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## Vietnam

### Grain and Feed

### November Rice Update

## 2001

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**Report Highlights:** Due to smaller than expected rice supplies, the Government of Vietnam (GVN) has lowered its official CY-2001 rice export target. Vietnam's paddy rice production is likely to increase in 2002 as higher earnings from 2001's Summer-Autumn crop will encourage farmers to invest more in the 2002 crop. This report also provides export data for the first nine months of CY-2001 and revises the PS&D estimates.

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
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## REPORT SUMMARY

- o Tight rice supplies (especially in the higher quality grades) have pushed Vietnamese export prices above Thai prices. As a result, there have been few new orders for Vietnam's rice, and Post has lowered its rice export estimate to 3.6 million metric tons (MMT).
- o Relatively firm domestic prices will encourage farmers to use additional inputs -- so despite a slight decline in area, CY-2002 production could be slightly above this year's.

## PRODUCTION

### The CY-2001 Summer-Autumn (S-A) harvest near completion.

The 2001 S-A rice crop harvest is almost complete. According to the Ministry of Agricultural and Rural Development (MARD), total S-A rice area harvested is 2,142 thousand hectares (Tha), 123 Tha lower than last year's crop area. The S-A crop production is about 7,775 TMT, lower than 2000's crop by 500 TMT (See Table 1).

The slight decline in the 2001 S-A production is mainly due to a smaller S-A planted area in the Mekong River Delta (MRD), where the crop area dropped to 1,720 Tha from last year's area of 1,860 Tha. During a recent trip to the MRD, we found that about 140 Tha of S-A rice land had switched (especially in the coastal areas of Ca Mau, Bac Lieu, and Soc Trang provinces) to shrimp farming and crops such as corn, cotton, and beans.

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

	CY-2000		CY-2001		CY-2002
Harvested Area (Tha)	Old	New	Old	New	Est.
10th Month (Lua Mua)	2,394	2394	2,341	2,341	2,305
Winter-Spring	3,001	3001	3,010	3,010	3,000
Summer-Autumn	2,265	2265	2,154	2,142	2,142
TOTAL	7,660	7660	7,505	7,493	7,447
Yield (MT/ha)					
10th Month (Lua Mua)	3.46	3.46	3.50	3.50	3.45
Winter-Spring	4.96	5.05	5.00	5.00	5.12
Summer-Autumn	3.65	3.65	3.65	3.63	3.70
TOTAL	4.10	4.14	4.14	4.14	4.19
Production (TMT)					
10th Month (Lua Mua)	8,283	8,283	8,194	8,194	7,952
Winter-Spring	14,885	15,155	15,050	15,050	15,360
Summer-Autumn	8,267	8,267	7,862	7,775	7,925

TOTAL	31,435	31,706	31,106	31,019	31,238
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*Data Source: MARD and FAS/Vietnam*

Post revises Vietnam's 2001 paddy rice production down to 31,019 TMT from 31,106 TMT due to smaller S-A paddy output.

### **2001/02's Lua Mua (or 10<sup>th</sup> month) rice crop.**

#### **In the North, the crop is being harvested.**

As of October 25, 2001, more than 50% of the Lua Mua planted area (1,281 Tha) in the Northern region has been harvested. It is reported that the crop yield will be slightly lower than last crop's due to unfavorable weather and crop diseases. Lua Mua is one of two major rice crops in the North and Northern Lua Mua production is more than 64% of Vietnam's total Lua Mua crop. Therefore the expected lower yields in the North could cause the Lua Mua production to drop. Post estimates Vietnam's CY-2002 Lua Mua crop yields slightly down to 3.45 MT/ha from 3.5 MT/ha, and total Lua Mua production from 8.194 MMT to 7.952 MMT (See Table1).

#### **In the South, the crop is being planted.**

The Southern Lua Mua crop is mainly used for domestic consumption. The planting area is estimated at 1,024 Tha of which 494 Tha is in the MRD. Post estimates the 2001/02 Lua Mua area in the South is probably down by 40 Tha compared with last year. Many MRD farmers are switching some Lua Mua areas to more profitable activities, such as aquaculture (shrimp), and livestock (pigs, dairy). Therefore, given the decline in Northern crop yields and the slight decline in Southern crop area, Post cuts Vietnam's estimated 2002 total Lua Mua area to 2,305 Tha and production to 7,952 TMT (See Table 1).

