Required Report: Required - Public Distribution **Date:** December 31,2019

Report Number: VM2019-0070

Report Name: Grain and Feed Update

Country: Vietnam

Post: Hanoi

Report Category: Grain and Feed

Prepared By: Thanh Vo

Approved By: Megan Francic

Report Highlights:

Post revised estimates for wheat imports up to 4.8 million metric tons (MMT) in marketing year 2017/2018 (MY17/18) and 3.5 MMT in MY18/19 based on actual import data. In MY19/20, Post forecasts wheat imports at 3.5 MMT due to lower consumption of feed wheat and ongoing phytosanitary issues. For corn, Post revised estimates for MY18/19 imports up to 10.5 MMT based on actual import data, and feed and residual up to 13 MMT on reduced consumption of feed wheat. In MY19/20, Post lowered forecasts for production to 4.5 MMT, as harvested area fell, imports to 10.0 MMT due to high carry-over stock, and feed and residual to 12.5 MMT due to lower feed demand. Post revised estimates for MY18/19 paddy production down to 7,565 thousand hectares (THA) and 43.9 MMT due to unfavorable weather conditions and crop restructuring, and exports down to 6.6 MMT of milled rice as major markets reduced their imports from Vietnam. In MY19/20, Post forecasts production and exports to be on par with its MY18/19 estimates.

WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply, and Distribution for Wheat

Wheat	**2017/2018**		**2018/2019**		**2019/2020**	
Market Begin Year	**Jul 2017**		**Jul 2018**		**Jul 2019**	
Vietnam	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1015	1015	895	824	460	774
Production	0	0	0	0	0	0
MY Imports	4675	4800	3143	3500	3700	3500
TY Imports	4675	4800	3143	3500	3700	3500
TY Imp. from U.S.	183	177	312	311	0	300
Total Supply	5690	5815	4038	4324	4160	4274
MY Exports	295	291	278	250	300	250
TY Exports	295	291	278	250	300	250
Feed and Residual	2500	2700	1300	1300	1200	1300
FSI Consumption	2000	2000	2000	2000	2100	2050
Total Consumption	4500	4700	3300	3300	3300	3400
Ending Stocks	895	824	460	774	560	674
Total Distribution	5690	5815	4038	4324	4160	4274

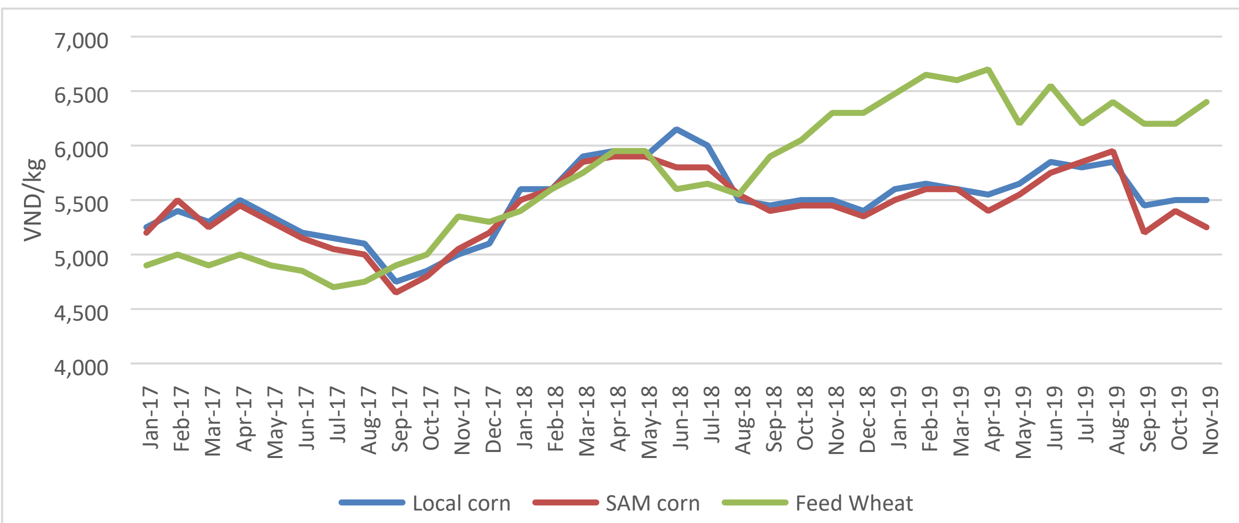
(1000 MT)

CONSUMPTION

For MY17/18, Post revised its feed wheat consumption estimate up to 2.7 MMT, higher than the USDA official number, on increased feed wheat imports due to competitive pricing as compared to corn (see Figures 1 and 2 and VM9034).

