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Report Name: Grain and Feed Update

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Report Highlights:

Post revised estimates for marketing year 2019/2020 (MY19/20) paddy production down to 7,480 thousand hectares (THA) and 43.50 million metric tons (MMT) due to a reduction in cultivated area. Post maintains its estimate for exports at 6.7MMT on rising global stockpiling demand due to COVID-19. For MY20/21, Post also forecasts production at 43.50MMT, slightly down from the USDA official number, but forecasts exports at 6.5MMT.

RICE

STATISTICAL TABLES

Vietnam's Production, Supply, and Distribution for Rice

Rice, Milled	**2018/2019**		**2019/2020**		**2020/2021**	
Market Begin Year	**Jan 2019**		**Jan 2020**		**Jan 2021**	
Vietnam	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	7540	7540	7510	7480	7500	7500
Beginning Stocks	1034	1034	1097	1108	966	896
Milled Production	27344	27344	27369	27188	27200	27188
Rough Production	43750	43750	43790	43501	43520	43501
Milling Rate (.9999)	6250	6250	6250	6250	6250	6250
MY Imports	500	500	400	500	400	500
TY Imports	500	500	400	500	400	500
TY Imp. from U.S.	11	0	0	0	0	0
Total Supply	28878	28878	28866	28796	28566	28584
MY Exports	6581	6570	6700	6700	6400	6500
TY Exports	6581	6570	6700	6700	6400	6500
Consumption and Residual	21200	21200	21200	21200	21200	21200
Ending Stocks	1097	1108	966	896	966	884
Total Distribution	28878	28878	28866	28796	28566	28584
Yield (Rough)	5.8024	5.8024	5.8309	5.8156	5.8027	5.8001

(1000 HA), (1000 MT), (MT/HA)

PRODUCTION

Table 1: Vietnam's Area, Yield, and Production for Rough Rice

Marketing Year	**2018/2019**		**2019/2020 Estimate**		**2020/2021 Forecast**	
Harvested Area (THA)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,650	1,625	1,630	1,650	1,650	1,650
Spring[2]	3,115	3,115	3,080	3,040	3,080	3,050
Autumn[3]	2,800	2,800	2,800	2,790	2,830	2,800
TOTAL	**7,565**	**7,540**	**7,510**	**7,480**	**7,560**	**7,500**
Yield (MT/HA)						
Winter	4.95	5.00	4.99	4.97	4.99	4.96
Spring	6.60	6.57	6.66	6.64	6.64	6.61
Autumn	5.43	5.42	5.41	5.41	5.41	5.42
AVERAGE	**5.81**	**5.80**	**5.83**	**5.82**	**5.82**	**5.80**
Production (TMT)						
Winter	8,168	8,130	8,130	8,200	8,230	8,180
Spring	20,559	20,450	20,500	20,200	20,450	20,150
Autumn	15,200	15,170	15,160	15,100	15,300	15,170
TOTAL	**43,927**	**43,750**	**43,790**	**43,500**	**43,980**	**43,500**

[1] Lua Mua (10th Month), [2] Winter-Spring, [3] Summer-Autumn

Source: MARD, GSO, Post estimates

For MY19/20, Post revised its paddy production estimate down by 290 thousand metric tons (TMT) from the USDA official number, from 43.79MMT to 43.50MMT (27.37MMT to 27.19MMT milled equivalent) on smaller harvested area.

According to the Ministry of Agriculture and Rural Development (MARD) and the General Statistics Office (GSO), the cultivation area of the Spring crop decreased by 98THA from the previous year, with the southern region reporting a much higher contraction. The main reasons for this contraction are:

- Farmers did not cultivate in areas at high risk of drought and salinity intrusion. This trend was more common in the southern region
- Farmers switched to other crops such as fruits, vegetables, corn, peanuts, soybeans, sesame, and aquaculture

- To a lesser extent, changes in land use planning caused shifts from agriculture to infrastructure and industrial use

This drop led to a smaller production volume of 20.2MMT, although yields were reported higher than the previous year thanks to a well-planned seeding schedule and investments in irrigation systems that helped mitigate impacts from droughts and salinity intrusion (Table 1).