### **Prospect of better W-S crop in 2002.**

MARD has announced the 2001/2002 target in the Mekong River Delta for the W-S crop at 1,495 THA with paddy production of 8 MMT. To achieve those targets, MRD farmers are encouraged to increase crop inputs and plant new higher-yielding rice varieties.

On a recent trip to MRD, Post found that farmers were looking forward to the next W-S crop as the result of good earnings from the S-A crop. Although MARD lowered the 2002 W-S planted area target in the MRD to 1,495 Tha, Post predicts a higher crop area which could reach 1,520 Tha. However, assuming average yields, Post thinks the best MRD W-S production estimate remains 8 MMT. MARD is assuming a lower planted area, but higher yields.

As a result of the W-S area decline in the MRD, total 2002 W-S area will be slightly down to 3,000 Tha, 10 THA lower than last year. The 2002 W-S yield is expected to increase significantly up to 5.12 MT/ha from the previous crop yield of 5.0 MT/ha. The total 2002 crop production could be 15,360 TMT, an increase of 300 TMT compared with the 2001 crop (See Table 1).

Total 2002 paddy rice production is revised to 31,238 TMT, an increase of more than 200 TMT from 2001's crop (See table 1 and 3).

**PRICE** Exchange rate: Vietnam Dong (VND) 15,035 equal to \$1.00 5-Nov-2001

### In the North

Although the regional rice supply is increasing as the 2001/02 Lua Mua crop is being harvested, the paddy price remains fairly stable at VND 1,650-1,750/kg in most Northern provinces.

### In MRD

Slowly receding flood waters, and a smaller crop, have tighten MRD rice supplies, and prices have risen by 7-8% within a one week period, from VND 1,400- 1,450/kg (for paddy) and VND 1,980 - 2,020/kg (for raw white rice) last week to current levels of VND 1,480-1,550/kg and VND 2,150-2,200/kg, respectively.

### Export Rice Prices.

Following the domestic market trend, current export prices have increased by \$5-7/MT compared with a week ago. On November 1, export prices were quoted at \$185/MT FOB HCMC (for 5% broken rice), \$180/MT (10% broken) and \$165/MT (25% broken) -- surpassing Thai prices by \$4-5/MT.

### TRADE

#### Vietnam's rice exports in the first 9 months of 2001.

According to trade sources, Vietnam exported 3 MMT in the first 9 months of CY-2001. More than 50% of Vietnam's rice was shipped to regional Asian countries, while 27% went to various African countries. It is also reported that Vietnamese rice has been successfully expanded to several new markets, e.g. Russia and Tanzania.

**Table 2: Vietnam January-September Rice Exports by Grades & Destinations (Unit: MT)**

	5%	10%	15%	25%	35%	55%	100% br.	Par-boiled	Gluti.	Un-known	Total
<b>ASIA</b>	<b>419,813</b>	<b>443,821</b>	<b>393,142</b>	<b>267,985</b>	<b>700</b>	<b>11,527</b>	<b>6,135</b>	<b>595</b>	<b>13,544</b>	<b>220</b>	<b>1,557,482</b>
In which: Iraq	264,749	339,016									603,765
Philippines	42,262	9,820	191,371	117,701							361,154
Indonesia	28,394	49,400	136,510	106,717		11,527			9,376		341,924
Malaysia	50,290	19,664	15,409	26,537	700				590		113,190
Bangladesh	8,621		24,540	10,300							43,461
Singapore	1,156	6,709	19,002	1,900			4,635		3,378	220	37,000
Palau	4,000	1,100	500	4,350			1,500				11,450
Nepal		4,012	4,010								8,022
Yemen	5,500							550			6,050
North Korea		5,500									5,500
Japan	5,010										5,010
Marianas	1,100		1,000						200		2,300
Hongkong	2,166										2,166
<b>AFRICA</b>	<b>231,173</b>	<b>29,437</b>	<b>179,944</b>	<b>140,092</b>	<b>600</b>		<b>249,492</b>	<b>3,209</b>			<b>833,947</b>
In which West Africa				900			38,593				39,493