More recently, feed wheat consumption has fallen as ongoing pig repopulation efforts have been unsuccessful, with fresh reports of African swine fever (ASF) outbreaks in the country, and the price gap between feed wheat and corn has consistently widened since October 2018 (see Figure 1), encouraging feed millers to reduce feed wheat usage. In addition, the pending *cirsium arvense* quarantine issue has added pressure on wheat importation costs, further reducing consumption. Therefore, Post forecasts that demand for feed wheat in MY19/20 will remain at 1.3 MMT, the same level as Post's MY18/19 estimate. Industry sources predict that the growth of the local wheat flour market will slowly resume in MY19/20, therefore Post forecasts that consumption of milling wheat will increase slightly to 2.1 MMT.

Figure 1: Prices of Corn versus Feed Wheat, January 2016-November 2019

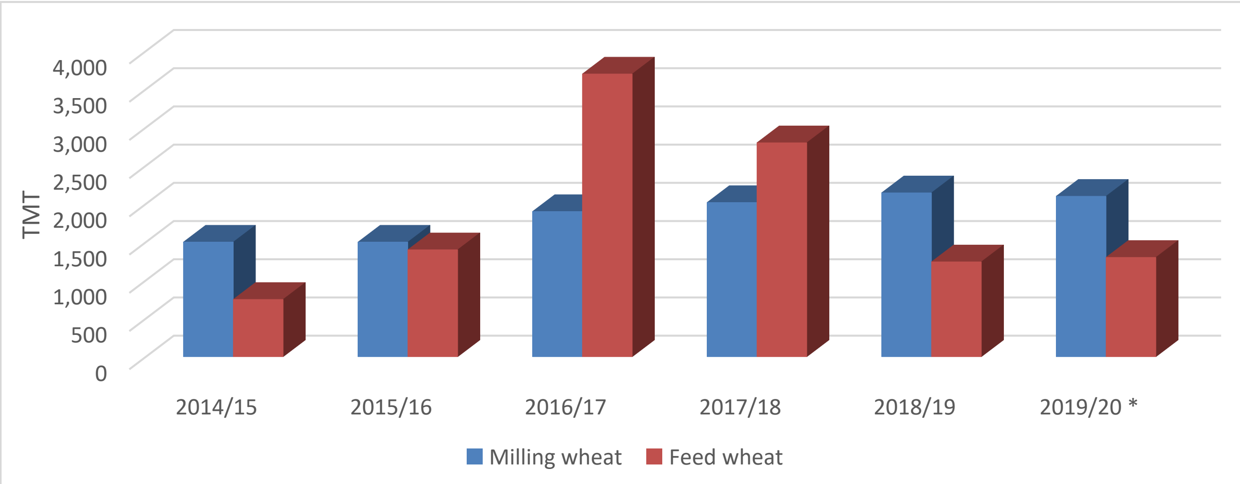


Source: US Grain Council Representative Office in Vietnam

TRADE

Post revised its MY17/18 wheat import estimate up to 4.8 MMT, higher than the USDA official number, on competitive pricing. In MY18/19, while milling wheat imports remained flat as the local flour market was saturated, feed wheat imports fell by approximately 55 percent. In MY19/20, Post forecasts that imports of wheat and flour will remain at 3.5 MMT, unchanged from Post's MY18/19 estimate.

