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Grain and Feed

June Rice Update

2000

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Report Highlights: This report highlights recommended changes in the PS&D to reflect higher production and lower projected trade for calendar 2000. Several tables provide details of production by crop and trade by quality and destination.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
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EXECUTIVE SUMMARY

Burdensome supplies from the yet another record Winter-Spring (W-S) crop in Mekong River Delta (MRD) combined with withering demand from the usual markets have pushed export prices down to $135-136/MT (FOB, Saigon, 25%-broken), the lowest level in a decade. Current FOB rice prices are about the same as paddy prices a year ago. VN's export pace for the Jan-May period is a lackluster 1.0MMT, about 45% slower than the performance in same period last year. Export registrations for the balance of the year are still far below expectations. Continued slack demand from export markets, with little prospect for improvement on the horizon, indicate that USDA's current projection of 3.6MMT is unreachable. Post recommends lowering VN's 2000 export number to 3.4MMT.

Limited prospects for filling export contracts have resulted in fierce competition among VN's export rice community. Sliding paddy prices in the MRD -- despite the GVN's 1.0MMT stocking program -- is one dimension of the challenges facing farmers and policy makers. Some changes in rice marketing are under consideration. Paddy prices in the Red River Delta (RRD) remain firm at 1,800-1,900VND/kg, as the W-S harvest gets underway in the north.

PRODUCTION

Vietnam braces for another bumper W-S rice crop, an increase of 3% over last year's crop.
Higher yields in the MRD and expansion of harvested area in northern provinces more than compensated for reductions of planted area and lower yields in South Central provinces. The result is an expected total outturn for the 1999/00 W-S of 14,430TMT from a harvested area of 3,000THa (see Table 1). Based on the strength of two consecutive record crops (i.e., 10-Month (LuaMua) & W-S), FAS/HN revises upward our projection for total paddy production to 30,999TMT (see Table 1).

Northern Vietnam W-S crop harvest underway on a record area planted.
According to GVN estimates, farmers in the north planted 1,156THa, an increase of about 3.5% compared with the previous W-S crop (1,117Ha). Early rains enabled farmers to expand into some non-irrigated highland areas in the North Mountain and North Central regions. As of May 25, 2000, about 140THa of W-S rice had been harvested, of which 9THa in RRD (the most important area) and 131Ha in the North Central provinces. Harvest should kick into full swing in the RRD in the coming weeks as the weather has been excellent. Average yields in the north are expected to be at or slightly higher than the previous crop (4.7MT/Ha), in part due to the high proportion of hybrid rice (more than 55% of the total growing areas in almost all RRD provinces).

MRD farmers focus attention on Summer-Autumn (S-A) planting despite low paddy prices.
The delay in planting the W-S crop has faded from memory as MRD farmers focus on MARD's plan for the S-A crop . As of May 25, 2000, farmers had seeded about 1,440THA of S-A rice, a three percent increase over last year's figure for the same period. Current low paddy prices may dampen enthusiasm for accelerated planting of this crop in the MRD; however, targeted planted area will likely be achieved. The impact of current rock-bottom paddy prices will weigh on yields, as farmers spend less on inputs of fertilizer and agricultural chemicals. Indications are that application rates are lower in some areas.

LuaMua planting begins in TayNguyen Highlands.
Farmers are reportedly taking advantage of early rains and have begun planting the LuaMua crop. This is an area of low production that is usually rice-deficit.

Table 1: Vietnam: Rought Rice Areas, Yield & Production (Revised)

	96/97	97/98	98/99	99/00	
Harvested Area (THa)				Old	New
10th Month	2,558	2,542	2,387	2,394	2394
Winter-Spring	2,682	2,717	2,888	2,925	3000
Summer-Autumn	1,800	2,118	2,300	2,270	2270
TOTAL	7,040	7,377	7,575	7,589	7,664
Yield (MT/Ha)					
10th Month	3.00	3.06	3.28	3.46	3.46
Winter-Spring	4.96	5.01	4.86	4.78	4.81
Summer-Autumn	3.50	3.56	3.74	3.65	3.65
TOTAL	3.82	3.92	4.02	4.03	4.04
Production (TMT)					
10th Month	7,674	7,779	7,829	8,283	8,283
Winter-Spring	13,303	13,612	14,036	13,982	14,430
Summer-Autumn	6,300	7,540	8,602	8,286	8,286
TOTAL	27,277	28,931	30,467	30,550	30,999

PRICE

Prices in northern VN reflect limited supplies from W-S harvest.
Paddy prices in most RRD provinces are steady at VND1,800-1,900/kg, as harvest is not yet in full swing.

