectively.

Latin America market continued to perform poorly with minor increase to negative growth.

Surprisingly, exports to UAE surged by 144% yoy. UAE has replaced Saudi Arabia to become the eighth largest exporting market.

Vietnam pangasius to clear biggest hurdle to trade in the US

The United States Department of Agriculture (USDA), Food Safety and Inspection Service (FSIS) announced September 14, in its Constituents Update, that it has completed the onsite verification audits in Vietnam, China and Thailand and expected to make public separate proposals to grant eligibility to the fish from all three nations.

The [proposed rule](#) was published on Federal Register on September 19 and remains open for public comment until October 19, 2018. After that, FSIS will stipulate the final equivalence status of these three countries.

Background

On December 2, 2015, FSIS published the final rule, “Mandatory Inspection of Fish of the Order Siluriformes and Products Derived from Such Fish.” The Final Rule established an 18-month transitional period, from March 1, 2016 to August 31, 2017. FSIS began fully enforcing all regulatory requirements on September 1, 2017.

From March 1, 2016 to December 31, 2017, FSIS import inspectors performed 100 percent reinspection for labeling and certification on Siluriformes fish and fish products exported by Vietnam to the United States.

FSIS also performed re-inspection for additional types of inspection, including testing for chemical residues.

From May 14-25, 2018, FSIS conducted an onsite audit of Vietnam’s food safety inspection system governing fish and fish products of the order of Siluriformes. The audit objective was to verify whether the system is functioning in a manner equivalent to that of the United States, with the ability to export products that are safe, wholesome, unadulterated, and correctly labeled and packaged.

Expected Impacts of the Proposed Rule on Pangasius Imports from Vietnam

The US import of pangasius from Vietnam, China and Thailand has not stopped since USDA took over the authority to maintain the safety of the fish from the US Food and Drug Administration in September 2017, as FSIS has allowed shipments to continue while it investigated.

In March, FSIS terminated the ability of 11 other countries, including India, Bangladesh, Guyana, Nigeria, Pakistan, Myanmar, El Salvador, the Dominican Republic, Canada, Mexico and the Gambia, to send their pangasius to the US after these countries fail to file their self-reporting tools. Passing onsite inspections was by far the most significant step in the initial equivalence process ^[1] for all three countries, but Vietnam has mattered the most as it accounted for 90.5% of the US’s Siluriformes fish imports from 2013-2017.

Table 1. Summary of Siluriformes Fish Sales

	2013	2014	2015	2016	2017	5 Year Average
	USD million					
Total U.S. Imports ^[a]	\$363.42	\$346.66	\$351.13	\$405.61	\$381.89	\$369.74
Total U.S. Domestic Production ^[b]	\$356.73	\$351.94	\$363.61	\$385.99	\$379.71	\$367.60
Total U.S. Exports ^[a]	\$4.69	\$3.99	\$4.95	\$4.80	\$6.18	\$4.92
Total U.S. Consumption ^[c]	\$715.46	\$694.60	\$709.79	\$786.80	\$755.43	\$732.41
Total U.S. Imports from ^[a] Vietnam	\$335.03	\$309.53	\$318.40	\$367.65	\$342.96	\$334.71
Vietnam as % of U.S. Imports	92.2%	89.3%	90.7%	90.6%	89.8%	90.5%
Vietnam as % of U.S. Domestic Production	93.9%	87.9%	87.6%	95.3%	90.3%	91.1%
Vietnam as % of U.S. Consumption	46.8%	44.6%	44.9%	46.7%	45.4%	45.7%

Data Source: U.S. Census Bureau Trade Data

[a] Import and Export Data Accessed from USDA Foreign Agricultural Service: Global Agricultural Trade System: <https://apps.fas.usda.gov/gats/default.aspx>

[b] U.S. Production Data Accessed from USDA National Agricultural Statistics Service: Quick Stats:

If this rule is finalized, establishments in Vietnam would be listed as eligible to export raw Siluriformes fish to the United States [iii].

Adoption of this rule is not expected to have quantified impacts because the proposed rule maintains the existing trade in pangasius between the United States and Vietnam.

Preliminary result of POR14 antidumping duty review

On September 13, the US Department of Commerce (DOC) published the preliminary result of the 14th administrative review of the antidumping duty on frozen fish fillets imported from Vietnam for the period August 1, 2016, through July 31, 2017 (aka POR14), in which it determined the duties for two mandatory respondents - Hung Vuong Group (HVG) and NTSF Seafoods Joint Stock Company (NTSF) - at USD 0/kg and USD 1.37/kg respectively. Four other separate-rate respondents received same duty of USD 0.41/kg.