Figure 2: Wheat Imports in Vietnam, by industry

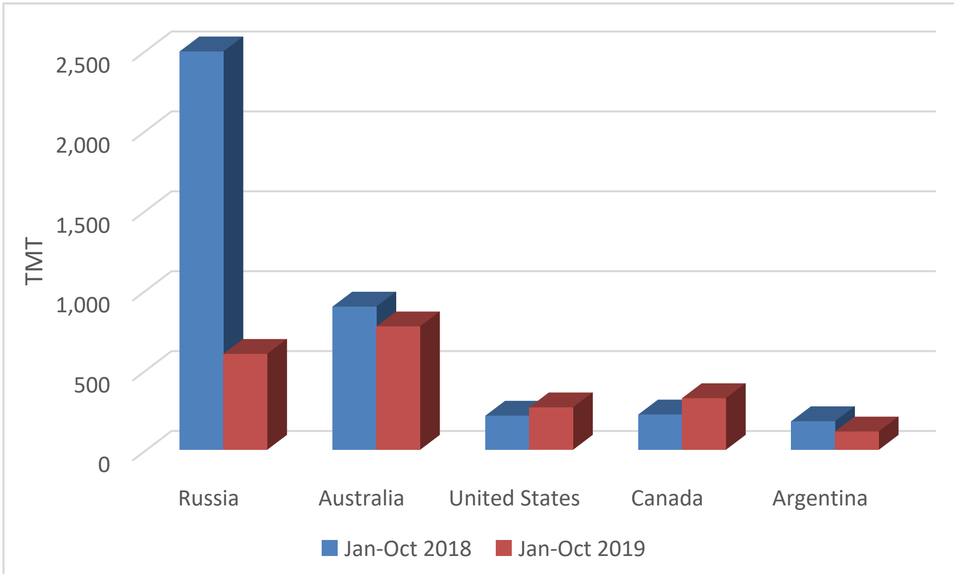


** Post's forecast*

Source: Trade, Customs

Imports of U.S. wheat, which is used mainly for milling, increased by 70 percent to approximately 310 thousand metric tons (TMT) in MY18/19. Industry sources report that Canadian wheat is increasingly competitive in the market; it has been recently quoted at $25-30 lower per ton than American wheat and has a zero import tariff under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Russian wheat was suspended from importation into Vietnam for a short period of time in October 2019 per the Vietnam Ministry of Agriculture and Rural Development's (MARD) request, but imports reportedly resumed following the Russian government's commitment to tighten its phytosanitary control over wheat shipments. Imports of Russian wheat fell significantly, by over 70 percent, in the first 10 months of 2019 (see Figure 3).

Figure 3: Vietnam Wheat Imports by Country, January-October 2019



Source: Trade Data Monitoring

POLICY

The Vietnam Ministry of Finance (MOF) has recently proposed new import tariff lines on U.S. wheat, potentially reducing the tariff from 5 percent to 3 percent.

CORN

STATISTICAL TABLES

Vietnam's Production, Supply, and Distribution for Corn

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	May 2017		May 2018		May 2019	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1039	1039	950	950	1000	950
Beginning Stocks	1154	1154	659	1159	919	1109
Production	4905	4905	4560	4500	4850	4500
MY Imports	8600	8700	10200	10450	11500	10000
TY Imports	9400	9480	11000	10860	11500	10000
TY Imp. from U.S.	1913	724	70	1250	0	100
Total Supply	14659	14759	15419	16109	17269	15609
MY Exports	500	500	500	600	500	600
TY Exports	500	500	500	600	500	600
Feed and Residual	12100	11700	12600	13000	14000	12500
FSI Consumption	1400	1400	1400	1400	1400	1400
Total Consumption	13500	13100	14000	14400	15400	13900
Ending Stocks	659	1159	919	1109	1369	1109
Total Distribution	14659	14759	15419	16109	17269	15609
Yield	4.7209	4.7209	4.8	4.7368	4.85	4.7368

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

PRODUCTION

Vietnam's Area, Yield, and Production for Corn

Marketing Year	2017/2018		2018/2019		2019/2020	
			Estimate		Forecast	
	Old	New	Old	New	Old	New
Harvested Area (THA)	1,050	1,039	950	950	1,000	950
Yield (MT/HA)	4.65	4.72	4.80	4.74	4.85	4.74
Production (TMT)	4,883	4,905	4,560	4,500	4,850	4,500

Post revised its harvested area and production forecasts for MY19/20 down to 950 THA and 4.5 MMT, lower than the USDA official numbers. Contacts confirmed that the downward production trend, especially for feed corn, is due to stiff competition from imported corn. In addition, fall army worm outbreaks reportedly affected yield and damaged crops in most of the major corn plantation areas (see VM2019-0017).

CONSUMPTION

As noted in the wheat section, the feed wheat versus corn price gap has been widening since October 2018 (see Figure 1) and imports of feed wheat have fallen due to stricter phytosanitary controls, encouraging feed millers to substitute corn. Therefore, Post estimates feed and residual in MY18/19 at 13.0 MMT, higher than the USDA official number.

In MY19/20, Post reduced feed and residual estimates to 12.5 MMT, lower than the USDA official number, on ASF. According to MARD, ASF killed 22 percent of the total swine population (see VM2019-0067). However, Post estimates that the production of poultry, aquaculture, and bovine livestock expanded at 13 percent, 5 percent, and 4 percent, respectively, in 2019, which will partially offset the reduced demand for hog feed.

