



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/4/1999

GAIN Report #VM9007

Vietnam

Grain and Feed

April Rice Update

1999

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Report Highlights: This report updates Vietnam rice production, provides a crop-by-crop analysis of the three major annual crops, as well as lists developments in policy. Several tables give details of elements of the PS&D, prices, and export markets for the month of March.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Hanoi [VM1], VM

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Executive Summary

Total 1998/99's Winter-Spring (W-S) production is expected to fall below the last year's W-S crop primarily due to drought-reduced yields throughout the country and salinity problems in the MRD. However, W-S production in the MRD is estimated at a bumper 7.3MMT, slightly (70TMT) higher than the previous W-S crop on larger area harvested. Sowing of the MRD's Summer-Autumn (S-A) crop may be delayed because of drought and saline conditions; however, recent scattered heavy rains offer hope of flushing key areas. This report proposes marginal overall changes in the PS&D, based on updated crop information. Paddy prices have firmed considerably on: 1) extending the policy of rebates to exporters buying paddy for temporary storage, and 2) rescheduling of farmer loans. March exports increased markedly, bringing total first quarter shipments to 866TMT, or 86% of target. Exporters note that FOB prices are at low levels, while domestic paddy prices are firming. For the 1999 export campaign, Vietnam faces general slack demand from markets and keen price competition from Thailand; barring unexpected developments, exports will likely not exceed 3.5MMT this year.

Production

Lower 1998/99 Lua Mua (10th Month) production based on drought-affected declines in area harvested, especially in the MRD; higher yields in the north could not offset area declines in the south.

Table 1., below, presents estimates of the 1998/99 Lua Mua crop. Area harvested declined from the previous year's crop due to drought and delay of 1998 S-A crop in keys areas of the MRD. Typhoons No.5 & 6, in early (Nov 1998) also damaged areas in the south. Paradoxically, northern areas registered production increases on higher yields. Although official data are not yet available, the 1998/99 LuaMua crop is provisionally estimated by MARD (Nov 1998) at 7,895TMT. Based on further information, FAS/Hanoi places paddy production for this crop at 7,617TMT, or a slight decline from the previous crop (see table1).

Table 1: Vietnam LuaMua Rice Crop Production by Region (from 1996/97 to 1998/99)

	Area	(THa)		Yield	(MT/Ha)		Production	(TMT)	
	96/97	97/98	98/99	96/97	97/98	98/99	96/97	97/98	98/99
Northern Viet Nam	1,265	1,275	1,253	2.96	3.36	3.59	3,744	4,282	4,503
North mountain	519	517	514	2.70	2.93	3.07	1,401	1,517	1,578
RRD	513	529	528	3.78	4.11	4.50	1,939	2,172	2,375
North central coast	234	228	211	1.73	2.59	2.60	404	593	549
Southern Viet Nam	1,213	1,267	1,134	2.94	2.77	2.75	3,565	3,505	3,114
South central coast	198	196	196	2.82	2.70	2.70	558	529	530
Central highland	125	134	124	2.41	2.50	2.50	302	334	310
North Southeastern	219	219	217	2.14	2.48	2.50	470	542	543
MRD	671	719	597	3.33	2.92	2.90	2,236	2,100	1,731
TOTAL VIETNAM	2,479	2,542	2,387	2.95	3.06	3.19	7,309	7,788	7,617

Source: Department of Planning-MARD & FAS/Hanoi

Lower production likely for 1998/99's W-S crop due to drought and salinity problems.

Northern Vietnam. Farmers have completed transplanting the W-S crop. According to MARD data, the total planted area for this crop is 1077THa, accounting for 95% of the plan (1,130THa). The decline is mainly in the drought-hit North Mountain and North Central provinces (see Table 2). Expansion of area planted to high-yielding and hybrid varieties will not compensate for the widespread effects of withering drought in northern upland areas.

