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February Rice Update

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Report Highlights: The report summarizes the Government of Vietnam (GVN)'s proposed plans for restructuring the rice sector and promoting rice exports. Data on Vietnam's January and February rice exports is also provided.

Includes PSD changes: No
Includes Trade Matrix: No
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EXECUTIVE SUMMARY

Increasing rice supply from 2000/01 Winter-Spring (W-S) rice crop being harvested in the Mekong River Delta (MRD) and slow rice exports depress the local paddy price. The Government of Vietnam (GVN) plans policies to boost rice exports as well as to support rice farmers.

PRODUCTION

2000/01 Winter-Spring (W-S) rice crop.

In the North, by Feb.15 there was about 747 thousand hectare of W-S rice transplanted, accounting 64% of the plan (about 1,179 Tha). Early rainfall in the middle of February eased water shortage in some mountainous provinces such as Bac Giang, Lang Son, Ha Bac. Ministry of Agricultural and Rural Development (MARD), is very optimistic about a bumper crop in the North because of high rate of hybrid rice planted in the region.

In the South, by the end of January, farmers completed the sowing of W-S crop on a total area of 1,853 Tha of which 1,532 Tha in (MRD), according to MARD's statistics. The crop is reportedly growing well. At the same time, farmers in some places started to harvest early W-S rice. By Feb.15, 2000, about 341 Tha was harvested of which 337 Tha was in the MRD. Though official numbers are not available, some provincial officials were quoted as saying that the crop yield is better than last crop's level.

Rice areas dropped:

Around 130 Tha of rice fields in coastal, poorly-irrigated and suburban areas will be turned into fish and shrimp ponds and orchards this year under the Government Decree No.9 on agricultural production this year. In MRD, farmers are not encouraged to cultivate short day growing rice crop between the Summer-Autumn and Winter-Spring rice crops (that's called Autumn-Winter rice). Agricultural officers and researchers suggest alternative cropping systems like rice-fish; rice-shrimp instead of rice mono-culture for better economic return as well as to avoid damaging environment due to over use of fertilizer and pesticide on rice production.

As W-S rice crop is being planted in the North, Post does not make any change to crop production data in PS&D table.

PRICE. (Current exchange rate VND 14,690 equal to \$1)

In the North: in February, in general, the paddy price was stable and kept at VND 1,500-1,600/kg except a small increase (by VND 50/kg) in some places such as in Bac Ninh, Thai Binh and Nam Dinh provinces.

In the Mekong River Delta (in the South): Price of paddy as well as material rice are dropping due to peak harvest of W-S rice approaching and sluggish rice export. Prices of newly harvested W-S paddy at key rice producing provinces such as An Giang and Can Tho is down by VND 50/kg to VND 1,300-1,400/kg and price of Summer-Autumn paddy is also down by VND 100/kg to VND 1,200-1,300/kg. Price of raw material rice is also down by VND 50-100/kg in almost MRD's provinces and about VND 1,900-2,050/kg (see Table 1)

Table 1: February Price of Paddy (16% Moisture) & Raw White Rice (15% moisture) in MRD

Provinces	Paddy price (VND/kg)	Raw material white rice (VND/kg)
Cantho /Angiang	1,300- 1,400	1,900 - 2,000
Tiengiang	1,300- 1,400	1,950 - 2,050
Vinhlong	1,300- 1,350	1,900 - 1,950
Dongthap	1,350- 1,400	1,980 - 2,070
Longan	1,350- 1,450	1,950 - 2,080
Travinh	1,250- 1,350	1,900 - 2,030
Soctrang	1,300- 1,350	1,950 - 2,000
Kien Giang	1,350- 1,400	1,950 - 2,070
Baclieu / Camau	1,300- 1,350	2,000 - 2,030
Bentre	1,400- 1,450	2,050 - 2,100

Source: Trade

Rice traders predict that the paddy price may probably drop further in March when the harvest of W-S paddy is in the peak.

Price of export rice: Abundant supply from W-S crop harvest and low demand in international market are making Vietnam rice prices slump. Export prices for VN long grain white rice 5% ; 15% and 15% broken are 156-157; 146-147 and 137-138 USD/mt FOB HCMC, respectively, about USD 10-13 /mt lower than those of the last three weeks.

TRADE

Vietnam's rice exports in the first two months of CY-2001

Vietnam exported 173 TMT of rice in January. Cuba, Africa and Indonesia were the major destinations for Vietnam's rice (see Table 1)

Table 2: Vietnam January Rice Export by Destinations and Grades (Unit: MT)

Destinations	5%	10%	15%	25%	35%	100% br.	Gluti.	Parboiled	Unknown	Total
Cuba				51,280						51,280
Africa	29,100		2,100			3,100				34,300
Indonesia	125	6,500	8,750	11,575		1,500	630			29,080
Iraq	13,080	15,500								28,580
Tanzania		8,220								8,220
Yemen	2,640		2,630							5,270
Philippines			2,000	1,500						3,500
Malaysia		1,500	2,000							3,500
Singapore	750		1,300							2,050
Russia	1,000	550		500						2,050
Australia	500									500
Unknown				1,500					3,500	5,000

Total	47,195	32,270	18,780	66,355	0	4,600	630	0	3,500	173,330
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Source: Trade

Based on sources of traders, the Post estimates rice export in February at 257 TMT of which 66 TMT was shipped to Africa. Indonesia ranked on the second place with the total amount of 42 TMT (see Table 2).