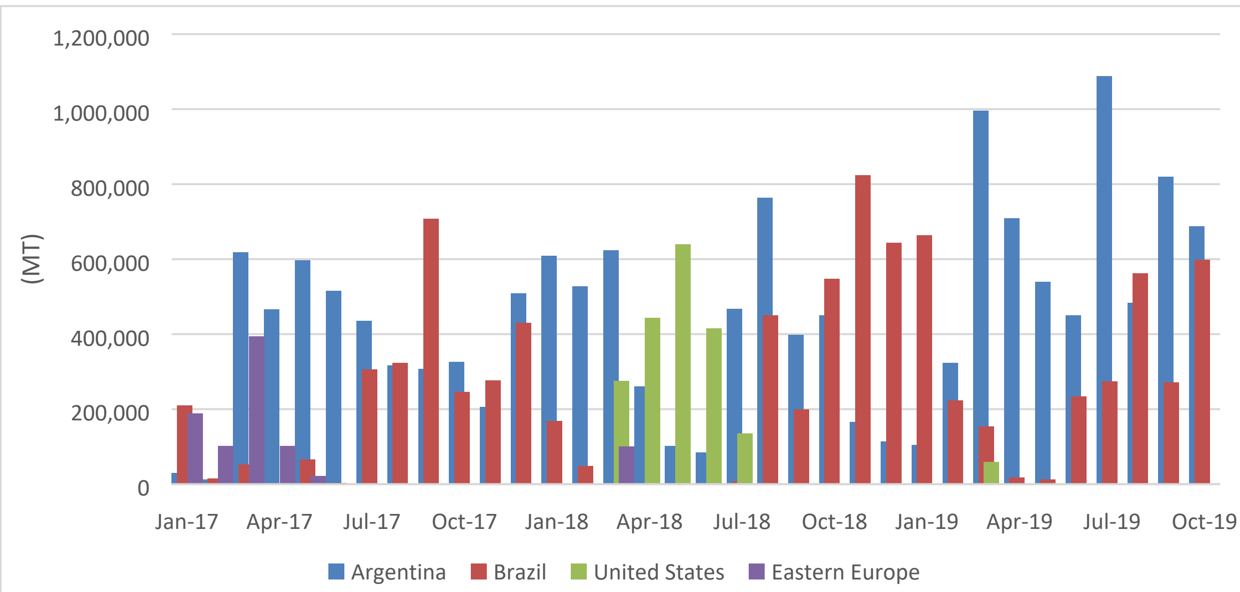
In MY19/20, Post observed fresh demand for ethanol feedstock. A local ethanol producer is currently conducting a trial to switch from local cassava to imported corn due to pricing and tightening local cassava supply. The demand for ethanol feedstock is expected to increase in MY20/21, with some local ethanol plants planning to come on-line again after previously halting production.

TRADE

Argentina and Brazil continued to be the top two corn suppliers, accounting for over 80 percent of the market share in MY18/19 and over 90 percent in the first six months of MY19/20 (see Figure 4). According to industry, U.S. corn is less preferable than South American (SAM) corn in the Vietnamese market due to its higher moisture and broken rate, darker color, and general price disadvantage.

Post revised its corn imports in MY18/19 up to 10.5 MMT, higher than the USDA official number, based on Vietnam Customs and industry sources' data. In MY19/20, Post forecasts that imports will fall to 10.0 MMT due to high carry-over stock and reduced feed demand.

Figure 4: Vietnam's Corn Imports by Country, January 2017-October 2019



Source: Trade Data Monitoring, Vietnam Customs, Trade

RICE

STATISTICAL TABLES

Vietnam's Production, Supply, and Distribution for Rice

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7645	7645	7665	7565	7665	7570
Beginning Stocks	967	967	1034	1034	1157	888
Milled Production	27657	27657	27923	27454	28300	27481
Rough Production	44251	44251	44677	43926	45280	43970
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.	0	0	0	12	0	0
Total Supply	29124	29124	29357	28988	29857	28869
MY Exports	6590	6590	6700	6600	6750	6500
TY Exports	6590	6590	6700	6600	6750	6500
Consumption and Residual	21500	21500	21500	21500	21600	21500
Ending Stocks	1034	1034	1157	888	1507	869
Total Distribution	29124	29124	29357	28988	29857	28869
Yield (Rough)	5.7882	5.7882	5.8287	5.8065	5.9074	5.8085

