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Report Highlights: Due to lower- than-expected export supplies, Vietnam's 2002 rice exports will be much lower, perhaps by 20-25%, than the Government's (already revised down) target of 3.5 million metric tons. Rice exporters, loading for Government to Government (G to G) contracts, have complained about their big losses caused by high local paddy and transportation costs. Post re-estimates Vietnam's 2002 rice exports down to 2.8 million metric tons. Vietnam's total 2002 rice growing area and production are also revised due to changes in 2002's Winter-Spring (W-S) and Summer-Autumn (S-A) crops. Trade data for the first 5 months of 2002 are also provided.

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PRODUCTION

2002's Winter Spring (W-S) Rice Crop

In the Southern provinces, the crop was completely harvested by the end of May. The total W-S crop harvested area, in the south, is estimated at 1,833 thousand hectares (tha) of which 1,510 tha in the Mekong River Delta (MRD).

In some MRD provinces, such as Can Tho, An Giang, Dong Thap, Kien Giang, the crop yields were reportedly as high as at 5.8-5.9 mt/ha. However, in some MRD provinces impacted by dry conditions and crop diseases, such as Ben Tre and Ca Mau, crop yields were perhaps as low as 4.8-5.0 mt/ha. Post estimates overall MRD crop yields were 5.35 mt/ha. The MRD region's W-S rice production is about 8.0 mmt. An Giang province is leading in W-S rice production with 1.4 mmt, followed by Dong Thap (1.3 mmt); Kien Giang (1.2 mmt); Can Tho (1.1 mmt) and Long An (1.1 mmt).

In the Northern provinces, the W-S rice is being harvested. As of June 15, 2002, about 1,019 tha of the W-S was harvested of which 512 tha is in the Red River Delta (RRD). Reportedly, northern crop yields area quite good, a little better than last year.

Post revises Vietnam's total 2002 S-A rice area up to 3,004 tha due to larger planted crop areas in the North East and North Coastal Central regions. The overall W-S crop yield is revised up to 5.19 mt/ha resulting from the higher crop yields in the MRD and RRD provinces. The crop production is estimated at 15,591 thousand metric tons (see table 1)

2002's Summer-Autumn (S-A) Rice Crop.

The S-A crop being planted. The S-A rice crop is being planted in North Coastal and Southern provinces. According to statistical data from the Ministry of Agricultural and Rural Development (MARD), as of June 15, 2002, the total S-A rice planted was 1,766 tha of which 146 tha is in the North coastal region and 1,619 tha in Southern provinces.

In the MRD, the 2002's S-A sowing is a little behind schedule because of dry conditions. As of June 16, about 1,389 tha of the crop have been planted, about 92% of estimated crop area, while last year, at this time, all the area had already been planted. Kien Giang province will grow the largest area of 240 tha, followed by An Giang, 200 tha, while the crop areas in Soc Trang and Can Tho will be around 150-180 tha in each province.

Drought may have an impact on the coming 2002's S-A rice production. According to different sources, in some MRD's provinces such as An Giang, Dong Thap and Soc Trang, there are about 81 ha of newly planted S-A affected by drought. The drought may also impact the crop yields in other regions, such as the South Coastal provinces (Quang Nam, Quang Ngai, Ninh Thuan). Therefore, Post re-estimates the S-A crop yield down to 3.68 mt/ha from our previous estimate of 3.70 mt/ha (see table 1). Post also revises the S-A crop area down to 2,092 tha, as MRD farmers consider other crops.

Table 1: Vietnam Rough Rice Areas, Yield and Production (Revised)

	2000		2001		2002	
Harvested Area (THa)	Old	New	old	New	Old	New
10th Month	2,394	2394	2,341	2,341	2,243	2,243
Winter-Spring	3,001	3001	3,010	3,010	2,991	3,004
Summer-Autumn	2,265	2265	2,154	2,142	2,112	2,092
TOTAL	7,660	7660	7,505	7,493	7,346	7,339
Yield (MT/Ha)						
10th Month	3.46	3.46	3.50	3.50	3.58	3.58
Winter-Spring	4.96	5.05	5.00	5.00	5.17	5.19
Summer-Autumn	3.65	3.65	3.65	3.63	3.70	3.68
TOTAL	4.10	4.14	4.14	4.14	4.26	4.27
Production (TMT)						
10th Month	8,283	8,283	8,194	8,194	8,030	8,030
Winter-Spring	14,885	15,155	15,050	15,050	15,463	15,591
Summer-Autumn	8,267	8,267	7,862	7,775	7,814	7,699
TOTAL	31,435	31,706	31,106	31,019	31,308	31,319