Southern Vietnam. As of March 25, 1999, about 1,251THa of W-S rice (or 72% of total area planted) were harvested, of which 1,189THa (82%) was in the MRD (see Table 2). Yields declined in all regions, especially in the dry Central Highlands and in South Coast provinces (due to both drought and salinity). Yields are also down in the MRD from salt water intrusion and some pest damage; farmers noted that land was not enriched by annual flooding, thereby increasing fertilizer input costs. MARD officials estimate that total paddy production from the key MRD W-S crop is about 7.3MMT, higher than the production of previous crop by about 70TMT owing to the increased harvested area (100THa). However, the widespread impact of drought will mean VN's total W-S paddy production in 1999 will fall below last year's record. FAS/Hanoi estimates the 1999 W-S rice crop at about 13.2MMT, lower than the previous W-S crop by 375TMT (see Table 2).

Table 2: Vietnam Winter-Spring Rice Crop Production by Region (1996/97-1998/99)

	Harvested area (THa)			Crop yield (MT/Ha)			Production (TMT)		
	96/97	97/98	98/99	96/97	97/98	98/99est.	96/97	97/98	98/99est.
<i>Northern Viet Nam</i>	1,139	1,135	1,077	4.61	4.72	4.47	5,249	5,227	4,818
<i>North mountain</i>	298	296	253	3.72	3.56	3.30	1,107	1,053	835
<i>RRD</i>	515	513	513	5.63	5.51	5.40	2,901	2,829	2,770
<i>North central coast</i>	326	326	311	4.32	4.13	3.90	1,407	1,346	1,213
<i>Southern Viet Nam</i>	1,544	1,582	1,752	5.02	5.17	4.83	7,751	8,384	8,463
<i>South central coast</i>	186	186	186	4.27	4.11	3.90	795	765	725
<i>Central Highland</i>	35	36	36	4.60	3.88	3.80	161	141	138
<i>North Southeastern</i>	69	69	69	3.61	3.29	3.20	248	228	221
<i>MRD</i>	1,254	1,350	1,461	5.33	5.37	5.05	6,684	7,250	7,378
TOTAL VIETNAM	2,683	2,717	2,829	4.85	5.01	4.69	13,000	13,611	13,281

Source: Department of Planning-MARD & FAS/Hanoi

Salt water encroaching 30km farther than last year in some MRD provinces.

According to MARD, the lower water level of the Mekong has resulted in the deepest penetration of salt water in 30 years, especially in Ben Tre, Tra Vinh, and Tien Giang provinces. The National Hydro-Meteorology Forecasting Center notes that a flow of below 1,600m³/m would result in a shortage of fresh water and salinity problems more serious than 1998. Of course, salt water intrusion in the MRD is not new, occurring annually at the end of each dry season (usually March to May). But this year, due to unusually dry conditions, salt water flowed farther inland over paddy fields in areas of Tra Vinh, Ben Tre and Tien Giang in early February, thereby lowering yields.

Sowing of 1999 Summer-Autumn paddy delayed due to salt water encroachment, but MARD still optimistic.

Despite prolonged drought, the GVN meteorological service forecasts an early onset of the rains this year. If true, the MRD would have ample water for the coming S-A crop. Last year, the MRD harvested a record 6.2MMT on 1,758THa (see Table 3., below). MARD has an ambitious plan of 1,800THa for the coming A-S crop in the MRD, a slight increase over last year with most of the expansion in newly cultivated land in Ca Mau, Bac Lieu, Soc Trang and Kien Giang provinces. However, this target will be difficult to achieve as farmers in Soc Trang, Tra Vinh, Ben Tre, Tien Giang and Kien Giang provinces have missed sowing early season S-A rice due to drought-related salinity problems.

Recent scattered rains are helpful, but not yet sufficient to flush the delta. Accordingly, MARD has advised sowing short-season varieties. Some observers note that if serious flooding begins this month, farmers on about 30THa of the Plain of Reeds (Dong Thap), the Long Xuyen quadrant of An Giang, and the western part of Hau river may not be able to plant the S-A crop. Therefore, FAS/Hanoi revises downward the area harvested for the 1999 A-S crop to about 1,750THa.