The harvest of the Spring crop in the northern region is expected to last until the end of June, while the Autumn crop is currently being harvested in the Mekong Delta and cultivated in the other regions. Due to drought, the Autumn crop seeding schedule was delayed in some areas and harvests are expected to finish in September for the main Autumn crop and November for the late Autumn crop. Vietnam aimed to maintain the cultivation area of the Autumn crop to ensure production of at least 15MMT of paddy, citing anticipated increased demand for stockpiling globally and the need to ensure national food security during the COVID-19 pandemic.

Mekong River Delta

Table 2: Rice Production in the Mekong Delta MY18/19 - 20/21

Crop	**2018/2019**			**2019/2020 (Estimate)**			**2020/2021 (Forecast)**		
	Area	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**	**Area**	**Yield**	**Prod.**
Winter	**170**	**4.65**	**790**	**175**	**4.51**	**790**	**180**	**4.60**	**828**
Spring	**1,605**	**6.83**	**10,963**	**1,540**	**6.88**	**10,600**	**1,580**	**6.90**	**10,900**
Autumn *(in which)*	**2,350**	**5.74**	**13,480**	**2,310**	**5.73**	**13,230**	**2,300**	**5.77**	**13,270**
Main Autumn	*1,560*	*5.87*	*9,150*	*1,540*	*5.84*	*9,000*	*1,550*	*5.90*	*9,150*
Late Autumn	*790*	*5.48*	*4,330*	*770*	*5.49*	*4,230*	*750*	*5.49*	*4,120*
Total	**4,125**	**6.12**	**25,233**	**4,025**	**6.12**	**24,620**	**4,060**	**6.16**	**24,998**

Area (THA), Yield (MT/HA), Production (TMT)

Source: MARD, GSO, Post's estimate

Harvest of the MY19/20 Spring crop in the Mekong Delta is complete, with estimated production of 10.6MMT, lower than the previous year due to a reduced cultivation area (Table 2). Well-planned seeding schedules and efficient operation of irrigation systems helped mitigate the impacts of drought and salinity intrusion, resulting in higher yields. According to MARD, the cultivation area affected by drought and salinity intrusion was estimated at 42THA and mainly affected farmers who started seeding late in the coastal provinces of Tra Vinh, Tien Giang, Soc Trang, Kien Giang, Long An, and Ca Mau.

Post estimates Autumn crop production at 13.23MMT, lower than the previous year, on a smaller cultivation area. Based on weather forecasts by the Southern Meteorology and Hydrology Office, the Mekong River's water supply has been improving since May with rainfall easing water shortages in the region; flooding is forecasted to arrive later in the year and at lower levels, which could benefit the late Autumn crop. According to local media, MARD stated that the cultivated area of the late Autumn crop could expand from 750THA to 800THA on higher export demand and prices and forecasted lower flooding levels. In order to mitigate drought and salinity intrusion, MARD advised farmers to start planting the main Autumn crop in March and April in areas not affected by saltwater intrusion, but not later than mid-June in areas within a 50 kilometers radius from the coast. For the late Autumn crop, the seeding schedule is dependent on inundation levels in each area and spans from the end of June to end of August.

CONSUMPTION

Due to fears of COVID-19, Vietnamese consumers stockpiled food, especially rice, in March ahead of the nationwide mandated social distancing period from April 1 to April 23. Post does not anticipate that stockpiling due to COVID-19 will raise the Consumption and Residue in MY19/20, as consumers will destock rice gradually instead of making new purchases. Post estimates MY19/20 and forecasts MY20/21 Consumption and Residue at 21.2MMT, which coincides with the USDA official number.

