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Prepared by : **Ross G.Kreamer**
U.S. Embassy

Drafted by : Bui Thi Huong/Truong Minh Dao

Report Highlights: This report presents an updated PS&D, as well as several tables of trade, production-by-crop, and price data. A section on policy outlines proposals for Vietnam's rice export regime in 2000.

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

Vietnam's rice bowl appears to be bottomless. Upward adjustments of both the Winter-Spring (W-S) and Summer-Autumn (S-A) crops mean that VN will end the 1998/99 production year with over 30 million metric tons (MMT), a record outturn. After a blistering six-month export pace ending with 647,000 MT (TMT) in August, shipments declined to only 302TMT in September following Indonesia's decision to staunch the flow of small-vessel deliveries direct from Mekong River Delta (MRD) ports. Despite the apparent loss of this lucrative trade, VN will still end campaign 1999 with a new export record of about 4.0MMT. The general collapse of buyer interest has sent prices spiraling downward. At the end of September, nominal export prices for 25% Broken rice were \$180/MT, about \$30/MT lower than mid-August. As a result, many SOE exports have substantial paper losses on an estimated 500TMT of rice in storage awaiting contracts. Producers have asked the GVN for assistance, which may be in the form of interest-free storage loans to buyers. As the last quarter of 1999 begins, the GVN focuses on the national rice export policy for the upcoming year.

RICE PRODUCTION.

VN will harvest a record S-A rice crop.

According to MARD data through September 21, VN had sown 2,261THa S-A rice, an increase of about 7% (143THa) compared with the previous crop. The expansion in S-A planted area is mainly in the MRD, where some Lua Mua (10th Month crop) growing areas were transferred to the late S-A rice crop. In some MRD provinces, e.g., Tra Vinh, Soc Trang, Kien Giang, and Bac Lieu, improvements in irrigation systems have enabled farmers to expand area planted to the late S-A rice crop (see Table 1).

**Table 1: Comparison of Summer-Autumn Crop Area in MRD
1998 and 1999 (1000Ha)**

Province	1999 S-A crop	1988 S-A crop	%
Long An	174.00	149.50	116.4
Tien Giang	185.00	178.80	103.5
Ben Tre	28.00	26.60	105.3
Dong Thap	240.00	224.90	106.7
Vinh Long	139.00	138.70	100.1
Tra Vinh*	84.40	78.10	108.1
Can Tho	272.00	265.70	102.4
Soc Trang*	169.00	157.40	107.4
An Giang	212.90	210.40	101.2
Kien Giang*	248.40	211.10	117.5
Bac Lieu*	71.20	56.30	126.5
Ca Mau	62.00	55.50	117.1
MRD	1880.90	1,757.50	107.4

Source: MARD; FAS/HCMC

According to MARD data through September 21, about 2,000THa (accounting for about 88% of total planted area) of S-A crop had been harvested, of which 1,888THa were in southern provinces. Of this total, farmers in MRD had harvested more than 1,700THa of the S-A rice crop (about 90% of planted area). According to official estimates, average yields of this S-A rice crop will be higher than the 1998 crop in all regions. MRD provincial officers estimate that the average yield of 1999's S-A crop could reach 4MT/Ha in this region. FAS/VN projects a slightly lower average yield of 3.71MT/Ha, for a total S-A rice production of about 8,380TMT, or an increase of 740TMT over our previous estimate (7,630TMT). For more detail, please see Table 2.

Table 2 : Summer-Autumn Rice Crop Productions in VN by Regions (1998-1999 crops)

	Planted Area (THa)			Crop Yield (MT/Ha)			Production (TMT)		
	1998	1999 old	1999 new	1998	1999 old	1999 new	1998	1999 old	1999 new
Northern Viet Nam	135	135	137	2.46	2.44	2.70	332	340	370
North mountain	0	0	0	0.00	0.00	0.00	0	0	0
RRD	0	0	0	0.00	0.00	0.00	0	0	0
North Central Coast	135	135	137	2.46	2.52	2.70	332	340	370
Southern Viet Nam	1,983	2,025	2,124	3.63	3.60	3.77	7,204	7,290	8,009
South Central Coast	146	145	145	4.09	4.00	4.00	595	580	580
North East South	80	80	91	2.88	2.88	2.80	229	230	255
MRD	1,758	1,800	1,888	3.63	3.60	3.80	6,380	6,480	7,174
TOTAL VIET NAM	2,118	2,160	2,261	3.56	3.53	3.71	7,537	7,630	8,379

Source: MARD; FAS/HN

Vietnam set to produce a record of more than 30MMT of paddy for marketing year of 1999.

