

Vietnamese glass industry growth trends

In advance of the 41st ASEAN Glass Conference in Da Nang this October, freelance correspondent Sunder Singh tracks the state of the Vietnamese container and float glass industries for *Glass Worldwide*, official journal of the AFGM.

Sadly, in a country with a population of more than 90 million, whose per capita income is rapidly increasing, the glass industry has been unable to reap the rich dividends of a robust construction sector. This is despite the fact that the Vietnamese economy has realised steady growth, propelling most manufacturing industries to post good number. Currently in the sixth year of its economic restructuring programme, the country is making rapid progress on the economic front. In fact, a recent report by PWC has put the country in a bracket of the most promising progressing countries.

PACKAGING TRENDS

Despite huge demand in the domestic market from the ever-increasing beverage, food and pharmaceutical sectors, the local glass container industry has failed to capitalise on the opportunities provided.

Currently, two major and a few small producers serve domestic demand. No surprises that a huge amount of glass is imported from neighbouring China, Thailand and Indonesia.

The beer industry is the largest consumer of glass containers in Vietnam. Other alcoholic and non-alcoholic beverages are also becoming significant users. The average adult in Vietnam consumed 6.6 litres of alcohol in 2015, up 70% from 2005, according to the Ministry of Health.

But the strongest growth in alcohol and indirectly glass containers came from beer consumption, which jumped about 41% in 2015 when compared with 2010, according to the Vietnam Beer Alcohol Beverage Association. Vietnam consumed 4.04 billion litres of beer in 2016, the most in the region and up from 3.88 billion litres in 2015, according to association data.

The country's largest brewer, Sabeco Breweries produces five branded beers: Saigon, Saigon Export, Saigon Special, 333 and Sagota. Saigon is packaged in 0.45 litre glass bottles, while Saigon Export is sold in 0.355 litre glass bottles and Saigon Special in 0.33 litre glass bottles. For the 333 brand, the 0.33 litre can is used alongside the 0.355 litre glass bottles. Only Sagota beer is packed in aluminium cans.

Glass containers in Vietnam are usually reused or recycled. Most beer and beverage companies like Hanoi Beer, Sai Gon Beer Co, Coca Cola and Pepsi take back their glass containers for reuse. The returnable glass bottle is by far the most important and popular package for beer in Vietnam. In particular, the two state-owned beer producers run a very efficient returnable bottle system, which reduces their exposure to rising packaging costs. The durable nature of returnable glass bottles results in an average usage of 60 cycles over a span of 10 years. Retail outlets selling the company's products collect deposits on these bottles when customers buy the beer and return the deposit when the bottles are returned.



New glass bottles are purchased to support increased sales and to replace broken and scuffed bottles.

OI-BJC VIETNAM GLASS CO

A joint venture between Owens-Illinois, Thailand's Berli Jucker Corp and Vietnam's largest beer producer, Saigon Beer Alcohol Beverage Co (Sabeco), OI-BJC Vietnam Glass Co has an installed capacity to produce 110,000 tonnes of glass containers per annum from its manufacturing facility in My Xuan Industrial Zone (Ba Ria-Vung Tau province).

Located about 60km south east of Ho Chi Minh City, the plant started commercial production in mid-2012. Built for an initial cost of \$47 million, >



Flat glass is used increasingly for commercial and residential projects in Da Nang, host city of the 41st ASEAN Glass Conference this October.



Vietnam consumed 4.04 billion litres of beer in 2016, the most in the region and up from 3.88 billion litres in 2015.



Company	Location	Installed capacity
OI BJC Vietnam Glass Ltd (Malaya Vietnam Glass Ltd)	Ba Ria- Vung Tau	110,000 tonnes/year
San Miguel Yamamura Haiphong Glass Co	Ngo Quyen District, Hai Phong	340 tonnes/day
Go Vap Glass	Go Vap Dist, Ho Chi Minh	90 tonnes/day

Leading glass container producers in Vietnam.

Year	2011	2012	2013	2014	2015
Value	34,787	36,783	39,739	48,299	96,699

Glass container imports to Vietnam, sourced from UN Comtrade Statistics and valued in US\$000.