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

PRODUCTION

Vietnam's Area, Yield, and Production for Rough Rice

Marketing Year	**2017/2018**		**2018/2019 Estimate**		**2019/2020 Forecast**	
Harvested Area (THA)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,700	1,700	1,650	1,650	1,650	1,650
Spring[2]	3,100	3,100	3,115	3,115	3,115	3,070
Autumn[3]	2,845	2,845	2,850	2,800	2,850	2,850
TOTAL	**7,645**	**7,645**	**7,615**	**7,565**	**7,615**	**7,570**
Yield (MT/HA)						
Winter	4.90	4.90	4.95	4.95	4.97	4.97
Spring	6.62	6.62	6.60	6.60	6.60	6.60
Autumn	5.41	5.41	5.50	5.43	5.51	5.44
AVERAGE	**5.79**	**5.79**	**5.83**	**5.81**	**5.84**	**5.81**
Production (TMT)						
Winter	8,330	8,330	8,168	8,168	8,200	8,200
Spring	20,522	20,522	20,559	20,559	20,550	20,270
Autumn	15,400	15,400	15,700	15,200	15,700	15,500
TOTAL	**44,252**	**44,252**	**44,427**	**43,927**	**44,450**	**43,970**

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

Source: MARD, Post estimates

MARD lowered its estimates for the country's production for the MY18/19 Autumn crop, especially in the Mekong Delta, due to a reduction in cultivated area. Several factors drove this reduction, including uncertainty on weather conditions and the water supply and lower paddy prices, which encouraged farmers in the Mekong Delta to switch to other crops such as fruits, vegetables, and aquaculture. Combined with lower production in the Central region due to droughts that occurred earlier in the year, Post assessed Vietnam's Autumn crop for MY18/19 at 2,800 thousand hectares (THA) and 15.2 MMT, down from 2,845 THA and 15.4 MMT in MY17/18.

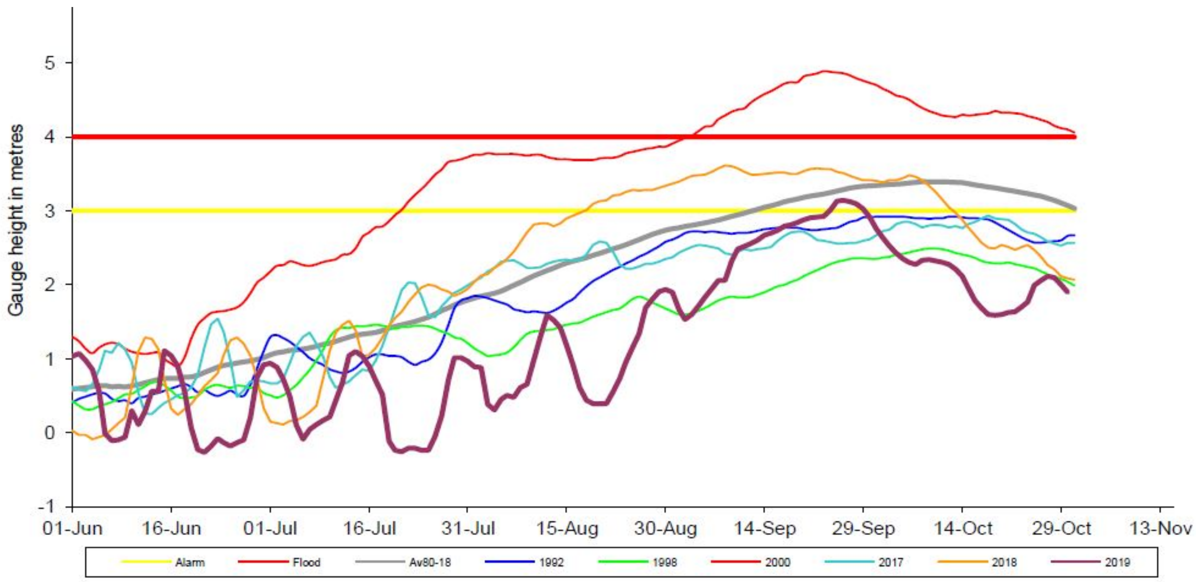
Also, based on MARD reports, the cultivation area for Vietnam's MY18/19 Winter crop, mainly in the country's northern provinces, was smaller than the previous year, as farmers switched to higher income crops. Although this led to lower production as compared to the previous year, yields remained stable, therefore Post retained its estimate for the MY18/19 Winter crop at 1,650 THA and 8.2 MMT.

