



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 3/6/2009

**GAIN Report Number:** VM9014

## Vietnam

### Agricultural Situation

#### News Summary #3

2009

**Approved by:**

Michael Riedel - Ag Attache  
US Consulate in HCMC

**Prepared by:**

Dong Phuong, Tran Quan, Michael Riedel

---

**Report Highlights:**

\*Rice exports hit record high \*Mekong Delta to make room for rice \*Food corporations must buy all rice from farmers this year \*Dragon fruit exports to US stuck at home \*Cases of locals stopping officials destroying sick pigs investigated \*Mekong Delta groundwater sources drying up: experts \*Government may subsidize garment exports, industry says \*Milk producers say tax hike won't spike retail prices \*Farmers lose as bumper cassava crop sends prices plummeting \*Unseasonal rains destroy crops in Mekong Delta Province \*Inspections of Animal Health Institute show doctored accounts

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Ho Chi Minh City [VM2]  
[VM]

Welcome to "News Summary" from Vietnam, an occasional summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Vietnam, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues may be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Mission to Vietnam's, or any other U.S. government agency's point of view or official policy.

### **Rice exports hit record high**

Rice exports saw a record increase in the first two months of the year, but it was a success not matched by any of the nation's other agricultural products.

According to the Ministry of Agriculture and Rural Development, the nation exported 1.05 million tons of rice, worth US\$479 million, in the first two months of 2009, including 750,000 tons in February alone, with a value of \$350 million. The figures set records for both volume and value in a two-month period. By comparison, rice exporters shipped only 381,000 tons in the first two months of last year, worth just \$150 million. Export prices were also hitting new highs, climbing to \$396 per ton in January and hitting \$430-460 in February.

Buyers in Africa, Iraq and Cuba imported a total of 500,000 tons of rice from Viet Nam in January and February, and the nation delivered the first 500,000-ton installment to the Philippines under contracts for a total of 1.5 million tons in 2009. Exporters have signed contracts to export a total of 3 million tons in 2009, and expect to deliver up to 2.8 million tons of that figure in the first half of the year.

Meanwhile, however, the Ministry of Agriculture and Rural Development is blaming the global economic downturn for depressing export totals for other agricultural products in the first two months of the year. Agricultural exports, excluding rice, declined 5.3 per cent year-on-year to just \$2 billion compared with the same period last year. Export value for coffee fell 11.5 per cent to \$411 million, while rubber exports plunged 55 per cent to \$85 million. Seafood exports also dropped 15.5 per cent to \$415 million.

To improve the picture, the ministry has urged enterprises and trade associations to pay greater attention to market data and forecasting at home and abroad to be more proactive in production and business planning. They should also improve competitive capacity and product quality and ensure perfect adherence to food hygiene and safety standards, the ministry said. — VNS

(Source: <http://vietnamnews.vnagency.com.vn/showarticle.php?num=03ECO040309>)

### **Mekong Delta to make room for rice**

In response to a directive from the Prime Minister, new rice storage warehouses with a combined capacity of four million tons will be built in the Mekong Delta at a cost of about \$400 million.

According to statistics from the Ministry of Agriculture and Rural Development's (MARD) Department of Agricultural, Forestry, and Aquatic Products Trade and Processing, the current capacity for rice storage in the Mekong Delta is 1.2 million tons. Only 30 percent of that capacity is currently being used.

Existing warehouses are too old or located in inconvenient places, says Doan Xuan Hoa, Deputy Director of the Department. Therefore, a large amount of unsold rice is poorly stored and farmers bear most of the loss.

(Source: Vietnam News, Mar. 05)

### **Food corporations must buy all rice from farmers this year: PM**

Prime Minister Nguyen Tan Dung yesterday said the nation's major food corporations must buy all rice this year and also ensure that farmers earn a profit of at least 30 percent.

The Vietnam Southern Corporation (VINAFOOD II) and Vietnam Northern Food Corporation (VINAFOOD I) should do all that is needed to build up a position and trade name for Vietnamese rice in the international market, while ensuring food security in the country, stabilizing prices, and improving farmers' life, Dung said.

