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Grain and Feed

OCTOBER 1998 RICE UPDATE

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Report Highlights:

Vietnam resumes rice exports; 1998 shipments set to reach 3.6 MMT.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Hanoi [VM1], VM

OCTOBER 1998 RICE UPDATE**VIETNAM RESCINDS TEMPORARY EXPORT BAN AND ANNOUNCES MONTHLY QUOTAS FOR BALANCE OF 1998**

As expected, Vietnam lifted the temporary ban on exports (Official Letter No.1153/9/30/98) and provided monthly quotas for the remainder of calendar 1998. The decree specifies a target of 150,000 metric tons (MT) for the months of October and November and 200,000 MT for December. Adhering to this delivery schedule means Vietnam will achieve exports of about 3.6 million MT, less than the target of 4.0 MMT set early in the campaign but consistent with revised official projections. September shipments are pegged at 140,000 MT, mostly G-to-G basis. Estimated 1998 exports through September are about 3.08 MMT. Of the projected 500,000 MT of new contracts, the Southern Food Corporation is reported to have control of about 300,000 MT. The SFC will reportedly share this quota among provincial affiliates for G-to-G sales to Indonesia and the Philippines. Companies that have already exhausted their quotas during earlier frantic periods reportedly will not be allowed additional quota. For deliveries to Indonesia, exporters are also permitted to barter rice for fertilizer. As usual, the Ministry of Trade exercises some supervisory control over acceptable price levels for export contracts.

VIETNAM IMPOSES AN EXPORT TAX ON RICE, THEN RESOLVES TO REMOVE IT

Decision memorandum No. 1233 (09/16/98; Min of Finance) raised the export tax on rice according to quality. After September 25, 1998, a tax of 1.5% applies to 25% broken or worse; a tax of 2.0% applies to better quality grades, e.g., 5%, 10%, 15%, and 20% broken. Ostensibly, the tax was designed to impose more order on marketing of export contracts. However, after evaluating the exportable supply situation and demand from export markets, the government has decided to rescind the tax on 25% broken and to lower the rates on better qualities from 2.0% to 1.0% as from October 10.

DESPITE WEATHER SHOCKS, VIETNAM REGISTERS ANOTHER RECORD OUTTURN IN 1997/98

After much close scrutiny for the last three months, the GVN has announced that 1997/98 will likely be the best crop year for rice in history. This is a remarkable feat given the alternating periods of drought and flooding that plagued this year's crops. The attached table provides revised estimates for 1997/98 by crop. Upward adjustments in the 1997 10th Month crop (area and yield) and the 1998 Winter-Spring crop (area) have offset slightly lower projected yields in the 1998 Summer-Autumn crop, which is nearing completion in the MRD. As of the end of September, about 85% of the Summer-Autumn planted area (1.63 million hectares) had been harvested. Therefore, post suggests raising total rough production from 26.97 MMT to 27.533 MMT (see attached PS&D table).

1998/99 10TH MONTH CROP NEARS HARVEST IN RRD

Progress on the lua mua (10th Month) crop as of September 25, was reportedly on schedule in northern locations, with 1,252,000 hectares transplanted (of which RRD is 527,000 ha, and North Coastal provinces are 216,000 ha). Already about 10 % of the RRD has been harvested, and reports indicate that yields are promising due to favorable weather. Planting in the south lags behind the pace at this time last year, with 845,000 total hectares (of which 375,000 ha are in the MRD).

PRICES SETTLE AS MRD HARVEST SWINGS INTO HIGH GEAR

Paddy prices continue to drift downward, especially in the MRD, as the Summer-Autumn harvest is in full

swing despite persistent rains for the past 10 days. Prices of wet paddy plummeted to VND 1,300-1,400/kg in Soc Trang province, although the general level of paddy prices are currently in a range of VND 1,800-2,050/kg. Prices for 16% moisture paddy are reportedly VND 1,900-2,000/kg. Raw material white rice (25% broken) is quoted at VND 2,850-3,050/kg. In the RRD, paddy prices have begun to move lower slightly with the start of the 10th Month harvest. Prices in Thai Binh and Bac Ninh are down about VND 70-100/kg at VND 2,300-2,400/kg. Indicative export prices for 5% and 25% broken rice are US\$ 300/MT and US\$ 270/MT, respectively. Prices are expected to pick up slightly with the lifting of the ban on new export contracts.

ASEAN AGRICULTURE MINISTERS MEETING FOCUSES ON FOOD SECURITY AND COOPERATION

The summit of ASEAN agricultural ministers held in Hanoi, September 17-18, approved a strategic 5-year plan covering: 1) food security; 2) increasing ASEAN trade linkages; 3) improved coordination in managing resources for sustainable agricultural and forestry development; 4) encouraging growth of the private sector; and, 5) accelerating dissemination of technical information throughout the region. The ministers agreed to establish an Asian Rice Fund as one of the measures to enhance food security. They called on Asia's private sector and international organizations to fund the initiative; the Philippines reportedly contributed US\$1 million toward the fund and proposed locating the head office in Manila. Details of how other ASEAN members would contribute are not available.