The promise of a bumper 99's S-A rice crop harvest means VN will achieve record rice production for the 1998/99 crop year. Therefore, FAS/HN adjusts total rice production for MY of 1999 up to 30,250TMT from the previous projected number of 29,290MT due to revised higher yields on the W-S crop and expected larger S-A rice production. (See Table 3 & 4)

Table 3: Vietnam: Rought Rice, Area, Yield and Production (Revised)

	95/96	96/97	97/98		98/99	
			OLD	New	OLD	New
Harvested Area (MHa)						
10th Month	2,602	2,558	2,542	2,542	2,387	2,387
Winter-Spring	2,521	2,682	2,744	2,717	2,888	2,888
Summer-Autumn	2,001	1,800	2,118	2,118	2,160	2,261
TOTAL	7,124	7,040	7,404	7,377	7,435	7,536

Yield (MT/Ha)						
10th Month	2.97	3.00	3.06	3.06	3.28	3.28
Winter-Spring	4.84	4.96	4.98	5.01	4.79	4.86
Summer-Autumn	3.43	3.50	3.49	3.56	3.53	3.71
TOTAL	3.76	3.82	3.89	3.92	3.94	4.01
Production (MMT)						
10th Month	7,728	7,674	7,779	7,779	7,829	7,829
Winter-Spring	12,202	13,303	13,665	13,612	13,831	14,036
Summer-Autumn	6,863	6,300	7,392	7,540	7,630	8,388
TOTAL	26,793	27,277	28,835	28,931	29,290	30,253

Source: MARD; FAS/HN

Table 4:PS&D Vietnam Rice Production

PSD Table						
Country	Vietnam			(1000 HA)(1000 MT)		
Commodity	Rice, Milled					
	1988		1999		Forecast2000	
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	7404	7377	7436	7536	7450	7450
Beginning Stocks	0	0	0	0	0	0
Milled Production	19031	19094	19331	19967	19400	19400
Rough Production	28835	28931	29290	30253	29394	29394
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	19031	19094	19331	19967	19400	19400
TOTAL Exports	3750	3750	3850	4000	3850	3850
Jan-Dec Exports	3750	3750	3850	4000	3850	3850
TOTAL Dom. Consumption	15281	15344	15481	15967	15550	15550
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	19031	19094	19331	19967	19400	19400

Lua Mua Crop 1999/00 prospects are good on expectations of higher yields; harvest underway in RRD.

For the 1999/00 Lua Mua rice crop, MARD estimates a planted area similar to the previous crop, or about 2,390THa. According to MARD data through September 15, about 2,236THa of Lua Mua (about 94% of plan) had been transplanted throughout the country. MRD provincial offices report that total sown area of the 1999/00 Lua Mua crop in that region is about 545THa, lower than last season because a part of the Lua Mua area was shifted to the earlier S-A crop. FAS/VN projects a planted area of about 2,350THa for the 1999/00's Lua Mua crop, a slight dip (30THa) from the previous crop. Higher than expected average yields in northern regions will boost total Lua Mua rice production to slightly over 7,900TMT (see Table 5). In the northern RRD through September 15, about 25THa of Lua Mua rice had been harvested. Yields on RRD Lua Mua are reportedly higher than the previous crop.