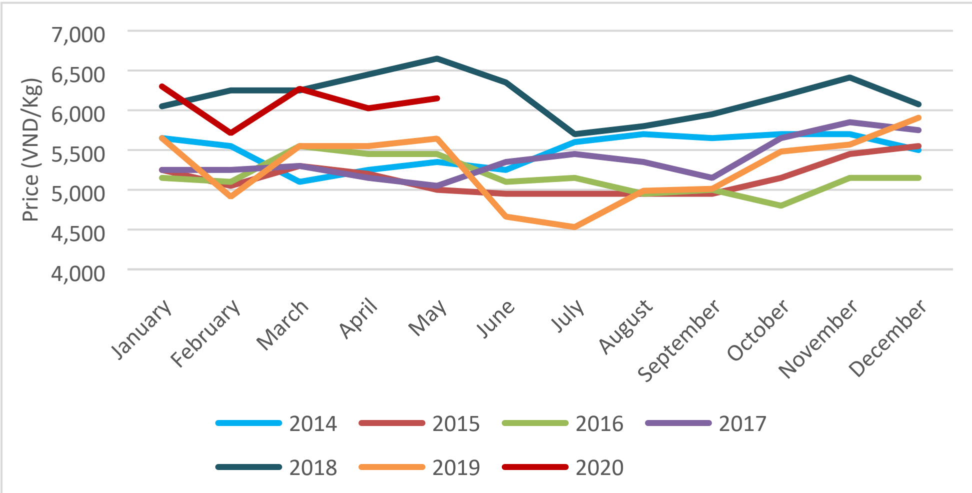
TRADE

Domestic Prices

Paddy prices remained on the high side in the first five months of MY19/20 due to high export demand and rising domestic stockpiles on fears of COVID-19 (Figure 1). Industry reported that, in particular for IR50404, a regular white rice variety, high export and stockpiling demand was compounded by significantly smaller cultivation area, supporting its prices. In addition, already high paddy prices saw an uptick in May as the General Department of State Reserves re-opened paddy and rice tenders to implement the annual national reserve purchasing plan.

Paddy prices started to ease in the second half of June with the ongoing harvest of the Autumn crop in the majority of the Mekong Delta. Concerns of rain affecting paddy quality during the harvest time also discouraged traders from paying higher prices.

Figure 1: Vietnam Monthly Paddy Prices (January 2014- May 2020)

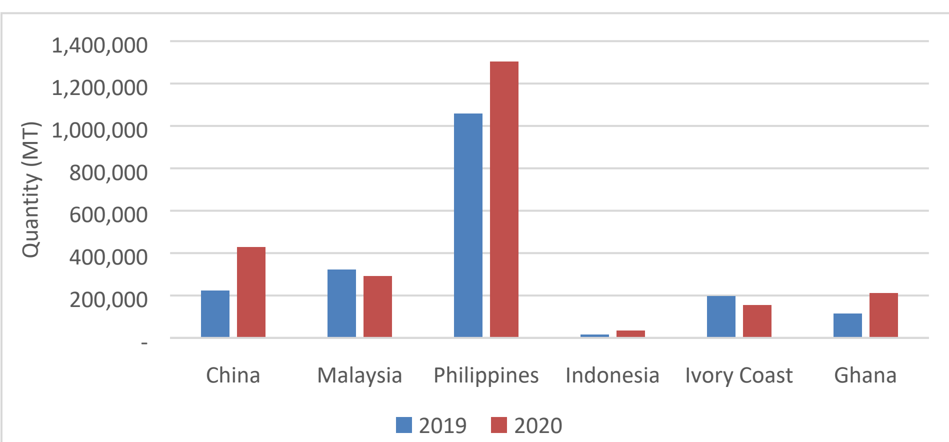


Source: Trade, Vietnam Food Association (VFA)

Exports

According to Vietnam Customs, rice exports increased by 12 percent in the first five months of MY19/20, compared with the previous year, to 3.09MMT. Rising global stockpiling demand on COVID-19 and disrupted supply chains in some major exporting markets supported Vietnam's rice exports. The highest jumps in demand were reported in Indonesia (131 percent), China (92 percent), Ghana (85 percent), and the Philippines (23 percent) (Figure 2). The Philippines was the largest importer of Vietnamese rice in terms of volume (1.3MMT), followed by China (429TMT), and Malaysia (292TMT).