Tanzania			27,340								27,340
Algeria	24,964										24,964
Senegal				1,002			17,981				18,983
Syria	12,756										12,756
Gabon	6,850										6,850
Angola	6,018										6,018
Ghana			5,015								5,015
<b>EUROPE</b>	<b>60,548</b>	<b>31,778</b>	<b>41,912</b>	<b>7,800</b>			<b>250</b>	<b>150</b>		<b>20,930</b>	<b>163,368</b>
In which: Poland	23,274	15,175	25,496	7,300			250	150			71,645
Russia	28,870	11,615	11,000	500							51,985
Slovenia		3,007									3,007
Ukraine	1,162	131	1,436								2,729
Holland	322	110									432
<b>AMERICA</b>	<b>3,910</b>	<b>31,014</b>	<b>25,000</b>	<b>139,692</b>							<b>199,616</b>
In which: Cuba	3,910	25,000	25,000	139,692							193,602
Hawaii		6,014									6,014
<b>AUSTRALIA</b>	<b>156</b>									<b>2,300</b>	<b>2,456</b>
<b>Unknown</b>	<b>1,000</b>		<b>5,710</b>	<b>9,000</b>						<b>228,574</b>	<b>243,284</b>
<b>TOTAL</b>	<b>716,600</b>	<b>536,050</b>	<b>645,708</b>	<b>564,569</b>	<b>1,300</b>	<b>11,527</b>	<b>255,877</b>	<b>3,954</b>	<b>13,544</b>	<b>242,024</b>	<b>3,000,153</b>

Source: Trade Contacts

### Quality of Vietnam's rice exports.

About 42% of rice exported in the first 9 months of 2001 is high quality rice (5% & 10% of broken rice). That percentage is slightly higher than the percentage of high quality rice exported last year (40%). However, exports of 5% broken rice increased to 24% in 2001 from 16%, for the same period in 2000, as key markets, particularly Iraq, bought higher quality rice. The new "growth" markets, such as Russia, are also requiring more high quality rice. The Government is emphasizing the new "growth" markets, many of which are not really new markets, but customers that only periodically purchase from Vietnam.

**Vietnam's October rice exports are estimated at 180 TMT, bringing total exports in the first ten months to 3.18 MMT.** After a short break, rice shipments to Iraq are scheduled to resume in November.

### Export Rice Availability.

A Ministry of Trade (MoT) source was quoted saying that export stocks stored in major rice exporters's warehouses are about 250 TMT as of the end of October. Including rice held by small processors, big farmers, and unharvested S-A rice, the total rice available for export in the last months of 2001 is about 400 TMT.

## **Regional Rice Trading Arrangements -- Indonesia, Malaysia and Thailand**

**500 TMT of Vietnam rice to Indonesia on deferred payment.** In September, Vietnam and Indonesia signed an agreement in which Vietnam will export 500 TMT of rice to Indonesia under deferred payment for two years. Vinafood II (Southern Food Corporation) and Bulog are assigned to implement the contract. According to the agreement, the two parties will specify the price and amount of rice to be delivered each quarter. The first shipment of 100 TMT will be delivered in November 2001.

**MOU on Rice Trade Cooperation with Thailand.** In September, during the ASEAN Economics Ministers Meeting in Hanoi, a Memorandum of Understanding (MOU) on rice export cooperation was signed by the Thai and Vietnamese Trade Ministers. The two parties have agreed to exchange rice production, storage and sales data, as well as 'cooperate' in their export policies. In addition to PS&D data and export policy cooperation, the two sides also agreed on joint research, technology transfer projects, and shared marketing of lower-quality rice. Many observers remain unconvinced, noting that the two countries have different rice farming systems, trading practices, political systems and have been competitors for thousands of years.

**Barter Trade (rice for palm oil) with Malaysia.** In September 2001, Vietnam and Malaysia signed an agreement regarding barter of rice and palm oil. Vinafood II (Vietnam) and Bernas (Malaysia) have been appointed to implement this agreement. The deal is valued at roughly \$5 million with 25 TMT of Vietnamese white and jasmine rice to be delivered to Malaysia from Oct 1, 2001 to March 31, 2002.