Table 5: Vietnam Luamua Crop Production by Regions (1997/98-1999/00)

	Planted Area (THa)			Crop yield (MT/Ha)			Production (TMT)		
	97/98	98/99	99/00est.	97/98	98/99	99/00est.	97/98	98/99	99/00est.
Northern Viet Nam	1,275	1,253	1,268	3.36	3.76	3.88	4,283	4,715	4,921
North mountain	517	514	523	2.93	3.59	3.60	1,516	1,844	1,883
RRD	529	528	529	4.11	4.40	4.60	2,175	2,322	2,433
North central coast	228	211	216	2.59	2.60	2.80	592	549	605
Southern Viet Nam	1,267	1,134	1,089	2.77	2.75	2.75	3,505	3,122	2,990
South Central Coast	196	196	196	2.70	2.70	2.70	529	530	529
Central Highland	134	124	130	2.50	2.50	2.50	334	310	325
North East South	219	217	219	2.48	2.48	2.50	542	539	548
MRD	719	597	544	2.92	2.92	2.92	2,100	1,743	1,588
TOTAL VIETNAM	2,542	2,387	2,357	3.06	3.28	3.36	7,788	7,837	7,911

Source: MARD, FAS/VN

General increase in annual MRD rice area due to improved infrastructure.

In large part due to improved irrigation systems, application of new rice varieties, and improved technologies in rice production, total rice growing areas in MRD increased considerably from 2,580 TH in 1990 to an estimated 3,884THa in 1999. The expansion of the planted area was mainly in W-S & S-A crops. In contrast, Lua Mua crop area declined because some Luamua land was shifted to both W-S & S-A paddy, which have comparatively higher export values. Table 6, below, shows the trend of steadily declining Lua Mua growing areas in the MRD. During this decade, Lua Mua area declined from 36% to 14% of the total paddy area in the region.

Table 6 : Luamua growing areas decreasing in MRD

	1990	1995	1996	1997	1998	1999est.
Total rice planted area (THa)	2,580	3,190	3,442	3,480	3,705	3,884
Lua Mua area (THa)	919	757	671	716	597	544
Share of Lua Mua area (%)	36	24	19	20	16	14

Source: VN Statistical Department/FAS-VN

RICE PRICE

Prices are generally weak on burdensome exportable supplies.

Prices in northern VN have fallen by VND50-100/kg (14,000 VND=\$US1.00) in all provinces. Paddy prices are VND1,600/kg and slipping in Ha Tay, Phu Tho and Ha Nam provinces. Some hybrid rice growers complain that the farm gate prices do not currently cover production costs. Slower recent exports and plentiful rice supplies from the S-A crop have had a huge negative impact on prices in the MRD. Paddy prices have dropped dramatically in all MRD provinces. In late September 1999, paddy prices in some MRD provinces were as low as VND1,300-1,400/kg. Generally, prices have fallen through the VND1,600/kg floor set by the GVN, and farmers are keen to seek relief. High-level attention to the problem has resulted in several proposals aimed at firming producer prices. As yet, these proposals have not been implemented by government (see Policy section). However, some officials remain optimistic that export opportunities and firmer prices will return by the end of October. Table 7 updates the September prices of paddy and white rice raw material (25% Broken) in the MRD.

Export prices plummet as Indonesia business evaporates and uncertain prospects.

Export prices have dropped precipitously over the past ten days. Offer prices for various quality VN rice are generally \$30/MT lower than early September. A contributing factor has been the loss of steady small-vessel direct exports from MRD ports to Indonesia (Dumai, Pekanbaru, Surabaya, Pontianak). This largely private sector trade was halted by Indonesia. Traders were reportedly selling imported VN rice into BULOG procurement as domestic rice, and pocketing the difference. About 340TMT-365TMT of small-vessel direct shipments went to Indonesia in the Jan-Aug period. The collapse of this business has sent prices downward by about \$20/MT within the last two weeks. September 30 offers for 5% Br, 10% Br, and 25% Br are about USD203/mt, USD196/mt and USD 180/mt FOB HCMC, respectively. These are some of the lowest export prices in six years.