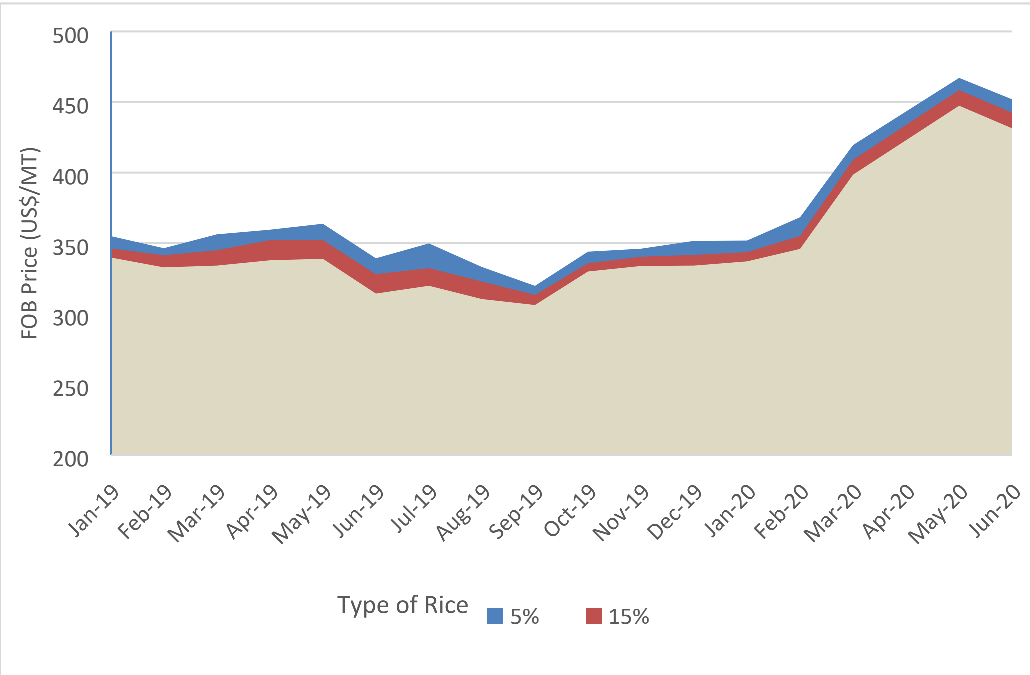
Figure 2: Vietnam's Rice Exports to Major Markets (January- May 2020)



Source: Customs

Vietnam's export prices rose steadily from March, hitting an eight-year high in early June, which potentially affected the materialization of new contracts. The ongoing harvest of the Autumn crop in most Mekong Delta provinces has recently lifted pressure on export prices (Figure 3).

Figure 3: Vietnam Monthly Export Prices (January 2019- June 2020)

