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Grain and Feed

November Rice Update

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Report Highlights:

Vietnam produced a record 28.5 million metric tons (unmilled basis) of rice in 1998, an impressive 5-percent gain over the previous year. This boost in surplus supplies has supported an increase in the export target from 3.6 million tons to 3.75 million tons.

Includes PSD changes: Yes
Includes Trade Matrix: NoG.
Unscheduled Report
Hanoi [VM1], VM

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Executive Summary

Despite variable weather that at times during 1998 included both drought and floods, Vietnam's rice farmers have harvested a record 28.5 million metric tons (MMT), the fourth record out turn in as many years. This is a whopping five percent above last year's crop and demonstrates the success of the government's intensification efforts in the Mekong River (MRD) and Red River (RRD) Deltas. Having assured a surplus beyond food security requirements, the GVN has turned its attention to boosting exports. 1998 exports could reach 3.75 MMT, as shipments through October of about 3.25 MMT will likely be augmented by as much as 500,000 MT in the final two months of the year. This depends in part on new export contracts of about 200,000 MT, and this, in turn, depends on the competitiveness of Vietnamese rice in the face of sharply lower FOB prices in Thailand.

Production

Vietnam farmers faced the enviable combination of high paddy prices and great good luck with weather. Despite localized severe dislocations in Central Vietnam, the El Nino effect was largely benign on the primary production centers of the MRD and RRD. Vietnam's production for 1998 enjoyed a huge boost during the key summer-autumn crop in the MRD, as farmers responded to high prices and expanded planted area to a record 2.1 million hectares (including 220,000 hectares of autumn-winter rice added to the total summer-autumn crop for accounting purposes). Yields also rose as farmers, fearing drought later in the season, selected short-cycle, high-yielding varieties. High paddy prices encouraged investment in inputs and better management that in turn improved yields.

For 1999, almost 50 percent of the year's first crop (lua mua, or rainy season crop) has been harvested from a total area of 2.35 million hectares. The lua mua crop stretches from top to bottom, but is concentrated in the RRD (23 percent) and the MRD (24 percent). Yields have been very good in the RRD, with averages of 5.1 MT/ha and 5.3-5.4 MT/ha registered in Hung Yen and Thai Binh provinces, respectively. Prices in the RRD have softened slightly to about 2,000-2,150 VND/kg (\$US1.0 = 13,950VND) due to harvest pressure.

Ministry of Agriculture & Rural Development experts anticipate drought will affect the crucial winter-spring crop (harvested Feb-Mar 1999) in the MRD. Accordingly, MARD has advised farmers in low-lying areas to plant by December 15, while farmers in higher, non flood-prone areas should plant by November 15. An estimated 175,000 hectares of the MRD have already planted to the winter-spring crop. This crop is the primary export crop for Vietnam because of its inherently superior quality characteristics. MARD notes with some

caution that pool levels in the Mekong River are currently at the lowest levels in 40 years. In normal years, the rainy season in the MRD is accompanied by flooding from sources upriver. This is a development that will be followed closely.

Consumption

The recently concluded ASEAN Food Security Conference afforded an excellent opportunity for host Vietnam to announce impressive gains in rice production and enhanced food security. Availabilities of rice and other starchy staples (expressed in rice equivalent) have reached 400 kg/person, a level comparable to neighboring China. In future years, as Vietnam's population grows from 78 million to the projected replacement population of 120 million, per capita rice consumption will no doubt decline. The dramatic gains in productivity of the past decade will be difficult to sustain far into the next century. Demand for comparatively cheaper wheat-based products is expected to grow as diets transform, thereby easing pressure on rice production.

Trade

Paddy prices in the MRD are in the range of 1,950-2,050 VND/kg, basis 17% moisture. Raw material white rice prices are generally steady at 3,000-3,100 VND/kg as new export business is very quiet. FOB prices dropped in the aftermath of new crop Thai prices. Offers of Vietnamese 5%-broken fell from \$295/MT to \$280/MT, and the 25%-broken contract slumped to \$260/MT. Both are about \$5/MT above FOB Bangkok levels. The GVN has increased the quota by an estimated 200,000 MT for new contracts for delivery before the end of the year. The fall in Thai prices does not bode well for new Viet export contracts in the closing weeks of 1998.

Policy

The GVN released decree No. 1182 (October 6) authorizing, in principle, rice export quotas to the five joint-venture rice processing companies. However, these joint-venture companies must purchase paddy or raw material from state-owned enterprises. They may not procure directly from farmers. This decision is a blow both to foreign investors and farmers, as the former will generally have higher costs and the latter, lower prices.

Rumors over the 1999 export quota allocation have been swirling around Hanoi and HCMC for weeks. Although details are not yet available, the Vietnamese private sector will be included in the quota. Details to follow.

Vietnam Production by Crop

	92/93	93/94	94/95	95/96	96/97	97/98		98/99	
Harvested Area (MHa)						OLD	NEW	OLD	NEW
10th Month	2748	2685	2640	2602	2558	2542	2542	2350	2350
Winter-Spring	2326	2381	2421	2521	2682	2717	2717	2700	2750
Summer-Autumn	1549	1577	1742	2001	1800	1900	2115	2100	2100
TOTAL	6623	6643	6803	7124	7040	7159	7374	7150	7200
Yield (MT/Ha)									
10th Month	2.74	3.05	2.80	2.97	3.00	3.06	3.06	2.97	3.20
Winter-Spring	3.88	4.41	4.43	4.84	4.96	4.90	4.90	4.90	4.87
Summer-Autumn	3.63	3.57	3.73	3.43	3.50	3.39	3.55	3.36	3.43
TOTAL	3.35	3.66	3.62	3.76	3.82	3.85	3.88	3.81	3.91
Production (MMT)									
10th Month	7527	8181	7392	7728	7674	7779	7779	6980	7,520
Winter-Spring	9032	10505	10725	12202	13303	13313	13313	13230	13400
Summer-Autumn	5624	5630	6498	6863	6300	6441	7500	7056	7200
TOTAL	22183	24316	24615	26793	27277	27533	28592	27266	28120
Source: official GVN data as published by General Statistics Office, MARD & FAS/Hanoi data									

PSD Table						
Country:	Vietnam					
Commodity:	Rice, Milled					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Harvested	7068	7040	7159	7374	7150	7200
Beginning Stocks	0	0	0	0	0	0
Milled Production	18015	18003	18172	18871	18000	18559
Rough Production	27259	27277	27533	28592	27273	28120
Milling Rate(.9999)	6600	6600	6600	6600	6600	6600
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	18015	18003	18172	18871	18000	18559
TOTAL Exports	3250	3500	3600	3750	3500	3500
Jan-Dec Exports	3250	3500	3600	3750	3500	3500
TOTAL Dom. Consumption	14765	14503	14572	15121	14500	15059
Ending Stocks	0	0	0	0	0	0