Based on the above data for the three growing seasons, Post revised its estimate for Vietnam's total rice production for MY18/19 to 7,565 THA and 43.9 MMT of paddy rice, down from 7,645 THA and 44.3 MMT in MY17/18, and lower than the USDA official numbers.

Spring Crop

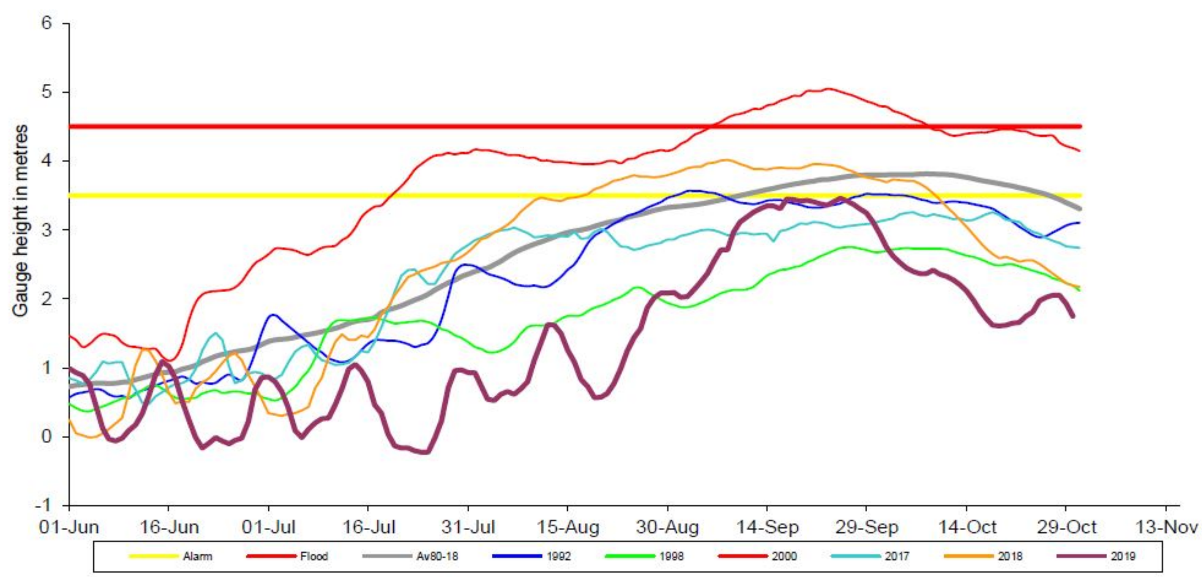
For MY19/20, MARD advised farmers in the Mekong Delta region to start seeding their Spring crop one to two weeks earlier than normal and to finish planting by December 2019 in order to minimize the impacts of potential saltwater intrusion which is forecasted to arrive earlier and more seriously than usual. Lower-than-average water levels in the Mekong River in MY18/19 triggered concerns of having less fresh water from upstream to prevent salinization intrusion during the MY19/20 Spring crop, and less sediment to supplement nutrients to the soil (Figures 5 and 6).