Company	Location	Installed capacity
Viglacera Float Glass Co (VIFG)	Tan Dong Hiep Production Area, Binh Duong Province	420 tonnes/day
Trang An Float Glass	Ninh Phuc Industrial Zone, Ninh Binh Province	350 tonnes/day
Vietnam Float Glass Co Ltd (VFG)	Que Vo district, Bac Ninh Province	500 tonnes/day
Vietnam Glass Industries (VGI)	My Xuan A Industrial Zone, Ba Ria Vung Tau Province	500 tonnes/day
Chu Lai Float Glass Co	Quang Nam	900 tonnes/day

Float glass producers in Vietnam.

this facility (one furnace, three production lines and two ACL lines) was initially built to produce approximately 75,000 tonnes per annum of returnable premium glass

containers for Vietnam's beer, soft drinks, food, wine, spirits and pharmaceutical markets. This plant replaced an existing

facility in District 4 of Ho Chi Minh City that was vacated to facilitate the city's urban development plans.

Subsequently, another production line was added to the facility, which took the overall installed capacity to 110,000 tonnes per annum.

When the plant opened, Sabeco's Chairman, Nguyen Ba Thi said Vietnam was one of the fastest growing beer markets in the world. "As Vietnam's leading beer producer, Sabeco needs access to high quality premium glass packaging to support the demands of discerning Vietnamese consumers" he commented. "With the opening of this new factory, we are assured of having the right partner to support our growth in the market, as well as supplying growing demand for premium glass packaging to all categories in Vietnam."

SAN MIGUEL YAMAMURA HAIPHONG GLASS CO LTD

A subsidiary of the Philippines' leading packaging company, San Miguel Yamamura Packaging Corp, San Miguel Yamamura Haiphong Glass (SMYHG) has been engaged in glass container production in Vietnam since 1996. SMYHG is a joint stock company between SMYPC and Vietnamese state-owned beer major Hanoi Beer Alcohol and Beverages J S Corp (Habeco), the country's second largest brewer, with a 20% share of the local beer market.

SMYHG is located on a 3.5 hectare site near the port of HaiPhong, principal port for Hanoi and the north of Vietnam. The plant has an installed capacity of 130 tonnes/day and produces flint and amber for the beer, beverage, liquor and food industries. In addition to serving local markets, the company exports bottles to such countries as Myanmar, Laos, Indonesia and the Philippines.

The glassworks has become a leading manufacturer of high quality products in the country. Via its technical links with Japan's NYG, it uses the latest technologies, equipment and facilities. There are plans in place to expand further to serve growing demand from the Indochina market.



IMS Engineering



TWO WORLDS JOINED TOGETHER

Scrapers for the world



BOTTLE BREAKER

Up to 50 T.P.H. 800 Bottles/min

PURPOSE DESIGNED CULLET CONVEYORS

Up to 500 T.P.D.



SCRAPER CONVEYOR

BELT CLEANER

To suit any width of belt



LONGWALL SERVICES INC

63 Country Club Road
Meadowlands PA 15347, USA
Tel: + 1 724 228 9898
Email: ceirioghughes@gmail.com
www.longwallservices.com



IMS ENGINEERING LTD

Unit S1B, Tursdale Business
Park, Tursdale, Co Durham DH6 5PG, UK
Tel: + 44 (0) 191 377 8880
Email: info@imsengineering.com
www.imsengineering.com

FLAT GLASS EXPANSION

Compared to the glass container industry, Vietnam's flat glass sector has made steady progress in recent years in terms of capacity and capabilities. Consistent demand from the construction segment has resulted in healthy demand for float glass products.

Currently, Vietnam has four float glass producers with a combined installed capacity of 2170 tonnes/day and three sheet glass production plants with 540 tonnes/day.