Burdensome supplies in MRD weigh on prices.
Updated prices for paddy and raw material white rice (see Table 2) are in the range of VND1,000-1,300/kg and VND 1,500-1,800/ /kg, respectively, a sag of more than nine percent from last month. These prices levels are at or below the cost of production, i.e., about 1,200-1,300VND/kg. (Rate of exchange US$1=VND14080.)

Export offer prices are unbelievably low.
Rice prices this week are lower than paddy prices during the same week a year ago. Updated offers for VN long-grain white rice of the following qualities are: 5% broken, $165; 10% broken, $160; and 25% broken, $136 (US$/MT, FOB Saigon basis). These prices are about US$10/MT lower than early May prices, and are the lowest levels for VN rice in eight years. VN could be in difficult price situation unless adequate W-S stocks are cleared prior to harvest of the S-A crop in July.

Table 2: Vietnam: Rice Prices of Paddy (16% moisture) & Raw White Rice (15% moisture)
Mekong River Delta on 05/30/00

Provinces	Paddy price (VND/kg)	Raw material white rice (VND/kg)
CanTho/AnGiang	1,000 - 1,300	1,520 - 1,820
TienGiang	1,000 - 1,250	1,500 - 1,800
VinhLong	1,100 - 1,350	1,550 - 1,820
DongThap	1000 - 1,200	1,550 - 1,800
Longan	1,000 - 1,300	1,550 - 1,800
Tra Vinh	1000 - 1,250	1,500 - 1,780
Soctrang	1,050 - 1,250	1,500 - 1,780
Kien Giang	1,000 - 1,250	1,500 - 1,750
Baclieu / CaMau	950 - 1,200	1,450 - 1,700
BenTre	1,200 - 1,400	1,600 - 1,900

Source : Trade

Despite the GVN campaign to buy 1 MMT of rice through July 2000, domestic paddy and rice prices keep going down.
The GVN's decree in March (No.35/2000/QD -TTG:03/21/00) aimed to support sagging prices by buying 1.0MMT of W-S rice from farmers. Designated state corporations were instructed to set about buying stocks with 4-month interest free loans. Through 23 May, these exporters had purchased about 770TMT of the 1.0MMT target. Despite such purchases, prices of paddy and raw material white rice have not improved, as import demand from major markets is slack and shrinking.

TRADE

VN Export Campaign 2000 likely to reach only 3.4MMT.
VN is currently in a very competitive price position with limited export opportunities. Even the market's lowest offer prices have failed to generate a large volume of additional export sales. At a time of burgeoning supplies, VN faces dismal prospects for additional demand from its usual customers. The expected additional shipments to Africa, Iraq, Cuba, the Philippines, and Indonesia will not likely take up the slack. Therefore, Post recommends lowering the figure for VN exports in 2000 to a level of 3.4 MMT (see Table 6: PS&D).

VN's Jan-May export pace stumbles to only 1,008 TMT, almost 45% slower than last year's performance for the same period; sharply lower expectations for 2000 export campaign.
After dismal liftings during the first quarter of the year, exports picked up in April (315TMT) and May (369TMT). Tables 3 & 4 present exports during April and May and show that stronger liftings by African countries (>230 TMT), Iraq (>100 TMT), and Indonesia (> 50 TMT). Although comparatively better than in previous months of this campaign, these figures are still much below expectations. Table 4 shows why the GVN's target of 4.3MMT is unreachable. With only seven months remaining, where will the additional contracts come from? Outstanding contracts for upcoming shipments are only

about 500TMT, mainly for Cuba (about 100 TMT), Iraq (112 TMT), African countries (more than 100 TMT). An interesting dimension of the G-to-G sales to Cuba and Iraq is the internal maneuvering by the VN Food Exporters Association to share a portion of these contracts with the Northern Food Corporation (NFC), the designated GVN supplier of G-to-G contracts. This is yet another indication of the keen competition among suppliers to fill scarce export contracts. With each passing week Indonesia appears to be fading from the scene. Last year Indonesia was VN's top export market with more than 1.6 MMT of mostly lower quality 25%-broken rice. The situation has changed dramatically in 2000 (see Table 4). The GOI has proposed raising import tariffs on rice to levels of 90% -125 %. Even though IMF reportedly has objected to this move, the likelihood of Indonesia coming into the market for large quantities in the remaining months of 2000 is low.

The Philippines buys 70TMT under countertrade terms for fertilizer.
Press reports detail PITC's purchase of 70TMT of VN 15%-broken at $177.65/MT, C&F, for June delivery. The Southern Food Corporation (SFC) has yet to confirm the business. We believe this is this first tranche in what will be a total of 200TMT under barter terms.