Table 3: Vietnam Summer-Autumn Paddy Production by Region (1997/1999 crops)

Region	Area	(THa)		Yield	(MT/Ha)		Production	(TMT)	
	1997	1998	1999(est.)	1997	1998	1999est.	1997	1998	1999(est.)
Northern Viet Nam	139	135	135	3.34	3.30	3.00	464	332	324
North mountain	0	0	0	0.00	0.00	0.00	0	0	0
RRD	0	0	0	0.00	0.00	0.00	0	0	0
North central coast	139	135	135	3.34	2.46	2.40	464	332	324
Southern Viet Nam	1,744	1,983	1,974	3.51	3.56	3.50	6,123	7,064	6,918
South Central Coast	153	146	145	4.17	4.09	3.90	638	595	566
North Southeastern	74	80	79	2.96	2.88	2.88	220	229	228
MRD	1,517	1,758	1,750	3.48	3.55	3.50	5,279	6,239	6,125
TOTAL VIETNAM	1,883	2,118	2,109	3.50	3.49	3.43	6,587	7,396	7,242

Source: Department of Planing-MARD & FAS/Hanoi

FAS/Hanoi adjusts 1998/99 Rice production; overall effect is marginal.

This revision reflects internal adjustment of the three major contributing crops to each production year (see Table 4., below) and is marginal in aggregate. The changes are in harvested area (from 7,200THa to 7,325THa) due to expansion of W-S rice in MRD. Yields are reduced in all regions of the country due to the drought (average yield down to 3.84MT/Ha from 3.91MT/Ha (see Tables 4 & 5, below).

Table 4: Vietnam: Rough Rice Area, Yield and Production (1995/96-1998/99 crops)

	1995/96	1996/97	1997/98		1998/99	
Harvested Area (MHa)			OLD	NEW	OLD	NEW
10th Month	2,602	2,558	2,542	2,542	2,350	2,387
Winter-Spring	2,521	2,682	2,717	2,744	2,750	2,829
Summer-Autumn	2,001	1,800	2,115	2,118	2,100	2,109
TOTAL	7,124	7,040	7,374	7,404	7,200	7,325
Yield (MT/Ha)						
10th Month	2.97	3.00	3.06	3.06	3.20	3.19
Winter-Spring	4.84	4.96	4.90	4.98	4.87	4.69
Summer-Autumn	3.43	3.50	3.55	3.49	3.43	3.43
TOTAL	3.76	3.82	3.88	3.89	3.91	3.84
Production (MMT)						
10th Month	7,728	7,674	7,779	7,779	7,520	7,615
Winter-Spring	12,202	13,303	13,313	13,665	13,400	13,268
Summer-Autumn	6,863	6,300	7,500	7,392	7,200	7,234
TOTAL	26,793	27,277	28,592	28,835	28,120	28,116

Source: MARD & FAS/Hanoi

Table 5: Vietnam Rice Production/ Supply & Demand Table

PSD Table						
Country:	Vietnam					
Commodity:	Rice, Milled					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Harvested	7068	7040	7374	7404	7200	7325
Beginning Stocks	0	0	0	0	0	0
Milled Production	18015	18003	18,871	19,031	18559	18,557
Rough Production	27259	27277	28592	28835	28120	28116
Milling Rate(.9999)	6600	6600	6600	6600	6600	6600
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	18015	18003	18,871	19,031	18559	18,557
TOTAL Exports	3250	3500	3750	3750	3500	3500
Jan-Dec Exports	3250	3500	3750	3750	3500	3500
TOTAL Dom. Consumption	14765	14503	15,121	15,281	15059	15,057
Ending Stocks	0	0	0	0	0	0

Source: MARD & FAS/Hanoi

Policy

Deputy PM instructs rice exporters to buy paddy from farmers.