Figure 5. Water Level of the Mekong River at Chau Doc Station



Source: Mekong River Commission

Figure 6. Water Level of the Mekong River at Tan Chau Station



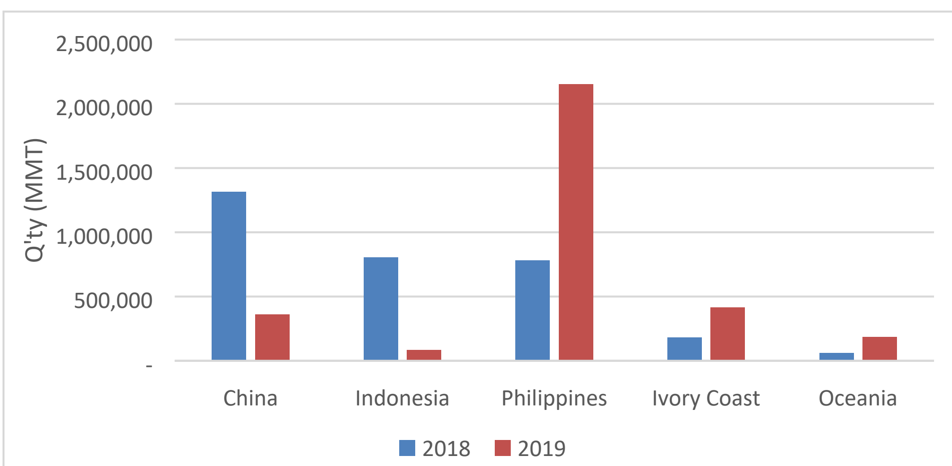
Source: Mekong River Commission

In anticipation of the threat of salinization, MARD also recommended that farmers in the Mekong Delta reduce their rice cultivation area for the Spring crop by 50 THA in locations where the Government of Vietnam has forecasted serious salinity intrusion problems. Therefore, Post revised its forecast for the MY19/20 Spring crop down to 3,070 THA and 20.3 MMT. Post forecasts total MY19/20 rice production to remain at 7,570 THA and 44.0 MMT with the expectation that weather conditions will be favorable to allow the Autumn crop to rebound.

EXPORTS

Post revised total exports for MY18/19 to 6.6 MMT, lower than the USDA estimate of 6.7 MMT, as major markets reduced their imports from Vietnam (see Table 1 and Figure 7). In the first ten months of MY18/19, exports to China dropped by 72 percent to just over 360,000MT. Although China's tariff rate quota (TRQ) remained at 5.3 MMT for rice from all sources, industry sources noted that Chinese buyers had significantly lowered their purchases from Vietnam. Instead, Chinese buyers chose to diversify sources by importing rice from other countries via agreements with Pakistan, Myanmar, and Cambodia. Lower exports to China and Indonesia were offset by increased purchases by buyers in the Philippines and Africa who prefer Vietnamese rice for its competitive price as compared to Thai and Indian rice. In November 2019, the Secretary of Agriculture of the Philippines affirmed that the country would apply stricter food safety and phytosanitary regulations on imported rice. Cross-border trade with China was reported as limited this year, mainly consisting of glutinous rice. Industry sources also reported that lower production of glutinous rice in Thailand resulted in an increase in price and demand for glutinous rice from Vietnam imported via Cambodia. However, the resulting price rise for Vietnamese glutinous rice was only temporary.

Figure 7. Vietnam's Rice Export to Markets with Major Variations January – October 2019



Source: Customs, Trade

In MY19/20, Post forecasts that Vietnam's rice exports will remain flat at 6.5-6.6 MMT, with the Philippines and Africa continuing to be major markets.

POLICY

During the 2019 November session of National Assembly, the Minister for Agriculture and Rural Development Nguyễn Xuân Cường stated that MARD would propose to reduce the country's rice cultivation area by 500 THA over the next few years. According to media reports, Minister Cường affirmed that MARD's restructuring of Vietnam's rice cultivation area would not impact the country's food security, but would instead prioritize agricultural land for more efficient crops. MARD sources further explained that Vietnam would aim to reduce the number of harvests from three to two crops per year in areas where natural conditions proved unfavorable for rice cultivation and would, at the same time, expand the adoption of crop rotation models, such as rice-shrimp and rice-vegetables/fruits to enhance farmers' incomes.

Table 1: Vietnam's Rice Export by Grade and Destination January – October 2019

Destinations	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	**2,093,534**	**31,416**	**127,659**	**118,173**	**48,346**	**380,612**	**959,233**	**126,244**	**3,885,218**
In which: Indonesia	10,995	16,600	27,794	-	1,350	19,791	6,271	694	83,495
Philippines	1,497,670	9,300	43,616	94,707	2,201	85,788	402,222	15,509	2,151,012
Malaysia	374,705	3,372	31,327	1,959	630	44,140	52,181	8,324	516,637
Singapore	28,044	242	619	919	2,598	8,336	44,358	8,044	93,161
East Timor	-	-	23,792	-	-	-	1,842	-	25,634
Iraq	77	-	-	-	-	60,000	180,000	23	240,100
Iran	-	-	-	-	-	-	-	-	-
Syria	56,465	-	-	-	-	-	-	250	56,715
Yemen	-	-	-	-	-	-	-	-	-
South/North Korea	23	-	-	-	-	67	229	340	659
Japan	78	-	-	-	300	-	30	21	429
Cambodia	-	-	-	-	-	320	-	78	398
Hongkong	8,378	-	44	321	372	8,950	75,215	4,241	97,520
UAE	15,900	125	160	-	-	1,324	24,944	7,421	49,875
Taiwan	1,686	1,519	202	298	420	6,958	3,847	11,450	26,381
Bahrain	113	-	-	-	-	339	1,587	48	2,087
Bangladesh	4,320	-	-	-	-	268	1,012	1,338	6,938
Saudi Arabia	4,186	-	-	-	-	1,886	12,928	4,721	23,722
China	52,099	208	100	-	34,611	131,529	129,248	13,731	361,526