Complications over 90TMT deal with Philippines could squeeze traders.
Reportedly, Glencore and Toepfer won tenders to supply a total of 90TMT of 15%-broken rice to the Philippines, at prices of $177.65-$179.39/MT, C&F basis, June delivery, six months deferred payment terms. The SFC reportedly offered higher prices. This backs off to about $152/MT, FOB Saigon, the obvious source of the material. Apparently the VN Food Exporters Association has voiced concern over their failure to win the tender, and is now reluctant to fill these FOB contracts for the privates. Any other origin for this contract would be prohibitively expensive, e.g., Thai 15%-brkn is about $180/MT, FOB, and Chinese 15%-brkn is about $163/MT, FOB. These strong-arm tactics reflect keen competition in the face of limited export contracts.

Table 3: Vietnam: Rice Exports in April 2000
(Metric Tons)

By seller	5%	10%	15%	25%	35%	55%	100% br.	Gluti.	Parboiled	Unknown	Total
Vinafood 2	14,480	170	39,701	7,018							61,369
Vinafood1		48,750									48,750
Vinh Long Food	20,049		6,277				13,031				39,357
LA Food		1,470	13,537	1,002			6,240				22,249
Kigimex	13,234		1,450								14,684
Vinh Phat	6,850		6,315								13,165
Sofoodco		5,100	5,200	2,100							12,400
Mekong Co.,			9,053				3,333				12,386
Tigifood	4,510	2,507				5,012					12,029
Angimex			1,460	1,053		6,515					9,028
Imex Tra Vinh	3,508	3,007	2,106								8,621
Dagrimex	5,509		3,009								8,518
Imex Cuu Long	3,009	3,508									6,517
Afiex	2,608		3,007								5,615
Gentraco			2,502				3,008				5,510
Kigitraco	3,208			1,500							4,708
Codofarm	4,013										4,013
Mekongfood CT			3,007					380			3,387

Mihafood			3,007								3,007
Foodcosa	2,552						260				2,812
Agri. Camau			1,900	700							2,600
Docimexco			2,006								2,006
Exprotraco			2,006								2,006
Behimex	1,203										1,203
Thanh Hoa	502										502
Vinarice								132			132
Unknown				2,500						5,500	8,000
Total	85,235	64,512	105,543	15,873	0	11,527	25,872	512	0	5,500	**314,574**
By destination											
Africa	36,553	6,015	5,112				13,031				60,711
Indonesia	5,360	2,700	34,210	2,853		11,527					56,650
Iraq		48,750									48,750
Philippines	3,110		39,701								42,811
Malaysia		3,470	6,315	9,518							19,303
Algeria	14,033										14,033
Senegal				1,002			12,581				13,583
Tanzania			13,040								13,040
Bangladesh	8,621										8,621
Gabon	6,850										6,850
Angola	6,018										6,018
Ghana			5,015								5,015
Russia	4,010										4,010
Singapore		400	2,150				260	512			3,322
Slovennia		3,007									3,007
E.U	680	170									850
Unknown				2,500						5,500	8,000
Total	85,235	64,512	105,543	15,873	0	11,527	25,872	512	0	5,500	314,574

Source: trade

Table 4: Vietnam: Rice Exports in May 2000
(Metric Tons)

By seller	5%	10%	15%	25%	35%	100% br.	Gluti.	Parboiled	Unknown	Total
Vinafood1		54,105	19,000	23,054						96,159
Vinh Long Food	12,615		10,800	9,811						33,226
Vinafood 2			22,564	3,896						26,460
Angimex	3,400		4,090	9,800		5,513				22,803
Dagrimex	11,078		11,240							22,318
LA Food	8,631	500	2,500			5,090	215			16,936
Tigifood				13,690						13,690
Imex Cuu Long	501		2,100	10,025						12,626
Mekong Co.,		6,310	1,200			3,560				11,070
Afiex			11,026							11,026
Docimexco		1,002	4,010	5,513						10,525

Sofoodco	4,210		5,513			250				9,973
Agri. Ca Mau			4,110			3,007				7,117
Vinh Phat	5,016			1,704						6,720
Sohafarm	2,000					3,508				5,508
Imex Tra Vinh			5,316							5,316
Mihafood						4,581				4,581
Kigimex			4,411							4,411
Gentraco	2,860		1,300							4,160
JFT			4,010							4,010
Codofarm			3,010							3,010
Foodcosa	1,500		1,200							2,700
Unifood TG			2,500							2,500
Angitourmoundimex			1,500							1,500
Kigitraco			1,000							1,000
Mekongfood CT			704							704
Unknown			2,500						26,500	29,000
Total	**51,811**	**61,917**	**125,604**	**77,493**	**0**	**25,509**	**215**	**0**	**26,500**	**369,049**
By destination										
Africa	39,231	3,300	48,300	48,839		25,259				164,929
Iraq		54,105								54,105
Cuba			19,000	23,054						42,054
Philippines	952		24,268	2,800						28,020
Indonesia	5,208		16,500							21,708
E.U										21,000
Poland	4,210		11,026			250				15,486
Nepal		4,012	4,010							8,022
Malaysia			2,500	2,800						5,300
Middle East	2,000									2,000
Singapore	210	500					215			925
Unknown									5,500	5,500
Total	**51,811**	**61,917**	**125,604**	**77,493**	**0**	**25,509**	**215**	**0**	**5,500**	**369,049**