The Vietnamese and foreign investment joint venture, Vietnam Float Glass Co Ltd (VFG) with a production capacity of 500 tonnes/day, state-owned Viglacera Float Glass Co Ltd (VIFG) with a daily production capacity of 420 tonnes/day, Trang An Glass with an installed capacity of 350 tonnes/day and Chu Lai Float Glass Co with an installed capacity of 900 tonnes/day are the country's leading float glass producers. New float lines at Chu Lai Float Glass are being installed in Ninh Binh province with a capacity of 600 tonnes/day and will start production later this year, increasing Chu Lai's total production capacity to 1500 tonnes/day. In addition, NSG Group company Vietnam Glass Industries (VGI) has suspended operations at a production line for ultra-clear float glass, with a capacity of 500 tonnes/day.

Kala Glass Corp with a capacity of 220 tonnes/day, Viet Hung Glass Co Ltd with 330 tonnes/day and Viglacera Dap Cau Sheet Glass Co are the country's three major sheet glass producers. The Viglacera Dap Cau sheet glass lines have ceased operation, although plans are in place to build an ultra-clear sheet glass facility with a 250 tonnes/day capacity later this year.

In the second half of 2016, retail float glass prices surged by more than 20%, owing to strengthening demand and supply shortages. One leading float glass producer, Trang An Float Glass factory was closed for maintenance in June 2016, resuming production in April 2017. A similar situation was expected to come into play after the second quarter of 2017, when Vietnam Float Glass Industry (VFG) will stop production for a maintenance overhaul.