Source: MARD and FAS/Vietnam

As a result of the W-S rice production increase and a decline in the S-A rice crop, Post revises Vietnam's 2002 total rice production to 31,319 tmt (see table 1)

The early S-A rice crop being harvested in the MRD. Parallel with planting of the main S-A crop, farmers in the MRD have started to harvest the early S-A rice crop. About 112 tha of the early S-A rice was harvested as of June 15, 2002.

2002/03 Lua Mua Crop.

Farmers in different regions, such as RRD, North West and North East (in the North) and other regions in the South (except the MRD), have started to plant the 2002/03 Lua Mua crop. As of June 15, 2002, about 95 tha of the crop has been planted of which 41 tha in the North and 54 tha in the South.

PRICE Exchange rate: VND 15,310 equal to \$1 as of June 27, 2002

In the North

June's paddy price is slightly down by VND 100-150/kg to VND 2,200-2,400/kg (for Lua Mua paddy) and VND 1,800-2,000/kg for newly harvested W-S paddy due to increasing rice supplies from the W-S rice crop. The milled rice price is fairly stable at 2,600-2,650 (VND/kg) .

In the South

Table 2 presents prices of paddy and raw milled (but not yet polished) rice in MRD's key rice producing provinces namely Can Tho and Dong Thap in April, May and second week of June. Prices of paddy and raw milled rice increased by VND 100-150/kg in the middle of May compared with prices quoted in the last week of April. The increase was mainly caused by increasing demand from rice exporters who were loading for Government to Government (G-G) contracts to Indonesia, the Philippine, Iraq and Cuba.

In the last week of May, paddy prices were slightly down to VND 1,800 in Can Tho and VND 1,700 in Dong Thap. Prices of raw milled rice were also reduced by VND 100-150/kg in both places due to an increase of rice supplied from the newly harvested S-A crop.

Table 2: Prices of Paddy and Raw Material Rice in Can Tho and Dong Thap Province (MRD)
(Unit: VND)

	Can Tho province				Dong Thap province			
	April	May		June	April	May		June
	Week 4	Week 2	Week4	Week 2	Week 4	Week 2	Week4	Week 2
Paddy	1750-1800	1800-1900	1,800	1750-1800	1650-1750	1,750	1,700	1,650
Milled rice (not polished)								
5% broken	2,950	3,150	3,100	3,100	2,580	2,830	2,790	2660-2700
10% broken	2,800	3,000	2,950	2,950	2,560	2,780	2,740	2,660
15% broken	2,700	2,900	2,850	2,850	2,410	2,650	2,620	2,550
25% broken	2,650	2,800	2,750	2,750	2,280	2,460	2,440	2,260

Source: MARD

The paddy prices (quoted on June 26) for newly harvested S-A rice in MRD were about 1,520 - 1,600 (VND/kg), a drop of about VND 50 /kg from last week's levels due to available supply of new crop rice. Rice prices become softer to levels of 2,050 -2,100 (VND/kg) in most MRD provinces. The price levels of old crop paddy (W-S crop) have also gone down to 1,680-1,750 (VND/kg), a reduction of VND 30-50/kg compared with last week (see table 3).