Source: trade

Table 5: Vietnam: Rice Exports, Jan-May 2000 by Region (Metric Tons)

	5%	10%	15%	25%	35%	55%	100% br.	Parboiled	Gluti.	Unknown	Total
ASIA	***72,271***	***187,449***	***144,108***	***39,756***		***11,527***	***1,135***		***1,175***	***220***	***457,641***
In which: Iraq		171,028									171,028
Indonesia	15,268	4,890	59,240	24,158		11,527					115,083
Philippines	12,962		63,969	2,800							79,731
Malaysia	27,870	5,470	12,919	12,318							58,577
Bangladesh	8,621										8,621
Singapore	540	2,049	3,170				1,135		1,175	220	8,289
Nepal		4,012	4,010								8,022
Japan	5,010										5,010
AFRICA	***137,310***	***9,315***	***109,646***	***54,641***			***58,571***	***2,230***			***371,713***
In which: Algeria	14,033										14,033
Senegal				1,002			12,581				13,583

Tanzania			13,040								13,040
Syria	12,756										12,756
Gabon	6,850										6,850
Angola	6,018										6,018
Yemen	4,860							550			5,410
Ghana			5,015								5,015
EU	*23,119*	*9,297*	*14,026*				*250*			*24,500*	*71,192*
In which: Poland	15,874	6,000	14,026				250				36,150
Russia	6,515										6,515
Slovenia		3,007									3,007
AMERICA		*25,000*	*19,000*	*23,054*							*67,054*
In which: Cuba		25,000	19,000	23,054							67,054
AUSTRALIA										*1,100*	*1,100*
Unknown	*1,500*			*2,500*						*35,400*	*39,400*
TOTAL	234,200	231,061	286,780	119,951	0	11,527	59,956	2,230	1,175	61,220	1,008,100

Table 6: Vietnam Rice PS&D

PSD Table						
Country	Vietnam					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	7377	7377	7575	7575	7600	7664
Beginning Stocks	0	0	0	0	0	0
Milled Production	19094	19094	20108	20108	20300	20459
Rough Production	28930	28930	30467	30467	30758	30998
MILLING RATE (.9999)	6600	6600	6600	6600	6600	6600
TOTAL Imports	0	0	60	60	40	20
Jan-Dec Imports	0	0	60	60	40	20
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	19094	19094	20168	20168	20340	20479
TOTAL Exports	3750	3750	4555	4555	3600	3400
Jan-Dec Exports	3750	3750	4555	4555	3600	3400
TOTAL Dom. Consumption	15344	15344	15613	15613	16740	17079
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	19094	19094	20168	20168	20340	20479

Rice imports from Cambodia lower than expected.

Trade sources in the MRD provinces note that some rice seeps across the Vietnam-Cambodia border into VN. The volume of this traffic is extremely difficult to estimate. However, buyers and traders suggest the amount imported in 2000 will be very small because of the low prices paid for VN rice. FAS/HN revises the import number downward to

20TMT from previous level of 40TMT (see PS&D Table).

POLICY

Complicated procedures make deferred payment deals difficult to conclude.
The GVN has given the green light to rice exporters to conclude export deals under deferred payment of up to 720 days; however, complicated bureaucratic procedures have thus far rendered the plan unworkable.

GVN once again asked to set rice floor price.
On May 17, representatives of different agencies, e.g., the Vietnam Rice Export Association, the MRD provincial governments, and private rice traders submitted their request to the GVN to re-apply the floor price for buying paddy. Last year the floor price was 1,400 VND/kg., a level set above costs of production. At current MRD paddy prices of 1,000-1,3000 VND/kg., farmers are barely breaking even. As of June 2, the GVN had not taken action on the request.

Marketing of agricultural products was a hot issue during May's meeting of the VN National Assembly.
Decreasing agricultural producer prices was a focus of discussion, in large part because of the importance of the sector in the domestic economy. About 75% of the population earn some form of income from on-farm activities. The Assembly asked the government to devise appropriate policies in order to find markets for VN agricultural products as a means of encouraging farmers to investment more in production. Over the past few years MARD has developed a policy strategy of market orientation, whereby farmers will make planting decisions based on market signals. This is a departure from previous efforts to encourage farmers to produce more of everything, and is a clear indication that VN is now confident of its food security position.

GVN considers other approaches to burdensome rice supplies.
These is now some discussion about removing the rice quota and allowing anyone with a valid contract to export rice. This would have a profound effect on the VN Food Exporters Association.