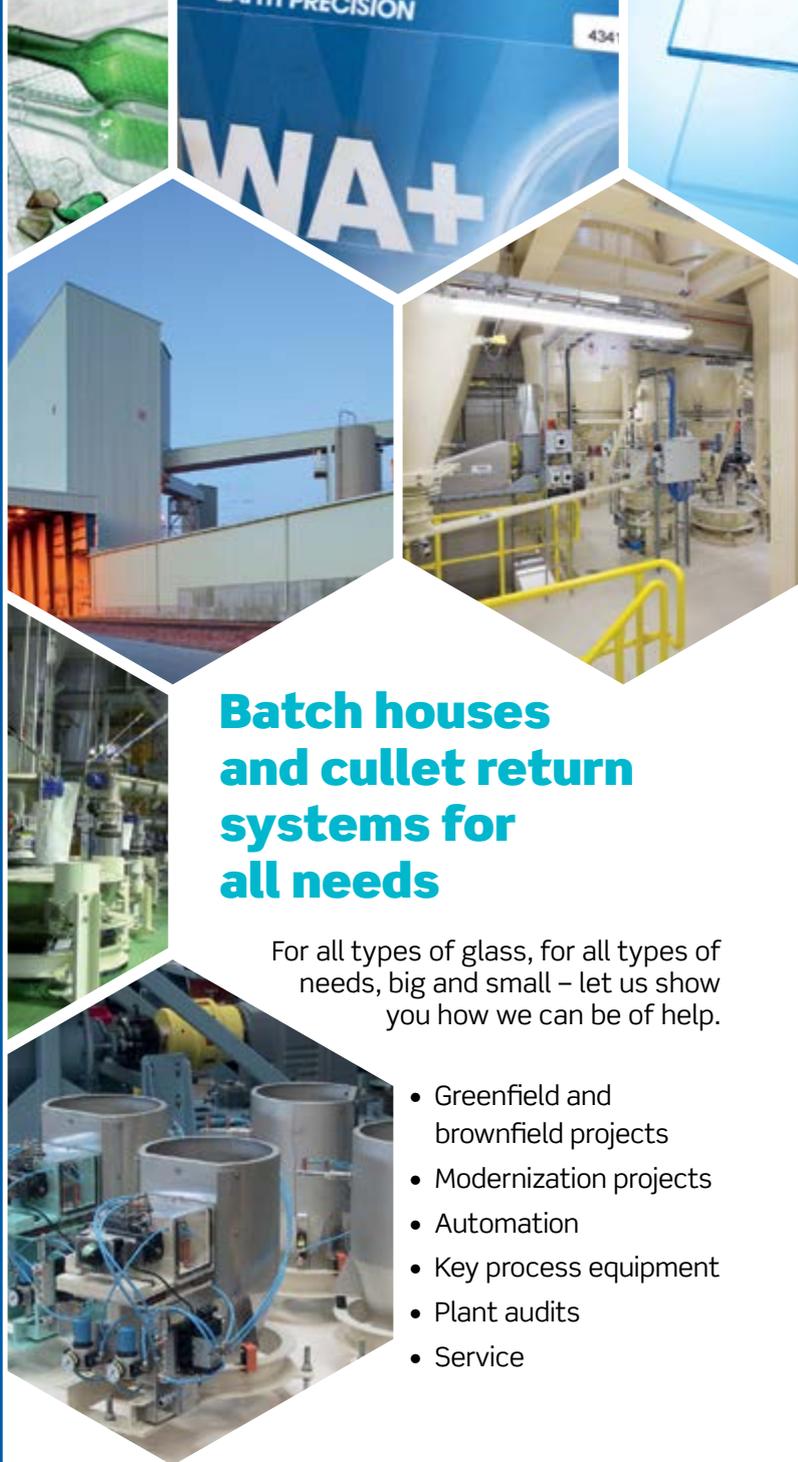
INDUSTRY TRANSFORMATION

The Vietnamese construction sector and huge inflows of foreign direct investment are expected to transform the local flat glass industry in the coming years. The country's leading flat glass producer has already started working towards establishing a new float glass project. Other regional players are also taking a keen interest.

The construction sector is expected to grow by 6.3% in real terms in 2017 and 6.1% next year, according to Business Monitor International Research, a Fitch Group company. Flat glass demand is expected to outgrow this growth, as glass usage in new buildings is increasing at a brisker pace than past years. The availability locally of energy-efficient glasses will further fuel demand of flat glass products in commercial and high end residential construction projects.

Foreign direct investment, an important factor in the glass industry's development throughout Asia, has increased considerably in Vietnam in recent times. Directly and indirectly, the glass industry is affected positively by these investments. Foreign investors have poured US\$10.95 billion into new and operational projects and into buying stakes in local companies in the first four months of 2017, up 40.5% from the same period last year, according to the Foreign Investment Agency of Vietnam.

Processing and manufacturing drew a majority of total FDI (approximately 70%, with \$7.36 billion). This was followed by mining (\$1.28 billion) and retail and wholesale (\$546.68 million). The Republic of Korea ranked first out of 83 countries and territories investing in Vietnam with \$4.05 billion. Japan came second with \$1.85 billion, followed by Singapore with \$1.1 billion. >



Batch houses and cullet return systems for all needs

For all types of glass, for all types of needs, big and small – let us show you how we can be of help.

- Greenfield and brownfield projects
- Modernization projects
- Automation
- Key process equipment
- Plant audits
- Service

Experience that weighs since 1914



LAHTI
PRECISION

Our representative in Asia

Pietro Karjalainen
Regional Director of Sales
Region Asia
Mobile +84 938 63 1100
sales@lahtiprecision.com

Lahti Precision Oy

Ahjokatu 4A, FI-15800 LAHTI, Finland
Tel. +358 3 829 21, glass@lahtiprecision.com
www.lahtiprecision.com



VIETNAM FLOAT GLASS CO LTD

Located at Que Vo Industrial Park in Bac Ninh Province, Vietnam Float Glass Co Ltd commenced commercial production in 1999 and has an installed capacity of 500 tonnes/day of float glass. The NSG Group has a 55% stake in the venture, while Vietnamese company Viglacera Corp holds 30%. The remaining 15% shareholding belongs to Japanese company Toyota Tsusho Corp.

VIGLACERA CORP

State-owned Viglacera (The Vietnam Glass and Ceramics for Construction Corp) is a leading flat glass producer in Vietnam. The company has interests in building materials (flat glass, ceramic tiles, sanitary ware and bricks) and real estate development. Last year was one of the best for Viglacera in terms of profitability. The company recorded a net profit of 126 billion VND, an increase of 39% over 2015. With a daily production capacity of 420 tonnes/day, Viglacera is the leading supplier to the real estate market in southern Vietnam.