Table 2. Preliminary Results of Review

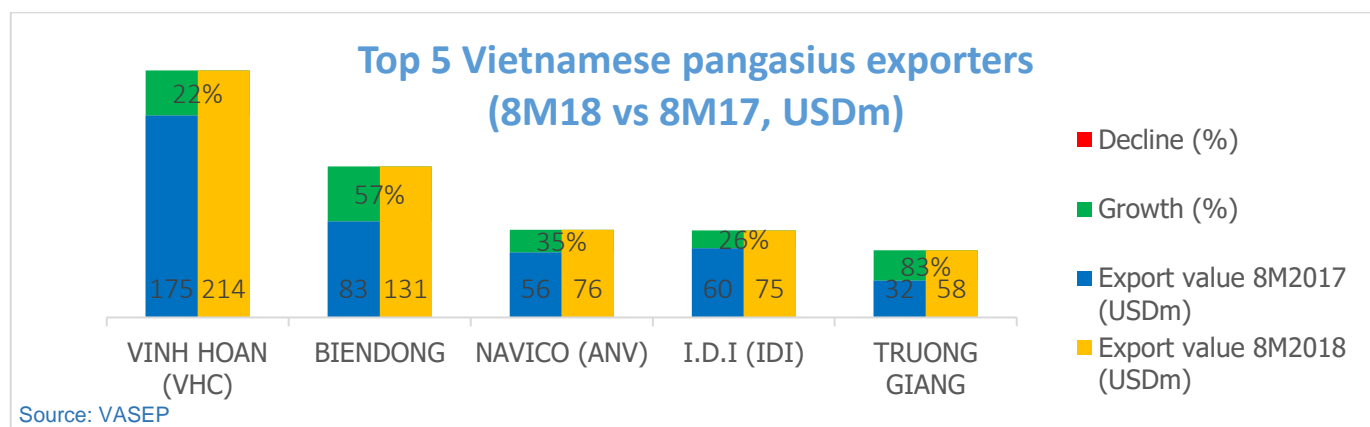
Exporter/producer	Weighted- average dumping margin and cash deposit rate (USD/kg)
Hung Vuong Group	0.00
NTSF Seafoods Joint Stock Company	1.37
C.P. Vietnam Corporation	0.41
Cuu Long Fish Joint Stock Company	0.41
Green Farms Seafood Joint Stock Company	0.41
Vinh Quang Fisheries Corporation	0.41

With respect to Vietnam-wide entity duty, no party requested review of it in POR14, hence it remained unchanged at USD 2.39/kg.

Vinh Hoan Corporation's duty was not reviewed for this period, hence it will retain its most recent margin i.e. that of POR13, at zero.

Top exporters in 8M2018

Vinh Hoan continued to top the pangasius exporting industry in first 8 months of 2018, with market share unchanged at 15%.



Vinh Hoan's export value in September

Until September, total export value (excl. VDTG) reached USD 270m, up 26% yoy. For Q3 alone, price reached its highest momentum since the beginning of 2018 with 37% yoy increase and volume also picked up slightly by 9% yoy thanks to ample supply during harvest season of pangasius.

In Q3, most products saw strong yoy growth of over 50%, such as pangasius, fish by-products (fishmeal, fish oil), and collagen and gelatine at 54%, 56%, and 66% respectively.

ⁱ The initial equivalence process comprises of 6 steps:

1. Country submits a formal written request to FSIS, identifying the species and products they intend to
2. Country submits a Self-Reporting Tool (SRT) and supporting documentation.
- 3A. FSIS sends a request to the country to provide additional information in order to consider the SRT complete.
- 3B. FSIS receives additional information, determines the SRT is complete, and conducts a technical review of provided information.
4. On-site verification audit.
5. Public notification in the Federal Register for commenting-Proposed Rule.
6. Determination of Equivalence-Final Rule

ⁱⁱ List of Vietnam establishments eligible to export raw Siluriformes fish to the United States

No.	Code	Establishment Name
1	DL 15	Bien Dong Seafood Co., Ltd
2	DL 61	Workshop 2 – Vinh Hoan Corporation (VINH HOAN CORP)
3	DL 147	Workshop 1 – VINH HOAN CORP
4	DL 369	Mekong Delta Food Factory – CASEAMEX
5	DL 386	Hung Vuong Corporation (HV Corp.) – Workshop II
6	DL 461	NTSF Seafoods Joint Stock Company (NTSF SEAFOODS)
7	DL 476	GODACO Seafood
8	DL 479	International Development & Investment Corporation (IDI Corporation)
9	DL 500	Workshop 3 – VINH HOAN CORP
10	DL 511	Van Duc Tien Giang Food Export Company
11	DL 518	Europe Joint Stock Company (EJS CO.)
12	DL 810	Bien Dong Hau Giang Seafood Joint Stock Co., (Bien Dong Seafood Co., Ltd.)
13	DL 847	Thanh Binh Dong Thap One Member Company Limited (Thanh Binh Dong Thap Ltd)