**Table 7 : September Prices of Paddy & Raw Material White Rice 25 % Broken
Mekong Delta**

Provinces	Paddy Price (VND/kg)	White Rice 25% Brkn. (VND/kg)
Can Tho	1,500 - 1,550	2,200 - 2,300
An Giang	1,450 - 1,600	2,180 - 2,300
Tien Giang	1,450 - 1,600	2,180 - 2,250
Vinh Long	1,500 - 1,600	2,200 - 2,300
Dong Thap	1,450 - 1,600	2,180 - 2,250
Long An	1,500 - 1,600	2,200 - 2,300
Tra Vinh	1,450 - 1,550	2,180 - 2,250
Soc Trang	1,450 - 1,500	2,180 - 2,250
Kien Giang	1,500 - 1,550	2,200 - 2,250
Bac Lieu / Ca Mau	1,400 - 1,550	2,160 - 2,250
Ben Tre	1,500 - 1,600	2,300 - 2,350

(Source : Trade)

TRADE

Export prospects drained away in September as Indonesia pulled the plug on lower-quality imports.

After a six-month period of blistering exports culminating in August shipments of about 640TMT, the pace of Vietnam's rice exports slowed in September to about 300TMT. September deliveries were much lower than expected, as some Indonesian contracts were defaulted on due to Rupiah devaluation and new GOI import restrictions reduced VN prospects. Our estimate of the September's export volume of 300TMT brings exports in the first nine months of 1999 to 3.66 MMT.

Table 8, below, shows that major destinations for export in September are still Africa, Indonesia, Malaysia and Iraq. Table 9 presents VN rice exports in the first 9 months of the 1999 campaign, indicating that about a third of exports are of lower quality 25% broken rice. About 37% of exports through September are 15% Broken or better.

Despite a slower Q4 pace, VN will set another export record.

Current MOT estimates place the 1999 export campaign at 4.3MMT; however, but post projects a total export number of 4.0MMT, as demand for Vietnamese rice has dropped dramatically. Table 10 shows the monthly rice exports for 1997, 1998 and 1999 (projected). Data from Vietnam's Department of Customs show that by September 10, 1999, VN exported 3,642TMT of rice with a value of \$841million. Despite the lull in market activity, traders are generally optimistic that VN find markets for 300TMT-400TMT in the remaining 3 months of the years. FAS/HN therefore adjusts 1999 exports upward from 3.85MMT to 4.00TMT (see PS&D Table). Note: trade data for VN in 1999 rely on a combination of sources: various government offices, members of the trade, inspection services, and port data from SaiGon, Hai Phong, Can Tho and My Thoi. An attempt to disaggregate MRD, HCMC and northern shipments will be made in our next report.

Table 8: Vietnam Rice Exports (Jan-Sep 1999) by Destination

DESTINATION	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	TOTAL
AFRICA	7,750	19,526	8,770	73,132	45,033	74,299	69,426	28,390	28,944	355,270
ANGERIA				8,522		7,017		7,350		22,889
ANGOLA							3,300	8,000		11,300
BANGLADESH				18,213	5,013		50	0		23,276
CUBA	13,030			13,156	67,526	35,124	22,450		20,000	171,286
EU			19,250				14,050	335		33,635
GABON			4,512							4,512
GHANA			12,528			7,000		5,000	4,009	28,537
HONGKONG	450			3,850		5,000	9,500	7,700	7,450	33,950
INDONESIA	8,921		6,200	33,062	48,842	102,114	343,446	455,135	75,873	1,073,593
IRAN				30,093			39,950	23,750	2,004	95,797
IRAQ	44,400	32,950	82,990	72,737	55,386	27,318	10,500	25,756	14,537	366,574
JAPAN		5,022					50			5,072
LATVIA									14,230	14,230
MADAGASCAR										0
MALAYSIA	20,245		21,250	19,249	10,525	6,410	3,280	2,300	22,658	105,917
MAURITIUS					3,340	3,339				6,679
MOZAMBIQUE								12,500		12,500
NIGERIA										0
P A P U A N E W GUINEA					3,000	3,500	3,350			9,850
PHILIPPINES	94,548	125,664	129,583	84,103	29,375	23,972	7,257	5,010		499,512
POLAND		5,400					5,642	14,557	3,910	29,509