The production of low-E glass commenced in July 2016. Involving a total investment of \$22.3 million, the line has a capacity of 2.3 million m² per annum. Developed in association with German technology supplier Von Ardenne GmbH, the project will see the addition of another line in the near future in Bac ninh Province. This line is expected to have a processing capacity of 2.7 million m² of low-E glass. According to Viglacera Float Glass Managing Director Nguyen Minh Khoa, Von Ardenne GmbH is

among the few global corporations with profound knowledge of low-E glass production, making the German firm the obvious choice as Viglacera's partner after a long selection process.

Domestic glass processors, Enrowindow and Sado Group have committed to purchase two million m²/year of low-E glass from the company.

CHU LAI FLOAT GLASS JSC

Indevco-Chu Lai Float Glass JSC is a \$100 million glass factory in the central province of Quang Nam (central Vietnam) and is the largest float glass producer in Vietnam. Located on an area of more than 100 hectares, at the Bac Chu Lai industrial zone, the 900 tonnes/day float plant started commercial production in early 2010.

NSG EXITS THIN FLAT GLASS BUSINESS

Nippon Sheet Glass (NSG) suspended the production of thin flat glass for displays in Vietnam in May 2016. Located in the southern province of Ba Ria-Vung Tau's My Xuan A industrial park, the company had started operating the \$123 million production line in June 2014.

In a subsequent press release, NSG stated: "This is an exit from loss-making businesses. We are aiming to swiftly eliminate obstacles to a further recovery in (NSG)'s performance. The timing for restarting this line will be decided, assessing the market situation, inventory levels and other relevant factors."

TWO NEW FLOAT PLANTS

The southern province of Ba Ria-Vung Tau has emerged as an investment hotspot for the glass industry. In early 2017, two new float glass projects have received investment certificates and investment approvals from the People's Committee of the province.

The first and bigger outlay ultra-clear float project is for Viglacera Corp, which will be built at the Phu My Industrial Zone 2, with a total investment of \$108 million. The project is also backed by the Vietnam Urban and Industrial Zone Development Investment Corp and Khai Th nh Science and Technology Corp. According to a tentative announcement by the company, this project will have a capacity of 600 tonnes/day of ultra-clear float glass.



The construction sector is expected to grow by 6.3% in real terms in 2017 and 6.1% next year.

However, a definite timeline and tonnage for this project will be declared later this year.

The second float glass project is a \$100 million investment, financed by the Nam Viet Hung Construction Corp. The Nam Viet Hung Glass JSC will be built at My Xuan industrial park B. Currently, Nam Viet Hung Construction Corp operates in the construction industry, in particular infrastructure, office buildings and residential building constructions in Ho Chi Minh and neighbouring provinces.

HUGE IMPORT

Glass imports (flat, container, tableware, fibre and speciality glass) to Vietnam reached some \$350 million in 2015, making the country the largest importer of glass products in the region.

Glass container imports reached more than \$96 million in 2015, an increase of about 100% over the previous year. China, Thailand, Japan, South Korea and Indonesia are the largest exporters.

Float glass was the only sub-category that showed a decline in imports compared to recent years. The value of float glass imports in 2015 stood at \$42.49 million, a decline of \$78.29 million since 2012, when \$120.78 million worth of float glass products were imported to the country.

ASEAN countries have advantages in terms of geographical location and preferential tariffs of 0%-5% for the imports of float glass to Vietnam. For China, a 35%-40% tariff on imports has failed to check the business, as some importers have evaded regulations by declaring float glass products as finished glass to enjoy almost negligible import duties, resulting in unfair competition in the market. To stop this practice, float glass producers have asked the provincial General Department of Customs to closely inspect and review glass imports from China being declared as processed clear glass.

ACKNOWLEDGEMENT

Thanks are extended to the Vietnam Glass Association (Vieglass) and its members for assisting in the compilation of this report. ■

ABOUT THE AUTHOR:

Sunder Singh is a freelance correspondent

FURTHER INFORMATION:

email: sunder.singh@hotmail.com



Glass containers in Vietnam are usually reused as part of a returnable system.