Brunei	8,100	-	-	-	-	200	1,250	69	9,619
others*	30,695	50	6	19,969	5,864	10,717	22,067	49,943	139,311
AFRICA	**193,662**	**770**	**4,853**	**14,579**	**108,193**	**78,702**	**682,863**	**93,158**	**1,176,780**
In which: Tanzania	13,320	-	-	-	-	330	4,776	-	18,426
Senegal	-	-	-	5,000	46,526	-	11,037	-	62,563
Angola	16,386	-	100	-	3	2	198	-	16,689
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	47,592	-	-	50	5,965	25,151	232,727	19,065	330,550
Uganda	-	-	-	-	-	-	-	-	-
Ivory Coast	59,758	-	3,851	8,021	53,735	41,799	330,402	4,540	502,106
Reunion	652	200	-	-	-	190	7,214	437	8,693
West Africa	-	-	-	-	-	311	-	-	311
Mozambique	7,023	-	901	182	-	3,142	28,730	581	40,559
Yemen	-								
Kenya	1,000	-	-	-	100	-	179	27	1,306
Congo	-	-	-	-	100.00	-	1,003.77	-	1,003.27
Libya	188	-	-	-	-	-	-	2,336	2,524
Algeria	14,569	-	-	-	-	-	52	152	14,773
Benin	803	-	-	-	-	70	2,824	-	3,697
Burkina Faso	-	-	-	-	-	-	-	-	-
Cameroon	18,928	-	-	1,250	526	166	9,043	9,000	38,913
Gambia	-	-	-	76	-	-	-	27	103
Guinea	51	-	-	-	-	-	1,614	50	1,715

Guinea Bissau	-	-	-	-	500	-	-	-	500
Madagascar	1,820	-	-	-	-	-	20	3	1,843
Mali	-	-	-	-	-	-	-	-	-
Mauritania	208	-	-	-	728	-	-	-	936
Nigeria	130	-	-	-	-	52	625	405	1,212
Sierra Leone	-	-	-	-	-	-	5,439	-	5,439
Somali	-	-	-	-	-	-	-	-	-
South Africa	3,452	-	-	-	-	3,108	3,578	2,195	12,332
Togo	487	-	-	-	-	1,251	6,496	-	8,234
Zambia	-								
others*	7,294	570	1	-	10	3,131	36,906	54,341	102,254
EUROPE and CIS	**25,194**	**3,883**	**973**	**1,692**	**340**	**2,435**	**35,503**	**22,484**	**92,503**
In which: Russia	10,356	2,226	923	279	101	175	506	7,924	22,490
Ukraine	908	-	-	-	-	72	145	808	1,933
Poland	20	-	-	-	-	25	3,912	2,181	6,137
others*	13,910	1,657	50	1,413	239	2,163	30,941	11,571	61,945
AMERICAS	**325,203**	**-**	**38**	**657**	**498**	**2,593**	**23,137**	**13,684**	**365,810**
In which: Cuba	315,225	-	-	-	0	0	-	-	315,225
Brazil	225	-	-	-	-	47	192	190	654
Haiti	-	-	-	-	-	-	39	-	39
Mexico	110	-	-	-	-	-	-	-	110
Chile	500	-	-	-	-	58	99	323	980
Puerto Rico	-	-	-	-	-	-	-	-	-
others*	9,143	-	38	657	497	2,488	22,807	13,171	48,800

AUSTRALIA	**28,929**	**3,903**	**9,955**	**13,344**	**17,327**	**16,566**	**26,121**	**87,524**	**203,668**
In which: Australia	5,411	1,042	60	147	120	673	8,479	4,812	20,742
New Caledonia	36	-	-	-	-	22	43	2,140	2,241
New Zealand	691	-	-	-	93	6,712	1,074	2,708	11,278
others*	22,353	2,861	9,445	12,579	9,056	2,789	14,561	75,950	149,594
UNKNOWN	**438**	**-**	**450**	**618**	**8,058**	**6,370**	**1,964**	**1,915**	**19,812**
TOTAL	**2,666,960**	**39,972**	**143,928**	**149,063**	**182,761**	**487,279**	**1,728,820**	**345,010**	**5,743,792**

** 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

Attachments:

No Attachments