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## Vietnam

### Cotton and Products

### Annual Cotton Update

### 2004

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**Report Highlights:** Vietnam's domestic cotton production has increased, but not achieved the ambitious target set by the Vietnamese Government. The Government had hoped domestic production would quickly reach 10 percent of consumption; however that goal still looks several years away. Vietnam annually imports more than 90,000 metric tons of cotton. The United States has been the leading cotton supplier to Vietnam over the last three consecutive years. This report includes production, supply and distribution tables.

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## PRODUCTION

### Vietnam's 2002/03 cotton production.

According to the General Statistical Office (GSO) and the Ministry of Agricultural and Rural Development (MARD), Vietnam's 2002/03 seed cotton production was 39,897 metric tons (mt), equivalent to 11,399 mt of cotton fiber, a year-on-year increase of nearly 14%.

Cotton is grown in five broad regions including: (1) Tay Nguyen, the Central Highlands, (2) South-East provinces, (3) South-Central Coast provinces, (4) North Mountainous provinces, and the (5) Mekong River Delta, the provinces south of Ho Chi Minh City.

Dak Lak province in the Tay Nguyen Highland had the largest 2002/2003 planted cotton area of 16,120 ha. The province's seed cotton production was 21,663 mt, accounting for 54% of Vietnam total cotton production.

Binh Thuan province in the South East region was the second biggest area. The cotton area planted in the 2002/03 crop in Binh Thuan province was 5,157 ha and the seed cotton production was 2,180 mt.

### The 2003/04 and 2004/2005 cotton crop

Vietnam's 2003/04 cotton area dropped to 30,000 ha, a drop of 12% compared with the previous year, due mainly to unfavorable weather. However, production only dropped by 7% due to improved crop yields.

Average cotton yields in Vietnam are low (about 1.1-1.2 mt/ha) but they are improving. The 2004/2004 cotton yields increased to 1.24 mt/ha (from 1.17 mt/ha in the 2002/03), due to the application of high-yield cotton varieties and improvement of cotton farming practices.

Post estimates Vietnam's 2004/05 cotton area rebounded and reached 35,000 ha for a production of 43,750 mt of seed cotton equivalent to 12,500 MT of fiber cotton, a year-on-year increase of nearly 18 percent (see table 1).

**Table 1: Vietnam cotton production**

	2002/03	2003/04	2004/05 est.
Crop area (ha)	34,100	30,000	35,000
Crop yield (mt/ha)	1.17	1.24	1.25
Cotton seed production (mt)	39,897	37,200	43,750
Cotton fiber production (mt)	11,399	10,624	12,500

Source: MARD and Post estimate

### Vietnam's ecological zones for cotton

Vietnam's Cotton Corporation (VCC) has defined two ecological zones suitable for growing cotton. The first zone includes Dak Lak and Gia Lai provinces in the Tay Nguyen (Central Highlands); and Vung Tau, Dong Nai and Binh Phuoc in the South East region. The South Coastal provinces from Quang Nam to Binh Thuan will form the second zone. Agricultural land suitable for growing cotton could reach 70,000 ha and 80,000 ha in the first and second zone respectively.

## The VCC proposing a National Cotton Development program

The VCC is petitioning the Government to establish a National Cotton Development Program under coordination between the Ministry of Industry and the MARD. The key objective of the program is to develop cooperation between the cotton sector with local farmers on development of cotton growing zones with intensive application of high technologies (to build infrastructure including irrigation systems and use of high yielding cotton varieties such as Bt cotton.)

### Vietnam's target to grow 47,000 ha of cotton by 2005

According to the VCC, Vietnam hopes to grow 47,000 ha of cotton by 2005 with production reaching 61,000 mt of seed cotton. By 2010, Vietnam hopes domestic production will supply 60% of the country's total demand for cotton by producing 162,000 of seed cotton (equivalent to 60 tmt of fiber cotton) on an area of 90-100 tha.

## TRADE

### Vietnam's 2003 cotton imports

Vietnam's CY-2003 cotton imports decreased in volume but increased in value due to higher import prices. According to Vietnam's Customs Department, Vietnam imported about 88,000 mt of fiber cotton in CY-2003, a year-on-year decrease of about 6.4%. The lower import volume was mainly due to increased import prices and cotton yarn imports from South Asia (mainly from Pakistan). However, the import value in CY-2003 reached about \$105 million, a year-on-year increase of 14%. The Western African countries and the United States remained key cotton suppliers to Vietnam. The United States was the leading cotton exporter to Vietnam with exports of nearly 30,000 MT (see table 2 below). Western African Countries were in the second rank with total of about 38,000 MT. Other suppliers are Australia, Uzbekistan, Turkey, and several other countries.

Vietnam imported about 52,032 mt of cotton in the first five months of 2004 (see table 2) with an import value of \$78 million. The average import price in the January-May, 2004 period was \$1,500/mt, about 64% higher than the average import price of \$979/mt in CY-2002.