MRD paddy prices are expected to decline further once the S-A crop harvest comes to a peak

Table 3: Prices of Paddy and Rice of W-S rice in MRD on June 26, 2002

Provinces	Paddy Price (VND/kg)	White Rice 25% Broken. (VND/kg)
An Giang	1,650 - 1,720	2,200 - 2,350
Tien Giang	1,680 - 1,740	2,250 - 2,350
Vinh Long	1,700 - 1,780	2,280 - 2,400
Dong Thap	1,640 - 1,700	2,250 - 2,350
Long An	1,680 - 1,750	2,220 - 2,360
Tra Vinh	1,700 - 1,800	2,280 - 2,380
Soc Trang	1,710 - 1,800	2,300 - 2,350
Kien Giang	1,680 - 1,720	2,250 - 2,350

Source: Traders

Export price

According to the Vietnam Southern Food Corporation, the average export price in the first 4 months of 2002 was \$175.50/mt, a year-to-year increase of 21%. Unfortunately, Vietnam signed many large G to G contracts at low prices, and those contracts are now causing the exporters a great deal of pain.

On June 26, prices offered for 5%; 10%; 15% and 25% broken rice were \$188-190; 182-184; 171-173 and 161-162/mt respectively, a drop of \$7-10/mt compared with prices quoted on May 26.

TRADE

Vietnam's rice exports in the first five months of CY-2002

In the first five months of CY-2002, Vietnam exported about 1.2 mmt of rice (see tables 4 & 5), mainly to Iraq, Cuba, Indonesia, Malaysia, Philippines and Africa.

Asia, with Vietnam's major rice importers such as the Philippines, Indonesia and Malaysia, is the biggest market. About 537 tmt of rice was shipped to these markets in the first five months of 2002. The quantity of rice shipped to Africa was 140 tmt while the Middle East lifted about 275 tmt and Cuba imported 98 tmt.

Table 4: Vietnam's January-May Rice Exports by Grade

GRADE	QUANTITY (mt)	Share (%)
HIGH (5% & 10% BR.)	439,247	36.7%
MEDIUM (15% BR.)	440,703	36.9%
LOW (20%; 25% & 35% BR.)	157,518	13.2%
100%	51,295	4.3%
UNKNOWN	107,112	9.0%
TOTAL	1,195,875	100%

Source: Traders

Table 5: Vietnam's January-May Rice Exports by Destinations

MARKET	QUANTITY (mt)	Share (%)
ASIA	537,255	45%
MIDDLE EAST	274,675	23%
AFRICA	139,068	12%
AMERICA	98,247	8%
EU INCL. RUSSIA	64,026	5%
UNKNOWN	82,605	7%
TOTAL	1,195,875	100%

Source: Traders

Vietnam's rice exports in June was estimated at 300 tmt bringing total rice export in the first months of 2002 to 1.5 mmt, down by 26% compared with the same period of 2001.

Rice exporters who load for G-G contracts face big losses as the local price is higher than the export price quoted in the contracts. Many of the G-G contracts were signed in the last quarter of 2001 at fairly low prices – 5% broken rice: \$198/mt; 15% broken rice: \$169/mt and 25% broken rice: \$158/mt. When signing those contracts, Vietnamese rice exporters predicted that the paddy price (both in domestic and the world market) would be stable, and might even decline. Rice traders hesitate to sign new export contracts as they fear continued increases in the local price caused by lower S-A production and farmers & traders retaining supplies as wait for even higher prices.

Vietnam's 2002 rice exports will be much lower than the Government's target

Due to tight supplies (and high domestic prices), it will be very hard, if not impossible, for Vietnam to fulfill the Government's original plans to export 3.8 - 4.0 mmt in CY-2002. More recently, some government analysts have said that for Vietnam to avoid big losses, it should not even try to reach their revised export target of 3.5 mmt. Three weeks ago, a representative of Vietnam Food Association (Vietfood) said Vietnam's 2002 rice exports might even be as low as 2.5 mmt.

MARD is more optimistic about the situation. According to MARD, out of total 8.0 mmt of paddy from the 2002's W-S rice crop in the MRD, 3.0 mmt of paddy (about 2.0 mmt of milled rice) is available for export and the remaining supplies used for domestic consumption. With rice supply from the coming S-A rice crop, MARD estimates Vietnam's 2002 total rice stock available for export at 3.0 mmt.

After hearing both sides, Post revises Vietnam's CY-2002 rice exports to 2.8 mmt from our previous estimate of 3.5 mmt (see table 6)

Loss caused by G to G rice export contracts estimated at \$15 million

Local rice exporters have requested a subsidy of VND 230 billion (\$15.1 million) to cover their losses made under the G-G export contracts. The subsidy would be paid in the form of export bonuses. On their behalf, the Ministry of Trade petitioned the central Government to give financial assistance (export bonuses effective the start of 2002) to all rice exporters who implemented G-G contracts. However, no decision has been made so far.