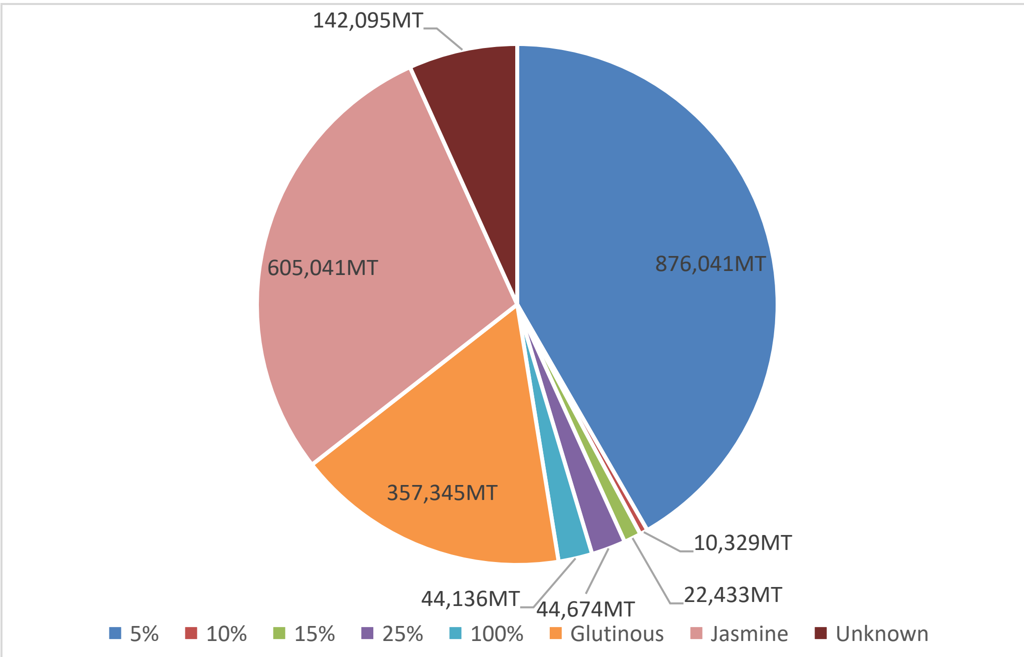


Source: Trade, VFA

Some industry contacts noted that many African buyers may divert their purchases to India, and possibly China, as Vietnamese prices have been less competitive. Local media quoted Indonesia's state food procurement and distribution agency, BULOG, as saying that Indonesia might not need to import more rice this year. Demand from the Philippines was in place as the Philippine International Trading Corporation (PITC) held a government-to-government tender for the importation of 300,000MT of rice on June 8, 2020. Vietnam, represented by Vinafood 1, one of the two state-owned food groups in Vietnam, won 30,000MT out of the 105,000MT qualified bids. However, PITC just cancelled the tender without a signal of when they will return to the market. Post upholds its estimate for exports at 6.7MMT in MY19/20, the same as USDA official number, and estimates MY20/21 exports at 6.5MMT.

In the first four months of MY20, the percentage of white rice in total exports fell to approximately 47 percent, while glutinous rice increased to approximately 17 percent on rising demand from China (Figure 4). Industry reported that the fragrant rice varieties of DT8 and OM5451 have become more popular for export, taking shares away from IR50404.

Figure 4: Vietnam's Rice Exports by Variety (January- April 2020)



Source: Customs, Trade, Post's calculation

POLICY

A MARD report quantified that in calendar year 2020, 1,688THA in the Mekong Delta were at risk of salinity intrusion at a level of 4 grams/liter, which accounts for 42.5 percent of the total land area in the region. Increasing salinity intrusion in the Mekong Delta in recent years has necessitated changes to the existing agricultural production zoning plan. Ample investment into saltwater control structures will continue to assure sufficient freshwater supply for agricultural production in the region. Rice, fruit, and aquaculture continued to be the top three priorities in the Mekong Delta, but their relative rankings change subject to various conditions.

On June 10, the Vietnam National Assembly decided to extend the agricultural land use tax waiver until December 31, 2025 as a scheme to support agricultural production and farmers and to boost agricultural investment.

On June 8, the Vietnam National Assembly ratified the EU-Vietnam Free Trade Agreement (EVFTA), whereby Vietnam is entitled to an 80,000MT duty-free tariff rate quota (TRQ) which includes 30,000MT of milled white rice, 30,000MT of milled fragrant rice, and 20,000MT of brown rice. However, some industry contacts commented that the EVFTA will have a limited impact on Vietnam's rice exports due to the small TRQ and the EU's strict quality standards.

Previously, as a result of rocketing domestic stockpiling, increasing prices, and expressed Government of Vietnam concerns related to national food security in the early weeks of the COVID-19 pandemic, the Vietnamese Prime Minister announced a ban on rice exports, effective March 24. The ban eventually became a temporary export quota and was completely reversed effective May 1. Rice exports were disrupted under the ban but resumed normally beginning in May.