If this barter trade transaction can be successfully performed (a big if), it would, according to the Government, open a huge opportunity for Vietnam to barter rice for its costly imports, such as fertilizer, crude oil, cotton, logs, and lumbers. However, many traders predict that rapidly fluctuating commodity prices, and Government administrative procedures, will limit the feasibility of such barter trade transactions.

### **Vietnam's rice targets Russia market.**

According to the MoT, Vietnam's rice exports to Russia are forecast at more than 100 TMT, an increase of 30 TMT compared with the CY-2000 amount. Currently, Vietnam's rice is accounting for 30% of total rice imports by Russia. The Government feels Vietnamese rice exports to Russia would be improved considerably if there are more representative offices of Vietnam's commercial banks open in Russia. Traditional ties, and outstanding debts, make the Russian rice market of particular interest to Vietnam.

**Rice market is still quiet without new big deals, rice exports in the last quarter of 2001 are based mainly on outstanding sales.** Except outstanding sales to Indonesia, Cuba, Russia, the Philippines and Malaysia headed by Vinafood II and its members, no new big deals were concluded in October except some very small containerized sales. Exporters are offering Vietnamese rice on small quantity (shipments from 500 MT to 2,000 MT maximum) and high price (compared to Thailand).

Moreover, rising insurance premiums and freight costs have also negatively impacted Vietnam's rice exports in 2001, especially to Middle East markets. According to trade sources, outstanding sales in November and December only total about 300 TMT.

**Lower Vietnam rice exports in 2001 to 3.6 MMT.**

The Government of Vietnam (GVN) had lowered the 2001 rice export target from 4.3 MMT (set in November 2000), to 4.0 MMT (set in April, 2001), and to 3.5 MMT (by the end of August, 2001) because of smaller than expected rice supply in MRD.

Based on outstanding sales contracts and available rice stocks, Post revises Vietnam's rice export in CY-2001 and CY-2002 to 3.6 MMT & 3.8 MMT respectively. Post feels the government's 3.5 MMT estimates for CY-2001 is just slightly too low.

**Table 3: 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	7,539	7,660	7,505	7,493	7,539	7,447
Beginning Stocks	1,000	344	978	978	480	843
Milled Production	20,818	20,926	20,530	20,473	20,894	20,617
Rough Production	31,542	31,706	31,106	31,020	31,658	31,238
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	40	20	0	20	0	20
Jan-Dec Imports	40	20	0	20	0	20
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21,858	21,290	21,508	21,471	21,374	21,480
TOTAL Exports	4,000	3,370	4,000	3,600	4,000	3,800
Jan-Dec Exports	4,000	3,370	4,000	3,600	4,000	3,800
TOTAL Dom. Consumption	16,958	16,942	17,028	17,028	17,028	17,000
Ending Stocks	900	978	480	843	346	680
TOTAL DISTRIBUTION	21,858	21,290	21,508	21,471	21,374	21,480

### Rice imports to Vietnam.

As the quality of life in Vietnam's big cities has been improving, the newly affluent urban consumers are demanding better quality rice, especially jasmine rice. To supplement the locally-grown jasmine rice, some high quality jasmine rice is being imported from Thailand. A large portion of the Thai rice arrives via informal Cambodian border crossing points. The importers, by dodging import duties, can earn good profits and still sell the Thai rice at quite favorable prices in Vietnam. There are no official data on how much rice is imported into Vietnam, but it is estimated that, at least, 20 TMT of rice was imported in 2001.

## POLICY

### Import tariff of rice up.

Seeking to restrict the Thai rice imports, the Government, effective from November 1, 2001, imposed



higher duties on rice and rice products (except rice seed) from 30 percent to 40%.

The new duty is defined in Decree No.94/2001/QD-BTC signed by Vietnam's Deputy Finance Minister Vu Van Ninh on October 1, 2001. The government hopes the new duty will reduce imports and encourage domestic production of high quality and special rice varieties for domestic and export markets.