Table 3: Vietnam February Rice Export (estimated) by Destinations and Grades (Unit: MT)

Destination	5%	10%	15%	25%	100% br.	Unknown	Total
Africa	14,010	10,475	20,000	12,000	10,150		66,635
Indonesia	5,500	8,320	16,470	12,010			42,300
Cuba				21,300			21,300
Poland	1,050	7,980					9,030
Iraq		19,050					19,050
Malaysia	9,670		2,250	13,820			25,740
EU	1,300	8,520	2,500		300		12,620
Japan		5,014					5,014
Philippines			4,000	5,400			9,400
Singapore	1,350		3,750	1,950			7,050
Russia	750	550		500			1,800
Australia	220						220
Unknown	2,000			9,000		26,000	37,000
Total	35,850	59,909	48,970	75,980	10,450	26,000	257,159

Source: Trade

The Ministry of Trade (MoT) estimates Vietnam's rice export in March at 200-220 TMT. Africa, Iraq and Indonesia remain the major destinations for Vietnam's rice.

Although, Vietnam's rice exports in the first two months are well over figure of last year in the same period, Vietnamese officers and traders foresee that rice export sector will face many challenges in 2001 as markets for Vietnam's rice is narrowing. Vietnam should lose one of their biggest markets as Indonesia was quoted as saying that they should not import rice in 2001 because of huge rice reserves and high local production. On the other hand, competitive price of rice from emerging rice exporting countries like China, Pakistan and India constraints Vietnam's rice penetrating new international markets.

Vietnam still expects to export rice to Indonesia Though, the Indonesian Food Logistics (Bulog) affirmed that Indonesia should not import rice, some traders believe that Vietnam could still ship at least 20 TMT/month to Indonesia as there was about 29 TMT and 42 TMT delivered to Indonesia in January and February respectively. According to traders, its too early to say that the Indonesian policy on not importing rice would be workable as their private companies are still allowed to import rice despite a high import tariff.

Vietnam's Food Association sets floor price for export rice. The Association has submitted a proposal setting the floor price of export rice to the Ministry of Trade for approval. According to the plan, Vietnamese rice exporters should not sign rice export contracts with the prices less than 160; 155, 150 and 140 USD/MT (FOB HCMC) for 5%; 10%; 15% and 25% broken rice respectively. Vietnam hopes to improve export rice prices with the increase sales to the Philippine and Iraq.

POLICY

Agricultural experts and policy makers call for supports from the Government on reducing rice production cost. Recommendations made by groups of agricultural and financial officers from their recent survey trip in MRD suggested that the Government form appropriate measures assisting farmers to reduce paddy production cost. For this W-S crop, paddy production cost in the region is about VND 10,000-10,050/kg, higher by VND 100-150/kg compared with cost of previous crops due to high fuel expenditure for pumping water. Appropriate policies such as exemption of land use, fertilizer and petroleum taxes should help farmers to reduce production costs and to invest more in paddy production.

To make Vietnam's rice become more competitive, the quality of rice and local price (including transportation fee) should be improved. MARD was urged to establish rice export regions to produce better quality rice and to minimize production as well as transportation cost. According to the master plan of the Ministry, the main rice export zone will be in Mekong River Delta (MRD) covering 1 million ha (including 110 Tha in Can Tho; 100 Tha in An Giang; 90 Tha in Dong Thap and 50 Tha in Soc Trang province). In the North, rice export region is planned in key provinces of Red River Delta.

Rice export quota and rating direct rice exporters will be removed as major changes in the rice export management mechanism in 2001. Although, an official decision is still not available, the Government Office was saying that the GVN will remove quotas on rice export in 2001. Last year, the Government allocated 4 MMT of rice export quota to assigned direct rice exporters but they exported only 3.37 MMT in CY-2000. The Government will also abolish the regulation on assigning direct rice exporters in order to encourage all economic sectors to engage in rice export. This new mechanism will be effective in May, 2001. The method of signing contracts on Government to Government is unchanged. Good reputation state companies are assigned to negotiate and sign contracts. Later, G-G contracts will be bidden by all rice exporters.

On a briefing held in Hanoi on Feb. 28, the Deputy Prime Minister Nguyen Cong Tan said that, the Government will buy 1 million metric tons of 2000/01 W-S crop in MRD for temporally storage. The purchase will be implemented from March to May. Paddy procuring agencies participating in the program will be provided with a 6 month interest free loan.