Table 3: Vietnam's Rice Export by Grade and Destination, January- April 2020

Destination	5%	10%	15%	25%	100%	Glutinous	Jasmine	Others	Total
ASIA	**766,098**	**7,773**	**17,748**	**31,686**	**21,595**	**349,465**	**370,825**	**61,812**	**1,627,003**
Indonesia	9,285	5,990	9,375			22,571	14,464		61,685
Philippines	574,230	24	7,110	27,249	7,285	40,002	207,582	12,402	875,884
Malaysia	159,843	684	704	3,250	1,595	24,546	25,718	2,208	218,548
Singapore	11,632	75	172	50	946	3,083	13,139	2,445	31,543
East Timor									
Iraq							60,000		60,000
Iran								49	49
Syria									
Yemen									
South Korea	44			360		2	99	22,072	22,577
Japan	10						5	56	71
Cambodia						420		180	600
Hongkong	3,796		22	38		756	17,567	676	22,856
UAE	2,063		125	74		140	10,663	2,408	15,473
Taiwan	1,540		50			3,832	759	280	6,461
Bahrain	35						525	23	583
Bangladesh						3	57	86	146
Saudi Arabia	1,514			168		107	4,078	2,330	8,196
China	616	1,000			10,350	243,696	10,508	1,939	268,110
Brunei							150	21	171
Others*	1,490		190	497	1,420	10,308	5,510	14,636	34,051
AFRICA	**52,127**	**0**	**890**	**2,907**	**18,387**	**58**	**196,256**	**3,843**	**274,468**
Tanzania	5,588		375				498		6,461
Senegal	143						1,061		1,203
Angola	1,932					2	166		2,100
Rwanda									
Ghana	16,410				8,209		99,378	1,000	124,997
Uganda									
Ivory coast	8,541		515	2,387	8,496		54,932		74,871
Reunion	125						1,955		2,080
West Africa									
Mozambique	6,981						15,952	754	23,686
Kenya	3,640			520	360		2,686		7,206
Congo	7,051				100		642		7,793
Libya								104	104
Algeria								78	78
Benin	47				130		571		748

Burkina Faso									
Cameroon	250				1,014		302		1,566
Gambia							1,066		1,066
Guinea							122		122
Guinea Bissau									
Madagascar									
Mali									
Mauritania							270		270
Nigeria							343		343
Sierra Leone							78		78
Somali									
South Africa	51					6	1,024	845	1,926
Togo									
Zambia									
Others*	1,369				78	50	15,212	1,062	17,771
EUROPE	**4,340**	**0**	**629**	**720**	**98**	**285**	**11,937**	**2,847**	**20,856**
Russia	2,181		400	46	98		259	1,047	4,030
Ukraine						52	66	285	403
Poland							918	606	1,524
Others*	2,160		230	674		233	10,694	910	14,899
AMERICAS	**30,648**	**0**	**0**	**1,521**	**0**	**316**	**4,398**	**825**	**37,709**
Cuba	26,775								26,775
Brazil	75			3		6	25	15	124
Haiti							20		20
Mexico									
Chile	375							123	498
Puerto Rico									
Others*	3,423			1,518		309	4,353	688	10,292
OCEANIA	**13,568**	**2,556**	**2,756**	**6,963**	**3,637**	**572**	**13,598**	**72,194**	**115,844**
Australia	2,345		73		84	140	2,240	1,578	6,461
New Caledonia	18					5		607	630
New Zealand	185				46	1	585	1,536	2,354
Others*	11,020	2,556	2,683	6,963	3,507	425	10,772	68,473	106,399
UNKNOWN	**9,259**	**0**	**410**	**877**	**420**	**6,649**	**8,027**	**573**	**26,214**
TOTAL	**876,041**	**10,329**	**22,433**	**44,674**	**44,136**	**357,345**	**605,041**	**142,095**	**2,102,095**

** Others indicates that no clear destination is declared. It may/may not include the countries in the list of the same region.*

Source: Trade/Customs/Post's calculation

Attachments:

No Attachments