During a meeting with the Import-Export Management Committee in HCM, 03/15/99, Deputy PM, Nguyen Cong Tan urged rice exporters to speed up buying paddy for storage because only 40% of the 1.0MMT of paddy had been procured. For example, Vinafood2 (SFC) purchased only 248TMT of its 622TMT allocation by the government. This had contributed to declining paddy prices. The GVN also instructed banks to delay collection of farmer loans to reduce pressure on farmers to sell at unfavorable prices.

Dispatch No.275/CP-KTTH dated March 18, 1999 extends loans for storing paddy, from March 31 to May 31; quantity increased from 1.0MMT to 1.5MMT.

The GVN has implemented a number measures aimed at firming paddy prices. It has expended by two months the period for storage rebates on paddy procured under Decree No.250/QD-TTg. The Dispatch also increases the amount of paddy procurement from 1.0MMT to 1.5MMT. Rice exporters assigned to buy paddy are exempt from the bank interest on storage for two months from date of warehousing. MARD will allocate the additional 500TMT to rice exporters. If an exporter has already exhausted its quota, the provincial authority is authorized to reallocate the central quota within local export companies. If the local provincial quota is exhausted, rice exporters may apply to the PM for adjustment. Under certain conditions, non-designated exporters are reportedly able to execute contracts.

Ban on imports of NPK in effect, but GVN considers options

The current cost of locally produced NPK fertilizer is higher than the imported product by VND200-300/kg. In an effort to contain cost of production for the coming S-A crop, local NPK producers are being encouraged to reduce prices; otherwise, GVN will likely import.

Barter-Trade Opportunities Explored

In a bid to boost exports and contain the current account deficit this year, the Ministry of Trade (MOT) is seeking permission to barter trade with ASEAN members and CIS markets. Export goods include mechanical products, handicrafts, rubber products, seafood (excluding frozen products), meat, milk, salt and a variety of agricultural products (excluding rice and coffee). Imports could include CKD motorbike components, various fertilizers, different types of iron and steel, as well as construction glass. Separately, MOT in cooperation with the State Bank will reportedly visit selected African countries to pursue opportunities for supplying rice through the foreign aid programs to those countries.

MOU signed to boost VN-Indonesia counter trade

The MOU was signed 31/03/99 by the chairman of Indonesian Chamber of Commerce and Industry, Aburizal Bakrie. According to the MOU, VN will export agricultural products and animal fodder to Indonesia in exchange for fertilizer, consumer goods and telecommunication equipment. Indonesia's BNI and Vietcombank will manage payments under the barter trades. Companies authorized for the counter trades are: Vinafood2 (SFC), Seaprodex, Generalexim1, Vinalimex, Tradimexco, Intimexco and Vegetexco. The Indonesia companies are: PT.Paanjia Niaga, PT Prima Comexindo and Pty Bakrie Brothers.

Rice Prices

Northern paddy prices dampen on deliveries on new-crop MRD rice

Mid-March paddy prices in the North were high (about VND2,500-2,700/kg) due to the tight supply situation. However, by end of March new-crop MRD rice shipped north had dampened prices by VND50-100/kg to VND2,400-2,600/kg. Prices of ordinary (25% broken) rice are generally VND3,600-3,700/kg and VND4,200-4,700/kg, respectively (VND13,888=US\$1.00).

Government decision firms paddy prices in MRD

After steadily drifting downward through the floor price, MRD paddy prices have firmed following the GVN decision (18/03/99) to extend the storage rebate scheme until end of May and increase volume to 1.5MMT. Table 6., below, shows that prices are on the rise compared with last report as exporters are signing contracts and stepping up procurement. By end of March, prices in Bac Lieu were VND1,650/kg, up about VND100/kg. Prices in Vinh Long are about VND1,650-1,700/kg. Prices for ordinary paddy (mainly for domestic consumption) have begun to rise above the floor price (from VND1,500-1,550) in the key rice exporting provinces of An Giang and Dong Thap.

Drought-related cost increases raise bar on profitability

Drought-related production cost increases due to higher irrigation fees and more pesticide use has lowered profit margins. According to estimates in the MRD, the cost of producing 1kg of paddy is now about VND1,500/kg, a rise of about VND300-400/kg compared with the previous crop.