(Source: Thanh Nien Mar. 05)

### **Dragon fruit exports to US stuck at home**

Vietnamese dragon fruit exports to the United States have been temporarily shut down in a move to solve significant problems plaguing the industry.

Although all Vietnamese dragon fruit exports meet necessary US standards according to the Animal and Plant Health Inspection Service (APHIS), exports to the United States have ceased because the Son Son Company, the only Company licensed by APHIS to provide X-ray treatment to exterminate insects and disease, has stopped the radiation treatment.

Another challenge for exporters is the decline of dragon fruit prices, which are currently at \$3 per kilo, down from last year's price of \$4-4.5.

The decline was partly due to the long distance fruit must travel from Vietnam, which often means a portion of the fruit is rotten on arrival, driving down the price, Nguyen Thuan, head of the Ham Minh Co-operative said.

(Source: Vietnam News, Mar. 05)

POST COMMENT. Recent reports in the press have highlighted the collapse of dragon fruit exports to the United States. Some have erroneously implied the collapse came as a result of USDA/APHIS closing the market for phytosanitary reasons. Others have correctly noted that the market economics have not worked out as hoped. These differing accounts may reflect the competing views of Vietnamese Dragon Fruit processors.

### **Cases of locals stopping officials destroying sick pigs investigated**

Que Son District People's Committee Chairman Vo Thuat in the central province of Quang Nam asked relevant agencies to investigate the case of residents preventing officials from destroying pigs with blue ear disease.

Late Monday, the District's Animal Health Department and Commune officials took 55 blue-ear-infected pigs from villages to a cemetery for culling and burying, but were stopped by the villagers there. The situation repeated itself when they took the pigs to a different village. The pigs were later taken to a third village, and destroyed early on Tuesday morning.

(Source: Thanh Nien Mar. 05)

### **Mekong Delta groundwater sources drying up: experts**

Environment experts are sounding the alarm on groundwater sources in the Mekong Delta, saying they could dry out soon or get contaminated as locals overexploit and misuse the precious resource.

Duong Van Ni, director of the Can Tho University's Hoa An Biodiversity Research and Experimental Center, said many people in Ca Mau and Bac Lieu provinces are wasting the water sources by mining underground water to sweeten their shrimp farms.

The Ministry of Natural Resources and Environment estimates that the Mekong Delta residents use around one billion liters of ground water everyday.

Groundwater in many neighboring provinces like Ca Mau, Soc Trang, Dong Thap, and Long An were also found to contain arsenic, said the officials.

(Source: Thanh Nien Mar. 05)

### **Government may subsidize garment exports, industry says**

The Vietnamese government may subsidize garment and textile shipments and cut cotton-import taxes to help factories cope with a slump in demand that is hurting the nation's second-biggest export earner, Le Quoc An, president of the Vietnam Textile and Apparel Association said. The government plans to provide producers around VND40 for each dollar earned from exports. The value-added tax (VAT) on imported cotton may be reduced to 5 percent from 10 percent to cut industry costs, An added.

Vietnam's textile industry is targeting exports of \$10.5 billion this year, compared to \$9.1 billion in 2008, even as orders decline, according to a government statement last month. If the planned subsidy were paid on that figure, it would total about VND420 billion (\$24 million), according to Bloomberg calculations.

Prime Minister Nguyen Tan Dung has pledged VND300 trillion (US\$17.2 billion) in government spending to fight the impact of the global recession, including export incentives.

According to the plan, the State Bank of Vietnam would also grant low-interest loans to Vietnam Textile Corporation (VTC), which will stockpile enough cotton yarn to produce for the next couple of months. VTC may need up to \$15 million a month for the purpose.

Vietnam's textile industry employs around two million workers, according to the association, and generated about 15 percent of the nation's exports by value last year, government figures show. About 100,000 textile workers were fired in January and February as orders slumped, An said in a phone interview. Textile shipments from Vietnam fell 12 percent to \$1.2 billion in the first two months of 2009 compared with a year earlier, according to government data. Textile sales to the US may fall 15 percent this year, the Ministry of Industry and Trade said on February 6.