The exporters are losing money due to higher-than-expected domestic rice prices and increased production costs. Domestic rice prices are higher than expected due to higher fuel costs used throughout the entire marketing chain – from irrigation, to processing and inland waterway transportation. Another factor contributing to this problem is that the traders, burned last year by dropping prices, did not want to stock-pile any rice to fulfill their export contracts. Now their attempts to buy rice on the spot market has driven domestic prices above export prices.

Details: Some of the key G to G rice exporters (mainly state-owned companies) who were assigned to fulfill the G-G contracts at the beginning of the year decided (unwisely) to avoid stockpile fees. Rice exporters are also confronted by higher inland waterway transportation charges caused by higher fuel prices. The transportation cost from Can Tho port to Ho Chi Minh City's Saigon port increased by VND 20,000 (\$1.00 -1.30) from VND 35,000 - 40,000 to VND 55,000 - 60,000 (\$3.60 - \$3.90) per ton. The transportation fee from Saigon port to Hai Phong port also increased to VND 240,000/mt (\$15.70) -- roughly double the cost of a few months ago.

As a result, most of the rice exporters who loaded for G-G contracts to Indonesia have complained they are losing VND 40-50 thousand per a ton for 25% broken rice and about VND 100 thousand for 15% broken rice.

DOMESTIC CONSUMPTION

MRD rice supplies available for export have been reduced by domestic movement from the MRD region to the North and other regions. While it is normal for some rice to be moved within Vietnam, to address regional supply difficulties and out-of-season shortages, this year's internal shipments are much larger than normal. According to traders, about 700 tmt of the W-S paddy were transported from the MRD to the drought-stricken areas in South Coastal region, to the Tay Nguyen (Central Highlands), as well as to the Northern provinces where rice supplies were very tight (as they wait for their next harvest). In some more remote areas, where consumers generally eat maize and cassava during the rice off-season, they are now consuming more rice.

It is assumed that Vietnam's 2002 domestic rice consumption is larger than 2001's level by about 400 tmt, Post revises Vietnam rice domestic consumption in CY-2002 to 17,500 tmt (see table 6).

Vietnam Donates 5,000 mt of Rice to North Korea

The Government of Vietnam has pledged to provide 5,000 tons of rice to North Korea during a meeting held in Hanoi on June 25, 2002. The rice will come from the National Rice Reserve Fund.

Table 6: Vietnam Rice PS&D Table

PSD Table						
Country	Vietnam					

Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	7,493	7,660	7,346	7,493	7,346	7,339
Beginning Stocks	1,175	344	885	978	843	843
Milled Production	20,473	20,926	20,633	20,473	20,663	20,670
Rough Production	31,020	31,706	31,262	31,020	31,308	31,318
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	40	20	40	20	20	20
Jan-Dec Imports	40	20	40	20	20	20
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21,688	21,290	21,558	21,471	21,526	21,533
TOTAL Exports	3,528	3,370	3,000	3,600	3,500	2,800
Jan-Dec Exports	3,528	3,370	3,000	3,600	3,500	2,800
TOTAL Dom. Consumption	17,275	16,942	17,400	17,028	17,000	17,500
Ending Stocks	885	978	1,158	843	1,026	1,233
TOTAL DISTRIBUTION	21,688	21,290	21,558	21,471	21,526	21,533

POLICY

Government encourages firms to sign contracts with farmers

On June 24, 2002, Prime Minister Phan Van Khai signed Decision 80/2002/QDD-TTg calling for agro-processing firms to sign raw material contracts with farmers. The contracts are focused on key export-oriented commodities including rice, tea, coffee, pepper, rubber, cashew, fruit, cotton, sugarcane, tobacco, timber, seafood, meat, and milk. The firms must provide farmers with capital, equipment, and technology transfer. In turn, they will get financial assistance (e.g. soft loans) and market information from the Government. The Government hopes the contracts system will cover about 50% of total agricultural production by 2005.