VN export prices are extremely competitive

Offer prices for VN export rice are quoted at US\$225/MT for 5% broken and US\$197/MT for 25% broken, FOB Port of Saigon, respectively. Traders are bullish on prices and conjecture that prices for 5% and 25% broken rice could soon reach \$228/MT and \$200/MT, FOB.

Table 6: Price of paddy & raw white rice 25 % Broken in Mekong Delta, April 1, 1999

Provinces	paddy price (VND/kg)	Raw material white rice 25% (VND/kg)
Can Tho/An Giang	1,700- 1,800	2,550- 2,650
Tien Giang	1,700 - 1,800	2,600- 2,650
Vinh Long	1,650- 1,750	2,530 - 2,600
Dong Thap	1,650 - 1,750	2,530- 2,600
Long An	1,650 - 1,750	2,550 - 2,600
Tra Vinh	1,650 - 1,750	2,500 - 2,600
Soc Trang	1,650 - 1,750	2,500 - 2,600
Kien Giang	1,650 - 1,750	2,530 - 2,600
Bac Lieu / Ca Mau	1,650 - 1,750	2,530 - 2,600
Ben Tre	1,750 - 1,850	2,650 - 2,700

Source: Trade

Trade

VN export pace quickens in March, but still below target

Vietnam's exports for the first quarter of 1999 were about 850TMT, with about 400TMT lifted in March. Exports during Q1/1999 are about 35% lower than the same quarter last year, and 86% of the target set by GVN for the current campaign. The two giant state-owned food companies (Vinafood 1 & 2) are the leading exporters, with the Philippines, Iraq and West African markets as major rice buyers of the month (see Table 7., below). Trade sources project VN exports of 420TMT in April. During the first week of April, about 65TMT were shipped to Iran, Africa, Cuba, Indonesia and Malaysia. Traders predict Iraq and Africa should be the major rice buyers of VN rice in the second quarter of the year. Vietnam's exports for 1999 will likely reach 3.5MMT.

Table 7: Vietnam Rice Exports for March, by Seller and Destination

Sellers	2%	5%	10%	15%	20%	25%	Paddy	100%	Unknown	Subtotal
Vinafood2		34,810		83,333			2,200	5,012		125,355
Vinafood1			82,990							82,990
Long An Food				10,850		3,500		1,502	2,000	17,852
Imex Cuu Long		7,000		9,020				1,002		17,022
Tigifood		4,512		5,500				3,810		13,822
Angifood						7,016		2,000		9,016
Vinh Long Food		3,160		41,400					5,975	50,535
Codofarm	8,770									8,770
Mekong food Ctho								2,857		2,857
Gentraco								1,002		1,002
Imex Tra Vinh		5,314				5,013			5,575	15,902
Afiex			10,460		3,290					13,750
Mekong Co.,		1,654	1,554			602				3,810
Unimex LongAn		2,206								2,206
Mihafood								1,905		1,905
Sofoodco		12,528						2,857		15,385
Agrimexco								2,857		2,857
Foodcosa		500				700				1,200
Unknown									11790	11,790
Total	8,770	71,184	95,004	150,103	3,290	16,831	2,200	24,804	13,550	398,026
Destination	2%	5%	10%	15%	20%	25%	Paddy	100%	Unknown	Subtotal
Philippines				129,583						129,583
Iraq			82,990							82,990
West Africa		16,174	1,554	9,020		12,631	2,200	24,304	10,550	76,433
EU			10,460	5,500	3,290					19,250
Syria		12,750								12,750
Yemen		3,160								3,160
Spain		6,120								6,120
Ghana		12,528								12,528
Malay		15,940								15,940

Gabon		4,512								4,512
Indonesia		500				4,200				4,700
Singapore				6,000						6,000
Lome	8,770									8,770
Unknown								500	14,790	15,290
Total	8,770	71,684	95,004	150,103	3,290	16,831	2,200	24,804	25,340	398,026

Source: Trade