(Source: Thanh Nien, March 6)

### **Milk producers say tax hike won't spike retail prices**

A recent increase of dairy product import tariffs will not push up retail prices for at least a few months, said local dairy company executives' yesterday.

According to a Finance Ministry circular issued Tuesday, tariffs on uncondensed milk products will be raised to 15 percent from the current 5 percent when the newly approved tax rates take effect on March 9. Taxes on several other dairy products would be raised from the current 7 percent to 20 percent, while tariffs on powdered milk products, which make up the biggest share of imports by value, would be 3-7 percent. Overall, these new levels are still within the duty ranges committed by Vietnam to the WTO.

The Ministry of Agriculture and Rural Development had originally suggested even higher rates, but the Ministry of Finance warned that hiking tariffs too high could cause price shocks in the domestic market. Statistics from the industry show that the domestic dairy market

was worth VND8 trillion (US\$458 million) last year, with foreign producers holding an 80 percent market share.

(Source: Thanh Nien Mar. 06)

POST COMMENT. Post does not expect these tariff increases to negatively affect current U.S. exports of dairy products to Vietnam (a record \$84 million in 2008), since these are made up mostly of milk powder, whey, and lactose.

### **Farmers lose as bumper cassava crop sends prices plummeting**

A bumper cassava crop in central Binh Thuan Province has sent the prices of the root plummeting, and with fertilizer prices rising sharply this year, farmers are counting their losses.

Farmers of the Binh Nghia and Binh An hamlets said the money they earned from their cassava crop would not be enough to even pay the workers they hired for the harvest. Furthermore, fertilizer prices had gone up by VND 20,000 – 30,000 to VND 100,000 per 10–kg bag this year.

Farmers claimed that while the cost of growing one hectare of cassava was VND 20 million (\$1,140), yield was just VND 10 million. The price of the tuber was now just VND 500 a kilogram against VND 1,200 last year.

(Source: Vietnam News, Mar.06)

### **Unseasonal rains destroy crops in Mekong Delta Province**

Unseasonal rains, together with strong winds, from Saturday to Wednesday caused crop losses in the Mekong Delta province of Kien Giang.

About 10,000 hectares of almost ready-to-harvest rice were blown down by the winds, and nearly half of the area has been partially flooded. Farmers have had to harvest the crops early to minimize losses and prevent wet rice grains from sprouting.

The rain also decimated 8,000 hectares of shrimp farms in the province, while the province's major crop, mangoes, suffered a 30-40 percent loss.

(Source Thanh Nien, Mar.06)

### **Inspections of Animal Health Institute show doctored accounts**

Inspectors from the Ministry of Agriculture and Rural Development have submitted a report recommending that police should investigate financial irregularities at its Animal Health Institute.

In the report, inspectors said they found a number of breaches at the Institute, such as fake documentation regarding one project ("Test of bird flu vaccine") that overstated research expenses.

The inspectors' report also revealed the Institute spent money to build little shops for rent on their grounds, illegally leased out land for car parking, and violated recruiting and appointment guidelines.

(Source Thanh Nien, Mar.06)

**POST CONTACT AND FURTHER INFORMATION**

Foreign Agricultural Service / Agricultural Affairs Office  
U.S. Embassy – Annex Building  
Rose Garden Building, 3rd Floor  
170 Ngoc Khanh, Ba Dinh District, Hanoi, Vietnam  
Tel: 84-4-3850-5000  
Email: AgHanoi@fas.usda.gov

Foreign Agricultural Service / Agricultural Affairs Office  
U.S. Consulate General  
Saigon Center, 9th Floor  
65 Le Loi Street, District 1, Ho Chi Minh City, Vietnam  
Tel: 84-8-3825-0502 Fax: 84-8-3825-0503  
Email: AtoHoChiMinh@fas.usda.gov