RUSSIA								500	3,110	3,610
SINGAPORE	750		6,000	1,530		13,450	10,038	19,286	2,450	53,504
SLOVENIA										0
S. KOREA									10,032	10,032
SYRIA			12,750							12,750
TANZANIA	9,370	12,600		13,031	11,000		5,350	16,500		67,851
UAE								704	2,034	2,738
UKRAINE	540	440	1,050	1,050	8,095	6,032	1,248	3,843	850	23,148
USA							50			50
WEST AFRICA	5,514	32,880	76,433	51,525	113,361	60,916			45,456	386,085
YEMEN	7,350	7,053	3,160		7,585			5,400	2,806	33,354
UNKNOWN	2,250	17,700	16,090	8,690	25,600	34,200	18,524		41,650	164,704
TOTAL	215,118	259,235	400,566	431,943	433,681	409,691	567,461	642,016	302,003	3,661,714

Source: Trade

Table 9: Vietnam Rice Export (Jan-Sep 1999) by Grade

GRADES	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	TOTAL
2%	0	0	8,770	0	0	4,012	0	0	0	12,782
5%	23,489	19,840	71,924	62,221	29,953	44,582	101,616	87,681	59,941	501,247
10%	44,400	55,501	95,004	75,237	56,086	51,672	54,407	78,910	32,770	543,987
15%	118,732	152,114	150,103	118,732	49,645	29,480	60,932	115,930	44,789	840,457
25%	25,247	1,800	21,621	92,403	219,730	156,169	344,932	351,433	103,773	1,317,108
35%	0	0	0	0	0	4,012	1,870	5,690	0	11,572
100% BR.	0	12,280	24,804	60,530	45,392	12,494	1,172	0	13,630	170,302
PARBOILED	0	0	2,200	0	0	0	2,230	2,350	0	6,780
UNKNOWN	3,250	17,700	26,140	22,820	32,875	107,270	302	22	47,100	257,479
TOTAL	215,118	259,235	400,566	431,943	433,681	409,691	567,461	642,016	302,003	3,661,714

Source: Trade

Table 10: Vietnam Annual Rice Exports, 1997-1999 *

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	TOTAL
1997	82	95	297	363	460	525	390	310	303	195	298	262	3,580
1998	207	574	816	699	180	113	127	202	206	209	194	223	3750
1999	215	259	401	431	433	410	567	642	302	110	110	110	4000

Source: MARD, MoT, Trade & FAS/VN

Note: * monthly exports for last quarter are projected.

POLICY

Vietnam raises import duty on rice products.

Decree No.78/1999/QD-BTC(MoFinance:30/07/99) raises the preferential import duty on rice products from 10% to 20%, effective 15/08/99. The import duty on rice seed remains zero percent.

Government reviews price support options for Q4.

The fall in producer prices has resulted in several missions to the MRD to assess the problem. Farmers have voiced support for incentives to buyers. This is similar to the program earlier in the year of interest-free storage loans for up to three months. Although there is widespread support for the plan, the GVN has yet to move because other sectors (sugar, cement, steel) have also complained of low prices.

MoT's proposal for Rice Export Management in 2000.

The following points reflect recommendations put forward by the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Trade (MoT) for the upcoming export management regime. Basically, the proposal differs from 1999's in that the two major Food Corporations (SFC and NFC) are once again placed under the jurisdiction of MARD. Another change is that 90% of the quotas will be allocated to regional authorities at the start of the campaign year. This could encourage more orderly marketing of the crop.

- S** Based on the recommendations by MARD & MoT, the government will allocate 90% of rice export quotas in December 1999 to provinces and cities. The chairmen of provinces (or cities) may re-allocate rice export quotas to their direct rice exporters. They are also responsible for the management of rice exports in their provinces or cities. Rice exports by the Central Food Companies (SFC and NFC) would be managed by MARD, a shift from the current arrangement. The remaining 10% of export quota would be allocated as follows: 5% awarded to state-owned rice exporters seeking new markets and demonstrating good business practices, and 5% awarded to other qualified rice exporters.
- S** The number of direct rice exporters should kept at 47, similar to 1999.
- S** An appropriate policy will be developed to encourage rice exports from northern VN.
- S** Government will provide interest-free loans to rice exporters to buy 1.0MMT-1.5MMT of W-S paddy in MRD for temporary storage, a plan similar to this year.
- S** Designated reputable state-owned rice exporters will be assigned to carry out the G-to-G agreements on rice exports.