**Table 2: Vietnam cotton imports CY-2000/2004**

Countries	2000	2001	2002	2003	2004(Jan-May)
CIS	21,748	19,995	20,000	4,500	N/A
African	18,929	17,600	33,000	36,000	N/A
USA	12,540	26,180	31,000	29,528	20,916
Australia	6,023	13,200	2,200	999	N/A
Syria	1,060	1,070	1,370	N/A	N/A
China	1,577	1,310	1,991	N/A	N/A
Unknown	10,955	9,470	4,439	16,973	N/A
<b>TOTAL</b>	<b>72,832</b>	<b>88,825</b>	<b>94,000</b>	<b>88,000</b>	<b>52,023</b>

Given a recent dip in cotton prices, Vietnam's cotton imports in the second quarter of 2004 may set a new record for total imports.

Vietnam's 2001/02-2003/04 monthly cotton imports are presented in table 3.

Post revises Vietnam's 2001/02 cotton imports to 94.4 tmt and the 2002/2003 imports to 93.2 tmt (see PS&D table)

**Table 3: Vietnam's 2001/02-2003/04 cotton imports by months**

	2001/02 August 2001	2002/03 August 2002	2003/04 August 2003
Aug.	7,517	7,862	8,866
Sep.	7,254	7,414	6,231
Oct.	8,700	7,421	8,929
Nov.	8,044	9,792	9,000
Dec.	7,981	7,500	6,000
Jan.	8,821	5,573	5,227
Feb.	7,853	5,046	7,172
March.	9,041	7,828	7,174
April	4,148	9,719	15,069
May.	8,494	8,092	15,500
Jun.	7,031	8,952	** 8,000
July	9,523	7,808	** 8,000
<b>Total</b>	<b>94,407</b>	<b>93,200</b>	<b>105,168</b>

Source: Vietnam Customs Department

\*\* Estimates

During August/2003-May/2004 Vietnam imported about 89,168 mt of cotton. Post estimates Vietnam 2003/04 cotton imports at 105 thousand metric tons (see PS&D table)

According to U.S. trade data, in CY- 2003, U.S. cotton exports to Vietnam declined to 29,528 mt from last year level of 30,068 mt (see table 4). However, the export value increased by 21% to \$33 million because of higher export prices.

U.S. cotton exports to Vietnam in the first five months of 2004 increased by 32% in volume and 34% in value respectively compared to last year.

**Table 4: U.S. cotton exports to Vietnam**

	2001	2002	2003	2004 (Jan-May)
Quantity (mt)	26,181	30,068	29,528	20,916
Value (\$1,000)	28,788	27,154	33,010	34,418

Source: BICO

Post estimates U.S. cotton exports to Vietnam will exceed 40 tmt in the CY-2004 due to reasonable export prices.

## CONSUMPTION

Vietnam's domestic cotton consumption is climbing to meet increasing demand from the expanding textile industry. Post estimates Vietnam's 2003/04 domestic cotton consumption at 110 tmt, an increase of 10% compared with 2002/03 (see PS&D table). The cotton demand from the textile industry in the 2004/05 production year is estimated at 125 tmt (see PS&D table).

**Table 5: Vietnam cotton PS&D table**

PSD Table						
Country	Vietnam					
Commodity	Cotton					
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2002		08/2003		08/2004
Area Planted	0	34,100	0	30,000	0	35,000
Area Harvested	35,000	34,100	37,000	30,000	0	35,000
Beginning Stocks	24,168	16,446	27,651	34,752	29,829	26,576
Production	12,193	11,399	13,064	10,624	0	12,500
Imports	111,041	106,907	119,750	91,200	0	105,000
TOTAL SUPPLY	147,402	134,752	160,465	136,576	29,829	144,076
Exports	0	0	0	0	0	0
USE Dom. Consumption	119,750	100,000	130,636	110,000	0	125,000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	119,750	100,000	130,636	110,000	0	125,000
Ending Stocks	27,651	34,752	29,829	26,576	0	19,076
TOTAL DISTRIBUTION	147,401	134,752	160,465	136,576	0	144,076

## POLICY

### Vietnam imposes import quota on cotton.

In early 2004, the Ministry of Trade established 2004 import quotas for several agricultural commodities, including cotton. However, the Ministry did not quantify the cotton import quota amount as Vietnam's textile industry relies heavily on cotton imports due to low domestic cotton production (see VM 4002)

### Cotton over-quota tariffs.

On August 7, 2003 the Ministry of Finance issued Decision No.126/2003/QD-BTC on over-quota tariffs charged in imports of tobacco, salt and cotton. The over-quota tariff rates for cotton are presented in the table 6.

**Table 6: Vietnam's cotton over-quota import tariffs**

Code			Description	Over-quota tariff (%)
5201	0	0	Cotton, not carded or combed	10
5202			Cotton waste (including yarn waste and garnetted stock)	
5202	10	0	- Yarn waste (including thread waste)	20
			- Other	
5202	91	0	- - Garnetted stock	20
5202	99	0	- - Other	20
5203	0	0	Cotton, carded or combed	10

Source: Ministry of Finance Decision No.126/2003/QD-BTC

Vietnam does not impose import tariffs on in-quota cotton.

### **Vietnam is likely to grow Bt cotton soon**

According to different reports, Vietnam's scientists working in biotechnology fields are waiting for the Government's approval of the biosafety regulation to allow growing of Bt crops including cotton. Reportedly, some research institutes are doing experiments on Bt crops that are resistant to diseases, drought and salt.

Reportedly, VCC is waiting for the Government's permission to grow Bt cotton to replace low yielding cotton varieties. By use of the Bt varieties, Vietnam can increase cotton production considerably due to its higher yields and disease resistant characteristics.